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## INFORMATION:

### **Take10CLT Holds One-Thousandth Conversation**

Staff Resource: Alyssa Dodd, EPM, 704-336-3107, [adodd@charlottenc.gov](mailto:adodd@charlottenc.gov)

Take10CLT, the City's Knight-sponsored public engagement project, recently achieved a significant milestone. The project held its one-thousandth conversation in February. As of the end of February, Take10CLT ambassadors have now held one-on-one conversations with approximately twelve hundred individuals who live or work in the city of Charlotte.

The Take10CLT project is based on the premise that engaging citizens in conversations can help make Charlotte better. Ambassadors ask participants questions about what they like about Charlotte, what they'd change, and how they envision Charlotte in five years. The project tests whether this simple approach to engagement can yield new ideas, build connections, and increase trust between citizens and government. What's more, interview responses are captured by research experts at UNCC's Urban Institute who analyze the information and shape it into usable public opinion data.

Over the next few months, Take10CLT hopes to hold approximately 4,000 more conversations. Staff will continue to update Council as the project progresses. For more information please visit <http://charmeck.org/city/charlotte/CivicInnovation/Pages/Take10.aspx>

## ATTACHMENTS:

February 8 Budget Committee Summary



February 8 B

February 17 Economic Development & Global Competitiveness Committee Summary



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# Budget Committee

Meeting Summary for February 8, 2016

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## COMMITTEE AGENDA TOPICS

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- I. Budget Committee Work Plan Update/Retreat Follow-up
- II. Pay Plan for Non Exempt/Hourly Employees
- III. Solid Waste Service Delivery Model
- IV. Storm Water Services FY2017 Budget
- V. February 24 Council Budget Workshop Agenda
- VI. Charlotte Area Transit System FY2017 Budget
- VII. Additional Information

## COMMITTEE INFORMATION

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Present: CM Phipps, CM Driggs, CM Kinsey, CM Lyles, CM Mayfield

Time: 12:00 p.m. – 1:30 p.m.

## ATTACHMENTS

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1. [Budget Committee Work Plan](#)
2. [Non Exempt/Hourly Pay Plan Proposal](#)
3. [Solid Waste Services Study](#)
4. [Storm Water Services Presentation](#)
5. [February 24 Workshop Agenda](#)
6. [CATS Budget Discussion Points](#)

## DISCUSSION BRIEFING

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### I. Budget Committee Work Plan Update/Retreat Follow-up

Kim Eagle, Management & Financial Services

#### **Committee questions included**

- Kinsey: How are we going to tie these six priority areas discussed at our retreat to our overall Focus Areas or are we?
  - Phipps: We're going to allow this document to help us prioritize throughout the budget process
  - Driggs: That's almost a separate issue that we need to talk about. We need to go through what we want to do in terms of strategy, and then allow the budget conversation to be guided by these priorities. Focus Area Plans are still up for discussion.
- Lyles: The budget document, the Focus Area Plans, and the 23 priority areas per the Manager's review are the three documents that come up when we discuss strategy. I would like to get a sense of how aligned these three documents are. Council needs to have discussion around those areas where there are high priorities but we're not aligned.
  - Carlee: The priority document that Council worked on at their retreat arose

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# Budget Committee

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from the other three documents. We can lay out what is and is not in those documents. If you take day to day services, that's not what we looked at in the retreat. We looked at policy initiatives that Council could do. We want to ensure that these policy areas are reflective of Council priorities.

- Lyles: When will we see the high priority operational items that we may want to influence or talk about?
  - Carlee: The operational issues that are really high level wind up sliding into the priority areas. Solid waste, public safety and compensation. Those are the three that slide into priority areas.

## **Committee decisions included:**

- Eagle: We will work on the matrix that will serve as the road map, connecting the strategies we discussed with the budget process, and we'll get that back to you prior to the February 24 Workshop. There was some discussion around using that to frame the discussion at the Workshop so that you have a priority-driven approach. We can also draft for your review some ideas around those key policy decisions. We know that they'll center around the pay plan, community safety, and affordable housing. At that first workshop there will be some time for that strategic policy-level conversation and less time with staff delivering presentation on content. We'll modify that agenda based on this approach.

## **II. Pay Plan for Non Exempt/Hourly Employees**

Kim Eagle, Management & Financial Services

DeLane Huneycutt, Human Resources

## **Committee questions/comments included:**

- Driggs: Is the merit increase of 3% across the board?
  - Huneycutt: It's an average. It's based on performance and where employees are in the market. It reflects a merit matrix. If an employee is low in market, managers want to gravitate that employee towards midpoint, which is the competitive rate of pay.
- Driggs: There's not a separate inflation adjustment, correct?
  - Huneycutt: That's correct.
- Mayfield: A lot of this sounds great for new hires. However, we may have new hires coming at the same rate or a higher rate of our current employees who have been here a number of years. Have we identified those employees who might be impacted that way?
  - Huneycutt: Yes, we will have a transition plan for those employees.
  - Eagle: That is one of the critical challenge areas. And in the conversion approach we accommodate for that.
- Phipps: You've said that most hiring managers hire at 90%, but that it's flexible. How do we ensure that this hiring rate is being consistently applied?
  - Huneycutt: Hiring managers will now have to hire at 90% of the market midpoint. The only way they will be able to hire above that pay rate is if they attain HR approval, which will look at equity across the City.
- Driggs: Since the conversation is mainly about the lowest rung of employees, how is someone in range 13 going to be affected? Is the same methodology being used for every hourly employee?

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# Budget Committee

Meeting Summary for February 8, 2016

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- Carlee: The actual pay is based on the market survey. So all of these are based on the 50<sup>th</sup> percentile of that survey.
- Driggs: The lowest paid people receive benefits that are substantial in relation to their actual salary. When we make comparisons with midpoints, etc. are we recognizing benefits in these comparisons?
  - Huneycutt: No, base salary is completely different process from benefits.
- Driggs and Lyles: Are there big differences in benefits among the populations we're comparing with? As we look at the medians and try to establish those reference points, are there people receiving benefits that are very different from the benefits we pay? Do we take a total compensation view?
  - Cheryl Brown: We benchmark on benefits in the public sector and private sector, and then we benchmark on salaries. We don't really have a mechanism to compare the total compensation pieces.
  - Huneycutt: That reflects the compensation philosophy approved by Council, that we will be at or around the 50<sup>th</sup> percentile with pay and benefits but they are done separately.
- Mayfield: Individuals who are coming in at entry level and are taking advantage of all of the benefits are paying the exact same dollar amount in benefits. Those benefits impact their household in a very different way than someone at an upper range.
- Driggs: In the private sector a lot of employers are cutting back on these kinds of benefits, which is why I bring up the points of comparison.
- Mayfield: If a laborer has been working for 11 years, there's a concern that a new employee would make just \$3,000 less than the veteran laborer. If a laborer has been working for 11 years, have they been given the opportunity to grow?
  - Huneycutt: We're going to create a Laborer 1 and a Laborer 2, which is something Solid Waste has been requesting. We're also going to have an Associate Sanitation Equipment Operator who will ride for a year and learn. We are trying to create a career path there.
- Driggs: It looks like the aggregate pay for these 2,800 employees is about \$100 million. How much more will it cost implement this pay plan than to not implement it? What's the total impact to payroll for the transition?
  - Eagle: The total implementation cost for both general and enterprise funds is about \$1.2 million. \$565,000 is just the general fund implementation cost.
- Driggs: How can it be that little?
  - Huneycutt: That is the difference between if Council approved a 3% merit increase and if you implemented this plan.
  - Driggs: So people who get larger increases will be offset by people who get smaller increases.
- Driggs: Have you been able to get input from employees about the plan?
  - Huneycutt: We've been working on this for a couple of years. We've met with several hourly pay employees from three departments. Then we went out to those departments with a survey. We then created the plan and took it back to those employees for feedback. We haven't been able to communicate the plan out to the employees because needed to wait until we got your input.
- Lyles: Your example included laborers who had 11 years of experience. In your plan, after 10 years they would get to market. I'm worried about a lag situation where they will never be able to get to the top of market because of the transition plan. If that's the case of a large number of the 96 employees, that would be problematic.
  - Eagle: We'll go back and check that scenario.

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# Budget Committee

Meeting Summary for February 8, 2016

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- Driggs: We are targeting a minimal dollar amount. Is there any concern about people bunching up in these categories?
  - Huneycutt: There will be some compression in the very lowest minimum hiring ranges; however, there will not be any leapfrogging.

### **III. Solid Waste Services Delivery Model**

Kim Eagle, Management & Financial Services

Victoria Johnson, Solid Waste Services

#### **Committee questions/comments included:**

- Kinsey: Why wasn't the Environment Committee involved? Was Solid Waste Services involved?
  - Eagle: We got the feedback at the conclusion of the Environment Committee but it was in the context of this topic coming to the Budget Committee. It was just a brief chat to talk about their input as a stakeholder. And yes, Solid Waste was involved.
- Driggs: The industry representatives pointed out that this issue has been coming up for 25 years. We've been trying to put in place a framework that has long term sustainability and not be back here two years later having the same conversation.

#### **Committee decisions included:**

- Phipps: We had some discussion Solid Waste Services and members of the Greater Charlotte Apartment Association regarding some concerns they had about the overarching process related to Multi Family Service. And we've agreed to establish a working group to be included in the overall process prior to any final decisions being made.
- Driggs: Last year during the budget process this subject came up and we recognized the need to have a conversation. At the Environment Committee the general consensus was that the investigation of discontinuing the service should continue so we have a better alternative to our current status which is that we provide the services. The apartment association protested that that appeared to step in a certain direction without a process having occurred which would have involved community involvement. We agreed to have a working group to bring forth the issue to Council.
- Eagle: I'll follow up with Hyong Yi and the Environment Committee, and we'll work on the working group. Regarding the presentation that was scheduled for today, we'll send copies around. We're sharing what was provided to the Environment Committee with a couple of additional slides at the end that have more context around financials.

### **IV. Storm Water Services FY2017 Budget**

Jennifer Smith, Storm Water Services

#### **Committee questions/comments included:**

- Mayfield: I'm concerned about what we mean when we say minimal erosion. There have been cases where the City has identified a project, completed the project, and within six months to three years, we're seeing problems at that property. We are seeing situations where we have standing water, which breed mosquitos and other insects creating health and sanitation issues. We're seeing minimal erosions but not

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# Budget Committee

Meeting Summary for February 8, 2016

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addressing the ongoing issues that have been identified by the community. We're making fixes for the future without making fixes related to the past and the impact that's having. Though some of these properties have changed owners, a lot of them can't because of work approved or authorized by the City. So they're seeing a negative impact but we're changing the rules saying that those issues no longer fall in our wheelhouse. We need to have a conversation about what the impact is on these older communities. It seems that we're sending conflicting messages in terms of livability, walkability and having a greater quality of life. In this conversation of what's identified as minimal erosion and our saying that we no longer work on this particular issue, it would be helpful to know when did we stop and what was the deciding factor on why we would stop, and when did we have the community conversation that we were going to stop.

- Smith: When we're looking at projects, we're looking to see if any previous work was done at that location. And we're looking to see if any work was done in that area to see if that caused the problem.
- Driggs: There's a similarity between this and an issue we've discussed in the Housing & Neighborhood Development (H&ND) Committee, wherein people are applying for funds and then are put on waiting list. They've made a proposal where instead of having an endless list, they would have an annual process of accepting applications each year and they would approve the number that they can get done in a year. They would then prioritize that list. So they have a more focused conversation on what will get done each year. They can accept the amount of work that can get done each year, and prioritize the list based on greatest acuity. Applicants then know what to expect. The only concern with bringing that practice here is the dollar amount. The H&ND staff said that by using this approach they would be able to catch up the list in a two year period. Last year we did discuss how it didn't make much sense for people to have a service that people were nominally entitled to get but practically were never able to receive. A different approach would bring into sharper relief whether we think we can fund the list or not and then create realistic expectations.
- Phipps: Do we have a program wherein residential owners can get a credit if they have a garden in their yards?
  - Smith: If a property has a pond, we'll evaluate then pond to make sure the runoff is going to that, and they could get a credit for that. A rain barrel doesn't capture enough water to merit a credit.
  - Phipps: So it would have to be a substantial rain garden.
  - Lyles: There would also be a credit if a property had a pervious surface on their driveway versus concrete.
- Driggs: How much do we actually grant in credits in aggregate?
  - Smith: \$1.5 million. If we were to make a change it would increase revenue by \$800,000.
- Phipps: Do we know how much our impervious surface increases on an annual basis?
  - Smith: A 1% increase is what's in the model now.
- Driggs: What will be your proposal in terms of a rate increase?
  - Smith: I was going to show you some options. If you wanted to start working on C's in 2017 or 2018; if you wanted to work on A's and B's that we have the backlog with, we can address those.
- Driggs: When we take up that backlog conversation and look at that number, I'd like us to think about how we deal with our list to get us caught up.
- Kinsey: I'd like to know what we absolutely have to do by law and what that cost is. I

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# Budget Committee

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continue to be concerned about the growing cost to the citizens, and every year it's an increase. I'm beginning to think in the future we need to be more careful.

- Mayfield: We're having conversations across the nation about water quality. It would be good to have a snap shot of the controls and procedures we have in place above the minimum. And also what the minimum is.

## **V. February 24 Council Budget Workshop Agenda**

Kim Eagle, Management & Financial Services

### **Committee questions/comments:**

*See questions/comments from agenda item I. Budget Committee Work Plan Update/Retreat Follow-up.*

## **VI. Charlotte Area Transit System FY2017 Budget**

John Lewis, Charlotte Area Transit System

*The Budget Committee received the CATS Budget Discussion Points as information.*

## **VII. Additional Information**

Kim Eagle, Management & Financial Services

*The Budget Committee received the Questions & Answers from January 11<sup>th</sup> Budget Committee and additional questions for Council Member Mitchell as information.*

## Budget Committee Work Plan Update

<i>Meeting Date</i>	<i>Item</i>	<i>Description</i>	<i>Discussion/Decision Points Future Action Requested</i>
Monday, September 28; 2:00 – 3:30 pm – Room 280	Storm Water Ordinance (referred on July 28)	Review of funding approaches - General Fund/property tax base for large projects, etc.	Committee voted to recommend Staff's amendment to the Ordinance (passed unanimously)
	Threshold for Agenda Placement (referred on July 28)	Discuss placement of items on Council Business Agenda (Consent vs. Business)	Committee discussed different alternatives and recommended leaving current process in place
	Pay Plan for Non-exempt Employees	Overview of current process and reasons for modification to City pay plan for non-exempt City employees	Committee discussed need for modifications to hourly pay plan and supported concept for changes
	Follow up from FY2016 Budget Process and Committee Work Plan	Discuss items from FY2016 Budget process & provide a list of future Committee topics	Committee discussed project list and determined the following projects would not be revisited by Committee during current Budget cycle: <ul style="list-style-type: none"> <li>• Take home vehicles</li> <li>• Water meter upgrade (include as part of Charlotte Water CIP)</li> <li>• Asset Sales Leaseback (to be reviewed by PCAC)</li> </ul>
Monday, January 11; 1:30 – 3:00 pm – Room CH-14	Budget Committee Work Plan Update	Discuss Budget Committee work plan through Council Budget Workshops	Committee discussed being more involved in substantively guiding what goes to full Council in Budget Workshops and in the budget process in general
	Budget Process Calendar	Review of Budget Process Calendar	Committee discussed their desire to focus more on key issues and decision points during Council Budget Workshops
	FY2016 Budget Outlook Report Content	Review Budget Outlook Report Content for Annual Council Retreat	Committee discussed potential topics at Annual Council Retreat. This was to include a revenue update and budget and financial indicators

<b>Meeting Date</b>	<b>Item</b>	<b>Description</b>	<b>Discussion/Decision Points Future Action Requested</b>
	FY2017-FY2021 Community Investment Plan Overview	Discuss current outlook of General Community Investment Plan	Committee discussed criteria for making any changes to Community Investment Plan. Committee discussed importance of not making vast changes to approved plan.
	General Fund-Fund Balance Policy	Update on City Fund Balance Policy and impact of potential modifications	Committee discussed the current policy and asked Staff return with additional information
Monday, February 8; 12:00 – 1:30 pm – Room 280	Budget Committee Work Plan Update	Discuss Budget Committee work plan through Council Budget Workshops	Discussion & Feedback
	Pay Plan for Non-exempt/Hourly Employees	Discuss proposed modifications to City pay plan for non-exempt/hourly City employees	Discussion & Feedback
	Solid Waste Services Delivery Model (primary referral is to Environment Committee)	Process status update	Discussion & Feedback
	Storm Water Budget	Preview of Storm Water Operating Budget & Overview of current Storm Water Capital Program	Discussion & Feedback
	CATS Budget	Preview of CATS Operating & CIP Budget	Discussion & Feedback
	February 24 Council Budget Workshop Agenda	Review and Approve agenda for Council Budget Workshop	Discussion & Recommendation
Monday, February 29; 1:30 – 3:00 pm – Room 280	General Fund Update	Discuss Preliminary General Fund Revenues and Expenditures	Discussion & Feedback

<b>Meeting Date</b>	<b>Item</b>	<b>Description</b>	<b>Discussion/Decision Points Future Action Requested</b>
	Community Safety strategic needs including Fire companies, in-fill Fire stations, Police patrol services and Police stations location planning (joint referral to the Community Safety Committee)	Community Safety Committee to discuss and determine relative priority within each area, not funding recommendation. Budget Committee to discuss funding.	Discussion & Feedback
	Compensation & Benefits	Review Draft Compensation & Benefits Information	Discussion & Feedback
	Community Investment Plan	Review Draft Community Investment Plan	Discussion & Feedback
	March 16 Council Budget Workshop Agenda	Review and Approve agenda for Council Budget Workshop	Discussion & Recommendation
Monday, March 21; 1:30 – 3:00 pm – Room 280	Aviation Budget	Preview of Aviation Operating & CIP Budget	Discussion & Feedback
	Storm Water Budget*	2 <sup>nd</sup> Review of Storm Water Operating & Capital Program	Discussion & Feedback
	Charlotte Water Budget	Preview of Charlotte Water Operating & CIP Budget	Discussion & Feedback
	Charlotte Water Assessment of Capital Funding Model	Overview of capital funding model used by Charlotte Water	Discussion & Feedback
	Financial Partner Recommendations	Preview of Financial Partner Recommendations	Discussion & Feedback
	Community Investment Plan*	2 <sup>nd</sup> of Review Draft Community Investment Plan	Discussion & Feedback

<b><i>Meeting Date</i></b>	<b><i>Item</i></b>	<b><i>Description</i></b>	<b><i>Discussion/Decision Points Future Action Requested</i></b>
	April 6 Council Budget Workshop Agenda	Review and Approve agenda for Council Budget Workshop	Discussion & Recommendation

\* If necessary



## Non-Exempt/Hourly Pay Plan Proposal

Council Budget Committee

February 8, 2015



### Pay Plan Study Background

- Council concerns related to living wage for lower paid employees
- City Practice
  - City current minimum pay = 60% of Area Median Income
  - FY16 Council approved \$27,000 (\$12.98)
  - Propose to go to \$28,260 (\$13.59) in FY17
- Pay plan for entry-level workers in labor, trades and administration reviewed (hourly classifications)
- Feedback from employees concerning pay

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## Current Broadbanding Pay Plan

- Market rates are established based on extensive data gathered directly from other employers and survey sources
  - Based on median of actual wages paid in recruitment area for comparable work
  - Comparable to mid-point in a traditional range pay plan
- Emphasis on pay based on two factors: performance and position relative to market
- Employees receive merit increase, if funded, on their annual merit date

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## Pay Plan Evaluation

- Study included surveys, interviews, and focus groups
  - Local municipalities, private sector, City staff
- Department Directors expressed challenges with Broadbanding pay plan for hourly employees
  - Does not address recruitment and retention adequately
  - No clear career paths or focus on pay range based on skill
  - Difficult for employees to reach market rate due to structure
  - Rules can be applied inconsistently causing pay inequities

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 <b>Proposed Pay Plan Focus Group/Survey Findings</b>	
<b>Challenges Identified in Focus Groups and Surveys</b>	<b>Proposed Solutions</b>
Employees never make it to "market rate"	Gravitate employees towards 100% of market (midpoint)
Employees don't understand broadbanding	Restructure to be easily understood by employees with flexibility for management
Employees desire cost of living, performance pay, and skill pay	Market increases and performance pay Recognition for skill attainment - Promotions – base pay increase - Reclassifications – base pay increase - Certifications/trainings – lump sum payment
Pay inequities exist within divisions and departments	Employees treated consistently across organization, pay scale based on years in position and performance
No clear career-paths for promotion	Defined pay scales and promotion pay increases

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 <b>Proposed Pay Plan Comparison</b>	
<b>Broadbanding</b>	<b>Non-Exempt/Hourly Pay Plan</b>
Over 200 market rates	20 Ranges
Difference between market rates vary	5% between midpoints
Market Rate = median (50th percentile) of survey data	Midpoint = median (50th percentile) of survey data
85% hiring guideline	90% Minimum hiring rate
Hire rates vary greatly	Hire above minimum (up to midpoint), need Department Director or designee and City HR approval
No scale adjustment increases	Annual scale adjustment increases = 1/2 Broadband merit - February
Merit matrix	Merit matrix = 1/2 Broadband Merit
Promotion increases vary greatly	Promotion increases 5%, 10%, or to minimum of range, whichever is greater. Exceptions (up to midpoint) need Department Director or designee and City HR approval

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### Proposed Pay Plan Structure

**Ranges**

Range	Min	Mid	Max	Num Emps	Example Job Classification
Range 1	27,569	30,632	35,227	96	LABORER
Range 2	28,947	32,164	36,988	48	STREET CREW MEMBER
Range 3	30,395	33,772	38,838	83	UTILITIES TECHNICIAN I
Range 4	31,914	35,460	40,779	25	ACCOUNTING CLERK I
Range 5	33,510	37,233	42,818	165	AIRPORT SHUTTLEBUS DRIVER
Range 6	35,186	39,095	44,959	420	SPECIAL TRANSPORTATION DRIVER
Range 7	36,945	41,050	47,207	99	311 CONTACT CENTER REP
Range 8	38,792	43,102	49,568	339	SANITATION EQUIPMENT OPERATOR
Range 9	40,732	45,257	52,046	247	POLICE TELECOMMUNICATOR
Range 10	42,768	47,520	54,648	107	CRIME SCENE TECHNICIAN I
Range 11	44,907	49,896	57,381	276	LABOR CREW CHIEF II
Range 12	47,152	52,391	60,250	127	RAIL OPERATOR
Range 13	49,510	55,011	63,262	129	CODE ENFORCEMENT INSPECTOR
Range 14	51,985	57,761	66,425	188	CONSTRUCTION INSPECTOR
Range 15	54,584	60,649	69,747	67	CONSTRUCTION INSPECTOR-SENIOR
Range 16	57,314	63,682	73,234	63	CODE ENFORCEMENT INSPECT-LEAD
Range 17	60,179	66,866	76,896	62	FIRE INSPECTOR-CERTIFIED
Range 18	63,188	70,209	80,740	33	CHIEF MAINTENANCE MECHANIC
Range 19	66,348	73,720	84,777	6	FIRE INSPECTOR-SENIOR
Range 20	69,665	77,406	89,016	5	CHIEF AIRPORT CONSTRUCTION INSPECTOR

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### Proposed Pay Plan: FY2017 Transition Overview

Job YOS	Pct to Mkt
< 1 - 4	90.0%
5 - 6	92.5%
7 - 8	95.0%
9 - 10	97.5%
> 10	100.0%

**Job YOS = Job Class Years of Service**

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**Proposed Pay Plan:  
FY2017 Transition Overview**

- 2,824 employees will average 4.2% transition increase and a 5.8% average increase with 1.5% market
  
- Transition to new pay in February 2017
  - Based on job class years of service, not hire date or position date
  - There will be no decreases
  - Increase ranges by 1.5%
  - All employees receive market adjustment of 1.5% on top of conversion
  - Minimum Pay brought to \$28,260

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**Proposed Pay Plan:  
FY2017 Transition Overview**

**Distribution of Transition Increases Chart**

% Inc	# Emps	% to Ttl
<b>0%</b>	<b>831</b>	<b>29.4%</b>
<b>0% - 4.99%</b>	<b>851</b>	<b>30.1%</b>
<b>5.0% - 9.99%</b>	<b>835</b>	<b>29.6%</b>
<b>10% - 14.99%</b>	<b>250</b>	<b>8.9%</b>
<b>15.0 - 19.99%</b>	<b>48</b>	<b>1.7%</b>
<b>20.0 - 24.99%</b>	<b>9</b>	<b>.3%</b>

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## Proposed Pay Plan: FY2017 Transition Overview

### Transition Examples

<i>Laborer with 2 years experience</i>				<i>Laborer with 11 years experience</i>			
Pay Increase Reason	Date	Salary	% Increase	Pay Increase Reason	Date	Salary	% Increase
FY16 Merit	10/1/2015	\$27,405	1.5%	FY16 Merit	10/1/2015	\$27,405	1.5%
Transition Increase	2/4/2017	\$27,569	0.6%	Transition Increase	2/4/2017	\$30,632	11.8%
Market Adjustment	2/4/2017	\$27,982	1.5%	Market Adjustment	2/4/2017	\$31,091	1.5%
Increase Hiring Rate	2/4/2017	\$28,260	2.5%				
FY18 Merit	10/1/2017	\$28,684	1.5%	FY18 Merit	10/1/2017	\$31,558	1.5%

<i>Sanitation Equipment Operator with 2 years experience</i>				<i>Sanitation Equipment Operator with 11 years experience</i>			
Pay Increase Reason	Date	Salary	% Increase	Pay Increase Reason	Date	Salary	% Increase
FY16 Merit	10/1/2015	\$35,423	1.5%	FY16 Merit	10/1/2015	\$35,423	1.5%
Transition Increase	2/4/2017	\$38,792	9.5%	Transition Increase	2/4/2017	\$43,102	21.7%
Market Adjustment	2/4/2017	\$39,374	1.5%	Market Adjustment	2/4/2017	\$43,749	1.5%
FY18 Merit	10/1/2017	\$39,964	1.5%	FY18 Merit	10/1/2017	\$44,405	1.5%

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## Future Fiscal Year Cost

- Non-Exempt/Hourly pay plan merit funded at half of the Broadbanding merit budget percent
  
- Non-Exempt/Hourly pay plan market adjustment funded at half of the Broadbanding merit budget percent
  
- Only additional cost during future budget years may be additional market adjustment if ranges fall below competitive market

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## Next Steps

- Present at March 16<sup>th</sup> Council Workshop
  - Included in Pay & Benefits Presentation
  
- City Manager's Recommended Budget
  - Pay & Benefits Recommendation May 2<sup>nd</sup>

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## Solid Waste Services Study

Budget Committee

February 8, 2016



## Agenda

- Background
- Goals
- Current Policy & Services
- Issues
- Options
- Summary

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	Background
<p>As part of FY2016 Budget process, Council approved Work Plan for FY2017 Budget included:</p>	
<ul style="list-style-type: none"><li>• Solid Waste Services delivery and cost recovery model<ul style="list-style-type: none"><li>– Staff has reviewed this work as well as conducted a cost analysis of alternative options</li></ul></li></ul>	
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	Goals
<ul style="list-style-type: none"><li>• Equitable service delivery</li><li>• Delivering high quality residential waste collection at the lowest possible cost</li><li>• Aligning services with national best practices</li></ul>	
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## Current Policy

### Charlotte Code of Ordinances: Services

- **Rollout container collection service** shall be provided to single residential units and special residential units, provided such special residential units are not part of a multifamily complex containing 30 or more units.
- **Any multiple-residential units and/or city governmental agency**, referred to in this division as "unit," that furnishes and maintains a bulk container, detachable container or portable packing container will be eligible to receive service provided by the city's private contractor.

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## Current Policy

### Charlotte Code of Ordinances: Definitions

- **Residential unit** means one single-family residence or an individual apartment or condominium in a multiple-family residence, unless otherwise specified by the city.
- **Single residential unit** means any dwelling place occupied by one family.
- **Multiple residential unit** means any apartment, group of apartments, or condominiums used for dwelling places of more than four families.
- **Special residential unit** means any duplex, triplex, or quadruplex.

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## Current Services

- **Resources**
  - \$52.4M Operating Budget; 302 Employees; 177 Heavy Trucks
- **Services Provided**
  - Single-Family and Multi-Family Residential Collection
  - Street Sweeping, Litter Picking, Special Events Support
  - Small Business Garbage and Dead Animal Collection
  - Maintain Central Business District and Tryon Street Mall
- **Contracts**
  - Single-Family Recycling Collection (\$6M)
  - Multi-Family Garbage, Recycling, Bulk Items, Christmas Trees (\$3.7M)
  - Rollout Carts – Purchase and Maintenance (\$1.6M)

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## Issues with Current Practices

- Approximately 12% of all multi-family (in complexes of 30 or more) units in Charlotte choose to pay for private rollout service rather than the City-subsidized dumpster service
- The 30 unit threshold for rollout service was based on development trends in the 1990's
- In 2015, City worked with the Tax Office to remove the Solid Waste Fee from the units opting to use private haulers

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## Options

**Recommendation of 2014 Consultant Study and the Privatization and Competition Advisory Committee (PCAC)**

1. Eliminate collection services for multi-family homes (complexes with five or more units)
2. Revise the City Code to limit provision of collection services to single family dwellings and special residential units (duplex, triplex, quadraplex)
3. Eliminate multi-family solid waste fee

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## Benchmark Cities – outside NC

Multi-family Services	Charlotte	Austin	Baltimore	Columbus
Size Criteria	> 29 units	> 4-plex units	> 4-plex units	> 4 attached units
<b>Waste Collection</b>				
Waste Services Provided	Trash and Bulky	SNP	SNP	Trash
Service Frequency	Weekly	SNP	SNP	Weekly
Service provided by	Contracted Hauler	SNP	SNP	City
<b>Recycling Services</b>				
Recycling Services Provided	Yes	SNP	SNP	220 Drop box locations
Service Frequency	Weekly	SNP	SNP	N/A
Service provided by	Contracted Hauler	SNP	SNP	SWACO*
<b>Cost and Funding</b>				
Multi-family Service Funding Source	General Fund	NA	NA	General Fund
Fees Charged	Disposal Only	NA	NA	Collection & Disposal

*SNP = Service not provided to multi-family complexes larger than specified in the Size Criteria.  
 NA = Not Applicable  
 \*- Solid Waste Authority of Central Ohio*

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### Benchmark Cities – inside NC

Multi-family Services	Charlotte	Greensboro	Raleigh
Size Criteria	> 29 units	> 8 units <sup>1</sup>	> units <sup>2</sup>
<b>Waste Collection</b>			
Waste Services Provided	Trash and Bulky	Trash, Bulky and Yard Waste	SNP
Service Frequency	Weekly	Weekly (cart) 1-5 times week dumpster	SNP
Service provided by	Contracted Hauler	City	SNP
<b>Recycling Services</b>			
Recycling Services Provided	Yes	SNP	SNP <sup>3</sup>
Service Frequency	Weekly	Bi-Weekly	SNP
Service provided by	Contracted Hauler	City	SNP
<b>Cost and Funding</b>			
Multi-family Service Funding Source	General Fund	General Fund	NA <sup>4</sup>
Fees Charged	Disposal Only	Collection and Disposal	Service Dependent

1- Provides Dumpster or semi-automated cart service to multi-family units.  
 2- Raleigh considers properties with greater than five units to be multi-family and does not offer service to such properties; however, this is a relatively new policy and there are some legacy customers with up to twenty-five units that continue to receive service as of this report.  
 3- Provides drop boxes if requested by complex  
 4- System funding source is Enterprise Fund as of FY 2013

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### Service Model Change Impact

Unit Count	Impact		Current Service Model # Units			Change to Service Model # Units			Change to Service Model Annual Savings / Cost Avoidance Estimate*	
	# Complexes	# Units	Curbside	Private Hauler	Dumpster/ Compactor	Curbside	Private Hauler	Dumpster/ Compactor	FY17	FY18
> 4 Units	1,398	152,348	16,230	17,695	118,423	0%	100%	0%	\$3.27M - \$3.62M	\$3.48M - \$3.85M

*\*Includes proposed multi-family unit growth, projected tipping fee and contract pricing increases*

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## Summary

- Option 1 - Eliminate collection services for multi-family homes (complexes with five or more units)
  - Recommendation of 2014 Consultant Study & Privatization and Competition Advisory Committee (PCAC)
  - Consistent with service provided by other Cities of comparable size
  - Savings/cost-avoidance of \$3.2 – \$3.8 million
  - Approximately 135,000 multi-family units would shift to private hauler
- Option 2 - Continue current service provision for multi-family homes

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## Additional Information

	FY17	FY18
Multi-Family Contract-Dumpster/Compactor Collection	\$3.97M	\$4.27M
Curbside Collection	\$0.83M	\$0.84M
Disposal	\$2.26M	\$2.46M
<b>Cost Savings/Avoidance</b>	<b>\$7.06M</b>	<b>\$7.57M</b>
Solid Waste Fee	\$3.61M	\$3.91M
<b>Revenue Reduction</b>	<b>\$3.61M</b>	<b>\$3.91M</b>
<b>Net Cost Savings/Avoidance +/- 5%</b>	<b>\$3.27M-\$3.62M</b>	<b>\$3.48M-\$3.85M</b>

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## Storm Water Services

Budget Committee Meeting  
February 8, 2015



### Outline

- FY2016 Council Decisions Update
  - Low Priority C Classification Requests
  - Fee Credits
- Preliminary Budget Outlook
- Next Steps



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## FY2016 Council Decisions Update

- Low Priority C Classification Requests
  - Stop qualifying new low priority C's
  - Approved additional staff to start evaluating existing C's and determine future resource needs



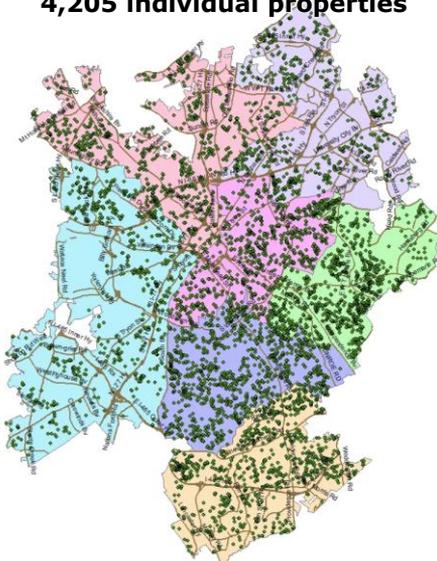
- Fee Credit
  - Review the current Fee Credit Policy to determine the appropriate credit

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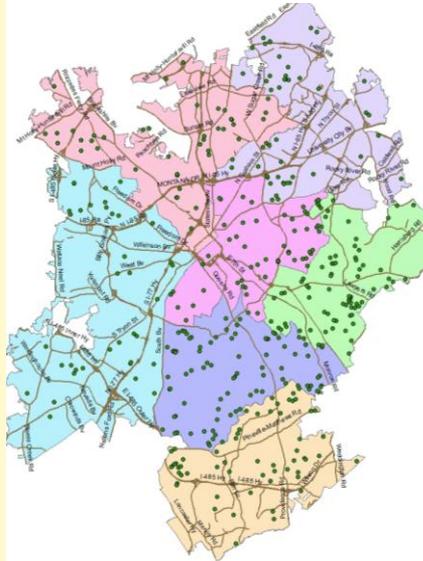


## Low Priority C Classification Requests

**5,705 C requests**  
**4,205 individual properties**



**400 reinvestigated**

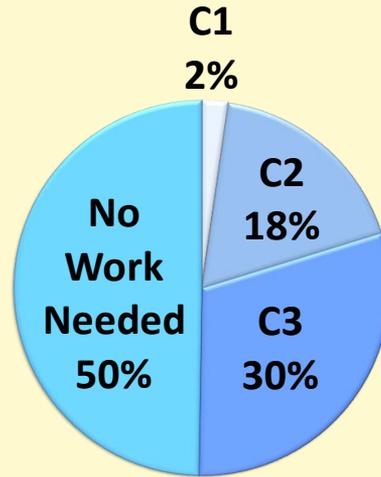


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### Low Priority C Classification Requests

STAFF FINDINGS Reinvestigated C Requests (3-Month Evaluation)	
Classification	#
C1 similar to AI & A's	9
C2 similar to B's	72
C3 typical C	120
No Work Needed	199
<b>TOTAL</b>	<b>400</b>

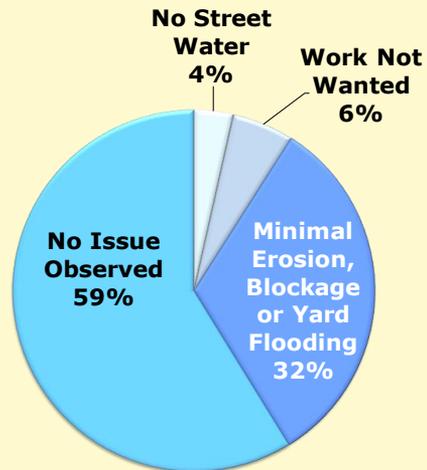


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### Low Priority C Classification Requests

STAFF FINDINGS Reinvestigated C Requests (3-Month Evaluation)	
No Work Needed	#
No Street Water	7
Work Not Wanted by Owner	11
Minimal Erosion, Blockage, or Yard Flooding	64
No Issue Observed	117
<b>TOTAL</b>	<b>199</b>



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### Low Priority C Classification Requests

- 201 of the 400 reinvestigated requests will require design and construction
- Estimated costs to construct vary greatly
- Prepare conceptual designs and construct several C projects to increase confidence in cost estimates and determine future resource needs

<b>STAFF FINDINGS Reinvestigated C Requests (3-Month Evaluation)</b>	
<b>Estimating Costs</b>	<b>#</b>
Detailed Engineering Designs Completed (no construction)	3
Conceptual Engineering Designs Completed	9
Basic Cost Estimates Developed	189
<b>TOTAL</b>	<b>201</b>

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### Low Priority C Classification Requests

- 4,205 individual property requests
- 400 reinvestigated over last 3 months
- 3,805 still need to be reinvestigated
- Over next 12 months design and construction 10-15 projects to determine future needs

	<b>STAFF FINDINGS Reinvestigated C Requests &amp; Projection</b>	
	<b>Reinvestigated</b>	<b>Projected</b>
C1	9	94
C2	72	757
C3	120	1,262
No Work Needed	199	2,092
<b>TOTAL</b>	<b>400</b>	<b>4,205</b>

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## Current Fee Credit Practices

- Applied County-wide
- Credits are available in three categories:
  - Properties with stormwater control measures (296)
  - Properties draining outside of the County (41)
  - Waterfront properties along the Catawba River (309)



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## Fee Credits Basics

- Cumulative program expenditures results in the amount of fee charged
- Fee is charged on amount of impervious surface
- If stormwater runoff is reduced then site is eligible for credit
- Amount of credit determined by runoff reduction
- Maximum credit is 100%, however program expenses are required even if runoff is reduced



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## Program Expenditures and Fee Credits

- Analysis & Findings
  - Evaluated 2012-2016 expenditures and projections
  - 28% of expenditures are required for the Storm Water Program
    - infrastructure maintenance
    - federal water quality permit requirements
    - federal flood insurance program requirements
  
- Outreach
  - Public meeting held
  - Direct mailers asking for feedback via web & phone
  - Open forum at Storm Water Advisory in November
  - Storm Water Advisory Committee voted January 21 to support a policy change

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## Preliminary Budget Outlook

- AAA & Aa1 Credit Rating
- 2.2 billion square feet of impervious surface
- 84 cents of each dollar collected from fees is spent on community investment plan (CIP)  
*(20 cents paid to debt service)*

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
	<b>Actuals</b>	<b>Approved</b>	<b>Projected</b> <i>(0% Fee Increase Assumed)</i>				
Revenue	\$59.37M	\$66.73M	\$67.54M	\$68.22M	\$68.90M	\$69.59M	\$70.28M
Operating	\$ 9.87M	\$13.82M	\$14.67M	\$15.11M	\$15.56M	\$16.03M	\$16.36M
CIP	\$53.35M	\$59.65M	\$59.10M	\$87.78M	\$73.00M	\$65.98M	\$68.85M

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## Next Steps

- February
  - February 18: Present to Storm Water Advisory Committee
  - February 24: Present at Council Budget Workshop
- March
  - Storm Water Advisory Committee Recommendation
- May
  - City Manager's Recommendation
- June
  - Council Adoption

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# Draft 2017 Budget Workshops

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## City of Charlotte

February 24, 2016  
1:30 p.m. – 4:30 p.m.  
Room 267

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	Page
<b>I. Introduction – Budget Overview</b>	Ron Carlee/Kim Eagle
<b>II. Charlotte Area Transit System Budget</b>	John Lewis
<b>III. Storm Water Services Budget</b>	Jennifer Smith
<b>IV. Financial Partner Requests</b>	Kim Eagle
<b>V. Solid Waste Service Delivery Model</b>	Victoria Johnson
<b>VI. Review of Budget Questions &amp; Answers from Mayor &amp; Council Retreat</b>	Kim Eagle

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Distribution: Mayor and City Council  
Ron Carlee, City Manager  
City Manager's Executive Team  
City Manager's Executive Cabinet  
Strategy & Budget Staff

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# Draft 2017 Budget Workshops

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## **Future Budget Workshops and Possible Topics**

Workshop formats will be adjusted as necessary to include time for strategic policy discussions, as discussed at the Council retreat on January 28, 2016.

### March 16, 2016 Budget Workshop

- General Fund update
  - Revenues
  - Expenditures
- Draft General Community Investment Plan
- Compensation and Benefits

### April 6, 2016 Budget Workshop

- Aviation Budget
- Storm Water Budget II
- Charlotte Water Budget
- Financial Partner Recommendations
- Draft Community Investment Plan II

### April 20, 2016 Budget Workshop (Optional)

- Topics to be Determined

**SUMMARY OF CATS BUDGET**  
**CITY COUNCIL BUDGET COMMITTEE MEETING**  
**DISCUSSION POINTS: February 8, 2016**

SUMMARY

CATS will explore options to develop and enhance an interconnected network of mobility services for the region

- CATS prepares to implement revenue service on the Blue Line Light Rail Extension in the summer of 2017
- Recovery of sales tax revenue.
- Fare structure options
- State-of-the-art fare collection system, equipment and smart cards to enhance customer convenience and leverage interconnected mobility options
- Alternative types of revenue vehicles and energy to lower emissions and costs
- Complete construction and implement CityLYNX Goldline-II service; relocate Amtrak to the Charlotte Gateway Station
- Asset Management, Safety and State-Of-Good Repair

FY2017 Transit Operating Program

- Sales Tax is projected to grow at 3.0% vs. FY2016 year-end projection
- Add 103 new positions, 93 of which are directly related to operation of the Blue Line Extension light rail service and 10 address operations and regulatory need
- Metropolitan Transit Commission offered a menu of options for changes in fares and/or fare structure to increase fare revenue with minimal impact on riders
- 25.3 million riders are projected to ride CATS in FY2017

FY2017 Debt Service Program

- CATS Debt Service program receives revenue from Federal grants, TIFIA loan, debt proceeds and the local ½% sales tax
- The Revenue Reserve Fund is projected to reach the \$30 million goal by FY2017

FY2017-21 Community Investment Program

- Implementation of the BLE Light Rail and Blue Line Capacity Expansion (Phase 2) projects
- State-of-the-art fare collection technology and introduction of smart card technology
- Replacement of 284 revenue vehicles and expansion of 15 STS buses
- Functioning Automatic Train Protection equipment
- Asset Maintenance of Bridges, alignments rail cars, etc.

CONCLUSION

- New mobility paradigm –expanded, interconnected mobility options
- Convenient transportation options, partnerships and sustainability

## COMMITTEE AGENDA TOPICS

### I. Disparity Study

Action: Staff will provide background on the 2011 Disparity Study as well as an overview of the proposed 2017 Disparity Study process. Staff will also seek the Committee's endorsement to release the 2017 Disparity Study RFP to seek the services of a qualified vendor to conduct a complete, comprehensive and legally supportable disparity study.

### II. Regulatory Land Development User Fees Update

Action: Staff will provide additional user fee information and present staff's draft recommendations to Regulatory User Fee Policy prior to the March community outreach meetings. The Committee will take action on User Fee Policy at the March 24th or April 14th meeting.

### III. Future Meeting Topics and March Schedule

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## COMMITTEE INFORMATION

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**Council Members Present:** James Mitchell, Ed Driggs, Julie Eiselt and LaWana Mayfield

**Council Members Absent:** Vi Lyles

**Meeting Start & End Time:** Noon – 1:27 p.m.

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## ATTACHMENTS

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1. Disparity Study Presentation
2. Regulatory User Fees Policy Presentation
3. Charlotte Business INClusion MWSBE FY2015 Year End Annual Report (handout to Committee only)

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## DISCUSSION HIGHLIGHTS

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**Mitchell:** Chairman Mitchell welcomed everyone to the meeting and asked for introductions. We have three agenda items, actually four, but they should not take long and before we get started, one of my Committee Members is having a birthday today. I'm not going to call out her name or tell her age. I like her very well, but join me as we sing happy birthday to Julie.

**Mitchell:** Thank you for your commitment.

**Kimble:** She actually postponed some things to be here.

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Meeting Summary for February 17, 2016  
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**Mitchell:** I know, so I had to do that and I promise to get you out of here by 1:00, as her lovely husband is waiting for her. Mr. Kimble, the first agenda item please sir.

### **Disparity Study**

**Kimble:** Thank you Mr. Chairman. We have two, I think, pretty good topics to come back to you with. You have heard a little bit about each of them. First we are going to talk about the Disparity Study. I am going to turn it over to Randy Harrington to give a few brief opening comments and then Nancy Rosado is going to carry most of the discussion.

**Harrington:** Great, thank you. Thank you Mr. Chair. Really three real quick brief things, first off at each of your seats, you have a copy of our Charlotte Business INClusion Annual Report, which I now was a little bit later in getting out than some of our previous years, but we did a total revamp on this and instead of just presenting numbers and percentages, it was more important, well not more important, but it is equally as important to tell some of the other stories that make up CBI and the impact that we are having in the community. So we thought that was important and we want to thank Nancy, her team with CBI, as well as our communications staff in Management & Financial Services. They did a nice job.

**Mitchell:** Thank you staff. Great job.

**Harrington:** As you know, the Disparity Study really serves as that foundational study for the design of your Charlotte Business INClusion policy, and it is time for an update on that. Nancy Rosado and Thomas Powers will walk you through some of the key components with that so why don't I go ahead and turn it over to Nancy.

**Rosado:** Thank you. Good afternoon. Before I begin, I do want to take a moment to just introduce Eric Nelson on our team. Eric is going to be the project manager for this project and so he will be leading the effort working with the consultant that's selected and the departments in getting the data necessary to do a complete and accurate study.

The purpose of today's presentation is to outline our plan for the proposed Disparity Study and to request your Committee's endorsement to go ahead and move forward with releasing the RFP, to select the vendor to begin the process of conducting our Disparity Study. Throughout the presentation, we are going to do a very brief high-level overview of a disparity study, just covering what it is exactly and then the legal foundation. Thomas will talk about that legal foundation for race and gender conscious programs. We will remind everyone of the 2011 Disparity Study background, just give a little bit of background and context and then we will move into our 2017 proposed Disparity Study process and next steps. So with that, we will just get started.

A disparity study is really just looking at the City spend. So it is going to analyze the City spend over a five-year period and compare who we spent money with, who we actually use for procuring goods and services to the availability in the marketplace. There will be some analysis and statistical analysis to determine whether there has been sufficient use of minority women businesses in our market area. A disparity study is also going to look at the extent to which any of those disparities are attributed to discrimination. A lot of it is going to come from anecdotal evidence. So information that they get from the community with regards to their experiences in doing business with the City of Charlotte. Then the final and very important aspect to the disparity study is there is going to be recommendations that are made to determine if there is sufficient data and documentation to support race and gender conscious goals, and

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what are some necessary improvements and recommendations that we should make in order to continue to improve our utilization of minority and women businesses in the market place.

**Driggs:** I am interested to know since we have a Business INClusion Program already, are we talking about instances of discrimination on the part of people who contract with the City and their choice of subcontractors?

**Rosado:** It looks at all of that. It looks at the subcontractor and their experience working on City projects with our primes that we select. It also looks at their direct experiences in being awarded a contract directly with the City.

**Driggs:** So, the issue is also, in part, whether or not the City itself is discriminating in its choice of contractors?

**Rosado:** That's right. As well, there is also public. They will look at public entities in the area and they will look at their study to see if there has been any discrimination that people talk about in the private sector as well. So, there is also a private sector analysis in the Disparity Study.

**Driggs:** From what you said, the study would go into considerable detail on how a determination is made the discrimination occurred. For example, if you have two people that belong to different groups and one of them is chosen, was that because of an aversion to using the other group or was it because of performance criteria or whatever that might be a reason for a person to prefer that group.

**Rosado:** That is correct.

**Driggs:** Okay, thank you.

**Rosado:** Thomas will cover the next two slides.

**Powers:** The reason why the City of Charlotte needs to conduct a disparity study is based on a 1989 Supreme Court decision dealing with and involving the City of Richmond. In that instance, the City of Richmond had a quota system where they were actually setting aside a certain percentage of their contracts and dollars for minority businesses. When the actual litigation commenced, it went up to the Supreme Court and based on the Supreme Court decision, they indicated this was an illegal and impermissible type of action, and that in order for a municipality or any governmental entity to actually have a race or gender-based conscious program, that you actually need to demonstrate that you actually have disparity that is occurring and it must be documented. Just to set aside a particular contract dollar amount or percentage would be considered a quota which is illegal under the U.S. Constitution and under the State Constitution. Again, there must be a compelling interest. That compelling interest is where the disparity study comes. It shows that we have a disparity. This disparity is documented and this gives the City of Charlotte potentially the ability to go in and remedy that disparity going forward. In this case, again, the City of Charlotte, back during the 2011 study, was able to show there was a compelling interest to have a race-based program. We actually have a sunset provision that is in our program that expires, well, the program expires as of June 30, 2017. Again, the reason why there is a sunset clause in there is that the courts have actually looked at or required that communities and governmental entities update their disparity studies frequently to ensure that there is a continuing need for that community to have a race or gender-based program. I reference the 2002 circumstance where the City of Charlotte was actually threatened with a lawsuit based on an old and outdated Disparity Study as a reason why we need to continually have a new one to rely upon to have any race or gender-based programs. If we do not have a current one, then we don't have a legal foundation to have that race-based program.

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**Eiselt:** Thomas, so every time we go through this study, we, sort of, are making a determination that there is compelling interest. Is that right? And who does that part?

**Powers:** Based on the actual RFP, we are actually hiring a consultant who will come in and look at the City's spending data, and then they will look at the actual availability of all entities and the utilization of those entities to determine whether there is disparity. The way the courts have actually looked at this type of circumstance, is that if you happen to have, for instance, 100 available entities in the community and you use 90 of those 100, there is no disparity, but if you use 70 of those entities, then there is disparity. The way the courts draw the line is that 80% or more is not disparity. Anything below 80% is disparity, and they also have conversely a line that is over 120% of utilization that means you should stop using those entities in question. When we have looked at our usage and availability, it's always 80 or below, allows for the City to have a race or gender-based program.

**Eiselt:** The same consultant that makes that determination has also been hired to do the study?

**Powers:** The consultant will be looking at the data and will be making the recommendations to Council as what they see based on the data as whether or not there is disparity and whether or not the City of Charlotte should use race or gender-based means to remedy that disparity.

**Kimble:** They do the work and they also make recommendations.

**Eiselt:** So that is not in conflict at all?

**Powers:** No.

**Eiselt:** Okay.

**Driggs:** The compelling interest would be the finding that there was a disparity. Is that right?

**Powers:** Yes.

**Driggs:** And the finding of the consultant is a sufficient basis legally for us to continue the program?

**Thomas:** Yes, and, again, the Disparity Study has two components. There is your quantitative aspect which is the actual data that the City of Charlotte will be providing showing our spending, showing the availability of firms and the utilization of those firms, that is the quantitative piece. The actual second piece is a qualitative piece where the actual consultant will go into the community and meet with various subcontractors and primes and understand their perspectives of how the program is being utilized, their experiences in the private sector as well and their ability to actually work with subs or other groups to get projects done. Based on that information, both the qualitative and quantitative, the consultant then can say "you do have disparity" or "you don't". Now, the reason I caveat that is because you can have a quantitative type of analysis that shows there is disparity, but then have a qualitative analysis where everyone in the community just says "no, we're great, everything's fine, there's not an issue that I observed based on discrimination that inhibits my ability to actually do the work". So, it needs to be both. You show from a number standpoint there is disparity and based on people's opinion there is disparity. If one of those is out of sync, that creates not a strong foundation for us to move forward.

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**Driggs:** But the finding of the consultant, if there was, would be considered prima facie to be justification legally for us to have a program. Is that right? We don't need further evidence? Could somebody go to court and challenge their methodology?

**Powers:** Yes.

**Driggs:** Alright, so that's what I am getting at. This thing by itself is a consultant's report. Whether it legally has the effect of proving that the disparity exists, or the compelling interest exists, could be another question if somebody disagreed with them.

**Powers:** I would say that a consultant's report could be challenged in court and a court could say in its opinion that the report was inadequate to allow the City to move forward with race or gender-based program.

**Driggs:** Thank you.

**Powers:** No problem. As I indicated before, there is again the quantitative aspect as well as the qualitative aspect for the Disparity Study. Again, that's primarily the first component, first requirement. The second requirement, again, it must be narrowly tailored to remedy the actual disparity at question. Again, we must look at whether or not race, neutral means, have been utilized to actually remedy disparity. If not, then we can look at race or gender conscious programs, whether there have been goals that are flexible, whether there are individuals that are available for the actual utilization, but again, we have to make sure that we are tailoring the program to remedy the disparity in question and not just having something that could be or akin to a quota system. Again, we have listed examples of narrow tailoring and what violates potential narrow tailoring. I am going to turn it back over to Nancy.

**Rosado:** So one of the questions that you may have at this point is, I think everyone tends to understand that qualitative, the quantitative aspect of the study, that you are looking at the spend data and you are looking who is available in the marketplace. Here, this slide answers the question about what are some of the anecdotal activities that are going to be conducted as part of the study, and so for the most part, the study is going to look at the utilization, the availability, and the disparity, but then they are also going to start looking at randomly selected firms to get anecdotal activities and evidence from them that speaks to their experiences in doing business with the City of Charlotte. They do this; the consultants will do this through business interviews. They will hold focus groups, surveys, we did public hearings that last time, that the consultants will actually be the ones that facilitate those public hearings and the City is not even involved in those, because we really want it to be a free place for the community to be able to come and talk candidly about their experience in doing business with the City of Charlotte, both their prime experiences as well as their subcontracting experiences. All firms that are interested to speak are invited to do so openly and provide testimony and then all of this anecdotal data is collected and reviewed to determine if there is a need for a particular type of program, if there is documented discrimination that has taken place in the marketplace.

So going to the 2011 Disparity Study, in October of 2010, the City actually retained MGT of America to conduct that Disparity Study update. It was an update to the 2003 study in September. So it takes about a year to actually go through all of this data. In September, they came back to City Council during a Dinner Briefing and actually presented their findings, concluding that there was statistical disparity in the City spend, but they found that there were insufficient anecdotal comments of discrimination. So, they actually recommended that the City keep its race and gender-neutral program. They felt that it was effective based on the data and the anecdotal information that they had received. There were concerns of this information in the community because, on the one hand you are saying there is significant statistical disparity, that we

are not doing our part and that minority women businesses are not getting their fair share of opportunities in the City spending and yet, the consultants were recommending that we stay with race and gender-neutral program. The Disparity Study Advisory Committee that was actually appointed by City Council along with the Economic Development Committee decided that they wanted to really get, in a way, a second opinion, so they actually retained Tydings & Rosenberg to review the MGT's findings and recommendations. So, Franklin Lee actually was the attorney that reviewed the MGT findings using the data that MGT collected and gathered and they confirmed that there was statistical disparity as MGT had found, but they also concluded that there was actually sufficient anecdotal evidence of discrimination. So, this an example of where you can look at the same data and there are always varied points of view, and actually, their recommendation was that the City implement a hybrid race and gender conscious MWBE program and a race and gender neutral SBE program, because they felt that the City's SBE program was a good program and that there was value in continuing that local effort, but there was also a compelling interest documented to remedy the underutilization that was identified for minority women business firms and end the disparity and discrimination that they had said they had experienced in the study.

So in April 2013, the City took all of this information into account and City Council adopted the hybrid Charlotte Business INclusion program that we have today. So, the hybrid program, the race and gender conscious components of the program are that we actually established targeted contracting goals to address the underutilization that was identified. So, for example, your construction subcontracting, MBE goals are established for African-American, Hispanic, and Native-American because that was where the discrimination and the underutilization was documented in the study. In architecture and engineering subcontracting, MBE goals are only established for African-American firms because that was where the underutilization was identified in the study. We still have our race and gender neutral program. You see the goals that are established, SBE goals are established on every project. What we have done with the hybrid program is we will actually set SBE goals and MBE goals so that we are continuing to have that local business focus in the community, but that we are also addressing the underutilization that was identified in the study.

So, moving onto the 2017 Disparity Study, we are here today to ask for your endorsement to actually move forward with releasing an RFP, a Request for Proposal, so that we can conduct a complete and comprehensive and legally supportable disparity study which is one of the most important aspects to the disparity study is to make sure that at the end of the day, the information that is provided is legally defensible and supports whatever the City's program will be. We have a 10% MBE subcontracting goal for the Disparity Study work on this project. There will be expenditures that are examined, will be for the period July 1, 2010 to June 30, 2015. So it will be kind of picking up from where the last Disparity Study left off, looking at the impact that the City's program has had in utilizing minority women businesses, and the procurement categories that will be analyzed are the same ones as the ones that were analyzed in the 2010 study. So we will be looking at construction.

**Mitchell:** Nancy, Ed has a question.

**Driggs:** Thank you Mr. Chairman. The 10% MBE subcontracting goal, how does that, I mean, I assume that they look at the population of eligible companies and the subset of minority companies and they see whether that ratio is properly reflected in City contracting. So where does 10% come from?

**Rosado:** The 10%, in the next slide, we will see that we are estimating a \$350,000 cost for this study and what they do is, they will actually hire subcontractors from our local community to conduct the anecdotal.

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**Driggs:** So this is the goal for the study?

**Rosado:** That is for the study.

**Driggs:** I actually have a question about that Mr. Chairman.

**Mitchell:** Go right ahead.

**Driggs:** In the selection of the, when I see the two studies that were done previously, it looks a little bit like jurisdiction shopping or whatever. In fact, I could imagine even an \_\_\_ position is somewhat weakened if you keep going out and getting studies until you get one that points to the result that you want. I want to emphasize that I am all in favor of eliminating any discrimination against minority businesses, but the concern is that we not skew the process so much that now other businesses are being disadvantaged because of our intentions with this program. So when we go to choose the consultants for this, are we going to look at their track record and find out whether they had a dispersion of findings or whether they were heavily skewed one way or the other in their results?

**Rosado:** Yes, there will be a lengthy evaluation process that will look at their experience conducting similar-sized studies as well as the results that they have found in the past, the process that they will use for gathering the data, so there will be a pretty lengthy evaluation process in selecting the vendor.

**Driggs:** So, comparing Tydings & Rosenberg with MGT, for example, was there any obvious difference in their track record in terms of results of their studies?

**Rosado:** Well you really cannot compare, in my opinion, the two because it is not an apples to apples comparison. Franklin Lee was really hired to review the findings of MGT and provide his legal opinion, so he was not conducting a disparity study for us, and that is not the type of work that he does. He will provide a legal perspective and a legal opinion on the data that is presented to him.

**Driggs:** So the review was just a re-examination of the data from the first process?

**Rosado:** That is correct.

**Driggs:** Any they disagreed with the conclusion of the consultants that insufficient anecdotal existed?

**Rosado:** That is correct.

**Driggs:** Okay. Thank you Mr. Chairman.

**Rosado:** Alright now for the 2017 Disparity Study, our anticipated study timeframe will about 18 months, and that is pretty much the standard for these types of studies. Here we get to the slide about the cost of this Disparity Study. We have a budget request in for \$350,000. The budget is based on the City's historical cost in the past. In 2003, we spent about \$350,000 on that Disparity Study, on our portion of that Disparity Study. In 2011, our costs were about \$315,000 with \$300,000 approximately for MGT and the other \$10,000 to Tydings & Rosenberg for their legal opinion. We also actually, in order to arrive at that \$350,000; staff also looked at similar studies that have been conducted recently in the area. Durham has paid \$350,000 recently for their study. Greensboro paid \$206,000 and Memphis paid \$350,000. So, we feel comfortable that \$350,000 is a reasonable ask, and if the Committee endorses the Disparity Study RFP, the City Manager will prioritize this project for funding in the FY 2017 budget.

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One of the recommendations that we will make to this Economic Development and Global Competitiveness Committee is to appoint a Disparity Study Advisory Committee, like we did last time. It was a great result to make sure that the community was included in the process. We would expect nominations from City Council in late spring 2016 for such a committee. Here is an example of the work that the committee did the last time in order to ensure that there was community engagement throughout the study period. So, they reviewed and commented on a lot of the data sources, particularly the MWBE availability numbers. They also assisted in outreach efforts in making sure that their constituents were advised of the efforts of the City with the public hearings and the focus groups and really making sure to get the word out so that the community would come out and actually speak up and support the program and the effort, and then reviewing and commenting on the findings and recommendations of the 2000 Disparity Study findings. The Disparity Study Advisory Committee even actually came and presented to the Economic Development Committee at that point with their opinion and their results. We would make the same recommendation.

**Mitchell:** How many members make up the Disparity Study Advisory Committee?

**Rosado:** There were nine members in the past and they were representatives from Metrolina Minority Contractors, Hispanic Contractors Association, NAWBO, those similar types of organizations in the community.

**Mitchell:** So the goal would be then at a Council Meeting in the spring, Councilmembers would nominate a person to serve as one of the nine?

**Kimble:** We would go through I think the same nominating process and make it, it is an ad hoc committee.

**Mitchell:** Okay.

**Kimble:** It is for this particular purpose.

**Mitchell:** Okay.

**Kimble:** But the Council would make the nominations and the selections.

**Mayfield:** Do we have one vote or one nomination?

**Kimble:** I do not think we have gotten that far yet. We would handle it somehow.

**Mitchell:** Ed?

**Driggs:** Thank you Mr. Chairman. Does the Advisory Committee also have members who from companies or parts of industry that would not be eligible for participation in the program?

**Rosado:** If you could clarify?

**Driggs:** I think what I am getting at is this entire group made up of representatives of businesses that could qualify for MBE, but do we also have people from ineligible companies who might be anxious to preserve a fair balance.

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**Rosado:** We actually have someone from AGC as well that really represents the larger construction firms, and so we really did try to make sure that everyone was included in the process and that had a voice.

**Driggs:** Good. Thank you.

**Mitchell:** Committee, let's go back. I think LaWana brought back some point about the process. I cannot remember, I think that we just nominated, Stephanie then came back and said, "these are the ones who you all". I do not remember if we voted.

**Kimble:** Let us do this, why do not we review how it was done the last time and then we will share that with the full Council.

**Mitchell:** Okay, because I do not remember the process.

**Kimble:** I don't remember it either. I do not want to misstate it.

**Mitchell:** Okay. Thank you Ron.

**Rosado:** So here is your preliminary timeline of our next steps. We're here today presenting this Disparity Study RFP process. Once receiving the endorsement from this Committee, we will actually go ahead and release the RFP in late February. There will be a City Council Dinner Briefing in March, March 14<sup>th</sup> planned, and that will be for information only, just to apprise the full Council of the activities of this Committee and the work that City staff is doing for this effort, and then April through May, will actually be the RFP submission deadline. There will be interviews of candidates that are shortlisted for this process and the evaluation period. Then, June to July will be contract negotiations and contract award pending, of course, the funding is available for this effort and this project, and then the study period, the analysis period will be from July 2016 through about May-June 2017 concluding with the consultant coming and presenting their findings to the full City Council at a Dinner Briefing and then Council adopting those findings. I will say that this timeline is very aggressive. It is a 12-month timeline. You do, as we said earlier, it is anticipated that it may take about 18 months and because this program, the race and gender conscious components of the program are scheduled to sunset in June 2017, we may need to have Council do a short-term extension on the program, but we will get to that point as we talk to vendors and get a better sense of what they would be able to do.

**Mitchell:** Okay. Committee, any questions, comments?

**Driggs:** We don't have any hard-stock time constraints on when we have to do this in order to be compliant?

**Mitchell:** Well, she mentioned June of 2017 when the program sunsets.

**Driggs:** That sunsets?

**Mitchell:** Yes.

**Rosado:** The race and gender.

**Driggs:** So, we will have to have finished this in order to put the new program in place?

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**Mitchell:** Yes sir.

**Driggs:** Okay. Thank you.

**Mitchell:** Just one question, MGT, happens to be the name that everyone uses. Are there any other companies out there as well that have done previous disparity studies?

**Rosado:** Yes, there are several. NERA is one them. They tend to be a little pricey. There is Griffin & Strong, so there are quite a few vendors that do this type of work.

**Mitchell:** Committee, we are going to need a motion and action taken so the Chairman cannot make a motion. Birthday girl?

**Eiselt:** I'll make a motion.

**Mayfield:** I'll second it.

**Mitchell:** Motion has been made by the birthday girl and seconded by Ms. Tanger. All those in favor let it be known by raising your hand.

**Driggs:** Mr. Chairman, you are endorsing on a recommendation to full Council that we fund the study, right?

**Kimble:** It's an endorsement that we go ahead and release the RFP to the marketplace and that we are going to bring this to the Council at a Dinner Briefing March 14<sup>th</sup> with an indication that this is something that ought to be funded in next year's budget, giving direction.

**Driggs:** A recommendation to the Committee that we fund it next year?

**Mitchell:** You got it. All in favor by saying yes.

*The vote was unanimous (Mitchell, Eiselt, Driggs and Mayfield) with Lyles being absent.*

**Mitchell:** Staff, thank you for the great work and to the CBI Department, we really appreciate all your hard work. Earlier I got to thank you all for the (*Charlotte Business INCLUSION MWSBE FY2015 Year End Annual Report*) this is great. I know the public has been asking for it, but I think you all spent the time to revise this and this is a better product. Mr. Kimble, the next item sir.

### **Regulatory Land Development User Fees**

**Kimble:** Mr. Chairman and members of the Committee, this is the second time you will hear this; you had a great discussion the last time. It was very helpful to staff on land use, the regulatory user fees policy. We have Debra Campbell and Mike Davis here to make the presentation and, again, this is in preparation for staff going forward to the community and having a discussion with the community, but we are prepared to share with you what our staff recommendation would be as we walk forward to engage the community.

**Campbell:** Thank you Ron. Thank you all, Chair and Committee Members. What we would like to do is to provide you with some additional information with regards to the agenda item regulatory land development user fees. We will, for today, provide you with a review of just a recap of your last meeting that was held on January 21<sup>st</sup>. We will provide just so we kind of set a level playing field with regards to information about user fees. We will probably repeat some information and we will talk about the definition how user fees are

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calculated, provide you with some trends in terms of the City's recovery rate and then try to respond to some questions that you all asked us at the last meeting. We will also provide you with a summary of some research and some findings that we have done since our last meeting. In particular, we will be referencing a specific study that will be done for the City of Austin as it relates to their user fees. We will provide you with a staff recommendation for your consideration and it's for you also to provide us with feedback to identify the issues or concerns that you may have prior to us going out and sharing it with key stakeholders. We will talk about budget impacts with regards to our staff recommendation and how that impacts revenues in the General Fund. Then, we will talk about, again, next steps. So, our action from you that we are requesting today is that you simply direct us to go out and discuss staff recommendations, any issues and concerns that you all may raise today with key stakeholders. Before I turn it over to Mike who is going to do the lion's share of this presentation, Sarah and I will be here to back him up and we may literally back up, if you all have any questions, but I also wanted to recognize and acknowledge all the other staff people who have worked with us since you all actually got this assignment and if they could just raise their hands.

**Mitchell:** I am going to put in a raise for you so raise them high.

**Campbell:** Now they are raising them. It takes a village to develop public confidence, so, with that I am going to turn it over to Mike.

**Mitchell:** Mike, before you get started, I apologize and meant to do this at the very beginning, there are copies of both presentations, the Disparity and this one. Angela has provided them in the box up front so if you do not have one, please feel free to take one.

**Davis:** Thank you. I'm going to try to do in two slides what we did with the whole Committee last month, basically to say what a user fee is. The definition is provided for you there, but it is basically how is the method that we use to recover our costs for regulatory services that the City delivers. The math that we use to calculate that ultimately is fairly simple. It is just, what is the cost to deliver that service, how many times do people come forward for that service, and divide that cost over those occurrences, and that is your user fee. Since 2006, Council's policy has been to recover 100% of its costs for user fees.

**Mitchell:** 2006?

**Davis:** That's the policy side. What the actual recovery rate is the second slide, this content you have seen before, this is sort of the last five years of the actual recovery rate. So you can see that what this reflects is a philosophy of not going from where we were all the way to 100 in one year, but to do a steady climb to achieve that policy goal of 100%, and then one thing to point out, what happens at the end. We were at 93.8% in terms of the Manager's recommended budget last year. There was some discussion as part of the budget process to identify what were called the five frequently cited fees. Those were ones that represented big incremental jumps in last year's recommended budget and Council ultimately gave the direction to go forward with an 80% recovery rate on those five. We will talk a little bit about that as we move through. But that is the history of where we have been on user fee recovery. Just to sort of button up on the questions that were raised in the last Committee meeting, one question was that we bring feedback to this group about how the industry responds to our recommendation, that is still to come. So, we will be before this Committee three times, this is the second of those three. So it would be after this, we are going to go forward and meet with industry groups, talk about that recommendation and that third time we will be back before you to kind of represent what we heard.

**Eiselt:** So the community outreach is just for the industries?

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**Davis:** Yes. Let me get to a slide that will list who those are, I think it is towards the back. This is a group of people who are primarily involved in land development activities and who are impacted by these user fee rates that are set so the idea is we would go before each of these groups individually and talk to them about those changes or the policy itself.

**Eiselt:** Thank you.

**Davis:** Another question was to sort of get information on how it is the City confirms the accuracy of the information. So the method that the City uses annually is the departments do their own calculations based on their personnel expenses and other expenses that get bled into the calculation and submit those and they are centrally reviewed by the Office of Strategy & Budget so there is sort of that independent review from the City side and make sure there is consistency in those calculations.

Lastly, it was a request that we benchmark our fees against other cities. That's part of what we are going to be talking about as we go forward. It was also specifically requested that we include the tax rate that goes with those comparison cities so we are sort of halfway there on that. We have gotten information for you on what we found in terms of other cities and we will provide the corresponding tax rate information when we have that available.

Okay, so now is when we move into, this is partly to answer on that last question but it moves us into where staff has gone on to look for other cities and Debra mentioned earlier about a study done in Austin. That is kind of small font text on that screen but, basically, part of what this preamble is saying is that it is really difficult in the world of user fees to compare one jurisdiction to another because the actual services that are delivered differently, the way one city organizes itself to deliver that service can include different things than what another city does, and the corresponding costs just vary. But, having said that, we can ultimately compare what the recovery rates are and that study that was done for Austin, Texas, I will just point out, this was an FY14 study, but recent enough to be somewhat relevant, where we were as a city in FY14 on that graph will climb to 100 was an 80. We are now, I think, at 92.4, at least that is where we were last year and you can sort of see where that puts us with respect to those cities included in that study.

**Mitchell:** Can you go back to there? You mentioned in the language here about staffing numbers. So, currently what is our staffing level right now?

**Richards:** I will have to get the number but there are eight different departments that make up the regulatory fees.

**Mitchell:** Committee, did you all hear that? Eight different departments. Wow. Because I do not think the community realized that, because I did not realize eight different departments were involved.

**Campbell:** You want to name them?

**Richards:** It is Engineering & Property Management, Department of Transportation, Planning, City Clerk, Neighborhood & Business Services, Fire Department, Police Department and then Charlotte Water would not be General Fund, but that is one that is coming up this year, but as you noticed, some of those are not Land Development.

**Mitchell:** Correct.

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**Richards:** Police is the adult business, the vehicle passenger; Neighborhood & Business Services has some zoning; and, Fire has the fire permits and the fire review.

**Mitchell:** Okay.

**Richards:** Out of those eight departments, those are all regulatory fees and that is what we are talking about with the policy. The nonregulatory fees are things like airport landing fees, the cemetery fees. Those do not have a policy. That is brought forth with the City Manager's budget based on what the market is. So, these that we are talking about today are regulatory fees but it does expand past the Land Development fees.

**Mitchell:** So from a staffing standpoint, did we compare very well to these cities or were there some deficiencies on our side? What would you say Mike?

**Davis:** We're going to go over some of the findings from the reports, but I will go ahead and tell you they do not include comparisons on the exact staffing levels. I think part of what that report was trying to indicate is, there is a certain level of detail where there has been so much variation in how different cities do things. What emerges really in the value of these studies is that you see a lot of patterns emerging around why cities choose the recovery policy rates that they do and justifications for why they may vary from 100%.

**Driggs:** Are there employees that, a part of whose time is allocated to the fee recovery process and part of whose time is part of general City services?

**Campbell:** Yes.

**Driggs:** So we have a process, like a lawyer of timesheets, or whatever, that we are going to be keeping track and enforcing that time. That's another area that could concern the people paying the fees as to how we arrived at that.

**Campbell:** We do.

**Richards:** So with People Soft, we have project hours that they fill their timetable.

**Davis:** In terms of research and findings from analysis of other locations, I will start by just pointing out and sort of looking at our own neighborhood at the surrounding towns. It's one way to sort of create a good benchmark because some of the patterns are similar, some of the development pressures are similar and what we found in terms of looking at those towns within Mecklenburg County, the recovery rate in all cases is very close to 100%. This is not so much the policy as the actual recovery rate. With the fee amounts, the actual end resulting user fee that a developer would pay for that regulatory service is comparable to what the City of Charlotte's fees are. If we look at other cities, that is where we go to reports that have been done, that we were able access, that were done for other cities for other purposes, that included Austin, Texas and Palo Alto, California. The findings from that analysis, one is that a consultant recommendation that we are finding is that it's important to have a clear, community-wide policy on user fee recovery, and the way that is articulated is that if you are not going to fully recover, if a Council makes a choice not to be at 100%, they are at the same time making a choice to have a subsidy that comes from their General Fund so the value and the policy decision around that is so that you are mindful and can make a choice around is that the priority or should the General Fund prioritize those things.

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Charlotte's methodology, we believe, is consistent in terms of the way we calculate those fees and collect cost, divided over occurrences. I think everybody uniformly uses that same methodology. The Matrix report which is the one done for Austin, the consultant recommends 100% of fully allocated recovery rate which would be the same as Council's current policy.

Number four, consultants conducting reviews do identify specific reasons why you might not want to be at 100% for certain fees. That there can be a compelling rationale for why a given activity maybe should not be at 100, and we will talk about that in a few minutes too. I already made this point, but it is included in these reports that it's just difficult to make apples to apples comparisons.

Number six, many cities do not review their fees annually. Charlotte does. I don't know for how long we have done it, but I understand that has been our tradition annually is to recalculate and present new fees based on those calculations in every annual budget.

**Richards:** And it is part of City Code for the City Manager to bring that to you as part of the budget process or within 30 days of a need of the change.

**Davis:** Okay, so this gets us to our staff recommendation and I will just read it verbatim. City staff recommends continuing Council's adopted 100% regulatory user fee recovery rate, and the policy should include the ability for the City Manager to recommend exceptions to the 100% user fee recovery for specific services as part of the annual budget process. I will pause, but I will just tell you my next slide gets over the exceptions.

**Mitchell:** Okay.

**Davis:** Ready to go forward?

**Mitchell:** Questions Committee? Okay.

**Davis:** Okay. So again, the idea being your policy would continue at 100% of recovery but if there were to be exceptions offered for individual services that they might be one of these stated criteria. One, again, consistent with how we have done this in the past, you would want to avoid significant jumps from year to year. You can kind of iron that out and take a longer-term approach towards getting to 100%, because there will be fluctuation every year in the fees. Two, is there can be certain types of regulatory services where if it is priced too high, if you are driven entirely by trying to recover all of your costs, those fees could get set so high that you could create an incentive for people to avoid coming in under that program at all, which then becomes a separate enforcement, an inspection type of issue. Three, there can be those services that are regarded as having a greater public good to them that some of the value from the staff delivery that service is to the general public, maybe that would be a compelling reason why you might subsidize it from the General Fund.

**Mitchell:** LaWana and Ed.

**Mayfield:** Thank you Mr. Chair. So for me, as we continue this conversation, when we are looking at the exception to the criteria, it would be helpful for us to have some specific examples because there is also a loophole in there with recognizing the greater benefit to the general public because you can word anything to benefit whatever your cause is, but if it is something that has a cost associated with it that should not be covered by the City of Charlotte through our General Fund or through our dollars but it may benefit the general

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public, but it is going to overwhelmingly benefit that individual business or potential development, then we need to be able to clearly recognize that.

**Davis:** I can give you some of those examples now if it helps. On number two, examples of those fees where there would be concern about regulatory compliance, the work that goes on in Zoning Administration where, for example, somebody has to come forward to get a variance to properly do something on their land. If that fee is set too high, there is the risk that they just do it anyway.

An example, at least that we have talked about at the staff level, and I think it is consistent with how we have established fees in prior budgets, for number three is rezoning work. It's one of very few legislative activities that go on, that are covered under regulatory user fees. What is characteristic about rezoning work is the extent to which the public does get involved and engaged with that process. It tends to be different than a lot of the administrative per-bidding processes that are a little bit more straightforward.

**Campbell:** And just to clarify, this is essentially giving the City Manager the discretion to make the decision as to whether a fee actually is in compliance or would meet any of those exceptions and that would come from a recommendation probably from the department and then further analysis and review on their part. So, it's not that someone is coming in making a case for an exception. It is us doing the analysis and the assessment again to determine whether this particular fee would impact or have some ability to meet those exceptions.

**Mayfield:** Thank you.

**Mitchell:** Ed and then Julie.

**Driggs:** Your first point, avoid significant jump from year to year, there are actually two issues there. One is the transition from the current fees to whatever our goal is. What would be the biggest jump in fees if we said we went to this 100%? Who would see the biggest increase?

**Campbell:** The Rezoning process.

**Mitchell:** Oh, the Rezoning.

**Driggs:** I know, for example, that developers have already said they are more willing to accept that when they see some results from the Gartner process.

**Campbell:** Yes sir.

**Driggs:** So I hope we are sensitive to that.

**Campbell:** Absolutely.

**Driggs:** And we have a process of smoothing, but I think the other part of point one, was the ongoing volatility in activity resulting in what is actually a whip-saw affect because when you get a decline that is hurting the developers, you also end up spreading your costs over a smaller number of transactions.

**Campbell:** Absolutely.

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**Driggs:** And lay people off, so I would hope there would be some mechanism for stabilizing, from the General Fund, in order not to have volatility in these activities that we have seen in the past. In fact, that the County has seen.

**Campbell:** Absolutely. We have a history of doing exactly that. You will notice, and maybe if you did on the hard copy, if you go back to the trend in terms of the recovery rates, we have not made it to 100%. I am going to use calendar year, 2010 to say 2012 or 2013, when there was a downturn in the economy, we evened that line up and we understood that the General Fund needed to absorb more of those costs and that we should not shift it. I think that is why staff is recommending this, policy should be 100%; however, because we do this on an annual basis, we are able to react to market trends. We are able to react to things that departments have experienced or are experiencing to make adjustments. I think Mike has some examples of where actually we are going to have to reduce. We are going to bring actual fees down because of the amount of activity that is happening in the community. Mr. Driggs, you are absolutely right and that is why we are recommending this strategy of allowing the ability to have an annual opportunity to assess and make adjustments in the fees based on our intelligence.

**Driggs:** Thank you. All I would say is if our policy could incorporate some guidelines on how that works.

**Campbell:** Absolutely.

**Driggs:** So that the community is not faced with predictable shifts in policy. Mr. Chairman if I may, I would suggest that there is a fourth criterion. You had three up there on why the exceptions might occur. The other one is competitiveness and kind of our competitiveness within other communities in terms of what businesses see when they consider coming here. So as part of our overall economic development goals, we want to maintain a business- friendly environment and we want to attract businesses. If we are paying out incentives over here and we are whacking them with these big fees to build here. It is like having the heating and air conditioning on at the same time.

**Campbell:** That's right. Absolutely.

**Driggs:** Thank you.

**Campbell:** Thank you.

**Mitchell:** Mr. Driggs, excellent point on number four, business-friendly. Julie?

**Eiselt:** Well, thank you Mr. Chair. That was really my question too, but in relation to consumer-friendly as well and communicating with the public. As you know, I have been asking these questions because I don't understand it necessarily and going back to the avoiding significant jump in price from year to year, we had that this year. We just have to figure out a way to communicate it to the end users, not just the business community but the residential community as well.

**Driggs:** I was just going to say to that point, we should understand that ultimately the cost of the fees are shifted, right? The tenants and the buyers of homes and so on end up paying. The squeeze on the developers comes because the rate of which they can change their prices and the rate at which their costs move around may not be the same and they see their profitability fluctuate. But the ultimate incidence of these costs is with the public which is why the public should understand what the burden is of this activity.

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**Campbell:** And not to minimize these fees or these costs, but as a percentage of the total cost of a project for large developers, I think they would be more concerned about if we are going to pay this fee, what is the quality of the service, how quickly do I get the feedback, and on and on. Another concern that we have, though, is for the smaller developer, the individual homeowner, how do these fees affect them? So that definitely is a concern as a consideration that the departments actually express themselves, particularly Police and Fire. We just don't want to have the fees be so high that we encourage our "ask for forgiveness" rather than permission, and so we certainly are cognizant.

**Davis:** We talked a little bit about the concept last month about the idea that, for us, everything starts with what the service delivery is, which is an important part of this conversation that there is the Gartner work that is ongoing and no matter what we do about fees, we need to make sure our processes are right and that we are appropriately resourced to deliver the service. That said, there is a cost for that service that is projected for the next fiscal year to be \$14.2 million. So fundamentally, what you can do to cover that cost, again, gets back to you can use user fee revenue to pay for it, and whatever you don't pay out of that bucket, you pay for out of General Fund revenue. So, what this slide is going to be about is explaining what the impacts are from the General Fund budget perspective. This first column is just meant to say, okay here is what the outlook was from FY16. As we mentioned earlier, the recovery rate on that steady climb of 100%, got to 92.4 in last year's adopted budget, but that was based on projection of user fee revenue of \$11.3 million which left a subsidy of close to \$1 million for last year. So now, what we would look at is, okay what it would mean going forth for FY17, if we wanted to keep your existing policy which would be to take you to 100% and that, again, obviously the recovery rate then is 100%. The user fee revenue is your cost that is \$14.2 million, so there is not a General Fund subsidy. But this is where I will make the note at the bottom where you would begin to look at individual services that if you had a rationale that something for one of those three to four criteria should be reduced, it is going to be offset by another amount and the General Fund, and that comes forward as information as part of the budget process that Council can use to talk about priorities.

The third column to talk about as just to sort of give a way to benchmark these fees is well, what would happen if you just applied last year's fees, literally click this page, resulting fees and applying them towards this year, and the answer is, your recovery rate actually goes down a little bit and I will need to explain briefly why that is.

**Driggs:** Cost to run it?

**Davis:** What is that?

**Driggs:** Cost of running it.

**Davis:** It is a little bit of that, but the other part of it is that the demand on our services is constantly changing. From last year to this year, the demand is increasing. So two things happen. One is we have to resource that at a greater level, the costs go up. The other thing that happens is the occurrences are going up, that is the denominator in that equation, so if there are some forces acting to raise costs, there are some forces acting to lower them, then that result of what we expect to be included in that budget for resources and what we project for our occurrences sets a new cost of \$12.2 million defrayed over those projected occurrences. If you held the fees the same, it actually lowers your recovery rate.

The last option, or way to look at this that we included was well, what happens if you apply the same rationale that Council directed us to do last year which is, okay take us to 100, but for those five "frequently-cited", let us cap those at 80, and so then what you see is a pretty small reduction going from

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100 down to the 98.8% because that is the value of those five fees going to 80, and the way that sorts out is \$14 million and \$164,000 out of the General Fund subsidy. Again, that asterisk sort of applies to those as well. You would need to have some sort of consideration going forward before the final budget adoption if there were to be some fees that had some individual reductions or the like.

**Driggs:** So, are you basically proposing that we go to three?

**Davis:** No, our staff recommendation is one.

**Driggs:** One?

**Davis:** Yes. The columns to the right are just there for discussion to give you some reference.

**Driggs:** So that means that the users will end up paying 25% more than in the current fiscal year. Is that right?

**Davis:** That is true, but it also is divided over more occurrences.

**Driggs:** Right, so what would the actual rate increase be to, what is the increase of the current?

**Davis:** You are getting to the next slide I wanted to show you and what this is about, okay that last slide was about what we want to consider in terms of what impacts the General Fund. This slide is looking at, well talk to me as though I am the person paying for these fees, what am I going to experience. So what is included in these groupings on the left column are just examples. There are a lot more user fees than what is included there then just what is in the table, but the reason we have identified these are because these represent activities that combine services from multiple departments.

**Mitchell:** Okay.

**Davis:** We think it can be misleading if you take things ala carte and just look at individual departmental jumps, so this looks at the combined affect at all of them, good or bad. The thing I will just draw your attention to on the screen I just drew the box around is if you are trying to bottom line it, these are the up and down percentages expected for those activities when you look at all the departmental fluctuations and costs. So some go up, some go down.

**Mitchell:** Mike, just for the slow Council Member, myself, those that have rezoning, those are the ones that come before us on the third Monday of the month?

**Davis:** Yes.

**Mitchell:** Got it. So, wow, 15% increase, and a 40% on major conditional rezoning. Wow, okay. Councilmember Driggs, does that address your question?

**Driggs:** Not entirely because what these reflect is, like the per experience change, right? So, they do not reflect the volume of activity in each of these categories or the project size to which these fees apply, and that's why I was trying to get a handle on this information by looking at the increase from 11.3 to 14.2 and just translating that into an overall roughly 25% gain net, right? So, offsetting all gains and losses, the end effect is your average revenues and fees is up 25%, and certainly if I look at something like the 40% major conditional rezoning, I would want to see that implemented if we decided we had to over a period of years.

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**Campbell:** Absolutely.

**Driggs:** But this does not fully capture any way my concerns about the incidence and who ends up paying.

**Richards:** Let me add one point of clarification there, if I may.

**Mayfield:** No, go ahead because I just need more clarification.

**Richards:** Could you go back one more slide?

**Davis:** So go back a slide?

**Richards:** Yes. On this piece right here, I think where the difference shows up, and that is the reason I like the option number two up there, the flat fees that is saying if we kept the fees the same based on occurrences, so if you look there, it is about a 14% between the 100% recovery policy and that. So, that is banking into that number, the number of occurrences of increase. Engineering & Property Management this past year, their occurrences have, I don't know, 20 and 30%.

**Driggs:** Wouldn't it be 10%? I see us going from 11.3 to 12.2 that is about a 10% increase.

**Richards:** Yes and so 12.2 and 14.2, between existing one and two, and it's 16.3 on here on the rounded numbers, so I think, and then there for the total percent coverage because that is comparing it back.

**Driggs:** So you are saying that 25% overall increase breaks down to roughly a 10% increase in the number of services rendered and a 15% increase in the cost per service roughly, is that right?

**Richards:** I would say roughly, but where I was going with it is if you are using the exact same number of occurrences in example one and example two, and looking at the fees are the only things that are changing in one and two, its \$2 million, like you said.

**Driggs:** Right. It comes back to the same thing.

**Richards:** Okay.

**Driggs:** You can compare the left-hand column with column two and you will see the increase in the number of occurrences when you can compare two with one, you see the increase in the per occurrence cost.

**Richards:** And that is the reason we wanted to put all three of them up there.

**Driggs:** Right. It is still a lot, 16%.

**Richards:** Yes.

**Campbell:** And I think that we are, again, a baseline of 100% cost recovery some day for the majority of our fees and then having the City Manager having the discretion to, again, not be able to from year to year, have these significant increases. I agree with you, Mr. Driggs, in terms of some of the fees may seem like, I don't know what is appropriate, if 7%, 10%, 15% is appropriate, but I think it is a reflection again of level of effort, the amount of occurrences in the math of user fees.

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**Mitchell:** Councilmember Mayfield has been very patient, but Councilmember Driggs, she might come back to you for clarification.

**Mayfield:** I think, Ms. Campbell, just help me to explain it. I think it would be helpful to see, because we obviously, it has already been stated, we have seen on staff resources an increase, so I think it would be helpful for me to see that correlation. So we said we are right now calculating 25 to 30% increase in staff time. Well, for me it makes sense that our user fees, they are not absorbing that 100% of the increase, they are absorbing a percentage of that. So I think it would be helpful to know how the user fees are correlating to the staff time. So when we have these multiple departments and an increase on their time and expertise, we need to offset those costs somewhere. I just think it would be helpful to see how those two correlate with each other with that other comparison of knowing that if I am understanding correctly, our user fee structure is in line with comparable cities because we can't do apples to apples because we have so many different options that we offer that other do not and vice versa.

**Campbell:** Correct.

**Mayfield:** But in that spectrum of comparison, our fees are still relatively low. I think it would be helpful to have or our fees are comparable to "here's the work that's being done" "here's where our fees are". I think it would be helpful to have some of that information available so that when we go out and speak to the community, we will have a better understanding of it for me.

**Campbell:** I would not say that necessarily they are lower. I would think that they are comparable to what other communities are charging in Mecklenburg County. I think we have stated that. Most consultants who are doing user fee studies suggest that 100% recovery rate is an appropriate, defensible, legitimate goal that municipalities should seek. I think the issue in the policy question for Council is how much should, from the fee if we can definitively align and associate that the benefit of that service is primarily going to the person who is requesting the service, right? And I don't know that we can ever say that there is no general community benefit to a service, but the majority of that benefit is going to the person that is requesting it. I think it is appropriate and again the challenge for Council is does the General Fund then subsidize that activity and how long does it subsidize that activity because the primary principal benefit is going to the person who is requesting the service. It's like Direct TV. When I request the service, I have to pay.

**Mayfield:** And that is why I am requesting that for me it will be helpful to look at that impact on staff resource, because I am a fan of 100% recovery which is why I supported it, because my personal opinion is the ultimate benefit is going to that business and then once that development, whatever is happens, and you move on, you have made your money and then it is a done deal. I think it would be helpful to know when we are comparing our staff time, I don't think that tax dollars should be subsidizing at 80% of it or at 70% of it. I don't know what that percentage is. It would be helpful to know that if we are seeing an increase in certain departments and user fees are correlating with that, how that correlation happens.

**Driggs:** I appreciated that on your slide, you already acknowledged the public interest component of this activity and I think that we keep that in mind. This is not a service in the same way that installing windows is a service. We create these rules. We require compliance with these rules and we impose those costs. So, I think that is a context I will not get further into it. The other thing I wanted to ask was whether your existing policy column here assumes 100%, right? Does not provide for exceptions?

**Davis:** It is calculated as though there were no exceptions.

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**Driggs:** Yes, so if you have an actual recommendation you would want to make, taking into account the fact that you acknowledge exceptions or transition, things like that. Could we also see the number that would be your suggested question number and the underlying assumptions because this is a little bit theoretical still?

**Campbell:** Absolutely, yes sir. That is exactly what we, Mr. Driggs, were asked to do was to bring back to you all per the policy framework, but I know it's kind of hard to understand and assess the policy without having the numbers about the impact on the General Fund and budget, and that is why we gave you kind of examples of some scenarios but the policy framework, again, is a recommendation to go to 100% recovery, or maintain it, and then allow for some exceptions, but we will bring some of that information back. The other thing is that the policy, whatever you all recommend to full Council for adoption that then feeds into the budget process. So, you are not necessarily creating the budget through this process but a policy that will be integrated into the budget process.

**Driggs:** Last year the budget process drove the policy.

**Campbell:** And I guess that is actually why we are trying to do it a little differently to have the policy actually drive the budget process.

**Driggs:** Last year the situation was the such that we were making changes or contemplating changes for our user fees driven by budget considerations and that is one of the reasons we are having this conversation.

**Campbell:** Yes sir, absolutely.

**Mitchell:** In the sake of time, I know there is one more slide and you need a recommendation from us. Committee, is there a motion?

**Driggs:** Alright, so moved.

**Mayfield:** Second.

**Mitchell:** A motion has been made and properly second to direct City staff to receive input on the Regulatory Land Development User Fees recommended policy from key stakeholders. All those in favor, let it be known by saying "Aye".

**All:** *Aye. The vote was unanimous (Mitchell, Eiselt, Driggs and Mayfield) with Lyles being absent.*

**Mitchell:** One thing I will say though, I will say it is the big elephant in the room that we have not discussed because I know Julie and I got beat up a lot on the campaign trail about this. The perception out there in the community is we are totally responsible for all of the fees and all of the permits. What we are not doing is having conversations with the County and a lot of the issues that we are facing that we were getting beat up on the campaign trail was the County. I would like to throw out to the Committee just to ask Ron Kimble or staff; this would be a nice joint committee meeting between the County ED and our ED and talk about this whole permitting process so the public and everybody knows what the City's responsibility is and what the County's responsibility is.

**Driggs:** Mr. Chairman, I have actually been talking with the County Manager about the Gartner Report. I had a couple informal meetings with developers to discuss their experience. In March, there is going to be a

meeting of the County Board Chair, the Manager and Leslie Johnson, with I hope our Mayor and Manager, Ann Wall and a number of developers to talk about the status of the Gartner Report and the continuing experience so I am trying to achieve what you just described that bridge to the County where we all recognize the importance of the Gartner Report because the effectively addresses all those questions.

**Mayfield:** The only thing that I would add with that is it would be a lot more beneficial if the full Committee knows about the conversations that are happening with the County, not individual members of a Committee or individual members of Council since we are having this discussion in the Economic Development Committee and I think with two other Committees. It would be great if everybody is on the same page with what the discussions are but I agree, Mr. Chair, that it would be helpful to let the community know this is what falls into the City's category and this is what falls into the County's so that they have a better understanding of who is responsible for what.

**Mitchell:** So are you opposed of the two Economic Development Committees having a joint conversation?

**Driggs:** No, this was a private sort of initiative with these people.

**Mitchell:** Staff, are you okay to see if we can have a joint meeting for this particular topic?

**Kimble:** I think what we need to discuss with you and others is a time element when that would be comfortable.

**Mitchell:** Okay, thank you staff.

**Kimble:** We have one more item.

**Mitchell:** One more item, Committee.

### **Future Meeting Topics and March Schedule**

**Kimble:** Your next meeting date is March 10<sup>th</sup>. That's a date that we think we can all come around the table but the next one after that is March 24<sup>th</sup>. March 24<sup>th</sup> is also the Foundation for the Carolinas annual luncheon and in previous years, you have always wanted to move and adjust your Economic & Development Global Competitiveness meetings not to conflict with that so we wanted to raise that topic. There is an opportunity to meet a day before, March 23<sup>rd</sup>. Ms. Grier, I think we have kind of checked the calendar and March 23<sup>rd</sup> is open. We would suggest that we look at March 10<sup>th</sup> and March 23<sup>rd</sup> for your two meetings in March.

**Mayfield:** Ron, I think March 10<sup>th</sup> is going to be difficult because we are going to be right off of the NLC Conference.

**Kimble:** And is that Thursday, March 10<sup>th</sup>?

**Mitchell:** That is Thursday.

**Mayfield:** Yes.

**Kimble:** We thought most of you were coming back on Wednesday, but we may need to check that.

**Mitchell:** Some are coming back on Tuesday.

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**Mayfield:** And after then.

**Kimble:** Well, one of the options is we can test just one meeting in March, March 23<sup>rd</sup> and why do not we go to work on that and figure out what items would be ready for something as early as March 10<sup>th</sup>. Maybe we could get by with one meeting, March 23<sup>rd</sup>, but we probably shouldn't do it on March 24<sup>th</sup> with your past practice of wanting to avoid conflict.

**Mitchell:** Committee, is everybody okay with staff, March 23<sup>rd</sup>? You okay Ed?

**Driggs:** Yes.

**Mitchell:** LaWana?

**Mayfield:** I am good right now.

**Mitchell:** Okay.

**Mayfield:** We will be having it at our normal meeting time, at 12?

**Kimble:** That is correct.

**Mitchell:** Perfect.

**Kimble:** Okay.

**Mitchell:** And then LaWana to your point, that's why I am coming back on Tuesday night. I'm hopeful we can meet with the Senators on Tuesday so we can catch our breath instead being up there on Wednesday.

**Kimble:** Let me work with staff to see what items might be ready for March 10<sup>th</sup>. If they can wait until March 23<sup>rd</sup>; we might just do one meeting in March, the 23<sup>rd</sup>, and we will be back in touch.

**Mitchell:** Okay.

**Kimble:** Very good.

**Mitchell:** Thank you everyone, the meeting is adjourned.

**Meeting Adjourned at 1:27p.m.**

**City Council**  
**Economic Development & Global Competitiveness Committee**

Wednesday, February 17, 2016 at Noon  
Room CH-14

Committee Members: James Mitchell, Chair  
Vi Lyles, Vice Chair  
Ed Driggs  
Julie Eiselt  
LaWana Mayfield

Staff Resource: Ron Kimble, Deputy City Manager

**AGENDA**

**I. Disparity Study – 45 minutes**

*Staff: Nancy Rosado, Management & Financial Services; Thomas Powers, City Attorney's Office*  
Action: Staff will provide background on the 2011 Disparity Study as well as an overview of the proposed 2017 Disparity Study process. Staff will also seek the Committee's endorsement to release the 2017 Disparity Study RFP to seek the services of a qualified vendor to conduct a complete, comprehensive and legally supportable disparity study.

**II. Regulatory Land Development User Fees Update – 45 minutes**

*Staff: Debra Campbell, City Manager's Office; Mike Davis, Transportation*  
Action: Staff will provide additional user fee information and present staff's draft recommendations to Regulatory User Fee Policy prior to the March community outreach meetings. The Committee will take action on User Fee Policy at the March 24<sup>th</sup> or April 14<sup>th</sup> meeting.

**III. Future Meeting Topics and March Schedule – 5 minutes**

*Staff: Ron Kimble, City Manager's Office*

Topics	Meeting Date	Lead Department
Eastland Mall Redevelopment	On-going as needed	Neighborhood & Business Services
Immigrant Integration Task Force Recommendations Updates	On-going as needed	Neighborhood & Business Services
Business Investment Grant Revisions	On-going as needed	Neighborhood & Business Services
High Growth Entrepreneur Strategy	On-going as needed	Neighborhood & Business Services
Charlotte Business INclusion Update	On-going as needed	Management & Financial Services
City Protocol Society	On-going as needed	Neighborhood & Business Services
Amateur Sports Development at Bojangles Coliseum/Ovens Auditorium	Future discussions (TBD)	Neighborhood & Business Services
Applied Innovation Corridor Strategy & Planning	Discussions (TBD)	Neighborhood & Business Services
Pearl Park	Discussions (TBD)	City Manager's Office
Talent Pipeline (apprenticeship and pre-apprenticeship)	Discussions (TBD)	Neighborhood & Business Services
Review of Regulatory Land Development User Fees	On-going as needed	Management & Financial Services
Local Hiring Initiative Using Anchor Institutions and Economic Inclusion (referred by CM Howard on 11-23-15)	Discussions (TBD)	Neighborhood & Business Services

**IV. NEXT DATE: Thursday, March 10, 2016 at 12:00pm, Room CH-14**



## Disparity Study



Economic Development & Global Competitiveness Committee Meeting  
February 17, 2016



### Agenda

**Purpose:**

Outline plan for proposed Disparity Study

**Requested**

**Committee Action:**

Endorsement to move forward with Disparity Study Request for Proposal (RFP)

1. Disparity Study Overview
2. Legal Foundation for Race and Gender Conscious Programs
3. 2011 Disparity Study Background
4. 2017 Proposed Disparity Study
5. Next Steps





## 1. What is a Disparity Study?



Study to determine:

- Whether disparity exists between the number of MWBE firms available to perform on City contracts and the City's utilization of these firms;
- The extent to which any disparities found are attributable to discrimination; and
- Recommend modifications to remedy the effects of any disparities identified.

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## Why does the City need a Disparity Study?

- Necessitated in part by the 1989 U.S. Supreme Court's decision in the case of *City of Richmond v. J.A. Croson*
  - Court imposed legal requirements on jurisdictions to establish a "compelling interest" to support the establishment of a minority and women business program.
- Determination if there is just cause to support the continued implementation of MWBE goals in the City of Charlotte.
- Race and gender conscious measures of the Charlotte Business INclusion (CBI) Policy, including the establishment of MWBE goals, will expire on June 30, 2017.

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## 2. Legal Foundation for Race and Gender Conscious Measures



- Courts apply a strict legal standard in evaluating MWBE programs.
  - **First requirement:** a disparity study demonstrating (i) statistical proof of past disparity, and (ii) anecdotal evidence linking the disparity to discrimination.
  - **Second requirement:** MWBE programs must be narrowly tailored:
    - Try and evaluate race neutral efforts first
    - Set goals related to availability
    - Ensure program flexibility
- Examples of narrow tailoring:
  - Good Faith Efforts
  - Goals set by contract category only for groups for which discrimination shown
  - Outreach
- Examples of what violates narrow tailoring
  - Quotas (or “mandatory goals”)
  - Goals set across the board rather than by category
  - Goals set for groups for which no discrimination shown

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## Why are anecdotal activities conducted as part of the study?

- Required by case law to help explain and lend credibility to statistical findings of MWBE utilization, availability, and disparity.
- During the Disparity Study, firms are randomly selected to participate in various anecdotal activities, including:
  - Business Interviews
  - Focus Groups
  - Surveys
- All interested firms are openly invited to participate in public meetings to provide anecdotal testimony.
- Data collected during all the anecdotal activities are equally important.

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### 3. 2011 Disparity Study Background



**October 2010:** City retained MGT of America, Inc. (MGT)



**September 2011:** MGT presented findings and recommendations to City Council concluding:



- Statistical disparity in some areas of City contracting
- Insufficient anecdotal evidence of discrimination
- Race and gender neutral (SBE) program was effective



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### 2011 Disparity Study Background

**February 2012:** City Council retained Tydings & Rosenberg, LLP to review MGT's findings and recommendations.

**May 2012:** Franklin Lee with Tydings & Rosenberg concluded:

- Statistical disparity (confirming MGT's findings)
- Sufficient anecdotal evidence of discrimination
- Implementation of a hybrid race and gender conscious (MWBE) and race and gender neutral (SBE) program.

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## 2011 Disparity Study Background

**April 2013:** City Council adopts hybrid CBI Program

### **Race and Gender Conscious (MWBE) Efforts:**

- Establishes targeted contract goals to address underutilization
  - *Construction Subcontracting:* MBE goals for African American, Hispanic, and Native American firms
  - *Architecture & Engineering Subcontracting:* MBE Goals for African American firms

### **Race and Gender Neutral (SBE) Efforts:**

- Establishes local small business goals regardless of race and gender



## 4. 2017 Disparity Study



### **Request for Proposal (RFP) Project Scope:**

- Conduct a complete, comprehensive and legally supportable disparity study.
- 10% MBE Subcontracting Goal for Disparity Study work
- Expenditure examination period: July 1, 2010 – June 30, 2015
- Procurement categories to be analyzed include: Construction (prime and subcontracts), Architecture & Engineering (prime and subcontracts), Professional Services, Other Services, Goods and Supplies
- Anticipated study timeframe: 18 months

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## 2017 Disparity Study

Budget Request\*: \$350,000

Budget based on:

- City's Historical Costs
  - 2003: \$349,120 (City's portion of joint effort with County and CMS)
  - 2011: \$315,450 (MGT: \$305,450; Tydings & Rosenberg: \$10,000)
- Research of similar studies
  - Durham, NC: \$350,000
  - Greensboro, NC: \$206,000
  - Memphis, TN: \$350,000

*\*If Committee endorses Disparity Study RFP, City Manager will prioritize project for funding in the recommended FY2017 budget.*

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## 2017 Disparity Study Advisory Committee

- Appointed by City Council
  - Nominations in late Spring 2016
- Committee will ensure community engagement throughout the study period and will:
  - Review and comment on data sources
  - Assist in outreach efforts
  - Review and comment on the findings and recommendations of the 2017 Disparity Study

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## 5. Next Steps: Preliminary Timeline

<b>February 2016</b>	<ul style="list-style-type: none"> <li>• Presentation to Economic Development &amp; Global Competitiveness Committee <i>Action: Get endorsement to release RFP for MWBE Disparity Study.</i></li> <li>• Release RFP</li> </ul>
<b>March 2016</b>	<ul style="list-style-type: none"> <li>• City Council Dinner Briefing (<i>information only</i>)</li> </ul>
<b>April - May 2016</b>	RFP Submission Deadline and Oral Presentations/Interviews
<b>June – July 2016</b>	Contract Negotiations and Contract Award ( <i>pending identification of and Council approval of funding source for study</i> )
<b>July 2016 – May 2017</b>	Disparity Study Review/Analysis Process
<b>June 2017</b>	Disparity Study Findings Dinner Briefing Presentation
<b>July 2017</b>	Council Adopts Disparity Study Findings

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## Next Steps

- Requested Committee Action:
  - Endorsement to move forward with Disparity Study Request for Proposal (RFP)
- Council Manager Memo - February 19, 2016
- RFP release late February 2016
- City Council Dinner Briefing (*information only*) - March 14, 2016

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## Disparity Study



Economic Development & Global Competitiveness Committee Meeting  
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# APPENDIX

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## 2011 Disparity Study Findings

Industry Segments	African American	Hispanic	Asian	Native American	Non-Minority Women
Construction Prime	<u>Yes</u>	<u>Yes</u>	No	<u>Yes</u>	<u>Yes</u>
Construction Subcontracts	<u>Yes**</u>	<u>Yes**</u>	No	<u>Yes**</u>	No
A&E Prime Contracts	<u>Yes</u>	<u>Yes</u>	No	<u>Yes</u>	<u>Yes</u>
A&E Subcontracts	<u>Yes**</u>	No	No	No	No
Prof. Services	No	No	<u>Yes</u>	No	<u>Yes</u>
Other Serv.	No	<u>Yes</u>	<u>Yes</u>	No	<u>Yes</u>
Goods	<u>Yes</u>	No	<u>Yes</u>	No	<u>Yes</u>

*\*\*indicates significant underutilization*

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## How is disparity determined?

- Disparity is calculated in the form of an index.
- The disparity index is a ratio of the percentage of MWBE utilization and the percentage of availability of MWBE firms.
- If the disparity index is 100, the utilization of MWBE is level with the availability of MWBEs in the market area.
- If the index is less than 80, it indicates that MWBEs are significantly underutilized by an agency based on availability.
- An index between 80 and 100 – which is close to full participation – indicates under utilization though not significant.

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# CBI Geographic Area





## Regulatory User Fees Policy

Economic Development & Global Competitiveness

February 17, 2016



### Outline

#### Meeting Outline:

- 1) Review of January 21 Committee Meeting
- 2) Research and Findings
- 3) Staff Recommendation
- 4) Budget and Fee Impacts
- 5) Next Steps



### January 21 Meeting Recap

**Definition:** Fees for direct and indirect costs associated with regulatory services



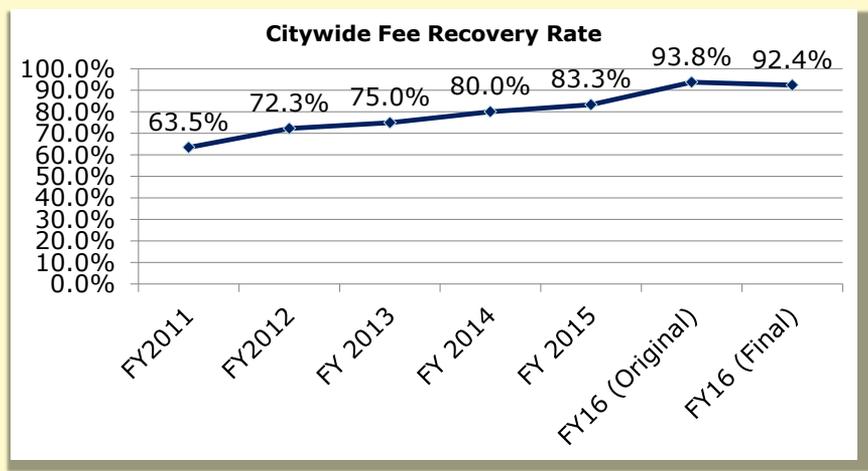
**Current Policy**

Existing Council Policy is to recover user fee costs at a rate of 100%



### January 21 Meeting Recap

In FY2013 City began multi-year approach to gradually return to 100% full recovery





## Committee Questions January 21st

1. Provide Committee with feedback and concerns from the Community Outreach.
  - *Community Outreach in March. Staff will include in the next presentation to the ED&GC committee.*
  
2. Remind Council how the City verifies and audits the User Fees.
  - *Office of Strategy & Budget reviews each department's submittals and working papers for regulatory fees as part of the annual budget*
  
3. Provide Fee Comparison to Other Cities and include tax rates.
  - *Staff has completed a review of other cities and is continuing to research the corresponding tax rates. See next slide with comparative study for Austin TX.*

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## Answers to Committee Questions

User Fee Comparison – Very difficult to compare fees in other jurisdictions.

*"When doing a comparative study, Matrix Consulting Group said the following should be considered: population, budget differences, fees are different in each jurisdiction and may be based on a figure less than the actual cost of providing the services , "**fees with the same name may include more or fewer steps or sub activities. In addition, jurisdictions provide varying levels of service** and have varying levels of costs associated with providing services such as staffing levels, salary levels, indirect overhead costs, etc."*

Jurisdiction	FY14 Budget Cost Recovery %
Austin, TX	56%
Charlotte, NC	80 %
San Antonio, TX	92%
Plano, TX	92%
Dallas, TX	97%
Fort Worth, TX	111%

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## Research & Findings

### Research

#### Surrounding Towns

Staff reviewed user fees in the surrounding towns in Mecklenburg County.

- Recovery rate is close to 100%
- Fee amounts are comparable for similar services.



#### Other Cities

Staff reviewed consultant reports for Austin, TX and Palo Alto, California.

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## Research & Findings

### Findings

- 1) Important to have a clear community-wide policy on user fee recovery.
- 2) Charlotte's methodology (formula) is consistent with other Cities.
- 3) Matrix report (Austin) recommends 100% fully allocated recovery rate.
- 4) Consultants conducting reviews identify specific reasons why some types of fees might be appropriate for a subsidy.
- 5) Difficult to make "apples-to-apples" comparisons.
- 6) Many cities do not review fees annually, unlike Charlotte.



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## Staff Recommendation

City staff recommends continuing Council's adopted 100% regulatory user fee recovery rate.

The policy should include the ability for the City Manager to recommend exceptions to the 100% user fee recovery for specific services as part of the annual budget process.

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## Criteria

Staff recommends that the policy include the following categories for exceptions to the 100% recovery rate in the Manager's recommended budget:

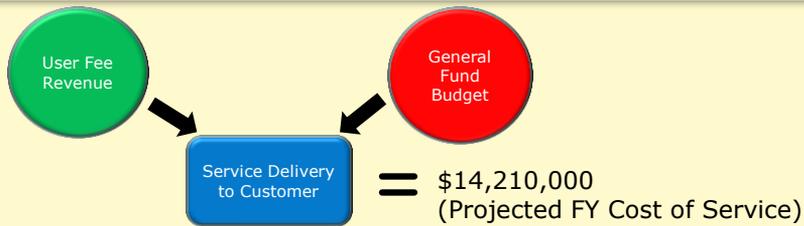
### Exception Criteria

- 1) Avoid significant jump in price from year to year
- 2) Ensure regulatory compliance
- 3) Recognize a greater benefit to the general public

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### Impact to General Fund Budget



	Current FY16 Regulatory	(1) Existing Policy*	(2) Flat Fees	(3) FY16 Recovery Model
<b>Description</b>	Current FY16 User Fees	100% Cost Recovery	Use same fees in FY17 as in FY16	Recover 100%, with "80% for five frequently cited fees"
<b>Recovery Rate</b>	92.4%	100%	86.1%	98.8%
<b>User Fee Revenue</b>	\$11.3M	\$14.2M	\$12.2M	\$14.0M
<b>General Fund Subsidy</b>	\$927K	0\$	\$2.0M	\$164k

\* The Manager's recommended budget may include line item exceptions to the 100% recovery rate, with a corresponding general fund subsidy.

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### Impact to Fee Payers

Subdivision, Land Development and Rezoning Examples	Current FY16	FY17 100% Recovery (Fully Allocated)		FY17 100% Recovery (with 5 exceptions)	
	Combined Fee	Combined Fee	Percent Change over FY16	Combined Fee	Percent Change over FY16
Conventional Rezoning* (Residential to Commercial)	\$ 3,245	\$ 3,721	15%	\$ 3,721	15%
Minor Conditional Rezoning* 3 acre site	\$ 4,395	\$ 5,064	15%	\$ 5,064	15%
Major Conditional Rezoning* 10 acres or 2,500 more trips/day	\$ 8,575	\$ 12,010	40%	\$ 11,298	32%
Commercial Site Development** (no streets) 3 acres denuded, 10 trees	\$ 12,540	\$ 11,375	-9%	\$ 11,246	-10%
Commercial Subdivision*** 23 acres, 80 Trees	\$ 25,910	\$ 22,893	-13%	\$ 21,508	-21%
Single-Family Subdivision*** 10 acres, 10 denuded acres, 40 Lots	\$ 21,160	\$ 20,150	-5%	\$ 18,425	-13%

\*Includes Planning Engineering, Transportation, Clerk & Fire Departments;

\*\*Includes Engineering & Transportation Departments;

\*\*\*Includes Planning, Engineering and Transportation Departments;

**Note:** Five User Fees adjusted to 80% in FY16 include: CDOT's Rezoning-Major, CDOT's Commercial Site Development, Engineering & Property Management's Commercial Subdivision & Single Family. CDOT's Large Festival daily permit also was moved to 80%.

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### Requested Committee Action

Direct city staff to receive input on recommended policy from key stakeholders.



### Next Steps-Process Moving Forward

Time Frame	Action	Community Outreach
January-February 2016	Staff prepares User Fee policy recommendations	
February 17, 2016	ED&GC Committee review staff's draft recommendations	
March 2016	Stakeholders Meetings Seeking feedback on recommendations and impacts	<ol style="list-style-type: none"> <li>1. NAIOP</li> <li>2. DSTAC</li> <li>3. Greater Charlotte Apartment</li> <li>4. Charlotte Water Advisory</li> <li>5. Charlotte Chamber Land Use</li> <li>6. REBIC</li> </ol>
March 24 or April 14, 2016 (ED&GC Committee)	ED&GC Takes Action on User Fees Policy	
April 11 or April 25 2016 (Council Business Meeting)	ED&GC Committee recommends any changes to User Fee Policy to Council for approval	
May 2, 2016	City Manager presents FY2017 Recommended Budget, including User Fees	
June 13, 2016	City Council Budget Adoption	

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