

The City Council of the City of Charlotte, North Carolina convened for Budget Adjustments and Straw Votes on Wednesday, May 28, 2014 at 12:09 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, Ed Driggs, Claire Fallon, Vi Lyles, LaWana Mayfield, Greg Phipps and Kenny Smith.

Absent Until Noted: Councilmember David Howard

Absent: Councilmember Patsy Kinsey

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I. INTRODUCTION

Mayor Clodfelter called the meeting to order at 12:09 p.m. and said we'll start with the Manager's introduction.

City Manager Ron Carlee said I'd like to ask Randy Herrington if he would like to review the straw vote procedures. It is page 1 of your packet and then I'll provide an overview.

Budget Director Randy Harrington said for this stage of the process what has been Council practice in the past has been any items that receive six or more votes; we would then continue and carry those forward and have those reflected in the budget adoption documents that you would see for consideration on June 9th. Toward the end of today's session the Manager will be requesting a motion from Council to go ahead and reflect any of those items that receive six or more votes and incorporate those into the ordinance and any other components that we need to prepare for Council for the June 9th preparation, so that will be at the conclusion of the meeting and anything else Ron would like to add to that.

Mr. Carlee said that's good. If you go to page five you'll see the menu from our last session and I'll provide you a brief overview of what we've given you and what my recommendations are. First, I'd like; Mayor if I may; to brief the Council a little bit with regard to issue not formally on the agenda; that's the Business Privilege License Tax; around which there's been considerable activity and discussion among Council. We're following this very carefully and I know there is a lot of concern on the part of Council and on the part of staff. What happens if we get suddenly hit by legislative changes that would result in financial loss to the city? The way that we have dealt with the problem; with the challenges or the prospects in this budget is to essentially take at their word what we have heard from members of the General Assembly relative to the potential impacts in the current year and fiscal year 2015. As we all know at this point the General Assembly inadvertently repealed the Business Privilege License Tax as part of their legislative action last session. It was an error in drafting of the bill. They do technical amendments to all kinds of bills every session after they pass them and legislative staff goes back and reviews them in detail and so technical amendments are a part of every legislative session. Mayor, correct me if I'm wrong.

Mayor Clodfelter said you are absolutely correct.

Mr. Carlee said in this instance the drafting error had a larger impact than some others do and because of the other debates around what should happen long term with Business Privilege License it raises more alarms than what would typically happen because of an inadvertent error. In preparing this budget what we were told is that by members of the General Assembly is that they would come in as part of the technical amendments; they would fix the repeal but they would also follow through on significant changes to the Business Privilege License that would affect us in 2016.

Councilmember Howard arrived at 12:13pm

Mr. Carlee said we've taken them at their word and we have built the FY15 recommended budget around an expectation of a continuation of the Business Privilege License in its current form through this year. Ad we know now the Senate is considering a fix to the repeal; the reinstatement of it in a way that would also affect the actual administration of it and restrict our ability to collect the tax from businesses that are not physically located in Charlotte, yet do business in Charlotte and that impact would be somewhere between \$3 million and \$4 million on

a basis of a quick calculation. The action thus far, on the House side, does not do that and so at this point my hope and my expectation is that the General Assembly will still follow through on commitments individual members made to essentially make no change in FY15 and as this goes to deliberation and conference that that would be the end gain and then we would still have of course the uncertainty in FY16. Assuming that they do that then the FY15 budget is kept whole. If for some reason they did not do that or I would say that in the event that there were any unanticipated financial crisis that resulted, or legislative action that resulted in a dramatic loss of revenue to the City we would follow essentially the same procedures. I think the City has probably done these in the past, I certainly have done them in the past and that is basically you flip a whole bunch of switches at one time that basically shuts down all discretionary spending. In a budget the size of ours that generates fairly significant amounts of money fairly quickly. You do a hiring freeze; you really just basically shut down the things that you don't have to do and you begin to put together an emergency financial plan that enables you to ensure that we have no deficit situation.

We have significant reserves as well, but I will tell you that professionally it has always been my policy, particularly in AAA communities that you do not go to the reserves unless you are in a dire situation and you would only go to reserves as a bridge to lower your spending to live within your operating revenues. Those are the things that we would do in any situation where we had a sudden loss. After we calculated the impact of that loss against our total revenue picture, if you follow what I mean. On any year, revenues across our different sources will be higher and lower. You never calculate rejections exactly right and so what we do is we look at the total picture, see where we are high, see where we are low, look at what our next situation will be and then we would implement those emergency procedures if we had an unexpected loss. With regard to FY16 we will go into the planning process this fall and winter, hopefully with a better idea of what the General Assembly may do next session to the extent that we know, I think it is questionable right now, but we will make our best estimates of what we expect will happen and we would look at any loss to the Business Privilege License Tax in the same context as we would in a current situation with increases and decrease across all of our other revenue sources. Looking at again what the net situation would be for the City, and based on that net situation we would either constrain spending increases or we would put together strategic recommendations to lower spending in a way that would enable us to live within our operating budget.

I hope that is hopeful; it doesn't give you specific contingencies that we are going to take X from here and Y from here and Z from here. I think it is premature to do that at this point. I think that really becomes the discussion as opposed to the larger issue which really is keeping cities whole with regard to any tax changes or reforms that the General Assembly may undertake. I will be happy to try to clarify any of those comments.

Mayor Clodfelter said so if I understood you 50 words or less; two points; anything that might be at risk this year is within the range of normal revenue variations in any budget year and two; we don't yet know what the picture will look like for 2016?

Mr. Carlee said and if in a, number one it's greater than that; we implement our emergency fiscal procedures in order for us to constrain spending on an immediate term to make an assessment and adjust our spending within revenues.

Mayor Clodfelter said I think as I understand it the range of what they're talking about doing would not be outside the normal range of variation.

Mr. Carlee said for a budget our size that would be correct.

Councilmember Driggs said Mr. Manager, I think that's a great summary; as the Chairman of the Intergovernmental Relations Committee, I've actually been in touch with our Governmental Relations Manager, Dana Fenton, including this morning. I would say that from what I've seen the outcome of this thing is really very much in flux still. What you just described is in the draft that's actually going to be debated in the Senate this afternoon. I know there are very mixed feelings even within the Senate because of the impact particularly that it could have on some small towns that could see their revenue base decimated by it. I would say the outcome is very much in question still. We also heard suggestion that there might be revenue offsets of some kind

so that we might at a future date see a little bit of relief from whatever the ultimate impact is of the loss of the Privilege License Tax. I think what concerns us today is the kind of flexibility that we have. We know now that we're dealing with an uncertain range of outcomes on this issue and I think the decisions we make today could affect our flexibility just in terms of being able to respond. I've talked about this a little before; we have other demands we're aware of so we don't know what the thing is. We're pretty sure that there's going to be a thing and I would just like to see us position ourselves in a way that we know how we're going to deal with anything from \$3 million to \$10 million in revenue losses which looks like a probably outcome. I think you're on the right general track so I appreciate your comments. For my colleagues I would like to point out we may have to absorb that and if we think about it a little bit now the decisions we have to make later won't be as painful.

Mayor Clodfelter said I think one of the positive things about the way; I'm not trying to be a Pollyanna about this; I realize the way it started out may sound like a Pollyanna but one of the positive things about the way this has been handled is there have been a number of proposals that have been discussed about replacement revenue sources and so far none of those having been accepted because they haven't worked. They haven't been sufficient, but there's been a good commitment; that's the positive thing. There's been a good commitment and we need to work on finding replacement revenue sources and I think that's a good sign. It just means we'll be working on that after the session adjourns between now and the long session or next year. I feel good about the fact that there's still energy in the General Assembly for trying to find a replacement revenue source. I think that's positive.

Councilmember Fallon said Ron I had asked you if it was possible to take that money we know we'll get this year and kind of put in a Pay As You Go with a dedicated line where it wouldn't be touched so it can absorb some of the shock for next year or the year after. I guess it's 2016 that it will really come to fruition. Is that possible so that we lessen the blow?

Mr. Carlee said yes ma'am. In fact, the way that the budget is done here which I strongly support and think is physically prudent thing to do. We do not estimate prior year revenues to carry forward into our new year's budget to balance the budget. That's how you create structural deficits. Any surpluses that we would have in the current year would be available for redistribution. They do go either into general reserves or into capital reserves and do not automatically get spent based on a series of fiscal policies in terms of how those are allocated based on Council policies.

Ms. Fallon said because we do know its coming and we should be able to cushion it in some way.

Mr. Carlee said I expect that within the parameters of what may happen to us in 16 that I will be able to present a balanced budget to you that may require some adjustments and send services downward but I would do so in a way so that it would be sustainable into 2017 and 2018 as well.

Mayor Clodfelter said I think we know all we can know at this point so we can't speculate to much more beyond what we know. We'll know a little bit more as the session develops and even more after the session adjourns and they go back to work on the longer term issues.

Councilmember Howard said just to speculate the point, it's really a question for you. One of the things I've gotten wind of is that when it goes in the long session next year this item could get caught up in that tax reform conversation that they tried last long term. That concerns me because that's kind of a leveraging tool against us and other cities across the state. Do you have any feeling that that's kind of the angle that this is also the kind of position cities be forced to support some type of tax reform?

Mayor Clodfelter said I don't really know but I would actually take a different view on it I think the best outcome for us and for municipalities across the state would be if this issue does get resolved as part of larger tax reform because that gives us the chance to come up with a much better and much sounder substitute revenue source. I think that's the real potential for; if we try to do patchwork fixes to this one item alone I don't think anybody is going to be happy. I don't think the municipalities are going to be happy with it. I don't think the county is going to be

happy with it. I'm not sure the state would be happy with it if we're trying to do this as one all fix.

Mr. Howard said I think it's going be a multi-year approach and if that conversation goes on a couple years then we're just kind of stuck trying to figure out loss revenue while that's happening.

Mayor Clodfelter said the good news and again I don't mean to be a Pollyanna here but I think the good news is that we're sort of in the later years of that multi-year discussion now. That discussion has been going on since the early part of the last decade and so now for the first time you're actually seeing proposals surface and get consideration for action. I don't think we will be left waiting for a long time. I think we'll be able to know what the result will be. I do think the potential for us to find a good stable, reliable replacement as part of a larger tax package is much smarter. Anything more on this or can we move?

Councilmember Lyles said I appreciate Mr. Carlee, the plan; I especially appreciate the remarks by the Council because I think that we all have a great understanding of our responsibility to govern accountability and to do this well so thank you. I have two things that I'd like for the Manager to think about as we're going through this. I think that any plan is a great plan but one size doesn't fit all so I would hope that you understand the latitude of the priorities and importance in our existing plan. Second thing that I think about most often is community and communication on these kinds of things. It's very important for us to recognize what a great place we live; that Connect presentation yesterday; our growth in property, our housing stock, jobs and things like that; so we need to really work with defining the issue but also recognizing what we have and how we'll deal with it. If we could add something in terms of the connection to the community and communication as we deal with this so that people have a good understanding and it's not in a vacuum; it's in a context. I would appreciate that

Mr. Carlee said I appreciate both of those. I don't want my earlier comments about balancing the budget to be misunderstood. I'm just looking at tweets that are coming through. I don't want to suggest that balancing the budget; if we were to lose the \$18 million in Privilege License Tax would be an easy job or would be without pain. I think that was to the question of Councilmember Fallon. It will result in service reduction. There's no way that it would not do that. While some of the impacts may be felt across the board, I think to the first point you were making Councilwoman Lyles, it would be my expectation to bring you reductions that were of a more strategic nature that took into account the relative priorities as expressed by Council and obviously very much we would need to communicate those impacts with our community. We'll definitely consider both of those points.

Mayor Clodfelter said but to the point, that \$18 million by all reasonable account is not the amount that's at risk this year.

Mr. Carlee said that's right. We've been told that there would be replacement revenue so that is our working assumption at this point.

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II. CONSIDERATION OF AMENDMENTS FROM THE MAY 14TH BUDGET AMENDMENTS MEETING

Mayor Clodfelter said with that can we go to the straw votes? We'll start off on item one on page five which is a proposal that we essentially hold flat the funding for the Film Commission at last year's level and not increase it by \$75,000 as is proposed. Any discussion or do you just want to vote?

Amendment 1: Delete Film Commission Additional Funding Reserve In The Amount Of \$75,000

Councilmember Autry said I would just ask my colleagues to not support this measure to increase the funding to the Film Commission by \$75,000. We're in a kind of a flux moment here with what Raleigh might do regarding the Film Credit Program and now's not the time to be

drawing back support for our film office. It has been very good to a couple thousand people that live in the Charlotte area who work in the industry. I think we need that to be in line with our peer cities as to what their spending in film offices and I'd like for us to remain to be competitive.

Mayor Clodfelter said as I understand it the increase Mr. Manager is contingent upon the continuation of the film credits and the County also stepping up with their funding. Correct?

Councilmember Phipps said that's right?

City Manager Ron Carlee said that is correct Mr. Mayor. As part of this the Film Commission would be transferring from the regional partnership to CRVA. We would actually be working collaboratively with the County to develop what our performance expectations were around the expenditure of these additional funds. They would be held in reserve and not released until we work through those contractual specifics and have that available for Council.

Mr. Phipps said I worry also about the kind of message we would be sending if we did in fact take this action today because I think if I read right; I don't think the County has acted on this yet so to the extent that we would take such an action at this straw vote session to delete this item, I think would convey that there really is no buy-in from the City of Charlotte in doing this so why should we do it? I think this amount of funds; I consider it an investment that has returns that far exceed what amount that we're asking here so I would support Mr. Autry in his efforts to preserve these funds.

Councilmember Howard said I was wondering whose issue it was. I just wanted to make sure I understood both sides.

Councilmember Mayfield said actually Mr. Mayor I was the one that issued the second on this one and have done a little bit more reading, research that was provided to me. I'm going to rescind my second on this one and I will support the additional \$75,000.

Councilmember Austin said Mr. Mayor and Council; I too will support the additional \$75,000. I think that the economic impact of \$270 million to Mecklenburg County and the amount of jobs that it will help for this county. I think that it's an asset that we need. I'll be supporting it.
Mayor Clodfelter said Councilmember Smith, you don't want to talk?

Councilmember Smith said we've got some bigger battles down the line but I will. I was trying to be strategic with my required speeches. I am still hesitant to go along with this. I welcome the information that was not sent to me. I have welcomed Councilmember Autry might have shared that before and I would love to see some background on that; take a look. I struggle with a couple things; one, Mayor Pro Tem brought it up I believe at the last meeting about the surrounding outlying counties and other areas that benefit from this as well. What's their participation in this? And it would be great if we can make this to Councilwoman Lyles point earlier sort of the collaboration within a little more regionalism and just having a better understanding; that would help me a lot.

Councilmember Driggs said I was just going to say I actually agree with Mr. Smith. We're not talking about pulling back; we're talking about whether or not to increase our spending. To characterize that as a retreat is not strictly accurate. We got to where we are with the \$270 million based on the existing funding level. I can't see clearly what the increment is. I'll go along with my colleagues on this one. It's not a big deal but I think it's a legitimate question Mr. Smith has raised.

Councilmember Barnes said since Mr. Smith brought up my name I should respond. I do support leaving the \$75,000 or adding the \$75,000 to the CRVA budget. As I understand it there's a pro-rata contribution that the surrounding counties make to CRP. Is that right Mr. Manager?

Deputy City Manager Ron Kimble said they do pay dues; membership dues to the CRP but this film commission now will be moving from the Charlotte Regional Partnership to the Charlotte Regional Visitors Authority under this proposal. Mayor Clodfelter said and there are no contributions from surrounding counties to the CRVA.

Mr. Kimble said that is correct but they are partnerships between the CRVA and surrounding counties on doing things collaboratively. So there is an in-kind even if there is not a cash contribution from surrounding counties.

Mr. Barnes said I think this is a good one.

Mr. Autry said I would just like to say to Mr. Smith that even though a film may be shooting in Cabarrus County or Lincoln County or Iredell County for a location for a few days that crew still comes from Charlotte. We're talking about the employment of Charlotte citizens.

Mayor Clodfelter said the proposal to not make the increase. A vote in favor of this item is to not make the increase. Let's see a show of hands in support of that proposition. The proposal is to delete the \$75,000 so if you're voting yes you are voting to delete the \$75,000.

The vote was recorded as follows:

For Deletion: Councilmember Smith.

Against Deletion: Councilmembers Austin, Autry, Barnes, Driggs, Fallon, Howard, Lyles, Mayfield and Phipps.

Ms. Mayfield said so we just voted to increase?

Mayor Clodfelter said we voted to keep the Managers recommended increase.

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Amendment 2: Restore Out of School Time Partner Funding for Above & Beyond Students and YWCA (up to \$411,233)

Mayor Clodfelter said I would propose; Mr. Manager or Mr. Harrington, unless you have a different way, to hear the report from the ED Committee on this item; I think that would be useful to do.

Mr. Barnes said we actually had a fairly robust conversation about this funding issue and you'll note that the committee's recommendation; we had four members present that day; it was a 4-0 vote to recommend to 2B which is to use the additional \$475,261.00 from CBGD funds to assist two of our after school partners; Above & Beyond and The YWCA. There would be a distribution to each of those entities. One that would raise the Y back to its 2013 funding level and the second would take the Above & Beyond program to its 2014 funding level and that was the recommendation of the Council. You also see in your materials on page 11 the impact on all the other partners. We started at \$1.2 million dollar budget which is what we've had in that program for the last several years and the \$175,000 addition raises the program budget to \$1.375 million and there would have been a small adjustment to Citizens Schools, a small adjustment to PAL, an increase downward adjustments and an increase to Above & Beyond and an increase to the YWCA from zero to \$158,000. I continue to support that position and would urge my colleagues to support it as well. Again, that would be 2B; not 2A.

Mayor Clodfelter said you said that was a 4-0 recommendation out of the committee.

Mr. Barnes said yes 2B was.

Mayor Clodfelter said what about 2A?

Mr. Barnes said 2A got no traction.

Mayor Clodfelter said got no traction?

Ms. Mayfield said it got traction.

Mayor Clodfelter said well I guess we're going to hear about the traction.

Mr. Barnes said it didn't get significant traction.

Mayor Clodfelter said we're going to have to vote on these separately. We're going to vote on 2A and depending on what happens with 2A then we'll take a vote on 2B.

Ms. Lyles said yesterday I sent each of you a note about supporting this recommendation but asking for your consideration of three other steps in addition to the recommendation all of which I think are going forward. The first thing that I ask is that are contracts for these agencies include a requirement that they actually meet together and look at opportunities for several things but the most significant I think is really focusing on outcome measures because it's not about the agency; it's about the children that are served and making sure that we're getting the right outcome measure. The second thing is that I also asked if they could look as a group at what I call common efficiency. I'll use the example, if I'm feeding kids and I go to Costco and I buy a box versus I have a relationship with a really good employer in Charlotte; Lance Snyder and they give me a discount. I am thinking that there are opportunities for these groups to actually look at some things that might help us with one; helping them operate better and as well operate more collaboratively and understand that we're in this together. The second point that I made in the memo was the idea that we've got a lot of people that care about kids in this community and efforts going on and I'd like to see the city staff work collaboratively with The Foundation for the Carolinas. The Duke Endowment who are also focusing on literacy for people in the elementary school so these programs need to be talked about in a context that serves again the mission of bettering the lives of students. I'm going to have to give my Chair a plus when yesterday I called him and said I think we should add the increased funding proportional to the block grant funding in this memo and he said no. I thought wow; but I still thought it was a good idea and I got home last night and I called my daughter and she said absolutely not. So now I guess I'm going to let you adopt her.

Mr. Howard said that's important because your daughter helped developed this program. Everybody should know that.

Ms. Lyles said I know. I told her that she should treat me better because I'm your mom and she ignored that and so I guess what I'm saying is right now I'd really like to ask for consideration of those two points. The groups having a collaboration and that the city continue its collaboration with the other organizations in town working on this childhood literacy so that we can talk about outcomes and things that make the program work best for the students and the kids engaged in them. I also think there is an opportunity to look at this. We talked about who does this; I think asking that collaboration to consider that might be a good idea as well; which is something else that I would ask so in support of the motion but I would also like to see those two things included. I don't know if those could be separate motions or not?

Mayor Clodfelter said I don't know that those actually need to be motions unless Councilmembers think you need to vote on those. They sound to be imminently good management and efficiency suggestions that I would assume the Manager would take and run with unless you feel like their controversial enough to require a vote.

Mr. Barnes said the question I have is; I don't know if Tom Warshauer is here; but I'd like to know the extent to which staff has already tried to create some synergies and greater efficiencies and experienced turf battles. Is he here? Or Mr. Mumford do you know? I thought we attempted to make that analysis last year. Maybe not.

Neighborhood & Business Services Director Patrick Mumford said you're right Mr. Barnes. We have been working diligently since the direction of Council two years ago to change this process. To make it more collaborative, to outcome measures so a lot of what Ms. Lyles has suggested is underway but we can continually improve that and would take that under advisement and work to do that.

Ms. Lyles said I think that it's great to encourage. I think it's another thing to say you must do on a contract. That's kind of the way I looked at this. I want the groups to actually have to sit with each other. I don't want them to say well you know I'm going to come to a meeting if it's on my calendar and it seems important at the time. That's kind of my focus.

Mayor Clodfelter said are we able to accommodate that?

Mr. Mumford said yes we can. It seems like a natural progression in this process as we continue to evolve it and it matures. We'd be more than happy to do that.

Ms. Fallon said in the interest of transparency I am board member of Greater Enrichment but they have tried to reach out. There's a lot of competition for money and people are resistant. We have so much redundancy. Somebody has to sit down with these people and say we can't fund all of these. They are going to have to start to work together for the children because what's happening is you're reducing and sites are closing that do serve the children because everybody is now applying for money. I don't know what the solutions going to be; it's talking together but it's getting people together when their redoing the same thing in the same areas. To serve the kids is the important thing and they have to start to work together because money will end eventually. I don't know how you're going to do that Mr. Mumford. I know that we've reached out and because it's a competition for the dollars people are resistant. I know the state rates agencies now about how they are responding, how much they are spending on each thing, what they do. Don't forget a lot of the agencies do different things. Some of them pick up the kids and take them home, stay with them till a parent get there, some of them dismiss right to them wherever they dismiss them to so that you can't really measure apples and oranges.

Mr. Smith said we spent a lot of time discussing this at the last meeting and I felt like there was a general consensus around the table that staff does a pretty good job in vetting the various agencies and no matter how hard we try somebodies always going to end up a little short but their also seem to be equal amount of consensus that procedurally we may be pulling the rug a little quicker without as much advance notice. I'm inclined to be in support of trying to help some of our community partners moving forward but I want to make the City; that we're moving forward; because this is going to inevitably come up every year; a very worthy cause is going to end up not getting funded; we have mechanisms in place since we are able to communicate whether it's earlier. We had a bunch of really good solutions and ideas around the table but to just to make sure that we do that moving forward so procedurally every year we're not trying to have staff work very hard to back groups and then have us come back and hey let's just give them a little extra money because it's magically going to appear somewhere.

Mr. Driggs said I was going to say in the same vain; this whole situation in case anybody forgot came about because the staff in adhering to the process that Council established essentially defunded or almost totally defunded Above & Beyond Students, the YWCA. Council seeing that outcome and thinking about the impact on the kids that are served by those agencies thought well that's a bit harsh so we looked at ways to mitigate that impact. We have two proposals here and I will say I'm opposed to the first one. I support the conclusion of the committee which basically realigns the funding somewhat or some funding back to earlier levels for those two agencies that had been completely defunded takes the resources to do that from the block grant, does not go into any general funds or anything else. I just think that's a very elegant solution. What is also required though is that we go back and look at the procedure so that we don't find ourselves again in the position where we do what we were supposed to do and don't like what happened. I would also like to see us regress back to the million two and not treat this as an occasion to permanently expand this particular funding.

Ms. Mayfield said one; I support 2A; the \$397,433. I do have a concern that as long as we're going to be in this role that we do it in a way that's going to be most effective. I agree with the suggestions that have been put forth by Councilmember Lyles. I also think we really do need to put some time and energy into identifying where our CDBG funds are going so that we are really having a holistic approach in communities and I don't know if that conversation's really been happening but I also take responsibility as an elected. I know I need to ask staff the right question in order to get the answer that closely aligned to what I'm trying to achieve as a representative. Staff did exactly what we asked them to do. There were some expectations on my

part; I'm not going to speak for my colleagues; where I did not express them. One of those expectations being that the information was going to make its way back to the committee before first seeing it in the budget so that we could've had further conversation and with newly electives coming on everybody would be on the same page. We'll know what the process is and there would've been more room for a conversation. I do look at the impact of going back too, and I'm not going to say that it's arbitrary because it's not looking at arbitrary numbers it's looking at the dollars that we have in front of us and looking at the reality of those dollars. There's also this conversation that we have in our community that when it comes time for investment for business we identify the funds that are necessary. We do whatever we need to do to make it happen. Well looking at our earlier conversation around the Business Privilege License Tax that was so encouraged once upon a time; I have a concern that what we're saying to our community at large especially those in our community that are also taxpayers and that are in most in need that when it comes time to provide services for you we're going to take the easier road. No, this is not an easy decision to say yes we're going to identify the additional funding but sometimes just like we made the decision with certain businesses coming to the area and we bit the bullet to make an increase investment we need to look at what investments are we making into our community when we are consistently asking our community to invest in us through their tax dollars, through their sales tax. If it was up to me if a business comes to the area you have to be stationed in Charlotte and every employee has to be from the Charlotte-Mecklenburg. I don't have the authority to do that but what I can do if I get the support along with my colleagues is make sure that those that are in a position of not having the greater access and looking at that baseball analogy of starting on third base or starting behind home plate; what can I do to help with that? I can encourage us to move for 2A and hopefully my colleagues will recognize the importance of that as we continue to figure out how we're going to grow and create a truly stable Charlotte.

Mr. Austin said I guess my take on this is this is a community safety issue. Our community is not investing in our schools, our community is not investing in our youth and this is the City Council's opportunity to really make an investment in after school. We just recently had a murder right on Beatties Ford Road. I really feel is a result of our teens not having anything to do, our students failing at our schools systems and we need to do something as this Council to really, really sure that up. This is really a community safety issue because they go to gangs, they have teen violence and then it really comes back to us. Then we're trying to increase the number of police and all the things we need to do in that area so for me I support 2A because I really think this is a safety issue and we need to support these two organizations; Above & Beyond because I'm very familiar with them and the YWCA and the work that their doing in our community. I would support our other Councilmembers also supporting 2A as it concerns a safety issue.

Mr. Howard said the only I would do is I would caution us on lumping all these programs in the same category. Ms. Lyles, I definitely support pulling people together to see where their synergies, and I heard you as well Ms. Fallon. The only thing I remind you guys is kids are; I'm going to use the analogy of apples and oranges; their grapes and bunch of other things too; kids are not all the same and they need a lot of different things. If anything I'd like to make sure that that conversation is not just how they can collaborate but making sure we're addressing the continuum of what all the things kids need. That would be more important to me than just whether or not they collaborate. The other thing I want to share and I've said this now to you all; I think there are other groups that do this better than we do. One of the things that I think we do fall short on is whether or not we can be objective as well as experts in this field. I just think there are people that do it better so I would hope that one of the stipulations that comes out of this additional money is us getting really serious about referring this to EDEC about finding ways to find somebody else to take this and make the final decision. By the way I'm saying that maybe we collaborate on what the criteria is up front but we leave the final decision making to whoever that entity is that we give it to; rules and all. If it says it can only do it for two years, three years at a time; if that is what their rules are and that's how they do it, we let them do that and we get out of having the politics brought into a decision that should be about the kids and that's not what we're doing right now. I'm not exactly sure what we're doing right now to be honest because we've been at this so long. This is not what the intent was of all the conversations I've had since I've been on Council about this. The only way we're going to really get it and help the kids is to give this to a third party.

Mr. Phipps said I'll be supporting the B proposal. I thought when we visited or talked about this in our earlier session that it was our intent to try to stay within the \$1.2 million dollar allocation from the Manager's recommended budget and I was curious as to and the information that we've been provided I didn't see an explanation as to why we have two groups here that we didn't make downward adjustments in there allocations and I was just curious as to do we have an explanation for that in as much as the other two did do had a downward adjustment in there total.

Mayor Clodfelter said let me come back to the Committee Chair on that.

Mr. Barnes said I believe Mr. Phipps the reason why there was no downward adjustment is because, and Mr. Mumford you have to help me with this, but I believe it was because those two entities have one; YDI is a new partner; correct?

Mr. Carlee said I'll be happy to respond. We were working within the framework of the amount of money that we have and we did consider above the \$1.2 because of the additional resources we had in Community Development Block Grant that could be devoted to services side. I proposed adding the \$175,000 and it could have been used for other services programs but considered this a priority so that we could honor, to the extent that we could, commitments that had been made in the process it was established but also mitigate the impact of existing agencies that are receiving funding that were significantly impacted. The way we went about doing that, and I'll just go through each of them so you can understand the rational; the Police Activities League is funded above what the threshold percentage is going to be in their operating budget for next year so rather than taking them up to \$317,000 we took them back to \$287,000 because they would be reduced next year based on existing policy so I basically kept them whole from 2014. Greater Enrichment; we kept them at the \$350,000 as they were proposed; Youth Development Initiatives; we kept them at the level they were proposed; Above & Beyond; we took them back to their 2014 level; their request was up from 2014. We took them back to 2014 providing consistency there. On the Y; they had gotten a significant increase from 2013 to 2014. They had been a winner in the process before and then were a total loser this end which shows the need to revisit the policies and so we took them back to the 2013 level which had been their prior funding. From that we essentially balanced out the budget with Citizens Schools which was a large new participant at a very high level; recognizing they had not gotten funding in the past and brought them down in order to enable us to balance within the budget. That's essentially how we got to the numbers.

Mr. Barnes said Mr. Harrington, I think you can clarify this but I believe even under this proposal of \$1.375 million dollars we are in fact serving about 1,000 kids. Is it close to a 1,000?

Mr. Harrington said that's correct.

Mr. Barnes said I understand precisely what Mr. Austin was saying about investing in young people and keep them out of trouble and helping them become productive. I would say that we do recognize, I as a committee member and citizen of Charlotte, that we cannot meet every need in the city but we are trying to do our part to address the needs of at least about 1,000 kids. I'm sensitive to what you were saying and I recognize the environment that we're operating in as well.

Mayor Clodfelter said I think we ought to take 2A first because the outcome of that will determine whether we need to consider 2B or not. Proposal 2A is to restore the full funding on Above & Beyond Students and the YWCA, you have the amount there.

The vote was taken on Item 2A and recorded as follows:

For: Councilmembers Austin, Autry and Mayfield.

That will take us to 2B which includes the Committee's recommendation.

The vote was taken on 2B and recorded as unanimous.

* * * * *

Amendment 3: Increase Charlotte Regional Partnership operating funding by \$16,974 using FY2014 Council Discretionary Account

Mayor Clodfelter said that takes us to item 3 which is to increase the Regional Partnership Operating Funding in the amount you see out of the Council's discretionary account. Anybody need to talk about that one?

Mr. Carlee said I am proposing as opposed to having it come from the discretionary account; we do have some savings from our interlocal programs that are documented there at the end. I would keep the Council's discretionary account whole and I'll recommend that if you do this you allocate it from the \$115,000 at the bottom. I do recommend that you adopt this increase. This is more of technical amendment that I wanted to include in my budget. It came in a little bit late. I would expect this to be contingent upon the county meeting; their projections as well. This enables the partnership to then go out and leverage the county and the city with the other partners.

Mr. Howard said that is saying that we not go from the discretionary fund so we need to modify it?

Mayor Clodfelter said yes modify that item so it comes out of the savings of the inter-local.

Mr. Howard said I want to make that clear that we're voting on the modified version.

Mayor Clodfelter said I understand that to be what you're voting on.

The vote was taken on Item No. 3 and to take this from the County's Inter-Local Program Savings and recorded as unanimous.

* * * * *

Amendment 4: Add a Principal Planner position and associated operating costs to support preservation of Historic Districts.

Mayor Clodfelter said Mr. Manager I think you have a different funding recommendation on that one as well.

Mr. Carlee said this one we are proposing that we also allocate funding from the savings in \$115,000 to this program as well. However, simultaneously we would like your authority to develop a fee schedule. We need a little bit of time to do that and to get it implemented. We would bring the actual fee schedule back to you but the policy direction that I was hearing informally from Council at our last session was to maximize fee recovery in order to support our historical program in ways which are reasonable and consistent within the field and we would seek to do that but in the interim term we would know that we would have resources cover it not knowing exactly how much revenue would be generated or when it would be generated but we would provide you an update and any savings that we would achieve based on the fee schedule in its implementation would of course revert back to the General Fund.

Mayor Clodfelter said the modified recommendation is that the position be added and funding initially out of savings in the inter-local account with the goal of eventually funding some or all of it out of fees. That's the modified recommendation. You want to talk about that one more?

Mr. Phipps said I have a question about did we get any requests at the departmental level for this extra position? Did someone from the department approach or submit to the Manager a recommendation for this position or was it until we saw the need and suggested the position?

Mr. Carlee said the need had been identified within the planning department. I established fairly strict guidelines in terms of what would be considered this year and they were looking to try to gain an additional year with existing staffing as we're doing some historical planning. As we came together and really looked at some of the more immediate problems that we're seeing; especially talking with residents in some of our historical communities and the unfortunate

incident that we had in one of our historical districts on a tear down lately; it became apparent to Ms. Campbell and me both that there's a compelling need for us to bring additional resources in at this time. For the size program we have; we're just not staffed adequately to provide meaningful enforcement. I think we're going to need some additional resources into the future but I really do want to get the fee schedule together and understand what we can offset with fees before bringing that to you. I would say, especially if we grow the program; we probably need one to three additional staff but for the immediate term we need to have someone that's really focused on making sure that certificates of appropriateness are implemented the way that they are approved.

Mr. Phipps said have we instituted any kind of penalties as a result of non-compliance with those certificates of the affidavit?

Mr. Carlee said there's a civil process around it that is not simple and straight forward. I think it's also part of our relook at the program as well.

Ms. Mayfield said Mr. Phipps, to your question I was the one that added this as an add on the budget and it is because of some of the items that were mentioned by our City Manager. Mainly, the fact that we have had concerns where what was submitted as far as proposal for a development and then actual out the ground development would be different and that difference would be a greater developed home than what the commission agreed upon. We're looking at one and half staff that's been focused on this so at least by adding this additional staff person then we have someone that's designated that will be able to go out and, not a part of code enforcement, and that's the biggest piece to make sure that everyone is under the same understanding that this person isn't just going to be added into code enforcement to be doing all the other code enforcement. Their sole focus is the support of the Historic Districts Commission and to ensure the development that is happening goes along with what is approved with maintaining and preserving our historic districts. Initially, I believe I worked with staff and was given a number of \$114,000 and some change and that included having a vehicle. The Manager was able to reduce that amount to the \$88,322 and now hearing that we're looking at additional ways to offset that cost moving forward I definitely still support us moving forward with adding this additional staff and I think it will help to address a number of the concerns that I believe we have more than 14 applications that are in right now so this would help to alleviate and make sure that what is being built in the community helps us to maintain our historic commission and our communities.

Ms. Fallon said isn't this a federal program too? Aren't there grants available?

Mr. Carlee said there are not grants that I know of that would actually support this specific function. You can get grants occasionally in my experience to do some historical surveys; they tend to be one time kinds of things but in terms of supporting ongoing operations I know of no ongoing funding stream that would support what we're seeking to do with this position.

Ms. Fallon said can we look into it to at least offset it for a while?

Mr. Carlee said we will look into it especially to support some of our other historical activities that we need to do around our inventories and the impact of changes in our community. Again, I think a stable fee base will be our best option to offset cost.

Ms. Fallon said this would be a dedicated person just for that.

Mr. Carlee said we're actually going to place this person in the Historical Affairs Office. They're going to work closely with Code Enforcement and Code Enforcement is going to make some adjustments in their assignments to better align with this position. They will also work with the County plan review and building inspectors so that once the Certificate of Appropriateness is approved that this person will essentially birddog that through the various other processes and seek to ensure that nothing falls inadvertently in between the cracks. At the end if it gets built it's very hard to undo it.

Mr. Autry said Ms. Mayfield helped me get the complete grasp of this that this person will be under Code Enforcement. No he will not?

Mr. Carlee said no this person will be in the Historical Affairs office that will be assigned to enforce and will be assigned to the enforcement function and will work with Code Enforcement and with the Building Inspections Office to make sure that all of the approvals happen in a way consistent with the Certificate of Appropriateness.

Mr. Autry said that's their whole focus?

Mr. Carlee said yes sir.

Mr. Autry said they're not going to be checking about how tall the grass is somewhere?

Mr. Carlee said no sir. That's why we're placing it in the Historical Affairs Office.

Mr. Phipps said someone made an indication that they're several communities that want or expressed interest in being a historically designated. I would hope we have a very deliberate process in terms of being able to meet the criteria for that. Just because everybody wants to be in it we wouldn't be designating them as such. I would hope that it is a very detailed process.

Mr. Carlee said indeed it is.

Mayor Clodfelter said in my experience it it's not only deliberative it's painful.

Mr. Carlee said and some communities once they understand all the implications will opt not to go through with the process and seek designation.

Mr. Smith said I just have a minor comment on the user fee; as I look through it and I understand it has some refinement. I struggle with that a little bit. We're going to add costs to some renovations or whatever in people's homes and next thing you know their getting dinged an extra \$1,000.00 to \$2,000 whatever it may be and it just gets passed strictly on to –

Ms. Fallon said but they're tax abated.

Mr. Smith said they are tax abated. That's a good point.

Mayor Clodfelter said there is a tax advantage.

Mr. Driggs said I just want to make a point that I frequently make which is we have savings from the inter-local program. That doesn't make this any easier to pay for as far as I'm concerned. I think if we have those savings we should put them back and we should make this decision on a standalone basis in comparison with the funding we just didn't provide for the youth programs, recognizing that we have issues with storm water that aren't being met right now, so that's kind of a procedural point. I would also prefer to see the revenue option B developed further and available for us to consider before we make this commitment so that we know really what we're; instead of let's start paying for it now and we'll find out later how much relief we might be able to get. I'm wondering if there is a particular urgency that would cause us to set what I think is not a great precedent in terms of starting to pay for this and then finding out how much we could recover from other sources. If we did this next year how critical would those consequences be?

Ms. Mayfield said can I jump in on this one?

Mayor Clodfelter said Councilmember Mayfield I think you were waiting on this one right?

Ms. Mayfield said well one; looking at the fact that there are 14 applications out there, more than 14 applications that are out there right now, the reason we; we being Councilmember Kinsey as well who unfortunately is not here today and the conversation we've been having with the Housing and Neighborhood Development Committee as well as Councilmember Austin as Vice-Chair is looking at what was just mentioned is that we had an horrific tear down in the Historic District that happened that should've not happened but prior to that we've had homes that have really been built outside of what was approved because we didn't have the manpower to try to help eliminate that in the future the immediate future. We don't want another house built in the Historic District Commission that's built outside of what was approved. The idea of you

submitting paperwork to me and that being approved and then three months, two and half months, a month later I come out for a site visit and what you have built is a lot larger than what was anticipated opposed to me telling you you're getting ready to tear that whole foundation down and start over to what was approved and I'm going to fine you; we end up having that new development built and that's creating concerns and challenges in the community. The reason I ask for it to be added now is because the quicker we can get this person in the better to make sure that we're truly preserving the communities that fall under the Historic District. The question that the other piece and I apologize because I forgot this piece earlier Mr. Mayor is we do have people that have gone outside of that development that should have been fined. Are we having the conversations regarding their fines because their fines will help offset these costs because we know that we've had developments that have happened and those people should have been fined but whether or not they have been fined and we've actually collected those fines is a different conversation?

Mr. Austin said I believe one of the reasons that we started the Historic District Commission is that in trying to preserve some resemblance of what Charlotte was and why people actually come to Charlotte is because of our communities and the way of life and the way the homes look and those types of things so to have this and have staff but not have it fully staffed is just ridiculous. We need to have enough staff and enough people to support what we're trying to do as an initiative to preserve these communities. Wesley Heights was the community that had the destruction most recently. It was house I believe built back in the 1930's or 40's, everybody knew it was part of the Historic Commission, everybody in the community knew it but then it got torn down and it's because we just don't have enough people. We've got other communities that want to be a part of this but there's no way that staff can maintain the level of insuring that things are working well and the process is working well if we don't add to it. I support this one and I think it's Manager's way of maybe looking at the fees as a great option for that and as a way of looking at our inter-local funding initially is a positive aspect as well so I support it.

Mr. Phipps said I actually agree with the concern of Mr. Driggs in terms of funding this this way right now even though I'll probably likely support it but I'm not convinced. It seems like it's a soft commitment towards this fee structure because right now we're operating under an atmosphere where there's no fees so now we have to sell the community on fees and then you got the other communities that might want to opt in to the Historic District designation but once they find out how onerous it could be maybe they might opt out. I don't know if we're ever going to get sufficient fees to be able to offset the costs of these positions on a go forward basis. I would've preferred that we would follow your original recommendation to see how this works in this first year and then hash out how any particular fee structure would be put in place before we go this route but I do share that concern because I would be highly surprised at the outcome of any real fees coming out this to offset the cost of these positions.

Mayor Clodfelter said anyone else on this?

The vote was taken to add the principal planner position and operating costs to support preservation of the Historic Districts in the amount of \$88,322, with the Manager's recommended revenue option and recorded as follows:

For: Councilmembers Austin, Autry, Barnes, Fallon, Howard, Lyles, Phipps and Mayfield.

* * * * *

Amendment 5: Delete Charlotte-Mecklenburg Utility Department rate increase (no rate change)

Mayor Clodfelter said now we come to the big money. Mr. Manager, how do you and Mr. Gullet want to talk about this one?

Mr. Carlee said I would direct your attention to page 18 of your package in terms of some different scenarios that we have laid out. The idea of front loading or back loading the fees relative to consistency has some anomalies popping up there that gives me some cause for concern on them. What I would recommend to you and offer is that in order maintain

consistency and the integrity of our current debt structure and bonds sales I would ask that you approve the recommendation for 2015, but without a commitment to a particular methodology going forward. What I would like to do is bring back to you in a Workshop a detailed discussion of the Water Sewer Capital Plan. These costs are really driven by capital investment and reinvestment. I do not believe that the Council in recent times, certainly not since I've been here; has had a really deep dive into the capital program for water and sewer and I'd like for us to lay that out for you in some level of detail as well as to show you the different funding options in pay as you go versus debt and to model some different rates for you so that you can consider some alternative revenue methodologies going forward. If you could approve the recommended amount for this year; this will get us through the immediate commitments that we need to make particularly around some capital investments that were very advanced on and some debt funding but would preserve your options for either going higher or lower in FY16 and forward.

Mr. Howard said I supported this like I said two weeks ago for no other reason Mr. Manager than to get you where you just said you needed to go. As a matter of fact, wherever Barry is; Barry I'm sorry that you had to not breathe for two weeks. That was never my intent. My intent was just to kind of say that we need to approach this differently. Every year I've been on Council I voted to raise water rates and storm water fees. It seems like there's just something wrong with that methodology and I think that's what you're acknowledging. I just want to have a really good conversation. The information that you guys provided was scary; appropriately so because nobody wants to do some of these methods that you put in here but there has to be better models than what we're doing right now which is an increase every year. I don't plan to support either one of those today. As a matter of fact, I wanted to make sure you added Storm Water. You said water and sewer but it needs to be storm water.

Mayor Clodfelter said we're going to talk about storm water in a different conversation.

Mr. Howard said same comments for that when we get to that then. Again, I don't plan to support this today but I supported doing the add/deletes because I want us to have a conversation about it.

Mr. Barnes said as I have always understood the process of creating storm water or water and sewer infrastructure there are these capital costs that don't go down typically. One of the challenges that the Council has had historically is that a lot of the work you've done stretches into the intra-lands away from Charlotte properly. I've had constituents ask me why the rates go up and why these costs go up. When you explain to people for example down south that we've had to spend money to extend the water and sewer system down there I think people think it's something that just happens. I appreciate what you're preparing to do at the dinner presentation because we have yet to figure out how to do it. I don't support deleting it because we either pay now or pay severely in the future. We all get the e-mails about the water leaks and other damage on properties; sink holes and so forth and I'd asked you for a response regarding what it would cost us if we were to raise the property tax rate to draw down that thirty year schedule to a matter of three or four years. I believe it was two pennies. I'm not suggesting a tax increase but there is a way for us to clear that backlog and deal with all of the service requests we get and it would be raising taxes and we don't want to do that but we certainly also don't want, for example, by supporting number 5 to put ourselves even further in the hole. I can't support that request. I would support your original recommendation for this year with the appreciation that you're going to bring back a proposal for going into the future.

Ms. Fallon said I support that too because from a practical viewpoint this is an aging infrastructure adding on all this new development. The pipes that we have now or the viaducts are not adequate for the number of people that have moved here so they break constantly, you have a bad winter; you're always repairing rather than replacing which needs to be done. What is the point of not taking the raise when you need it and then having to do it 10% in two years and then you have an even more aged infrastructure that has to be corrected. It's pennywise and pound foolish. I will support this year's recommendation.

Mr. Smith said many of you know that I was the one that put this in and I do appreciate the Manager's hard work on this and to Councilman Howard's point this has stimulated some very good conversation on the issue that we're going to have to figure out as we move forward. I'm going to stand with my position to not support it with the caveat that I plan to be open minded as

we delve in to the Workshops and getting a more hands on more in the weeds approach to this. Hopefully what we can do is a have a more comprehensive approach as we move forward 5, 10, 20 years so that we're not having to go back to the tax payers every year and kind of incremental them to death. I think that we probably, between great resources we have on staff; can come up with a better approach moving forward that will avoid the incrementalism every year. Councilwoman Fallon you are correct; we do have an aging infrastructure. We have a growing population and these are just the demands that ultimately come with that. My preference would be to have a more comprehensive plan in place if we have to stand idle for one year; not let it linger for two, three, four years so we're having to pay the piper at some point and a huge amount. Just have a better plan of attack moving forward. I do appreciate Councilman Howard's support on this at least getting it up here because it did stimulate some conversation. I think we're all on the same page as were we want to get to. I think we probably differ with how we may eventually get there.

Mr. Driggs said I think it's great that Councilman Smith stirred up this discussion. In part this is a public relations problem. We have a business that is intrinsically very complicated. Water use goes down we have a tiered pricing structure, we have social concerns about how much people need to pay for the essential resource so we're trying to do the right thing here and trying to communicate in a way to the public what the reasons are for what we're doing, that makes them more comfortable. I think a key issue is just to get that confidence on the part of the public that this is efficiently run, that we're competitive with other systems that we provide good service and we're using the money wisely and at the same time we can't underfund. What's easy to do in city finance is you kind of postpone, you defer some of the less visible stuff and then it comes back and bites you. I'm going to oppose not changing the rate, support the rate change but I very much appreciate your comments Mr. Manager. I think we need to have a more transparent process and start anticipating better what the needs are in the future. Maybe manage expectations a little bit and just try to get that public confidence up.

Ms. Mayfield said just adding the reason I supported it; for us to delete it was to have the ability to have the conversation that we're having today and I will support the City Manager's recommendation.

Mr. Austin said I too will be supporting the City Manager's recommendation because either we're going to pay for it now or we're going to pay for a whole lot more later.

Mr. Phipps said I saw that it was really a no brainer for me to support the Manager's recommendation because as much as the public hates these incremental annual increases; I see no evidence in the community for any appetite for 19%, 30% increases if we defer it. I really don't see that we have another option right now. I'll be interested in what the Manager brings back but I'll be supporting it along with the rest of my colleagues.

Mayor Clodfelter said I'm very glad for this discussion. I'm very glad Councilmember Smith put it on the table as well because I think it's one of the most critical financial decisions that we face over the next decade or so. I've been interested in this issue from my other two lives. Formerly as a state legislator I've seen a lot of good and bad in this issue and also in my career as a lawyer I've seen a lot of bad decisions about water sewer funding and they have terrible consequences. I'm glad for the Manager's suggestion particularly because I think it may take more than one workshop on this. I think it may take a couple that are not crowded with any other items on the agenda. There are all sorts of ways to fund. There are different models of funding water and sewer utilities. I just wanted to make two observations today and then we can think about, you can think about them and we come back to our workshops. If you think about what's said in the materials is we're getting more efficient in water usage. That's a very good thing. Per capita consumption is declining. That's exactly what we want to have happen. When you're supporting your infrastructure system off of a revenue base that's based on consumption you're going to experience flatter, declining revenue and it's not going to work over time. That's exactly what we run into with transportation funding in this state. Cars are more fuel efficient so gasoline tax revenue stay flat but people are driving more and want more roads. That is not a sustainable financial model and you have to come up with a completely new paradigm than the one you're using right now. I think that's why it's a critical financial decision that is going to drive a lot of important things in the city. If we get it right, that's the second point, is if we get this right and

we become a high efficiency system and a low cost system then that will be a competitive advantage that will be just as strong for Charlotte as our low cost electricity is today in recruiting employers to come to the community. You get electricity and energy costs low and efficient, you get water and sewer efficient and low costs and you could out compete anybody. I'm glad you put this on the agenda. I'm really glad and excited about where you're going to take us in our discussions. That's my two cents worth.

Mr. Howard said as a state I know when you were at the state you guys had some conversation about other models to deal with the water needs; any models that we should be looking at when it comes to something different than consumption?

Mayor Clodfelter said I think you're going to hear a lot of things from Mr. Gullet and Mr. Manager. I don't want to foreshadow it today.

Mr. Howard said but is the state looking at doing anything that we should worry about?

Mayor Clodfelter said no one knows the answer to that question Councilmember Howard.

Mr. Howard said but nothings on the table up there that we should take into consideration?

Mayor Clodfelter said I'm not aware of anything. Mr. Gullet maybe but there was of course the very important decision made several years ago to start moving toward different conservation pricing structures and those have been a very strong state policy for about five or six years towards use of conservation price.

Mr. Howard said I worry about when we become a model at anything that means that they say that we shouldn't have done that on our own.

Mayor Clodfelter said the proposed item is to as I understand it the proposal is the item would keep the current rates the same for the succeeding fiscal year. The proposal is to keep it flat and no rate increase this year. That's what was put on the list.

Mr. Barnes said wait I'm voting to support the Manager's recommendation.

Mayor Clodfelter said then you don't raise your hand.

Mr. Smith said let me raise my hand Michael and we'll move on.

Mayor Clodfelter said those who would want to keep the rates flat for the current fiscal year?

The vote was taken on keeping the rates flat for the current fiscal year and recorded as follows:

For: Councilmember Smith

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Amendment 6: Delete Storm Water Services rate increase (no rate change)

Mayor Clodfelter said we move then to the next item which is a similar proposal that we keep the storm water rates flat for the current fiscal year.

Mr. Smith said I put it on there. My take is that it's not going to gain much traction with Council as well and I assume we will have some other kind of debriefing to their Dinner Meeting so I don't see a need. I suspect I'll be the only one voting there so I don't see the need Mr. Mayor to have a prolonged dialog on this. I think the same premise applies for this one as it did last time; unless anybody feels compelled to speak.

Mayor Clodfelter said let's see if anyone else wants to speak. I thought it was very interesting that under scenario D; with a one-time monthly fee increase you can really knock the maintenance and repair backlog away. You can virtually eliminate it. I was looking at page 24.

What surprised me was that there are some amounts of increase that could get rid of the backlog of storm water repair projects. I thought that was interesting. I didn't know that could happen.

Ms. Mayfield said thinking about that I had marked scenario C as the one out of all of them that I thought was pretty interesting. With looking at that increase but looking at overall how the impact would look.

Mayor Clodfelter said C, D and E all have very substantial impacts on the backlog reduction. I think though Mr. Manager, probably this ought to also be a Workshop discussion because that backlog is a huge issue.

Mr. Carlee said that was my original recommendation. Scenario C was the path that the Council had been on and while it does bring the backlog down it still is extremely large and leaves a lot of expectations unmet. The recommendation I made was to pull back and to do an increase only at roughly the inflationary level to give us an opportunity to rethink the program. If the Council were seriously interested in maintaining the program as it is then scenarios D and E are put in there as viable alternatives to you. They are fairly significant one-time increases if you look at the percentage on a dollar basis they are not humongous. Nonetheless, when you take into the aggregate of all the taxes and fees there is a burden there and my sense was that the Council would like to have an opportunity to revisit what our end objectives were particularly with regard to work on private property. Whether or not we should have some of that work; whether or not we should be doing at all, whether there should be a different cost sharing model that would enable us to meet the expectations that we've raised with the public?

Mayor Clodfelter said I hear another Workshop item. Did that provoke some discussion?

Mr. Driggs said if we did have a large increase with the promise that that would cause the backlog to be reduced I would want to have some sort of compact with rate payers that we are going to achieve those goals. The danger there is you put in place the 30% or 15% increase and then you don't achieve what you were going to do on the backlog and people would feel a little misled. In general I think this is a case of underfunding such as I referred to before. We're already seeing the effects of that with the backlog. I certainly would want to look at a big increase and not put something tangible out there.

Ms. Fallon said is this going to take in those big holes that are opening in people's yards?

Mr. Carlee said this is the storm sewer program and the backlog is principally around big holes, little holes, medium sized holes and other damage to private property; sometimes from erosion; it's a full breadth of storm sewer impacts on private property. The ones that you've heard about the most and the ones that really got me to focus on it were the sink holes on private property.

Ms. Fallon said it was backlogged five to seven years; how does this cure it?

Mr. Carlee said the proposal that I have made to you for the 3% increase does not cure it. It does, I believe require the Council to come back and have a fundamental review of the program and whether or not we're going to really do that work and if we do it, to what extent and with what kind of cost sharing. Scenarios D and E are plans to get the backlog down to what would be basically a one year backlog that would assume that we don't have an increase in the number of requests; that they actually continue to grow in a fairly stable way and that we're able to contain the cost and scope within those projects. Otherwise we get in the situation that Councilman Driggs was just talking about which unfortunately the City has been there and done that in the past. Previous Councils in previous years past have approved large end pieces and have cut down on backlog only to see the backlog grow again. That's the piece that I think can create some disillusionment or cynicism. Whatever we do, we need to do it in a way that it is sustainable and what we tell the public we are going to do, we can do within the time frame we say we're going to do it. I am saying right now very clearly that that's not the situation today and the 3% increase I've recommended does not get us there. It only maintains the status quo to give us an opportunity to get to hopefully a Council consensus in the next fiscal year.

Ms. Fallon said that begs another question. What's our legal responsibility since we have inspectors that are supposed to inspect property and not allow the way they push dirt around and then holes open up? That becomes our responsibility because we didn't do our job.

Mr. Carlee said that would be situation specific and would require a legal analysis on the individual case as to whether or not the city had done something or not done something that created damage to private property or whether or not another private entity had done it. I would not make a blanket statement with regard to the level of our responsibility or liability. Not all local governments do work on private property and not all local governments that do work on private property do so without cost participation by the home owner. There are other models for us to look at within the State of North Carolina.

Ms. Lyles said I think this is the opportunity that we could take to look at some things that we probably had done traditionally for a while. You look at utilities, you look at storm water; I have a sense that this is an opportunity to kind of get a consistent principle around how we do a number of fees. I don't know if there is a willingness but when you look at the solid waste services fee, the motor vehicle fee that come also on all of your bills; at some point it is about how much we do. How do we decide what's an entrepreneurial system that supposed to act more like a balanced budget within itself versus what the general funds do? I did read these and I thought well \$293. Look at that, let's just go for it but I didn't know what I'd be going for because I don't understand enough about the program and what we ought to be doing. I think the utility, the storm water is one but I would also think that as we look at solid waste services, as we look long term what do we feel comfortable with and how do we structure it. It's worth the same kind of deliberation.

Mr. Phipps said Mr. Manager I think we really should do something to change how we approach the lower priority projects, the level C projects that are out there. The way that we put citizens on that list; I think it gives them a false sense of hope that at some point their problems will be addressed. The way I see it now, once you get on that C-level list that you have a perpetual type problem that you are there till eternity because there are just so many other projects ahead of you. I don't know what we can do but I think we need to level set expectations because all we're doing is creating a false impression of some sort of resolution and I think it breeds some resentment of even paying some of these fees knowing full well that you're on a perpetual list that could take years to manifest itself into some sort of appropriate resolution. I don't think the customer experience behind that is just another frustration that fuels the perception of I'm paying these fees but what am I getting out of it. Just because the water is running in your yard; that person sees it as a problem and the fact that we don't; we just prioritize it to the lowest level and say well we'll get to it. You've got 1,000 people ahead of you. It just defies logic in my mind. I would hope that we would do something to change that.

Mayor Clodfelter said this may be a two Workshop item as well.

Mr. Autry said in all this consideration about storm water infrastructure how we look at commercial property because we've had issues in the last couple of years presented around sink holes that are running across commercial property and is there leverage or leeway for us to consider well that storm water infrastructure was done by the City or done by a private entity? How we maneuver around that is going to make it more complicated especially seeing as how now it's going to seem like we've got to get a lot of that tooth paste back up into the tube.

Mr. Howard said I want go with what you said and what the Manager said a while ago made think about what you're really saying Mr. Carlee is that there are other models on how you deal with who's responsible for paying. I know that the city or the state has a program through the Mecklenburg Soil and Water Conservation District Board of Supervisors; if there is a way that you can actually share in the cost with that fund that they have? I was wondering does commercial have the same option. Can commercial share in cost if they want to expedite the repair of a sink hole on their property?

Jennifer Smith, Storm Water Services said we have a 50/50 cost share residential or commercial can participate in. The Soil and Water Conservation District has a cost share program that is only for residential.

Mr. Howard said commercial properties would have to have sink holes too. Do they opt into that more often than residential?

Ms. Smith said we have very few people that take us up on that.

Mr. Howard said commercial as well?

Ms. Smith said yes.

Mr. Howard said one of the things that we should talk about when we're talking about models is looking at models that other people have used. I've been a fan of the Pennies for Progress program that South Carolina has for a while. I think it was Ms. Fallon that mentioned and the Mayor that we need to have a deal that says if we say we're going to do it we're going to do it. The way Pennies for Progress works is you have a list of projects and you make a deal with the public essentially that says this will be what we get done. How you do that with private property; if I'm not on the list then I won't vote for Pennies for Progress I guess; maybe there is Pennies for Storm Water or something that we ought to look at as a one time and not necessarily with fees. It could be a referendum. I know we don't want to go to the public to pay for overall, but overall the public is suffering for not having it done. I don't want to just preclude that it should be a fee. It could be a referendum that we go to and we bond it as well. I just want to put Pennies for Progress as well as make sure we address some of the things in the write up Mr. Mayor. In the write up I heard there was concern that if we go for it all whether or not we can even find the staffing and expertise to deal with doing it all and whether or not we really have the estimating and budgeting expertise we need if we go for all of it too. There are some unattended consequences that come from a decision to go for all that we need to make sure is part of the conversation.

Mayor Clodfelter said this is going to be a long workshop so your question today is about the budget item so you have something on that.

Mr. Driggs said I just want to say quickly that I think we're going to do this today but when you go and look at it you should identify a long term kind of fee that sustains current service and then you might have a surcharge which sunsets. The concern I have is you put in a big bump in there and then it's there. The people have to have some discipline about what their buying, when it ends and then we get more economic with the actual current rate as well.

Mr. Howard said that's another reason why doing the referendum makes more sense to me than doing a fee. When I thought about a fee I was concerned about that too. Once you do it you never get it back. If we did it where it was more Pennies for Progress; set number of projects we'd be done with that.

Mr. Barnes said to the point Mr. Howard's raising and the response to the question I asked and Mr. Harrington provided a response about a month ago or so where we talked about two pennies hoping to relieve the problem. That sort of adjustment to that arrangement in a referendum format which is what I was thinking about, I think might help address the problem. Let the public decide if it's two pennies on the rate as we discussed and I can't find the answer but it's in our notebook but I think that's certainly one way to address the problem to make everybody feel like they're apart of the solution or if they want to participate fine; if they don't fine.

Mr. Phipps said what happens if they reject it?

Mr. Barnes said we keep doing it this way. That would be a quick way to do it. I don't remember the date of the answer but it would fix it.

Mayor Clodfelter said the question on the table today is do you want to maintain the storm water services rate flat for the next fiscal year.

The vote was taken and recorded as follows:

For: Councilmember Smith

Mayor Clodfelter said I don't think that one is going to fly either. You get credit for putting these on the table because you can see the level of importance and interest in discussion so these are going to be well worked up issues by the time we talk about them next.

Mr. Smith said I had to get some help just to get it this far. I was just going to stay the course on my principle.

Mayor Clodfelter said we've got a lot of work ahead of us this year on this and so Mr. Manager and Mr. Harrington that takes us to the main event.

Mr. Carlee said actually there's one little comma here. There is \$9,704.38 left over in our \$2 billion dollar budget. If you do nothing it just goes in the fund balance. If you wanted to add it to your discretionary funds then you could do that.

Mayor Clodfelter said what do you want to do with this princely sum of \$9,704.38?

Mr. Barnes said fund balance.

Mayor Clodfelter said show of hands for putting it in fund balance.

Ms. Mayfield said is that discretionary?

Mayor Clodfelter said no that would not be Council's discretionary that would be the general fund balance.

The vote was taken on putting the \$9,704.38 in the general fund balance and recorded as follows:

YEAS: Councilmembers Austin, Autry, Barnes, Driggs, Fallon, Howard, Lyles, Phipps and Smith.

NAY: Councilmember Mayfield.

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CONSIDERATION OF MOTION DIRECTING THE CITY MANAGER TO PREPARE THE NECESSARY DOCUMENTS AND RESOLUTIONS FOR THE JUNE 9TH BUDGET ORDINANCE

City Manager Ron Carlee said unless the Council entertains other amendments to the budget I would ask if you turn to page 1 at whatever point you're ready that you would consider the motion at the bottom. That would then authorize Budget staff to go forward and to put together all the excruciating detail and all of the charts necessary for you to have the legal documents to adopt your budget.

Mayor Clodfelter said Councilmember Phipps you are the Chairman of the Committee, do you want to be recognized for any comments?

Motion was made by Councilmember Phipps and seconded by Councilmember Mayfield to direct the Manager to prepare the necessary budget documents, resolutions, and ordinances based on the Manager's Recommended Budget and all Council-approved Straw Votes here today for submission to us for consideration for approval on June 9, 2014.
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Councilmember Driggs said I think my colleagues would be disappointed if I didn't reiterate some of my usual concerns. I want to point out the fact that we are passing this budget without the benefit of any real understanding of what our debt position is going to be in a couple years, what our capacity to repay that debt is. My personal view from looking at the numbers is that we're in a bit of a stretch situation right now. We have been told about funding needs the City has for which we have no identified funding sources yet so I certainly support the work of the Manager but I would like to see us in the coming full budget cycle take an approach that lets

everybody on Council participate a little more in looking into the future and knowing what the implication is. I think right now if you challenged any of us to say how much room will we have in three years to deal with contingency? It could be plenty, maybe not enough but I'm not sure that we have as good a kind of basic understanding of that as we should so again this is my first year in this process and I do appreciate all the work that's been done. I will work with you in the coming year as we go into the next cycle to try to produce some of the exhibits that I might have used in the private sector to just tell people here are the implications of what you're doing. Understand you've got bond cycles going out to 2020 that you're signing up for right now and this is what that means. It's a very general observation and sorry if I've said it before but it's a concern I have.

Councilmember Phipps said I know it's sort of utopian but I'm sort of disappointed but not surprised that we couldn't get more or less a unanimous consent on passing the budget forward. I would just be curious and interested in has there ever been a time on this Council where we've had a bipartisan support of a budget resolution. I know even going back to 2005 when I was last on Council it was a hard thing to accomplish. I don't know that even since that time that we've had it. I wouldn't mind even if somebody would go back to the archives to see if we've ever had a situation where we could all come together as a body to move the City forward.

Councilmember Barnes said we had one that was bipartisan. It was vetoed but it was not unanimous.

Mayor Clodfelter said I think you'll probably find Councilmember Phipps every variety of alignments that you would want to find if you look back far enough.

Councilmember Howard said it's funny you bring that up because the other point I wanted to make; traditionally what happens when we finish with this vote is that it's kind of per functionary what happens when the Council comes together in a couple weeks to vote for the budget. A couple years ago that did not happen. I'm a bit concerned because I know I along with Ms. Mayfield will not be here when you guys vote on it and I'd like to make sure that we put everything on the table today so we go back to the tradition of add/delete straw votes being the end of the budget conversation unless something catastrophic happens we're done with it. I guess I'm just appealing to my colleagues is there anything else that we need to put on the table we do it today so we don't take the public through what we took them through a couple years ago. I said it publicly; it's in the record so that's all I wanted to make sure.

Mayor Clodfelter said I'm not hearing anybody planning a surprise. I think people's positions have been articulated. I think people have been very clear about their positions and so I don't think I've heard anybody hold back today or in any of the other meetings. We're very straight forward with each other and have openly debated your concerns and your issues.

Mr. Carlee said that is the purpose of the closing motion. It wasn't because of what happened here two years ago. This was something I brought with me from my previous experience. It's really due to the amount of technical work that has to be done. For you to adopt your budget on time we need to know that these really are the Council's budget decisions. This motion is intended to put the Council on record as this is the budget that you're intending to consider and adopt on the 9th although that is your official date and if something changes you have your prerogative to do something to the contrary.

Mayor Clodfelter said I think everybody understands that. I see nods of understanding, more things to be said. Hearing no more things to be said then you have Councilmember Phipps' motion.

The vote was taken on the motion and recorded as follows:

YEAS: Councilmembers Austin, Autry, Barnes, Driggs, Fallon, Howard, Lyles, Mayfield and Phipps.

NAY: Councilmember Smith.

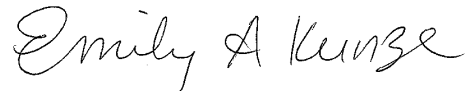
Mayor Clodfelter said Mr. Manager do you have what you need?

Mr. Carlee said I do and I want to thank the Council very much and recognize we've got a bunch of staff back here who have worked really hard both the Budget Office and the different departments.

ADJOURNMENT

Motion was made by Councilmember Fallon, seconded by Councilmember Barnes, and carried as unanimous to adjourn the meeting.

The meeting was adjourned at 1:57 p.m.



Emily Kunze, Deputy City Clerk

Length of Meeting: 2 Hours
Minutes Completed: June 16, 2014