The City Council of the City of Charlotte, North Carolina convened for a Budget Workshop on Wednesday, March 6, 2019 at 1:42 in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Pro Tem Eiselt presiding. Councilmembers present were Tariq Bokhari, Ed Driggs, Larken Egleston, Justin Harlow, LaWana Mayfield, Greg Phipps and Braxton Winston II.

ABSENT: Mayor Vi Lyles and Councilmember James Mitchell

ABSENT UNTIL NOTED: Councilmembers Dimple Ajmera and Matt Newton

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INTRODUCTION

Councilmember Phipps said I would like to start by thanking the Budget and Effective Committee Vice Chair, Mr. Driggs, as well as my fellow Committee members, Ms. Ajmera, Mr. Bokhari, and Ms. Mayfield for a good very good meeting we had on February 19, 2019. The Committee previewed several topics that are on the agenda today, including an update on the re-evaluation analysis, improvements to capital planning processes and a recap of work from several of our non-general fund departments. As we are heading into our second of three Budget Workshops, I heard some discussion about a place holder for possibly a fourth one. We, as the City Council, are going to face some difficult choices as we move into our 2020 budget finalizations. Please remember that we have some good guiding tools to help us make us make these tough decisions. We have the new priorities that we established early in January at our Retreat, also we have the 15 budget principles that provide a strong financial foundation, and those budget principles are in our Budget Book, so I will remind my colleagues to familiarize themselves with those 15 principles, and I feel confident that today's conversations will be robust as usual and we will be able to provide the budget directions through Deputy City Manager Joy-Hogg and Budget Director Phil Reiger. With that, we would like to get started with our agenda which hopefully we can get through within the time allotted.

Mayor Pro Tem Eiselt said I would just ask that we try to be out by 5:00 p.m.. I have a hard stop at 5:00 p.m. and others might as well. If we can save all of our questions on each section till the end of the session and then I'll take your names down, and we will get to everybody's points and try to stay on topic with the points that we are discussing.

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ITEM NO. 1: WORKSHOP OVERVIEW

General Fund Update

Sabrina Joy-Hogg, Deputy City Manager said the Workshop Overview is the General Fund Update. There are no changes as we are still waiting for reclining revenues. We are still at $7 million gap that we showed you with the salary increase, but again it is manageable at the revenue neutral tax rate.

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ITEM NO. 2: REVALUATION ANALYSIS

Sabrina Joy-Hogg, Deputy City Manager said the reval analysis is a follow-up from my conversation that we had last month when the data first came out. The Council asked for some neighborhood specific data and Rebecca Hefner is going to come forward and tell you what we can and cannot do and show you the analysis and leave the decisions up to you. I believe the Budget Office sent out the answers to the questions that were asked last time so you do have a big packet in your Q and A by neighborhood profile area. That is a lot of information to digest, so I would ask that you all digest that and then we discuss it further at the next meeting. Rebecca will tell you about the Neighborhood Profile Areas and the next-door data.

Rebecca Hefner, Office of Data and Analytics said I know there were a lot of questions from last time, and I've been asked to run very briefly through some updates to the evaluation analysis, mostly to give you a little bit of context about what was in your Q and A packet and a reminder that again the data are not finalized. We continue to refine this in parallel with the refinement of the tax rate, and this again is the residential data received from the County, primarily single family attached and detached. It does include some rentals, about 30% of our rentals in Charlotte are single-family homes, and we've tried to filter out to do a home to home comparison year over year.

What we've done since the last time we met with you, the data were hot off the press I guess for the last time, so we've continued to verify and refine and have provided some overall maps in your Q and A packet to look at the percent change in assessed value by neighborhood profile area across the City. The total change in assessed value and the City tax impact modeled at that estimated rate of .35 cents. We also dove a little bit into the Council Districts to help you see by Council District the median tax change amount, again, at the neighborhood profile area and how that plays out across each Council District. We did a little bit of work trying to relate this to the neighborhood names. I know there is always a question of what neighborhood is that when you look at the map and we don't have an authoritative data set for neighborhood names and boundaries. What we have that we generally use is the data set from Next-Door, which is a social networking site. Those neighborhoods are named, but they are also self-identified and there are over 800 of them in Charlotte, and they are really custom geographies. The first person to claim a neighborhood goes in and also claims a neighborhood's boundaries.

When we do analysis across the City we typically look at neighborhood profile areas; we use these units of geography, because they come from the census; they are comprised of census block groups. There are about 370 of them across the City and another unit of geography we use in the quality of life explorer, so we are then able to connect data at that geographic level to all sort of other indicators that we've already compiled on health, housing, safety and education. I understand that there is an emotional barrier there, so it is hard for me to get excited about living in NPA132 instead of saying well I was in Selwyn Park. It does open up a wide range of ability to look at other things when you use the NPA. This is just an illustration on the screen of how messy those boundaries can be and can get when you try to do the crosswalk. Here we are looking at the Hidden Valley next door neighborhood in the red hatching and broadly at the associated neighborhood profile area 371. You see within that neighborhood profile area there are several next-door neighborhoods or pieces thereof.

What we have done is provided two things in your packet; one is a list of the neighborhood profile areas along with the next-door neighborhood names that are associated with those NPA's and then we've provided a summary table of the neighborhood profile areas as it relates to the reval analysis. So, it includes the number of residential parcels, the revaluation info that corresponds to those three maps that we saw earlier as well as a variety of population and housing information on percent of people in poverty, median household income, rental houses and rental costs. These are indicators that are designed to help us understand in any give area what are the characteristics of the population.

As Deputy Joy-Hogg said, it will take a little bit of digesting, what we've shared, based on your questions last time and we will come back and answer questions as needed and our next steps around this are to complete the commercial and apartment analysis particularly looking at the apartments as it relates to the naturally occurring affordable housing that is in your packet and then also working on an interactive expiration tool that will be developed when the tax rate is proposed.

Councilmember Egleston said the number one in the page 25 median percentage changes by MPA references neighborhood profile area 86 but then in the list of neighborhoods and their MPA numbers 86 is somehow missing; it goes from 85 to 87.

Ms. Hefner said are you talking about nine of 75 that says list of neighborhoods within each neighborhood profile area?

Mr. Egleston said correct; it goes from 85 to 87, skipping 86 which is the highest.
Ms. Hefner said I can double check but my assumption is that because this is a list of next-door neighborhoods by neighborhood profile area, what has happened here is that there is not a next-door neighborhood that intersects with MPA 86, which is a fairly small MPA of I believe townhomes.

Mr. Egleston said is there a way; and if it is in here I just haven't gotten to it or found it yet; is there a map somewhere – yes there is, I just found it, page 36 was what I was looking for.

Councilmember Phipps said so the whole reason why we are using the next-door is I'm really not convinced that next-door would be an accurate barometer; I see there is more of a social media platform than a real strategic hard and fast legally descriptive NPA or block map census tract. Are we just using that to give an idea of what neighborhoods might fall into that general area only and that is the only thing we would be using it for?

Ms. Hefner said that is correct. To your point the neighborhood profile area is a standard geography that allows us to do a lot more analysis. The next-door neighborhoods were providing only as a point of reference as a source of neighborhood names and understanding that those names have their limitations and certainly the geography associated with those names have their limitations.

Councilmember Driggs said this is a really useful breakdown; I'm just wondering since this is a budget meeting how does information actually inform our budget process?

Ms. Joy-Hogg said we gave you the information because you all asked for it by neighborhood so, we are just simply responding to it. The way the reval would work would be in the discussion with setting the tax rate.

Mr. Driggs said right because we do have a micro question about the reval and where the revenue neural reset is going to be, but this is actually kind of a separate line of information that enables us to talk to people in our Districts about what they can expect.

Ms. Joy-Hogg said correct, and we did the best we could with trying to get them to the neighborhood level but as you see from the data and what Rebecca said was it is really not apples to apples; there is percentage of a portion of a neighborhood within either a next-door district or MPA; it doesn't match so it is a little bit difficult to have that whole conversation with one neighborhood for you.

Mr. Driggs said basically if people have the new evaluation for their homes, as soon as we are able to indicate to them as we have suggested that the number is .35 cents for example they can calculate their own property tax bill, setting aside their real estate tax bill so, we don't need to try to make inferences from data like this; they can go directly once we have a good handle on that new revenue neutral rate and where we are coming out in terms of the tax rate going forward.

Ms. Joy-Hogg said that is correct.

Mr. Driggs said okay, thank you, just wanted to make sure I wasn't missing anything.

Mr. Egleston said to your point of how does this tie into our budget discussion; I think for me at least just looking at these neighborhood profiles and cross referencing what neighborhoods they are and I've got something like seven of the top 10 percentage changes in assessed value. As I cross reference those neighborhoods, many of them are the neighborhoods in my District that could lease absorb those increases and certainly we've put programs in place for elderly homeowners but those don't help people who are not elderly or people who are not owners. I think it probably informs our discussion around the necessity for a revenue neutral rate in my mind which again, I think you will appreciate but for me if we were to start having discussions around increasing revenue in this budget this data would give me pause on that because of the neighborhoods it will most impact for us to try to increase revenue based on the increases I've gotten in my District.

Councilmember Ajmera arrived at 1:57 p.m.

Mr. Driggs said I get that; I think it is not going to be the driver of our conversation so what we are going to do is we are going to decide what city-wide we need and then we are going to address the special situation of the people who were hit hard and we've talked about doing that. So, I don't mean to debate this, I just wanted to make sure that I wasn't missing something in terms of our budget conversation versus where this fits.

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ITEM NO. 3: REDEFINING THE CAPITAL PLANNING PROCESS

Sabrina Joy-Hogg, Deputy City Manager said the time we had a capital assessment [inaudible] the completion process. We also said that we would come back to you and talk about how we finance the capital projects so, this begins our discussion on what we've been doing with the capital and there will be three people speaking to this; myself, Phil Reiger, our Budget Director and also our Financial Advisor, Doug Carter. I don't know if all of you have met Doug, I know the Budget Committee has seen him; Doug is a North Carolina native and has been the City's Financial Advisor for the last decade. He began his career with North Carolina State Treasurer's Office and he ended as the Deputy Secretary of the Local Government Commission. While he was in Charlotte he was also elected President of the Government Finance Association, youngest ever elected and he started DEC and Associates 14-years ago. It is an independent financial advisory firm. DEC is ranked as number one financial advisory in North Carolina since inception of the firm, measured by total dollars of financing. So, when he comes up you will know him; he is sitting in back of me.

So, let's get into Redefining the Capital Process. First, we will talk about reviewing the Capital Planning Process and I'm sorry to the Budget Committee members; they've seen and heard a lot this already and then we will talk about some of the financing methods and we will talk about advanced planning and design. As we move through our capital review process we've looked at many areas and we are redefining the process. We are redefining how capital projects are requested, reviewed and also evaluated and proposed to Council at some point. This involves realigning how the organization works. We've talked a lot about functioning in silos; this moves to a more horizontal organization. You have now Engineering, Finance, Budget all in the same room discussing this. That was not happening previously; we did work in a bit of silos. Everybody did great but it was on their own and the puzzle pieces did not always mesh together. We are also moving to capturing data on the front end and we will get into that a little bit more. What that means is the capital request process has changed for departments. We are requiring scope and program definition on the front end, not on the tail end. If you recall as we discussed the last four bond cycles that were approved; 2020 completing the fourth cycle did not include the planning on the front end; it was planning after the project was appropriated which caused some issues so we are reversing that and asking for all of the detail up front. We are also evaluating the assumptions and methodology of the debt model and also how capital projects are proposed. Doug Carter is here; he has been working with us, he has been at the table, he and his firm and also our Debt Modeler, Steve Waters & Associates. They are out of Alabama; they've been at the table so we are not doing this in a vacuum when we are looking at redefining how we are doing capital. We are also formalizing project oversight. Again, that silo approach did not have a central body that was overseeing capital projects. The Budget office is assuming that role at the end of the year where the projects are, how are they doing, what is the completion date. So, more prominently is the Budget Office entering into the capital development area. We are also changing the process to have formal practices of project closeout. We have had one but it has been more of an informal let's figure out what we have finished and capture the savings and those savings are usually reported back to the Council when the budget is proposed and reused again for capital projects. There will be more of a formal process where the Budget Office is taking every single project, sending it back out to the department and saying when are you completing this, how long will it take and how much do you need further, so there will be a formalized process for that. We are infusing planning and monitoring. I won't get ahead of myself because part of the planning and monitoring will be to talk about the financing. Again, the monitoring comes to be a more formalized process with the Budget Office playing much of a prominent role.

So, again why plan? At this point I think most of you know we need to do planning ahead of schedule. Costs and scopes are better defined; that means that if you all are approving a project or a building or something that has a $50,000 square foot building that is what you should receive. It should not end up becoming a $100,000 square foot building. So, all of that should be predefined; you know what you are getting and if we can't make it or if the scope changes with approval there is a rational for it. Long-term assessment; I believe we talked about this earlier in the prior meeting. We are now doing a 10-year capital needs assessment. We haven't done that in over 12-years. We are looking at our City facilities but also any of the projects that have been called out in some of these plans. We've asked the departments to submit requests that are based on those plans and our facility condition. We are probably going to end up by identifying some [inaudible] some roofing needs, things that we really haven't paid attention to in a while.

Greater accountability; I think Mike Davis at this point is really sick of seeing me because every time he comes to the office we are saying where are you with this project, what is going on. I think he still likes me; I'm not quite sure some days because we are starting to talk about storm water as well so I think he doubly hates me. We are also trying to minimize cost overruns. Again, that comes with project oversite on a continual basis and formalized processes. What we are going to suggest to you and we will come back to this bullet a little bit more for discussion and maybe Doug will touch upon it; what we are going to propose to you will shorten the time schedule in which the public perceives when the bond is approved to when the project is constructed. Let me come back to that one, okay because it will make more sense once we get there. At this point I would like to call Doug up to the podium to talk about finances.

Doug Carter, DEC Associates, Inc. said I'm glad to be here; thank you for the invitation. Let me first start out talking about debt affordability considerations to basically say I've been really pleased to be part of this working group to look at how the CIP and how affording that CIP through the issuance of both debt and PAYGO can be accomplished. I would say to you that at the current time we are looking at the affordability considerations while considering that we have to pay for this within the resources that we've already dedicated for it. There is no tax increase anticipated. So, we are planning, based upon the resources that we have. Right now, the debt model contains the steady state method that we've all talked about for the future to be able to plan for $165 million in bond referenda every other year into the future that would follow the last bond referendum on the big ideas concept. So, that will come next and then we will begin the steady states concept.

As we all know bonds are a large vehicle for funding capital projects for the City. They are for everybody, unfortunately being able to PAYGO is not possible for most particularly growth cities. One thing I would like to say to you about the issuance of bonds is basically that occurs after the CIP has been set and the projects have been established as the priorities by Council. So, once the priority has occurred then the staff process begins to put them in order based upon construction contracting priorities for the community and that sort of thing. I would say to you as part of this a little bit about interest rates. All of us have looked at interest rates over a long-time period and all of us have kept thinking they have been low for so long when are they going up. I would just say to you based upon our analysis and based upon things we read and I'm sure things you read, long-term interest rates are driven largely by inflation. There are other factors, but inflation are long-term drivers of interest rates and from our stand point as we look at interest rates as part of debt affordability and modeling it is our general view at the current time that there is nothing in the underlying economy that we see now that should drive interest rates a lot higher in a long-term scenario. You can have interim events and short-term events that can make short impacts on interest rates, but the long-time drivers just currently don't seem to be there. So, I think there is a good confidence for us in looking at interest rates.

The important thing here and what you will be hearing more primarily from Phil is how we align bond issuances with cash flow needs and this is particularly important as we look at GO bonds because we live within statutory requirements that say you vote them and them seven-years later, unless you extend it, the bond authorization goes away. So, a big part of this working group study and looking at how we are going to do this is to make sure that we can align the bond issuance and the cash flows within the seven-year cycle. You are going to hear a good bit about that later, as I said. Now, the dynamics of debt modeling, and I know you've heard about some of this before, is interesting because it is all future oriented. You model into the future; we've already modeled that we can pay for the debt service that we have, the real question is how can we layer new debt on to top to the debt we currently have. As part of that, as we look at affordability, the spend rate which is how rapidly do you actually contract for and spend for the multitude of projects that are within a CIP, what are the estimated interest rates, and then what are the revenue growth rates that fund the resources that fund that model?

Where we stand in a future oriented process is we essentially use prudent assumptions and I gave you interest rate discussion earlier to help you and to inform you on how we would look at interest rates. We feel good about long-term interest rates into the future so, that would help inform us. Additionally, we are informed by underlying changes in the economics both nationally and locally and we look at market trends across the board. So, when you combine prudent assumptions under those things I talked about, economics, what happens locally and abroad, and what is prudent, essentially these three elements will drive heavily affordability inside our debt model. I will sort of end with this page by saying of the three the rapidity that we spend the dollars is the biggest driver and that is why we have spent considerable amounts of time inside our working group on how do we really get our hands around the spend rate, the expenditure of dollars inside a project. So, what we are doing and how we are moving on this is we are looking at how the model will work inside the CIP that is now currently being developed by the Manager's Office and as we end that CIP and come back to you with the CIP we will inform you where the model has been impacted by that and how that impacts the overall CIP recommendation.

Now, the last thing, how do we do long-term financial planning together with security? Obviously, we are a highly rated City; you have heard that many times and that drives many things that happens in our City and I personally believe that it helps drive growth, particularly for attraction of businesses because they need to rely upon governments to provide assets and growth together with themselves. So, I think that has a very important part of that. We also, in addition to maintaining the ratings want to provide you the flexibility you need to get your CIP done essentially back to matching expenditures and our cash flows. We need to manage expectations as part of financial planning both capital needs and capacities expectations, perhaps even community expectations but finally the priorities that you set we need to manage and I think we need to manage that with an understanding that while we have good resources they are not unlimited. They have a basis upon which we must operate in. Then we always attempt to maintain best practices, not only credit practices, but financial management practices. How we adopt practices that work well in the private sector and also work well inside the public sector to provide long-term financial planning as well as practices inside the public sector, both here and other places.

We talked about timing and meeting the seven-year schedule and we are going to talk about that more later. We've talked about increasing our confidence in the construction estimates that are coming and I guess I would just end with you, at least on this slide by saying I think the process that has been set up as a means to redefine the process has been a really good one. We've learned a lot of and I think when we get to the CIP process you are going to be informed a lot by what has occurred from that process.

<u>Councilmember Winston</u> said can you give me a brief overview into what goes into maintaining a AAA credit rating over time?

Mr. Carter said there is basically four elements to a rating; the first is the underlying economy. Most of that is controlled by the economy itself. Another element is how well the City is managed both from an operational perspective, but also from a policy setting objective.

Mr. Winston said is that quantifiable or is that kind of data set?

Mr. Carter said there is a scoring system, that is correct. There are also ratings around financial and budget management; that is the third element, how well is the budget managed, how consistent is the budget managed and how good are the financial policies that undergird the preparation and the maintenance of sound budgets, and then finally, there is a factor of debt outstanding, the debt side and the portion of the City's obligations related to pension systems. Those are the four elements that inform ratings, they are scored. The scoring takes place and then there are non-scored pluses or minuses that you can get based upon long-term trends and analysis that the rating agencies field.

Mr. Winston said so the Council or Manager can't do anything about the underlying economy but we can directly affect the last three, how well the City is managed, budget management and debt outstanding.

Mr. Carter that is exactly correct.

Councilmember Driggs said we have about a billion and a-half of general fund debt outstanding; what is the duration of that debt, do you know?

Mr. Carter said the average life 20 or so year.

Mr. Driggs said so your arithmetic consists basically of a certain amount of money that the City sets aside for debt service which also defines in conjunction with growth the amount that we can borrow for new projects, right.

Mr. Carter said that is correct.

Mr. Driggs said at the risk of sounding like a stuck record we need to get to the point where we've got a list of projects, a list of bond years and the numbers that he is talking about so that we can start to prioritize. The one concern I have is I don't want somebody else interpreting Council's priorities and deciding what the priorities of projects; I would like for us to be able to do that.

Councilmember Ajmera said also in that request if we could also add; every capital project has some sort of cushion built into that. At what point after design or whatever phase the project is in, at what point do we decide that we may no longer need that cushion that has been built in? If we could get that into the schedule that would help us really get a broader perspective on how much money that we have remaining from certain capital projects and if there are any projects that need funding. Obviously, in our case the Cross Charlotte Trail is certainly a priority for me and I would like to see how we can figure out funding for that based on remaining funds from other capital projects.

Ms. Joy-Hogg said I believe you are talking about the contingencies that are in the project budgets.

Ms. Ajmera said yes.

Ms. Joy-Hogg said because of the way we did it before the total cost of the project wasn't known so the contingencies may tend to be higher. We won't know that until the project is bid and we have a contract and we know that it is going forward. The process that we are going to suggest to you in a few more slides is we will take care of those large contingencies on the front end because they won't be there anymore because we will have done the planning beforehand, but we will get you a list.

Ms. Ajmera said I applaud the new process where you are really giving us more realistic numbers. I guess the structure that you had shared with us last time for capital projects, it only had what was budgeted, it did not have contingencies. There was no column that showed contingencies so, are you saying that in the new process whatever you are going to present would have a final number if it passed the design phase where you would have more accurate number being shown?

Mr. Joy-Hogg said yes. The number that you saw earlier had the contingencies in it as part of the total. That was that cone that Mike showed you last time. As you get closer to the bid and the completion those contingencies get smaller and smaller. Because we didn't have the planning on the front end those contingencies will look large because we didn't know where we were going to end up. What we are saying is we will do the planning up front and then when we do go back for construction those contingencies will be much less. You will always have contingency in a project because you need it. You never know once you open up a ground what is going to be there; you always need some sort of contingency but the issue is we need to strike that balance of the unknown plus is it reasonable.

Ms. Ajmera said so, there are multiple phases of the project; you've got the planning, the pre-planning, the design, the construction; at what point do you say the contingency that was built into project is no longer needed or we may need to reduce it or we might have an overrun? At what point is that in the project? Is it the design, is it when the project is out for construction bid? That I would like to know when you present us with that entire charge of here are all the capital projects, I would like to know whether that project is a design or construction phase or pre-planning so that we know what certainty we have for the specific number that is being outlined in that budget.

Ms. Joy-Hogg said I think Phil is going to get into some of that as we progress through the new process; he is going to talk about that cone getting smaller and smaller. Can we let him to that and we will come back to that question?

Ms. Ajmera said sure.

Ms. Joy-Hogg said as we said there are multiple pieces to this puzzle, right. It is multi-faceted so as I said we have a work team, people are in the same room, Finance, Budget, Engineering, all of us are in the same room talking through projects, talking through the financing, but what Mr. Carter was trying to explain is that the cash flow of the projects need to really be as accurate as possible because what Finance does is they will estimate how much we can spend per year and that goes into the debt modeling. If we don't spend that you have capacity that is off, so, that flows right into the projects, it flows into where Engineering is trying to complete the projects, as what stage does it go out for construction, when are the payments being made, when are the invoices coming in. We are talking about like when you are paying your bills basically, so those all have to line up and everyone needs to talk. As you see it is multi-faceted, project management, defining the scope up front so we don't have scope creep and cost creep. Doing long-term financial planning is very important; long-term capital planning is very important. Rating agencies do look at long-term planning to make sure that is part of our management score. We talked about the cross-department collaboration, the cash flows and affordability assumptions, all of these pieces play together in the sandbox. So, now we are going to move into pre-planning and why it is so important that the City do that.

Mr. Winston said can we get a list of those non-scored pluses and minuses that reflect our credit rating?

Ms. Joh-Hogg said sure, it is a matrix.

Phil Reiger, Director of Strategy & Budget said we've spent a lot of time talking about big ideas, projects of the past and we are still working through those and we are evaluating every project. To Ms. Ajmera's point we are looking at the budgets; we are looking at what the projected final cost will be and whether or not there are available resources to reallocate as we move forward, but this year we have an opportunity to really begin planning for capital projects beyond the bid ideas. So, the 2022 bond which is FY2023 will be the first bond cycle post big ideas that we will start to plan for. I want to talk a little bit about the process for beginning to think about planning for and populating that bond year with projects. To Mr. Driggs' point, it is important that we really restart the pipeline of projects and we've done that in the sense that we've done a capital needs assessment. It is something that we haven't done for 12-years and really that needs assessment this year was more of an inventory than it was an assessment because there are some projects in that inventory that we just won't do. We just won't recommend doing but, it is an inventory of adopted policies and plans that have been through City Council adoption, they've included community engagement and that community engagement process identified capital needs. So, after we go through that process staff takes a look at that and they really start to take a very technical look at that. For example, for transportation they start to look at congestion information, speed information and that type of technical analysis starts to inform staff's view and when we are talking about road projects, priorities on where we would need to invest in roads, just as an example. So, there is some feasibility and due diligence that goes into identifying projects before they are ever really requested. After they go through that they go through the budget request process that Ms. Joy-Hogg talked about; they get evaluated by the Budget staff and those projects come forward for City Manager review.

One of the things that we've recognized as we've started to experience some challenges with the big ideas that we really didn't have a lot of good planning and design information for projects before they went to the voters. So, as we bring forward and think about a future process we want to solve for that. The other thing that we recognized is that it has taken us quite a bit of time to deliver on the projects that the voters voted on. That is to say when they go to the polls and they vote for bonds which represent money that will be spent on a list of projects it has taken us a long time before we break ground so we are wanting to do something that will solve for that as well. The final thing is we want to have better cost estimates before we put projects on a bond referendum, not only so that we have cost certainty, but also so that we can put together those spend rates, those cash flows so that we have accurate debt modeling. Our Financial Advisory, Mr. Carter talked a little bit about that. What we are really starting to look at is creating a revolving capital planning fund and I will explain how it works in a minute. That fund is really to advance planning ahead of a bond referendum so we have more certainty about projects and the idea is and I call it a revolving fund because that fund is set up such that when the project is voted on and we issue bonds for it, it is the bonds that we issue that reimburse the planning fund so it is constantly being replenished so we can continue to do planning for projects.

We've talked to our bond counsel, we've talked to our financial advisor, we've talked to our debt modeler and we all believe we have the capacity to leverage the debt service fund to create a capital planning fund. Just to kind of continue to describe what that fund will be used for, it is going to be used for projects that have been identified and approved by Council. So, we bring forward the proposal of creating a capital planning fund, the projects that go into that fund will be projects that Council has seen, that the Council has vetted and voted on through the budget process. It is going to be used to better define project scopes to test project alternatives particularly around phasing and sequencing projects, through planning we will be able to coordinate with other projects. It will allow us to do site analysis; all the things that you would do when you are planning for a project and then as we move out of planning and into a partial design phase it allows us to get design level cost estimates to inform the future bond.

The next three slides are designed in order to give you a sense of how this plan will work and how the results of the planning fund would inform future bonds. So, bear with me as I do this; I've got three different ways of showing this and hopefully one of them will make sense to you and if not, we will answer questions; I'll go back and try to describe it in different ways. What we are talking about is creating the fund in FY2020, the budget year that we are working on right now, and the idea is that again, there will be projects that Council considers and approves; it will go into this planning fund and at approval of the budget staff will start doing planning work on those projects and that planning work will happen through FY20 and FY21 such that by FY22 we will have a plan, we will have probably 50% to 70% design which will create really solid cost estimates that will give us information for the FY2023 budget cycle which is the FY2022 bond. The idea is we start planning in 2020 for what will ultimately go to the voters on the 2022 bond and Council will have the opportunity in 2020, 2021, 2022 and 2023 to evaluate those projects that will finally end up on the bond.

What this really does is sets up a pipeline or a cycle and again, this is a revolving fund so when we go to the voters and assume that the voters approve the bonds, when we issue the bonds the cost of the planning and design that was spent on the projects will be factored into the cost estimates and that money will refund the planning fund so we can continue to the work. The idea would be that planning that happens in 2020 will inform the 2022 bond; we will start another cycle of planning in 2022 that will inform the 2024 bond and then 2024 to 2026 and again, this is a cycle. You constantly have a pipeline of projects that Council are getting to see, they are getting to weigh in on and approve and we are getting quality planning and design estimates as we move through the process. So, another way to think about this is, this might be what you would see in a budget book; you would see fiscal years, you would see a list of projects by fiscal year and in this case the gray boxes are the bond years. So, for the upcoming budget you are going to see fiscal year 2020 through fiscal year 2024. The 2020 bond is the last bond of a series of four bonds in the big ideas. There are already projects in the budget for planning purposes populated. There is $172.2 million worth of projects and so those projects you will have an opportunity to revisit this year and you will have an opportunity to revisit next year, but generally that $172.2 million represents the final bond year and the final commitment of the big ideas. Moving forward we are talking about developing and planning a design fund to make some dollars available that will put projects into that fund that will ultimately inform the right-of-way and construction for the 2022 bond. The advantage here is when the voters go to vote on this bond we are far enough along in the project that we are ready to go to right-of-way acquisition and shortly thereafter, ready to start to break ground so the expectations of citizens, I went to the polls, I pulled the lever, I approved those bonds, I'm seeing the projects and that is the idea here.

Ms. Joy-Hogg said that was that last bullet on the previous page, so the perception between when a voter approves a project is much quicker.

Mr. Reiger said just to be frank; it takes five to six years to build a project but the first couple of years is planning so when you go out and you talk with citizens about a project, it is sort early in the project you engage them and then it takes another three years before they see the ground break, the expectation is it takes a long time. Here we are trying to manage expectations a little bit and we are trying to show voters what they are getting for their vote. Again, this is just a continuing process where planning and design dollars inform future bonds and do it sort of differently than the way the big ideas were done. With that I'm going to stop and ask if there are any questions about that because I'm not sure whether that was confusing or whether this was helpful so certainly open to questions.

Ms. Ajmera said I know we had gone over that at the Budget Committee, so remind me again what is the funding source for the planning and design bucket.

Mr. Reiger said I referenced leveraging the debt service funds so the debt service fund has a fund balance and that is cash, and the debt service fund is what pays the principal and interest for the debt that we issue. What this does is it leverages some of the cash in the debt service fund and because it is a revolving fund that the cash always goes back in it has relatively no impact to debt capacity in the future because we are constantly refunding the cash.

Ms. Ajmera said to follow-up on that; how is the debt service fund currently being used because we are not doing the planning and design currently out of that bucket? Am I correct?

Mr. Reiger said that is correct.

Ms. Joy-Hogg said we don't have a specified planning and design bucket but as the projects are paying bills they are paying the planning and design out of that debt service.

Ms. Ajmera said could you repeat that.

Ms. Joy-Hogg said the debt service is like an account so as the projects are moving along the process if they have done any work or there is an invoice for that the bill is paid out of the appropriation of the project so, the debt service has the cash because we've issued bonds for it. Right now, a project has to be approved by the voters or by Council if it is COPS before it can start. What we are saying here is there will be a list of projects that Council will approve, we are going to go ahead and get started on planning and design as far as we can take it, get as realistic cost estimates as possible and then if it is a bond we are going to take it to the voters at that point, so let's say it is a $20 million project and planning on that, make up the numbers, a $20 million project the planning on that is $1 million so we would use this planning fund, use the $1 million to get us as far as we can go. All along Council can pull it at any point you want. When we get to the 2020 bond that $20 million project will be there because that is the total cost of the project. $1 million of that $20 million will now go back to repay that revolving fund for the next cycle of projects.

Ms. Ajmera said when is that approval process? Council will approve it in 2020 then planning and design starts, right?

Ms. Joy-Hogg said no project begins planning and design unless Council approves it so you will get a list and as Mr. Driggs has been saying, we want to be able to prioritize so we will present a list and then Council will decide what the priorities are and we are also suggesting this for our own facilities as well, the COPS funded which do not go to a bond referendum. The concept is the same with the planning and design.

Ms. Ajmera said so this would be for all capital projects?

Ms. Joy-Hogg said all except for what we call the umbrella projects which are like the streets and sidewalks, those under a program.

Ms. Ajmera said what happens before it goes to 2022 which is for the bond referendum and if it gets pulled by Council before then what happens to that cost that is being incurred as result of the planning and design? How would that get reimbursed?

Ms. Joy-Hogg said we are told that we can still get that reimbursed as part of planning and design through the bond authorization.

Ms. Ajmera said okay so, it would still come out of the bond?

Ms. Joy-Hogg said yes. The objective is the revolving fund at some point stays whole.

Mr. Driggs said if we cancel the contract we are not using bond money to fund the money, we have to charge that to operating, don't we?

Mr. Reiger said there are two ways you can do it. We have talked to our bond Counsel so bonds can reimburse it or you can just draw from the debt service fund cash balance for that value.

Mr. Driggs said we are not going to capitalize something we didn't do, are we?

Ms. Ajmera said I'm just to clear in the case where we have; this makes sense okay. What I'm concerned about is in 2020 Council approved it; let's say we got far along and now we are going to put it in the bond referendum but at a certain point Council decided we don't want to do this and they pull it back because they are thinking the cost is a lot of higher or the priorities have changed. There might be a higher priority issue that we have to tackle; I guess the planning and design money that we had incurred if we are going to get that reimbursed from the capital money from the bonds in the future then that is okay, but it is going to come out of our operating budget I just don't know what the process would be for that. Maybe you can help me better understand how that is going to work.

Mr. Carter said when or if that occurred there would be multiple ways you could look at how you would handle that money. If it is a capitalizable expense and in deed planning can be for capital projects, then you could cover that by a bond issue or you could cover that out of the fund balance inside the municipal debt service fund, so there are multiple ways to look at it.

Ms. Ajmera said so that means internally as a Council we have to make some decisions for this possible scenario in the future. Just to keep this in mind as we go through this process and finalize it because we've got to prepare for this kind of scenarios.

Mr. Driggs said it sound like what we are doing here is we are taking the process where we fund the project, we go to the public and get a vote and fund the project to a later time in the sequence of events, right.

Ms. Joy-Hogg said correct.

Mr. Driggs said so we are moving it to later so there is a shorter timeline and more certainty between when the public approves it and we are creating an accounting entry which is a liability position on our balance sheet in order to recognize the expenses that can't be funded with the bonds because we are not issuing them until later.

Ms. Joy-Hogg said basically correct, yes. I'm sure the finance folks are checking your language but the concept is correct.

Mr. Driggs said I hope that is simple enough. It isn't an accounting entry; we are not going outside and borrowing any money so we are creating internal accounting entries to accrue those expenses that we would have funded with bond money in the past but we aren't now because the bonds are being issues later in the process. So, questions; what is the amount that you think you need for the revolver; like how big or what limit do you want for the revolver?

Ms. Joy-Hogg said we are not there yet so I have to put out a number. I discussed it with Mr. Jones and he said please don't put out a number because we are not completely done however, we are not talking about $50 million; we are not talking about $100 million; we are talking about $10 million to $20 million at the most.

Mr. Driggs said that is what I thought; so, what percentage of the typical project would get charged to the revolver before you were ready to issue the bonds?

Mr. Reiger said to go through planning and design the rule of thumb is about 10% but we are not suggesting that the planning fund is going to take you through 100% design. It is probably going to take you to 50% to 70% design and the reason for that is once you get to that point in design you are pretty certain if there is property acquisition to be done, you are pretty certain about what properties might need to be acquired in order to move forward with process. Property acquisition takes time to do so it is helpful if we could get through that so we would have certainly about the property and we have better certainly about cost estimates.

Mr. Driggs said do you still expect to use bond anticipation financing, so that is still part of the process. This is before that if you will.
Mr. Reiger said yes sir.

Mr. Driggs said the only thing I will say is I like the idea of having more certainty but if we go to the public and say vote on these bonds and we've already spent 10% of project cost I can see from a voter's standpoint they are not choosing between what I feel is a write-off of 10% of the project costs or approving it. There is a balance between wanting to go late in order to have certainty and wanting to go early and let the public feel that when they vote on those bonds they actually have the option of not spending any money on that project.

Mr. Reiger said I think that is a very fair point and that is what we are looking to find, is that balance and understand that the further we can go through the design the more certainty there is about cost estimates. The later we can to go the bond voters the seven-year clock starts later so you don't have the seven-year clock issue and of course from an expectations perspective for the public the quicker we can start construction after they vote I think the more likelihood we would meet their expectations as it relates to; they would see the projects they voted for more quickly.

Mr. Driggs said to your earlier point, the need for contingency goes down when we do this. Weren't the big ideas projects often with contingencies up to 30% in their funding?

Mr. Reiger said some of them were, but I can't blame our engineers that haven't done any planning on a project that are trying to put a cost estimate out, not to put a pretty high contingency.

Mr. Driggs said no, no, it is not an accusation but what that means is that you have potentially large amounts of money under the old system that got spent in ways that were not prescribed in the promotion materials for the bonds, right. In general terms yes, but you had left over money and you decided to do something else with it, so we are going have less leftover money and have more of kind of direct transparency to the public in terms of what our capital projects are by lessening the contingency need.

Mr. Reiger said I think you are right. It is my opinion that this will tighten up the capital investment plan in a way that the money that the residents go and vote on for projects are the projects that get built. That is not to say that there won't through the project close out process, we won't identify some savings from time to time and when we do we bring that back through the budget process.

Ms. Joy-Hogg said Phil did some research in the past and the history has proven that once Council has approved a project, I think it was only one in 20-years that a project was pulled back by Council.

Mr. Driggs said I know that doesn't happen but the other thing does regularly where you have leftover contingency money and it was going someplace, generally similar but not the thing that was in the description. I would like to see that thing tightened up.

Councilmember Mayfield said Ms. Joy-Hogg; as we are going through this process I want to take a moment for you and your team. When you've been here honestly a short period of time and there is a process that I don't think many of us didn't realize wasn't in place, that you all have identified so, I appreciate the fact that we are able to ask the questions we are asking today, but we have to also recognize we've got to take a moment to acknowledge that this is a process that was not in place before so you all are streamlining and bringing to our attention some questions that we may not have asked previous years because we didn't necessarily know to ask them. I want to take a moment as we are going through this to just acknowledge and thank you for not only identifying ways that we can be more efficient and more effective but also recognizing that some changes needed to be made because we couldn't continue the way that we've been managing because we do have a AAA bond rating, we have done great work but there are some things that you have brought to the table that maybe had not been considered previously. So, I want to take the moment for you and your entire team to thank you all for presenting this in a way where not only your Council but the community and the general public will be able to understand it a little better when it comes to when we bring a bond to you that there are a number of steps that happen prior to and what you are recommending and we are not there yet, we are the beginning of the conversations but what you are recommending is a much better streamlined process so that what we bring to the community is aligned and at least gives them a better idea of what it is we are attempting to do. I did not want to miss the opportunity for us to thank you and your team for looking at a much more efficient way for us to do government here in the City of Charlotte.

Ms. Joy-Hogg said thank you Ms. Mayfield; the team is open to change and I can't tell you how many meetings we've had. It has been a lot and that is because we wanted to make sure it was okay with what we were doing. While we have some examples around the nation we want to make sure it was okay for Charlotte and it is new. It is a new concept for some and it took us a while to get there but I think we are in a very good spot. I won't sit here and tell you we won't have bumps along the way; this is a new process and with anything new we are going to have to work out some kinks as we go along, but we are constantly refining it.

Councilmember Harlow said the concept totally makes sense; reduce costs, better scope earlier, a little more predictability, shrinks that funnel faster, Mike's funnel from last budget meeting. We talk all of this and we are supposed to be getting less contingency, less surplus but apparently in all these projects we've had in the past have these larger contingencies or surpluses so, what is happening to those dollars? Are they just going to other projects, are they going to help fund this new planning fund, are we just paying back the debt with it? What is happening with it?

Ms. Joy-Hogg said some of those contingencies are used for the project because again we didn't have that planning benefit beforehand. Like Phil said, better safe than sorry so large contingencies. Those that were needed for the project are being spent on it, others through this closeout process that existed before some of those were captured and they were brought back into the CIP. So, if you look in the budget book there is a project savings that has been identified that goes back into like projects. Especially if it is bond it has to go back into that like project. There is an annual process that did that. Whether or not we called that out to you all, probably didn't is my guess. I don't think we verbally said this is $5 million in project savings, but they are in the book, it probably wasn't a point of discussion. What we are saying now with this formalized process and Hannah Bromberger is the poor soul that gets to do this closeout process with me hovering over her shoulder saying where is my list, where is my list and she is combing through each and every project with Engineering to say where are you with these projects; let's close them out. I will tell you we've had some administrative clean-up to do just in our financial system, some projects were closed out but they still sat there on the books with zero balances so there is a lot of behind the scenes work that we are doing, but hopefully we will be able to figure out how much project savings we have and then bring it back to you all.

Mr. Harlow said I understand the concept of getting reimbursed and it is this cycle of planning it now and bond it back later and all that so it is how we kick start the fund.

Ms. Joy-Hogg said through the debt service fund.

Ms. Mayfield said an example for Mr. Harlow and Ms. Joy-Hogg, correct me if I say this incorrectly; a number of years ago there was a project that actually came in under budget by a couple million and because that leftover money was there we were able to use those funds for the sidewalks off of Tyvola Road when we did the sidewalk widening because that was in the list and there was like number one for the next set but because we were able to save and it was in the same category of work we saved about $3 million to $5 million off of a previous project so those funds were then able to go into the next project in the same category and it accelerated the West Tyvola Road sidewalk project that we did.

Mr. Reiger said I would be remiss if I didn't add to the conversation that sometimes, we are talking about the 2020 bond, when you are taking forward $172 million of projects sometimes you are going to have a project in there that we might have missed, we might need to fix and project savings is also available to reallocate to fix projects. It is still something that happens through the budget process so, for example, last year we identified a list of projects that had budget overruns and one of those projects was an Oakdale Road project that needed about $4 million and so, last year specifically $4 million of project savings was identified through more of an informal closeout process, was allocated back to fill a gap for Oakdale Road. So, sometimes that is a reason or a use for that money as well.

Mr. Winston said we are going to be going through some changes for instance with the TOD Ordinance where developers might have the opportunity to invest in transportation infrastructure and other improvements that might cross over into these capital investment bonds that we float. My question is, if we run into that and that money is not needed to come out of the bond anymore how nimble is it and how do we reallocate some of those savings that come from that into other projects and other needs?

Ms. Joy-Hogg said it should be pretty nimble; if we don't need to spend it we are not going to and we will bring it back to you all for reallocation. You don't necessarily need to appropriate bonds again of issue bonds because it would have already been done. You have to spend it for a like type of project so if it was transportation it has to go back to transportation.

Councilmember Phipps said I think my colleagues would agree with me that this is a more granular vetting and ongoing due diligence process than we've ever seen when it comes to capital projects and I would hope that this would inspire confidence in the voting public when we do come before them with additional bond offerings and it would help mitigate any kind of concerns we might have had in the past with regards to certain surprises we've had in other projects. I do think that this is way better, at least on paper at least right now, that it is much better than anything we've ever had. I think this is a great step forward. I just wanted to reiterate and I think Ms. Mayfield was making the same point that heretofore we haven't enjoyed something like being more granular and more specific and more efficient.

Mayor Pro Tem Eiselt said I won't pile on that too much, but I join what Ms. Mayfield and Mr. Phipps said that we appreciate the work you've done to do this even though we are going to have to spend some money, I think people would want us to do that to have more predictability as to what it is they are voting on, so thank you very much, appreciate it.

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ITEM NO. 4: NON-GENERAL FUNDS

A. CHARLOTTE AREA TRANSPORTATION SYSTEMS

John Lewis, Transit Director said I'm here to present our FY2020 capital and operating budget. Just briefly before I get into substance of our budget program, I want to go through some of the accomplishments over the last year. It has been certain a fast and furious year. Next week we will celebrate the one-year anniversary of the opening of the Blue Line Extension that is a very important project in our overall system plan. We will complete the original alignment of the Blue Line, we will celebrate the one-year anniversary of that opening, a project that was opened on time and on budget. The same time of last year we have broken ground on Phase Two of the Gold Line; that work continues as we continue to work through some of the challenges with the Hawthorne Bridge. I do want to emphasize that work continues on the rest of the alignment and about two-thirds of that project continues to be under construction today.

The Gateway Station; we broke ground last summer; the infrastructure work that is being managed our partners at NC-DOT and Norfolk Southern is well underway. We are adding almost two miles of track, signals, additional widening of several bridges and that work continues while we are working again with City Economic Development and other Departments on the Phase Two portion of that project which will be to bring on a private sector developer to deliver the station and the associated vertical development of that project. We are also very proud of our first and last mile program that went into operations with the opening of the Blue Line Extension and our partnership with the Transit Transportation Networking Company LIFT, provides important first and last mile connections to our transit stations and we are looking forward to enhancing that program in the year to come.

So, we are looking at our FY2020 preliminary budget. That budget is balanced, structurally balance is required under our MTC, the Metropolitan Transit Commission rulings. We have met all of our business and financial performance objectives and certainly are looking to provide additional mobility options. Most importantly we will do so without a fare increase. It has been despite it being an MTC policy every two-years to consider a fare increase, we have gone three-years without increasing fares; instead working on and concentrating our efforts to raise the average fare from all of our riders. Essentially what that is as we continue in the past of raised fares we continue to offset that by giving a pretty steep discount and we are working to reverse that so that we can get our average fare as close to actual fare. Three-years ago when I began here at CATS our average fare was about, even though our regular fare is $2.20, our average faire was around $ .98 so the average fare that was paid by a person getting on board our buses and trains was well less than half our stated fare. That was a result of people doing what normally they will do, take advantage of all discount programs that we can so every time we raise fares we offered more discounts so we were offsetting our own policy in that. Two-years ago we cut back on some of the discount programs that we offered, namely the weekly passes. We did do some normal economic activity happen and people left the weekly passes and moved to the monthly passes but in the short-term we've been able to raise our average fare of $ .98 to almost $1.20 which would have essentially offset a $ .25 increase in our fares. So, once again we are moving forward with this budget without a fare increase and will continue to evaluate our fare policy in the months and years to come to look for other opportunities that will allow us to raise our average fare.

The details when comparing FY20 to our FY19 our FY20 operating budget will raise from $154.6 million in FY19 to $162.4 million as we continue to see some of the operating costs associated with operating the Blue Line Extension. Also, our debt service budget will continue to decrease as we continue to pay off some of our short-term debt over the next couple of years and our capital budget, even though you see a very large decrease in capital budget. In our final budget we will also show some of our carryover expenditures from last year but as we continue to move forward with closing out the Blue Line Extension, paying off some of that short-term debt our capital budget continues to decrease.

Looking at our sources of revenue and expenses, of course the majority of CATS' operating revenue comes from our ½ cent sales tax that is dedicated to public transit. Mecklenburg County, which continues to operate very strongly, even above our wildest estimates in terms of reflection of the strong economy that we continue to see, but also our fares and service reimbursements is a major source of revenue. From the other side of the ledger on the operating expense, personnel services of course, is our largest operating expense. Thinking down into our staffing we are increase our operating staff from 534; we are adding 17 positions, the majority of which are associated with the Blue Line Extension, the additional operators and mechanics as we continue to grow that service. Also, our contracted positions, our bus operations division, which as you know is contracted out to a private provider, RAPT Dev operates that for us. We are also seeing additional security officers as we've essentially doubled our light rail alignment, we are bringing on additional security officers to take care and keep that alignment and that operation safe. Again, as I mentioned additional 17 positions; you will see the listing there but the majority of that are rail transportation mechanics and maintenance technicians associated with the increase in rail alignment.

Looking at our Capital Program our focus moving in the next five-years is certainly in a state of good repair. We want to make sure that not only as we look to expand our system that we are taking good care of the system and the infrastructure that we have in place. Over the next five-years we will be replacing 65 buses, 85 of our Special Transportation Service vehicles, we will be replacing 86 of our van pool vehicles, adding a new bus wash at the North Davidson facility and starting to deal with the overhauling and replacements of our HVAC system. We also will continue to invest from the security standpoint and technology, replacing cameras and additional upgrades in that regard.

As we look at our Capital Program we also have additional non-revenue vehicles particularly associated with the adding additional non-revenue maintenance vehicles and supervisor vehicles associated with the Blue Line Extension. So, new projects, we are moving forward on the capital side. We are bringing in additional maintenance equipment for our maintenance away. We are adding additional mobile applications; will be moving from our pilot program to an all-out right mobile payment system. Also working with the City on several coordinated IT programs for our mobile network.

Councilmember Winston said last year during the benefits portion of this we were able to extend to all 8,000 City employees the benefit of a subsidized cash transit pass with the understanding that this was a program that other businesses or employers could participate in. Have other employers taken advantage of this, how popular has that program been, is there something more that we can do budget wise to ensure that more employers are taking advantage of that opportunity.

Mr. Lewis said right now, we are in conversation with the Hospitality Association, also with Johnson C. Smith University, once Gold Line Phase Two opens and we are also having discussions with CMS Schools.

Mr. Winston said in terms of STS I've heard from some employees as well as I feel like we had this conversation during Consent Agenda at some point in time that the software and hardware combination that dispatches the STS buses was creating some inefficiencies I guess in the routes. I know there were some challenges in upgrading those. Is that a priority; is there going to be any money in this year's budget to [inaudible]?

Mr. Lewis said there were several items that were brought up by our STA employees; number one was the age of the fleet which you will see has been a priority for us. We've replaced and added additional vehicles both in FY19 and it is included in our five-year budget. We will replace the entire fleet within a few vehicles in this five-year cycle, so that was the first. Second, was the technology, our dispatch and software technology; that has already been procured and is in process of being installed as we speak.

Mayor Pro Tem Eiselt said I have a question along the line of the buses as well. Asheville recently got an FTA grant for zero emissions, electric battery buses; is that something that we've thought about or tried to pursue?

Mr. Lewis said we have talked about that in a great deal during the whole SEAP program; one thing that has been seen, you've seen that a number of smaller agencies have gotten grants for one or two vehicles, I believe Asheville got three in that five. When you are looking at that, those vehicles, particular the Proterra Brand that they are using are brands that are specifically used for a circulator type service because you have to bracket those routes with charging stations. That is not a particular technology that would work in our system; number one due to the large number of routes that we have and then none of our routes really operate in a circulator fashion. We do have a number of hybrid electric vehicles currently in our fleet; we are exploring moving to compressed natural gas as a short-term fix to replace our older diesel vehicles while we continue to evaluate new technologies for electric vehicles. When you are looking at a fleet of our size, well over 380 vehicles until there is a solution that we can implement throughout our entire fleet this is going to be something we have to look at more of a pilot basis that can be controlled.

Councilmember Mayfield said Mr. Lewis, if we go back to slide #7 where we are looking at the pie charts for the preliminary budget summary, I wanted to get an idea under operator revenue. Where do ad sales for the wraps on the buses come in on this because I noticed a number of our CATS buses right now have Jack Daniels ads.

Mr. Lewis said that comes under other miscellaneous, the $3.7 million, the two percent, that is where our ad revenue comes from.

Ms. Mayfield said so, the ad revenue falls under the miscellaneous fares. Also for the next slide #8, when we look at those contracted positions; just for clarification sake, when

CATS issue an RFP you still have to use the lowest responsive bidder for these contracts? What I'm trying to get to, of course the City of Charlotte past back in 2015 a minimum pay for our employees, one of the other challenges that some of us on Council have heard along with the technology and the scheduling has been the compensation and the fact that some of the staff, because they are not actual City of Charlotte full time employees that the pay isn't necessarily equitable for the growing market. I'm trying to get an understanding.

Mr. Lewis said in this regard there are two sets of employees; the 828 that are part of our Transit Management of Charlotte, those are contracted out to a private provider because they are union positions and in North Carolina government entities are prohibited from entering into collective bargaining situation so their compensation is collectively bargained and so we treat them differently in that. The 108; these are Contracted Security Officers which again work for a private contractor. As a part of our procurement of those services we attempt to meet all of the City's goals in terms of minimum contracting, but we are governed by state and federal procurement laws in that regards.

Ms. Mayfield said that is helpful to explain and my last question is on slide #12 when we look at the 2020-2024 preliminary capital program; we are looking at enhanced mobility for transit and other programs, how if any way will that impact cash riders because we still have those?

Mr. Lewis said we are never, as much as I would like to get away from cash, because there is a cost of collecting cash; the people have to go out and pull that and count it and clean it and then deposit it. We are always going to have to have fare boxes on board our vehicles. We are trying to make it easier for our customers to use more automated opportunities, particular our mobile payment apt which right now, with last month we had almost 30% of our transactions are happening via mobile payment, but we will never be able to completely eliminate fare boxes. We will continue to have them on our buses, we have the ticket vending machines on our light rail and with the opening of Gold Line Phase Two there will be ticket validators on board those vehicles also.

Ms. Mayfield said for full transparency I do not have the mobile apt, but I did take the train yesterday, a roundtrip from Sharon Road West to McCullough, dropped off the vehicle for maintenance, hopped on the train to go to an appointment and back. That fare was $4.20 roundtrip and along with having presence there was presence on the train, I would say on the way back where we did have officers that just walked through to verify that people had their ticket, but you have a lot of traffic that picks up from Sharon Road West into uptown. That train gets packed really quickly so I have a whole new appreciation for that. So, thank you for what it is you are doing and thank you for those who are still going to need to use CATS, one that has apt or a card and there are some different limitations around the reason why not but thank you for the presentation.

Councilmember Egleston said a couple things just touching on what Ms. Mayfield was talking about; one, it would be interesting to look at and obviously, it is not apples to apples, but the Atlanta Falcons in their new stadium just went cashless and the way that they accounted for people who will still need to make cash transactions is they have machines that you feed cash into and it gives you sort of a prepaid debit card if you will and then you go make the transaction at the counter where you are getting your food or your drinks or your merchandize and it is a cashless transaction. Obviously, that would be more difficult for us because we would almost have to have them at every pick-up for our bus routes, but potentially in the future that is a model we could look towards. Ms. Mayfield also mentioned she did see people doing fare checks; I wonder if we have any data around if we are improving, declining or kind of holding the course in terms of the percentage or people that we perceive to be riding without paying the fare and is that reflected in our average rider cost that you said has gone up from $ .98 to $1.20?

Mr. Lewis said a couple things, number one in regard to the equitable opportunities for using technology, we acknowledge that and a great deal of our customers, while they have smart phones, don't necessarily have banking relationships and so, our mobile payment apt has a cash wallet which allows us during the pilot you can go to the Transit

Center, give the window person $20 and we can manually add that to your cash apt. When we fully deploy the system, we'd like to add convenience stores and CVS, etc. in that so it can be more widely disbursed in the community, but that is something we are specifically focused on. Almost 90% of my customers, under our last survey, we don't have banking information on them but 90% plus of our customers do have smart phones and so we can make it easier for those people who don't have banking relationship to make those sort of cash transactions. I think that helps us in the long run. Regarding your second question in terms of the use of technology has it brought down our fare evasion, number one every day we have our fare inspectors go through about 10% of our trains verifying fares. We do that on average over the last year and we've had somewhere between six and seven percent fare evasion. I don't have specific numbers on that but we have seen our ridership on light rail when controlling for doubling our system has gone up about one and a half percent but our payment is going up at a higher number. I think that correlation is because we are making it easier for people to pay, not that people wanted to evade but when our only method of payment was a ticket vending machine and you go up there and they are complicated, you don't know and then that train pulls up.

Mr. Egleston sand anecdotally I've gotten feedback from constituents who have said that in one case the machine just wasn't working, or to your point maybe there was a long line of people waiting or whatever, so I do think that is part of it. Your sense is that at six to seven percent average we are improving that metric.

Mr. Lewis said I think we are giving people more opportunities to do the right thing.

Mr. Egleston said my only other question and Mayor Pro Tem Eiselt got into a bit and I understand your point about the Asheville buses and how those might not be applicable in our fleet right now, and I think you kind of said, but if you will reiterate, as we replace buses we are making a conscientious decision, even if they are still internal combustion engine vehicles that we are increasing the efficiency of the buses we are buying over the buses that we are replacing.

Mr. Lewis said absolutely; in the short-term we've been doing over the last couple years buying hybrid vehicles. I think the next sort of medium term solution will be to go to compressed natural gas while we continue to evaluate; we've got to have an electric capability that we can put hundreds of vehicles out there and right now, while the technology is there what really impacts the ability for us to widely deploy those is the battery technology. It really raises the cost on a vehicle that we expect to last 13-years, having to go back and replace batteries currently today, two to three times during that cycle just exponentially raises the cost of that vehicle.

Mr. Egleston said that makes a lot of sense; I just want to make sure we are demonstrating to the public that our commitment last year on these environmental initiatives, even if we can get all the way to where we want to be today that we are making improvements as we have the opportunity to do so.

Councilmember Driggs said we've been talking about removing silos in what we do; have we looked at our transit system in the context of our housing priorities, etc. and considered options in terms of how we alleviate the situation of people who travel two hours to get to and from work? I know you made some route adjustments but have we found the right balance in terms of making it economic on the one hand on a standalone basis and on the other hand making it responsive to other priorities of the City?

Mr. Lewis said I'm going to answer that in two parts; there are some short-term things that we can do as we continue to add investment in terms of the frequency of our service, so in October we remodeled the structure of our bus routes, no longer requiring the majority of a large number of our customers to come downtown to then get off a bus, get onto another bus and go back out of town. While I believe we've gotten the structure right still almost half of our bus routes are on headways of 45-minutes or longer. That means bus number one comes, if you miss that the next bus doesn't come for 45-minutes to an hour. I think that is our next focus; we've got to have more frequent service to make use of public transit more efficient for our customers, particularly as we find our transit dependent clientele having to move further and further from the urban core in order to find affordable housing. Getting to the affordable housing portion of it, I think as we continue to plan out our corridors we want to do so with the City greater goal of economic development and affordable housing as a part of our initial planning, as an example, part of the Silver Line discussion when you are weighing out tunnel versus the 11th Street was the opportunity for meeting other City goals in terms of opening up underutilized areas, promoting economic development and specifically providing opportunities to connect to areas that have been identified for affordable housing. That is part of our longer-term plan; we will also see things where CATS will start to help leverage other sources of funds in terms of the amount of property that we acquire for stations so, rather than acquiring two-acres, only looking at what we need for a parking lot and a station. What if we acquired 10, 15, or 20-acres where we can have broader conversations and have leverage utilizing transportation funding to meet other City goals. That is what we are working on in the long-term in that regard.

Mr. Driggs said the other question was the $8 billion elephant in the room; is there any update in terms of our thinking on how we are going to fund that?

Mr. Lewis said not at this time; the next phase is we are moving the Silver Line to a level of design where we can put a real number on it will be the development of that financial plan. What really is the big question; will the role of the Federal Government remain the same. They have been a 50% partner because no matter what we do on a local or state level we could not raise enough money to replace that federal partner so right now we are moving forward with the assumption that the Federal Government will be a 50% partner and then how do we as local government go from that 25 to perhaps 35 or 40% as the state's participation ebbs and flows?

Mayor Pro Tem Eiselt said I feel like this is a conversation Council needs to have presented to us in isolation. We haven't heard an update recently, and we don't know a lot about the future plans for CATS. I think it would be great to have this at one of our Dinner Briefings or something else.

Councilmember Harlow said to that point understanding the time constrains we are under, as we are thinking forward you mentioned a lot about completing the plan, and it is good see kind of what the plans are for 2020. We hear a lot about the Silver Line recently and what is moving and shaking on that, and I just want us to be honest with the public as it relates to this plan, particularly with the Gold Line and what is next. We plan out for BLE long before it got done, now it is here and now we are planning for Silver Line long before it gets done. That is rapid transit for Red Line alternatives, all of that stuff and then we've got Phase Two turning up the ground right now, Hawthorne Bridge having its troubles and then there is the Phase three part of completing the plan that is kind of the other elephant in the room that no-one wants to [inaudible], and I'm not going to say that it is the best thing getting planned or anything like that, but we've got to start having a real conversation about does it still make sense, does it not, the federal funding certainly matters of course in kind of at least outlining that so there aren't these dreams deferred to communities that have a lot of dreams deferred. That is not this budget conversation I know, but it was kind of a piggy back to that as we think about more updates from CATS to us, it is something that the community presses at least for me on, as a District Representative, and I imagine Mr. Egleston and Mr. Newton in his absence on the east/west connecting side of it what that really looks like, if it looks like anything anymore, then from a Council standpoint having some conversations about what it looks like or doesn't look like. I think it is kind of kicking the can scenario. I've got a Town Hall Saturday, and I know I'm going to get some questions about it. I don't have any new answers for it outside of no-one knows how we are funding it, and that is the same answer I had even before I sat at this table. So, I think at some point we've got to get the definitive answer, because we are getting to the definitive answers on other parts of the plan, and we are just not talking that part.

Mr. Lewis said I think the short answer to that, and I welcome the opportunity to have that conversation with Council because the Gold Line is essentially a City project, it has been funded. There are no sales tax involved in the Gold Line, so it has been 50% federal funded and 50% City funded and so that is a conversation that I think we need to have in terms of how do we keep that in line with everything else that is going on in the 2030 Plan that is funded by sales tax?

Mayor Pro Tem Eiselt said we've got three more questions; if we could them to this capital program and then I ask that we be able to schedule another conversation, bring Mr. Lewis back to talk about a lot of stuff that is on our minds with regards to future plans for the whole CATS.

Councilmember Ajmera said Mr. Lewis, I appreciate the work that you have done, especially your department with our SEAP process, and I know they have been a major contributor throughout the process, because a lot of our carbon emissions comes from transportation sector, and I understand that some of the study is sort of in the pipeline to study our infrastructure and how we can implement some of this innovative solutions around electric bus. Should we be considering to Mr. Harlow's point about transportation infrastructure for east/west connection and also some of this environment goals that we have in our Federal Legislative Agenda for some federal funding that other cities have received such as Asheville for electric bus?

Mr. Lewis said I think again, when most of the transit agencies that have gone after and received those are agencies that are operating on a much smaller operating area and so a handful of vehicles make a bigger impact in those regards. When you are talking about a system of our size and greater you are really looking at an opportunity that would bring diminished returns so us going after three or four vehicles that we could not deploy system wide I think it begins to wonder what is the overall goal. Again, I think that recognizing that CATS is a City partner, and we certainly want to do all we can to help the City reach its SEAP goals, one of the things that is in our plans as we are exploring compressed natural gas is working with Charlotte Water on more of a circular opportunity, as they are looking to capture and recapture or how they use the gases that are expelled from their facilities gives us an opportunity to repurpose some of that for fuel. I think in that regard, we help to meet those goals, but again what we are interested in and would be fully committed to is once the technology catches up is a solution that we can deploy system wide and not just in an area or two.

Ms. Ajmera said absolutely, we are looking at a bigger impact.

Councilmember Phipps said I was wondering if CATS had given any consideration to the Hospitality and Tourism request to extent Blue Line service so that employees can move from their jobs in the entertainment sectors uptown? When those establishments close but the Blue Line service is already closed, so it limits their ability to use that source of transportation.

Mr. Lewis said absolutely and there is a quick answer to it; we've had those conversations, but in any of those situations in order to gain in one area you are going to lose in another, so what we happened by closing our service at 2:00 that gives us about a three-hour window to do preventive maintenance, and because of that we have our annual shut down where we shut-down once a year for a weekend so that we can do a real big blitz on that. What I've offered back is I would be willing to consider extended hours, but you've got to be willing to consider multiple outages in order for us to catch up on that lost time because maintenance does not decrease; it is only going to increase with time. It is something we would be willing to explore, but there are is a give and take on that.

Mr. Winston said I know we went through this whole re-envision my ride idea, and the whole idea is for people that need bus service and many times those people are within the margins of our community as we take a look at we are entering this Comprehensive 2040 Plan and looking at how we build our City and build our neighborhoods how are we interacting with that process over the next year? Is there money in here to really kind of insert CATS into this discussion and planning a part of what we are doing to make sure that once we implement this vision we are not going to have to remake the bus system again to fit that vision?

Mr. Lewis said our staff is working closely with Planning Staff, particularly initially on the TOD zoning requirements but also on their overall goals. We are also working more closely with Housing and Neighborhood Development. We want to make sure that as these plans continue to move forward that we are at the table at the beginning and start to plan out the opportunities and the requirements of those in our long-term plans as they go forward. So, yes.

Mr. Winston said in terms of technology for fares on bus, light rail, and trolleys in general, is there any further consideration to creating wi-fi hot spots within our transportation infrastructure? I know you talked about people that might go unbanked and have smart phones, but there are also people that don't have data plans and they would rely on wi-fi. I know this has been in other cities around transportation infrastructure; is there any consideration for that in this budget cycle?

Mr. Lewis said absolutely, there are two things that we are moving forward; number one, we've explored the opportunity for us to do an on board our vehicles, our trains and our buses but there is also an effort that is having to provide more wi-fi coverage throughout the City, so do we move ahead, or do we work in concert with that and pretty soon we are going to have to get to a decision point on that? We don't want to duplicate efforts, and we also don't want to have different vendors in the same environment, but we may get to a point where we have to just move forward.

Mr. Winston said my last question is more for us I think as colleagues and things we should consider, especially given the conversation about public safety pay comparison. Ms. Mayfield brought this up; I think we have to look at our goals around public safety and the contracting of corporate police on CATS' facilities. I've had several conversations with CATS security this year about this and it seems like the public safety structure really hasn't been thought about since CATS was formed a couple decades ago. It is really set up for that time period; also, those corporate police officers are getting paid less than our CMPD officers. In a time when we are trying to find ways to adequate compensate we have to make tough decisions, but shouldn't we be paying for the public safety that we desire?

There is also the issue of building relations within our community between law enforcement and our citizens. These are the same corporate police officers that are security guards in office buildings downtown, dealing with multiple entities can be confusing to our citizens, but there is also not the level of oversight that we have over our own CMPD. These contracted police officers, if I am understanding correctly from the conversations that I had, there is not the same level of accountability. If there is an issue with them they can't go to the CRB to deal with those issues. You will hit kind of a brick wall in terms of the business practices of the security company that we contract to. I think this is a philosophical kind of policy issue that we need to consider, also considering that CATS is not just a Charlotte entity; it is a regional entity. So, if we were to go a different route we would have to find ways of making sure that other towns and other cities that these law enforcement officers serve that that can work, but I think it is something that we should consider moving forward.

Mayor Pro Tem Eiselt said that is a great conversation to have, and it is important.

Mr. Winston said it is budget; it is budget –

Mayor Pro Tem Eiselt said it has kind of fallen outside of this discussion. Again, I think we need a bigger discussion about CATS, but we just don't have time today.

Mr. Winston said again, if we are being asked to fund a certain amount of contracted police officers it is very germane to this discussion, and we should consider it during the budget cycle, and this is the conversation we should have.

B. Storm Water

Mike Davis, City Engineer said it is my privilege to speak to you today about the 150 people who work in Storm Water Services, and the work they do. You all have to listen to me a lot, and I'm going to give you a short presentation in a moment, but I wanted to start with a two-minute video with two of our employees, who I think do a better job than I do of describing what we do and why we do it.

A short video was presented.

I have a short presentation to step you through and it starts by; I want to just give you the outline so I want to talk a little bit more about what our program does, give you a review of our new cost share pilot update that we started for FY19 and talk a little bit about our financial model that will feature into ultimately budget recommendations. In terms of what we do was described in the video but just in a really high level understand of what we are fundamentally doing is dealing with rain and we are dealing both in terms of quantity and trying to make sure that water moves safely to its ultimate destination which is creeks and rivers system and when it is entering those systems it is doing that in the cleanest way possible. So, as a program what that means is we are dealing in drainage infrastructure to reduce flood risks and improve surface water quality, and much of that work is regulated by the Federal Clean Water Act as well.

This slide is really to put in your mind a little bit about what makes up our program. We are heavy on infrastructure; this is what that infrastructure looks like, so it is a lot of storm drains you see along streets that go to pipes that outfall kind of like what you see in the middle, ultimately making its way to creek systems that we are trying to keep clean. Looking backwards a little bit at what the demands on the program have been over the last year and the work production, I think it is worth noting it has been a wet summer and our work does begin with the weather, and so, in a given year you can expect 43-inchese of rainfall, and just in the last six months of 2018 we've already gotten 37-inches, which is over twice as much as we saw at the same time period last year. So, we've also had major severe storms, some of them named, storms in the forms of Hurricane Florence and Michael, and what all that leads to it exposes where we've got deficiencies in our drainage infrastructure, which leads to call for service and then what you see at the bottom is where we mobilize to do managed projects, do stream restoration and do infrastructure work in the community.

That brings me to talk a little bit about our cost share program; I think Council will remember with the introduction of the FY19 budget we began the first of two-years of a pilot cost share program and this was meant to deal with what we call 'C' repair requests and without getting way into the detail on it let me just remind everyone that our storm water program operates on a priority based model where we seek to deal with the highest priority repair request first, which are A-I's moving to A's, B's and ultimately C's, so those C's are out lowest priority request on private property.

We discontinued qualifying those projects back in 2015 and with a considerable review a year ago the consensus was in order to retire that list of over 4,000 'C' requests maybe the right thing to do was to introduce a cost share program that would at least give people the opportunity to participate financially with us at an 85% City, 15% private property owner to see if was important enough to them to see that issue be addressed. Let me give you an update on where we stand. Now, understand that in terms of how we design that program what we would do is work from the bottom of the list up, in other words folks who had been on the list the longest and begin that process by making sure that our work was focusing on properties where the property owner continued to match where that request was made. On that last bullet when you take the original 4,000 and just do those as records match is what you are really dealing with is around 2,000 'C' requests.

What we've done to try to kick off that program was to start with a relative small set which is 106 property owns and reach out to them and engage their interest in that program. From those 106, we've had 12 who asked us to come and reinvestigate their site, and from that sample, we are able to determine those that have been resolved through other conditions, which I will describe in a moment, and others which may be changed classification and what that left us with were three property owners who were interested in continuing on in that program. If those three continue in the program what that creates is an obligation for the City to the extent of $220,000 approximately. I am going to show it to you in sort of big chunks of data. I mentioned we started out with over 4,000 requests and then I mentioned to you that we sort of filter that list for where there has been property ownership change in terms of who continues to own that property from the time the requests was made. That trims that list down to about 2,000, and as we've gone out and re-evaluated those conditions in the field the variety of circumstances that can cause those C's that were requested many years ago to no longer be C's, that can be where we've done work that corrects something, that can be where a property owner has taken action to correct it and keeping in mind that many of these are just creeks in backyards that are sort of natural features. Sometimes Mother Nature will correct things over time as well. So, through that reinvestigation we are able to project what we think will be a final list of qualifying C's to be around 1,200 requests at a total value of $177 million, and when we take that, it is noteworthy it is a small sample 106 requests and say that reflects what we can expect to be a participation rate in the program. We think we would end up with about 36 participants at a cost of between $4.5 and $5 million, which is about what that program was scaled to in order to move through the entire 'C' list.

The fee model, I just want to remind Council, this was a slide that you would have seen last year; Fy16 was a bit of a frame of reference for us, because it was the year in which we went to four-tier system for single family residential rate pairs and so what we are always doing is using a financial model similar to what Charlotte Water would use where what we are trying to do is model what types of fee increases may be appropriate over time in order to deliver service and what you see in this table is what was projected back in FY16. What we have actually adopted in those years from FY16 to the present and then what the model was suggesting would need to happen on the right to basically recover to what that original model was because we generally have not been tracking with what that model on the left was, but since we've put this together we recognize there is a couple opportunities to bring back a model that can be different and it would be different for two reasons; one of them having to do with updating assumptions that we make in these financial models with the help of Mr. Carter, who I would like to invite to come up and describe it.

Doug Carter, DEC Associates, Inc. said I'm going to do this pretty quickly given the time and because a lot of this is somewhat repetitive from early on. Basically, planning for this utility/enterprise is very comprehensive and is a very heavy CIP driven organization. It is a large and substantial CIP. I have the great privilege of working with other large cities in the state, and I just see our system is so comprehensive and a large coverage area. So, basically here the spend rate, which I discussed earlier is really the driver of rates and the financial affordability of rates and the entire model. I will just end with saying that this same group that we've had to deal with general side is the similar group that we've had on the storm water side, and we will be back with you and the CIP to get really specific I have some pretty positive feelings that the result of the work of our working group will be to provide positives for rate increases.

Mr. Davis said the last slide really speaks to some next steps and a second opportunity, which I have not yet described, so, we also think there is an opportunity to re-evaluate the prioritization system that we are using. I mentioned this A-I through 'C' classification system, it has served us well over time to really honor two things; one fairness that we want to make sure that we are treating people equally in terms of when they call for service, what they can expect, but also honor that we want to be a priority based system and so in looking where the program stands we think there is opportunities to strengthen what we do around our prioritization of that work and also then with refinements in the financial model and how we prioritize and qualify that work be able to accelerate the completion of our highest priority City owned assets so expect those things to shape up what would come forward ultimately in the Manager's recommended budget.

Mr. Egleston said Mike and I have had these discussions a lot lately; he has seen and heard from me a lot more than he has probably wanted to in the last 60-days or so. I think we've got some good data from the pilot, and I'm glad that for three people we might find a solution. Mike and I have been dealing with a very acute issue right now, but I think it is illustrative of a bigger problem, which is we've got people in our community who, in this particular case, has a storm water issue that is endangering the safety of their children because of its proximity to the driveway and where the kids might be playing.+ It is endangering the foundation of their home, and it is an 'A' qualified project but not an A-I project and yet we've told them that they are on an eight-year list. We told them two and a-half years ago; we still can't really give them any assurance that they are today within eight-years of seeing a solution. I think given the low participation rates we've seen in the first year of the pilot, I'll be proposing and maybe the Manager's proposed budget will include this. I hope it will, if not I'll be proposing it, that we take the $5 million from this pilot, less the $220,000 that we might need to satisfy the promises that were made to the three property owners in the first year of the pilot and redeploy that back towards the top of the priority lists, because it is hard for any of us as Councilmembers to look a constituent in the eye whose got a problem of the magnitude that we've been dealing with, with these particular folks who were on the 'A' list and explain to them how we are deploying a single City dollar towards this 'C' list priority, but we have no timeline for their fix. So, I think we've got to put all of our dollars towards the top of the list and not look for ways to try to pick cheap stuff off the bottom of the list. I hope that is the direction that the proposed budget takes, if it is not I will issue that reminder at that time.

Councilmember Newton arrived at 3:54 p.m.

Ms. Ajmera said could you go back to slide #8? We are projecting about 1,262 requests and so far, only 36 requests have been made.

Mr. Davis said no, 36 would be a projection of those 1,200 if we were to continue on with the program and notify all, in this case, 1,262. The proportion of them that we think would be interested in participating in the program, we would predict to be around 36.

Ms. Ajmera said so far, we are working with three that have submitted the application.

Mr. Davis said three out of a sample set of 106 total.

Ms. Ajmera said what would be the cost for those three?

Mr. Davis said the total for all three ends up being $220,000; that is the City's share of that, so slightly more of that as a total cost, or is your question what the citizen is paying?

Ms. Ajmera said yes, the reason I'm trying to get to the citizen's portion, one of the calls that was submitted for 'C' they did receive the City form, but they said they could not pay that portion, so I'm just wondering what is the portion, 15% I understand that, but what does that translate into?

Mr. Davis said just to use an easy number to work with, a typical project, and there can be a lot of variation in this, but right now I think our average is running at $127,000 per project, so even for an easy number, you said $100,000, because some of them will be less. You are talking about $15,000. There are two reasons actually right of the bat why you might expect a low participation rate; one is at the end of the day that is still a lot of money for a citizen to take on, and two, just in our program that represents the lowest of all priorities. So too in the realm of what that homeowner may be facing, at the end of the day when they are asked to put in their own money, it may also bear out that that is not their highest priority.

Ms. Ajmera said that is the reason we are seeing such a lot of participation; the cost is really high, even it is just their portion which is $15,000 to $20,000, I would think per homeowner. Do you think with the requests that we are anticipating, which is about 36 you said, would $5 million that has been allocated and Council approved last year, would that be sufficient for the requests that we are going to see come through?

Mr. Davis said yes, again, noting this is a small data set and we are extrapolating from it and that can sort of go either way, but from the data we've gotten so far, we would expect to process through all the requests within the $5 million. We would expect to get all the way through the list with the $5 million that Council has allotted.

Ms. Ajmera said you are saying that should be sufficient for now, throughout the pilot phase?

Mr. Davis said yes, that would complete the entire 'C' list.

Ms. Ajmera said right, so pilot phase is three years? I do not remember.

Mr. Davis said it was originally conceived as a two-year in which $2.5 million was put in for FY19 and was planned to be included in FY20.

Ms. Ajmera said that would pretty much wipe out the entire 'C' list.

Mr. Davis said at that projection rate yes.

Ms. Ajmera said one last thing, I have heard several conversations about 145 and how that might impact the storm water fee collection. So, should we be looking at overall budget impact in any way with that bill?

Mr. Davis said you are referring to the State Legislation? Just for broad background, what this deals with is we have what is called a Post Construction Storm Water Control Ordinance and one of its provisions for Charlotte has been that when redevelopment occurs that we would seek to mitigate the impacts due to flooding and water quality through that redevelopment project. What the action by the State did was basically say for anything that was already existing as impervious that is immune from those provisions. One of the provisions we had before was what was called a fee-in-lieu, so in some situations people could pay us instead of doing something on site. So, yes when the approximate impacts to our program for both the fee-in-lieu and their direct mitigations on the impacts to the system are somewhere around the neighborhood of $5 million to $6 million annually, so it is a significant impact, and it factors into what we've got to plan for in terms of infrastructure.

Ms. Ajmera said would we see that in all our budget requests that will be proposed, because some-how we will have to fill that gap?

Mr. Davis said the way I would look at that is at the end of the day we've got some revenue sources, and we've got infrastructure needs that we are trying to tackle, and when we model for how we bring those things together that becomes one of those revenue assumptions, about what we used to have we don't have anymore. A minute ago, Mr. Carter described some financial assumptions we might be able to leverage to our benefit, this legislative change works against us. All those things have to go in the model, and I think take into consideration other feedback like Mr. Egleston's in terms of ultimately all the goals we are trying to hit.

Mr. Driggs said I wanted to say in response to Mr. Egleston's point, we actually mulled this over, over the span of a couple of years for a long time. We have kind of set aside a nominal obligation of $600 million and provided less than one percent of that in order to be responsive to some people who through they were going to get service and aren't. The total amount of the A's and B's is something, if I remember right, on the order of $400 million; is that still a good number?

Mr. Davis said if you look at just in terms of present day value it is probably closer to $200 million for all known A and B's.

Mr. Driggs said alright; that has gone down, is that also a result of your – because it was $400,000 the last time we talked.

Mr. Davis said I would have to go back and look to see what assumptions were connected to that and what grouping was included in that.

Mr. Driggs said the point is we are not actually going to deal with those so, without repeating everything we did last time we had charts that showed what the waiting list would look like for the A's and the B's at different percentage increases annually and I've noticed you've built in what looks like six percent per year going out five-years, which takes us up 34% over the five-year period. It is already a pretty aggressive price increase schedule. I would really be interested to see what that chart looks like. If I remember right it took eight percent then when we looked at it to get to a point where at some time in the distant future we could anticipate that the waiting list would actually get shorter. I think we still have work to do on this and last year I said I hoped what we would do is take a more fundamental look at the program, maybe look at what other cities are doing and look at the service commitments we are making and how much we are charging for them and just try to get more convergence on the projected expenses and revenues and that is something to mull over.

Mr. Egleston said I just wanted to say to Mr. Driggs' point, I'm not naive enough to think that the $5 million is going to make some big dent in our 'A' list, but optically I've got a problem with – if the people we are dealing with right now on 'A' project saw a 'C' project that we had invested in it would be really hard for us to square that. So, I don't think that $5 million is going to make a big difference on the 'A' list, but I think principally we shouldn't be doing our lowest priorities when we are not being able to tackle and get into the highest priorities at a sufficient rate.

Ms. Ajmera said I remember last year when we allocated that $5 million, we did not take anything away from A's and B's; it was separately allocated. So, the A's and B's, we can continue to serve the highest priority, but the objective for allocating $5 million was to really address that 4,000 or 5,000 people we had in our waitlist. Correct me if I'm wrong Mr. Davis, but the objective for that pilot project was to help us really put more resources behind high priority requests.

Mr. Davis said my recollection of the rationale of the program was that as we I think all recognize C's were beyond the reach of the program but that whereas we had created a list of people who might have expected a service for free, rather than just say we are not doing that anymore we would at least give them the opportunity, particularly if some people had made choices along the lines of I'm going to wait my turn rather than invest my own resources to fix the problem. If someone has deferred that, that is the choice they have made we want to at least give them the option to still participate with us. That was what I think was the rationale to the program.

Ms. Ajmera said just so we are all on the same page, because $5 million, that means we got rid of a billion dollars in liability and 5,000 requests at a time we had last year in C's only. Am I not correct? What was the total number of C's?

Mayor Pro Tem Eiselt said how about if you work with Mr. Davis to get that information because we've got other people that we've got to get to that have questions.

Ms. Ajmera said I think this question is going to keep coming back until we get a solid number in front of us. It may not be right now but at some point, I think we've got to look at the data.

Ms. Joy-Hogg said Mr. Carter alluded to it, and I said it earlier on. The same discussions we are having with the general fund bonds and the debt model we have begun to have it with Storm Water as recently as two weeks ago, and there should be some good news coming for us. We've also asked Storm Water and Mike Davis' folks to look at is how are you qualifying projects. We do a lot of work on private property; there are storm water systems that do not do work on private property. So, we have a list that has A's that are City owned property and then we A's that are privately owned property, then we have B's that are City owned property and privately-owned property. We are doing work in all the categories, meanwhile we've got City owned property that we are liable for so, we've asked them to look at it and maybe reprioritize how we address some of these projects because City-owned property we are liable for it. We are liable for that portion of it; the private property we are not. We are doing it, because eventually it may affect us but City-owned property we are liable for it. So, what Mike and his team are looking at is how do we get those cleared up as quickly as possible.

Councilmember Mayfield said Ms. Joy-Hogg, you touched on it a little bit, and Mr. Davis, just like my colleague, we have a number of projects that we have been working on in the community. Somewhere in here what I'm not hearing is the conversation around access and equity so, there is an assumption that we are saying if you can afford to pay this to come in then this is what is available to you. There is also a part of this conversation where as new development, and this is part of the conversation that could and probably should be in conjunction with our Planning Director, that as new projects are coming in those new projects are causing challenges regarding Storm Water for current communities and then we are telling the residents, who have been here, who have paid taxes, who have paid their fees that this new development that we approved or was set up by right based on our language, even though there is an impact there is nothing to protect that resident.

We've also simultaneously have been having the conversation I believe Ms. Eagle, four years now regarding the NLC Utility Line service. So, that program that was created that actually directly addresses helping the resident, the same way through Piedmont Natural Gas or one of the other partners, where you pay a couple cents a day on it, if something were to happen, it is a back-up they will come in, that is a conversation we've been having for more than four-years now of whether or not that is a good fit through our partner National League of Cities.

Simultaneously, there is a conversation, not sure why it has taken four plus year, but it is moving along that directly helps residents. We have new development that is happening that is triggering storm water challenges in older neighborhoods and in current neighborhoods. I don't know if we are having the conversations with Planning regarding their language and the expectation that whether it is by right or rezoning here is where storm water comes into play and whether or not that is a fund to decide just like we do in-lieu-of on development. There has to be a way other than us telling our residents that it is on your property line so whether or not the development up the street or around the corner is the trigger to this because it is on your property it becomes your responsibility. Because in the meantime we have homes and front yards and backyards that are soaked that never dry up. You have negative impact to the property because trees are falling down; sink holes are being created. People aren't having access to their homes because of language that we have in place that allows certain development to happen. What I've heard for seven plus year are residents that have been dealing with this for 10 to 20 years saying what are we doing for them when they are looking at us as if we only care about new development versus the current development. It would be helpful to have an understanding of what conversations you are having with Planning. Are we looking at and addressing, you may be having them, and I just don't know. How are we talking about the impact of new on current community? I know Ms. Eagle shared something so all yours.

Mr. Davis said let me give two short answers to what I think are properly good deep questions that we can follow-up on later if you want, but I think the first one I heard was really around the equity, as we think about the success or not of our cost share program. Last year when we introduced this pilot we, as I recall, put up on the screen what we thought were good criteria for success. We acknowledged that one way this program would not be good is if it turned out where there were major disparities in terms of who could benefit from the program or not. Before we got to that moment in time we really tried to explore whether or not there were opportunities to sort of level that playing field. There are statutory restrictions on what we can do with the revenue that we get and we were not able to figure out a way to level that and so we had to sort of offer that in terms of a service in the same way to everybody and so with only three participating right now early in the program we don't know what that looks like, but we are very sensitive to it and eager to sort of get some insights on how that begins to look over time. To the other question about growth generally the main thing I would want to say is that the quality of our development regulations around storm water are much better than they were many, many years ago that created some of the conditions we are now trying to mitigate against.

So, as we get new development that comes on line, and I would say notwithstanding the recent state legislation we are generally able to mitigate for floods and improve surface quality with the measurers we put in place with development. Having said that, every time new development happens we do take on more system, it is more for us to be responsible for in the long-term, but I say long-term because we should not be seeing those deficiencies show up and to your point about having people who are coming into the system and what that means for people who are already long-term taxpayers, ratepayers, we would hope that their needs don't emerge for decades if it is done well.

Ms. Mayfield said off line so that we can get better clarification because that really didn't address the specific questions, but it is okay because of time.

Mayor Pro Tem Eiselt said I think to that point the questions that Mr. Driggs and Ms. Ajmera had, if you could provide us with a reconciliation of what we were shown last year.

Mr. Driggs said last year we had those pictures, and we had arcs around the A's and B's.

Mayor Pro Tem Eiselt said if you could just bring back to us some of the points of what Ms. Mayfield is asking for and also the other colleagues are asking for with regards to what we were shown originally and how we got to where we are.

Mr. Davis said just for clarification I think what we are describing is the projection of what our unfunded repair list looks like over time with different fee assumptions.

Councilmember Phipps said I'm not going to belabor the point but just prior to coming to this meeting I was on an hour long conference call with some constituents about some storm water issues, and they can't understand why a 'B' project is going to take them seven to 10-years for somebody to look at it and the fact that we are doing some C's I think aside from this money we are spending on these three people for these C's we shouldn't be spending another cent on those 'C' projects. One of the things also that came out of that meeting that I was surprised about was they were shown a cost share program where they would have to pay 50% but yet on the C's the City is paying 85% and they are only paying 15%. So, what is up with that?

Mr. Davis said I think for as long as the program has been around, we've offered a 50/50 cost share across all categories. Almost nobody has used it, but it always remains out there. With the advent of the pilot cost share what we knew was if no-one is taking advantage of it at 50/50 discount, and we are trying to offer a program that is encouraging people to either say they want to fix this thing or not we knew it had to be between 50% and 100%; 100% is where we were, and so, 85% was sort of where we thought that should be calibrated and when we run the numbers it turns out to be about the right number so far in terms of how to best deploy $5 million to satisfy the most number of people. That was the rationale.

Mr. Phipps said we can talk about this later I think we need to move on.

Councilmember Bokhari said we learned a lot about this last year and it is very complicated because you are dealing with people who have been told various things, which I think we got to the bottom of last year and what they were specifically told. It always give me more comfort, but we are a point right now where we can't fulfill even our highest priority obligations. So, when you look at the fact of what our government is designed to do versus what we can do and it is a nice to have, this has become very evident to me that this program didn't exist decades ago until the EPA created our requirement and our requirement at that time was to do A's and A-I's like programs and we expanded to do what we classified as B's and C's. These C's are on private property; it is disputable whether the City caused it or not but these are things if we have eight-year waiting lists and A's that are public security problems, we shouldn't do a single 'C', and I would go further to argue until we can get our hands around this entire pipeline we are setting false expectations even at B's and A's in some cases. We need to strip away all the great things that need to be done or important but can be viewed as a nice to have as to the role of government until we get the need to have done and under control and that might even be getting rid of our approach to B's. I'm not only in the camp of Mr. Egleston proposed and others have supported, but even going further, because we've got to get our hands around this and setting false expectations because we want to do the right thing and don't end up doing anything is the worst thing we can do.

Mayor Pro Tem Eiselt said clearly, we have lots of questions on that topic and hope to get more information.

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ITEM NO. 5: SOLID WASTE SERVICES

Mayor Pro Tem Eiselt said we are going to skip Solid Waste Services because we are not going to have time for it today and move to the Public Safety Pay Comparison discussion.

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ITEM NO. 6: PUBLIC SAFETY PAY COMPARISON

Sabrina Joy-Hogg, Deputy City Manager said with the Public Safety Pay Plan, Ryan Bergman, Deputy Budget Director is going to lead the discussion, but let me walk you through the first couple of slides.

Last year, when we went through budget discussions we said becoming an employer of choice involves several aspects, about six aspects that we have itemized: Recruitment, Compensation, Benefits, Professional Development, Employee Engagement, and Ownership of Performance. So, pay is not the only thing that goes into satisfaction of employees working here or us being satisfied with our work environment. As we continue that conversation, when we closed the budget last year for the FY19 development we said we were going to do a full comprehensive review of our compensation pay and benefits in our environment. So, this is the first installment of that comprehensive study, the multifaceted study.

Today, we are going to talk about compensation and the only piece that is ready is the public safety pay plan comparison. There is a similar study that is going for general employees; the data has not come back yet, so as we get it we are releasing the data after we are able to clean it up for comparative purposes. In this discussion today, all we are doing is presenting data. We do not have a plan for you, so we are nowhere near even getting to where we want to go with this. This is the comparative data that we've all wanted to see; you may be a little bit surprised at the results, but remember you also have a corresponding general employee pay plan comparison coming and then we will also look at healthcare. We will look at retirement so, there are a lot of calls on the money that we have so just keep that in mind.

Ryan Bergman, Deputy Strategy & Budget Director said this was all a collaborative effort between Budget, Human Resources, City Manager's Office, Delane Honeycutt, the Compensation and Fiscal Manager for HR and then her team which is Mark Coomer, [inaudible], Monice McIver and then Julia Martin in the City Manager's office along with Budget staff with special emphasis on our City Economists, Dr. Tazifore. I am really just the mouth piece on this and as Sabrina said we can run through the data. It can be a lot to take in but I will do my best to explain it here. First of all, the purpose; we are trying to compare public safety pay plan information to 20 peer cities. We will explain how we got to that point. Before we get into that, I'm going to explain a little bit about how the public safety pay process works now and then I'm also going to go into explaining where we may have fallen behind over the last eight or nine-years. I'll show the difference of an officer who moves up the step plan and how he stays versus average compensation growth versus a top step officer once he reaches the top.

We have three types of employees. We have hourly employees; we have salary employees, and we have public safety employees. So, what this slide is showing is what a typical pay plan might look like. The hourly employees have three percent each year that is broken down into two things; that is 1.5 percent, which is their cost of living adjustment and then it is 1.5 percent in a merit pool, and they come at different times. Salaried employees are just a merit pool of three percent, and with public safety, they are paid in two different ways.

So, we adjust the ranges a cost of living amount each year so, historically that has been anywhere from nothing to as high as two percent. It was two percent last year. So, the public safety officers that are not yet on top step, they are going to get the cost of living adjustment plus they are going to move up a step so, a step increase is either a 2.5 percent or five percent. Once they get to top step a top step Sergeant Police Officer, Fire Fighter, the only way they can get any additional money is by either by being promoted or through a cost of living adjustment. So, if it takes them 11 or 12-years to reach top step then they still may have 20-years left in their career where historically this would have been only one or two percent so you can see where you may fall behind.

This is a lot on this slide, so I will walk you through it. What you have at the top here is a real example of a police officer, who would have been hired in 2009, and how he would have advanced up the step system. You can see that despite FY2010 and 2012, which were years related to the recession where nobody got any increases, you can see that each year in their cost of living adjustment and their step they get a combined amount and then just as an example, I compared it to information that Dr. Tazifore had given me on Mecklenburg County wage growth over that period; so, I don't mean the County employees. I mean all jobs within Mecklenburg County and using this you can also use three percent from an HR study; they kind of end in the same place, but the idea here is that our Police Officers, our Fire Fighters start a little bit lower on the market compared to our general employees but then they get bigger increases until they get up to the top step.

So, the reason I show this slide is to contrast it with the next slide which the same format, but this is a Police Officer who has already reached top step in 2009 versus what has happened to them since then. Again, we had the recession years where the top step police officer and this works the same way for fire, and I will go through those examples, but you will see that they do fall behind a little bit more under this measure. So, you will notice 2010 through 2012 was recession of course, then you get into FY2013 through FY2017 where we had cost of living adjustments for officers that were lower than the average growth. So, that is really the time period where we may have fallen behind with our top pay in public safety. I did color in the green, the last two years, where it looks like we are going to outpace the Mecklenburg Wage Growth so this is a problem that has been identified through collaborative work with the Public Safety Pay and Benefits Committee and I should have called that out. I did have that on the slide; we have been talking to the Public Safety Pay and Benefits Committee; we actually met with them earlier today and shared this same data in detail.

So, this is the top step officer, and now I'm just going to go through only the top step example so, we won't start with a starting Fire Fighter or anything, because it did work the same way where you are okay as you are moving up steps. If you look at a Police Sergeant this is probably the area where we've fallen the most behind, because we haven't had any adjustments here other than going to two percent the past year. When you go back to Police Officer, the last year where we did 4.5 percent we stretched out the top step so they could get a little bit more. That did not happen for Sergeants last year so you looked at a Sergeant who was top step in 2009; if he had another 10-years of his career left he was looking at very minimal increases over the last 10-years.

Moving into a Fire Fighter II, the top step example, this is very similar to the other examples with the exception that in 2013 there were a couple of steps added to the top of the Fire Fighter II scale, so they didn't end up quite as far behind using this measure and then again. Over the last two years, again we have a recognized problem and we added step each of the last two years to increase the top pay for Fire Fighter II. Fire Fighter Engineer is very similar to Fire Fighter II other than it did not get the extra step in FY2013. Again, we did identify an issue with top pay and over the last two years we've added a step for Fire Fighter Engineer the last two years, but it is the same story where we have a period where we certainly did fall behind.

The last example under this model would be the Fire Captain, and they all correspond together when you increase Fire Fighter II you are typically going to increase Engineer and Captain as well since it is a progression series. So, that is why you see the same increases at the end over the last two years. That is just to show what has happened at the top step with top pay over the last eight or nine-years. So, now we are going to move into the actual study that we've been working on.

We leaned heavily on our City Economists for an objective way to identify peer cities for us to compare ourselves to. So, because we are doing this with the whole City we were not looking for peer cities where it is exactly like to be a Fire Fighter or a transportation worker or anything like that, really the idea is the 20 most similar cities that you would live in and do a government job such as this.- We started with the top 50; our economists used these variables, some economic environmental and social variables to do clustering to find 20 like cities and what you will notice with these variables is that they are all objective. We tried to stay away as much as possible from subjective determinations because we were trying to keep the study as clean as possible. So, we ended up with the study yielding 20 similar cities, other than Charlotte, some economics speak that Dr. Tazifore can come up at the end of you have questions on how we came to that. What we did is we took these 20 cities. Delane and her staff did a lot of work to design a pay study plan for them to respond to and then we took a cost of living index from the economists and we matched the salaries of these Fire Fighters and Police Officers to Charlotte's cost of living.

So, this is a geographic distribution of the comparable cities. There is no differential within the study whether they are east or west. The reason that I have it broken up like that is when you look at the comparative data you end up with a picture where we are very competitive in the little area by Charlotte and then we are moderately competitive here and then we certainly fall behind when we start looking at a national scale, and that is adjusted to our cost of living. Of course, one aspect of that is we don't have and we can't quite breakdown is when you are looking at such a big national scale with all these different states the tax structure, the city/county structure, there are a lot of differences going on with these but, the general ideal is to live in these cities and do the same like jobs. One comment on Raleigh, the Public Safety Pay Plan Committee did want them in the study so they are in our data, they are called out as green, because we are trying to keep them separate, because they didn't quite cluster with the other 20 cities.

We did have one other city out west that did not respond from the cluster despite many attempts, so it ended up being one down.

<u>**Councilmember Phipps**</u> said what City was that?

Mr. Bergman said I'd rather not say, I don't want to call it a city; that was part of the data collection that we didn't call out publicly at least.

So, here is the comparison, and there is going to be a chart like these for minimum and maximum as we move through out jobs here, so I'm going to show you how to read it. Our public safety employees have a base pay, which is as if they have a high school education and then we give them a five percent increase if they have a two-year degree, a 10% increase if they have a four-year degree. So, just because of space we have only the high school education on the left and the four-year education on the right and we did design the study so that the responses from them if they have an education incentive it is included in the one on the right as well. So, it is apples to apples. You can see here with the different colors when you are looking at starting pay for Police Officers, and I'll concentrate mostly on discussion on the right side just for simplicity purposes. When you are looking on the right, you see that you have some very high ones out west, and we certainly fall behind as you compare to the western. We are a little bit ahead of the starting pay median for eastern cities, but we are well behind the median for starting pay overall.

Moving into the maximum Police Officer salaries, if you talk to a Police Officer of Fire Fighter, their individual concerns, at least from the Pay Plan Committee is more about top pay than starting pay. So, this is the comparable that they are really interested in. You can see again, looking at the right column we are falling behind the median in both the overall and the in the eastern. One thing I should have referenced on the last slide so, the top one here is kind of an outlier, because there is a plan out west that they have one rate whether you are just starting or you've been there 20-years. You start really high but then you stay there.

Moving on to the Fire Fighter salaries, this is the minimum. You will see that we are a little bit behind the eastern median, about $1,500 behind the overall median for starting. For the maximum Fire Fighter salaries, this would be the maximum salary before you go into the Engineer classification. You can see that we are quite a bit ahead of the eastern median; we are still behind in the overall median.

I'm sorry, I did promise I would explain one thing about the minimum Police Officer salaries. So, traditionally we have compared Police recruit salaries in which case we compare very favorably. This comparison is not the recruit salary; this is the comparison of when they actually start working as a Police Officer. I did want to make that point.

So, the Minimum Engineer salaries, we are right at the median for the eastern US and we are about $1,500 behind for overall when looking at the four-year. The maximum salaries in the Fire Engineer classification again, we are the median in the eastern US and then over-all we do fall fairly significantly behind. Then Sergeants are a little bit different; we do not give an education incentive to Sergeants or Fire Captains. If other places do it is included in the numbers here, but that is why there is a minimum on the left and there is a maximum on the right for Police Sergeant here. So, the minimum we are a little bit ahead of the eastern and then over-all we are about $3,000 behind and that is on the bottom of the scale. I would say this is a little misleading, because our plan doesn't have any overlap so you get the top of Police Officer then you go to Sergeant. There are some plans out there; you can see towards the bottom where they have decided they are okay with Police Officers making more than Sergeants based on longevity. So, the better comparison for Sergeants here would be to look at the top pay which we have fallen pretty far behind overall and in the eastern and this is like I referenced earlier, Sergeant is the only one that hasn't had a step stretched or added at the top which partially explains why it is one of the farthest behind in the overall median.

The last classification is Fire Captain; the same way where we do not give any additional money for having a degree. The Fire Captain is right at the median, a little bit above and then over-all they are about $5,000 behind. This is the data; this is a different data set than we would have compared to in the past, a different way of looking at it. This comes through a collaborative effort with the Public Safety Pay Plan Committee and also some of the discussions with the budget process last year on who we should be comparing ourselves to, is there an objective way to look at it. So, some of the key findings are as I kind of alluded to, we are pretty competitive in our region; we are reasonably competitive in the eastern US, but if we are comparing ourselves nationally to like areas we do fall behind the median in all of our jobs.

The point of this presentation is to share the data with you. We don't have a solution at this point of course. Public Safety makes up 52% of our general fund workforce so, even a small fix in public safety has pretty extreme costs. For instance, just one percent extra for public safety would be about $2.3 million in the general fund.

Councilmember Egleston said you say the last thing you just said again?

Mr. Bergman said the $2.3 million would be one extra percent in the general fund for all Police and Fire pay plan.

Mr. Egleston said this might be a Chief Putney question, but I understand how we came up with the cities that we are comparing ourselves to, but Chief, where are we attracting officers from and who are we losing officers to and this could be for Chief Johnson around Fire Fighters as well? Are we going to lose somebody to Portland because they've got a better pay scale, or are we losing people or attracting people from other cities in the southeast for instance?

Chief Kerr Putney, Police said it kind of depends; we lose people to the northeast or we lose people to the Federal Agencies. We do fairly well here but we do have quite a few people who will go to Florida or Texas areas as well.

Mr. Egleston and I wonder and I don't know how you quantify that to figure out which cities to hone in on but –

Chief Putney said Columbus, Ohio. I'm sorry I don't know if that was your question or not, but that is your answer.

Mr. Egleston said seriously, like there is a critical mass of people going to Columbus, Ohio?

Chief Putney said that is the most comparable city to Charlotte.

Mr. Egleston said it is a lot of data, so I'm trying to figure out who do we have to beat to keep officers and to attract officers and Fire Fighters and in my mind, I don't see people leaving for the west coast or coming from the west coast because of our pay plan and their pay plan.

Chief Putney said right in our core we are in good shape, but we do have people who leave for the more profitable areas, especially if it is a warmer climate and those who go back north because of the increased pay, but we are okay in our core group. Again, our most comparable would be Columbus which is significantly higher than us. I think too, the conversation we had philosophically we've got to think better about the retention. The recruitment we are in good shape; we are in pretty good shape where we bring people in. It is where we lose them, because I say we could keep us in a good place currently for the beginning salary and focus more on the upper end for retention purposes. It is more than money, but money matters too.

Mr. Egleston said Chief Johnson; is your experience similar?

Chief Reginald Johnson, Fire said I would say that we don't necessarily have the retention problems because of our retirement system but we do have issues with pay and I would say within that window of people going to other places, I would still say that exists, but not at the rate CMPD sees.

Mr. Egleston said but as people are shopping where they want to be they are probably doing some more regionally than nationally?

Chief Johnson said I would say that is right.

Councilmember Bokhari said thank you for the data. Based on all that we learned last year I would argue that the way to look at this data is not who is ripest to steal our Officers or Fire Fighters; it is who is most like the unique threat situations day to day that they experience, and I think that is top 20 cites. It is not about are the top 20 cities going to steal our folks it is how are top 20 size cities Officers and Fire Fighters compensated for the unique things that they experience every day because they may go to Raleigh or somewhere close by because a couple extra bucks here or a couple bucks fewer isn't enough for the added stress and complexities that that brings. I think we need to continue in this budget cycle building where the extra ordinary work we did last year and make sure that we take care of two things we know we didn't get to. We know we didn't get to the step 13 topped out pay where we needed to. We know we didn't get to the Sergeants, and I'm sure there are a couple other things that we can do to round out and continue the great work we started last year to make us competitive with other top 20 cities for what these folks face every day.

Councilmember Ajmera said which data point here represents Columbus?

Mr. Bergman said I will say when you look at these the blue cities you will see Columbus is typically one of the first one or two on most of these. They are above us I believe in each job.

Ms. Ajmera said so they are pretty competitive in terms of the pay?

Mr. Bergman said we are behind Columbus in pay, yes.

Ms. Ajmera said this is a very comprehensive data set; this is the first time we've seen anything like this, or at least I have, so this really gives us a good picture of where we are and how do we compare with other cities and from the data that was presented to us it certainly looks like we need to do better. While I understand that pay is not the only attribute that employees or Police Offices or Fire Fighters look at, there are so many other things, culture that also plays an important part, but from looking at this data it is concerning and how we inaugurate competitive.

Councilmember Driggs said are these numbers adjusted for benefits for example? Have we compared apples to apples in terms of their total compensation and other factors?

Mr. Bergmann said the second part of the study is going to be comparing healthcare, retirement and other benefits so that will be to you at the next Workshop. Hopefully, it will be to you at the next Committee, but we are still working on a few things with retirement, so you will have to piece it together. Just early on I haven't seen data to indicate that our benefits are going to be significantly higher than these peer cities either.

Mr. Driggs said do we adjust for differences in cost of living between the cities?

Mr. Bergmann said we do so, all of these numbers, the data points are adjusted to Charlotte's cost of living.

Mr. Driggs said a general observation is in my mind being a market guy, the best test of whether you are paying enough or not is your applications basically and your retention. So, last year for example and the year before, I was very concerned that CMPD in particular saw a radical drop off and I think the Chief talked at one point about having had 700 applications and that dwindled to 250 if I remember. I would certainly want to look in that context and I would appreciate if we could get in the future data on kind of what the turnover is and what the applications are because you can almost cut through everything else and bear in mind there are issues like social conditions in different cities that affect the quality of working there. CFD I know for example, Firefighters who have told me has considered it a very desirable place to work and some people apply a couple of times before they even get a job there and CMPD has suffered in recent years from Ferguson type of issues, so we don't want to drive a wedge between our public safety workers on the one side and on the other, but there are some respects in which their experience is different. I think one of the best indicators of that is exactly the application and the departures, so if we could get some data on that and also see how this adjusts when you factor in those other aspects of compensation that would be very helpful.

Mr. Bergmann said absolutely.

Ms. Joy-Hogg said we began by talking about how we had released this data to our public safety work plan team that includes Fire Fighters and Police Officers and both Chiefs were there as well. Again, this is hot off the press; they've done some analysis; I think Ryan hasn't slept for like four days trying to get this done. Again, as the data comes in we are presenting it. We've asked the public safety work teams to go back to their own shops, form small groups and help us with a plan because we don't have the answers and they also know that we don't have the resources so, this has to be a multi-process where we set a goal, whatever that may be. As it was said this morning aiming towards being the middle of the pack is not what we want to do. We don't want to be just middle of the pack; that is not a good goal, we want to be higher. So, we ask them to help us get there so hopefully in a few weeks we will have some sort of plan then it is going to have to be how do we fund the plan and just like I said, knowing on the heels of this is coming the general employees and also healthcare and retirement as well. There are going to be some decisions that will have to be made but hopefully we will present some sort of doable plan within some sort of revenue associated with it.

Mr. Driggs said just a quick follow-up; the numbers that we've seen on the budget outlook assume the past pay increases, right? You also had then for the 2021 budget I think some prospective increases about $11 million that you through we needed. Are any of those related to these issues; what other costs that could be –

Mr. Bergmann said one caveat to that the budget outlook that we presented includes a typical pay increase which is the 1.5% plus the step but it also does have the Senior Police Officer Program which allows for an additional five percent for top step Police Officers that they wouldn't have been able to get before. The ones that are able to get it and I know it is an incentive which is a little bit different, but it is cash in the pocket that will increase that Charlotte salary by five additional percent for Police Officers. As far as the next slide from the Retreat, there was no take home pay issues in that; that was related to infill stations and then retirement issues with Police and Fire.

Mr. Phipps said I know Chief Putney embarked on a very ambitious recruitment strategy that I've been reading about; have you found that our position right now, has that had any significant impact on our ability to reach out to the people we are trying to recruit?

Chief Putney said applications are up; we are bringing on more people but we are losing more than we bring on because of retirement. Over the next three to four-years, we will turn over almost all of our Command staff and last year was actually a net loss of about six. So, we are increasing the applications, we are starting to bring on more people. We are processing them as fast as we can, we just can't get enough as quickly as we can, but we did have 53 laterals, the goal was 60; 53 laterals join us which is more than we've ever had. We normally have 12 to 15 in a year. So, we are doing as much as we can and bringing them on as fast as we can, we're just not getting enough to fill that gap.

Mr. Phipps said so, those laterals, those are officers that are coming from other departments outside of areas and coming to CMPD, right?

Chief Putney said yes sir. The City Manager was kind enough to have us adjust how we do that pay so that we can incentivize them on the front end so yes, and especially the core group, we recruit well from there. It is other areas that we might not be able to impact.

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ADJOURNMENT

Motion was made by Councilmember Newton, seconded by Councilmember Phipps, and carried unanimously to adjourn the meeting.

The meeting was adjourned at 4:52 p.m.

Emily A. Kunze

Emily A. Kunze, Deputy City Clerk, NCCMC

Length of Meeting: 3 Hours, 10 Minutes
Minutes Completed: April 9, 2019

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