The City Council of the City of Charlotte, North Carolina convened for a Budget Workshop on Wednesday, February 6, 2019 at 1:44 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Vi Lyles presiding. Councilmembers present were Dimple Ajmera, Tariq Bokhari, Ed Driggs, Larken Egleston, Julie Eiselt, LaWana Mayfield, James Mitchell, Matt Newton, and Greg Phipps.

ABSENT UNTIL NOTED: Councilmembers Justin Harlow and Braxton Winston II

ABSENT: Councilmember James Mitchell

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I. WORKSHOP OVERVIEW

Marcus Jones, City Manager said before we start the Budget Workshop, one of the things that I would like to remind the Council of is that during the calendar that you approved back in December, the concept was to come right out of the Retreat into a Strategy Session, then 48-hours later have the first Budget Workshop session. This will occur three of these, the first Wednesday in February, March, and April, prior to the budget being presented in May. I would like to ask the Mayor and Council for help as we go through this process. Typically, sometimes we get to the end and there are questions about whether or not we should have had more workshops, so what we are trying to do today is hit some major areas at a high level, and if there are some questions or areas that you would like us to bring back to you in the future workshops, we would do that, but obviously we will not answer all the questions today or cover every aspect of the general fund or enterprise funds, but we also believe that we have a pretty robust agenda. I will turn it over to the Chair of the Budget and Effectiveness Committee.

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II. ENHANCED BUDGET DEVELOPMENT PROCESS

Councilmember Phipps said today’s meeting is our first official Budget Workshop of fiscal year 2020 budget development process. I would like to thank the other members of the Budget Committee for a successful Budget Committee meeting on January 15, 2019, which Mr. Driggs is going to talk about a little bit later. I would like to recognize the committee members: Ed Driggs, Vice Chair; District Six Representative, Tariq Bokhari; District Three Representative, LaWana Mayfield; and At-Large Representative, Dimple Ajmera.

So, no different than past budget cycles, City Council is going to face some difficult choices in the adoption of this fiscal year 2020 budget, for instance, this year our residents did receive revaluation of their property, and the City Manager is required to give us the revenue neutral rate. The budget decisions that we will make will address our new priorities and make Charlotte an even better place for everyone. We have a solid foundation to serve as the basis for the fiscal year 2020 budget, and we have 15 finance and budget principals, which were adopted as part of the fiscal year 2016 budget process, so we did a lot of great work at our recent retreat that provided the City Manager input and direction regarding City Council’s priorities. So, I feel confident, and I hope that you do too, that we will have a very comprehensive budget process and look forward to our discussions over the next series of workshops. With that said, without further au due, I would like to turn it over to my Vice Chair Mr. Driggs for comments that he would like to make.

Councilmember Driggs said at the previous Budget Committee Meeting, we reviewed three things: the annual external audit, which returned a clean opinion from the auditors; the great success of the MyClinic Program for employee health care; and we talked about the property revaluation that is currently underway, which we will discuss a little later today. The Budget Committee continues to help set the Budget Workshop agendas by evaluating which topics to bring to full Council. This year, we will begin to plan for infrastructure investments beyond 2020. We continue to ensure that the City adheres to
sound budget and financial practices. Now, I would like to turn it over to the City Manager to say a few words.

Mr. Jones said we have a number of items on the agenda today. We will start off by having the Deputy City Manager, Sabrina Joy-Hogg, give you an overview of the enhanced budget process. One of the things that we have been attempting to do over the last couple of years is to find opportunities to consolidate, find opportunities to streamline, and what we would like to do today is just as we start the budget process, give you a quick overview of some of the enhancements that we have been providing thus far.

Sabrina Joy-Hogg, Deputy City Manager said just as a quick recap of the agenda that we will cover today, he mentioned the enhanced budget-development process, then we will go into an update on the general fund considerations. This is a recap of what you have heard at the Retreat plus one additional change, then we will just recap the Council priorities that you all voted on at your Retreat. We will hear from Ken Joiner, who is our County Tax Assessor, along with some work that the Budget Office has done to get it to a city level type of analysis. This will be our first fore into the revals process discussion and the revenue tax rate discussions, then we will go into a non-general fund overview with Charlotte Water, Storm Water, and CATS. This will be the first discussion with them, then we will give you the long-awaited capital projects update that the Manager mentioned on Monday night’s meeting.

I would like to start with just giving you a quick overview of some of the changes that we have made with the Budget Office, and I will tell you that as we inter our first Budget Workshop, developing a budget is not a three or four-month process for us. It is a 12-month process. It is iterative; it changes, and it requires a good deal of flexibility. I can tell you, I have been developing budget since 1999. I have state and local government experience. I will tell you that having a strong Budget Office is the key to developing a good budget. Just to tell you that, the Budget Office is one that serves as an independent resource for the City Manager and decision makers. Sometimes the position that the Budget Office and the analyst take is not always popular because of the objectiveness of the analysis that they must product, so with that said, I would like to beg your indulgence for a couple of minutes to introduce some of the folks behind the screen that are sitting at that table and behind me. This is in no particular order that I will call them.

Let’s start with Jennifer Wolf. Jennifer jointed us this past year. She comes to us with 14-years of experience with the Army as an analyst as a budget officer there. She served in the Horne of Africa as a Deputy Comptroller, and she has worked with Mecklenburg County for two years as a Budget Analyst. We have Hannah Bromberger; she worked on the economic policy team at a think tank in Washington. She is a published author. She has also spent four years with Engineering and Property Management in the Real Estate Division, and she leads our Capital Investment Program. She is also responsible for the capital needs assessment that we will talk about throughout this budget process. We have Ethan Smith, who has been with the City for eight years. He handles our cost allocation program, and he is helping to lead some of the compensation analysis that is going on. Lauren Ruvalcaba, she is with the Policy Division of the Budget Office, and she does research and planning and financial analysis workload coordination and grant administration, and she is helping with some of the research studies that the budget office does. She works very closely with Marie Harris.

Councilmember Winston arrived at 1:55 p.m.

We have Tony Bittle. He is our IT guy, and he has had a busy few months, because we are revamping how the budget book looks to make it more reader friendly, to have more transparency in there, to have more detailed explanations of adjustments. He is also revamping our capital systems in house. As you know, if we do not have good data into a budget process, we have garbage that comes out. The Analysts work very hard to clean up the data. We have Chris Cauley. Chris Cauley has six years of local government experience. We got him from Florida. He has organizational development and process improvement and was also the author of the $33 all access bus pass. We have Sam Smith; Sam started with us as an intern, and he has five years of local government
experience. We have Jordan Paschal. I think that they are still trying to get the books together. Jordan is an experienced Research Analyst. We stole him from JLark, the Manager’s old alma mater. It is a watchdog agency for the Virginia Legislature. He has a lot of research in policy background. He is conducting a lot of the issue brief analysis that they are doing. We have Ryan Bergman. He is our new Deputy Director for our budget. He spent three years as a County Manager in a 40,000-person county in Michigan. He also has budget and principal analyst experience from Virginia, and he has previous grant experience.

We all know Phil Reiger; Phil joined the City of Charlotte in 2000. He has 19 years of local government experience. Marie Harris, she leads our Policy Office and is conducting a lot of research on work-load coordination and policy analysis. Finally, but not least, Chris Newcomb. He is our newest add to the Budget Office. He is our Financial Process Planning Manager. Chris embodies what we are trying to do in this horizontal organization. He was in the Department of Finance. He was working on the debt model. He was our Debt Manager, and he is a young, bright, shining star. We brought him up the Budget Office to complete that integration and the collaboration between the departments, again breaking down some of the silos. I did leave off one person, which is our Economist. Dr. Tazifor came to us after four years as a Senior Economist with New Mexico. He has government experience, primarily in preforming economic development analysis. I think that I missed Alicia Scott. I am sorry. I missed a whole page. She worked five years for the City of Savannah, with Economic Development. She managed the MWB program and led Savannah Youth Ambassador program there. She has economic development, corridor revitalization grant, and community grant experience. We have Erin McNeely, who transferred from the City Manager’s Office to the Budget Office. She has financial industry experience and was an account manager for the healthcare administration. Will Sigmon is also an example of us hiring our youth. He started out as an intern with the City of Hickory, Wilkesboro and was an Interim Budget Analysis with the City of Concord.

This is the Budget team. These are the people behind the curtain that make the numbers work. The budget is a plan, and one of the big things that I learned as a young analyst with the Commonwealth of Virginia was that the budget is a plan. The budget gets modified; it gets amended, and when you start with that premise, it should always reflect the priorities of the community and governing body. The budget needs to be flexible, so when you set it throughout the course of the year, there are things that happen that we need to be nimble about. Part of what the budget analyst role and the budget office role, when we start the budget development process is to pull the base and look at where the expenditures are actually occurring. You have where the appropriation exists and where the expenditures occur. The objective of this analysis should be to realign the base every single year to where the expenditures are actually occurring, so throughout the year and course of the decades when we pull data, we actually know where the money is being spent. That has not always been the case with the City of Charlotte. The analysts are working very hard to make sure that alignment is as close as possible. Again, it is not 100%. Every year, we realign the base, then we look at where the expenditures are occurring, and you move money around.

We [inaudible] that we use throughout the budget process; in the past, it used to be called current level of service or service level adjustments. It was very confusing. We have changed those terms to be called base adjustments, meaning what is already there and technical adjustments, meaning technicals are mandated things or must, must do program, which would mean a rent increase or a contractual increase. Then we have enhancements, these are add-ons or expansions. These are new things that there are policy calls, then we are working very hard to redesign the capital program, and we will have some subsequent discussions in the upcoming Budget Workshops and committee to talk about how we are revamping the capital program. As I say, one of the biggest changes is the capital needs assessment that we have put in place.

Lastly, we are infusing analysis and all levels, operating capital and revenue analysis. The Budget Office has changed its theme from becoming a data entry point to a more analytical office that should serve this governing body and the City Manager to give you
any sort of independent objective analysis that is needed. With that, I am going to turn it over to Phil to take us through priorities.

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III. CITY COUNCIL PRIORITIES

Phil Reiger, Strategy and Budget Director said as Sabrina said, the budget document and budget process is really maybe one of the most important things that this Council will deliberate on on an annual basis. There are many other important things as well. The budget, as I like to say it, where you put your money is a reflection of where your priorities on. At the Retreat, City Council talked about their priorities quite a bit. Just as a recap, as sort of a framework or basis for starting the budget conversation, we wanted to put back up what the priorities that you discussed were and they were economic development, transportation and planning, and neighborhood development. There were a lot of other words that went with that, so over the next few months, we will be taking that guidance, crafting those words and developing outcome measures that you will have an opportunity to see, validate, and we are excited to do that. Focus areas then will have an opportunity to become more operational in nature, and of course will be aligned to support Council’s priorities.

Moving into a recap of the FY2020 general fund budget considerations, last week I left you with a $4.4 million budget variance, and we walked through the steps of how we got there. As Sabrina said, this is a very iterative process; things move, and we ended the Retreat last Wednesday, and on Thursday, which I think was the 31st of we learned from the State Treasurers Office that they were going to ask employers to contribute just under one percent more than we had planned for, for retirement. Our current contribution to the state retirement system this year is 7.75%. We were planning for an increase in FY2020 to be .25%. The State has told us that it will be 1.2%. So, .95%% of that increase we had not expected in 2020. Now, what I would tell you is that we knew the state was potentially going to ask employers to contribute more, but everything that we had read up until the Retreat suggested that was going to be in 2021. You might recall that we talked about 2021 impacts at the Retreat, particularly related to public safety, and one of those impacts were additional contribution to the retirement system. So, rather than that coming in 2021, that is coming in 2020. That is a $2.9 million impact, which leads us to a new budget variance of $7.3 million right now.

Councilmember Eiselt said every county is going to have to increase their percentage contribution, so for some counties, that is going to be really difficult. What is the State’s contribution? How does it break down? Does the state have a contribution to the employee or is that purely city?

Mr. Reiger said my understanding is that it is the same, and do not forget that employees contribute as well. Employees contribute six percent. We contribute right now 7.75%, and state employees contribute too into the system.

Mayor Lyles said the Local Employee Retirement System that this would impact, so it is only people that are in city and county governments. We include also CRVA employees and I cannot remember if there are any others that we have in the system, so it is just the local. My question was, the local government employee existing retirees have not had accost of living increase or increase in their retirement I think in the last eight to 10 years. One of the questions that I had is this to go into- Did they designate how that increase would be used?

Mr. Reiger said they have not; let me call Ryan Bergman. Ryan is our Deputy Director. He is an expert on retirement systems, and Ryan can probably speak to that.

Ryan Bergman, Strategy and Budget said to answer your question, that is not what it is for; so, there is a stabilization policy that was set a few years ago that said the local government’s contribution will increase by .25 percent each year. What actually happened is in calendar year 2018, they got negative return on investments, and so what would have happened is in FY21, not this next year but the year after, it would have been a big
jump, because it would have been a new block of years, so what they did is the board that runs the system decided to increase it a little big early. So, rather than going zero percent then three percent, they are going one percent then maybe two percent. There are no changes in what they are given out. It is purely investment earnings.

Councilmember Winston said my question is, is there anything that we should be reading in the tea leaves for this as a pretty significant increase in the contributions to retirement, understanding that economies are expected to continue to slow down going forward next year and possibly into a kind of recession areas in future years? Does it speak to the health of employee retirement system that is being paid into?

Mr. Bergman said according to ICMA, the average pension system is funded at 72%, and this is still 91%, so the State of North Carolina’s pension system is still very strong. I do not want to get too far into the weeds, but even if there is one bad year, they do not typically recognize it all at once, so it leaves you a little bit of time to kind of recalibrate, but it is still a very well-funded system. It has extremely conservative projections comparatively on rate of return and how long to pay off the unfunded liability. It is still in good shape, so this is probably one of the reasons that it is in good shape. They are very aggressive in changes such as this.

Councilmember Ajmera said last year around this time frame, or maybe later in the year, we had received a letter in our package, I think all of us got it from out public employees. That was around increasing the contribution, so how does this compare to what was their ask for, and does this address some of the deficit at the State level?

Mayor Lyles said Ms. Ajmera, you asked a two-part question; there was a request that all of us received by the employees for an increase that they supported an increase contribution, but I thought that was for retirees, but I am not sure that I recall that. The second question was, how does this address the system’s reliability, unfunded liability?

Ms. Ajmera said unfunded liability because I know that other states have taken some measures to address that, and I know that our State Treasurer has changed the way the system has worked in terms of doing it in house versus hiring other private sector institutions to do it. I know that there have been many changes in the works to really address the liability gap, so how does this sort of address that overall statewide problem?

Mr. Bergman said part of the rate that we pay is designed to pay out that unfunded liability in a period of time. So, for the State system, it is 12 years, which is very conservative. It is very low, and that stabilization policy put us at eight percent next year, but the actuaries said, well, it should be about 10% if we are going to pay of that unfunded liability over 12 years, so basically what they did is they increased it this year knowing that the following year they were going to have to increase it up to that 10 or 11%. So, this is all part of paying off that unfunded liability; a pension plan by nature is going to have two components, to pay the benefit of the new hours worked and then it is to also pay the unfunded liability in a period of time. In this case, it is 12 years. As for the employee contribution, that is unchanged; it is still six percent.

Ms. Ajmera said I think that this is an important step to really help them have a very reliable and stable system in place and also insures that our employees and retirees will have a good retirement system. I am in support of this. This is a state mandate.

Mayor Lyles said you do not have to support it; it is going to happen.

Councilmember Driggs said so, all of this is one consolidated state fund for all municipalities, right? So, everybody is told that this is what we need from you in the aggregate to achieve this funding, and the analysis that I saw of this when they were still talking about whether or not to try to ahead to the stabilization plan versus taking action soon, suggests that quite a big gap, as high as 12%. They are still working with a seven percent return on assets assumption, which in the near term in my mind is unrealizing, so I am wondering, are we thinking about how many more times something like this could happen to us?
Mr. Bergman said I think from a budget standpoint, from now on, we have to operate as if they may not stick to our stabilization policy because of other things that have happened. So, while for the last few years we have been able to count on that constant .25% increase, I think that when we look at our budget forecast for 2021/2022, we have to kind of assume that they may do these jumps and get to a new level based on whatever the actuary tells them. So, they publish the evaluation report every year, which will have what the actuary says it should be versus what it is, and I think from a budget standpoint, we really have to pay a lot of attention to what the actuary says it should be, because they may jump up to it at any point.

Mr. Driggs said and in the 2021 outlook, we said that there is $11 million that we were told. Is this part of that?

Mr. Bergman said the public safety portion was included, yes.

Mr. Driggs said because you were talking about 2021 and looking ahead, so is some of that occurring sooner in this?

Mr. Bergman said exactly, so we had anticipated in 2021 a percent and a half increase, so this is .95% a year sooner, but my guess is that means that next year we will go up more as well.

Mr. Driggs said right, so the $11 million may not be the right number anymore for 2021 either.

Mr. Bergman said that is correct.

**Marcus Jones, City Manager** said you will see a reoccurring theme. So, this is bringing to you a change that happened within the last week, and instead of bringing it to you as we roll out the proposed budget, we are giving you these real-time updates so that we can get this type of feedback.

Mayor Lyles said so, if we look at slide nine, it was at the Retreat, $4.4 million; slide 10 tells us it is not $7.3 million, and the rational of why, and now we are going to address the preliminary variance.

Mr. Reiger said this is really just again a recap from the Retreat. This gap is still manageable, and we are still in a position where we do not believe that a tax increase would be required to fund current service levels at a revenue neutral tax rate at those assumptions. It is just important to realize we are really early in the budget process as data regarding revenue presents our self we will refine our revenue estimates. We have a very strong report about the impact that MyClinic is having on our healthcare cost. So, we think that there is opportunity to lower our healthcare projection. We always are refining our expenditures and looking for opportunities to reduce our budget without impacting savings.

Mr. Driggs said the deficient that we are looking at right now is basically the salary increase. So, in effect, you are looking at a tension between finding cost savings, finding revenues, or not implementing the three percent review. If you look in here, the new salary increase, $12.8 million is what put us in a deficit position of $4.4 million, so I am just pointing out that we have to solve a puzzle that includes the salary increases, expense number, and the revenue number basically.

Ms. Joy-Hogg said we are going to move on to the next portion of our Workshop, which is the revaluation, and this is going to be divided up into two parts. The first part will be our County Assessor Ken Joyner, who is going to give us an update on the reap process. After this, we are going to take it one step further and start talking about some of the impacts of what a revenue neutral tax rate means. We will also take an early look at a heat map by neighborhood, broken down by the example dollar change in the tax bill.
Now, this is much earlier than we would normally present this information on a revenue neutral tax rate, and in the past, some of the numbers were not final. We wanted to make sure that we got some information in front of you, because we know you are getting questions, but again, these numbers are not final. I cannot stress that enough. We have used some numbers in here that give you examples and a flavor of where you are heading.

V. REVALUATION AND REVENUE NEUTRAL

Mayor Lyles said the Corporate Communications team has put together a template of a response for all of the letters that we are getting; feel free to use that, add to it, delete from it, but it is available for Council. I thought it was really important for us to be consistent in the way that the revaluation process is explained, then after that you can editorialize opinions and thoughts and add to it. So, they will be sending that out.

Councilmember Driggs said is that available online on a website?

Mayor Lyles said it will be sent to you by email so that you can use it to put in other emails as well, but I guess I did not think about asking if it can be something that is on the City website as an explanation as well. All of us have been getting letters from people, and this was helping us to be consistent in what we say. You can certainly modify it in any way you choose for your individual use.

Mr. Joyner; when you came to talk to us in a Budget Committee meeting while the process was going on, I remember very clearly that you said something. You said we can do something about the houses, but we cannot do anything about the dirt, when we were talking about how people’s values would be assessed, and I hope that this will be an opportunity for you to talk to us about some of the increasing values and some mostly of our inner-city neighborhoods and how the dirt works versus the house. I have a hard time understanding it, and I really hope that we will have a chance to talk about that today.

Ken Joyner, County Tax Assessor said we will try to answer that and any other questions that City Council has today.

I just wanted to give you, as a Council, as a group, an opportunity to see where we are at in the process. At this point, the initial values are complete, but that does not mean that the reval is over. There is still much work to be done; we have completed all 371,000 approximately 500 parcels in Mecklenburg County. Just as a reminder to City Council, after 2011 we made a significant effort to visit as many properties as possible, boots on the ground, to ensure that our physical characteristics file was as correct as possible. We hit almost 306,000, about 82% of the entire county. With that, we made sure that we visited all of the neighborhoods that were identified as major by the review process and all of those that were identified as minor. The ones that we still plan to visit are those at this point that were deemed acceptable, but that does not mean that every property in there is acceptable. So, when you look at the change in value from 2011 to January 1, 2019, we have seen an overall increase across the County of about 54%. Breaking that down into our two largest segments, residential about 43% while commercial is around 77%.

Looking at the median sales price across all of our neighborhoods, we are somewhere around 348,000. The statistics here at the bottom, these are the items that we use in mass appraisal to measure the quality; the sales to assessment, again is our mathematical models and our values compared to those most recent sales that have taken place, and in a meeting the other day I think that the City had done an independent look at those themselves and came up with the same percentage, 99%. The [inaudible] of dispersion looks at the quality of the work that we are doing, keeping it as far as making sure that our data is correct. You want to be as close to five as possible, so we feel really good about that number, and the 1.0 for the price related differential, that is a measure that looks at the quality of your values comparing your lowest valued properties and your highest valued properties, because we do not want to end up with a regressive tax or a
progressive tax, and being at 1.0, we are right in the middle of the unbiased range, so again we feel like we are fairly treating those on the lower end of the evaluation spectrum and also those at the higher end.

When you look at the City of Charlotte, within the subset of the County, we had 275,500 taxable parcels for your group. Looking at your percentages, a 58% overall, 46% across residential properties and an 80% across the commercial properties. So, again, my experience in working with city staff here is that normally the City is a little higher because the impact is more direct to you than it is for the County on some of these most valuable properties.

So, the map here, the progress, really the major display here is this just displays the green, your residential properties across the County versus the pink that are your commercial areas. So, it just gives you an idea of where our commercial centers are and they kind of follow the highways in many cases. The field canvassing, again all of the yellow areas have been completed; we have the lake and the river on there and also kind of a teal. Those are exempt parcels, mainly our large parks and things such as that, just so you can see where the work has been completed on the field canvassing. There are some areas that are not completed, but we plan to get those completed in the next year or so as well.

Some of the items that we had not discussed with City Council, I think that City Council is aware that we had been visiting neighborhood associations, civic clubs, and we have an update on that number here later in your presentation. In the fall, we made a concerted effort to ensure that people who had not reached one of those meetings, we could still get our information out to them. So, starting on December 26, we had a radio and TV ad campaign highlighting meckreval.com and the tools that it offered. We also had about a one-month run on the County parking deck right off of I-277 with an advertisement there. We went in and updated, made some changes to meckreval.com that feature the most important feature there had been out since August 2017. So, we had gotten great feedback, and one of the items that we had received is the search function was not operating as easily as it could. So, we made some technical changes there and got those completed before it went out. We also made a significant effort to ensure that the notice was simplified and easy to read. We heard in 2011 that it was a one page with a tear-off, so in many cases you did not even have a lot of the information, so we made sure that there was a separate page for those that wanted to mail in any type of informal information, and they can keep their notice. We also have a copy of their notice online where they can print that out again if someone were to lose there’s.

Our themes across these areas were consistency of our message that we could control our message and maximizing that exposure, because we did this about a month before the notices went out and the advertisements; I think have completed at this point, but ran into early February, and our mailing date again was Wednesday, January 23, 2019, and at least from my experience I think that most people received those either late Friday or Saturday in the mail.

Another fact that we want to point out, the Assessor’s Office is no longer at Bob Walton Plaza; we moved last month out to Valerie C. Woodard. We went from three locations to one, so we are combined. We are coordinated with the office of the tax collector with a shared counter. They moved in this past weekend, so we are all there at this point; it is a great and easy access point from all parts of the County, being not far off of I-77 but directly off of I-85, and we moved in between January 4, 2019 and January 14, 2019, having all of our staff there at that point, so it has really helped. Our whole design plan for the reval was built around this combined access point. I shared this map with the Board at their budget retreat, and this is a heat map showing different residential neighborhoods and the colors corresponds with the amount of increase, so you can see with the darkest greens that you are below 10% to the darkest reds in excess of 120% increases. You can see that they are concentrated in the Charlotte area, probably the majority of those in and around City Center. So, it is not unusual for us, as we have been out and we have visited three neighborhoods in the last week, that all were around 100% or more increases. So, we are still out and about talking with these neighborhoods.
This zooms a little bit further to the boundaries of the City of Charlotte, so you can again see where these neighborhoods are. Again, you can see where they are concentrated; it looks like they kind of go up the Historic West End, down through the South End corridor, off to the east area of Charlotte as well. That is where those largest increases have been found. We also had a request from one of my board members in and around the uptown area, what were the commercial properties that saw a 100% or more increase? So, the map here just highlights, and the reason it actually goes beyond the I-277 corridor is just the way our map books are set up for our commercial appraisers. We just felt like they were close enough to Center City that they still helped tell a story in that the value increases did not stop within that uptown corridor.

This is a copy of the notice; I am sure that most of you received one in the last couple of weeks. I hope that you found it easier to read than what had been used in the past, because a lot of effort was put into making it as simple and easy to understand as possible. These are our community engagement by district; these have been held and to-be-held, and we are actually into our first district meeting tonight. We will be holding a listening session up in District One at the Town of Cornelius Townhall from 6:00 p.m. to 8:00 p.m. tonight. The purpose again of these sessions is that we know not everyone was involved in a homeowners meeting, with a civic club, their faith group may not have reached out or might not have been able to attend or watch one of the city/town county meetings that have been held, so we wanted to hold at least one in each district and some of the districts we already got multiples going on. Again, you can see that we have been out and about with quickly approaching 150. That is the presentation, very similar to what I gave my Board of Commissioners.

I do have some revaluation contact numbers that I would like to share. Our phone calls, as you can imagine, have increased between the Thursday after the notices went out until the 31st, that next week, we had over 5,100 phone calls to our office. On a normal day the week before, we were averaging about 261 calls a day. So, we were seeing that volume go up four-fold. From February 1st through the 5th, which is where we cut off for the meeting today, we had had a little over 1,600 calls. So, we are still starting to see those go down some. Walk-ins, we are set up for our process not only through MeckReval, not only through someone mailing back in that information form, but we are setup for walk-ins. We have appraisers that are available on a daily basis if someone walks into our office and they have enough time, we will get them with an appraiser to go over their record card with them over their property. We have had 89 walk-ins specific to the reval with 64 in that first week and 25 in this next. So, again we are starting to see those go down.

Overflow calls through 311 we have received and reached another 278 individuals between the 24th and February 1st. Here is where I think that our greatest impact has been, when you look at the two weeks, and we started seeing people going to MeckReval even before the notices went out. The day that the press release went out on that Monday, on Tuesday we started seeing the users increase. In the two-week period, starting on the 22nd and going through the 5th, we have had 133,248 unique users on the site. So, that is not counting someone who has gone on multiple days. We have, by branding that site, advertising it, reached our customers and they are using that site. We also have encouraged people to look at their property record card, look at their physical characteristics, look at the sales that have taken place. We have had, through our walk-ins, phone calls, and website, 4,306 informal that have been started so far. So, we are a little above one percent at this point. I am happy to say that of those 4,300, we have already resolved 737 of them. So, we are on those. We are not waiting to reach those customers; we are already on them. We remain right now 3,569. When you take the subset of those that are within the City of Charlotte, we have opened 3,213, and we have closed 537 of those. So remaining, we have 2,676.

Individuals that we have closed or they chose to go straight to the Board of Equalization and Review, which is a person’s right, we have on the formal appeals so far 115 at the County. That subset for the City of Charlotte is 74. We have as we planned and expected, we have been able to answer the phones, the website. We did on the Thursday have a
few issues at certain times during the day, but our vendor that handles the website
changed out some equipment and on Friday, none of the issues existed, and that Friday
the 25th was our busiest day with almost 50,000 unique users on that one day. We had
no one complain that the site came back with an error. We really are excited about where
we are at in the process. I know there has been lots of articles; I feel like I have been
interviewed a million times in the last two weeks, but I think it is probably only about 14
or 15 times. It has been busy, but we are very happy with what we have been able to
accomplish, because we want to be responsive; we want to make sure that we hear our
customers, because as I always say, no one knows the home as well as the homeowner.

Councilmember Egleston said Mr. Joyner; thank you for being as proactive going back
in the last year as you were; I know we cross paths at many of my neighborhood meetings,
so I appreciate you all being out in front of trying to help people understand what was
coming.

Mr. Joyner said including last night.

Mr. Egleston said including last night and I appreciate all of the marking efforts that you
all have made to help people understand what is going on. This being a lot of our first
revals, I have learned how bad people are with understanding percentages and
understanding the difference between an evaluation and a tax bill. There is a lot of anxiety,
but I am sure it would have been much more had you all not been so ahead of the curve
on that. I hope that we on the City side will do everything that we can to help share the
burden on marketing good information to people so that we are relieving as much of that
fear and anxiety as possible. If you made mentioned of this already and I missed it I
apologize. What discussion did ya'll have about changing the frequency with which these
are done? Eight years creates some pretty wild swings, so I think that more incremental
changes wouldn’t be such a shock to the system for a lot of folks.

Mr. Joyner said the reason that it was eight years this time, the eight years would never
be my preference, and I can tell you back in 2013 going through the interview process
and working with the Board at that time, eight years was not their preference after 2011.
We plan to do a 2023. The reval review, when it started in 2013, we had about 18 months
of value changes through that process that took us into 2015. We then had somewhere
between 24 and 36 additional months of processing the 400,000 refunds, 23,000
additional discovery bills, as it has widely been said, the $100 million worth of refunds
that were out there, and we really would have loved to have done one sooner, and we
plan to never let one reach eight years again; 2023, part of my strategic plan to the board
over the next three years is to put together a plan to identify and look at the feasibility of
going to a two-year cycle at some point. There would be additional costs, so we will be
sharing information I am sure and have many discussions over that in the coming years,
but there was not enough time for all of the changes that I would have liked to have seen
by 2019, due to the timing. So, we still have some additional changes that we look to
make before 2023, and at that point, I believe if we can get those frequencies down to a
manageable level, I think that we can also reduce the number of appeals, the lack of
education that takes place or the need for it the longer you go, so we are really looking
at- I hear my board say that we are going to a four year. We cannot officially go to a four
year until we are in a fiscal year starting July 1, because we have to notify the State. It is
an eight year unless you notify them, so we will be working on that as we get into the
appeals process, probably sometime this fall or winter, making that official.

Councilmember Phipps said you mentioned so far you had 115 county appeals and 74
city appeals. Do you have any idea on the percentage of successful appeals that had
been made so far, meaning changes in the particular value of the revaluation granted to
customers?

Mr. Joyner said we will be looking at- and of the 115, the 74 are those that will go to the
formal board starting in May. At the end formal level, we have not had time at this point
to evaluate the number of changes that are going to take place, but we have a point in
time evaluation. So, we will be able to measure those numbers. We have had discussions
as recently as yesterday. I would love to know going forward what was the appeal lost
within office types of properties within warehouse, residential, so as we and the City have to do this year, come up with a determination of what we expect the appeals lost to be. The more information that we have going forward, the more reliable those numbers will be. So, to your question, we have not had any measurements yet, but with our software and our system, we do expect to be able to provide that information in the coming weeks and months.

The commercial, I will say, I do not expect a lot of informal commercial to come in in the next month. The residential is where we see that; the commercial, most of those are going to have a property tax representative, a professional who does this regionally across the country, and those individuals will come to us probably late March or early April, even into May. Some of those we may not know about until May 20, 2019, which is that last day to file an appeal; we may not even know that they are planning to appeal until we get that notice on that last day. So, we know that there will be commercial appeals. We are trying to look and make a determination of what previous revaluations have been; unfortunately, the information that I would like to have was not gathered at that point, so we have to look at overall amounts at this point.

_Councilmember Driggs_ said is there any reason you couldn’t put a notice in the envelope when you mail out those assessment things saying this is not necessarily an indication of how your tax bill will be affected; refer to website so and so or something? Many people open that envelope and look, and they thought wow my taxes are going up 60%.

Mr. Joyner said it said very clearly this is not a tax bill.

Mr. Driggs said it says it is not a tax bill, but it doesn’t say this doesn’t predict what your tax bill is going to be. A lot of people read that, and they thought that the change in the value of the property was a prediction of the value of their tax bill, and just sort of laying to rest that without even getting into all the details of the revenue-neutral reset, out of the box, then referring them to a website or something might have been useful, but I do have a question for you. That is, apartments are in the commercial portion, right?

Mr. Joyner said yes sir.

Mr. Driggs said so, based on this data, we cannot see what residential tax payers, who happen to live in apartments, should expect. We have homeowners and commercial. Do you have data that would enable us to assess what the affect is likely to be on renters?

Mr. Joyner said I would not have that type of information.

Mr. Driggs said actually for us guys, this is pretty critical, right? A lot of the people that are going to have a hard time are renters.

Mr. Joyner said we have the values, but as far as an evaluation of what the affect would be on renters, it is my experience that in many cases, rents for apartments is based on supply and demand. So, the market will help dictate what those rental rates will be, and if the landlords are able to add any additional or offset those. So, we can provide the City what the increases have been, but as far as an evaluation of the affect, I would not be able to provide that.

Mr. Driggs said right and what I am getting at simply would be this is the percentage increase for non-residential commercial properties, and this is the percentage increase for residential-commercial properties as a subset alongside the breakdown you already have between residential and commercial. To your point, what is going to happen is supply and demand goes like this; the supply curve is going to move as the cost of the owners moves up, so you are right. You will not necessarily see a dollar for dollar increase, but you would expect to see some increase in rents related to the elasticities of demand and supply.
Mr. Joyner said that is exactly right. Whatever the market will bear is where it will go; you are exactly right.

Mr. Driggs said but it is going to go up.

**Councilmember Winston** said I just wanted to say along the lines with what Mr. Egleston is saying, carrying the weight of marketing this. There is a lot of community interest and a lot of questions from residents, renters, homeowners, also industry professionals and people like us, so on February 21, I will be holding a townhall along with Commissioner Mark Jerrell that will address this and give people an opportunity to ask and get some of those questions answered. Mr. Joyner will be there; County Manager Dena Diorio will be there making a presentation, as will representatives from our Housing Neighborhood Services, Ms. Pam Wideman. Anthony Trotman from the County will be there, as well as representatives from Rebic and the apartment association, right now Joe Padilla and Kim Graham will be there. We are going to have a short introduction from some of our presenters, but this is really going to be aimed for people in the community to ask those questions like you just asked Mr. Driggs, to get some of those industry professional responses, so I encourage all of my colleagues to please come on down. It is going to be right downstairs in the Chamber, and please encourage your constituents, whether they be homeowners, renters, or business owners to come and get those questions answered. There is a lot of misinformation being spread from different avenues within the community. It is fortunately and unfortunately our responsibility to correct those lines of communication, so again February 21, 2019 from 6:30 p.m. to 8:30 p.m. right downstairs in the Chamber. I hope everybody comes with their questions, so we can get those accurately and factually answered.

Mayor Lyles said I think that is an excellent point that if people are going to have Townhall meetings, the more people that you can get there, the experts, and have them there, I think that is a great format.

**Councilmember Bokhari** said one, I am going off memory, but I think that we were updated in a Budget Committee meeting a while back that assuming a revenue neutral rate by the City and the County, that it was like 42% or 43% was the break-even point for what commercial or residential folks who got their revaluations, they would not see necessarily a tax increase or decrease. If it went below that they would see a dollar amount decrease and above a dollar amount increase. Am I remembering that correctly, and is that still accurately if so?

Ms. Joy-Hogg said so, the second portion of the reval discussion will cover some of that. Those were very preliminary numbers based on historical data that we had, but we will get into that, and yes, that has changed.

Mr. Bokhari said this question may be more specific for you; it is actually a data request, some very interesting data and maps on there. There are two views that I would love for you guys to see if you could spend a little time and put together for me. One is the same map that you see on the percentage increase on the heat map in red, but this time with an actual dollar based increase so that we can see the same kind of map where the tangible dollar amounts are more significantly impacted, because I think that is another type of view that is also important.

The second data view would also be- this may be a little harder, so you may have to make some assumptions, but I think that it is going to be critical to the work that we are doing. As Councilmember Driggs said a minute ago is in relation to the area-median income rent and homeowner type affordability in different ranges in the area, the same heat map showing where this increase, you can directly do it as it relates to the annual increase that someone would have to pay in a homeownership situation, and you can make some proxies to figure out how if it was passed along in renter situations where we have lost affordable housing through the increase just in this alone, and if we could see some of those, I think that would be helpful, because it is debatable how much and to what impact, but I do not think that it is debatable at all when you increase these kinds of impacts to
tax payers from a homeownership or renter perspective, you lose the affordability of housing.

Mayor Lyles said I think that would be true, depending on how much the increase was for that commercial property and where it is. I understand the premise, but I do not know if the percentage increase or if it is possible to sort out for us to say off of Statesville Avenue there are 20 duplexes that are very affordable, as appose to 20 duplexes off of Sharon Road. I do not know if it is possible with all of the surrounding and the heat map if you could do that for commercial properties to determine-

Mr. Bokhari said I do not believe that it would be easy, but you could make assumptions in that today rents are $500 per unit, and we are adding this, and if it was all passed through, they would be $575. My point is that-

Mayor Lyles said I know what your point is, but I am trying to see if you can make your point without us going through a lot of- Give us the ease of doing that and whether or not it is possible.

Mr. Bokhari said my reason is this, I know that it is not easy, and I know that it will take folks time, but we spend an immense amount of time on affordable housing, and we spend almost all of that time on how can we raise money and impact the problem. This deserves time to see how tax revaluations or setting of revenue neutral or increase rates also impacts that. I think that we need to look at the whole picture if we are serious about it.

Mayor Lyles said okay, maybe I just do not understand.

Mr. Bokhari said I will follow up offline.

Mayor Lyles said I do not know quite how the data gets us there, and Mr. Joyner seems to have a comment on it.

Mr. Joyner said on the first one, I will mention the Charlotte Observer did a census tract map across the 233 census tracts in the county, and theirs does show a percentage and shows what the values are, so you can see kind of those dollar increases that you were mentioning. I do not know if you had a chance to look at their map, but interactively if you select one of the census tracts, it is not at the neighborhood level, but at many of these areas, as you can see the yellows and the reds were concentrated, that does provide a lot of that information right there on their site. At least my experience is that as they continue with additional articles, they go back and tag that map, because it does offer some great information for individuals.

Marcus Jones, City Manager said we put together a team; Ryan is on it, Rebecca, Hefner Chris from Finance, and we do have an interactive map that has some of these overlays that you are asking for that is a part of the presentation.

Mayor Lyles said great, thank you. You are always ahead of us.

Councilmember Eiselt said the Housing Partnership shared that; they took a look at NOAHs, and the average NOAH, I think this is correct, has gone up 200%, which would translate to a $70 a month increase in rent. So, that could even impact what we consider a NOAH going forward or affordable for that matter. I think it is really important that we have to go through this analysis of how we are going to calculate these taxes before we even address how we communicate this to people, because I do not know. A lot of it is driven by the County, and if we didn’t do anything, whatever the County does would impact us and would change our rates. I look forward to hearing this parchment, because this is the only thing that we can control at this point. Valuation is the valuation, unless you all decide to change that.

Mr. Joyner said as far as the frequency?
Mayor Lyles said no, based on appeals if it goes down significantly would be the only way. Could we have the list of neighborhoods that were included in the heat map on slide nine? That would help; perhaps those that are experiencing above the 40% level, does that make sense? Mr. Jones said he has that covered for us.

I want to go back; you said that you have been interviewed several times, and in the Charlotte Observer, they talked about a Ms. Williams, a school bus driver, who was in Seversville, and that I am trying to get an understanding by my memory, the last thing you said was when you look at when you are getting maybe differences in value, gentrification. She is in a habitat home; I am sure you are familiar with her story; could you kind of walk us through? Is that in the land value that her largest percentage would have increased? Her house is a habitat home, and I know that there are other houses that are 3,000 square foot new construction there. That is what I am trying to get at, the dirt and the structure.

Mr. Joyner said in neighborhoods that are seeing significant change and by that I am not really even talking about the value, but you are seeing where we had historically ranch style homes, smaller homes, the demand for those properties had increased, people are paying more, and more, for the land that those homes are on, and it reaches a point where the land is valuable enough that you start seeing people purchasing homes, tearing them down, and building other structures.

Her neighborhood is one that has seen some significant change over the recent times, and that is probably. I have not looked at her property record specifically, but that neighborhood, a lot of those increases is in the land. As we talked about at a previous meeting and as we talk when we are out in the community, if your home is still one of the older homes, in some cases, we may have very little value on the home, because the most significant contribution is the land. Again, I am not completely aware of what that relationship between improvement and land is in her particular case, but in certain neighborhoods, we may depreciate 90% of the building value because of the fact that the land itself is so valuable. In some cases, we may have 99% depreciation, where we do not really see any contribution at all from the improvement because of what the market is telling us, people are paying $250,000 for the lot, and they are coming back and building another home, and they are selling them for $950,000.

Mayor Lyles said I understand that. I think that people, or at least for me, stories and actual examples are a lot more helpful than the macro number. So, when I look at this map, it is great in terms of the heat map, but there are people who are going to experience this. So, I do not know if this is something that we can do through our team or your team, but for example Ms. Williams in Seversville $15.00 an hour bus driver, probably not 40 hours a week even, the 188% is $237,000. Could we actually start talking about the neighborhoods where you will see land values increasing in the triple digits, versus your house going up, and I think that this is important for us, because many of the neighborhoods that we work in, when we talked in the past year about making it possible to stay in their homes. That means that this program that we improved in the budget, until we get to the State level where there are exemptions or changes instead of a flat amount, a percentage of AMI or something like that, which we are supporting the County’s request in looking at. By 2023, we have to have something in place as Charlotte continues to attract 1,000 people a week. Without that solution, we may not be able to do as much today except programatically, but at some point, this is an area of concern about where changes where we have encouraged people who did not have income to buy or rent by the history that we have and not being able to afford to remain there because of the changes that we are imposing, has got to be resolved. So, I would hope that we would all be recognizing 2023 as the next round, that it is more than just education. It is actually doing something at the State level on exemptions.

The second part about it is that today, I think that we need to understand more of where land in our inner-city neighborhoods exceeded the 44%, because those are the targeted neighborhoods that we have to have for the programs that we are going to have to put in place to keep them from losing their homes. So, to Mr. Jones, if that is something that we
can do or in conjunction with the County, I think that is the most important hurdle we have beyond the tax rate and how we assess it.

**Councilmember Mayfield** said this is simply for clarification when we are all speaking with residence. Was any consideration taken on the fact that a number of the neighborhoods, after the 2011 evaluation, were actually devalued? So, you had homes in neighborhoods that were devalued to $30,000 to $60,000 that now eight year later, are seeing a massive increase, and part of the County's role at the time in that evaluation that caused challenges is that drop. That triggered the drop in the cost of the dirt, so now that this development is happening, I am trying to wrap my head around not only the example that was given but the reality of a $860 tax bill to a $2,500 to $3,000 tax bill when there was very little change, even though the value was under value, that tax bill did not decrease, and now we are seeing this massive increase. Was any consideration taken when you all started this process as far as the real impact of the 2011 evaluation?

Mr. Joyner said coming in in 2013 at the review process, Pearson Appraisal was brought in to review the prior reval. I attended multiple meetings with their staff throughout the Historic West End and other neighborhoods that we heard discussions our values were lowered. I heard from so many concerned that older individuals in their neighborhood might be taken advantage of, because these values were not correct. I had no ability within the review, because the entire process was around a second opinion from another point of view, to make any changes as part of the review process. We were just helping manage the process with them and refunding or doing the increase bills. When we were evaluating the values of the neighborhoods for 2019, we have no ability to analyze or limit those increases. We were given the statutory requirement of 100%, and unfortunately, we recognize that many of those probably were undervalued. We heard it. I heard it many times. So, as we came in through the 2019, we had a lot more sales data. I was in Belmont last night, and we had in the last two years, 68 qualified sales within that neighborhood. You go throughout the inner-city area, most of those neighborhoods we had significant market data. It was limited back in 2011, but the reductions, they were really hard for those residents to handle, in many ways just like the increases now have been difficult to handle, but we were not given any latitude. We just had to look back at the sales, evaluate what the market said those properties should be valued at and come up with our values at that point.

Ms. Mayfield said so, this is statutory requirements.

Mr. Joyner said this is statutory requirement.

Ms. Mayfield said my final question is are there any conversations happening regarding specifically payment options? This is going to be a burden, not only for seniors but for anyone going from seeing a massive increase that we are seeing.

Mr. Joyner said as far as that is under the Office of the Tax Collector, I am not sure if there have been any discussions on those or anything. I am sure that if the City reached out to the County, they would be glad to hold some discussions about that.

Ms. Mayfield said Mr. Manager, there may be some opportunity there if someone from our team could just, as we get ready to go out into the community, just at least find out what are the options that may be available.

Mr. Joyner said one comment that I will make on that is on previous counties where I served in both roles, we would always publicize that people can begin putting money towards that bill as early as they want. At this point, it would be considered a pre-payment, but as of July 1, 2019, if someone wanted to start making biweekly payments at any level, the Tax Collector's office could take money, because the one thing that you really want to void trying to make a payment plan after the taxes have de delinquent. It is easier to work with someone proactively than it is once they have already gone delinquent.
Mayor Lyles said we will follow up with the County Manager and the Tax Collector’s Office to get an answer to Ms. Mayfield’s question, which is a really good one.

IV. FY 2020 GENERAL FUND UPDATE

Sabrina Joy-Hogg, Deputy City Manager said I will tell you like the Manager said; this is a team. We got the data last week. I think Wednesday, and they have been crunching just to get some preliminary data in front of you, but it is going to take a little bit more work for us to get you to an even more detailed level, but this begins our discussion. So, again, I cannot emphasize enough that these are preliminary numbers.

Mayor Lyles said the formulas are correct. The numbers may change.

Ms. Joy-Hogg said correct.

Councilmember Driggs said could we kick off by just defining what revenue neutral means? We talk about this here, so just clarify what it is, then go into your explanation about the calculation.

Ryan Bergman, Strategy and Budget said what revenue neutral means to us is that we are going to get the same tax levy as last year, plus the same average growth that we would have gotten in any other year. So, we end up with a slightly higher levy based on that average growth, but it is not advantageous to the City budget. It is designed to be as close to what a typical year can be as possible. It just distributed the values elsewhere.

Mr. Driggs said so, we will compute the tax rate that results in the same property tax revenue that we would have had. All we are doing is updating the apportionment of the burden of that tax according to the new values of the properties.

Mr. Bergman said with the growth rate, correct, and I actually have a slide that goes right through the calculation.

Mr. Driggs said I am just going to make sure we are really clear about that.

Marcus Jones, City Manager said as Ryan said earlier, you do get the growth that you typically would have gotten.

Mr. Bergman said as Sabrina and Ken said, everything is very preliminary; typically, we would not have talked about revenue neutral this early, but this revaluation is a little bit different than in past cycles because of the growth in value. We do have real numbers on here as estimates that we have now, but they may change over the next three or four months, because we do not actually publish a revenue neutral rate until we adopt the budget. So, we will be using at that point whatever data that we have from the County. The way we are going to do this is I am going to bring our Data Analytics Manager, Rebecca Hefner up. She is going to show a slide a little bit different from what Ken had shown and talk about the little differences in data, then I am going to talk about revenue neutral, then at the end getting back to Mr. Bokhari’s question. Rebecca will come back up; she will show a map with the actual tax dollar differences using the example rate, then what we will want from there is she will provide you with some options on different data that we have that we can build this for you however you would like to see it. We talked about rent, poverty levels, things like that. So, the idea is that we will use the Data Analytics Office for the next few months to provide you with the information you need.

Rebecca Hefner, Office of Data & Analytics said I had a lot of fun over the last week with a very large and very complex data set. I would like to, before I get into it, just recognize a couple of people who have been instrumental in making that data analysis happen. My teammate in the Office of Data and Analytics, Robert Cerrado, and Dave Farrow in the County Assessor’s Office who is their data number cruncher extraordinaire.
So, none of this analysis would be possible without those two. I am just the one who gets to come and stand up in front of you today.

I want to talk a little bit about how we paired down the data from the County to do just this kind of analysis that you have started asking questions about, and we have only just begun, so a lot of the questions will not be answered today, but we have a good start, and we have a data set built that will enable us to pretty easily answer many of those questions as we move forward throughout the budget development process.

The first thing that I want to talk a little bit about is we took a data set and we are comparing actually 2018 to 2019, and we started with residential properties, and residential properties includes single family, attached and detached, condos, townhomes, duplexes, and triplexes. As you noted, it does not include multi-family apartments but all those other categories of residential, and in those categories of residential, we have about 22% rental, so it is not just that the rental is in multifamily, but it is in this category of residential as well, then what we did is try to pair it down a little more and make a comparison between home to home. What is the change for just those properties that had a home in 2018 and a home in 2019? So, we have pulled out for this particular purpose the comparison of parcels that were vacant for 2018 and then had homes built on them in 2019. We are just trying to look at the impact for an existing parcel, and existing home from one year to the next. One of the challenges in the data set is we were able to make some assumptions and pull out a lot of the new construction, but we were not able to pull out all of the improvements that were made, the renovations and garages being built in the back, tear downs and rebuilds, so those are captured in here and reflect both the change because of the revaluation and the change because of that natural growth.

Mr. Driggs said you just said 2018 to 2019, so are those one-year increases, the 121% to 243%? I assume those are the changes from 2011 to 2019.

Ms. Hefner said so, the values in 2018 are the 2018 number from that data set, but those values are valued at the market value in 2011. So, if you build a new house in 2016, for example, the assessment on that new house is the dollar amount that it would have been valued at in 2011.

Mr. Driggs said correct, so these are eight-year value changes, not one-year value changes. It looks like when it says 2018 to 2019 up there.

Councilmember Eiselt said it was what was on your tax bill in 2018.

Mayor Lyles said your tax bill 2018 value.

Mr. Driggs said alright, which reflects the 2011.

Mayor Lyles said some of them change based on sales, adjustments, new constructions, partial construction, so on.

Mr. Driggs said I just want to make sure I understood what we are comparing.

Ms. Hefner said what we have done throughout this is taken a look at both the parcel level analysis, which we will talk a little bit about when Ryan comes up and walks you through the revenue neutral example and then we have also looked at aggregating those changes to our neighborhoods. We use the neighborhood profile areas. These are the same geographies that we use in our quality of life explorer, so we are able to then look across these neighborhoods. In the quality of life explorer, we know 83 other things about each of these neighborhood profile areas, so it gives us a lot of information about what the characteristics are of the neighborhood and the people in those neighborhoods. So, we will take a look at that a little bit later, and all together, we have in the City 370 neighborhood-profile areas, about 360 of those have more than 10 residential units in them, so that is what you are looking at here. This is just a recreation of that map that Ken showed in his presentation but aggregating instead to the neighborhood profile area. We have identified then some different categories of increases, and again this is the
assessed value percent change. We will talk at the end of this presentation about what the tax amount change impact might be at a certain model.

Mr. Bergman said so, we will go through here how a typical tax year levy is calculated and then how it changes with revenue neutral. So, for a normal year, like 2019, it is just your existing value plus any new construction improvements plus demolitions that came off the tax role. That is times whatever tax rate you have to get a levy. Using the 2019 numbers, that is what it would have looked like to get a $483 million levy. When we are budgeting, there are a few more scenarios such as collection rate, so we wouldn’t get all of that in one year, but this is how the math is done on the levy.

So, then you move into how the revaluation year is done. So, it is a little bit different. You take last year’s property tax levy, so that $438 million, you divide by the new property tax value with an appeal factor so that $141 billion is where we are right now with an appeal factor, then you multiply it by; this is the growth that we were talking about earlier. This is the average growth that you have gotten each year over the last seven years. So, it is 2.4%. That is basically capturing new construction and improvements that somebody does to their house. You do that and you get to an example, revenue neutral tax rate of .35 from last year’s tax rate of .48.

The other key part of revaluation is that the tax rate changes for real property, which is residential and commercial, but the tax rate also changes for cars, state certifications, and for personal property. The difference there is that vehicles and personal property and state certification are actually revalued annually. So, what ends up happening here is you are capturing seven years of change for residential property and commercial property and only one year of change for other property.

So, what that means is to get to the same tax levy, plus your average growth, and these are the real numbers that we are using at the moment, you end up with the other category, the vehicles, personal property, state certification paying a much lower portion of the tax burden. Fortunately, in our case right now, because commercial rose at a much higher rate than residential, they essentially ate up the additional burden, and the residential tax burden overall is going to go from 51% to 50% in this example.

To answer the question from earlier, what the break-even point is, in this example, the break-even point is 39.6%. What this doesn’t factor in is if you own a vehicle or anything else that would be under the other category, you will get an additional break there. So, this would be the break-even point for someone who did not own any vehicles.

_Councilmember Bokhari_ said is that commercial and residential?

Mr. Bergman said yes, it is mathematical. So, this is what I am talking about on vehicles. Vehicles, unless you buy a new car, vehicles are typically only going to depreciate, so what ends up happening is the only thing that is impacting the vehicles is the fact that the tax rate goes from 48.7 cents to this example rate of .35 cents. So, what that means is that you get a 28% savings on your vehicle. Now, unfortunately the data that we have, we know how many vehicles there are in Charlotte and the total value. We are not able to attach them to homes or anything, so we are not able to give you a parcel by parcel impact with vehicles. So, what we did was we just kind of showed some examples, if they have vehicles.

One positive part of the revaluation is the overall tax rate. We went back to 1960, and at this example rate, the tax rate is the lowest it has been in Charlotte history, the revenue neutral example rate. The previous low was 43.7 cents, so it is by a pretty significant margin. So, this is the FY2019 tax rate for the 12 largest North Carolina cities. Charlotte was at 48.87 cents. If we do have the example rates, the revenue neutral rate for next year, it puts us up to tie with Cary for number one. This assumes no other changes from these others. I will tell you that the only other one going through a revaluation is Durham, so unless they have a true tax decrease, Council approved, most of these numbers should hold.
The other positive impact from the revaluation is the fact that commercial grew at a rate that was significantly higher than residential. What that means is to have a revenue neutral tax rate, we were able to take $17 million that would have gone to residents and have it go to commercial, so basically if commercial grew with the same rate as residential, the revenue neutral tax rate would be 2.5 cents higher. So, that translates to about $50 a person on a $200,000 home annually. So, it speaks to the importance of economic development and the impact that it can have on the average citizen. So, this unfortunately gets a little bit confusing, but there is not really another way to show this. If you look at the top there where it says $970,100. So, what that is is the 25th percentile for our previous home values before the revaluation. So, I am going to show you three slides, the 25th percentile, 50th percentile, and the 75th percentile in values, then the bottom table shows when they grow at various scenarios, so again it is the 25th percentile, 50th percentile, and the 75th percentile scenarios of actual percentage growth, and in our data set, those are 37%, 49%, and 66%. So, this tax example here shows, as you would expect, that someone in the 25% is going to see a savings and additionally if they have vehicle value what that number is, is a net. So, it includes the real estate change plus any car savings that they would have, so as you would expect, and I will not go through all of the numbers of course, but at about the 50th percentile, you do see some small impacts unless they own $25,000 to $30,000 in vehicle value.

Moving on to the second one, the 50th percentile home and previous value was $140,000; you can see the impacts get a little bit more, both on the savings side and on the increase side in total dollars, then on the 75th percentile of homes, $218,000 you get to a little bit bigger impact up to $200 for someone in the 75th percentile who grows at 66% and goes not have any vehicle value. So, this is really the only way we can show it, if they have vehicle value, and you can kind of look at that on your own. Overall, the average and median change in tax bill, using this example rate, is 49%.

The average is 59%, and that kind of shows the annual impact under the same scenarios. One other point is when a revaluation is also intending to collect is the only way we get any new value as a city with these valuations is new constructions and improvements, so what this slide shows is that if you would have taken a $150,000 home after the last revaluation, they would have paid about $700 in taxes, and if you would have just taken consumer price index inflation since 2012, it is actually higher than it would be with the median growth right now, so this just who’s a couple of scenarios of inflation over that same seven year time period.

The key take aways before I turn this back over to Rebecca on the heat map, then we will of course answer all your questions. This is not an optional thing for the City as you guys know. It is State mandated, County action. This is the only option we have for distributing the value. It is good for the people whose homes do not grow at a high rate and people’s businesses that do not know at a high rate. It is also positive for people who own vehicles. It is certainly not advantageous when your home grows at a significant rate, and we have some unique impacts this time, given the time frame, which we certainly acknowledge. We just want to make it clear that this is not a positive thing for the Budget Office for presenting the budget. It is designed to be the same tax levy with the same growth that we would have typically gotten. In fact, the growth that we are using as an average is 2.4%, which is actually lower than the last two years. So, in all likelihood, the revaluation actually results in us getting a little bit less money due to that factor.

Ms. Hefner said this is the same map that we looked at before Ryan started, but this is using that example tax rate of .35 cents, modeling the tax impact by neighborhood profile area. We also have monitored it at that same parcel level, but we are looking at the neighborhoods here. Starting in the darkest green, you are looking at a range of an estimated tax impact at the median annual amount being negative 431 to negative 96, so that is 25 neighborhoods with a decrease, and average of 53 neighborhoods in the light green with a decrease around $95 or less. The yellow area here, this is the bulk of those around 360 residential areas in this analysis, 200 neighborhoods where the increase at an annual basis a median increase between one and $122; following that in the orange is 59 neighborhoods, and the red area is 21 neighborhoods with that highest impact of $284 to $558.
What we have started doing and having the same kinds of questions that you have already started asking is digging a little deeper and looking through the lens of things like income and opportunity and affordable housing and vulnerability to displacement, trying to understand what are the characteristics of the neighborhoods that will be most impacted. So, using the MPA’s, we can look across many of these factors. When you drill down for example, if you were able to select out just the neighborhoods that are colored here in red with the highest impact, and I think that there was a question earlier about some neighborhood names, so I will just throw out some example neighborhood names. We are looking at places like Commonwealth Park, Belmont, Plaza-Shamrock, Providence Park, Seversville, Villa Heights, Willmore, Cherry, and Lockwood.

Mr. Egleston said District One is what you are saying.

Ms. Hefner said we can provide that expanded list, but those are some example neighborhood names from neighborhoods that intersect with these areas in red. What we see when we look across those 21 neighborhoods is, just as your instincts tell you, there are a higher percentage of populators in those neighborhoods who may be vulnerable to displacement. So, those neighborhoods as a whole area about 25% poverty compared to 16% poverty citywide. The 32% of those housing units are rental houses, compared to that 22% number that I referenced earlier. The senior population is roughly the same, nine percent versus 10%, but also the rental costs historically are a little lower at 894 than the citywide at 977. So, we have a lot of work to do to continue to dig into that and start to answer some of the specific questions, but I just wanted to give you an example of some of the things that we have been looking at and that we can look at as it relates to this group of residential parcels.

Just to reference then the question about apartments. We can do a similar thing with the apartments. It is our plan to get to apartments next. Again, haven’t had quite enough time to get completely down and dirty with the state asset, but I look forward to finding out today what those questions are. So, they will come back to you next time with some additional information.

Mayor Lyles said thank you very much; I have to say I do not think that I have seen as thorough a presentation on revenue neutral calculation. I think that it used to be a big box then it was just brought out when the top came off with the big number and then that was it. So, this is absolutely most informative, provides a better foundation for our questions and analysis, and I just want to say to the team, you all are recognized. You have done a fabulous job on this. Thank you very much. Now we can get to the real part of this, and I have a list of folks here that would like to ask questions, and I hope that you learn enough to come back with more responses at our next meeting.

Mr. Egleston said I think that it would be informative to all seven of the District Reps, and to the At-Large Reps to some extent as well, if these maps had district lines on them. I think that would be a useful way for us to be able to visualize. Incase our friends in the media pit missed it, can you repeat when, if we were to end up at or near this .35 cent tax rate, that would be the lowest tax rate in Charlotte since when?

Mr. Bergman said we went back to 1960, and it is much lower than any point. Before that, we will have to do some digging.

Mayor Lyles said I remember when the tax rate was $1.48. I think it was like in the 1970’s.

Councilmember Phipps said for some reason, I do not think that the general public would take any comfort in that.

Mayor Lyles said it is good on the plaque Greg.

Mr. Egleston said this was very, very helpful; I do think that with the maps breaking it out would be useful for all of us just going forward.

Mr. Bergman said we actually have that information that we can get you very quickly.
Mr. Egleston said then maybe individually by district having those neighborhood lists in spreadsheet form or some digestible way would be good too as we are going around to neighborhoods we can have that information ahead of time for those tracts.

Mayor Lyles said so, add district lines to all of the citywide maps, then provide the district members district maps with neighborhoods labeled.

Mr. Egleston said yeah just tables that have the individual neighborhoods so that as we are being asked, we have that as a reference point.

**Councilmember Newton** said this right here, is this map in front of us adjusted for vehicle value and ownership?

Mr. Bergman said it is not, because we are not able to do that by neighborhood.

Mr. Newton said so, theoretically some of these might actually be a little bit lower for folks who own a vehicle of a higher value?

Mr. Bergman said for all of these, for anyone who owns $10,000 in vehicles, it will be a $14.00 savings.

Mr. Newton said I want to get back to the question that Councilmember Bokhari asked earlier about that tipping point where you have that percentage, and if your value raised above this percentage, your tax will, in real dollars not the rate, go up. If it is below that it will go down. What I gathered in the presentation and maybe I am misunderstanding this, but is that rate 39.6%, and that is for homeowners, not renters. It would appear that rental values are probably going to go up, but that is for homeowners.

Mr. Bergman said correct, that is for property owners. It is the real property breakeven point.

Mr. Newton said that is the breakeven point exclusive of owning a vehicle and the work that the vehicle-

Mr. Bergman said correct.

Mr. Newton said which could then make that 39.6% actually go up.

Mr. Bergman said right and the reason that we cannot attach it as a percentage is the percentage change on a home depends on a value, whereas the same 10,000 savings on a car would be different.

Mr. Driggs said I just wanted to mention, we have the lowest city rates in history, but when we do inter-city comparisons, the County and other charges the tax payers pay can vary, so if we really want to rank ourselves, it would be useful during the course of our budget talks to have the total cost of government comparisons as well as just the City tax rate.

Mr. Bergman said I do not have the fees of the Solid Waste; we did do the same thing adding the County tax rate, and if the County ends up using their example tax rate of .60 cents, we would have the lowest City/County rate by about a penny but any penny they go above that, because I am not sure of their appeals factors that they used on that .60 cents.

Mayor Lyles said we should not speak for the County.

Mr. Bergman said right, I am just using the example rate that they published as an example, but it shows revenue neutral. It should be positive on the County’s side as well on the tax rate.

**Councilmember Ajmera** said where you have the breakdown between residential and commercial revaluation changes, how do you define the commercial property? Let’s say
for an example if the apartment complex, if it is a duplex or triplex, where is that breaking point? I am going back to the example that Mayor Lyles had talked about earlier where the lady was living in a duplex, in the example. So, I want to understand the definition of the commercial property.

Mr. Bergman said it is a little bit outside of my comfort zone on the categorization, so I will bring Rebecca up.

Ms. Hefner said it is a great question, because it really drives the analysis. So, in this way that the County divides residential/commercial, as well as the way that we have today analyzed residential, the residential includes single-family detached duplexes and triplexes, townhomes, and condos, but multi-family apartment units count for these purposes as commercial. So, that is the division, and what we have done is take not the total value of any given parcel but the tax assessment value for each unit’s tax bill. So, for example, we are not counting for a duplex; we are counting the individual amounts for each property owner on that parcel, so it is not double counting the land for example.

Ms. Ajmera said so, I am not sure that I followed you there. So, you said our definition, so is the County’s definition different for this category, or is it the same?

Ms. Hefner said the same.

Ms. Ajmera said so, single-family detached then anything that is under triplex is considered residential, but it would be per unit, so you would not be double counting the land.

Ms. Hefner said right but also condos and townhomes. So, those would be more than the triplex, but the apartment codes and definitions start at four so, duplex, triplex, single family. A quadruplex then goes into the apartments.

Ms. Ajmera said ok, so then we do not consider per unit cost, because then you are looking at the whole quadruplex.

Ms. Hefner said for those units, the apartments, the whole universe of apartments, we have not done that analysis yet. When we get to that analysis we will look at the overall impact and divide it by the number of units to get an estimation of the impact on an individual unit.

Mayor Lyles said can we just go ahead and get the legal definition that we use in our zoning and tax revenue that is the foundation that the County or the State provided to us for commercial. I think that would be very helpful. I know how you know in the analysis, but I think there is a legal definition that defines commercial.

Ms. Ajmera said so, if you look at the slide 26 in our notebook where it says 2019 tax rates for the 12 largest North Carolina cities. Okay, so is this one, I guess does that include the increase that we had approved last year for public safety?

Mr. Bergman said yes.

Ms. Ajmera said if you look at slide number 29 where you have three different examples with the 25th percentile, 50th percentile, and 75th percentile. I am not sure that I followed you there in the residential value itself. Could you elaborate more on that?

Mr. Bergman said so, for everything on the table, we are using a starting value of $97,000, then it shows how $97,000 would change your tax bill if you grew at 37%, 49%, and 66% so if your home value grew at that much. We use those numbers because of the actual residential growth, that is the 25th, 50th, and 75th percentile.

Ms. Ajmera said so, $97,000 is the number that we have seen in the growth?
Mr. Bergman said $97,000 is the start point of the home value, then if you look at the 25th percentile scenario there, it grew 37%, so now the home’s value is $132,000. Right below that is the impact on the tax bill with the new value, so it would be nine dollars less.

Councilmember Harlow said this was very comprehensive. It makes it a little bit easier to explain this to other folks. So, understanding that the point in your answer that the breakeven, with this example at the revenue neutral example is 39.6% increase in value. Do we have an idea of what percentage of actual home owners fit at or actually in that threshold?

Mr. Bergman said at this example rate, about 60% of homeowners would pay more than homeowners next year. That is just because of the distribution in values of the homes that went up and down.

Mr. Harlow said this is personal; I do not know if anyone else wanted to. I would like to see something in relation that is more particular for me, and maybe other District Reps want to see this. One the lines of what Mr. Egleston was asking, as it relates to having the heat map and putting district lines on them and also getting a little bit deeper and saying, where does that line draw for the breakeven point and percentages under and over? Even this table, I would like to see that 39.6% between to understand that it is probably what, 30% percentile or something like that, seeing that the 37% change in value is the 25th, so it would be slightly higher. Just to kind of true or even more deeper sense of okay, here is 25. Here is the breakeven, and here is everything above it.

Mr. Newton said you said that 56 percent would pay more?

Mr. Bergman said 70% and that is just on real property; it doesn’t factor in cars or personal property.

Mayor Lyles said that is interesting; I think that the 97% works. I think that most people think of $100,000, then they multiply. Like, if my house is $100,000, $200,000 is easier to calculate, but I have seen that done before. Maybe we can make it a little bit simpler so that people can look at it that way. I think that is easier for people to say that for every $100,000 you are going to apply this amount. It is just an easy way.

Councilmember Driggs said [inaudible] distribution of increase is different in [inaudible].

Mayor Lyles said I agree but- Okay. I had one question, and I was thinking, my question was on the slide, the commercial growth, I heard you say that you had not getting into the apartment section, but we also look at it in terms of retail, office, and multifamily? Are those all of the codes? I think industrial, heavy and light, so I think that they are all by basically our zoning codes, but if you could give us that breakdown for commercial growth in the same way, that would be very helpful.

Mr. Phipps said someone mentioned earlier that the housing department had come up with a list of NOAHs in the community.

Ms. Eiselt said Housing Partnership.

Mr. Phipps said is there any way we could see and get the list of those NOAHs and where they are, and how they are dispersed by district?

Ms. Eiselt said I am sure that they could; they did the research, so we could ask them.

Mayor Lyles said I do not know that we have settled on a definition. What was her definition?

Ms. Eiselt said she did not say, whatever they considered NOAHs to be.

Mayor Lyles said Pam, if you would ask Julie about that. She was here, but I think that if we would just send her a request with her definition. I know that the HAND Committee is
needing our NOAHs and the definition policy coming up this week, and if we could have that by then, that would be very helpful.

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VI. NON-GENERAL FUND

Charlotte Water

Angela Lee, Water Director said I will be testifying in front of the House Transportation and Infrastructure Committee tomorrow on the need to continue funding water systems. Thank you for the opportunity for talking about water this afternoon and to give you a budget summary on our organization. I always like to start with the vision. Our vision is to be the leader in this region in providing water and waste water services to our community. I would like to begin with a short video outlining our 2018 accomplishments and how Charlotte Water connects to this strategic objective of our community.

A short video was shown.

Again, we wanted to show this video; it will be up on our website. So, as we go out and talk to community groups this year, this would be the video showing how we connect to the community. The 2020 budget is $473.7 million; 35% of the budget is operating, and what we have listed here are the different divisions in Charlotte Water, then 65% of the $473 million is really dedicated to capital. Half of the capital is debt service; that is our house payment, and the other half is PAYGO. Also in our budget, we have 31 enhancements equating to 39 positions; that is because some of the enhancements crews; 32 of the 39 enhancements are related to maintaining our infrastructure and keeping up with growth in our community. Our five-year CIP has grown to $1.6 billion; that is community investment. So, we are planning to invest in this community $1.6 billion. How it really shakes out is we have $833 million in projects related to capacity for growth, then we have $546 million dedicated to rehab and replacement, and that is really the internal struggle within Charlotte Water. How do we grow, and how do we maintain what we have at the same time? Then there are a certain number of projects that we just simply have to do to meet our regulatory requirements; that is $119 million. Those are related to the capacity projects, because in running a water/wastewater utility, we are pretty much mandated to make sure that we have the water and waste water capacity, or it becomes regulatory.

Then, commitment to public projects would be how we connect to other projects where we are not a driver. So, for example, the independence widening, Charlotte Water is going to have to go in and relocate our water and waste water lines. We try to eliminate crossing Independence when a new road is put in, just to name some of the capacity projects that we are doing. Of course, we are working on a new Long Creek Wastewater Plant that is in partnership with Mount Holly, and hopefully Belmont. We also have work that we will be completing in the Mallard Creek Basin, when you look at the Blue Line and all of the growth that is happening up Tryon Street. We have noticed that we have to do some work in that part of the County. So, that is part of our capacity building efforts.

In terms of rehab and replacement, the oldest water plant that we have is on Beatties Ford Road. We will be beginning a project there, we have much more work to do; that is the Vast Water Treatment Plant, built in the early 20’s. That is part of our rehab program and work that we need to do for our system. We also have quite a bit of work that we are doing at our plant in Pineville. It is the second largest waste water treatment plant in North Carolina. We have a lot of work to do that, so that is also included in our Community Investment Plan, along with many pipeline projects. My motto this past year has been piping the ground, so there have been many, many projects and pipeline projects that we have had to complete, all over our region, really to meet capacity and regulatory needs.

So, when you look at the investment that we are making in the community, it really connects strategically to our community goals. So, Charlotte Water doesn’t necessarily get the credit as being an economic driver, but we really are in terms of economic development, in terms of creating jobs, in terms of creating and investing in infrastructure,
Charlotte Water is there. Really, nothing happens without the basic water and sewer that we all need to live and to keep this community the best place to live, work, and play.

We do have a 10-year financial plan. We work the plan; we stick with the plan, and we try to beat the plan. So, each year when we talk about rates and where we are going in our investment, it is really just a ten-year financial plan. I will end by saying that to really have a good utility— you know, Charlotte Water is considered one of the best in the county, and that is because we have been great partnership, we have a partnership with you, our Council, our political body. We have partnerships throughout the community and with the community, then we have well trained staff who are responsible for operations and maintenance. So, when you have the three corners working together all aligned in a triangle, I call that the success triangle, you really have a successful organization like Charlotte Water. That really completes my presentation, and on behalf of the 958 employees who work 24/7 to make sure that we can all wash, brush, and flush, I thank you for your support, and I will entertain any questions that you may have.

Mayor Lyles said I just cannot be prouder; I think that your operational experience and the leadership that you have done has been tremendous, so thank you, and I think that there are going to be questions.

Councilmember Egleston said will you update us on the timeline for the Long Creek facility that you mentioned?

Ms. Lee said the new wastewater treatment plant, I think that we are looking to be online in 2024. We are starting planning. Now, today, we actually met to choose the design build teams for the pipeline portion. So, the pipeline portion will be first. That is when we connect Charlotte to Gaston County up under the Catawba River, then we will receive waste water from Mount Holly first, then simultaneously we will start working on the plant.

Councilmember Phipps said back in 2014, someone poured a foreign substance in the drain pipe that showed up at the Mallard Creek Wastewater Treatment Plant. Is it safe to assume that that investigation is over now, or what is the status of that investigation? I know it was considerable expense to Charlotte Water in terms of trying to clean up all of that, but has that case been effectively closed?

Ms. Lee said [inaudible]. I know that we have not found the culprit yet. Now, do we still have folks— It sounds like nothing is really active on that investigation, and I do not know if you were aware, but there were two or three other utilities up and down I-85 who were also hit at the same time.

Councilmember Ajmera said thank you for your leadership. I know that discovery funding had come up in front of Council, I think two years ago, and I liked how they have partnered with Charlotte Water so that we could continue that program and really educate our younger generations on how the water system works, and I have taken a tour. It is a very good learning experience and how much goes into that behind the scenes. The 10-year financial plan that you have on the slide, I know that is a very small font. I couldn’t see it, but are we looking at any rate increase this year? I know that last year we did have an increase based on the plan, so what are we looking at this year?

Ms. Lee said we are looking at a rate increase; we have not formalized the numbers yet to make a formal recommendation to the Manager. Really what we need to do is fine tune our consumption numbers. The 10-year plan calls for a 4.14%. We think that we will be up under that. That is percentage, but we are somewhere and again it depends on usage okay. If you are a one CCF customer, we are looking at around .20 cent. If you are a 7 CCF customer, we are looking at $2.48, and that is a month or less in that range. Again, CCF, one CCF is 748 gallons, like power is kilowatt hours. Our unit of measurement is CCF. As we go along, we want to have a little more time to look at our consumption numbers. We have folks cranking on our financial plan and our Manager will be making a formal recommendation.
Ms. Ajmera said thank you, I like how we are allocating it on the usage and not necessarily attributing all of that to the fixed portion, because I think that is very important that we look at the usage.

Ms. Lee said it is both components, the fixed cost, because there is a certain amount, turn the lights on. We call that keep the lights on, KTLO but also the volumetric.

Mayor Lyles said have a great trip tomorrow, and enjoy the experience.

Ms. Lee said thank you for your support. We appreciate it.

Mayor Lyles said I think the Council would like to get to the Capital portion next, then we can come back to Storm Water and CATS.

VII. CAPITAL PROJECTS STATUS UPDATE

Marcus Jones, City Manager said the next item that we will go over are the capital projects status update, and what I would like to do is piggy back on where Sabrina started off with, and that is there are several things that have happened since last year, as it relates to the CIP, and one has been the revamping of the Budget Office. I would say not just the Budget Office but really a more collaborative effort as we tackle problems. I believe that you saw some of that are we started to talk about the reval and how we are working more as one team.

The other thing that I would like to add to that is that prior to changes this year, we had a CIP Steering Committee, in which many of the items at the initial stage never made its way but say to the Budget Office or to the Manager, so by having our every-three-week team meetings, we have been able to accomplish a lot. So, I really think Mike Davis for heading that up. Then, I would say one thing that maybe Mike didn’t really sign up for is to have weekends with me in this building, so we have spent a lot of time over the course of the last few weekends and Jennifer Smith too and Sabrina, trying to make sure that we can iron out some of the issues that we have. So, having said that, I would like to turn it over to Mike and he will give you an update, which is focusing really on the 2014, 2016, 2018, and 2020 bond cycles as a beginning.

Mike Davis, City Engineer said it is good to be back before you again. I only have a few slides to present, and really the purpose of those slides is just to help orient you to some material that you have in front of you. I just have the privilege to kind of give you a little bit of context around it before you try to get through that content, but one of these slides I believe you have been during your Retreat. I will put sort of a before and an after for side-by-side comparison up on the slide, but the idea here, and I will not step through all of the bullets, but the key concept behind this slide is to really illustrate that in the former design of the community investment plan in terms of how projects work, conceived, selected, and ultimately managed, there are some key steps that should be happening in sequence, and the things that we would really like to see happen before the City Manager is in the position to make a recommendation to Council and before Council is asked to authorize those as part of a budget process, that we would want to be able to do a certain degree of preliminary planning, planning and design, to advance that work. So again, on that left side as you see the types of things that were happening before and after the recommendation versus on the right, which is what we are moving into. So, what that leaves us now is of course we have a variety of projects from those bond years that we are actively managing, so the report that we will get to in a moment is one that is just seeking to sort of say, where are we with all those if we want to sort of look as a high-level view of what is the health of those projects? Can we just get a high-level assessment of that? A couple summary slides, one would just be to say, it may be helpful to understand a little bit of terminology here. So, you can think about projects and maybe living in one of three places, one would be individually named projects, so that would just be where you would call a road by its name over a certain distance and scope, and you
would put a number to it in the budget process, and we would manage that project to that budget.

Umbrella projects are basically a collection of individual projects where they are traded in a group, often times in one geography where they are managed as a collection of individual projects where savings from one project might be able to be used towards another project, but they are all managed as one collection, so we roll those budgets up into one summary, and you will see that on your sheet as well.

Lastly is a term that you will hear us use sometimes called programs. Programs are really those things that have been sort of tried and true activities over a long period of time where the tendency has been to continually invest in those areas, and a great example would be the sidewalk program, so whether than trying to name every sort of sidewalk we are going to go out and construct, the focus is really about production and you are working a list that is prioritized in accordance with adopted Council policy, and what you are doing is you build one and move on to the next one. So, what you are generally doing is refreshing the available funds in those programs, so we can report on those too, but they do not have the fine start and end points as you might think with the other projects.

So, the other thing that I wanted to just talk a moment about, and this was covered Monday night and perhaps mentioned in the Retreat as well, is this idea that the more you do on a project, and the more you learn about a project is the greater cost certainty that you achieve through time. So, this has sometimes in the past been called the cone of the unknown, so you start out not really knowing much at all, and what you want to be able to do is be able to plan that project work, so you know what you are building. The community knows what to expect in that project, and you are going to learn a little bit more as you design it, then by the time that you are really to put up real money for construction, you have a really high level of confidence in that figure. So, the reason that this is worth highlighting, and this now takes me to the report, is because you will notice that part of the status that is identified on this sheet will use that same terminology: planning, design, and constructions, so as we are seeking to highlight for you where we think there could be any challenges on the horizon, I want you to also be able to sort of keep in mind where those projects stand along that continuum.

Councilmember Winston said how do you explain planning and have an idea for the community of what is coming, what this looks like. Why would that planning not begin before the project is even approved? Why does it start after?

Mr. Davis said a little bit of a tradeoff, so you do not want to spend a lot of money studying a project that you do not want to seriously advance. We can thought spend a little bit of money to go out and do things like community engagement, where you are basically setting up meetings and you are going to talk to people about what a project in the community might look like, what value it might bring, in order to understand what are the conditions in which you are building it in order to inform those costs. So, the idea would be, in a reimagined design of the CIP, that instead of choosing, as a Council, to do a project where you have not planned it and you do not yet know what that final cost is, you can say we spent a little bit of time on this, and we think it is a good project, and I left out a step. These projects usually do begin in other, often times, Council adopted plans, so take for a moment Transportation Action Plan; it is a 25-year outlook of things that, from a transportation perspective, seem like good projects.

So, we would pull them from a priority list of things that we think are good projects, then we go test them in the community through planning, understand what that would look like as it is fit into that community, then we know a cost, and we come back and say we thought it was a great project, now we know what the community thinks it should be, and we have a good idea of what it should cost, and we would like to spend now some money to design it and really know what that cost is before you go forward and spend where most of the money gets spent, which is in construction. Does that make sense?
Mr. Winston said I just think that some of this planning and design should be done ahead of time so that we know and do not end up in a Cross-Charlotte Trail situation moving forward.

Mr. Davis said absolutely, our process that we invasion and it also involves the capital needs assessment, lets us programmatically spend more time and effort, often times just by staff not always engaging with a consultant, to just do preliminary work to further those concepts well enough to get a pretty good handle on costs, but again, it is always the more you do, the more you know. We want to make sure that the design of that CIP gives Council maximum clarity at the moment where they are asked to commit to putting up construction dollars.

The summary, if we are going to sort of just extract from the document that you have to sort of put on one spot where we stand and just start from the top, of all of these projects we would say that 90 of them are on target. Eight of them, if we are trying to account for all of the numbers on the sheet, we have eight of them that are pending development partnerships. Let me tell you what that means. There are some of these projects that we have set aside money for over time that recognizes when there is an opportunity to partner with some of the private sector, so the implementation of that project is tied to how that development partner might be moving, but the flip side often times with development partnership is cost certainty, because we are bringing to them a certain amount of money to achieve something through the partnerships. They behave a little bit differently. We have had one project removed over the life of the projects on this report, which I could describe if you would like. Otherwise, what we have done is identify eight, and they are highlighted in yellow on your document, that we would describe as having some budget risks. Let me tell you what that means. So, all projects carry contingencies, and they are meant to deal with unforeseen circumstances as you develop a project. So, as some of those get tight over the management of that project, so as some of those get tight over the management of that project, they can create some concern, and we would say we are going to keep an eye on these. You shouldn't assume that just because it goes above that contingency that it necessarily leaves you in a place where you have to have more money. It might mean that what you have to do is go back and make some choices in the design in order to make sure that project stays in budget, but we are just being asked to highlight and bring forward to you things that we would be keeping an eye on, and that is what that means.

So, of that whole inventory, we have identified one that we would say we know needs additional funds, and just to go ahead and tell you what it is, the CIP’s envision includes $6 million for construction of what is called an infill fire station, so we believe that, and I will not speak for Chief Johnson, but my conversations with him in terms of what is needed operationally would envision a three-bay station instead of a two-bay station. So, it is sort of a tweak to what we would seek to build to maximize operational efficiency. We have not begun managing that project. I have not purchased the land for it, so there is some risk in there in terms of the land cost and what we would think would be an increased cost to the building. That would be under five million additional funds. Of course, lastly, we have on here Cross-Charlotte Trail. We spent a lot of time talking about that Monday night. We can talk about it again tonight if you would like.

Mr. Jones said that infill station, you said under five million?

Mr. Davis said of additional funds if we are trying to put a cap on what we think could be the additional dollars added.

Mr. Jones said for that one project? I thought that was close to two million?

Mr. Davis said it probably will not even be $5 million. I am just throwing out a number that is a safe number to say. We will not expect to see anything come back north of that.

Sabrina Joy-Hogg, Deputy City Manager said you have two handouts in front of you; one is a long 11 by 17 sheet, and that has the projects that were listed in the 2014 through 2020 bond cycle. The first column has a number in it. Those numbers correspond to the
8.5 by 11 sheet that you also have that is blue and white, then you have the title of the project, and in the third column you have the total number of the project that was proposed back in 2014, then if you go across, you have the 2014 bond cycle, which then you have additions, 2016 the same thing, additions, and 2018 additions. In 2020, we just planned, which then leads you to a revised total, which is the second column from the right-hand side, then the last column shows you the actual dollar change from the first inception. That was the large sheet you have in front of you.

I will go to the 8.5 sheet. Again, the numbers correspond to the larger sheet. These are projects that are listed there. Again, it starts with the number, the title, the phase that it is in, you know the cone of uncertainty, whether it is an ongoing, a program, whether it is an umbrella, where they are in terms of design of construction, then if gives you an estimated completion date and what the status is. Most of them are on target; we have highlighted where there are some budget risks, in yellow. The first one that you will come across is on page three. There is one highlighted in yellow.

**Mayor Lyles** said we often taken for granted all of the stuff that is being done, so do you want us to just be aware of what is in the yellow, or do you want us to go into some questions about it?

Ms. Joy-Hogg said we can take questions now.

Mayor Lyles said the very first one that is in yellow is the Idlewild-Monroe Road intersection. It says some budget risk, and I was wondering if Mr. Davis could just say how it got to be yellow, then we can keep going to the next yellow.

Mr. Davis said we will walk through the yellows. So, Idlewild-Monroe Road, this is a project that has been managed to its budget when we have refined the design. There have been some specific concerns about locations of sidewalks and proximity impacts with some adjacent parcels, so we are in the process right now trying to evaluate what is the best way to redesign that project. So, all of this is fairly recent and would just cause us to say, until we know what the solution is, it is hard to know that we have certainty in how we are going to deliver that project. It is a little bit of an issue where the scope gets to be in question. So, until you know how that is resolved, you just do not know, but otherwise, we are managing that project within budget, and what our goal would be is to seek to solve that from a design standpoint.

Mayor Lyles said alright, so it is not a money issue; it is a design issue.

Mr. Davis said yes, I would just say that scope and budget are always linked. So, we think that there is a path to probably resolve this through the scope.

Mr. Newton said to be clear, it is a design issue that could become a budget issue, but you really do not for see it becoming a budget issue as you continue to figure this thing out.

Mr. Davis said yes, our goal would be, as always, to try to find the right design solution to keep it within its budget. We also want to build the responsible and right project, so as we are looking at a particular design issue here, we want to solve it through design, and we are alerting you that if for some reason we cannot find a solution, that would be a reason I could potentially come back and say we would ask for your help through a budget.

**Councilmember Ajmera** said first question is, I know that you said that we will try to work with the design so that way there is no cost overrun. So, does that mean the scope would change? Where do you have it come back to us if there is a significant scope change?

Mr. Davis said let me give you a flavor of what a solution could look like. So, if for example, and forgive me I do not know- This is hypothetical on this design, so I do not know that this is the solution. So, just to give you a flavor of it, if you had a situation where the sidewalk was eight feet from the back of the curb, and that was reveling a significant expense that could be corrected by over a short distance moving a side walk two feet,
that would be something that we would comfortably do within a design context that achieves the scope and intent of the project but has a responsible choice made in the interest of making sure we are not being inefficient with those dollars. So, we would not bring that back and say this is a different scope; this is a refinement of design as you go again, progressing to that cone, you discover issues and you manage solutions to them. This is not a change of what the project outcome is, number of lanes, bike lanes, any of those types of things. Those would be major scope changes.

Ms. Ajmera said so, if there is a scope change that does not deliver on our original promise of the bond, then it will come back to full Council?

Mr. Davis said that is right.

Mayor Lyles said well, wait a minute. I want to make sure. We do not put the scope of a project in a bond referendum. We do not include that; it is not that descriptive. It would say Idlewild Road Intersection Improvement Program, because going back to the design flow, that would be done I think as you get the money in, from my understanding. So, I just want to be clear that it would not say eight-foot sidewalk, and we make it six.

Ms. Ajmera said not to that granular level, but it would have some sort of description behind the project I would assume, especially with the new capital planning that Mr. Manager had brought up at the last discussion. It would have some description; am I correct? It would say what would this project mean?

Mayor Lyles said what problem are we solving? That would be a way.

Ms. Ajmera said yes, not six feet or two feet but-

Mr. Davis said as we think about a capital needs assessment, think about a 10-year outlook, and we think about how we would want to define named projects. What we would expect to have, for any given project, a fairly brief description of fundamentally what the value to the community is in the project. We are solving for some congestion; we are doing some safety fixes envisioned as sidewalks, as crosswalks, as widenings, whatever it may be. So, that is going to be the fundamental goal of a project, and that is what we would not want to change in terms of the level of scope. What I am describing in my how do you manage through a budget, we are talking about the finer grain design elements that we do all the time to make sure we are just spending the money responsibly to deliver on that scope.

Ms. Ajmera said fair enough, just one last question I have on this, I understand the projects that are in yellow, at this point there is still some work that needs to be done to figure out if it would have budget implications?

Mr. Davis said yes, for any one of them we would get budget and cost estimate updates throughout the life of a project and of course at major milestones, as we are doing now, through budget. Really, the last real check on the cost of a project is when you go and put it out to bid. So, we are in design, and we are going to continue to learn about that project as it is developed, and then when you finally put it out the bid, that is when you know. So, it is something that we track throughout.

Ms. Ajmera said okay, I think that what would really help is that we may not have that information now Mr. Manager, but at some point, I am sure that we will have that information where it may not be necessarily the partnership or the design issue, but it could end up having budget concerns where we would have had to look at our capital budget. So, I think that if we can somehow separate those out, because the ones that I see are just the pure development partners that may not have a budget issue, so we just want to highlight the ones where we know it is in our radar when it comes to significant budget increase, especially budget overruns.

Councilmember Mayfield said Mr. Davis; I see on here that this does not included the funds committed to projects through our off-cycle adjustments. It would be helpful to get
information of ongoing projects, so I am looking through this going back from the 2014
bonds. I do not see the roundabout at the five points on Tuckaseegee and Berryhill, of
which actually I just received an inquiry within the community on it. I do see the project in
Whitehall/Ayrsley and the timeline on that, but it would be helpful in this to break down all
of the current projects that we have with their estimated time, just so we can insure that
they are staying on track. We can go offline in order for us to have a conversation on the
Dixie/Berryhill/West Boulevard combination that I am seeing on here.

Ms. Joy-Hogg said I am glad that you pointed that out; these spreadsheets do not include
the off cycle, so there were some projects that were done throughout the fiscal year by
Council action or they were done through budget transfer and picked up through the
budget ordinance later on. The is a matter of record keeping. We have to comb through
years of actions and try to tie all of the numbers back. We just did not have enough time
to put those on the sheets yet.

Ms. Mayfield said the project that I am talking about is specifically in the CIP and the CNIP
category, so it would just be helpful for us to make sure that we are tracking any
outstanding projects that are directly in that category to ensure that they do not fall into
the category, of this one is not going to be completed, and we are not aware of it.

Mr. Jones said that is very important, because my understanding is that we have captured
every CNIP project in this, so if there is a discrepancy about what is a CNIP project and
what is not a CNIP project, we need to know that to make sure that we have accounted
for everything.

Ms. Mayfield said that would be helpful.

Mayor Lyles said so, under the CNIP category, 19 projects, 19 through 29. Mayfield was
questioning Tuckaseegee roundabout on Tuckaseegee/Berryhill.

**Councilmember Phipps** said you mentioned in one of the slides that you had 90 on-
target projects. So, does that include, looking at on page three of five on the 8x11. Number
18, that is a completed project, but it has on target. What exactly does that mean, that it
was completed on target?

Mr. Davis said generally what on target would mean is that we are anticipating to be able
to complete the listed project within the budget that was allocated for it.

Mr. Phipps said it was number 18, the University Pointe Connection South Bridge and a
similar one down number 21. Number 18 says completed and on target and the same
with number 21.

Mr. Davis said if it is indicated as complete, it is complete. I may have missed part of your
question. So, if it is listed on this document as complete, it was one of the former projects;
we are not actively managing it anymore, because it is done.

Mr. Phipps said it wasn't a category update; it says completed projects. I have the pre-
meeting version.

Mayor Lyles said the one that we have is in the handout.

**Councilmember Driggs** said I wanted to make the general comment that this work goes
back some time and it represents a huge effort. It should be looked at in the context of
the recent shock that we got about the Cross-Charlotte Trail. So, this is not a hasty
reaction to that, but it can be considered in response to it to the extent that three-key
questions about that where for one, where do we go for here with the Trail, which we
discussed? The second one is, how do we keep something like that from happening
again? I think that is included in your capital planning process changes that you have
identified. My comment about that is it would be helpful, I think backed on what you heard
already, if we heard once about an idea that you have and want to start working on and
we are able to give you just a nod about whether that sounds like something we would
want to hear about, then you come back. The thing that I do not want to have happened is that you come back having spent a lot of money and time on something and then we get this yes or no vote opportunity at the end.

So, there is a need to kind of talk to us early and then a need to talk to us when you have done more work, before we give the final approval. The other piece of the puzzle is all of these pages, which in effect answer the question, are there more Cross-Charlotte Trails lurking? So now, we have an inventory of all the projects that were part of the big ideas, the status of them, and the few places that are left where there are still some questions about the budget impact, but we are told that those are not expected to be big issues like the one that we just experienced.

I do have a question about this as well, which is if we look at the first large page, it shows $816 million, which historically was the big idea’s capital budget. Then in the second to last column, it shows a total of over a billion dollars representing the revised total. So, my question is, how much of that could be interpreted as being cost over runs or amounts that exceeded what was in the $816 million plan, and how much of that increase actually constitutes new projects that were added, because there were some added. I do not know whether you have that answer right away. It could be probably gleaned from this sheet if you spent some time on it, but I think it would be useful to know, what was the final outcome or what do we expect the final outcome to be on the $816 million versus some money in that billion, I hope, in that $117 billion that represents additional value and not just more cost for the original plan.

Phil Reiger, Strategy and Budget Director said Councilmembers Driggs, I have done a little bit of calculating on that, so let me try to describe it and see if this works. So, of the original big ideas, the original project scoped at $816 million; $48 million was added last fiscal year to deal with cost overruns of those projects. Also, $45 million was added to housing from the original allocation to the new. That is a total of $93 million added to the original projects that make up the $816 million. On top of that, we are really trying to close that $201 million. There was $108 million of new projects added between FY15 and FY19, so along the way, we added new projects to the originals as well. So, that $93 million is changes to the original big ideas projects, of which $48 million were to deal with cost overruns, then $108 million since FY15 were added in new projects.

Mr. Driggs said so, that doesn’t include the Cross-Charlotte Trail?

Mr. Reiger said that is true. So, we haven’t added any additional money for the Cross-Charlotte Trail, so that Cross-Charlotte Trail is not factored in.

Mr. Driggs said [inaudible] of the original budgeted amount and what happens after that? That is still a $77 million delta right there, compared to- but you are saying for the projects on this list, aside from the Trail, the cost over runs were $48 million? This demonstrates the need for your new process, and how much money have we actually spent on these projects? What is the status of completion of them?

Mr. Davis said I do not have that report prepared. You will see through this collection, it does indicate where there are completed projects. It might be that we can just generate a new report that shows all completed.

Mr. Driggs said I think that given that we had to extend the authorization that we had for one of our bond issuances in the past seven years, I am guessing that there is a bunch of stuff that we have not done much about yet from that original program, and I would just be interested to know, as we look at the $816 million, what the completion status of the projects on that list are.

Mr. Davis said this image on the screen does give you some representation of that so, there are five that are considered not started, and I can describe those a little bit. The remainder here are sort of what is working their way through the pipe. You mentioned the seven-year bond authorization issue. The process that we have described does allow us to put construction money later into the process rather than at the start of the big ideas.
Again, we have not even done any planning, so we do still have some moving through the planning process. The five that are considered not started are a comopilation of things. It is for example the fire station I mentioned earlier that we know is the one that we think will need more money, isn’t slighted to drop in until 2020. That is why that is not started. Others are generally combinations of things that, in order for them to move forward, require other people to complete other work, so they are not ready to be advanced yet.

Mr. Driggs said this does represent less over all completion than was contemplated when the original schedule of bonds was conceived, right? In other words, we have bond capacity that was authorized and has not been utilized for some years, which is why your process of tightening up the time from authorization to shovels is critical. We do not need more situations where we agree to do something, and six years later, we do not have anything. People are waiting for us to get moving on housing right now. That to me is not a great score card in terms of what people expected when they authorized the $816 million and where we are today. We need to do better.

Mr. Jones said Mr. Driggs; I agree. One of the concerns going forward, so we were talking about the construction today, there is also the financing. So, just as you said, that seven-year clock, if we only have that output at this point, what is going to happen the next time that we are up against that seven-year clock? So, that is what we are working on as part two. First, we deal with the project, and now it is the financing of the projects.

Ms. Ajmera said so, towards the end of this spreadsheet, you have got projects funded using COPS. What does that mean? Is that just Council approved not through bond referendum?

Ms. Joy-Hogg said those were our certificate of participation notes. They do not go to the bond for a referendum.

Ms. Ajmera said how are these approved? I see a couple of projects that were just Council approved.

Ms. Joy-Hogg said they are done through Council as well. They are bond issuance, but they just do not go for referendum.

Ms. Ajmera said okay, got it. It is a lot to absorb, but I appreciate the effort that you have put into putting it all out there, because there are a lot of projects that we have, and every one of them is important, especially the bond referendum that was approved by voters. What I would like to see, I know that we have seen this in private sector where we have a dash board, and if the project is not following the timeline, the scope, or the budget where we see the scope overrun or even underbudget, we have to have that maybe every quarter so that we can continue to keep track of all the projects. Just having this once a year is very challenging, especially for me. So, I think that having some sort of a dashboard would certainly help.

Other thing is, are there any projects that were not through bond referendum or Council approved but are there any other capital projects that are here, so not bond referendum projects?

Mayor Lyles said if there are, we are in trouble. I do not know the answer.

Ms. Ajmera said so, all the COPs are Council approved? Am I correct?

Ms. Joy-Hogg said yes.

Ms. Ajmera said okay, so there is nothing that is not Council or bond referendum approved?

Mr. Jones said that is our belief, but earlier Ms. Mayfield brought up a project that we believe we had captures all the CNIPs and one of the concerns that I have is the community engagement. So, you go into a community and you have this list of projects
that may or may not be viable, then somebody then says, okay because this is how much money we have, a line is drawn. So, I do not know how many projects that may be out there, and let’s hope there are not many, through the CNIP’s like Ms. Mayfield said that maybe there was some expectation that a project would be funded. So, we would like to make sure we go back, because we do not want to tell you this is the universe and then two weeks later we find five more projects, but for what we know right now, we believe we have captured everything. Have we missed anything?

Ms. Ajmera said I see a project 93. This would go even prior to some of us, so there are certain projects that I just do not remember, but that does not mean that I have been through every single Council Meeting before I was on Council. So, that is why I am asking this question that I just want to make sure that all the projects that are on here are either Council approved or went through the bond referendum.

Mr. Jones said all the projects on here are Council approved or they have either gone through the bond referendum. Sabrina just mentioned to me, there is something that is called a wind-up ordinance that has happened in the past, so we have to make sure that we go through the wind-up ordinance and make sure there were no projects in that, but as for what we know that has been approved in June by the Council or by the voters in terms of bond referendum, we have captured those.

Ms. Ajmera said so, if you do see something that does not fit into any of these categories, if you could bring that up, I think that would be great. To Mr. Driggs’ point earlier, specifically for the Cross-Charlotte Trail, could you explain this column where it has change in total since adoption?

Ms. Joy-Hogg said are you talking about the three million that is listed there?

Ms. Ajmera said no, over there there is no money there.

Ms. Joy-Hogg said so, the Cross-Charlotte Trail started at $35 million, if you look all across, that was the planned amount, then it stayed at $35 million, but then there was $3 million added for the south connector, so if you take the two together, that takes you to the $38 million.

Ms. Ajmera said so, I guess the overrun that we had is not in here, so are we not putting any over runs in this spreadsheet?

Ms. Joy-Hogg said this spreadsheet is a look back so when the Manager comes out with this budget and we go through this process, it depends on his recommendations and where we are with the design.

Ms. Ajmera said I think that somewhere in there we have to have a column that shows overruns so that we know that we need to somehow find resources to fill that overrun or if that is not the direction Council wants to move forward with, but at least we have to keep track of all the projects that have overruns or maybe even underruns.

Mayor Lyles said I think that the question is if we think a project needs additional funding, it is not overruns. Like the scope, if after all of this is done and we know that there is several, and I think that some of the yellow ones they defined within the scope they are working on, but we have made no decisions. So, that number that was estimated for the Cross-Charlotte Trail of 77 was inclusive of the 38, but it has no design. It is just another estimate, so that would not be on here unless one of the Councilmembers requested that be considered in the budget. We are going to have additional workshops to talk about that again. I am trying to sort out. This was bringing us up-to-date with where we are. What would be the appropriate time for Councilmembers to say, these are things that we would like to see beyond what we already have in place? That is what I think Ms. Ajmera is saying. Where would we get the additional money? When would be the appropriate time to ask for that?
Ms. Ajmera said I guess that I am trying to figure out. We have to have a tracker of the projects that we know are going to need more money in the future, so Cross-Charlotte Trail is just one example, because I do see one project here that has $5.2 million that is actually negative, and that is I think Neighborhood Transportation Program.

Mr. Jones said so, what our Chief Engineer has said today, out of all the projects that he has combed through, there is one project with certainty that he knows he needs more money for. It is an infill fire station. The current infill fire station, I am not an engineer, but I am going to give it a shot, is going to cost us $7 million, and it has three bays. What is in the budget for the next infill fire station is $6 million. The new Fire Chief wants three bay fire stations, so we know that we do not have enough money to build a three-bay fire station, because it is budgeted at something less than that. Outside of that, I think what Mike is saying is that he has contingencies build into these other eight, and he wants to be given an opportunity to try to value engineer to try to get this within the scope to get the best deal that he can, and I do not believe that there is anything in this Mike. I do not know what the biggest number is that you have for the other eight projects that is so big right now that he doesn’t believe he cannot at least begin to address it within the existing budget, but Mike this is out one shot.

Mr. Davis said yeah, if I get to put that in my words, I think that is very, very close. What I would say is there are a lot of projects here, so you give me any sample of projects, I think we can solve a lot of issues through good design, and I think that they are likely to be some projects in the life of a group this big, that something is going to go over budget. We are going to put something out to bit that surprises us. I can never rule out that possibility, but if you are asking me to give you an appraisal of what do we feel like is our exposure, I think it is decently contained here, more or less in the terms the Manager just described.

Mr. Winston said my first question was actually about the ones in yellow, and I thought we were going through it. I do not have a question regarding that. That was about what level of risk are we talking about with the yellow ones, and I think we were going to go through it. To Ms. Ajmera's point about being able to track this type of information, is there a hub? When we were in LA, we were able to stop by the ESRI booth, and they were using our GIS hub, and it seemed like this was the type of tool we were looking for in ways that we could interact. We can put our open data on these things and track projects and keep up in real time. Also, this was something that would be constituent facing. Have we explored the potential of using that feature that ESRI presents so we could have better real-time data?

Mr. Jones said absolutely, I will start off with the conversation that I had with Councilmember Egleston a whole ago and it was, could we have this dashboard? We attempted to do it internally. Sarah Hazel has been one of the chief architects of trying to put this together, as well as Rebecca and Rachel, and what we found is that just like Angela Lee came up earlier today, she has an enterprise fund. I am just putting it out there, okay? She has a different way of displaying her projects than Mike Davis does with his storm water projects where that we may have with our general fund projects, so we do not have consistent data on the front end, so we believe we are better off contracting this out much like other cities that have done this. Austin has done it; New York City has done it, and we believe that within the calendar year, we can give you just that, that dashboard, but we have got to clean the bad data on the front end.

Mayor Lyles said bad data in, get your bad data out.

Mr. Winston said we can speak offline about ERSI, but that is all I had.

Councilmember Eiselt said this is kind of overwhelming to be honest to sit here and look at this for the first time. So, a couple of questions I have, some budget risks, is what you are saying some budget risk but we feel like we can solve it? The Cross-Charlotte Trail is not highlighted in yellow, and that is a big budget risk.
Mr. Davis said starting from what we know is not just a budget risk but requires a budget solution. That is the one fire station that I mentioned. So, for anything that is not that one, the analysis is we are concerned enough that we are looking closely because our contingency. It doesn’t mean we are over budget; it means that when we start depleting our contingency and that project below a certain amount, we are starting to pay a certain level of attention to it to say, do we need to start entertaining anything different in the management of that project, any kind of value engineering that can be on the horizon? These are sort of in that territory. Cross-Charlotte Trail, I will just say there is nothing in this that is like Cross-Charlotte Trail. It is sort of unto itself in the way that we should probably talk about it and have. So, we have $38 million. What we spend on doing Monday night was sort of stepping through a strategy that was to make the best use of the funds that we knew we had, which involved advancing contracts as they are. As we have talked about, envision a path forward that will give Council choices about whether and how to continue to invest in further improvement to that project, but there is also a strategy to utilize $38 million that we have tried to be as open as we can about what we think makes sense and give those options. I am not trying to parse words. It is its own thing. It is a collection of a lot of segments with its own strategy at this point that we will track as we go forward. Last thing I will say about it is that as we move forward on the options that we described, each one of those segments lives within a project budget.

Ms. Eiselt said okay, so along those lines, was the Joint Communication Center on here?

Mr. Davis said the Joint Communication Center is being redesigned within its budget. That is its status. So, we would not regard that as a budget risk. Just a quick reflection on that, this was among the projects that we came back last year in February and said this project does have problems to the tune of, at the time, what was thought to be $20 million. The go forward from that moment was to reevaluate that project to within its funds and that is what we are doing.

Ms. Eiselt said I think what is really tricky and I appreciate all the work that you all have done on this, and I have a high degree of confidence in all of you, but we as Council are not experts in this. I do not really honestly know what is an acceptable scope of acceptability, knowing that you are going to have cost overruns these things happen, but 25% of those construction projects are highlighted as some budget risks, that being three projects out of the 12 that are in construction. I do not have a feeling for what is acceptable, and that leaves me to question then, at what point do we have to worry about rating agencies? At what point do we as Councilmembers say, hang on now. Do we hold a risk with our rating agencies when they look at out? I have never sat in on that process? I think that it would be fascinating, but I do not know if that is what they look at, how we schedule these things out, if we need another party to say to us, look you all are a municipality, and this is exactly what happens, but I do not know where I am going to get my confidence on that.

Mr. Jones said I would like to address that. I believe the Budget and Effectiveness Committee had a presentation by a financial advisor, and in terms of the rating agencies, we are on very solid ground.

Ms. Eiselt said did they know about his? Did they know about these costs over runs, or do they know that? Maybe that is not what they look at, but we have a responsibility to say that we have faith in the way this is being done, and I am not sure I have the wherewithal to be able to say that.

Mr. Jones said trust me. The rating agencies know everything that is going on; as it comes to things like this, they look at newspaper articles, things of that nature. We have been very good with disclosing our issues with the rating agencies, and I would suggest to you that the Cross-Charlotte Trail is not something that the rating agencies are looking at by itself. It is how do cities manage issues? What we are doing is putting a solution forward to an issue.

Ms. Eiselt said you feel- you are right. It is not about the Trail or whatever it is. It is about the absolute dollars, and we only look at Charlotte, so you are saying that you feel very
comfortable with the outside perspective on how we manage our debt, and how we manage our money is okay? Our auditor, they just give you a clean bill. They are not looking at how it is done. It is just if you are following accounting standards.

Mr. Jones said I would not say that it is just me, but again, our financial advisor came in and briefed the Budget and Effectiveness Committee on our finances, and my understanding is that they felt very comfortable where we are specifically because of how we manage debt.

Councilmember Harlow said I know that we were originally going through the eight yellows. I just had some questions about the budget risks around the CMPD stations. I know that we have kind of advanced that process last year by adding in the North-West Division Station the budget cycle for last year under COPS. If you could speak more specifically about the gold line phase two beyond the stuff that we have probably heard about already in closed session.

Mr. Davis said to the first one, you are referring to was sort of the sixth of a set of six police stations that were funded in one umbrella project, so you are right. Last year, we did add some funded to all projects to insure we could complete all six, so we are going through and looking at the condition of all projects. We are being conservative in an assessment of saying, there is some risk that we have not pegged the right amount of money to complete it. The reason we say that is for two reasons. One is chronologically it is the sixth. Our current status is that we are looking for the right piece of land, which represents a major variable. So, where we sit right now is we have an estimate that is both for the construction of the building, which was adjusted last year when we saw price cost escalation go up for all projects. We built that in, and we anticipate what we think that the real estate will cost in the market that it is in, and all that goes into the estimate.

There is some uncertainty when you are at this stage and you are still looking for the land. I have a lot of confidence that we will be able to build that project within budget for where we sit today, but if we are looking for things that could have an issue, yeah you say we do not know, let's see how this goes. Before I move to the second one, does that help on the first?

Mr. Harlow said yes, it is really just leaning on the side of caution.

Mr. Davis said at this stage, yes that is right. There is still a lot to learn as we advance that project. To the second one, the budget rest that is associated with Gold Line phase two is kind of tied to schedule, so a lot of critical pieces of that project, which is now under construction that have to fit together to deliver a project on time. Generally speaking, the longer a project goes the more expensive it is going to become. We are going to do everything that we can to combat anything that becomes a cost threat, but there is risk tied to a delay in schedule for that project.

Councilmember Bokhari said so, when I was asking in the Retreat and before that for what we agreed upon is that fourth government and accountability take away priority that we had of the portfolio reporting. I think that what I was talking about is exactly what Councilmember Ajmera and others were talking about today of we need to not see a status report. This is a great start. Status report is a great start. It is a status of everything and what we know. We really need the portfolio of your performance and risk, and what I mean by that is if you want to just simplify it down to the most basic terms, for every one of those projects that a tax payer approved in a bond, promises were made. We promised what we were going to deliver, when we were going to deliver it, and how much it was going to cost. So, that is the language that we have to go into here and I love the concept of the cone of confusion or whatever it is, but at the end of the day, that just makes me less confident when I look at these lists that we do not know what we do not know yet, and I think that is what you are saying, but that is the urgency of what we need to get in front of us. The one example that I would use is, one-line item here that has the bucket of ongoing is the Cross-Charlotte Trail. We have gone deep and we know this is one of the more complicated ones, but there are 11 subsegments to that of which they span not started to planning design. I think that in fairness to you guys, Mike, everyone, I am not
sure before a couple of weeks ago that you even knew what the status was at that level, so we need to fix that problem, but we need to get you guys around to the point where you can say it is $77 million or it is not, which you cannot say yet, but more importantly I count those 13, at least more than half of those are significant spends that are also listed in ongoing. We do not even really know where those fall, and we have to get to a point to where we peel this onion back and you just very simply say red, yellow, green, in those three promises of what, when, and how much, and red, Cross-Charlotte Trail is red, and either we get creative or we figure out how to do it within that cost or spend more money. Promises were made, and we are going to have to compromise on one of those promises.

What we need from you at a board-oversight level, is to give us a real, honest assessment of the things that you know, which you have shown us today, but now also you need to show us the things that you do not know. That has to be listed simply for us to digest, and this is a red stop light. Only if those 13 are just as complicated as the Cross-Charlotte Trail that maybe we are going to have to go back on a promise. Manager, I give you kudos; you have ripped half the band aid off by having this conversation publicly. That is the other half of the band aid that has to be ripped, and it has got to be through that portfolio report.

Mr. Driggs said I say corollary to what Ms. Ajmera’s remarks, one thing that is lacking from this analysis is the situation with the Trail and the JCC, you get it done within the number you talked about, but you did not do what you said you were going to do, and that doesn’t show up anywhere as a negative. There is no deficit that is identified that needs to be filled or that maybe will never be filled because we are not even going to do it, so having that dimension to where when you reduce the scope, that shows up as a minus in terms of the overall performance our investments would be useful.

About the rating agencies, there is nothing that we are talking about here that would cause them to change their mind. The advisor told us in fact the AAA rating that we have is not supported entirely by our financials, but it rests in part on the excellence of our management, and my familiarity with the rating agencies is that they are very thorough in terms of how they reach that conclusion, so I would not want to go away from this meeting with any question about if they knew more, would they still give us a AAA? They would.

The only last thing that I would like to say is, an easy way to respond to some of what you are being here now is just put some more columns on this piece of paper, and let’s start penciling in some numbers. It is like we have no visibility past 2020. We are aware of things that we need money for, the streetcar, whatever, and at some point, for kind of whiteboard sessions of Council, having this piece of paper with three or four more columns on it and starting to list the projects down the side and pencil in numbers, and it is no promise to anybody or whatever but at least so we get a feel for what kind of things we need to prepare for and so we reach a point to where if we decide to spend $50 million on housing, we identify something that we are doing less of. Any tight budgeting process does that. If you divert funds to a new use, then you show what you took it away from. I think that would be responsive to a lot of what you are hearing right now if we had your thoughts on what those future projects are and when you expect to be able to fund them.

Mr. Phipps said piggybacking off of what Mr. Bokhari was talking about, there are several projects on here that lack specificity in terms of being designated to specific projects. It is like broad categories, like Neighborhood Reinvestment Programs and land acquisition and street connections. Under land acquisition and street connections, could that be where Ms. Mayfield’s round-a-bout is? I am wondering, on all these categories and on page three of five, 67 through 70, are these areas that have broad funding allocations? What kind of assurance do we have that those will be put towards those, or could they be reallocated to something else? It is not like it is an easy project, something specific, but it is just a broad thing, like Neighborhood Transportation Programs. Is that a specific-

Mr. Davis said typically, if what your question is about is the programs that are described at a pretty high level, those are typically guided by Council priorities that are established in other ways. Again, I will go back to sidewalks. There is a goal of building a certain amount of sidewalks in a given hear, and there is a prioritization system that works down
a list that is based on what Council would have said, connect the schools, build on major thoroughfares, things like that, so it is following in accordance with the prescribed set of criteria. When you complete one you move to the next one.

Ms. Joy-Hogg said in response to whether or not Ms. Mayfield’s project is in there, it is not. We believe Ms. Mayfield’s project may have been approved through an RCA Council action off cycle. We will get to those too.

Mayor Lyles said I know that these projects have lists with them: intersection improvements, things like that. I know that last year in the budget, we were given that as a handout in the budget process. I expect that will continue this year. We get the intersections list, the sidewalk list and priority and all of that.

Before we leave this subject, I really want to say something that has kind of bothered me. Yesterday, the Charlotte Observer had an editorial, and it basically said, and I am going to quote some of this: “Remember, Jones knew of the trail’s funding woes long before last month. He brought up the budget shortfall to Mayor Vi Lyles in the Spring of 2018, but he tucked away information about the problem in documentation the Council did not know what to look for.”

If the Observer would look at the Budget Workshop Minutes Book 144, Page 694, Ms. Mayfield brought up a question about what do we know about these projects, and how do we know them? Mayor Lyles said, “I think that every option ought to be put on the table, including one that Ms. Mayfield recommended.” Mr. Driggs said, “I would recommend that you not step through these individually. I hope what we would do is in the context of our general CIP discussion, which we are having right now.” Mayor Lyles said, “The only thing that I would say is that we have the information in the packet. Mike has some things that we need to know and we ought to walk through that, because we are going to have to have this information. We are going to be asked about it, and I would like to actually walk through and have an understanding of what else is on the agenda for this type of presentation, which we were talking about projects that would not have sufficient funding.”

So, I just want to say that February 21, 2018, there was no attempt to hide or be lack of transparent in this discussion. It was around the table just like we are having today, and I really appreciate the fact that we can do that, but the idea to think that the Manager and I would have a conversation and tuck away information is wrong, and I want to let you know that we would not do that. That is not in us. I may not always be as quick as I need to be, but I want you to know that when you have ever asked me a question, when you have ever asked the Manager a question, you have gotten a response, and I that it is unfair to indicate that we were not doing that last year. So, I regret that we had this kind of editorial in our newspaper.

With that, we have budget scheduled to look at, and I think that we can adopt that. We will have to reschedule Storm Water and Area Transit Systems for the next meeting.

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ADJOURNMENT

Motion was made by Councilmember Mayfield, seconded by Councilmember Driggs, and carried unanimously to adjorn the meeting.

The Meeting was adjourned at 5:11 p.m.

Emily A. Kunze, Deputy City Clerk, NCCMC

Length of Meeting: 3 Hours, 27 Minutes
Minutes completed: March 18, 2019

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