

The City Council of the City of Charlotte, North Carolina convened for a Budget Workshop on Wednesday, April 6, 2016 at 1:40 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Jennifer Roberts presiding. Councilmembers present were Al Austin, John Autry, Edmund Driggs, Julie Eiselt, Claire Fallon, Patsy Kinsey, Vi Lyles, LaWana Mayfield, Greg Phipps and Kenny Smith.

**ABSENT UNTIL NOTED:** Councilmember James Mitchell

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## **ITEM I: INTRODUCTION/BUDGET COMMITTEE REPORT**

**Councilmember Phipps** said I welcome everyone to our third in a series of Budget Workshops; we have a pretty full agenda of items to go over here and I'm sure the discussion and debate will be lively. We are getting closer to crunch time in determining which direction we will go in these respective areas. These are crucial meetings as we move forward. I would like to offer some personal thanks to some of our budget staff for their participation last night in a meeting that I attended, the Hidden Valley Community Development and Association Meeting. We had Mr. Eric Hershberger and Rachel Wood and Jennifer Holland there to take part in an exercise that has been taking the City by storm, this budget allocation exercise. It was well attended and even Congresswoman Adams was there and she stayed the whole time and participated in this exercise and gave it rave reviews as well as the other participants there. It gave those participants an opportunity to see what we are going through in this whole budget process; the decisions we have to make based on the resources that we have, how we allocate different funding to different priority areas. They got a chance to see and to empathize I think what the Councilmembers have to do. I'm not going to go so far as to say they are going to offer us any sympathy as a result of that but I do think based on their comments it was well received by them, they really appreciated it and I had Congresswoman Adams come up, as well as the President and other members of the Hidden Valley Community Association; so I just wanted to thank our staff for taking time out of their busy schedules to bring that part of the budget process to the community in a transparent way so they could take part in a simulation, although it did have aspects of reality in it. With that said, I know we have a lot to do and a lot to cover; I will turn it back over to the Mayor and we can proceed as the agenda so allows us this afternoon.

**Councilmember Mitchell arrived at 1:43 p.m.**

**Strategy and Budget Director Kim Eagle** said we do have a long agenda today as Mr. Phipps mentioned and Items II, III and IV on your agenda go together if you will. I will do a few slides by way of summary on Enterprise Funds just by way of reminder and introduction and then we have Brent Cagle here to cover Aviation and then Barry Gullet will speak to Charlotte Water.

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## **ITEM II: ENTERPRISE FUND OVERVIEW**

**Strategy and Budget Director Kim Eagle** said as you will recall we covered CATS budget at your Workshop on February 24<sup>th</sup> so this is just a reminder for you of those key components within the CATS budget. That is scheduled to go to the MTC on April 20<sup>th</sup> for consideration; I don't want to get into any of the details but just as a reminder that we have covered the CATS budget already. If you have any outstanding questions to that end we can cover those. Also by way of reminder we also covered Stormwater on February 24, 2016.

**Councilmember Driggs** said since you referred to CATS could you repeat that we are not talking about a fare increase in that budget or what the fare impact is on the budget?

Ms. Eagle said there was some early conversation about that; but my understanding is and correct me if I'm wrong...

**City Manager Ron Carlee** said the current recommendation is no fare increase, but some changes on some of the multi-ride tickets. MTC has held its public hearing and at its next meeting will actually be considering the budget itself.

Mr. Driggs said so the subject could come again about the fares.

**Mayor Roberts** said they haven't voted on it yet.

Ms. Eagle said we covered Stormwater at your February 24<sup>th</sup> meeting as well and as you will recall there is no fee increase recommended for Stormwater. Jennifer Smith shared some detail with you about continuing to evaluate the category C projects; that work will be ongoing through this next year so we can bring back to you as a part of your discussions in the fall where we might stand with that relative to next steps. You do have attached to your handout two letters from the Stormwater Advisory Committee generally stating that they are in support of the budget recommendations with no fee increase and the second letter references the fee credit work and their support of that ongoing effort as well; so nothing new there other than a statement of support based on where we stand today.

**Councilmember Phipps** said the 0% Stormwater fee recommendation; would it be fair to say that our adjustments to the different tiers, would that have had some positive impact from a budget standpoint on our ability to hold the line on fees for this year?

Mr. Eagle said yes Mr. Phipps it did increase revenues because of that tier addition and getting that equity problem addressed.

Mr. Phipps said I would like for the record to reflect that please.

Ms. Eagle said this just gives you an overall summary of where we stand on all enterprise funds; we will have the detailed conversation today on Aviation and then Charlotte Water. This is the last formal engagement with the full City Council on Enterprise Funds so I just wanted to be clear about where we stand in the process and staff will continue to refine those numbers in anticipation of the May 2<sup>nd</sup> recommendation but we will not be back in front of you with an Enterprise Fund conversation after today. Next we have Aviation and Brent Cagle is here and we will move into that presentation.

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### **ITEM III: AVIATION FY 2017 BUDGET**

**Interim Aviation Director Brent Cagle** said thank you for allowing me to do what I love to do which is talk about the Airport and this is really a great new story when it comes to our budget I think. I want to start with some reminders about the Airport values; over the last year we took a look at our vision and our mission statement and we really came to the conclusion that we think our vision and mission as stated captures the essences of our value so the Airport will serve as an economic engine of the Carolinas facilitating the movement of people and goods, creating jobs and enterprise and sustaining the higher quality of life. Our mission is often frequently cited as highest possible service, lowest possible costs, but we started thinking about as the Airport evolves and changes how do we stay true to that mission and vision. What we added were strategic principles. We added six strategic principles and those are focused on safety and security, our customer service, strategic growth, valuing our employees, really our most important asset, preserving our assets, the infrastructure that makes the Airport and focusing on strong partnership in the business community and in the region and the citizens of Charlotte. With that in mind, a few reminders: CLT is the sixth largest Airport in the nation by aircraft movements or operations; that is landings and takeoffs and we are also the eighth largest Airport in the County by passengers. Last year in calendar year 2015 we served just under 50 million passengers; that equates to just about 123,000 people daily and we had about 550,000 aircraft operations and that is about 692 or just under 700 average daily departures. CLT ranks as one of the most efficient and highly utilized airports in the world and we are proud of that and that also has been the foundation and one of the keys to our success and we think will remain as a cornerstone of our success well into the future.

The economic benefits to the region; according to a 2006 study the Airport generates \$12.5 billion of economic impact to the region. That is about \$34 million a day. In calendar year 2014 the three major concessions at the Airport, rental cars and terminal food and beverage and terminal retail generated \$32 million in sales taxes for the City and for the region. In calendar

year 2014 we generated \$5.3 million of awarded projects to small and disadvantaged businesses working through CBI, DBE and the ACDBE Programs. ACDBE is Airport Concessions DBE Program; that is a federal program and it is a federal designation and applies to terminal concessions and federally funded programs. The Airport is home to 20,000 jobs daily; 10,000 of which are attributable to hubbing operations of American Air Lines. We are a diverse employment center; we have service, skilled, trade professional executive job all at the Airport every day.

Our Budget Priorities: we designed our budget around our six strategic principles. We really took a look at those principles and said if we are going to stay true to these principles then we need to design our budget around those principles and that is what we focused on. We also made a commitment last year to the City Council and to our Airline Partners to contain our growth to between three to five percent operating expenditure growth in FY17. For the last two years we've had significantly higher than that growth, 12% to 15% and that was not a sustainable level but it really was necessary for those years to really reset our service level so we realized that and we discussed that both with the City Council and our Airline Partners and we made a commitment to contain that to a reasonable sustainable level and that is we have focused on in 2017. To do that one of our strategies was converting higher priced contract services to permanent positions. We believe that will provide us a better level of service and it will recognize savings in our budget. Our budget also includes projects that support both CLT and airline objectives for future growth and for future sustained success at the Airport. In total our budget is \$149.7 million; that is net of about \$4 million of charge outs and that breaks down this way. It is a 3.5% increase overall; it is about a \$5 million or \$5.0 million increase and it breaks out into our strategic principle areas according to the chart here. You can see that there a total of 50 positions for an increase of \$5 million and then the percentages on the right of the charge show you how those dollars and positions are allocated out across the various strategic principles. So what are the outcomes and what are the priorities that are contained in that \$5 million? The first two bullets are focused on safety and security, additional security staff to meet the needs of our Airport Security Plan, enhancing our EMT and security responsiveness at the Airport, meeting new TSA background requirements through additional staff in our credentialing or badging office. The third bullet focuses on customer service, modifying our terminal restroom attendant program to really better align with our customer expectations and needs. That was my way of saying we will be eliminating the tipping policy for restroom attendants and those employees will go onto a steady wage and will have consistency and predictability in their wages and the tipping; I guess I would say it is something we have done for a long time, but it is something that customers don't like. It is one of the most frequently complained about elements at the Airport, so we are not eliminating the service we are just providing them with a standardize wage and removing the tipping.

The new City Managed Airline Gate management system will allow for more efficient use of the gates and will help us to meet some of the new requirements of the Airport Use and Lease Agreement that goes into effect July 1, 2016. We anticipate additional utility expenses; these are not just inflationary expenses they are additional utilities associated with new facilities as we've built new facilities they all need utilities and that bill has risen; staff enhancements to insure better project delivery of the very complex capital program that we foresee embarking on this year and over the next five to ten years. Repairs and preventative maintenance on our daily parking decks, the daily parking decks are in dire need of preventative maintenance and repairs and this will allow us to maintain those facilities adequately; additional airfield maintenance staff and landscaping staff, to manage our airfield lighting program and to manage the landscaping on our expanded grounds. The Airport is a very large place and we actually, over the last three years, have added a significant amount of landscaping and we want to be better prepared to do that in a more consistent way so this will allow that. Introducing and formalizing a new employee apprentice program and formalizing our internship program. We are working with the Human Resources Department to have a formalized internship program and apprenticeship opportunities starting in July of 2017. As far as the apprenticeship programs goes we are also partnering with CPCC to create a core curricula to help promising young people to work their way into full employment in our skilled labor and trades areas. It is a program that we are just starting and we see a lot of potential for growth and expansion of the program into many other areas at the Airport so we are very excited about it.

Providing additional training opportunities for our staff; one of the things, as I said before, is we want to value our employees and part of that is providing them the opportunities via training to enhance their career and create opportunities for them to progress inside of the department or inside of the City of Charlotte. Enhancing our communications with the community; this is really placing a priority on community outreach and communications with our neighbors. We are a very large stakeholder on the west side and we believe it is very important for us to be more open and available to communicate with our neighbors because we have an impact on them as they have an impact on us and only through that open dialogue can we work together and have mutually beneficial outcomes.

**Councilmember Phipps** said on that enhance communication with the communities I recognize the desire to have more communications with your immediate neighbors, but more often than not I think the communication needs to be extended beyond your immediate neighbors because we get complaints even miles from the Airport in terms of the level of noise, traffic patterns coming in and going to the Airport. I think some consideration should be given when you are talking about communications that are a broader context would be appropriate.

Mr. Cagle said we agree and it is part of the program. We have a big neighborhood; it goes all the way to the University area, all the way to Denver, NC and sometimes to Troutman. We hear from folks who have comments about the Airport and its impact on them. It is a big neighborhood and we need to be better about communicating our plans and the future growth of the Airport and what that means, both good and bad for our neighbors.

Expansion of our Business Diversity Program to insure the program meets the needs of the community, but also to insure it meets the needs of the FAA. This will be additional staff in our Business Diversity area to help take that program to the next level; as the airport grows so does the need to enhance the program.

**Councilmember Eiselt** said I have a question going back to security; I thought I saw on the national news recently that the federal government is pushing for more security at airports. Has that trickled down to you by way of saying the federal government is going to fund some of those security positions?

Mr. Cagle said I guess the reality is the federal government and the TSA will publicly confirm this; is cash constrained when it comes to security personnel, especially TSA and we do not see that getting better. I think that will probably get worse before it gets better. We, the Airport are whole heartedly in support of better funding and better staffing of security functions and TSA functions at all Airports throughout the country, but that is an emerging issue and CLT is not alone; we've seen the impacts of it. We routinely now are starting to see, depending on the day, wait times at security exceeding an hour or at an hour sometimes exceeding. It is a very large concern; it is an industry concern and the TSA is concerned about it also but at some point the resource issue has to be addressed and right now there aren't the resources to add staff. There is no plan for the TSA to add staff at Charlotte in the immediate future.

**Councilmember Driggs** said could you comment on the breakdown of the revenues; you have the actual landing fees and you've got concessions but what do those items look like individually?

Mr. Cagle said the revenues are projected to grow at about 4% to 4.5%; airline revenues, and I don't have the breakdown individually; I can provide that for you separately.

**Strategy and Budget Director Kim Eagle** said it is in the back of your packet Mr. Driggs on Page 62. That was one of the follow up Q and A.

Mr. Driggs said so that is \$205 million but we are showing a \$149 million revenue number so is there some elimination there? The total on Page 62 is \$205 million and the operating budget shows \$149 million. I was just wondering how those two numbers are reconciled.

Mr. Cagle said what that means is the airport will be closing the year in the black, projected. The Airport as a separate credit entity or as an entity of the City that maintains its own credit rating or a separate credit rating; it is important for us to maintain cash balances and revenues exceeding expenditures would be the norm; would be the desired outcome.

Mr. Driggs said is that excess used for debt service purposes or does that go to capital?

Mr. Cagle said it could be used for debt services and it can also be used to maintain our cash reserve and it can be used for Pay As You Go or cash funded capital needs. All of that factors in as we start to build the plan of finance for the capital program.

Mr. Driggs said what is your cash reserve now?

Mr. Cagle said in dollar terms, and I will double check the number, but it is roughly \$400 million which equates, and most of the time the industry norm is to express that as days cash by either the number of days that we could keep the Airport open if we didn't make a dollar. Charlotte is an industry leader in that respect and the last count I saw was somewhere around 1,200 to 1,400 days. We will start to balance that number, to your earlier point, by spending some of that cash rather than issuing debt. The cheapest way to fund a project is with cash and so that is what we will start to do but we will always maintain a larger than average cash reserve because the rating agencies, when they start to look at the rating pluses and minuses, when it comes to Charlotte that is one of the very large pluses we have to offset some of the credit minuses we have.

Mr. Driggs said so you could use some of it for PAYGO type projects?

Mr. Cagle said absolutely, yes.

Mr. Phipps said this concession revenue; is it my understanding that 40% of that goes back to the airlines?

Mr. Cagle said yes and no; 40% of net revenues or profit, 40% of the net revenues remaining after debt service, O & M, after the expenses are paid goes to the airlines. That is not necessarily just the concession revenue, it is whatever is net. I will point out that the airline revenue; there are zero net revenues by federal regulation. We charge the airlines costs and only costs so we do not generate net revenues from the airlines.

Capital Budget Priorities: we have a five-year \$1.6 billion capital program; it is demand driven and inside of that are projects that are most imminent and some of the highlights are our terminal projects, the Concourse A expansion for approximately \$146 million; terminal rehabilitation project; that is the complete gutting and rehabilitation or remodeling of all existing concourses for \$55 million. Lobby and baggage claim expansion for \$247 million and that is adding about 90 to 100 feet to the front of the terminal, both at baggage and ticketing. On the Airfield West Ramp Expansion Phase I for \$45 million; West Ramp and Concourse A go hand in hand and they are separated because technically one is an airfield and one is a terminal but you have to have the ramp before we build the concourse or it doesn't work, so those two projects go hand in hand to move forward. West Ramp is actually underway now; we are doing the cite clearing of the old rental car facilities; when that is done West Ramp gets laid and when West Ramp gets finished Concourse A expansion starts to sprout up out of the ground.

The Environmental Impact Statement for a possible fourth parallel runway about \$5 million. We are working with the FAA now to help the FAA select a contractor to complete the EIS. The Request for Proposal (RFP) is on the street; the FAA will be taking those proposals in the next few weeks and we expect that the FAA will be selecting a contractor at some point in the early summer, May or June. I'm careful to point out Mayor that the FAA is doing all of that work because of conflict of interest and other reasons the contractor works for the FAA; the Airport just pays for it, and we are happy to do that because it is really what helps us move towards expansion. The contractor is an FAA contractor; they just work on site with us but technically they work for the FAA.

Mr. Driggs said the \$1.6 billion includes the \$500 million that has already been recognized in your new contract?

Mr. Cagle said it does.

Mr. Driggs said you would expect to then go subsequently through the ongoing approval process to get further airline guarantees and signoffs for other capital projects.

Mr. Cagle said yes sir; we refer to that as the majority and interest vote or MAI vote and it is a requirement of the lease so as the rest of those projects are needed, as the demand dictates, we will then do two things; bring those contracts to City Council but also bring those projects to the airlines to receive the proper majority and interest approval. It is worth noting that we've always had in 28-years 100% support via our MAI votes and we expect that trend to continue well into the future, but that will be a requirement of the lease.

Mr. Driggs said that is the point in which the airline formerly assumes the responsibility for the debt that you incur like the point at which they agree to back up the debt.

Mr. Cagle said that is right; they would approve the project which would give us in effect the green light to bring those contracts that would result in the project being completed to City Council and pay for those either with cash, with debt, with federal monies. Either way the end result is those costs flow into the airline rates and charges program and they have an impact to the cost of doing business for the airlines and that is why they have an MAI.

My favorite slide is the last slide, but that it not why it is my favorite. Our cost per enplaned passenger or CPE, a very standard metric is really the measure that airports use to gage their costs against other airports. I'm happy to report, so I've shown you the primary hubs for American Airlines, I am happy to report that in FY17 we remain the industry leader and we project a decline of our costs per enplaned passenger from \$1.56 in the current year budget to \$1.43 in the projected FY17 budget. Comparing that to Miami at \$20.56 we are quite a bargain. The average of these five hubs is \$10.29; we are the lowest, as far as CPE goes, the lowest costs large hub Airport in the nation and I believe we are also the lowest costs medium hub airport; so if we compare ourselves to smaller and median hub airports, we are also the lowest costs in CPE terms of all of those airports.

Mr. Driggs said could you comment on how that is possible; are we so much smarter than Miami?

Mr. Cagle said yes, there was a reason I put that in italics way up front; I was waiting for that question. We are efficient; efficiency is high utilization. We process 45 million passengers through 1.8 million square feet and that results in a very high utilization rate which also means on a per enplanement basis our costs is exponentially lower than others. That has some huge benefits on the cost side; it also has some down sides. Our terminal is very, very busy and that is because it is highly utilized. We are an industry leader in CPE, we are also an industry leader in passengers per square foot of terminal; that is a measure we don't talk about as much, it is not as high profile as CPE but we are also an industry leader in passengers per square foot of terminal and doing that leads to a low CPE, they go hand in hand.

Mr. Driggs said so there is no external circumstance that gives us an advantage that could change beyond our control. We are able to manage that number entirely within our own discretion.

Mr. Cagle said correct.

Ms. Eiselt said maybe this is really obvious but could you explain what that term means, the airline cost per enplanement?

Mr. Cagle said cost per enplanement is taking all of our costs and dividing them by enplanements and an enplanement is different than total passengers and roughly speaking it is half. For every enplanement there is a deplanement to make a total passenger; it just happens the industry has its eccentricities and this is a measure that somebody way back pre-Brent decided to measure in enplanements rather than total passengers. When we talk about enplanements instead of 45 million it is half that number roughly speaking.

**Mayor Roberts** said can you remind us where Atlanta is?

Mr. Cagle said Atlanta is our closest competitor at about \$4.50.

Mayor Roberts said so it is still three times what we pay.

Mr. Cagle said yes.

Mr. Driggs said this huge new development that is going right next to you; is the Airport involved in designing that, do you have any thoughts about how impacts you?

Mr. Cagle said yes and yes; we are not involved in designing that; we are involved and we have been involved with the Planning Department as we have talked as Crescent and Lincoln Harris have brought forward their plans. We are aware of them and we are working with them to insure that that development is consistent and compatible among other things with Airport objectives and priorities.

Mr. Phipps said what is the reaction from our airline partners to this proposed budget?

Mr. Cagle said unmitigated joy; they are very happy. Anytime the CPE is declining it is a good year and the CPE is projected to decline by 13 cents. We have a new lease; it has been a very good year and the airlines I'm sure would agree with that.

Mayor Roberts said thank you very much Mr. Cagle; we appreciate the good news and the good management.

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#### **ITEM NO. IV: CHARLOTTE WATER FY2016 BUDGET**

**Charlotte Water Director Barry Gullet** said we want to talk a little bit about Charlotte Water and some of the issues we are facing and how it is impacting our budget and what our budget year looks like for next year. The first thing I want to do is just a quick review of Charlotte Water and just emphasize what we do and to some extent emphasize what we don't do. We get frequently confused with Stormwater, but Stormwater is not in our portfolio so we do drinking water and sanitary sewer and we are an enterprise fund so we don't receive any tax support. Brent talked about the values around the Airport so I've got to throw in that we've been really emphasizing with our employees a culture that we call giving them HECK and HECK is an acronym, some of you don't like acronyms, but HECK is an acronym that we work on with our employees all the time, it is kind of what we expect of our organization of our employees. It stands for Honesty, Effort and Energy Caring Knowledge so we really emphasize that in what we do on a day to day basis to run our utility. We also focus a lot on continuous improvement, we work hard to develop standard processes, document our work flows and compare ourselves to others to be sure that we are operating as efficiently and as effectively as we possibly can and that we are providing the best level of service that we can. We are nationally recognized as an organization, but the thing that I'm more proud of is that we have a lot of employees who are nationally recognized who serve leading roles in the country in the water and waste water business so I think that is a really important thing and I think it is something that helps make our utility a top performing utility.

Some numbers just to give you some scale of what we do; we are 24/7, we pump more than 100 million gallons of water every day. I tell new employees I believe we are probably the only government service that touches every person in our county multiple times every day, but we do. The Airport depends on us, this building depends on us, Bank of America depends on us; everybody that does business, plays, visits, eats, lives or whatever in Mecklenburg County depends on the services that Charlotte Water provides every day. We are facing some operational issues so I want to touch on those and talk about how they are driving our budget. You've heard me talk a couple weeks ago about customer confidence and the barrage from the news media across the country and locally on public water supplies and drinking water quality is continuing and we are still seeing and hearing it. Some of you received an e-mail last week from a very upset customer and in the first line of her e-mail she referenced Flint, Michigan. Those are the kinds of things that are in our customer's mind so we need really need to maintain the customer confidence in our utility. It is very important to the long-term sustainability and so we

are trying to up our game in how we communicate with our customers, how we share information, how transparent we are, how responsive we are and how we are able to meet their demands. We've got to balance that with affordability and cost increased. It is costing more and more to operate utilities, it is costing more and more to build and maintain and replace old stuff in our utility so there is a balance there that we have to deal with along with growth. We are always doing financial planning and what that leads to are some things that really rise to the top as critical concerns right now. You can see them here and I'm going to step through them one by one and talk about what we have proposed to do about some of these things.

The first one is reducing sewer spills. We have been on a mission to reduce sewer overflows for a long time and we have been very successful. We were under an Administrative Order with EPA several years ago; it lasted five-years and we went in and did everything that we were required to do and more and we've been very successful in driving the number down. To keep that number going down we have to continue doing more. What we have is most of our sewer lines are in the public streets, but a lot of our sewer lines are not; they are in the back yards, they are out in the woods, they are following ditches and creeks and they are hard to get to. That is where we are experiencing a lot of our overflows so we need to put more effort into cleaning those off-street lines. You can see from this chart that we have nearly twice as many overflows per 100 miles of pipe off-street than we do on-street, but our cleaning resources for the off-street are a lot less. What we need to do is pick that up and we are proposing to do that by adding a crew but also by outsourcing, privatizing, contracting or whatever word you want to use, a lot of that work as well to help us get up and going quickly. The equipment that they use is very specialized, it is different than the on-street cleaning crew. You can't just take an on-street cleaning crew and move them off-street; the equipment is different the process is different and it is much more difficult to do. That is something that we believe is very important that we continue to do. Another aspect of this is preventing overflows is about more than cleaning; cleaning is an important part, but oil and grease; grease accumulation is a big factor and causes about half of our overflows. As we continue to grow we have more food establishments, more multifamily, more people concentrated in smaller areas and that increases the oil and grease discharge into the system. We need another person to help us manage and inspect those grease control facilities so that is part of this area as well.

Our laboratory is fantastic; our laboratory has capabilities that we really need and the whole region depends on. They are an EPA first responder lab for drinking water emergency pretty much anywhere in the country. We've been able to work with the Fire and Police to support each other in that regard and using some of the grant funding that Public Safety gets related to Homeland Security. The lab is also under a lot of pressure because of this customer confidence issue and the fact that people are having this seed planted in their head that there is something wrong with their drinking water there are more and more request for testing. We want to respond to those request, we want to be able to demonstrate to our customers the high quality of water that is out there. EPA is recognizing and the water industry is recognizing that the amount of testing that we are required to do by statute and by regulation is not enough and we need to be doing more than that. There are a couple of purposes in analyzing drinking water and waste water; you want to insure that you are meeting the regulations but there is a bigger value in that. You want to be sure that what you are putting out there is good safe, clean water and that it meets our customer's expectations. We need to have enough information to be certain of that. We need to make some modest increases in our lab capacity.

**Councilmember Mayfield** said so that I have a better understanding, the regulations that we are looking at, federal mandated, state mandated or do we have flexibility because I think there is a concern when if we are saying the impression is that it is kind of blown out of proportion, the fear that is coming from the community when we have seen in surrounding areas our residents and nearby have water that is not clear; when it is clearly a concern that has happened in neighboring states because of deregulation, the impact. I don't want it to go or for it to be reported as if these concerns are not very real because they are real. I think it would be helpful to know the standards that we are using, are we regulated or could we be impacted by state decision of any level to reduce quality assurance or are we in a position where we are creating controls and putting them in place that are going to protect our citizens.

Mr. Gullet said we view the EPA's requirements for water quality as a floor; in other words, that is the worse it can be if you want to look at it that way. It is not a good way to look at it, but it is

one way. We have our own internal standards that are higher than that and so that is what we are shooting for. The role that the laboratory plays in that is, understand that we take water out of the lake, we treat it, it leaves the treatment plant and goes through thousands of miles of pipe and gets to a customer's faucet, sits in their water heater, sits in their private plumbing and it might sit in their refrigerator for a while and then they drink it. We want that quality of water to be good all the way through, but it changes through that process so our laboratory helps us monitor that. The laboratory does the sampling out in the house, takes the sample from the faucet, helps us trouble shoot; a lot of the problems that we trouble shoot at a customer's home start at the customer's home. That doesn't make it any less important; it doesn't make it any less critical that they have good water and we want to be in a position to not only help them understand what the problem is but to help them understand what needs to be done to solve it, whether it is something that we need to fix or something they need to fix. We view the regulations as being the minimum and we believe we need to go beyond those minimums.

Along those same lines, as our system grows further out and even as it just goes further up and we become more dense the pipes that we are dealing with are getting longer, they are getting bigger; we are putting in bigger pipes and the time that water spends getting to the customer is extended. We need to be sure that we maintain fresh water to all points of our system. We have done water distribution system flushing through fire hydrants for years and years, but it is getting to be more and more critical as the system gets bigger there needs to be more structure, there needs to be more organization, there needs to be more strategy involved in where, how long, which ones, what time of year and we frankly need more resources to manage that and to keep the water to the quality that it needs to be.

I want to talk a little bit about our treatment plants; our treatment plants, some of them are getting old. They range in age; we have water plants and waste water plants that we are using right now today that were originally built in 1922. The newest plant that we have is a water plant and it was built in 1998; 1998 in some ways feels like yesterday to me and I'm having a hard time realizing that that was quite a while back but my point is that those plants have very harsh environments and we depend on those plants. When I say we everybody in our service area depends on those plants every day, every minute of every day and if they fail it is not usually a good day. We really do a lot to maintain those; a lot of what we do is outsourced; we have contracts with electricians and equipment vendors to help us maintain repair and do the predictive and preventive maintenance on the equipment, but we need some more support as this system gets bigger and older to help manage that, to help do the work and to help be sure that these systems keep us going. We also have a lot of pieces of property that we manage. When you look at all of the water tanks, the pump stations, the plants, our operation centers it is a lot of property and then you add on to that the rights-of-way that we have out through the woods and in people's back yard so we get a fairly steady stream of request for people who want to do things on that property. We really need some help to manage those requests so we can be more responsive to the customers and so we can protect the assets community's assets in an appropriate way.

You have seen this slide before; I stole this one from the presentation at the Retreat. It really resonated with me and there are a couple points I want to make about this. This shows that over the last five years 34,000 residential building permits; roughly speaking and a rule of thumb is that about 4,000 homes is equivalent to a million gallons per day of water and sewer capacity. You can see that in the last five-years the 34,000 homes is an eight to nine million gallons per day of water plant, wastewater plant pipe capacity, numbers of meters that have to be read, numbers of accounts that have to be managed, number of bills that have to be mailed out, amount of money that has to be collected so it is a pretty big growth rate.

**Councilmember Fallon** said how are we managing growth? We are adding so many people, apartments, houses; how are we managing that? Do we need new water plants? I know you are adding pipes all the time, can they handle the capacity?

Mr. Gullet said thank you for asking that because one of the points that I really wanted to make is that it has been a while since we added any treatment plant capacity. We were cued up and slated to do a round of expansions when the recession hit and the growth slowed so we stepped back and reassessed that. Some of you may remember we reduced our capital program; we cut expenses to match what was going on in the economy during that time period. The economy has

rebounded and from the Retreat, when you look at it in ten year increments you never ever see the recession in terms of the growth. We are approaching the time that we are going to need to do those expansion projects. Those tend to be the biggest and most expensive projects that we do. The next one on the horizon is built into our budget, it is built into the projected; remember we plan on a ten-year window and these projects take a long time to deliver. The Long Creek Wastewater Treatment Plant, some of you have heard me talk about that for years, I first started working on it in 1989 but that will probably be our next wastewater treatment expansion and it will probably get started sometime in the next three to five years. It is built into the cash flow for our capital financing but it will be a big expense. We are in pretty good shape on the water plant capacity side but we are looking at it from the standpoint of resiliency and redundancy and what happens if we have a failure and how do we deal with that. I want to point out, and I will in a minute, some different aspects of the capital program, but to answer your question, is we are constantly planning. We do something called capacity assurance program; anytime someone comes in with a new development or a big project we trace the amount of flow that they are going to put into the wastewater system from where they put it in all the way to the treatment plant, through the treatment plant and to the creek to be sure that we have capacity. Before we say we can take this flow we have to be sure that we have the capacity; that requires computer modeling, it requires measuring the flows that are taking place in the system and working with the customer to be sure that we've got the right numbers plugged in.

Ms. Fallon said is that why we have so many breaks because the capacity is over what we really can handle or just old pipes?

Mr. Gullet said no, it is old pipes and a lot of them. That has as much to do with it as anything; it is not always the old ones that break, but we have a lot of pipe and we have a lot of activity going on underground and on top of the ground in our community with all of the construction. A lot of the breaks that we have are third party breaks; they are other people hitting our water lines and wastewater lines underground so that accounts for a lot of it. Just the heavy truck traffic, the vibration, somebody building adjacent to it; a lot of things can cause movement in the soil and it doesn't take much, particularly if it is persistent can cause leaks so it is a combination of all of those things.

**Councilmember Eiselt** said one of the things that still hits me, having lived in Charlotte 18-years, is that I think we are one of the most piggish cities when it comes to irrigation. I've never seen anything like it in this City where you drive down the street and it is pouring rain and everyone has their sprinklers going full time. I know it is hard to regulate that because it all goes through one pipe once it gets to the house, but I feel sometimes and when you look at California they had to get to such a crisis for them to tell people to turn their sprinklers off and make it the law. Is there any innovation that some cities are doing to get people to sort of self-regulate about irrigation use; it is just so wasteful.

Mr. Gullet said I agree with you and the good news is that Charlotte is a lot more frugal with their irrigation than they used to be. The drought in 2007 changed people's usage pattern dramatically. We don't see nearly the peaking factor during those summer days that we used to see. It is still higher, there is still an irrigation load, but people have realized that they can use the water a little more wisely and use less water and still have a green lawn. We also have incentives for customers to use less; we have a tiered rate structure and the highest tiers are what you get to pretty quickly if you are a heavy irrigator and the highest tiers are roughly eight times the cost per gallon of water usage as the lowest tier so it gets very expensive if you over irrigate. We also have incentives for people to use smart irrigation controllers that take into account not just whether it is raining or not, but what the soil moisture content is and in some cases even what the weather forecast is. They download that automatically and the controller makes the decision, should I put some water on this grass today or not. That has been demonstrated to conserve 20% to 30% of irrigation water so we give folks an incentive, a discount basically, to install those kinds of controllers and to use that kind of technology.

Ms. Eiselt said that is great and maybe there is a way to market that better, sort of like Duke does with their programs, because I think unfortunately with stormwater being included in that same bill those savings are getting lost a little bit and people don't realize that they might be saving if they cut back on that.

Mr. Gullet said this is more about growth and I won't go into detail too much about this other than to say the last wastewater treatment plant expansion that took place in Mecklenburg County took place in 2007 so it has been almost ten-years. The last water treatment expansion that took place in Mecklenburg County took place in 2002 so it has been a while and we are keeping a close eye on that to be sure that we are keeping up, but it is an issue and it is something that is going to be a necessity in the near future.

**Strategy and Budget Director Kim Eagle** said I wanted to follow up on Ms. Fallon's question and ask Barry to speak to the impact of infield growth and development that is having a significant impact on Charlotte Water as well.

Mr. Gullet said yes it is; I don't know how specific to get here but infield development is changing land use. It is really a change in land use issue as much as it is infield and redevelopment so what we are seeing is some of the neighborhoods they have plenty of water and sewer capacity and then someone comes along and they tear down a restaurant or something on a couple acres of land and they build 300 apartment units and a restaurant and a parking deck and retail all on that same parcel of land. That puts a different kind of pressure on the capacity of that pipe. In that infield situation it is a lot less clear who is responsible for the capacity there then it is in an expansion greenfield subdivision that is getting built on the edge of the system. That is an issue that we are working with right now to try to develop some better ways of dealing with it, some better ways of planning for it and accommodating it in our system. Thanks for reminding me Kim.

A marked change that we have seen in our system is around the security of our sites and the safety of our sites. Over the course of the last year we've had 21 incidents where people have broken into, trespassed, intruded onto our plant sites or our operation centers. That is a marked increase to what we are used to seeing; we had ten incidents where people were breaking in and stealing things from us to sell. We've been able to recover some of that; the recycle market for brass and iron is pretty high and people are trying to break in and steal stuff and resell it. We had a work place violence incident, it was not a City employee, it was a contractor on site who experienced this, but it was on our site, so that is a work place violence issue. We had eight other events that really reflect security so we are looking hard at how we can up our security at our sites. It is important that we protect the investment that the public has made in these facilities and in the equipment and that we not let people carry it off, that we not let people damage it. It is also very important that we protect the safety of our employees. We have sites that cover 150 acres that have two employees there 24 hours per day seven days a week and even though we have security measures in place we don't believe they are good enough so we want to increase our safety and security in our facilities. We wanted to get started in sort of an incremental way so we can learn with it. We are consulting with CMPD, we are consulting with security advisors and trying to develop a plan for making that better.

Ms. Mayfield said this question is really going to go to the City Manager's Office; do we have the ability to look at other areas where we may have security where they are underutilized that we can look at reassigning opposed to looking at additional security staff? There may be some locations or plants in other areas where we have security in place where they are not being totally utilized to their fullest capacity or this space doesn't really need as much as security as was once thought so look at reassignment in conjunction with and/or additional staff.

**City Manager Ron Carlee** said let us look at that.

Mr. Gullet said I also want to talk a little bit about maintaining operations and administration and that is not a really good title for this. The kinds of things that fit here our customers really want to interact with us just like they interact with the other utilities, with Duke and Piedmont, the cable company and the phone company and a lot of that now is on line. We have a web presence but to be honest with you it is not very good. It is better than it used to be and it is not that we haven't put effort into to, we just haven't had the resources to keep up and we really need to do a better job at that. It can help us offset other costs; it can help us reduce the number of calls that you are getting with complaints coming to you about various things that customers can help themselves with or that we can help them through other technology means. We are also continuing to get covered up with freedom of information requests. We've gotten a good start on doing a better job of managing our records but managing records take effort and it takes work.

We simply don't have the resources to provide that work so we need some help and support there.

Let me move quickly into the capital side of the world. We break our capital projects down into these four categories that you've seen before and the point that I want to make with this slide is that there are some big ticket items that are not in our CIP. As I said earlier we are continuously planning, we do master plans for various parts of our facilities; we pull projects out that are identified there and we plan for them years and years in advance. Some things that are not in our capital program right now that we need to make some decisions; they will be coming back to you for some policy decisions over the next year or two. One is the bio-solids issue. I gave presentations to the Environment Committee and I believe to the full Council about bio-solids several times over the last year. We had a master plan that was done and the master plan recommended that we move from a Class B bio-solids product to a Class A bio-solids product that has a very high capital cost. There is a contract coming to you, maybe on your next agenda, to take that study another step. I want to be sure before I recommend that we spend that much money on capital facilities that it is really going to be better and we are going to have a reliable long-term market and outlet for that higher class material. The conversion to Class A isn't in the CIP yet, but it will be a big ticket item when it comes up. Resiliency and redundancy; I mentioned that earlier and it is something that we need to be paying more attention to as our system grows. We've had resiliency and redundancy but as the system grows that resiliency shrinks because it doesn't last as long. Something you have in reserve that is a certain size, as you get bigger you use it faster so it doesn't last as long. We are doing some work in that are right now and there are going to be some recommendations coming out of it but they are not in this year's budget or this year's CIP. There are also some upgrades to facilities that would help us do a better job of managing or conserving energy and electricity and those are not in here either. They simply didn't rise to the priority level that we through was appropriate.

Let me tell you some examples of how we have spent capital dollars. In the last two years you can see we've replaced a lot of pipe; we've replaced a lot of service connections that are old. We do a lot of rehabilitation of lines instead of taking it out we try to reuse what is there by making it last longer. That sometimes is about the same cost as replacing but it is a lot less disruptive to the community and we get a good quality product out of it. I just wanted to point out those are just some examples of how we have spent and how we are spending capital dollars going forward. In our budget presentations for years we've talked about how capital costs are driving our rate increases so I wanted to show you; there is a typo in part of this title on here, the word "capital" shouldn't be there, it should just say average annual cost per customer account. So the top line or the gray line is the capital cost that we've spent each year and how much is projected to be spent each year per customer account on an annualized basis. The bottom line represents the operating aspect on a per customer account basis. What this shows is for the last four or five years the increase on the capital expenditure has been approximately twice the increase on the operating side. It is 15% in the last four or five years on the capital and 9% on operating. If you look forward and project these my prediction is that this line will flatten out. We tend to be very conservative in our out year projections for operating cost increases because we need to plan for that eventuality, but you can see our history is that we've been pretty flat when you look at it on a per account basis. I'm predicting that this line will flatten out going forward, but I'm not sure about that one. This reflects what we have in our ten-year model; I told you some of the big ticket items that aren't in that ten-year model so just depending on how those play out and how our growth changes. If we have more growth and we need to do a plant expansion sooner than we think we do right now then that could impact this going forward.

To wrap up I want to emphasize that we really do long-term planning; by long-term, five to ten-year window, because most of the project that we build take that long to implement or longer. From the time we start conceiving the project, identifying the need for it, planning it, permitting it, designing it and getting it built is a multi-year process so we have to be looking out into the future. Our rates are being driven by that capital, they are being driven by inflation, they are being driven by growth, so a lot of drivers. We are very consistent with other utilities in the country; in fact we stack up very well with other utilities in the county in terms of just the absolute dollar amount of our rates but also in terms of the increases that we are seeing. They are at or below the comparable utilities from across the country so I think we are in pretty good shape.

**Councilmember Driggs** said for the purposes of our budget conversation could we get a simple table that shows some historical and these projections so we get a sense. The key thing here and we are talking about a rate increased so that needs to be highlighted if that is going to affect our calculation of household costs, but in particular I think we should look at what we do this year in the context of what our anticipation is of needs going forward. We have the ability to look forward; you've put these projections out for us, I just want to see what kind of a rate increase schedule it would take to meet these requirements and what we should be talking about today in order to manage that. It is not really just this year.

Mr. Gullet said you are absolutely correct and we have exactly what you are asking for I believe. What we are looking at is how it does play out over the next five to ten years and how we fund our capital so the information sheet that we can give you will show you how we plan to divide capital costs between PAYGO and debt, when we would plan to issue bonds, what the impact on debt service would be, what the impact on our coverage ratios would be and how our fund balance targets would be met. We are incorporating all of that into our long-term planning. I will add that last year Council did a really good thing; when you approved our budget last year you approved some changes to the fixed component of our water and sewer bill so what we are proposing for a rate increase this year, and we don't have a firm number. We always try to wait as late into the process as we can so we can do a better projection for consumption and growth going forward and get a better sense of what we think our sales are going to be before we can forecast what the price needs to be. When we look at that what we are planning is to increase the fixed part of the bill this coming year as opposed to any changes to the variable part of the bill. That will help us with reliability, predictability, it makes us less vulnerable to drought and weather impacts over the course of the year and so it really makes our revenue stream a lot more reliable and a lot more predictable.

Mr. Driggs said my point is the rates because it is a zero sum game the rates that we will want to charge in the future are a function of your projections, especially on the capital side. I think the operating projection is within a narrower band so really for Council the issue is to look at the decisions you are making about the capital needs and try to reconcile those with the implications for the rate increases, we need to kind of look at what the households are going to be asked to pay in the future. I've seen your model; it is a great model but even a simpler version of that that just tells us two, three and four years from now.

Ms. Eagle said we can provide that.

Ms. Mayfield said I would ask in that table show us also no rate increase and what if anything we can do on our end to be more efficient and what the potential impact so as we are breaking it down from no increase to potential what that impact is going to be on homeowners. We need to be able to go back to our communities and explain either way what it is we are looking to do because even though it was mentioned earlier you do have people that run their sprinkler systems in the rain and you also have people who never run their sprinkler systems. They are following all the rules when we say we are in a drought, they don't use any more water than they absolutely have to but as far as they are concerned we are just continually increasing. It would helpful to know the full spectrum.

Mr. Gullet said I understand.

**Councilmember Autry** said Barry do we lose any of our water that has been treated and ready to be delivered?

Mr. Gullet said there is a component of our water usage that is referred to as non-revenue water and it used to be unaccounted for water, but the reality is that it is not all unaccounted for but there is a lot of it that gets used that isn't metered or isn't billed for. Some examples of that are flushing fire hydrants for water quality. Another example is firefighting; there are testing fire hydrants, activating new water mains, so there is a significant amount of water that is used for operational purposes that isn't metered and so it is accounted for but it non-revenue producing water. If you want to say that is lost water then I guess it could be but there is also leakage and there is evaporation from the reservoirs. We do produce more water than we collect money for.

Mr. Autry said leakage was what I was really wanted to address because that has been treated. I anticipate that there is going to be some loss from evaporation of reservoirs but that hasn't gone through the system.

Mr. Gullet said that gets back to the capital part of the program for the rehabilitation and replacement. One of the areas we have really focused on; for particularly for the last couple of years is replacing small diameter galvanized pipe. That is one of the areas that we have the highest rate of leakage on, in other words the most numbers per mile and so we've been focusing on replacing those and in the last year we've replaced about five miles of galvanized pipe. Those are generally found on the ends of cul-de-sacs and dead-end streets and those kinds of locations. We are really trying hard to get our arms around reducing the leakage rate.

Mr. Driggs said just a quick comment further to what my colleague Ms. Mayfield just said; if you freeze the rates we are going to have to solve for capital spending in effect, right.

Mr. Gullet said yes, pretty much.

Mr. Driggs said in a way the interesting corollary to your question is what are the implications of limiting ourselves to capital spending that can be accomplished within an unchanging rate structure? I assume that comes down to failures and sort of system malfunctions that will start to occur because we are not investing enough but if we could see what those consequences are.

Mr. Gullet said I will be glad to help answer that question; I will also add to that that I am not aware of any city in the county that is doing that.

Mr. Driggs said it may be just a conceptual reference but I think it would be useful to know what we are trading off.

Mr. Gullet said I understand and we will be responsive to the question but you hit the nail on the head; to get to a zero rate increase means really we curtail a capital program and when we do that the infrastructure continues to get old and it continues to age and it continues to have problems and it is not a good place to be and it is not an area that I would recommend as the Utility Director that we go in, but I will be glad to be responsive and show you what it would look like.

Ms. Fallon said Barry, where does the money from the impervious water go to?

Mr. Gullet said that is the Stormwater and that is a whole separate enterprise fund of the City and it really is not part of Charlotte Water. That is the Stormwater Services, Jennifer Smith, Jeb Blackwell; that is under our Engineering and Property Management Department, but it is a separate enterprise department.

Ms. Fallon said where does the money go that they collect for it?

Mr. Gullet said they also have capital dollars and you see the list; I've set through their presentations too and we see the list of customer issues that they are trying to resolve, flooding issues, and drainage issues so they have the same kind of challenges from an infrastructure perspective that we do. They are even more challenged in that they took on a lot of old systems, they were old when they got them and they had not been maintained, they were not built to good standards so they've got some real challenges from the capital side and the operations side of maintaining it.

Ms. Fallon said so that is in addition to what they get from budget?

Mr. Gullet said I'm not sure I can answer that part.

Mr. Carlee said that is an enterprise fund that is also supported with fees; it is just a separate enterprise fund than this one.

Mr. Driggs said they get revenue from the stormwater fees and they use it to pay the costs so it is different people.

**Councilmember Phipps** said I recall last year I think we had discussions about what if we did not raise rates for a year instead of all these annuals that we just stopped and I thought it went around that whereas we would have a single digit increase that if we did defer our rate increase that when we did do another one it would be like double digit so I don't know what we would gain from that, but I have a questions about the staffing. You've asking for 24 new positions for this budget; what did we do last year in terms of additional staff and were some of those staff used in some of these positions that you highlighted as a need?

Mr. Gullet said we did have a staff increase last year; about half of the staff that were approved last year were specifically related to the wastewater plants that we operate under contract for Union County so there are five wastewater plants that we operate for them, they pay us for those and they are paying the full costs of those employees. We had a head count increase but we got money to cover them from Union County so we are operating those wastewater plants. The other of it a lot of the positions that we added last year that weren't related to Union County were related to growth and they were related to plan review. Every time a new development goes in in Charlotte whether it is an apartment complex, condo development, a subdivision, even a big shopping center, there is a set of construction drawings and plans that have to be reviewed, approved, agreements made, it has to be inspected, activated, tested and when the recession hit we cut positions and so what we are doing now is restoring those but there are other needs in addition to restoring the ones that we cut in 2008, 2009 and 2010.

Ms. Eagle said to follow up with the numbers Mr. Phipps, 26 full time equivalent positions were added in Water last year but 20 of those were Union County, to Barry's point.

Mr. Driggs said what percentage increase does \$2.40 to \$2.70 represent? That is the amount of the proposed rate increase.

Mr. Gullet said we are probably going to land somewhere right in the middle of that and it is looking like something between 4% and 4.5% for a seven CCF customer. The percent varies depending on which increment of usage because again what we are proposing is that it would be an increase to the fixed amount and not to the variable amount, but it is somewhere between 4% and 4.5%. That is generally the range that is projected out in the model each year.

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## **ITEM V: SOLID WASTE MULTIFAMILY SERVICE DELIVERY**

**Strategy and Budget Director Kim Eagle** said as you are aware this item has been in the Environment Committee and also some conversation in the Budget Committee. Hyong Hi, Assistant City Manager and Victoria Johnson are going to give you an update on those most recent conversations and share additional information. This was discussed at the Environment Committee last week.

**Solid Waste Services Director Victoria Johnson** said the overview is going to be policy questions, options with the pros and cons and next steps. Policy Questions - Are apartment buildings commercial entities that should handle waste collection independently? These are the services Solid Waste provides – single family residents, multifamily residential, townhomes and condos and multifamily commercial. Collection method includes: roll out single family and multifamily 30 units or less and contracted dumpster service. This is the breakdown of the units in which we service: dumpster/contractor 98,920 for apartments; 18,043 for condos and a little over 2,500 for townhomes. Roll Outs; we have a little under 4,000 for apartments, the 96-gallon containers, 6,000 respectively for condos and townhome in the total unitss. The unknown are the units that are on private hauler so therefore we really can't say what type they are. What we find is that they are mostly townhomes at 30 units plus and they wanted roll out service and that wasn't the service in which we were providing. We anticipate there will be an increase of 5% to 10% in multifamily units in FY2017 and FY2018.

What we did was we contacted the Tax Assessor's Office and try to get a finding of what they consider residential, what they do they consider commercial. On the multifamily classification there are homes that really share walls; duplexes, triplexes and some apartments. Apartments are considered commercial projects by the office and it is handled by their commercial real estate

division. Solid Waste Management is a residential service in most municipalities. Collecting commercial without full cost is unique to Charlotte based on our peer city review and mostly across the nation. The options that we have under consideration with the pros and cons and what that impact will be is stop solid waste services to multifamily commercial buildings; full cost recovery of solid waste services to multifamily commercial buildings; franchise solid waste services to multifamily and continue providing service as we do it today.

**Stop Service:** Apartments would go to free market; pros would be to eliminate subsidy to commercial buildings, increase market competition, improvement alignment between Solid Waste Services provision and the Tax Office property classification. The cons would be: potential impacts on rents and we've heard a lot about that, especially low income, potential impact on recycling, and potential multiple haulers on multiple days; in other words there is no way to say that a development wouldn't have different haulers coming through on different days and that is the impact to the streets and everything else and if it is not handled properly it could be very cumbersome to the neighborhood. We are talking about 98,000 on dumpster/contractor \$2 million net savings to cost avoidance and the roll out is \$104,000 for the 4,000 that is going roll out.

**Full Cost Recovery:** Apartments, as commercial entity would be billed for full cost, whatever it costs us to actually do the RFP and what that would breakdown per unit. It would eliminate subsidy to commercial buildings, cost control for apartment owners and renters, improve alignment between Solid Waste Services provision and Tax Office classification and small business solid waste. Cons: it will still be an impact on the rent. At the bottom; the dumpster compactor for the 98,000 is \$59 and our full costs is, even though we collect the revenue of \$25 and current revenue that we get from the \$25 and that is the additional cost that it costs the Department. For roll out, as you can see, it is higher. What we tend to forget is that roll out is substantially higher than dumpster/compactor so that is the difference of the two costs.

**Councilmember Mayfield** said just for clarification; what we are looking at if the City was to continue offering this service, but if we were to put the full costs since we've been subsidizing this costs for many years, what we will be doing is putting the full costs for both dumpster/compactor and/or roll out for multifamily apartments commercial entities, this will be the estimated revenue for them to pay the full costs of that and for us to not subsidize or is this still including some type of subsidy?

Ms. Johnson said no, this is what it would cost for us to actually, and that is annually.

Ms. Mayfield said that would be the charge will go to –

Ms. Johnson said that does include the \$25 already because that is the full cost.

Ms. Johnson said Franchise Model: The franchise model would be that the City takes it upon themselves and we would go ahead and issue an RFP on behalf of the apartment complexes and actually try to get the best possible costs through the RFP and actually maximize and limit what that cost would be passed on to them. It would control costs for the apartments and the renters; it would limit the number of trucks going into the area and the issue of the different days. It would have a less negative impact to the apartment association. The problem would be or cons; possible limited opportunities for small haulers. I think the biggest one for us would be enforcing it, inspection and monitoring it in any kind of way shape or form. The same numbers at the bottom because those are the ones that would be impacted as the slide before.

If we do no changes nothing would change; continue the taxpayer subsidy for commercial buildings, continue the misalignment between Solid Waste Services and the Tax Office and the budgetary impacts on growth. We expect this to see that in the apartments the growth can be from 5% to 10% and that would impact our cost anywhere from – when we do a new RFP, the current contract has been in place for quite a while. If I am not mistaken it could be seven or eight years with the same contract that we are using now. Once we go out to the RFP that cost will go up and we expect it to go anywhere from 5% to 20% over what it is now today. This is not with the \$25 netted out; this is just what the full cost is. This is with nothing changing and that is why you see the 119,000 amount is different because it does include the condos and townhomes still in that because nothing would change.

Ms. Mayfield said we've received a number of e-mails from the residential apartment community, but what I'm wondering is if staff, if anyone reached out to you from the workforce or affordable housing residential community. Because we help support funding for affordable and workforce housing developments that are multifamily developments but I don't recall receiving any notifications or correspondence regarding the potential impact. Has staff received any comments or outreach regarding those that fall in that category of multifamily apartments? If we look at it, which, for disclosure, I'm a fan if we are going to do it charge full amount, but I want to know what if any conversations have been had regarding those that could most be financially impacted negatively. If we haven't had any outreach that is fine I was just wondering.

Ms. Johnson said we have talked to Pam Wideman in Neighborhood and Business Services and have look at that. What we found when we looked at it and Pam reached out to the Charlotte Apartment Association and using their numbers that they sent back, what we found out is that 17,380 of the 102,000 units could be affordable housing which is about 17%. When you look at the total costs you are talking about \$4 million of the total subsidy and you are talking about that 17,000 or almost 18,000 units come up to be about 16% or 17% which is \$680,000 of the whole total costs.

**City Manager Ron Carlee** said the 17,380 units that she is talking about, I don't know at this point what is the breakdown of those between market rate affordable and committed affordable. The question I think you are asking were around our affordable housing providers and partners and what impact it may have on them. We will follow up with Pam Wideman and assess that. One of the key differences between committed affordable and market rate affordable of course is in market rate affordable the people living in there aren't necessarily the people who would be eligible for affordable housing. It could be someone in the income level that would be getting the subsidy in just market rate affordable housing. We are drilling down a little bit deeper on this question because it is coming up very strongly. It looks like the privatization model, the stopping service the monthly impact could be around \$8. We want to scrub these numbers and put them back in front of you when we have confidence that we have it all exactly right for you.

**Councilmember Kinsey** said I want to know, and maybe you are using committed for our subsidized; things that we have through our Housing Trust Fund or in some way contributed to; those are the ones that I would be most interested in knowing the impact.

Mr. Carlee said that is exactly what I am talking about because when we do a subsidy the provider commits to actually providing that unit to someone who meets the income at which would be the requirement.

Ms. Kinsey said I know all about that and I have experience in that area but I think we use subsidize more often than committed so I just wanted to make sure.

Mr. Carlee said yes, that is what we are talking about; our affordable housing partners that we subsidize.

**Councilmember Fallon** said would that be subsidized with rate increased?

Mr. Carlee said in the scenarios that are before you now we have not distinguished between affordable or subsidized affordable; we've looked at it just for the population as a whole.

Ms. Fallon said if it is the subsidized, could we get a breakout of that?

Mr. Carlee said yes and what the impacts would be.

Ms. Fallon on the subsidized because you don't want to hurt the lowest common denominator of people that can least afford it.

Mr. Carlee said understood.

**Councilmember Smith** said I understand that you are saying collecting commercial solid waste without full recovery is unique to Charlotte based on the peer review; is counting apartments as

commercial properties, is that unique? How do other municipalities – I understand that other municipalities have full cost recovery with commercial properties; do other municipalities count apartments as commercial properties? Is that a pretty common denominator across peer cities?

Ms. Johnson said yes it is.

Mr. Carlee said from a solid waste standpoint and definitely from a taxation standpoint. Mr. Smith said with these savings what do we do? Where does that money go, just back in the general fund to fund other projects?

Mr. Carlee said the proposal is to provide for a time for transition and that will be a fiscal year 2018 question for Council.

Mr. Smith said the savings we derive will go to pay for; so the apartment dwellers will pay for other things in the general fund; that is where I'm headed. That is what these savings are for other items that we've accrued expenses on and have to pay for.

Mr. Carlee said that is right or to offset other revenues.

**Councilmember Lyles** said to Mr. Smith's point I think a number of arguments I've heard is that people pay a lot more for different things and some people pay a lot less and I always think that is a balance but I think the decision of how they use that money or not use it is one that will be made in FY18?

Mr. Carlee said yes ma'am.

Ms. Lyles said the question that I have for you on the low income; can you tell us what the federal policy is about Section 8 because I think there are 4,000 Section 8 Certificates. I don't know how many of them are in that kind of apartments but I know that they have an annual adjustment based upon market rates, so again those subsidies are tied to market rates for affordable housing and I just want to confirm that because there are more Section 8 units than there are actually public housing units now because of the change in policy. I want to make sure that is accurate.

**Councilmember Phipps** said in response to the discussion about where would any savings go - it is quite possible that the savings could be put back into Solid Waste; that is a possibility.

**Councilmember Autry** said if we continue to provide this service to a commercial property could other commercial entities come to us and demand service?

**Assistant City Attorney Thomas Powers** said I believe that is a possibility; I can't give a definitive answer but I believe that if we are servicing a commercial property other commercial properties may have a claim that they are being discriminated against by not also receiving service.

**Councilmember Driggs** said what do we say to people who say right now \$25 is payable to a tipping fee and \$34 comes out of general fund so I'm paying rent and that includes property tax and the property tax funds the \$34 and now I'm being told that I have to pay the entire costs of trash collection separately. This is residential trash; it is not commercial trash, it is not shops, it is not factories it is cereal boxes to paper napkins. I just have a lot of sympathy for people to say I don't get it; it looks to me like double jeopardy in terms of what apartment dwellers pay and versus what single family pays, a double standard in terms of I'm paying into the property tax general fund and some of that money is being used to cover the cost of collection for those people but not to these people. That is a tough question for me; economically speaking the fact that if this is a commercial property as I have debated with my good friend Hyong Yi, it is just a funding mechanism. We are not talking about we are going to take this money out of the pockets of those greedy apartment owners; they basically invest up to a certain return on capital, they pass costs through, you are going to see rents go up as a result of this and it is going to impact the tenants and I just don't have an answer to the question of why they are paying property taxes and getting no help with the cost of their trash collection and people who happen to live in condos or in single family residences are in a different situation. What is the answer to that?

**Mayor Roberts** said that is a policy question.

Mr. Driggs said okay, point two this was brought up last year and we in the context on a squeeze on our funding and we discussed the need then to have a policy conversation and here we are back in our budget process and the unfortunate effect of that is that it looks like we are trying to make our budget numbers work on the backs of whoever ends up worse off because of this. I think this whole conversation should take place separately as a policy conversation. In fact there is no impact on our 2017 budget with what we do here and I'm wondering if it doesn't make more sense to postpone the resolution of this question until after this year's budget process when we would still have time to adopt whatever new policy we want before the contract runs out. So that we are not under any time pressure to do anything about this; it is not in the 2017 numbers, the contract doesn't expire until December and I would love to make a clear separation between our policy decision about who bears the costs of trash collection and our need to find money for our budget.

Motion was made by Councilmember Driggs to refer the Solid Waste multifamily service delivery policy to the Environment Committee.
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Without a second, the motion was not considered.

Mayor Roberts said I'm going to let Councilmember Autry respond because this was brought up in the Environment Committee and I don't know what the outcome was.

Mr. Autry said at the Environment Committee meeting on Monday I alluded to the prospect of asking that the entire Solid Waste Services Ordinance and policy be referred to Committee to evaluate seeing it hasn't been updated or looked at in over 20 years and we are a much different City than what we had back in those days, that we needed to look at modernizing the whole policy. I intend to ask for that referral Monday night.

Mr. Driggs said I will second that on Monday night on the premise that we recognize that we are not talking about the 2017 budget when we discuss this subject.

Ms. Kinsey said I was going to mention the policy thing myself but also I understand what you are saying about the taxes. I have struggled with this and the only analogy I can come up with, just for me personally, is I pay taxes to the County for schools every year and I have no children in the schools, so we pay taxes for the greater good of everybody, but I understand what you are saying and I don't necessarily say that to open it for debate but that is the only thing I have come up with for me to think about because I pay taxes for a lot of services that I really don't take advantage of or don't need.

Mr. Driggs said can I say one sentence Mayor in response to that? We are talking about equal treatment for everybody that is all I'm saying.

Ms. Fallon said the problem is it is a minimal saving of money and is it worth the restructuring to go through it? We are not saving that much from I remember.

Mr. Carlee said the projected savings are roughly \$2.5 million to \$3 million and that is your judgment on whether it is worth it or not.

Ms. Fallon said is it worth the restructuring and the upset to people and the unfairness of delineating who is what and who is where who still are paying the taxes.

Mayor Roberts said that is another policy question and I think we also are looking longitudinally of how those costs rise.

Mr. Carlee said that is also an important point; we've talked a lot around this dais about the growth in apartment complexes so what you are you are going to see is an increasing pressure on the property tax side in order to provide the continuing subsidy to apartment buildings.

Ms. Fallon said they will also be paying more taxes as they come on line.

Mr. Smith said the reason I was asking about the money is which we said in the last meeting our revenues and expenditures are sort of out of alignment. Moving forward we have needs for police officers that are coming needs, we have to pay for the streetcar past policy that has been voted upon and it feels like we are trying to squeeze an extra \$3 million and figure out how to pay it versus having a larger policy discussion and maybe looking at the entire Solid Waste Service as Mr. Autry brought up and having a more, out of the budget context, but really in the context of how we provide the service and I will third that because I do think that is the point we've been having since I've been on Council; have a policy discussion on trash service, not have it interlace and show up every year. It looks like a money grab versus a larger policy issue.

Ms. Lyles said we can talk about philosophy of equal treatment, taxes, what does it pay for, who contributes to whatever; I am really concerned too and I've said this in our meetings on the subject that we are having a huge issue with how much revenue we have and to me this question is about some of the things that we really think are important and some that are less important. It is a balancing and maybe we are not prepared to do that because I agree if I had the ideal world then maybe we would be talking about just the policy and I would agree that needs to be updated. My request to the Environmental Chair as he develops this referral is that we actually have some time lines because I think that when we look at – we talked about strategic, safety and transportation, and I've said this before, the general fund pays for Police, Fire, Garbage and Transportation services; that is what our property taxes go towards and at some point you have to balance those four things and if we have the opportunity to do something that is consistent with practice that we can agree upon in any of those four areas it warrants it because there are specific needs that we have identified that overlap what we have the money to do with. To do this in the isolation of well, we are just doing the policy, ignores there is a balance between those functional areas and what does this community value the most or what do we as a Council take responsibility to do and provide because of the way it is done. I don't want history to stand in the way; the Manager is going to come back and he is going to have reductions. This could have been just one of those because it is just a way of doing something. It is not isolated if we are talking about the context of our overall budget this year; it is something that is needed to be done and my only suggestion would be to put a timeframe around it so that we do it in a systematic and orderly way for the operations. I don't know the answer to the question right now, but I think we can't ignore the need for the four functional areas that we have that have not really grown, what are we going to cut and what do we want to do as we go forward. It is not an either or; it is like let's do it in the context of all four services that are provided under the property tax.

Mr. Phipps said I think in the past we've made cuts to Solid Waste Services so any savings that may accrue we might see the need to add some positions to Solid Waste Services. You can look around the City, you can see how much litter there is so we might want to increase litter crews. The fact that this whole thing has been kicked down and previous Councils have seen fit to move it along and unfortunately it comes to us last year and now this year; it is just one of those things but I don't see it as an attempt to try to come up with extra funding to satisfy our budget obligations in other areas as much as it is a part of our fiduciary duty to more or less look at our practices and make sure that they are consistent and current in relation to our growth and what we are doing and maybe with cities that have used this as a best practice. I don't know about the perceptions; it is hard to control people's perception when they might want to think this is some sort of money grab, but I don't really view it that way and I would hope that my colleagues wouldn't either.

Mr. Smith said Ms. Lyles you are right; it is not necessarily in a silo and our general fund funds all these items but if we take away a service from one group of citizenry in order to pay for the other it does give the appearance that certainly these items and the burden to pay for them is being placed one group of citizens and that is where I think if we have a holistic policy discussion and figure out what our collective values are moving forward in the framework of the policy and we try to separate it from the budget, I just think it is a more productive and constructive conversation.

Ms. Lyles said I'm trying to figure out how do you do that when you've got the pressure or request for 120 police officers; do we pull that out and then set it over here and then we talk about the garbage over there. We've got a fire company to do that we've been talking about I

think, I just don't know how you say well okay, and garbage is the one because everybody is paying something into. It could be the same thing with residential; whatever you pull out you've still got to figure out what in the general fund we are going to pay for and I don't know that you can do any of it in isolation. You can examine it, this practice against this and in comparison make a decision, but you cannot just leave something to say well this group will pay less or more. Someone is always going to pay less or more.

Mr. Carlee said I apologize for prolonging this, but I'd like to channel the frustration of our Solid Waste Director so with all due respect she has been trying to have a policy discussion for three years, ever since she had a master study done by a third party to document what best practices are and frankly I don't know what else we can give you on this subject. We collectively need to make a decision, are we going to do it or are we not so our Solid Waste Director can focus her energies on running the Department. We have spent so much time and energy consuming our limited capacity, trying to provide you the best information that we can and at the end of the day it is a policy questions, do you want to provide solid waste service to commercial enterprise or not and if you don't we've given you some options; if you do we will do it. If you don't want to do it during the budget process that is okay, but at some point we need you to just way this is it and let us move on so that she can do what she needs to do.

Mayor Roberts said you make a decision this year you can always make another decision next year once you see how things work.

Mr. Smith said what is driving this? Are homeowners out there up in arms that apartment dwellers are getting the service? I know the frustration on the Solid Waste Director's job, but again this seems like this is being driven by budgetary concerns.

Mr. Carlee said it is budgetary and it is policy; typically city governments do not provide solid waste collection to commercial entities. They go out on the open market and they contract for it for themselves and they build it into their financial model and that is what we do for offices and retail today, except for small businesses, which for a policy reason you want to provide to small businesses and for historical reasons it has been done for apartments. It is atypical, but you can do things that are atypical and if you want us to continue doing them, but it will put an increased pressure on your budget, especially as your housing mix changes and more and more of your housing mix is commercial apartment side. That has and will put pressure on the property tax side, yes they do pay taxes as do the offices and what I would say; I will just echo Ms. Lyles because I'm not expecting you to resolve that this afternoon, but if you don't want to resolve it in the budget timeframe, if you could tell us when you might and what information we need to provide you that is different or better so that we can just wrap it up and then work on Solid Waste and policy issues that we have.

Mr. Driggs said can I ask you when in the past year did you try to bring this up and found us unresponsive? We said in the budget process last year that we needed to have a conversation about this; a year went by, it started to get picked up in the run up to the budget process, we started to hear protest, it was only when we heard the protest that any community outreach was scheduled. I'm sorry and I've very sympathetic with your impatience, but we've have a lot of opportunities to do this in an orderly fashion as a policy discussion to put it in the context of our needs. Now it looks like we are trying to pay for police officers on the backs of apartment dwellers. I'm very happy to schedule and participate but I'm just saying it sounds as if this group has somehow been asked to look at this and refused to do and that just isn't the case. I don't remember being asked.

Ms. Lyles said I just want to be clear; I don't think that we are asking for apartment dwellers to pay for police officers; what we are trying to do is have a safe City, a clean City and a City where people can get the services. You have to make choices and if we are not going to make these choices I think we go with the Manager, just say our choice is to renew the contract or go out to bid for a higher contract knowing that the cost escalation is going to be greater than what it is. What I hear is 'don't do this'; I don't hear what to do instead. If we have an option that actually calculates and takes service the idea that we are subsidizing commercial properties that are making profit to the tune of \$2 million to \$3 million a year and willing to take that on in the future then let's hear this conversation about what the options are. What are we willing to do? I'm fine with that but I think it is unfair to characterize this as apartment dwellers paying for

police officers when all of us are trying to have that safe clean City so it is about how we get there for everybody, not just accusing one group of not paying or one group of benefiting more.

Mr. Driggs said I didn't invent that characterization; it comes from the people who live in apartments. I think we need to have an answer to them. People who live in apartments are seeing it this way; I see them paying property tax and also paying the full cost for trash collection, I see a double count there and I don't think that our overall balance solution to meeting our needs includes double charging people in apartments for their trash collection.

Mr. Lyles said I'm just looking for what is the option and I don't hear what else to do.

Ms. Mayfield said just for full transparency I like number two, just so you know. Our of the options that are in front of us, just to put it out there I support Option #2, Full Cost Recovery.

**Councilmember Eiselt** said I agree with that and that is what I was going to say. We are arguing about this but the fact is we are subsidizing trash. Do people really understand \$25 a year doesn't cover trash collection? I'm still missing something here when we are having this argument, yes we do have to pay for police officers and if we have to dig into the budget and look at our numbers and say here are areas that we have to rectify and by the way nobody is really paying for the collection of their trash anyway; what is wrong with saying we need to increase what people are paying for their trash because we are subsidizing it and exponentially as the City grows we can't afford to keep subsidizing it, so pay what it costs to collect it and move on.

Mr. Autry said I'm fond of pay as you throw; I've been advocating for that for over a year.

Ms. Kinsey said everybody remember when we got rid of backyard pick-up. I usually plan my time very carefully and we are supposed to be out of here by 4:00 p.m. and I'm going to leave at 4:00 p.m. because I want to go home and fix my family a nice dinner tonight.

Ms. Eagle said by way of reminder several Councilmembers had asked for a copy of the full Solid Waste Ordinance as it exists today; that is on Page 63 of your book.

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## **ITEM NO. VI: FINANCIAL PARTNER RECOMMENDATIONS**

**Strategy and Budget Director Kim Eagle** said I can move briskly through the Financial Partners and stop for questions. I would like to get to the CIP conversation which is next because that is extremely important as well. We shared with you back in February the requests that had come in from the Financial Partners; today we have recommendations as we are moving toward the May 2, 2016 full budget recommendation. Just as a reminder our financial partners are broken into these categories; we have general fund discretionary, those that are funded in the general fund by dedicated revenues from food and beverage and occupancy tax; several that are fully funded by federal dollars; we have two funded by PAYGO funding; a couple that are shared funding between PAYGO and federal money and then our Out of School Time. There are two additional requests this year that we will talk about that are not truly financial partners but are requests you have in front of you.

I will start with the General Fund Discretionary; we are recommending that the Arts and Science Council request be held flat at recommendation. As you can see they did request an increase. We are taking the examination to the per capita basis to look at what we fund on a per capita basis for Arts and Science Council in comparison to the county and other surrounding towns, for example. There is a disparity there so we put some language at the bottom concerning potential match before the City explores any additional funding for Arts and Science Council because that is somewhat out of balance when you look at the per capita.

The Charlotte Regional Partnership is an increase and that is also based on a per capita formula. This request is consistent with the request they have made of the County so we are including in the recommendation the additional \$10,000 to match that formula. Community Building

Initiative is held flat in the recommendation; they did not request additional funds and Safe Alliance is the same at flat.

I've got the Municipal Service Districts dedicated revenue sources listed here for you and these are fully funded by the revenues generated from those special tax districts and you can see the projection there so the recommendation simple reflects the revenue projection. This next list is the general fund dedicated revenue; the CRVA and the CRVA Film Commission. These are fully funded by tourism dollars, occupancy tax, food and beverage so you can see the request there. There is a new revenue projection for the CRVA main item and then the Film Commission is recommended at flat.

**Councilmember Mayfield** said when was the last time had a conversation regarding these projections? The concern that I have is because of recent changes that have happened on our state level; we know of a couple of potential fund changes that have already taken place and there is a possibility that we are going to see a change in the CRVA numbers because these numbers I believe include conferences and other events. There is discussion for the Film Commission, we know of a couple of major events and viewings that potentially are not going to be happening in the area. Are you all having any conversations regarding some of this because since it is so very recent are we looking at what the projection is or if there has been any change to it or are we still thinking that these projections are pretty accurate?

Ms. Eagle said we will continue to monitor the projections very, very closely given the recent events and the climate that you are referencing, given the current situation. I will engage with the Finance staff and with Mr. Kimble to have more detailed conversations.

**Councilmember Mitchell** said Kim go back to slide #3 please on MSD. Kind of the same line Ms. Mayfield, but mine is from an economic development standpoint; we have a lot of new development occurring in Center City so are we taking into consideration all of the apartments that will be on line, all the new development in our projections?

Ms. Eagle said yes sir.

Mr. Mitchell said 10,000 new units will be the MSD 1 and we are showing this is only going to create only \$38,000 additional revenue?

Ms. Eagle said let me go back and check the timing of when those units come on line and how that is factored into the calculation. We will do that in the follow-up.

**City Manager Ron Carlee** said while there are a lot of them they are a very small part of the base so the increment that you get on them is smaller than what you would intuitively would think, but we can actually break that down and show it to you.

Mr. Mitchell said there is a different scale; to Kim's point some of them might not be on line in this fiscal year, I just think the numbers look extremely small for all the development in Center City and South End.

Ms. Eagle said we have two partners that are fully funded by federal dollars, the first is Carolinas Care and that is housing resources for people living with HIV and AIDS formerly known as HOPWA (Housing Opportunities for People with AIDS). These funds are determined by the Department of Housing and Urban Development, so this is a pass through. The same is true for Charlotte Family Housing; this group provides monthly rental subsidies to families establishing households and moving out of homelessness. The recommendation at \$330,000 is based on what we anticipate coming from the federal level.

We have two partners that are 100% funded by PAYGO, first is Community Link and we are recommending that remain flat. That is a long standing PAYGO partner. In addition Crisis Assistance did request an increase to serve more families but based on the budget situation we are recommending that remain flat. They provide rental assistance in addition to utility assistance.

**Councilmember Kinsey** said we have several agencies that we either use PAYGO or part PAYGO. I ask this every year; where does the PAYGO funds come from? They are really local funds and so I think people need to know that this is coming out of tax money eventually, but we use PAYGO so it sounds like it is coming from something else.

Ms. Eagle said I understand so maybe it would be more clear in the descriptor because PAYGO is money coming directly from local.

Ms. Kinsey said I have a problem when we say PAYGO because it sounds like magic and it isn't.

Ms. Eagle said by way of context the current number served for Crisis Assistance with City funds is about 1,300 families for rental assistance and about 700 households for utility assistance. We have two partners that receive funds by a combination of sources from federal and PAYGO, the first is the Housing Partnership, affordable housing and just to eliminate any confusion that FY16 PAYGO number you see is a part of the FY16 budget. I apologize for that being misleading but we are recommending that these be flat. They are funded 75% from federal dollars and 25% from PAYGO. Out of School Time Partners, we are in the second year of a two-year contract which the Council established last year so these numbers are determined by that contract. You can see there what the recommendation is and it is flat from FY16 to FY17.

Mr. Mitchell said the 83% are those federal dollars from CDBG?

Ms. Eagle said yes.

Mr. Mitchell said if you could make that note it; that would be helpful.

Ms. Eagle said then finally, we have two additional requests and I will start with the second one, the Economic Opportunity Task Force has been working now for some months and is making significant progress. The City Council funded \$100,000 in the current year budget and they have requested an additional \$50,000 for FY17, so you see that reflected there to continue that ongoing work.

Ms. Kinsey said who actually started this program and who from the City participates?

Mr. Carlee said on the Economic Opportunity Task Force; I would say the idea is generally attributed to the Chairman Fuller, but we were at the table in the very first meeting and then the full partner with the County and the Foundation from day one. Debra Campbell is our ongoing continuity and active participant in all aspects of the program as well as some other staff that have been supportive from the beginning.

Ms. Kinsey said how much does the County contribute every year?

Mr. Carlee said the same.

Ms. Kinsey said so they are being asked for \$50,000?

Mr. Carlee said that is my understanding.

Ms. Kinsey said when does this stop?

**Assistant City Manager Debra Campbell** said the recommendations will be presented at the end of the year.

Ms. Mayfield said even though I know they are asking us and the County for the additional \$50,000, what is the additional \$50,000 for. Even though we know that PAYGO is what it is I have a concern personally that we are going to consider this when I know the impact that Crisis Assistance Ministry has on the community and unfortunately as we are continuing to grow that need is continuing to grow and we have more and more people coming into the City that unfortunately are coming without housing, without a job looking for opportunity and if we are going to have a conversation where we are not going to have a conversation to say why we

should consider an increase with Crisis but we are going to look at an increase for the Economic Opportunity Task Force I would like for us to have a little more conversation around it or at least tell me what this additional \$50,000 is for.

Mr. Carlee said we will be happy to; it provides for the operation in the upcoming fiscal year and we will provide you with information about the other funders, which is not just the County; there are other private resources in the effort as well and we will give you more information about what they are spending their money on. A substantial amount of it has been on research and one of the key objectives of this study is to try to understand the cause of relationships and people being constrained in economic opportunity and try to provide a blueprint to help us target our resources going forward as a City and as a community to invest in those things that are proven by evidence to have the greatest impact on trying to help people rise up out of low income and actually achieve economic opportunity.

Ms. Mayfield said just for full disclosure I am a fan of us actually connecting people to the resources; at this particular juncture of this conversation more so than us doing a study about what people need and access to the resources. We have numerous organizations outside of the City that is already doing that work; we've already identified what the challenges are for upward mobility in the City of Charlotte. We've already identified a number of services so we have an organization that is actually given that assistance that is needed for that gap to help; that makes a lot more sense to me to take \$50,000 and add to that opposed to identifying \$50,000 to give to yet another study when we have several studies already sitting up on the shelf that tells us what we need to do. That is just for transparency.

**Councilmember Fallon** said I have the same problem because we have defunded the Greater Enrichment Program which is a proven program to help children after school, teach them, feed them, take them home, watch them; and it makes such a difference in their education and we defunded it. Do you know what \$50,000 would pay; it is \$1,200 per child per year. That is a proven program, if we are going to spend the money spend it where we know we can plug it in and do some good rather than just having another study group.

**Councilmember Eiselt** said two thoughts on that, I think one of the things the Economic Opportunity Task Force offers is those investments leverages private sector money so it is getting corporations involved that maybe haven't gotten involved before and we have the opportunity to get money from in the long-term and participate in this. Secondly, despite the fantastic organizations that we have in town like the after school programs, like Crisis Assistance Ministry, we are still last in this county for economic upward mobility so we are not doing something right. I think we do need a study and I think \$50,000 isn't a huge ask to find out why in the heck can't we give people economic opportunity in this City.

Mr. Carlee said we will come back with some additional information; there has been a tremendous amount of effort put into this and I would hope the City would continue to be a partner for this last phase.

Ms. Eagle said I have one more to cover - Trees Charlotte Endowment. We are still working through this request and Trees Charlotte had a goal of creating a \$15 million endowment and have made a request of \$1 million of the City. We currently have zero there; in the recommendation, we are working through some options and evaluating the potential for doing some kind of recommendation that would phase this \$1 million over a number of years very similar to the model that you adopted last year for A Way Home. That was contingent upon private fund raising for the City match to be contributed. We are still evaluating the options for this one.

**Councilmember Lyles** said I wonder if Council would allow me to talk a little bit about one additional request here. You know that the staff and the private sector have been working together on developing a pilot job program that was going to be around chronic unemployment, individuals in the community that we talked about at our Retreat about people that have no skills or need skills coming out of the diversion programs, jail, or the Police Department's program and the staff is working with Goodwill to begin a pilot program in construction pre-apprenticeship. Construction is taking off right now and it is an area where there is some need for some additional labor force and the staff has also worked on a best practice program that

talks about skill development, job training, work experience, job coaching and mentoring. It is a public/private partnership where we are being supported by the private sector to provide salaries for people that come out of the training. In order to do that I would like to ask the staff to evaluate and look at including \$250,000 over two years in Community Development Block Grant funds for a pilot program working with Goodwill to assess this to see how we could take it to scale with the unemployment that we have in our neighborhoods that are at 17% to 20% and as well to coordinate with the Sheriff's program and our own Police Department's program with diversion programs as we talked about at our Retreat. So with that, I would like to ask staff to come back when we come back with other programs specifically around getting people with real needs for training to go into the labor force in an area that we need that labor now.

**Mayor Roberts** said I would like to add to that request that we really check on, you are talking about the Sheriff's Work Release Program?

Ms. Lyles said no it is their Diversion Program that they have.

Mayor Roberts said because the work release they told me there was actually nobody in work release right now.

Ms. Lyles said I don't know about the work release program.

Mayor Roberts said if it is the other one as well, just to get us up to date information on what is being utilized.

Ms. Eagle said we can take that and do the evaluation and bring that back. Mayor, that concludes the financial partners and the last slide is just a recap of the schedule.

**Councilmember Driggs** said I just wanted to note there haven't been any questions or comments about the Financial Partners.

Mr. Carlee said point of clarification for Councilmember Mitchell, did you get off the hook for another meeting on April 20, 2016 and the answer is no.

Mr. Phipps said so that is going to occur?

Mr. Carlee said yes, we need one more workshop with you please.

Ms. Eagle said we had placed a hold on your calendar early on just in anticipation of that possibility, so you are booked.

\* \* \* \* \*

## **ITEM NO. VII: GENERAL COMMUNITY INVESTMENT PLAN BUDGET**

**Strategy and Budget Director Kim Eagle** said the CIP is next and I'm going to ask Bill Parks to join me to talk through some of this information. At your last Workshop we provided a summary of some of the key considerations, breaking those needs into near term, mid-term and long-term so today we have an update on the available debt capacity. That number has changed and then additional detail on some of the specifics relative to project recommendations for the recommended budget.

**Bill Parks, Strategy and Budget** said I would like to start with an overview of two things, relatively related items that we are going to go through in this presentation. The first being an update to the estimated available revenue that could be programed into additional capital projects going forward into the future. We have updated that list from the tentative list that we shared with Council previously; we've been able to finalize estimated new debt capacity from a range of \$40 million to \$60 million that we shared with you earlier to an actual number of \$68.1 million and we were able to do that for a couple of reasons. We have finalized revenue projection estimates for revenues that go into the debt model from property tax and from sales tax and we are proposing making some timing adjustments to projects and funding on the bond program that would push some of that funding out that also helps the debt model and helps increase slightly

the available debt capacity. I will be sharing with you a slide that shows how those changes are going to be made.

Secondly, we will provide an update to you on a list of capital needs that we have been considering over the past few weeks from staff's input and conversations with the City Manager's Office and Strategy and Budget. That \$91 million available in new funds could be used to feed into some of these capital needs and allow us to appropriate some of that money to these needs. Regarding those additional needs, just quickly going over this list, the additional debt capacity increases to \$68.1 million but we also have other sources of funds that we can add to this pot for consideration of new programming, including general capital reserves of about \$9.7 million. Those are the monies that come from the general fund fund balance that is in excess of the 16% reserve. We also have general capital project balances current and prior year project savings essentially from completed projects of about \$7.3 million and additional reserves and available capital reserves of \$6.2 million that help create that possibility of having \$91.3 million to use.

If you will consult the handout that we have provided you today starting on Page 2, that begins the list of capital needs that we have been considering and in that packet of materials we have provided some descriptors narrative write-ups for each of the projects or programs to help give you a better feel for what each one of these projects would do and what the rationale for these are. Essentially we have sorted these projects into three categories; the first category would be near-term capital needs, those that we have identified as timing wise that would need to be done in the next year or two that are critical needs or that have the potential to leverage current or impending development activity or other public projects to give us the opportunity to leverage against those projects. Essentially those are the projects that you will see on that category.

The second category would be mid-term capital needs; those would be capital projects that could be done over the next year or two if we had additional funds. At this time we were unable to allocate funds to these projects that are in this mid-term category, however each one of the projects that are in the category do have recommended funding in the first category. What is reflected in this category is the remaining need for those projects that we weren't able to fully fund, but each one of them does have recommended funding in FY17. The third and final category would be what we are calling long-term capital needs to be considered in the future. Essentially this is a five to ten year planning list where we have worked with the departments to identify what they think are capital needs going forward into the future. At some point down the road there might be a need for renovation of a facility or an additional police station or fire station in the future, replacement of infrastructure within buildings, things like that that aren't necessarily needed right now, but they are planning for the future when they might be so we can know when they are coming up.

During our bi-annual review of these projects every two years these items will be looked at each time again to see if it is time to start putting funding towards them. This is sort of a planning list for us to be prepared for that in the future. The list of projects that we have included on the near-term additions and adjustments, there are a few highlights of those in here. That first category are projects that would be added to the bond referendum including the South Charlotte Connector to the Cross Charlotte Trail, a pedestrian/bicycle connector in South End, the intersection at Idlewild Road and Monroe Road, some enhancements to that project which is on the current approved CIP; this would enhance that project somewhat. Additional CNIP program in SouthPark; the SouthPark funding would be spread over two bonds, 2016 and 2018 but all of the others above it would all be programmed into the upcoming 2016 bond referendum. The second category on this would be facilities and what I'm calling environmental, including land purchases for two infield fire stations, the two high priority fire stations we are programming funding to buy land for both of those stations in preparation of getting ready for construction of those fire stations down the road.

**Councilmember Lyles** said I'm getting confused and I just want to catch up with you Mr. Parks. If you can tell me the sheet that we have on Page 2, they start out near-term, so what you are saying is out of the bond referendum those four are in bond funding that the voters would vote on next fall, not this fall, 2017?

Mr. Parks said this fall, 2016.

Ms. Lyles said in 2016 we would have these on the bond referendum for approval and then are all of them recommended for the bond referendum?

Mr. Parks said all of those in that category would be recommended to be put on the bond referendum.

Ms. Lyles said I see Cross Charlotte Trail/Charlotte Connector for \$3 million; that is a bond but South End Pedestrian Bicycle Connector is on the list.

Mr. Parks said I have highlighted some of the key ones so a neighborhoods program isn't on there; it is on this page for your reference. I was unable to include every single one on the list.

Ms. Lyles said so everything on the pages that we have on pages 2 through 6 will be on the fall referendum?

**City Manager Ron Carlee** said if I could point you to what I think is a pretty good quick reference guide in the package you are looking at; if you will go to page 9 there is a table there and you can see at the top is what is proposed for bonds and Bill has done a really nice job of highlighting how things would move from one bond referendum to another and where the changes are, then the other near-term items that would be part of COPS are shown at the bottom.

**Mayor Roberts** said so which one is going to be on the ballot?

Mr. Carlee said the ones at the top would be on the ballot and this summer we will be making recommendations to you on what your bond categories would be and what your bond questions would be by category.

**Councilmember Mayfield** said everything above the green bar?

Mr. Carlee said yes.

Mr. Parks said the \$218 million Mayor.

Ms. Lyles said the \$218 million, if we go with what is here, would be on the referendum.

**Councilmember Smith** said just to make sure I understand, if you've got, for example Park South Drive Extension, on Page 9, you have an arrow to 2018.

Mr. Parks said I was getting to that.

**Councilmember Mitchell** said staff, you've got to help us; you can hear discussion around the table is a little confusing so I think it would be nice if you simplified this, you need one sheet of paper with the projects that will be on the bond so as we are talking to the citizens we will be very clear, page 9 is way too much.

Ms. Eagle said we can provide that Mr. Mitchell, kind of boil that down.

Mr. Mitchell said we are having Town Hall Meetings, we're talking to citizens and we can't refer them to Page 9, we need to say here are the projects.

Mr. Carlee said we will have very different materials for you in the long run.

Mr. Parks said this was put together to work through this presentation. Going back to the adjustments, the arrows you were talking about, we are making some adjustments to delay funding from 2016 to 2018. Most of them coincide with project spending schedule; these will not delay any currently scheduled work on those projects and they will have a small net increase impact on the debt model.

Mr. Smith said for example the Park South Drive Extension, the construction of that won't be delayed when it shows up, a referendum may change.

Mr. Parks said yes, on the other side of the coin we are accelerating funding from 2018 to 2016 and 2020 to 2018 to leverage development activity and other public capital projects; that is the I-85 North Bridge and to do some land banking to take advantage of current land availability and prices and those are the funds for the three police stations that we are advancing those up so we can use those funds now to buy land while it is cheaper and available. This just shows what you were looking at on page 9.

**Councilmember Driggs** said we had a very useful schedule before of capital needs, can we see how that is updated by what you've done here? It just gives us continuity and I wanted to make the comment just in case anybody is not focused; if you look on page 8 you see long-term capital needs of \$430 million. I don't want that to go without any comment from us; the good news about that is we are looking further into the future and we are beginning to put on our radar things that we already know about that we are going to have deal with sometime; I think we should have an awareness of those items. I'm just concerned that we not have a public reaction to the effect of "oh wow, where is that coming from?" These are things that basically go beyond the horizon of the other numbers you talked about, if I understood you correctly Bill, and we are putting them out there right now just so we have that context for decisions we make today.

Mr. Mitchell said on page 9, in 2020 we are showing \$4,160,000 and the arrow points to 2016 for the Idlewild/Monroe Intersection.

Mr. Parks said what we are proposing there is to both accelerate the project up to 2016 bond and to increase the budget for that for expansion to the project based on work we've been doing with NC-DOT along that intersection. It gives us an opportunity to leverage both the work that the NC-DOT are doing as well as the development that is going on on all four corners of that intersection.

Mr. Mitchell said so the gap between \$6.1 million and \$4.1 million?

Mr. Parks said it is \$1.9 million and that is a net increase to the funding. That is in the blue column.

Mr. Carlee said we have incorporated that into the plan.

Ms. Mayfield said so we are looking at the PowerPoint that we have up right now; what we are saying is for the Dixie/Berryhill West Corridor Realignment, the project is going to continue but we are moving the bond cycle to 2018?

Mr. Parks said a portion of it, leaving sufficient funds in 2016 for what we think we can spend in that time period.

Ms. Mayfield said so being more realistic about it opposed to approving all of it knowing we are not going to necessarily spend that amount, breaking it up so we get better leverage. As long as my Nations Ford Road project continues we are good.

**Councilmember Eiselt** said what is the Applied Innovation Corridor; it was \$7.7 million and I guess I'm a little confused by that and then you are taking \$5 million out and moving it to 2018. What is that?

Mr. Parks said what this is suggesting is that we can safely move \$5 million of the \$7.7 million out to the next bond and the \$2.7 million remaining would be sufficient to continue planning and design work and the potential land right-of-way acquisitions and things like that during that period of time and by the time they get to 2018 bond year they will be at a point in the project where they can start spending that other money.

Ms. Eiselt said was that for land purchase or was that a specific project?

Mr. Parks said for which part?

Ms. Eiselt the \$5 million that is getting deferred.

Mr. Parks said I can't answer specifically what part of the project was the \$5 million, but my guess is it might have been at least partial construction money that they know they are not going to need until the next time out.

Mr. Carlee said we will you more details in the follow-up.

Mr. Mitchell said if you go back to page 4, I guess all those that have additional funding in parentheses is it your desire that Council weight in on these projects? There are some with additional funding that I think we need to vet and have more discussions so maybe Mr. Manager it is more your question. What is your desire from us; is this April 20<sup>th</sup> to give you feedback?

Mr. Carlee said if you have questions that you could get to us between now and then that would be really helpful; we've had a capital team that have scrubbed all of these and this is the consensus of the team of projects that do need some increases in funding.

Ms. Eiselt said that was my questions too. I have a lot of questions on the Joint Communications Center that I'm still unsettled with so what is the mechanism to say; is that what we do, get those questions to you now? I don't know how to handle it to be honest; the more I ask the less comfortable I am with the whole project financially.

Mr. Carlee said on that one and I know there are some others that have concerns; we will do some individual briefings and based on the feedback we get from you we can determine how much time you want to set aside and what venue to have full Council deliberation on it.

Mr. Driggs said what she said.

Ms. Mayfield said ditto.

Mr. Mitchell said ditto.

Mayor Roberts said okay, good, so we will add that in to have more detail.

Mr. Phipps said ditto.

Mayor Roberts said again if there are questions that anybody has about specific projects please send those to the Manager.

Ms. Lyles said I don't have a question about our housing allocation, I really am glad that we continue our commitment to it. I would like however, to actually start talking about this land issue. I met with some of the staff today to get that list of all of the properties that are up and some of those are fairly immediate and what the current policy that we have on land that we have available that could be for sale is if it is under our asset management policy, if it is land then we sell it, if it is considered more than we need we sell it and that policy was done in the 90's. The question I have about that policy is that we provide subsidies to the Charlotte Mecklenburg Housing Partnership and a lot of that money is used to buy down the price of land so we are paying for it with the bond money that is under the \$15 million when we perhaps own the land that we could use. I really would like to have a redo of that policy to look at our strategic areas that we want to do to see if there are connections. I think affordable housing is just one of them, but right now the policy goes through a group and it says sell it and I think that we are not balancing some of the things that we have in here to do that especially around our affordable housing component. The second thing I would like us to do is to look at it in this market place and I will use an example, Mr. Manager there is a location that might be available that is under City control in Plaza/Midwood. That is a hot, hot area I know because I'm looking for a house and I can't afford it in Plaza/Midwood anymore. So you start thinking about how do we actually take that? And we've been talking about the affordable housing goal and not just throwing something against the wall to see what sticks but to actually our land asset management policy reflect that if we want to get something done and there is an opportunity for public participation in a private project to achieve our goals how do we do that. I would like to ask, unless there is some objection of the Manager, to begin to take a look at that because I think we are paying for it no matter what we are doing and that we come back and have a look at that policy.

Mayor Roberts said as part of that you also want the inventory of what is on that list?

Ms. Lyles said I think the inventory is something we should have, but I'm more concerned about the policy that says if it is an asset that we are not using just to sell it when it might have the ability to be used for one of our other strategic objectives.

Ms. Mayfield said one of the conversations we've been having in Housing and Neighborhood Development mirrors Ms. Lyles' questions but as of today at our meeting we reiterated the fact that we started the conversation last year or maybe a little before last year, regarding identifying what land that the City owns and getting an updated listing of land that we have throughout and looking at a more comprehensive of both county land, city owned land when we are looking at development. The challenge that I have is the fact that if members of staff are having a conversation regarding moving forward and what the land may be, but yet they are not sharing that information with our Neighborhood and Business Services staff, so when they are sitting in the room for the Housing and Neighborhood Development Committee if we have multiple conversations going on there is a challenge. So the staff that identified this information and started this conversation with Ms. Lyles need to make sure that they are having a conversation with not only my ACM but also my lead person from Housing and Neighborhood Development and that is Ms. Wideman, so when she comes to our Committee and we have a discussion and my Committee members ask a very similar question regarding land banking, regarding what is our inventory and our Neighborhood and Business Services staff that directly works with Housing and Neighborhood Development doesn't have that answer but other staff has come up with an inventory or the idea of an inventory that is going to cause a challenge because we are having these conversations to look at how is our process more streamline but also how are we really focusing that lining up of our policy and our ideas for the City versus what we really have ability to do. Staff is actually already working on pulling that inventory together to give us an idea through Committee that we can then hopefully bring to a Dinner Meeting and bring the full Council to look at how we move forward. We are having conversations regarding CDBG funds and how we do things a lot differently than what we have done previously. We are trying to address some of our needs and our concerns so I like the fact that we are on the same page with how we are looking at what impact we have with tax dollars as well as federal dollars and other monies to address these concerns, but I think there needs to be some consistency on what conversations are being held to make sure that everybody is on the same page so that anyone on Council that has a conversation that conversation isn't too far off from the conversation that is being held in Committee.

Mr. Driggs said I agree with that and one of the things we brought out we would like to see valuations also; any transfers of assets that are not via a purchase and sale mechanism should be transparent but otherwise we could go into quite a lot of detail in Committee today and we are hoping to get that list soon.

**Councilmember Fallon** said you know what a lot of the conversation is around; we never get together and talk about policy. It is only in meetings like this where we can't delve into the deep part of it and understand what each other wants to get at. Maybe that is what we have to do; schedule at least once every week or two weeks to just talk about policy and where we are going.

Mayor Roberts said we have conversation in Committees too and we need to make sure we are getting those reports out.

Ms. Fallon said but they are never coordinated with everybody.

Ms. Lyles said I think this list of projects, you have really been very thoughtful at capturing what we talked about at our Retreat going in a strategic direction so I want to say thank you for that as well as maintaining and just the idea of how you've looked at it to be as specific as possible about when we need to do things, what we've already approved and to bring in the opportunity to do so thank you very much, I think it is well done.

Mr. Carlee said how many people are on the Capital Cabinet?

Mr. Parks other than me the Steering Team, there is probably 15 to 18 people.

Mayor Roberts said do you want to recognize the people on the Capital Team?

Mr. Carlee said only some of them are here but the point is it is a large inter-departmental team effort.

Ms. Eiselt said is the Police funding in here or is that not part of it; this is all CIP? I would like to take the Joint Communications Center and refer it to the Community Safety Committee. I think enough of us feel like we want to have more discussion on the breakdown of the costs and the intent of it and how it fits into the plan for the innovation district.

Motion was made by Councilmember Eiselt, seconded by Councilmember Driggs, and carried unanimously to refer the Joint Communications Center to the Community Safety Committee.

Mr. Mitchell said Julie touched on it, but Kim you said that additional police officers, when will that come back to us?

Ms. Eagle said that is an excellent question and if I can take 30 seconds to talk about the last two items on your agenda.

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**ITEM VIII: INTRODUCTION TO GENERAL FUND UPDATE AND FY2016 SERVICES INVENTORY BASE BUDGET DISCUSSION**

**Strategy and Budget Director Kim Eagle** said we are planning to meet with the Budget Committee on Monday and start walking through some very detailed information on the Police request Mr. Mitchell on the existing base budget and start to frame for you the choices that will be involved in making that work leading to the Manager’s recommendations. We will begin soliciting that feedback on Monday; we will take that input and then we will bring that to you on April 20, 2016 for a full Council conversation. On the operating budget the request from Police, the request from Fire will be the center focus.

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**CLOSED SESSION**

**Mayor Roberts** said the Manager has a short item to discuss with us so I need a motion.

Motion was made by Councilmember Mayfield, seconded by Councilmember Mitchell, and carried unanimously to approve a motion pursuant to GS 143-318.11(a)(6) to consider the qualifications, competence, performance, character, fitness of conditions of appointment or conditions of final employment of an individual public officer or employee or perspective public officer or employee.

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**ADJOURNMENT**

The meeting recessed at 4:35 p.m. to go into Closed Session in Room 280. The meeting adjourned at the conclusion of the closed session at 4:47 p.m.



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Emily A. Kunze, Deputy City Clerk

Length of Meeting: 3 Hours, 7 Minutes  
Minutes Completed: April 21, 2016