

The City Council of the City of Charlotte, North Carolina convened for a Work Shop on Monday, December 1, 2014 at 5:16 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Dan Clodfelter presiding. Councilmembers present were Al Austin, Michael Barnes, Ed Driggs, Claire Fallon, David Howard, Patsy Kinsey, Vi Lyles, LaWana Mayfield, Greg Phipps and Kenny Smith.

Absent: Councilmember John Autry

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Mayor Clodfelter said we need to be on our best behavior tonight, not that we aren't always, but especially good behavior tonight because we've got two students from Butler High School who are going to be observing us tonight, Jason and Diana. Is this part of some work you are doing at school? As I said we will try to be well behaved tonight so you don't have to give any bad reports back about us. Glad to have you with us.

We've got a couple of briefing items on the Dinner agenda and then we've got one matter we need to do in Executive Session that has come up and then we will have our Citizens' Forum after that. I believe most of the briefing will be for the Capital Financial Planning for CMUD, but we are going to start off with a brief update from CDOT on our winter plans.

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CDOT'S FY14 SNOW AND ICE CONTROL PLAN

Saleem Khattak, Transportation said thank you for allowing us some time on your agenda for this briefing. It is hard to talk about snow on a day like today, but we will do the best we can. I thought it would be good to start with providing you a brief summary of our response to a February event. It was a major storm and we received about eight to 12 inches of snow; the official record shows about 8 ¼ inches of snow at the Airport but we had some reports of 11 and 12 inches of snow citywide. We received about 704 calls for services during that event, mostly from citizens. It pretty much took a lot of effort, a lot of materials; we used about 95,000 gallons of salt brine in this event. We also used 2,300 gallons of calcium chloride and about 2,700 tons of salt so it was a fairly sizeable event. We also used some additional contracted resources; we retained two contractors, Blythe Construction and Blythe Brothers to help with some of the activities. We hauled snow from the uptown area to a storage facility where we could basically process it; we also utilized help from Engineering and Property Management with Inspection Staff and Charlotte Mecklenburg Utilities and Solid Waste Services also provided trucking help to help with the event in general.

The total expenditure was about \$457,000 which does not include an additional \$80,000 that was expended on state system and we got reimbursed from North Carolina Department of Transportation for those services. What is ironic is just a few weeks before that we had a smaller event and we also utilized quite a bit of salt and some brine on that event as well. I think given the size of the event, I have to say that it was a very successful operation overall. We responded very well and I think the crews and the contractors did an outstanding job responding to this event.

Councilmember Phipps said how does the use of these materials compare with other events we've had? Was this like a record usage of material and resources or was this typical of the snowfalls we've been having in this area over the last several years?

Mr. Khattak said this was indeed a record use of materials because we typically don't go through that much material in one event. Eight to ten inches of snow is very uncommon; my experience in the last 2 ½ years, I think an inch to an inch and a half is all the snow we get and we typically can manage that. Some events we may not even go out and do any plowing; we simply use materials to kind of melt the snow and pretty much when the sun comes out the solar system does it and we are good to go. I think it was very unusual; I've heard some statistics that is once in a ten-year event.

Getting to our snow plan itself our goal of course is to take care of all the streets and make them passable as quickly as we can, but we have almost 5,300 lane miles in the system so we stay focused on major corridors, central employment district and roads serving schools, hospitals and emergency responder's facilities. Right now our snow coverage is for about 1,829 lane miles; we covered that as designated snow routes and in addition to that we also cover about 347 lane miles in the state system, including bridges and culverts, etc. that we try to respond to as quickly as we can.

Mayor Clodfelter said are we reimbursed by the state for that?

Mr. Khattak said yes sir, we do get reimbursed and like I mentioned, in the last big event we billed them almost \$80,000 for the services that we provided on the state system. While we got a lot of practice in February but still that doesn't mean we would leave the training and preparation piece aside. We put a lot of emphasis and focus on that. We have a little snow preparation effort that we go through. I have a video of our snow preparation that was done internally.

Video: "Did anyone ever to say to you Think Snow? Probably in our school days we would day dream about missing class for snow and playful fun, but here at Street Maintenance we aren't playing. We are preparing to fight snow and icy road conditions; that is right we are preparing, keeping our public roads safe and operational during our winter season which last from late October through late April. This preparation involves a series of meetings with other departments, including meetings with the North Carolina Department of Transportation and private contractors. Through these meetings new snow routes are determined, dates are set for employee training and equipment preparation begins. Our goal is to have the snow and ice program operational by the end of October and during this time Street Maintenance Division continues to monitor and make changes to our plan as needed. At Street Maintenance we begin preparing our salt and plow trucks in August. During this time the salt spreaders with electronic control systems are calibrated for accurate salt applications. We have all trucks, plows and spreaders working property by the end of October. Street Maintenance has developed an in-house snow equipment training program for all CDL licensed drivers and operators. Our program includes both novice and experienced snow fighters. Our training priority is safety and being able to respond to winter weather and keep streets open for everyone, especially for emergency responses, Police, Fire, EMS, our public transit and all of our citizens. A large part of the training is done by Street Maintenance Trainers at CVOC, Charlotte Vehicle Operations Center."

"Hello, my name is Chander and I'm a snow plow operator for Street Maintenance; Street Maintenance has a very intense training program that takes place once a year here at CVOC. This training program teaches us, the operators how to maneuver around traffic with our snow plows and spreaders. It also helps us, the operators, to become more familiar with our trucks and our snow equipment settings."

"My name is Dwayne Moore and I'm one of the Field Operations Supervisors here in Street Maintenance. During the snow event my responsibilities entail making sure that we provide equal amount of coverage throughout the City of Charlotte to the best of our abilities."

Mr. Khattak said we place a lot of emphasis and focus on training. Beginning in November we had a whole snow week. As mentioned in here we provide actually in class training to employees as well as have a test run at CVOC where you saw that they train in that area. I am trying to go through the slides quickly to shorten the time to assist with another item on your agenda. Often I do get questions on where do we get our weather information and how do we get our weather information. This is really one of the most critical pieces of our snow response plan. We have to have good weather information in order to make proper decisions and to provide proper response. We contract out with Telvent DTN or Schneider Electric; they provide us weather information service for the entire City and it is an annual contract. They give us information on not necessarily just one part of the City, rather they have sensors that they monitor in different parts of the City and give us exactly what is going on with the ambient temperatures as well as the road temperatures. The most important thing for us is the road temperatures because that makes a difference as to how we are going to respond to that. In addition to that we also have the City's own monitoring stations at Brookshire, at Belhaven and South Boulevard. We have three stations and they give us exactly what we need in terms of the

road temperatures. We recently have added camera stations in terms of response because we will have actual live camera shots for about 300 locations citywide which is going to be really helpful for us to respond. In addition to that we monitor National Weather Service; we get weather information three or four different sources; Acque Weather, we also monitor Noah.gov to make sure that all that information is accurate and we are applying the right chemicals at the right time to respond to the snow.

With regards to treatment methods, we want to be sensitive to the environment; chlorides are corrosive and so we have designed our plan to where we use a lot of salt brine. Salt brine, basically what it is, it is a combination of water and salt and it is only 23% salt in that so it does provide a good pre-treatment or anti icing is what I should say. We have also experimented a little bit with adding some calcium to it and use it as a de-icing agent and we are going to do that if need be. We also use 100% salt and then of course calcium chloride which is a chemical. The whole goal for us is to lower the freeze point and that is the most important thing for us to do during an event. It allows us time to be able to respond when the actual weather hits so that is the reason we apply these chemicals, and some of them, a head of the storm. We also will resort to slag or gravel or some of the other treatment methods because all of these chemicals, they are effective up to certain temperatures, but once the temperature drops below certain value, like for example, salt is good up to about 18 degrees Fahrenheit, so if it drops below 18 degrees Fahrenheit salt is generally not very effective. Then we resort to calcium chloride and this is again going back to the road temperature that we are talking about. Calcium chloride generally will work until about nine or ten degrees and if it happens to be lower than that then all we are trying to do is make sure there is some friction so that is why we would use gravel and sand and those type of treatment options.

The plan itself again pre-treatment like I mentioned; we do use salt brine for pre-treatment for anti-icing and the reasons I mentioned why we use them. Depending on the severity of the storm we may categorize it into a condition A, B, or C. What A entails it is basically an isolated event, just impacting certain parts of the area or the temperature lowers just enough to create some frost on bridges and elevated structures so we go ahead and treat those bridges and trouble spots. Condition B is what we call a pro call out status, it is a citywide impact and during that event basically we would run two 12-hour shifts around the clock and it says 16 priority routes; it is actually 32 routes but as you can see it covers almost 2,200 lane miles for that. Condition C will be where we basically respond to all of the designated snow routes or primary routes, but also move into the residential neighborhoods and in that particular situations we will get some contractor resources as well. We can retain contractors to help out with that.

Councilmember Mayfield said for Condition C why is it 75% of neighborhood streets, not including cul-de-sacs because we have concerns in cul-de-sacs as well. If it is already driving up the street why would they not scoop the cul-de-sac and keep going?

Mr. Khattak said in some of the cul-de-sacs there is no area to turn the vehicle around and we have some difficulty in there, not that we do not service those, not as a primary service system. We may send a smaller truck with a blade on it later on, but from a timing perspective we try to respond to all of this within a certain time to be able to accomplish that. If we do get calls, especially with emergency services, somebody has a hospital emergency or something like that we will respond to those.

Just to manage expectations some of the facilities that are not included in our response would be private or commercial entrances, also sidewalks with the exception of the Tryon Street Mall. North Carolina Department of Transportation, any roads that are on their system and not part of our maintenance, those are not included in that and parking lots. Those are the areas that we do not respond to. With regards to resources, we deploy what we have in terms of snow that we get, we deploy almost 36 tandems, there are spreaders, plow blades and also tanks on them with spreading chemical capabilities. We also use three separate salt trucks or spreader trucks and those are for emergencies that we keep for both the a.m. shift and the p.m. shift. Graders, loaders, we have seven brine trucks for brine application and we can utilize contractor resources in that if necessary.

Mayor Clodfelter said are your equipment single purpose or are they also used for other non-snow and ice purposes?

Mr. Khattak said no it is not single purpose; the same truck that is hauling asphalt in the morning is switched and becomes a salt and plowing piece of equipment in the afternoon. As far as our materials go we have the ability to store about 5,000 tons of salt at the North Point facility; we also have smaller bins at the northeast and southwest facilities which are about 700 tons. Just to give you some comfort, some of you may have heard that the salt shortage in some parts of the country so we are doing fairly well. We have replenished all the salt that we had used earlier in the year so we are at capacity right now as we speak.

Regarding salt brine mixing capabilities, I think we have one of the excellent capabilities in my opinion. I have been dealing with snow removal for many years back in Colorado and I can tell you we have a very state of the art salt brine making ability here in Charlotte. We can produce almost 15,000 gallons of salt brine in 90 minutes if needed. Communication – our Corporate Communication and CDOT Communication staff do an outstanding job. As soon as we have the information available to us we make sure that information is communicated to our communication staff. They produce media releases, web alerts also social media. I think last year we put some focus on that; e-mail updates that says employees and elected officials only but that is a type-o; it is not just employees and elected officials, anybody who signed up through the government delivery system on those e-mails, we will send them e-mail alerts on that and of course we continue to work with intergrading our effort with the CharMeck Emergency Alert System. In addition to that we stay in close contact with CMS; that is a pretty important aspect and the whole response worked really well because last year we would get calls from the Deputy Superintendent of the School System and the City Manager basically had a command center where he would basically communicate for the different departments. I think the communication piece is working well and just wanted to let you know that we are ready and prepared. Hopefully we won't get a whole lot of snow.

Councilmember Barnes said Mr. Khattak and Mr. Manager I wanted to applaud you for the way you handled the snow event earlier this year. As I recall there were about three days of snow and as I could tell driving around you coordinated very well with NCDOT, you kept our roads clear and some of their roads too. I know there was a little blip over on Highway 74, but I thought all in all you guys did a fantastic job dealing with that storm. My family and I were happy to be at home. Once the event got going for real we just kind of relaxed at the house, but I thought you all did a great job. I heard one issue and you all responded to that so I appreciate what you did.

Mr. Khattak said thank you.

Mayor Clodfelter said just hope we don't have a repeat anytime soon.

Mr. Barnes said as long as they handle it, and they did.

City Manager Ron Carlee said to Mr. Barnes' comments, a couple of things really worked to our advantage last year. One, we had great cooperation with the news media and they really got the word out. The Chamber of Commerce is a good partner in getting the word out and so when we have the really bad snow people did what you did, they stayed home and that made work of our crews so much easier. It is easier to plow when you don't have roads clogged up so we have a lot of appreciation to the public itself for helping in that effort. I want to thank Mr. Khattak and his whole crew. I had an opportunity to spend a lot of time with them last year and I've already been out with this year as they were getting trained. They have had a lot of intensive training this year, getting all of the equipment out there and it is a full city response because it does affect everything that we do if people cannot get around. I think you did a great job too.

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CHARLOTTE MECKLENBURG UTILITY DEPARTMENT CAPITAL AND FINANCIAL PLANNING

City Manager Ron Carlee said Mr. Mayor if I may frame this one a little bit before I turn it over to Mr. Gullet and his team. This is a follow-up from some of the debriefs we had on last year's budget process to get a little bit ahead of the curve on some of the large issues that you will be facing and of particular concerns that you raised were around fee increases in water/sewer and storm water. The issue that we are bringing before you tonight is water/sewer and that is the water system, drinking water and the sanitary sewage. It is from the beginning to the end of that water process, not the storm water, not the rain water; it is a separate issue, separate enterprise fund and a separate set of issues. We are working to bring you a separate briefing on that one because you raised some of the same issues relative to setting rates. Water/sewer, to remind you, there are essentially two major components, there is the operations day to day and there is the capital infrastructure to support it. The cost drivers on the operating side are pretty straight forward, the personnel, electricity and chemicals and there is relatively little control around those costs as they essentially move with inflation based on different levels for electricity, chemicals and personnel. The big driver in our water/sewer system really is capital and not since I have been here has there been a detail discussion on the part of Council around the capital budget for water/sewer and that is really what is driving your rates. What Barry Gullet and his team are going to do is to give you a deep dive into the capital program to help you better understand it and what the implications are for different size levels of capital programs and how that may influence your rate structure. Our goal tonight is to provide the briefing and to illicit from you any questions or concerns or modeling that you would like for us to do in preparation for the budget discussions this spring. For instance in discussions with the Mayor, he has discussed the prospect of taking the water/sewer enterprise fund and creating a separate debt fund within there and funding it separately essentially a sinking fund, not unlike the way we do general obligation debt. We will be sorting through that idea and modeling that and any other ideas you have or additional data or analysis that you need we would like to illicit that so that we can then provide that for you and then frame up very specific questions on what our rate methodology should be going forward.

Councilmember Howard said this is one of the things that you know I push during the budget conversations so thank you for bringing it to us. Two things, this conversation always gets confused with our water/sewer issues and our storm water issues and I think it would behoove us to have you explain the difference before we go forward because a conversation about this has little or nothing to do with the sinkholes that we have happening all over the City and in people's back yards. The second thing is you also during the budget conversation presented a number of debt scenarios and I didn't know if this is just informational or if we are going to go back to that. I'm hoping that we keep this informational and maybe come back to ideas like what the Mayor said and anything other critical things so we can really just get the education tonight about it.

Mr. Carlee said that is correct; there are no decision points tonight. It is background and informational so we can figure out what the gaps are and fill those gaps for you when it comes to you for decision making. Yes, everybody gets sanitary sewer and storm water confused all the time and it is actually can be even more confusing than what we have because in some cities storm water systems are combined with the sanitary sewer system. That ladies and gentlemen is a complete disaster and we are blessed with the foresight of those who preceded us not to do combined systems in Charlotte. The cost of managing that is truly outrageous and so we have two very different systems; the storm water system is the one that collects the run-off and puts into the ditches and culverts and ultimately takes it to our outfall streams and into the river and ultimately the ocean and not to a treatment plant. Storm water is typically, to the extent that it is treated, it is treated on site through a variety of different methodologies that have arisen. Again, we will bring that to you in a separate discussion. This one is about the water that comes into your house and the water that goes out of your house. That is all we are talking about so drinking water in, used water out from the treatment to make it drinkable to the treatment at the end of it to put it into the rivers and streams where it can be treated and be drinkable again is the system we are discussing tonight. With that I will turn it over to our Utility Director.

Utilities Director Barry Gullet said I think you have pretty much already set the stage and what got us here today was like the Manager said, the discussions last year during the budget process,

but we need to be aware of a lot of things going on in the community and things that we are very sensitive to as we operate, build, maintain, expand the utility system. The main takeaway from this is that we really need to have a plan; you really can't operate a successful water and sewer utility on a year to year basis. You really need a longer term plan, you need to have your capital planning aligned with your financial planning and you need to have this plan in place and stick to it. We have a plan and it is not necessarily broken, but there are other ways to plan too, so that is what we are here about, we need to figure out what our plan is and go forward with it if it is going to change.

The other point I want to make is that I don't think we've done a very good job in some cases helping you understand some of the longer term impacts of decisions that you are making and how a decision you might make at a business meeting now impacts rates down the road and how far down the road those show up. It gets frustrating for all of us sometimes when we are in a tight budget year and there is a real desire to hold rates down, but we can't do anything about it because of decisions that have already been made in advance of that. We are going to talk a little bit about that. Another point I want to emphasize is that we've been successful. This is not a system that is necessarily broken, but again there are multiple ways to do the same thing.

The two policy questions that we really need to cover are, are we funding our community investment plan at the right level and what should the frequency be of our rate increases. We have a long-term financial model that makes some very conservative projections about rate increases out over a 10-year period so we will keep working with that. The basics of the water/sewer system you've kind of covered already, but we serve about a million people every day. Everybody that comes to Charlotte, everybody that works here, or lives here uses our services every day. It is about a million people when you consider all the folks that drive in and all the folks that live in Mecklenburg County and the six towns around us in our service area. We really are the foundation for economic development for growth, for jobs; it would be hard to attract new industry and new economic development if we were having serious water and sewer problems.

Councilmember Fallon said where does the impervious water go?

Mr. Gullet said that is part of the storm water issue.

Ms. Fallon said where does the money that you collect from it go?

Mr. Gullet said that is the storm water fee and that is the presentation that you are going to get in a couple of weeks.

Mr. Carlee said that is a separate enterprise fund.

Mayor Clodfelter said that will be the second presentation.

Mr. Gullet said that is not part of our utility; that is a separate group, a different fund.

Councilmember Mayfield said when we are looking at the fact that our water system is a regional provider is there a different cost structure for our partnering customers so when you look at the region when we have an increase of 4% to 6% that is built in are our customers, say like Iredell or other areas outside of Charlotte-Mecklenburg that we are providing the water for, we are treating it, do we have a different cost structure for them?

Mr. Gullet said the retail rates that we charge to our customers are the same throughout our service area. We do provide water to other systems; we sell water to York County, South Carolina for example. They pay a different rate; they don't pay the residential lowest rate. They actually pay tier three rates so they pay the third highest per gallon costs. They pay a larger amount, but our service area in terms of retail customers is pretty much Mecklenburg County. It is all of the towns in Mecklenburg but it is pretty much all of the county. We have a few customers that spill over into Iredell because the Town of Davidson spills over into Iredell and so we treat them just like they lived on Tryon Street. I think that answers your question; did it I get there?

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Ms. Mayfield said yes.

Mayor Clodfelter said we are obligated to treat them all the same by virtue of our agreement with Mecklenburg County.

Mr. Gullet said that is right; when our utility was created with the County and then later when the towns were added, up until that time there was a rate differential between people who lived inside the City and people who lived outside the City, but one of the things that made that agreement work, and quite honestly one of the things that makes our utility successful and our region successful is that we have a uniform rate. We also have a uniform policy about where we extend service, how we provide service. We treat everyone the same and it doesn't really matter to us whether they live in Charlotte or Pineville, Matthews or Davidson or an unincorporated part of the County.

Councilmember Lyles said I think if you were to send out the water and sewer rate methodology that I think this Council approved in 2011 it would be really helpful because I didn't understand how we use or calculated rates until I read this. I think it would be really good; it describes the tiers, it talks about the towns and there is a rationale for each part of it that is included there.

Mayor Clodfelter said that will be distributed in the follow-up.

Councilmember Howard said to follow-up on Ms. Mayfield's question, I understand that everybody associated with the City or a town in Mecklenburg County has the same rate; it is the ones that we have the partnerships with or the agreements with outside of Mecklenburg County like you just said York County. We treat them separate like we are selling them water and I guess what you are asking us to do is we do a mark-up, and I think you just said yes.

Mr. Gullet said understand how we provide service to York County. We don't provide service to the houses in York County; we have a big meter at the County line, down at Carowinds actually and we sell them water through that meter. York County pays a water bill based on what goes through that meter then they sell it to their customers and they take care of all the pipes.

Mr. Howard said but we still will charge them more per gallon than we would somebody in Charlotte?

Mr. Gullet said we are charging them tier three rates which are next to the highest rate that we charge anyone.

Mr. Howard said but that is a high volume rate anyway.

Mr. Gullet said it is an expensive rate, I will tell you that.

Mr. Howard said it is still a high volume rate; they are paying for the amount of volume that if I was in Charlotte using that volume I would be paying too. I guess what I'm saying when we charge them something on top of that. We have a contract with them where they cover some administrative costs as well or is it just the water?

Mr. Gullet said with that particular customer they pay the tier three rate and that is the charge.

Mr. Howard said we are not getting anything extra, we are selling water.

Mr. Gullet said what we do get is, we are charging them the tier three rate which we would charge a high volume user in our county, but we don't service the pipes and we don't have to deal with the customer so we have actually a lower cost of providing that service than we would for the same customer in Mecklenburg County.

Mr. Howard said what about the capital costs; in a situation like that do we pass capital costs on? I guess we pass that on in the rate right now so that is the way that happens?

Mr. Gullet said with York County that is correct. There are some other regional agreements that we have that are more complicated than that.

Mr. Howard said in Belmont and the one we just did up in Kannapolis or Cabarrus?

Mr. Gullet said those are generally wastewater agreements and they are structured differently and remember we are not always on the selling or receiving; we are on both sides. We send wastewater to Cabarrus County; we treat wastewater from Union County so our philosophy is that we need to be fair and deal with what it costs.

Again, having a plan is important and if you look at our capital planning we are running, and depending on wastewater treatment plants and water plants that are over 100 years old or coming up on 100 years old. Somebody had a lot of foresight and did a lot of planning to get these plants in the right place, provide the right amount of land and keep things orderly so that we could serve this whole region with water and wastewater. You can see what that plant looked like in the 20's. You can see their mode of transportation and how they dealt with things there in front of it and then you can see what it looks like today with the City in the background. Our five-year Community Investment Plan, we are always working on this. This is not something that we do every now and then or even once a year, this is something that we are working continuously on evaluating what are the needs of the system to keep it running, to keep it providing a high level of service and to be sure that our system is sustainable over a long period of time. We put in front of you every year a five-year rolling plan that you approve on an annual basis and that plan is based on a lot of factors. It is based on what we hear from our customers, what we hear from the community, what we have learned from doing analysis and modeling and sampling of our system, what we see in our maintenance history; all those factors go into determining what our needs are. There are also some difficult aspects to understand about how we talk about the cost of the capital program because there are a couple ways to look at it. In any given year we are going to have a list of projects that we are going to ask you to approve and so you can tally up the costs of those projects and you could say for example in fiscal year 2015 we are asking for \$106.9 million in capital. In reality the revenue that is required to support our capital program in FY15 is a lot more than that because we are already making debt payments, we are already making payments on money that we borrowed before so that is still part of our budget. We borrowed the money, we had a rate increase, we spent that rate increase for 30-years; we spent that rate increase for 30-years to make payments on that bond so you have to remember that. The other thing is that when we sell bonds and issue debt we have to generate more additional revenue than just the cost of the debt service or bond payment because we have to provide something called debt service coverage which is money above and beyond what you are actually going to pay and we will talk about that in a few minutes, but just keep that in mind.

When you look at the types of projects that we do in our capital program you can put them into lots of different ways to slice and dice. Here are four categories of projects that we look at and I will tell you that a lot of these projects could fit into different categories, but this is our best determination of where we would put them and you can see that the two biggest ones are replacing and rehabilitating the system. I'll talk about that in a minute. Providing capacity for growth is the other big one and then you can see the other two there and how we get along with those.

Mayor Clodfelter said on the last one there, the commitment to public projects and utility operations, is that reimbursed as part of the project costs or is that simply absorbed by CMUD and is therefore an add on to what we see as the project costs?

Mr. Gullet said the number here is CMUD costs.

Mayor Clodfelter said so if we are doing a road project and the budget for this road project is \$25 million, but it is going to require \$2 million of utility relocations or reconstruction, it is really \$27 million and you are absorbing \$2 million of it?

Mr. Gullet said the answer to your question is it depends, and it depends on who is doing the road project, whether it is City or State, it depends on why the utility costs are there, is there a conflict, are we in an existing CMUD right-of-way or are we an existing NCDOT right-of-way.

mpl

When we are in a street right-of-way we are there as a guest so it is a simple questions, but unfortunately there is not a simple answer.

Mr. Howard said along that same line if a developer is putting in a road and they actually pay to put utilities in where is that captured up here? That is not captured.

Mr. Gullet said if a developer is building a sub-division for example, the developer builds all of the water and sewer lines inside that sub-division in all of the streets. They build that under a contract with us, but it is no costs to us; they build it under our specifications and then when it is finished it is tested and it is turned over to us and becomes part of our system so there is no capital cost of that included in here.

Mr. Howard said so the first time we would see that; that is not in the capacity for growth?

Mr. Gullet said that is correct; it is not.

Mr. Howard said in the top number, the rehabilitation and replacement-

Mr. Gullet said it is not in there either.

Mr. Howard said we would maintain it over time.

Mr. Gullet said yes, way out in the future it will be – 30 to 40 to 50 years it will show up in there and I'm going to talk about that in just a minute as to how that works.

Mr. Howard said the fee that we charge do they really cover what they need to cover, tap fees and other things that we have to do as a utility, do we really recapture that costs?

Mr. Gullet said there are two fees that we charge. One of those fees recovers the cost of actually making the connection to the pipe; the work that we do probably in an afternoon or in a morning covers that costs. We recover that; that is part of our capital program but we charge a fee that seeks to recover that full amount. The other fee that we charge is called a capacity fee and it is kind of like a buy in fee, in other words the money that we've spent as a utility to build treatment plants and the big pipes that get from the treatment plant out to the sub-division, the customer buys in to that by paying a capacity fee and so we calculate that capacity fee every year; it is based on the depreciated value of the system and the capacity that each customer uses of it. It covers the depreciated value of the system, it doesn't provide for the replacement cost of the system. It is not earmarked in any way; it goes into a general revenue each year and carries forward over time.

Mr. Howard said it is depreciation but it is not covering the depreciated piping.

Mr. Gullet said it is not set aside in a separate account; it becomes part of our revenue each year.

Mr. Carlee said if I may just to be clear on that, all of the revenues are separated from the City's General Funds into a separate water/sewer enterprise.

Councilmember Driggs said just a quick clarification on seven, I'm sorry I'm back two slides, the projects approved \$106.9 million and then \$213 million required for 2015; I'm trying to put those two numbers into some context. Are we saying that the total projects cost is \$106.9 million but it is not all being incurred this year?

Mr. Gullet said that is correct.

Mr. Driggs said we are paying for some with PAYGO and we may have some new borrowings but that is not fully reflected, so these two numbers don't add up to each other?

Mr. Gullet said that is correct, but when you look at our budget you can state our budget in a number of different ways and the point that I'm trying to make is that when we talk about our budget and our capital budget you will see lots of numbers floated out there. You need to ask
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enough questions or we need to explain it clearly enough so that you understand which number we are talking about, whether we are talking about the costs of the projects that we are proposing for that year or whether we are talking about continuing to make the mortgage payments basically on the projects that we still owe money on which is still part of our budget plus whatever we are contributing to projects that we are going to pay for as we build them, plus whatever money we are going to borrow and the debt service on that in the future.

Councilmember Smith said on the capacity fee, just for clarification, I understand that we charge this for sub-divisions; is there a differential for a more dense project with some of the stuff that we have approved over the past couple of years and is there a cost difference? Is it more expensive for us to service an eight-story high rise versus a 25 to 40 house subdivision?

Mr. Gullet said generally speaking denser development is more efficient to serve because it takes fewer miles of pipe to do it. The fee that we charge is based on the size of the water meter so if somebody tears down a two-story house and builds a 20-story high rise they are going to put in a much larger water meter so the amount of that capacity fee is based on the size of that water meter and it is the equivalent of, if that 25-story building has 200 units in it, then that water meter is probably equivalent to about 200 residential water meters so the fee that they would pay would be about 200 times what a single family home would pay.

Mr. Smith said so regarding unintended efficiencies is it harder on the system with the more dense development or is that not really an issue?

Mr. Gullet said you have to define what harder means. If there are fewer miles of pipe to maintain that is easier on our budget because we have less to replace, less to maintain, less likelihood that there will be leaks just because there is less pipe so from that perspective it is easier. What makes it harder is if it is a change in land use; if we go into an area that had low density development and you go in and you convert it to high density development chances are that the pipes that were put in there for that low density development aren't big enough so then there becomes an issue about how do you replace those, who pays for that, how it is funded, how do you do it, what about the disruption so that change in land use is where the impact occurs.

Ms. Lyles said is the capacity fee an independent variable in the rate methodology and can it change or does the entire methodology hinge on it remaining the same? You don't have to answer it tonight but it is a part of our methodology that fits in these structures and I want to know can it be assessed independently or is it integral to keeping it consistent with the other.

Mr. Gullet said the short answer to that is that the revenue that is generated from that is part of our annual revenue projection so if you make a change to the methodology around the capacity fee it would impact the total amount of revenue that we would project to earn the following year.

Ms. Lyles said it is probably the only flexible place that you have in a determinant of how much you charge for that capital asset. That is the way I'm reading it, but we can talk about it more.

Councilmember Phipps said you made mention of the fact when you have a change in a land use going from a lower density to a higher density that the infrastructure and capital costs could be more ... I want to know has there ever been an occasion when in our staff analysis on those rezoning petitions that we look at and you have comments, do you ever make comments in that regard in terms of utility comments on certain petitions, the impact that they might have on the budget because I don't recall seeing that kind of discussion in any of those staff analysis.

Mr. Gullet said generally speaking those discussions happen up-stream of the point you see it. Those discussions happen with the developer in terms of what is the developer going to have to invest to make this project work. We treat a change in land use just like new development so if the developer comes in and says I'm going to change from four houses to 400 units then we have to evaluate the capacity of the pipe and we will tell him you need to replace a thousand feet of water line or sewer line or whatever and he needs to build that into his project costs. They are in most cases bearing the cost of that; sometimes that becomes more difficult because it is not quite as clear cut where the impact is occurring. If you look at; there are three consecutive lots so the first person comes in and they increase the land use, but there is still enough capacity, so they are
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okay. Then the second one comes in and they are still okay, then the third one comes in and uh-ho we are out of capacity. So then who should bear the costs? Those are the kinds of issues that we struggle with on an almost daily basis these days.

I want to run through some examples of projects and I'm going to hit these quick because we are behind on time and there probably more interesting parts to this discussion. We do a lot of rehab and replacement. We have some parts of our system that are really old and those are expensive to keep up. People think about our system as being a really old system; there are parts of our system that are really old, but if you look at it on the whole about 74% of it is less than 30-years old. Now that is good and it is bad; it is good in that we have a lot of relatively new stuff out there. It is bad in that a lot of it was built in a short time period and so the life expectancy of waterlines and sewer lines is somewhere 30 to 50 to 100 years depending on exactly on what its operating conditions are. What this means is that we are going to hit a time and it has already started when we are going to have to do more and invest more in maintaining and rehabilitating and replacing these pipes that were put in and given to us, donated to us, 50-years ago. That is the point of this slide; the pace of construction of our water and sewer system accelerated pretty heavily in the 70's and has continued to be very fast. We had a downturn in 2008 and 2009 but it has picked back up.

I have a prop, this is a two-inch water main and you will see pretty quickly why we need to replace these if you look at the inside of this. The first thing I want to tell you is that the stuff that is inside of this came from the pipe; it is the corrosion of the pipe, it is not something that was in the pipe. This is a drinking water pipe, somebody's drinking water went through this pipe, but just barely before we took it out. Put it in that bag because it is pretty dirty to handle. We do a lot of projects to replace pipe like that; a lot of our leaks are on pipe like that and so we have a major effort, about \$50 million over a five-year period replacing and relining, not just those pipes. I had two others that are six-inch pipes and I got to my car and decided they were too heavy to bring in so I left them out in the car, but they do the same thing. Sewer lines deteriorate as well so there is a lot of money spent protecting sewer lines, renewing them, replacing them. Water tanks, these are very visible, they are very important so we have to keep them up. This is kind of a before and after picture of the water tank out on Highway 16/Brookshire of what it looked like when we started rehabbing it. You can see it had started rusting up at the top and the contractor had already started rigging up his equipment to start cleaning and painting that tank and then you can see what it looks like in the end. This makes them last longer so it saves us money in the long-run. It is like putting a roof on your house; you can let it leak for a while but you are going to pay the price down the road replacing a lot of rotten wood.

Emergency Generators – we really need to be resilient as a water and sewer system; we need to be able to deal with power outages, we need to be able to deal with snow stores, we need to be able to deal with everything that is going to get thrown at us. The larger our system becomes the more critical this aspect becomes because more and more people and more and more situations become critical in a larger system. You have more hospitals that need water; hospitals don't do well without water. You have schools and school cafeterias, you have hotels, you have businesses, you have banks, you have airports, you have a lot of very critical facilities in our community that get in a bad way very fast without water or sewer service so becoming more resilient is really a priority of our system and it needs to continue to become that.

Capacity for Growth – I'm going to give you some examples of how this works. When someone comes in and wants to build that new subdivision or connect that new high rise building we have to do an analysis of capacity. Do we have capacity all the way from they are going to build through the treatment plant and into the creek. That is the analysis that we have to do and we have to certify to the state that that capacity exists. It is not something that we take lightly. If there is no capacity that means you cannot connect and if you can't connect that means no new development; that means no economic development, that means no jobs and that is not where we want to be. Let me give you some examples of how this works.

Councilmember Barnes said are there any areas of the City where the capacity issue is impeding development?

Mr. Gullet said I'm glad you asked that question; that is what this slide is about. Good segue and what I'm going to describe to you is some areas that do have some capacity limitations were we not to do something about them. I'll tell you what we are doing about them and that is a critical part of our capital program so when we do this capacity assurance analysis we recognize that there are some areas that are reaching capacity and if we don't do something we are not going to be able to keep connecting customers. That is what these blue areas are on this map; that is how large they are. This is Mecklenburg County so we have a relief sewer plan for McDowell Creek. What that means is we replace a small line with a bigger one. The sewer pipe that we are replacing was put in in the late 70's so it is pushing 50-years old by the time we replace it. When we do that, that makes that blue disappear, so that area is okay again. A whole series of projects down the west side of Mecklenburg County that work together to make that blue go away so those projects are all programmed into our capital improvements program.

Mr. Barnes said how long will it take to do those western parts of the county?

Mr. Gullet said how long will it take us to do them; this series of projects, one of these projects is already complete, the Long Creek Equalization Tank, that one was just finished a couple months ago. The Paw Creek Force Main Replacement and the Upper Taggart Creek are being designed right now. The Steele Creek Pump Station; that is the biggest project on that side of town and that one is coming to you for approving the construction contract probably in a few months. We are probably looking at two to five years to finish everything that is on that list right there.

Mr. Barnes said will we have to be cautious about certain industrial, commercial and residential development in that part of the county until then?

Mr. Gullet said we are to the point with these projects that we can accept customers so we are okay. We've got capacity and that is really what we are trying to do is stay ahead of that curve. We don't want to be too far ahead of it so that we have a lot of unused capacity, particularly in treatment plants, but on the pipe and the pumping side we need to have some buffer because it takes a long time to build those things. That is why we are trying to stay ahead and you will see some more about that in a second and how that works.

Briar Creek Relief Sewer – this is kind of the Cotswold area; it is a pipeline. This one is under construction; some parts of it are already finished, but that clears up that area. The McAlpine Creek Relief Sewer, a couple phases of this have already been built and there is one underway right now and there is another one to come after so that clears up that area. What you see is there are still a few blue spots left. The other point I want to make about this is, remember I said we are always planning, we are always analyzing too and our service area is continuing to change. When somebody comes in and builds a new high rise then that changes the equation again so we have to keep doing this. This is a very dynamic and ongoing process going through these analysis so there will be blue areas that pop up here, most of them will be small and will require small projects to fix them, but we have to do those and that is why you still have a few on here that we are dealing with now. Basically that is just a summary slide. Here is a little detail of that McAlpine Creek Project; this is almost \$100 million project, \$97 million for this pipeline starting all the way down in Pineville and going up almost to Mint Hill. It is 16.7 miles and serves a lot of area.

Another example, this is Southwest Charlotte and some folks have trouble interpreting this map, but this is Southwest Mecklenburg, this is the western border so this is kind of a cut-out, the county continues on up around obviously. If you look at what has happened in that area just in 10-years between 2000 and 2010 the population has more than doubled and the number of jobs has increased significantly from about 20,000 employees to about 27,000 employees and that required a lot of work on the utility system to be able to support that kind of growth in that kind of timeframe. We did the Southwest Water Transmission Main; this is a completed project right now. It was \$89 million, 15-miles of pipe all the way from the water treatment out on Highway 16 well down into southwest Mecklenburg County. On the sewer side this is that Steele Creek Lift Station that I was talking about. It is about a \$65 million or \$70 million project that will replace a pump station that we last replaced about 30-years ago and that is generally about the life expectancy of that, but it also builds some pipeline to get us there and provides the capacity

to let growth continue and to help prevent sewer overflows and sewer spills that would take place there were we not to do this project.

The McAlpine Creek Wastewater Treatment Plant – this is the workhorse in our wastewater treatment system and it was originally built in 1966 with a plan to expand it. Going back to this concept, you've got to have a plan and you've got to have a long-term plan. When this plant was originally built it was 10 million gallons per day; today it can treat 64 million gallons so it has grown by a factor of at least six in terms of its capacity. Not only has it grown in capacity but it is providing more effective treatment, in other words it is producing a higher quality discharge now than it used to and we are continuing to increase that quality. If we had to go in and start from an empty green field and build this plant today our estimates are it would be more than \$750 million to replace this facility. A critical, very, very critical part of our system right here. It serves that area in green, it is basically a big horseshoe around Charlotte. The reason that it doesn't serve this area in the middle is that the Sugar Creek and Irwin Creek Treatment Plants, which were built in the 20's, that is the picture I showed you earlier, they serve those areas. This plant really is back-up for them. Those plants are pretty much base loaded and we can divert flow through a pipe around them and send it to McAlpine.

There are Regulatory Requirements and I will touch on one of these because I think you are going to hear from some speakers about it later tonight and that is the bio-solids. We have a project in our capital improvements program that would have us produce Class A bio-solids at McAlpine Creek instead of Class B bio-solids. That is roughly \$60 million for Phase I for that. There is another phase that follows that would drive the total cost of it up to about \$100 million. That is a process that is important because it gives us more options. Right now we produce bio-solids every day and they are going to keep coming; there is nothing we can do to stop it. As long as people live in Charlotte there is going to be bio-solids, so we need to dispose of it in a way that protects the environment and protects people. The options that we right now with Class B, there is nothing wrong with Class B; Class B is perfectly suited for the use that it is made for. Class A is suited for a different use. Class A also reduces the volume by about a third and then the second phase would reduce the volume by about another third so there are reasons to do this that we need to invest this money so we have more options about how we can dispose of this material over the long-term.

Nutrient Removal; I'm going to skip over this one. This is another part of the bio-solids process. You can see this is the inside of a tank that most people never see the inside of. This is one of the digesters at the McAlpine Creek Wastewater Treatment Plant and you can see it is pretty massive. We just finished a project at McAlpine Creek to add additional affluent filters; this is more toward the quality than the quantity of water we are treating there, but again it was a \$25 million project that was just finished a couple months ago.

Public Projects that we are supporting, the Gold Line where conflicts are there; we also look for opportunities to make improvements to avoid future disruptions. In other words if we are going in and there is a street project or a light rail project or whatever the project is that someone else is doing, we evaluate the utilities in there and if we think there is a line in there that is undersized that we might have a capacity issue with or it is going to need rehabbing or replacing in the near future, we try to make that happen during that project so we can coordinate it, reduce the disruption and save some money. If there are conflicts then we have to resolve those conflicts and we negotiate with whoever is causing the conflict to determine who pays for it. I will tell you that in a lot of cases the utility does not pay for those conflict resolutions. We pay for some but we don't pay for all.

The Financial Plan – there is a tight integration between the capital planning and the financial planning. We do a 10-year financial plan updated every year; that is one of the first things that the credit rating agencies want to see when they come in and they want to see us outperform that plan. We've been successful at outperforming that plan for quite some time, so that is important and remember what I said in the beginning, the important thing is we have to have a plan and we have to have a plan we can stick to. If we are going to change it that is fine, but we need to put something in place that is predictable.

Mr. Howard said the ten-year plan; that means that every year since we changed that you have added on every year. Everything else those nine years have stayed. How often have you had to go off scrip with your plan? Are your plans pretty good?

Mr. Gullet said let me talk a little bit about what is in the plan because that will answer your question. The first part is yes, it is a rolling plan so we add a year and drop a year every year so it is a 10-year plan. We actually look back a few years too because that is helpful, but it includes a lot of things. You have a full size version of this in your packet so you don't have to try to read this microscopic stuff up here. A couple of the key factors in here is we have to predict what our growth is going to be. We have to predict, not only how many new customers we are going to get, but how much water and sewer they are going to use. That gets adjusted every year. In the springtime when you all are struggling with budget issues and you really want to know, so what rate increase are you looking at, that is why we always want to go last is because we need as much data as we can about the trend of how much water are people using now because that is going to be the best indicator of what they are going to use in a few months. We've got to put that in here because that has a big bearing on how much revenue we need to project. We sell water, that is how we make our money so we need to get that right. The number of customers, the amount of water that we project that they are going to use, our capital program is up at the top, you can see we account for how much debt we are going to owe each year or how much revenue we are going to get from selling debt and how revenue we are going to propose to use for PAYGO financing and then you can see under that we have the debt service amounts for the various bond issues; we have a line a little further than half-way down the page that shows our total revenue requirement. You've seen that in the budget presentations when I come to you and tell you our total revenue requirement went up by whatever it went up so that is where that comes from. It is that total revenue requirement from this 10-year plan so this goes all the way down to the bottom and calculates that debt service coverage ratio that I was talking about that was so important to the sustainability of our operation along with our operating fund balance that we target a certain level as well.

Mayor Clodfelter said what do you issue commercial paper for, what purposes?

Mr. Gullet said we use commercial paper as construction period financing; it saves us money on anticipation notes.

Mr. Driggs I was just looking at your debt service operating fund balance line and trying to reconcile that with the income available for debt service and total debt service numbers. It looks like you have a big surplus of income available for debt service over debt service and yet the fund balance is not going up commensurately; what is the missing piece?

Mr. Gullet said we are rolling funds back out of fund balance to use for the PAYGO financing of capital so we need to generate the revenue to produce the debt coverage ratios because you can only use current revenue for that. You can't rely on fund balance to meet debt coverage ratios. We generate the revenue, access revenue goes into fund balance and then the next year it comes back out as PAYGO money to keep us at the right level on our fund balance.

Mr. Driggs said so if I look at the PAYGO line near the top I can actually then reconcile a foot to the balance number. It should tie in somewhere I guess.

Mr. Gullet said it does. I don't think I can explain it to you at this venue but I will glad to meet with you and we can go through it in detail. When we are talking about operating a utility over the long-term and being sure that we are sustainable our rates need to cover our full costs. We don't need to be leaving things kind of swept aside and we will worry about that later; we need to be covering the things that we know we need to cover. When you look at those, your operation and maintenance etc. and national studies have been done and looked at, so how are utilities across the country doing, what this survey found and this is from a national survey, 368 water utilities in the United States and what they found was that only about a third of them are covering all those items in their rate structure. So there are some that are not funding reserves, there are some that are not funding capital improvements, there are some that are not including renewal and replacement so what that means is that they probably have lower rates than we do, but they are not as sustainable in terms of having the revenue and reinvesting in their system to

make it last for the long-term. They are putting off the new roof on the house; they are betting that the wood won't rot that fast or the termites won't be that hungry. That is not a good practice.

Mr. Smith said out of curiosity I've got 368, is there any further breakdown? We always talk about peer cities so you can sort of get on a size equivalent.

Mr. Gullet said I think we can get that about I don't have it in this presentation, but the ah ha moment I had when I saw this data was exactly what you said. When we do that grade comparison that we do every year at budget time, I don't know where those cities fall. In other words when we say our rates are higher than this one and lower than that one, I don't know if we are comparing to another city that is funding all those things or to a city that is not funding system rehab and replacement. I don't know the answer to that, but it is something that we need to investigate and follow-up.

Mayor Clodfelter said of the peer cities in North Carolina typically that we've seen and my recollection is that our rates for a typical residential customer are generally lower than almost all the other large cities in North Carolina. Are they all covering full costs?

Mr. Gullet said I don't think so.

Mayor Clodfelter said so even without covering full costs many of them have higher rates than we do.

Mr. Barnes said Mr. Gullet you mentioned rooftops earlier and a couple of slides ago we talked about the number of customers and I was noticing the trend in 2013 the actual number was 257 unaudited and in 2014 it was 260 and it is projected to go down to 259 in 2015 and slightly up to 260 and then 261, 262, 263, 265, does that measure the number of rooftops businesses as well as residential development and commercial throughout the county and aren't we projecting higher growth according to our Planning Department?

Mr. Gullet said remember I said this was a very conservative projection and so we used to include a growth rate in here somewhere between 2% and 4% and then we got hit with a drought and then we got hit with a recession and our growth rate dropped. This iteration of this document includes a growth rate that is ½% per year. We are beating that right now so when we update this 10-year plan as we go through the budget process that will be something that we will have to factor in. How conservative do we want to be on those projections because it ripples all the way through the planning process?

Mr. Howard said I think I get what you just said and I want to try it again. When growth slowed your projections were off, didn't mean that we didn't get revenue that you through would come in. So if you go conservative and you have more we are not accounting for the capital costs that we could have.

Mr. Gullet said if we are conservative with our projections and we outperform this chart on revenues then whatever additional revenue we got that we didn't expect plows over into PAYGO and it reduces the rates in the subsequent year.

Mr. Howard said I think I get it, so if we add rooftops we really need to account for that capital two years out because it would have been new infrastructure going in.

Mr. Gullet said it could, yes. I think you all already know this but there are no tax dollars; the other thing I wanted to make a point of is that there is a lot of discussion these days, particularly around Duke Energy and the coal ash about who pays for it, whether it is the utility or the rate payers and I wanted to be sure that everybody understands that we are not in that situation at all. We have no shareholders like Duke does so there is no-one else to pay for our operation other than our rate payers so we can't withhold profits from shareholders because we have no profits and we have no shareholders. I just wanted to be clear on that.

Mayor Clodfelter said it is a common practice, at least a common practice elsewhere in North Carolina for there to be profit in the form of revenues that are used to subsidize the general fund. That does not occur here.

Mr. Gullet said that does not occur in Charlotte. You are right; there are other cities in North Carolina who siphon money off of the utility fund to use it for other purposes.

Mr. Driggs said could explain the word "requirement" in that title. When you say revenue requirement are you talking about, the last slide that was up, and you mentioned before talking about the spread sheet that there was a revenue requirement. Is that you projection of what revenue is going to be and that is a revenue number that is needed in order to make the capital thing work?

Mr. Gullet said that is correct.

Mr. Driggs said which one of those?

Mr. Gullet said the revenue requirement is the total amount of money we need to fund the utility in any given year which includes debt service, operation and maintenance, covering our debt coverage ratio requirement. Everything that we are going to spend or put into reserves becomes part of the revenue requirement.

Mr. Driggs said so you are solving for as it were the revenue requirement and then you are looking at your demand and working out your pricing, what your pricing needs to be in order to meet the revenue requirement. Is that right?

Mr. Gullet said yes.

Ms. Lyles said I'm not sure that I understood the question so if you say we need this amount of money, but you have the rate methodology, so you adjust the rate methodology? Am I giving an example of what you just asked Barry?

Mr. Driggs said this is like a mathematical system right and the dependent variable here is the revenue number which means they are working out all the capital costs and everything and then they are saying how much money do we need in order, I assume, to maintain the percentage ration on the bottom line within the range.

Mr. Gullet said that is correct.

Mr. Driggs said then we get into the conversation about how you sort of hit those goals given a projected physical consumption and pricing right?

Mr. Gullet said that is right.

Ms. Lyles said it is the annual rate increase differential that we are asked to address.

Mr. Gullet said right and the methodology doesn't change, it is the numbers that go into the methodology that changes.

Mr. Driggs said this is why you said that if you, for example, exceeded the plan that you had you could see rate reductions because you would be able to meet the same capital needs with less borrowing.

Mr. Gullet said that is right.

Ms. Fallon said this takes in everything; it is one basket, right? And then the other is how much you need to sustain that.

Mr. Gullet said I think the answer to your question is yes. You all have seen this slide before; I use it every year in the budget process so I'm going to move on in the interest of time. The same
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thing here, you've seen this one. Our Capital Financing; this is the discussion that we really just had. I want to make a couple points here; the first is that we don't issue debt until we absolutely need to issue debt because it costs a lot of money to do that. We tend to use commercial paper, short-term financing for construction projects and then two years later we take that out with revenue bonds. We convert the short-term debt to long-term debt so that has a bearing on the rate structure and it has a bearing on the timing and the sequencing of things and I will show you in just a minute. This is what the financial cycle looks like. We develop this five-year CIP every year, you all approve it, approve a budget. When you approve the CIP that gives us the green flag to start on projects; we've still got projects left over from last year that we are finishing up or working on so there are always projects in different stages in this cycle, but we start the project, you all approve a design contract, we finish the design, we award the contract, you all approve the issuance of that short-term or commercial paper for short-term financing, we build the project, we convert that to long-term debt, you all approve that and then we get a new debt service piece because we have to pay new debt service on that converted debt. That is the point that we need the rate increase to cover the things that started at the other end of the circle. Let me show you have that works; this is a real life example, this is that Steele Creek Lift Station, \$60 million plus project, if I remember right, so this was approved in the five-year CIP in June of 2005. It was approved for the FY2006 CIP, you all approved the budget in May, a year later you approved the design services contract, we started the design. I will tell you that something happened, it is called a recession and this is one of those projects that we deferred. We delayed this one to hold that capital costs down, that is part of the flexibility that we need to have in going through this, but since we hadn't issued any bonds yet we were not incurring any costs on this. It is another example of avoiding costs. If we had already sold the bonds we are making the payments anyway so we might as well go ahead and build the thing. Now we are finishing up the design, we've been watching that capacity assurance plan that time is right. If we don't do it now we will be in trouble, so we are going to do it, construction contracts are coming to you in just a few months, it is going to be a big one and we will use money that we have gotten from commercial paper to start the construction of that project and then somewhere down the road in a couple of years we are going to issue revenue bonds if you approve them. We are almost going to have to issue revenue bonds to pay off that commercial paper, then a year later, probably around FY18 we are going to see a step up in our debt service requirement. Depending on how much growth we've had and customers, what our water consumption has done, all that will play into what the impact of that project is on the actual rate, but the rate impacts of that don't really start to show up until 13 to 14 years after it was first approved. I go back to my point that it is important that we have a plan, a long-term plan, and that we stick with it.

Mr. Howard said this is kind of what this is all about and I've heard you say it a couple times now; we are actually using credit to build and maintain a system that we don't have the funds to pay it back yet. We are not doing the capital investment plan I guess is what you point was earlier changing the methodology. When did we start using credit to float this?

Mr. Gullet said years ago.

Mr. Howard said essentially what that means is that we have to raise the rates so we can pay our debt. We have to; it is not about future projects, we are just paying for the ones we've done.

Mr. Gullet said to some extent that is correct.

Mr. Howard said that is frustrating.

Mr. Gullet said your question about when did we start doing this; it was years ago and it was done to save money. It was done because this is the most cost effective way to deliver a capital program and the fact that again having a plan. The plan was that we are going to issue the long-term debt to take it out and that we are going to be in the debt market about every two years. That is the plan that we've been working under and moving forward with that has kept our program going.

Mr. Howard said a question for the Manager; of the enterprise funds are they run the same way? I know that our capital or our community investment city bonds are not done this way because

we have the sinking fund. Is the Airport this way, is Storm Water this way, all the other funds they don't have the sinking funds.

Mr. Carlee said the structures are different in each of them and so it goes back to that earlier question, it depends. They all have a little bit different flavor. The Airport is a lot more complicated. I think the one that is most relevant and comparable to this one is the Storm Water and those are the ones where the Council is literally setting rates on an annual basis that affect virtually everybody in Charlotte and that is why the heat got into these two so quickly.

Ms. Fallon said we are kicking the can down the road again; how do we cure it?

Mr. Gullet said we are really not kicking the can down the road; what we are doing is using a very effective financing mechanism to build our capital program. We are avoiding a lot of interest costs for selling bonds. The other approach is that you sell bonds for a specific project and then you use that money to go build that project which means you sell the bonds before you start the project and you start paying interest when you sell the bonds so you are paying a lot of interest. This is a very cost effective way of delivering projects when you are going to be delivering projects in a whole sequence, a series of projects so if you were doing a discrete project you probably wouldn't do it this way, but the nature of a utility system is that you are going to always be making investments into it.

Ms. Fallon said you are serial borrowing to build; in other words you are on a treadmill and you are never going to get through.

Mr. Gullet said the opportunity is to do less borrowing and more cash financing and there was a time when we were building virtually everything, like 95% to 98% of the capital program was being financed. We are working toward a ratio of about 60%/40% with 60% being financed and 40% being PAYGO. That works really well with that financial plan because to meet that coverage ratios you have to generate cash then you use that cash to pay for that 40%. That helps keep your borrowing costs down and helps you meet those debt coverage ratios, makes the creditors happy and makes it a very cost effective way of doing business.

Ms. Fallon said you don't think a revenue bond would do the same?

Mr. Gullet said that is what we are using is revenue bonds.

Ms. Fallon said that is after you borrow commercial paper.

Mr. Gullet said the sooner you sell them the sooner you have to start paying interest on the full amount.

Ms. Fallon said in other words you are just pushing it off?

Mr. Gullet said on commercial paper you don't withdraw the full amount in the beginning; it is kind of like building a house, you only do a draw for what you have spent and so you only pay interest charges on what you have actually pulled out so you are not paying interest on the full amount like you would be if you issued the full amount of revenue.

Ms. Fallon said it is a credit line in other words.

Mr. Driggs said I just wanted to clarify to this point it makes perfectly good economic sense to borrow for these capital investitures and what it means is that if you look at the alignment of the costs related to the borrowing and the rates that are paid, the people who are using the water are effectively paying for those pipes over time. In fact you've aligned the incurrent incidents of the costs more closely with the use of the water.

Ms. Fallon said but that gets us to raising rates every year.

Mr. Driggs said all I'm saying is the use of debt, instead of having rates so high that you have cash on hand all the time to pay for all of your capital needs all the time has the effect that over
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the 30 years or 20 years or whatever the use life is people are paying water rates that include some of that appreciation on the install base so it does make sense as long as you've got maturities on your debt and balances on your debt that are in line with so you don't end up in a position where you are still paying off loans for pipes that are worn out.

Mr. Gullet said exactly. Washington, D.C. issued 100-year bonds last year; they were 100-year bonds and they were taxable bonds and they got the lowest interest rate on those bonds that they have received in years and years and years.

Mayor Clodfelter said why are we running the total debt service coverage ratio up from 1.2 to almost 2.0? Is that legally required?

Mr. Gullet said if you look at utilities that are AAA rated by the credit agencies we are low; 2 is low and most of the AAA utilities are in the 3 or higher range and so we get some, I don't think criticism is the right word, but we are not looked at as favorably in terms of the numeric ratios on our credit rating as a lot of other utilities.

Mayor Clodfelter said we are getting a little bit of a free ride right now at a 1.25 coverage ratio?

Mr. Gullet said yes we are and what the credit rating agencies are telling us is that we are getting that free ride as you say because we have a good plan and because we consistently outperform the plan; that is what they are looking at, are we putting forth a good plan and are we doing what we said we were going to do and are we beating the plan, and the answer to all three of those questions is yes, so we get a good credit rating.

Ms. Lyles said I have a few questions and none of them require a reply tonight. Could you explain or help me understand better the capacity assurance planning with the capacity fee and how that works.

Mr. Gullet said yes.

Ms. Lyles said the second thing I was wondering, would it make any difference if we could have our budget for the enterprise fund for utilities done after June 30th, if that is possible. I don't know that we have to approve a utilities budget by that time, but I just wondered if that was the case. The other thing I was wondering, on the debt fund, right now one of the things that has brought us to the table is this annual increase and I wonder what would happen if you actually did kind of a picture of what if we did increases that were every three years or every other year, what benefit that would have in evening out some of our increases and would there be any benefit to our capital program?

Mr. Gullet said I can address that one; I have a slide for it.

Ms. Lyles said we are going to be talking about this for a long time.

Mr. Gullet said you've seen two versions of this, when we deferred on the agenda I think this is the slide that was in there and we went back and did some more work on this and so I added this slide. This is a new slide this time. The difference in these two slides is this compares what a rate increase would look like for a typical customer every year versus every other year versus every third year. This is the original slide and what this slide does is it doesn't maintain those coverage ratios and those fund balances that we need to maintain to preserve our credit rating. It doesn't do that; it allow them to fall too far so we went back and put some work into this and we came up with this slide. This slide does that so you can see the blue bar on the screen that comes straight from that 10-year financial plan. I don't want anyone to leave saying that is going to be the rate increase for next year. That is what the 10-year model said last year when we looked at it. There is a lot of work that has to go in to figuring out what the actual number would be and we haven't done that work yet; it is too early in the year. Using those same numbers and using the same capital program, in other words, not cutting the capital program, if you looked at doing a rate increase every other year then it is that green bar. In the first year, in 2016, instead of a \$3.57 increase in the customer's bill it would be almost twice that, \$7.17 and then you would skip a year with no increase and then the following year instead of \$3.99 it would be \$7.90 and
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you can see how it works. The gray bar, purple on the screen I guess, is if we did them every three years. The first year out we would need an \$11.00 per month increase in that typical customer's bill, but they wouldn't see another increase until three years later and that would be a \$12.89 increase and three years after that they would see a \$15.00 increase.

Mr. Howard said you mean increase from that amount to that amount, not on top of that. So it is really a \$1 –

Mr. Gullet said no, it is an additional \$15.42 beyond what they were paying in 2021.

Mr. Carlee said just to make sure you understand how this chart reads, it is cumulative on the annual rate increase as well so it is \$3.57 plus \$3.73 plus \$3.99.

Ms. Lyles said one of the things that I think we really have an issue is that usually our community understands the property tax ratio and you have where businesses or growth are helping to pay for those things that are residential or not and so you have the situation where we have a difficult time understanding how utility rates are growing every year as compared to the property tax and it is just one of those things about the importance of having this enterprise fund operation which is an entirely different set of decision making circumstances than our property tax where residential property tax pays \$1.00 and a business pays \$1.25. I'm wondering if there is something in here where we have this increased growth and development that we are not seeing treated in the same way or getting the benefit of in some respects. I don't know if there is an answer to this question but somehow I can't figure out where it is or where it is not occurring that we are having this growth in the system and we are still carrying the rate pretty much increasing for everyone. I'm just struggling with how we are doing that. Mr. Barnes was just saying to me think about all the apartments we are building, all the condominiums we are building and then the capacity; I just haven't been able to get it figured out in my head yet. It might take me a while, but I just don't understand it.

Mr. Gullet said I understand your question.

Mr. Barnes said one of the things that occurs to me is that when we passed the rate methodology in 2011 we anticipated there would be 4% to 6% increases annually out into the future. The reason we approved that methodology was to avoid a scenario where we have 15% to 20% increases every two or three years or whatever the case may be. It might behoove us to do a separate presentation Mr. Manager on that 2011 document so that people kind of understand what I will call the wisdom of that Council. It was the perspective that we took on trying to figure out how to level off the increases because sometimes, and Patsy as you know, this 7% then 4% and it was 8% and we were trying to level it off as much as possible, but I think the point Mr. Gullet is that you guys are not in a position to anticipate that there will not be rate increases ever. In other words as the County grows, as the system changes, as pipes wear out and get old we are going to have to keep spending money to maintain that capital infrastructure in the county. You can answer that question but I think I just answered it for you. You cannot anticipate that there won't ever be a year where there will be no increases unless we just stop growing and something horrible happens in this country.

Mr. Gullet said the circumstances in the county would need to change substantially and not necessarily for the better.

Mr. Barnes said yes, negatively.

Mr. Smith said can we go back to the rate setting slide; the last bullet point, heavy reliance on volatile tier 4 revenue. The tiered system was put in to effect if I remember correctly during the drought a few years back.

Mr. Gullet said the tiered system was actually put into place back in the early 2000s and maybe before that and it was originally a two-tier system and it has evolved into a four-tier system. One of the purposes is to send a conservation message for people to pay more if they use more and that is the purpose of it.

Mr. Smith said how is that impacting our ability to plan and our revenue. I would just be curious and this would be added to the zillion list of follow-up, but where would we be if we had not gone to the four-tiered system? Are we promoting some conservation but then in turn costing ourselves some revenue.

Mr. Gullet said I will tell you that in my opinion the tiers have worked; they have done what they were intended to do and they have driven down per capita water usage, but I think that we need to make some changes. I think that we and this is something that we are going to be looking hard at in the budget process, and perhaps will be bringing a recommendation back to the Manager and to you about increasing the fixed part of our bill. We have a lot of variable revenue and a lot of fixed costs; that is next to the last bullet there and we need to shift some of that revenue over to fixed revenue. We still probably need a tiered system but we can increase the fixed component of that and it is pretty complicated so we need to do some work to figure out what the impacts are on the customers and the rate payers, how we can make that work, what would it look like, what would the benefits be. That is some of the work we will be doing as we move through the budget.

Mr. Smith said the tiered system, especially the higher tiers have worked and have resulted in more conservation but have they cost us the revenue? Yes, I think it may have done conservation but my concern is we've got a model where we are not actually getting as much revenue as we could because people are conserving much like when you put a high tax on cigarettes then all of a sudden you don't have money if it goes into the healthcare system because don't want to spend \$7 per pack on cigarettes.

Mr. Gullet said over the long-term we need to drive water usage down. We need to do that to make the resource last longer, but we need to be doing it in a way that doesn't have unintended consequences and in a way that is sustainable. My concern with this tier-4 revenue is that the price goes up, people use less water. We raise the price again and they use even less water so to me that isn't necessarily sustainable over the long period of time. We've hit the elasticity point with the rate.

Mayor Clodfelter said you are experiencing the gasoline tax effect and that is the exactly the problem we've run into in the last 15 to 20 years with the gasoline tax. Volume base consumption taxes as a way of financing heavy capital expenditures. The model doesn't work anymore; it is going to break for you just like it has broken for the highway system, which is why I'm glad you have that bullet up there about raising the fixed costs component.

Mr. Howard said what do you mean by fixed? Do you mean a set fee that we do that it not about consumption?

Mayor Clodfelter said correct; it is not consumption based.

Mr. Driggs said I wanted to pick up on Ms. Lyles' question; we are basically telling the public that the cost per user of water is going up at 6% year after year after year and is that based on the fact that as the community gets larger we have a more costly and capital intensive infrastructure? It requires some explaining because otherwise on a per user basis if you had a price that included an allowance for capital and an allowance for operating expenses you would expect that could be sustained, but it is not. What we are saying it needs to go up and that gets to my other comment which is this is one projection of capital needs. There are different courses, there are choices that are reflected in here. Again if people see a 6% year in and year out increase they might think isn't that extravagant, isn't there a cheaper way to do it.

Mr. Gullet said which goes back to the two questions we asked, are we funding it at the right level, and that is the question you are posing, and what should the frequency be of the rate increases. The other point I would make is that across the country research is showing that utility's costs are going up faster than general inflation. Chemical costs, power costs, construction costs, all those costs indexes are rising faster than the general consumer price index everybody likes to refer back to. This is not a problem that is unique to Charlotte; this is a national experience that everyone is going through at this point. There are some slides in here that I skipped over that illustrate that.

Mayor Clodfelter said you may get a chance to talk about them. I'm going to suggest because we have another item that the Manager needs to cover. Ms. Fallon has been patiently waiting to get her question in and we will recess, we will not adjourn, we will recess the discussion to another Dinner Briefing and pick it up then because you've got more material and you've got more questions coming too.

Mr. Gullet said I'm good for the questions and then I have one more thing I want to say and then I'm done.

Mayor Clodfelter said again we've got to reserve time for this other item so why don't you say your thing and we will hold our questions until the next session.

Mr. Gullet said what I want to say is that coming soon is Charlotte Water and our name will no longer be MUD. We are proposing to change the name of our utility to Charlotte Water; Charlotte in both the City and regional context, water in the context of water and wastewater. We think that our customers can more clearly identify with this and that it will help our communication efforts and our image going forward.

Mayor Clodfelter said it doesn't say anything about sewer on there.

Mr. Gullet said it is water.

Mayor Clodfelter said I know there are questions but we are not going to get through this and we are going to come back and Mr. Manager I think we will have to talk about a resumption of this at an upcoming briefing and maybe we can get some time before Christmas at one of our other Dinner discussions and we will continue it.

CLOSED SESSION

Motion was made by Councilmember Barnes, seconded by Councilmember Mayfield, and carried unanimously to go into closed session pursuant to NCGS § 143.318.11 (a) (6) to consider the qualifications, confidence, performance, character or fitness of an individual public officer or employee or to hear or investigate a complain charge or a grievance by an individual public officer or employee.

The meeting was recessed at 7:01 p.m. to move to Room 278 for the closed session. The meeting reconvened at 7:42 p.m. in Room 267.

CITIZENS' FORUM

Mayor Clodfelter said thank you for your patience; we just ran over time on the last item so I appreciate you waiting an extra ten minutes for us.

Charlotte Mecklenburg Utility Department

David Cole said I've followed Charlotte for quite some years and there is some good news here in our region just north of the City. Cabarrus County has just built a new power plant; the power plant takes waste and converts it to electricity and they need more waste. They want Charlotte's sludge. You don't hear much of that from CMUD. My town flat rejected CMUD's plan to continue their sludge dumping in my community. Today CMUD is trying to pick on Cabarrus and Rowan Counties and if you've read the news lately these people than a little bit more than upset. It sounds like just what happened in South Carolina and I'm asking, can't we just stop this non-sense once and for all. We have an alternative; the City has a viable option to get rid of its problem waste, the solution is already built, it will reduce trucking fees and it may even reduce water rates, something that your constituents I'm sure would really appreciate. CMUD is on track to commission a major treatment plant upgrade, class A sludge will only reduce pathogens,

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it will not fix heavy metals, it will not fix PCB's. CMUD is operating under the false theory that trucking waste to remote areas is a green practice. Five miles per gallon in these trucks, at best, traveling over 300,000 miles per year is not green. CMUD says it saves money by dumping your waste in our rural areas. It is only \$15 per ton to dump on farm fields, but they are not telling you about the overages, the fuel surcharges, the landfill costs for non-conforming waste; CMUD is not being 100% truthful. If putting sewage waste was so green, if putting it on the land was so green, so benign and so beneficial, CMUD would be here today promoting its use within City limits, but they are not doing that. Charlotte has a unique opportunity that is not provided to many other communities; Charlotte has the Cabarrus Poo to Power Plant that is operational today. The City of Rock Hill, south of the City, sends their waste up there and the plant has been an amazing success. Why can't Charlotte to the same and save rate payer's money. I contacted Cabarrus County and they tell me at most it would cost CMUD \$25 per ton; that is amazing. This is a lot cheaper than CMUD's current plan. Cabarrus told me they would love to have Charlotte's waste, and it is close to, 10 miles from Mallard, 30 miles from McAlpine. CMUD seems determined to ignore this as an option. CMUD will have none of it. CMUD is solely focused on the construction, wasteful spending, rate increases and dumping toxic waste on unsuspecting rural communities. This Council must get to the bottom of the utility's wasteful spending. This Council must get to the bottom of the endless rate increases. This Council must get the real store and be skeptical, don't believe me, don't believe CMUD. I challenge this Council to invite the folks from Cabarrus County to come here and talk to you folks. I simply ask that you get the real costs, talk to WUACC, bring them in. The Council must demand accountability from CMUD; you must get an audit and the real costs and compare them.

Mayor Clodfelter said they don't really call it the Poo to Power Plant up there is Cabarrus County do they; that is not the name of it.

Mr. Cole said that is what it was in the media.

Mayor Clodfelter said Mr. Kimble can we get some information on the Cabarrus County Plant and its use of bio-solids as fuel.

Mr. Cole said thank you for the opportunity to speak today; the citizens in and around Charlotte have had enough.

Mayor Clodfelter said I should have said to all of you and I do it in most meetings, but I forgot to do it tonight; we don't take action on the items we hear about from you tonight because generally we are hearing about things that we haven't gotten all the information on. We listen to you and then we ask for follow-up information like I just did from the Manager about the Cabarrus Plant. We won't be taking any action tonight, this is just forum.

Mr. Cole said I can provide you with information from WUACC.

Mayor Clodfelter said give it to this gentlemen right here, Mr. Kimble.

Dr. Lance Riley, 6508 Reafield Drive said I've been a scientist for over 30 years specializing in biofuels and sewage sludge, wastewater, all kinds of different techniques. I'm representing my community, Gold Hill, North Carolina which is proposed to have more sewage sludge dumped in Cabarrus County. We use an incinerator, we have it going; the Poo to Power Plant as the nickname states is up and running. They just finished the turbines, I talked to some of the engineers and they are ready to go and they are ready to abide by PCP limits and things that you all have a problem with. I can't reiterate enough what Mr. Cole just said as far as spending, but as far as doing the right thing, doing the ethical thing instead of dumping your waste on unsuspecting communities, 60 to 80 miles away when you have a perfectly viable source to provide electricity which reduces coal ash, which I hear you are having a problem with too, which doesn't make your neighbors mad because I'm representing a community of your neighbors that you are proposing to expand a permit to land apply sewage sludge in their back yards. Charlotte has a problem, the problem is urbanization, it is urbanization people moving out of the cities and moving into the country, so the country is getting more crowded. You want to continue spreading on land that is getting more crowded and then you take our community. Our Community is Gold Hill, I don't know if you know the history of Charlotte, but Gold Hill
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provided Charlotte with a lot of gold, that is why you guys had a mint here a long time ago. That has done a significant amount of environmental damage in that community already. This community is absolutely rough with cancer; I've had five brain surgeries myself and managed to get through a PhD and managed to go on to a banner record with absolutely flawless research and patents on bio-fuels. I have a real bad feeling about this. I know what is in that stuff, I can't disclose everything I know because I'm under confidentiality agreements, but that stuff is bad no matter what CMUD tells you. It is not safe by the true definition of safe. You look at what happens after years and years of this spreading, nothing good becomes of it. Your neighbors are mad because they get the odors, they don't want to put up with it. These folks never come to Charlotte; they are not a part of the problem, but they are part of the solution. From my point of view this is a bully picking on a community that has strived and tried to maintain its composure by building a Poo to Power Plant to actually make something good out of this stuff and you just want to spread it all over the ground and get it into our water system, in our well systems, making concerns for our air. I'm just asking you to do the ethical thing.

Mayor Clodfelter said when we finish will you be sure you get the contact information on WUACC to Mr. Kimble?

Dr. Riley said I have the contact of the lead engineer.

Kathy Boger, 5918 St. Steven Church Road, Gold Hill said I am a resident of Gold Hill. In 2004 I took an antibiotic and it shut my kidneys down; it was a chemical reaction. The professionals that gave me the antibiotic said it was safe. I am restricted to my home and restricted to the places where I can go where the least amount of people there are. My home is my safe place. I don't go out among crowd and go shopping and do all this stuff because I want to keep my seven-year old pancreas kidney transplant that I was able to get in 2008. I have a seven-year African American little boy that was shot in a drive-by shooting and I protect that child because I was a teacher in the Cabarrus County School Systems for handicapped children. I was an EMT, volunteer fire fighter, I was working with the youth group and had 22 youth with myself and my husband in a rural church in Gold Hill. Now I am not able to do that because I've had a chemical reaction to an antibiotic. My family's land adjoins the land that your City wants to put bio-hazardous or bio-solids or whatever it is on our land. I asked a couple from your Waste Management had they tested for human diseases. You get a cold you are sick for 5 to 7 days; I get a cold I'm sick for a month. I take refuge in my home; I go outside my home, I have a farm land and I have to sit there in my home and breathe in these toxics I'm not sure if I can keep my child safe. The hardest thing I had to do today, I got my ... was knowing there was a grandma out there signing the papers to that little boy to take him off life support. I am asking you please re-evaluate this because I want to give that chance to tell somebody and to meet that grandma and tell her that she didn't do that out of sin and out of fear, but she did that because I was able to live and give my 24-year old, who was just 14 at the time, a mother. We don't know what is in this stuff. Everybody says it is safe. I'm asking you as a mom, I would love to see my grandchildren. This is land that has been in my family for five generations.

Councilmember Mayfield said Ron, when you are getting the information for us can you also provide, because this is the first time we are hearing it, I'm trying to figure out how long, if we've already been utilizing this site, how long have we been here and why. I'm just trying to get some background information based on the comments that are being made tonight.

Deputy City Manager Ron Kimble said I think the best thing we can do is give you back a full report including the questions they are posing but additional background information on this particular issue.

Mayor Clodfelter said let me say, Dr. Riley I saw your hand go up and the way we sort of work is we don't do a back and forth conversation but if you've got answers or additional information like that to provide us in writing that would really be helpful too. If there are things that you want, like the answer to that kind of question that would be really helpful to do that.

Dr. Riley said I've got your e-mail, I will send it.

Roy Riley, 11311 Kluttz Road, Gold Hill said I'm Captain Riley, US Navy, Retired. I spent 30 years in the Navy, head command of submarine out of Pearl Harbor and spent the last 10-years in the Pentagon. They want to spread this sludge in my back yard. There is a creek that runs between my house and the field and this creek runs over and goes into some other springs and Little Buffalo Creek goes into the Yadkin River. They want to spread this sludge on this land and as far as I know in Cabarrus County this is the only site. In addition to this being spread it is going to affect the well water; it has got PCBs that are not tested. It is my understand they only test for ten items and there are some 200 poisonous things that can be in this sludge including medical waste and mortuary waste so putting this on the land, it rains and it goes into the streams. When they put it on the land they can't put any cattle on the land for a week or two weeks so if they keep putting it on the land the streams are going to get contaminated and if it goes into the Yadkin River the Yadkin River is going to get contaminated. It is a real issue; I've lived in this area for some 25-years and I enjoy it and would like to continue to enjoy it. I've got a chart here that I can pass around and there is one farmer, you see all the red, that is where they want to dump the sludge and the creeks are on there. But note, this blue outline, that is the farmer who wants to spread the sludge here, not in my back yard. Why? I don't know but this is only one county, up here there is a big farm; they raise cattle on it. They want to put sludge on it but there are two people that live right next door to it and when it rains it is going to run into their yard.

Mayor Clodfelter said is there any way we can get a copy of your map?

Mr. Riley said I'll be happy to give you a copy.

Linda C. Riley, 11311 Kluttz Road, Gold Hill said like Kathy my family has lived in Cabarrus County and where this field is going to be dumped on for five generations. It is a beautiful country out there. Several of the press people have come out to talk to us and every one of them says this is a beautiful place, it is wonderful out here, it was worth the drive out here to see it. We don't want this in our back yard, we don't want it in our water, we don't want it in our fields, we don't want it in our air. My husband has been here 25-years and when he came here for the first time, he is originally from Michigan, when he came here for the first time he said this is where I want to retire so when he retired we came home for me. I don't want to see it ruined; I want my son to live on that land like I lived on it, my father lived on it, my grandfather and my great-grandfather lived on it. They farmed beautiful farms out there. The land that is going to distribute this in our area inherited a beautiful dairy farm, one of the best in the county, but it is not anymore and it won't be any more if he continues to spread this sludge and this poison in our neighborhood. We would like very much for you people to help us out, just come out there and see it if nothing else and you will understand why we don't want it ruined and we don't this smell and this poison in our water ways. We would greatly appreciate all the help you can give us.

Andrew Culp, 13000 Culp Road, Gold Hill said I purchased my 30-acres from my grandfather's estate last year and I am a diesel mechanic and a farmer. If I'm not working on tractors, I'm farming and that is my dream in life, to farm. This property has been in my family for over 100 years and I was greatly appreciated to be able to afford to buy it and my dream is to have an organic farm. I want a dairy farm; I want to do what my grandfather did. I want to milk cows and bottle it on the same farm. They tell me this sludge, you can't grow vegetables in it, it can't be near creeks. I have a six-acre pond on my property and if this stuff washes off in my pond what is it going to do to my fish? I'm very cautious when I spread stuff on my fields because I don't want it to kill everything in my pond. I've worked hard to have nice fish and cows and I hate to see the area destroyed. I have spoken to several people who have had it spread on their property and people that like it and people that don't like it. From the way I understand it there is a lot of people that say there is a lot of stuff like tampons and condoms and just trash, they go in their fields and there is trash spread all over it. I don't want to see that across the road from my house. I'm 27-years old and I feel like this country we live in is all about dreams and trying to get what you want and I don't understand, I'm always doing all kinds of research on ways to do things different or better, mixing the old with the new. I love the old so I try to mix the two together and come up with something good. It is hard for me to believe that is the only thing you can do, spread it on fields, when there are other options, better options. There is a farm in Indiana called Fair Oaks Farms and they provide milk for almost all of
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Chicago. They use all the manure off their property to produce gas that runs all their trucks, 10 farms, half the community, they run trucks from Indiana to Tennessee and back hauling milk off the gas produced off of manure. I can see where that could bring jobs to Mecklenburg County instead of spending \$2 million on stadiums for architectural improvements you could build a plant that could bring jobs. It could really show that you are trying to improve the area, not make it worse. It is the future and my parents are cleaning up the mess my grandparents made, so I've got to clean up the mess they make. If we can just stop it now I won't have to clean their mess up. I've got a touch of rheumatoid arthritis and Lupus and they say that is not very good for somebody who wants to turn wrenches so I work hard every day and I don't ask help. The older I get the worse it will probably get but I want to farm so whatever I can do to try to resolve this we need to resolve it.

Mayor Clodfelter said the Clerk tells me the timer has gone off on you, but we wish you a long and successful farming career. Thank you all for bringing this to our attention and we are going to get some follow-up information. I think I know a couple of folks are going to provide some additional information to follow-up on and we will see what we can learn about this.

The meeting was adjourned at 8:07 p.m.



Emily A. Kunze, Deputy City Clerk

Length of Meeting: 2 Hours, 51 Minutes
Minutes Completed: December 12, 2014