CHARLOTTE

Charlotte City Council

Budget Committee

Meeting Summary for March 28, 2012

COMMITTEE AGENDA TOPICS

I. Subject: Review April 11th Budget Retreat Agenda

II. Subject: Employee Pay and Benefits

III. Subject: Property and Sales Tax Update

COMMITTEE INFORMATION

Present:	CM Barnes, CM Fallon, CM Kinsey, CM Mayfield
Absent:	CM Dulin
Time:	1:43 p.m. to 3:49 p.m.

ATTACHMENTS

1. Proposed April 11th Agenda
2. Market Movement Summary
3. Employee Pay and Benefits considerations
4. Revised Budget Calendar

DISCUSSION HIGHLIGHTS

Committee Discussion:

Council member Barnes welcomed everyone to the meeting and asked those in attendance to introduce themselves.

I. Review April 11th Budget Agenda

Randy Harrington, Interim Budget and Evaluation Director, just to give you a brief overview of the April 11th Retreat, our third and final Budget Retreat prior to the Manager's recommended budget. Two topics here, Employee Pay and Benefits and Cheryl Brown will give you a review of that and Barry Gullet with Utilities budget and rates information. Mr. Gaskins will talk a little bit about the property and sales tax update and then call back up to Council on the multifamily piece and having a recommendation with that. The next item is the Draft General Capital Investment Plan and at this point we are visioning probably two pieces for it. One is a little bit of conversation and clarification on debt capacity, how it is derived, what is available, not available. Greg Gaskins will talk about that in more detail. We would propose having an open session and continue any additional dialogue on the proposed CIP, then finally Financial Partner and Outside Agency Funding Recommendations. Those are the proposed items for April 11th.

Kinsey: I have a question about the Financial Partner and Funding Recommendations. Is that full explanation of that? Is that when we are expected to say I want this and I don't want that or is it just for information?

City Manager, Curt Walton said we will give you our recommendation, but if you want to increase it or decrease it that is the time to do it.

Kinsey: That is what I thought but I wanted to make sure.

Barnes: I do have a question for you on 4-B regarding the multifamily garbage collections. Are you prepared at this point to tell us whether you all follow the recommendation for us not to do it at all?

Harrington: That is one of the options and to be quite frank, we are still finalizing that piece but there are two options: Not do multifamily at all or not provide the supplemental service. I have a write-up with that and will explain it in more detail regarding service issues and challenges associated with each. We will have that for you in the packet on April 11th.

Barnes: Will that include if we chose to get out of it completely or not doing supplemental, giving them some sort of credit.

Harrington: Yeah

Fallon: When do they expect the judge to make a decision?

Powers: Right now we are expecting at the earliest for the judge to make a decision, would be probably fall/winter of 2012. It will be after the start of the fiscal year.

Fallon: We have to keep collecting until then?

Walton: No

Barnes: It is in Raleigh, right?

Powers: Yes, it's in the form of appeals at this time.

Fallon: So what are we doing?

Powers: Right now the judge's decision here in the local level has been stayed so it is more or less not in effect. At this time I want the committee to look at making a decision on delays by any capacity that it so chooses.

Fallon: Will you explain to me the market movement summary?

Barnes: We are getting to that next. Is this the final rates?

Harrington: Yes

II. Employee Pay and Benefits

Brown: We have two pieces of information in your packet for today, the first one being the Budget Committee Meeting Employee Pay and Benefits. I wanted to talk with briefly about some of medial plan changes that we implemented January of this year for FY12. We did some minor adjustments of premium, plan deductibles,

out of pocket maximums on our health insurance plans. We implemented our first year of three-year strategy. We're moving us to the point where the City is contributing a fixed amount of dollars to both of our health insurance plans. We have a basic plan which is Plan B and a buy-up option which is Plan A. Those folks that want the higher level of coverage other than Plan A would be paid more than the folks in Plan B. We are in the second year of that transition and that is going good. We are recommending an increase in the cost sharing for retirees. We are trying to get this to a point where we are competitive with the market on retiree health care. It is approximately 50% on the individual side and 50% on the family side as far as the contribution made by the retiree. On the family side we are right where we need to be. We will be with the adjustment coming up this fiscal year. The individual side, we've got a little further to go.

Barnes: Clarify that, where are we?

Brown: We will be at 50%. We are 47.5% now for employee family and we are at 37.5% for employee and we will be recommending 42.5%. We are going to 50%. That is our stopping point.

Barnes: Legally?

Brown: No

Walton: Just out of comparison to other major employers financially.

Brown: We look at a lot of benchmarking information over the year and especially this time of year to see what other private sector and public sector employers are doing.

Barnes: Is that where most private sector companies are?

Brown: Of those I think the numbers are 52 and 54 respectively for individual and family.

Barnes: So there is a slightly higher shift to the retirees in the private sector.

Brown: I should have started with this. We've had a really good year. Our plan experience has been good, We've actually highlighted some good news on the pharmacy plan, but we've had a really good year so that is helping us with where we're going to come in as far as the health insurance budget for this year. We've been focusing on wellness now since 2004 and we continue to enhance that program. We've actually transitioned to a new provided for our wellness program this year. We are very happy with them, they started with us on January 1st and we are going to be maintaining incentives that we have in our premium structure and our deductible. Those folks who participate in our wellness program will have a bit lower premium than those who do not.

The wellness program consists of the completion of a health risk assessment and biometric screening and then there is a coaching component. For those folks that are a little bit lower risk they are coaching interactions by telephone maybe once, twice or four times a year. Those that are higher risks or chronic issues, it might be once a month. We've got a really great structured program on wellness and we've got approximately 85% participation with our employee group, which is really high.

We actually did something a little bit different this year and we have dependent eligibility audit. Some of you may have been a participant in that if you are on our health insurance program. We hired a firm to come in and take a look at our rolls basically, who we are covering our health insurance plans and then ask for documentation to verify that we actually should be covering those folks like someone who was carrying their spouse when they had been divorced for three years or someone who might be carrying a grandchild and those types of things. That is what a dependent eligibility audit is intended to do. We had a 97% response rate, again very, very high and the consultant was very pleased with our response rate. The estimated plan savings is approximately $475,000 and we got an update this morning and that number has dropped a little bit, but it is still on the up side of $400,000 so that it good news. It comes back to us. We removed 120% off the plan and that was through either they were not able to provide the documentation they needed or the voluntarily dropped it or they simply didn't respond to the outreach.

Fallon: Do we do the Obama thing where students are covered up to 23?

Brown: Up to 26, yes it is a requirement that we cover dependents.

Barnes: With the 97% response rate regarding that 3% how would we get to that?

Brown: No, we kept them lose, we tried 5, 6, 7 times.

Ellis: They had telephone outreach; they had outreach through their departments.

Barnes: That's good work I like that. That is back into the general fund.

Brown: Our prescription drug plan, again another success this year. Our employees and retirees are working to help control the cost. They have been moving very nicely to the use of generic drugs, you can see our generic utilization is 79%. We are with CVS CareMark and we look at the numbers from CVS Care Mark. Our 79% is well above their book of business and well above industry standards for use of generic drugs.

Mayfield: What happens if there is no generic brand for it yet?

Brown: We will cover drugs that are non-generic. We have generic brands and

preferred brands.

Mayfield: The reason I ask that is I was speaking to one of the staff people who gave me an example where a prescription eye drop there is no generic brand, but that one 60 or 90-day supply was $150.

Brown: There is a $100 front end deductible on preferred and brand drugs so they have had to pay the $100 up front deductible and then the cost of the prescription was probably $50.

Ellis: The co-pay for a non-preferred brand is $125 for a 90-day supply so they could have had that plus their deductible.

Brown: Again, our generic utilization rate is great and we continue to try to get folks to use the generic drugs where possible and our prescription drug trend again compares to local business and what is out in the industry. We are 6.8% down in decrease so that is good news.

Fallon: Do you use a mail order?

Brown: Yes ma'am we sure do. Our employees have the option of using the mail order, but they also have the option of getting a 90-day supply directly from the CVS.

Kinsey: Or any pharmacy?

Ellis: If it is maintenance drug like cholesterol where you are on it long-term, they do have either have to go to mail or get it at CVS. They can get a short-term prescription original and up to two refills at any pharmacy that is in the broad care network, but after they have to go to mail order or use the CVS pharmacy to get a 90-day supply.

Brown: What we have at the very end of the page are considerations for FY-13. We are talking with our health insurance consultants about implementing a high/low dental plan option to give employees more choice. Right now our dental program does not include orthodontic coverage so the high plan would a way to include the orthodontic coverage for those who would want to select it.

Kinsey: What we have now would you consider that the low plan? If the high just covers orthodontic procedures what we have now would be considered the low plan.

Ellis: Our plan now is considered the preventive plan so it covers cleanings at 100%, fillings at 80%, and crowns at 50%. With a high/low option the well option would be a little more basic so it would still have the preventive component and then it covers the second tier at 50% and then 50% a lower annual maximum of

$750. Then the high option would be like 180/50 and then have a higher annual maximum and the orthodontic coverage so it would be a little bit higher benefit.

Brown: As we've been working over the years, one thing we tried to do is to consolidate business with a particular vendor. The work of staff and Human Resources here and it has worked very well to keep our cost down. We are constantly looking at the administrators that we use. This year we are going to be looking at a change in the administrator for the dental plan. We are also going to be looking a change in the administrator for our flexible spending account. The flexible spending account and COBRA administrator, as it is now both of those programs are administered by two separate folks and we can get some gains there. We've already talked about the second year of our medical plan contribution strategy. We want to implement minor changes to our medical plan. Every year we look at our deductible, our out of pocket maximum, our out of network benefits and this year we are looking very closely at our out of network benefits. We review that data every year to see how we compare. We don't want to be too good and we don't want to be too bad, so that is why we continue to look at that every year.

We've talked to sometime about higher deductible health plans or what they call consumer group and health plans. We are seriously considering putting this in in FY14. There are some changes that will be coming through if all goes as planned with the health care reform, work that President Obama initiated. So we are looking at that time to potentially put in a high deductible. We are starting to evaluate that now because if we do that we are going to have to start the communication process and this will be for January 2014.

Mayfield: Can you give a little more explanation about the deductible and give me an example?

Brown: We would have a health plan and there would be a $250 deductible and then once the employee reached the $250 deductible then there would be $500 that the city would contribute to either what they call a health spending account or a health reimbursement account. That would be there for the use of the employee and then once that is used then anything following that up to $3,000 would be paid by the employee. Once you hit the $3,000 threshold, there would be a typical co-insurance to cover any additional claims.

Barnes: Did you just say the first $4,200 is on the employee?

Brown: No sir.

Barnes: I thought you said the first $250 is the employee and the next $1,000 is the employee and the next $3,000 is the employee.

Mayfield: If there is only $500 from the city, when you add all that up.

Brown: Okay, $250 and $750 would be on the city.

Mayfield: The $250 deductible is on the employee and the $500 is on the city and then you said $3,000 would be on the employee.

Brown: Yes and that is the reason for the title high deductible health plan. For those that have the health plan that you put in there are employees out there who are pictures of health who very rarely have a need to use our benefit plan and it is another very good way for cost savings for the city as well. It would be something we wouldn't be mandating it, it would just be another option that we would be put out there for folks who would be interested in using that.

Barnes: Is Wells Fargo doing that?

Brown: I think so, yes. Some of the private sector corporations have actually mandated it.

Ellis: There are really different ways it can be structured. I think the whole idea is that the employee as the consumer takes more ownership in their healthcare and researching, should I go here to save money, should I go there. The preventive care is still covered at 100% and that is carved out, but Cheryl is giving you just an example, but there are a lot of different ways it can be structured, but the bottom line is there is a high deductible and then you've got that side fund that help fill in those expenses where the high deductible is.

Mayfield: I'm trying to figure out if we were to move in this direction, is there an out or a bridge to help. Example, someone that I know that was completely healthy went in for what they thought was a routine minor surgery, ended up getting a blood infection in the hospital and now is going through rehab and is having to learn how to walk again because of just a number of little things that happened. There was no way to foresee this. They were not qualified for this because they had never had any major surgeries or any major health problems. What I'm concerned about is if someone were to select this particular option and then a series of misfortune events happens and they are put in a financial strain where their medical bills put them in a position where they possibly have to go into foreclosure or any other number of things happening to strain their credit and put them in a precarious situation.

Ellis: These plans have an out of pocket max so once you get to a certain level, like $5,000, the plan starts paying 100% rather than co-insurance. There are the out of pocket max on that plan.

Barnes: And that could happen how.

Fallon: Is this going to be optional and then go mandatory?

Brown: It would be a third option but they could have the regular medical?

Fallon: Do you intend to make this mandatory eventually?

Brown: I don't have any plans at this time to make it mandatory.

Fallon: So this is for very young people or people who don't go to the doctor. I have the same situation with a friend who got a blood infection in the hospital and he is in rehab to learn to walk again. It wasn't his fault; it was the hospital's fault because he was in the hospital.

Barnes: I have a question about the monthly rates and for example what would be the difference between someone on high deductible plan in 2014 and someone who may be on what is the normal plan now?

Brown: I don't have those specific numbers but we could get those worked up for you.

Barnes: Could you get the information back to us. I just want to know $20 versus $50. Also, you said this is something we are hoping to roll out in 2014, is there some aspect of the affordable healthcare act that would necessitate doing this?

Brown: There will be if all goes as planned. The implementation of health care exchanges, that we as an employer would have to allow employees to go out and purchase their own health insurance at a lower cost.

Ellis: I don't know if that is exactly, but that would be an option where they could go to the open market and purchase and opt out of our plan.

Barnes: Would we be subsidizing the market plan. Is there something that Wells Fargo and other large corporations have either anticipate or know or figured out that we are trying to catch up with?

Brown: No sir, I don't think so.

Barnes: Do you see what I'm getting at? They started doing this recently so there's something they know or they are anticipating.

Brown: As far as the consumer driven health plan?

Barnes: As far as the affordable health care act. I heard that one of the concerns is that people opt out of their employer coverage, go with the market place and that the employers are being taxed or somehow subsidize that over the market health care market.

Brown: There is language out there about Cadillac plans with employers.

Ellis: That is for 2018. I think what you are saying is when the health care is changing in 2014 there are going to be some requirements on the employer if your employee opts out as far as subsidization for that coverage. Based on everything we've seen and when you go to these employer forums for a lot of the private sector, it is just that trend when the private sector to adopt the consumer driven health plan more so than in the public sector. I think largely that is because it saves the employer money particularly if you make that their only option. Most employers have it as an option and it is not a replacement, but they are gaining in popularity. If you look at survey information still the majority of the people have the PPO plans like we do and it is just moving in that direction.

Barnes: Right and there are a lot gnashing of teeth in northeast Charlotte as a result of change. I think you were on next to the last bullet point Ms. Brown.

Brown: Yes, we are going to be considering implementing the wellness incentive for vision. We are just looking really at the retirees. At this point, we were struggling with how to also implement that with the dependent of the retirees. We've got some enrollment questions in our heads as to how we could get them with paper because they are not with our current system at this point. That is my error and I corrected it on my new copy, but it would be for just retirees.

Barnes: I think that is smart and I think you should look to the same analysis of attendance because if you can help people keep themselves healthy it is a good thing for them and for the city.

Brown: We've had some great success stories with our wellness program. Not to be dramatic, but we've had some folks through screenings found that they have cancer or diabetes and they have to make some significant life changes. We are happy with our program. We have already talked about the cost sharing for retirees that goes to that benchmark point of 50% with the individual.

Barnes: When you move from 37.5 to 42.5 what is the savings to the city?

Brown: I think I've got it, but it might take me a while to find it.

Barnes: Similar to the independent eligibility savings from the audit, I would like to know what the savings would be if we move from 37.5 to 42.5.

Mayfield: Just for more clarification for me when we are saying increase the cost savings for retirees, are we saying the retirees to pay more into it or within the fee because what I'm concerned about is that we are talking about our retirees who are already on a fixed income, increasing their cost toward the plan. I have some reservations.

Brown: That is what it would, additional cost shifting to the retiree to contribute more to the cost of the health insurance.

Mayfield: The surveys that we've done included those surveys out to our current retirees to see if this is something they can even realistically consider since a lot of them are on fixed incomes.

Brown: To my knowledge we have never surveyed retirees or the workforce.

Walton: When she mentioned surveys of comparable employers or large employers and we've always tried to stay pretty much in the middle of where they are. It is very unusual to have retiree coverage so we are ahead there but we've also looked at rating them separately, but that would make it prohibitively expensive for them. This is an option to keep them in the bigger pool, but increase the cost sharing because by age that is where the majority of our cost is.

Mayfield: There is a component in there as far as the education prior to this happening to make sure that they are fully aware that this is coming down the pike.

Walton: These changes always become effective in January, so if you agree in June they would have six months.

Barnes: As a follow-up report, I would like to know the amount of money we spend on retiree's healthcare.

Harrington: I may be able to answer that question. The amount spent on retirees is a little over $10 million.

Brown: We do separate the claims cost by our system and the pre 65 retirees.

Kinsey: Did you say pre 65?

Brown: Yes ma'am. We may pay the pre 65. Curt said they are rolled in with the actuals. Those are what we call blended rates and there are post 65 plus our retirees at the age of 65 when Medicare become primary and then we have a supplement that is offered to those retirees. The claims cost for actives looks like $37,956,852 and then pre 65 $8,479,641. These are numbers from a consultant that recently received. This was what was paid in 2011.

Barnes: We spent $37 plus million on retirees who are under 65?
Brown: No sir, active employees.

Barnes: Okay, then $8 million on retired employees. Where does the $12.4 million come in?

Harrington: That's in the budget.

Barnes: So we are spending less than the agenda.

Brown: The way we cover the cost of claims is that the City contributes its portion to the self-insurance budget to cover the cost of claims and then the premium we collect from the employees also helps cover the cost of claims. It is a split responsibility. When we say cost sharing, that is what we mean. The City puts in its portion and then the employee in pre-65 puts in their portion as well.

Barnes: Would you be willing to put that $37 million and $8 million into a report so everyone else can see it?

Brown: Certainly

Walton: We are assessing whether to recommend the domestic partner benefits to you in the budget and can probably say we are going to recommend that, but on the 11th I'll say we are looking at it because I don't want the media to run away with that between now and the Amendment I vote in May. It is about $150,000 and it would be same sex partners only because opposite sex domestic partners have the opportunity to marry and take away the barrier to health coverage.

Barnes: That was a huge set of issues because I'm straight and I am married, but if I wasn't married why can't I get the benefit? I hear what you are saying, I can get married but someone who is gay cannot get married, but they can go to another state and get married.

Walton: It doesn't apply here.

Mayfield: It is sort of slavery, once you cross that line those papers don't matter.

Fallon: It is just a comment because I had asked about that. It is not a matter that you can shack up for three months and ask for benefits. You have to have some kind of a long standing definite relationship before you can claim it and they vet it to make sure.

Barnes: It will be an interesting debate.

Kinsey: Could we face a lawsuit if we just allow same sex, which I support 100% I think it is a little bit unfair too, but I just wanted to make sure that somebody couldn't sue us.

Walton: No, it is not a legal issue.

Barnes: I have to leave at 2:45 and I see that we have the Market Movement Summary and I think there was a question about it. Was that your next item, Attachment 2?

Brown: Yes sir, and this is just a really quick snapshot just to let you know what we've seen over the years and this is a typical way that we report movement in the pay out in the market. We have several sources. Again, World at Work, Hewitt and Mercer are very large consulting firms and we use their data a lot in our analysis. We do survey National Municipalities and Charlotte Area Municipalities to get information on what they've done and where they think they are going in the next fiscal year. Large Charlotte Employers includes your banks, your hospitals, your Dukes, your TIA Crest and those so we do survey our large employers close by. The Employers Association is an organization that includes many, many different companies around the city and the region. It is quite a consortium of services that the Employers Association can provide to both organizations and they do a lot of survey work over the year and a lot of benchmarking so we include their data. At the bottom you can see what the City of Charlotte has done over the last few years. We do not have a number yet for projected market movement.

Kinsey: I'm assuming Charlotte area municipalities include the other municipalities?

Brown: Yes ma'am it includes Concord, Cornelius, Davidson, Gastonia, Huntersville, Kannapolis, Matthews, Mint Hill.

Kinsey: It is not just Mecklenburg County?

Brown: No ma'am it is the surrounding counties.

Fallon: Is that good or bad that we are 1.4? What does that mean exactly?

Brown: It means that over the years that we have noted here one year we had a 3.5% merit budget that we were able to provide employees. The next year we weren't able to provide any sort of a merit so they did not get any pay increases that year. The next year we had a 2% average merit budget and the current year there was no funding for a merit.

Fallon: In other words we are under what other people are doing?

Barnes: There is that one time 1% savings from last year. Referring to the fourth line down, Large Charlotte Employers - private sector, how many of them offer pensions?

Brown: I don't know right off the top of my head.

Barnes: In other words the City Employees are getting life-time pension?

Brown: Through the state retirement system. Yes, sir.

Barnes: One of the perks and we saw this with some of the things we were asked

to do for the City Attorney a year ago, one of the perks for working for the City is that you do have that option for that benefit and a lot of folks who work at Wells Fargo or wherever, and that option exists maybe in a 401-K, but there is no guarantee of any sort of benefit through the program. What I was suggesting is that yes, these numbers are low, but as a policy maker, one of the things I always consider was the fact that we do offer something that is becoming increasingly less competent and that is a pension through the state.

Mayfield: When you bring back the other information requested earlier, can you bring that breakout that shows how we are compensating financially in other ways? I know me personally as one of the newest members and not having that conversation previously until you just mentioned a pension, I didn't know that was part of it so that can be identified somewhere in here even though we had zero. Right now I'm looking at it and it doesn't look like we've been able to give a raise in three years whereas that 1% was in there so that might be something that I know for me would be very helpful.

Kinsey: The employees contribute to their pensions, 6% and the rest comes from it is a matching?

Harrington: No, it is not a match, the Government Employees Retirement System, the non-public safety percent is in the upper 6%. Sworn law enforcement has a different rate which is slightly higher.

Kinsey: I just wanted to make sure that everybody knew that the employees do contribute a portion of their salary.

Barnes: Did you say that it is not matched at all?

Walton: It is not a match it is 6.0% versus 6.7%

Gaskins: I have been on two different committees and one of the things when you compare private sector with, a lot of these people have very high bonus payments. They may not get a pension, but they get a very high bonus payment. That is not in these numbers. Their bonus payments that would really jack theirs up in terms of percentage are not in here so it is a little bit of an apple to orange comparison to look at the average when the private people have big bonuses. When you put those numbers in there, ours look really low compared to that.

III. Property and Sales Tax Update

Gaskins: I'm going to walk through a couple of things that I think will show you where we are going to be at the next meeting and at that point in time we will make it a presentation and will have the charts and the numbers. These are still works in process as we speak. As you know we work through a process trying to get the latest information in front of you. Randy and I have been talking and we are trying

to get some pretty good numbers in from of us by April 11th to look at. That is our deadline. Part of that process involves us working with county so that we are in the same place that the County Finance Department is because we both work with property tax collector which is part of the County's administration. That process is a little bit more difficult this year. Last year, I actually told you it was going to be hard but this is going to be a tougher year for us because there was going to be more uncertainty as we moved in the process and that has proven to be the case.

Sales Tax is very interesting. We had a huge down turn in 2008. We've gotten on a track where we are coming back very, very slowly and we've got two factors that are making it more complex than normal. One of those factors is that it continues that the sales tax is collecting a smaller part of the overall economy. As we move away from a goods and services economy, to an economy that is service based we are not capturing that growth. Where it grows on the service side you are not getting that. The service side of the economy is probably growing faster than the goods and services side. If you see something about general growth versus sales tax growth it can lag because in fact we are not capturing a part of the economy that is out there. What we are looking at grows slower than that. There is that general issue of the sales tax that has been recognized by a lot of people the general assembly is talking about. That makes the numbers look at little bit different every year as you tax a smaller part of the economy.

The other issue is the county raised property taxes last year and when they raised taxes that hurt us because that changes the distribution of sales taxes in Mecklenburg County. That is a complex thing, and I'll be happy to go over that but the issue is we know when we start out, we have to compensate for that if we are going to have more sales tax. Where I think we are, as of the latest numbers and we will have better numbers than I'm talking about on April 11th. I believe that we are going to have enough sales tax growth beyond our projection to cover the short fall that is caused by the County's raising of property tax last year. In other words, we are going to cover it and by covering it, it basically means that we are going to be on target. We're going to collect approximately what we thought we were going to collect and we are going to be about on target in terms of revenue. That actually is good news because it would be bad news if we were not growing a little bit faster because we would have to then cover our short fall that amount to about $1,800,000. I think we are not going to have to cover that short fall. That is good news number one.

Good news number two. I think the value is slightly higher than projected. Therefore revenues are probably going to exceed by projections slightly in terms of what I gave you back in February when we talked about this. They are not greatly higher, but the big variable is going to be the number of appeals as they continue to be settled and how that situation is going to affect us in terms of revenue. You know from being on Council that you've seen some big refunds, like million dollar numbers that we've given back. That is the appeals process and you see it when

we gather those up and bring it to you, but the reason is you estimate what your taxes are and you pay them. So here is where we are. Where I would say we are right now is that the tax office is being extremely conservative in what they are saying is going to happen with appeals. We have to sort of take that and see where it is really going to be at the end of the year and what the real tax collections are. We are going through a process of estimation related to the current available information on appeals. The county finance office is doing the same thing that we are doing. We sat down with them and we compared their numbers and what they are doing to what we are doing and there is a meeting coming up next week which is going to be here are what our estimates are, which would be the City's and the County's then the tax office will give their input into what they think that is. From that meeting we will take the number we are actually going to recommend to Curt as the number we think is likely to be the revenue number. I believe, based on the growth and where we've been so far in appeals, about 50% of those, that we are going to exceed the amount of revenue we initially gave to you back in February. The question is by how much and I can't tell you that because a lot of that depends on the meeting we are going to have next week. From the low number to the high number we are talking about $8 million plus in that number that is in the air at this point in time. You can see how much you are going to get has a tremendous bearing, a real decision is going to be on the thing that we don't know yet and that is how successful are these appeal processes going to be between now and when they are completed, which could actually extend into the next year when you consider that the fact there is a process that goes to the State of North Carolina.

Barnes: With regards to appeals that have resolved thus far, did you say about half of them?

Grier: Yes, we've completed 52% at the Board of Equalization Review and all the informal appeals.

Barnes: Were they adjusted downward?

Gaskins: The overall drop is around 9% and the difference really is, is it going to be 9% through the end or not. The tax office thinks it is going to be higher than that. That is where you get an estimate as much as $10 million variation in terms of how much it will continue to drop for the remaining appeals. Some of those as you might imagine are pretty value, the commercial appeals, very high value. But never the less you have to weigh it in terms of the overall numbers. We've done this before and we've gone through exactly the same procedure of working with the County tax office. Both the County and the City Finance Department work jointly with them because we are trying to come up with same or similar answer.

Barnes: Mr. Manager, a week ago we asked you to reach out to the County regarding them treating Charlotte the same way they might treat the six towns outside of Charlotte in Mecklenburg County and I think you indicated that they

chose to take no action with respect to Cornelius and the lake area.

Walton: That would be the two pieces. They have already done for the rest of the county what Cornelius was asking them to do. I think they did it for Cornelius but there was no substantive change.

Gaskins: If I can elaborate, they are actually in the package that Mr. Jones went over with the County Commissioners that there were a number of pieces of information. We think one of the most valuable pieces of information and I don't know if Council got this, but it was a think from Jim Burnette who is Chairman of the Board of Equalization and Review, what it is essentially saying is there is nothing wrong with the process of equal mix and is basing that on the actual cases that they have reviewed. The good news for us is the same basis on which other cases have been reviewed in other parts of the county, not just there. The same type of analysis, the same type of process was used and he feels and that Board feels very strongly that the range of losses they had, this is the 9% average is in fact a pretty good range for what they've seen across the county, that there is not really that much difference. For example, we are using this information back with the tax office to say, this help us we think in terms of determining what the ultimate appeals loss is going to be. They are basically saying that it is within the same range and there really isn't a difference and they very strongly defend where they were in the Cornelius activities and in the information that Harry Jones presented to the County Commissioners.

Fallon: It was in the newspaper and from what they had done, that was it and they were not going to be doing very much more because it was as they had said it was.

Gaskins: I think we both had a conversation and Harry felt very comfortable with the data and information. What we saw of it, I felt comfortable with it as well. It seemed very reasonable to us and we've done it for a number of years. What that would mean is that we are going to have a fair amount of possible variations between the fact that we are slightly positive and I think I said in February I thought we would be slightly positive primarily just because the economy has gotten a little better and there has been growth in our economy unlike some economies where it has not been. We have a few businesses coming here and we have added some economic activity and as a result of that, it could go from slightly positive to better than slightly positive if you've got something that varies in the $8 million range. I don't know what that number is, but I expect that on April 11th we will have a number. This will be a number ultimately that we will be reviewing in the evaluations.

Kinsey: I'm just curious, but it has been 8 years since the last reevaluation. Was it much more difficult because the county waited for 8 years?

Gaskins: No, it really wasn't but let me tell you what was more difficult. First of

all remember we were kind of doing it in less than 8 year cycle prior to that and it was our intent to actually wait till the two-year cycle. Obviously, there were some conditions first that they had with some things inside of their office as the original delay. Then the second delay happened because of the 2008 collapse and the fear that you would do it wrong. But you still had the situation that the market went up and then it went down so as opposed to some kind of steady trend one way or the other we had a situation of going up and down and then uncertainty. That probably was one of the more difficult times to have a reevaluation. That and the fact that they knew there was going to be a high level of appeals did make their job doubly hard I think. What is gratifying is when you look at the data and the data seems to support the fact they did a pretty credible job of figuring out the up, the back down and the uncertainty, given all the facts and circumstances. I do think it was harder and I do think that going from a four-year to what you thought was going to be a four-year to an eight-year probably caused some difficulty. Remember they had a turnover in their office during this same period of time. Given all the factors, they are probably pretty close to where we thought they were going to be. After the meeting we had recently with the County Finance folks that we work with, they pretty much agree with us, based on the data, we are not far off if we can get this issue about the percentage of appeals from now until the conclusion of the process solved. I'm going to feel pretty good about this summer if we can get this issue solved. It is a big enough issue though that it is going to make a difference in terms of how much dollars there are.

Powers: We have experienced this same kind of volatility with all, and I think this is my fourth reevaluation. They all have that volatility; this is just a bigger number.

Walton: Things could be worse category. Last week I was at a meeting with the 25 largest cities in North Carolina and six of them had reevaluations this year and all six are going to have to raise taxes a minimum of 6 cents to be revenue neutral. A tax increase just to stay even and that is a hard one to explain.

Fallon: Would they have been better off if they did it when they should have done it rather than string it out?

Gaskins: Not for public criticism. I personally think we would have been better off if we had done it then. What I can't tell you is how that would have affected individual properties. They may be individual losers and winners in that and I understand that and I'm not sure how we could accurately predict that. In other words, where is some justification for what was done because of that individual losers?

Fallon: Is it every four years?

Gaskins: It is every eight years by statute, but you can do it less than that. I think ultimately for Charlotte-Mecklenburg it makes sense to do it more frequently than

that.

Fallon: Especially with everything down, it is starting to go back up again.

Gaskins: There is no question is it going to rebound. We can already see our community is the type of community that tends to rebound faster than the nation and I think we are already seeing some evidence of that. Even though there was a banking crisis, even in spite of that we are seeing evidence that in many cases other banks have moved in and provided entrepreneurial money so the community itself has in some ways diversified, it got stronger rather than weaker.

Barnes: Mr. Harrington for the purposes of follow-up information I would like for you to provide us some brief analysis regarding the recovery that Mr. Gaskins was referencing and the prevailing unemployment rates which is still around 10%. I suspect that a lot of it is tied to people who move to Charlotte without a job because we are still growing and a lot of folks come here and don't have a job. I think they are just adding to that percentage. If you could provide us with that I think it would be helpful.

Gaskins: We recently encountered a non-official event and he was actually saying it was coming around.

Kinsey: How many of those people are homeless, they come here, they don't have a job? Is there any way we can track that? Do they add to the unemployment?

Harrington: I have not seen the rate.

Fallon: If you recall the Observer did a whole thing the beginning of January on this girl who came from Jersey who had no husband, but she was pregnant and moved in with her sister who had a baby and no husband and neither of them had jobs. That contributes to it. A lot of people have come in here that way. I don't know if they factor them into our unemployment rate.

Grier: If they are looking for a job they are.

Fallon: I know if you are homeless if you move in with a relative.

Powers: For mythology purposes in regards to whether or not the person is trying to seek a job, a survey has to be able to access that person through some communication whether it is by cell phone or by home phone, without including those that are homeless. If someone happens to move in with someone and they are accessible by communication, they probably would still be included in a survey if they are actively seeking a job.

Fallon: Some statistic they would be in because she's going to go to the hospital to have the baby and it is going to be on our dime evidently.

Powers: That may be so but I was more or less just focusing on the unemployment issue.

Barnes: Obama Care won't fix that either.

Harrington: Attachment 4 is your revised budget calendar process and I heard particularly May 9th, to revise the recommended budget presentation at 11:00 a.m. and it will be downstairs in the Council Chambers. That precedes the HAND Committee.

Barnes: Thank you all for coming and we will see you all on April 11th for the Budget Retreat.

The meeting was adjourned at 3:49 p.m.