

This City Council of the City of Charlotte, North Carolina convened for a Budget Workshop on Monday, April 20, 2016, at 1:39 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Jennifer Roberts presiding. Councilmembers present were Al Austin, John Autry, Patsy Kinsey, LaWana Mayfield, Greg Phipps, and Kenny Smith.

**ABSENT UNTIL NOTED:** Councilmembers Driggs and Lyles

**ABSENT:** Councilmembers Eiselt, Fallon, and Mitchell

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**ITEM NO. 1: INTRODUCTION / BUDGET COMMITTEE REPORT**

Councilmember Phipps said I want to just thank everyone coming out for this Budget Workshop. We had a nice Budget Committee Meeting this past Monday, where we covered a host of topics. We got an update on our public safety request, revenue projections, base budget review, and also a general fund balance and tools discussion that we are going to be more or less talking a lot about today. We really did have a very productive Budget Committee meeting this past Monday. Today, we are going to move right into our budget discussion as we move closer to the Manager's recommended budget on May 2nd. One of the things that I wanted to talk about, I need to really make a motion for the full Council, one of the things we talked about at our Budget Committee Meeting this past Monday that we decided that the Budget Committee would like to recommend to the full Council that we conduct a comprehensive budget review department by department, program by program of our general fund. I do not know, since I have been on the Budget Committee, that we have ever done that in the degree that we want to do it now, but I would like to make a motion directing staff to begin work on preparing a structure, a plan, and a timeline for this review, following the adoption of our 2017 budget later on this spring. We feel this is needed in order to understand: what we currently fund, what our core services are, and what we are funding that is not core. We think this would good to do as preparation for the next budget process and help the Council get more familiar with what is in the budget and focus on our core services and priorities.

**Councilmember Lyles arrived at 1:41 p.m.**

Mayor Roberts said this is a recommendation to start after this budget cycle, in other words, in preparation for next year?

Mr. Phipps said right, and we could begin this work in the September or October time frame, and that way it would position us well for our retreat in January. Also, the timing would be good and as much as it would help us during our transition phase to a new City Manager, which he or she could become familiar with what is in the budget and in each department. This would be a comprehensive exercise and a good exercise I think that would propel us to what we want to do going forward and better understand what our core mission is, our core services and deliverables are.

Motion was made by Councilmember Phipps, seconded by Councilmember Kinsey and carried unanimously to direct staff to begin work on preparing a structure, a plan, and a timeline to conduct a comprehensive budget review of the General Fund.
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Mr. Phipps said with that said I just want to welcome again all of the people that might be looking online and on the Government Channel. This is our was as being as transparent as possible in the budget process, and as a matter of fact, the day after the Manager presents his recommended budget, we are scheduled as a committee, I hope some of my colleagues can attend, to attend the Tuesday morning breakfast forum to give sort of an update and highlight to the community as well. So, some of my colleagues have already had some budget segments in some of their town halls and meetings, some are already being scheduled as we speak. We want to be as transparent as possible in the budget process, and this is our effort to do so. With that, I will turn it over because we have a full three hour session here today. I will turn it over to Ms. Eagle and her staff to continue the workshop.

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## **ITEM NO. 2: FY2017 GENERAL FUND BUDGET DISCUSSION**

**Strategy and Budget Director Kim Eagle** said good afternoon, you have a packet there in front of you that is a hard copy of the slides that we will walk through today. We have two items on the agenda for the three hour block that we have reserved. The first is the general fund conversation, and we will continue the discussion we started at Budget Committee on Monday. The second item that we will cover is User Fees; that has been traveling through the Economic Development and Global Competitiveness Committee, so we have an update on that as well. I will start with the slides if that sounds good Mayor. First is an update on where we stand with the public safety request. I am fortunate to have Chief Hannan and Chief Putney here with me today. They will speak to a portion of this, but before they do, I would like to walk through some of the numbers, because this request for both fire and police has been evolving over the course of the budget process. So, you may want to take a look at the hard copy you have in front of you. These may be difficult to see because there are a lot of numbers here. So, I will start with the first two columns there on the left hand side, and that is the initial request when we started budget conversations from the Police Department and the Fire Department. That is the full amount, which has since been phased over two years. We started with the total number of 205 positions for the Police Department, which was the 125 sworn, with the remaining being civilian positions and then for the Fire Department, that included Ladder 28 and Engine 65. So, that was not phased; that was the total need. Then we started evaluating what was feasible to implement in FY17. You have the first iteration of the phased request. The police numbers declined, and that is when we started talking about a potential of 63 sworn positions and a reduced number of civilian positions, for a total of 106 for the Police Department.

### **Councilmember Driggs arrived at 1:46 p.m.**

Ms. Eagle said then at that point in time, we determined that only Ladder 28, for the fire department, would continue in the conversation, and we would hold discussions for later for Engine 65. Do we still have Engine 65 in this one?

**City Manager Ron Carlee** said in that one, yes.

Ms. Eagle said we do, okay. Now, this is where Engine 65 came off. I am sorry, thank you Manager. I got ahead of myself. So, continued work on the phased request and we were with you on April 11<sup>th</sup> with updated numbers. I am in the green column now, where we came down to a number for the Police Department of 50 Officers, 20 911 Communicators, and 5 Crime Scene Crime Lab, for a total of 75 positions for the Police Department. Then at this point of time, to the Manager's point, is where we took off Engine 65 and are only moving forward with Ladder 28. So, that was shared in early April. Since then, we have continued to refine the numbers, so in this very last column in the far right, the only change that you will see is a refined number for Ladder 28. We have determined that, for the 18 positions that would accompany Ladder 28, that a start date of September is the most feasible in terms of getting those folks on the ground and starting the recruit class. So, that will change the cost a bit. What you see here is the final scrubbed request for police and for fire.

Mr. Carlee said if I could distinguish between the blue and green columns, the center ones, yellow or the pale green in the very last column is just a refinement of the column before it. That was just working the numbers better; materially they are not different. The blue column is the chief's recommendations on what is the most they could implement in one year. The first column is what they think they need at this point. The second column recognizes we cannot hire everybody July 1, 2016. So, how many people can we actually hire in one year, and how would those hires be phased in? That is what you get in column two. That is the \$11.8 million that we talked about for a considerable period of time. The green column, the question to the Chief's was what is the smallest amount that we could do in 2017 that would make a significant difference? Is there a portion of what is in the blue column, that if we did not do all of it, how much would we have to do that would still be responsive to the Council's priority of doing something meaningful in public safety? That is how we got to the green column.

Ms. Eagle said that is right; the \$6.5 million is the dollar amount associated with that.

Mr. Carlee said even though these positions would be hired over the course of the year, we are also calculating what the impact is on a full year of these changes in FY18. So, the \$6.5 that you see there is not what your ongoing cost would be in FY18, so we are calculating that so we can

show you what the impact of any decisions you make in FY17 would be in FY18; although, roughly speaking, all of the upfront cost and capital costs that you have in FY17 comes very close to offsetting most of your increase operating costs in FY18 if you follow all of that.

**Councilmember Autry** said I do not know if I am just kind of taken aback by the significance in this difference here. Obviously, there was some very serious consideration by the Chiefs whenever we started out with this discussion, and to see where we arrived at this point from \$22.7 million to \$6.5 million, that significance cannot be what is the minimum we can get by with. If we are looking at community safety as a primary objective of this body, and if we are going to have to be considering community safety, just like we would water, sewer, transit, our transportation network. I am just really curious as to when are we going to be able to realize, from all of this growth, some of the resources that are going to allow us to address the infrastructure needs this city has with the way it is growing.

Mr. Carlee said right and I think as both Chiefs will address to you the requests that are in the first column, are in fact the level of resources that they, in their professional assessment is need. The question is, how much of that gets phased in, how fast? The second column, the second grouping is what I think there is concurrence from them is the most rapid phase in. The third column, and again the Chief is going to address how much of an impact it has, that will make a significant difference. This is a \$7 million increase in base operating budget. You know, 50 more officers on the street and an additional Ladder company. These are significant increases in public safety.

Mr. Autry said so, \$6.5 million this year; the need is not going to go away. The \$22.736 million need is not going to be diminished in any way. So, the impact of \$6.5 million this year and what that does in the recurring cost on the budget for the years going out; are the Chiefs then purporting that the need is still \$22.7 million, so \$6.5 million this year, \$6.5 million next year, \$6.5 million the year after that until the \$22.7 is realized?

Mr. Carlee said at some schedule like that, yes, and the review that Councilmember Phipps, that the Council just voted on, provides an opportunity this fall for the Council to look very seriously on what are the tradeoffs and how you ramp up how quickly in terms of perhaps reducing other services that we provide, or looking at increasing revenue to be able to fund the second and third phases of any increases of public safety.

**Councilmember Smith** said question, one for the Chief and one for Kim, where does Engine 65 cover or where would that cover?

**Fire Chief John Hannan** said Engine 65 would be a second Engine at Station 42, the one at Eastland Mall. When we opened Eastland Mall, we did not add any capability; we moved Engine 64 from Station 8 at Commonwealth and The Plaza to that station. We added no operational resources and it was already an extremely heavy call load area in the city. At 42, the Engine there now, last year ran 4,906 calls. It is probably the busiest fire truck in any southern state and the call load in that part of town for that company and station 15 at Shamrock and Eastway on Frontenac, has historically been our busiest company too. Those are our two busiest companies. They are both running around 5,000 a year, and they are both missing 1,500 calls a year. The call load there is the problem.

Mr. Smith said I do not want to put words in your mouth. Is the pulling of that out, is that an onboarding issue or a larger budget, budgeting consideration?

Mr. Carlee said it is a budgeting consideration. Again, the blue column had 65 in it, and the blue column addresses the onboarding issue.

Mr. Smith said this could just be the follow up. I am curious to date how much we have spent from the general fund on the street car, then what our obligations are in the next three years. I do not expect you to have that off of the top of your head, but if we would get that by the next round of this; that would be helpful. The Gold Line; let the record reflect I will call it the Gold Line.

Ms. Eagle said we can do that.

**Councilmember Kinsey** said I do not have a question, but I do have a comment. This reminds me of the year as that the city went along without raising taxes, and we sort of got lean and mean and a little bit got behind. I think going forward, particularly with public safety, we need to look

at it every year. It might not be \$6.5 million next year; it might have to be \$10 million or \$12 million, but I don't think we can go as long as we have gone this time without doing something. I am not advocating tax increases every year; I am not doing that at all. I am just saying that if we are taking seriously our commitment to public safety that is sort of our number one responsibility I think; then we are going to have to look really hard about not waiting too many years between the time we get it, it is something we are going to have to address every year, and we have not done that. We have caught our self sort-of behind, but I appreciate the Chiefs working through this. I would love to be able to give them everything that they are asking for but hang on; thank you so very much.

**Councilmember Mayfield** said with the last two columns, the question that I have, the difference is on Ladder 28 going from \$1.9 million down to \$1.2 million?

Ms. Eagle said that is correct. That is a result Ms. Mayfield of the timing in which the recruit class can come on board and we can put those 18 firefighters in place. So, that is an operating cost given the timing.

Mr. Carlee said that is the onboarding issue.

Ms. Mayfield said so, but I am just asking for clarification, if I am not understanding this correctly, the Chiefs went back and really the blue column is based on how many recruits they can successfully get through, so for me that is the one that is standing out the most, as far as trying to stay on track with what my colleagues have mentioned with that growth and the need appose to the very far column of bare bones. I do not think that we are necessarily in the financial position where we have to be bare bones right now, but looking at what we realistically can accomplish out of that request of 125 for police for sworn protections, their total number of 205 to 100 and keeping the fire's 36, that seems like a more realistic conversation. So, I know it would be helpful for me while we are having further discussion on this to really hone in on the feasibility of this minimal request based on how we are able to onboard new recruits.

**Councilmember Lyles** said I think Councilmember Kinsey said exactly what I was thinking about. I just wanted to point out; the \$22 million includes the capital costs for the ladder company at a million. It includes a capital cost for Engine 65 at about a half million. The capital cost in police, almost \$2 million. So, there is, with the on boarding, the idea and consideration, but I think the more important point is if you have to staff up every two years or every three years, we need more continuity on doing these things on a basis that does not get us to huge amounts then a decline and spikes again. We need to even it out, so I think Ms. Kinsey's point was what I was saying. I don't think it is \$22 million. It is more like \$11 million or \$7 million annual cost and then the capital cost coming when we start to look at new facilities and the times that we are actually going to be going in with larger amounts and new personnel. So, I agree with Ms. Kinsey's comments as well as Ms. Mayfield's.

**Councilmember Driggs** said I think for one, we need to be careful about having the public see the 23 number and the 6 number and imagine that is the magnitude of the cut. The 22 number was the full year cost of the full request, which couldn't have been implemented in the year anyway; probably the more pertinent comparison would be between the second blue column and this one. One thing I did talk about with the Chief, which I think is in line with what my colleagues have said is we need to have a more stable kind of plan and not take advantage as we did of a decline in crime rates to neglect investment in police and then find ourselves having allocated money in other directions, unable to react to what has been going on lately. So, Chief I would say I appreciate if you can get the job done with this this year in the hope that we would be able to talk then about a more steady state investment and building up of the capability in the coming years. That would be easier to incorporate into our budget process.

Ms. Lyles said I think to that word steady, what we really would need to realize is that we haven't had a revaluation in now seven years, and the county's policy was every four years. Now we are going to go all the way to 2018, so we have to remember that we have had this kind of box that we are in with our property tax rates which do go to support our primary functions of safety, cleanliness, and moving people around. I think that is one of the things we have really got to build around is that every four year policy. You say when do we realize the gains of all of this? The growth we realize on an annual basis, but I have been house hunting and people are selling at \$450 what is valued at \$250. We have a little bit of a lag time going on right now, but that will be fixed hopefully with the revaluation.

Mr. Driggs said just a question to that point; when we do the revaluation we would normally reset the rates for revenue neutrality. I do not see how that effects who pays how much but the totally that we get, unless we billed in a non-neutral, reset. There is a process where we recomputed property tax rates after a revaluation that is intended to get us back to the same revenue number.

Ms. Lyles said how do we define what the non-revenue number is, and we need to have that discussion because if it is a non-revenue number, I think the question is when we are talking about the person whose value goes up and the person whose goes down, yes that is what we are seeking, but generally it has been where values have exceeded what the going up is doing going down. Do we tax everybody equitably? That will give us often a margin of growth that we haven't captured for the last eight years. Now, I am not saying how big that is, but it ought to be big enough that we address the highest priority service needs with whatever it is, but there is a margin.

Mr. Driggs said I just wanted to emphasize that I think your other point about the fact that we have annual growth in our property tax base because of investment in property and in our sales taxes because of economic growth. It is not like we are dealing with growth in this city against completely flat revenue.

Ms. Lyles said I hope I did not imply that.

Ms. Driggs said no, I am agreeing with you about that.

**Councilmember Austin** said as a member of the Public Safety Committee, we have seen many iterations of the request from Chief Putney. Obviously, it would have been my desire of course if we could absorb 125, because that would be more police walking the streets and in my communities, but after multiple conversations about how we absorbed that, obviously he has arrived at this 50. It is my hope definitely that we can see, I think violent crime is up 18%, it is my hope that we can see some relief from that. I know that crime is up in and around our country, and Charlotte is no different. It is my hope that, at least with this plan, we can begin to see some change in those numbers and some impact on our communities. I know we have been doing some small things just in District 2 that have made some impact. Police officers are walking and that has made a huge difference, and I want to publicly thank you for the assistance in Metro district for that. Police are an infrastructure, they are definitely they are like water; they are like anything else we do. They are infrastructure and one that we need to support, and so if we are at the point where this is what you can accept, then I think it is one we need to accept.

Mr. Carlee said I would hope that if we go forward with this that we do not underestimate the value of adding 93 public safety positions to the budget. This is significant. Chief Putney, what is the last time that Charlotte added additional police officers to the budget?

**Police Chief Kerr Putney** said 2008 and a couple of years to absorb.

Mr. Carlee said Chief Hannan, when did we last add a fire company?

Mr. Hannan said other than for annexation Engine 39 at the Arboretum is the only fire company that we have ever added in my 37 years for internal growth.

Ms. Mayfield said how long ago was that?

Mr. Hannan said 39 would have been about 2006 or 2004, right in there. That is the only additional that we have done for actual growth inside the city.

Mr. Carlee said did we ever add both police officers and fire fighters in the same year? Probably not, so this is a genuine effort to respond to the Council's priority to do something meaningful in both police and fire and none of us over here are suggesting that it is a one year fix, but is it a meaningful start that addresses what has been a lagging need? I think the consensus on this side is that it does make a meaningful improvement.

**Councilmember Phipps** said I can recall back in 2005, when I was first on the Council, during that year we added about 50 or 60 police officers, so I was surprised that it was not until 2008 that we added more and now here we come back with this span of time seeking to add some more. I also think back to the debate that we had when we funded the police body worn cameras,

about \$7 million, and I am surprised at that time I do not think there was any discussion of adding police officers. There was more of a discussion on just getting the equipment and the police officers loaded up with the body worn cameras. I support what has been said in terms of having a measured structure more frequent addition to public safety staff than just in these years where we ask for it in a huge number to try to fund all at once. I would think that with this discussion today that we could sort of put to rest any kind of talk that I have seen in the community about somehow we as a body have shorted the public safety requests with an attempt to meet them half way or that type of thing. I think the discussion shows that it was a very measured, deliberate discussion on how we could arrive at a level of public safety officers that could be reasonably absorbed in an orderly fashion.

Mr. Driggs said I just wanted to emphasize to both of the Chiefs, I hope you will explain to all of your officers and employees the importance that we attach to this, how central it was to our whole budget conversation. I would not want them to think either that we under estimate their role or the needs that you have. In fact, most of this budget exercise this year consists of figuring out how to fund as big of an increase as we can for fire and safety. We do also have in our numbers that we are working with, pay plan increases, so that is a separate component, but they should not reach the wrong conclusion if we are having a hard time making it work. The first priority was to try to fit this in.

Mayor Roberts said that was a good summary because I think it was pretty clear at our retreat that public safety was top priority from bipartisan.

Mr. Austin said Chief, the 18 civilian positions that are now being eliminate, does that now cause a police officer to have to do more paper work, or do they actually get to do police work?

Mr. Putney said well, it is always a balance, but what we have done though, the ratio is two to one, which helps us absorb what we have and doesn't make me pull people off of the street to do the administrative piece. It is a step in the right direction, and the point has been well made. What we intend to do is have a five year look and then revisit that every year to see where we need to grow the most. The big thing that we had to do in the past is sacrifice civilian that supports to get that sworn because of the growth, and what we have seen is we are out of balance. The supportive function cannot support him, so this is a very smart and intentional way of growing so that we can support these additional officers and the ones that we already have. So, this is exactly the model that we need to continue to move forward with.

Mr. Phipps said suppose we did have all of our resources by some miracle, suppose we did have our privilege business license tax money back. Would we have funded all of this \$22 million or would we have basically said there is no way that we could on board and service all of this? Would we have gone to a more measured phase, or if we had all of the resources at our disposal, would we have tried to do it anyway?

Mr. Carlee said the second column, the \$11.8 million, although the costs are a little overstated on two fire companies, the two fire companies operating costs are full year, assuming July 1, but that notwithstanding. If money were no object, based on what the Chiefs have proposed, we would have recommended the \$11.8 million this year, and that would have then been phased in. You would have done the \$22 million, but it would have been phased in in 2017, 2018, and 2019, and there may have been a little bit of it in 2020, but the 2017 portion of it would have roughly been a little over \$11 million if we still had the business privilege license tax, we would have about another \$20 million available in resources.

Mr. Driggs said Chief Putney; I do not know if you had prepared remarks or already covered this, I apologize for arriving a little late. In committee you talked about how this solution impacts you staffing level and your ability to maintain safety. If you could share those comments with this group, that would be very helpful.

Mr. Putney said the reason there was a two year is because obviously it takes us a couple of years to absorb 125 people, but what we have done is look at what that equates, and 125 is 266,500 service hours of our officers protecting the city. Then from that basis is what you look at to get to the bare bones of what you can absorb in one year, which is what we are saying with the 50 and 25. The big thing though that I am glad you are open to actually looking at is our civilian support has been neglected much longer than 2008. We are just talking about sworn staff. Our civilians really carry the water for us when you are talking about administrative functions. Right now we

have about a million dollars that we would have to pay if we did not have the 500+ volunteers. So, that is really what I am most proud of, is that we are not sacrificing. It really equates to one officer per division, but what we are getting though, which we need significantly, is an enhancement to the supportive functions so that of the 50, they all are fighting crime and engaging our community instead of doing administrative supportive functions like dusting for fingerprints and other things that our civilian staff allows us the opportunity to take that burden off of the sworn staff. So, this is exactly the model that we need to look at, and it gives us that service, those hours that I spoke about to really focus on fighting crime and engaging our community.

Mr. Driggs said so you are comfortable that we need to continue to talk about investment in the future, but you can maintain safety with this plan?

Mr. Putney said absolutely, not just maintain it but enhance it.

Mr. Smith said Chief Putney, you mentioned 500 civilian. Are we maxed out at our civilian volunteers? Can we onboard more folks in that area, and would that help offset more of these positions that we are not able to fund? Is it a marketing issue? Is it a getting out there and reaching the public to see who wants to come in issue, or is it simply the fact that 500 volunteer civilians is about what we can have space for?

Mr. Putney said it is actually neither. It is just what is available currently, and if you are really volunteering sir we are going to take your service. We will be reaching out to you as soon as we are done with this meeting. We are always looking for more, but again not to belittle it. If we did not have the volunteers, our Cold Case Squad would be done. We can always use more, and I am making my pitch now for more. Anybody who wants to, please see me before I leave, because what that does allow is just what we are talking about earlier, our sworn are fighting crime and engaging the community and everybody else supports that effort. We can always use more volunteers.

Mr. Smith said so how do we, and this may be an offline follow-up, but I am curious how do we go about finding those folks and are there ways, I think with the Mayor's Youth Employment Program, where we are digging deeper to get more kids into work and have the Chamber help us. What can we do to help better promote that need city wide? We can follow it up later.

Mr. Putney said I can tell you briefly, just tell our story. We lead the country in the number of volunteers that we have. It is a proud fact for us, but again, it equates to our bottom line, a million dollar savings each year, almost 50,000 volunteer hours.

Ms. Kinsey said I do not know what I did not notice this before because it is the second time that I have seen it. The 911 Communicators are listed under the police budget, is that just for police and if it is, Chief Hannon, how are we with your communicators?

Mr. Putney said they are call takers. Our people absorb all of the calls.

Ms. Kinsey said so it is conjoint.

Mr. Hannan said I actually want to be able to find a way to ease, those 20 call takers are as important to us as CMPD and actually, those 20 call takers are as important to medic as they are to either of us because you cannot get to the right group without getting through them, so they are critical to all three services.

Ms. Kinsey said thankfully I have not had to call 911 lately, but I do remember calling it at one point, and I think I was asked police, fire, or medic?

Mr. Phipps said Chief, as far as volunteers go, is part of the onboarding process for volunteers, is it still that they have to attend a citizen's academy?

Mr. Putney said yes sir.

Mr. Phipps said and that is about ten weeks?

Mr. Putney said it is but the time is manageable; it is in chunks of time, so it is a few volunteer hours over that 10 week period, just so you can see exactly what all we do and where you fit best.

Mayor Roberts said any more questions from Council for our Chiefs or on this part of the budget?

Mr. Carlee said any of you want to add anything? I don't think we need to run through the slides necessarily unless there is something either of you want to add?

Ms. Eagle said you have data in your packet relative to metrics for police and fire. If you have any additional follow-up questions please let us know.

Mayor Roberts said I just want you to know Chief; I am tweeting right now about volunteering for the police department.

Mr. Putney said tell them we need about a thousand people.

Mayor Roberts said and the fire department right? Thank you so much for being here; I really appreciate your time and your service.

Ms. Eagle said we will continue on now with the general fund summary and give you an update of where we stand with some of the numbers. I have a revenue update to share. We will also give you some updated information on basic expenditures, but when you look at those totals in terms of where we stand today, we have an available amount of \$2.9 million. If we go back to the previous conversation and look at the full public safety request as it has been redefined. That amount is \$6.5 million, so that gives us a current gap of \$3.6 million. We will come back to this, but I want to spend just a minute giving you an update on a revenue progression. Since your retreat in January, when you saw the \$623 million number for revenue, we have made some adjustments. We have these listed here on the screen for you. The first one is a \$2.1 million adjustment for collection rate on property tax. We have had some additional conversations with the county to further refine that number. Currently, in your budget we estimated collection rate of 97.5%, and we feel based on our experience this year that we can tweak that up just a very small amount. We have additional revisions for utility franchise tax. We are watching that very closely. That is new revenue for us, but that is increasing. We have a small adjustment downward for the collection of Solid Waste revenue. We are monitoring the actual recovery on that and particularly around the small business garbage. Those numbers are down just a small bit. We have made that adjustment.

Small increase for law enforcement services district, predominantly driven by population changes; we recalculate that every year in terms of the amount, and that is a small revision upward. There are several other revenues that we have been monitoring very closely. There is an increase there of \$3.3 million, so this is very conservative still but the last update. That brings you to a new total of \$632 million, so that is an increase of \$8.4 million over what you saw at your January retreat, any questions on revenues?

I will move to base budget increases. Much of this we have talked about in previous conversations, but we do have included in the base budget the market pay policy which is 3% merit and includes the public safety steps and market adjustment and the implementation for the hourly pay plan. That amount is \$9.2 million.

Mr. Carlee said I will say on that one, that appears to be what the benchmark that all of the other local governments in Mecklenburg are looking at. Nobody is at the point of actually saying what they are going to be recommending in their budget, but this is consistently the benchmark that the county and town managers are looking at how they adjust based on their policies which are similar to ours.

Ms. Eagle said there are some other pay and benefits related costs that are factored into the base budget. They total \$7.8 million of increases. That includes the health insurance cost for the city going up, retirement contributions and an increase for public safety overtime.

Mr. Carlee said I will say, on the health insurance, while there is an increase on the employers side, last year because of the financial challenges that we faced, we were not able to do full market increases on pay, so we held health insurance rates flat for employees. This would likely include some kind of increase for both the employer's side and the employee's side as part of the cost sharing in health insurance.

Mr. Driggs said I think you showed us in the past that break down on three percent versus two percent. I am just wondering where it is in our materials, if you remember off hand.

Ms. Eagle said sure, in the material that was distributed on Friday, and I think we have spare copies if you need them; that is on page 11 of that material.

Mr. Driggs said and that is also broken out and you have also broken out the stand alone cost of going to the hourly pay plan?

Ms. Eagle said yes, that includes the broadband amount, the public safety pay plan amount, and the break out for the hourly pay plan. It breaks down the cost of the merit plan, what 1% would be, 2% and 3% by those groups.

Mr. Carlee said in round numbers it is between two and three percent is roughly \$1.852 million.

Mr. Driggs said what is the hourly pay plan impact?

Mr. Carlee said \$1.6 million.

Ms. Eagle said I will go through the remaining increases in the base budget. We have several expenditures that are linked to increasing revenues, so those are factored in. Several items that are receded in the general fund and then are paid out, contractual increases of 6.7 and then some other increases for a total of \$28.9 million. Are there any questions on the base budget?

This is information that we shared in the past, relative to the different tools that we have at our disposal as we evaluate options for the Manager's recommended budget that will come to you in early May. I have relisted those here for you; first is the property tax increase. These are not recommendations. These are tools in our tool box. Service and expense reductions, which does include the pay plan, because that is factored into the base budget, Solid waste, which has been a previous conversation, then a transfer from capital as another option to move funds into the general fund out of the capital program. So, I provided there for you the impact of that, if that was a choice that was made. Finally, a solid waste fee increase, that is associated with the disposal cost that we received from the county. Currently, there is a charge per ton, and that is going up by a \$1.50 a ton, so based on our tonnage, if we were to pass that cost straight through, the fee on the bill would go up from the current \$25 by three additional dollars to \$28. That is another option.

Ms. Mayfield said I think this is probably going to go into the future conversation regarding the fee that we are paying, that is looking at increasing. That is the fee we pay with the county during the services. Kim and I had a conversation, along with other members of the staff, yesterday where I was asking the question of what would it look like for us to identify a third party oppose to - because the county is going in a different direction with how they are doing their funding source. Is this really the most economical and the best product that we are utilizing, or are there other products that we need to be considering? Is this something that we need to look at, opening up an RFP process for? I am not really sure where the answer will fall in since we are almost at the tail end of our budget conversations, but I want to make sure we have enough room in there where we are not going to lock in a long contract like we typically do to have the conversation of are there any alternatives out there besides just paying this additional increase, with the possibility of having to pass that on to our customers?

Mr. Eagle said my understanding is the interlocal agreement that governs the relationship with the county and our waste going there, is up for renewal in 2020, so that could be definitely part of that discussion.

Mr. Phipps said just this tonnage tipping fee, how often do they raise that fee, every couple of years or so?

Ms. Eagle said I can get the exact timing Mr. Phipps on when they increased it last, but it is not an every year occurrence, and it has not been in the last two or three years. I can get the exact date for you.

Mr. Carlee said and it does relate to the revenues that they realize from the recycling program and those are cyclical.

Ms. Eagle said commodity prices are down, so they are having to recover that.

Mr. Phipps said I do not know what our benchmark is for recycling; I do not know if we are below our goals, but still it is a lot of complexes that really don't participate in it, right?

Mr. Carlee said that is right.

Mr. Autry said our recycling program is voluntary, and hopefully that is one of the things we can look at when we look at the entire Solid Waste Services ordinance and policy.

Ms. Mayfield said the other thing that I want us to consider is the City of Charlotte has a long history that when the county has faced certain financial challenges, there is this fictitious, automatic rule that the city stepped in and took over a lot of that, and it just seems like at the time where, unfortunately the financial situation has changed a little, that same consideration is not being given. If we are going to focus on our core areas, then we also need to think about when we are looking at the tax payers for the city, are we really looking at the best contracts and the most economical as well as efficient process oppose to, well we have always done it so this is how we should continue doing it, because there are so many factors that are involved in that, but I do have a concern with that long history where the city is always stepping in when there was a need on the county's side, and to be perfectly honest, they are not seeming to be a whole lot of willingness on the other end now that we are looking at some challenges that we have not necessarily really run up against before. That is just for full disclosure.

Mayor Roberts said I think and, again I am not a historian on this but, from what I have heard, it has gone back and forth through the years. If you look at the past couple of decades, the city and the county have stepped in and helped each other and maybe recent trends, but we certainly have good relations with the county; we have good conversations, and I think that we will continue to do that. We should always be looking at ways to be more efficient for both city and county folks and services. Where we can save money by working with them, we should.

Ms. Mayfield said as long as it is the most efficient, I can support that.

Mr. Driggs said I wonder if we could clarify the status of our discussions about trash collection for multifamily. I thought that since we were not going to do anything 2018 anyway and we have decided to have this review that it was safe to assume we are not going to go in and make a change to that service in isolation before. There would not seem to be any logic in that. So, I wonder if we could just sort-of agree there and still regard that as something that we are talking about, or are we not talking about it? To enact that with effect from 2018 and then start a process where we review our policy on trash, doesn't seem to me to make any sense.

Ms. Lyles said I think that we have to wait for the Manager to put together a budget so that we would know what we are talking about. Until he presents his recommendations to us, I think that we have had this in the budget committee; if I recall, we had a series of things to go through. I think this is the toolbox and, we left all of those. We have indicated an interest in particular ones of them, but I would like to not take anything off of the table as well as anything that any Councilmember would like to bring up to be on the table to have that after we have the Manager's recommended budget. I for one would not preclude or delete or add anything until I know where we start with our base.

Mr. Driggs said am I wrong that it was not our intention to make a change in service that would be affective in the 2017 budget? Was it not the case that when we talked about that change that it was going to be effective next year anyway? So, it is not part of our 2017 money conversation.

Mr. Carlee said there are a variety of things that we have talked about. The earliest that a change could be made would be in January of 2017, which would affect half of this year's budget. A lot of the discussion was around July of 2017, which would be fiscal year 2018. Although, if you did that, I would encourage you to make that dissension as far up stream as possible, so that there would be time for implementation. One of the things that is going to be important for you to look at in this budget, given the earlier discussion on public safety, both the full year cost at 2018 and any additional public safety that you want to do in 2018 is understanding what your options are and not just for balancing FY17 but how you stay balanced in FY18 and have the flexibility to consider any other increases in public safety that you may want. I would encourage you to have as many of the options available on the table for you to look at so that whether you took any of them in FY17 or not, you could give some guidance on areas in which you would have an interest in FY18.

Ms. Kinsey said I would like to keep our options open as well, but I will say that it was my understanding, because we have never made a decision, but it was my understanding we that we are going to try to do the Solid Waste fee increase this year, fiscal year 2017. We have been working toward that, so I think we need to keep our options open because we may have to go in that direction, but I never thought it went that far out to 2018.

Mr. Autry said when I asked for the review of the Solid Waste Services policy and the ordinance, it was not to intend to take anything off of the table for budget discussion this year, and the possibility of making changes in service are certainly applicable, and I would presume that they would still be on the table, but I also expect that we will be looking at the entire policy and the ordinance and possibly throwing out everything that we have now and rewriting that ordinance over the next six months.

Mr. Driggs said we were talking, both of us, about postponing but from a different point of view, and I think that it was clear in the meeting you said to me, well wait a minute. I was talking about not comingling the service deliver to multifamily with our money discussion but to look at it as a policy question to be considered in conjunction with the policy conversation we didn't have this year and we are supposed to have this year separate. That's why I thought, great. We will do exactly what you say; we will look at it, and that will give us the chance to make a policy decision as far as, by the way, the fees are concerned, I think it is a perfectly legitimate topic for a budget conversation to say okay our costs are going up, should be adjust those fees? That to me is a legitimate budget topic, adjusting the fees, but the policy about delivering service or not delivering service to multifamily has various dimensions that I think we should consider in conjunction with the overall.

Mr. Autry said I can certainly see how one would want to separate those two pieces. I do not want to put us in a box like that, and in the discussion that we have had about public safety here and we still have not seen the Manager's recommended budget. I would hope that that is still on the table.

Mr. Phipps said I know that we have had at least two, maybe three public meetings with the community; wherein I thought that we emphatically communicated that the status quo would remain until 2018, after which we would have had this review of our ordinance, which hadn't been done in over 20 years, but I think that the impression that we gave to the community when we had those meetings was that any adjustment in services or any kind of adjustment in fees would not occur until the 2018 budget cycle. That is what I recall in those meetings. Is that to your memory Ms. Eagle?

Ms. Eagle said to my memory, we did communicate that most definitely to townhomes and some of those smaller units, the apartment is a separate question that we may not have made such a commitment as directly because that is the component that needs further evaluation.

Ms. Lyles said I really want us to be very careful in that the entire Council, whatever is said at a meeting where we often represent, we should be representing ourselves, but until this Council takes a vote that passes, nothing is determined or decided until we make that final vote. I know that we have the contract to consider, I know that we have phasing to consider, we have a policy to rewrite, we have service levels to decide and all of that is out there, but again, it is until we raise our hands to make a decision that we can say definitively. I understand that we often talk about policy, and we implement a lot of policy, but the budget is our biggest policy document that we have really. To me when we talk about how Police officers, what kind of fire service we have, we are deciding and acting on a policy that we set by our funding. I understand and have appreciated the conversations going on, but I think that again, from my opinion, until we have the Manager's recommended budget, we not take these things on or off the table, so that we can consider them as a committee as a whole. That is one of the things that we have often talked about on our committees. We have to bring back recommendations so that the entire group can make that decision. I think we really need to be very careful in portraying any commitment from a committee or an individual Councilmember until the Council votes.

Mayor Roberts said I will add that the discussion is great; however, because our Manager still has yet to put together the recommendation and our discussion and the values that we express individually during discussions are helpful as he puts that proposal together.

Mr. Smith said I am hearing the words tool box, status quo, all sorts of good political speak. I saw the slide earlier from public safety where we need about \$6 million, and I know from the previous meeting we can get \$3 million from our friends in the apartments. I am telling you, the optics behind that to our friends in the apartments, guys your footing half of the bill for our new police force, and that is why I think that Councilmember Driggs and myself are saying let's take it, let's have a policy discussion. Mr. Autry, I think you are right. I think we may have to rewrite how we do trash in a manner that would possibly make any decision we would make this year on apartments null and void, but I do think the message you send to the folks that live in an apartment is guys, thank you, you are footing half of the bill for our police needs.

Ms. Kinsey said I want to go back to what Ms. Lyles said. She said it so much nicer than I am able to do it. When I read in the paper that we were not making a change for single family and townhomes, I thought, I did not vote on that, when did we make that decision? I think what Ms. Lyles has said is very appropriate, what that is said. Not that I have any intentions of making any changes myself, but we haven't decided as a body. I guess we can't control what does to the newspaper and comes out of it, but we try.

Mr. Driggs said the newspaper reported on staff recommendation; the staff recommendation evolved not to include those. There was never a Council action taken one way or the other. So, the coverage was all based on the thinking of staff and the things that we were going to be asked to consider, and I probably gave the wrong impression saying it was off of the table after the vote. I was just thinking in logical terms that if we had kind of deflected some of the criticism at the proposal by saying guys, it is not going to happen until 2018 anyway, which we did, and that was a specific effort to kind of contain the reaction that we were getting from the public. For us to go back now and start thinking about changing service anytime during FY17, looks like a bit of about face. I just thought the various message that had gone out implied that we might as well just consider multifamily in the context of full scale review, which would enable us to make a change to multifamily at the earlier time that we said we were going to anyway. I fully agree that unless Council hasn't voted on that then it is not an official position, but there is a lot of talk on this subject going on. It has stirred up a lot of noise in the community. It wasn't handled particularly well frankly because the noise about not serving townhomes, condos, and multifamily was out in the public without any community outreach or the process that we said we were going to embark on last year in our budget, and we had to kind of try to catch up in terms of having some public meetings. Those brought out issues that had not actually been considered in the proposals that were being talked about and made it all the more appropriate that we do this in a comprehensive basis. So, if we are not willing today to entertain a motion to just exclude solid waste collection for multifamily, fine. I just want us to all understand that the public got certain messages and for us to introduce a termination of service at multifamily at this point, would look like an about face on our part, putting us in a bad place, particularly as Councilmember Smith says, because it looks like we are just finding the cash to fund the increase in the police.

Mr. Austin said I was not here, but I think that the issue about multifamily trash has been around much longer than just within the last couple of months. Am I not correct Councilmember Autry?

Mr. Autry said I believe it started with a lawsuit back in 2010.

Mr. Austin said so; the dialog about this has been out there, so everyone should have been aware that it was something on the table and a possibility. I think Councilmember Autry has actually championed a couple of other options that we throw as well to kind of mitigate some new dialog around trash. It should not have been a surprise to the general public.

Ms. Eagle said before we leave this, I do want to make one more point around the service and expense reductions. You know we have made reductions in the years leading up to this process, and when our analyst in the Budget and Strategy Office went through and evaluated what our department submitted, we pulled back another \$8 million. There is pent up demand and ongoing conversations between the departments and the budget staff around what is feasible and realistic for their operation budgets. Just to make you aware, and on behalf of our directors in the departments, there is much evaluation and scrubbing of that base budget.

Mr. Carlee said I think that is a really important point. In your package, you have an inventory of services, which staff has worked really hard on, that I hope will form a good base for you as you do the review that you have talked about this fall. In that inventory, it documents reductions that

have been made in all of the departments, particularly the general fund departments. I encourage you to focus there, and it also identifies what some of their requests were in FY17. As you can see on the material presented to you, we are only looking at considering increases in services that are not fee supported only in public safety. That means there are demands based on the same kind of growth that you heard in public safety, in your other departments as well. As you go through your review in the fall, I think this would be a really good opportunity for you to think about beyond public safety, what are the other relative priorities and what are the pressures that they are facing as you look at what will be a multi-year plan that your new Manager will be able to take forward with your guidance.

Mr. Driggs said is it the adopted position of Council that we are referring to the Environment Committee the subject of policy? That is something we did all- we didn't vote on it but we did it, right?

Mr. Autry said nobody objected.

Mr. Driggs said so that is going to happen. So, if we do something ridiculous with multifamily collection, we can always fix it then, right?

Mr. Autry said there is always that possibility.

Ms. Lyles said one of the things that might be helpful is to write up the charge to the committee.

Mr. Carlee said staff is working on that.

Ms. Lyles said I think when we agree to those topics we understand that it is an issue, but what is the scope of the work, the review, what we are trying to accomplish. We need to react to something in writing, and we have talked about this as a group. Let's try to be a little bit more specific in what we are saying so that when we talk about it we all have at least the same base material no matter how we would feel or think or vote on it. We need that base.

Mr. Phipps said I thought one of the things that we are also were going to look at, it had not been decided yet, but any savings that might accrual from our changes in delivery of Solid Waste Services, and as much as they have reduced their budget over the years, it might be an opportunity to where some of that money could be used to help support some of their operations also. To say that those funds would be exclusively used to balance the police budget on the backs of apartments, I know that sounds good as a sound bite, but I would think that giving the other cuts that are made in Solid Waste Services, little pickup crews and such, when you look around the city now we are getting all kinds of complaints about how trashy certain areas are. It could be an opportunity to replenish some of those crews. I think we ought to look at the whole picture instead of trying to pit different people against each other.

Ms. Eagle said this is just a reminder of next steps relative to the budget process; this is your last workshop. You will have the recommendation on May 2, 2016, and then you will move into you adjustments conversation and your straw votes all leading to June 13, 2016.

Mr. Phipps said on that May 25, 2016 Straw Vote, do you think that we will have a better process than last year this time around with these straw votes?

Ms. Eagle said staff has been talking about that Councilmember Phipps, based on the feedback form last year, and we are planning some steps to make that more smooth for you. Yes Sir, we will do our best.

Mr. Carlee said one of the things that we are working to do is, obviously Council is free to bring up anything that you want on the add and delete list that you go through your May 11th . We are very consciously developing a set of options and alternatives for you, so if you do not like what I have recommended, either on the expense side or the revenue side, we will have what we in our judgment would be sustainable and appropriate alternative decisions that Council may consider.

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### **ITEM NO. 3: REGULATORY USER FEE POLICY**

**Strategy & Budget Director Kim Eagle** said I'm going to ask Mike Davis and Debra Campbell to join us at the table; they are going to take you through an update on where we stand with the user fees.

**Assistant City Manager Debra Campbell** said I am going to kick this off, but the bulk of the presentation will be done by Mike Davis, but before Mike starts, he is with the Charlotte Department of Transportation, I want to also thank the other seven departments. There are eight departments that are associated with regulatory user fees, and they did a lot of heavy lifting to help us with this project. What we are going to do in terms of the information we will be sharing with you, is to go over a lot of information, but the bottom line was an assignment that we got from Council last year with regards to the Regulatory User Fee Policy, and our goal was to go out and meet with stakeholders, understand issues and concerns and affirm or reaffirm whether this policy still should be recommended to Council.

So, as I said, Mike is going to handle the majority of the presentation, but just a little background information. This policy of recovering 100% of user fee fees was established in 2006; the fees remain flat, unfortunately when we had the economic down turn, and I say unfortunately because we had an economic down turn, not because we had to hold the fees flat. In 2003 with the improvement in the economy, we were told by Council to more aggressively try to get us back up to 100% recovery on the fees, because again, we had remained flat on a number of them, and as I stated earlier, there was concern when we looked at 100% recovery in our last budget cycle that there were some fees that were increasing so significantly that you all thought it was not appropriate to go to 100% recovery but then thought that we should just look at the recovery fee in a more holistic and comprehensive fashion, and that is what we have been doing over the past couple of months. You all referred the policy to the Economic Development and Global Competitiveness Committee, and I regret that the Chairman isn't here, James Mitchell. Councilmember Lyles is here as Vice Chair, and I will welcome any comments that she would have, because we are going to give you the recommendation that the committee has with regards to the policy. When we went to the committee, we asked them about two things: one, to review the process in the community outreach strategy that we were recommending, and Mike is going to talk a little more in detail about that. We were also reminding the committee that their assignment was to, again make a recommendation to full Council as to whether the policy needed to be changed or if addition modifications were needed with regards to the policy. We met three times with the committee, and April 14 was the meeting where we essentially got a committee action with regards to a recommendation. I am going to turn it over to Mike, and he is going to review for you definitions, the background, the research that we have done, the staff recommendation to the committee, and then the committee action.

**Mike Davis, Transportation** said just to start with some base line for the group of what User Fees are, so this is how the city recovers its cost, its revenue generated by the people who are seeking regulator services from the city. The review cycle, this is something that even thought this is a year in which we are reevaluating the whole policy, every year the city as part as its budget process reevaluates and reestablishes what the user fee's schedule is for the next fiscal year. As Debora mentioned, the policy since 2006 has been seek to recover at a rate of 100% of the cities cost for those services. The math that underlies this is not actually all that complicated. It is basically where you take all of the costs that are associated with that service. It does include operating and overhead expenses and then you do a projection based on real data. You are sort of projecting what we believe the trend to be that carried into the next fiscal year for how many times the city thinks that it will need to deliver those services, so you divide those costs by the occurrences and out of that comes your user fee. From a policy perspective though, there is a couple of things at play. It is the question of how much your service delivery is expected to cost, and this year we expect it to cost \$13.2 million, and so there is some policy consideration around how much of that you want to pay from user fee revenue directly. So, one option is, as we do today, seek to recover 100% of your cost from that revenue, but you could subsidize that, and that is sort of the policy trade off. Do you want to introduce some general fund revenue to balance those cost in some way? There is always the option of reevaluating what the service cost is of delivery. It is not exactly part of the policy discussion, what we are really focusing on is the balance of the two revenue sources. It is also important to the work that we do, and this really brings in the work with the Gartner Study to make sure that we are scaling our services appropriately and have the costs identified correctly.

The historical trend on this is kind of picking up from where we are coming out of the recession, so starting this outlook in FY2013; we are at about 75% and then we were sort of stepping up an increment. Last year, part of what Debra was describing, we were moving that needle again closer to 100%. We got to 93.8%, and part of the work that came out of that budget recommendation and feedback from the City Council was to move some of the fees, there were five fees that were identified out of the group of over 100 fees that were thought to be too big of a jump. We took those five fees down to an 80% recovery and a 20% subsidy, and the overall impact that had on the budget was to recover at 92.4%, and the actual impact on moving those five fees to 80% was \$155,000 of additional subsidy from the general fund. Part of our work, to sort of evaluate where the City of Charlotte stands, is to bench mark against some other places, including looking in our own neighborhood. If we start with Mecklenburg County, which is on some level good apples to apples, we learn that the recovery rate in other jurisdictions is close to 100%. Also, the actual cost of their services divided by their occurrences does get them to fees that are very similar to the services that we provide as well. As we look nationally, we did not hire our own consultant to do this; it turns out that this is something that cities across the country do. They hire consultants, and we can mine that information for recommendations as well. Part of what comes out of those findings, one is just for purposes like today, it is really important to have a clear policy on what you want your recovery rate to be because whatever is not covered through user fees will be subsidized, and it is important to have clarity around what those subsidies are competing with in terms of other community needs. Two, Charlotte's methodology, that sort of simple equation that I showed you is basically universal. Three, the matrix report, which is one of the few that we had read through, identifies a recommendation for 100% of fully allocated recovery rate, but we picked this one out because it goes on to identify some of the specific rationale for why you might want to subsidize certain individual activities, which I will get to in a minute. Lastly, it is difficult to make apples to apples comparisons. Everybody packages their services differently. Everyone is in a slightly different regulatory context from state to state. Many cities unlike Charlotte turn out to not review their actual user fee calculations year to year. They will go many years. We are sort of on best practices for that.

All of that led us to a initial committee recommendation from staff of to continue on with the overall policy to recover cost at the rate of 100%, but to recognize again that there is some good rationale of why you might want to have some subsidy on some specific services. So, the three that are mentioned here are one, consistent with recommendations on the consultant reports, also two, we felt like hit close to home because this has kind of in some ways been the tradition of staff preparing user fees is to recognize these three things. So, one: you would like to avoid year to year jumps. If the calculations and adding staff or big jumps, in terms of what is happening in the economy, it might cause you to have volatility in your user fees. You might want to stagger those escalations in costs. Two, there are some activities that if you price them too high, if the resulting cost is too high, some people will just avoid that program all together. There are greater consequences to the city if people just avoid those regulatory activities. Third would be that there are some activities that I think people recognize. There is a community benefit to the user who is doing that. They are going to benefit some, but there is also a larger community benefit.

We kind of went out on the road to test this thinking after we presented that recommendation to the Committee. We met those dates with those seven different stakeholder groups, all toll that was about 80 people, and it included developers, design professionals, contractors, and citizens serving on appointed board roles. We are asked really two questions: one, what issues do you have about the overall policy? By the way, I want to point out; we have a full transcript of what we gleaned from these conversations that are available on our website that I will show in a minute. So, we had to sort of take some liberty to package what we thought were the real themes from this conversation, but to start, there is always public benefit derived from projects. We have also heard that the cost of higher user fees are passed along, really in any segment, but specifically it comes up around discussions of affordable housing. Developers do not have a choice to comply with the cities regulations or in where they go to get those services satisfied. The City of Charlotte is the only deliverer of those services if they want to do work in Charlotte.

The 100% recovery rate is thought by some to jeopardize the city's ability to sustain proper staffing levels. If we were going to have to cut back on staff to be able to kind of re-staff when work picks back up. There is some discussion around whether or not Charlotte Water should be treated separately as an enterprise fund that is separate from the general fund. For most projects, user fees are a small percentage of the total cost. I think there is some acknowledgement about that. Land development fees are much higher in comparison to other North Carolina cities, for

some examples that we looked at. I do not know that that is universal. We also asked the question, what feedbacks do you have about the criteria used for exceptions to the 100% recovery rate? Basically, what we got was, again sort of an emphasis on the idea that there is some public benefit to what goes on and perhaps should not be entirely borne by the user, again related to Charlotte Water, in this case, donated water facilities generate revenue and should be considered a public benefit. Overall, the packages of the three criteria are the right ones and there are no recommendations for additions or deletions of those. The location that anyone can get to this if they want to see the full transcript, is at [development.charmeck.org](http://development.charmeck.org).

All of this brought us back to the committee with an adjustment in the way we were framing these recommendations, and the adjustment is noted there on number three. All of this conversation around the public benefit, what came out of that was some acknowledgement that really for almost any service that we provide that is regulatory, there can be some debate around, what is the proportion of that activity that accrues benefit to the public at large versus that which is to the developer? It turns out to be something that is just not a quantifiable thing, and so the way that we have come back at that is to state it as, we want to proportion that in some cases to account for service costs that may include or be dedicated to public involvement. Simply what that means is, while we cannot measure the impact to the community, what we can do is measure the staff effort that is allocated towards serving the customer directly versus what we spend in public engagement.

Ms. Campbell said we asked the committee to think about staff's revised recommendation, and it was a unanimous support five to zero to accept essentially what was recommended by staff, with the modification on item number three, which was to account for service cost that may include or be dedicated to public involvement, which was a change from the original recommendation that was presented to them early on in the process. What I may also add from a qualitative perspective is that the City Manager currently has the authority to make adjustments to regulatory fees. What we are suggesting is that we now can and hope that this was the committee's understanding, is that we have parameters, we have criteria that the City Manager can use as he or she are making those adjustments and are able to present to Council or to the general public as to why these fees either went up or were not adjusted. That is the recommendation. I think the next steps are for the Council too, as part of the budget process, I believe is to officially adopt the policy, but I am thinking and Ron correct me if I am wrong, if there is strong opposition to this, we wanted to know because the Manager is getting ready to prepare our recommended budget with regards to regulator fees and wanted to know that ahead of time. That is why we went through the process through the committee to make this deadline, because on May 2 the Manager will be making his recommendation. So, Ms. Lyles as Vice Chair, if there is anything that you want to add.

**Councilmember Lyles** said I think that you have covered it. The Council discussion, I do not know, Mr. Driggs had a question about those that were being particularly focused on for differences between that and the 100%. The committee saw those and the committee after that had a unanimous support for the recommendation. I do not know; anybody else have anything to add?

**Councilmember Phipps** said that third point, I am trying to figure out why we as a municipality are taking a nuance view and trying to embrace this third point where our surrounding neighbors or municipalities, they are not taking anything into account? It seems like they are already at 100%. They have looked at it or something and said, well that is a lofty goal, but we are going after 100%. Why do we think it is important for us to take the nuance view to have that particular clause that we could more or less justify some subsidy based on public involvement and greater good to the community, whereas our other partners that we compare ourselves to, are they leaving it up to us to take that nuance view, or what?

Ms. Campbell said I think that the approach is more the policy. The policy from the surrounding communities is 100% recovery rate. We did not, to my knowledge, we do not know if everyone is at 100% on every individual fee. That is the first thing. The second thing is with regards to the item number three and why we through it was important. We believe that regulator user fees, again, should be based upon the service that that customer is paying for. What we have found though, that there are certain fees, for example, through the land development process and in particular the rezoning process. There is a lot of activity that occurs outside of and we understand that if that petitioner doesn't request a rezoning petition, that there may or may not be as much

activity around an issue, but we think that it is a regulatory fee that has a legislative process that actually acuminates or finalizes that process. We think that there is a lot of public participation that happens outside of the direct service to that user, and that is why we recommend that there be some flexibility for us to realize that there is a lot of activity by staff that happens, potentially outside the scope of that actual service or fee that is being paid by the user.

Mr. Phipps said do we know with certainty whether or not Mecklenburg County has 100% cost recovery or not?

Ms. Campbell said for all of their fees?

Mr. Phipps said right.

Ms. Campbell said we do not, but we can get that information.

Mr. Phipps said because I thought that was the understanding, even last year during the budget process that they were more or less 100% cost recovery that is what they are doing.

Ms. Campbell said again, your policy is 100% recovery, but we will definitely investigate that.

Ms. Lyles said can you investigate and compare our policy kind of like a side by side? I think that their policy is 100%, ours is, but here we are creating so let's just see what ours looks like and how they compare.

Ms. Campbell said absolutely and all of their fees, the rate of recovery, is that what I am hearing the question is?

Ms. Lyles said I think that the real interests are in the major fees to produce the major portions of where we have the staff working, so I would assume that is in permitting and planning and our development area more than it would be for - I am sure that they have Park and Recreation fees. Their numbers may be different, but I think where we have comparable; that is probably the better where we have comparable services are the fees. What do they look like, and how comparable are they?

**City Manager Ron Carlee** said I want to underscore a point that Mike made earlier, having done this literally my whole life, apples to apples comparisons are really virtually impossible. They are painful. When I teach, I make my students try to do it just so they will understand that you cannot do it in local government, that the answer to just about any question is that it depends, and so one of the things that we are doing in this policy, which I am very pleased with is articulating a rationale for the exceptions. My guess, based on previous reviews and as you look at other policies they may not have clear criteria for exceptions, but they will have exceptions. They may be made ad hoc, on an arbitrary basis based on push back. They may say 100%, but whether or not they really truly are 100% or what they are capturing as what the cost is against which they are charging 100%, is all very difficult. What you just asked for Councilmember Lyles, that is actually a fee to fee comparison of some of the big ticket items, we can do that.

Mr. Phipps said I agree; I was more or less concerned or interested in those like development type fees, permitting type fees, because in as much as there, we are both entities that are involved in that process. We often time hear comments about the level of service between the city and the county and that sort of thing. I guess I would be interested in that.

**Councilmember Driggs** said I wanted to say, I appreciate the work that you have done because I think this is very helpful to take our adopted policy and recognize that there are some situations where 100% is not the right number, be clearer about what those situations are. I had a couple of quick questions. Do we consider how the fees affect our competitiveness when it comes to attracting businesses? It is not up there as a criterion, but we do not want to price ourselves out of the market. I realize these amounts are probably not going to decide the outcome, but I just think it is a thing we should be sensitive to. Another point is it has been raised before the Gartner's study highlights a bunch of service issues and recommends solutions. I think the developer community is going to be much more accepting for the fees that they pay of increases when they see some sort of remedy for the Gartner things, and I realize that is tough. We have been working on it for a while now. My last question was on overhead allocation. Do you have an idea of what percent of these fees typically constitutes allocated overhead versus attributable hours of an individual because that is kind of a squishy thing, and there could be suggestions that you have

loaded that up in order to subsidize other parts, so how big of an issue is it? What percentage of the fees that we collect is overhead allocation versus attributable time by somebody? I guess that is just a question, if you could get back to me on that one.

Ms. Campbell said we can get back.

Mr. Driggs said I do want to repeat, I think this is very good in terms of taking our policy and recognizing that there are certain situations where we are going to make exceptions, and we know what they are.

**Councilmember Autry** said many activities have public benefit, including increase tax base and economic vitality for the city. I guess this is more directed towards the City Attorney. If you had areas of a city where you needed to see investment and lifting up of that investment to help increase the vitality of that part of the city and to provide that that is a vehicle for that part of the city to be a better contributor to tax base, could you have different fee structures segregated across different parts of the city and set up specific hot zones where it would be warranted to provide subsidies for some of those fees, specifically around the development model?

**City Attorney Bob Hagemann** said I do not think that I am prepared to give you an answer here, but I am happy to look at it and we will include it in the response.

Mr. Autry said as we march off on this 100% recovery and if you are saying some of the industry folks say it would help to have subsidies because of the public good this activity provides to the city overall, would it be legal for us to look at providing maybe hot zones where we want to see that sort of activity and would provide a greater subsidy?

Mr. Lyles said how would we exempt the post construction ordinance or TOD and charge it other places? I was not here when that rationale came about, but that was a fee or a charge that we had in some areas and not others. Am I getting that right?

Mr. Autry said that's right.

Mr. Hagemann said we will look at that too.

Ms. Eagle said we will bring the policy back for user fees based on this discussion, in your budget adoption documents on June 13th.

**Councilmember Kinsey** said may I bring up something that isn't exactly to the budget, but it happened Monday night, and I wanted to just let everybody know or mention it. In fact, it has happened on a number of Monday nights. When people in the Chamber put their feet up on the backs of the chairs; that just absolutely goes all over me, because those chairs are just four or five years old had to totally replace them. I would like to ask our security officers to have the right to go up and ask them to put their feet down. These are adults doing it; in fact, it is a former County Commissioner that I saw doing it some time ago.

Mayor Roberts said I can make a comment if I see it happening.

Ms. Mayfield said I agree with Councilmember Kinsey; I think it will make more sense for the staff out there oppose to hearing it from the dais and us, because then it becomes a level of embarrassment or something else, which they should know not to put their feet up.

Ms. Kinsey said it just bothers me; maybe we are the only two LaWana. The other thing, on two different occasions, and this happened Monday night. I have gone back to the back to rest a minute, and there has been someone back there and in my opinion should not be back there. Monday night it was a person who was actually just a citizen who had come to speak and spoke at the hearing later. I have her name because I wrote it down when she was speaking, but that clearly I think would have to be our public service officials back there saying, I am sorry you cannot be back here, unless we are going to let them go back.

Mr. Carlee said there have been a lot of people going back there. We have gotten tighter on that during business meetings. We have not been quite as tight during zoning because we start out back there with everybody in the World in the room to start with. If there is no objection, I will talk with staff about that. I believe the back area should be limited to Councilmembers and staff, just from a security standpoint. I know we have a lot of special friends that we trust, but once you start making exceptions, who do you make exceptions to? It should be a security area.

Mayor Roberts said I would agree with that. I think that if there are people that we want to talk to, we can always come to the front audience part, but I think that the backrooms should be private. I think that is a good point.

Ms. Kinsey said this person was not a developer or representing a developer.

**Councilmember Smith** said they were just going to the bathroom; I saw them too. They were going back to go to the bathroom. I agree with you. I am not arguing with you.

Ms. Kinsey said how did they even know there was a bathroom back there unless someone told them?

Mr. Carlee said of course the Zoning Committee is obviously permitted back there.

**Mayor Roberts** said I think that is a good policy. We just need to be careful. We have a lot of volatile issues before the Council.

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### ADJOURNMENT

The meeting was adjourned at 3:23 p.m.



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Emily A. Kunze, Deputy City Clerk

Length of Meeting: 1 Hour and 44 minutes  
Minutes Completed: May 16, 2016