

## BUDGET WORKSHOP

The City Council of the City of Charlotte, North Carolina convened for a Budget Workshop on Wednesday, April 3, 2019 at 1:38 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Vi Lyles presiding. Councilmembers present were Tariq Bokhari, Ed Driggs, Julie Eiselt, Justin Harlow, LaWana Mayfield, Greg Phipps, and Braxton Winston II

**ABESENT UNTIL NOTED:** Councilmembers Larken Egleston and Matt Newton

**ABSENT:** Councilmembers Dimple Ajmera and James Mitchell

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### ITEM NO. 1: WORKSHOP OVERVIEW

**Marcus Jones, City Manager** said as we discussed back in January, when the Council approved the calendar for the budget, that we would have three Budget Workshops: the first Wednesday of February, March, and April. We have covered a number of topics from the enterprise funds to general funds to public safety, and today for the workshop, we are going to have a discussion about pay practices, retirement comparison, healthcare, then our all-time favorite, financial partners.

What I will say, much like the public safety discussion that occurred last time, a lot of information that you have today will be based on surveys of other cities and how we compare with those other cities. So, a lot of times we talk about salaries, but as Sheila has said in the past, it is the full compensation that goes into how we attract and retain talent. I am going to turn it over to the Chair of the Budget and Effectiveness Committee.

**Councilmember Phipps** said the only thing that I can say is that this is our third and final workshop of the year, and I think that we have two more additional meetings that we will have a chance to vet some things and get some things going, but I did want to report that Councilmember Egleston said he was going to be a little bit late, but will be arriving sometime early during this meeting. I just wanted to make everyone aware that he will be joining us at this workshop. With that said, we can get going, because we have a lot to cover.

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### ITEM NO. 2: GENERAL EMPLOYEE PAY PRACTICES

**Sabrina Joy-Hogg, Deputy City Manager** said Sheila Simpson is going to start talking about our General Employee Pay Practices. Last time, if you recall, we talked about public safety, fire and police employees. This is the second version of it; some of the data is fresh off what we just got, so they were still crunching numbers late into last week, then we will move into Retirement and Healthcare as well. Again, there has been a team that has been working on this and surveying the cities throughout the country with our comparisons with a different set of peer cities, so we did get some different results for public safety, as you saw last time. I think that you will be pleased with the general employee pay practices that we have.

**Sheila Simpson, Human Resources Director** said I am pleased and honored to serve as your Human Resources Director and honored to serve the City of Charlotte employees. I am here to review the compensation information that we received over the pay year; you may recall that last year, one of the action items that we had as an organization was to go out and do a comprehensive review of compensation practices and benefit practices across our peer cities. So, today, we will share this presentation, and I will start with compensation.

The City of Charlotte is an employer of choice and seeking to become an employer of choice, where basically that means when people choice where they would like to be and spend their careers. That is our goal, and that is our quest. In the HR world, that means

that we look at the recruitment functions, compensation benefits, professional development, employee engagement, and ownership of performance. It is a cycle, and all of that together will help us become an employer of choice.

Today, I am here to talk about the compensation elements. So, the purpose today is to review, as I just said, the practices when we compared ourselves to our peer cities, and we are going to specifically talk about employee retention data, salary increase compensation comparisons over the last three fiscal years and to present to you a 2020 projection of salary increases, in addition to that, a comparison of our pay systems.

Retention data, this slide indicates to you how employees retire in the general population. This excludes public safety. Annually, you can see that our retirement rate is on average 91 employees a year. In 2014, there were 52 employees; in fiscal year 2019, we have 81 employees, and that is not including public safety. In terms of retirement projections, for those who are newly eligible to become retirees. When we started the years, we looked at those who could have retired at any point in time they became eligible before 2020. So, that means that we have 294 employees in the general population who still work with us, however are fully able to retire. In 2020, that number becomes 90 employees who will become eligible and in 2030, you will see that number goes to 183 people who will become eligible.

**Councilmember Egleston arrived at 1:44 p.m.**

In terms of our employee retention, in Charlotte, we benchmark against our 20 peer cities. You will see that our retention rate, without retirement, so we excluded the retirement out of this population, is 5.2%, and would compared to our benchmark organization, the median is slightly over 5.6%. So, we are, if you want to say, more favorable that our peers in retaining our employees.

Now, moving into the compensation areas of general employee pay increases, for the hourly workforce, the City of Charlotte exceeds our peer city benchmarks. On the right, you will see that in FY19, our annual increase in the hourly pay plan was 3.5%. We are there with three other peer cities. Six cities were at three percent; four cities were at 2.5%, and you can see where we compare ourselves as we rate for our hourly workforce. We lead the pack. This slide, I really like it, is a comparison in a visual way to indicate our hourly employees in terms of the three-year average. You may recall that three years ago we transitioned our hourly employees into a traditional pay range. In that year, those employees received an average increase of seven percent. The year after that, the increase was an average of three percent, and last year, the average was 3.5%, so the three-year average is 4.5%. When compared to our peer cities, we exceed them, and our peer cities are at 2.3% for the hourly workforce.

This data is regarding our salaried workforce. Again, the same peer cities that we compared ourselves against. Last year, City Council approved for a three percent merit budget, and Charlotte was among six other municipalities to reward something in the same area of three percent. There are two cities that exceeded the three percent. Both of those are in the west coast of the nation. Three-year average for salaried employees compared to our bench marks, Charlotte's three-year average is three percent. The median of that same data based is 2.3%. This slide is a slide that you normally see at this time of year that we present, and that is a comparison of what we project. Our compensation team is headed by DeLane Huneycutt and her team surveys folks every year, then we also get information locally from municipalities. We also get information from the Employers Association, who provides human resources for small employers in the Charlotte community. So, as you can see, of all of those indexes, three percent is more of the norm, and the Employer's Association is predicting a 3.2%, and again, they serve smaller organizations.

In terms of pay structure comparison, we wanted to benchmark the methodology that people use to create a pay system, and when we compared ourselves against our benchmarked cities, the result is that of the 16 responses to that question, 14 of them used the same methodology that we use, and the methodology is that we compare our middle to

their middle. The City of Charlotte has three pay plans. We have an hourly pay plan; we have a salary pay plan. We have a public safety pay plan; 38% of our workforce is in the hourly pay plan. That pay plan currently has a pay range system that was implemented two years ago. Salaried employees are in a broad banding pay plan, which is what we called broad banding; 26% of our workforce are salary, and 36% of our workforce is in the public safety pay plan. That is police and fire. They are on a step plan system. So, the City of Charlotte has three systems currently

**Councilmember Driggs** said a couple years ago, we had a separate band for people making less than \$15 an hour. Are they all now captured in the hourly pay plan?

Ms. Simpson said yes, they are.

Mr. Driggs said you completed the process of bringing everybody up to that minimum?

Mr. Simpson said yes, we did.

In the questions that we sent out, we wanted to know what type of system is more popular for our benchmark cities. The answer came back traditional range systems are more popular. You can see that there are a few systems that use a hybrid system, and we use a broad banding system, but I will go further into why we recommend making a change to that system. In the broad banding system versus a traditional range system, the way I would like to describe it in simple words is that a broadband is wide and deep, so when you have various job classifications, they all fall within a really wide and deep band. When you put in a traditional range system, the band becomes more narrow, and it is long; however, one of the things that extremely does for an organization and more importantly for the employees is that employees can see their career paths better inside of a traditional range system.

This slide is an indication of how we pay within the band. So, currently, the City of Charlotte, to be competitive we decided, overtime we got here but, over time we are now paying people 90% of the middle, if I can say that. So, generally when we hire, we try to hire at 90% of the middle. For someone who is coming into a job, they may not have as much experience. If you are very experienced in that same job, we may hire you closer to the middle of that band. On the top end is 115%, so that means that if someone is in a job and they may have been here longer or their performance is truly exceeding, they may be compensated around the 115% mark of that same band. You can see on this slide how we compare to our benchmark cities. There is an outlier here that is [inaudible]. The reason why that area is an outlier is because they use a hybrid system. Again, I just described to you on the other slide but this is a different look of the same information. The City of Charlotte's minimum band hiring rate guideline is at 90%, and this slide shows you where other cities are, and you can see that predominately most organizations that we benchmark against use the 75% lower end of the middle. We are using 90%. The other organization with us is a local organization. I will probably say that, near us. Our top end is currently at 115% for hourly employees. So, today, one of the things that we discussed at the Budget Committee, when we presented, was considerations for how we might want to restructure the pay structure moving forward.

**Councilmember Mayfield** said going back to the slide, Charlotte's FY2019 Increase for salary employees is competitive with peer city benchmarks. On mine, it says 12, but I think that it was a different number. I think it showed like 19. The questions that I have is when we are looking at this increase, how does this compare against Charlotte's current market?

Ms. Simpson said it compares very well. We benchmark with other organizations, but we also get local information, and we get information from private sector employers. We cannot actually share their names, but we actually benchmark with private sector organizations that compete for the same workforce that we have working for us. So, we compare very well.

Ms. Mayfield said the other question that I have, we did pass, as a Council under previous leadership, the pay equity. How does that compare since yesterday was Women's Equality Pay Day? How are we looking regarding those numbers as far as benchmarking? Because it does not breakout in here where we are paid equity wise as far as our female versus male employees. Is that in here somewhere?

Ms. Huneycutt said that is not in this information; the answer is, when we did that, it was a gender equity study analysis, and you are correct. It is done by job classification. Again, we came in extremely well there. From my recollection, we were around two percent that may have had a pay differential between genders, and that is extremely good, because we are on a merit system. We are not on a system to pay people the same. We are on a system to pay people for merit. So, when we did the equity study based on gender, the information indicates that we are equitable based on gender.

Ms. Mayfield said I remember it in the report, but as we are having this conversation, I just wanted to revisit it.

Mr. Driggs said I am just trying to interpret this data in terms of not just what the increases have been but what on an apples-to-apples basis our levels of compensation are relative to other cities. Do we have any way of actually taking similar jobs or people in similar circumstances and looking at what they make in other cities and here, maybe adjust it for a low cost of living, that kind of thing?

Ms. Simpson said yes sir, so the answer to that is our general employees, their median income is \$56,0335. Compared to our benchmarks, that does not include public safety. Public safety is around \$62,500; public safety only is \$68,476. When we compare that deal adjusted to the cities that we benchmark, they are at \$66,600 roughly. So, we are within range. Now, our cities again are national, and one of the things that we love at when we look at the data is we look at regional data and rational data so our median salary being \$56,000.

Mr. Driggs said the other thing that I look at is retention and recruitment. How do you measure our success in recruiting people? I know for example the Police Department just had a hard time, but among the general employees, do you have a metric like how long a position remains open before we are able to get somebody to come? Aside from comparisons with other cities, there is a basic supply and demand thing here, and if we are able to recruit and retain the talent that we want, that would indicate to me that we are doing pretty well and conversely. So, is our recruitment strong?

Ms. Simpson said I do not have the metrics to share with you today; however, I will tell you that the City of Charlotte is a highly sought after employer. Generally, we receive around 80,000 and 90,000 applications a year for positions, and most often, we are hiring, because people are coming and going. Our average hiring rate is around 500 to 540 a year, so highly competitive in the retention area.

In side of that, we obviously do have some challenging areas, and Police is certainly one, public safety is one. Over the years, we have had some challenges in our utilities technician areas, so we put in concerted efforts to do something differently there, not only on the recruitment side, but it is also the retention side, so you are right. We continue to look at that, and we can probably provide data to help answer your question more fully after today if you would like.

Mr. Driggs said antidotally, CATS has had problems filling certain positions. I am interested in seeing where you are headed with this, but I am just trying to end the context to interpret this.

Mayor Lyles said I agree; that was one of my questions as well in terms of what categories are falling outside of the averages, what we need to know in terms of recruiting and retaining, are there jobs that are difficult to retain, and are there jobs difficult for recruitment and by category. I think that we would all like to see that.



**Councilmember Phipps** said speaking of retention and recruitment, can you make any inferences to the fact that you mentioned earlier that we a couple hundred employees that are eligible to retire but have not? What can we infer as to the reason for that?

Ms. Simpson said we are a great place to be. I am being serious when I say that, so when we talk with our employees, one of the things our long-term employees have is they really love what they do for this community, and when you can see the value of your work in the lives of the people that matter, they continue to do it. They love what they do.

Mayor Lyles said I would like to follow up on that and actually have the data. In terms of people that are retired, I would like to know, how many of how many of them come back to work and what that means for them in terms of how they are able to maintain or what their salaries are. I think it is 50% or some amount.

Ms. Simpson said the retirement rules in terms of what their earnings can be?

Mayor Lyles said mmhm.

Ms. Simpson said for clarity Mayor Lyles, are you asking to get data about employees who have retired that we have rehired?

Mayor Lyles said that we have hired, not outside hires, because you said it is a great place to be. So, do they retire and continue to work or come back as rehires and continue to work. I think that is really the question I think, getting to Mr. Phipps's question. I wanted to ask a couple of other things, on slide 12, Charlotte's 2019 increase for salaried employees is competitive. We measured twice in the two cities range. Are those the same cities that we see? Is there consistency in the comparison? Is that basically the City and the County of Mecklenburg?

Ms. Simpson said which data point, the three percent?

Mayor Lyles said I am trying to figure out, are those regional, local, or national cities

Ms. Simpson said oh, I am sorry. The two percent that is at 3.5%, those cities are out west.

Mayor Lyles said one of the other questions that I had, you said in the hybrid model and on slide 20 that that city that was market rate that was really up to over 130 was a hybrid system; what does hybrid mean compared to where we have three different plans?

Ms. Simpson said they are deploying a step plan and a traditional range plan within one system.

Mayor Lyles said so, how is that different than the three systems that we have?

Ms. Simpson said we deploy three different systems, two different populations of groups. They are deploying two systems within the same population of group. They are using a hybrid system.

Mayor Lyles said going back to Mr. Drigg's question, I really would like to see, by hourly salary as well as police, those places that you have difficulty retaining and doing it by pay plan would be very helpful, the areas of the three types of employee plans that we have. Is there a time on slide 19; you talked about broadband and traditional. Is there a shift that is according to the economy, your recruitment opportunities or are these kind of just the way it is, very clean, or do you see organizations moving back and forth?

Ms. Simpson said no, the trend is easily a traditional range system. The City of Charlotte deployed a broad banding system; however, when we deployed it, we maintained the market rate structure within it, so my words would be that we deployed it, but we did not deploy it fully. The traditional range system is much easier to communicate to employees. The traditional range system, as the data indicates as well, is a structure that is most

commonly used in the market, not just Charlotte, but within the market and many of our peer cities use it.

Mayor Lyles said I have one last one. I understand what you are saying about stability and predictability versus performance management, which I understand that, but one of the things that I wonder about, are there categories within our pay plan; I know that police and firefighters are governmental employees generally, but is it more of a practice to compare those places where we are competing with our local markets? Are there places in our organization that we really are getting out of the 90,000 people that apply, are there categories that are applying and competing within our market, which I am assuming is our region? Like, do people live in Gastonia, South Carolina, Lincolnton?

Ms. Simpson said yes, we have that data.

Mayor Lyles said okay, if you would give us that data on where people are coming. One of the other things, and this is just for information, in this workforce development area, we use the automated application system, and the findings around those automated application systems is that they have an inherent bias in them in the language and the wording, and often that bias is around soft skills, so I do not know where that fits or how that fits in the way that we do things. We talked about the gender equity. I wonder about the racial equity and how we bring people on at the same job and what race or ethnicity they are in, and I wonder if that is something that you could provide to us, a comparison of where we are basically at entry level and who gets at the top pay.

Ms. Simpson said our system, it is electronic; however, our system does not do automatic screenings, so the systems that you might be comparing us against use keywords screening, and they actually scan your resume looking for similar skills and keywords. They sort off of keywords. Our system is screened by an individual, so people actually reading.

Mayor Lyles said your team reads 90,000 applications?

Ms. Simpson said the organization, we have 11 HR managers in City Departments and we have other HR managers, so we have a system that does sort your qualifications by how you keyed in information, so it is how the applicant keyed in the information, then they would sort the applications by high, medium, and low, in terms of what they are looking for, and yes, they will read the applications.

Mayor Lyles said but they are sorting it in some ways by an algorithm; after the computer comes in some applications fall out because of the way you assess.

Ms. Simpson said yes.

Mayor Lyles said what I think that I heard you say is you might get the high, medium, or low but some are called out. I didn't understand then if I did not understand that.

**Councilmember Eiselt** said the algorithm was looking for key words, then you looked at those that had the key words?

Ms. Simpson said our algorithm does not use keywords.

**Councilmember Egleston** said is the computer eliminating some applications before they get to someone's desk?

Ms. Simpson said no.

Mayor Lyles said but you said that it does the qualifications. I do not understand; you can tell us later. Just tell us an idea of an answer. I may not be able to understand.

Ms. Simpson said we accept all applications, then the computer takes that information and identifies, based on the content of that information, if the applicant meets job

qualifications. So, it will put a word next to it, meets or does not meet. So, all the applications are still in the database, then individuals will go in and go through those applications. So, the computer is only sorting to define criteria that meets job requirements and criteria that does not meet. We do not have a system that takes any applicant out.

Mayor Lyles said I would still say that what we have learned from Fullers presentation is that a lot of the qualifications require a four-year degree that would be suitable for a two-year associate degree job. Again, we have I think something that I am just trying to bring my attention.

Ms. Simpson said diversity, equity and inclusion? Yes.

Mayor Lyles said yes.

Ms. Simpson said one of the changes that we implemented three years ago was to not only look at your education but your experience, so you may have someone who has 20 years of experience, and before, we would sort that out if they did not have a degree. When I say sort out, the computer would have said not meet. Today, we say if an applicant has 20 years of work experience that relates to that job, consider that applicant as qualified, because we were trying to address diversity, equity, and inclusion, and yes, we can do more in that vein. I 100% agree with you.

Mr. Jones said I think that what the Mayor is asking is if we have a requirement for a four-year degree and that four-year degree maybe is not necessarily for the job someone may not have applied in the first place. So, if we can start thinking about what are the real skills that a person needs to do the job, we can start thinking about even the front end.

Mayor Lyles said that is really where I was trying to go.

Mr. Egleston said one, how were the peer cities determined?

Ms. Simpson said the peer cities were determined by Dr. Taizar, and there was an algorithm used to compare like organizations that were like us in many ways, including geographic indicators that were statistically valid to compare to the City of Charlotte, and I can have Ryan give you more specifics about how that was done.

Mr. Egleston said Mr. Driggs already touched on this a little bit, but I do think that it would be helpful to breakout some of the data on bottom of pay range, top of pay range, by department, because obviously we are not going to be the same across all of our departments, but am I reading that data correctly on our slides of 20, 21, and 22 to understand that we put ourselves in a really good position to recruit but not a great position to retain? That is kind of my takeaway from those three slides. Would you say that is fair?

Ms. Simpson said it does mean that in general our workforce, when you look at the median of any job, pick a job, the median of that job, the salaries of our workforce falls within 90% to 115% of that job value, so when you compare that bar up, you will see that most employers we are aligned with. We would like to expand that to widen that to about 125%.

Mr. Egleston said if I am a potential employee and I look at that chart then the City F and Charlotte looked the most appealing to me as someone starting, but if I am in the job 20 years and the best at what I do, suddenly Charlotte and the City A look like the last places I would want to be. That is how I read it as a potential employee. It looks like we are more than competitive in terms of our increases that we have been giving, at least of late. Do we believe that our employees are aware that we are more than competitive when it comes to salary increases? Is there any way that we are messaging that or that we are making that known to our employees that three percent may not seem like a lot, but it actually puts us on the front edge of our competitive set? If not, do we think that there would be value in terms of employee morale, in messaging that better?

Ms. Simpson said I personally believe there is a great deal of value to always help educate all of us around our total compensation. This is the dollars that you get compensated, then next you are going to hear about benefits that are forms of compensation, so I strongly agree that it is very difficult to articulate the total compensation that you receive when you work for any organization. We do have data that we share with our employees that our financial compensation from the salary side and our increases are equitable when compared to our competitors. Now, whether or not a personal on an individual basis believes that to be real for him or her, that is a very difficult question.

Ms. Mayfield said thank you for presenting this information to us but, I have a couple of specific questions; what we know and what we have seen in a snapshot of the last three years that we have lost a number of higher-level staff from the City to the County, to market, and even recently to the Airport; still under the City, different department. So, when we have this conversation about our comparison and I have had a couple of different conversations with current staff and former staff regarding utilizing the employee survey that was created, because hopefully that is giving us and/or utilize the exit interview program. Have we truly captured some of that information? This is great to look at it and say well, we are an employer of choice, but we know that we also have some very clear concerns that are happening in multiple departments that are outside of retirement and usual attrition. So, are we putting any energy or have you had the opportunity since you are still creating under this process under your leadership to really look at what is that disconnect? We have lost some really great knowledge and experience, and that competitor is a couple of floors down versus across the line.

Mr. Jones said yes, we have taken employee survey data and again talking with not just the leadership team but the Queens Team, and those are about 80 individuals from the different departments. They are nominated by their peers. We have also been called the 150; we have talked to the team about the survey and some of the issues with retention, some of the issues with supervisors and how supervisors treat employees, some of the things that would allow employees to feel valued, some of the issues about upward mobility within the organization. Sarah Hazel has really worked hard with the team to pull together information from those workgroups, which will be reflected as we move forward. So, it is the first step, but we started maybe in January trying to have more outreach and conversations with employees, and even this month we are going to call them Rap Sessions with your Manager so that we can get unfiltered information back up.

Mr. Driggs said I had a very similar question as to whether we were evaluating the survey results and seeing whether the employee's perception lines up with the data, but I do think that it is worth emphasizing, the 294 employees that are still here, the 5.2% resignation rate, those are very positive metrics in terms of just the observed actual departures and behaviors. So, that is a plus. I assume that you are going to talk about this 90% to 115% range, because I do think particularly looking at it in a more entrepreneurial way, having greater scope for income advancement based on performance and time and service and so on. We see this also in public safety area where we bang up against the limit and then they go for years. I think that we probably need to do some tweaking, and I hope without any large overall budget impact. It feels like we are paying enough but that maybe we could structure it in such a way as to provide better incentives and particularly to reward top performers.

Mr. Jones said I think that is what Sheila is going to raise to the end, because that is one of the recommendations.

Mayor Lyles said I think that we are ready to talk about what revisions you are making as recommendations Ms. Simpson.

Ms. Simpson said Mr. Driggs you have made my recommendation. So, the recommendation is to take our current system into the salaried plan and make it similar to that in the hourly plan, then take both of those and start to have a system where the entry level would start around 80% of that midrange, and the top end would go to 125% of that midrange, so that is one of our recommendations. The second bullet to the bottom is another concept also in terms of how do you reward the compensation? How do you



do that? In some discussions, one of the things that we have come to realize, especially when you have a three percent budget, is our employees are saying bread and milk goes up, so they are asking for a way to be compensated for increases that just happen in life. So, one of the things that we are proposing to consider is when we receive a merit budget or a compensation budget, I would probably call it a compensation budget, might we consider splitting that to have a general wage increase to cover those costs of things that generally go up and then set aside another portion of that for the merit. So, that is something under consideration as well that we would bring forth to you.

Mr. Driggs said could anybody see a decrease in their income or is this something that you could implement in such a way that it just unfolds in the future and benefits the people it intended to benefit?

**Councilmember Newton arrived at 2:21 p.m.**

Ms. Simpson said correct.

Mr. Driggs said last comment, private sector comparisons, I think that we know the narrative about how disparities and incomes have widened and incomes at the lower level have not progressed, so we want to be sure that we are accountable for a lot of people who pay taxes in our environment where they do not see two percent increases and have the same kind of job security that they do at the City.

Mayor Lyles said I was looking at it not just as a whole component but really where we are having problems recruiting.

Mr. Phipps said in view of more information that the Committee would like to receive, are we saying then that this recommendation; what is the process? Are we going to get acting on this? This is what you want to do, so are we saying that we have to wait until we get this information back to synthesize it and make a decision, or are we ready to say that we want to consider these things and move forward?

Mr. Jones said we would see this as being a part of the 2020 budget, so we are bringing this to Council now, because it is such a change in what we have done, but it seems to be consistent with what we have been hearing over the last couple of years as many times when we say 90% of the median and 90% of 50% and all of that stuff just confuses people. So, now we are starting to say we want a band that we can still recruit people but also retain them. It is more consistent with what we are seeing across the country.

Mr. Phipps said have we always had a broadband system, nor a conditional range system?

Mayor Lyles said we use to have a step system. I remember when we went to broadband I was working, because that has been a long time ago.

Mr. Phipps said so, we have never had conditional range system?

Ms. Simpson said prior to 1994, there was a step system in place.

Mr. Phipps said but we decided to move away from that to the broadband system?

Ms. Simpson said yes, we moved to a broadband system.

Mayor Lyles said I think that is one of the question. What are the consequences of each move? I think that is just weighing what is a benefit and what is not? Are there winners or losers, and I think Ms. Simpson said there are no losers in the conversion. I think that all of that has to be considered by the management team, but I am sure the employees will let us know.

Mr. Jones said I have one thing that Ms. Simpson didn't cover but I think it is important; we talk a lot about apprenticeships, and we talk a lot about some of those positions that

maybe they are hard to find the particular employees, so I just want to let everyone know that I am so proud of what is happening between Sheila, Brent Cagle, Victoria Johnson, and as well as Angela Lee. We are looking at all of our employees and not just Airport or Water. There are some systems that are going on, apprenticeship systems that really work and should be applied across the entire spectrum. So, it is once again trying to be as one team. Brent Cagle is doing a great job of coordinating this, and we would believe that we can show you some of the fruits that labor in this upcoming budget also.

Mr. Phipps said one thing that I would like to say is, I know that we strive to make city government an employee of course, but I think in our actions over the last several years and months that we have been pretty robust in trying to attract new companies here so they do have a choice, so how many opportunities do come up that people want to do other things? I do not know, in listening to some of my colleagues, I am as concerned about attrition and people moving, as some of my colleagues have expressed in today's meeting. I think people want to take advantage of opportunities and they do, and we have other companies coming in, and opportunities are there. These numbers are very good, so I do not know why we are trying to say that hey-

Mayor Lyles said I think the question is are there areas that we see this happening? Not overall generally I think Mr. Driggs is accurate. People are working, but we were asking specifically, like if it takes us five years to get a Planning Director then maybe there are somethings that we need to do differently. I say that with [inaudible], but there might be areas where we are not getting the people that we want to develop in certain infrastructure areas, and it may not always be a salary person. I just want to know, where is it going? Where are there deviations from the norm that we should be aware and make sure that we are prepared to deal with, because that 110% is not a good thing if you have to look really hard to fill a position, or if you cannot get people that would say, well once they come they are at the top, and they are never going to get a raise. That is not going to be a very good employee benefit as well. Just some things to think about but I think we are looking for specific classifications.

I think that the budget is the Manager's recommended budget, and he is trying to give us some guidelines as where he is going, but at the end of the day, it is our vote at the end that makes that final decision. Thank you for helping us understand where you are leaning, but you guys know that we will come back and talk about a lot of this again.

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### **ITEM NO. 3: RETIREMENT COMPARISON**

**Ryan Bergman, Strategy and Budget Deputy Director** said I am going to talk a little bit about retirement and the comparison we did to peer cities. It is part of the same study that you have seen for public safety compensation and the pay practices that Ms. Simpson just went over. It starts in the same fashion, looking at the pathway to employer of choice. This particular presentation is going to be around benefits, specifically retirement.

The purpose of what we want to provide to you is a little bit better understanding of the current plans available to Charlotte employees, including what type of plans they are. You may hear the term defined benefit/defined contribution. I will explain that a little bit, then I am going to get into an analysis of our plans compared to these peer cities, and we did use an actuary for that data.

**Mayor Lyles** said were they UNC-Charlotte graduate actuary?

Mr. Bergman said no, we actually used Cavanaugh McDonald, which is the managing actuary for our Local Firefighters Retirement System and the State Retirement System, so they had a very good understanding of our systems. On to our types of systems, all of our employees that are full time are under a true pension system. There are two true types of pension systems. There is one that replaces Social Security, and there is one that does not impact Social Security. On the screen, you will see kind of an example of

each. Our Firefighters are in the top system and in the bottom system are the rest of our employees. Just to make this very clear, while the top system has a higher annual benefit, they are then not going to get any income from Social Security from their time with the City. So, it is kind of designed to offset.

Beyond the defined benefits, there are three main other types of retirement systems that are out there. You have a cash balance retirement system. A few cities have shifted to this, so basically what this means is all of the risk goes on to the employee until they retire. The City contributes money each year however, the investments go they will have a cash balance at the end, then that is converted to an annual payment at retirement. The second type is a 401k style, in which the employee takes on all of the risk, then the third type is a hybrid system which we will give a lower guaranteed benefit from a pension on top of a contribution to a 401k.

So, looking at it this way, these are the five types of retirement plans. The top ones are more-risky to the City; the bottom ones are less risky to a city. The words are chosen. I do not want to say that one is better, because it really depends on investment performance. Certainly, an employee is going to probably be better off in the pension systems, but when the employee is taking on all of the risk from investment, there is some upside to that as well. You will see here all of our employees are in the top two tiers of plans.

So, we have two systems; our general employees and our police officers are in LGERS. Police officers are in LEO, which is a component of LGERS, but that is all state controlled; we have no say in that other than through the LGERS board, then our firefighters are in a local retirement system, the Charlotte Firefighters Retirement System, and we do have a local board with representatives from both firefighter members and the City.

There is a lot of data on the slide comparing general employees, fire, police, and the systems that they are in. I did highlight a few key distinctions. The first one is that in fire, they are able to retire at 25 years of service and age 50, so that is a little bit unique. The other plans would be either age 55 or age 60 with 25 years but more common 30 at any age. The second unique thing is also fire, which is they are only able to use their top two highest years of income; whereas, the State systems use four, then as I mentioned before, the fire system does not receive Social Security, so they do not pay into it during employment. They also do not receive a benefit on it once they retire. For law enforcement, there is a little bit of a unique thing that North Carolina does with a separation allowance that only police get, and I will explain that in a little bit more detail when I get into the comparisons.

Finally, the 401k contribution, this is separate from the plans for the pension plans. This is in addition. The City does three percent for general employees and fire. That is a City decision, and for law enforcement officers it is five percent. That is a state mandate.

**Councilmember Driggs** said so, if someone retires at age 50 after 25 years, they start drawing their retirement benefit immediately right, not at a later date like for federal government?

Mr. Bergman said correct, that is a big advantage of the plan without Social Security is that you do not have to wait until you are 62 to get the additional, so yes. They will get their full benefit at this retirement age.

Mr. Driggs said there has been a lot of discussion about the 25 versus 30-year case. Is there an incentive in terms of the comparative advantage of you doing one versus the other build into the terms, a motivation for people to retire after 25?

Mr. Bergman said as far as liability, it is more advantageous for the City if they stay beyond 25 years.

Mr. Driggs said right and for the employee?

Mr. Bergman said it is better for the employee to be able to have the option of retiring at 25, because they are able to continue working until 30 if they would like to, so 25 is certainly more favorable to the employee.

**Councilmember Harlow** said for general employees, is there any plan where the general employees do not receive Social Security as part of the pension plan?

Mr. Bergman said I have that in a slide coming up; there are a couple of them.

Mayor Lyles said I wanted to ask, the average of two consecutive years for fire, was there a rationale for that or a reason behind that decision?

Mr. Bergman said this has been part of the plan through stakeholders for quite a while. I do not think that they are discussing this. Fire's board is discussing a number of changes, some considerations; I am not aware if this is one of them.

Mayor Lyles said when it comes to the police, the impact of having the separation allowance, where is that kind of the question? I am assuming that is better for the employee at the age of 55 or 30-years an incentive to move because your pension multiplier or you get an additional-

Mr. Bergman said right, so what the State of North Carolina did is they added the separation allowance. What it basically does is it simulates Social Security until Social Security age, so it is done at a multiplier of 0.85%. When added to a pension, it brings it very close to what the true Social Security payment would be, so it basically smooths their annual income from retirement past Social Security, so it is like a bridge.

Mayor Lyles said so, if I am making the same thing if I am a police officer and I am a construction supervisor, the advantage is that the cost that this person would get with Social Security at 62 but the police officer gets it immediately?

Mr. Bergman said right, so this next slide kind of shows that.

**Councilmember Egleston** said do we have an apples to apples comparison of going between these two slides, employee contribution for LGERS at six percent and employee contribution for LEO at six percent; fire is employees contributing 12.65% then there is obviously the difference with putting into or drawing out of Social Security, then on the next slide, it shows that the fire annual pension is higher. Do we have a way to look and see over the life time of their career the comparison of what they've put in versus what they are taking out? Is the 546 for fire annual pension because they've put in a proportionately larger amount over the lifetime of their employment or not?

Mr. Bergman said so, let me answer that a couple different ways; the first is you are talking about the employee contribution. So, while firefighters have a higher contribution here, they do not pay into Social Security, so when you net out the cost of Social Security plus Medicare, plus employee retirement, firefighters are contributing 14%, and the others are contributing 13.6%, so it is very close as far as the contribution once you factor that in. Moving to the next slide, what I can tell you is that using the same pay it is designed so that the law enforcement officer and the LGERS are very close once they get to Social Security, so in this example, a quick Social Security estimate would be about \$17,000 at age 62, which puts it very close to firefighter pension. The advantage to the firefighter is that they get it at age 50 rather than waiting until Social Security, so they are very close once you get past Social Security age. They do get the advantage, firefighters before Social Security age.

Mr. Egleston said I think that it would be helpful to see, because as we look at annual pension, obviously there is a disparity shown on the slide, but I think that for the full picture, we need to factor in how much additional they have put in over the course of their career before they retire.



Mr. Bergman said I apologize if this slide is representing that firefighters are much better or anything; I tried to note that there is that distinction that they do not get the benefits, and it kind of events out after Social Security.

Mayor Lyles said it events out after Social Security, does that mean if I am at the Fire Department I get the benefit of the same amount, but as a police officer with a local separation allowance you have that time frame. If you 50 and you can retire as a police officer and you can collect Social Security at 62; I am just asking so that I can understand. Do you get that equal amount at the same age with the same determination, like a firefighter at 50 retiring and a police officer at 50 retiring? They do not both receive the same amount until catch up?

Mr. Bergman said correct so, these are not designed to be identical or anything. They just happen to be very close. So, the easiest way to explain it is start with the general employee. So, in this scenario, they retire after 30-years they are going to get \$37,000. We will say that they are 55 years old. So, from 55 to 62 that is what they get, then they are going to pick up about \$17,000 from Social Security, which gets them to about \$55,000. So, firefighters, while they can retire at 50, which is an advantage, but let's say they retired at 55. They are going to get \$55,000 all the way through. Police officers, they are going to start at the \$37,000 but also immediately get a \$17,000 separation allowance, so they are also going to get the \$55,000 from 55 all the way through. So, they end up being relatively similar.

Mayor Lyles said the separation allowance is equal to practically Social Security.

Mr. Bergman said yes, it is intended to bridge from retirement until Social Security age.

Mr. Driggs said overtime is that included in the four-year salary calculations?

Mr. Bergman said yes, overtime does count for all of them.

Mayor Lyles said is there a cap on overtime, or is it just all overtime? Like if I worked \$35,000 worth?

Mr. Bergman said yes, overtime is included in all, so the impact on police and general employees is a little bit less because it is spread over four years, so you would have to work a lot of overtime over a period of time. With fire, they see a little bit more of an impact, because when you are close to retirement, you can work as much overtime as possible for two years, and it can really increase their pension. So, when I mentioned the Fire Board is talking about some changes, that is one of the key things that they are looking into is something to make sure that overtime stays in line, because they have had a few outliers.

Mayor Lyles said have we audited that for the outliers to come up with management policies to make sure that those are not done without some oversight and thoughtfulness or requirements?

**Sabrina Joy-Hogg, Deputy City Manager** said yes, the Internal Auditor has looked at it last year and there was not [inaudible] published on overtime. It is periodically looked at and I know the new Fire Chief is implementing some procedures [inaudible].

**Marcus Jones, City Manager** said Ryan, let me make sure I am reading this the correct way. You are making no assumptions about overtime for anybody here, but you can have a scenario where someone is getting a good amount of overtime in the last three years or two years and that would have an impact on retirement?

Mr. Bergman said right, so this top four-year salary is everything. It does not specify what is base or what is overtime. So, if you say that \$65,000 is the base salary, you may have one employee who does not work very much overtime, very similar to this, and you might have another employee who works a lot of overtime over the last two years, which can substantially increase their pension.

Mayor Lyles said that is what I am asking. Are we making sure that that is being done with oversight? I would not like to read in a newspaper a trend that designates certain categories of employees getting certain categories of income that really monumentally affect pensions. I think that is not what the intent is of this, so I am just making sure that every person that looks at that overtime budget, and it is justifiable for work purposes, not for building increased opportunities.

Mr. Jones said agreed, so I would say that if you read an article today, I couldn't tell you with certainty that you would not read an article that was a bad one. So, this is one that Chief Johnson is working through. These are something that the Retirement Board understands, and everybody is trying to work through this so that this doesn't become the practice.

Mayor Lyles said and that is for all three categories? This could be anywhere? All three categories ought to have the same management review.

**Councilmember Eiselt** said I just wondered not knowing really how these things work; is there any kind of a trend in the nation to cap that ability, not to have overtime but to have a certain percentage of overtime or to have all of your overtime included in that calculation? I mean you just think of the problems that every state has right now with funding their pensions. You would think that there would be some discussion as to saying you can do overtime in your last two or four years, but only 10% or whatever can be included in your pension calculation.

Mr. Bergman said there are a number of plans that have caps; for instance, it cannot be more than 100% of your base income, but we are looking at this in a point in time, so I am not sure of the trend. My guess would be yes, but I cannot say that with certainty.

Ms. Eiselt said should we be looking at that?

Mr. Bergman said the Fire Retirement Board makes those types of decisions in consultation with the City and in consultation with the State, who actually has to amend the act.

Mr. Driggs said I wanted to mention, for one, there already has been investigative reporting in this general area, and there were antidotal reports of some outliers and things like that. I do not think that it rises to the level of a widespread issue, but it would be interesting to know, for example, what the overtime hours look like for the last two years compared to preceding years to get a feel for how much of an issue it is that people are stepping up the overtime, because the overtime should be geared to the needs of the department and not to retirement aspirations of individuals.

Ms. Joy-Hogg said the point of the standardization of HR is the City is moving from the siloed approach. That is something that HR is concentrating on, consistent pay practices throughout the City and how can we insure that. You are right. There are some outliers, and what we have asked HR to do is look at consistent overtime use, and if there is a consistent issue with overtime, that is a workload issue, and we should be looking at whether or not to add more positions. What is the workload, and does it need to be split? There is more analysis that needs to be done. I have always said overtime becomes a leadership and management issue, except in times of emergencies when we have storms. So, I imagine if we did the analysis this year, we have had several storms, we may see a little bit of a spike, but we will do an analysis this year.

Mayor Lyles said I agree with you; it is a management issue, and when you get to a place that it requires more people to do the job, it is better to do that. One, we do not want people working 80 hours a week, especially in a number of the jobs like whether you are out there on that backhoe in the middle of the night, which I have seen Charlotte Water doing. That is not a safe situation, so we need to make really sure that we are looking at that as a management issue, because we want to be a safe City.

Mr. Bergman said so, this answers the question from earlier on. Are there pension plans for general employees that replace Social Security? The answer is yes; out of this peer group of 20 cities, there are three. So, we have it broken out here between general employee, fire, and police, and the one with the yellow is where Charlotte's employees currently reside. So, our actuary was able to do an actuary analysis to compare within each of these groups so that the peer group for general employees would be 11, for fire 10, and for police 7. You will note here at the bottom, for general employees there are six cities that have shifted away from a retirement plan that is a little bit riskier for the employees and more stable for the City. Charlotte has not done that in any of its plans. It is a little less common in police and fire, but there are a few cities there that have done so.

So, the comparison by the actuary, what they are doing is they are putting pay at the same level across all plans, so this is in no way trying to show what pay is amongst these cities, so there is no cost of living adjustments. This is simply the value of the pension for the same rate of pay. So, what we are doing is we are taking a 25-year old employee who is retiring at 55, which is the first retirement age in most of these plans.

The City of Charlotte does compare very favorably for general employee plans. I should note that this does not include the 401k contribution that we do on top of this, because it is apples and oranges. So, on top of having the second best out of the 11 in value, we also do the 401k contribution, and we are one of only two cities out of these 11 that does that for general employees. We also have an employee contribution that is lower than the median; this is a state controlled plan, which does not have a cost of living adjustment, but you will notice that the one plan above us, which is way out west, it is not that the starting benefits are higher, it is that it does have an automatic cost of living adjustment, which North Carolina does not have.

Moving on to firefighters, I am going to show firefighters two different ways to be fair. I am going to show them at 30-years like this, but then the next slide is going to show them at a comparison of 25-years across, since they are able to retire at that age. So, they start off a little bit behind the median at 30-years. Their contribution rate is a little bit higher than the median, but they are one of three cities that gets a 401k contribution on top of their pension out of these 10, which helps add a little bit of value, then when we go to the next slide, which is also firefighters but at 25-years, you can see that at 25-years, they do have quite a bit more value. So, they are third out of 10, and you will see that the plans above them, other than this top one which is out west and sort of an outlier. The other two above them have cost of living adjustments automatically build in, which is what puts them beyond the City.

One thing that is not able to be factored in here was what we did talk about, the fact that Charlotte's firefighters plan is one of two cities out of these ten that only uses the top two years. That does allow for a little bit bigger increases due to overtime at the end of the career. Moving on to police, police starts low. This is before the separation allowance. I will show the impact of that in a second, but it starts low; it has an employee contribution equal to the median. It is one of three out of seven that do a 401k contribution which will increase it, but then we look at the same slide factoring in the separation allowance, and it does increase it. I have an example here of how the separation allowance is calculated. It is your final base salary, the years of service, then a 0.85% multiplier, so that is a temporary payment from whatever age you retire at until age 62. So, you have to work 30 years to be eligible for that, but it does increase Charlotte a little bit. I would say that while we can't do the apples to oranges comparison, even if you only took the cash 401k contribution and assume no interest, it would actually push the police plan above the median, so while you can't build it into the study, it is something that we do that most of the police plans do not do.

So, the final slide, the relevant findings, Charlotte is one of 14 cities who has not shifted any of its groups to the riskier plans for employees; we are one of only two cities that do a 401k contribution for all groups on top of a regular pension, and below that it has where Charlotte employees rank within their peer group for police, fire, and general employees. As I mentioned, the ranks at the bottom do not count the 401k contributions.

**Councilmember Mayfield** said going back to the previous slide and this is just for clarification, you mentioned earlier, if we are looking at the separation allowance example, we have an example out there were since we are looking at a three-year average, we have seen where people have worked overtime and that overtime changed their base salary for that window. So, I think what I heard you mention earlier is that we are looking to put some specific parameters around that to help address that. So, looking at this example moving forward, this type of example of the \$68,943 final base salary should actually be closer to their true salary, not a salary that was inflated.

Mr. Bergman said correct, so for separation allowance specifically, it is only base salary, and that is state code.

Ms. Mayfield said so separation allowance wouldn't even include if they had the overtime?

Mr. Bergman said correct.

Mr. Driggs said what is the mix of employee and employer contributions to LGERS?

Mr. Bergman said the LGERS contribution in FY20, 8.95% is general employees; 9.7% those are for the police. Those are the employer contributions. The employee side is six percent.

Mr. Driggs said because the LGERS discovered recently that they were underfunded as a result of investment performance, so what is the outlook in terms of the contributions that we have to make to LGERS?

Mr. Bergman said so, our contributions comparatively are very moderate, because our funding status is good. I do have that information. We looked at 31 plans across all of these cities, and the median funding status was 76%. Our LGERS and LEO was 92%, and our firefighters 87.6%. So, because our funding status is very solid, which is sixth out of 31 on LGERS and eighth out of 31 on the firefighter's side. Because they are solid, the employer contribution has not increased a whole lot, but in this past year from FY19 to FY20 like you referred to it, it is going to go up by 1.2%, which is a \$3 million impact to the general fund. It is very significant, and at least in the Budget Office, actions like that that we support because we know that it is better over the long term if we are able to put additional money in it to stabilize it.

Mr. Driggs said it is a reflection of the fact that we are in a plan that has higher risk for the City and shelters the employees, right? We are absorbing the fluctuation in investment results.

Mr. Bergman said absolutely, employees in our pension plans assume no risks from investment return.

Mayor Lyles said is that consistent? That increase is going to be 1.-

Mr. Bergman said it is 1.2%, and the plan increase was going to be .25%, and it went to 1.2%.

Mayor Lyles said and that is for every participant inside the LGER system, every other city and county as well, right?

Mr. Driggs said everybody, yeah. So, what is the moral of the story?

Mr. Bergman said I think what we are trying to do is, when you are looking at a total compensation and benefits comparison for all employees, we have kind of shown on the pay side where we stack up; we are going to show where we stack up on healthcare and some other benefits. So, this was kind of the missing piece for a better understanding, even though there is no action to be taken from Council.



Mr. Driggs said right, because we had a couple of takeaways from the compensation analysis, but you have not kind of arrived at any proposals from modifying our pension benefits as a result of this analysis.

Mr. Bergman said correct, it is partially because the state controls two of the plans, then we have this other board to work with on our one locally controlled plan.

Mayor Lyles said I thought that I heard though that on LGERS no change, but I thought that I heard you say on the fire the representatives of the City on the Firefighter's Board are looking at benefits, and that is what I think that I took away from this.

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#### **ITEM NO. 4: HEALTHCARE AND OTHER BENEFITS COMPARISON**

**Sabrina Joy-Hogg, Deputy City Manager** said being an employer of choice is not just about compensation; it is about workplace environment. It is all the other stuff that we provide. So, Mr. Driggs you asked about the take away. Retirement is part of the whole package we offer for our employees. Healthcare is another big one. We also did the peer city comparison, and Christina is also going to update you on MyClinic three-year performance.

**Christina Fath, Human Resources** said I am going to talk to you about the benefits component of our employer of choice initiatives and how we are looking at our benefit plans moving forward to achieve some of the goals that have been set forth for us. Looking historically from a benefits perspective, our strategy from around 1994 to 2017 was one of moderate income protection, so middle of the road benefits, and I think that we were successful in achieving that. In 2017, we started to look at that a little bit differently and begin talking about how we can be more of an employer of choice through our benefit offerings. So, in reflection of that, we are looking to provide employees access to different types of benefits, so we have a very diverse workforce, and what one person needs may not be what someone else needs. So, we do that through a choice of plans as well and layering on different types of value adds so that employees can pick and choose what they need.

If you look at this slide, this will tell you an overview of what types of benefits that are offered to city employees. There are, as you can see, dozens of benefits offered. We are primarily going to talk about healthcare today, but on the left-hand part of this slide, these are our benefits that are provided that the employer pays some portion of the cost to those benefits. On the right-hand side, you will see the additional benefits that employees can choose to layer on based on the needs that they have and are fully paid for by the employee. So, this ranges from medical to prescription drug, life insurance, our wellness program, diabetes program, our 401k, our 457, and then on the right-hand side to the voluntary benefits such as hospital indemnity and critical illness and the 457 plan, so, a very robust overall package.

We will focus at this point on healthcare, and I am going to run through some trends just to catch everyone up to speed. We had some conversation in the Budget and Effectiveness Committee meeting around the healthcare piece, so we want to share that with the full Council so that you can see where we are. This slide shows you the medical and pharmacy trend overtime for the City of Charlotte. The lighter green color is the national trend, both for medical and pharmacy, and the darker green color is the City's trend. You can see that we have had some good years, and we have had some bad years overtime. Most importantly though, the last few years have been very positive years for the City based on trend. That is primarily in part due to the MyClinics and to the pharmacy rebidding that happened in 2017.

**Councilmember Eiselt** said what is that measuring?

Ms. Fath said this is measuring national medical trend across the United States.

Ms. Eiselt said what does that mean?

Ms. Fath said the cost of healthcare in the U.S.

Ms. Eiselt said not use or-

Ms. Fath said no, it is the total cost of healthcare.

**Councilmember Egleston** said this is like the average cost of what an employee is paying?

Ms. Fath said no, this is the total cost of healthcare in the United States on average that is increasing over time. That is the national trend. Our number is the total cost of the City's healthcare, medical and pharmacy, year to year and whether or not it has increased or decreased, and ours has decreased.

Mr. Egleston said to the City or to the employees?

**Mayor Lyles** said no, this is just a general average. This is just saying that the national cost is going up as high as 10%, and our cost over all, and I am assuming that is both the employee and the employer total cost has gone down, as a trend.

Ms. Joy-Hogg said that is claims data, when employees go to the doctor and there is a bill. That is what you see.

Mr. Driggs said I think that is worth explaining that the City is self-insured, so the City and the employee pay into a plan, and the plan covers the cost of those services provided, so it is those costs that are being measured?

Ms. Fath said correct. This slide will show you based on our projections; we have to project premiums about a year and a half in advance, so we are looking at calendar year 2020 already at this point, and we are only in 2019. So, our projections are very far in advance, but what this is showing you is that based on what we project that far in advance, historically what our actuals end up being are very close together. This slide will show you how the City's cost for medical and pharmacy claims, on a per employee per month basis, has started to trend down since the implementation of the clinic. So, you can see that upward trend, and in 2016 that is starting to come down, and again that is a positive impact both for the employee and the City.

Ms. Fath said this slide demonstrates the overall cost of our expenses for medical and pharmacy and the portion that the City is paying overall and the portion that the employees are paying overall. So, you can see here that we have consistently had around a 70/30 split, even with the plan design changes that happened in 2018. In fact, the City picked up a larger portion of the share of the total cost last year.

This information shows you the percent of our plan members and the amount of the costs that they are driving, so on the left-hand side, you can see the membership. Employees make up about 49.6% of the membership. Spouses make up about 15.5% percent of the membership, and children makeup the remaining about 35%. On the right-hand side, it is showing you what are the percent of their claims costs. So, employees are half the population and they make up about half of the spent on the medical and pharmacy. Spouses on the other hand are about 15% of the membership, and they are making up about 26% of the costs. Children historically, this remains true here, they are 40% of the membership, but they are only making up 17% of the costs. The children do not cost very much. The reason this is important, this is how this break down has been for years. This is what drove some decisions in 2018 to change the premium structure, because employees and employee children, the two areas that are not the highest cost, were subsidizing employee spouse and employee families, because spouses are costing a larger percentage of the total cost than they make up.

Mayor Lyles said so, I think that the question is then, why? Is it just claims data here that spouses are making that claim, but we have not gone in and said because of.

Ms. Fath said it is strictly due to the health of the plan members. One of the strategies that we have employed to combat that or to mitigate that or provide a benefit to employees is going through the MyClinic. I will share with you at this point our strategy to use the MyClinic to provide free healthcare to our plan members. That is employees, spouses, children, and retirees. So, we brought this idea to City Council back in 2015; it was a radical idea at the time. You were fully supportive of it, and what I am going to walk you through here is where we are now four years later, now that we have implemented, but the reason we wanted to bring MyClinic was so that we can enhance the patient experience for employees, improve the management of chronic conditions, because that is what is driving cost. We could redirect care from inappropriate settings to more appropriate settings. So, for example, instead of going to the emergency room for a migraine at 2:00 p.m., you could go to MyClinic instead. We thought that we could improve health incomes of our population then reduce lost worktime and absenteeism. MyClinic provides a variety of services from primary care, to urgent care, sick care, a full wellness suite with coaching, diabetes supplies. They offer medications; I think the medication piece is one that employees very much like, because there are about 150 medications on that formulary, and most of them are free. They do provide pediatric care and onsite labs. Again, these services are free to those who are on our plan. There is a small copay for some sick care visits in our HSA plans. That is regulated by the IRS, but overall, all of this is pretty much free.

**Councilmember Mayfield** said when we are looking at this under wellness, I recently learned that for women, it is considered seeing a specialist to go to a gynecologist through MyClinic- It seems like a gynecologist would fall under wellness care, not as a specialist, which creates the specialist copay amount, not either free or the basic copay amount. Somewhere, not today, but it would be helpful to understand how that change was made, because that is part of, for any woman, a part of her annual maintenance, to be able to see the gynecologist. So, I am just trying to figure out why that was considered a specialist versus general/primary.

Ms. Fath said that decision is not a City decision. Gynecologists are considered specialists in the field of medicine. Now, if you are going to your gynecologist for a well woman visit and that is your annual physical, as long as you are within the scope of what the Affordable Care Act deems as a preventative physical, and that is set by the government, then that is covered at 100%. Now, if you continue to go to that specialist for something else or if during your annual physical something else occurs; I am sure that you have seen the sign when you walk into your doctor's office that says if you talk about anything other than what you came here for, we are going to charge you a copay, at that point it does then revert to a specialist; however, you can also get-well women services at the clinic for free.

Ms. Eiselt said what does that mean for general labs, on-side general, blood, and urine labs? Outside lab orders allowed from other providers, what does that mean?

Ms. Fath said so, if you go to your provider and you have a lab ordered, they are going to draw blood, that is typically sent out to a lab, and that will pay based on copay or coinsurance depending on the plan that you are in. If you take that lab order to MyClinic and have your labs drawn there, they will draw those labs, send your results to your physician, and there will be no charge to you.

Ms. Eiselt said does the physician at MyClinic order those, if you are just doing your blood panels every year or whatever?

Ms. Fath said yes, your doctor that you are seeing for your annual physical would just write the order, and you would present it at MyClinic to have it done. When we embarked upon this, we asked four questions to draw out performance and outcomes from this. The first is, if we make the investment, will people use the clinic? The absolutely will use the clinic. We have about 80% employee utilization of the clinic; about 50% of the spouses

are using the clinic and about 35% of our retirees, which is an increase over last year, so that is an area we are going to continue to drive utilization.

If they use it, will they have a superior experience? I can confirm that as well, because the utilization is steadily increased year after year. If people use it and have a good experience, are the health metrics improving? That too has come to fruition, and we can see that through that claims data and trends data as costs are going down folks are getting healthier. Then, if the health metrics are improving, has there been a savings? We expected this to talk about three to five-years. We are a little past the three-year mark; we were able to provide some outcomes, which I will share with you.

You can see in the top chart here, this is the impact of MyClinic on medical plan costs to the health plan. So, the clinic costs in 2016 were about \$3.8 million. You can see overtime they have grown to about \$4.5 million. The health plan cost avoidance, this is saying that if we had taken 85% of the services that were completed in MyClinic and we had run them through the BlueCross Blue Shield plan and they had been played out into the community, this is what it would have cost the plan. The reason that is not at 100% is because we know some people go to the clinic who otherwise wouldn't have sought care, but I do think that it is a very conservative estimate and is likely higher. So, you can see that the plan avoided about \$3.3 million of costs in 2016, \$4.4 million in 2017, and \$4.7 million almost in 2018. With a net savings the first two years, we were having to pay in to the clinic. It was not solvent yet, but we have shown that in 2018 it is flat. Bottom slide though I think is more compelling. This is what I think that the clinic is saving employees in out of pocket costs. So, the first line around clinic payments, in 2017 and 2018, everything at the clinic was free. So, employees did not pay anything to use it. In 2018 is when we introduced the health savings accounts, which require us to charge for sick care. So, this \$12,000, those are the \$30 copays that we have collected for the sick care. So, the cost avoidance here is similar as above. For those who had gone to the clinic, this is what they would have paid in copays, deductibles, coinsurance, prescription drugs, if they had sought services out into the health plan. This is money out of their pocket. That net savings is bringing us to 2018 of \$1.4 million to employees.

Mr. Egleston said do we know what percentage of City employees have utilized MyClinic today?

Ms. Fath said about 80%. We have been strategic in moving folks through the clinic through our wellness incentive design.

**Councilmember Phipps** said it is good to see the success of the MyClinics really doing well. Are there any plans to expand MyClinic locations or partner with other entities? Are those plans progressing?

Ms. Fath said the clinic is a shared employer clinic. The intent was that other organizations would join into the clinic and it would expand the network; this year, Mecklenburg County joined into the clinic, so that is going to provide an expansion of hours and providers within the five clinics that we have. Harris Teeter is also coming on board for a portion of their population, then there is a portion of the Belk population that has joined the clinic. At this point, we have an expansion of providers and hours. The next decent size employer that comes on will be an expansion of locations. So, wherever we can facilitate a collaboration among community partners would be welcome

**Councilmember Driggs** said I just wanted to point out how much better this is than the proposal that was actually initially adopted; you remember. We looked at this and the expectation was that the capitation cost would exceed the cost of the health cost avoidance by a substantial amount for a couple of years, and we basically came out in the black from year one, and I have seen this huge surplus now that it has created, so I just wanted to congratulate everyone who was involved in this initiative, and it has provided non-financial benefits in the form of convenience and employee satisfaction. It is a great success story.



**Councilmember Harlow** said along the same line, we saw this last year an update on this, I did not understand how we got here, and now I guess seeing this in year two getting the same chance to say this is really amazing. We have an 80% clinic participation. That is very good. We are totally out of red; that is great. You talk about these expansions or adding in other employers or other groups in Mecklenburg County and Harris Teeter. Can we then foresee that these clinic costs will then go further down in higher net savings with higher participation and high access?

Ms. Fath said well, we will be precontracting, so we have a five-year agreement with OurHealth, and as part of that agreement where we are instrumental in facilitating employers joining into the clinic network, we reduce our annual escalation. So, because we were interictal in bringing on Mecklenburg County, they waived the six-percent escalation into 2019.

Mayor Lyles said I was about to say, we ought to get a lost leader commission. I think that we did, and I think that we should.

Ms. Mayfield said my question was on the same line but just a little bit more clarification, because you said that was for 2019. I am hoping when we are negotiating that we are negotiating long term and trying to figure out how to monetize each new partner. So, we mentioned going into the market and then them going to the table, because ultimately, staff doing that extra work should be to the benefit of not only the City of Charlotte but the staff of the City of Charlotte, and having a one year versus that five-year contractual agreement I think would be really helpful to justify why we are working so hard to get these other partners to come to the table.

Mr. Harlow said I appreciate the graph around the percentage of members participating, dependents, spouses and the percentage of claims that we get. Does that percentage of claims data give more detail to what the claims are, like why are people seeking care? Is it more emergency care or is it more for wellness visits?

Ms. Fath said that is not in this presentation, but we can certainly provide that. We do have that information.

Mr. Harlow said I would be curious about that. I do not know if anyone else cares about that, but I would just be interested to see, because the cost of emergency care is more expensive generally than the wellness.

Ms. Fath said yeah, we actually reduced our emergency granularization year over year with the implementation of the clinic. So, that has gone down; we have identified emergency room utilization that is within the operating hours of MyClinic, and we do targeted mailings around that and then also targeted mailings to those who are using the emergency room inappropriately, even if that is off hours, so we do try to outreach around emergency room utilization. The other thing that we have done, we have added a clinical care advocate, and she is actively monitoring emergency room utilization to do direct phone outreach to plan members who are using it inappropriately.

Mr. Driggs said the growth when we talked about it initially was expected to lead to more locations; on the other hand, there were questions about whether or not if the populations served went up, the performance metrics in terms of the waiting times and things like that, so how has that unfolded? Are we seeing the same level of services that we saw in the beginning?

Ms. Fath said we are. It is still early in this particular year where we have seen a large increase in membership within the full clinic network because Mecklenburg County just came on January 1, 2019. We have not seen in the first quarter increase complaints or wait times or appointments that could not be met. We do have in our performance guarantees metrics for wait time, appointment time, those types of things, and they are still on target, but we are closely monitoring that with the increase of participation.

Mr. Phipps said on Mr. Driggs' point, I can recall when we first got the presentation on the MyClinics, and I think that the Mayor was there too then. The tenor of the discussion and presentation, I did not think that it was going to; it came off as a rocky start. It did not seem like it was going to go anywhere. It was almost like it was going to be torpedoed almost, so they went back to the drawing board and brought it back, and now we have a success story. So, it has really taken off I think.

Ms. Fath said in addition to MyClinic, the other change that we made to our strategy besides access is choice. So, if you go back to 2017, we had two health plans, one of which was frozen, so new employees could not get into that plan. So, I like to tell folks, we had one and a half plans, but we only had one that you can really get into, and that was that basic plan. So, due to the diverse nature of our workforce and the needs that they have, we wanted to provide a lineup of plans to give you options, options for coverage, options for premium points, options for ways to pay for your healthcare now and in the future. So, we went to a five-plan lineup to provide that choice, offering two health-savings account plans, one PPO with a health reimbursement account, and then two traditional PPOs. The impact that that had was that most employees had an opportunity to reduce their premium. At the same time, most employees had an opportunity to choose a plan with a higher value than they previous had access to. These new plans provided employees a choice of deductibles so that they could choose based on their healthcare needs then those health savings accounts provided an opportunity for employees to pay for their current and future retiree medical expenses since the loss of retiree medical.

In addition to the five-plan lineup, our strategy has been to add value through additional health plan choices that you can layer in. So, you have got the clinic as we have discussed, the health savings accounts. Those are great, because they again help you pay for expenses now, but they can also help you pay for things that are not covered by the plan; they can pay for dental and vision expenses. They have a variety of things that they could be used for to increase the value of your health plan.

We also introduced voluntary benefits. So, the accident, critical illness, and hospital indemnity insurance, these benefits pay you cash, so instead of taking a traditional approach and just looking at deductibles and plan design, which only impact an employee when they use services, these types of plans, not only can they help pay that deductible and out-of-pocket medical expenses, they can also help pay your other expenses due to your hospitalization or your injury. So, it provides a bigger benefit when married to a medical plan. Then through the wellness program, helping folks get healthy and stay healthy again has an overall impact on cost. So, now that you know where our strategy has come and where we are today, the next piece of this is looking at our comparison to the peer cities; here are the 20 peer cities. These are the same 20 cities that have been referenced in the two earlier presentations today. We did include Mecklenburg County and Raleigh in the comparison so that we could see where we benchmarked against them as well. I will tell you one city declined to participate, and another city does a defined contribution, so they give you \$10,000, and you can spend it however you want, or you can take it in pay. So, we did not include their information in this study.

So, the comparison methodology was one using actuarial values; when comparing medical plans, it is comparing apples and oranges quite frankly, because again, there are a lot of different plan designs, different layers of benefits that you can add. There are narrow network strategies where you narrow choice, but that can increase the value of the plan. There is the strategy that we took to provide free healthcare through the clinic, so the actuarial value is how you get down to the best comparison that you can get of medical plans just based on plan design, so what this means is they are taking, on average, a health plans total benefit and comparing it to another health plan's total benefit in terms of what it would pay. So, one plan may pay 90% of the total cost. Another plan may pay 80% of that total cost. Another plan 70% or 60% of the total cost but again, it is only talking about the plan design, deductibles, coinsurance, copays. It is not talking about any of the other component that can add value to a plan.

What I provided for you in the middle here is the Affordable Care Act tiers, just to give you some point of reference. So, on the Health Care Market Place, those plans are evaluated by their actuarial value, and they have a bronze, silver, gold, and platinum status based on the value that they have. So, the bronze plans out there on the exchange are ones that are provided minimal level of essential benefits; those in the silver and gold, the 70% and 80% are providing moderate level of benefits, and those on the platinum are providing a very rich level of benefits, and the footnote here that the clinic value is not included in the comparison that we will walk through, but it is estimated to add about four percent of value to the plan.

So, you can see here the City's five plans for 2018 and the corresponding actuarial value. So, Plan A is at 74%, Plan B at 86%, Plan C at 75%, Plan D at 70%, and Plan E at 80%. So, all of our plans fall within the ACA silver or gold tiers on the exchange. There were some plan enhancements that were made in 2019 that increase the actuarial value of Plan D.

For the purpose of this study, only 2018 plans were compared. So, some enhancements were made in 2019, which would improve our position at this point. What is not included is that free healthcare that you are getting at the clinic. What also is not included is the hospital indemnity and accident plans that will help you pay your deductible and medical expenses, then the fact that our plans have broad networks. Many of the plans that were reviewed have narrowed networks; you can only go to one hospital. You can only go to this group of providers. Our plans provide choice. You can go to both hospital systems, and you have a very large network that you can choose from. That provides value that is not captured in the [inaudible]. So, if you look at the overall actuarial value of the plans for those 20 peer cities, you will see on the PPO plans that our plans fall slightly below the median of the peer cities; however, if you factor in that additional MyClinic value, that brings us much closer to the median. On our HSA plans, Plan B is right there at the median, then Plan A is lower.

When you look at the cost share for the PPO plans, the cost share is the percentage of the premium, that weekly amount that employees are paying, the percentage that the City is paying and the percentage that the employees paying. So, this slide shows you the percentage that the City pays, so on our employee only PPO plans, the City is paying about 83% to 86% of the total cost for those plans. We are right below the median on Plan C and Plan D and slightly below on Plan E.

Mayor Lyles said so, let me ask if I am reading this chart correctly. If I had an employee and we were at the 85% employee only and yet the family under Plan C and Plan D is at 70%, then we have a disparity in terms of the financial that the employee family is getting less value at a higher cost? Am I saying that correctly?

Ms. Fath said this is just on the premium. This does not relate to the value.

Mayor Lyles said so, they are paying the same thing that they employee only person got for Plan C and Plan D. They are paying a higher value than the employee only for the premium, but they are getting also more people in the plan.

Mr. Egleston said I think that it is that the City is paying a higher percentage of the actual employee's cost and a lower percentage of the employee's family member's cost.

Ms. Fath said yes.

Mayor Lyles said is that typical? Is that across the board for what the industry does?

Ms. Fath said you can see here, on the employee only side on the left, many of the employers are paying 85%/90% and a couple of them are paying 100% of the cost of insurance for employee only coverage. On the family side, you can see that cluster then goes under 80%. So, the employer is expecting that if you are going to cover your family members, you are going to pay more towards the premium for that coverage.

Mayor Lyles said that is industry standard?

Ms. Fath said that is industry standard.

Mayor Lyles said got it.

Mr. Driggs said I just wanted to say about that, if you didn't do something like that, it would discriminate against people who are not married or who do not have dependents. So, the idea is not to create a disparity based on family status.

Mayor Lyles said I just wanted to make sure that I understood it.

Ms. Fath said one note on the Plan E, that one is low in terms of the cost share there, but again, this is 2018. The City increased their contribution to that plan in 2019, so if we were to redo that, this may go up slightly.

Mr. Harlow said on the employer cost share, I guess either one of these PPOs [inaudible]. To your point thought, we are still kind of below in comparison either way. Whether we are looking at the clusters, we are just looking at our dots in comparison to the median. I will say that I guess our percentage of sharing the cost in that plan in comparison to these other municipalities is still under. So, I guess we are still below the median on all fronts.

Ms. Fath said that is a fair comparison to these peer cities, yes. So, the next slide shows you the same thing for the HSA plans, so this is the portion that the employer, the City, is paying the premium on these plans. On the HSA plan you can see the median right there is about 90% on Plan A employee only the City is paying more than that. On Plan B, only the City is paying less than that. On the family plan, the median is around that 85%, and on Plan A and B, the City is paying less than that in the cost share. Again, on the family plans, this was a strategic decision related back to that slide that I showed you where spouses are a smaller percentage of our population; however, they are driving more of the cost.

So, the value enhancements that were made in 2019 that were not a part of the study are that there were no increases to employee premiums in 2019. The deductible out-of-pocket max on Plan D was changed. That improved the value of that plan by five percent. The family premium on E was also reduced by 10%. We added additional services at MyClinic, then we also added comprehensive firefighter medical exams during 2019. So, again, that actuarial value comparison is about as apples-to-apples as you can get, but there are a lot of other components that layer on to a plan that increase its overall value.

Moving on to other benefits, the dental highlights: nine of the 20 cities that we looked at provided employer contribution to a dental plan. The City provides a \$26 contribution to the dental plan weekly. Our plus plan has a 61% Av, and our basic is at 46%. The median of the plans that we looked at was right at 61%, so you can see we are right there in line with the median on that plus plan.

Mr. Harlow said what percentage of employees are opting into a dental benefit?

Ms. Fath said we have about 80% of employees that opt into dental.

Mr. Harlow said we need a MyDental person.

Ms. Fath said that is in our vision to have that too at some point. Short-term disability, this provides income to employees that would be out of work due to extended sickness or injury that is non-work relate. The typical duration of this is about 26 weeks. Charlotte pays 100% of the premium for this benefit, so employees are provided this as a benefit to them, and we are one of only three cities that are paying the full cost of this benefit. Our current benefit in 2018 during the study was that it was 50% of weekly earnings. It now in 2019 has been enhanced to 60% of weekly earnings. Our basic life insurance benefit is also paid at 100% by the City; 19 cities in the study also pay 100% of that basic life benefit. Our 2018 benefit was two times annual salary. You can see here there are



three that offer two times annual salary, with 11 offering less and five offering a flat amount.

On vacation leave, you can see the median at the top and Charlotte right there underneath, so the first line is showing you the hours that you accrue when you start employment with the City, so in your first year of employment, you would accrue 80 hours. At the 10-year mark, you would accrue 144 hours, then for the City at the 14-year mark, you would begin accruing 160 hours. We are offering the median here; however, what was not looked at was what was the maximum accrual-time period, so for some of these cities, you would hit the max at 20 years or at 25 years. The other thing that was not looked at with these cities is, is there a max pay out? So, the impact to the organization when you leave, whether that is termination or retirement, we are paying out your vacation. So, that may be one reason why this has been set at 160.

Ms. Mayfield said clarification on this, some companies have basically use it or lose it. At the end of the year, you get maybe three more months in to the next year to complete that vacation time, but I believe, I do not know if it is all over the City or just some departments, where you can accrue vacation, and that is where it can be a challenge where having to pay out. Are we having conversations? It may be a question for the Manager's Office to not be able to accrue 144 hours of vacation time, then when you retire that would either have to be paid off or the last year of work is just, okay here is my vacation slip. Let me take these next three months off.

Ms. Fath said you can only carry over two and a half times your accrual. So, there is a cap on it. Anything that is beyond that then converts to sick leave, so you do not lose it completely, but we do not pay out sick leave for a mass payment. So, your sick leave could then be used for service credit at the time of retirement.

Ms. Mayfield said what does that mean?

Ms. Fath said if you are a 30-year employee and you have accrued two years of sick leave, you could actually retire with a 30-year benefit at 28 years, because you are making up the difference with your accrued sick leave.

Ms. Mayfield said why would we allow someone to accrue two years of anything?

Ms. Fath said that is a retirement system provision to use the sick leave towards service credit.

Ms. Mayfield said okay, I will ask offline for you to explain to me how we would let something roll over into something else and have that much time.

Ms. Joy-Hogg said [inaudible] employee when they are about to retire when they cash out vacation time, that overtime is supposed to [inaudible].

Ms. Fath said yes.

Mayor Lyles said towards how much, all of it?

Ms. Fath said yes.

Mayor Lyles said I read this article about companies that are no longer saying you have vacation time. It is take as much as you want, and they found out that people were not taking very much at all. Giving them unlimited, they worked all the time instead. It is human behavior; it is amazing.

Ms. Mayfield said that would not be a problem that I would have.

Ms. Fath said moving on to sick leave, within the comparison cities you can see here we are in that tall block here there are 13 cities that provide 12 days of sick leave annually. We are well within range. On parental leave, we provide a six-week paid benefit per

calendar year. We are again in the tall block here of the seven cities that provide at six weeks of paid parental leave, some cities below and some cities below.

Mr. Egleston said that is the same for our male employees and female employees?

Ms. Fath said yes. Other benefits that were looked at include tuition reimbursement; 16 cities, including us, offer tuition reimbursement. Six cities offer longevity pay and new hires; 14 cities including Charlotte have transit discounts?

Mayor Lyles said do we do longevity pay?

Ms. Fath said we no longer do longevity pay. Eight cities offer some level of buy back. This is a vacation sell type of program. Six cities offer some sort of child-care program or subsidy and two cities have a loan forgiveness program.

On holidays, again, we are right there with everyone else with 10 cities that provide 11 holidays annually and seven cities offering one to two more days and the other five cities offering less. So, the overall study findings show that Charlotte does have some healthcare plans that are near the median and some that are below. The study design did not include MyClinic, which would increase those values right off the top at about four percent. It also did not include our plan enhancements or the value adds from our network and other programs that we have. Our other employer paid benefits, the life insurance, short-term disability, dental, holiday, and leave are aligned or actually better than the peer cities, and that our overall leave benefits are in line with the peer cities as well.

Our considerations for 2020, first is to look at enhancing the value of that HSA Plan A. That was the outlier plan on the Av, to mitigate medical plan premium increases, so this would again help that cost share piece. Eliminate Plan C due to a lack of participation in that plan. That is that middle plan; it only has about 200 people enrolled in it at this point. We are also looking at enhancing the dental plan options that we have and making enhancements within the plan, so looking at adult orthodontics for instance. We are exploring a hearing loss benefit to add to our lineup. We are reviewing the City's leave incentive for unused sick leave, as well as looking at additional voluntary insurances for employees, then finally, a 529 college plan payroll deduction program.

Mr. Egleston said consolidate the number of plans that we have from five to four, is it a cost savings for the City?

Ms. Fath said it is negligible, because there is only about 200 people in that plan, and that plan looks very similar to Plan D, in terms of the cost of that plan.

Mr. Egleston said I just wonder if those 200 employees if they deem that to be the best option for their family. There should need to be a benefit for the City to eliminate something that was deemed to be the best option for 200 people I would think.

Ms. Fath said well, I will tell you from my experience in talking to employees who are in that plan, this includes retirees, many of the folks in that plan do not understand how that plan works. So, they have gotten into a plan where they thought that they had first dollar coverage, like a PPO would have, but this plan has a health reimbursement account, so they end up calling us mid-year wanting to change plans, and they cannot, because they misunderstood how that plan worked. I think that plan was initially pitched because we were on the fence of going straight to health savings accounts, so that was kind of a baby step plan.

Mr. Egleston said it is not 200 people who love Plan C who are going to be upset.

Ms. Fath said absolutely not. In fact, we would do a communication to those employees to let them know that this is coming, and we could certainly help them make alternative plan option choices.

Mr. Egleston said my large philosophical question that might be a better conversation for another time but I think that it is useful data for us to compare ourselves to these other cities as we set our benefits and pay and everything else. I wonder how frequently we compare ourselves to the private sector in Charlotte though, because I would think that our employees are less likely to compare what they make to what someone in Omaha makes or what someone in Columbus, Ohio makes and more likely to compare their benefits and pay with their neighbor who works for Bank of America. Certainly, in terms of who we are going to attract people from and loose people to, it is more likely I would assume the private sector in this region. So, how often does that go into the research that we do?

Ms. Fath said the last time that we did a full ben val for benefits was around 2011, so it has been about eight years, and that was looking at the private market around Charlotte, along with a couple of the competing municipalities. This study was designed to look at the peer cities. I think at this point the conversation becomes where do you want the strategy to go and the comparison to be looked at?

Ms. Mayfield said we have a slide that you do not have up there that is in here, and that is that breakdown of other benefits. Looking at this breakdown of other benefits, the longevity pay, question is these other benefits, are these some of the things that we are considering? I did not necessarily see them in the findings and considerations as far as moving forward, or are you just letting us know this is what some other cities and or individuals do, but that does not mean that we are necessarily looking at it. I am looking at the child-care programs and subsidies. That is something that is definitely a major benefit, and I think that possibly Durham and some other cities have looked at some of this, so I am trying to figure out how this page fits into our findings and considerations.

Ms. Fath said this particular slide is just intended to demonstrate additional benefits that the 20 peer cities have and whether or not we have them or not, so we have not looked at this to say we want to offer this or we want to offer that. I will say that the longevity pay we use to offer, and that program was discontinued back in the 1980's. The child-care piece, we actually are looking at this. One of the benefits analyst on my team has started a comparison of options similar to what Starbucks is doing and a couple of other employers are doing around child care, so we are analyzing that data to provide recommendations, but they are not currently complete for this.

Ms. Mayfield said it would be helpful if in the next update if you could share that. You shared it a little bit, so the transit pass, you have in there that it is including Charlotte tuition reimbursement. So, it would be helpful if we are looking at more than one or two of the others, just also have in parenthesis, "doing a comparison" or "comparing," just so that we can get an idea of the direction prior to it coming before us in a full recommendation, knowing that we are considering some of these things.

Ms. Fath said I will take the fall for that. We have been kind of doing that on our own, so leadership hasn't been made aware that we are looking at that currently to provide that recommendation.

Ms. Mayfield said I love the fact that ya'll are, so thank you.

Mayor Lyles said you see the list that was there that the Manager was basically saying all of this is on the table. I think that for me, it is one of those ideas of by implementing changes, are we meeting our benchmark, making them more equitable for the employees, or helping us with our recruitment or retention? Some of these things that they particularly apply to me would make sense if we find out that we have a group of people not coming in because of whatever these are. I do not see anything that comes to mind, but I certainly know and understand the value of 529 college plans as compared to the loans on the other side. I would much rather add that as their option versus having to try to deal with dealing with debt from college. So, I do think that is something to really look at seriously.

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## **ITEM NO. 5: FINANCIAL PARTNERS**

**Phil Reiger, Strategy and Budget Director** said Ms. Wideman and I are going to give you an overview of the financial partner process; specifically, we are going to highlight the agencies that applied for financial partner funding, and we will review the agency request, but I want to sort of make clear on the forefront, we are not making a recommendation today. We are just providing you with the information of the agencies that applied. The recommendation will come back as a part of the City Manager's Budget Recommendation in May.

Let's just start and level set, what are financial partners? Financial partners are agencies that the City has contracted with, specifically to provide services to support key areas of focus for the City, so they are like providing an extension of services for the City. They contribute to the community enrichment, and in Ms. Wideman's case, she will talk about partners that support departmental needs as well. We generally categorize these in four categories; these categories are around funding sources. So, we have financial partners that fall under the general fund discretionary. We have financial partners that have dedicated review services, partners that are funded by federal grants, partners that are funded by our capital PAYGO account, then we have a category of partners that are actually a common nation of federal grants and PAYGO. I am going to talk about the first two categories, and Ms. Wideman is going to talk about the second two.

I just wanted to highlight the overall process that financial partners go through. These are like providing grants, so we ask our partners to submit information like anyone would submit for a grant. The process that I have here supports all of the financial partners except for Out of School Time partners, which Ms. Wideman will talk about, and she will talk about the process that Out of School Time partners go to in a later part of the presentation. No, generally in October financial partners are made aware that it is time to apply for financial partner funding, and we provided a link on our website. We send out letters to our current financial partners, and we also notify financial partners that have had interest in the past, and we have had financial partners that had been referred to us by Councilmembers, and we reached out to them as well.

Those applications are generally due in December. This year, we actually extended the deadline. We had some things come up that required an extension, so we did that for all of them, then in April we come back to City Council like we did today, and we give you a summary of the partners that have applied, then the recommended funding will be in the Manager's recommended budget, then in June, Council will vote on a budget which would include financial partner funding.

Just to summarize, in the general fund digressionary category of financial partners, we had nine agencies apply for financial partners. Six of those agencies are existing financial partners; we have three new agencies, and you can see Arts and Science Council applied. The Charlotte Regional Business Alliance, which was formally the Charlotte Regional Partnership, applied. The Community Business Initiative applied, Safe Alliance, Tree Charlotte, the YMCA of Greater Charlotte, which is administrating My Brother's Keeper program, then we had Intech Foundation's, Junior Achievement and Women's Business.

**Councilmember Mayfield** said when are we going to have time and in what committee do we actually breakdown and discuss all of these requests prior to them coming before us?

**Mayor Lyles** said I think that is an excellent question for Mr. Jones.

**Marcus Jones, City Manager** said I guess what I inherited was these decisions being made before I presented the budget. So, what I am recommending is that when I present the budget to you on May 6, 2019, it is your budget then, and it is whatever you decide.

Ms. Mayfield said still on my question, I need clarification on that, because historically, yes there would be an add and delete segment where we would have to make our case



on why would have to add or delete something. Having something presented to us with names and no background and a dollar amount and no background is a little unusual.

Mr. Jones said you have a packet with you.

Mayor Lyles said tell us what you mean by background so we can all understand.

Ms. Mayfield said receiving a packet right now isn't doing me any good while we are having this conversation. What I am saying is before anything was printed on any paperwork with any name associated with any dollars, there should have been a conversation with Council to even know, oppose to being presented with here is our recommendation. So, therefore, I am just asking prior to you presenting us with the budget, when do we have a chance as a Council to have a discussion about not only these increases but also a discussion regarding new funding requests since not everyone is familiar with these new funding requests or the additional requests like Charlotte Regional Business Alliance. It might seem like a small amount, but we had conversations about the fact that we funded one but not the other, we already gave ya'll money. Are you coming back for more? We ask that question while someone is sitting here, so I am just trying to figure out when do we get to delve into this.

Mr. Jones said right now.

Ms. Mayfield said no, not right now.

Mayor Lyles said I think that I get what Ms. Mayfield is saying, but you are saying right now isn't the time. There needs to be some more in-depth and I see Mr. Phipps in the Budget Committee saying words to me that I cannot- So, I need that.

**Councilmember Bokhari** said the other side of that coin is we need to make sure that we avoid at all costs what we did last year, which was sit around here when we learned at the last minute of what the fund balance was going to be, and we all started shouting out names of things. So, I agree with Councilmember Mayfield on we need more justification and not the first-time hearing but also maybe some way to work through some kind of Q and A, then if there is a process and a legitimate need and stuff like that, that should be getting routed through something now, not like when we see there is an opportunity and we remember we like this one organization we through it out. If we avoid one thing in this budget process, it needs to be that.

Mayor Lyles said or bring in a new one at the last minute and say well, we have been talking about this, and I am like, who is we?

**Councilmember Egleston** said worse than the part where everyone threw out their ideas was when we then had to battle over who's got funded because [inaudible]. So, I ended up voting against all of them, including my own pet projects just on principle. If we could not fund them all, how are you splitting hairs between a bunch of phenomenal organizations that we would love to help all of them? Maybe it is a fix for the next budget process. To Ms. Mayfield's point, the conversation needs to start earlier and go a different path for the next budget process. We cannot change what happened before April 3, 2019. There has got to be, because new funding request and then when these are laid out as they are now requesting X percentage of dollars more than we use to, if we were to not give them that, it would be portrayed by many as a cut, even though it would not be a cut to their former funding, so it creates a lot of situations where people are put on the spot where they look like they are cutting money from a very deserving nonprofit or they are picking one over the other, and I agree that was my least favorite part last year was us all debating each other on which one should get money and which one shouldn't. I would love to avoid that as well.

**Councilmember Phipps** said I am trying to say is these represent the application process that the partners presented in their raw request, right? So, this does not mean that this is what you might eventually decide in your recommended budget of what you think we should go with, right?

Mr. Jones said correct.

Mr. Phipps said so, this is just a result of them applying, putting their wish list down, and this is their raw list, but it hasn't been vetted through you yet in terms of you looked at it and you decided my recommendation is going to be something less than this, then it comes to us.

Mr. Jones said correct.

Mr. Phipps said I do not know where, unless we want to take over the application process from the beginning at that point and try to vet these raw numbers, is that what we are saying?

Mayor Lyles said I do not think that anyone has said anything. I just think that you have heard concerns.

**Councilmember Newton** said I would agree with my colleagues, these were applications, when I am looking at the previous two or three slides before this, that we received in January. We are talking about there has been a lengthy period of time where we could have had some Council input, particularly on a committee level and helped us better inform us at this stage where we do not feel like we are being blindsided.

Ms. Mayfield said for clarification, if we are saying that these are all the applications that we have received, and here are all of the potential requests, that is one conversation. If what is being said is here are some that we have identified at the funding level. I am still going to say according to what we have in the language in this big old book that there was a step that was missed, and that was the step that Council talks about these. Remembering what our focus areas are; I just pulled up one of these organizations that was submitted that we have listed. Anytime we put a name next to a number on anything as far as the community is concerned, as far as that organization is concerned, it looks as if it is a done deal. For those that have been around this dais for any period of time, you have seen where things have been listed then it became a broader discussion when it came time for us to dialog whether or not it falls into add and deletes and the expectation that this is a done deal.

Some of these things it would be helpful to understand how something that clearly should fall into CMS or potentially the County is something that is becoming a line item for the City, when we have had conversations in the two years, that you have been in this role, about refocusing our focus areas and getting back into the business of the City, because the County is in a very different financial position than it was a few years ago. CMS is in a different position. They have some responsibilities that are theirs that we just stepped in to assist them with. There is a time that we can give them back, so it would be helpful again, because when you put it on paper, some of these organizations might be under the impression that this is done. We have done that we have been there.

**Councilmember Eiselt** said I think to that point I would like to know how closely any of these align with our priorities. The Mayor has redone our committees, so it would be great to have another box to somehow measure how this ties into-

Ms. Mayfield said it would be great to know what our priorities are.

Ms. Eiselt said we talked about them at the Retreat how do any of these title into those. The Arts and Science Council for example, what is the conversation between the City and the County on that?

Mayor Lyles said I was going to talk about that one before, because it is like one of those-Mr. Driggs asked me about the transit discussions. These things are moving quickly. I do have some information on Arts and Science. I think that the real question that Council members are very concerned about is what is the process for outside organizations approaching the City for funding, and I actually think that we do have a policy around Out-of-School Time. We have some traditions in here, Safe Alliance has been funded for 20

years. Regional Partnership was something that we have funded, but what does the alliance mean? Arts and Science Council, we have always funded, but I do not think that the staff would come into you and say we have three new requests and not tell you. Mr. Jones, I think the question is, what do you do? The Council wants to avoid the situation we had last year, which was very awkward, and I thought not very well thought out. So, what do we do about that and getting to a place where we can move forward with your recommendation.

Mr. Jones said absolutely, so, to Councilmember Mayfield's point, this is everything; these are all the applications. Nothing has been screened out. Nothing has been ranked. I will go a step back. There is nothing I could do to stop what happened last year. Last year it is to the point that, I guess Mr. Egleston mentioned, people started throwing things on the table. That has happened every year I have been here. What we have tried to do was say that the only way to get into the game this year is to apply. So, if everybody agrees with that, there are no new additions. This is the universe, and anyone who was in play last year, we made it very clear to them to get back in play, you had to apply. So, I do not think, and someone can correct me, that this process has ever gone through a committee. What we did differently this year is we did not do recommendations, because we just want you to get the information as is, and I think that you have everything that was submitted, and this is where we are. So, Phil was attempting to go through what was submitted, with no recommendations, which I believe is the guidance that we received last year.

Mr. Egleston said just so that I am clear, because if I am I feel a lot better about it, anybody who received funding last year, and tell me if it was beyond that last year through whatever method of our process was informed that the new process required this application.

Mr. Jones said absolutely.

Mr. Egleston said nobody can come now and say I did not know that I had to go through this process.

Mr. Jones said absolutely, even those who did not receive funding, we said if you want to get in play, this is the only gate.

Mr. Egleston said right, then I feel better about that.

Mayor Lyles said I think what Mr. Jones is saying is that if there are criteria beyond the Council priorities for him to consider and you met the deadline, which his recommendation would come forward based on the Council's priorities. Without those, if we do not have that agreement, we need to give him some guidance about that.

Mr. Phipps said so Mr. Jones, did we have any organizations that applied but did not meet the criteria in the final analysis?

Mr. Jones said as far as I know, you would have had missed the deadline.

Mr. Reiger said every organization that had applied we are showing you tonight.

Mayor Lyles said no, he did not say qualified. He said if they sent it in, it is on your list today.

Mr. Reiger said Ms. Wideman; there were to Out of School Partners that weren't eligible, right?

Ms. Eiselt said just in theory if they have been [inaudible] in three years they shouldn't be up there.

Mayor Lyles said I don't think there is criteria around the three-years in this area.

Ms. Mayfield said we created it.

Mayor Lyles said is that the policy for Out of School Time or was it for general fund ones?

Ms. Mayfield said we created it for any new partners in order to make sure they have stability in that organization before coming for government dollars.

Mayor Lyles said staff, I think that you need to figure out where we did that; I am not sure that all of these people would qualify. We need to pull out any list that says here is the criteria that the Council approved and have that as the criteria that the Manager has, and if it is three years, it is three years.

Actually, I think the summary on the page is enough, I don't know that we need to walk through this. All of us can read what these people are saying; I guess the only ones that we are not familiar with would be; I do not know what is going on with My Brother's Keeper. I have had one or two meetings, and I know that other people on Council have gone to meetings, and I am not sure. I saw Michael Duval yesterday, and he says I need to get you up-to-date on My Brother's Keeper. So, that might be one that we need to really learn more about and actually have some information. Intech Foundation, I think that the question is do you want staff to go through the ones that if this is the window, do you want to walk through each of these as a Council?

Mr. Egleston said Mr. Phipps, at different points, talked about adding Budget Workshops. Where did we land on that? Is this our opportunity?

Mr. Phipps said we still have two additional meetings, but as far as another workshop-

Mr. Egleston said committee meetings or full Council?

Mr. Phipps said what kind of meetings, full Council meetings? Right.

Mayor Lyles said the budget is pretty much a committee of one, because it is our document. So, let's walk through these applications and go through them so Council has the information amount, then I think that we need to do a follow up in the criteria.

**Councilmember Driggs** said I think that it is relevant to ask what capacity do you think that we have to accommodate these requests? We could end up making tough choices about who to fund based on input from you. How much have you earmarked in your budget for all of this?

Mr. Jones said we always start off with where we were the previous year.

Mr. Driggs said you have about \$2 million plus with increases and new requests in there. We are going to have to then considered those in the context of excluding someone else.

Mayor Lyles said he is going to make a recommendation first based on the criteria that we just talked about, the three years, within our priorities. He is going to give an assessment then I guess the question would be do you have a majority of Council that would see his assessment as being off the mark?

### **General Financial Partners**

Mr. Reiger said Council is familiar with Arts and Science Council. They are our agency that supports and advocates for the cultural community, and they are asking for an additional request of \$250,000 and specifically their application listed that they wanted to enhance their cultural vision grants that they offer to the community; they wanted to support Studio 345, and they wanted to apply the \$250,000 to their general operating support.

Mayor Lyles said Marcus and I had a conversation with Dena and the Chair, and they are doing a poll on the quarter cent sales tax that the Arts and Science Council has asked the County to put before a bond referendum, and they are going to actually do a poll to see if the community wants to do a referendum on that. Dena said that poll will come out;



it will be transparent, presented to the Arts and Science Council, presented to the Commissioners. We will have a chance to see what the polling results are. If the polling resorts say that it is not going to win, the Commissioners have to deal with whether or not they are going to put it on the ballot. If the polling results say yeah, this is the greatest thing, that is another thing. We all know that the one-quarter cents would raise \$50 million. The Arts and Science Council has asked for \$20 million of it, then there would be \$30 million left that the County could utilize for funding that they would have. I think that is something that would be discussed in that polling as well. You know, what are the other priorities?

The County Commission has five priorities; I will not be able to remember all of them, but Parks and Recreation, libraries, racial equity, affordable housing, and health and human services, is that right? I do not remember. I am not going to claim it, because I do not know it, but I think that they are looking at that, and the County Manager has said no decision will be made until that polling is completed.

Mr. Driggs said when is that?

Mayor Lyles said the polling is on the way now I believe.

Ms. Eiselt said even if that is on the ballot in November, so if it did pass, when would that funding even apply?

Mayor Lyles said it would not, and that was the other comment that I wanted to make aside from that polling, they would not be able to collect that money for this upcoming year, so we are still being asked to provide this, as well as an increase. I think the question is, for me, as we are looking at this, we have always supported the Arts and Science Council. I just do not know enough about what this application is; I do not know the new structure. I do not know very much, but Ms. Mayfield is on the Board. She represents us on the Board. So, I think that if we could just find out the status by asking Robert or the Executive Director to provide adequate information, I would be looking for if the County approves quarter cent sales tax. What is the transition plan? If the County does not put the quarter cent sales tax, what is their actual plan to go forward as a Council? Those are the two options I would need to see or ask the Manager to access.

Mr. Driggs said the \$250,000 increase, does that cover the deletion of Arts and Science Council Studio 345 and the financial partner outside-agency list?

Mr. Phipps said yeah.

Ms. Mayfield said Studio 345 is in there.

Mr. Driggs said I am looking at page three of the detail that we got; it shows financial partner and outside-agency summary, and it shows Study 345 at \$200,000 at this current fiscal year and zero for 2020.

Mr. Reiger said that is correct; Studio 345 is an Out of School Time partner this year; they did not apply to be an Out of School Time partner for FY2020.

Mr. Jones said Councilmember Driggs, I know that the Arts and Science Council had problems with meeting the requirements of the previous funding stream, so I do not know if this is designed to do the same program but not have the constraints of the previous; Pam; can you help me out with what happened with Studio 345?

**Pamela Wideman, Housing and Neighborhood Services Director** said Mr. Jones, you are correct; they did not apply to be an Out of School Time partner this year; however, I do not know if they intend to make up that \$245,000 with this funding.

Mr. Reiger said this description is a summary; it is just a highlight of what was in their application, so I tried to summarize the items that the Arts and Science Council wrote to us about and said how they are going to use the additional \$250,000.

Ms. Wideman said it appears, if I just go off of reading this-

Mr. Driggs said it appears it is a net increase of \$50,000, because some of the increases in lieu of the Out of School Time request. They intend to use that for the Studio 345.

Ms. Wideman said I just want to be forthcoming; we did not have a conversation with them, but it appears based on what they submitted.

Mayor Lyles said well, again, Phil that's the question.

Mr. Jones said one of the things that I think was important last year when there was the conversation around the Studio 345 was how much of this was going towards operating support? How much of this was going directly to a program? So, let us work on that to make sure that we can provide for you in one of the Q&A's, how much of this is really operations, and how much of this is the Studio 345.

Ms. Mayfield said Council sits on a number of different boards; those boards may or may not come before us for a recommendation for financial support. Where in these conversations, and this isn't something that is new; we have just never done it. Where in the conversations do we have the conversation as the Boards Representative regarding what is going on prior to having it in the larger room with either the Manager or Manager and Mayor's Office?

Mayor Lyles said I think that ought to be with the Manager and the Budget Office right now; in the past, when I was on Council, I remember Julie was on the Board, and she would come in and she would say that the Arts and Science Council was going to ask for \$500,000 more, and this is what they are going to propose, so I think that some of this is an initiative. We have never had a formal process, but I think that it would be completely appropriate as you go to all of the meetings, you hear the conversation and dialog that your impression of what they are working on will be of valuable assistance. This is the data collection time, the analytics on the request. So, if you represent one of those groups as a Council member, feel free to join in, and even if you are on the Blumenthal or another organizing group, there is a lot to be said about how this money is used, and if you are on the Blumenthal, I would say again, sit down with the Manager and have that conversation, because this is an evolving discussion for the community and our role in it.

Ms. Eiselt said it is kind of incumbent upon that person I think, like Intech support. I do not know. That might have been someone on our Council who is a board member, and I would suggest they just do some e-mails to the rest of us saying why you support it and what is going on.

Ms. Mayfield said especially if it is new.

Ms. Eiselt said yeah, even with Arts and Science Council, Ms. Mayfield, you are involved in those discussions with all of the changes and just to let us all know I think is really helpful. My Brother's Keeper, I know Mr. Mitchell and Mr. Winston have been really involved, but I know no idea what they are doing, so that would be helpful.

Mayor Lyles said okay, so you are going to go with the people that you know and identify as Council support people. Let's go for it.

**Councilmember Harlow** said I know that we spoke earlier about maybe we have a policy, maybe we do not, around how long an organization has to be in existence, and I know that you have asked the staff to kind of dive into that a little bit more. If we are also looking into that then maybe you know the answer already. When we look at these funding requests, whether it is a new group or an existing group that say the Safe Alliance that we have been funding for years, do we have any policy around what percentage of their operating budget or the agencies total budget up to a certain maximum that we are funding?

Mr. Jones said I would say that is part of the budget analysis, so in other words, it is easier with, say CBDG funds where you know how much would be overhead so when we start to analyze this, I think as a Council, you do not want the City to be putting money towards an organization that you are fully funding all of their staff. So, that is a part of this internal review process, and we can talk to you about the different lenses and criteria that applied during the evaluation.

Mayor Lyles said you have to remember, Safe Alliance use to be called Victim's Assistance, and they have been around for 28 years, and yes, we have funded through our property taxes, that as aligned with our police department. So, I do not think that we have any rules for the general fund ones; like you said, CBDG, there are a lot more rules because of the amount, the restrictions and all of that.

Mr. Reiger said if you look on page seven of the larger document, you will see the policies that a previous Council, and I think that there are some provisions that Ms. Mayfield talked about, but they are specific to Out of School Time partners, so I think that the Mayor is correct when it comes to these general fund digressionary financial partners, these policies do not necessarily apply, and in this policy, if you look at the second bullet, you will see the 33% policy for the budget so that our financial partner contribution should not be more than 33% of the budget of an Out of School Time partner.

Ms. Mayfield said clarification on this from when we created it?

Mr. Harlow said the Intech one is a brand-new request, right? In the larger packet, the total operation budget is like \$240,000, and they are asking for \$6,000. That is 25ish%, so if they were an Out of School Time partner, it would be under the 33%, but there is no set limit there that they use for those digressionaries.

Mr. Reiger said there is not that I am aware of. Now, at your request, we will go back, and we will look. We will scour the books and history to see if there is anything that we can find, but my understanding is general fund digressionary is general fund digressionary.

Mayor Lyles said it would be helpful to talk about how long we funded, what we have seen, metrics. I think some of these, the metrics will be astounding, and others we will not know anything about. So, we just need to work on it, because some of them have been going on so long that it has just been generally accepted.

Ms. Mayfield said I believe that we also have an opportunity here to rethink general fund and request. So, we spent a lot of time in committee in 2015 on getting us to where we are with Out of School Time. One that no organization should depend because we had some organizations where 80% of their funding was coming from the City, so we went back and forth in Economic Development Committee to have a real conversation regarding one, how sustainable are you as an organization so that you are not depending on government dollars and also giving you a window where government dollars will be reduced in order to help you with your funding? This right here feels more like a workaround some of these requests we are seeing by coming through general fund dollars, because some of these, just initially looking at them, could have gone through Out of School Time, but because of the parameters of Out of School Time they applied and it went into this other area. So, we might have a real opportunity now to really look at just outside funding period and creating a sustainable model where you are not doing a high percentage, whether it is a current partner because all current partners, in theory, should be rolling off. There is less than a handful which I believe fall under that maintain, forever they are going to be a part of government. Some are helping to identify, separating those, where foundationally and because we are a pass through this makes sense. Identifying those partners from the partners that should be or could be rolling off versus those that clearly fall in that three years or less window could be very helpful as we are having this conversation and identifying from what pocket of dollars these resources may come from.

Mayor Lyles said I think that is a great point and a great idea. We just need to figure out when we can do it and if we can do it. When I look at this list, Arts and Science, the

partnership is like the Alliance. You can decide whether you want to count it in that way or not. Safe Alliance is completely a link to the work that we do with the Police Department. Tree Charlotte has been around for several years; My Brother's Keeper was the first-time last year for planning, and the other three are completely new. Arts and Science has been since 1970 something, and they have always had that money go to their general fund for operations. They have never, until recently have not segmented them out. I would still say you guys are going to have to do a little bit more on each page and each one of these, but let's continue to go through them. Ask the question, because I know that we may not always have an answer, and if you have a question about any of these, let's make sure that we put them on the table, and I will try to figure out between the Manager and Mr. Phipps, what we do going forward.

Mr. Phipps said in view of the conversation that we have just been having, should we have a policy requirement that if you serve on one of these boards where we have a Council Representative, that there is an expectation that during their request and application that they would get with the Council Representative to explain what is going on so that we will be in a better position to be able to discuss or vet their requests in a session open like this? Should that be a requirement?

Mayor Lyles said I do not know the answer to that, but we need to ask that question, if other places do it do we feel like we ought to do it. Some people have said that we should not have Councilmembers on those boards, because it then becomes their responsibility to carry the water for that organization, and I just do not know the answer to that. I have heard that discussion before, and I do not think that it ever landed anywhere.

Alright, so we got Arts and Science Council; the question was what is Studio 345; what is that? What is general operating support, and what is the status of transition plan if they do the quarter cents, and what is the plan if they do not do it? Anything else?

Mr. Reiger said the Regional Business Alliance is obviously the merging of the Charlotte Chamber and the Charlotte Regional Partnership, and in this case, they are requesting \$161,526, which is an increase of \$3,276. That increase is based on their traditional formula; it is based on population, and I think we pay .30 cents per; so, population is increasing so that is where that \$3,276 comes from, and of course this group does regional, business developing, and marketing, and again the funding is based on population growth.

Mayor Lyles said so, is the funding for every other county in the Alliance, the same population, is in agreement but is for everyone?

Mr. Reiger said yes, my understanding is they probably have the same funding formula for all of its members.

Mr. Driggs said Manager, is there any thought given about all that has been going in our economic development effort and the merger of the entities in kind of revisiting our relationship and what kind of support we provide to CRVA?

Mr. Jones said for the Regional Alliance, when Ernie Regal came by, a part of this first year was a lot of people had questions, because now that you have a bigger group and you are merging two entities, is there an opportunity for some of the localities to pull back? Universally, we said let's not pull back on that first year. Even more so, they were going to use some of the money for more marketing and branding of the region, so I would say that this has been a heavy lift, and Charlotte has been a leader, and I think that sticking with where we are, including the adjustment for population, is the right course of action.

Ms. Eiselt said not that I agree, it is hard to measure it when it is their first year, but considering that we have pulled in a lot of the economic development from Charlotte inhouse, I will be very anxious to see because now we have a lot more of a demand on our own resources internally, and we have to think about that with what we are being asked. I would not be surprised if they are asking for more next year, and we have to look at what we are getting from it.



Mr. Jones said I have never seen more collaboration that I have seen now, and I am very optimistic because of the collaboration.

Mayor Lyles said I would have to say, the Honeywell recruitment, the Chamber staff were right there along the way, and what we are doing is a little bit of a difference. I am not so sure that we are recognized yet for that. I agree with the frame work, but I think that they have been adding value to every recruitment that we are doing they are in the room.

Ms. Eiselt said you all might know that, but we Councilmembers do not get that information. I want to know what are they doing for our intermodal facility, for global trade for the region? It is just sort of this black box.

Mayor Lyles said we ought to get their own development plan and see how that works and whether or not it is accomplishing what our economic framework does, so I would say that is fair.

Ms. Mayfield said on the same note, it would be helpful to, because when the Alliance was first being recommended, and it was also shared that our staff person was going to be doing a lot of work with them, I asked then for a breakdown as far as the dollars, because we now have an Economic Development person that is putting a lot of time and energy into what appeared to be Alliance work, so we do not need to be paying them twice, and it would be helpful to know clearly what they are doing. I personally was hoping that this number would have come out at the same, not with any increase, until we clearly know what is their role versus what is our role in partnership. We already have a staff person that is putting a whole lot of energy and time into helping with what they are doing. That is funding of government dollars; here is a request for additional funding of government dollars. It would be really helpful to clearly, opposed to having our version of the Muller report with just a couple of bulletins, to know exactly what we are doing.

Mr. Jones said sure, we can give you an update on the actual breakdown of the budget for the alliance.

Mr. Driggs said I just wanted to say, I do not think that last year's numbers are relevant given everything that has changed. I would like to see a business model for the new organization our relationship with them, that defends this number and says this is the right number.

Mr. Reiger said sure.

Mr. Jones said I would like to just like to put one thing in the room that when we start to think about this regional alliance, these are all over the country, so somewhere in here, we have to understand that when there are some economic development opportunities that come to regions throughout the country, they come through these regional alliances. So, to just assume that we could not be a part of this is something I caution you as a Council.

Mr. Driggs said I am not suggesting that we not be part of it; I am just saying that number is arbitrary in the sense that what we are doing before and what we are doing now are very different, so I just want to hear some sort of rational for the right number, whether it is more or less.

Mayor Lyles said even with the right number, if everyone else has agreed to it, we might just need to know that even though it might be the number we have to use. Does that make sense?

Mr. Driggs said yeah.

Mayor Lyles said if we have every other county saying we are going to do population-

Mr. Driggs said even if they can do what we want them to do?

Mayor Lyles said I am just saying; we need the information but at the same time, it is an Alliance, and a lot of this we try to help make better, and I do not know if your assessment just from where we are, it seems better to me.

The next one is CBI, we funded since they were created. We went from a larger amount to a smaller amount I believe, but the 50,000 has been pretty consistent.

Mr. Reiger said \$50,000, they are not requesting a funding increase, and this is a group that has worked hard to build capacity with individuals and organizations to become a more inclusive and equitable community, and you can read the things that they do. So, again, they are not asking or requesting a funding increase.

Safe Alliance is a group that you can see the mission statement: to provide hope and healing to those impacted by domestic violence and sexual assault. Their FY2020 request is \$445,613, and this is an increase of \$63,061 from FY19. Specifically, what they are trying to accomplish with the increase is to add an additional attorney to their staff to provide additional legal services to their clients.

Ms. Mayfield said it would be helpful to see the breakdown of their overall budget and how this request fits in.

Mayor Lyles said I wanted to just say; does everyone know that we have been working with Safe Alliance on a family justice center? Is everyone on the Council aware of that? I think that we ought to make sure that people know we have been working with them with this idea of support, and I do not think that this covers that, but what I have said is that if we are going to do the family justice center, it has to have the correct governance. It should not be a place where you just put people into the office building because the office building is there. We have seen that with the children's center that did not work, because they didn't do the governance before they got there; therefore, the building is basically an office building where everybody pays rent, not to say that proximity doesn't bring around good relationships, but it certainly didn't reach its ultimate or optimal goal.

Mr. Reiger said Council is familiar with what Tree Charlotte does, specifically they really organize volunteers around tree plantings, and they have been a central partner to helping the City achieve its 50 by 50 goal. They are asking for \$150,000, which is an increase of \$50,000 over last year's budget. Specifically, this \$50,000 is to help them plant 7,000 trees throughout our community. Their application said that they would purchase 3,000 seven-gallon trees, that is the size of the tree, with this additional money. So, again they are linked to our 50 by 50 goal.

Ms. Mayfield said I asked last year regarding Tree Charlotte and attempted to have a very different conversation, so it would be helpful, again, to look at the breakdown. What are the salaries of the staff as far as the breakdown of funding? Our language allows clear cutting; we have dead trees in older neighborhoods where especially our seniors and those that are under 80% AMI cannot afford to remove these trees. So, the idea of adding additional money to plant trees when we are not having a real conversation of what is the tree canopy that we are losing is a challenge. It would be helpful to know outside of that number that we throughout there by a certain period of time. I have not seen any updates that tells us, how many trees have we lost through clear cutting dead trees? Who is tracking that outside of the arborists, if you call them out, to justify additional money to plant trees when we have trees that need to be taken care of today.

Mr. Jones said I understand exactly your request, and I will follow up on that. I do believe that we had a pilot based on the ideas that you brought up.

Mayor Lyles said Wesley Heights.

Mr. Jones said what I am hearing loudly and clearly is that the whole issue about trees and individuals who have trees that fall and they are not able to take those and clear those up, I will make sure that is a part of that.

Ms. Mayfield said and prior to falling. So, it would be helpful to help justify why we would keep giving. How are you all utilizing the funds that you are currently receiving.

Mr. Phipps said I would say that we have had discussions about that in the Environment Committee and detailed discussions about the tree canopy and the Tree Master Plan and the use of the funding, how much has been used, so that information is readily available.

Ms. Mayfield said I am glad that it was in the Environment Committee.

Ms. Eiselt said I have a question about that with the pots of money, because I know that I have sent a couple of pictures to the arborists of some trees that were concerning, and they are with dead limbs hanging out over the road. In fact, a tree next to it, I happened to be behind a car, where a limb did come off and went through the people's windshield. Unfortunately, no one was hurt. So, the response that I got was that there is such a backlog of trimming up city trees on city right-of-way's that to that point, we are increasing more trees being planted, when we cannot-

Ms. Mayfield said maintain the ones that we have.

Mr. Jones said I know at some point, they came up last year, and we accelerated funds in order to reduce that backlog or make it go away. I will see where we are with that and to make sure that we are trying to align the funding that is appropriate in order to address that backlog.

Mayor Lyles said the next one is My Brother's Keeper; neither Mr. Mitchell nor Mr. Winston are here. They have been working with Mike Duval, and as I said, Mike came to see us and said that they were still working under the opuses of the administration of the foundation for My Brother's Keeper, and when I saw him yesterday he said, I need to come to see you, but I do not have any other information than that.

Mr. Jones said prior to Mr. Winston leaving, he said that he and Mr. Duval will start having communications with the Council.

Mr. Reiger said My Brother's Keepers, their mission really is to improve the outcomes of boys and young men of color, and they requested \$250,000. That is a \$200,000 increase from last year, and their application described three benefits from the program in what they are trying to accomplish. They are trying to accomplish access to a high-quality learning environment; they are trying to accomplish reading at grade level, and they emphasized high-quality college and career pathways.

Mayor Lyles said this one to me, we really need to connect into the work that we are doing around Workforce Development and not have multiple programs. I see commercial real estate and construction pilot, and we have already gotten Project PIECE working with- So, here we are doing another one that just seems to me that these internship opportunities, we have a great staff going out and doing that. We need to take things to scale, but we need not overlap.

Ms. Mayfield said this is duplication of services.

Mayor Lyles said we need the growth, but it needs to be coordinated with what we are doing; I am just not sure that we have had any conversations around how would we do internships and how we are doing all of these apprentice programs. That is just something that I know nothing else about except for what I read.

Ms. Mayfield said along with yours, if you all can give us a breakdown of the administrative costs for this program.

Mr. Jones said yes.

Mayor Lyles said the next one, Intech.

Mr. Reiger said Intech, again you can read their mission. Their mission is to really bring technology skills to young ladies, and it is their first time requesting money from the City, and they are requesting \$60,000.

Mayor Lyles said on this, I think we do need to know: who is on the board? How long have they been in existence? What is this? Microsoft does do an Intech summer program for middle school age girls every year at their campus that we support or provide people for, but they do all of the funding and training there, so I do not know the summer program at Intech Academy. Again, lots of people doing really good work and caring, but we need to make sure that they are done collaboratively and to scale and in the appropriate way.

Ms. Mayfield said so, for future questions, when we receive an application, somewhere in there hopefully we are having the conversation of this could be a better fit with- opposed to it even making its way to Council, because as was mentioned with Microsoft, we have a couple of other partners that are doing this exact work and have been doing this work for a number of years in our community without government funding. Somewhere, hopefully, when staff is reviewing these applications we are identifying our partners out there opposed to bringing it to us, because when I pulled this up, that is a school. It looked like CMS and some other things before coming to the City.

Mr. Phipps said so, it seems like we are saying we want you to make a cut before you bring it to us on these instead of bringing us the raw information, that once you have gotten it. We seem to be saying that we want you to make some decisions prior to even bringing this list to us.

Ms. Mayfield said if it does not fall in our priority area [inaudible].

Mr. Phipps said I think that what the Manager is doing is giving us the total population of what has been presented, but he has not made a decision yet of whether or not these are going to be in the final analysis of what he recommends to us. He is just giving us the benefit of what has been out there, the population.

Mayor Lyles said I agree with that, and we are giving him the benefit of the questions that we would ask in three weeks today.

Mr. Phipps said right, and I think those same questions that we were asking, he will be asking himself when he actually goes through this and recommends in his budget recommendation what he wants to bring before us for consideration.

Ms. Mayfield said that is making an assumption, because the whole point of us having this conversation is to clarify, hey, is there opportunity for us to rethink how we are moving forward? If you have any application, do we have partners that are already out there doing that work opposed to creating yet another line item or helping to support another organization that eventually will be fighting for the same limited funds.

Mr. Reiger said Junior Achievement, again it is a group that provides financial literacy for youth, and it is a first time funding request, requesting \$35,000 specifically to expand their Junior Achievement Biztown program, and that program is really a program designed for fifth graders to help them develop business skills, budgeting types of skills and soft skills that they will be able to use in the future.

Our final new partner is the Women's Business Center, and they are requesting \$50,000. Their mission really is to help women owned businesses thrive. So, again, they will be using the \$50,000 to help increase professional development training sessions for women, minority, and veteran businesses.

Ms. Eiselt said does that say 12-county district?

Mr. Reiger said they do, they provide services to a 12-county district, not dissimilar to the Regional Partnership. We are one of them, and it is my understanding that when we have



potential business owners come and need services, it is not uncommon that our staff direct them to the Women's Business Center.

Ms. Eiselt said well, the question would be would the other counties also chip in an amount, or are we funding a program that is multicounty, profiting across counties.

Mayor Lyles said are we doing something that Central Piedmont does, that the incubators do. I think increased professional development training, lunch-and-learn sessions, workshops, they are abundant. The question is, what makes them unique, or what separates them from others?

Ms. Eiselt said it feels like we need to look at it because the last three or four of these have all been workforce development type programs. It is almost like we need as a Council to say we want to put a certain amount aside for workforce development and prioritize it.

Mayor Lyles said I think that we ought to be doing our workforce development programs in conjunction with the private sector. I just do not know that yet; I mean, we have not even decided on how much we are going to do for our internal operations for workforce development.

Ms. Eiselt said okay, I just would like to see. I am all for the City of Charlotte empowering women and entrepreneurs, in particular women of color entrepreneurs are very underserved, but those that are in Charlotte.

**Councilmembers Egleston** said I just wanted to cosign on what Ms. Eiselt's idea was. At some point, maybe we can reconsider a certain amount of money for each of our priority areas, then we can more ability debate how to split the money for the economic development bucket or the sustainable neighborhood development bucket or whatever like community safety initiatives, because we do not want to end up spending three quarters of our money on one of our priority areas and across a dozen different partners.

Mr. Phipps said going back to the Junior Achievement, I did not think that was new; I thought last year we made some budget appropriations for the move to Graham Street, and I thought part of that was to facilitate the Junior Achievement programs and things like that. Am I wrong on that?

Mr. Jones said originally, there was a request around the table during the straw-vote time for Junior Achievement, and I do not believe that there were any funds related to it.

Mr. Reiger said they did not get the votes.

Mr. Jones said but they came back this year on the front end, and they have asked specifically for this amount. I would like to mention, this is very helpful to us talking to Sabrina. We will get answers to your Q&A by this time next week. I will say that the first time out of the gate, I am very surprised by how few of these we had, but there may be a day; I would like the Council to start to think about this process, because if we had 70 of these, it would be weeks to get through them, so the more feedback that we can get from you to entrust us to use your key lenses in evaluating these, it would be better going forward.

Mayor Lyles said I see where Charlotte Center City Partners in University are scheduled for April 8, 2019.

Mr. Jones said yes.

Mayor Lyles said is that is that at a dinner?

Mr. Jones said it is the action briefing, yes.

Mayor Lyles said so, Convention Center funding and Film Commission are the two there.

Mr. Reiger said so, again, these are your dedicated revenue sources: our Convention Center funds, the tourism funds; the request is due to the growth of those funds, it is day driven, and the funding request for Charlotte Regional Visitor's Authority and the Film Commission is the same.

Mayor Lyles said that is such a large area that we need to really see their budget. I think that warrants a separate presentation for the CRVA.

Mr. Jones said we have a placeholder for Economic Development on the eighth also at the Action Briefing, so we will bring CRVA on Monday also.

Mayor Lyles said maybe the next section will be easier, because we do have policies around our financial funding requests, and I guess what I am saying is that if you can give us five minutes and these are criteria based that have criteria, I think that we could be done with the entire block for today.

### **Housing and Neighborhood Services Financial Partners**

Ms. Wideman said what I will do is present your Housing and Neighborhood Services partners. You will see here Crisis Assistance Ministry, they are funded 100% with local funds; they do have an increase in their change. Carolina's Care Partnership, that is funded with your HOPWA, Housing Opportunities for People With AIDS and HIV. That is a federal grant that they are funded with. In terms of the Charlotte-Mecklenburg Housing Partnership, they are funded partially through two different federal programs and a portion of your local dollars. The first one that you see is their affordable housing contract. They are requesting an increase as well, then the second one that you see there, they administer your House Charlotte down payment-assistance program, so there is an increase requested there as well.

Crisis Assistance Ministry, they have an additional request of \$475,000 there. Their services, I think that we all know them well; they focus on preventing homelessness. They provide emergency rent and utility assistance, then they also have their store where they provide clothing and household goods for folks in need.

Carolina's Care partnership, again this is a path through with the money that they provide housing referrals for folks living with AIDS and HIV. They also do some education and testing services as well. Housing partnership, just to go through here, again I have already talked about what they do. Basically, they build affordable housing, they provide some home buyer training as well. They do a little bit of foreclosure prevention.

Mayor Lyles said so, going back to that one, that is the one that I would really like to understand. When we had no other developers in the process, we actually needed a developer that we could work with, and they have been doing this for many, many years, and we have subsidized that, and considering the number of requests that they have that will go through our affordable housing plan, I was just wondering, if they are getting developer fees and they are going to be doing the development, what are we subsidizing now? That would be my question.

Ms. Wideman said would you like for us to respond in a follow up or would you like for me-

Mayor Lyles said follow up please, and I would like to have that conversation for you to have that conversation with them. I just do not know enough about it to make a decision, but I think that we ought to know, from our subsidy before there were fees, now that they are fees, what is our subsidy needed to accomplish in detail, or is it needed?

Ms. Wideman said yes ma'am.

Out of School Time, the program has been around since the late 70's. We do have a process that we go through here. We issue a bi-annual RFP. Our partners have said this helps them plan. We also I would say in evaluating those proposals when we receive

them, I really want to point out here that we have community participation. You can see who the members are or the organizations listed here. I will not read it to you, and I would also remind you that we use our federal CDBG program. We use our public service cap to fund our Out of School Time partners. This just outlines our process; basically, we started in October of 2018, and we are at the process now. The Manager will bring back his recommendations in his budget, and then they will start their programs once they are funded again in September.

This is just to tell about who we funded and what has been requested this year. We have already talked about Arts and Science, so I will not go there again. So, you can just kind of see what the requests are. I think the take away is that we have more requests than we did last year overall.

Mayor Lyles said if you can also send the criteria that we use, that would be helpful whenever we get that recommendation, including that.

Ms. Wideman said yes ma'am.

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#### ADJOURNMENT

The meeting was adjourned at 5:05 p.m.



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Emily A. Kunze, Deputy City Clerk, NCCMC

Length of Meeting: 3 Hours, 27 Minutes  
Minutes Completed: May 20, 2019