The City Council of the City of Charlotte, North Carolina convened for a Budget Workshop on Wednesday, April 08, 2015, at 2:06 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Dan Clodfelter presiding. Councilmembers present were Al Austin, John Autry, Edmund Driggs, Claire Fallon, Patsy Kinsey, Vi Lyles, LaWana Mayfield and Greg Phipps.

ABSENT UNTIL NOTED: Councilmember David Howard

ABSENT: Councilmembers Michael Barnes and Kenny Smith

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I. BUDGET COMMITTEE REPORT

Mayor Clodfelter said we'll go ahead and start so we can get done and we'll start off with Councilmember Phipps you've got a couple of notes and items for us to consider before we get into the subsistent presentation.

Councilmember Phipps said thank you Mayor. I'd like to welcome everyone to the Budget Workshop for today and I just want to recognize Budget Committee members Greg Phipps, myself, Ed Driggs, Vice Chair, we have Councilmember Lyles, Councilmember Mayfield and Councilmember Kinsey that's a part of this Budget Committee. We have a couple of calendar modifications that we would seek your approval on today as we move forward. One deals with the change in the Public Hearing time, the Public Hearing is going to be on May 11th but we're moving the time to a 5:30 start time and also we've included an additional workshop for April 17th that we need to get some approval on.

Motion was made by Councilmember Phipps, seconded by Councilmember Austin, and carried unanimously to amend the Council's regular meeting schedule by adding a Budget Workshop on Friday, April 17, 2015 at 1:30 p.m. in room CH-14 and to change the start time of the May 11, 2015 meeting to 5:30 p.m. in the Council Chamber to allow for the Budget Public Hearing to start at 5:30 p.m. instead of 7 p.m.

Councilmember Mayfield said for the April 17th date since we were trying to add in an additional one I already have meetings scheduled during that time so at the bare minimum I'm going to have to either be late to that meeting or at the max I won't be able to attend.

Mayor Clodfelter said if there are particular topics Mr. Manager that you are particularly interested in we might be able to schedule the sequence of the topics so you can get here. We took a poll and there was no good date and they went with a date that was best but if there's something in particular we might be able to structure the sequence.

Ms. Mayfield said I'll work with the City Manager.

Mr. Phipps said also I learned that the budget staff was or the finance team was willing for those who couldn't attend on that day, was willing to meet one on one with individuals to bring them up to date on what transpired so that's another alternative too. I hope I'm not speaking out of turn.

City Manager Ron Carlee said no sir; we will plan to do that for Councilmembers who are not here today. We'll follow up and give them opportunity for a briefing as well.

Councilmember Fallon said when do we vote on this?

Mr. Phipps said that's June 8th. I just want to briefly give an update on what's been going on since our last workshop. At our last workshop we discussed the impact of a reevaluation on our overall revenues and budget development and since that time we had a Budget Committee meeting. We met with the Tax Assessor, Mr. Ken Joyner on March 26th, I think a few of the Committee members were able to attend, I think Ms. Lyles was there for a while, Ms. Kinsey, myself and Mr. Driggs were there and I think Ms. Mayfield even showed up so I think we had a quorum there for that. It was a good discussion, we learned some things. We requested that meeting in view of the new numbers that were presented to us as a result of the values declining by about $2 billion dollars and they were able…I guess the biggest takeaway from the meeting was we learned that the most difficult properties were saved for last in terms of being evaluated and the projections that we got initially were based on those properties that were deemed to be less complex and then we extrapolated those numbers to be the general direction that our revenues would fall. When they found out when they were doing the most difficult properties that in fact wasn't the case it went down so subsequently it effected our budget and that's why we're here today in this Budget Workshop discussing some other plans and alternatives that we might be able to consider as we move forward so with that said I would just like to turn it over to Mr. Carlee and he can introduce the other part of the meeting and we can just move forward unless there are any other questions.

Councilmember Austin said I do have a question. Greg; how far in advance did they know that this impact was going to happen? Did the County, the county staff or the assessor's know far ahead of the time frame that we got it that we were going to have this big an impact?

Mr. Phipps said I think it was something like a week, a week and half or something that they might have known.

Ms. Mayfield said they knew in January.

Councilmember Lyles said before there was a presentation. Remember it was a month and half before the presentation to the County Commission but the prep time, we all know how long prep time takes.

Mr. Phipps said and I think they wanted to reconfirm the numbers and make sure they were giving us the right number but it looks like it was lead time there that for whatever reason that the timeliness of the discovery we might not have felt that we were privy to that.

Ms. Lyles said that's very diplomatically put because I think that it is actually time for us to have a conversation with the County about those services and how we can do this in a way that gives us a different outcome. The result of this presentation was that we will not have a re-evaluation until 2018/19 and that means that we'll be living at the valleys that we have and there seems to me some hesitancy to actually look at that and question it; you know viability or whether or not we can do things differently and it was kind of presented to us as that this is the course and I think we need some opportunity for some questions and conversation around it.

Mayor Clodfelter said they may or may not have that choice. The law requires them to do an evaluation sooner but…housing price in the market place so whether they get to wait that long or not is not under their control.

Councilmember Driggs said I thought personally that the explanation we got as explained by the Chairman was unsatisfactory in the sense that the consultants I think working the way they were should have been able to anticipate that they were putting a lot of the tough stuff right to the very end and should not have kind of sent out a signal that we were within half a percent when in fact we were 1.8% or whatever the final outcome was off and I'm also hearing sort of conflicting reports about what the County knew and when and I'm interested that they don't seem to be struggling nearly as much as we are to repair there budget as a result of this late breaking news.

Ms. Lyles said shouldn't it be equally difficult. All of the people paying taxes in Charlotte pay taxes in Mecklenburg County so I don't quite understand how you do that or why it's not as difficult an issue.

Mr. Driggs said I think it warrants perhaps some further investigation. I agree with Councilmember Lyles that we perhaps should reexamine the procedure. The way it was described to us was the state passed a law and the predecessor tax assessor appointed and therefore there's no one around to really answer. We don't have a good explanation for the public and we don't have a way of providing assurances that none of this can happen again as it all occurred so I think more work needs to be done on how we do this in the future with the County.

Mayor Clodfelter said I want to underscore what both of you said and remind us that when we had our discussion Monday about the Focus Area Plans there was some discussion generally among Councilmembers about maybe having the Manager undertake to review and all of our Interlocal

Agreements for Shared Services and be sure we are got them all up to date and then if there are questions that are surfacing not just about the Tax Assessor office but about other departments where we share services under Interlocal Agreement and I think he took that to heart or at least I know he's expressed that he took that discussion among Council to heart that some of these Agreements haven't been looked at in 25 years or more and it may be time to do some updating.

Mr. Phipps said and that's one of the things I've expressed my views to some members of the Finance Team that we do need to have in view of this episode that we've gone through that there needs to be some sort of post-mortem evaluation of the process like what went wrong, what lessons did we learn, what do we need to do on a go forward basis to prevent this from reoccurring and maybe we should even as part of that maybe some sort of review of the whole reevaluation process should be looked at in terms of whether there's a need to adjust in view of the complexity with growth and the complexity of our county and the many buildings, commercial buildings and properties that it has; one of the largest counties, maybe the largest county in North Carolina needs some more focused and concentrated, sophisticated evaluation on a more frequent basis to keep track of the growth so hopefully we can generate some discussion and some movement in that direction to get some more clarity behind the events that happened and what can we do on a go forward basis. I would hope that that would be a part of this whole process.

Councilmember Howard arrived at 2:18 p.m.

Ms. Fallon said what troubles me is that from what I understand reevaluation usually they go to your most expensive items first; your commercial so you have a basis to work off. They did the opposite, they went to them last and that's we have a problem. Maybe they need the guidance the proper way but they hired professionals supposedly.

Mr. Driggs said we did get some explanation about that and basically it was the 18 month time frame we were told that resulted in a kind of a necessity to generate the workflow in such a way that they could keep up with the interim targets. I think it's also worth reporting to this group that we were told that all of the reappraisals are now done which means that the number is locked in except that there are about $9 billion dollars in appeals still pending and for those appeals a provision was made in the estimate that we're now using of 10 or 11% percent I believe and therefore the only remaining uncertainty we have about the property evaluation is the over or under on whether that provision for the appeal aligns with what the actual outcome for the appeal is.

Mayor Clodfelter said well that concerns me because as we discussed when we had the presentation before they were way out of line with their estimation on discoveries so their estimations on appeals may not be much more accurate if it's consistent with their rate of accuracy on discovery property.

Mr. Driggs said and recognizing that there are $9 billion in appeals and $900 million in provisions the numbers are still pretty large so there is the potential for a little bit of a surprise still there.

Ms. Mayfield said one of the concerns that I also have is what I didn't hear when they were discussing the reevaluation is the fact that we have property owners out there that haven't paid property taxes in seven plus years so it seems like the logical piece would have been one I have concerns because there's been a lot of discussion regarding the company that was chosen, Pierson, not really having experience in what the magnitude of the reevaluations that were done here so why was the company chosen to take on such a difficult task that really didn't have the proven experience to do it but also how are we addressing those that have not paid property taxes in seven plus years and on who's radar is that happening so there's a lot of questions that are left unanswered and that brief preview and update that they gave us just opened the door for an additional 20,000 more questions.

Mayor Clodfelter said more questions rather than answers. Mr. Harrington, is my memory correct that they used to commercial evaluations every two years?

<u>Chief Financial Officer Randy Harrington</u> said commercial?

Mayor Clodfelter said yes.

Mr. Harrington said I'm not aware. I think it's on the same timeline on an eight year….

Mayor Clodfelter said always been an eight year. I know it's been an eight year for residential but was it not more frequent for commercial at some point?

Mr. Phipps said one thing that Mr. Joyner said that caught my attention was he said that the process that the General Assembly gave them 18 months but it took four months for them to get up to speed to do it so I'm wondering if they really had 14 months to do the reevaluation instead of the 18. That threw me for a loop. Four months to get ready to do it means you only have 14 months to do it and we got to get going pretty quick.

Mayor Clodfelter said I think Mr. Manager you know the temper of the group.

Mr. Carlee said we will circle back to members who tried to collect those additional questions that you have. Councilmember Phipps has asked me to work with him on trying to pull together some of the ideas he had just articulated and seeing what we might frame up as a more formal communication and so questions that you have you can get them to us and let us get them collected and see where we go next on it.

Mayor Clodfelter said I do have one detail point before we turn it over to you for your overview and that is that I'd like to just know in one of our written updates what is the current sales assessment ratio, where are we at and how are we tracking for maybe the last couple of years in terms of moving of sales assessment ratio relative to the target reevaluations.

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II. INTRODUCTION-OVERVIEW

City Manager Ron Carlee said we'll go to the overview and the budget update. I'm going to provide a little bit of information upfront and outline a framework for you. Kim Eagle will take you through most of the details with a couple of other staff people joining in what's going to be a fairly detailed update on our budget situation. I'm happy that all of you are here for this spring break weekend. I'm particularly happy to have as many staff as we have here who have children that are on spring break. Kim Eagle is actually on Oak Island with her family today and other people in this room are similarly with their family and children somewhere else so I really am happy and appreciative of the adjustments people have made and the same people pretty much worked through the Easter weekend as well to get ready for this meeting today.

In terms of the information we're going to share with you there are some caveats that I really want to underscore and that is that we're still working with estimates and so many of the numbers we're showing you will change as the process evolves and as we sharpen the pencils and double check and confirm items. Also, we're showing options and ranges and alternatives. These are not Manager recommendations today and that is also the same with regard to the CATS and Aviation budgets. We're previewing for you where we are in our thinking and the range of ideas that we're considering and you're feedback will help then inform the recommendations that I will ultimately make in the budget that I present to you.

Mayor Clodfelter said okay Mr. Manager I want to interrupt you and I want to get all these guys with cameras to point their cameras at the slide there and zero in on the bullet that says these are not recommendations. This is a work in process and there will be changes. All you guys got that? Okay, sorry to interrupt.

Mr. Carlee said so I stand behind nothing that I say today. What we're trying to do is the bottom line is we're trying to produce for you a structurally balanced budget for FY16 and beyond and to do that the challenge is to solve for a $21.7 million dollar gap now you've seen a lot of different numbers in terms of the reevaluation or the loss of the Business Privilege License Tax, we have growth in sales tax, we have expenditures that increased because of contractual obligations. When you take all of the inputs and outputs the expenses and revenues and you bring them together the bottom line where we are is $21.7 million dollar gap or about 3.7%, something slightly less than 4%. Now for any of you who are really interested in the details of tracking how the different pieces have moved we have spreadsheets and can sit down with you and go through that in whatever level of detail that you want but from a high level view this is the number that we're trying to solve for.

Councilmember Driggs said I'd just like to clarify a point that we discussed yesterday. We had previously seen $15.7 million. People recall that was the last update we got. That included a 1% across the board expense cut and I think from our conversation yesterday what has happened since then is that since it was not identified was taken out of that calculation, that $6 million was added back and that's how we get from the last place we were at $15.7 to this $21.7; just for continuity.

Mr. Carlee said I've shared with you previously by memo the principals that we're working with. I won't go back over that but we're trying to keep that as an anchor. Particularly making sure that we don't use one time funds to plug a hole for what's an ongoing expense. Again, to try to provide a budget that is structurally balanced and doesn't have us starting in the hole next year. This is the framework that we're working from. This is our effort to try to pull together all the pieces that will be part of putting this puzzle together and enable us to get to that structurally balanced budget. We obviously have expenditures, we have revenues and we have capital and there may be opportunities that arise during the course of our deliberations that offer some opportunities for efficiencies in savings that can't be flushed out in a three week period but is something that needs deeper analysis and so we've created a fourth category of future work because if there's some good ideas that resurface during this challenge we're facing we want to exploit it as an opportunity to be as efficient as we can and so we don't expect everything to be completely tied with a bow on June 8th when you adopt the budget. If they're good ideas we'll continue to work them.

You will see in the framework there are some things that are in dark, bold print and there are things that are a little bit faded in the background. The ones that are in bold are the ones we're going to discuss with you today and try to give you as much detail as we can that we recognizing it's a work in process and it will change. The other guidance we are still working on and will bring back to you. We are trying to be very diligent in pursuing any ideas that come forward from the Council and to present information for you on the different…we've talked to you individually and gotten your ideas and are collecting them and people are generating new ideas along the way. I got a couple of them today as a matter of fact. The ones that we do not want to discuss prematurely in public and what you will not see on any of our list today are those that affect program or service changes that would involve city employee's positions that are currently filled. What we're trying to do at this point is to look at all of the alternatives available to us outside of service and program reductions and I will say outside of any property tax change so that we get to what is that real gap that can only be filled based on program or service reductions and that could potentially affect employees because we want to be particularly sensitive about employees and one of the reasons we have done a general hiring freeze of existing vacancies across not just the General Fund but even the Enterprise Funds is so that if we do have any employees who's positions may be affected by program reductions or eliminations that we have as many opportunities as possible to help employees stay with the City of Charlotte and so those are the pieces that will be coming to you last because we have to work through a process with the departments and with any employees that may be affected themselves.

Where are we at this point? I'm happy to say that we have made some substantial progress depending on the feedback we get from you today. If there are items on here that you don't like then that scales us back a little bit more. If you got some new ideas and want us to go a little bit further with it then that may get us a little bit closer but when you look across the four items that we're talking about today and we have fees on there. I would say this is very preliminarily fees we have a lot more detail work to do on fees but we have a preliminary rough estimate there. We think before we get to program and service reductions or anything related to property tax that we're somewhere close to maybe 40 or 50% of the gap and we need to fill roughly another $11 to $13 million dollars in very round numbers. We'll actually do, Campbell will walk you through the different pieces that show you how we get to this number.

Councilmember Howard said just because I'm a little behind on this, I'm sorry, anything from the state at all on the Business Privilege Tax? Anything?

Mayor Clodfelter said the only thing that's still seems to be lingering out there is Senator Rucho idea that in his sales tax bill if he can get some base expansion that would help fill the hole but he hasn't yet rolled out the specifics of what that would look like. He's still talking about it so he's probably the only one that's talking at all about the subject but he's talking about it in that context.

Mr. Howard said let me put those in some buckets then so the hole that we're talking about now is not sales tax at all.

Mayor Clodfelter said no, it's not.

Mr. Howard said so before we go to that one over in this conversation nothing about new revenue sources to deal with the Business Privilege Tax issue at all?

Mayor Clodfelter said only to the extent it would come out of the sales tax solution. That's the only discussion that they're having.

Mr. Howard said so then on the sales tax issue is what you just said. I was kind of hearing maybe it didn't have legs. Is it looking like it's going to have legs to make it through this session?

Mayor Clodfelter said it's anybody's guess as to what will have legs in this session; anybody's guess.

Mr. Carlee said so to reiterate we have a lot more work to do and we will then move into very quickly here, we're actually already working on it; the service and program reduction options and what we're looking for from you today is any feedback or additional ideas that you have that will then help inform the next body of work that we do to tee up for you next Friday. With that I'd like to hand it off to Kim Eagle and she will take you through the various pieces.

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V. GENERAL FUND UPDATE

Interim Strategy and Budget Director Kim Eagle said we have a big challenge in front of us but I'm also happy that we're making progress. We are chipping away at it and that's something to be pleased about. You have before you here the four categories that the Manager mentioned. I will begin and give you some details on expenditures. The first option is to transfer some expense out of the General Fund Operating Budget. We have two options listed here for your consideration; the first is a transfer of up to $1.9 million dollars. That currently is in the operating budget and that supports facility maintenance for cultural facilities. There is the opportunity to use tourism funds to provide that service with some impact on future capacity but we believe that because of the limited purpose of that fund and it would make some sense.

Mr. Howard said explain as much as you feel comfortable what you mean by reduce in future capacity.

Ms. Eagle said I'm going to need help with that.

Mr. Carlee said the short term version of it which is, I apologize for being overly obvious but is $1.9 million dollars a year in the Tourism Fund that can't be used for other things so that's really the capacity loss within that fund.

Mr. Howard said the capacity loss for the tourism functions that we have.

Mr. Carlee said in these specific funds.

Mayor Clodfelter said so we have that capacity. Correct?

Mr. Carlee said yes we do.

Mayor Clodfelter said we have not committed on any of the things that we, an issue is that the Council been reviewing in the last year, that's not money that's already been committed to some other program. Correct?

Mr. Carlee said that's correct but it precludes other options in the future whatever they may be.

Mr. Howard said for me that means, I thought that's what you were kind of alluding to. What is that affect for CRVA and what they would be normally doing with that money? I don't need it today. It could be in a follow-up unless Ron is here but I mean really what does that mean?

Mr. Carlee said we'll have Mr. Kimble follow-up and provide you more specific detail.

Mr. Howard said especially if we're talking about future expansion of the Convention Center and those other things that we need to be looking at in the future.

Mr. Carlee said let me discuss what funds we're talking about because there are a lot of different pieces out there and I think this will help.

Assistant City Manager Ron Kimble said this would come from the Tourism II category which funds the Levine Center for the Arts and Discovery Place and those assets that are involved in arts and cultural funding. It doesn't affect the other assets that the CRVA is operating under your auspices.

Mayor Clodfelter said these funds are already going to arts and cultural projects.

Mr. Kimble said they are from the capital side and there is capacity remaining there for future capital improvements in that category so you're simply using it for maintenance and upkeep now because we used to fund that out of the General Fund. We have been funding that, the proposal is to shift that over into the Tourism II funding bucket.

Mr. Howard said I just wanted to know what it meant. Thank you.

Mayor Clodfelter said in a sense that's good budgeting because you're using dedicated funds for the full carry cost rather than subsidizing it out of property tax revenues.

Councilmember Driggs said I just wanted to say for one in response to Councilmember Howard's question the calculation of the debt capacity is related to the kind of current cash flow so there's a computation and we've heard about it a couple of times before where we were told that the Hospitality Fund had this much debt capacity so you take $1.9 currently out and some multiple of that will go away in terms of the debt capacity for that particular fund. I had focused particularly on the Hospitality Funds just because we could have the odd situation where with the recovering economy we see a lot of cash generated. In the Hospitality Funds we have scope to make a lot of investments which are often controversial investments frankly in the community and at the same time here we are kind of getting down to tough choices on taxes and services so I just wanted to be sure that we did whatever we could to spread the burden of these adjustments to all of our funding sources.

Councilmember Kinsey said just a quick question I guess of Mr. Kimble. When we made the arrangements for the capital improvements for arts, well the cultural campus the arts organizations agreed to pick up their normal routine expenses and we use to do and we agreed for all the capital. Does that still stand? Has that slid in any way?

Mr. Kimble said that has not changed that is still the case today.

Ms. Kinsey said we're just doing the big capital expenses?

Mr. Kimble said we are responsible for maintaining the buildings and doing the small capital as well as the large maintenance on the facilities; that is the City's responsibility, has been and continues to be our responsibility but we've been paying for a certain amount of that out of the General Fund to this point and we will shift that with this proposal into those tourism funds.

Ms. Kinsey said give me an example of a small capital?

Mr. Kimble said re-carpeting the facility. It's the small maintenance, small capital for the building. The facilities, the cultural group still continues to pay the landscaping, the security, the utilities, the janitorial supplies and the custodial services. That is remaining as it has always been since day one when we went to this new model.

Ms. Eagle said the second option on the transfer alternatives is to change the way that we finance our equipment. Currently that's done using Certificates of Participation so instead of selling that debt we would opt to self-finance that equipment which really takes that money from the debt service fund which has minimal impact on that fund is a better way to do that so that would also help us smooth our payments for equipment if we do the self-financing so that would have a benefit to the general fund of $2 million dollars for FY16.

Mr. Driggs said does that mean that we're then calling this PAYGO or what exactly is it at that point? I'm trying to understand how we get operating fund relief from this process.

Ms. Eagle said it's using the Debt Service Fund and making that available to finance the equipment. Did that answer your question?

Mr. Carlee said essentially it's restructuring the schedule of the payments as I understand it.

Ms. Eagle said right and the source for the payments.

Councilmember Lyles said self-financing of the capital like you said. It's more like we do self-financing for health insurance. We're basically setting up a fund out of Debt Service to do it. I think the relief comes from being able to level it out and take it we're borrowing money within our own.

Mr. Driggs said so money that we were putting into the debt service fund doesn't need to be put there and is available for General Fund use?

Mr. Carlee said if someone who knows the details can come forward. My understanding is that we'll still be paying for equipment out of the operating budget but we'll be restricting the debt to do level payments over a period of time rather than peaks and valleys that we've had we would have had a peak of an increase of $2 million dollars next year that we can now smooth out by not going to the commercial market for financing but to self-finance out of our own capital fund balance.

Mr. Driggs said the point about no material impact is we're not just kicking a can down the road here.

Mr. Carlee said no we're not. This is one of those good ideas that was created by crisis and we should have been doing anyhow.

Councilmember Phipps said so to be clear then as we move forward can we make sure we identify the ones that are like structural changes to our overall budget process that would improve it on a go forward basis as opposed to those items that might be a one-time reallocation or a transfer.

Ms. Eagle said sure we can do that.

Mr. Carlee said yes sir we can do that and pretty much you're not going to see much in the way of one-time reallocations and transfers. We are looking to do this structurally and as you can see from the one we've just shown you you're seeing a lot of the low hanging fruit today and again creativity was forced by the crisis and we're seeing some things that just make sense to do anyhow and it helps us get to our goal. The next round is going to be more painful but these are the things that popped up and said well yeah why don't we do that? Actually some of the more painful come probably in the next slide or two.

Ms. Eagle said here's the pain. The next expenditure option is to reduce expenses from various line items. These would not be program or service reductions but this is the opportunity to review all of the line items in the various departmental budgets and reset that base and take another look at validating what expenses are included in those line items so it's not an across the board reduction. It is very surgical because we're resetting FY16, it needs to be something that is reasonable and that can be manageable moving into the future because it is a reset. I'll point out just a couple of examples we have frozen positions that we've been carrying since 2009 and when I say frozen there are benefits costs in the budget there is no salary cost so we're going to take that out and then there's other line items listed there to; things like office supplies, telecommunications, travel and you're usual suspects.

Councilmember Fallon said on the frozen positions what kind of costs are with that if it's not salary? It goes to a department and they figure out what medical costs or pension costs or whatever. Why would you do that and not put salary aside and why would you do that at all if it's a frozen position?

Ms. Eagle said we took the salary out, that's an excellent question, in 2009 when we were having balancing problems but left in primarily health insurance cost in those budgets so that would be the predominant piece that would come out now so it equates to about $400,000.

Ms. Fallon said well if its frozen nothing should be there.

Ms. Eagle said and we're correcting that.

Ms. Fallon said you're going to change that. Okay, thank you.

Mayor Clodfelter said good budgeting practice comes out of the crisis as the Manager said.

Councilmember Mayfield said just wandering and I guess really this question is for you Manager Carlee, the travel and training. It's through a lot of the training that our staff has had that we've really honed in on best practices and one of the reasons that Charlotte is the leader on a number of different avenues but also we've taken in some really good ideas from other communities to our trainings so what could that potential impact be on how we continue to support our staff and have our staff come back with creative ideas on how we grow the City?

Mr. Carlee said there will be fewer opportunities. We're not going to zero out any of these and the departments are making judgments on a department by department basis. Some departments have more training requirements literally than other departments and that's why we're not doing a mindless, across the board reduction. We're having the departments work it. I will say this is an area of significant anxiety for the department. In a $600 million dollar General Fund budget $2.7 million reduction in expenses is actually very modest but as the departments where Directors where telling me this morning with some passion this is how we balanced during the recession and we've been cutting our non-personnel line items steadily along the way to balance the budget and there's frankly not a whole lot more there. I sent them back to look real hard and make sure because the more we take out of here the less we have to take out of service and program reductions. That's what we're confronted with. At the same time we want to be represented in regional and national organizations. We want to have professionals that are recognized nationally and internationally for their competence and that we put Charlotte on the map. We want to have effective communications and so there are tradeoffs. I believe in the end we will not do anything that makes us… that will functionally incapacitate us but it will be really tight and in regard to the frozen positions I do want to make sure that people do not confuse what we're talking about here with the freeze that I have imposed. The freeze that I have imposed is on current vacancies that are otherwise budgeted; salaries and fringes and it's an interim freeze in 2015 while we right size the budget.

What happened in 2009 is basically the same thing happened but those freezes just continued forward with a hope that funding would come back and some of those frozen positions could be filled and in fact over subsequent years a few of them have been but what we're doing at this point is basically that old body of vacancies that have been there since 2009. I'm not treating it as a service reduction because they've not been providing services since 2009 and the amount of money that we save is only that relatively small amount of fringes that's in the budget. It's not trivial but it doesn't balance for us and ultimately any of the new positions that are frozen to help us balance the 15 if their part of a service reduction then they will go away to and they will go away with salary and fringes.

Mr. Driggs said I'm just interested on the frozen positions where was that money actually going if no one was there? I mean we were somehow recording benefit expense. Where we paying insurance companies or was the department's kind of…

Mr. Carlee said no, no, no. It would end up being budgeted in the personnel accounts of the departments and so essentially they would be somewhat over budgeted for that however there not budgeted for separation payments and retirement payouts and so we have this sort of balancing act where from any over budgeted on frozen positions are projected vacancies and salary lapse savings it is the hope that that will end up balancing out you're separation payouts and retirement payouts and sometimes it does and departments are left with a surplus that gets rolled into the General Fund balance, sometimes it doesn't and we're faced ourselves with a deficit which in the Fire Department this year I think is what on retirement payouts?

Ms. Eagle said $1.5 million, almost $2 million.

Mr. Carlee said about a million dollars and so we're working that methodology to try to bring a different approach to how we fund personnel, trying to calculate what lapse salaries really will be and covering for it and actually trying to calculate what retirement payouts might be and create a fund for them. I don't know that we're going to get all of that accomplished this time around but that would be a more precise way to budget for personnel and as your budgets get tighter your precision has to get sharper.

Mr. Driggs said I just want to point out that as far as I'm concerned this is not the last word on this. We're talking about less than half a percent. I think they'll be a public view that in a $600 hundred million dollar budget before you get around to raising taxes and cutting essential services there might be more than that so I just hope that we keep open the possibility of revisiting this number as we get deeper into our choices.

Mr. Carlee said these are preliminary estimates and the numbers will change.

<u>Councilmember Austin</u> said just a question Mr. Manager; in terms of travel and training and our restrictions on staff are we also looking at Council as well? I'm just throwing it out there I know it won't make my colleagues happy I'm just saying we're all into this as well. Is that something that we're looking at as another difficult conversation we're going to have later?

Mr. Carlee said we're looking at everyone's budget. I would be interested in getting some guidance from Council as to how you would like to deal with your budget. Overall your budget is not huge. You're not going to solve the problem but how you may want to deal with it guidance would be helpful.

Mr. Austin said okay.

Ms. Fallon said Mr. Manager, does some of that money that's overage used for overtime?

Mr. Carlee said overtime is part of the Non-Personnel Budget and that is part of the balancing act over the course of a year. Again, understand a budget at the end of the day is a plan. They're all estimates and so who quits and who retires when and who you hire back and what salary those all change over the course of the year and what you may need to do for overtime in order to cover vacancies especially if they're central positions where you have minimum staffing or because you have special events and an unforeseen circumstances like snows all get factored into that personnel budget and again the expectation is that over time it all sort of works out in the wash and that's largely been the City's experience.

Ms. Fallon said do we limit it in any way?

Mr. Carlee said sure, yes. All departments are supposed to manage their overtime budgets as part of the overall living within their appropriations. Some departments have more flexibility in doing that than others. Fire is probably in all cities the most challenged to do that because of minimum staffing. In almost everything they do is minimum staffing even Police where you have minimum staffing on patrol you have more flex there than you do literally staffing a four person Fire Company. You don't send a Fire Company out with fewer than four people; you just don't do it so that's where you get the most pressure. Second is Police that comes more from special events and then you get Transportation and Solid Waste and Property Management and Engineering all basically from weather events.

Ms. Fallon said do we charge for special events where we have to put Police on the street to help?

Mr. Carlee said some we do and some we don't and we're looking at those fees as well.

Ms. Lyles said I'm going to follow up with Councilmember Fallon because I do think that overtime is one of those things that you just kind of get into and I think it's really important that the Manager review those things where you adjust that so I think that's a very valid point. I want to go back to Councilmember Austin's point and we do have a budget and I do think that the Manager is not in a position to actually say what we need to do and last week we were at a Committee Meeting and someone suggested that we change our times to avoid a meal cost and I was as you were saying this Mr. Austin, I was thinking it would be probably appropriate for us to sit down and think through this holistically, the word that Claire doesn't like, comprehensively to say is it the food or is the travel, is it the auto allowance or is it something else instead of kind of just popping up as I feel like it is happening now so I wonder if there might be a more systematic way for us to look at that and do it in a way that works for all of us versus putting it in a position for the staff and I think that might be good for the Budget Committee to actually take a look at and solicit everybody's individual ideas and thoughts and come back with something that might work for us. It's just a thought. I just really think that it's one Committee, this is how I thought about it, one Committee changes their time to avoid a I think it was $7,700 dollar cost and then the other Committee doesn't even know about it and we've got to have some coordination of that so I would suggest that we put this in the Budget Committee and just kind of come up with your ideas and deal with them so that we are at least comprehensive and thoughtful in our decision making.

Mr. Austin said piggy backing on this I think it's a great idea I just don't want staff to believe that we're going to be living large and traveling to all this training and they're not. I think we have a responsibility as elected officials to share some of the burden as well so that's where I was coming with it. If goes to a Committee for further review I think that's fine. I just want to make sure we understand we owe some responsibility as well.

Mr. Driggs said I just wanted to agree with that and suggest possibly it's a Governance Committee issue as to how we run our business because in fact the dollars in our budget terms are very small, it's more just a question of principle about how we discipline ourselves in the use of those amounts of money for travel and food and stuff. It's a suggestion that…so which Chairman jumps for it?

Mayor Clodfelter said it is an item that we can sort of let it work itself out because it's not that big. Mr. Manager I want to commend you on the direction you're going with those frozen positions. One of the biggest abuses in the state budget was the use of lapse salaries and the state budget was awash in lapse salaries and they made for no transparency. You couldn't figure out what the money was being spent on because of the way lapse salaries were covering everything. I think it's more honest to put a contingency line item in your budget and the budget actual for your actual head count and no more than your head count and then if you've got to cover contingencies put that in there as a contingency so it can be debated what's the size of the contingency you need and why does it need to be that large. That was a constant problem with the state budget so I really like the direction you're going here. It's a lot more accountable and transparent.

Ms. Lyles said I think we have a better process than the state.

Mayor Clodfelter said oh you do indeed. Trust me you do.

Ms. Lyles said and a great Budget Director a while back too.

Ms. Fallon said I have a very esoteric question and that is when we have lawsuits are they charged off to the department that's being sued or is that a General Fund type of thing. Is it pay as you go?

Mr. Carlee said I think there's actually risk reserved.

Ms. Eagle said there is a risk fund that covers those expenses.

Ms. Fallon said in other words it's not being charged off to the department that is being sued.

Mr. Carlee said there's a reserve specifically for that.

Ms. Fallon said we have a line item for that?

Mr. Carlee said yes ma'am.

Ms. Fallon said and it goes to the legal department.

Mr. Carlee said it's non-departmental but those suits…

Ms. Fallon said and we self-insure?

Mr. Carlee said yes ma'am, up to a certain level.

Ms. Eagle said for the workshop next week we do anticipate bringing back details for you sorted by department so that you can have more information on these particular kinds of cuts by department and by category.

Mayor Clodfelter said when you do that I have a very down in the weeds question but I'm just interested in it. Are we allowed to negotiate most favored nations pricing on our contractions and if so do we routinely do it? You can put that in a written follow-up. Do we do that on a disciplined and regular basis and are we allowed to do it legally?

Ms. Eagle said we'll include that in the follow-up.

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VI. FINANCIAL PARTNERS

Interim Strategy and Budget Director Kim Eagle said okay let's move into financial partners now. This is just a summary of the types of partners that we have. You're all very familiar with this but in terms of the funding source for the partners we've divided this up by category so of course we have those that are General Fund Discretionary, fully funded by the General Fund at your discretion; we have partners that are a split between PAYGO and a Federal Share, we have those that come 100% from PAYGO then we have the Out of School Partners which is a split as well and you can see that listed there and then we have the General Fund Dedicated Revenues which are MSD's and then the Food & Beverage Tax and the Occupancy Tax and then we have those that have 100% funding from the federal level so in terms of evaluating options that you have moving into FY16 balancing these are how the partners are organized from a funding perspective. I will share this summary information and then we have additional detail at your seat. Katie McCoy our Evaluation Manager will come up and speak to you in just a minute but in summary we $4.8 million dollars in the current year for FY15 that is General Fund Discretionary and PAYGO so that is the flat amount for the current year.

You can see that each 1% reduction equal approximately $50,000 as an increment for looking at reductions so you have various options for your consideration. It can hold flat at the 15 level, you could reduce by something close to 4%, the Manager mentioned earlier that our gap is the 3.7% on the total. That's been our direction to the operating departments in terms of a target so that would be an option for the financial partners is something in the range of 4% or you could do selective reductions or eliminations so the span of opportunity is broad when it comes to the partners.

Councilmember Driggs said I just wanted to clarify the total for Financial Partners is something like $28 million is that right?

Ms. Eagle said it's a larger number when you combine all of the sources of funding and we have that material in your handout.

Mr. Driggs said and so you should take it as given that the remainder is absolutely untouchable.

City Manager Ron Carlee said no. What we have zeroed in on is what options you have to affect General Fund. You also ultimately have the responsibility to determine those that receive additional funds whether or not they would receive those additional funds. Again, they fall in a variety of different buckets such as CRVA and the Municipal Service Districts but you also have the federal funding and we go through a process to identify who gets the federal funds but ultimately you would do the appropriations to each of those organizations.

Mr. Driggs said so is there any way that we could actually get a little more benefit to the General Fund by looking at the other amounts, not just the Discretionary and PAYGO but the other funding sources?

Mr. Carlee said not that we are aware of at this time. What we have tried to do is maximize those other sources first and as you will see at the bottom because of lower requests that have come in and our ability to maximize federal funding we are already down a $198,000 next year without affecting any of our partners directly. To affect any of the balance, $4.8 minus the $198 would require exercising one of the potential options that you have even across the board or selectively.

Mayor Clodfelter said or are there items, I can't tell maybe it's embedded I one of these, are there items where we are currently using either General Fund dollars or PAYGO dollars but could instead draw down federal dollars for the same purpose if we had a smaller match from the General Fund or the PAYGO?

Mr. Carlee said not that we're aware of at this point. Again, our efforts is to maximize all of those draw downs and minimize the General Fund impact.

Mr. Driggs said in your preliminary balancing status you have not yet assumed anything from them? Is that right?

Mr. Carlee said I'd have to look back and see. I think we have the $198,000 in a certain…

Ms. Eagle said we do. That's what we have. That's correct.

Mr. Driggs said but none of the percent reduction or other options are reflected in the…

Ms. Eagle said that's correct.

Mr. Driggs said thank you.

Ms. Eagle said I'm going to ask Katie McCoy to step up and give some orientation to the detail materials that you have in your packet. We wanted to give you a general overview of the framework of options for today so that you would have the opportunity to think through that in preparation for next week so the material that she will highlight will be for you to take with you and dig into some of those details and then we'll come back and talk more next week.

Mr. Carlee said well I think as you're making this transition I think one that we do have in there in our summary is the first one that Ms. McCoy will identify on slide 4 and this is another transfer. We are recommending transferring the $150,000 for the Film Commission out of the General Fund and into the Tourism Fund.

Katie McCoy, Office of Strategy and Budget said yes sir and that's included in the $198,699. The materials I'm going to be referring are the Financial Partner packet. All Council should have that at the dais if you don't please let me know. I do have some at my chair for anyone else in the audience who would like it.

Mr. Driggs said are we going to resume the other because we are only half through those other slides?

Mr. Carlee said yes.

Ms. McCoy said this is a brief commercial break on Financial Partners and I'll take just a moment to discuss at a very high level I'm happy to take additional questions afterwards and of course staff is happy to answer any questions at any point after this meeting. Looking at slide 1 this reiterates the types of General Fund partners that Dr. Eagle mentioned earlier in the presentation. The first three categories is where you really have some key areas for decision making as was mentioned. These are the General Fund Discretionary, the PAYGO Federal Share of course the PAYGO allocation there could be some opportunities for reduction if that was Council's preference and then those partners with 100% PAYGO funding so if you go to that's what we're going to touch on; the first three categories slides 4-9. I'm going to go ahead and we have a summary slide on slide 3 and I'm going to go ahead and touch on each of those individually. Looking at slide 4 these are the financial partners not requesting or receiving funds proposed for FY16 so the Film Commission that the City Manager mentioned was $150,000 allocation in FY15. By transferring that to the Tourism Fund that is a savings to the General Fund of $150,000. YMCA Community Development did not request FY16 funds which is a savings of $48,699.

Mayor Clodfelter said are we double counting that $150,000? Didn't you already count that in the $3.9 million dollars?

Ms. McCoy said it's not in the $3.9.

Mayor Clodfelter said it was not one of those transfers, okay.

Councilmember Kinsey said change the slide.

Mr. Carlee said we're doing these from the end out not on the sheet. I'm sorry some of them are to detailed to really see very well on the screen.

Ms. Kinsey said and in the book.

Mr. Carlee said so noted.

Ms. McCoy said happily we're entering this from already a savings of $198,699. When we go to the next slide these are General Fund discretionary partners and again I'm just going to hit this at a high level and I'm happy to follow up with any details. You'll see the if the partners Option 1 is to keep the partners flat of course there would be no savings from FY15 to 16. Option 2 is 4% reduction below the FY15 level so that 4% reduction for General Fund discretionary partners calculates to $138,632 in savings. The 1%, if you do every 1% increment, that's the $34,658 and then you'll see those three funding proposals in the subsequent slides.

Mr. Carlee said what we're trying to show you here is a range of possibilities. We're showing you what they were budgeted in 15, what they've requested in 16 and this goes through consistently. We're going to show you if you kept them flat what their total receipt would be and how much you would save and as you can see it's less than what they've requested but it's not an actual savings over 15. The option 2 as it labeled is if you did everybody at 4%, you can see what the appropriation would be and what the total savings would be and probably of most value to you is the last column such that if you wanted to make selective changes in individual partners what each 1% reduction would yield so we'll just take the biggest one at the top Arts & Science Council, it's all General Fund Discretionary. If you reduce them they're at 2.9, they've requested 3.9. If you keep them flat they only get the 2.9 and if they were to contribute towards our General Fund savings each 1% they would be reduced would have a savings of $29,000.

Councilmember Lyles said I understand the chart and I understand that and I think what the Arts & Science Council that's just kind of a principal that you would carry over to the Hospitality or Tourism Tier II Fund. The one that I have a question about is the regional partnership and I'm not sure that they belong in this category but I want to ask the question do we have an agreement on a per capita level that would be funded and is the allocation of that per capita amount. I can't remember if it's 13 counties or 17 counties but is that a per capita, is that the per capita allotment an agreement that we have with them?

Ms. McCoy said we don't have an agreement however that is part of their request so if you look at FY16 request the Charlotte Regional Partnerships request is $148,780 and that is a per capita number but we are not committed to that number.

Ms. Lyles said well I understand we may not be committed to the number but the question that I would have if all of the other counties that participate in this program believe and invest at a per capita amount would that be completely as discretionary as we think because once we would make that decision it would roll over to the other, is it 16 or is it 13, I can't remember but would that roll over and impact them in ways that wouldn't be illustrated here and isn't the COG membership the same way? It's a per capita basis so when you start talking about informal agreements and completely discretionary I just question if that's appropriate for this category.

Ms. McCoy said that's an excellent observation and that's precisely the work that we're doing right now.

Ms. Lyles said well I would not support that as a completely discretionary without an impact from the other 17 counties that participate and then I would feel like we'd have to be consistent in what we do and do that in other areas where we have that per capita assessment amount.

Ms. McCoy said that's helpful feedback. Thank you.

Mayor Clodfelter said I think a good way to frame that would be if we were to make this reduction and every other member followed our lead which is really what they would do what would the impact be on the organization. That would be useful follow-up information too. I want to piggy back on something that Councilmember Lyles touched on and Mr. Kimble would the funding for the Arts & Science Council be eligible for Tourism II funds? Could we use Tourism II Funds for the Arts & Science Council appropriation out of the General Fund?

Assistant City Manager Ron Kimble said it potentially could because as you recall the Rental Car Tax went into Transit. Transit dollars that were General Fund dollars then became the Tourism II dollars but they might be eligible for that purpose.

Mayor Clodfelter said so that's a potential option that's in addition to what you have here on the sheet.

Mr. Kimble said if there's enough annual flow that relates to the current capacity in that.

Mayor Clodfelter said I'd like that in one of our follow-up questions from this session to see what impact would that have if we were to shift some or all of that to Tourism II funding.

Ms. Lyles said I think our precedent is when we were doing out of school funding we had an allocation from Block Grant Funds and we had an allocation from the General Fund so when we look at that we could look at incremental amounts of $25, $50, $75.

Councilmember Mayfield said still somewhat on the same line of questioning but when looking at Safe Alliance, Community Building Initiative have we also calculated what our reduction, what type of impact it would have on our partners because I understand that we need to save but realistically the amounts that we're talking about aren't amounts that are going to make a major difference to us in our overall budget but it can have a considerable impact on our partners so we also to have to take that into consideration when we're looking at potential budget cuts because the city has been a leader in so many different rooms that if we then create something that's going to cause a negative impact eventually that circle is still going to come back to the City we're trying to figure out money to help fill those gaps so it would be helpful for me to know what that potential impact can be to our partners.

Mr. Carlee said any reductions that we recommended for the Partners we would ask them to prepare an impact statement. Part of showing you this level of detail is also part of the intent is what you just identified. In some instances the amounts are nominal.

Ms. McCoy said Councilmember Mayfield thank you for bringing that up just as a glossary so to speak as a reminder of what the scope of services is for these Financial Partners starting on slide 8 and slide 9 you'll see just a quick blurb about what each organization does. What I'd like to do then if we could move to slide 6 in your handout we are now moving from General Fund Discretionary to Federal and PAYGO Share. These two particular Financial Partners receive 75% federal funding and 25% PAYGO so what we won't to do is hone in on that 25% PAYGO where there could be some areas for decision making. Option 1 as we talked about before is a flat from their FY15 funding level. Option 2 reduces just the PAYGO portion by 4% and that's where you see that $21,910. That's an overall impact of 1% when you include the federal funding but of course just precisely looking at the PAYGO piece that's a 4% reduction and then similarly the 1% in the far right column. Now I'm going to if I may move to slide 7. These are our two partners that receive 100% PAYGO funding and you'll see again option 1 is the flat.

Ms. Lyles said help me catch up. You're on 7?

Ms. McCoy said yes ma'am slide 7. 100% PAYGO; Option 1 remains the flat. Option 2 again is that 4% to PAYGO now remembering that these were now at 100% PAYGO so we can take 4% off the total amount and then that 1% as well so 4% would be $33,200 reduction, 1% $8,300. Then as I mentioned in the next 2 slides that's just a glossary for your reference with the scope of services.

Ms. Lyles said could you give us the background of when the Community Link in Crisis Assistance went to PAYGO instead of being General Fund funded and why that decision was made if it was just a financial decision or was there any correlation to policy or regulatory environment for that? I just wondered about that.

Ms. McCoy said we'll include that in your follow-up.

Councilmember Phipps said when it goes back some comments that were made that other Municipalities and entities would be looking to Charlotte and taking our lead I mean I know we can't really delve into the thinking of our other Municipalities but we honestly think that they would…because some of this impact it could be…I think the impact that we're seeing probably far greater than maybe some others are seeing but do you actually think that they would say well Charlotte didn't do it so we just going to take it as a proxy to not follow per capita distribution because we're being impacted too. Do you think that that's wishful thinking that they will say well…?

Ms. Lyles said I had the opportunity to go to the CARPO meeting last night and everybody that was represented, every Municipality, every County is dealing with this kind of issue. I think that the way that I look at it's not particularly everything that they would follow but I think that where there is either implied agreement on a per capita funding that's a little bit different then saying we are supportive of an organization's mission or goal. I think it's going to be open, a lot of people are going to be talking about a lot of things but I think there have been some implied agreements around two of our organizations on per capita funding which is a little bit different than what I support Crisis Assistance or whatever exists and their Crisis Assistance in their community. I think those are two different areas of question. I don't know the answer to that.

Mayor Clodfelter said some of the counties or regions live in a perpetual state of financial distress and when we hit a rough spot because of the Privilege License Tax and we do something they're going to say gee we have to stretch every year in and year out and they probably would not take it kindly that we sort of stepped back a bit; some of them are that way. Some of them are stretched every year.

Councilmember Howard said I was going to say it just another way on a ratio basis to revenues and expenses the effect on them is probably just the same so they still are having to stretch and they're going to have to cut just like we are and it's going to have…I mean their budget may be smaller but still oddly the same proportional effect. We should not take our foot off being the regional leader right now.

Mr. Phipps said so it’s not guarantee that say we say we’re going to go ahead and do and live up to it they could still decide well that’s them.

Ms. Lyles said and then we could decide well that’s “They.”

Mayor Clodfelter said it’s a dance.

Mr. Driggs said just to the last point we were getting more money from Privilege License Tax than a lot of these towns were so to that extinct we’re dealing with a relatively bigger problem but my question was if we save on PAYGO is there any issue about buckets of money or whatever that means that we can’t kind of redirect those funds to General Fund current expense?

Mr. Carlee said yes, however, one of the other options in front of you will be to shift ongoing revenues from capital into operating and thus what you free up in PAYGO or other capital accounts would mitigate any decision that you might consider in that ongoing shift.

Mr. Driggs said so we have an indirect way of accomplishing that.

Mr. Carlee said that is correct.

Ms. McCoy said moving to slide 10 in your handout we have two new General Fund Financial Partner requests. Those are on slide 11; Foundation for the Carolinas Third Grade Reading Initiative which is a $100,000 ongoing request beginning in FY16 and then Foundation for the Carolinas Economic Opportunity Taskforce which would be a time limited request also at $100,000.

Ms. Mayfield said part of the conversation and I appreciate Mr. Manager you bringing all the information to us but I think, I’m not going to speak for my colleagues, I think for me the biggest concern is going to be on bringing any new partners in at this point because it was a very different conversation two months ago with the possibility of bringing in new partners where we were financially and what reality is today so the chances even though it’s great to know that they’re out there so that we don’t get confused in the dollars that we’re talking about when the time finally comes to us to add and delete I think it would be helpful…to me I think that’s a side bar opposed to being a part of the actual conversation because right now we’re honestly just not in necessarily the financial position to even have a real conversation around new Partners.

Mr. Carlee said the only distinction that I would evaluate needs to be our financial capacity, it also needs to be impact but also the distinction between ongoing and one time.

Mr. Howard said it’s also for me to take into consideration with the Arts & Science and these two would be the County’s participation as well. If we can monitor where the County is going with Arts & Science, I think those are the only three, Arts & Science went up a million and then you have these two. Arts & Science is ongoing. This is a one-time.

Mr. Carlee said Arts & Science is on-going, Third Grade Reading is on-going, the Economic Opportunity would be one-time.

Ms. Lyles said is it one-time, one-time or more than one-time?

Mr. Carlee said well let me say exactly how long it may end up the taskforce may go and what’s some of its future needs are the initial phase that they’re looking to collect resources from multiple supporters is a one-time request. That’s correct.

Mr. Howard said just to talk about your one-time just a little bit because I actually understand what you’re saying Ms. Mayfield; you know I do. I do get a little concerned when we start treating every effort the same. In this situation we’re talking about upward social mobility. That may be a situation where it would be in any wise a pound of foolish because what we’re trying to do is turn the tide for citizens that could be productive going forward. I’m not exactly sure how to deal with that but where the County chimes in on this one we should watch and if we can participate some kind of way just so that it's clear that we're doing a joint effort to deal with this man rank 50. We're taking that serious so just to put that out on the table. I actually agree but we need to watch that one probably a little closer than some of the other ones.

Mayor Clodfelter said we also have some private sector funding partners whose willingness to participate might be effected by how much City and County do participate.

Mr. Howard said does the City care about where it's ranked or …

Mayor Clodfelter said I think we do.

Councilmember Fallon said The Foundation does a wonderful job but having heard the other day they had some many billions of dollars in reserve I don't see how we can hurt them with this little bit of money that they could not use it out of their funds where it would make a difference to our budget.

Mr. Carlee said we'll bring you what the full list of Partners is. The Foundation is bringing significant resources to the table.

Ms. Kinsey said I agree with my colleagues, Mayfield and Howard. I will tell you I've been consistent about no new funding partners and frankly when I look at the fact that we're not going to give raises this year to our staff; unless we're going to be doing that I can't feel good about starting any new funding. That's not to say we can't do that in future years but if we're going to have to cut expenses, not give staff increases even the possibility of cutting some services and then we turn around and fund some new partners even though it's a very small amount and their good causes I can't do that. My conscious won't let me do that.

Mr. Phipps said so are we saying this could be another one of those situations where other people will be looking at Charlotte what it does to….Charlotte says well they can't afford to do so this is a ripple effect. Are we saying that this could be for this too?

Mayor Clodfelter said it could be. It could determine whether it gets done or not at all but I think you ought to see the information the Manager going to bring forward to you that you asked for. You ought to see it.

Ms. Mayfield said sticking to what I said regarding new partners I think part of the conversation that we're having keeps going back and forth. What we've identified is that Mecklenburg County through their budget process has a different level of available funds than what we're looking at. There are numerous services that for many years the city has been a part of when we are always looking at best practices in other communities there are services that the county should clearly be taking the lead on. I agree that these programs are good programs but for third grade reading that falls between Mecklenburg County and the school system. I understand the City has always had a role with leading a lot of these conversations but the City was also in a financial position to do that. Unfortunately with the same time where we've had conversations about not having sales tax increases our counterpart chose not to have those same discussions and they have had increases and again going back to the beginning of this conversation their not having a stringent of a budget conversation as what we're having now so there is clearly a road that Mecklenburg County in partnership and in relationship with the School Board need to step into and it is okay for the City of Charlotte to reprioritize to our six focus areas to stay constant on the road that we need to do as the City of Charlotte. It's great for us to be that big brother in the room when we can afford to. This is a different conversation the County needs to step and start handling more of their responsibilities. New partners right now for these particular partnerships that something that between Smart Start, Mecklenburg County School Board and other community partners they can step into and the should understand that the road the City of Charlotte has historically had that this is a time that we need to step back.

Mr. Howard said you make really good point I hadn't thought about. Mr. Manager; several years ago when the County had some hard times I sat right where Ms. Lyles is sitting and pushed the City to put money aside for the libraries and we started this ledger thing that's going on. Where are we with the ledger with the County? I know it was around land and I know it…where are we? Do we know? Does anybody know?

Mr. Carlee said we'll put that in the Q & A.

Mr. Howard said if I remember right I actually negotiated the whole library contribution and it was supposed to be a thought forward. It was not supposed to be a grant. It was almost supposed to be a part of that invisible ledger that I'm hoping somebody's keeping in their desk somewhere.

Mr. Carlee said there is a ledger and we will document what goes into the ledger and what its current status is.

Mr. Howard said and that was cash and land if I remember right.

Mr. Carlee said I know that it's land for sure.

Ms. Kinsey said but we gave them some cash.

Mr. Howard said we gave them cash for libraries.

Mr. Carlee said how it was treated related to the ledger I don't know.

Ms. Kinsey said it does not look like it's in there and the County owes us. I can tell you that much right now.

Mr. Howard said just to Ms. Mayfield's….

Mayor Clodfelter said let's just get the information and then we'll know what the ledger says.

Mr. Howard said well it's the principle of… you're right we did take on some things when things were hard for them so some reciprocity in this would not be a bad thing. Boy they're going to love hearing about that on the news tonight.

Ms. Fallon said would that include the guards we said we'd pay for to go into the schools?

Mr. Carlee said we don't do security. This is an important distinction. We don't do security in the schools. We do Community Resource Officers. They do have their own separate security. Ours is really about community safety not guarding the schools and they pay the predominant part of that. We basically pick up the summer salaries of our Community Resource Officers.

Ms. Fallon said its one hundred something I believe isn't it.

Mr. Carlee said yes. It's significant and there's cost allocation in there as well.

Mr. Howard said I almost feel like I need to clean that up because there are times when we struggle with some things; they struggle with some things it would be nice to see if the County can in turn help us through this crisis.

Mayor Clodfelter said I think it would behoove everybody to stop pronouncing and wait till the Manager gives you the information and see what it shows because I have no clue what it shows.

Mr. Carlee said the one more we'd like to make sure we get in of these the others, I think you can look at because there's relatively little General Fund money, we would like for you to look at the Out of School Time Partners which is right below slide 12 because this is one that you've had considerable discussion on in the past. You'll see that this is PAYGO not General Fund and so you don't see General Fund Savings but PAYGO based on maximizing federal funds. We do have a decrease there. Ms. McCoy you want to pick up there.

Ms. McCoy said certainly. After following Council's ten point policy around the Out of School Time Partners in looking at all of the applications and going through the evaluations criteria the maximizing federal dollars there is a $357,458 savings to PAYGO. The overall savings if you look going from FY15 total allocation of $1.3 million to the Evaluation Committee's recommendation for 16 of $979,000 the total savings is $327,712; I'm looking at the gray row, that amount from PAYGO is $357,458 so that is a savings to PAYGO just by the very nature of the amount of applicants as well as maximizing federal CDBG dollars.

Ms. Kinsey said I'm not exactly sure I understand what you said Katie. I guess my question is if we did not use any PAYGO funds and just funded it from federal funds is that what we're seeing here or not?

Ms. McCoy said thank you for that clarification. Let's go to the next slide, this is a continuation of the PAYGO so if we max out federal dollars, federal CDBG dollars and we want to go ahead and fund all of the eligible partners at the Evaluation Committee recommendation that leaves $164,000. That $164,000 would be picked up by PAYGO if we were to fund at the Evaluation Committee recommendation so then we need a criteria for how are we going to distribute that $164,000 dollars in PAYGO to meet the Evaluation Committee's recommendation. What you'll see on the slide which is slide 14 although the table is blocking the number are the two agencies that would receive either a portion or all PAYGO and the reason those two were selected it has nothing to do with the evaluation criteria or the ranking. It is purely based upon their experience receiving federal funds. We were looking for a way to decide who would get the PAYGO so that's where you'll see the $164,000 allocated. The total when you combine CDBG and PAYGO for these two partners is the $266,000 that you'll see is Option 1 and if Council did want to decrease the PAYGO portion of those two partners then you would a savings by 4% there would be a savings of $6,597, the 1% savings would be 1,649. Did I answer your question Councilmember Kinsey?

Ms. Kinsey said what would happen if we just used federal funds. I think that's really what I'm trying to get at. Let's use federal funds and save the PAYGO. Do whatever we can to use it another way to save money.

Ms. McCoy said if we just use federal funds we would be short $164,000 from the Evaluation Committee's recommendation so then we would have to find a way to, a methodology to go ahead and shrink the Evaluation Committee's recommendation by $164,000. I would suggest we do that.

Mr. Austin said are these new partners again that we have down at the bottom are new requests?

Ms. McCoy said yes, excellent question. There are two new partners, there were four new requests. Two of those are recommended for funding and those two are forgive me I will probably mispronounce it the Behailu Academy and then the Bethlehem Center. Those are the two new partners recommended for funding. The remaining two were not eligible for funding this year.

Mr. Austin said doesn't that get back to where Councilwoman Kinsey talked about adding on new partners and what not. Should we not be looking at adding new partners at this time?

Mr. Carlee said the dilemma on that one, at a different time and a different situation as I understand Council developed criteria for evaluating Out of School partners in order to incent new partners to participate.

Mr. Austin said so that we wouldn't have the same companies…

Mr. Carlee said that's correct and you would have an opportunity to see new and different and innovative programs. There are a couple of different ways to approach it. One would be given changed circumstances that we don't bring in new people or as Ms. McCoy was suggesting if we wanted to fund some of everybody we'd have to go back and look at the methodology of how we would spread what would be a $164,000 reduction.

Ms. Mayfield said just for clarification because I still think somewhere between back and forth I got lost on this. Right now we have a total of 4 active partners that we support with a recommendation of two additional making it a total of six partners but on 14 that six got reduced down to only two for full funding?

Ms. McCoy said no two would receive either a portion or entirety of PAYGO so what I'd like to do…

Ms. Mayfield said in addition to the four that's already in the system?

Ms. McCoy said yes ma'am.

Ms. Mayfield said okay, that's where I think I got lost so okay.

Ms. McCoy said if I could bring your attention to the and again I'm sorry the table covers up the slide number but it's slide 13, below slide 12, the column that's entirely shaded in blue that says Evaluation Committee recommendation so that is a full recommendation with a combination of both CDBG as well as PAYGO funds.

Mr. Carlee said that's everybody including the two that are on the next page.

Ms. Mayfield said so what the full recommendation from the committee we're looking at a total of $979,900.

Ms. McCoy said you got it.

Ms. Mayfield said and what that creates we'll have a shortfall of $328,000?

Ms. McCoy said no ma'am, just the opposite. Because we didn't have as many partners apply this year we're actually automatically going to get a savings if there were to be 100% funding at recommended level there would be a savings of $327,000. You'll see that's the number below the shading; that's the total. Just looking at the PAYGO contribution is a PAYGO savings from 15 to 16 of the $357,000. That's good news.

Mr. Carlee said and there would remain in PAYGO allocation $165,000.

Ms. Mayfield said if we reduce the PAYGO?

Mr. Carlee said if you fund the Evaluation recommendation…

Ms. Mayfield said as it is right now for the full $979,000.

Mr. Carlee said as it right now we would be putting in $165,000 of PAYGO which would be $357,000 less than last year.

Ms. Mayfield said okay. The way I was looking at it and the way I was trying to calculate it in my mind is that we had a savings because it seems like the way the conversation has gone was it presented with the fact that we can fully fund what we currently have and stick to the goal of expanding and getting really great programs under the umbrella which we as a Council supported to move forward in support of the community and we still have a savings here. It seems like the conversation went a different direction as if we had this shortfall of $164,000 opposed to recognizing that we can still fully fund this, use a portion of our PAYGO with the federal funds but we still have money there.

Mr. Carlee said the $165,000 is not a shortfall. It's still remains however PAYGO discretionary funds and so that still is a policy decision for the Council whether or not to continue to put non-federal funding into the Out of Time partners even though it's lower this year you still have $165,000 and that's a decision point for you.

Ms. Mayfield said just for full transparency I support the idea of us fully funding because it ties into the goals that we voted upon with the recommendations because also when you look at the breakdown the amounts that have come in are considerably less as far as the requests from what was previously done so this is..

Mr. Howard said you changed the rules.

Ms. Mayfield said no, that's not changing the rules. That's looking at each piece as an individual, separate piece and for this particular piece I'm saying just for my opinion in order to keep it consistent with the recommendations that I initiated on Council that if we have the funding we need to continue to fund this program because there is clearly a need for this. I just say when we were looking at the other piece those additional since we're talking about two different things. If we're going to combine it than that's a different conversation but I'm under the understanding and correct City Manager if I'm looking at wrong that previous conversation is a different conversation than we're having right now with this particular funding regarding the Foundation For the Carolinas in the additional.

Mr. Carlee said with regard to new partners.

Ms. Mayfield said right and if it's not then that's fine, I accept the clarification. To me I'm just looking at it as two separate conversations that we're having.

Mr. Carlee said I would say it's a distinction with a minor difference. There was a specific intent of Council to encourage new people into this program but at the same time I think the City's been open to other new ideas in the other programs as well.

Mr. Driggs said two quick questions; for one when the Committee made these recommendations were they operating in the context of the constraints that we're working under right now or did they just sort of do their usual work and so we don't have any indication for example if they had to make set priorities based on their detailed evaluation what they might recommend?

Mr. Carlee said we have not given them reduction targets. That is correct.

Mr. Driggs said right and getting back to my earlier question the $357 for example is any of that in the preliminary balancing status?

Mr. Carlee said that's PAYGO so it contributes to the resources available in PAYGO ultimately.

Mr. Driggs said right but in the balancing status, I guess I'm just saying to the extent that we take action with reference to that PAYGO does that change the numbers that we're looking at on the slide here related to balancing status.

Mr. Carlee said our $21.7 million dollar goal?

Mr. Driggs said the $10.9 to $13.2.

Mr. Carlee said no sir. This is in PAYGO.

Mr. Driggs said right but we can use some of these PAYGO changes to get some help can't we?

Mr. Carlee said again it's that indirect relationship in terms of what you may want to transfer from capital into operating.

Mr. Driggs said there are no assumptions about that so far in this estimate.

Mr. Carlee said there are not.

Ms. McCoy said correct.

Mr. Driggs alright, thank you.

Ms. Kinsey said I pretty much always supported what the Committee has recommended. I don't disagree with what they've recommended this year. I can support the ones I do believe we should fund it within the federal funds and ask them to go back and reassess and reallocate. I think it's not a huge savings maybe in overall budget but we're picking and choosing and we've got to add up all these few hundred thousand dollars add up and if we start adding back in we've just go to find more money so I'm going suggest that we stick with the federal funds this year and not use PAYGO.

Ms. Fallon said can we get the evaluations that were done on the existing financial partners that we fund for Out of School?

Mr. Carlee said sure and we'll be happy to provide any of that detail that you want and if there is no objection from Council I will take the idea that has come from Councilwoman Kinsey and we'll run some analysis on that and give that to you next week so that you can see what that might look like before we actually make final recommendations.

Mr. Phipps said I remember last time we were talking about PAYGO we had made decisions that were contrary to the recommended decision by whoever was supposed to give us suggestions so it looks like that's what we're doing again. I can see it looks like some substantial reductions have been made in the recommendation and the requested that were recommended then what they had budgeted for Fiscal Year 2015 and we didn't give them specific instructions to just to stay within the CDBG funds. That wasn't one of the requirements that we ask them. It seems like we're going back to them again for them to consider some new information and I don't know with these things being with the substantial reductions that a lot of these have taken to go back in and readjust downward from this level you would have to wonder if they would be able to meet this program objective. I think this is a pretty good savings right here. It's better than what I expected to see and I don't know just to go back now and just limit it to the CDBG Funds would be an exercise to have them go back and do for…I just can't support it really.

Mayor Clodfelter said I think you go so far we may hear two more opinions. We've got a very wide range of opinions. I think you'll have some interesting straw votes here.

Mr. Howard said mines have more to do with just clarifying some things Mr. Manager. Ms. Mayfield earlier when I said we changed the rules I'm not talking about now. If I remember right we changed the rules last year for this year and the reason why I think we see $200,000 max is because that's what we set the max at. I see somebody nodding their heads so the reason that their reduced is because we changed the rules last year so let's just be clear it's not savings that's the most that they can get now.

Ms. Lyles said no, I don't think that's accurate. You remember they were all on a schedule to be reduced so that new could be added so these were estimated, these folks where aware that they were going to come down again another year.

Mr. Howard said I'm saying the same thing that you're saying. I'm just saying that they're down not out of…they're down because they had to come down.

Ms. Lyles said well they agreed, everybody agreed.

Mr. Howard said everybody had to come down. That's all I'm saying. There's no savings. Nobody cut programs they adjusted their budgets. My point is we changed the rules that's all I'm trying to say.

Mr. Carlee said I think everybody's in violent agreement.

Mr. Howard said I wanted to put that on the table. That was my only point. Claire I hear you asking for the forms but I kind of agree with Greg that us taking the forms in I hope we don't go back and try to redo what was done. That's what we've done in the past. We've taken those forms and we decided that well you should have gave them this and you should have gave them that. Let's just be careful of that and I'm actually responding to a bunch of things ya'll said. I'm sorry. I'm a little concerned about the fact that if you really think about, Patsy, if we take out the PAYGO funds I'm wondering if the net effect on those programs are hirer than what we're asking everybody else to take because across the board it sounds like that would be more than the 1% Mr. Manager that you kind of said you asked everybody that 4%...I'd like to know what that percent is compared to the full budget. It's interesting the full budget to me I thought the way we did it in the past is that we had a set amount of like $1.3 or something and everybody had to just make it under that number and what was left you didn't. Did we do something different this year? We had a set amount of $1.3 and whoever could get it got it and whoever fell off at the end based on evaluation didn't get it.

Ms. McCoy said that's right but we do use the Housing Trust Fund model per Council policy but we did not reach a point at which funds where exhausted.

Mr. Howard said so that's where the savings comes from is the fact that we didn't have enough programs that qualify to meet the $1.3.

Ms. McCoy said I would say it's a combination of exactly what you just said as well as what you said earlier related to the maximum they were allowed to request for this year was $200,000 based upon Council policy.

Mr. Howard said that's what I wanted to make sure just to clarify that for me. Out of the $1.3 I think you tried to elude to this a couple of times. How much was federal and how much was PAYGO?

Ms. McCoy said certainly so this is going to be the lighter shade bluish green on slide 13 for FY15 federal. It was 60% federal which was $785,621. The local PAYGO was 40% which was $522,385 so we're going from $522 PAYGO to about $165 PAYGO.

Mr. Carlee said from $785 federal to $815 so it goes from 60/40 split to a 83/17 split.

Mr. Howard said how much of PAYGO is actually so out of the PAYGO amount we're going to spend roughly half of that this time and which are recommendations?

Mr. Carlee said less than that, from $552 down to $165.

Mr. Howard less than that, okay, I'm sorry. The only question I have is if we do what Ms. Kinsey suggested I'd love to know what the net effect on kids served are. I'm not totally against it I'd just like to know so if we reduce the two that you recommended what would be that because you're not reducing all of it just part of what they requested. What would be the effect on their program?

Ms. McCoy said I don't know that it would be that two. We would look at a methodology for how we would transition out of PAYGO to 100% CDBG but we will certainly answer the question related to whatever methodology what the impact to kids would be.

Mr. Howard said so if we did it the way Ms. Kinsey said it there would have some effect but if you added it back, CDGB back in some other kind of way there may be none.

Ms. McCoy said I'm sorry I didn't track that.

Mr. Howard said are you suggesting that you…?

Mr. Carlee said no. I don't think we can put, I don't think there is any more federal money to put into it and so we would have to reallocate the federal money that we have and rather than just saying how we would do that.

Mr. Howard said you may take it from all…

Mr. Carlee said what I'm trying to avoid saying is how we would do it. I'd like to go back to staff have them work it plus the eligibility, plus the impact on children etc.

Ms. McCoy said a point of clarification Behailu is a new partner. They are not eligible for federal funds so it would wipe out the $66,000 that they requested if PAYGO is eliminated from the equation.

Mr. Carlee said let us put that all together in a package.

Councilmember Autry said I'd sooner chew my own arm off.

Mr. Carlee said what I would like to do because I want to get to the revenue section. We have a lot more to cover and so if you have questions about any of the rest of what's in this PowerPoint let us know and I'd like to deal with that outside of this session if we could. The one thing I do want to highlight to you is slide 16 with regard to our Municipal Service Districts where we contract with Charlotte Center City Partners and University City Partners. They are also affected by revaluation and they are working to develop reduced budgets as well. This is slide 16 in the funding partners and so you can see revenues that support Center City Partners are down over a half million dollars out of a $4.5 million dollar budget last year; about 12% and likewise for University City Partners so they have some fairly significant challenges that they are dealing with as well.

V. GENERAL FUND UPDATE

Interim Budget Director Kim Eagle said so the next category is revenues and you'll see the options listed there have some information on fees, property taxes, fund balance, reserve options and then some conversation around the pending General Assembly actions.

City Manager Ron Carlee said which I think you've pretty much ….

Councilmember Howard said is that a packet somewhere?

Mr. Carlee said this is just on the screen. It's the slide.

Ms. Eagle said this is on the screen and you have a hard copy as well. Several of our fees are not at 100% of cost recovery. We've had some conversation about that recently with you all so we could potentially realize additional revenue showing a range here between $1 million dollars and a $1.5 if we transition to 100% recovery for all of the fees that are under that level currently so we are looking at options for increases to move to the 100% level. Incremental transition is a part of that review because we have some fees where we may have a situation to where going straight to 100% in one year is not feasible so we'll have more detail on that next week, lots of detail as a matter of fact but we've given you an example for today and you can see the land development examples listed here. I won't walk through all of the details you can see that but you can see the cost and then you can see the current fee and then you can see the amount for that service that is subsidized currently by the General Fund because these are not at 100%. More to come next week on specific fees and opportunities but we wanted you to know what the framework was and the options that we're evaluating.

Mr. Carlee said these are extremely complex. There are lots of them, it's actually pretty mind numbing and it really is. This has been the most challenging part from my perspective because and it always is because you have so many fees on so many individual things and I think historically and someone can correct me if I'm wrong, the City did aim form 100% cost recovery but during the recession some of the increases were held in order to help businesses during the recovery and now our businesses of all received tax decreases from the elimination of the Business Privilege License Tax some of them have received reduced property values and so it seems as though this is the time to look really hard particularly at fee for services for businesses. Again, not to try to extract anything beyond cost but to make sure our methodology really is as I've said to staff a bullet proof in terms of being cost but try to move as far as we can away from General Fund, general tax payer subsidy.

Councilmember Mayfield said Mr. Manager, so are we looking at trying to recoup previous fees or we're starting fresh? Even though those businesses owed us fees but because of the recession, again

Big Brother, we said okay we're going to give you an opportunity to stabilize your finances. It was never, to your understanding because you just got here, so your understanding is that we never tracked those fees to plan to go back and recoup them so now we're just starting fresh and we're just basically saying that that's a loss whatever those fees were.

Mr. Carlee said it was a conscious decision not to increase the fees and so people paid what the fees were. As a practical matter the administrative cost of trying to do what your suggesting would probably be higher than the fees you would recoup and so going forward in many cases the fees especially in development will hit different people because of different people developing who were developing last year or the year before or at least developing different properties and so I think the approach that we're trying to bring to you would be based on sound rationale and will be equitable.

Ms. Eagle said so simply using this example you can see the additional revenue amount that would be generated if we were at 100% so we'll have a full listing for you next week.

Councilmember Phipps said I think this approach is reasonable but do you think that this approach might have the unintended consequence of impacting or complicating how any kind of recovery that might be being considered by others or how they would view this and approach it as a remedy to help us offset some of the loss that we've had.

Mr. Carlee said we will be accessing the impacts and based on what I know at this point I am reasonably certain that it would be imprudent to take everything to 100% because I think it would have some adverse impacts just given the magnitude. Part of that evaluation is around maintaining our competiveness but also impacts particularly on small businesses and so staff has a lot of work there and ultimately some judgment but you're going to see a range of options. I think it's likely to be especially sensitive Councilmember Phipps until we have gotten serious about implementation of some of the Gardner recommendations and deliver the services that people are already think they're paying for.

Mr. Howard said Mr. Manager, this is one of the things I was concerned about when we were talking about freezing positions earlier for the very reason you're talking about not slowing down things. I was here when the rezoning meeting were 20 minutes because we had nothing to look at so given the fact that the engine is running now I'm a little hesitant…I'd like to make sure that I know you have to do across the board looks at freezing positions and maybe even cuts. This is one of those areas where we need to be again not penny wise and pound foolish and while you're looking at increasing fees and I'm going to go way out on a limb I think the Mayor is right you need to look at how we stream line it but really figure out how to make sure these fees absorb any additional staff you need in these too. As opposed to just not putting people there if they're needed for us to be more efficient given what Gardner said then we figure out how to put that into this structure that you're looking at for fee increases as well so that it pays for it and we don't come back and try to catch up later on and then it increase again.

Mr. Carlee said I appreciate your raising that because if not addressed it will come up actually more in the service and program discussions later but I anticipate that I will be recommending some new positions in some programmatic areas that are fee supported in order to respond to demand in the field for development.

Mr. Howard said I want to make sure that when we're trying to figure out how we recover 100% we're taking the growth and positions we need into consideration as well.

Mr. Carlee said even now with the freezes it is a selective freeze that applies across the board but is targeted. Departments went through and evaluated all of their vacancies and identified those that had critical service demands on them and I think we have frozen something north of 250 positions but released something around 160.

Mr. Howard said that's what I'm asking.

Councilmember Lyles said this is an area where the County is actually doing more in this area and they have done this for a while. They actually recover 100% and they have that as a policy. I agree with the graduated but as I think about what we do this year I think how do we do this over the next two to three when we have the reductions and the commercial tax base. I understand the implications for small businesses but for my thinking it's we're not going to be able to recoup any assessed value changes and it's good to start out but to have a plan that's multi-year to get that place so that the people will be aware and can plan for it as well. It doesn't say that we have to do it every year but I think it ought to be at least something that we can say over a number of years this is how we get there. One, to be consistent with what the County is doing and two, I think to be really to give an idea about what our public policy is.

Mr. Carlee said I would offer to you that in those areas particularly for business support services if it is not 100% fee recovery the policy question for you is what is the rationale for the general taxpayers to subsidize this service and if you have a good sound rationale for it and you may in some then you make that decision of what level of subsidy.

Mayor Clodfelter said Mr. Manager, I would want to piggy back on Councilmember Lyle's one thing she said I don't know what intelligence is available to us right now but I would if you could get it and put it in some of the follow-up materials I'd like to know if the County is looking at any adjustments in any of their fees in these categories. Again, for the reason I say if we're going to have major fee increases and that would include both City and County we need to see both before we are in a position to deliver a functioning system that's just not going to be acceptable.

Mr. Carlee said our commitment will be to deliver the services that we're charging for.

Mayor Clodfelter said I understand but it's an integrated hole and this is one where we are linked to them whether we want to be or not. The person who's out there, the small business owner or the single family builder doesn't really care. They look at us as a package on that they've got to get through both of us to get the job done. I'm interested in knowing what the County may be planning on that.

Ms. Lyles said Mayor I agree with you the public doesn't really care, the homeowner doesn't care, the developer doesn't care but if the service is not being delivered in a way that we feel that meets the requirement of them and we can clearly identify that we should not let that stand in the way of fixing the customers problem and that's sometimes a tough conversation to have but that conversation has to take place by the elected officials to get that done because it is single to the customer.

Mayor Clodfelter said amen and again the only point here is we can't divorce the discussion about fee changes from the program quality and fixing the problems of program delivery. We can't divorce the two.

Councilmember Fallon said does anybody know why we don't have impact fees? It's a state rule, why?

Ms. Lyles said no, I don't think it/s….is it not allowed or do you need permission?

Mayor Clodfelter said you have to have express permission to levy anything that would be in the nature of a tax and those are considered in the nature of taxes.

Ms. Fallon said and why didn't the State ever do them? Is it because the real estate is so…?

Mayor Clodfelter said because they don't manage development.

Ms. Fallon said because that makes quite a bit of difference.

Ms. Eagle said we're also in the process of evaluating new fees that could be added where we could identify specific services to specific entities or individuals that we can calculate the cost for evaluating the feasibility of putting those in place and bringing those to you so I have an example here; Annual State Mandated Fire Inspection Fee for Commercial Properties and you can see what the cost of that is and what the estimated fee would be based on square footage and that is at 100% recovery level so we will bring back additional information next week. There are a few other small fees that fall into this category that are options to add but this is the largest. Ok?

Okay, continue with revenues; let's start talking about property tax.

Mr. Carlee said this is not a recommendation.

Mayor Clodfelter said okay guys repeat it again; this is not a recommendation.

Mr. Carlee said what I want to say is this is the only tax you control at this point and it would be professionally irresponsible to not show you what your options are and that is all that we're doing right now is showing you what the impacts are of property tax increases at different levels so that you have that in your mind as you ultimately come back and look at all the other reductions we've done and as you in a subsequent period look at service and program reductions.

Ms. Eagle said okay so one penny on the property tax rate equals almost $900,000 for point of reference so we have calculated the revenue neutral tax rate first of all for Revaluation and you can see what that equals. That's the $.41 or that's $.41 tenths of a cent and that generates $3.6 million. We've done the same calculation for the revenue neutral tax rate to replace the Business Privilege License Tax and that's the $2.03 cents to recover the $18.1 million.

Mr. Howard said so the Revaluation impact is $3.6?

Ms. Eagle said Randy Harrington?

Chief Financial Officer Randy Harrington said yes it does appear low but if you'll remember back to the three reasons for why we experienced the $2 billion in loss, the total loss in evaluation, one of the components was related to Revaluation which is what you see here, this is this component and then there are two other components one related to what are called new discoveries of property taxes that weren't previously on the tax rules and then appeals from companies so those are three components and this addresses just one of those three components.

Mr. Howard said so if they're still…the total amount was $8 million?

Mr. Harrington said $9 million. Of that $9 million roughly $3.6 of that is attributable to the tax component.

Mr. Howard said property tax.

Mr. Harrington said correct.

Mr. Howard said so this is just an attempt to get the part that would have been property tax back?

Mr. Carlee said an illustration, yes.

Mr. Howard said I guess I'm trying to figure out…I'm going to say it another way then so there's no fair way to recover the whole $9 million some kind of way because those were to other ways that it was evaluated, two other ways that taxes came in some kind of way.

Mr. Harrington said the two other ways are beyond our control and influence and this is the only one that City Council has the ability to influence.

Mr. Carlee said well, directly and that's why we've given you the range of impacts up at the top. I mean ultimately you set the tax rate at whatever you want to set it at but if you looked very purely at revenue neutral which I understand you and the City and the County did consider back when the revaluation originally occurred if you knew then what you know now this would be additional adjustment.

Mr. Howard said Mr. Mayor, the question I have for you guys next week that I'd like to see then the next time we meet is the rate at the bottom with the Business Privilege Tax is just one we knew was coming last year so I don't feel inclined to mess with that one but the one at the top about revaluation I think I'd like to know what it would take to recover the $9. Whatever that is that we lost because that would put us back at what we thought we were dealing with at the beginning of the year or the beginning of this budget cycle so would you tell me what that number is. I guess it would be…

Ms. Eagle said it would be a penny on the tax rate.

Mr. Howard said it would a whole penny not an additional penny but a penny.

Mr. Carlee said a little below that.
Ms. Eagle said just right below one cent.

Mr. Howard said would you give me that so we can have that please.

Ms. Eagle said we'll add it to the Q & A.

Mr. Howard said and equal to the amount we lost because of the Revaluation hiccup.

Ms. Eagle said we can do that.

Mr. Howard said to me that's as close as you can get to being revenue neutral truly.

Councilmember Driggs said I just wanted to also look at this in a different context and that is the current rate is 46. , I just think that this terminology is often confusing to people, the current property tax rate is 46.8, something like that so a 1% increase in your property tax bill corresponds to about $3.5 to $4 million dollars for us. If people are kind of thinking about their taxes at home and I'm the last one to want to go there but I would just like for everybody to understand that what we're saying is if you're property tax went up by a percent the benefit that we would get to our General Fund would be something like $3.5 million dollars and therefore multiple thereof.

Ms. Eagle said that's an excellent lead in if there are no additional questions there.

Mayor Clodfelter said what Councilmember Driggs is saying it's just a very small increase is what you're saying right?

Mr. Driggs said no, I'm absolutely not. I think for most people looking at the numbers we just say doesn't tell them anything.

Mr. Howard said to my point is that on average because it won't be for everybody because the Revaluation was done it would be kind of the same thing. I don't think anybody asked for a cut because we set all these programs, the capital projects based on what we thought we would get in and basically what's going to happen is that some people are going to see a reduction that basically nobody really anticipated happening because of the botched Revaluation. My point is that where we can on average to at least look at putting it back where everybody was so we can maintain the level of projects and services that we thought we were going to be able to deliver before we find out that the Revaluation was done wrong.

Mayor Clodfelter said the next slide may better illustrate what both or you are talking about I think.

Mr. Howard said I'm actually talking to the cameras to make sure that they get it right since I brought this up.

Mayor Clodfelter said oh, I see well let's look at the next slide and maybe they'll look at it with us and that will give us exactly what it is.

Mr. Driggs said I'm going to try and fix the same way my colleague did before me. The thing that concerns me about this whole logic is the heads we win, tails they lose mentality. We see sales tax proceeds go up and we find new ways to spend money. We see a situation like this and if the subject of tax increases even comes up what's going to happen is people will say we never hear about a tax cut. If there happens to be a windfall because the economy is doing well we find new ways to spend the money and in this situation the subject of tax increases comes up so I think the idea the reset has some logic but it does fly against the simple concept that you can't take it and spend it when you have a good news situation and then go back and raise taxes when you don't.

Mr. Howard said and further in this situation we actually are doing the cuts and you talked about the $2 million that you talked about earlier you were saying we should keep looking at where we can be innovative and cut but we essentially are doing that because we're taking a $18 million dollar cut that we didn't even ask for so we are seeking ways to do things different almost forced on us by the state just to be clear so it's not just taking advantage of income and trying to plug a hole with this. We have taken cuts and we're trying to make sure we keep the service level the same.

Mayor Clodfelter said let's see what information we get off of this slide.

Ms. Eagle said I apologize for the small print we did our best to get lots of information in a small space. You have a hard copy at your seat but we have put the property tax option into some context to show the impact if you stay with the one tenth of a cent increase what that translates into for the median home value so one tenth of a cent translates into the $1.51 and that's an annual impact and then below on the chart you can see that also shown for the 25th percentile and the 75th percentile as well with those home values listed. We've also gone ahead and included the revenue neutral Revaluation equivalent for each of those values for the 25th median the 75th, the replacement of the Business Privilege and then we've added those together for a total impact.

Mr. Howard said is that net or gross because the net would be what they would actually see in savings overall because of evaluation too.

Mr. Carlee said the problem with that is somebody said a moment ago is the impacts are all over the place.

Mr. Howard said that's why I'm saying an average and I know there's a different average for homeowners and commercial but it's still an average because you're giving us averages.

Mr. Carlee said no, actually I'm not.

Mr. Howard said you're not, that's right it's actual.

Mr. Carlee said I'm allergic to averages actually. We'll see if we can get from the tax office what the average residential change is.

Mr. Howard said you have to take commercial in too because commercial carries so much of the weight when it comes to property. You almost have to figure out an overall not just residential.

Mr. Carlee said the reason I said that is what we're trying to do in this slide is show you impact on residential.

Mr. Howard said I just think before the numbers go out having a net number not just kind of what the gross is to that would be important if you could even come up with a fairway to assess it.

Mr. Carlee said we'll try.

Mr. Driggs said could we also monitor as we look at numbers like this the situations that we're already aware of on the Charlotte Water and Storm Water front because those will affect household budgets too and we've been made aware of an acute funding shortage at Storm Water and rapidly rising needs at Charlotte Water and I think we need to track the whole package.

Mr. Carlee said we will and when we bring the budget to you and maybe as we get closer and have some idea of what those pieces are we will show you a total impact on per household; taxes and fees not just incremental change but what the base impact is and what the incremental change is.

Mayor Clodfelter said how much more do we need to get through?

Ms. Mayfield said Mr. Manager, while we're still on this frame so just for clarifications sake so we went to the revenue neutral which will be $.41 and then we were looking at if we were trying to replace the business privilege license tax. Was there nothing in between those two?

Mr. Carlee said that's why I've given you that $.1 so that you can use those as a base to calculate any rate you wanted. That gives you the opportunity to do any scenario. What we have the General Fund Reserve balance piece, that doesn't net much in the short-term ongoing if you want to do that. We do have an important piece to do on capital though and what the different scenarios may be on shifting property tax funds from capital to operating.

Ms. Eagle said should I speed up?

Mr. Carlee said yes.

Ms. Eagle said I believe Randy Harrington is going to step up and talk very briefly about the fund balance reserve options.

Mr. Harrington said let me just confirm I guess in the context of what the Manager just said if you want me to cover the next three slides I'm happy too at Council's preference or the Manager. I'll just summarize them just real briefly. I think one of the messages that you've heard here today that everything is on the table and as part of that we want to do our due diligence in terms of looking at the fund balance level. As you recall the fund balance in the General Fund is essentially you're rainy day fund that's used for unexpected or unanticipated events. These could be significant weather events, they could be economic or revenue shocks but it's there for those particular types of uses as well as if there was a unique opportunity that wasn't foreseen that Council may want to take advantage of. We are looking at the current fund balance policy and it's currently 16% at that level until about $93 million dollars and that equates about a two month reserve level. What does it translate into if you were to potentially take 1% reduced from 16% to say for example to 15%? The one-time component would be about a $5.8 million dollar one-time reduction that could be used for capital purposes and then as it relates to the on-going growth of the fund balance it reduces by about $159,000 on an annual basis in terms of what it would grow.

These are just some of the considerations that are part of the review and again I do want to stress that there's a lot of questions around this area and we are reviewing it again no recommendations but some of the areas that we would be looking at in terms of again one-time uses as opposed to ongoing operating; there really wouldn't be much impact on the operating budget. We're looking at a range of levels from the local government Commission recommends at a minimum an 8% level of fund balance as it relates to the existing General Fund expenditure level and it can range that 8% relates to 30 days and there are some cities that are up to 90 days of reserve so we're looking at all those components. Of course as well this is fund balance is a component of rating agency criteria so again we want to take that seriously in our review but they do not have a specified exact level that they specify for cities or counties.

Let me jump ahead to a couple pieces that relates to what's occurring at the General Assembly level. You all know that we've had some conversation around the tax distribution and there are two bills that would potentially redistribute how sales taxes are allocated in the state. One from how the State allocates to counties and then to potentially how counties allocate to the cities and towns within those counties. One of the things I will say though understanding and interpreting this legislation right now is extremely complex and difficult and we're still working to understand the details of how assumptions at the fiscal research division are put together. I think you've seen some of that and so we're trying to understand the details as well as some of the other assumptions before we can confirm any particular impact but we are monitoring that very closely.

The last thing I'll just mention for you is we do have at your table what we call a sales tax 101 handout and presentation that we had originally planned to do but given the time frame we're not going to be doing it today and really the purpose for that is one to give you some understanding of what the current structure of the sales tax structure is in North Carolina as well as the potential changes that are being discussed with the two bills. I guess the other purpose that it can serve is that if you're at your next social event or talking to your neighbor across the fence you can impress them with your knowledge on sales tax in North Carolina. You can use it a number of different ways. The two documents that you have they are both the same but one is just in a narrative like kind of Q & A type form and then the other one is a presentation.

Mayor Clodfelter said Randy there's one point that's not captured on your slide that's very important and it's not just about the amounts of money at stake. Under all of those proposals what is currently a locally levied tax is converted to a state levy tax with a revenue sharing back and in all of those proposals regardless of what the numbers are on them that means that the revenue is every year at risk of being impounded by the state if the state finds that it needs the money for its purposes. That has happened three times in the last ten years with global shared revenues and it cannot happen to a locally levied tax. The state cannot impound that money constitutionally. Under every one of these proposals the state would have the ability every year as part of their budget process if they were short to balance the budget a different way withholding some of that money and nothing could be said about it because it is truly state money it's just shared with local government. That's a feature every one of these proposals have and it doesn't get a lot of discussion but it should get a lot of discussion because it has happened to us several times in the past decade and that's independent of how much money each generates for local governments. That's a point that's not captured on the slide.

Mr. Phipps said I would think that that point that you just raised I don't know if everybody fully appreciates the potential ramifications of that action especially since we have a history that we can document where it has actually become reality. Right?

Mayor Clodfelter said that is why I made the point it is because everybody's discussion of these different proposals focuses on how much money each will produce and who gets that money but it's the change in who's money it is that I'm talking about and that is a deep fundamental change regardless of the amounts. Again, Governor Easley and Governor Purdue both impounded shared monies with local governments and they constitutionally can do it because strictly speaking those were state taxes they just were shared with local governments. The current tax we've got is not that way. It is ours, we levy it and the State can't take it.

Councilmember Autry said is that monkeying with the Transit Tax also?

Mayor Clodfelter said they are not monkeying with the half cent Transit Tax in Mecklenburg. No.

Mr. Howard said not yet but they could given what you just said.

Mayor Clodfelter said they could but that might trip some Bond Covenants and you know as bold as people are there are limits to boldness. When you start talking to the capital markets and the rating agencies about messing up Bond Covenants people tend to stay away from that.

Mr. Phipps said when it comes to the General Fund Reserve fund balance when you say we have a current Council policy that we have 16% that we have would we have to as a Council would we have to formerly amend that policy or would it be done by virtue of our approval of the budget?

Mr. Carlee said I would strongly recommend that you formerly approve the policy as part of Roger Financial Principals to be able to demonstrate to the rating agencies that you are committed to the soundness financial policies to ensure our AAA rating.

Mayor Clodfelter said I'd like to know the history of the policy over the years.

Mr. Carlee said sure. It has been much lower.

Mr. Carlee said alright I've got to do capital or I get in the same trouble I did last year.

Mr. Driggs said I just wanted to say I would oppose a change in that percentage and even though the rating agencies do not have a hard number if they see us lowering the number it can't have a beneficial effect. It's not going to be a downgrade but it's not a good thing as far as their concerned. It doesn't really help us much to the extent of $150,000 a year so I just wanted to advocate against reducing that requirement.

Mr. Carlee said alright if we can go to capital.

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VII. GENERAL COMMUNITY INVESTMENT PLAN UPDATE

Interim Strategy and Budget Director Kim Eagle said you have one more packet at the dais that is the capital information so I will be referring to those handouts as we move through capital. We have an update on some material that you've seen before related to debt capacity. It is up from $55 million if you take into account a current refunding that is in progress for some of our GO Bonds. That's generates the $23 million dollars extra to add to the $55 million so that's a new piece of information that is an option that's under way and then you also have information on FY16 high priorities and FY17 so let me take you to your handout. We shared this at the retreat and then we updated it again at your last workshop and if I could take you to the first row that is where you see that change from the refunding adding the $23 million in. The remainder of the rows are of the same numbers that you've seen before so that takes us to a revised total of $96.5 million.

Councilmember Driggs said I'm interested how is it that this number hasn't changed more as a result of a total of $32 million dollars in adverse revenue impacts that we've experienced in the last month or two and this looks similar to what we were talking about before we got the news on the revenue and isn't it a function of our revenue projections.

Ms. Eagle said are you speaking Mr. Driggs to the debt capacity?

Mr. Driggs said yes.

Ms. Eagle said yes it did change after the revaluation information came in. We did make that modification.

Mr. Driggs said and we already had adjusted for the Privilege License Tax?

Ms. Eagle said that's correct.

Mr. Driggs said so what was the number before?

Ms. Eagle said it was $65 million when we talked with you at the Retreat and then it was reduced to the $55 million after the revaluation information.

Mr. Driggs said and that's a result of just the property revaluation or did the $55 already reflect the Business Privilege License Tax?

Ms. Eagle said it was built, in that's correct.

City Manager Ron Carlee said Business Privilege does not go into capital. Business Privilege is all General Fund, operating.

Mr. Driggs said right, this is what I'm trying to clarify is how this number was impacted…

Mr. Carlee said this number is impacted by revaluation and so it brought it down and now it has come back up based on refundings.

Mr. Driggs said and that's because of the portion of the property tax revenues that we allocate debt and that's the portion that we had to take into account to modify this number.

Mr. Carlee said exactly.

Ms. Eagle said so we've divided capital information into three categories and I'm going to ask Bill Parks, our capital manager to step forward and he will review for you some of these specific details on the capital program.

Capital Budget Coordinator Bill Parks said what I'd like to do is ask you to look at the handout for the Community Investment Plan. It starts on page 17 and go to the first page inside the cover. That begins a three page list of potential adjustments and additions to the capital program. What I wanted to do is share with you how we have this organized. Page 1 of that three page handout is identified….starting on page 1 the way we've organized these capital needs on this first page it identifies those that we are looking at for consideration for funding in FY2016 mostly because they either are continuing existing commitments that we have already made or they are responding to time sensitive capital infrastructure needs that have to be addressed during FY16.
Mr. Carlee said and I will again reiterate we put them in categories these are still not yet at a recommendation stage.

Mr. Parks said and there are six projects in that category. Going to page 2 and 3 represent a list of capital needs that will potentially be looked at, will be deferred for review until FY2017, a year from now. That category is broken up into two parts as well. The first one on page 2 is a list of adjustments to projects that are currently in the approved Community Investment Plan, that you approved and are programmed into the next three bond referenda already included in that package these projects are in there and what this would reflect would be adjustments to funding or adjustment to the timing of these projects, moving them from one bond referendum to another and in both cases where that occurs it would be moving them to earlier bond referendums. The third page also would be considered in FY17 as part of the bi-annual review of the approved Community Investment Plan. These four projects on this last page represent new additional capital needs that are not currently in the approve Community Investment Plan and would be considered for funding in FY17 and we'd be happy to follow up on any of these. Each one of these now has descriptions and explanations for each project to help you get a better feel for the scope of the project and the need for the additional funds.

Mr. Carlee said the high level message that I would ask that you think about in the way that we've divided these is for FY16 to only consider amendments to the Community Investment Plan that are compelling because of on a time sensitive immediate basis. On page 1 are the ones that our assessment at this point would fall in that category. For anything that can be deferred until 2017 which is your bi-annual update of the Community Investment Program we recommend that you push them into 2017 so that you can look at them in the context of your overall Community Investment Plan. This is our off year on the CIP and so we would only be looking at a central amendments and that's what we would hope going forward. There are some compelling reasons on some of these although we're still working them and we'll be happy to go through them in whatever level of detail given time constraints this afternoon defer to how much you want to do today, how much you want to go through and read it, get questions answered, bring it back whatever may work for you.

Mayor Clodfelter said well let's see if we've got any immediate things people want to talk about. There's a lot here to digest so maybe we have to come back to it and revisit after people have time to…there may be some media questions.

Mr. Driggs said I'm looking at these pages in comparison to a couple of tables we've received in the past. It started last year with the $290 million dollar number at one point and then we looked at $248 million needs in 2015 of which $60 million were actually funded in 2015 and this is page 13 from the March 17 handout in case people…so how does this tie into that? It looks like we've gone and left a lot of things from this schedule off which presumably are still needs and therefore the total amount if I look at this here is $25 and $39…$60 million or so. Is that a valid comparison or are they two different things.

Mr. Parks said many of the projects in the capital needs you see on this list today were also on the list that you saw last year. They continued into this year, the need continued so they were looked at more closely. There are other projects and capital issues that we're on last year's list that we did not put on here. What we were trying to do here is to identify critical needs and pending issues that we'll have to deal with in the next year.

Mr. Driggs said I think it would be useful to be able to look at those in the context of the full schedule just so we have some idea of what lies ahead and we're not only thinking in terms of …so these haven't gone away right we're just…if we could see this schedule kind of on an ongoing basis just to know again what we're setting ourselves up for I think it would very helpful.

Mr. Carlee said part of our goal in doing this today was to also be able to show you in context the optional scenarios for shifting revenue from capital to operating. We wanted you to have some sense of what is on the table, what your capacity is and what some of the outstanding demands are and we would like to show you that as really one of the last items in the overall update. I'd like for you to take this and really read the project descriptions and have time to digest it. Any questions you can get to us in advance. I just didn't want to drop this on you cold and leave it. I wanted to provide some context around it and give you a chance to then review it.

Mr. Driggs said on the schedule I'm talking about we've got operating as well as capital so I guess it would be useful to know if we're going to be talking about these things how it impacts the operating budget conversation we're having. Would these entail additional amounts that could actually widen our gap in terms of actual operating?

Mr. Carlee said yes. We will give that to you as well. Good question.

Councilmember Lyles said the question that I would have is that if we actually took the long term view here, paid as you go and tried to actually move that to operating out of capital would this still be the recommendation or would there be another way to approach this that you would take this longer term if we had to make that decision now or do we have to make that decision now?

Mr. Carlee said I think I need you to ask me that again?

Ms. Lyles said let me see if I can say this, we have an allocation from the Property Tax Fund for Pay As You Go that goes to the Capital Fund. If we wanted to reduce that allocation or transfer that allocation or portions of it to the operating budget would this have to change and what would change about it and you don't have to answer it now but…

Mayor Clodfelter said help us with the this is?

Ms. Lyles said this recommendation for where we are with the capital program, these three sheets or if there's another impact I'd like to know.

Mr. Carlee said it would depend on how far you went.

Ms. Lyles said right, I understand but if you did it in increments of quarter or half I'd like to see a schedule like that.

Mr. Carlee said sure I'd be happy to do that.

Councilmember Phipps said just for an instance on this Item B the elevators would this 800,000 would that represent our net contribution and this nets out what the county and school board, other entities have put into this?

Mr. Parks said this is the total project costs. The $800,000 for FY16 represents the remaining funds to complete the project. You approved $400,000 in current year to start the project; this is the second and final phase to complete the project. The $800 and the $400, $1.2 million is the total project cost. The County's share of that will be paid and it's roughly 19% I believe of the total cost so we will be reimbursed from the County for about 19% of that cost.

Mr. Carlee said and that would go back into capital reserves.

Mr. Phipps said so does the County they pick up the School Board's piece too?

Mr. Parks said yes. The 19% includes the School Boards' piece.

Mr. Carlee said but they pay separately don't they?

Mr. Phipps said how about the D.A.'s office?

Ms. Lyles said they're not in this building.

Councilmember Howard said the Governor's office is. He can pay half of it.

Ms. Lyles said they only go up one flight he takes the steps.

Councilmember Autry said page three, expansion of existing facilities, CMPD Providence Provision. Didn't that division open in 2010?

Mr. Carlee said it did. I don't know the exact date. It is an open building. This expansion would be to accommodate Code Enforcement and to achieve the integration and the timing wasn't right when it was done previously based on subsequent assessment it is staff's recommendation that this would be a good location for that consolidation.

Mr. Howard said do they have any code issues on Providence?

Mr. Autry said well it's not just Providence but that's the name of the Division. We've got other Divisions that don't have their own facilities that some of them are being squeezed to move out and some of the other Divisions like the Independence Division is busting at the seams in the little space that they have. How do we say we need to expand this year when we can't build the other stations?

Mr. Carlee said and this is why I strongly recommend that this project and the others in this category be deferred to next year when you look at your overall Community Investment Plan. Making that decision in isolation is problematic because of what you just said.

Mr. Howard said just so I'm clear the $3 million that Mr. Autry just asked about was not part of the big package of CIP projects that we've been talking about for the last…

Mr. Carlee said that is your adopted Community Improvement Program.

Mr. Howard said and it's not part of that?

Mr. Carlee said it is not.

Mr. Howard said so in that situation given your principles from the beginning our goals would have to be pull of what we've told to the public that would have to be one of those guiding principles before we got to something like that.

Mr. Carlee said and you would look at what has changed or been updated and what needs to move from one year to another and what your capacity is. Again, it's a much larger discussion which is why I don't think it's prudent to deal with these projects without knowing what the other alternatives are in front of you and the implications of them.

Mr. Howard said and I agree. I just want when we start with those principles that you put up how we're going to evaluate and what fell into category 1, 2 and 3, I would hope what we've shared with the public is one of those one's that would be one of the top categories. I don't see that but you understand what I'm saying.

Mr. Carlee said a starting principle that's not articulated here is following through on commitments we've made.

Mr. Howard said I just want to make it's written somewhere so we start with that when staff starts to bring us things and I keep waiting for Ed to jump in and say give us something other there but I want to make sure we start where we told the public and if there's a need over at the Providence area for Code Enforcement which is interesting to me because I just didn't know you guys had Code Enforcement issues.

Councilmember Kinsey said no, no, no that's District 1.

Mr. Autry said that's the name of the Division that's not where it is.

Mr. Howard said Providence, the new Fire Department.

Ms. Kinsey said I didn't realize you were talking about the Fire Department.

Mr. Howard said that's where the expansion is going isn't it?
Mr. Carlee said the Police Substation.

Mr. Howard said Police Substation is where? No, where is it in the City?

Mr. Autry said that is on Wendover Road.

Ms. Kinsey said yeah, District 1.

Mr. Howard said I'll leave it alone. I was messing with Ed. I'm sorry.

Mr. Phipps said so have we acquiesced on this Police, this Central Division Station? I thought at one time we were looking at in view of the close proximity with other Police facilities we were looking at whether or not we could try to leverage those facilities in as much as they're close together.

Mr. Carlee said with regard to leveraging…let me put it this way, we're looking at a number of different options that could include leased space or building our own or being part of a larger project. What we do know is that we are going to have to get out of the facility that we're in and we're going to need some resources in order to advance whatever direction that we go especially around our requirements are, our architectural design and other things so I will say the amount here is largely a placeholder recognizing that we will need to bring some resources to the table. If we end up in a lease situation we won't need as much money up front but we will need to plan into our operating budget annual lease payments. The actual solution there is not known but it's one we are going to have to work on in the coming year very aggressively.

So this is the last piece on capital we wanted to share with you and this is the questions come from several sources. If we wanted to move some of the property taxes from capital to operating what does that generate. What this slide addresses is what does that generate? What impact it has? This is a context for you to put it through.

Ms. Eagle said we have a range of scenarios here for you. You can see what each tenth of a cent transfer would equal in terms of revenue for the General Fund. As information each tenth cent transfer reduces the capital debt capacity that we just reviewed by $10.3 million dollars so this gives you a sense of what incremental transfers would translate into in terms of revenue and impact on your capacity.

Mr. Carlee said Kim or Randy; can you remind us what is the total amount that's going into the Capital Fund?

Ms. Eagle said do you know off the top of your head? I have it in the folder.

Chief Financial Officer Randy Harrington said $9.67.

Ms. Eagle said $9.67.

Mr. Carlee said so just to give you a context.

Mr. Howard said every ten cent we move we have to cut the Capital Investment Program back $10 million dollars?

Mr. Carlee said it reduces your capacity.

Mr. Howard said but that capacity is what we paid but we have a portion that's devoted to Pay As You Go. That's the portion that's devoted to debt so that doesn't when you take all of the sources in there and I'm not talking about this but you could also take your Pay As You Go Funding and transfer it which is more flexible and you can move back and forth and can be more fundable. This wouldn't be.

Mayor Clodfelter said Mr. Manager, I think it would be useful to see a summary of all the different streams that go into the Capital Program because again this is useful but I think it leads to the kinds of questions that we're getting here is that this is only a portion and there are other revenue streams going in there that might get moved in with different packs on the Capital Program. We need to see a, this is good as a model but we need to see on a little more comprehensive basis about other funds if they moved into or out of the Capital Fund.

Mr. Howard said you make me ask another question too. Have we consistently made sure that we paid for projects out of one of those sources or do we have some projects that take money from different sources? Do you understand what I'm saying I mean is there a Police Station that actually takes a little Pay Go I mean have we tried to put them all in one or the other?

Ms. Lyles said I think you've done that but I'm not sure.

Mr. Carlee said I won't say that there is 100% consistency between Pay Go and facilities but it's an order of magnitude the project and so they're very specific PAYGO categories.

Mayor Clodfelter said well for example would you ever do the design and engineering on a project on a PAYGO and then fund the construction with debt? That kind of thing.

Mr. Carlee said the one category that's coming to my mind is some of the street design work that we advanced in PAYGO.

Mr. Parks said that's dedicated funds specifically for transportation improvements and we use that for the planning and design. That is funded through the PAYGO program. Typically the facilities that are funded with COPS, with debt we try to do all of that. There have been in the past functions of it that might have been funded with some PAYGO and a combination of PAYGO and COPS but for the most part in our ….

Mr. Howard said that's what I needed.

Mr. Driggs said before we adjourn today I'd like to ask that we consider something we haven't talked about yet which is the Gold Line. As you know that was controversial project that LaWana did outside of transit. I would just like to see some options considered as far as the commitments we have there are concerned. We have an operating obligation as soon as it starts operating of about $1.5 million a year. That rises to $4.5 million dollars a year when phase two comes online of General Fund for operations. They're big debt commitments and we have no idea where the funding for the balance of the project is going to come from after phase 2 so I'd certainly like our conversation here to include what options may be available to alleviate the current situation by changing our plans for the Gold Line.

Mr. Carlee said to that question and to Councilwoman Lyles earlier questions on PAYGO; PAYGO is one of the items that we're still working and so we would bring Gold Line, it is in PAYGO currently and we would bring that to you in the context of the fuller PAYGO discussion and other PAYGO questions that have been raised today.

Mr. Howard said clarification; you're talking about Phase 1 or Phase 2?

Mayor Clodfelter said he's talking about both.

Mr. Driggs said I'm talking about what choices we have going forward that might help us to address the situation you've got right now recognizing that there will be further burdens on our operating budget as the Gold Line becomes operational.

Mr. Howard said the only thing that I'd point out is that what we know is that out of all the projects do we have in capital any capital program that's the only one we know that the FTA is set not the FTA, the USDOT is set aside a 1 to 1 match so if we start doing it then we need to evaluate everything to see what kind of leverage we're getting on everything because we're not getting that kind of leverage on any of the project that we're doing.

Mr. Driggs said I'm just suggesting that at this point that it should be on the Agenda and we should look at it.

Mayor Clodfelter said I think it is. It just wasn't on today's Agenda because it was one of those components that's in one of those items up there that he identified as not yet ready for primetime.

Mr. Howard said I just want to make sure if we're going to ask for something ahead of time in the packet that we look at its comprehensive and when we look at the fact that this is the only project we have there's any match coming in from any place that's Phase 1 and Phase 2 so we've gotten a match and we're getting a 1 to 1 on Phase 2 if the President's budget is approved so let's look at all of it.

Mr. Driggs said but that money isn't in hand yet.

Mr. Howard said let's just look at it.

Mayor Clodfelter said again, I think it's nice to talk about the way we're talking about in a absolute vacuum. This is usually not the most productive way to discuss something so again the Manager does have that, that's in C4 and that's something he's going to be bringing back for us to look at options. What else do we have?

Mr. Carlee said CATS and Aviation.

Mr. Driggs said you've got five minutes.

Mr. Carlee said I have a hunch I think we can finish by nine.

Mayor Clodfelter said isn't that partly why we set the next Friday session? Do you need to do those today?

Mr. Carlee said I don't think any of us have the appetite for that.

Mayor Clodfelter said in other words like Councilmember Autry you'd rather chew the other arm off. He's already chewed one.

Ms. Lyles said Mr. Carlee, I want to say thank you this is a very productive session. It helped us very much understand. The categories are great; even though we didn't get to D it gives us a framework for thinking. The staff did a fabulous job. I really appreciate it; great work.

Ms. Eagle said if I could just one other follow-up if there's anything that Councilmembers believe we missed we are taking into account your feedback that you've been sharing so if anything else comes to mind please don't hesitate to let us know.

Mayor Clodfelter said I see you guys are putting things on the slides that just came up this morning. That's how current they are is they are adding stuff even that come up for the first time today.

Mr. Driggs said the ink isn't even dry yet.

Mayor Clodfelter said the ink isn't even dry; you're right.

Mr. Howard said he's going to do more with this later but while we're in the room we just found out yesterday that the City actually got some of the Knight Funding. We have Sarah and I saw Tom earlier. I just wanted to recognize them for their good work on that.

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ADJOURNMENT

The meeting was adjourned at 4:59 p.m.

Emily A. Kunze

Emily Kunze, Deputy City Clerk

Length of Meeting: 3 Hours, 5 Minutes
Minutes Completed: April 22, 2015