

The City Council of the City of Charlotte, North Carolina convened for a Budget Work on Wednesday, April 9, 2014, at 3:09 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Dan Clodfelter presiding. Councilmembers present were Al Austin, John Autry, Michael Barnes, Claire Fallon, David Howard, LaWana Mayfield, Greg Phipps and Kenny Smith.

**ABSENT UNTIL NOTED:** Councilmembers Ed Driggs, Patsy Kinsey and Vi Lyles.

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Mayor Clodfelter called the meeting to order and said welcome to the regularly scheduled Budget Workshop. I don't know whether this is the second, third, fourth or fifth or how many I have missed and I apologize for missing the others, but I think you understand why I wasn't here. So we are going to rock and roll this afternoon. I hope you will forgive me if I am a little rusty at some of the meeting mechanics, but I've got Mayor Pro Tem Barnes right here and I'm sure he will kick me if I get out of line with your meeting dynamics, I will try not to be too far off the page. With that, anything else Mr. Manager, we need to deal with before we plunge in?

Councilmember Phipps said I wanted to take a point of personal privilege and introduce you to the members of the Budget Committee, inasmuch as we've had three Budget Committee meetings leading up to this third and final Budget Workshop. I happen to serve as Chair of the Committee and we also have Councilmember Ed Driggs is the Vice-Chair and we also have Councilmember Vi Lyles, Councilmember Patsy Kinsey and Councilmember LaWana Mayfield serving on the Budget Committee. We've come this far and look forward to the rest of the process. I'm hopeful that during this meeting, I know at the last Budget Workshop that we didn't get enough time to get through the full agenda but I hoped that we would recognize the time; that we have a lot of speakers and be able to get through it in a timely manner; that we can get through the whole agenda and presentations today.

**Councilmember Driggs arrived at 3:10 p.m.**

Mayor Clodfelter said I have to confess that I haven't done my homework and I promise this will be the last time, but I've otherwise been preoccupied upstairs so I think you probably understand. So Councilmember Phipps and Mr. Manager I will have to ask you what is the order of presentation here and how we are going to go.

**I: INTRODUCTION**

**Ron Carlee, City Manager** said we do have a lot of material to share with you this afternoon. I will give you just a brief introduction on where we are in terms of our revenue projections at this point, which is trending in the right direction and then we have two presentations from Randy Harrington with Cheryl Brown giving us a break in between the two of them. The first one that the Budget Director is going to be doing is an update on our Capital Investment Plan. I will go ahead and do a little introduction on these now and then we will just flow right through them. This is a discussion that we had hoped to have had at the last meeting, but we did run out of time and that proposal was already out at your tables and the media had it and there was a lot of media attention around some of the unmet capital potential projects that are out there in a way that caught some Councilmembers by surprise. What we had hoped to have done at the last meeting was actually set a context for that and I apologize we did not get that teed up for you in the right way. I just want to be clear that that list of capital projects which the Budget Director will be sharing with you more and going over them with you this afternoon is not a proposal for a quarter of a billion dollars in new spending in anyway whatsoever. They are not even projects that I am recommending to you at this point. What I'm trying to do with the Council, as I have now gone through my first budget cycle, and have had an opportunity to see what some of the unmet needs are within the City coming out of the recessionary cycle and flat budgets, what are the issues that are out there that are lingering. The reality is there is no city in America that can meet all of its capital needs nor probably should it and I'm not suggesting that everything on this list as a priority and should be done or could be done. But it does lay out for you the issues that are out there so you can be aware of them as I am as we look to the future and hopefully as you sharpen your vision for where you want Charlotte to go next, as you revise your Focus Area Plans, you can begin to frame some policy criteria by which you will be able to select which of these projects do get considered for funding in  
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future budget cycles. There are some modest adjustments that I ultimately will be recommending in this year's cycle, but they are very modest just given significant constraints that we have on capacity.

In Mr. Harrington's second presentation we will share with you some of the same kinds of information on the operating side. Again, not by any means suggesting significant new spending, actually quite to the contrary, I am not recommending any major new spending as a part of this budget, but to help try to get a shared understanding of what the outstanding issues are as we look forward to future years.

Cheryl Brown, in between those two presentations will update you on the City's compensation and benefit system and share with you the analysis they have done with regard to where the market is relative to employee pay and some of the things that we are doing to keep costs down with regard to employee benefits. At the end, if we have time, Mr. Harrington is prepared to go over some of the questions and answers from prior sessions.

With regard to where we are overall from a budgetary standpoint, you have at your table a table with multi-colored columns. What we have done is try to show you how estimates have been revised over the course of budget deliberation. You have the January 25<sup>th</sup> estimate, February 26<sup>th</sup> estimate and now our April 9<sup>th</sup> estimate across the major revenues that fund city services in the general fund. At this point we are looking to be in a good situation. There was considerable attention paid last year when we did the budget and back in January around the thought that perhaps a revenue neutral tax rate adjustment may be needed based on the re-val. I told you at that point that I was not prepared to recommend any tax rate adjustments and as the revenues have been refined over time, as you can see, we are looking at a 1.47% increase in property taxes which is a very modest increase, but I think does eliminate the need in order to fund our committed services with any kind of tax rate change on the property tax. Unless I get contrary guidance from the City Council the budget which I will be putting together for you will not include a property tax rate change.

Councilmember Barnes said I wanted to clarify and I didn't want to have this misinterpreted; you said that there was a 1.47% increase in property tax revenue and that you are not planning to recommend any property tax increase.

Mr. Carlee said that is correct, rate increase.

**Councilmember Lyles arrived at 3:17 p.m.**

Councilmember Fallon said we still haven't adjusted that business license tax thing; are we taking that into consideration?

Mr. Carlee said there is no indication at this time that there will be a change in Privilege License Tax for fiscal year 2015. The discussion that has been taking place in the General Assembly, if they were to take action in the short session, which I do not think is certain at this point, the impact would come to us in fiscal year 2016.

Councilmember Fallon said can we cover it without a tax raise?

Mr. Carlee said if the General Assembly were to adopt significant change the Business Privilege License Tax that resulted in a dramatic revenue loss, which we have heard estimates around \$7 million and \$8 million, the City Council as part of its FY16 budget would need to consider either a tax rate increase or a significant reduction in services.

So, the good news I was trying to share is on sales tax, the economy is trending in the right direction. We had stronger sales tax performance this year than what we projected back during the budget so we are seeing good growth there, which also bodes well for transit. The other increases are good increases; generally speaking general fund revenue increases around 2% and 3% are modest; 3% and 4% are really good places to be and 4% and 5% is a really strong revenue growth. When you are dropping under 2% then depending on inflation, it becomes difficult to sustain operations. So at this point we are looking at a revenue change of 3.25% which is modest growth  
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and growth that we would look to present a balanced budget within those revenues. With that I will turn it over to Randy Harrington to discuss with you more about the capital budget.

**Councilmember Kinsey arrived at 3:19 p.m.**

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## **II: GENERAL COMMUNITY INVESTMENT PLAN**

**Randy Harrington, Budget Director** said I will be covering the General Community Investment Plan as Manager mentioned; this topic was on the March 19<sup>th</sup> Budget Workshop and we weren't able to get to that and again I apologize for that. I want to be able to go through and highlight in really three key areas, but before I do that I do want to note at your table you have a packet, and I recognize that some of you who are using the electronic version, some of the tables will be a little bit difficult to view so we provided some hard copies of some similar information that is already in your packet, but just in a larger form to make sure that you can see that. One includes a map, the other shows the series of the four bond cycle investment years and then some additional information related to operating impacts associated with the adopted and some of the potential future capital investments.

Let me go ahead and start, again, the three areas that I will cover this afternoon on the Community Investment Plan, one, like I said, the adopted, what's currently on the table, that Council has adopted for the prior year, the potential new considerations and adjustments; again no recommendations, but a chance to highlight for you some of those key areas that we are still reviewing. Finally, talk a little bit about the available capital funding sources.

Mr. Harrington used PowerPoint for his presentation to the Council. A hard copy is on file in the City Clerk's office.

The adopted CIP, one of the things that you will recall from our Workshop on March 19<sup>th</sup> was a lot of conversation with the Enterprise Funds around preserving and protecting the asset. They talked a lot about that in the terms of maintaining your revenues and maintaining your assets that then lead to the revenues to support the services and being able to provide the necessary infrastructure and services needs associated with a growing economy. So what is that asset that we are trying to protect with the General Community Investment Plan; and it is really the community itself. What do we mean by that; by preserving and protecting the community? Really I would point to the third main bullet here and there are four areas that really we are trying to preserve and protect. Our ability to improve the quality of life for all residents; the ability to promote and support job growth and economic growth within the community; keeping our neighborhoods safe and then lastly, increasing mobility in connecting; essentially ensuring and helping people to get around safely and efficiently around Charlotte. Those are the four key areas as it relates to the asset and what we are trying to protect with the Community Investment Plan, and again making it attractive for business, attractive for residents and great neighborhoods to live in.

There are six primary goal areas with the Community Investment Plan related to creating jobs and growing the tax base; leveraging public and private investments; enhancing public safety; enhancing transportation choices and mobility; ensuring housing diversity and then the sixth one, providing integrated neighborhood improvements. If you want to summarize this even into shorter, into three areas I would categorize it in these three ways. It is about livability; it is about getting around and it is about job growth. A little bit of history, many of you recall the City of Charlotte has had a long history of capital and community investments throughout the years and these investments have helped Charlotte achieve many of the economic and community successes that we've made to date. As you see the bars highlighted in yellow or orange are consistent with history in prior levels of community investment. This is one of those slides that I know viewers in the audience can't read, but for those of you around the dais we have provided that handout so that you can see clearly the information on the page. It summarizes all of the bond projects and the Certificates of Participation projects; two different types of projects that are included in the overall package for the Community Investment Plan. Across the four cycles, the \$816.4 million total package. The next slides that I'm going to go through are going to focus just on the 2014 investment, the projects that are in this current cycle of investments.

Let me start with the East and Southeast Corridor, starting with Bojangles/ Ovens Area Redevelopment at \$25.5 million. As you recall this is to repurpose the area as an amateur sports destination. There is also land acquisition and street connections and this is the first of two bond cycle allotments and the intended outcome here is to better link neighborhoods along the Independence Corridor; connect Independence Boulevard to Monroe Road to allow for redevelopment oriented toward Monroe Road and away from Independence Boulevard. One of the things I will note too, as I mentioned earlier, the Bojangles Project actually is from Certificates of Participation (COP) which is a form of debt that does not require voter approval, but is one of the tools that the City has traditionally used for some of the traditionally facility type projects and you will see a couple more of those throughout the presentation.

Councilmember Kinsey said Randy, I see \$25 million, where is the other \$500,000 on our sheet?

Mr. Harrington said that is a typo; that is a great catch that should be \$25 million. Thank you for bringing that out.

Mayor Clodfelter said I hope Council will have some patience with me; I'm going to ask some questions just to catch up with you. What is the revenue stream that would support the COP's there?

Mr. Harrington said it is part of the property tax rate increase that was adopted last June, the 3.17% increase.

Mayor Clodfelter said it is not a revenue stream generated out of the facility or its own operations?

Mr. Harrington said no.

Mayor Clodfelter said let me ask you guys to help me sort of get the climate here. I'm going to be looking at these materials, so I may not see your hands go up, so if I don't see your hands go up I'm not ignoring you, but you need to call my name until I get into the rhythm of it; just sort of flag me and then I will know you are out there wanting to ask something. Once I get into the rhythm of things that won't be necessary and I'll be looking around but if I miss you don't just sit there, call me out.

Councilmember Driggs said I do want to clarify on Bojangles; the \$25 million is specifically for infrastructure and site issues, because I believe, in the other numbers that are cited as future needs, there is an additional \$51 million. Is that right; that would pertain to improvements to the actual Coliseum itself?

Mr. Harrington said a different set of improvements have been requested that you saw in your packet. I'm going to touch on those as well a little bit later, but those would be different sets of improvements than what is currently adopted.

Councilmember Driggs said the commitment of these funds relies on the assumption that we are going to be able to do the other things; are they actually connected in terms of the usefulness of the first investment?

Mr. Harrington said they can be independent of each other.

Councilmember Kinsey said this isn't exactly tied to money, but in some respects it is for me. When are we going to quite calling it Bojangles? It is the historic Charlotte Coliseum and if we are going to say Ovens I really wish we would just say the Charlotte Coliseum or something. But my bias goes back to the point where I never wanted to call it Bojangles anyway.

**Ron Kimble, Deputy City Manager** said we will find out the length of that naming rights agreement and how long that lasts.

Mr. Harrington said in the Northeast Corridor as you recall there are two bridges that would span across I-85 to support economic development and leverage private sector investment around the  
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University Research Park and University City Area along IBM Drive and IKEA Boulevard and the two projects there. As well in the Northeast Corridor the infrastructure associated with the Blue Line Extension ensuring that there is adequate pedestrian and motorists and bicycle access to the Transit Stations that are along the Blue Line Extension. There is the Applied Innovation Corridor which is a series of transportation infrastructure investments to support job growth and innovative industries. It includes streetscaping and some street connection and pedestrian, bicycle and motorists connections improvements. Road Infrastructure Projects, we've got Prosperity Church Road, which is associated with I-485 project that the State is understanding that is nearing completion. I think toward the end of this year that interchange and the I-485 loop on the north section of town will be open. This is some of the City investments associated with the interchange and some road improvements in that particular area. We also have the Eastern Circumferential which is a street improvement from Hanberry Boulevard to Back Creek Church Road. It also includes some bicycle lanes and sidewalks. This is associated with the North Carolina DOT double tracks projects with some railroad work that is occurring up there in the Northeast.

Councilmember Phipps said that Eastern Circumferential road project is that only a portion of that Eastern Circumferential Road?

Mr. Harrington said this is a portion of a larger project, so this is just the City's component that we are adding to the project, but it is a much larger project and investment that the State is undertaking as well. They are building a bridge and some other components.

Councilmember Phipps said but this piece, this \$12 million is that for the whole Eastern Circumferential roadway or is this just for maybe certain miles of it that we are going to be paying for?

Mr. Harrington said it is just for this section right there.

Mayor Clodfelter said the map, can you call out from where to where, beginning and ending points, can you call that out?

Mr. Harrington said it is from Hanberry Boulevard to Back Creek Church Road. Then we've got traffic control and bridge devices which will be city-wide investments and then as well sidewalk and pedestrian safety, again city-wide across the community.

Councilmember Phipps said when it comes to the city-wide projects, because I know there has been some concern expressed by maybe a couple of Councilmembers, that it is the perception that maybe some of the CIP projects are not inclusive of certain other parts of town. Can we get a list of these city-wide projects where there may be some activity associated with other parts of town, but maybe not listed in a way; because I noticed on the sidewalk projects it was just a \$15 million figure but it didn't say where those sidewalks projects are? I was just curious as to if in fact these citywide functions or activities, do they cross over to those citizens of those other districts that might feel like they are left out of the CIP.

Mr. Harrington said I'll look and see if we've got a list that shows with some more specificity, I think is what you are getting at, in terms of where. I'll be happy to provide that.

Moving on to Public Safety Facilities, we have the Joint Communications Center to co-locate Police, Fire, Sheriff, 911, CharMeck 311, our traffic management services in CDOT and then our Date Center for the City. This is part of the property on North Graham Street adjacent to the Fire Headquarters Building. The Westover Police Station which also includes a Neighborhood and Business Services Office; these two projects actually are underway and there is some preliminary planning and design that Council has approved for the Joint Communications Center. Council has approved the purchase of land associated with Westover, so those two projects are underway, but I want to highlight the full scope of the projects for you at this particular point.

Mayor Clodfelter said again given the nature of what those projects are I suspect the answer to my question would be that there are not any special sources of revenue for those COPs; those are also General Fund Revenues that back the COPs?

Mr. Harrington said yes. Related to Improving Communities we have the Comprehensive Neighborhood Improvement Program (CNIP) which is really a more holistic approach to addressing the infrastructure deficiencies within the neighborhoods and some of the elements that could be included as part of these investments include streetscapes, intersection and crosswalk improvements, pedestrian refuge areas along streets, sidewalks, bike lanes, enhancing multi-modal access to transit and increase connectivity to education centers, retail centers and other employment centers. As well, Housing Diversity at \$15 million and again this would be a city-wide investment to increase the supply of safe and affordable decent housing options within the City.

Councilmember Driggs said before we move on from that could I just pick up on a point my colleague made about the dispersion; it certainly is in my district a wide spread perception, and if you look at some of the maps, very little of this money is being spent down there and in fact a significant portion of the general fund tax revenues that are paying for it is coming from that area. I recognize some of that relates to where the needs are, but at the same time there's this sort of contrast between our policy on affordable housing, which calls for dispersion and led to a very controversial zoning decision recently in my district, and the allocation of these funds which doesn't seem to regard dispersion of the funds is that high a priority. I would just ask that in the course of identifying the specific projects, sidewalks and other things where we do have need in South Charlotte, that the same criteria in terms of dispersion apply that are used when it comes to other goals of Council.

Councilmember Howard said but I think that is the case. And I was wondering, when it comes to sidewalks, that is all based on criteria that kind of deals with the most needed area first. So many policies like that and others, and correct me Randy, that's already the case isn't it?

Mr. Harrington said there are criteria that are based off of need.

Councilmember Lyles said actually I'm not going to address Councilmember Driggs' comment; what I would like to say is when we are talking about looking at the criteria and where these things are located, to me there is a snapshot of today and then there is a plan that is multiple years, what we've done before and what we are going to do going forward that shows a bigger picture of how we look at needs. I wonder if the request was for what are we going to do this year or what is in the five-year plan and I don't know how difficult and I don't want to make staff work unnecessarily so, but I'm a little bit concerned when we say we are going to take a snapshot of one year when we would look at investments every year for the next five, or we have done for the last five. I don't want more work but acknowledgement that our practices and criteria are consistent and they are more than a year.

Mayor Clodfelter said with your permission and to that point, Mr. Manager I assume, in fact I'm confident, you have a list of current projects and a list of projected future projects. How difficult would it be to make that available to Council if it is not already available, perhaps it is.

Mr. Carlee said it is not a problem.

Mayor Clodfelter said I would suggest that might be a useful exercise and then you can assess the current projects and you can also sort of put them in the context that Councilmember Lyles has talked about. Would Council find that helpful? If it is not, again, I don't want to make work.

Mr. Carlee said it's not a problem.

Councilmember Driggs said I think Mr. Mayor some of that is actually included in the material we have, and I would just point out, I take your point Councilmember Howard, it's just it feels like we have these objective criteria that seem to result in investment being made in certain parts of town when it comes to the spending and then we have stated policy of trying to get the affordable housing everywhere in the City even if it means choosing a less than optimal site just in order to get to a certain part of town. I think it is worth giving a little priority to some spending in the southern part of town just in order to achieve some distribution of the investment.

Councilmember Barnes said what I would point out is that over the last 20-years we've spent over \$450 million in South Charlotte and in fact the Ballantyne Commons Parkway project, there are a

number of ongoing projects down Rea Road, several projects that the City has undertaken in South Charlotte and from my perspective Mr. Driggs what you see is the City trying to improve the entire City. We've spent a lot of money and time focused on improving South Charlotte and now there are some resources and energy being put into improving other growing parts of the City. While I understand what you are saying I hope you won't leave thinking that the City does not spend money in South Charlotte and with respect to the affordable housing policy, the goal there, in part, is to put people who work in service sector jobs near those jobs by allowing them to live near work and to have access to jobs that ordinarily they may not be able to access and also because of the lack of transit lines in certain parts of the City, or bus routes, allowing them to be nearer to their work places. Historically, there has been a concentration of affordable housing in West Charlotte, Northwest Charlotte, Northeast Charlotte and East Charlotte and the Council chose some years ago to make an effort to allow people who work in Ballantyne, for example, in some of the retail facilities, to have an opportunity to live there. The project that you mentioned was the first one that I think we have ever done in South Charlotte, certainly south of South Park. So it was something of an anomaly and I know there are people who think that one project represents thousands and thousands and thousands of units but I believe it was 70, so that is not a very large project. I understand your point but I don't want you to think that we are not investing in South Charlotte too.

Councilmember Howard said my point was something a little different from that one and that was the fact that I would hope that what I didn't hear from either you or Mr. Phipps that we should revisit this whole package when this package has been vetted more than anything I think I have ever voted on. To open that can back up would be, I think, a mistake after we vetted that so much. It is also important to remember that this whole package was put together to relieve the long-term tax burden on South Charlotte or that southeastern wedge that produces over 50% of the tax revenue. The whole point was to pull some more of Charlotte back into play so in the long run we take the burden off of most of the tax revenue coming from that wedge of Charlotte. This is bigger than just kind of distributing money and I would hope that we never again, and I think the packages in the past were kind of approached just to distribute money. This was supposed to be a more intentional way of investing money so that we actually could spread the burden around in the long run. To Mr. Barnes' point he gave you that number that has been invested but we need to make sure we are doing smart investments in the rest of the area so we don't have to come to you and make areas over and over again. Let's just remember what the mission was because that can get lost in doing something like this for years and years.

Councilmember Driggs said I'm not suggesting we tear up the whole plan. I think we are going to need to take a look in the context of some of the other needs the Mayor is going to point out to us today. I'm really just asking in areas of discretion you've got \$15 million for sidewalks, let's not forget to sort of look down in South Charlotte, let's recognize people down there feel the burden of the taxes they pay and if you look at the map of the way the \$816 million is being spent, it is blank down south. There is I think one fire station if you look at the map and also if you look at \$500 million in education bonds that were recently approved and you identify on the map where that money is going there is also empty space down at the bottom. I'm just saying maybe we should give a little thought to allocating money just to achieve the goal of fairness in dispersion aside from the recognized priorities that are the basis for the decisions we've made.

Councilmember Phipps said I just want the record to show that my comments, I didn't have any inference of wanting to revisit or redistribute any kind of preapproved CIP.

Councilmember Fallon said Randy part of that sidewalk money is to go and cure a problem we had with deaths; is it not, on West Boulevard?

Mr. Harrington said that funding has already been approved.

Councilmember Fallon said it has been and it is in ... now?

Mr. Harrington said that project is underway in planning and design. It is underway, I don't know exactly what stage it is in right now but Council did approve some prior funding for that so it is not part of the new piece.

Councilmember Howard said the only thing I would add to that is what I was trying to say the first comment was that because we have policies and criteria in place already for things like sidewalks, if the needs are in South Charlotte they will go to South Charlotte. What I was hoping you were not saying that we should tweak that rule just so we would spend some in South Charlotte. The sidewalk money and some of that money should just go where the biggest needs are and that is the way those programs are set up. You mentioned some of the fire stations and some of the other things you mentioned, most of what I've seen when I ride down there are brand new so you've gotten a lot of new things. Some of these areas have not seen replacement and the reinvestment for years. That is the only thing I would add and I'm hoping you are not saying that we should tweak just so the end result is something that doesn't go to what the City's needs are.

Councilmember Driggs said I'm not trying to have the last word, but it is not about tweaking, I'm just saying that if we have a policy that says we are trying to achieve dispersion in some areas regardless of whether that happens to be the absolutely best place for a certain kind of housing, then we ought to have some allowance also if we are trying to invest everywhere, and there are needs down in South Charlotte.

Mayor Clodfelter said I would find this discussion helpful to me again Mr. Manager and Mr. Harrington if I could compare this to the concrete projects and the criteria and then the longer term and see if there is any mismatch that we ought to pay attention to. Perhaps that is just me that needs that.

Councilmember Barnes said this is actually something that is very difficult to move on from with respect to my friend from District 7. Mr. Driggs the concern that I have is that you are leaving this impression that the City does not or has not invested in South Charlotte. Nothing could be further from the truth. The fact of the matter is that when this CIP was originally conceived a few years ago our staff struggled to find hard projects to do in South Charlotte because so much has already been done. When I was a District Rep I would have killed for the streetscape and some of the landscaping work that the City has provided in South Charlotte. You are fortunate in that Smokey Bissell and others have taken it upon themselves to beautify South Charlotte so you have a lot of private sector investment down there and now we are investing, as you know, in the road work in Ballantyne, but I don't want you to think that the City has not invested. The reason South Charlotte looks so nice in many respects is because of the City. There is a lot of private sector investment down there, but don't think that we have not invested and to David's point, we had hoped that by investing in the Crescent Area that we would not have as much of a burden or create as much of a tax burden on South Charlotte as we historically have. So if for example the Cross Charlotte Trail is successful, the Blue Line Extension and the work along it are successful that you have people making investments there to buy homes, building homes, creating businesses that would increase the tax revenue that we see from around the City and not just from that wedge area. A lot of what you experience down there or see is because of the City, it is not just by chance that things are nice.

Mayor Clodfelter said yes sir and then I'm going to suggest we know where we are, each other and that we might sort of profit from being mindful of issues we have to pay attention to on this very important question. It has a real déjà vu sense to it.

Councilmember Driggs said I would just like to acknowledge my colleagues point; one of the reasons there has been so much investment down there is that most of the area where I live was farm land 20 years ago so it is newer. That means that the needs are less; I would never contend that we need to see a pro rata share of the money spent, but if you consider that the property value base that we have is about \$800 billion. In practice the amount of money you would have to invest in order to have a meaningful impact on how the burden is distributed of property taxes, it is astronomical. If you actually do the numbers and look at the percentage change that can be traced to these investments in terms of the roughly 50/50 split between the wedge and the Crescent it is minimal. I recognize the idea behind that argument, it doesn't actually stand up to quantitative analysis and all I'm arguing here is that as we identify these needs we are mindful of the fact that a substantial portion of the tax base lives in South Charlotte and certain needs down there ought to be met.



Councilmember Autry said I will just offer this that such an analysis of what this investment is to return to the community at large has been done and was done over the last couple of years to get us to this point to get this Community Improvement Program approved.

Councilmember Austin said the only thing I wanted to say that is this CIP is designed to ensure that all of Charlotte, not necessarily that we want to be like Ballantyne, but that all of Charlotte looks great and when all of Charlotte looks great then we attract more people, our tax base increases. The intent of this is to make sure that all areas of Charlotte are vibrant, are productive, are efficient, have great neighborhoods and all those types of things and many areas of Ballantyne in your District, yes, they are newer but the intent, the spirit of this is to make sure that all of Charlotte looks great and can be vibrant. That would be my comment Mr. Mayor.

Councilmember Kinsey said me too.

Councilmember Mayfield said ditto.

Councilmember Smith said ditto.

Councilmember Lyles said I think about the Beatties Ford Road area when there are houses like Myers Park surrounding it and when the Federal Government decided that there would no longer be federally backed mortgages for those properties in the 1940's those properties that were beautiful mansions became rooming houses, so sometimes it is just the luck of the time that you have and the draw that you have, and then how do you deal with it. Yeah, we had farmland in South Charlotte, but we had beautiful opportunities in the inner city that were changed by governmental policy as well. Sometime it is just where you were at the time and I don't know how you balance it all, but we've all in some ways gained or lost because of who we are and the time that we live in and we are just at this place right now.

Mr. Harrington said if I could transition just a little bit.

Mayor Clodfelter said the good thing as I said is that you are still talking about the important things. These are the debates we had and you are still talking about the important things. That's the good news.

Mr. Harrington said in your Community Investment Plan you have two components, you have a debt fund component which is the piece that I just talked about and then you have cash funded component or Pay-as-You-go Program (PAYGO). Just real briefly, the Budget Committee got into this in much more detail in their last meeting, but just a brief overview. It is a program that is typically funded from annual reoccurring revenues that are dedicated to going into your PAYGO program plus some one-time funding sources. You see on the slides, the primary funding sources that go into the program and then some of the example expenditures. Again it is a consistent and flexible funding source to meet some of the needs that are smaller, but really not suitable for debt type issuances. This is the 5-year currently adopted PAYGO Program and it equates to about a \$52 million a year program, an annual program again and there just kind of highlights one-time sources and reoccurring sources and of course the one-time sources are always used for only one-time type needs, so good budgeting practice from that standpoint.

I'll transition here a little bit again and the Manager commented about the potential new investment considerations and adjustments. Again, no recommendations but just an opportunity to show you the menu of potential needs that are out there in areas that have been identified by departments as kind of bubbling to the top let's say. Again, staff is continuing to review these and analyzing. We won't be able to do all the investments, but want to give you an opportunity to share and be transparent about what some of those current and maybe potential down the road, even up to ten years, potential items that could be out there. This is just an overview slide of the next 5, 6 or 7 slides that I will cover briefly, but this groups them into the overall buckets of potential considerations and adjustments. You might ask how these come about and really as it is in each budget cycle you have new information that comes about and potentially new opportunities to take advantage or to adjust and make sure that the capital program and the Community Investment Program really reflects the needs and desires of Council as well as the community. We've got it grouped into Neighborhoods and Housing Diversity, Transportation, some Police Division Station  
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considerations, Joint Communication Center; one consideration associated with that; the Cross Charlotte Multi-Use Trail, an opportunity to advance some funding in the southern portion of the City and then Facilities/ Equipment Studies, Technology and then some other City facilities that the City owns. In the next slides you have ahead of you, I won't go into detail on every item. There are quite a few items that are listed, but what I will do is highlight the ones that I think the Manager would characterize as ones that are receiving the highest level of consideration in review at this particular point. I want to highlight those for you as I walk through.

Councilmember Howard said Randy help me be clear on what we are talking about right now. It is \$248 million and on top of that the 6-year bond package that we talked about last year. So these are adjustments to that program; help me understand what this is now.

Mr. Harrington said you will see as I walk through there will be some potential small adjustments I would call them, some tweaking, but the other items are outside of the Community Investment Plan in terms of the \$816.4 million plan that is currently adopted. There are some PAYGO elements; there are some sources that might be funded from other sources outside of the sales and property taxes that you might consider. It is beyond what is adopted.

Councilmember Howard said if we had that \$900 million number or whatever that number was, this is not plus that?

Mr. Carlee said you will see at the end of this part of the presentation what additional capacity we may have beyond the CIP that you adopted last year. If you were to fund all of this, which you could not do; there is no way that we can do this as a City responsibly in my professional opinion. It would be on top of the Community Investment Program you've approved, \$868 million or whatever, but I'm not recommending that we increase that program by a quarter million dollars because we don't have the capacity to do it. We will show what incremental capacity is available and what we are trying to do with this list is to show you the large menu of issues that are out there. The menu of issues that are out there, in every city in America will exceed its capacity to implement, but I want you to have the full understanding of what the competing priorities are, so that as you have opportunities to make adjustments you are seeing the whole picture and not just part of the picture.

Councilmember Howard said what you are saying is this is somewhat a wish list and need list and you are going to explain where they came from and then you will tell us what you suggest we do off of it.

Mr. Carlee said that is essentially the case.

Councilmember Driggs I want this clarified first; this \$248 million is in lieu of the \$290 million and I expect you will explain the other facilities change that doesn't represent that difference. What I'm wondering is; as I look at some of these things they do strike me as being things we are really going to want to do and in fact there might even be a timetable associated when we would likely want to do them. I think we need to look harder at how this does relate; it is absolutely additional to the \$816 million. Is there any question for example that any of these items should be looked at in competition with the list that is already on the \$816 million CIP; that we should consider reprioritizing and advancing some of this and perhaps demoting an item that is on the \$816 million list?

Mr. Carlee said I am not prepared to make that recommendation and I would do so with great hesitation. I think once a city deliberates on their Community Investment Program and actually adopts it and makes a commitment to the City and the neighborhoods that would be affected, it should be fairly significant circumstances that would lead us to adjust the program. At this point I do not see anything on this list that is of such a compelling case that it would warrant recommending that we take something out that we've already committed to the City to do. That would be a really big hurdle because I think it is a confidence and trust issue in terms of commitments once we actually adopt it within a Community Investment Program.

Mayor Clodfelter said but you are offering this so that if the Council determined that it wished to undertake that difficult exercise it would have sufficient information before it to do so responsibly.

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Mr. Carlee said ultimately that is the policy decision of the Council. As you will see, you do have some increased capacity as well and so as you have changed circumstances or increased capacity then you have the opportunities to tackle some compelling priorities.

Mayor Clodfelter said that is a good clarification, thanks. Does that help with where we are in the process? I think if this body were to decide to reprioritize that would be the policy, but the Manager has said to us you should do so only after great consideration and deliberation.

Mr. Harrington said the Neighborhood and Housing Diversity, one of the considerations; this is actually building off of one of the policy commitments that Council made last year as it relates to the Rental Assistance Endowment. This has been retitled A New Home Program some of you may have heard that already, but the City Council has already appropriated \$2 million toward a \$10 million pledge. This is in association with the Foundation for the Carolinas, Mecklenburg County and of course the City. The remaining is \$8 million that is related to that particular pledge.

Councilmember Fallon said Randy is that that \$2 million from last year that we approved and it doesn't include this?

Mr. Harrington said right, this is the remainder of that pledge.

Councilmember Barnes said on that item a couple things, one, we put in \$2 million last year and what has the Foundation raised so far?

Mr. Harrington said I don't know that number off the top of my head but I will be happy to ask them and find out and report back to Council.

Mr. Carlee said it is a significant amount, but I can't remember off the top of my head either.

Mr. Harrington said close to half or more; \$7 million?

Mayor Clodfelter said say it again; I don't think the number got clearly said.

Mr. Harrington said \$7 million of the \$20 million total.

Councilmember Barnes said the other issue is that I noticed a lot of new labels in this package and a lot of these names have changed. I remember when the Housing Trust Fund became the Charlotte Coalition for Housing and now this has moved from Rental Assistance Endowment to A New Home. The CIP is now the Community Investment Program. We change these names without really telling us sometimes and when I see these things I wonder what they apply to, and it is something that we perhaps had before but the names keep changing. I don't know why, I guess it is a marketing thing, identification rebranding, but appreciate the fact that a lot of us have to deal with the old names and the new names and the changes.

Mayor Clodfelter said code sheets would be appreciated.

Councilmember Mayfield said this is following up on Mr. Barnes' comment that initially we committed \$10 million, and I had the same question with the name change that this was additional. I thought originally when we committed the \$10 million we committed the \$2 million over a period of time so now we are looking at identifying the full balance of the \$8 million or are still looking at breaking that up?

Mr. Carlee said we would still be looking at breaking it up and that same concept should be taken into account as you look at subsequent projects in here. When you see a number it doesn't mean that you need to do that full amount at any one given point in time. It is just showing what the full magnitude of the project may be. The anticipation on this specific one was \$2 million per year over a five year period.

Councilmember Kinsey said unless it has changed, and I can look at Pam Wideman, I think what they are calling the Rental Assistance Program is A Way Home.

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**Pam Wideman, Neighborhood and Business Services Supervisor** said yes.

Mr. Harrington said one of the other areas in Transportation, the Neighborhood Transportation Program; this is for some programmatic transportation funds to address unanticipated or unique neighborhood mobility and safety needs. Some of these elements used to be funded in some of our prior Community Investment Plans, they are in the current one, and it could include items such as traffic calming, state participation where the state has a project, we have an opportunity to partner with them, some minor roadway improvements, public/ private partnerships, new opportunities that come about and then the City's Bicycle Program.

Councilmember Phipps said so are we saying that these monies for use like we have to double track project over in northeast off Old Concord where they are going to be closing some roads. We had a meeting last night and the people need to know when they close these roads what is going to be the plan for traffic flow, will they get temporary stop lights or whatever that's needed to help facilitate traffic flow. Are you saying that these are the types of funds to which we could tap to help with some of that associated traffic imbalance as a result of state projects or rail projects?

Mr. Harrington said if they are small in nature; the intent of this particular program is for a smaller projects where you need some flexibility and often times they are for projects that you don't anticipate right now, but in 6 or 9 months an opportunity may come about, maybe related to an intersection, something smaller in nature and it just gives Council some flexibility to address those particular needs. As the Manager pointed out this is \$37.5 million over a long period of time, not recommending that you do that all in one particular time.

One of the other potential considerations related to the Police Division Station construction revising the priorities, I want to be clear no change in funding, but just some changing in the ordering of the Police Stations surround delaying the New Park South Division Station to a future funding opportunity and replacing with the new, and here is where I need to make a correction Ms. Kinsey, it is the new Northwest Division Station in 2020. Again, no funding changes, but you see on the left side of the slide the currently approved slate for stations and then the proposed here or requested reordering there with the particular stations. Can you see there which ones are the new divisions, those new divisions would require a compliment of officers; typically, that's about 100 officers and associated equipment. The other thing I would just briefly note, each one of these stations does have operating expenses associated with them in terms of maintenance and operating, typically in the \$150,000 to \$200,000 range.

Councilmember Howard said that is interesting, this is a request for the new station and the police at the same time?

Mr. Harrington said I just wanted to be transparent with Council that Council committing to build a station, down the road what you would see then is the Manager in future budgets incorporate those elements and being able to operate the station once it is ready and on line.

Councilmember Howard said let me make sure I'm clear, so how many stations are new, two? Am I seeing a new Park South and a new Northwest, so those are not replacements, those are stations that don't exist today at all?

Mr. Harrington said in the Northwest case we do have a station out there but it is not a permanent location.

Councilmember Howard said I'm thinking of officers now so which stations are new that are not replacements and would need 100 officers? Is that one or two?

Mr. Harrington said which ones are new and not replacements, that would be five of the six in each category.

Mayor Clodfelter said let me ask the question this way; what is the net difference between the two columns in terms of the operating budget impact?

Mr. Harrington said no difference. You would have the Park South Station was a proposed new division in the South and this is a new proposed new division in the Northwest.

Mayor Clodfelter said so the net operating budget would be the same.

Councilmember Howard said we are taking into account adding money to the operating budget at the same time we are talking about this and I'm trying to make sure Mr. Manager where does that come into play?

Mr. Harrington said one clarification too Councilmember Howard and that is a great question, for example this Northwest Division Station, that probably wouldn't come on line until 2020 or 2022 so you are a long ways out in that particular standpoint.

Councilmember Howard said some on projected dates would have been really good, so that is the potential of 500 new officers.

Mr. Harrington said just 100.

Councilmember Howard said so it is only one that is new, the rest are replacements.

Mr. Harrington said you would use the existing officer compliment to fill that station.

Councilmember Howard said you've got new division on both of these; new division on Park South and a new division on, so that one goes away.

Mr. Harrington said yes, this one would come off the list and we would consider it in some future point.

Councilmember Howard said you would consider it; when you said the left I thought you were, okay so you are replacing the ones in this CIP with this Northwest, alright.

Councilmember Smith said how does removing the Park South Police Division reconcile with the statement that we don't want to take anything away from communities that have been promised something?

Mr. Harrington said they are still going to have the same level of officer compliment so to speak in that area, so no reduction at all in any level of policing.

Councilmember Smith said we'll stay on top of this one.

Mayor Clodfelter said does it just mean they are working at a different location?

Mr. Harrington said correct. In this particular case it is actually splitting a division.

Councilmember Smith said which divisions are we splitting?

Mr. Harrington said it would be the South Division.

Councilmember Smith said where exactly was the proposed?

Councilmember Kinsey said it's on the map, the first map.

Mr. Harrington said you see there is a blue dot in the southern section and the orange line going down which is the Cross Charlotte Trail, toward the bottom to the left is a blue dot.

Councilmember Kinsey said it is not a dot, it is a star. Stars are the police stations and there is a star on Rea Road/Colony Road and a star where it says Bryant Farms Road.

**Bill Parks, Capital Budget Coordinator** [comments inaudible]

Mr. Harrington said both stars as it is in the current plan.

Mr. Carlee said what I would like to ask the Council, if I may, is to get back with you with additional information on this one. This was driven largely by an operational reassessment by the Police Department and let me ask them to pull that together into more detail for you around what was driving those decisions and recommendations so that you can be better informed in terms of advice and whether or not an adjustment ...

Mayor Clodfelter said I think that would be useful. My sense is that some of the questions are coming because the information is in disparate places and we don't know how to connect it.

Councilmember Kinsey said I have a suggestion for doing that; down at the bottom of the page we have a star, additional operating budget impacts expected, but in some of these existing, like Hickory Grove, Independence, those are existing stations. All I want to know is we say we are going to use the existing police officers, but then it's got additional. Just clarify it.

Mr. Harrington said we will clarify that in our follow up. One of the things we've been experiencing, these stations are typically larger in square footage size and just the operating and maintenance associated with those stations. There is some net savings that you take from an existing location and you apply it to the new, but the net is still somewhat of an increase.

Councilmember Fallon said I don't understand the Northwest thing because that is the fastest growing area. That's got Northlake Mall, Highland Creek, all those new developments and it was originally the largest police district to begin with; why isn't that priority? Who did these?

Mr. Carlee said that is what I will address in the discussion I will bring back to you from the Police Department.

Councilmember Fallon said I don't understand the way the priorities are when you have the largest district to begin with which is now filling up with people and you put it at the bottom of the list.

Mr. Carlee said understood.

Mayor Clodfelter said I think this is useful help to clarify this. Is there anything else on this topic before Mr. Harrington moves on?

Councilmember Phipps said I know this might be blasphemy or whatever, but I was wondering are we carefully looking at redacted use of some of these distressed centers that we have in some corridors for facilities like this. I know sometimes they say well, it costs just as much to up-fit as it would just to do a whole new police station. I would hope that we are really taking a careful look at some of these centers that have massive amounts of space, parking area and seeing realistically if it's something that can be done or not, not just paint a broad brush and say it costs just as much to build a standalone building as it is to just look for a redacted use.

Mr. Harrington said in the interest of time I will touch on the items that are receiving the highest level of consideration for FY15. Let me jump to the Cross Charlotte Multi-use Trail, and really this is a unique opportunity to advance some funding to better compliment current County construction timelines, particularly in the south. The proposal here, or the thought, is to not add any new money, but shift a portion of the \$35 million that was scheduled for the 2016 bond, move \$5 million of that up into 2014 to do some planning and design and a little bit of construction. You have a map here that shows the red areas are the County funded which are in design and construction.

Councilmember Driggs said the Joint Communication Center, I wanted to get back to that, I'm sorry, but the \$10 million for greater power and HVAC at the Joint Communication Center, is that really that optional? Isn't that something in which we are investing right now and is the \$10 million actually needed in order to see that through to its intended completion?

Mr. Harrington said that is what we are evaluating right now as part of some of the preliminary planning and design that has been undertaken so far. One of the areas that they've identified is not

enough cooling capacity; HVAC capacity associated with what is planned for the Data Center, as well as power capacity. That is being evaluated right now and that is a preliminary estimate.

Councilmember Driggs said I just want to point out this is the kind of thing I'm concerned about, where this optionality may not be as short. The question we are going to get to at the end of this is okay, there is \$250 million, where are we going with that and I look at something like this and to me this thing needs to be put into the context of a more specific timeline and we need to think harder about how to pay for it.

Mr. Harrington said just to point out, what the request here is, is the City would, as part of that \$5 million of advanced funding, do some planning and design and some land acquisition Brandywine to Tyvola, circle there and then just north of the Uptown area in the area of Cordelia Park, some planning and design and a little bit of construction and then some funding for overall for some planning and design along the other portions where the City would complement the efforts of the County is putting forth for the trail system.

As it relates to facilities I will point out a couple of items; the first item, the Americans with Disabilities Act Investments, these are really focused around our City facilities where there is public use and involvement and ensuring that we meet the standards that are outlined in the Federal Act. Scrolling down a little bit further, we've had some conversation around the Central Division Police Station. As you will recall this is just right off of Tryon Street. The current owner, Bank of America, has indicated its intent to sell the building and the City currently leases that. We are having good conversations with Bank of America and other neighbors and we think we've got extension of time to be able to work through an option, but this is an initial component and we will be coming back to Council once we have some more information and some details about that particular station. Scrolling down a little further to Police/ Fire Academy Land at \$200,000; this is for potential replacement of the Animal Shelter.

Councilmember Smith said I'm trying to reconcile with these different slides, would the Central Division and losing that station possibly not put us with over allocating the other needs on the Police Stations, would that not become a priority?

Mr. Harrington said that is one of the considerations yes. Should it be ruled in or any of the new available funding sources that I will cover here a little bit later, could any of those be used; that is part of the conversation.

The last one on this page, the Zoning Ordinance Study and Revisions; the current Zoning Ordinance is over 20 years old and so given some of the urban design and development issues over this time and today an update would help to provide clarity and provide a better usability and customer experience for those in the zoning process. Looking at the Government Center, you may not believe it but is 26 or 27 years old and I can tell you having moved into a house that is 26 years old just in the past year and a half, the bones are still good, but it reaches that point where a number of items just need some refreshing and some maintenance. This is a long list of items and we would likely not do all these items, but wanted to share with you some of the potential areas out there where there could be some potential investment need. A couple that I will highlight briefly; elevator upgrades, we all use the elevators every day and they get a lot of heavy use. They have not had a major refurbishment in the life of the building and so one consideration. Another consideration related to the re-caulking of the exterior. There is a silicone caulking that lines the entire building in the panels and windows to prevent deterioration and protection from the elements. The caulking lasts 20 years and we are at 26 to 27 years so the building is in need to have that type of maintenance done to ensure and protect the asset of the facility that we are in here today.

Councilmember Phipps said I know Mr. Harrington, prior to this meeting we met briefly, but no matter how you spin it to the public I don't know how we would be able to justify \$800,000 in blinds. I just don't see how we could; I mean I haven't figured out a way how we could do it. That seems like an awfully lot of money for some blinds.

Mr. Harrington said there are a lot of windows in this building.

Councilmember Phipps said all I see is they are raised up and look out and see the view but I guess that is coming from a person that has got a windowless office.

Councilmember Mayfield said if I'm understanding this correctly we are looking at a wish list and some things that we may need to consider in the immediate future. I have a concern that we are not breaking out because some of these costs that are listed just on this particular slide are things that I am assuming we are sharing the costs with the County since they also are utilizing a lot of these same services and a lot of the same floors since we do share this entire building. Is this just a breakout of what our percentage of the cost is, or is this the total cost? For example, looking at blinds, what is the total costs of these blinds, what floors are we covering for the City and are we having conversations with the County as far as what and any other user in this building are we having conversations with them as far as what they financial buy-in for these upgrades are going to be?

Mr. Harrington said we are, and this is the total cost, the full cost. The County and CMS would pay a portion of the costs and in fact we have a meeting scheduled next Monday with Dr. Morrison and the County Manager to cover some of the needs associated with the building and to have some additional conversations around those. It is time to have those conversations given the age of the building and what we have before us.

Councilmember Mayfield said are you all planning to bring us back the actual numbers that we are looking at, opposed to the total costs because there is a big difference in this conversation of saying from the City there is the expectation for us to identify an additional \$1.2 million for Plaza renovation when that actual costs may be \$400,000.

Mr. Carlee said this project as with others, it was never the intent to say the City has to come up with \$36 million or has to do any of these projects, but to help provide background and share information about what the needs are that are out there. In this example, this would never be a one year \$36 million project. I would not recommend that and I don't think we need to do that in this building, but what it is to flag to you is that at the current age of the building we are going to have to engage in some priority multi-year investments in order to sustain the asset. What Mr. Harrington identified just a moment ago as what we are beginning to see as some purely high priorities for us, in the shorter rather than longer term, are the, I would say, the re-caulking on the exterior because once you begin to get water intrusion then you've got significant problems that are very difficult to fix. The re-caulking I think is probably one of the more significant ones. The elevator situation, we know what it is when they go out unexpectedly and that is likely to get worse with us. HVAC system is not particularly efficient in this building, it doesn't allow us to have the level of control on a floor to floor basis, but that is a very large ticket item. What we would look to do is to use our professional building maintenance staff to prioritize what the issues are, to talk with our other tenants in the building and to develop a multi-year plan to strategically invest in a way that will provide us the best protection for the building within the funding capacity that each of us have.

Mayor Clodfelter said I think maybe Ms. Mayfield is on to this one; it sounds to me like this one is not ready for prime time and maybe that this would not be an item, unless you thought that the Council ought to look for its expansion monies at a particular line item, this one may not be ready yet.

Mr. Carlee said not in the aggregate by any means, but as I'm sorting through and getting more information, and I look at our capacity, something like exterior caulking for instance is something that I would look at probably bringing to you perhaps even as an adjustment to 2015 if the capacity was there, but knowing it probably had to be done in 2016 or 2017.

Mayor Clodfelter said I hear what you are saying and what I understand you are saying is and I want to talk to all who had questions because I want to stay with Councilmember Mayfield's point. I think then maybe the most useful exercise with this is you've told everybody what the building needs and the question the Council has got is what would you want to do with any expansion money maybe next year and so maybe a follow onto this would be what are the highest priority items if they had extra money and they wanted to spend it and what would the City's share of that likely be.



That would be a useful way to develop this. Did that help anybody with the questions they wanted to ask?

Councilmember Kinsey said architecture is important to me, those of you who know me know that. Civic buildings are very important; this is a civic building and this is the Government Center, and I just caution us to not be cheap. It is a beautiful building; it has withstood its test of time and for us to go in and not do the right things. I personally think this carpet is awful and to have somebody down in the basement to pick carpet for everywhere is just wrong. I don't know that somebody, well I think I know who did it but I think we need to be careful because the public uses this building so I would caution us. Not only this building, I think one reason we are investing in fire stations and police stations is because they represent the government and I think it is really important that we maintain this building and restore it very sensitively and I know we are not going to spend a chunk of this whole in one year.

Mayor Clodfelter said I don't take issue with a word Councilmember Kinsey said; I think she is absolutely dead flat right, but let me tell you something, if you think this carpet is bad you guys haven't been around the Legislative Office.

Councilmember Howard said the only thing I want to add to that is, because you are right, all I want is to put this one out a little more, is understanding what our lease agreements are. We own this building and they are renting from us and normally the way that would work, unless it is an arrangement like we have with the Bobcats where they agree to pay for stuff, when you own the building you maintain it, you lease it back and you go on the rates when you need to pay for it. Is that the arrangement we have and do we have an arrangement where they actually agree to over time to help with replacement costs. You don't have to answer me now, that is just a question I have going forward that I would like to know more about. Who else rents from us? It would be them, CMS, the Governor's Office and whoever else is in this building.

Mayor Clodfelter said the Governor's Office has all sorts of money.

Councilmember Driggs said I'm looking at the \$20.6 million and from reading the detail it looks like \$17.4 million of that is for planning fees for new space utilization standards and \$3.2 million is the actual conversion of two floors with additional amounts needed for other floors. For one, \$17 million sounds like a lot for planning fees for new space utilization and also I'm wondering how many other floors do we need to anticipate.

Mr. Carlee said I would say on floor configuration I'm not prepared to recommend any at this point. I think that is one that will require some more research and anything we would do in terms of space configuration, what we would be looking for is to get greater efficiency out of the building in terms of the numbers of people that we can house and to look at potentially having some savings where we have people otherwise housed.

Councilmember Driggs said I would just mention it says fiscal years 2013 to 2016 here and that is the kind of thing that triggers these questions.

Mr. Carlee said understood.

Councilmember Fallon said what line are computers and copiers on?

Mr. Carlee said they would not be part of the building renovation; that would be done as a part of equipment replacement that would be budgeted separately.

Councilmember Fallon said where are they going to get budgeted?

Mr. Carlee said they are budgeted mostly in operating.

Councilmember Fallon said are they in operations?

Mr. Harrington said yes.

Mayor Clodfelter said Mr. Manager I think I have a sense of sort of what this discussion might go to and I think you do too; do we need to talk more?

Mr. Carlee said I'm prepared to go forward.

Mayor Clodfelter said a media term focus, City share.

Mr. Harrington said a couple items related to technology; you've heard us talk since January about the E-Agenda and I'm looking to streamline the Council Business Agenda process and increase the ease of use. Also a couple public safety related items, the Public Safety Radio Network Redundancy; this is really a back-up for Public Safety Radio System and it is really to ensure uninterrupted service in times of emergency. You always want to have a back-up in emergency situations and this would help us ensure that capability. There's also 311/ Government Center Network Infrastructure Upgrade. Many of our switches, so to speak, that handle a lot of the data are 10 years old, so it is time to update those, in particular some of the need around voiceover IP. We currently don't have some of those capabilities right now with the existing switch technology that we have.

Councilmember Howard said what you are not doing is talking about what the sources are right now. Some of these things seems like they would go in the operating and PAYGO, not necessarily Community Investment Program. Is that what your thinking is or all these potentially the only source would be, well yes, additional operating budget impacts, I'm sorry this might answer my question. You are looking at a variety of sources, not just additional capacity we have for capital, right?

Mr. Harrington said we are looking at, and I will get to it in just a little bit, a couple more slides, are the four main areas of sources that we would look to.

Mayor Clodfelter said we are going to back up to the building renovations because Mr. Barnes did have a question he wanted to ask there.

Councilmember Barnes said Mr. Manager and Mr. Harrington, one of the things that strikes me is, and I read the backing materials for the projects, some of these are much more important than others. For example, I thought some of the infill fire stations were important. We know there is a new station needed in the Northlake Area; the elevators are a big deal; the caulking for the building is a big deal; the fitness center is not as big a deal as compared to fire stations and the building itself. It is important, but not as important as keeping rain water out of the building, right. In my opinion, this almost would have almost been a better dinner presentation because I'm thinking about the 2014-2015 budget and to get it during this Budget Workshop made me initially think when I read the materials that this was going to be something that you guys would want to pursue in the short term, and perhaps you do. But question for you, would it be feasible, possible for you to take the \$248 million in capital needs and provide us a separate presentation on potential funding sources over the next 5 or 6 years, whatever the period of time might be, but to give us that. If I think about the tax rate and what you get for 1/2 a penny or 6/10 of a penny it might cover it but I don't know, or a penny, but it would help us to have that in mind going into future budget cycles because right now we're spoiled by the fact that you told us you are not going to recommend a tax increase, which is great. As I recall at the end there is no capacity to fund the \$250 million capital package, but it would help me if you were to take this list of needs and just tell us this will be a 1/2 penny or a penny and 1/2 whatever it might be and the Council may want to consider programming some funds, creating a new bond package beginning in X year so that we can grab it that way and then we could go through and strike things that we may not necessarily believe are priorities or to Ms. Mayfield's point figure out what the County and CMS would owe us on the \$800,000 blinds that Mr. Phipps talked about because they share in some of these costs as well. I think you ought to take it, separate it a bit, tell us what it would cost and then let us work on it.

Mayor Clodfelter said that is good observation; let's go back to technology and Councilmember Mayfield had something there.

Councilmember Mayfield said looking at the last line item, the Resiliency, Redundancy, Security and ongoing Equipment, when you go into the breakdown of what that looks like there is also the  
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additional annual operating expense. So this snapshot of that figure does not include the fact that we are looking at additional staff that will be required to maintain and the upgrade and expanded equipment infrastructure so there will be an additional costs on top of that. When we are looking at this new report out, it would be helpful to know that along these requests there will be additional operating as well and what that potential impact would be. Just so that we have a clear and as transparent as possible, what are the dollars that we are looking at in totality and not just breaking it up and saying this is going to come from this line item so that we can have a clearer picture to take to the community?

Mr. Carlee said understood.

Mr. Harrington said there is some information in your packet that has some of that operating information in there.

Mayor Clodfelter said but is it connected to each item so we can cross reference?

Mr. Harrington said it is. One other area just in terms of potential future considerations; you've already had some conversation or at least heard about this in the papers and I think the Economic Development and Global Competitiveness Committee has had some conversation around the Bojangles piece. The two facilities the City owns, the Bojangles Coliseum and Time Warner Arena, as you recall in the previous version there was \$51 million in long-term capital needs that were identified really in an all-inclusive type package and Phase I, which Mr. Kimble has been a part of, and the proposal from the CRVA was to address some of the core fundamental components of the infrastructure required to keep that facility operational. That has since then been revised down to \$12 million for what is called Phase I Component, but that is highlighted here for you. The other component there is the Time Warner Cable Arena and again here the goal is to keep the facility well maintained and with functionality and aesthetics that are consistent with the prevailing NBA Arena Standards. This is one where it is still very preliminary; it is an all-inclusive request and staff, the CRVA and the Bobcats are beginning the conversation to understand the needs of the facility and really much more work is yet to be done on this, but it is a start of the conversation on that particular request.

Mayor Clodfelter said the timetable on that item?

Mr. Kimble said the current Arena agreement calls for at the end of seven years of operations, and we are in that, to do this analysis. I don't think there is any timeframe specified in the Arena agreement on when that analysis has to be complete, but there is a requirement that we do the analysis.

Councilmember Howard said back to Bojangles Arena, to read \$51 million and then read \$12 million and then phases, tells me we are just kicking the can down the road. So \$12 million over what period of time Phase I and is Phase II, Phase III and Phase whatever going to eventually add up to \$51 million.

Mr. Kimble said yes, the Bojangles Coliseum is 60 years, in the same vein as we talked about other buildings that are civil buildings that need these improvements, we did an analysis starting in November with Engineering, CRVA, City Manager's Office, Budget, Finance, probably over a 10 to 15 year period at a minimum the \$51 million. The \$12 million is immediate; it is in combination with the Amateur Sports Facility that we are talking about in Committee right now. The \$12 million probably needs to be spent on Bojangles Coliseum as it is today, even if we don't do the Amateur Sports. There is over 100 event days per year right now with Bojangles Coliseum and to keep that facility functional, operational and in good shape even to host those 100 events it needs this kind of improvement and when you layer in the opportunities with Amateur Sports that will boost the number of event days, we've got to make sure that Bojangles Coliseum can contribute very well to the Amateur Sports priority that we've got for Ovens and Bojangles area.

Councilmember Howard said Ron I've shared this with you and I'll share it especially with you Mr. Barnes since this is in your Committee. My concern with this need as well as the proposal that is on the table for Amateur Sports is that I was really hoping that they were taking anything operationally and otherwise and what they intend to do out there, using this building as a huge part of that

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operation, which would mean to me that their numbers would include what it would take to bring this building up to speed, at least some. What I'm a little fearful of is that we, and I told this to Ron, is that we wind up having competing interests out there and we are giving our parking lot away to do it. So now we have now this facility with all the basketball courts, they can actually do graduations and other things, competing with this building when it was not part of their total operation package when they started putting this together. So, treating this as two different projects bothers me; I think it should be one full programming and not eventually two different program things where we are running one building and they are running the other one and we start eventually competing right next door with each other for events. I don't know whether you took that into consideration, but that is a concern for me because I would have hoped that the needed improvements would have been part of that whole package because they are intending to run this as one whole facility and that is not what I guess I'm hearing now.

Mr. Kimble said thank you for the question Mr. Howard; it is intended that the Amateur Sports Project allow Bojangles to operate independently when it needs to operate independently and also to allow it in combination with the new Amateur Sports Facility when we have large enough tournaments that will come there and utilize both Bojangles and the new Amateur Sports, GoodSports Facility, the one that we are negotiating today. The original proposal two years ago when we brought forward the Capital Investment Program monies of \$25 million was also a companion, \$10 million of hospitality tax funding for this particular integrated development and we also had an estimate of \$25 million in private money so it was a total \$60 million package that we were proposing two years ago. As we presented to the Committee last week, the amount of private dollars has gone up and we are now estimating that instead of \$10 million that \$12 million be added to the equation along with the \$25 million in the CIP and as you note here the proposed funding for this part of Bojangles would be existing hospitality taxes, not property taxes. That was intentional two years ago when we brought the total package to you in the CIP.

Councilmember Howard said the only thing I'm saying different from what you said Ron, is that just like we have an arrangement with the Bobcats that run Time Warner Cable Arena and they have skin in the game, I think I thought that they were going to run this as part of the operation so that all of this was something that was something they cared about. I'd prefer it actually be with the Amateur Sports people so they have to run it all and they have skin in there to make sure that all of it works together and not whatever else we have over there.

Councilmember Kimble said the proposal today is for the private entity to run the Amateur Sports addition for the CRVA to run Bojangles, but they have cross booking, they have cross marketing, they have cross utilization, cross easements on parking, the ability to operate them independently, but also to operate them as one when it needs to be operated as one. That way you allow the civic uses that are currently there for concerts and for graduations and for shows to continue to operate in Bojangles under the auspices of CRVA, which is your entity that operates City owned facilities. That is the way that we are going forward right now in the negotiations with GoodSports.

Councilmember Howard said I just wanted to put my concerns on the table because I hadn't had a chance to do that yet.

Councilmember Smith said this \$12 million seems to be more of an immediate need; why was it left out of the CIP and then if I'm doing a quick math tally, it looks like we may put in at some point over a period of time maybe \$79 million. I'm not promoting this, because you all know I don't like to spend money, but couldn't we build a new arena for \$79 million? I'm not trying to be a smart aleck, but just eyeballing it, it seems to me that for \$79 million you could build a new facility and get a longer useful life out of it.

Mr. Kimble said your current CIP of \$816 million is driven off the property tax that you adopted as a Council; this \$12 million is funded through hospitality taxes that are not part of that same CIP at \$816 million.

Mayor Clodfelter said I just heard something that I've really got to get fixed in my head because it is really different; so the CIP is only property tax funded now?

Mr. Kimble said the \$816 million is property and sales tax.

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Mayor Clodfelter said then I misunderstood that; thank you for letting me do that.

Councilmember Driggs said the Time Warner Arena is a real hot button issue for a lot of my constituents; people are asking why after 9 years do we need \$42 million of new investment there and also I'm wondering what the economics look like on both of these transactions. We are seeing here the check with the bill, do we get any revenues benefit at Time Warner, for example, for making that investment and can we somehow track a return on investment that way? How do we do that calculation?

Mr. Kimble said you would at the NBA Agreement that was struck more than seven years ago. It was struck it in 2003, opening in 2005. The Bobcats are responsible for the operations of Time Warner Cable Arena; the booking, the operation; the marketing, the operations of the arena as a whole. They are responsible for any losses and they would reap any profits that come about from that operation. The Charlotte Regional Visitors Authority is responsible in that tri-party agreement for back of house operations, to set up and take down of the facility and also being the eyes of the City watching the building because we are responsible for maintaining the building.

Councilmember Driggs said so to get back to my question, there is no kind of identifiable economic benefit to the City; we are making this to protect a revenue stream as opposed to seeing an incremental stream?

Mr. Kimble said the Arena generates 160 or 175 event days per year; the economic return to the City of Charlotte is the activity that that arena generates, its use as an extension of the Contention Center for things like the Democratic National Convention, the large conventions, the shows that bring hotel/ motel occupancy tax, food and beverage tax, rental car tax. Those are the kinds of things that are the economic generators of the arena.

Councilmember Driggs said so we are protecting a revenue stream but we won't see any incremental stream directly as a result of this investment.

Mr. Kimble said I think we need to be strategic about how we enter these conversations to see if there are any improvements that might generate larger economic return as a result of the investment, but that is part of the analysis to be done. We need to pay attention to the Arena Agreement and work through the process that is called for in the Arena Agreement.

Councilmember Howard said Ed you are putting your finger on something that concerned us when we started the CIP conversation a couple years ago. That was what the economic impact was of the investment, either direct or indirect. We eventually got that from Mr. Gallatin last year. I think what he is asking Ron, and I would like to know the same thing on all of these actually, except for the ones in this building, what is the potential economic impact of this investment? Do the Bobcats now charge more for events, do they think they will get more events and then that is direct. Is there some increase, even if you throw the NBA All Star Game in there as one of the potential impacts, I'd like to know what that rate of return is on this investment. That is what you are asking. I think that ought to be some analysis because if not, you said it three times, all we are doing is investing in this just to keep the income stream that we've got and that can't be right. That doesn't even make sense, if you are improving the building something more should come from it, it would have to be something more. Can we dig down and figure out if there is an economic impact analysis, is what you are asking for, it sounds like to me. Direct and indirect, not to get more events until we get more details; what else do we expect from this investment?

Mr. Kimble said some of that was done when the arena was anticipated and when the Arena Agreement was struck and I think what you are asking for is an update of that economic impact model.

Mayor Clodfelter said I think an update is what I hear the request is, is an update that keys to the incremental investments so you see incremental value of that incremental investment.

Mr. Kimble said we will do that, but remember there are specific provisions in the Arena Agreement that talk about how we will proceed with analyzing the improvements.

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Councilmember Howard said what he is talking about is we have to sell to the public, so not what the Agreement is but what we get to tell the public that comes from it; it is two different things.

Mayor Clodfelter said you've got to explain the Agreement to the other party; we've got to explain it to the public.

Councilmember Lyles said this comment is general, it is not to just the other facilities because I think we are at a point where we are about to wrap this up so Ron thank you, but Mr. Carlee and Mr. Harrington, the questions that are being asked now really are about how do we deal with this list. I think you've given us a list without context. For me it is really difficult to understand what is actually going to require an economic analysis, what is required for maintenance and operations? You've given us the asterisk only when it requires additional operating money. Without context I can't look at a wish list like this. I have wish lists like this all the time at home, but I have to have some criteria and I don't know that this Council has had an opportunity to talk about how do we assess and evaluate these or if you even want our assessment or evaluation because right now we are just giving you questions. It may occur to some of us; I expect there are a lot more questions about this and I really would look for that context from you to say what is necessary to run the business, what is necessary to maintain our facilities, what is new, what is required contractually. Right now I don't feel like I have a framework to really comment and ask questions that add meaning to this dialogue right now in a full way that benefits us all. I just want to say that I'm not really sure that this is the effective way to walk through this list without some more work besides the description of the project.

Councilmember Mayfield said just a question on clarification with the Time Warner Cable contract, and Mr. Kimble you might be able to understand this one. Is there a point where we are able to renegotiate the contract because I know what we originally thought and anticipated, have we hit those numbers; do we have room today in 2014 to look at renegotiation based on the world today because we all know the world changed after 2008?

Mr. Kimble said it is a 25-year agreement to my recollection that was negotiated back in 2003.

Councilmember Mayfield said so there is no renegotiation in that 25 year agreement?

Mr. Kimble said I don't believe that the agreement itself today calls for a renegotiation period.

Mr. Carlee said I know there are a lot of questions; I am concerned about the time and I would like to at least get through the personnel briefing. I know this has taken a lot of time and you have more questions. The intent was not to ask you to prioritize or to make selections among these tonight. What I wanted to do is to share with you the volume of needs that I've encountered as I've gone through my first full review of the budget and the issues that are out there. Before I actually did the deeper analysis and provided the context to bring these back to you, some of which we can see if we can finish up this section in terms of the limited capacity that we have, that I would likely recommend some attention to as adjustments in the current fiscal year. But before I did that I wanted you to have a context of what I'm choosing from, what that larger menu is that is out there, with your having the opportunity to have considerably more discussion about all of these, especially the big ticket items like Bojangles and Time Warner. Those will come back to you in much deeper detail and I think what might be most helpful for us if the Council is willing is to let us show you what is the capacity that we have within the upcoming fiscal year and have the opportunity to spend the better part of the last hour updating you on the market analysis on personnel.

Mayor Clodfelter Mr. Manager, you read my mind, I was going to make a somewhat similar suggestion and inquire about where we were in the pace of events because I know you've got other topics and I think Council probably don't want to leave any of those hanging that would cause misunderstanding in the community after the session. Would it be better now to jump to Benefits and Compensation?

Mr. Carlee said I would like to just show you what our capacity is.

Mayor Clodfelter said I would suggest to Council that we go through this fairly expeditiously because we are not going to link it back to any specific decision about projects this afternoon and that we then go very quickly into the Compensation and Benefits Section.

Councilmember Barnes said I was going to suggest the handout with the details in it was fairly helpful to me. It gave some context for the projects and with respect to the issues Mr. Kimble was talking about regarding TWC what we are challenged there is a contractual obligation to provide some level of improvement to the facility and it is not as optional as it may seem in trying to work through what we have to do and how we do it.

Mayor Clodfelter said tell us where all this money is coming from.

Mr. Harrington said three limited sources and those three sources are starting with the first one, debt capacity. This is just natural growth of the available debt capacity based off existing revenues as well as we did some refunding of some bonds so we have about \$10 million of debt capacity growth which can be used for bond referendum, general obligation type bonds or Certificates of Participation investments. The second category, project savings, these are savings from prior approved projects, the projects that Council has already approved, they've been built and now the project is done and we have some savings from those projects. If they are tagged for a particular bond referendum such as this first area, Transportation, they have to go back into other transportation type investments, so that gives you a break out there of the \$7.5 million. The third area Capital Reserves are the available funding of reserve that is in excess of your 16% General Fund-Fund Balance policy. Any of the available cash that is above that level is available for appropriation into the PAYGO Program that is at \$7.2 million. This is really your highest flexibility source and by best practice use it for one-time uses and these are one-time sources of funds; use it for one-time uses, so \$24.7 million. The other thing though in terms of total, the two points that I will note though, that it is prudent to leave some unallocated funding for unknown opportunities or unexpected needs that may arise throughout the course of a year after the budget has been adopted. Then as well any unallocated funding of course is available down the road for future use. Those are the available funding sources and again a summary of expenditure part of the potential considerations and available funding.

Just to summarize, the Community Investment Plan is a long-range investment program designed to meet the needs of a growing community. The adopted Community Investment Plan, as you recall has four cycles associated with it; the first one beginning here this November of 2014 and as the Manager pointed out, obviously the cost to address other new investment far our paces the current funding capacity. Then the next steps, and with that, unless there are questions from the Mayor or Council, we will transition right into the Pay and Benefits conversation if that is acceptable with Council.

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### **III. Compensation, Benefits and Personnel**

Mr. Carlee said Cheryl Brown our HR Director will provide this presentation.

Mayor Clodfelter said Mr. Manager, you've got the two other items on there, the General Fund Update and then the Q and A; is there any of that that you think is critical that we get flushed out today and not leave hanging?

Mr. Carlee said it is unlikely that we will get to the last two; I don't think there is anything critical in there.

Mayor Clodfelter said that is great, if we needed to reserve a few minutes just for something that needs to be fully in front of Council before they leave the room we'll do that.

**Cheryl Brown, HR Director** said I think I followed Randy last year and we had the same kind of situation so I will try and be brief and run through our two ways of compensating our employees is with our pay and our benefits. The objective of the presentation just to provide you with some background information regarding our pay and benefit practices and to provide a status report on  
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what we may be bringing to you for FY15. We have followed an HR philosophy for several years now if you were around, Councilmember Kinsey I believe back in '93, possibly you were here, but we've developed this, we've tweaked it a little, but there are only four major components to our philosophy and that is aggressive cost management for benefits. Our employees are expected to share in the cost of those benefits and we aim for a moderate level of benefits and pay that is spelled out specifically in our philosophy and we actively support wellness programs to try and reduce or at least slow the growth of future costs. For your information I'm going to stop here and let you know that there is an appendix attached to the report which will give you more detail on complete philosophy and more detail on other portions of the presentation, so we will abbreviate that here.

This is a chart that Budget has prepared for us and you see of the over \$1 billion operating budget for the organization the Pay and Benefits piece is to the right and that comprises about 56% of those costs, and then we go a step further to break that down for you and the big piece of the pie on the bottom is the regular salary costs which is about 72% of that \$580 million, obviously the majority in pay. The other pieces of the pie you can see other parts that fit into that, the City's contribution to our 401K plan, the City's contribution to our State retirement, our group insurance number is going to be a large number, I'll touch on that a little bit further in the presentation, but you see there are different components that do make up that \$580 million for us.

My first topic to go a little deeper dive with is our pay. We have two pay plans; we have a Broadbanding Pay Plan and a Public Safety Pay Plan and I will touch on those individually. The Broadbanding Pay Plan includes about 3,750 of our 6,800 positions; the majority of our employees are in the Broadbanding Pay Plan and the basis of the Broadbanding Pay Plan is we do extensive market data surveys, we purchase surveys, our compensation manager surveys, we survey, survey, survey and we get market rates for the jobs that we have here in the City and that is what makes up our Broadbanding Pay Plan. We shoot for the median, the fifth percentile of actual wages paid. You are going to find of those we surveyed, 50% are going to pay more and 50% are going to pay less, so we do try to find that middle ground. For those of you that are familiar with traditional pay ranges that is typically what is going to be the mid-point in those ranges. You've seen a minimum, a mid-point and a maximum from the traditional ranges so that is where our market rate will be tagged. The emphasis in our Broadbanding Pay Plan is on two factors. We have annual performance evaluations for our employees and there are various ratings for their performance and when we have funding for a merit raise for employees, the amount of that raise is based on that level of performance and how close that employee may be to that market rate which is our ideal rate for that particular job. Employees receive a merit increase on their annual merit date if funding is available. That is our Broadbanding Pay Plan.

On our Public Safety Pay Plan, that is going to include ranked positions of Police Officer and Police Sergeant and then Firefighter I, Firefighter II, Firefighter Engineer and Firefighter Captain. We know there are other positions in Police and Fire; there are Battalion Chiefs, there are Majors, there are Deputy Chiefs; those positions fall within the Broadbanding Pay Plan with the rest of us. The Public Safety Pay Plan, in Police and Fire ranks, step plans are predominant so when we switch one part of the organization to Broadbanding we left the Public Safety Pay Plan with the step pay plan. The way that works is, if an employee is in the Public Safety Plan Plan and they are not at the maximum of their range they will be eligible to move a step on their merit date and that is how it goes year after year. That is the progression through the Public Safety Pay Plan based on their merit dates. Those pay plans are structured, minimums and maximums but we survey those as well and those move with market so when they do move with market we make market adjustments to those steps to recognize that change in market and the employees also receive whatever that market adjustment may be if it is funded for the fiscal year. That market adjustment is granted at the first Saturday in July each year when we are able to fund that adjustment. For that group we also have some additional incentives; employees coming in or obtaining a two or four-year degree can receive an incentive in pay for that. We have a foreign language incentive for these groups I would also like to mention that that is also applicable for our operators at 311. We do search for employees who speak different languages; the variety of our diverse community, we need that. Also on the Fire side we have some very specialized teams that respond; all of it is an emergency, but we've got some teams that are specifically designated to HazMat, our Dive Team and then our Urban Search and Rescue Team, which if a building collapses this is the group that is going to go in and try to dig those people out and bring them out; so, some additional incentives on the Public Safety Pay Plan side.



Councilmember Howard said real quick on the step plan; the step plan is solely based on the surveys you do with the market, so when a downturn happened back in 2008 going forward, did you see a lot of market adjustments there? If they are not at top of their range does the step still have to go in when the market is bad?

Ms. Brown said let me answer your question this way and see if I can hit it. In FY09 and FY11 we did not fund any pay increases for City employees so there were no market adjustments for Public Safety, there were no step increases and there were no merit increases for City employees. Depending on our ability to fund the Broadbanding Pay Plan, that triggers the funding for the market steps for the Public Safety Pay Plan. For example, if we can fund a 3% merit budget for Broadbanding then our Public Safety market adjustment would be 1.5%; typically it is 50% of the merit funding.

Councilmember Howard said I'm more confused now so never mind I'll ask Cheryl off line. I thought I understood steps until you just said what you said.

Mr. Carlee said it is important; there are two things that happen. There are the step increases that progress at a fixed percentage between the steps and they change. So you have the steps and the amount of your increase from one step to another is a percentage increase and there are two different levels of percentage increases depending on where you are in your tenure. If the City funded a pay increase for employees, the Public Safety would get their steps and in addition to that the steps across the board would be increased by 1/2 of the percentage that was made available for Broadbanding. There are two parts here, so if you look at regular City employees and last year 2% was approved for Broadband. So, Broadband employees have an opportunity of a pay raise of up to 2%. The Public Safety employees got a 1%, one half of 2%, across the board increase and then they also on their merit date if they were not at the end of the step they got a step on top of that.

Councilmember Howard said and that range was what?

Mr. Carlee said it is 2.5% to 5% depending on where they are in their pay plan.

Councilmember Austin said Ron my question was more kind of a comparison with our Public Safety salary ranges, how do they compare, are we competitive with other areas, similar sizes? Can you speak to that?

Mr. Carlee said that is part of the market analysis that they do on an ongoing basis to try to keep both our Public Safety employees and our general employees around that fiftieth percentile based on similar positions.

Councilmember Austin said the market adjustment, and maybe you answered this earlier; how often have we done that with Public Safety?

Ms. Brown said I will show you a slide shortly. I have data for the last two years and we've granted market adjustments for the Public Safety Plan in all but two of those ten years, but there were no raises for any City employees in those two years. It should be coming up shortly.

Councilmember Driggs said I wanted to clarify in case anybody who was listening earlier, the property tax base is \$80 billion and not \$800 billion, just to set the record straight. My question is has anybody tracked the comparison of private sector income and wages to the public sector? We are doing this analysis to make sure that we are in step with other cities, but I just wonder what it looks like given what the economy has been through in the last few years, compared to the private sector.

Ms. Brown said we do and I hope this will answer your question. This slide will show you where we go to get our data and the first group of names there, large consulting firms across the country, World at Work, Hewitt, Mercer, and they track what is going on in the private sector and they dice the data in a variety of different ways; so, we gather that information from those groups; we do gather similar information from National Municipalities. You see the TBDs in those blocks because it is still a little early for some of those folks to be able to determine what they are going to be  
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giving. Our Charlotte Area Municipalities, the Gastonia's, the Huntersville's, Monroe and those types of places; our large Charlotte Employers, our Compensation Manager has a great relationship with those folks and she picks up the phone and calls and is able to get, most of the time, the changes that they are going to be making in those pay increases for their employees. The Employers Association is a large consortium of employers, smaller typically, manufacturing types, we also get survey data from that group and then the last line there shows you where the City was in comparison to all of those other survey sources for the particular fiscal year. Does that get it for you?

This is the ten year history that I mentioned a few minutes ago and I won't get too much into the detail here, but you see the fiscal years from where we are now down to FY05. You can see what the range was for the steps for the Public Safety Pay Plan. There was a point in time back in 2005 when they were all 5% steps and we put a group together and we realized that was not sustainable so we had to make some changes. Again our Comp. Manager worked with a large group of public safety employees to redesign those pay plans to make them more financially sustainable for the organization. So then you see, talking back, Mr. Howard, about the market and the step, if you look at column 4 the 3.5% to 6%, a person in the Public Safety Pay Plan for FY14 would have been able to receive a 1% market adjustment and either a 2.5% or a 5% step if they were not at the top of the range; if they are the top of the pay range they only receive the market adjustment. You can see that would have been 3.5% to 6% for FY14. We looked at the increases that the employees received, that average increase was 3.5% for that group and then the Broadbanding merit information is next to your public safety average increases. That is just a rundown of what that has looked like for the last 10 years.

Budget was kind enough to do a slide for us to give a look at three different options. Your options are on the top row; they ran a 3% merit, a 2.5% merit and a 2% merit and that would be for the Broadbanding group. Following the philosophy that we have discussed it would then be a 1.5% adjustment to the steps in the Public Safety Pay Plan because we are doing that at 50%. So 1.5%, 1.25% or 1% on the market adjustments for the Public Safety Pay Plan plus those employees would receive their steps if not at top of range. The green bar would show you the combination of the cost of the Public Safety market adjustment and the Public Safety steps at those three different options. That is your \$2.413 million, \$2.429 million for a total in the Public Safety Pay Plan of \$4.8 million if we were to do a 3% merit, 1.5% market and movement through the steps as occurs in Public Safety. Under here the general Broadbanding merit at a 3% merit budget for Broadbanding employees it is \$2.6 million; 2.5% merit that would drop to a \$2.2 million and a 2% merit it would cost about \$1.7 million for Broadbanding. Then we total for the general fund down here and add into that what the cost would be for the Enterprise Funds, and they only obviously participating in the Broadbanding Pay Plan. Citywide totals for a 3%, 2.5% or 2% merit range from \$8.722 million to \$7.047 million as far as additional costs related to those increase options.

To sum up the pay side, the considerations that we are looking at now for the Broadbanding Pay Plan, data is showing that the economy is getting a little bit better and what we are seeing as far as pay increase possibilities range from about 2.9%, right around that area, 2.7%-2.9%, so we are looking at our ability to fund up to a 3% merit increase for our employees. On the Public Safety Pay Plan we would hope to fund their merit steps of 2.5% to 5%, one of the other, they either get the 2% or the 5%, nothing in between. Then following our philosophy we would like to fund the market adjustment to their pay steps of up to 1.5%. Then I want to make a special comment about our field services pay plan. We have found over the years that the Broadbanding Pay Plan is not really the predominant pay plan used by labor and trades groups, field services employees. What we've done; we've put a study group together, we are evaluating what other organizations do, particularly in this area and we expect to come back to you, probably this time next year to introduce to you a new pay plan that won't be as broad as a Broadbanding Pay Plan and will be more of a traditional pay plan that fits that segment of our work population better than what we have now. Part of that study will include looking at salaries paid in the general areas, particularly around us; both public sector and private sector and we are also going to look at some southeast regional data just to make some of those comparisons.

Councilmember Barnes said I want to say something; I've mentioned it in the past regarding compensation and pay. There were a lot of people I'm sure who would have wanted to work for the  
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City during the downturn and most of the folks we have on staff I think enjoy working for the City and don't expect to get Goldman Sacs type compensation. When I read through the materials I saw the references comparing ourselves to national surveys, the private sector, local non-profits, local private sector, and I suppose for benchmarking purposes that is useful, but the fact of the matter is we are not a for profit entity and we don't exist to generate a profit and it is going to be hard to try to assure people that we are going to be paying a salary that will make them feel like they are in the private sector; it is not likely going to happen. But I think you guys are making a good effort to compensate people fairly, provide them with a cost of living adjustment, but I hope you will continue to keep in mind some of the difficulties we have raising people's water rates and taxes, etc. etc. etc., and then kicking out an additional eight, nine, ten million dollars of the billion dollars we spend on the operations of the City, \$588 million of which is for salaries and benefits. Just keep in mind some of the challenges that we face as elected officials and the responsibilities I think that you guys bear to not have people thinking of this as Bank of America for example, or Morgan Stanley.

Councilmember Kinsey said building on that, we also need to keep in mind that our staff also pay their water bills and their electric and everything so keep that in mind when we are looking at this piece.

Councilmember Austin said I think we also need to keep in mind that we do need highly qualified professional staff to help us run the City. We don't do the day to day operations; our City staff does and we need to make sure we are hiring the best of the best to come to Charlotte and run Charlotte.

Councilmember Barnes said Mr. Austin if you are talking about best of the best then you are going to be paying private sector salaries. The kids that go work on Wall Street; they make \$300,000 the first year out; they are not going to come work here. If you pay them \$300,000 a year they will come here. Some of the lawyers that come out of law school and make \$200,000 or \$170,000 I guess it's dropped a little bit. When that use to happen they weren't going to come here so what I'm saying is you are going to get what you pay for and we get excellent quality out of the people we have for the salaries we pay and I don't think we are ever going to be in a position where we can pay a salary that is competitive with what people could qualify for in the private sector. I'm not going to pick on Bob Hagemann, but he is a lawyer; the money Bob can make in the private sector is well beyond what we are going to be able to pay him and he understands that as an attorney and the nature of the market that things are going to be a little different working here as opposed to working at XYZ law firm. I understand what you are saying but in terms of maximizing the quality of the people and the quality of the salaries I think the approach is different when you are in the public sector versus the private.

Councilmember Austin said my statement was that we need to hire professional people and we need to pay them a good salary to work for the City of Charlotte because again, we are not running the City; we need to have staff run the City and that is what they do. I'm just saying we need to make sure our salaries are competitive enough so that we can attract them to the City of Charlotte to work for the City of Charlotte and run it.

Mayor Clodfelter said I want to say in every organization that I have even had anything to do with, this is the single most important discussion had in the organization. It is never one about which people have any real fundamental disagreement within the organization but finding the sweet spot is the toughest decision in any organization. I don't think any of you should feel that there is anything fundamentally at odds in your positions on this issue. It is the toughest call everywhere and I don't think any of you would disagree on that.

Councilmember Driggs said I just wanted to say I think we are fortunate that people who are as capable as our City staff are prepared to come and work at these compensation levels, it is an indication to me that we must be in about the right place because we are attracting good people and to your point there is always tension among all the competing needs of the City and the capacity of the City to raise more revenue and we are just trying to work that out.

Councilmember Autry said Ms. Brown last year we approved a 3% merit raise.

Ms. Brown said 2%.

Councilmember Autry said a 2% merit raise and then there was also a 3% increase in benefits which is health insurance.

Ms. Brown said there was no increase in the basic plan cost for premiums for employees. There was a 4% increase in employees participating in the plus plan.

Councilmember Autry said a 2% merit raise does not mean that every employee gets 2%, correct?

Ms. Brown said it did last year, but it doesn't necessarily, but it did last year.

Councilmember Autry said okay, I'm just interested in getting more money into the pockets of the people at the lower end of the pay scale and providing them with an income that they can raise a family, look to the expectation of owning their own home at some point and to not have to live in poverty. There has got to be a way that we can find money to compensate them. When we had the illegal dumping situation there were Utilities workers walking the creeks that night looking for that source and that is a commitment that we need to find some way to better compensate and reward that.

Mayor Clodfelter said this is never an issue where people have fundamental disagreement; finding the point is hard, it's very hard. Mr. Manager, I want to ask you a question, one of the things that has astonished me at this very difficult issue at the state level is to discover the numbers of state employees we had who were drawing food stamps and sometimes even Medicaid. Do we have data on that here in the City?

Mr. Carlee said I have not looked at the food stamp analysis and I will do that. We have been looking at living wage benchmarks which we, with very rare exceptions, exceed. I would have to run the numbers on food stamps.

Mayor Clodfelter said I think this is a critical discussion and maybe there are some issues that get discussed outside the annual budget cycle and I think they are very important.

Mr. Barnes said actually Mr. Mayor you raised the issue I was going to raise. We looked at that a few years ago and tried to make an effort to increase the people at the bottom before Mr. Autry came along to avoid this scenario. I think at that time the issue was there was only so much the market would bear for one of our sanitation workers, for example. It would be good to see that information in 2014.

Ms. Brown said okay, on to Benefits and just a quick overview for you on the benefits that we offer on the health side. We have two medical plans as I mentioned. We have a basic plan and then we have a plus plan which is a buy-up plan; pay a little more money, get a higher level of coverage. We offer flexible spending accounts both for dependent care and medical expenses. Our prescription drugs, it's a carved out plan through CVS Caremark. We have dental insurance and we also offer a voluntary vision plan that is fully employee paid, but it is very popular. On the financial security side we have the retirement which is under the North Carolina Local Government Employees Retirement System. The City is required to contribute an amount to the retirement and the employee is required to contribute an amount to their retirement. On the 401K Plan the City does grant 3% 401K, they put 3% of their salary into the 401K of our employees whether the employee contributes or not. On the Police side we are mandated by State statute to have a 5% contribution to the State 401K plan for police officers. We offer basic and supplemental life insurance, accidental death and dismemberment, short-term disability and the bottom row, the voluntary accident, critical illness, whole life and long-term disability plans. Again, those are voluntary plans so the cost of that is fully paid by the employee if they so choose that type of coverage.

This is a big number, so let's break it down and I want to recognize someone in the audience as well. Jermaine Lawrence is with us today; he is with Willis of North Carolina and they are our consultants on all of the health insurance work that we do and we've had them for about three years now and we just really appreciate all they do for us, so we asked Jermaine to come in case you had some tough questions that I couldn't answer. In looking for next year, we are estimating that our total gross spend for both medical and non-medical expenses is going to be \$89.4 million. As I  
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said, that is a big number and our funding sources, the City budgets a particular amount per employee; I think in this instance we are close to 7,000 actives and 2,000 retirees so part of that \$89 million is going to come from the \$58.9 million that the City is going to contribute. The other part of that \$89 million must come from the cost sharing with employees and the pre-65 retirees.

Councilmember Mayfield said for clarification when we are looking at these total numbers for medical gross spend as well as non-medical expenses, specifically for retirees, we also have retirees that we bring back in as consultants or temps that come back in so how does that work when you are already in our retirement system, but you are also working part-time?

Ms. Brown said it depends and you can work up to a certain number of hours before you have to be placed back into the retirement system and your retirement benefit must cease. I think it is 1,000 hours, Anna? Yes, so we can have retirees come in and they may work 40 hours a week for the first three months of the year and then not work anymore as long as they stay below that 1,000 hours. If they go over that, we put them back into the system.

Mayor Clodfelter said you can have somebody working 1,000 hours, get current benefits and retirement benefits?

Ms. Brown said yes sir, and to give the State some credit, they have tried to crack down on that and make sure when those folks reach that level of hours worked that they are put back in the system. They have clamped down on that fortunately within the last several years.

Councilmember Driggs said how does the \$89 million compare with the number for 2014?

Ms. Brown said I think it was \$81 million.

**Jermaine Lawrence, Willis of North Carolina** said I think so; it was \$6 million or \$7 million more than what we had for 2014.

Ms. Brown said yeah, \$6 million or \$7 million more than what we had for 2014. We look at various parts of our health insurance costs; in the middle there, you see our cost management strategy. This wheel has several components; the one at the top is Wellness. This organization has been great in supporting the broadening of our Wellness plan and we continue to do that and we've had a good response from our employee base and it is just really important for us on the wellness side. That helps if we have well employees we keep them out of the ER, we keep them from having heart attacks and strokes and we want to do what we can to make that happen. The other circle to the right there is Comprehensive Health Coaching; part of our Wellness program involves connecting our employees with health coaches, either on the phone or in person. They are stratified based on their conditions and their health, very effective, got a lot of positive response. We've already talked about cost sharing between the organization and employees; our prescription drug plan, we look at that regularly to see how we can cut costs in that area. We have rebid the plan; CVS Caremark will still be with us but over the next three years we've restructured some things and we're going to have about a \$4.1 million savings that we will see from those efforts over the next three years. Plan Changes that is where you co-pay goes up to \$20 instead of \$10 and those sorts of things. Vendor Selection we've tried to consolidate vendors where possible to gain some economies of scale and also where we used to have let's say two administrators of our self-insurance plan, we've funneled to one and I will show you a slide here in a second to show you the impact of that decision.

For 2015, when we looked at this initially and working with Willis, the annual national trends for medical and pharmacy were running about 9% medical; 8% pharmacy and every year at the beginning of the year we sit down with the Budget Department and with consultation from Willis, what do you think we might be dealing with come FY15 and at that time that projection was 10%. All of us just gasped, it was just high, so as a result of favorable claims experience, and again that cost management and the work that our employees are doing to take care of themselves, we've reduced that 10% figure down to 2%; so the City's contribution, that \$58 million number I showed you earlier is only a 2% increase over what it was last year.

Mayor Clodfelter said any big ticket items that made that change? What accounts for the 8% swing; are there any single or two or three big items or was it just lots and lots of little things?

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Ms. Brown said it is lots of different items; it is rebidding contracts, it is lower claims experience, it is not a large stop loss, reaching stop loss levels, those catastrophic conditions. If you have one or two of those a year and it can tank it in a quick minute. Our medical trends slides and pharmacy slide, I want to bring your attention to the middle green bar facing down at negative 4.22%. This is one thing I mentioned earlier; that year our trend was less than what we expected by 4% and we looked back and that was the year that we transitioned from having two administrators, we had Aetna and we had Blue Cross and Blue Shield. We transitioned to the single administrator of Blue Cross and Blue Shield and it was that year that we realized deeper discounts from the agreements that Blue Cross has negotiated with hospitals and providers and such. That is the benefit of some of that vendor management we just talked about. On the pharmacy side you see a whopping minus 20% in the trend. What we did that year; we had a special run on generic drugs; we said we are going to give you three months at a reduced price on generics, so we really bumped up our generic utilization with that decision; plus we implemented a \$100 front end deductible for brand named drugs, so the brand named drugs are going to be more expensive anyway. I just want to put a plug in here for our employees; we have a generic utilization rate of over 80% and if you are familiar with pharmacy business that is tremendous. It beats CVS's book of business; it beats trend; I mean they do a tremendous, tremendous job with the generic utilization.

Our long-term strategy with our two plans, our basic and our plus, we do have a wellness and a non-wellness option. We do have premium differentials in place to hopefully encourage people to participate in the wellness option and get those benefits. We are going to continue to look at those differentials. We want to move toward a defined contribution strategy where the City contributes the same amount, whatever that amount may end up being to both the basic and the plus plan, and then if you want to be in the plus plan you are going to pay that difference to have the higher level of coverage and those sorts of things. That way we would truly have a buy-up plan, is what we call it.

One thing that we are excited about is evaluating an on-site clinic. We want to put an on-site clinic somewhere where there is easy access where our workers who are in the field can get in and out without too much trouble. We considered the third floor of the old County Courts building but where would they park on Fourth Street, so we moved away from that. We would have physical fitness instruction and education for those employees working with health coaches to prescribe a regimen for weight loss or strength building or whatever; we would care for minor medical conditions for employees, dependents and pre-65 retirees. Again there are healthcare costs associated with all of those three groups. We are talking with Insurance and Risk Management about having our pre-employment physicals conducted through that clinic as well as those employees who are injured on the job, we would like to have the ability for physical therapy and some occupational therapy to get them healed quicker and back to work quicker as a result of that injury. Some of the clinics that we are looking at across the county also offer dental and vision services. The beauty of this is our employees are out in the field; we want to get folks engaged if we can't get them engaged for the PCP let's get them engaged for the Nurse Practitioner at the Employee Clinic and again the ease of access and that follow up, are you watching your A1C for diabetes; are you taking your cholesterol medicine, taking your blood pressure medicine and that is how you help to prevent catastrophic situations in the future.

Councilmember Barnes said Ms. Brown would that be allowing a private entity to occupy City space to provide those services or are you talking about hiring doctors and other professionals who are City employees to work in that space?

Ms. Brown said our initial analysis of it would be to hire a provider of that type of service to do that for us. We wouldn't want, at this point, not get into the business of hiring doctors and nurses.

Councilmember Barnes said good, thank you.

Ms. Brown said long-term strategy continue to evaluate the healthcare market place. We are waiting for the dust to settle for the healthcare exchanges. We want to ensure that those are stable, they are reliable if we start making decisions to move any folks to the exchange, possibly retiree medical, we want to make sure that we are making a good decision, so that is long-term.

Our Benefits Actions under Consideration, again aggressively manage our healthcare costs, particularly through wellness. Evaluate our on-site clinic. Because of healthcare reform we have to make a slight adjustment to our out-of-pocket maximums for pharmacy and medical; should be very transparent to the employees. We really don't have too many people that reach those maximum out of pocket levels. Continue to plan for the financial impact of healthcare reform. There are some fees and taxes that are starting July of this year. The initial one for there is about a million dollar hit and that was included in those numbers that I showed you earlier, so we have accounted for that. No additional plan changes for 2015. We are really happy about that; we didn't have to make any tweaks to the plan so I am very excited and then there will be some minor increase cost in premiums for employees and the cost sharing piece there and we are working to make that as small as of an adjustment as we can.

The last slide, we have two employees, both making \$50,000; the first one is an employee-only coverage under the health plus plan; the second one is employee-family coverage under the plus plan. If you look at the first two, the medical plus, wellness, dental plus, you see a column for employee costs and City costs. That is what I mean when I'm talking about cost sharing. Those are weekly costs, so you see the employee would contribute \$26.85 to the cost of their insurance coverage and the City puts in \$98.14 and dental \$3.59 and \$6.00.

Councilmember Mayfield said I asked this previously, can we also receive a snapshot because the \$50,000 is a great even number, but we have a number of employees out there that are making \$27,000 or under \$30,000 to get a truer idea of what this impact can be on those families when we are looking at an income that technically could put them in our 60% below AMI.

Ms. Brown said I can get that to you very quickly. We actually ran numbers on \$23,000, \$34,500 and \$50,000 so we have that at the various rates of increases in pay that we may be able to offer as well.

Mr. Harrington said I'll include that in the follow up.

Ms. Brown said you see when you get to basic life, accidental death, short-term disability and employee assistance; all of the costs there are born by the City, very small amounts. Your retirement system costs are there, again the employee contributes as well as the organization. 401K, we put this person in contributing 2% to his or her 401K, the City contributes 3% and then FICA, so what you want to look at from a total compensation perspective is the salary that the employee gets paid, but then what is the City contributing in the amount of benefits to come to that total comp figure. You can see the \$50,000 salary and then you drop down here and the cost of the benefits for the City providing to that employee is \$14,000 so the total comp for this person is actually \$64,357 and the same logic holds true for the person with family coverage.

Mayor Clodfelter said so the contract for claims and plan administration for the teachers and state employees' health plan is up for bid this year? Do you guys want to bid on it?

Ms. Brown said we would be happy to.

Mayor Clodfelter said this is a really good picture.

Ms. Brown said I think that is it as far as my speaking and again the appendices, just to show you what is back there, philosophy, copy of the pay plan, data sources; the health insurance cost containment strategy will give you great deal of what we've done since FY01 to help control health care policy, a very long document.

Mayor Clodfelter said any more wrap questions for Ms. Brown? Mr. Manager, we've got some more time what do you want to do, or excuse me, Councilmembers, we've got some more time, what do you want to do?

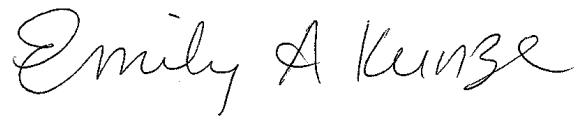
Mr. Carlee said I'm respectful of the Council's time. With regards to the general operating budget the most important message there was the one I actually started with to let you know what our revenue updates are. In terms of the budget drivers, without going into real detail, you don't have a handout on this one, there are three areas as we look at what will be a fairly conservative budget,

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and those are inflationary increases in contracts in fuels, some maintenance costs, street lighting, and vehicle maintenance. Whatever we do with regard to personnel we have some increases that are built into our benefits and then of course what we do with regards to compensation and then prior commitments that I've made with regards to facilities that will be coming on line and the implementation of our core financial data system the so-called Enterprise Resource Program of which I have talked with you previously about. While probably every operating department could make a case for more staffing and expanded services, I would not anticipate this being an expanded services budget. That is all that I have, you have the questions and answers from your previous sessions; what would be most helpful to us at this point, unless there is something else that you need Randy, is if there are other questions from the Council that it would be helpful for us to compile information on, if you could share those with us either now or off line then we will be happy to get you additional material as well.

Mayor Clodfelter said anything else for the good of the order?

Motion was made by Councilmember Mayfield, seconded by Councilmember Driggs, and carried unanimously, to adjourn the meeting at 5:49 p.m.



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Emily A. Kunze, Deputy City Clerk

Length of Meeting: 2 Hours, 40 Minutes  
Minutes Completed: April 21, 2014