

The City Council of the City of Charlotte, North Carolina convened for a Budget Retreat on Wednesday, April 13, 2011 at 3:09 p.m. in Room 267 of the Charlotte Mecklenburg Government Center With Mayor Anthony Foxx presiding. Council members present were Michael Barnes, Jason Burgess, Patrick Cannon, Nancy Carter, Warren Cooksey, Andy Dulin, Patsy Kinsey, and Edwin Peacock.

**ABSENT UNTIL NOTED:** Council members David Howard, James Mitchell and Warren Turner.

Mayor Foxx called the meeting to order and thanked everyone for coming. I'm excited about this agenda because hopefully it will shed some light on some issues that we are watching, including the budget at other levels of government.

### **Introduction and City Budget Update**

**City Manager, Curt Walton** said there is not as much light to share as we would have hoped to be able to share. On the Federal budget the Bills didn't actually make it into written form until late yesterday so Holland and Knight is trying to help us discern what it means for us. We will give you a report and a better feel for it. Transportation is particularly complicated as to what they did and what they didn't do. That is one area and the other area, housing is something that we had mentioned last time we had seen a 20% reduction, but that is for next year's budget. Keep in mind that what they just agreed to was the current year's budget. It looks like 20% is going to be about the right number from the combined programs for the current year. We hope by the end of the week we will be able to provide you with something more definitive on where it is, but it literally didn't make it into written form until late yesterday so we are working with Holland and Knight and will have a report for you. On the utility rates, we had hoped to be able to make water and sewer rate recommendations to you today and we had talked about that earlier, but we are not in a position to do that for two reasons. We are still looking at the consumption estimates for next year and also looking at the bond covenants that we have to cover in order to keep our debt obligation. That is something that we will have to do on May 9<sup>th</sup> when we present the budget to you. We are just not quite there yet so rather than tell you basically what we told you last month, which was these are the needs as we see them, we didn't have a way to complete that equation. We will be back on that. Property revaluation is continuing to move through the process and the numbers are getting a little bit firmer. I wanted Greg Gaskins to give you an update on the property revaluation process and how it impacted us in the budget that we are considering for next year.

**Greg Gaskins, Finance Director** said you have a handout and it has two things. It has the latest finance bulletin which is for your reading pleasure and it actually describes in a whole lot of words what it takes to achieve a tax equivalent rate. There are a lot of words there, but it does explain it. That is issued by the Institute of Government and is the methodology being used across the state and has been used across the state since it was issued at the way we do tax equivalent rates. On the other piece of paper, I've tried to take those words and simplify it down in terms of methodology. Let me give you the highlights of that and I'll try to answer any questions that you have. I will tell you that the big unknown related to this is the number and value of appeals. It is the number and value of appeals which is still out there and there are two elements to this. One is they are still appealing because while they have ended the period related to home ownership, in terms of commercial properties they are still appealing. In addition to that unknown there is the unknown related to people who go directly to the state with their appeal. As you can imagine sometimes big commercial appeals would prefer to go directly to the state to have that appeal heard so the result of that, some of the high value items, we don't even have a great way to estimate given the circumstances this year may be more extreme than what we are typically use to because of the fact that it has been 8 years since a revaluation and the economic situations. So you've got a little bit of an issue of the unknowns are greater than we would normally have in a revaluation. Those two factors are going to contribute to the fact that we don't know exactly what the final number is today, but we have a good idea of what that number is. If you will look down on your paper you will notice that the third bullet describes in a short form how you achieve a tax equivalent rate. You determine a rate that would produced revenues equal to those produced for the current year and that is a mathematical situation simply knowing those dollars, you increase the rate by a gross factor equal to the average annual percentage increase in the tax base due to improvements since the first general reappraisal. Then you adjust

the rate to account for any annexation, merger or similar event. Given that and I will go right to the punch line, the good news would be rate for citizens would drop from the \$ .4586 to \$ .4370, based on the information that we have right now. That would be the drop that they would see in their rate as the facts are today. Again, the thing that we don't know and won't know until we present it to the Manager and he presents it to you on May 9<sup>th</sup> is with the appeals and appeals value issues is there a slight change in that as a result of having better experience in a few more weeks, particular with the commercial appeals. While that is not a final number, that is a good indicator of what the final number is going to be and as I said that is a fairly significant drop. If you will go to the bottom of the front page where you can see that the projected valuation was \$77.7 billion, with the tax rate and without revaluation about \$356.5 million was the tax levy then when you include revaluation and exclude growth, and you have to have some estimate of appeals loss, and again there is an uncertainty in that item, you get about \$84.3 million. You use those two numbers, as you can see in the last line there to a revenue equal to the tax levy of the current rate without revaluation. That is the \$ .4231 and that is the number that we use and if you look at the revenue neutral tax rate there is your step one rate. That pares up, if you will look at determine a rate under NCGS159-11(e), that is how you actually do that calculation, then you add the growth rate, that is big chart and that is how you determine that growth every single year. That is where you get the 3.2% average growth at this point in time and that is how you determine your revenue neutral rate of \$ .4370. With that, at this point in time, that would calculate a drop from the \$ .4586 to \$ .4370.

Councilmember Peacock said tell me about the appeals loss on the first page. What is that estimated appeals loss factor you are using there?

Mr. Gaskins said \$4.6 billion out of \$11.2 billion. That number comes directly from the County Tax Office.

Mr. Peacock said that right now?

Mr. Gaskins said right now, today. It is current as of the first of the week.

Mr. Peacock said the big unknown is the appeals loss. That is the estimated amount of the value of loss?

Mr. Gaskins said yes, it is \$4.6 billion. Again, they are still coming in so we will have an updated number for the Manager. It just won't be hugely different because we are in the process, but there could be changes. When we actually get to May 9<sup>th</sup>, based on that additional data, it could be a slightly different number.

Mr. Peacock said is that appeals loss number higher, it is obviously higher than it has been in the previous. Is there an average number that we can look at as you have on the chart from 2004?

Mr. Gaskins said I think in terms of numbers it is over twice as high as the last time. It is significantly higher than we would typically see, given the circumstances.

### **State of North Carolina Budget Update**

**Ruffin Hall, Budget Director,** said I was going to close up the introductory overview remarks with some comments regarding the State Budget. Obviously, things continue to evolve with the State Budget as well. I actually talked with Dana Fenton this afternoon just to see if anything else had been going on this week. You have seen that the sub-committees within the House and Senate, but mostly the House, had been releasing their particular proposals. Dana's indication that the sub-committee chairs are saying they would like to try to get votes on those pieces through the end of this week and maybe as early as next week and that the House Leadership had wanted to try to get a vote on the total Bill before they left for spring break. Dana's representation is a different process. In the past there would have been a pattern that would have been able to describe how you get from sub-committees to floor votes and that process isn't just well known. They are uncertain about how they are going to get to that particular statement of having the House Bill voted on next week before they go on spring break. So far nothing we've seen coming have to do with any of our State shared local revenues. That is the specific threat that could impact our budget on the revenue side. I have not seen any of those proposals yet.

Again that doesn't mean that something out of House or Senate Finance couldn't impact us, but we haven't seen those yet. Where we are right now, it is all on the appropriations side so you see the issues associated with school funding has been very prominent in the discussion and cuts to positions, Medicare, Medicaid, those entitlement programs are also very big and some potential impacts to corrections and things like that. One area that could impact the City that has been in discussion is the Transportation piece and obviously, the Council and Mayor are very familiar with the specific item related to the high speed rail. There was some indication about potential changes to the way the Power Bill Funds works in terms of payment schedules and some other things. We just heard about that today so we are going to look at it. I'm not sure that that would be a dramatic impact at this point, but we will have to see. It is not the proposal related to potentially capping the gas tax which would be a significant impact. It mostly has to do with how the payment schedule works and how long you are able to hold allocations before releasing them. The City does things pretty aggressively already so we're probably not as vulnerable as a lot of the smaller units of government in North Carolina. Dana has been sending out those Friday updates and he is going to be doing that again this Friday and trying to capture as much of what he is seeing out there as possible, but at this point we are not seeing any specific proposals that would dramatically impact the City's budget at this point, but it is still early in the process. We will have to continue to monitor and report it as fast as these things come out.

Mr. Peacock said could you comment, and this may be just a repeat or maybe there is some new information about your concerns from the Council which is about fuel costs being a pretty big threat?

Mr. Hall said we've been analyzing fuel data and CATS is pretty sophisticated. They are the largest single large purchaser of diesel fuel particularly, and they have been doing some pretty sophisticated analysis on pricing and things like that. The market per barrel, last week it went down briefly for a little bit and then it popped back up. At this point it is one of these guessing games that is hard to do but we are looking as we look toward balancing the budget for May 9<sup>th</sup>, looking at having to add money in the budget for fuel, particularly on the diesel side for Fire, Solid Waste and CATS already has a projection in their budget for some increase in fuel. It would not be enough to cover the worst case scenario, but as you know in the past if we've had unexpected spikes in fuel Key Business Units have to manage that within the context of their entire operating budget and will make do. We are probably going to be adding more money for fuel to help offset some of that.

Mr. Peacock said regarding the City fleet, I wonder if you all could prepare a report in the future just to remind us because I know we went through this spike before, each of KBE's responded with a lot of ways in which they were responding to it as far as being more efficient about it. I don't know if you know of anything they are actively doing right now, but obviously staying ahead of that would be important for us.

Mr. Hall said we can certainly reissue that. I think it was 2004 when there was a fuel shortage crisis, but this is about pricing not supply. We put some policies in place after that and most of that had to do with no idling policies and many of those things simply continued. Our consumption and demand went down some within the City and a lot of that benefit has been carried on through, but we can certainly reissue that information because we've got it.

Councilmember Carter said yesterday your Arts and Science Council Representative went over to lobby and they partnered and gave up time with our Delegation to the CMPD representatives down there to speak to the need for the security funding and the approval of the Delegation, but I would like to make this point to Council. Across the board it is usually a 10% to 15% cut in the various area but to the North Carolina Arts Council it is 23%. As we look at what we do for our financial partners I think you all need to know that there has been an extra cut at arts at the North Carolina level which makes our support crucial.

Mayor Foxx said a moving target so lots of fluidity in all of this so we'll just keep watching it. I'm going to withhold judgment until I see what lands on the table.

**Budget Committee Update**

**(a) Review of Financial Partners**

Councilmember Barnes said I want to thank the Members of the Budget Committee, Vice Chair Andy Dulin, Members Edwin Peacock, Nancy Carter and David Howard for their service. Also we've gotten a significant amount of assistance from Mr. Hall and his staff and the Manager who has participated in a few of our meetings. I appreciate everybody for their involvement and service. Mayor, we provided the body with a report that begins on Page 9 of the handout. It is essentially a synopsis of the Committee's work and it details our activities with respect to the four financial partners that you all authorized us to review, that being Center City Partners, The Arts and Science Council, The Charlotte Regional Visitors Authority and The Charlotte Regional Partnership. I will gladly take questions but I will highlight a couple of things in each of them, but the Committee and I will gladly take any questions that the Council or Mayor may have. With respect to all of the partners, they have all either acknowledged that they were engaged in some sort of efficiency efforts or cost savings at a time when we were engaged in our review or they implemented additional adjustments as they became aware of the Council's interest in their respective budgets. You will see on Page 10 a list of things that each of those entities have undertaken to control their costs and I will note, and I'm glad this is something we included, under the conclusions on Page 11, the fourth bullet point says that the information and findings developed by the Budget Committee will be considered during the FY2012 and FY2013 budget development process. All of our partners worked with our staff to determine what their needs are and what we might provide them. I and a couple other members of the Committee have some interest in being probably more conservative than we've been in the past with respect to allowing some of these budgets to grow. We will obviously take that up as a body over the next few weeks, but the point is that there are some expense issues in some of these entities that bother some of us and as you all know, the result of the events over the last couple days that is probably intensified, at least with respect to one entity. There was taken in attention to the South End Municipal Service District (MSD) piece on Page 11, the Committee had an interest in learning whether or not the South End MSD was producing value for the taxpayers in that MSD. We received the information from Center City Partners and we also received a commitment from Center City Partners to undertake a structured focus group and survey process. They are going to be meeting with the Committee and the property owners in that portion of the MSD to determine whether or not those property owners are getting from Center City Partners and from that MSD what they need. Councilmember Dulin made a very good point during our discussions that if the MSD buys a sign, that sign is only bought once, but the tax continues and annually Center City Partners receives about \$560,000 from the South End portion of the MSD.

**Councilmember Howard arrived at 3:26 p.m.**

Mr. Barnes continued by saying he thought they all felt comfortable saying that there are people who are very satisfied with what they are receiving in the South End MSD, but we also have received word from some property owners who are concerned they are not getting sufficient bang for their buck so we are going to be working through Mr. Hall and the Manager to make sure we get back from Center City Partners information regarding their focus group efforts. All in all I felt this was a good exercise and if the Mayor and Council direct we will undertake additional reviews of other areas, but by in large you have on Page 10 a good synopsis of what each body was doing in response to our inquiries.

Councilmember Howard said when we first started this I told the Chairman I wasn't quite sure what direction we were going in, but I wanted to say Thank You for doing it. I had a chance to hear each one come before us to tell us what they were doing. I think it was a good process and I wanted to say that because I questioned it when we first started it.

Councilmember Kinsey said on Page 9 under Findings, Question 1, it indicates that these are things that the financial partners could do, does it mean that we are looking at them to do it, those listed on Page 10, or they are already doing them?

Mr. Barnes said that is a very good question. I think it is a combination. Some of these things, for example, if you look at the bullet 2 under Center City Partners, I believe that additional shift of benefits costs was already planned. Is that correct Mr. Hall?

Mr. Hall said planned for next year I believe. They are planning to invoke that into fiscal year 2012 budget I believe.

Mr. Barnes said if you look under the first bullet point for Charlotte Regional Visitors Authority, that is something I believe came as a result of our inquiries there.

Mr. Hall said yes, they have been working on that.

Mr. Barnes said some of it is going, some of it is ongoing and some of it is new.

Ms. Kinsey said under the Charlotte Regional Visitors Authority (CRVA) it says energy savings through solar projects with the City. Is that happening and if not, I don't understand how they can do that.

Mr. Barnes said I think that is something they hope to undertake.

Ms. Kinsey said how? Do they know? It sounds great.

Mr. Barnes said that is a good question. Mr. Hall do you recall precisely? I have a clue but I don't want to say it unless I'm sure.

Mr. Hall said I do not particular remember but I believe Mr. Crum is here and can help answer that question if you would like to ask him.

Ms. Kinsey said I would like to know.

**Mike Crum, CRVA** said with the upcoming events that we have in September of next year, there is a lot of interest from the alternative energy community in terms of working with venues that are going to be involved in hosting the convention. We've had a slew of conversations with alternative energy providers, primarily solar, who are looking at our venues and understand the situation that if we are going to pursue this there is not a lot of up front capital money to put into it so they are going to have to be very creative in their financing. It is an ongoing discussion that has been going on for about the past year.

Ms. Kinsey said I think it sounds really good, but I would not classify that as a savings to the City. Just a comment!

Mr. Barnes said I understand your point Ms. Kinsey. I would point that under the Arts and Science Council, as you all probably know, that area of our society is being cut increasingly and Ms. Carter just referenced some things happening at the State level. Those three bullet points are things that had happened. They had already engaged in some significant cost cutting and efficiency efforts and what we were doing was simply rather timely during their process so they have managed to cut their cost substantially and you see that indicated in that section of the report.

Councilmember Cooksey said Chairman Barnes, did the committee discuss or evaluate the possibility of investigating or adding to or adjusting any performance objectives or performance measurements in the contracts that basically serve as the legal vehicle by which we convey money to our financial partners?

Mr. Barnes said there were things that we discussed in that vein Mr. Cooksey. There are some things that I talked about individually with Mr. Hall and Mr. Walton. I think because of the nature of some of those contracts we may have to act as a body, either by way of the budget process itself, again referencing the fourth bullet under conclusions. In fact there are some things Mr. Hall, that I had asked you all to have them put into the contracts that, I don't know if they are referenced in this handout, but we had discussed. Do you have those?

Mr. Hall said I think the main one and the part that Mr. Barnes is referencing had to do with some of the financial measures, particularly associated with some cash reserves and some other items related to financial standards. The items that you are referring to specifically related to performance indicators and performance goals, we shared that information with the Committee,

but to my knowledge they didn't make any recommendations associated with changing the performance indicators, but some of the indicators related to the financial performance, particularly adequate reserves was brought up and discussed in the Committee.

Mr. Barnes said one of the issues, for example the CRVA, that we were trying to address was to make sure that they have sufficient reserves that would allow them not to come to us for general fund revenue in the event there was a deficiency with respect to the Hall of Fame. We were trying to make sure that each of these entities had enough money to operate without coming back to us for general fund revenue.

Councilmember Dulin said in respect to Center City Partners and the South End Municipal District, we are really trying to find what that group of business people pay into the fund in the way of a special tax, and we really worked hard trying to figure out what that group was getting for that \$563,000. We asked some questions about that and they've said they were going to have special focus groups and a survey process in Historic South End to gather feedback and develop the recommendations. I would have thought that since they were getting \$560,000 a year from that group they would be doing that anyway. Maybe we've pushed them to run their business a little bit better. The other thing from them, there were some questions from people that are in the community and have contacted me and I have shared it with the committee about their overhead being high, and then their report to the committee about their overhead was so low that it just didn't make any sense. Mr. Barnes and I have had conversations, Mr. Hall has had conversations with the Committee about how some of those overhead numbers are reported so I'm still not comfortable with those. If you look at it the overhead for one employee is more than 50% of the MSD coming out of South End alone and the response to that was that those employees are factored into individual projects and individual jobs. I'm still not comfortable with that answer and I don't see anybody here from Center City Partners, but we've had a couple of relatively rocky conversations with that group. As we continue through the budget process I want to continue to work on these numbers. The Arts and Science Council came in and their Chief Executive five years ago was making \$70,000 more than the guy is making now. They said okay, we've got a bad market here and we are asking the community for donations, we're going to respond that we appreciate that. It was interesting seeing these groups come in and in some cases I think they have forgotten who is buying and you is selling in this transaction. I think we are the ones in a lot of cases, are the buyers, we're the customer at the same time as the outside entities whether they are donations or taxes, are the customer's as well.

Mr. Peacock said I want to bring to the Council's attention, and I don't know if you all have the previous Budget Retreat, but on March 2<sup>nd</sup> staff answered some very important questions that came from our committee meeting as it relates to Charlotte Center City Partners and particularly the relationship with the South End.

Mr. Dulin asked what page you are on?

Mr. Peacock said I'm on Page 81 (March 2<sup>nd</sup> Budget Retreat) Q and A section coming from staff. The question is what could be some of the ramifications of eliminating the South End Municipal Service District. I believe it was Thomas Powers who is our expert on this subject and he was providing us answers that day. Just to point out Mr. Mayor, the history of the South End Historic District should be noted that it was July 1, 2004 that the previous group Historic South End merged with Center City Partners. They came to them and asked them to manage them. The City Attorney's Office responds also to what our choices are of an MSD with regards to the abolition of the service district. Council may at its discretion create, extend, reduce or eliminate an MSD. I think for me as a Board Member of the Budget Committee, I thought pretty sufficient about how the South End came to Charlotte Center City Partners. I feel sufficient with at least the answers that I am seeing here on Pages 82 and 83 of what type of services and value they are bringing and I think we will have to wait for the answers from them as it relates to that. I think very clearly if they want off the MSD then we have the option to allow them to go off the MSD. The question is are they going to be able to create more value than what they are currently seeing right now from Charlotte Center City Partners or are they going to want to go back to their previous model. I think that is where we focused our debate around and I think it was a good one and I did not realize that we had these choices so I thought that was important to point out to the rest of the Council.

Mr. Dulin said part of my push on the overhead portion of what is going on over at Center City Partners is from a confidential telephone call I had, and I was called, I did not call this individual, who has been in and around on what is going on in the South End for 30 years and he was asking me to be careful about taking away the MSD because it in principle would be a good thing, but that the overhead at the Partners has gotten so great that nothing gets done in his opinion. It is a very educated opinion on the subject and nothing gets done because they are spending so much money on overhead. They came to the Committee and reported their overhead at 7%. That raised some red flags and I said wait a minute we need to ask some questions on that. There is still some gray area there and there were some fannies trying to get protected with their reporting in my opinion. I just wanted to report that because somebody called me and said I need to let you know some things.

Mr. Barnes said Mr. Hall do you recall when we were supposed to receive that report from Center City Partners regarding the focus group meetings.

Mr. Hall said I don't recall a specific timeframe. I think they were going to be doing that immediately. We can certainly contact them and get a timeframe about when that will come back.

Mr. Barnes said I don't recall doing this during our Committee meetings but I would suggest they have it to us before we vote on the budget.

Mr. Hall said we will contact them.

Mayor Foxx said I think I'm just going to put the elephant in the room because this week we learned about this new situation at the CRVA and it is relevant to this conversation about these financial partners. From the information that I've seen I think for the most part our partners are doing a pretty good job. I think the Arts and Science Council are to be applauded for the work that they are doing in the very difficult economy to continue their mission and try to tighten their belts in appropriate places to do it. I think the Charlotte Regional Partnership can tell us some more stories, but I have to confess that I'm a little frustrated by what I'm seeing coming from the CRVA. It is not an episodic situation with what has happened in the last three days or what has come to light in the last three days. It is really more of a pattern, kind of a Britney Spears, Oops I did it again kind of pattern, where we see with the data that was projected for the Hall of Fame, which I understand came out of the CRVA was not accurate data. With an incident this past fall, a Human Resources issue there that generated some concern and most recently with this bonus situation and parenthetically it is not, in my opinion, the fault of anybody other than the management on that situation. I don't think the employee can be faulted in this situation nor do I think the CIAA Commissioner is necessarily at fault in terms of our policies and procedures. I think that is an issue for management and I have some very serious concerns about that, particularly when we are paying in excess of \$300,000 and have a 10.7% unemployment rate. I'm sure there are plenty of people in this City who would love to have a job that paid that well and perhaps could do it more competently. I want to see what comes out of the discussion from this morning at the CRVA, but I can't tell you how frustrating it is to see these lapses and then the explanation to come back relatively surface level explanations that don't add up to me. I'm expressing that concern and I don't know if others in this room share it, but it is a concern that I have and I think in the course of your review I wonder whether you looked at whether we have adequate controls over the quality of what the CRVA in particular is doing.

Mr. Barnes said I'll tell you Mayor, we inquiring about the nature of our relationship, it was made fairly clear I believe by the Board that they respect the legal boundaries between the City Council and their respective entities and I think historically they have seen a barrier there that we may not have seen. They make decisions that impact the members of this body and have done so because they believe there is a barrier there, and there is one, but perhaps it is not as thick as some people believe it to be. I too share your frustration because I actually thought we were wrapping this process up today with this report and as I said earlier, the recent events in the last couple days have somewhat complicated it, and this is a point that I would make to the Committee. When we were looking for efficiencies this is the sort of thing that would have been of interest to me and some members of the committee because if we have people receiving compensation in these bodies from outside partners, that kind of factors into our analysis of, or at least my analysis, of what the partners are doing and how they are doing it. For that reason it

was something that caught me by surprise and it has become rather problematic for me to figure out what people are really doing. I obviously rely on Mr. Hall and Manager Walton to help me and to help the Committee work our way through things but I'm not so sure that they even know a number of the things that are happening that they perhaps should know. I will share with you and the Council Mayor, that earlier today I sent an attorney/client communication to Mr. McCarley asking for some additional clarification on what transpired here and how and why because I am concerned about whether or not it may have broader implications on other events that take place in the City. I certainly want to know if that is the case because it creates a situation where we have people who are drawing a salary but then getting a bonus that none of us would have had a clue about, but for the story. I believe the Council talked about actually funding an outside audit of some of our partners and we discussed the expense of that and rather than go through that we went through this process of allowing the Budget Committee to do a review. We were trying to save money and perhaps we should have rethought that and spent the money to do a dig down to the ground type of review of what is going on. I do share your frustration and I'm looking forward to hearing from the Board of the CRVA tomorrow as to what they have determined.

Mr. Dulin said I went and sat in on the CRVA Board Meeting this morning.

Mayor Foxx said good.

Mr. Dulin said it was interesting to have a Councilmember sitting there. It was different. What I heard today was relatively vanilla so I too am looking forward to seeing the report that originally they thought would be as early as this afternoon, but my information this afternoon is that it will be tomorrow and I imagine in the afternoon. We've got a sworn duty to look after this community and to try to keep things on the up and up and this was not on the up and up as far as me as a body member sees it, speaking for myself only.

Mr. Cooksey said keeping on this topic, I think one of the things that we as a Council could take into consideration for future reaction going forward is our appointment process to quite a number of these boards. After all we are filling the vacancy on the CRVA Board at the end of this month, based on nominations we made Monday night. I'm reminded that after the ABC Board debacle with the county the County Commissioners, when they were appointing replacements to that Board had a very formal interview structure and put everybody through an interview structure, talked about their qualifications, their skills, their backgrounds and the like. We don't do that for our Board. We nominate, we vote on the blue forms and none of us really knows what communication anyone has had with any of the candidates to vet them for their suitability for this kind of responsibility. I think that is something for the immediate vacancy we should keep in mind and perhaps as a structural matter think about for, particular any board such Housing Authority, Charlotte Regional Visitors Authority, or Civil Service Board that has some kind of final say power. We have quite a number that give us advice and we are the final say, but when it comes to some of these, it can become very frustrating to the point that Mr. Barnes continually makes about decisions of the independent board reflect upon us, well, we appointed them, but who did we pick and what skills do they bring to it and are they people who knew how to make policy for a business that has several hundred million dollar a year budget, managing hundreds of thousands of square feet. That is a suggestion both for our immediate vote at the end of this month and also for an idea going forward.

Mr. Dulin said it was very apparent this morning that not all, but any of the Board members knew about these payments and a couple of them expressed that. Matter of fact, they made a pretty good point and they had a pretty good work session this morning, but their Board does rotate in and rotate off and one of the suggestions I'm sure they will be talking about, and they may have done it this morning in closed session, was having a session for new board members, bringing them up to speed on what they would be doing. I would be very interested in the report tomorrow if it tells us who did know about the bonus payments and who didn't and my guess is that is a very short list if not two and one of those would be the person that cut the check.

Mr. Peacock said first of all I want to respond and make a distinction from what we heard in the Committee. Mike Crum is here from the CRVA and what I heard is that the CRVA is an entity itself that manages these facilities, NASCAR Hall of Fame, Visit Charlotte, Bo jangles, Ovens, the back office of the Arena. These are very well run and we have a very efficient organization

that is doing a very good job. I want to make the distinction between that and the current focus which is on the NASCAR Hall of Fame. This Board responded by placing Councilmember Cannon and myself to that Board, we are on the Board of Advisory. Deputy City Manager Kimble, myself and Mr. Cannon, have met with Winston Kelly, we have met with the marketing team and I think this Council, as I have stated on a number of occasions, we are here to focus on solving the problem and the problem was created in my opinion a little bit prior to all of this and prior to us receiving the bid for the NASCAR Hall of Fame and now we are receiving comments from Atlanta, but this body and all those around us were part of the excitement of this. We were part of setting this expectation or what I call the attendance monkey and we are trying to get that off our backs right now and getting more people through the doors and sharing the story or what they are doing. That is one fine facility there and I think we need to stay committed to solving that problem. Mr. Mayor, we don't this pretty extensively because we ask each of the financial partners for this, and I felt very satisfied with it and in fact so much so I felt it gave me a little bit of introspection of what are we doing on our own Board here. When they started talking about executive compensation and how they arrived at Tim's comp, not only were they able to show us numbers, they were able to show us essentially a 360 management evaluation of how he has done. We heard that from Scott ... group, we heard that from Ronnie Bryant's group and we heard a lot more than what I consider than we do for our Chief Executive. That is one of the things that I think maybe we need to think about raising our own bar on how we go about evaluating the people that we are directly responsible for. Their board is the one that came up with the compensation so I felt pretty sufficient about that. I realize that these things happen and obviously, the details really come out when something like this happens. I just want to install some positives here about what I see as the CRVA as an operation itself and they are managing our City facilities, this Council and what we obviously need to do to help the Hall of Fame move forward amidst obviously a continued recession and obviously a fight to get rid of the discretionary dollars from our consumers out there to go to that great facility. I will yield to the Chairman and maybe Mr. Cannon would like to make a comment as well because we both have been exposed to this pretty heavily in the last 60 to 70 days or so, I know I have.

Mr. Barnes said I wanted to somewhat disagree with my colleague on a couple of issues regarding the attendance monkey, I think you called it. That actually was not driven by us unless the former Mayor was a part of that in the little secret meetings they were having. It wasn't driven by any of us. In fact we had a presentation from the Hall of Fame Leadership and CRVA Leadership where they said that the attendance for the first year would be about 400,000. I made the point when they released the report to this body saying it would be 800,000 and they said I was wrong. I still have the report where they said the first year would be 800,000 so I don't think that attendance monkey was created by anybody around this dais, at least not the current folks so I think they drove that and it led us down this primrose path of exuberance to spending almost \$200 million. I stopped at \$150 million on that facility so I take issue with that to some extent Mr. Peacock. I understand where you are going and by the way I do appreciate you and the Mayor Pro Tem being willing to serve and take on another monthly meeting to help us make sure that things are operating well at the Hall of Fame, but I think the concerns I've expressed and some of the concerns I've heard others express today have more to do with global issues at the CRVA, not at one specific entity. In other words not just the Hall of Fame, but global issues.

Mayor Foxx said in my mind this is not a conversation about whether the NASCAR Hall was a good or bad decision, but we rely on the CRVA to give us accurate information when we are making decisions. Mr. Barnes stopped at \$150 million. I kept going, based on information I was given and that information was derivative from the CRVA leadership. What I'm talking about is that on a foregoing basis we still have a lot of work to do with the CRVA in terms of expanding our tourism and hospitality industry and I think all of us want to do that, but we've got to be comfortable relying on the information we are given and knowing that if something is represented that is exactly what it is. I think that is where I feel slippery and I don't that is the way we want our City to operate.

Mr. Peacock said thank you Mr. Barnes for clarifying that. I certainly was on Council as a part of how the attendance numbers were presented. I guess I spoke collectively about the City Council in the sense that at least all of the numbers and all the stories that have been coming out about the attendance when this all began about six months ago. Because I wasn't on Council, I just don't see anybody saying I told you that number should have been around 200,000. I'm glad to hear that you were saying those numbers of 800,000 weren't accurate. I know when I came on

Council, one of the first decisions I made was how could we possibly have a number presented to us that we were going to make an exhibit space out of \$12 million when they knew after we won the bid that it was going to be \$35 million. That was what we agreed and of course it didn't come from taxpayers it came from the hotel/motel tax, but to me likewise I agree with you, you want to make sure you are getting accurate information here.

Councilmember Cannon said you can only be as accurate as the market will allow in the business world. I would imagine that was the case when years ago when Mr. Tober came to us and made projections to us on certain items regarding rail. I imagine that would have been the case as it relates to the body or the person that may have come to the Council with regards to even projecting what the numbers would be for the Hall of Fame in the way of attendance. I get where you are coming from Mayor, and I agree. This is not a witch hunt I don't believe relative to the NASCAR Hall of Fame. I do agree that it is more of a global situation that is being referenced today. I would say that we are supposed to do our jobs in calling and asking for the question of what is going on anytime we feel there is a level of concern. While we are doing that I want us to also make sure we are not creating an atmosphere where the morale level tanks from some of the same entities that we are dealing with. The DNC is coming up and I think the CRVA is somewhat involved in that. You want to tell those people to go fly a kite? You can do that, but know what you are doing. So let's continue to ask the appropriate questions and drill down relative to the right things we should be drilling down on while at the same time understanding where we are trying to go in the future to create a better Charlotte that is known not just domestically, but also internationally.

Mayor Foxx said that is a very good point Mr. Cannon. I haven't told anybody to go fly a kite, but what I do think, especially because of what is coming in the next 18 months, we want to make sure that our partners are able to carry through with what they need to carry through. I have absolute confidence that there is a strong team over there, but there are some issues that I'm talking about and I think asking those questions are fair.

Mr. Dulin said I just wanted to add that the CRVA's report to Council was solid. They've got a huge budget - \$42 million, 213 employees and given the economy and given what we have given them to deal with I think they are doing a pretty good job. It is hard to run Owen Auditorium and Bojangles Coliseum as great as they are for our community and for us old timers. It is tough to run those things and they are doing a good job over there. They are doing a good job with our Arena which is a jewel in our crown. Given what they've got to work with and the projections were high, but the NASCAR Hall of Fame is a generational entity for our community. I'm pleased with that. We do have a problem here and we've got to see what their response is tomorrow.

Mayor Foxx said I agree with that completely.

#### **(b) Review of Mayor's Efficient and Effective Government Review Task Force Report**

Mr. Barnes said this is the topic of the Mayor's Efficient and Effective Government Review Task Force Report. We received a briefing and actually had a fairly healthy discussion at our last Budget Committee meeting. We in fact had some very good discussions around the Public Safety Pay Plan and if there is any one thing I should say to highlight what we discussed regarding that issue of the Public Safety Pay Plan, it is that all levels of leadership in the CFD and CMPD are being heard. Manager Walton's staff and the Manager himself will be engaged in and in fact already are engaged in meetings with those folks to determine what their concerns are. We had an extended conversation about the level of contact between the rank in file employees and the management of each entity, CFD and CMPD, as well as Manager Walton. What we are anticipating is a further update. The timeline is actually in the Gantt Report on Page 27 and 28, you will see that the timeline for our work on the Public Safety Pay Plan issues. We do not anticipate taking any action until December of 2011, at the earliest. We will get something back by the end of this year and the Council can take action at that time, but we are trying to make sure everybody is being heard and that people are having an opportunity to participate in the conversation. There is an outside facilitator who has been hired to help work with the parties. You can see on Pages 18 and 19 specific information from the Task Force's recommendations and staff analysis of those recommendations. Our conversations aren't reflected here, but they are in the minutes of the meeting.

Mayor Foxx said are you recommendation those go forward?

Mr. Barnes said it is interesting you mentioned that. With respect to the Corporate Technology Investments, we are essentially in a situation where we don't have the money to undertake a full blown technology replacement at this point, but I believe what we anticipate is an ongoing adjustment to technology hardware and software so it won't be something that will happen immediately, but it is going to happen over time if we realize a windfall which I doubt, but if we were to have windfall I suppose we have an easy opportunity to pull \$8 million out.

Mr. Walton said we have \$18 million in reserve from the amount over 16% from balance that it was recommended earlier in the process that we reserve for loss or impact by the State. If it turns out that there is no impact or the impact is significantly less than that we support the \$8 million investment in technology. We just don't have the funding source right now with the unknowns that we have staring at us right now.

Mayor Foxx said I mentioned this to the City Manager this week that I don't know for certain whether there is such an opportunity, but because of this convention coming in 18 months there may be some vendors out there that will want to donate or partially donate some of the technology that we might otherwise use as a way of putting it in a position where it can be displayed for other municipalities. I don't know the possibility there and I'm just throwing that out, but I think that is an area we might be able to explore. That may be another way of getting at the same place.

Mr. Walton said the problem with this \$8 million is these are really back office, critical mission things that don't really show well. To your point Mayor, there are going to be a lot of investments, particularly in Police and Fire that would come from the security grant that still may be donated or underwritten by a company. I think there is a good possibility of that happening for the Convention whether it is this \$8 million worth of things, maybe and maybe not, but we will certainly pursue that whenever possible.

### **Health Insurance**

**Director of Human Resources, Cheryl Brown** said I'm going to spend a little bit of time with you today talking about our Health Insurance Program, what we've done to this point and what we're going to be recommending for calendar year beginning January 2012. (Ms. Brown used PowerPoint for her presentation to Council) First thing we want to start with is to review the Human Resources (HR) philosophy with you, adopted by Council and one thing we really focus on is the aggressive management of our health care costs and we do expect our employees to share fairly in the cost of their benefits. We benchmark a moderate level of pay and benefits with the market and we actively support wellness programs to reduce future costs. I'll take this opportunity to applaud some recognition we got last week. The Charlotte Business Journal held a competition, small, medium, large and extra large employers and we were in the extra large employer category and out of 17 wellness programs that were evaluated we came in fourth. We were very tickled with that rating. I'm very competitive and we are going to be first next year. We have a strategy that really consist of six components, (Page 32) our cost management strategy and starting at the top you see cost sharing and working your way around the wheel, our prescription drug plan management, plan design, vendor selection, wellness and chronic condition management and I'm just going to speak very briefly on those topics. With our cost sharing this graph will show you the types of cost sharing we have done with employees over the years and we've just picked up, beginning in FY02, but you can see from employee, employee and family, retiree and retiree and family we have consistently placed more of the cost of health insurance coverage on our active and our retirees.

Ms. Carter said in that graph, if we could make those the figured lines rather than colored lines. They don't show up well and that would be for any presentation that we receive.

Ms. Brown said as far as our prescription drug plan management, over the years we have increased our drug co-pays, we've implemented a three-tier formula which includes the generic, the preferred brand and the non-preferred brand structure. In January of 2011 we implemented a \$100 front-end deductible for the preferred brand and the non-preferred brand drugs. We've

consistently increased our out-of-pocket maximums for drugs, implemented step therapy for specific drug classes and that is where our providers work with physicians to start our employees with hopefully with a generic and if there is reason to move into the more expensive drugs that is what we will do, but we start with the low end of that. Next, implementation of a specialty drug management program for high cost specialty medications. This is for medications that are self administered for diseases such as rheumatoid arthritis and our providers work with the employees that are under the care of those physicians to try and optimize their use of those medicines and to improve their health. Plan Design Changes - you've seen these over the year and they are pretty typical. We've increased the doctor visit co-pays, deductibles, admission co-pays, ER co-pays, reduced reimbursement for various services such as lab, x-ray, durable medical equipment, standard types of things that health insurance plans will do over the years to help control costs. As far as wellness, I mentioned our wellness program and we really appreciate the support of City Council and the support of city management with our wellness program. We feel we've got a great wellness program. We got some very positive feedback from the meeting the other week with the Business Journal and many of you have participate in some of the wellness programs that we offer. We have various challenges that employees can participate in during the year. Flu shots are offered, blood pressure screening, education programs. This past year we implemented our differentials in premiums for folks that are meeting our wellness objectives. Also a higher deductible for tobacco users and we offer a variety of programs to help people reach that tobacco free state. Our Chronic Condition Management Program is a great program as well. We implemented this program in January of 2010 to focus on the disease of diabetes. This is a high cost disease for the City of Charlotte so we wanted to focus our first efforts in this area. Participants enroll in the program and they have the opportunity to meet face to face with healthcare professionals in the community for guidance, coaching and encouragement in managing their disease. They actually receive reduced co-pays for diabetic related medications and supplies and actually in 2012 we are going to go to another illness that we see a heavy experience in our employee population and that is asthma. Over the years, as we are able to, we will increase the diseases that we can cover under the program.

Now we get to the Benefits Actions that are under consideration for FY12. We have been in the process this spring of implementing new contracts for prescription drug coverage, life insurance and wellness services. We've actually been in the bid process since the middle part of February for those three services. We've had great success with the initial responses that we've received. We are going to be able to save some money over the next contract period for several of the vendors and we will soon be making final decisions as to who we are going to recommend we go with in all three of those areas, but it has been very positive results. We plan to conduct medical claims audit and dependent eligibility audits during FY12 to make sure that our service providers are paying claims appropriately and that the folks that people claim as dependents on their health insurance actually are dependents. We are going to continue to promote consumerism by leaving our premium differentials in place for the employees participating in the wellness programs and continuing to look at packaging group insurance programs with more of the same provider. I already mentioned that expanding chronic condition program to include asthma. We are going to increase our deductibles in the PPO A Plan from \$300 to \$400, again that is a market driven decision and increases out-of-pocket max from \$2,500 to \$3,000 in PPO A. We are going to do a little bit more cost sharing on the retiree side because we still have room that we need to move that cost sharing responsibility to that group. For the single retirees we are going to go from 32.5% to 37.5% and for retiree dependents we are going to go from 45% to 47.5% on the cost share.

**Councilmember Mitchell arrived at 4:22 p.m.**

Ms. Brown continued and referred to the last slide on Page 35. She said this is a little bit different from what we've done in the past and frankly with the increase in co-pays and out-of-pocket maximums and deductibles we are reaching the point where those incremental changes are getting to be more difficult and they are putting us in more of a position where we are going to lose competitiveness with the market. We took a step back this year and took a hard look at the way our plans are structured. We have two PPO Plans, we have a PPO-A which offers a higher level of benefits to employees in regards to the deductible and the co-insurance. Then our PPO-B Plan offers a lesser benefit in those areas. What we are recommending is that we make our PPO-B Plan the City's base plan and from there employees will have a buy-up option to go into the PPO-A Plan. We've had that arrangement, a very small differential in those premiums

for several years but we are trying to make a more significant difference between those premiums which will result in the City's contribution to those two plans over a three-year transition period actually being equal as opposed to where we are today. If you look at the two bars on the left (Page 36) the current PPO-A Plan, the City's contribution for that plan is currently \$832. Employees actually pay \$448. For the PPO-B Plan the City's contribution is \$765 and employees contribute \$412. Our objective over the three year transition is to have the City's contribution be the same for both of those plans. What that will do is will put the folks that want to remain in PPO-A, they will be buying up that higher level of coverage and the PPO-B folks will stay in PPO-B and have a little bit lesser, obviously the non-buy-up level of coverage. If you look to the far right I believe that number is \$789 so after the three-year transition, our projection is the City will be contributing \$789 to both Plans A and B and the folks who want to remain in Plan A will now be paying \$491 and the folks in Plan B will be paying \$387. An added benefit to this little bit of change in philosophy for us is by having the first year of the buy-up option to Plan A, the folks in PPO-B would not experience any increase in health insurance premiums this year. We feel that is a positive outcome considering the likelihood of a pay increase for staff is not very good. This way their income level would remain the same. People wanting to remain in Plan A would pay a little bit more in premium and have a higher level of coverage.

Mr. Howard said I understand the bottom two colors but tell me what the top one is and how it plays into it.

Ms. Brown said the top colors are just the typical out-of-pocket costs an employee would experience.

Mr. Howard said co-pays?

Ms. Brown said yes and co-insurance.

Mr. Howard said that is not necessarily something they would pay. That is potential pay. The money that is out-of-pocket is what stops at the top two colors.

Mr. Hall said this is a subject that we did spend a lot of time talking about and it can be very complicated. The simple explanation I take away from it is that for those employees this coming year that choose to be in PPO-B or move to PPO-B will not have a health insurance premium increase, but the potential to pay more out-of-pocket themselves. That is the tradeoff. If they have bad experience and they have to pay the out-of-pocket deductible and things like that, they are taking on a little bit more of the costs risk themselves. PPO-A is going to be paying a little bit more in order to have that higher level of coverage, but their premiums are going to go a little bit.

**Councilmember Turner arrived at 4:29 p.m.**

Ms. Carter said I am concerned that there is a proposal with the Federal Government to tax the differential between the Plan A and Plan B and that would be a double whammy to the people who are going into Plan A.

Ms. Brown introduced Sharon Cunningham, Senior Consultant from Towers Perrin who is going to talk with you in a few minutes about health care reform.

**Sharon Cunningham, Towers Perrin** said I think what you are referring to is the excise tax, the 40% non-deductible tax on the amount over a certain dollar amount threshold. At this point these plans do not meet that. In the future when the excise tax comes into play they may be subject to it, but making this change now doesn't really any impact on whether you would or would not pay that excise tax.

Ms. Carter said now or in the future, in the future it might?

Ms. Cunningham said in the future it might. It is not until 2018 and that is one thing that is on the table. We are estimating now that there is a small potential cost in 2018, but that is based on not changing plan design at all. It is speaking of the way they are currently.

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Councilmember Turner said can you tell us what affect this would have on those who have retired from the City that use our mail order for their prescription drugs, does that affect their costs?

Ms. Brown said no, there won't be any change in the cost of prescription medications, either purchased at the CVS Pharmacy or purchased through the mail order program. The only change we are making for retirees is just an increase in the amount they pay per month for their coverage. The two are separate.

Mr. Turner said so they don't have an option?

Ms. Brown said they have an option to drop out of the program or get insurance from another provider, if I'm understanding your question correctly.

Mr. Turner said can they option out of the mail order program today?

Ms. Brown said they can choose now to have their prescriptions filled at a place like Wal-Mart or some other place that may have discount prescription, so yes.

Ms. Brown said when we went into the analysis of our health insurance plan for the next fiscal year we worked with our consultants and felt that we would have an 8% increase in the amount of the cost to the City and that is what was included in the projected \$5.4 million general fund budget gap. After making all of these changes and looking to the future with our plans we've been able to decrease that 8% to 3% and it reduces the budget gap by \$2.1 million in the General Fund. During my first year I was hoping for a zero, but I couldn't get it. I tried. I am going to ask Sharon to come up and speak to what we have already experienced as a result of health insurance reform and potential for future years.

Ms. Cunningham said I'm going to talk about four potential impacts to the City of Charlotte due to the Healthcare Reform Law. Two of them have actually already taken place and two are, as we discussed, one being the excise tax, I think that may have an impact on the City in the future. The first one I want to talk about is this Early Retiree Reinsurance Program. Essentially it was a program that was set up by the Federal Government, they set aside \$5 billion to reimburse organizations who offer pre-65 retiree medical coverage. What you can do is actually submit to be reimbursed for 80% of the cost between claims of \$15,000 and \$90,000. So any claim that the City incurred between that threshold is eligible to be reimbursed by the Federal Government. Because they do offer pre-65 coverage to retirees, submitted an application and it was approved and the plan actually went into effect July 1, 2010. We made our first request for reimbursement in early 2011 and the City actually received \$275,000 in reimbursement from the Federal Government due to this program. We are estimating that by the end of fiscal year 2011 the total reimbursement will be somewhere in the area of \$1.1 million. The \$275,000 has already been taken into consideration for fiscal year 2012 in terms of decreasing the potential increase so Cheryl showed you that we started out at 8% and have come down to 3%. Part of that is due to the \$275,000 that we've gotten back and the rest of the money that will come back will be used to offset future increases.

The next one is Benefit Mandates and Consumer Protection and basically what happened is that as of January 1<sup>st</sup>, the Federal Government, due to Healthcare Reform basically said that you have to eliminate all life time maximums as well as provide coverage for adult dependents up to the age of 26. That is adult dependent regardless of whether they are married, regardless of whether they are a dependent, they don't need to live in the house with the parents. They can be married and have children and they can actually be working and have coverage someplace else. Regardless of all of that you have to allow them to stay on the plan to age 26. As of January 1<sup>st</sup> the City's plan changed and the eligibility went from up to the age of 24 to up to the age of 26 regardless of student status. I think we added approximately somewhere in the range of 50 to 100 dependents because of that. We are estimating the potential impact to the Plan to be about \$283,000 during fiscal year 2011 and we also had to eliminate the lifetime maximum so the Plan had a \$5 million lifetime maximum, that has been eliminated and the potential impact is \$305,000 in fiscal year 2011. Another extra provision I'm going to talk about which covers at a very high level because these are future potential impacts, the first one comes into play in 2014, the next one in 2018 and because of the unknown nature of Healthcare Reform in general as well

as each of the provisions, because there is not guidance, we don't know exactly what they are going to look like. These estimates are based on what we know today. The first provision that would impact the City is in 2014 is called the Pay or Play Provision. Essentially employers will be required to offer a minimum level of essential coverage to employees who work full time, more than 30 hours per week, if they don't they will be required to pay a penalty into the government. Along with this Pay or Play option we are going to see probably increased enrollment in the Plan because at the same time the individual mandate is coming into play so people who are not covered by the Plan now may need to purchase coverage going forward. We are estimating that if the City continues to offer coverage and continues to offer it at the level they are offering at now, there is a potential of a hit of \$500,000 to the Plan in 2014. These other two options are the City continuing to offer insurance but offering it at the very minimum levels that the Federal Government is requiring and the other is to get out and not offer health insurance altogether and just pay the penalty. You will see that there are savings associated with each one of these, however they may not be feasible for the City so we won't pay a lot of attention to those.

We've already talked a little bit about the excise tax. This is something that comes into play in 2018 and essentially it is a 40% non-deductible tax on the coverage over specific thresholds, what they are calling sort of a Cadillac Plan. If we look at the City's plan now and project out to 2018 we are estimating that the City could be impacted by as much as \$133,000 in 2018 and up to \$1.7 million in 2020. That is if there are absolutely no changes to the Plan and if the management of the Plan stays exactly the same. Again these are based on kind of what we know about the Healthcare Reform Law today, much of this could change over the next several years.

Mr. Barnes said I would like for you to explain that Excise Tax provision again.

Ms. Cunningham said essentially it is a 40% non-deductible tax on any amount over an aggregate value. What they take into consideration is the cost of the medical plan so the total premium, not just the amount that the employee pays or the employer pays, but the total cost of the premium. Then any contributions to an HRA, HAS or EAP. All those dollars are essentially added up and if they are equal to more than \$10,200 for an individual or \$27,500 for a family, the amount above that is taxed at 40%. That tax would go to the employer and the employer determines, do we pass that tax on to the employees, do we absorb it ourselves, basically decide what to do with it. The only way to get below those thresholds is to change the benefits in your plan or essentially, as you are already doing, put it in these wellness programs to improve the overall health and bring the claim cost down.

Mr. Peacock said Ms. Brown, I have a question for you on your FY12 benefits under Action Consideration, (age 35) on the first one, isn't that relatively new, why are rebidding that?

Ms. Brown said the contract expired in the fall. That is the purpose for all of the rebidding. The Program Designed changed last year but we had been working with the same company with a more moderate level of wellness at that point.

Ms. Peacock said can you tell me about the last bullet, expand incentive-based chronic condition management programs to include asthma management? I thought I remembered from Tim last year that we were offering a lot of issues around cancer as well as diabetes.

Ms. Brown said the diabetes was the first disease that we put into the chronic condition management program because we do have such a high incidence of diabetes within our population and we also have a high incidence of asthma so that is the second condition that we are going to include, beginning in January.

Mr. Peacock said how is it going under the chronic condition management program for diabetes, how are we doing on that?

Ms. Brown said we are doing well – 160 participants in that program. The purpose of doing that is in the future to see a return on investment and a less incidence of that disease within the population and an increase in the overall health of our population.

Mr. Peacock said is this first year that employees had to go do the test of the weight and height and all the things that I had to do?

Ms. Brown said the health assessment, the biometrics and the coaching? Yes, that was put in place for January 1 of this year.

Mr. Peacock said how is that going and the general employee responses to it?

Ms. Brown said as of January 1 we had 5,096 employees enrolled and had successfully completed the biometrics and the health assessments and with the implementation of the coaching piece there is still 85.6% of our workforce that is participating in the program, so over 4,300 employees are still participating and receiving the reduced premium.

Mr. Peacock said are there any other incentives that are coming on the wellness front as far as actual cash awards for improvement of weight management and body mass index? I've heard of some innovative things that have been going because I interface with these type benefits in my day job. Have you all gotten anything that is on the horizon that you might be able to share with Council?

Ms. Brown said we don't for this year and the reason for that is because of the rebidding and the fact that we may be putting another provided in place so we wanted to get through that stage. Part of the discussions we've been having with our potential vendors are more innovative ways to increase participation and to incentivize employees to increase their overall health. Actually, at the meeting at the Business Journal last week there was some great ideas and our Wellness Administrator took those back and we are going to talk about those very soon and see what we might want to implement at the City.

Mr. Peacock said one of the things that wasn't commented on prior to this, she was from Towers Perrin, and comments that everybody has probably heard before but one of the chronic problems in this country right now, if we don't get our hands around obesity and get our hands around these types of wellness issues, it is the quickest way to be able to curb the costs of what is occurring here. One of the strategies that I've seen from one employer was quite innovative and I know the Mayor would be for this as well as some Council members, this company had a step counter that employees wore odometers that told me how many steps I took more than the Mayor today up and down the stairs. The point was they were incentivizing from a cash basis how they were helping their employees who were already identified as Type II diabetic, could manage it by diet and weight control. I know that Tim has spoken to me several times about a lot initiatives that Mayor Vinroot had put in 1994 and we are really reaping the benefits right now. The things that we do today are going to have a massive impact on cost control in the workforce and I know this year it was probably a big one when you got people to go over and do all those tests.

Ms. Brown said absolutely and that is really the ultimate purpose of all of the wellness initiatives that we put in place because we've got to look to the future on how we are going to continue to maintain our cost, lower our cost and improve our health.

Mr. Peacock said if you could provide us with some of those brainstorming ideas you are considering and if Council and our Committee should consider this, since it is the Budget Committee, I think that would be an important discussion to have.

Ms. Brown said we will be happy to.

Mayor Foxx said I want to second your comments about the prevention side of healthcare. It is such an underutilized strategy and although it has been joked about before I do see a lot of the employees taking advantage of those opportunities and I think it is a good thing for the City long-term.

Mr. Cannon said I want to challenge the Council to also be a part of that. I'm downstairs quite a bit and I see a few of us every now and then but getting rid of all that boot camp and all that stuff could do some of us some good.

**Draft General Capital Investment Plan**

Mr. Walton said the next top is the Draft CIP and as you know this is not a referendum year for us, but this is a minimal change capital budget.

**Randy Harrington, Budget & Evaluation** said it is my pleasure to provide you with some highlights of the FY2012 – 2016 Draft General Capital Investment Plan. (He used PowerPoint for his presentation to Council). As the Manager pointed out this presentation may seem a little bit different than some of the prior years, but there are very few changes in the draft CIP compared to what is currently in the CIP, so it is minor adjustments type of year. There are a couple areas I would like to highlight and those include, one just touching briefly upon the recent voter-approved bond referendum, talking briefly about the available debt capacity and then going into some changes in the CIP. They are very minor, but I want to make sure that you are aware of those, then talk about public art project allocations and then finally some anticipated CDBG cuts and the impact on the PAYG program. As you recall in FY2007 City Council adopted a property tax increase that included funding for three bond referendums in 2006, 2008 and 2010. These referendums funded a total of \$551 million work of public infrastructure investments including Transportation, Neighborhood Improvements and Affordable Housing Bond projects. Currently there is no funding for a 2012 or subsequent bond referendum.

Ms. Carter said what impact does that have on our AAA rating?

Mr. Walton said in the long run that is one of the key variables that they look at that we continue to address community needs.

Ms. Carter said can we predict any outcome of not having that funding?

Mr. Walton said if it continued it would not be good, but we really can't quantify what the tipping point is or when that would be.

Ms. Harrington said the next two slides (Page 42) provides some history on these recent bond referendums. The first one related to 2010 and you can see of the \$203.6 million referendum over 75% was dedicated toward Transportation so streets, thoroughfare improvements, farm to market roads, sidewalks and pedestrian improvements, etc. The next slide (Page 43) gives you a little bit longer view of the bond referendum going back to 1998 and the levels there and the breakout. Available Debt Capacity is \$6 million and that is currently un-programmed in the Draft General CIP. Now I will go to some of the changes in the Draft General CIP and the first one is not so much as a change as opposed to bringing you up to speed on a project that is not yet funded and is not yet recommended in the CIP, but it is a project that is high priority and one that staff is working on right now with regards to preliminary planning. That is related to the Joint Communication Center which would co-locate various communication functions under one roof. The goal would be to include not only City functions in this facility, but as well some opportunities to include other public safety county agencies. You can see the potential occupants, CMPD, Fire, CharMeck 311, the Emergency Operation Center, Mecklenburg County Sheriff's Department, MEDIC, CDOT Traffic Cameras and the City's Data Center. As you can imagine with a facility like this it is a complex facility for a number of reasons, but two key reasons, the challenging aspects of developing an organizational support structure and coordinating the various groups that could potentially be a part of such a facility as well as the technology that would go into operating this particular facility through the operations of the involved groups.

Mr. Walton said as a reminder, you approved buying the land for this earlier this year. It will be behind the Fire Administrative Headquarters at Dalton Avenue between Statesville Avenue and Graham Street. There will be kind of a Public Safety Campus over there on about 10 acres of land between these two facilities.

Councilmember Mitchell said is the location where the old Sealtest Building was and we demolished it?

Mr. Walton said we tried to save the building and it couldn't be saved because of the building code relative to earthquake. So that is the location for the Fire Administration Headquarters and

immediately behind that is the Parnell Johnson Factory and that is the site of the Joint Communication Center.

Mr. Harrington said the project is in the early planning stages and it does need a programming study to develop a more refined scope as well as cost estimates for the City. The last bullet point is actually incorrect, the programming study will not be on a future agenda because you have already approved it back in November when you approved the purchase of the land.

Mr. Howard said during the Budget Committee conversation when we talked about technology, one of the questions I had had to do with whether or not that \$8 million we talked about was going to be advances or just keep us current. Your response was that it was going to keep us current. How do you start to balance the extras with doing those before you move forward with this? You don't want to make investments that you can't necessarily incorporate into this in the future. Have you started thinking about going forward with those extras that you may need as far as communications are concerned, how do you balance that against just waiting and doing it in this building?

Mr. Hall said we have heard that conversation and Jeff Stovall has been very involved with the discussion associated with this building, even though it is pretty much about the 911 and 311 that has a significant technology impact. All of those technology issues are incorporated into that discussion. Those severe risk projects that were identified in the Mayor's Budget Task Force, the \$8.4 million, don't contradict or have a problem associated with this, but we do need to incorporate technology decisions that will be consistent with this. One of the things we are currently doing, to you point, is trying to see as things come forward, can this match up property with the Joint Communications Building. One example of that is when you did the joint 911 phone system. One of the reasons that was so critical was trying to get a common technology platform ultimately to go into this type of facility. We are very conscious of that particular point and trying to make the funding pieces to match up there too. That is an excellent point and we are looking at it.

Mr. Howard said that delicate balance is what I'm talking about so we don't put the cart before the horse unnecessarily.

Mr. Hall said Mr. Stovall is looking at that particular point on any particular purchase of technology that may need to have this framework.

Mr. Harrington said the project is in the early stages and staff has begun to examine some potential areas where funding could be applied to the Joint Communication Center. There are two areas that would be currently available including 911 fund balance allocation as well as an opportunity to reprogram in the CIP the allocation for land that was originally for the facility, but as you recall we were able to use some 911 surcharge fund balance to purchase the land and thus not needing the \$6 million that was originally allocated. Some potential funding sources could involve land converted to debt and there may be a couple opportunities related to some grant funding that may be available and then of course looking at a future General CIP. Given this particular project, I just want to get you up to speed at this point. Staff recommends that we continue to refine the project scope and budget next year in anticipation of future CIP.

Mr. Howard said I don't know if the City has ever done it before but I was thinking about the situation where we actually did an RFP for the developer to develop a building that we would lease back and eventually buy back from them in order to move this forward sooner rather than later. Has that ever been used before?

Mr. Walton said we have discussed it before but I'm not sure that we've actually done it. This could actually move pretty quickly, depending on that third line in the second slide, the 911 Grant Facility. This is something that the State is closely watching and it could be that we could be in a position to do it more quickly. It is a building that we want to own because it is going to be a very expensive building and control the design and implementation. We haven't ruled it out, but at this point I don't think it would be necessary.

Mr. Howard said that is what I'm thinking, how do you do the report quicker. Given what you told us about finding capacity, it is probably \$120 million building.

Mr. Walton said no, I would say \$35 million to \$40 million so we may not be that far away depending on the grant. There is a lot of grant potential between Homeland Security issues. Keep in mind this is also our Emergency Operations Center. I think we will be able to pull it together in the next year.

Mr. Harrington said the next two projects that I would like to highlight would involve reprogrammed projects savings. The first one is a Fire Investigations Building which again will be on the new Fire Headquarters Campus area and the project is really a continuation of efforts to consolidate fire functions together near the Dalton Avenue and Graham Street area. The \$1.9 million that is proposed for this facility is proposed to come from completed prior fire stations. The second project is Freedom Drive Widening. This particular project proposal is to add \$2 million to the construction of this project due to some new NCDOT asphalt debt requirements and some unexpected needs for additional concrete barriers, sewer replacements and drainage revisions that are associated with the project. The \$2 million there, staff would propose coming from prior completed bond savings from other road projects. In the Pay As You Go (PAYG) Capital Program, your PAYG Program being your cash funded side of the Capital Program, we propose a change to the Environmental Services program. This program addresses EPA mandates and a variety of maintenance, monitoring and remedial action associated with City properties or properties that the City may be in the process of acquiring. This program is currently funded at \$600,000 a year in the PAYG Program, but it is also supplemented with some environmental bonds, but at this point the environmental bonds are now depleted. The proposal would be to add \$600,000 from PAYG to the annual program to maintain essentially a \$1.2 million level type service in that particular program.

Mr. Dulin said when you say it is depleted and we put \$600,000 in and we are back up to \$1.2 million, so it is depleted down to \$600,000.

Mr. Harrington said in the PAYG Program there is \$600,000 that is annually provided and it is augmented by that additional environmental bond and since that is depleted we would just be upping that \$600,000 to \$1.2 million.

Mr. Walton said spending the same amount, just adding to replace half.

Mr. Dulin said doubling what we put in?

Mr. Walton said no it is the same amount. Instead of half from old bonds and half from PAYG cash, the old bonds are gone we are going to have to pay the same amount for the total project, but all of it from PAYG.

Mr. Turner said is there any federal money available? You said we had depleted the bonds but are there any federal monies out there in regards to water quality when we start talking about landfills?

Mr. Harrington said at this point I'm not aware of any opportunities.

**City Engineer, Jeb Blackwell** said there are some of these activities that we do and we've got some monies that we can use on pipes, etc. Some of those activities we are already using federal money, but there not any in particular with regards to landfills and water quality. Most of these activities are not federal money, but where there is we are certainly looking to take advantage of that.

Mr. Harrington said per your Council policy process requirement to communicate the Public Art Funding Allocations for City Projects, this slide (Page 46) depicts that with the eligible projects in the amounts associated with those projects as well as the pooled category groupings and the total of those sub-groupings. The last thing I would like to touch upon, and this is related to some of the conversations that the Manager alluded to earlier related to the Federal funding.

Mr. Turner said we had this discussion regarding the business corridors and in regards to the contractors that we have, you remember we talked about the pavers and their costs, were we able to capture any of that costs through contracts? You remember it was at pedestrian crossings where we thought that was real brick, but it was paint and they actually went out and stamped the  
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asphalt and covered it with paint. I thought at one time we thought that was supposed to be brick pavers and not asphalt.

Mr. Walton said I don't recall that and it is true they don't last well, but I think always knew what we were getting.

Mr. Turner said were we able to capture any cost there?

Mr. Walton said we will get a better answer for you but I don't think there was ever any understanding between us and the contractor that it was going to last for a long time.

Ms. Kinsey said I don't remember this from the past, but why do we have art allocated for an area plan?

Mr. Walton said it is the pooled amount for all area plans that are included in this year's budget. I think the bridge that is in your district, Morningside, was one of the larger projects that we've done.

Ms. Kinsey said that was in Transportation funds.

Mr. Walton said I'm not sure, but for how ever many area plans we are doing this year, that is the pooled amount that you go into.

Ms. Kinsey said why because they are just plans. They are not anything physical.

Mr. Walton said not from the cost of doing the plan, but the cost for implementing the plan.

Mr. Hall said you have bond money in your bond referendum to implement small area plans so those are the same types of things that might be signage, pedestrian improvements types of things, visual aid, some of those brick entry ways to certain neighborhoods and things like that that are intended to be for public consumption so it falls under the definition in the ordinance as public general ...

Ms. Kinsey said it is a small amount of money so that is not what worries me, I just can't remember doing this. Curt, is that how we got the Belmont entrance?

Mr. Walton said that was actually part of the Belmont Plan so that was funded separately. That is actually going to be on the next agenda.

Mr. Harrington said the last subject I would like to cover is the Potential CDBG cuts and the impact on PAYG Program. As the Manager mentioned a little bit earlier and also discussed at the March 23<sup>rd</sup> Budget Retreat, we have been anticipating some reductions from the Federal government as part of its funding for the CDBG Program. Staff has been preparing along the lines of an anticipated 20% cut in funding, but with the recent budget deal that was struck over the week-end in Congress and the pending vote that I believe is scheduled to occur tomorrow in Congress, we have some updated information related to this which will update some of the particular bullet points I have here and I will point those out to you. At this particular point, what we understand it is possible that there could be some other final tweaks to this before this is actually approved. Right now we understand the CDBG cut to be just over 16% and as well there is going to be a home cut of 12%. That is the latest information and that could adjust before tomorrow and we will see, but the Federal CDBG cuts and home will impact the PAYG Program as innovative housing funds are used to cover these reductions.

Ms. Carter said what percentage does that mean of our fund?

Mr. Walton said taking the two together it comes out to about 20%.

Mr. Harrington said yes, about 20%, just what we have been planning for.

Mr. Dulin said we got to that 20% because we had a number of 7 and a number of 60, something like that didn't we?

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Mr. Walton said 62.5. 20 was what Holland and Knight had recommended to us and it is going to turn out to be about right.

Mr. Harrington said staff has been working with Neighborhood Services on a revised allocation plan and I believe that is on Page 49 and 50 of your packet, but the preliminary impact would be a reduction to the Neighborhood Revitalization Fund which supports the housing rehabilitation program but the relationship with the Housing Partnership would remain unchanged as well as funding for After School Programs would remain unchanged under the revised allocation. The last point I think is mute, but just to let you know, staff was prepared had there been a greater cut than 20% to the program. These are some of the options that might have been available to us had that situation arose.

Mr. Walton said keep in mind the 20% was for the current year so we would still need contingencies for next year or whenever they adopt that budget. Next year's budget still isn't out of the woods. We would recommend having these contingencies either way.

Mr. Harrington said related to this topic Neighborhood and Business Services have been working on some changes as to how the City addresses relocation displacement resulting from code enforcement action. In light of this the City Manager refers the Emergency Temporary Housing Program to the Housing and Neighborhood Development Committee for some additional discussion. The purpose for that referral was to discuss the development of the Emergency Temporary Housing Program which is proposed to replace the current Housing Relocation Program. The last slide is just a recap of where we are in the budget process and the next steps going forward. On May 9<sup>th</sup> will be the City Manager's Recommended Budget Presentation followed by Budget Adjustments meeting and then the Public Hearing, Straw Votes and then on June 13<sup>th</sup> a scheduled Budget Adoption.

Mr. Dulin said the Manager's Recommended Budget Presentation is in the Chamber at 4:00 p.m.

### **Storm Water Budget**

Mr. Walton said the last thing is the Storm Water Budget and our recommendations for you.

**Jennifer Smith**, said I will go over a little bit of history of the Storm Water Program, talk about the types of work we do, give you some information on past Storm Water fee increases, a recap that was approved for FY11 and what we are doing there and share with you FY12 recommendations. In the 1970's and 80's the Environmental Protection Agency mandated that counties must reduce pollution from flowing into the streams. The City Council and the City decided that the best way to deal with this was to have its own funding source. The Storm Water Utility began in 1993 and as part of that Utility set up there was a stakeholders group that determined the guidelines, the procedures and the policies in place and decided to charge a fee based on the contribution of the problem, which was impervious surface. Due to decades of lack of maintenance on the storm drain system we had a huge backlog of problems when the Utility first started. We didn't have any money previously to handle those problems and now we have a funding source to fix the problem. In order to deal with that backlog of problems fee increases started in 1997 and were projected to continue throughout the life of the program. Rather than having 20% to 30% increases once every five or ten years we wanted to have a steady increase on the storm water fee to maintain the program. I see you looking at the pictures and the first picture in the top right corner is actually Sam Drenan Road and one of the storm events, probably a little over a year ago, that roadway system washed out, the culvert collapsed and that is what we were left with. The road was closed for several months until we could get a design on that culvert and re-fix that street. The below picture is an undersized culvert crossing in another street location down in the Highway 51/Park Road area where in minor storm events water comes over the roadway. It doesn't take out the road quite like the Sam Drenan Road culvert, but is an issue that we just recently fixed.

The type of work that we focus on, we have a flood control program that works with major and minor projects. These projects are generally neighborhood wide, many, many acres and could be up to 640 acres that we are looking at. We are looking at a comprehensive drainage system from the smallest 12-inch pipe at the top of the watershed all the way down to the FEMA floodplain. We can get culverts that are very large in size. What we focus on are the worst problems first.

We try to fix the houses that are flooding and streets that are flooding and that is our main concentration. Our maintenance and repairs program generally is one to maybe ten properties. System failures pipes that are separating, causing holes to come to the surface. That program really focuses also on the worst problems first. We have three categories of priorities, high priority projects which are street and house flooding, medium projects which are crawl base flooding, holes that have opened up in backyards or side yards because of system failures, and low priority projects which are erosion and channels that may not be affecting house flooding or damaging any houses, but may be taking away backyards. Our water quality enhancement projects includes our pond repairs and rehabilitation, wetlands, rain gardens as well as our stream restoration projects. These projects are done to improve our water quality throughout the City of Charlotte. Currently we have the majority of the creeks and streams through Charlotte Mecklenburg are on the States Impaired Waters list. It is very important that we continue to do these types of projects to improve our water quality. Another area that funding goes to, is collaboration with other strategic city programs. The neighborhood improvement projects, economic development, transit and transportation. The goal here is when we go into an area with some of those types of projects, if we also have a storm water issue, that we fix those together at the same time so we are only in an area once and we don't have to keep coming back and disturbing a neighborhood. In the flood control projects, the goal is to reduce flooding, whether it be housing flooding, living space flooding, and we know there is a lot of those still out there as well as street flooding. Our focus is on the worst problems first. We have completed since 1993 62 flood control projects and currently have 31 projects in progress. On the books today we have 50 major projects identified for future work and 26 minor projects identified for future work. That is today but tomorrow, if we have a big rain there may be more on the list. The FY11 Program Goals, City Council wanted us to start more projects to reduce that backlog last year so this fiscal year we are starting six of the major flood control projects and moving forward in FY12, FY13 and FY14 the plan is to start four major flood control projects. That is up from three projects that we were currently doing. That reduces our backlog of those 50 projects down from 19 years to complete them to thirteen years to complete them. Our minor program, the plan is to start two of these minor projects per year which also puts us on about a 13-year backlog.

Mr. Turner said you said Council wanted you to start six projects in FY11 but then you go back to four. What gives us the capacity today to do that and if we can do six why not stay at six or go to five. You only increase it by one after you leave you six.

Ms. Smith said these projects generally cost in the range of \$5 million to \$10 million. The majority of those costs are in construction and that construction costs doesn't hit for about five years so last year what was approved was a 7% increase and future years out that increase would drop by a half percent. If we raise that money more then we could do six each year, but that 7% last year, with ½ % increase each year thereafter, only gives us enough capacity dollar wise to do the six this year and drop to four next year. If you want us to do more we will need additional money.

Ms. Smith said our maintenance and repair program, again these are the smaller projects and generally affect one to ten properties. We are repairing the system generally with the same size pipe, however there is sometimes when we go in the size of the pipe. What we make sure we do is that we don't move that problem at the existing properties down to the next property. As we are doing our analysis if we see that is the case, those types of projects move to our minor list because it needs to be a more comprehensive study of the system. We don't want to move the problem from one property owner to the next one. As you can see we have completed over 15,000 requests for service since 1993.

Mr. Turner said one of the things I seem to hear more about is, are we doing a better job or have we come with a way to do a better job in regards to managing property that we don't have under our control at this point, but will eventually will adopt such as new developments? We have annexed many of these new developments into the City maintenance now and they did such a terrible job putting in the storm systems in those communities, we find ourselves now back in a new committee that we just adopted, redoing what they didn't do a good job on. How can we do a better job of managing those things and making sure they are building to our standards?

Ms. Smith said currently we have regulatory authority in that ETJ and that was only approved within the last five years. We are currently regulating those area outside the city limits to our

standards so the post construction controls ordinance requirements to protect those water quality and water quantity, those regulations are in effect in that area that eventually could be annexed into the city. The same way with detention requirements or other land development, and I guess that goes for the Tree Ordinance and the Urban Street Design Guidelines, all of those things would be in effect in the ETJ.

Mr. Turner said what I seem to experience or witness is the construction or engineering part of it becomes questionable after the fact. When that system fails, and we are not talking about old systems, we are talking about systems that are meeting our requirements, but the workmanship was poorly done. Was that because we didn't get out there and inspect these things or who is missing this. That is the question, and who is responsible for getting out there and checking these projects. I understand that five or six years ago we had a major part of developments that didn't get inspected and most of the houses didn't get inspected much less the storm and drainage system. How can we improve upon that and is there any way that we be better prepared as these things take place going forward. At the end of the day it costs the taxpayers or the City more when we have to go in and tear out something that is basically new but poorly constructed.

Mr. Walton said that is a good point and a lot of the subdivisions, ultimately it was the developer when it wasn't in the City and it wasn't in our ETJ. The developer would have done that and he may not have put in a system at all or may have done a poor job and they are long gone. When it is annexed it becomes our problem and if it is a big enough problem and serious enough, it could bump something off the list that was there before the annexation. Unless that is the case they don't automatically move up so there is nobody to hold accountable for those older ones. Naturally we have control over our jurisdiction and it is not happening anymore.

Ms. Smith said as of the end of March we had 416 high priority projects identified for future work and 180 medium priority projects identified for future work and over 8,000 low priority requests are on the books. We are currently focusing on the worse problems first so our goals for FY11 is to have high priority projects ready for construction within 6 months and medium priority projects ready for construction from the time the citizen calls in within one year. We are currently behind on both of these goals due to the rains in 2009 and 2010. A lot of people called and complained, we had a lot of system failures. Sam Drenan Road was one of them where the roadway had washed out. We were just not able to keep up with the number of requests that came in and we probably doubled what we were normally use to, so we are behind. We are trying to make up that with using some consultants. This past Monday night the Council approved some consultants for some maintenance and repair projects to help get our hands around that backlog and reduce it back to that six month and one year goal.

Ms. Kinsey said I called you recently about a project, low priority, but I don't see us ever getting to the low priority because like you said with the weather the higher priority or even the medium priority will continue to take the time and the money. How do we address these people who call and say I've got hole in the back? It is not critical but they know they pay their storm water fee so is there some change in some communication that we need to make with our citizens?

Ms. Smith said that is something we are currently focusing on because we have this high number of low priority requests and we have this huge backlog of really the severe problems, the house flooding, the street flooding. That is really where we need to focus our money. We are re-evaluating that low priority pot of requests. Is it something that we need to change what we classify? Perhaps it isn't really that bad of a problem and folks need to realize it is a channel in your back yard and you are going to have some erosion and you may have some yard flooding, but that is a natural system. Through that process of re-evaluating that we will come together with a plan of what we do with those existing requests that are on the list. It may be that we go out and visit some. Sometimes these channels have erosion, but there are trees all along that channel. Well, was it really good to take down all those trees to fix a little bit of erosion on a channel. That is not always the best use of time or money or what is good for the environment. It may be some education that we have to do and there may be some problems out there that really should be elevated to a B or an A and that is something we are going to be working through over the next several months.

Ms. Smith continued her presentation with the Water Quality Program on Page 66. The majority of the streams within the City of Charlotte are considered impaired. This means that they don't

meet current water quality standards. The EPA has set a limit on the amount of sediment that can be in a water body of the amount of fecal coliform that can be in a water body that is safe. We have exceeded many of those limits in a majority of our streams, whether it be for fecal or for sediment or for some other biological thing. The goal really is to do projects that improve that water quality so that we get those streams back down to reasonable levels of pollutants. We do that by a couple different ways. We have a stream restoration program that is mainly focused on the reduction of sediment.

Mr. Howard said are the standards the same for all waters, even in the urban areas?

Ms. Smith said yes.

Mr. Howard said is that realistic?

Ms. Smith said that is something we are talking to the EPA about. It is hard to say that somebody in the City shouldn't have as good a quality of water as someone in the country, but realistically with the amount of impervious surface and what is running off land in a city facility or city area, is it realistic to have these high standards. That is something that we are working through with many of our agencies that we deal with.

Mr. Howard said is there a multi-level rating system for that?

Ms. Smith said it is all the same. There are different rating levels. If you have fecal there is a different number that you have to meet for that. If you have sediment it is a different number for that, and the same way with some other biological stuff.

Mr. Howard said I know you all have done a lot of work over the years to try to deal with that. It seems like there would be some change and it is still here that most of it is impaired. It sounds like we are throwing money to nothing if it is not improving and that is hard to believe because I've seen some of the projects.

Mr. Walton said the standards keep going up and up.

Ms. Smith said that is what I was going to say. We are doing good work, but the bar keeps getting raised higher and higher.

Mr. Howard said I saw the project that you all are doing at Park and Rec at Park Road Park. It is amazing to take the whole lake out and redo it. Something should have changed in South Charlotte, but it didn't.

Ms. Smith said it changed right at the end of that pond, but once you combine all of the other development, but the concentration, you lose it.

Ms. Smith continued her presentation and said since 2000 we have prepared 8 miles of stream. We are currently working on 17 miles of stream restoration and just looking at the streams throughout Charlotte and what is impaired, where we have erosion complaints we believe there is over 700 miles of stream segment that still need to be repaired, or some type of stabilization because of erosion on those streams.

Mr. Howard said the County is doing their share of stream restoration as well. If you combine those two do you know how big a number we are really getting at?

Ms. Smith said I don't know, but I can find out for you. They repair the FEMA regulated floodplains and they have many projects just like we do that are restoring streams.

Ms. Smith continued with Water Quality Enhancement Projects and said these facilities are really intended as the water comes in that it cleans that water before it goes out and discharged to a stream. Park Road Park Pond is a prime example of what Mr. Howard just mentioned. We have just completed 24 projects to date and we have 16 projects currently in the process. In order to improve those impaired waters, we believe there are thousands of projects that are needed to really make a difference and change those stream segments from impaired back to normal. I

want to share with you a great thing we are doing as well and that is the mitigation revolving fund. This is a credit bank when we do stream restoration projects we get credit through the State and the core and we can put that credit in our bank. When another City project impacts a stream or a wetland, for example the Airport and the new runway had several impacts of streams and wetlands. Other transportation projects that are extending culverts impact the stream. That impact affects our water quality because they are taking out actually a live stream by either piping in or building over it. Our mitigation credit that we bank with our stream restoration actually mitigates for that impact and we can sell our credits to that City project to mitigate locally. If we didn't have this bank in place those dollars would be paid to the state and the state could then use that money anywhere in the state to build a project to mitigate for that impact. We can guarantee by having our bank that that impact is mitigated locally. It is a very good thing for us and we've sold about 3.5 miles of that 8 miles worth of credit.

Ms. Carter said as we look forward in transportation, airport projects, etc. are we looking at giving priority to the mitigation within the area? I've always argued that if you have mitigation it should be in the area where the problem is created.

Ms. Smith said we work with major watershed districts and do the impact within that same watershed district so to speak. It may not be in the exact watershed. It may not be in Briar Creek, but it is in that unit specific that drain. It may not be right next door to where the impact was, but it is certainly in that stream segment somewhere.

Ms. Carter said I would very much encourage you to get it down to a closer area.

Ms. Smith said I think the more projects we do that will be able to happen.

Ms. Smith continued her presentation and said the FY11 program goals for water quality was to start repair of one mile of stream restoration and to start three water quality enhancements projects each year. I want to share with you a little information about the storm water fee increases. As I mentioned before the fee increase was started in 1997 with a 10% fee increase. That lasted about 5 years to complete some of the high priority maintenance backlog in FY02 through FY06 it was a 7.5% increase and 2007 to 2009 it was a 7 increase, again to work on those requests for service and continue doing projects. In 2010 the fee increase was only about 5% due to the downturn in the economy. In FY11 it went back to that 7% fee increase and the fee model had in place, as I mentioned before, a ½% stair step down in order to reduce that flood control major projects down from 19 years to a 13-year backlog. The path forward was to continue with the increases stepping down ½%. To recap 2011 that was a 7% increase and that was programmed in to reduce the flood control backlog from 19 years to 13 years. Residents within the Charlotte City of Charlotte are charged a City fee, a County fee and an Admin fee. The Admin fee goes to the billing system, processing the bills, sending out the bills once a month. The County fee goes to maintenance, stream restoration projects within the FEMA regulated floodplain that goes to County Storm Water Services and the City fee goes towards the programs I talked about, the flood control maintenance, water quality and collaboration. Those single family residents that have less than 2,000 square feet of impervious are currently charged a City rate of \$4.50, those greater than 2,000 square feet of impervious are charged \$6.63 per month and the commercial and multifamily are charged \$110.50 per acre of impervious. The staff FY12 recommendation is to keep on course with what was programmed in last year, a 6.5% fee increase. This continues to get that backlog of major flood control projects from 19 years down to 13 years and continues the status with the maintenance and water quality program. The City fee for residents with less than 2,000 square feet of impervious would be \$4.79, those with greater than 2,000 square feet of impervious would be \$7.06 and the commercial/multifamily rate would be \$117.68 per acre of impervious. That is a \$ .29 increase per month for less than 2,000, for greater than 2,000 it is \$ .43 per month. The commercial increase is \$7.18 per month.

Ms. Kinsey said I know the County specific projects goes to the clean water fund and they get grants and they have done a lot with the Little Sugar Creek. Do we do any of that?

Ms. Smith said we do have some clean water management trust fund grants for some of our projects. We also got some stimulus funds for three of our projects and that has all been factored into the budget. The Clean Water Management Trust Funding is proposed to go down even more with the State's budget so there will be less dollars available for that.

Mr. Turner said I have a question with regards to the sidewalk and the curb and gutter repair. We budget \$550,000 going forward to FY16. My concern is that due to the cost of petroleum and oil today, we changed our policy to replace those things when we have cuts and repairs with asphalt. I would be interested in what the comparison would be using concrete versus asphalt. Are we spending more money by using asphalt as opposed to concrete? We look at that \$550,000 per year which is not a lot of money and we appear to be doing a lot of sidewalk repairs lately and I know we've had our share of cuts where Utility goes out and do work in the streets. If you could get back to us on that I would be interested in finding out what is the savings, if any, if we went back to concrete versus asphalt.

Mayor Foxx said thank you, this is the first time in a while that we've had 100% attendance at our Budget Retreat. Good job everybody.

The meeting was adjourned at 5:39 p.m.

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Ashleigh Martin, Deputy City Clerk

Length of Meeting: 2 Hours, 30 Minutes  
Minutes Completed: April 19, 2011