

The City Council of the City of Charlotte, North Carolina convened for a Budget Workshop on Wednesday, March 16, 2016 at 1:37 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Jennifer Roberts presiding. Councilmembers present were John Autry, Julie Eiselt, Claire Fallon, Patsy Kinsey, Vi Lyles, LaWana Mayfield, Greg Phipps and Kenny Smith.

ABSENT UNTIL NOTED: Councilmembers Al Austin, Ed Driggs, and James Mitchell

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ITEM NO. 1: INTRODUCTION-BUDGET COMMITTEE REPORT

Councilmember Phipps said I just want to welcome everybody. This is our second Budget Workshop of the session. As usual, we have a pretty full agenda today, and I just wanted to offer my thanks to everyone who got their surveys in on the Council priorities. We almost had unanimous consent, but I think there was a couple of them maybe that got lost in the mail that did not quite get to us, but we got a good coverage there. One of the things that I look forward to also as part of this Budget Workshop is we are going to get an update from staff on a series of meetings that we have been having about some solid waste collection processes that we have been under taking. We had a couple of meetings since the last time that we met, and we will get a chance to go over those today just to highlight what has been going on and next steps and such time as that particular item comes before the Budget Committee and works its way through subsequent workshops, but with that said, given the agenda and the time that we have, I would just like to turn it over to the staff so we can proceed.

Strategy and Budget Director Kim Eagle said you have materials there in your book in front of you and as we work through the agenda, we will spend our time first on the council priorities. I have a brief presentation to give you an update on the general fund status and an update on the revenues since we were together in January at the retreat, then an update on expenditures. So, I will start through that and then we will transition into the priorities document.

Just by way of brief overview, in the materials that you have in front of you, we have the general fund update, revenues, and expenditures. I want to qualify that piece of the conversation. We are in the process of making the sausage, if you have heard that term, but we wanted to give you a sense of where we are in that process. So, many of the numbers that you will see in that first segment of the discussion will very likely change, but we wanted to give you a sense of the magnitude and what we are looking at. The second piece of the discussion is your Council priorities. We provided additional information concerning funding requests to help support those priorities. So, we will spend some time there as the second piece.

So, in terms of the general fund revenue projection, the largest portion of this information is the same. It remains unchanged from what you heard in January at our retreat. We have no additional information from the tax assessor as to property tax. We believe that that number is going to stay very consistent based on what we are hearing at present. Sales tax number is built in at a growth rate of 3.5%. We are tracking that monthly, staying very close to that, but we feel very good about that estimate. The utility franchise tax, as I mentioned to you earlier, that is one where we do not have a lot of data because it is new based on the change that the state made this past year. It is looking

strong, and we are staying close to monitoring that as well. That is an area we may be able to see a little more growth as we get closer to the end of the process.

The last three items listed there, we have seen an uptick since we were with you in January, the licenses, and fees, and the intergovernmental in particular. We are seeing an uptick in about \$2.2 million. So, that is headed in the right direction. This is just the graphic view of where we stand with revenues. The additional \$2.2 million since January is factored in to this, so you can see that it takes us to a revenue estimate for next year of \$626.1 million.

Councilmember Lyles said which is overall \$626.1 compared to what?

Ms. Eagle said I will show you. That is coming. I will get there. Thank you, I do want to put that in context of the progression, thank you Ms. Lyles. So, just very briefly on expenditures and where we stand based on the activity in the actions that you had to take last year, I wanted to give this by way of reminder; we made some significant reductions in the operating budget for the general fund, to the total of \$6.7 million. That is what we are living with in our current year budget. We had to do that to manage to the situation we had last year. Just as a reminder, that included the elimination of just over one hundred vacant positions. Some key examples listed here for you of reductions that we made: mowing street rights of way, closing Charneck 311 for holidays and weekends, doing some adjusting there, and some other reductions. So, that is just a reminder of the new context from last year. This is just a picture of how that was spread across the various departments just for reference; this is in your current year budget book, but just as a reminder of how that was spread.

Councilmember Phipps said in addition to the reducing contract for mowing in street rights of way, didn't we make adjustments also on litter pickup on non-city maintained roads?

Ms. Eagle said on state streets; that is correct. Yes, we did.

Ms. Eagle said Ms. Lyles I have now the slide up that addresses your question. So, the current year number for our revenues is \$600.5, and we estimated at the retreat the \$623.9 million, and I have shown you the growth over the base there, but to answer your question specifically Ms. Lyles, the updated estimate with the \$2.2 million takes us to \$626.1.

Councilmember Fallon said on the elimination of administrative positions in the City Manager's Office, weren't two people appointed yesterday? Does that take that into consideration?

Ms. Eagle said my understanding is the ones that we appointed yesterday are within the allocation amount, so that does take that into account. Any additional questions on the revenue picture? So, a small modest uptick since we talked about this last.

Councilmember Eiselt said can you explain the 4.8% reduction in innovation technology?

Ms. Eagle said we have made some reductions and tightened up in some areas in that particular division of the Manager's Office were we could streamline some work, look at some project management. I can get you the detail list. I do not have the specifics fresh on my mind, but it was items that were more discretionary in nature.

Councilmember Driggs arrived at 1:43 p.m.

City Manager Ron Carlee said Kim, if you could go back to the reduction slide. I think this is important context setting for the discussion we are about to have. Over the course of this year's budget deliberation, you have heard a lot from Police and Fire about their inability to keep up with the growth in the city because we have not increased resources as our city has grown, both in terms of population, as well as just the amount of commercial and other activity to which they need to respond. The reality is, that is true for every single department. No department has kept up. So, as our city continued to grow during the recession, our budgets were constrained by our revenues. Last year as we began to come out of the recession, we got hit with both the revaluation as well as the laws of our business privilege license tax. Now remember, the business privilege license tax itself is a \$20 million item. Then the revalue was another \$10 to \$15 million, so we are starting a base this year where there should have been \$35 million more in there.

Councilmember Mitchell arrived at 1:47 p.m.

Mr. Carlee said it is because of those constraints we have not been able to keep up, but to the contrary, last year we actually cut \$6.7 million out of our various departments, and you look at the magnitude of the increases that we have been discussing in Police and Fire, notwithstanding last year we took \$210,000 out of Fire and we took \$204,000 out of Police, and as the Budget Director is about to show you, there is a lot of pressure and demand on all of the departments right now. What we are trying to do as we are scrubbing those numbers is try to figure out what is most basic and most core, and how do we try to keep up when we are still in a period of growth?

Ms. Fallon said you can see it in the mowing thing. The streets are filthy because we are not picking up garbage off of the islands and on the streets, and we are hearing about it from the public. It is not the clean city that we had before.

Mr. Carlee said well that is exactly right because the streets that are most visible are the state streets. So, the City of Charlotte, a number of years ago, made the decision that we could not afford for our city to look trashy because the state does not do its work. So, the city began doing some of the state work. Well, last year after the state took away \$20 million from us, this was one of the areas that the city said can we continue to do the state work? Yet, not doing the state work reflects how on the state, and how does it reflect ultimately on us as a city? Therein lies the kind of paradox that local governments are facing in having their needs being impacted and not meeting them, yet not having the flexibility to access the resources fully necessary to affect them. As you go through the really hard deliberation in the coming weeks, we will be providing you a list of your programs, so you can think about what would you not do in order to do some of the things you want to do, but on the revenue side, the only thing that you really have left at this point is property tax.

Mayor Roberts said I think that it would also be interesting to know whether the state does any of that for other cities, like, are state roads maintained differently? It is the same everywhere.

Mr. Carlee said I do not think that there is real disparity in not doing things for us that they would do for Raleigh, Durham, or Greensboro.

Ms. Lyles said I do not think that we can say that Ron. I do not know. I think that when we took this over, it was maybe that they did not do it, but their revenues are growing faster than ours are. Now they have huge issues just like we do, but I think it is worth an examination, as the Mayor said, to go to them and ask what to do for the interstates and through streets where you have high tourism

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areas? Where are those funds being spent that they have and are more discretionary or fee based from the states. So, I understand our city looks different, but I am not so sure that I am willing to take on that without some more analysis and examination.

Mr. Carlee said well, we will certainly look and see if they are doing something for others or not doing something for us. I doubt that will be the case, but we can test that. I think that the bigger question that you are raising is, where is the state allocating its resources, and why aren't they fulfilling key responsibilities that they have?

Ms. Lyles said that is one of the big questions. I know that all of their big dollars have to go towards education, Medicare, and Medicaid, but I think just like we have examined every nook and cranny, I think that it is worth asking them can you look at that and see if there is some help for us.

Mr. Carlee said I can do that.

Councilmember Austin arrived at 1:52 p.m.

Ms. Fallon said taking into consideration the fact it took us forever to have them do the lights on the highway. It took over a year to get them to put those lights on and to take care of them, which was their responsibility to begin with.

Mayor Roberts said the \$2.2 million growth, what is that composed of?

Ms. Eagle said that is increase revenue estimates for those two categories for licenses and intergovernmental, where we are seeing increased revenues anticipated.

Councilmember Driggs said I just wanted to put these numbers into a bit of context. We are expecting a \$16 million surplus in the current year that ends June 30, 2016. We were expecting a \$4.3 million surplus for the coming year in the context of which we are going to make our budgeting decisions. What these numbers tell us is that we will have \$2.2 million more in revenue than we thought when we were looking at that \$4.3 million, but we will also have \$6 million more in expenses than we thought. So, our starting position for this budget discussion is now, not a surplus of \$4.3 million, but a surplus of a half of a million. We are basically back now to break even. It also means that the trend line on revenue and expenses has converged to the point where we are going from an expected surplus this year of \$16 million to break even the following year just in the base case. The concern I have about this is we have an ongoing trend. We have to look past 2017 and get ourselves more sustainable trajectory with revenue expenses, because right now, based on the forecast we are seeing, we will have a continuing problem of widening deficits in the years after 2017.

Ms. Eagle said so this next slide takes us to the expenditures detail as Mr. Driggs referenced, the current year base that we are starting from is the \$600 million number. We shared with you an estimate at the retreat, which is the \$619.6 million, and I have listed there in italics the items we had baked into that, based on what we knew at that point in time. So, that does include an allocation for a pay plan to be determined by Council's conversations. It does include the conversion for the hourly pay plan for the hourly staff. It includes a 7% increase in health insurance and the Human Resources staff are currently still vetting that number. There is a moderate increase for retirement contribution rate increasing, an increase for police separation allowance. We see that trending up

then a place holder, if you will for general operating expenses at \$1.5 million, so that was included in the \$619 million number you saw earlier. Since that time, we have confirmed additional costs that we know we must address. \$6 million is the total for those; contract escalations are a large portion of that. Retirement contribution rate is going up even more than we had anticipated. We received that word just after the retreat and utility cost is another example of some costs that we bear, that we do not have a chose about. So that is what comprises the increase, which takes you to that total number. Budget staff is still in the process of scrubbing this, but I wanted you to know where we stand today based on what we believe the must do's are.

Councilmember Mitchell said Kim, on the contract escalation, can you provide us in detail a list of those projects and the costs associated?

Ms. Eagle said absolutely, we can provide that in the follow up Mr. Mitchell.

Mr. Carlee said and those are operating contracts that have escalators built into them, where some of them are rebid, it is not overruns. It is like contracts for custodial services or various operational things we contract out, and yes, we can provide you a list of those and how they change.

Ms. Eagle said this just does the math and shows the difference that Mr. Driggs referenced, when you take that new revenue number and then the revised expenditure number, based on where we are today, because that evaluation is ongoing, that takes you to the half million dollar place. So, there are additional needs that the manager highlighted that we are also in the process of working through, based on that pent up demand and the needs that we are seeing in the various departments. So, right now, staff is in the middle of reviewing overtime and temporary salaries, other contractual services, some project management costs, building and automotive maintenance and technology. These are the large categories where we are going deep into the departmental budgets to review what the needs might or might not be, so we can bring back more concrete, definitive information to you all and to the manager for the recommendation. So, I wanted to make you aware that we are continuing that process. There are lots of needs that were put on the table and raised by our departments. There are some that are non-general fund request that are also working their way through that process and then your service level changes that tie directly to your priorities, that we will step into in a moment. Then we have included just the unknowns because we know that we do not know what will happen relative to the state sales tax distribution and other things that might come to us that were not necessarily sure of what they look like. So, this is the larger component of the sausage making process, where we are continually evaluating what the needs are.

Mr. Phipps said I already know the answer to this question, but I am going to throw it out there anyway. With respect to the business privilege license tax, has there been any discussions of finding or replacement with that? Should we just forget about it now? I know promises were made.

Mr. Driggs said I do not hear any conversation going on in Raleigh that suggests that they are trying to address that. In fact, if anything the sales tax redistribution points in the other direction, so no.

Ms. Eagle said I mentioned that there were some requests that were evaluating that were non-general fund adjustments. These are items that have a different revenue source, for example the first table lists some needs that were identified that would be funded from the capital program, and you can see the numbers there; I won't read that to you. The second section of the slide there is user fee

related, where there are needs that have been identified, associated with user fees that would be funded by those fees. So, there are still being evaluated. I just wanted to give you some insight.

Mr. Driggs said that is not assuming any change in our policy on user fees is it? Does this have to do with the prediction of what the existing fee policy would generate?

Ms. Eagle said yes, that is correct.

Mr. Carlee said if I may be more specific on it. It is to respond to growth and demand, and so with services funded by fees as the demand for services increases, the fees increase, then we need to add resources to respond to that development demand; likewise, when it drops off we need to be scaling back on staffing as well.

Mr. Driggs said but it is not a percentage fee or cost recovery issue; it is just the initial operation of the way we bill for fees.

Mr. Carlee said that is what this is based on with regard to any fee adjustments. My expectations based on work that staff is doing in the development community right now is that the changes will be on the margins this year and not anything that is of significance. So, this is driven strictly by demand and the ability to respond to it.

Ms. Lyles said I just want to make sure that we are having a common definition. What is our policy? During the budget last year we made a decision, and if you would just restate it for me that would be helpful.

Mr. Carlee said it is 100% fee recovery with certain exceptions that have an underlying rationale around affordability or relative benefits in providing the service, and so there is actually a table that shows them and very clearly identifies what the exceptions are that you approved last year and the bases for those exceptions.

Ms. Lyles said I remember it was because we were going up in a great percentage. It was like the fee was going to go up 500%, but I thought that it was phased in to continue towards the 100%. So, I thought we had a plan that would continue us towards the 100%. Am I making this up?

Ms. Fallon said do you remember the exceptions?

Ms. Lyles said no, I just wanted to know what we approved.

Mr. Carlee said that is what you approved, but even within that there were a couple of exceptions that did not necessarily get you to 100%, and so we are running all of those back through for you, and those that are not 100% we are assessing that your policy would have them go to 100%. We are assessing how much further they could go, and then those that had some other basis for exception, testing those to bring them back to you.

Ms. Lyles said okay I think that it is good that we bring them back and what our rationale will be.

Mr. Carlee said our goal is to bring those back to you in the April Workshop before I actually put together the recommended budget.

Mr. Driggs said we have had a conversation in Economic Development about it, and it is an unresolved issue still what the circumstances are under which you charge less than 100%, and I think we got to the point of realizing that if you want to be competitive with other cities and some of your fees are out of line, that might be a reason as a policy that you decide to not go to 100%. The public interest component of some of the services that the users pay for, so I think that conversation is not over yet.

Mr. Carlee said that is correct, and staff is actually following up on your action last year is having increased discussions in the development community.

Ms. Lyles said I am with you, as Councilmember Driggs said, we haven't decided what that is, and that is what is coming up before the budget is presented. So, we have a timeline. Is it an economic development and budget?

Mr. Mitchell said I know that it is an Economic Development. Is it in budget?

Mr. Carlee said typically if it was budget related it would come back through budget some point.

Ms. Fallon said were dumpsters in that for some reason last year?

Mr. Carlee said that was a separate discussion around solid waste, and you will be getting updated presentation on that today.

Ms. Fallon said that was one when we did not recover the whole amount of money if I recall.

Mr. Carlee said that is correct.

Mayor Roberts said we will look forward to that additional information.

Ms. Eagle said Mayor, we can include in the follow up materials today what was approved last year on user fees to have that reference if you would like that.

Mayor Roberts said that would be helpful.

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ITEM NO. 2: COUNCIL PRIORITIES DISCUSSION

Strategy and Budget Director Kim Eagle said this takes us to the priorities conversation to continue that work that you started at the retreat, and just by way of reminder, this is to take us to that strategic conversation to check the alignment with staff and to really guide your budget policy conversations and deliberations, and I want to give you an update on what has happened with this document, just to bring everyone up to speed. We did do further updating of the matrix. We added some baseline information and the funding request information. So, that is the most recent addition and the budget committee has spent some time reviewing that, and we have also included the information from the executive staff survey in your materials. We have added action steps and outputs and intended outcomes. We wanted to have a frame of reference for you all as to when you consider funding choices, what you get for that investment. Then you all, as was mentioned, had completed your survey. So, that is the work that has been accomplished to date. So, speaking of the

survey, I have a high level summary of the results here. There were no big surprises, so I was pleased that it gave us confirmation in a couple of different senses. So, you can see that the two lines there are tracking fairly close together with one exception. The blue line is your responses to the community impact question for all of the priorities. So, let me orient you a bit to this graph. Across the bottom are the six priority areas. The blue line is the average Council responses and the red line is your department directors. So, you can see that the community safety priority, as we would expect, was the highest ranked, both for staff and you all. You can see that the largest gap exist on priority three which is the economic opportunity to increase upward mobility. Then thinking about how that is traditionally been trained for city government, we view that in a very narrow sense from the stand point of economic development, land development, your CBI program, but it has not been traditionally defined in terms of upward mobility, and that is the difference with your priority, so I am not surprised that we see that gap between where you are and where staff is. Then you can see that the second highest priority consistently is the infrastructure priority, so community safety and infrastructure, first and second, and you are tracking well together. In my role, it was important to understand if there were any significant disparities or differences when we take your policy direction and we move to implementation. So, from my vantage point, this was helpful in that regard as well. Are there questions or comments on this?

Mayor Roberts said it might be a little bit of a reality check; aspirational goals of Council and a little realization of constraints by our staff.

City Manager Ron Carlee said the other element of it as well, even though you ask senior staff to take off the departmental hats and look at it from the macro perspective, there still is a perspective that you cannot completely get away from; whereas, for council you have to look across everything all of the time. I think it is noteworthy, even giving that difference in view point that the priorities rank the same way, both with your executive staff and your elected officials.

Ms. Eagle said on page four of your materials you have the updated matrix, all of the detail there. I wanted to share with you a rolled up version to hit some of the key points before we step into more of the conversation. This depicts the summary view. Every funding request that maps to one of your priorities in the operating budget is on this slide. We have given you the total requested amount, the one-time expenses, and then what is ongoing. You can also see the number of positions attached to that. So, as you work your way through those conversations on your priorities and choices, this is the high level summary. Our plan is to bring back very detailed information, particularly on the public safety items on the next workshop, but this gives you a sense of all of the requests that we are evaluating that map to your priorities.

Councilmember Mitchell said Kim, would it be possible to, maybe instead of priority you could, put the Council Committee so we know which ones are ED, which are Public Safety; would it be possible?

Ms. Eagle said to do a crosswalk to the committee?

Mr. Mitchell said where you have priority area could you actually list the committee?

Ms. Eagle said we can absolutely do that.

Councilmember Driggs said you have done the cross walk to the focus areas that would point to which committee it is.

Ms. Eagle said that is true; that is already in the materials, but we can list it on the abbreviated version as well.

Mr. Carlee said to put a little context around this slide as well, these are what in the bureaucratic jargon we refer to as service level changes. These are requests that go beyond the current base that would enhance services in these different areas. To put some order of magnitude around it, you can see the actual dollar figures, the total request of \$15 million, and the ongoing of five. The \$15 million is roughly a 2.5% of your FY16 base. The \$11.7 million is roughly 2% above your FY16 base, just to give you an order of magnitude of enhancements that are under consideration in your priority areas.

Mayor Roberts said and the top three are the highest priority?

Mr. Carlee said these are not rank ordered, at this point. These just follow the priorities in the way that they are currently numbered, and this table, as well as what has preceded it, do not reflect recommendations at this point, but a sharing of information.

Mayor Roberts said that would also be helpful; I am not sure when you say they all match priorities. Is it because every single one of these is above a three, so I do not know where you view the line if it is not a priority, is that less than four?

Mr. Carlee said everything in your priorities, the full sheet, every single departmental request for an enhancement in one of these areas, has been compiled here. It is not prioritized and not completely vetted at this point.

Councilmember Phipps said I know we are still in preliminary discussion of this, but I know one of the item 3C's this past Monday night's meeting, we deferred I guess the Disparity Study, resources discussion to a later date, and I had some questions about that, but I noticed that it is on here now. I understand that there may be some requirements that we have to go through, some hoops that we have to jump through to be able to substantiate our operation under the Business INClusion Plan, but I am hopeful that we will get that scheduled to be able to discuss that particular item.

Ms. Eagle said to my understanding that is coming back to you on a Business Meeting on April 4, 2016. It was pulled off of your last Dinner Meeting due to time constraints.

Councilmember Smith said for the sworn and civilian position, it looks like there is a phased option. Is that phasing based on our capabilities to on-board, or is it based on budgetary constraints, or is it based on we think that the need is phased?

Ms. Eagle said it is a combination, but I would like to ask Chief Putney

Chief of Police Kerr Putney said primarily A and B that is about the max that we can agree on at any given time. So, that is why we wanted to give Council an opportunity to look at it.

Mr. Smith said will we be making a commitment in this budget cycle to the total number of police officers in a two-phased approach, or are we going to make it a phased approach this year and then next year?

Mr. Carlee said if you were to make that commitment, the commitment would be on a policy basis not on budgetary bases because you wouldn't bind yourself for the future budget.

Councilmember Mayfield said going back to the previous slide Ms. Eagle, just for clarification, we have one position for the Business Corridor Revitalization Resources and potentially five for code enforcement. So, for the one, is that a request for a new hire, or is that from promoting within? We have unfortunately lost some code enforcement staff that would have qualified. We have staff that would qualify for the role, so is that creating a new position, or are we taking into consideration promotion?

Ms. Eagle said it would create a brand new position, but then the promotion opportunity would still be there because it would be a position that would be posted or advertised and then we would go through a process. The department would, to feel that position, but it does add to the total number of positions in Neighborhood and Business Services.

Ms. Mayfield said if it is a promotion it would not necessarily be the amount requested, opposed to a new higher with benefits and everything else.

Ms. Eagle said you are correct; if we went down the path of just changing a role of an existing staff person and not adding another new position on top of the current count.

Mr. Carlee said if it adds a position and someone is promoted into it, it would still be this much money because you then would be back filling the position that became vacant in the promotion. So, this is a net new position proposed in, not recommended at this point, but what departmental staff have come forward with.

Mr. Driggs said I just wanted to note the \$6.7 million embarks on a total of \$15.6 million in annual operating expenses that we would need to fund in the following year and in fact represents less than half of that, I assume it would be less than half because we would be ramping up in the course of the year and therefore, not incurring the full cost, so we would see the full cost of the 2017 increases in 2018 and the full cost of the 2018 increases... The point is that we are taking a first step towards what would be a \$17.5 million total commitment, and I assume that that is not partial right? If we head in this direction, we should intend to stay the course and that we are therefore effectively committing for those future increases as well.

Mr. Carlee said I want to test what you actually said at the beginning in terms of full year cost vs partial year costs.

Mr. Driggs said I am just saying at \$5.7 million in ongoing expenses for half of the people and it is not half of the money, and I assumed that is because they are not there from the beginning of the year.

Ms. Eagle said let me clarify; the \$15.7 was developed if you were to bring on all 125 officers on July 1st at one time, which we know is not practical. So, already, that number is a big out dated, but

if you add the phased officers over FY17, FY18, then you do have a larger number in FY19 with full implementation.

Mr. Driggs said that is what I am saying. It comes on line, and you see the full affect actually not until the year after as it were when all of those people are in place for a whole year, right?

Mr. Carlee said let me confirm one point on the \$5.7 million in ongoing expenses is full year cost, for the initial positions.

Ms. Eagle said that is correct.

Mr. Driggs said right, but it is the entire cost for FY17, but it is not the full year cost of those people.

Mr. Carlee said it is.

Mr. Driggs said otherwise I do not see how half of the people are being hired as the next slide shows and we are encoring only a little over one-third of the expense.

Councilmember Lyles said over each quarter, I don't know how long a recruit class is, but I am wonder if this is about phasing, so I am not sure it is the total cost. I cannot figure out from your answer.

Mr. Carlee said I think that we understand what the question is. Let us go back and display that in a different way that shows you on a year to year basis what the cost would be, and we will actually track it over a three year period.

Mr. Driggs said the amounts occurred?

Mr. Carlee said correct.

Mr. Driggs said the question was whether we by taking this action this year are in effect, committing ourselves or do we have all options wide open? Is this the beginning of a program we need to be able to see through, or is it something that we can do for this fiscal year and then make up our mind next year what comes after it?

Mr. Carlee said and those are options that we will frame for you to decide that would be your choice.

Mayor Roberts said any personnel added will be personnel next year, unless you want to shrink that back.

Mr. Driggs said no, they will stay; I accept that, but that is what I wanted to know what the full year amount is for those personnel and then I want to know whether we would end up with half of a loaf if we didn't also hire the other personnel and therefore, we should be planning for that.

Ms. Lyles said I am struggling with this because you remember last year we came in and talked about what was going to be added and new. It wasn't in a context form. So, I just want to say there are multiple frames that we have to look through for this. It can't just be what our strategic efforts are; it may be what do we need to do to maintain what we currently have? It may mean what do we

look at that we currently do that we shouldn't be doing anymore? Sometimes when we come into these sessions, it is like, let's focus on this. I really would like for us to be able to look at a frame work that is more than just looking at what is new. The general fund budget this year is what, almost \$600 million, and so when you talk about this, I wonder if we actually had to do a choice of saying well, within each area that we have what is a high priority versus what is lower, just because a lot of these things are driven by growth, but is everything driven by growth? Is everything necessary? I think that this goes to Ed's comment. We are not on a trajectory that we are going to be able to sustain ourselves if we do any of this this year. We are just digging ourselves into a whole for next year because what we are committing to is basically a general fund, funded by property tax dollars. So, if we are going to do this kind of effort, we need to look at it two or three years out to see what the property tax rate would be. So, the question is, while we have lost a fourth of a penny, maybe a half of a penny and we are still growing. Our growth lag in revenues is a much longer term than our expense. So, at some point, people sitting around this dais in seven or eight years are going to be like yay, this is great because we are going to have all of the impact from this property tax growth in about seven or eight years, but we cannot do that to our community right now.

So I don't know what other frame work, let's go to the disparity study. It is a mandated program component of a program that we believe in for the community. We have done it forever; it is something that the federal government gave to us and said you cannot do this without it. How many programs do we have that are mandated? We need more than just the strategic Council priorities. We need a little bit more projection longer term of where we can afford things, what can we do, and we need to have a little more of a context that this \$15 million out of \$600 million is important, but the \$600 million is really important, and I am not getting there yet, so I do not know when we get there, but I am just worried.

Mr. Driggs said I remind you of February 24th, 2016 budget overview of pages one and two. You see the projected deficits, and we are looking at base case at a deficit of \$15 million dollars in 2020, just carrying through what is going on now. So, I agree with you the appoint is we need to get that back in line so revenue and expenses track and take into account these other [inaudible.]

Ms. Lyles said I would not get back in line. I am actually asking where we can get under the line. I am not asking to get back on line, I am asking where do we get under the line, and how does that work for us as we are growing? I am just saying, it cannot just be the strategic policy objectives without the mandated requests and without the other things that we think can change. I know there are ideas around that but let's just be frank about this. We cannot afford to tax our community for the growth that we are having to incur right now, even in our policing area, even in our connectivity area. All of the things that are making us attractive now, we cannot afford to continue to do for the people that live here without some adjustments. So, I am looking at below the line.

Councilmember Fallon said I think what we have to do is look at it in a pithy way, like if you were doing your own budget at home. You know you are not going to get any more money. You know you need to replace the screens and the windows, but you cannot afford it so you do not do it. So, what do we have in this budget that can be put off for next year or the year after that is not going to impact the public that much, without raising taxes, because that is what we are going to have to start looking at. We need police on the street. We do not have a choice, because some civilian is going to get caught in the middle and get killed, and they are going to come to us and say, why did I lose my son, my child, my husband, my wife. It is going to end up in our laps. We need police on the streets,

so now what are our priorities? What can we put off for a year or two that is not going to impact the public to that extent?

Councilmember Autry said I appreciate your comment Ms. Fallon. My concern is that whenever you do not paint the house when the house is supposed to be painted, what kind of underlying damage can occur that can make the cost of fixing it down the road that much more? Are we going to be prepared to deal with that when the time comes? So, I would like for us to be interested in looking at what kind of investments we can make that will produce more revenue down the road.

Mayor Roberts said I think what we are saying is that we need to know what our choices are and what the consequences are, and that is what we are asking for more information, to look at that, because there are tradeoffs. These are all great comments.

Mr. Smith said I have a question for Ms. Lyles. I do not want to put words in your mouth. What I thought that I heard, and what I think that I am thinking is that the list we got last year from department heads, cherry picked is a strong word but may not be as comprehensive as we need because the decisions we are making today are going out ten years, and there may be some outdated services other areas of improvement to kind of help us on the expenditure side.

Ms. Lyles said yes, this is not a delay it is a restructuring of how you do. So, to Mr. Autry's analogy, maybe we need a smaller house so that we can prepare for the subdivision that is coming. It is exactly that, it is about what can we do to restructure ourselves that we can sustain ourselves or at least know that we have done it well enough that when we go to the public, it is not this year it is this, and this year it is that. I think the manager understands; we've had these conversations.

Mr. Smith said it is a general complaint I heard from some of my constituents last year was the \$6.7 million. While it is a large, raw total, it is a percent of budget. There may have been some other areas that we could have trimmed a little further, but we made the decision based on a narrow band of information, and there may be some more comprehensive information that will allow us to dig in deeper and figure out where we need to be for the next ten years because I think that everyone at the table recognizes that the decisions that we make this year really are pushing us out and setting us on a course.

Ms. Lyles said I am just going to use multi-family pickup. We are getting emails and emails, the staff is working through that, but that is the context of this one issue in this box. If we have to look at this and say where are we on our police and fire, and where are we on our collection of garbage, or where are we on some of these other issues? They all need to be on the table because otherwise we would do it without context and that is what I guess I am looking for. I do not want us to look at multi-family and just say we have a service level decision to make because of the emails. It is the only reason why we approach some of these changes, is that we have greater needs in areas that impact the well-being of this community long term. Now, some people in this room will argue that that is a long term and that is the same thing. I am not arguing that point, but I am saying we can ask the staff for those things, but we as a council have to have the willingness to debate the merits of saving \$6 million and spending \$18 million or spending \$2 million or whatever it is. We need to have the debate.

Councilmember Eiselt said just to add to that though, I think that we need to do it in a way that makes sense to the community, because they do not hear all of these high level discussions, and
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when they expect a certain level of service, instead of saying, well we are not going to provide the service because we cannot afford it, we charge for the service.

Ms. Lyles said we are doing it so you can afford this that you have also asked for.

Ms. Eiselt said it depends on the service.

Ms. Lyles said well, that is what I am saying, have the debate but let staff bring it forward.

Mr. Driggs said I just wanted to say for one, think about how much more information we have at this point than we had last year. We were listening to this enumeration of activities. This is a great basis for exactly the conversation that we are having, which is the conversation that we need to have. What concerns me still though is the way this is being presented by staff is here are the things that we must do, you figure it out, and we are going to come down to tough choices about compensation, safety, and taxes. Those are probably the three flash points, and I would just admit to staff, we need more help with this. You can't just come to us and say guys we are \$20 million short, you figure it out. So, I do not know how that works, but in essence some of what we are saying here is that we have to dead outlook where, if you look into the future on our debt projections, our ability to service the debt we already committed to incur is questionable six to eight years from now. Our ability to keep up with the expense trajectories that are projected is in question. We need to fix that. We need to get back to a point where on a year to year basis we do not have to worry about where we find more revenue in order to make the budget work.

Ms. Eagle said Ms. Lyles mentioned what are we going to stop doing, then what do we do to keep the lights on those other frames for considering the new needs. We were planning to bring to the budget committee on Monday that list of programs that we are currently doing, to kind of start down that path and have that conversation.

Mayor Roberts said there are things that are mandated that you absolutely have to do, and there are other things that are choices.

Mr. Carlee said we are not asking you to just figure it out. We will ultimately recommend to you a balance sustainable budget. What we are trying to do, by giving you as much information as we are now, is to get some policy feedback from you to help us develop those recommendations and with those recommendations, you will also get alternatives so that if you have other perspectives then you will be able to substitute our recommendations for the consensus of where the Council may lie.

Ms. Eagle said this is the summary of general capital requests over a five year period that map to your stated priorities in the priorities matrix. We will be reworking the overall needs list and will have the detailed capital conversation at your next Workshop in April, but we wanted to share with you the funding request, as a part of the CIP conversation, that tie directly to the priority list. So, we will work through these with staff and with the manager leading to your April 6, 2016 conversation.

Councilmember Mayfield said it would be helpful for me to know, looking at 6E, the increased tree planning, with all of the construction that is going on, a number of trees are being removed. It would be good to see a balance of what are we looking at with how many trees we are trying to plant versus the number of trees that are 20-40 years old, that are completely mature, we are demolishing for growth, in comparison to how many we are looking at continuing to plant since we

know it is going to take 15 plus years for those trees to mature to make sure that we are really trying to maintain that goal that we have of being Tree Charlotte and that we are actually keeping up with our air quality.

Ms. Eagle said we will take that back and follow up with our engineering staff and get you some additional detail.

Mr. Driggs said I just wanted to clarify about this slide. Colleagues you may remember that we had a schedule of capital needs that was 290, 220, different amounts, and we had identified potential funding sources, debt capacity, and others in the 70 I guess it was range. So, what this represents is additions to the list of needs. There will be some deletions as well, but it is safe to assume that the total on that list will go up. This is outside of our \$800 million CIP, it is kind of a separate agenda away from operating and away from existing CIP of needs that we have recognized in the capital area which represents a multiple of at least our current capacity of funding those needs. So, once again as I have said before, it would be great if we had more of a time table on those. We did do a good job of identifying what was addressed in 2015, but that is another sort of unanswered question if you will as to what exactly our intentions are to meet those needs in the context of the sources available. Also, I wanted to highlight the \$30 million in there for the Gateway Station that is key. We need to have that money available in order to qualify for the matching grant for the Gateway Station. It does invite the question of as to how the entire project would proceed to completion. We are going to have 3P type of things and so on. I don't personally like jumping blindly into something and committing that amount of funds without having some idea of how we actually think it is going to play out. The total is close to \$200 million for that.

Ms. Eagle said that wraps up this portion of the agenda. We will take your feedback, and as I mentioned, we will start down that path of the current services with the budget committee and then have more to share with you leading to your April 6, 2016 workshop, all feeding into the Manager's recommendation. Then we are also going to continue working with our focus area cabinets. You have in your material a crosswalk. There was some concern around how the priorities connect to, align with, the existing focus area plans. So, we completed a cross walk. It is in your materials, so you can see how they converge and how they are complementary. If you have any questions about the crosswalk please let us know, but that is included as well.

Mr. Autry said as this discussion continues, when it comes time for us to start raising our hand in May and June, I am always reminded by our distinguished representatives from six and seven at what donor districts they represent. I would like to represent a donor district also. So, part of our discussion needs to be how do we help lift up these lagging parts of our city so that they can be better contributors to the tax base than what they are today.

Ms. Eiselt said we have to look at it in a different way too. We have to look at some of those items and say where are we going to get the most bang for our buck? Whatever those areas that the initiatives that we have working with P3 partnerships, that are creating jobs and bringing corporations in. Have we invested what we need to be able to get out and do that? Are we marketing our city? I think we need to look at those items too and just say which ones have the highest ROI potential at least.

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ITEM NO. 3: COMPENSATION AND BENEFITS UPDATE

Human Resources Director Cheryl Brown said every year when we come to you, really we just want to give a brief overview and background of the city's pay and benefit practices and what we offer then give you a brief status report to the extent that we know where we are at this point on what we are going to be recommending for the FY17. Our Human Resources philosophy is something that we review with you each year for our new Councilmembers. You can see the details of that philosophy in the appendix of the presentation. It was a philosophy that was adopted in 1993 and updated in 1995. In the philosophy, you will see that we talk about how we make effort every year in aggressive cost management strategy for benefits. Our employees are expected to share fairly in the cost of their benefits. We do offer a moderate level of benefits and pay. With our benefits we try to go middle of the road with other public sector employees in our area and private sector employers, and with pay, just to remind you, we target the 50th percentile, the median of those salaries paid for jobs within our various recruitment areas. That can be local, for laborer and trade types of positions. It can be regional for planner and engineer types, or it could be national. We often have national searches for example, our CATS CEO we hired back in the fall. Then we are constantly finding ways to support our wellness programs in the attempts to reduce future costs, particularly in the area of benefits in the health care costs both for the employee and the city organization. This is a slide that budget prepares for us, thank you very much, every year. This gives you an idea of the extent of the costs of the pay and benefits for the organization. It is practically half of the operating budget. You can see both of those numbers there.

Forty-eight percent of your operating budget is spent in the pay and benefits arena. This slide breaks that 48% down for you into more detail; you can see that 70.2% of that is the salary budget, and then included in that 48%, that \$595 million is the amount that the city contributed to the 401K for all of our employees, 3% for a regular employee, 5% for law enforcement as mandated by state law. The retirement contribution from the organization is mandated by the state retirement system. That number is going to go up slightly for FY17. Then you have your group insurance, FICA, retiree insurance pay, temp salaries, and over time.

On the pay side, we currently have two pay plans. We have our public safety pay plan, and that includes positions of the Police Officers, Sergeants, Fire Fighters, I and II Engineers, and Captains, essentially, the non-exempt staff within our Public Safety Departments. This pay plan is a step pay plan structure, a traditional, step type plan, and employees receive increases on their merit dates. We also in this pay plan allow for market adjustments to the steps each year as funding allows. The way that works, for example, if you have a merit budget of 3%, then the market adjustment to the steps of the Public Safety Pay plan is half of that merit budget. So, those adjustments would be 1.5%. Then in this pay plan we also have additional incentives for two and four year degree holders, 5% incentive for a 2-year degree, 10% incentive for a 4-year degree that is to base pay. We also have foreign language incentives, incentives to those police officers who serve for field training officers for our recruits, and on the fire side, we provide incentives for HAZMAT, Dive, and Search and Rescue. Those are very complex; anything firefighting related to me is complex, but those three areas, your urban search and rescue, your dive, and your HAZMAT require an additional area of training and some other additional certifications and such, and we do recognize that with incentive pay for those employees.

Mayor Roberts said can you give us a percentage for those other areas as well?

Ms. Brown said this is 5%.

Ms. Brown said then we have our broad banding pay plan and this is a very open type of pay plan. We have market rates that are established for all of the jobs, job classifications in the pay plan, and we establish those market rates and update those market rates annually based on salary data that we get from private sector employees close by, from nationwide salary surveys, from other surveys that are put together by consultants in the business, your Mercers, your Matson-Wyatt, your big firms out there. We use that to set those market rates. Again, I mentioned to you that we spoke about the philosophy, these are based on the median of actual wages paid in the recruitment area for the comparable work, and again that 50th percentile is where we target. That is going to be comparable to a mid-point in a traditional pay plan range. In our broad banding pay plan, the emphasis on pay is based on two factors: that is performance, employee's performance on the job, and their position relative to the market rate. Are they at 80% of the market rate? Are they at 100% of the market rate? Are they at 110% of the market rate? Those two components go into the decision making process for determining additional pay increases and the types of pay increases for those employees and those jobs, and then again employees receive their merit increase, if funding available, on their annual merit date.

DeLane Honeycutt, Human Resources said the majority of our employees now are in the broad banding pay plan; they are not in the Public Safety Pay Plan. We would like to take a segment of those employees and put them in the traditional range plan, non-exempt hourly pay plan. We started this research and analysis in 2013, and we could not put it in FY16 because the budget situation on this current year. So, we are proposing it for this year. The Council heard concerns from employees and they have discussed it during previous years, then the city practice of minimum pay has always been like 85% of market to 90% of market, but we last year had approved to take it to \$27,000 as the minimum pay for anyone to make, which is 60% of the area median income. This year we are going to propose, after the conversion of this pay plan, for it to go to \$28,260, which is the new 60% of area income. The pay plan stated out with field services employees, such as sanitation and utilities and street maintenance, and then we expanded the study to all non-exempt pay classes that are not in the public safety pay plan. We have had a lot of feedback from employees concerning pay as well that prompted this study, and department directors have expressed challenges with broad banding pay plan for these employees.

Councilmember Driggs said this just looks at pay, right? If we look at area median income, do we have an apple with apples comparison that includes all of the benefits and other things that employees get?

Ms. Honeycutt said I am sorry, I was learning how to learn the mouse.

Mr. Driggs said do we have a comparison that includes benefits. We are saying 60% of area median income here, but I think I remember that by the time you are done with all of the health benefits and other things the city pays, the actual income of salary and benefits is \$40,000 or more for just about everybody. So, do we have that comparison with the area or are we just looking at people salaries versus the salaries of city employees?

Ms. Brown said we do look at salaries and benefits separately and in the appendix, or it may be in the presentation, you do have a total comp example that adds in our benefits. We cannot compare

our pay with other cities benefits like that unless you do evaluation studies, which are really expensive because benefits are so different in every organization, and they would have to put a dollar amount. So, you cannot buy survey data that has that type of information to compare, so we have to do them separately.

Mr. Driggs said so we do not have a way of knowing whether we are targeting a total level of pay and benefits that is actually 80% or more of what people in the area make outside of public sector?

Ms. Honeycutt said I think the way we attack that is that we do address the median of the pay level, the 50th percentile of the pay level, and DeLane talked about the benefit evaluations. We do every three or four years we pay for a very comprehensive benefits evaluation to compare our benefit offerings to see if we are still within the middle of our road. We target middle of the road with both, so I think that really is the closest we are getting to what you are asking.

Mayor Roberts said and you are saving us money by only doing it every three or four years with the benefits part because there are so many moving pieces to that?

Ms. Honeycutt said yes ma'am; that is correct.

Mr. Driggs said I am thinking also the fact that a lot of employers are cutting benefits, so I think that the comparison between private sector and the public sector is being affected by that, and again I am not hostile to the idea of trying to maintain minimum standards, but I just think from our methodology, there are a lot of people in the private sector that do not have a \$15,000 benefits package, and when they see these comparisons, they might feel disadvantaged.

Ms. Honeycutt said on the feedback from employees concerning pay, we did bring a group of employees together, and brought this information to them, and what we were going to propose to them, and the feel back that we got was that it feels like they have been heard by both Council and staff. It will help keep people, and not just be a training ground for other employers and that they are encouraged and feel like it is a good plan.

Councilmember Autry said that pretty much sums it up. If we are trying to cheap our way out of what we pay city employees, how does that encourage the private sector to be a better contributor to the folks at the bottom of the pay scale, and providing that benefits package is certainly a way for us to hopefully retain more people, and exactly as she said, to not be a training ground for some other employer somewhere else.

Mr. Driggs said it is a methodology point. I just want to make sure that we are comparing apples with apples. We have a very generous benefit package, and a lot of people out there in the rest of the world don't. I just want to make sure we have the right reference.

Mr. Mitchell said you could make the other argument though. Our city employees do not get a base salary as the same as those in the private sector.

Mr. Driggs said I don't see those numbers. I just want to see those numbers, it may well be true.

Mayor Roberts said just asking for information.

Ms. Honeycutt said this slide compares the focus group survey findings and then our solutions. So the first is employees never make it to market rate. Market rate is 100% of market. This will gravitate them towards 100% of market because we will be changing the ranges and giving them a market adjustment each year, so they can stay whole to their percent of market and then we will give them a merit so they can move through the range. Employees do not understand broad banding, we talk about 50th percentile, 100% of market, and you are hired at 85 to 95%. This is going to be a very easy to understand structure. We asked what they would like in a pay plan. The employees said cost of living, performance pay, and skill pay. We will continue to recognize skill the way that we do now through promotions, reclassifications, certifications, and trainings. Pay in equity is the major push for this besides the minimum pay for lower paid employees. There are so many pays in equity across the city within departments and then divisions inside of departments and here employees will be treated consistently across the organizations. There will be a set pay scale, and where they are in that will be based on their years in the job in the city and their performance. Right now there is no clear cut pass for promotions, and we hope to have that with this new plan. It will be clearer to them.

Mayor Roberts said I had a question on the challenges identified. Pay in equities, do we know how current equities break down, is there a pattern, is there any concern? I am glad that we are trying to do more consistency?

Ms. Honeycutt said no, there is not a pattern it is the hiring supervisors on different yards and street maintenance. So, there is not a specific pattern.

Mayor Roberts said so we need to standardize.

Mr. Carlee said it is both across departments and we have found even within departments. So, some departments as a rule will start people at 85% of market, others will start at 90%, others will start at 95%. Then the way people will progress is equally inconsistent. So, we do have concern relative to equal pay for equal work. This begins to bring an underlying rationale to what our entry-level paraprofessional technical [inaudible].

Mayor Roberts said I am very glad to see that. Do we ever look at the gender gap?

Mr. Carlee said we are looking at that now. We have done that in-house as oppose to paying six figures plus, for an analysis. DeLane has been doing that work. It has aged here a little bit within the last three months. The work is very complicated. She took a first cut at it at a very macro level and did not find any disparities that jumped out. She began to then zero in more specifically to get apples to apples comparisons based on numbers of years and relative to market and the last data she was finding some inconsistencies there, but not clear patterns based on gender. So, DeLane, you expect to be working on that for?

Ms. Honeycutt said the last couple months to do a more in depth dive.

Mr. Carlee said and she is getting some assistance internally relative to the statistical analysis around it, but I would say we are not seeing anything that is clearly a disparities or anomaly, different from the kind of disparities we are seeing here that are based more upon where people work and the practices within individual units than across the organization systemically.

Ms. Honeycutt said that is correct. It goes both ways. You can find males making more than females and females making more than males in the same job.

Mayor Roberts said I am very glad to see that we are making conscious effort to be consistence, because that is another way to help morale obviously, but that is great, and I am glad to see that.

Ms. Honeycutt said so this compares broad banding. There are 580 market rates in the city, but there are 200 that are represented by these non-exempt jobs and it will change from these 200 market rates to 20 ranges. The difference between market rates could vary by one dollar. Here it will be a standard five percent between midpoints. The market rate, as we have said, is the 50th percentile, or the median, which the vast majority of the employers use that bench mark, and here that will be equal to mid-point. 85% is the hiring guideline now. It is just a guideline, not a rule in the city. As Mr. Carlee said, a lot of people hire at 90%. So, 90% is going to be the minimum hiring rate and that is going to help bring that lower paying employee up. Hiring rates vary greatly, and now they will have to hire at this 90%. They could hire up to 105% without further approval. Now they will have to hire to 90% and they can go up to midpoint to 100%, but only with HR approval, and instead of a hiring supervisor or an operation's supervisor making that determination, the director of the department, or if they have a high level designee, will bring those four to HR. There are no standard scale adjustment increases right now for broad banding, although in the past Council has approved bringing people up to 85% of market as the market rates changed, or maybe 87 and a half, depending on what funding we have that year. Here the scale will adjust by a half of the broad banding. So, if broad banding merit is three percent, these employees will receive a 1.5 percent scale adjustment. The scales will adjust and they will go with it. Then we have a merit matrix as Cheryl mentioned, based on performance and where you are to market, and if the broad banding is three, there will be 1.5 on average. Promotion increases, again vary greatly over the city and now it will be that for a one range jump it will be five percent, for a two range jump, it will be 10%. If it is greater than two ranges, it will be 10% or at least to the minimum of the new range. Again, exceptions will have to go through the same process as hiring. So, here are 20 scales with a min, and a midpoint, and a max. The number of employees here is not the FTE's that we have provided to the budget committee in a Q&A from the 29th meeting. These are the number of actual employees, and then I put an example of the job classification most represented from that scale, but again, there are 200 different job classes going into this. So, Laborer would be range one, and they can go up to Utilities Tech range three, that would be a two range jump, and they would get a ten percent increase for that promotion. So, the way that these career paths could be created is that people will know what range they are in, and what they have to do to go from say a Laborer in range one to a Range eight Sanitation Equipment Operator. They have to get their CDL license for instance.

Councilmember Smith said say you are a Laborer, is the max the maximum amount that you can be hired at, or is that what you are capped at in that band? So, you may get hired at 27 and you will cap out at 35 regardless of merit increases or market adjustments; that is the top amount that the group will get?

Ms. Honeycutt said in this year, it is. Now, if they are at the top of scale, and they have good performance, they will get a lump sum increase instead of a base pay increase, and that is what happens in broad banning today. Then next year, the range will go up 1.5% so that \$35,000 will be increased each year.

Mr. Driggs said part of this is about minimum wage, but a lot of these people are making \$63,000 and \$69,000. Are we talking about a different approach to all exempt employees, all hourly employees regardless of income, and then the ones in the lowest categories benefit from the changes we are proposing by hiring levels or bringing them up to, is that right? So, only a portion of these people are affected by the changes related to minimum income. Do we know what that portion is?

Mr. Carlee said well it would be only range one.

Mr. Driggs said so there is a lot more to this than just addressing the lowest.

Mr. Carlee said you actually addressed the lowest last year. So, what this is addressing is the actual career growth and consistency for our non-exempt employees. This takes it to the next level.

Mr. Driggs said right and affects everyone who is in that concept status.

Mr. Carlee said that is right.

Ms. Honeycutt said we started it out with just the really lowest, the field that we felt should be expanded to all non-exempt employees, and as you can see the majority of those employees are in the ranges below \$50,000, below range 12 they get fewer and fewer employees, but we do have a few like Fire Inspector Senior that is an hourly job by FLSA, Fair Labor Standards Act, even though it is high paid.

Mr. Carlee said this is a really important slide, and let me just take a moment to thank DeLane. She has worked very hard on this for well over a year with a lot of research, a lot of analysis, and a lot of meetings. This is the recommendation that HR has come back with. I think that this is a really conservative recommendation because when you look at 100% of market, remember 100% of market under our policies, is median. That means half of the employers with people in this job category are paying more, and half are paying less. So, we have taken a very conservative position, and as I think both Cheryl and DeLane said, that is not unusual in a government environment, although I have worked for one that would set their target at the 75th percentile based on conditions in that market, and some may base theirs at the 80th or 90th percentile because they want to be highly competitive with their employees, but Charlotte is such a large employer, we are in the position to actually help drive the market some, and the 50th percentile, I do agree is a reasonable and appropriate policy for Charlotte, but to get to the 50th percentile, you have to be here 10 years. So, this is not an aggressive pay plan, but it does provide some certainty, and something that is understandable for our work force. So, I did not mean to preempt you on this one. Every time I look at this one it is just really striking to me of how long it takes someone to get to the 50th percentile.

Ms. Honeycutt said this is the transition to go into the new pay plan in this first year, anyone with less than 5% would be brought to 90% of market. No one would get a decrease. So, if they are already at 92% of market, they would stay there. So, this will smooth out some inequities, the majority of them, but there may be a few that will exist through attrition and through years of using this pay plan, they will be smoothed out completely, but less than five years you go to 90% on up to greater than ten, you go to 100% of market. This is based on what the employees said they felt was important is years in their job class.

Mr. Driggs said what is TTL?

Mayor Roberts said total.

Mr. Driggs said oh, total percent of employees.

Ms. Honeycutt said the distribution of the increase is 30% of employees will get no pay increase for transition, but then we will give a 1.5% market adjustment, so they will at least get a 1.5% market adjustment. Then we will bring the lowest paid to the \$28,260 minimum. 30% up to a 5% raise, and 30% up to a 10% raise, and then it slows down.

Mr. Phipps said have you done any analysis on the employee retention rates for different job classifications? It takes about 10 years to get to the median, 50% threshold for some employees is about 10 years. Have we done any analysis to see the average of how long people might stay in a position before they depart from the city?

Ms. Honeycutt said yes, we can get those to you. We do that every year, and some of the turnover numbers are in the appendix here, but by length of service, we can get that to you as well. We do find that there is more turn over in the first five years, until they are vested in 401K and retirement, then it slows down.

So, for this example, we have a Laborer with two years' experience and a Laborer with 11 years of experience, and this is a true life example, they are both averaging the same amount of minimum pay, \$27,405 because it was changed to \$27,000, and they got a 1.5% merit increase this year.

Councilmember Mayfield said are these numbers also looking at potential upcoming retirements? Since we have a number of staff that have been with us 20 to 30 years that are at max or beyond what the potential will be with looking at retirement regarding any cost savings, since at the same time we are trying to bring our lowest salary employees up to an amount where they can actually live within our city. We also have some staff that have been here for a very long time that are looking at retirement, are those numbers also included in this as far as any potential cost savings?

Mr. Carlee said we will go back and look at that analysis, but I do not think it will necessarily be significant, because if you look at this example, the difference between what person is making from two years to eleven years is in this case, zero. They are making exactly the same thing. People's wages just haven't kept up so we have people near retirement who haven't seen much in terms of increases, especially giving the constraints that the city has had to operate until during the recession in this last year. So, we will look, but I believe all of our savings are factored in, both in terms of what we would get in terms of retirements and rehiring of entry, as well as what we have to pay out in terms of separation allowances on top of those.

Ms. Honeycutt said to start with the Laborer with two years, they would start with \$27,405, which is their current pay. Then they would get a transition increase to \$27,569, it is a little more than half of a percent. Then they would get the market adjustment of 1.5% and this employee would still be below the new proposed minimum of \$28,260. On the other hand, the Laborer with 11 years' experience, starting at \$27,405, get a bigger transition increase because they are taken to 100% of market to \$30,632, and then they get the market adjustment. Same example with Sanitation Equipment Operator, two years, they are going to get a 9.5% increase to \$38,792 and then the market adjustment. One with 11 years is going to get taken to \$43,000 because that is the median pay for a Sanitation worker; then they will get the market adjustment.

Mayor Roberts said so are they saying that someone with two years' experience is being paid the same as someone with 11 years' experience?

Ms. Honeycutt said yes, I just picked Sanitation Laborer Operator and Sanitation Equipment Operator, and it turned out that way and I wanted to show someone at the 90% and someone at the 100% and it was the average of those.

Mr. Carlee said you understand why we are doing this now?

Mayor Roberts said yes.

Ms. Mayfield said I thought that we identified this back in 2013 when we first started this conversation.

Mr. Carlee said we wanted to do it last fiscal year and because of the budget we just could not bring it forward, and frankly we needed to do a little more work on it, but we think that we have the methodology down now, and as you look at the data, it is pretty compelling.

Ms. Honeycutt said so they net transition cost in the general fund is half a million and in off funds it is \$1.2 million. Then the non-exempt pay plan would be funded at half of the broad banding merit of what the merit would be then the market adjustment at half of the broad banding merit. So, it shouldn't be an additional cost in following years because it is just half of what the broad banding is broken up. The only change is the additional increase to base that happens this year carried forward.

Mr. Driggs said so it is a half of a million more compared to what exactly?

Ms. Honeycutt said if they got a three percent merit budget.

Mr. Driggs said so that does bake into three percent, but it is only half a million dollars after that, so that is good news.

Ms. Honeycutt said this is a budget prepared slide that shows each year the cost of broad banding and the non-exempt, hourly people are broken out here for one percent to four percent merit, and then in the Public Safety Pay Plan, for half of a percent to a two percent adjustment to steps and then to receive the steps which was from 2.5% to 5% steps. This shows the market movement in the nation. The national statistics from WorldatWork and Hewett at Mercer, those are major consulting firms that have thousands of employers in this data. They are private sector, non-profit, and government in those numbers. National municipalities, and the Charlotte area municipalities, the majority do not know what they are going to propose or not so that is limited data, and the Charlotte employers is about like the top 10 private sectors that we ask what they pay and they Employees Association does more, like 50-100 employers, and they are coming in at 3.1%. So, we are showing 3.0% as the bench mark, because that is the majority of the data, and as you can see on cumulative of City of Charlotte, based on increases we have had in the past five years, it is behind the others. So, pay actions under consideration in general, is growth in total compensation from employees, which will be pay and benefits, of course cannot exceed revenue growth, and we are requesting a 3% merit pool for all departments, Public Safety Pay Plan would then be the 1.5% market adjustment to steps, plus their steps, if they are not at top of scale. Then non-exempt hourly pay plan, the transition of those hourly employees and increasing the minimum pay to \$28,260.

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Mr. Driggs said what is the total increase in pay in a result of these things? Across the board, all of the pay plans, what is the year on year increase?

Councilmember Lyles said general fund only, or all?

Mr. Driggs said general fund I guess, but this is not limited to general fund, right?

Ms. Eagle said it is not but the general fund number you are asking is \$7.5 million.

Mr. Driggs said that is the general fund number?

Ms. Eagle said yes. That is all pay plans, Public Safety, Broad banding and the conversion for the hourly. That is everything in the general fund.

Ms. Lyles said does that include the roll up with benefits?

Ms. Eagle said no, it does not.

Mr. Carlee said we will bring that back to you. I made some notes myself on that analysis.

Ms. Brown said moving on to benefits, in just a quick review of our benefit plan offerings, and we do have our health plan which includes our medical coverage, our flexible spending accounts, prescription drugs, dental, and a voluntary vision plan. Then from a financial security perspective, we are members of the North Carolina Local Government Employee's Retirement System. We have the cities' 401K contribution, and we offer the variety of a life insurance and AD&D's, and disability insurances, and then we also over the years because of changes in the market have begun to offer more voluntary products for employees to fill in those gaps where our level of coverage may have decreased over the years from what they were previously. So, you have a voluntary accident, critical illness, and a variety of whole life and disability type plans. Those are fully paid by the employee.

Our retirement system, I believe I mentioned earlier, the city's current level of contribution is 6.67%. We have received notice from the Retirement System that that amount is going to go up to 7.25%, so budget has costed that for us in the budgetary impact in the general fund will be \$.3 million and then for Law Enforcement, again administered through the North Carolina Retirement System, current contribution is at 7.15% and that will be increasing to 8% with a \$.9 million dollar impact to us.

There is a lot of modeling work and constant refinement of numbers that goes into the benefit administration that we do. I put these numbers up here so you could really just see. Our updated FY16 forecast through the end of January is almost \$98 million. So, we have to pay for that somehow. Our FY17 forecast is increase to \$108 million, and the way that we have to pay for that, what you see here is a lot of pieces that go into our consultant forecasting those numbers for us. Her assumptions are here. From the \$98 million, where we are currently, to the FY17, she has assumed no program changes. That means we haven't taken into consideration any changes to our benefit plans at this point. So, that is part of the work that is going on, that is part of the modeling that is going on right now. Then she has estimated based on national industry trends our basic plan at 6% plus at 12% Pharmacy at 15%. Instead of going through those, you can see the types of considerations that we would have to look at every year when we are trying to modifying those

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plans and trying to hit that magic number, whatever that number ends up being. You can see here, we already have three pieces of good news. Our dental program, we have a bulldog for a consultant, 0 increases on the dental, so that is always good news. That has been confirmed. Basic Life, AD&D renewal is flat as well as our Short Term Disability Administrative fees. So, we are going in the right direction. Zeroes are always good. Hopefully we can pull in a couple of others of those as we go through this work. So, with the forecast at \$108 million and our updated FY16, we have to consider the city's contribution to the cost of the insurance coverage. Right now that is at 7% that is what is baked into the budget. The employees, as I mentioned earlier, we expect them to contribute fairly to the cost of their insurance coverage. So, what is that employee rate going to look like? Then, pricing on these other pieces and hopefully some positive claims experience between now and the end of the year will help us to lower that forecast. We are going to talk about the clinics in just a few minutes, but that is a major reason for putting in our clinics.

Mr. Driggs said is there any head count change in there or should one assume the per-employee increase is in line with that total increase?

Mr. Brown said there is a head count change; we do factor that in. We work with budget. They fund based on projected head count, so depending on if those numbers change, the \$108 million could also go down.

Mr. Driggs said but is that based on level head count or is there an increase in headcount in the \$108 million?

Ms. Brown said there is an increase in head count in \$108 million. For example, she may have included 7,150 positions within the city government and the forecast for 2017 may have been 7,225.

Mr. Driggs said so basically about a 10% increase then per employee?

Ms. Brown said yes sir.

Ms. Brown said this is our famous benefits wheel that we share with you every year. Again, this just shows you the large pieces of this work that we do each year. Our cost management strategy involves cost sharing, again between the city and the employee. Our prescription drug plan management, CVS Caremark is our plan administrator, our PDM. Our plan designs, again benchmarking is our plan design too rich? Is it middle of the road? Are we lacking in some areas? Have we increased our deductibles too much? Do we need to look at possibly backing those back down, those types of considerations. Our vendor selection, as you saw, we do go out to the market quite frequently to make sure that we are getting the best bang for our buck and that the discounts that we are receiving, for example from BlueCross BlueShield, as our medical provider, are the deepest discounts that we can receive to keep those costs down for both the organization and our employees. Many years ago, we kicked in a very aggressive Wellness and Comprehensive Health Coaching Initiative, and that is rolling into the near site health clinics. Hopefully you know by now that on March the 7th we opened the 5th of our employee health clinics across the city. We married employee zip codes, home zip codes and work zip codes to place those clinics in places around the city that would provide easy access for our employees, their spouses, children, and our pre-65 retirees. This is a service that we are providing now to employees, free of charge. They can go to the health clinics for acute earaches, bronchitis, and those types of things, physicals, and school physicals for kids six and above. There is a wide variety of services provided by the clinics and they

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have about 100 generic maintenance meds that they offer, and those are also provided free to the employees, particularly to those with chronic conditions like high blood pressure, high cholesterol, diabetes, those sorts of things. We want them to get those meds and we want them to take those meds so we can help prevent catastrophic illnesses down the road.

Mr. Autry said are the Fire Department and Police Department using these clinics for their annual physicals also?

Ms. Brown said we are working on those arrangements right now. We are actually retrofitting the clinic on Wilkinson Boulevard to be able to accommodate the police and fire usage.

Mayor Roberts said those clinics are open to folks whether or not they have the wellness aspect of the health insurance, is that correct?

Ms. Brown said yes ma'am. The clinics are open to any employee who is on our health plan, regardless of whether they choose the wellness incentive or not.

Councilmember Kinsey said I noticed where Teledoc is going to be terminated January 1, 2017; is that because of the clinics?

Ms. Brown said yes, that is the plan.

Ms. Kinsey said I have had to use Teledoc; it was wonderful. Will I be able to, in an emergency, when I cannot get to my doctor to get a prescription; is the clinic 24/7 like Teledoc?

Ms. Brown said no ma'am the clinics are not 24/7. We do have a variety of hours based on location and we are going to be constantly refining those hours based on need and utilization, but right now we do not have any opened 24/7.

Mr. Autry said do we have any data yet on usage of these clinics?

Ms. Brown said yes sir, we do. I will get to that in just a few minutes. Our long term strategy, we continue to evaluate the differentials between the wellness and non-wellness deductions. We really do want employees to choose the wellness incentive because there are just a few steps involved in receiving that incentive, and they are leaving money on the table when they do not do that. So, we are constantly trying to promote that and hopefully again with the clinics it will make it easier for those employees to be able to participate in our Wellness Plan. Although, I must say, participation is 85% this year. So, we want to get that other 15%, and get them with more money in their pocket is what that translates into really. We are considering and looking toward a defined contribution cost sharing strategy by tier and by tier I mean we have four tiers of coverage: employee only, employee-spouse, employee-children, and employee-family. We have two plans; we have our basic plan and our plus plan. The basic plan is that four level plan that is the less expensive of the two plans, and we are really trying to drive utilization to that basic plan. The plus plan does offer a higher level of benefits than the basic plan, but over the years, the costs for those two plans were almost equal. So, we have worked hard to differentiate the cost of the basic plan versus the cost of the plus plan. So, that is something that we continue to evaluate every year. We cannot make drastic changes in how we do this because if we make a change in one fail swoop, the financial impact of that change would be so significant that it would be unsustainable for those employees. So, we

cannot bite off a huge piece of the apple at one time. We have to continue to take little bites and tweak the plan as we go along each year. Then, we are also considering a pre-65 cost sharing strategy, and we do have our employees who do retire from the City of Charlotte, if they have enough years of service, they can remain on our health insurance plan until Medicare becomes their primary option. Then this year, we are considering adding an additional tier to pharmacy. I thank you all know pharmacy is really expensive. Drugs are really expensive; specialty drugs are especially expensive. So, we need to look at how we refine our tiers within our pharmacy plan so that we can possibly add an additional fourth level that addresses that specialty use pharmacy. So, we will be coming back to you again with more modeling and the refinement of that piece; we will be bringing that back to you I believe it is the May 2, 2016 meeting.

For our benefits plan this year, our consultant, looking to the market projected an annual trend for medical prescription and specialty drug, here again you can see that high number on the specialty drug. Medical at 8 pharmacy at 11, and specialty at 19, and I can tell you, we are running right at that 19. Our pharmacy costs are very much driven by the need and use of the specialty drugs. Our health insurance cost projection at this point that is baked into the budget is the 7% figure, and again we are currently working on various options, plan design changes, modeling, to see if we can lower that 7%. I do not think that we are coming in here with 2. We love to ride in on our horses and say we started at 7% and are coming in at 3%. I don't know that that is going to happen this year, so I will go ahead and own that so we do not leave here with too high of expectations.

So, our benefit actions under consideration continue to aggressively manage our cost, plan for the financial impact of health care reform. We do get a retrieve this year from the Cadillac tax that was moved from that was moved from 2018 potential implication to 2020. So, that is good news. The other good news is that our benefit plans are structured in such a way that our risk of even reaching that Cadillac tax in 2018 is little to none. So, that is good news. We can expect some premium increase costs for employees and our pre-65 retirees and potential adjustments to cost sharing to align the tiers. Is the employee paying the amount they should be playing? Is the employee's spouse paying their amount, is employee children and employee family? Evaluate medical premium salary banding, I know we have talked with members of the budget committee and talked with Mr. Carlee about lessening the impact on our employees who make the lower wages. So, again we are modeling some options for salary banding and what that would look like for those folks. Do we have three bands? Do we have two? There is a lot of work going into that, but we have a meeting next week with the Manager, and we will be talking through some of those recommendations with the manager and budget. This is an example that we put into your presentation every year so that you can see the impact, and Councilmember Driggs, I am going to follow up on you with that other question that you raised earlier. This goes to the total compensation example for you. You see here, and employee only in the plus plan and employee family in the plus plan, making \$50,000, their weekly salary of \$961.54 you see the employee cost for those benefits on the left side of each of those boxes. The employee only, the weekly benefits cost them \$182.94; employee family, their benefits cost them \$295.62. Then in the right hand column you can see the money that the city contributes so that we can offer the health insurance for that employee at a reasonable price. You can see that the city provided benefit, the blue left box there, the \$286.08 that is a weekly number. So, that adds approximately \$15,000 to that \$50,000 salary. So, the total comp to that employee jumps to \$64,876. Same thought process on the right. The family coverage is going to cost more, so

it is going to cost the employee more, as well as costing the city more. So, you see the total comp package for the \$50,000 employee with employee family coverage is \$75,623.

Mr. Driggs said that means that for a family of four, the benefits cost \$40,000 a year in total, \$15,000 to the employee and \$25,000 for the city?

Ms. Lyles said some of this is FICA. I do not know that everybody counts FICA as a benefit.

Ms. Brown said our MyClinic utilization, utilization it is above what we expected it to be. Three of the five opened the first of January. We had one open in early February and the fifth opened on the 7th of March. You see here the number eligible, our employee Pre-65 retiree, spouses, and dependents, and then the individuals with at least one clinic visit, we have 13,677 eligible lives to be used in this clinic. So, for everyone in the audience, get to the clinic. These are great benefits and a great resource, free visit, free meds. So, 13,677 eligible lives, 3063 individuals with at least one visit, and I do not know if you can remember or not that when we came to you with the clinic proposal, we said that we needed each employee to have 1.1 clinic visits for the first year, for us to be able to break even on our visits. We are pushing. We have a presentation in Solid Waste Services next week. Christina Fath, our Benefits Manager has been visiting all CMPD Roll Calls on each shift. So, we are working hard to get the word out there for our employees to get out there and use these clinics. They are a tremendous benefit.

Councilmember Eiselt said is the program or is the city doing any measuring of outcome in terms of days or work missed or from changing the program, having their own clinics, that kind of thing? Do we measure the health outcomes?

Ms. Brown said we are not at present time measuring health outcomes, but that is on the agenda for the future. We are going to be measuring the ROI as far as reduced claims and those sorts of things. Maybe I should clarify when you say health outcome.

Ms. Eiselt said the number of claims, change in numbers of days of work missed, and change in the number of surgery or services. Ultimately, what does that do for the overall cost for the city?

Ms. Brown said yes ma'am, that is part of what sold Councilmember Driggs and the Budget Committee on putting the clinics in place, was the projected ROI and the reduction in the claims in the expenditure and what we are wanting is for our health increase, that 7% that is projected now. We want that to be a zero or we want to come in below zero as a result of the clinics being in place.

Mr. Phipps said I think our vote on the clinics was probably one of the best decisions that we have made. I recall last year when you all initially came to us, we had mixed feelings about it and you went away and came back; we had another meeting, and more or less came to a consensus. I think this really shows in retrospect that this was a good decision to include in the benefit package for our employees. This is a good success story.

Ms. Brown said the clinics are tied to our health screening. In order to be eligible for the wellness incentive, the clinics are open to do the biometrics and the blood draws and such for our base line biometric information. So, that is a way to get employees into the clinics as well. Then our targeted promotion to pre-65 retirees, we are working to put that promotion together to get those folks into

the clinic, we have got to get the pre-64 retirees managing those conditions and then we can prevent those additional and more expensive claims down the road.

Clinic visits by location, as of the end of the month, you see Northlake, 4th and McDowell, and Wilkinson those are the three that opened in early January. So, their utilization is higher. Tower Place is down in the Pineville area, and the Albemarle Road clinic opened March the 7th, so we do not have any utilization data yet for that clinic.

Mr. Driggs said I wanted to point out for one that I am one of the 113 at Tower Place. It is a great facility. I went there for the wellness assessment, but it is very appealing to have that nearby. The contract has all kinds of commitments on the part of the provider to minimize wait times and to record health data. So, I think this is a very positive environment. My question was, how long will it take until we can start to assess the financial impact? The goal was that we would save enough money on the costs of visits to doctors and emergency rooms to more than pay for this.

Ms. Brown said yes sir, and we anticipate being able to get a fairly decent feel for that probably around this time next year, have the clinics open for a full calendar year and then evaluate the impact on the claims cost.

Mr. Carlee said highlighting one thing which we can happily take for granted in Charlotte is back on slide 22 and that is retirement rates. We are really fortunate to be part of the state's system which is very well funded and that Charlotte has kept up with its contributions over the years. We are essentially 100% funding. I do not know if it is plus or minus. I think we may be slightly over right now. There are cities in America that are making retirement contributions at 30% and more. I just randomly looked up Phoenix as a peer city just to check to see what they are, and in Police and Fire they are 34% retirement contributions. Apparently, during recession they made a change in retirement benefits for the general employees. Their tier one employees are 24% contributions. Their tier two, which I assume is a lower retirement system that they implemented, is double ours at 15%.

Mr. Driggs said ours was underfunded right? That is past service costs that are being funded?

Mr. Carlee said that is right, and they might have higher benefit rates as well. Ours is a balance of reasonable contribution, accrual levels, combined with consistent full funding of the system and this puts Charlotte and other North Carolina cities in an extraordinarily enviable position on a defined benefits retirement system, which most people cannot afford now because they never funded it correctly.

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ITEM NO. 4: GENERAL COMMUNITY INVESTMENT PLAN

Strategy and Budget Director Kim Eagle said Bill Parks is going to come forward and give you a very brief update. We have scheduled on your agenda for the April 6, 2016 Workshop a detailed review and discussion on the CIP, but we have some information that we can share today as a precursor to that conversation. So, Bill will take you through that very briefly.

Bill Parks, Office of Strategy and Budget said as Kim mentioned, what we want to try to do today is to just give you a brief update on progress and process that we currently going through to review

the departmental capital needs request and to sort of give you a reminder or measure on some of the information that we are looking at. To do that, I would like you to start with the list of available funds that we are currently estimating. We are looking right now at current estimates of between \$62.7 million and \$82.7 million in additional revenue and additional funding sources that are not designated to any existing capital projects or programs. That total amount is made up of additional debt capacity, which we are currently showing as a range between \$40 million and \$60 million pending further refinement of revenue estimates that will hopefully allow us to tighten that number up. For the time being, it is a range between \$40 million and \$60 million of new additional debt capacity. In addition to that, the general capital reserves of \$10 million, those funds come from the amounts above 16%, your 60% general fund reserve amounts, everything above that by Council policy typically goes to support the capital program. In addition to that, we have \$12.7 million that we have identified over the past two years in savings from completed capital projects that were previously funded, prior bonds, prior COPs, prior Pay Go programs, projects that have been completed, they have some savings and we have been scooping those savings up and keeping them in reserves for potential use on other future projects. In addition to that, within that \$12.7 million, there is a small amount of proceeds that we have identified for the sale of city owned land that we could program into this as well.

The second thing that I wanted to remind you of, if you look at page 32 at the material in your binder, it is a list that was created, put together, and shared with Council two years ago in March of 2014 in preparation of the FY15/FY19 CIP, of that list, there was a total of \$248 million in capital needs identified. Over the course of the past two years in FY15 and FY16, we have managed to approve funding for \$74 million from that list, \$59.7 million in FY15 and an additional \$14.3 million in the current year. That gets us off of that list by 31.7%. We have dropped that list down by 31% since it was first identified two years. As we go through the current review of department requests and other capital needs that staff have identified over the course of the last few weeks since they first submitted their requests in January. We are still working through all of those, but those requests will essentially update and replace the lists that you see in your materials today. Some of those items may continue, others may drop off, but there will be an updated list with the latest and greatest information we have on capital needs. In addition to that, the things that you see on that list, are typically the housekeeping, maintenance, facility renovation and things like that, we also have the \$816 million bond and COPS program that has already been approved by Council. We are looking at some potential adjustments to that as well. A good part of that is just moving some around from different bonds and moving some back, making some adjustments like that and you will probably also see a few additions. You saw those in the list that Kim went through earlier, some of the projects that tie back to you priorities. There are some requests for additional funds to add to that bond program. All of those things are being looked at right now with staff and within the departments, our office, and the City Manager's office. We will be bringing a comprehensive list of all of those needs that we have identified to Council at the April 6, 2016 Workshop.

Councilmember Driggs said are these numbers on the available undesignated resources, are those current or do you intend to update those as well?

Mr. Parks said they potentially can be updated as has been mentioned; we are still looking at and refining the various revenue resources that go into making up some of these in the Pay As You Go Program might end up with a little extra revenue when we are done looking at the latest information

on property sales tax and things like that. As I mentioned, the debt capacity number could be adjusted based on additional information we get on property taxes and things like that.

Mr. Driggs said it is about \$160 million in 2015 needs that have not been addressed, based on the fact that \$74 million has been addressed out of \$230 million. I am looking at the page 32, and I see \$233 million in total needs identified at 2015 and as you just pointed out, \$74 million was met in 2015 and 2016, so I am assuming that from this list, we are caring over \$160 million and then you will do the adjustments to add new stuff and maybe make changes.

Mr. Parks said with the potential possibility that some of the things from that original \$233 million may drop off.

Mr. Driggs said we are probably still talking low \$200 million by the time you are done?

City Manager Ron Carlee said probably higher than that. Just the capital items and the growing out of the priority areas that we talked about earlier in Kim's presentation on page 20 of her report. There was \$74 million in capital needs there and those are just the ones in the priority area. Those have not been scrubbed yet at this point either, but probably if I would guess, it is somewhere between \$200-\$300 million, plus or minus 40%.

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ITEM NO. 5: SOLID WASTE SERVICES- MULTI-FAMILY SERVICES REVIEW UPDATE

Strategy and Budget Director Kim Eagle said Victoria Johnson is going to join me here and walk your through some information. We have a process update as mentioned earlier; there have been two meetings with the forum on multifamily trash collection since we were with you last. So, we have an update to share. This will be a topic also at the budget committee on this coming Monday to get into more detail, but she has an update for you.

Solid Waste Services Director Victoria Johnson said I just wanted to bring you up to date on the review of multifamily service collection options that we have been looking at that we went to the Environmental Committee then we went to the Budget Committee and stopped there and decided to have two public forums. We did have those two public forums, one of February 26, 2016, and the last one was last Friday. They were very well attended; we did learn a lot of things that we just did not know, which had us go back to revisit the options that we were putting forward and really take in the concerns of the public and what they were telling us their fears of losing garbage service was. No recommendations at this point. We are going back to revisit the options that we had and come up with some new ones probably to get our head around so we can deliver the best possible service that we can. We are going to continue looking at the service delivery models for multifamily. One of the things is evaluate an alternative fee structure. That is new; we haven't talked about that yet. The other one is to disaggregate the multifamily. Multifamily has a whole [inaudible] apartment, townhomes, and condos. So, instead of looking at it just multifamily, look at them individually of themselves and then look at what that impact would be. So, we have heard from the public forum and we are looking back and digesting it to go back to the budget committee on Monday at a high level to say what we are coming up with and what that may be. The elimination of multifamily collection is not viable, just the whole thing of what we were proposing before, because of what we

learned from those forums. They were very well attended and, we really got to understand the issue a lot greater than what we perceived they were. Like I said, Monday we will be going to the Budget Committee with some high level numbers of what we are looking and coming back to this Budget Workshop on April 6, 2016. We will be having a third forum once we wrap our hands around what we are going to be doing and to present that to another forum.

Councilmember Lyles said what surprised you the most when you had the forums.

Ms. Johnson said what surprised me the most that I never thought about was home owners only can go up on the home owners fee 10% unless they get the majority vote to go. So, that means that they would have a hard time paying for it, and they would have multiple trucks, because everyone would have to go out and get their individual service and that would be chaos.

Ms. Lyles said is there anyone that came to you who said, I live in a complex like this, and I currently do not get the service, and I want in?

Ms. Johnson said we had one a little different; someone came and said I live in a 44 unit, I pay for the service. He was stating that it is already happening because everyone just doesn't get the service, so he wanted to state that to the room that the ones that are on roll out understand that there is a number point that cuts off. Everyone doesn't get it. Some of us have to go out if we want rollout to pay for the service.

Ms. Lyles said this is one that I don't know how to solve, but I know that Mr. Smith has probably heard from the community that is very large in South Charlotte that was built and designed, and they do not have Charlotte Water; they do not have Charlotte garbage pickup, and I have worked with Barry and Victoria on this issue so long and so hard, and it was around the rezoning and the development agreement. I do not want to add to this discussion, but at some point, we create some of these equities in our system through development versus just having it occur, and I do not know how that happens all of the time. I just think this is another opportunity for us to make some decisions that when we are building these communities, what services do we actually expect them to be provided as a result of being constructed, and when people come in and say my water bill is this high, or I cannot get garbage collection because my street is not this way, we have approved those rezoning and let them happen. I am surprised that this group wasn't there because I hear from them pretty frequently.

Councilmember Driggs said I just wanted to say on this, there is a lot of community apprehension about this. People are worried that service is just going to get discontinued to some residents and that the city is going to take \$3 million and put it into the general fund to help pay for other things, so I would hope at this meeting, even if we are not going to get into deep discussion of policy, that we could take a few things off of the table. It is a little bit like the school board thing. They started to talk about bussing, and there was a lot of apprehension about things that were very unlikely to happen really. So, if we could agree that for example Council is sensitive to the fairness issue, sensitive to the fact that just discontinuing service and not offering any sort of offsets or anything to certain classes of resident, we are aware of that, that is something that we will consider. I do not want to prejudge where we might come out, but the specter I think in people's mind is that the just don't get trash collection anymore. Their HOA bills go up; their rent goes up, whatever, and there is no offset, and you have a two tiered situation where single family gets the collection included in

their property tax and other residents do not, and personally that is not where I think that we should come out. I hope this is a general consensus that that is not where we want to go. If we have to defer further discussion until later, we did tell people that we would be looking at this today, that we would get a briefing. If we could send that message out, I think that would be a comfort. Then we could work more on what the real solution should be.

Mayor Roberts said Councilmember Driggs, I would add to that that there are differences in multifamily between condos, and townhomes, and I think that the initial look was that everything was a commercial kind of building, and I think that there is recognition that there is more detail within that that does not always make sense just in terms of the way it is collected, and also property tax and that sort of thing. I think that concept is something we probably all agree with. We are going to be a little more strategic about it; even if being strategic we still haven't had that policy discussion about whether it is fair and how you off set it and all of that. I agree.

Mr. Driggs said there is a lot to talk about. We are just not going to take money away from people to plug a whole in our budget or whatever, and cut the service. I think we are all aware of the issues, and we will work on them toward an equitable outcome. That is all.

Councilmember Phipps said I agree. I think that as a result of the two forums that we have had so far that we have come away more sensitive to some of the concerns, and I think that is why even if one of the bullets you had here, when it comes down to I guess to the decision or recommendation made by the consultant that we had hired to illuminate all multifamily collections, I think that we do say right here that it is not a viable option at this time, but even though we are sensitive, I think we should still peruse looking at our City Code that hasn't been updated in 20 years I do not think. So, even within that document we have to get some clarity in how we want to deliver service, how we want to define the different components of residential service, I think that all of those things taken together as a whole would get us to a place where we could be more prescriptive in what we want to do. So, I would hope that by now the community would have gotten the message that there is no decision to discontinue service. The reality is that we have not made those decisions yet, so to keep in an effort to chin up these types of unwanted fears at this time that I think may be premature. I do not know how many times we can say it that whatever we do, we are going to be doing in a deliberative fashion, and right now the decision is to maintain the process that is going on for right now.

Ms. Lyles said I just want to say thank you. I got all of the emails that you have gotten, and the staff developed a consistent report with the website and I have been sending that out on a regular basis and I have gotten a number of thank you from people that have said thanks for the information or update. I do not know if that has been available for every one of you, but it is an issue that is very important. We need to have people understand that we were not trying to do something that was just about the budget; we were actually trying to figure out how to operate really well, and the staff has responded, and I just want to say thank you for the forums and the website and that letter, I think would be very helpful if we put it on some opportunity to distribute it more, and I would be glad to get everyone else a copy of it because it is updated every time from Hyong Yi.

Ms. Johnson said the letter has been updated since the last forum.

Ms. Lyles said you guys I think we're very responsive. When I started seeing the inbox I was like, we got to get some information out because it was clearly not very well understood and you do a great job to get it done.

Councilmember Smith said I was just going to say that context in which the conversation was brought up, what I think is a policy issue in the midst of budget discussion did set off obviously a number of panic based on our email it may be wise to have a larger frame work policy discussion, separate from the budget issue, and that may be something that we have starting in July moving forward and try to figure out where we are headed. John, I know that you brought up some issues in environment that went up to the committee to figure out a larger Solid Waste policy, and I think that the blending of the two is what sets everything off. It is hard to separate I think for our constituents that taking a quarter of \$3.5 million and having it during the budget conversations leads into the policy, and it just muddies the waters too much for folks to follow.

Mr. Driggs said further to that, we agreed last year that we were going to look at how this worked and so on. We got all the way through the year, there was no public conversations, no meetings like the ones that are now being held, so that is what set the kind of ground work for this kind of anxiety I think. We are catching up; we had those public meetings. We have got that input; I would just like us to try to reassure everybody that we are sensitive to the issues and that we will do this in a timely way and with due care.

Ms. Eagle said just as a follow up, you have copies in your book of the attendees in the first and second forum. We had that updated letter that Victoria mentioned, based on the second forum, and we will also push that out to these folks. So, we can do that and share that with you all for you to use in your correspondence.

Mayor Roberts said is there a place on the city's website to put that as well?

Ms. Eagle said yes.

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ITEM NO. 6: REVIEW OF BUDGET QUESTIONS AND ANSWERS FROM FEBRUARY 24TH BUDGEST

Strategy and Budget Director Kim Eagle said that begins on page 35 of your agenda and we have taken all of the feedback from the last conversation and the questions that were asked at the February 29, 2016 budget committee and provided responses. So, I just wanted to alert you to that material in your packet. I will not take time to go through those, but if you have any follow up questions and concerns, please let me know.

Mayor Roberts said I think there was a question I had from earlier on that was answered here in terms of the reductions. They were vacant at the time.

Ms. Eagle said yes ma'am.

Councilmember Phipps said I think this was a good meeting, and I look forward to our own work ahead.

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OTHER BUSINESS: NON-DISCRIMINATION ORDINANCE

City Manager Ron Carlee said Madam Mayor, as we are getting ready to wrap up, and by the way, we would ask that we would be able to yield this time to the April 6, 2016 Workshop. We will probably need it, but in your packet that you are getting, we have completed frequently asked questions that they use for the non-discrimination ordinance, and you are getting copies of those. We will be populating a website with this information, and we will be proactively distributing it to the business community to try to clarify some of the misinformation that is out there in helping businesses prepare for implementation on April 1, 2016.

Mayor Roberts said we should get that by email and hard copy?

Mr. Carlee said you are getting it right now by hard copy; we will provide you with electronic copies as well. If you have any questions or concerns, it has been a collaborative effort by City Attorney, Community Relations, and Corporate Communications, and my office, to try to keep it as simple as possible and to also, at the same time, try to be comprehensive and deal with the questions that we really are asking, especially around bathrooms.

Mayor Roberts said and we will also get a copy of that to our legislative delegation?

Mr. Carlee said yes ma'am, we will try to get it far and wide. We will use our legislative person to get distribution person to get distribution from them as well.

Mayor Roberts said it might be helpful too; I think that Julie White was getting information to other mayors about it, so it will be helpful to share with her.

Mr. Carlee said we will be happy to get it to Julie; we will get it to the League as well.

Mayor Roberts said I have gotten a lot of questions from other cities who want to do something similar or who are interested, so that would be great.

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ADJOURNMENT

The meeting was adjourned at 4:08 p.m.



Emily A. Kunze, Deputy City Clerk

Length of Meeting: 2 Hours and 45 minutes
Minutes Completed: April 12, 2016