

The City Council of the City of Charlotte, North Carolina convened for a Budget Workshop Meeting on Monday, April 6, 2023, at 1:39 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Vi Lyles presiding. Councilmembers present were Tariq Bokhari, Ed Driggs, Lawana Mayfield, Marjorie Molina, Victoria Watlington, and Braxton Winston II.

ABSENT: Councilmembers Danté Anderson, Malcolm Graham and Renee Johnson.

ABSENT UNTIL NOTED: Councilmembers Dimple Ajmera and James Mitchell.

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Mayor Lyles said good afternoon, everyone and welcome to the third and final Budget Workshop for FY (Fiscal Year) 2024. I think that the staff would appreciate that it's the last Budget Workshop before 2024. These workshops serve as a means for the Council to give feedback to the City Manager regarding the advancement of our strategic priorities and key initiatives. They also provide a really great opportunity for us to discuss and prioritize funding for the needs of our communities as well as the investments that we have in our future. I want to begin with introductions of the people at our dais, that help us, both staff as well as the Council members.

Alright, I know that neither Mr. Mitchell, or Ms. Ajmera are here. So, I'm going to really just move and pivot directly to the City Manager to provide an overview of today's discussion, but before I do that, I want to recognize a group of my friends that have joined us today for this meeting. Now, they call themselves the "Majestic Gems." I'm actually a member of this group, but I just never have the time to join them in anything, they go out at lunch, and they have great experiences. These are members of The Lynx, that are alumni members. We've been together a long time, and they are the most community minded group and also some of the best volunteers that you will ever find in this community. They care deeply about a lot of our issues that you will be hearing about and even more; I think they care deeply about this community. Some have been here for all of their entire lives; some have just joined us because Charlotte is a great place to be and I just want you to welcome them. I told them they could leave whenever they wanted to though. I know that's the most important thing, that opportunity. So, I want to say thank you for coming and paying attention to what's going on as we make these decisions that impact our community. With that I'm going to turn it over to the City Manager, Marcus Jones.

Marcus Jones, City Manager, said thank you, Mayor and members of Council. As the Mayor mentioned earlier this is our third and final Budget Workshop and it's so important for us to have these conversations with the Council because we intend to get guidance of where you'd like for us to head as we move towards the May 1, 2023 Budget Presentation, which I will give to you and then shortly after the end of that, it's your budget to do whatever you like as well as we provide you with additional assistance with that. Before I go over the agenda for today, and it's kind of what I said last time when we had the Budget Workshop, is to really take these three workshops together, because if you just walk away with today, you may not build upon what we learned in February and what we learned in March. So, in February, at the workshop we talked about capital affordability, our existing bond projects, the 2024-2028 bond outlook. So, as you will recall we have a bond that's in 2024, another bond in 2026, another bond which is in 2028, and we also had an overview of our City Facility Program, and the Corridors of Opportunity. Some of the key takeaways, is that we continue to maintain the highest bond rating possible with triple, AAA rating, but also that when we start to look at our capacity over those next three bond cycles, it was reduced from \$226 million per bond cycle to about \$210 million per bond cycle. No project was left out or deleted or amended, because we had capacity that was unprogrammed over those cycles. That capacity is down to \$77 million roughly, but again everything that was in those bond cycles starting back in the 2022 bond cycles still remains and we learned a lot about cross-collaboration within the corridors. So, I appreciate how this team is going cross- departments and also out into the communities to make sure that we are providing the right resources to our six corridors.

In the March Budget Workshop, we talked about the economic outlook. I think it's extremely important because while we talked a lot about the Capital Improvement Plan, or the CIP section of the budget, we talked about the general operating and as with any budget, many times you begin with a gap, between what the revenues you have and what we have in terms of expenditures. We know that we are not in a typical cycle, when it comes to expenditures. In other words, in order to attract and retain talent, like many of the individuals that are in the room today that work for the City, you have to make sure that you have the correct compensation package. So, we did something very different in the current fiscal year and we believe that we would have to continue to do something different in the upcoming budget to make sure that we remain competitive. We talked about healthcare. We talked about our financial partners, and again some of the key takeaways, is that while we made some advancements with the general employees, especially our hourly and our salary, we are seeing a gap in terms of being able to retain and attract police officers, in our public safety round.

Councilmember Ajmera arrived at 1:45 p.m.

So, having said that, that's a little bit of a backdrop of the last two Budget Workshops. Today, and this was by design, we wanted to talk about the revaluation. We have Ken Joyner, maybe one of the most popular people in Mecklenburg County before us today, and I told him you're such a great audience. He has nothing to worry about, but we wanted to make sure we had, and it was actually the chair of the Budget Committee, Councilmember Ajmera, good to see you, that asked that we push this reval presentation as late as possible into the Budget Workshop Agenda so that we could have real time information and then after that what we're going to do is have our three enterprise funds presented for you today. When we think about the Enterprise Funds, for the most part it's not the general property tax that funds these enterprise funds, they are really generating other revenue sources and typically we present them as a package. So, you'll see CATS (Charlotte Area Transit System), you'll see water, and stormwater, as well as aviation. So, Mayor I may just flip to Ryan just in case I forgot something before I turn it back over to you.

Ryan Bergman, Budget Director, said yes, one distinction, Ken Joyner's going to present on the overall process, he's going to present overall numbers, calendars, things of that nature. Just a reminder to everyone that Ken's not involved in determining revenue neutral rates. Ken will go first, then there's a totally separate presentation we have to talk about what it actually means, talk about impacts. We have some maps that we'll provide and things of that nature, which is the second presentation which will then lead into the Enterprise Funds.

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ITEM NO. 1: FY 2024 REVALUATION PROCESS

Ken Joyner, Mecklenburg County Assessor, said Mayor, City Council, City Administration, thank you for the opportunity to be here today. I think it was a wise decision to push this back seeing as with all of the changes in the market leading up to January 1, 2023, we pushed back the notices. We will reach that one month since mailing, next week. So, I think we're in a really good spot now to discuss. Alright, so behind the numbers in the County, we went over 400,000 parcels this year. County continues to grow, I want to think it's somewhere in parcels since the last reval, somewhere around 1.6 percent growth in parcel over that time period. Median sales price ended up falling at \$434,140 which was a decrease from where it had been during the summer. So, as we got later in the year, and the market influences, we did see some changes. Our Median Sales Ratio is at 95.2 percent. That is a relationship between our values and sales prices that took place during 2022. In almost 30-year career, this is the first year I am glad that that number is not at 100 percent because values during much of '22 were higher than they were as we closed out the year. So, we're about, as I said, right around 95 percent of those sales prices. When you look at the County, the total overall increase over the last four years is 51 percent, average residential increase was 58 percent, and the average commercial increase was 41

percent. The City is almost a mirror image, at 51 percent overall, and 58 percent residential, but the commercial in the City was slightly higher at 42 percent increase. So, when you look at the current year, we're looking at original projection was \$155 billion for the City, and its actuals right now are looking like they are going to come in closer to \$156 billion just slightly over, so about a billion difference there. I think a lot of that you can see the vehicles are up. There was a slight there on the real property, but probably between the vehicles and the personal property are where the majority of that falls. I think there were some additional audits that came through this year that may have bumped both the County and the City up slightly on that personal property category.

Our projection for FY2024, that first column on the far left, is without Appeal Loss because we know when we mail \$400,000 notices, there's going to be some errors, there's going to be items that need to be corrected. During the 2019 reval, the Appeal Loss was around 3.6 percent. So, that's why we've got that one in the middle of the three options. So, you can see between a 3 percent and a 4 percent is what we anticipate there to be, and it is not my decision what the City uses so we just kind of lay out these as options. That will bring the total value to somewhere between 217 billion and 215 billion as that overall valuation.

So, right now on March 17, 2023, we mailed those notices, and that morning I think it ended up being around 730 a.m. the values went live. So, since that time we have begun our process of the informal reviews. As of this morning, I think we were just under 8,000 total for the County. I will provide the City some numbers once we reach that 30 days and we can look at and compare those to what we saw back in 2019 and provide you some good information while you're still in your budget process, to ensure that appeals aren't up at a much higher level, than 2019. That might be a signal to increase the percent. So, we'll be providing that important information.

Later this month, our Board of Equalization and Review citizens here in the City and other parts of the County that have a background in real estate or appraisal, those individuals will come together and convene for the 2023 year, the acceptance of the formal appeals. Those formal appeals will probably begin sometime in July or August and then on June 9, 2023, they will close the acceptance of the appeals. So, we'll have really, from now through June 9, 2023, for people to enter that appeal process and then we always lay out the Property Tax Commission, because if someone is still not comfortable with their value at the local level through the informal and formal process, they can go to the State. In 2019 of 379,000 notices, we had 760 that went to the State level. So, a very small percent goes to that distance.

Mayor Lyles said Ken, can you tell me how many of those are commercial versus residential out of that small percent? Are most of them commercial?

Mr. Joyner said most of those are commercial. We actually had three that appealed to the Court of Appeals, and I want to think of the three though two were residential that actually went to that final step, but I would say that probably two-thirds of the final appeals at the State end up being commercial. That's a good question!

Then we've been doing our community engagement. We've done in excess of 100 presentations at this point through Civic Clubs, and other events, neighborhood associations. It's always good, I think, to point out our Citizens Review Committee, another group of private citizens, City, County residents, that sat with us from February to December going through the revaluation process, residential, commercial all of the different breakdowns to help us come up with the best process possible. So, many times we talk a certain language, a technical language and when we talk about it with our citizens' group, they look at us and they're like they say, "What does that really mean?" So, it helps us simplify our notification process to make sure that it is as understandable for everyone when we mail those out. We finalized those values between December and February. Again, we had hoped to finalize in December in our original plan, mail in January, but our due diligence required us to track those sales through January 1. We mailed April 17th; informal appeal period began. April our convene of our Board of Equalization and Review and June 9th that appeals period ends

at least the acceptance of appeal applications and then these values will be used for the first time when we mail notices or bills in July of this year. So, that will be the first time those values are used for calculations, and that's why it's important to get the values out and start this process prior to the budget because the City, the County, our other municipalities, you can't set a tax rate until you know what your values are. I always think it's important because many, and I totally understand many of our customers would love to know what the tax rate's going to be when the new values go out, but we can't do that because we don't know how to calculate a rate without a value. So, questions?

Councilmember Ajmera said first before I ask you questions, I just want to recognize the Budget Committee members. I want to recognize Mr. Vice Chair, James Mitchell, LaWana Mayfield, Danté Anderson, and Tariq Bokhari, who serves on the Budget Committee. Appreciate your presentation, I've been following some of the revaluation talks as we have gotten also emails and calls about increase in property value, where some residents are concerned about being displaced especially our elders on fixed incomes. Then I've also been following, I think CLT (Charlotte Douglas International Airport) Ledger has been doing this article on golf clubs and I have been following some of the discussion that County Commissioner had and how the income approach was used. I agree with some of the Commissioner's comments, and I share their frustration how some of the tax burden falls on residents versus golf clubs, having to pay higher rate of property tax than some of these golf clubs. Would you comment on that? How was that assessment done and why we have to use that income-based approach for the golf clubs?

Mr. Joyner said right, as I said at the beginning, we discussed that for over an hour Tuesday night. That link is live on the County website. Instead of rehashing that entire presentation, which I don't even have with me, and if I were going to discuss it I would rather have that. I think it would probably be more appropriate for members to watch that link and if there are questions that come out of that discussion, please feel free to send those over to us and we'll be glad to respond to those. The most important thing here is that the statutes require everybody to be valued at their current market value and the shopping malls, a lot of discussion on those, the country clubs trying to get to those values is always going to be difficult. As the assessor, when we set up the process, I went and hired an outside vendor who had extensive credentials in that process, because I was not certain that our staff could do those appraisals to the level that they need to be. In 2019 we learned that we weren't very good at football stadiums. Those values we initially sent out way above where they ended up falling and out of that process, we hired an expert this time the same one that worked with us on that appeal with the stadium to actually send out or to provide us the value that went out. So, with 400,000 properties, we appraised the majority of those inhouse, but the 27 golf courses, Panthers Stadium, things like that where they get to specialty levels sometimes, we look to those with more experience than we have locally.

Ms. Ajmera said no, I appreciate that you brought in experts to help us assessing those properties where we don't have inhouse expertise. I did have an opportunity to review some of the discussions that County Commissioners have had and I know there was some conversation about state statute and unlimited authority that we have and I think this is something, if Council thinks is okay, I think we need to actually look at how we are using the methodology where increased tax burden falls on residents versus some of these golf clubs and country clubs where annual assessment is like \$100,000 just to join a membership there. I firmly believe that we need to consider working with the County to add that item to our legislative agenda and advocate for that together as to how this methodology could be modified because some of the golf clubs are actually, if we look at recent Bellantyne Reimagine, where we have golf club being converted into Ballantyne redevelopment opportunity. So, there is a way where some of these golf clubs and other, even though we are looking at income-based approach, they are being rezoned in some areas to get the highest and best use of that land. So, I think it's time where we look at that more in depth. So, I would like to ask Mayor to see if that item can be deferred to our committee and see if we can take a deeper dive into that methodology and see if we need to work with the County on that.

Other thing, do you have a breakdown between informal review and how many of that informal review actually gets resolved and how many ends up in the appeal process? Because I understand that informal review is where you submit, submitting formal review online and it's a fairly simple process because I remember someone from your office had walked us through that when I did a Town Hall a couple of years ago, but appeal process involves a little bit more where many residents don't have the kind of resources that some of the commercial property owners have or where they don't have the resources to actually invest in the appeal process. So, I just want to make sure it's truly an equitable process where not the folks with the highest and best resources are able to get through the appeal and not the ones who may not have that kind of expertise and resources available.

Mr. Joyner said right, I think that's a great comment, great question. We actually looked at 2019, had the School of Government do a study on our appeals to see if they were equitable across demographics, across income levels, and we learned that there were fewer individuals appealing at the lower income levels. So, we made an emphasis of that during our outreach this year to ensure that we explained that there is no cost to appeal. The informal review, as I tell my staff, no one knows the property better than that homeowner. So, it could be just as simple as someone's has a measurement wrong and we have too many square feet. Many of our neighborhoods, there are different levels of upgrades if there are even any upgrades on the property. So, we may be tracking sales of the most recent properties within that neighborhood that have sold that may be more updated than someone's home. So, they can provide us with pictures of their kitchens and bathrooms, flooring, things like that. If they've got problems with their foundation, they can upload those and send those to us as well. That system, we wanted it to be as simple as possible to make it available to everyone. So, we expect to track those again to look at the percentage of appeals across demographics in area and also the success of those appeals, both in informal and at the formal level, because it is our goal as the County, to make sure that, that access is there for everyone during that process. So, we are really looking into that.

Now two of the appeals, in 2019, at the informal level we had almost 30,000, it was 29,000 and some change. At the formal level, it was just under 10,000. So, you could say we worked two-out-of-three, it was actually more than that because a lot of our commercial properties skip the informal and go straight to the Board of Equalization and Review. Of that 10,000 about, as we said earlier, 760 went to the state level. So, we're able to knock those down at each level. My hope is, that we can knock down as many as possible through the informal process this time as well. So, we're approaching as we said April 17, 2023, a week from Monday, will put us at that 30-day mark where we can compare how many we had at that notification. That 30 days is not really a magical number. It just allows us to get as many people to go ahead and start that process as possible. So especially with, about a week between the informal period and the formal period, we get as many people started, we can continue that process and not force someone to go into a formal appeal that might just need to send us some pictures or for us to come out and verify the square footage and make those adjustments.

Ms. Ajmera said yes, that's great to hear that staff is tracking sort of the process to ensure there is an equity lens to that, because I do worry about residents especially closer to uptown where they have seen higher rate of increase versus further in suburbs. I just want to make sure that we are providing them with resources that they need. Another thing is this assessment takes into account 2022 values not 2023. So, some property owners have seen decrease in 2023 as market has started to shift a little bit. So, I had received an email from a constituent who had their assessment value was a lot higher but now it is actually less based on the comps they had sent and I had suggested that you work with assessor's office and submit questions directly to them. What do you have to say to those residents because really some of those assessments are based on 2022 and not 2023?

Mr. Joyner said well they have to by statute. The appraisal date is January 1, 2023. So, we're unable to accept any market data in 2023, because we have to, an appraisal is a look back. So, on that date, back in 2019, a similar process by the time the notices went

out we were probably already 6, 7, 8 percent behind the market. So, it's a point in time valuation. We will look at the sales again in four years to establish those for January 1, 2027. I pray that the market is a little slower over the next four years than what we saw this past four-year period, but we're unable to look at market data. We're not able to make adjustments, just like we can't because values have gone up, and we can't make adjustments between revals. We can't make those same adjustments the other way either.

Ms. Ajmera said right, so, because of the state statute, we had to look at 2022 values versus even though values might have reduced in 2023, residents will be taxed on that 2022 values and that's where I think as a legislative body we have to be very careful about setting tax rate so we are not placing additional burden on our residents, especially the ones that are most vulnerable, where they have seen higher tax rate, in higher property rate increase than the suburbs. I have more questions, but I'll probably call you directly because I was looking at some data in terms of Wedge versus Crescent and those numbers were really shocking. Where you see a huge increase in some parts of Crescent versus other parts of our City and I really worry about displacement. Thank you.

Mr. Joyner said right, thank you.

Councilmember Mayfield said thank you Mr. Joyner for joining us. I want to take a moment for a personal thank you for attending my community discussion two Thursdays ago where you were able to update some of the attendees. I have a couple of clarifying questions. When you were going through the presentation and walking through what does the process looks like, you mentioned that the formal appeal would be between July and August, but the tax bill mailing to property owners goes out in July. So, help me understand how that works because for those who happen to have the ability to have their taxes paid through their mortgage company, the mortgage companies usually pay those taxes as soon as they received the bill. So, if I'm in the process of having a discussion of re-evaluating the number, and that's mailed out in July, but I'm not in for my meeting until August 1 what happens?

Mr. Joyner said right and that's a great question and that's the start of us going through the appeals. In 2019 we started in July, and we held the final BER (Board of Equalization) hearing date on February 28, 2020, because it takes some time to go through all of those appeals. So, if you were to successfully appeal to the formal board, and your notice, a final value was to go out let's say in November if your mortgage company had paid, there would be a refund of that additional amount that would go back at that point. If someone pays that bill themselves, it would come to them. So, the process is set up if you had paid that bill, you will be refunded on that amount. If yours goes past the appeal, past the due date, I'm not 100 percent certain about the tax collection rules. It's been a number of years since I did both, but I know that the tax collector cannot enforce collections on a parcel that is under appeal. I know if you go all the way to the state level, they will send someone a letter that says you can pay your bill and you will receive a refund. You can pay up to the amount that you believe your value to be. Or, you don't have to pay anything and once the appeal is closed the only item that they talk about at that level is that if it's past the due date, you will owe interest, because there's no way that interest can be waived. So, it's part of the process because when you got as many appeals as we have here in Mecklenburg, and we'll have to work through, we've got a process set up to try to get those out as quick as possible.

Ms. Mayfield said thank you. You also mentioned in the 2023 revaluation update, the Citizens Review Committee, and other committees, were there real estate agents that were also a part of those committees?

Mr. Joyner said yes, we had real estate brokers, we had real estate appraisers, I think we had a commercial banker, and we had some individuals that maybe had retired from real estate brokerage, so we had a pretty good handle there. I think we had nine members on the committee this year and it was a really good experience. They actually went back to the board at the public policy meeting, just this past week, in this room

talking about not their findings, but that they wanted to see the County increase the amount in the HOMES Program and to push to see those income levels rise on the Homestead Program and that's part of the County's legislative on the Homestead trying to get those levels up to more of an AMI (Area Median Income) instead of a figure that somebody put in a statute in 2008 that just increases by the rate of social security each year.

Ms. Mayfield said that is helpful to know since the agents are the ones that were there 2019 throughout the challenges of 2022 and as Councilmember Ajmera mentioned we've already seen the decline in property values and that some homes are sitting on the market a lot longer. You mentioned that the way the current appraisal process is, it's a look back. Unfortunately, since we're at every four years, 2022 just happened to be a very interesting year where we saw a lot of really investor purchase. Is there an identifier in your process, because it's a difference when an investor came in and paid cash for a home and then turned around and flipped that home in 30 to 45 days or less and walked away with a \$100,000 plus profit than an individual who may have been an owner-occupied purchase? Is your system set up to identify the difference in that?

Mr. Joyner said what we would be doing is you're talking two different sales there, one where the house was maybe not as improved as it was in the second one. So, we would be looking at both of those sales. Our system is unable to show that the most recent sale, but our staff is looking at all of those transactions, so it would actually provide them a property transaction where it wasn't at the current maybe market expectations, and one where it had been updated and brought to current market expectations. So, we look at both of those in trying to establish the values. I know there's been a lot of discussions about the corporate and investment money that has come in. Unfortunately, when you look at willing buyer, willing seller, those, both transactions still at willing buyer, willing seller, in there and if we were to not utilize those corporate housings when the State comes in and does their review of the sales that we used, there could be some ramifications there. So, we've not received anything from the state that says we can make those types of changes. Through a lot of my career foreclosures sales were no-no's and then in 2008 through 2010 or 2012, when there were so many, the appraisal industry kind of pivoted and said okay, we're at in many neighborhoods at a level. So, it's not to say that at some point we won't be able to consider those types of sales differently, but right now there's no ability to.

Ms. Mayfield said that actually ties into one of the concerns that I have is what we saw in 2008 with foreclosures and with the market being what it is today. So, you have that individual that may have been in their home for ten plus years and they have not had the ability to do certain enhancements inside or outside of the home, but yet the lots on either side of them or across from them have been purchased, remodeled, resold, at hundreds of thousands of dollars more than what they paid for their home. So, now they're stuck in the middle. So, their value is in direct response to what's going on around them even though they have not had the opportunity to do investments. You know that again with a part of that look-back, so, if we continue to see the property values drop, which we are. If you go out today and you have an agent and they were to put your home, some of these homes on the market that have seen a major increase, say a home that was valued at \$95,000 in 2019, is now valued at \$280,000, but if they were to put it on the market, it's really going to come in around \$250,000 based on what's happening right now because of high interest rates. The demand is still there, but not at that level because of the highest interest rates. There's no mechanism for after this initial formal period for you to go in and have your rate adjusted, because you ultimately could be upside down if we see a revision of 2008.

Mr. Joyner said right, right, well I think we all hope that we don't go back to 2008 in those conditions, but you're exactly right with the appraisal date being January 1, 2023, by statute any of these transactions even a year from now we're unable to consider as part of the reappraisal. Where we do start getting into if it's in 2025, 2026, those are the sales that we'll be using for January 1, 2027, and we can reflect them at that point.

Ms. Mayfield said okay clarifying, so we're saying for 2027 we can look at 2025, 2026, but for this 2023, that we look at 2021 and 2022 or only 2022?

Mr. Joyner said 2021 and 2022.

Ms. Mayfield said so, I look back, well your look back is two years?

Mr. Joyner said typically, if we have a neighborhood that has enough market transactions in the last half of 2022, we might not even look at the first half of 2022. If there's not been as many sales, we expand that process to where we can get enough sales and we have to make time adjustments and things like that to those properties to try to adjust those. So, it really goes neighborhood by neighborhood and how many transactions we've got.

Ms. Mayfield said and we're not tracking who the buyer is, who the seller is, whether that individual seller is buying from a bank, buying from a corporate, or buying from an individual, you're strictly looking at the dollar amount of that closing sale?

Mr. Joyner said we do qualify our sales so we are looking to make sure that they're arms-length transactions and not between related parties. We also if we look at a property and we're like wow, that's a really big sales price, and we dig into the deed and find out that it's actually two or more properties we would disqualify those because we would never be able to determine the consideration to each of those individual properties within that sales price. So, anything bundled like that, would be something that we not look at, as well.

Ms. Mayfield said thank you very much.

Mr. Joyner said thank you.

Councilmember Driggs said Mr. Joyner, I appreciate the care with which you're going about this. I lived through some past misadventures, and I feel very good about the work you are doing. One thing I will mention is this rate reset process is complicated and poorly understood. People get their notices, I had calls and angry emails saying, "What? 60 percent?" So, there's an assumption that, that predicts the increase in their tax bill. Now, that's explained here. I think we could do a better job of just telling everybody put a piece of paper in that notice that says, this does not predict the change in your tax bill. Then have a short explanation, there is a process through which the rate will change and the effect on your tax bill etc. because it's very alarming. People get angry. It isn't easy to understand I guess is what I'm saying. So, if we can do more about that, and maybe the City can take a bit out of it. It really needs to come from the County, everybody that gets these notices.

Mr. Joyner said I will say I was very appreciative of the media with the articles and the information that was shared. I think there was one story maybe back in the fall that was talking about how much the taxes were going to go up, but other than that one story, everybody took great care in explaining that this does not dictate your bill that until there's a rate and talking about the revenue neutral it is a huge portion of our outreach, trying to get that information out there. We want to continue to improve that process so we will take your comment and see if we can improve it for the next time.

Mr. Driggs said certainly if you had not done that, I'm sure I would have had many more emails than I did. So, that's probably a sign of your success. I wonder if you could go back to the City Change slide? It's called, "City Change 51 percent, 58 percent." So, people need to appreciate the significance of these numbers. What this really means is that although the revenue-neutral reset would lead to the same total property tax proceeds as before, there's going to be a big distribution from commercial to residential as a result of the relative increases in these properties. So, I thought I remembered that you had actually reported to Board of County Commissioners. What percentage of residences would expect to see an increase in their tax bill because it's not a 50:50 proposition based on this redistribution?

Mr. Joyner said no, that was actually done by the County's Budget Department back in January as part of the workshop. We provided them with some information, and they did a really in-depth deep dive into that to help the Commissioners understand the significance of what was taking place.

Mr. Driggs said so, if I said my recollection was they said 85 percent of residential bills would go up, does that align?

Mr. Joyner said that seems correct.

Mayor Lyles said yes that's correct.

Mr. Driggs said alright, so, obviously that's a big concern because the residential increases are more personal, right? Then you take on top of that, and I haven't seen this breakdown either, the distribution of the increase is at different levels of value, right? So, many of the lower valued homes, have seen bigger increases and the irony is that's good news, right? My asset went up in value. At the same time, if you want to stay where you live, it doesn't give you much comfort to know that your house is worth more, you're not able to write that check. So, I think we have a big challenge because we are under cost pressures, right? So, we need to find revenue and yet this is one of our principal revenue tools, and our options are limited. Just commenting on this. The other thing I wanted to ask you was there has been a decrease since 2022. Do you have any sense of in the aggregate how big that was compared to the numbers that you determined?

Mr. Joyner said our analysis as of January 1, was that from the peak of the market, which appeared to be in June of 2022, that it was somewhere around 5 percent which I think is reflective of where our sales ratio ended up at 95 percent of value compared to assessed with that as an overall number. So, there were decreases and we were able to utilize, I think we pulled from three different sources utilizing our data and they all three came back with about the same reduction in the market.

Mr. Driggs said so, would you agree with the following statement, "If we had used the updated numbers, the revenue-neutral tax rate would have been a little higher, if we had had a lower total valuation than we got, the computation of the revenue neutral would have resulted in a higher revenue neutral tax rate."

Mr. Joyner said right, the values that we mailed out were lower than where they would have been if we hadn't done that extra analysis going in, so I think that values had gone up had been five percent higher than the revenue neutral rate would probably have been five percent lower or some similar.

Mr. Driggs said what I am saying is if the 2023 values are lower than the 2022 values, right, then had we based the calculation for the revenue neutral rate reset on the lower values in 2023, because we're talking about the change, the revenue neutral rate would have been higher, other things being equal?

Mr. Joyer said yes. Yes, I would agree with that.

Mr. Driggs said what I'm trying to point out with that and this is a little arcane, but the comparative impact on different homes, as a result of the decline in values, is now a function of how much more did some go down than others, and in the context of and overall decrease of 5 percent the likelihood is that the change in tax bills if you did take that on board would be small. Is that a reasonable general statement? We can do the calculation, but I'm just saying that if you had only a 5 percent move in the total and all that really matters is not how the total moves, but how they move relative to each other I think you would see that some of these lower valued homes that went up by so much had come down more than the average but not in such a way to make a dramatic difference to your ultimate tax bill. It's just an observation about that. So, yes, Mr. Joyner, I think that's all I had for you. We're going on to another section where we'll talk a little more about the relative impact. I would just mention based on that information up

there, we have a real challenge in terms of trying to meet the City's revenue needs and not have a disproportionate of that fall on people who can ill afford to pay. Thank you.

Councilmember Bokhari said just a quick comment I want to make. I've been a bit concerned and disturbed by the fact that there has been so much focus on this golf course discussion over the last week or two. I just want to speak directly to the community right now. This is a distraction. This is not the main event, the main item that you need to be paying attention to. The bottom line is ultimately have golf courses decreased a bit in their valuation over the last cycle? Are they relatively smaller than others? Sure, when you look at them like that. The three punch lines are one, that relatively smaller amount even if we jacked it up is an inconsequential number. This is a distraction. This isn't going to end up doing anything. Two, those parcels pay most of their input to the City through things like sale tax, when they're bringing in huge events and they're doing other things. They're selling food and bev out of their organization. So, they pay other taxes in other areas. Three, if you're been around Charlotte for the last ten years you know that golf courses are a great amenity. They are dying. They are in a bad spot and they're a place where a lot of young kids including myself growing up got opportunities and things to go play and learn a sport that lifts people out of poverty and into upward mobility. So, just understand, right now that is a distraction, and it is not a solution at all.

The problem is what we just discussed, what Mr. Driggs just said, is that we have a lopsided imbalance that we are facing right now. Where unlike the last cycle when we looked at this it is the residential folks. Over 80 percent they are going to see an increase and it is those on the lower economic side of this equation that are going to be impacted most. I have never seen a year, in the 20 years that I've been in Charlotte more than right now, that this is more of a regressive impacted tax than what we have right now. So, while the golf course is the distraction, the question you guys need to be asking, you need to be emailing us, you need to be making sure that we stay true to what we need to be doing is there's not a scenario we should be discussing a revenue positive rate with what we're seeing. I don't think it's a revenue-neutral rate at this point. The only solution we have is to tighten our belts like households do when times are rough and figure out how we can cut costs and be at some level of a revenue- negative rate. So, if you want to impact it, don't fall prey to the side shows. That is the punch line of how this will be solved, or you'll be distracted and then this will be passed, and it will be over.

Mayor Lyles said alright, I have one question, that I think it goes back to the beginning of our discussion. We were talking about how people can access for the informal appeal. You talked about uploading and providing the information. So, one of the questions that I have is that our Crescent as we talked through it where the digital divide really, really exists, and there's not that opportunity, is there any ability to kind of look and see where people are trying to get into the system or didn't get into the system or in your community work around where these neighborhoods are that we're talking about that we will definitely see a larger increase, is there also a way to communicate to them the opportunity for the informal approval without it being digitized?

Mr. Joyner said oh yes ma'am. There were four ways that you could file for an informal and we talked about those at all of our community events, it was a part of the notice. Someone could call our office. They can call our office. They can come to Valerie C. Woodard. We have probably 15-20 people a day that have come in and we've got appraisal staff that can sit down with them and start that process working with them on an informal review. We also, due to the fact that so many, like myself, I just did my Federal taxes and my preparer said, "Do you want to electronically send it?" I said "No, I'm going to mail them a check." We sent an application with each of the notices where someone could fill out that application, mail it back in. We gave them an envelope to mail it back in and they can get into that process, and we will reach out to them and work with them in the same manner. So, as much as we have pushed the technology, because it's the easiest way to track it. We understand that there's a certain segment of our community, but I will say I was looking at the numbers today, phone calls in 2019 versus phone calls in 2023, we're at about 56 percent of the phone traffic that we saw in

2019. Our appeals, we'll know more when we get to the 17th were somewhere around 8,000 informal so far, but that will give us an idea of where we're at in that process. So, again, we want to make that process as easy as possible. In 2019 there was one church that brought their van and brought some of their seniors over and we were able to see each of them that day and work them through the process and I think some of them even signed up for the Homestead Exemption while they were there as well.

Mayor Lyles said Ms. Mayfield has asked me to ask you, have you identified groups or navigators that can help people that are in these areas to have the ability to know this? I mean I know that you've done all of this outreach and I understand that, but until you get the letter, it's really not real. That's when it really hits you.

Mr. Joyner said that's right.

Mayor Lyles said so, what are we doing now that we know, and we can identify some of those neighborhoods? Are we going back out to kind of say this is what you can do to appeal your informal or formal?

Mr. Joyner said that's right. We've established two resource fairs. One was held at Valerie C. Woodard this past Saturday. The second one will be a week from Saturday at the new Eastway Rec Center where we've got staff there available. It was not as many people on the 1st as I would have loved to have seen in there, but we did have some community people there that said they were going to go back to their areas and we've been working with our public information, trying to get that information out to the areas to assist in that process, because if we find out there's the need, we can hold some additional resource fairs as well.

Mayor Lyles said I know that the County works really hard, especially for our seniors, and as well as in our neighborhoods, just like we do and anything that we can do to help in that we would really appreciate the opportunity to make sure that people understand how difficult this might be, but how they can actually feel that they've been treated fairly and that's our goal.

Mr. Joyner said that is definitely the goal, both the City and the County.

Mayor Lyles said alright, any further questions? Anyone else? Hearing none, thank you again, Mr. Joyner. Tough job right now, but we understand.

Mr. Joyner said thank you, alright.

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ITEM NO. 2: REVALUATION IMPACTS AND STAYING IN PLACE STRATEGIES

Marcus Jones, City Manager, said thank you, Mayor, members of Council. Next, we'll have a presentation. What we're trying to do is basically talk about the impacts of the evaluation, but also some of the strategies that the Council's been working on even as we start to think about the Housing and Communities Committee. So, I just want to try to package this a little bit, before we start it because it will be a difficult discussion. I think the most important thing now and you begin to talk about it, is when you start to see the impacts in some of these neighborhoods, it's some of the areas in our City that could at least afford to have this type of shock to the system. Also, it's important that even as you've looked at some of your Federal dollars, some of the stimulus dollars, that you had coming into to this sitting Council, you haven't spent them all. In other words, we had \$47 million and even with some of the options that are on the table including what you'll see on Monday, there's relatively \$20 million that's still available as we start to think about different strategies. So, I'll turn it over to the guys, but again, if we can think about this as the issue, the problem that we're trying to solve, and what resources that may be available for the problem, I think that's a good way to have this discussion.

Ryan Bergman, Budget Director said alright I only have three slides before I turn it over to Andrew to talk a little bit more about the maps that we've provided and the area-by-area impacts. I'm going to talk a little bit about the process quickly, which is a little redundant, so I won't spend much time on it after Ken's presentation, but then also some examples of the revenue-neutral rate and then some real examples of what that actually means for houses. This would typically be done by the City Economist, but he and his wife were joyed to have a new addition last week and he's out. So, congratulations to Ndem on his new baby boy. So, as Ken talked about the revaluation process is not something that the City's directly involved in. The County is responsible for assessing the values based on state rules and there's really not a lot that you guys are involved in. I will answer your question from earlier at a revenue-neutral rate because of the commercial shift this time. There's about 92 percent of residential properties that would actually pay more even though 92, that's pre-appeal, but that's at a rate where the City gets no additional dollars as we talked about earlier. So, as I mentioned, revaluation is not advantageous for the City's budget. Then the other important thing to mention is that when we're talking about a resident's tax bill the City is actually the smaller part of it. We make up a little bit more than a third of the residential tax bill. The reason for that of course is that the County collects and then contributes to CMS (Charlotte Mecklenburg Schools) \$400 or \$500 million.

So, trying to make this as easy as possible the revenue-neutral rate is something that each local entity is required to submit to local government commission when we determine the rate. It does not mean you're required to adopt that rate. It means that you're required to go through this process and report. So, at the top are kind of the technical names, but I tried to add under it a more generic explanation of what it means. So \$543 million, that's how much revenue we would collect this year at our current rate if everybody paid their bill, so at the previous values essentially divided by what Ken talked about is the new total assessed value in Charlotte, the value of our land. So, I have an appeals rate in there as an example of 4.1 percent for now, no final determinations on that, but like Ken mentioned it ended up being 3.6 percent last time. Then you multiply it times the Growth Rate. So, that is intended to signify the average new properties and enhanced properties that come on the tax rolls each year because in a revaluation year, that's the only way you would get that typical growth. So, all that is, is our average growth over the last three years since the last revaluation. So, what you end up with for this example, is an example revenue neutral tax rate of 26.05 cents. I would mention, calling back to the presentation from the retreat, if you took the 15 biggest cities in North Carolina, the current lowest city tax rate is 34.05 cents by the City of Cary. So, anything in that vicinity is likely to put Charlotte quite a bit lower than all of the other big cities in North Carolina. So, I asked Andrew here, Andrew Bowen, who has the data sets of all the properties, to pick out three properties for me that had kind of a different experience in different parts of the City. So, we have a median example, we have an example of a property that really accelerated growth, and then we have a property that already had a lot of value and didn't grow quite as much. So, I won't read them there, but you'll see the values on the left, and then what those properties would pay now in City tax rates between \$400 and \$800 for the top two at a higher tax value for the property on the bottom.

The second column was if you took the new values, but left the property tax rate what it is now, it just shows exactly how much they would pay if you left the rate the same, at the new values. What the third column is, is what the revenue neutral tax rate be. So, for that first house they would go from \$761 to \$911. The second house would go up \$235 and these are all annual, and the third one is just as an example because it went up less than the median, a little more complicated than that, but generally less than the median. It actually would go down in this example and that's intended to show that because of how a revenue neutral rate works, and it's just re-slicing the pie, even though there's the vast majority this time that would pay more at a revenue neutral rate, all of that value is also on the other end with reductions and once again, it's not just something we can control. Just for illustrative purposes on the right there, that just shows any cent you went above revenue neutral would be the impact for those same homes. So, with that I will turn it over to Andrew Bowen, who will talk a little bit about the

areas, impacts, along with some of the information that we provided for you in the packet.

Councilmember Mayfield said so when the Manager and I sat together the other day and we played with some numbers, where I appreciate the way that this is broken down to help put some reality, but we also have individuals who pay under the \$135. So, I gave him an example of a home that in 2019 was valued at \$94,900. When I gave him one example where a home that was purchased at \$30,000 was valued at \$93,000 in 2019, and now under this new evaluation is almost \$270,000. That is a considerable difference going from, that was a \$900 increase, just under the current tax rate before looking. So, I appreciate this \$473 to \$761 and that \$3,000 to \$886 for the handful of people that's in that category. I think you're good. What I am more concerned about is those lower numbers, and those individuals who have been in their homes because Charlotte was a community where you were able to purchase a house for under \$100,000. Well, a number of those homes today are valued a lot higher. I don't think that 2019 evaluation of \$135,900, it would be helpful if we knew what area of Charlotte, because when the Manager and I went through it we actually broke it down and looked at three different areas of the City because if you are within that five mile radius of uptown, you definitely saw a greater increase even though that is also an area that historically had been underinvested in until the last decade or so. So, those homes are the ones that seen the greater increase in the values and those increases far surpass that \$473 for the lowest price home dollar that we're identifying right now. So, when we're having this conversation, saying that the current City, just the City tax rate, would be just under a \$1,000, we have a number of residents where their valuation in 2019, was under that \$135, but their valuation, their current tax rate is definitely higher.

So, I think it would be helpful for me and for some residents to also know the areas of town that these numbers were pulled from, because we definitely saw more growth in predominately working class, working poor and to be perfectly honest communities that were majority black, African American. We saw the increase because we saw the investments as far as investors coming in, buying homes at very low prices and flipping those homes, and a lot of those companies coming in and purchasing entire neighborhoods. Also, we have brand new communities that were built of which I don't even know how, and I forget to even ask the tax assessor that. You have brand new communities, residential communities that are all rental. How are those numbers even calculated? That is what we are seeing in a lot of these historically underserved communities. So, help me understand what areas of town that we're looking at in order to how we identify these numbers that we're looking at and why wouldn't we have put in a number that would have been representative of the lowest number that we had in 2019, that may have seen the greatest gain.

Mayor Lyles said I hope that we'll get Andrew up and have some of that but if not we're going to have to do some more mapping, if it's not today it will happen.

Ms. Mayfield said if you have an answer that would be great, if not that will be, because I feel like you have some answer.

Mr. Bergman said so, I had asked Andrew to pick three areas of the City and to pick three neighborhoods and pick something in that neighborhood that was typical for that neighborhood, like a median.

Ms. Mayfield said that's a median?

Mr. Bergman said no, they are all actuals, they are not a median. I'm saying it's an actual, it's real house, that's close to what's typically happening to that part of the City. What this isn't representative of are maybe the extremes if that's what you're asking. We can certainly provide that information. We can give you a lot of examples. I would say, Andrew, the 100 percent is probably around the 90th percentile for growth or something, but we'll get you those answers and we can provide a lot more examples.

Mr. Jones said yes, trying to be helpful. If we go back to what Ryan said initially 92 percent of all of the homes are going to see an increase at this revenue neutral rate. So, I just want to make sure that when you see that one example, that one outlier, it's in that 8 percent right. I just want to make sure that you don't think that this is something as Mr. Bokhari said earlier that 92 percent of all of the homes are going to have an increase even at the revenue neutral rate.

Councilmember Watlington said I really just have one quick question, because the way this conversation's going I hope that as we continue into these next couple of slides, we'll get into a little deeper in that. So, I can hold some of those questions for then. I just wanted to make sure that I understood this when we talk about new properties. Actually, it's the slide before this, the 1.0295. It says, "Typical annual growth from new properties, buildings" is that net new properties? What happens in the case of a demolition and then a new build on top of it?

Mr. Bergman said I think that's probably something we'll have to get from the assessor, but the growth is anything that essentially triggers them adding to the tax rolls, like a new building anything that would have them come out and re-assess in an off year. I assume that a demolition and a rebuild would qualify, but I don't want to say that definitely.

Ms. Watlington said okay, and then my only other question relates to new parcels. Do we have any idea of how many more parcels we gained due to annexation?

Mr. Bergman yes, so, we'll get you that answer, but this is designed so that annexation, I should have said that, actually come out of this calculation.

Ms. Watlington said okay, thank you.

Councilmember Driggs said I was interested that you said "median" and then corrected yourself, because in fact based on these numbers, this table here, example of annual impacts, your house went up by 60 percent, your tax bill goes up by 20 percent. That's the ratio there. If you went up by a 100 percent, your tax bill goes up by 50 percent and if it went up by 20 percent, your tax bill goes down by 10 percent. So, I think an interesting thing is, that suggests that somewhere in the 20 something percent range is the break even and you could tell everybody if your house went up by more than 22 or 23 percent, you're going to pay more and 8 percent of the homes went down by less than that so you will pay less. Another thing I just want to point out is what about renters because people who rent do not have the benefit of the appreciation of their asset, but they do have the cost being passed on to them of the higher tax. So, this is probably the hardest hit group and frankly a lot of the people are most concerned about are not homeowners. They're probably in that category. So, do we have any information about how rental properties did as opposed to owner occupied in order to kind of target that group?

Mr. Bergman said we can get you that breakdown of rental properties. I think Shawn may have more. To answer your first question though, at a revenue neutral rate, the breakeven where you would start to pay more is about 33.6 percent and I corrected myself because it's more complicated than just taking the real estate value increase, because everybody's going to get a little bit of benefit on their cars because cars are part of the calculation. So, if you have \$30,000 in cars, you're going to save probably \$25 on your City tax bill. That and then some other state certification things are also in the whole pie. So, it's not just residential that impacts things.

Mr. Driggs said right, it's more complicated than that.

Mr. Bergman said yes.

Mr. Driggs said breakeven is as high as that even though you get only a 10 percent break on a 20 percent increase?

Mr. Bergman said yes, that's the revenue neutral rate, yes.

Mr. Driggs said okay.

Councilmember Ajmera said I think, Mr. Bergman, what would help here on this slide if we had another column that showed percentage. So, 20 percent, 50 percent, -10 percent, I think that really puts things into perspective where lower valued homes will carry higher burden of the tax rate versus the higher priced homes. I think Mr. Driggs pointed that out. It's really as you can see in the last example, where the home is valued at higher amount, you can see that value with the revenue neutral tax it will go down by 10 percent, which is negative, but every other home which is at lower valued homes seeing much larger increase in tax rate. So, that just shows that really people, the most vulnerable are the ones who see higher tax rate burden.

Mr. Bergman said so, what we can do is, we will take the previous value of homes, and put it into some, like I don't know if it's under \$100, \$100 to \$200 and have the median tax increases at a revenue neutral rate so you can look at it that way, but as far as percentages every single house will be different.

Ms. Ajmera said alright, and what I would really like to see is Crescent versus Wedge. I think Ms. Mayfield had alluded to earlier when she was talking about really neighborhoods, historically black neighborhoods, and how their home prices went up and they've seen growth 60, 80, 100 percent. Those are the neighborhoods we are really concerned about. I share the concerns that Ms. Mayfield had raised. I think we need to see that demographic data. When you're looking at examples, let's look at, take a few examples from Crescent, let's take a few examples from Wedge where we can see the impact as we are making some very important decisions here, thank you.

Mayor Lyles said So, I think that Andrew's going to start us on that journey and then we'll see where we go next. Andrew, why don't you help us with some of this data.

Andrew Bowen, Innovation & Data Officer said good afternoon, Mayor. Thank you for having me. What I'm going to do today is step through a little bit of what's in your binder as we talk through some of the materials and address any questions you may have about some of the specifics of the data. Before I do that, I can't do that without thanking the folks who helped us through the nuance of this data, so, Ken and his team, Ryan and his team, and of course our Data Analytics Manager, Jackie Tynan and her team, especially [INAUDIBLE]. I heard Crescent versus Wedge. What you're actually seeing on the screen right now is the median change in value by neighborhood. When I say neighborhood, what I mean is neighborhood profile area, which is our preferred unit of analysis especially for broad scale looks. On the left what you're looking at is residential properties median change by neighborhood and on the right, you are seeing the commercial. The walk through of your materials, we actually have it broken down, we have charts, very specific data by district. So, very important, quickly to define what we're looking at. First is the neighborhood profile area. We are not going to be presenting any parcel level information because as the assessor said those things are changing every once in a while and they are the best source to go get the most up to date information. Again, the NPA (Neighborhood Profile Area) is the preferred unit of analysis of which across the entire City, we have 385 and that actually adds a little bit of value as we want to do some of those demographic comparisons that we've heard about especially since the NPA is also used in the Quality-of-Life Explorer and Neighborhood Indicators projects, so it's a very tie in. So, in your packets, what you actually have are three main components. We have an overview table that's down on the bottom left of the slide. An expanded view of your districts if you are a district representative. Neighborhood profilers and you can see the breakdowns by them, and then also a table that includes very specific information about median value change, median percent value change, and then some demographics information, specifically poverty, percentage of seniors, the percentage of single-family houses, and then rental costs. We also went ahead and put an interactive version of what you have in your packet online. As you can see on the screen over here, that's my neighborhood, 314. I live in neighborhood profile numbers. We actually have this available to you and your

constituents on our open data portal, which is data.charlottenc.gov. So, I am happy to take any specific questions about how we put these numbers for you together initially.

Mr. Bergman said just to be clear, I think most of you see it. The materials he's talking about are in your binder behind the presentation.

Mayor Lyles said but the interactive portion is online. We're not going to be able to do that here, our interactive.

Ms. Watlington said my question is more about the collective strategy. So, I don't have questions about the specific data here. My question, and I'll just jump ahead since I see it here, this snapshot of anti-displacement efforts. So, we're looking at this tax, revaluation and the potential tax increase. We're looking at funding transportation. We're looking at the impacts of the upcoming UDO (Unified Development Ordinance). I'd like to, and I know that the NEST (Nuisance Enforcement Strategy) Committee has been meeting for some time about anti-displacement efforts. I'm still not in a place where I'm comfortable that we've got a good solid plan for people, particularly those in these areas that are most vulnerable to displacement. So, I'd like to see exactly how these different programs, or these different policies impact the individual in those homes. I'm still missing the comprehensive plan. We know that everybody's got an individual choice about what they're doing. Everybody's in a particular different situation, but we can see there are several things that are public driven, that is government driven that is having an impact on people. When I say government driven, I'm talking about our UDO policy, our planning department, our infrastructure choices. When we talk about transit, where that transit goes, where we talk about economic development, where we're investing, where we're incentivizing.

When we talk about tax increases and how we fund the services of the community, all of those things are choices that those of us sitting around this dais make. I want to understand. I don't know if that shows up as a referral Madam Mayor for the Housing, Safety, and Community Committee, but I want to see a more comprehensive understanding particularly for these neighborhoods that are vulnerable to anti-displacement. How our tools that we're intending to come out with are actually going to address the need that is being induced by these programs.

Mayor Lyles said I think we've got some short-term things, we have to do a budget by July 1. Then we also know that we have the ramifications for all of those other things that we've been discussing. I think, how do we figure that out, is going to be really important for us to take a look at. I have to say, I think the data that you're presenting is going to continue to be refined and the more that we can set a standard or have the information so that we do have this in a merger, for example, how do we deal with, I think you talk about changes in assessed values. We've got some other metrics down here. We need to probably decide what are the metrics are necessary to have a policy like that. So, it's a lot of work that I think is valuable as we move into the longer term how are we going to address the neighborhoods that are really being targeted for displacement, as well as, this combination of if displaced then where is there housing?

Ms. Watlington said exactly.

Mayor Lyles said those are the things that we really have to really figure out.

Ms. Watlington said right, I think for instance 317. Andrew, since you looked up your parcel, you've inspired me to look at mine. So, I'm looking at 317, there are 225 parcels, the median change in assessed value is 116 percent, which is above your 33 or so percent break-even point. When you look at the population and housing info, you're looking at 56 percent of people living in this NPA are impoverished, 14 percent of them are seniors, presumably on fixed income, and 48 percent of these people live in rental houses. That is a perfect recipe for displacement. So, how do we meaningfully, knowing to your point that we've got short term things, long term things, how do we meaningfully impact the outcomes for folks in neighborhoods like mine?

Mayor Lyles said so, I think the most important thing around this is that I wish that we did have Home Rule, but we don't and so we're going to be based upon what the state requires us to do in the next several weeks. We're just going to have to get that done and then we're going to have to figure out what else happens as a result of how we get that done to the next step. Everybody's got the documents in the book about the neighborhoods by districts and what's going on. Start thinking about it. So, I wanted to make sure, Ryan, that we have it covered.

Mr. Bergman said yes, I just was going to say when we start talking about some of the poverty and the anti-displacement and the impacts, I think it is important that we let Shawn talk about his because there's at least one pretty exciting opportunity there.

Mayor Lyles said alright, Andrew, any further information for us on this?

Mr. Bowen said no, thank you very much.

Mayor Lyles said okay, we may be calling you with more data points though.

Mr. Bowen said absolutely.

Mayor Lyles said alright, Shawn.

Shawn Heath, Housing Department said just a quick zoom out here to be responsive to the conversation that was just initiated. Really what we wanted to do here is underscore how there's really been a significant body of work initiated and funded by Council since the 2019 revaluation. So, Council has not been flatfooted on these issues.

Councilmember Mitchell arrived at 3:09 p.m.

I'm not going to go over every single item on this slide, but the theme here really is actions that have been focused on vulnerable households, cost burden households, both renters and homeowners. So, for example looking here on the far left on current and ongoing activities with no investments, which we've discussed a lot over the last 6 to 9 months, if you think back to 2019, when you really got started on your NOAH (Naturally Occurring Affordable Housing) Investment Plans, since that time you've supported 8 projects, 8 NOAH projects, and that's delivered over 1,300 units, that have been preserved for affordability with an investment of \$28 million. So, very meaningful investments since support of NOAHs which really have the dual benefit of both preserving affordable units and also ensuring that we avoid the displacement of the existing residents. Emergency repair and home rehab, a long history in the City of Charlotte of supporting low-income residents with a whole suite of repair and rehab programs related to heating systems, cooling systems, plumbing, electrical, roof repair, all sorts of things. House Charlotte down payment assistance, which we continue to explore new ways to activate that program in the community as an opportunity to enhance home ownership here in the City of Charlotte. Staying in Place pilot program, which has been discussed a number of times at the committee level over the past few years leveraging the work in Hidden Valley and Winterfield and Washington Heights has a bit of a testing ground to determine how we can better integrate and coordinate and align our program delivery in those areas focused around Staying In Place. Then large-scale displacement event protocol. Unfortunately, from time to time there are large scale displacements that are outside of the City's control. It could be, we've seen the scenarios in the past year related to hotels and related to weather events over the winter with the Magnolia Seniors Facility. There's a playbook that we have in place now where we work with community partners to address those events. Council has state's funding, some of the Federal Stimulus funding available for emergency rental assistance that we can deploy when those sorts of things occur. So, to just cherry pick a couple other things on this slide, we've got the red outline around the property taxes assistance grant concept, which we'll zoom into here in the subsequent slides.

Then on the far right, in upcoming efforts, so we just highlight number 3 and number 4. HIRE Charlotte, which you will hear more about on Monday from Tracy Dodson's team

in terms of some ARPA (American Rescue Plan Act) Funded recommendations they'll be bringing into the room for discussion, is a good example of what I think we've been hearing from Council over the past year which is as a complement to the various subsidies that are in place, what are some of the things that could be done to enhance economic mobility through the creation of good paying jobs and through access to those opportunities. Then finally on the NEST recommendations and anti-displacement strategy, the NEST Commission has been in place for a while now. The NEST Commission has had multiple connection points with the Housing, Safety and Community Committee. The NEST Commission is very busy in the months of April, May, and June. So, April and May will really be focused on fine tuning the first big wave of NEST Commission recommendations. They'll be shaping and informing the anti-displacement strategy work that Deputy Director Hefner is leading on behalf of the Housing Department and they are also doing some community engagement, some stakeholder engagement around their scope of work and their recommendations in the month of May. All of that will be leading up to a June report out to the Housing, Safety and Community Committee, which will probably be a one topic agenda that day for the full 90 minutes to talk about anti-displacement strategy and NEST Commission recommendations.

Now, I'm going to zoom in more specific to implications of a rising property tax environment. This is a summary of the existing State Authorized Property Tax Relief Programs. Moving from left to right, I know you are very familiar with the elderly and disabled, Homestead Exclusion which Mr. Joyner referenced earlier today something that is part of the City's and County's legislative strategy to identify opportunities to enhance the income eligibility associated with that program. It is a very attractive program, but the eligibility is fairly confined, right, 65 years and older or totally disabled, with an income limit of under \$33,800 which for a family of two I believe would be ballpark in the 45 percent area median income level. On the Circuit Breaker Deferral Program, which caps property taxes at either 4 percent or 5 percent of income, this is really not very heavily utilized at all across the state in part because once again it's fairly narrow eligibility requirements in terms of 65 years of age or older or totally disabled, and it is a deferral. So, this is not a grant or a waiver of the property tax. It's just deferring it to a future date.

Then finally, there's the Disabled Veteran Program which once again, very narrow eligibility. It is for veterans that were permanently disabled in their service, and you can see that there's no age or income limit on that. When you look across those three state authorized programs for tax year FY23, in the City of Charlotte, the usage was approximately \$5,700. You can see that's referenced here on the slide. Now, focusing on the Mecklenburg County Homes Program, that was put in place a few years ago, this is a locally funded property tax relief program that the County has had in place since 2020 I believe, and Budget Director Bergman has had some preliminary conversations with his counterpart at the County to explore what could a potential collaboration look like between the City and County on a program like this. So, here we just wanted to outline the basic features of the County's program should the City decide that it would be interested in mirroring this kind of approach. So, the way it works is that the property tax assistance, that should really say equal to 25 percent of the county tax bill and that's capped at 25 percent of the median home tax bill. In terms of eligibility, this is for owners that have been in their home for at least three years and they're at the 80 percent area median income or below. Both of those features are really intended to help ensure that this is targeted towards most vulnerable residents in the community, and this is provided as grant that's netted against the bill. So, it's not a reimbursement scenario. This particular model is consistent with, it's not identical to, but it's consistent with a recommendation made by the NEST Commission during the January Housing and Safety Community Committee meeting.

I would also note that there are some certainly meaningful distinctions between this model and the Aging in Place Program that City Council put in place a few years ago. You'll recall with Aging in Place there was an age requirement of 65 or older. There's also a requirement that the homeowner be in the house for at least five years. For the FY2023 tax cycle, Mecklenburg County approved approximately 1,350 applications

under this program. Then just finishing up as a follow up to City Manager Jones' reference earlier, with the housing-related ARPA that was designated in both Tranche 1 and Tranche 2 that was \$47 million in total. Over the past year Council has programmed about \$24 million of that and there are two relatively minor ARPA funding requests that you will see on RCAs (Request for Council Action) during this month, one on April 10, 2023, and one on April 24, 2023 that add up to \$2.5 million. So, when you net out those items, as Mr. Jones mentioned, you have roughly \$20 million that's still available for access to affordable housing and anti-displacement efforts. One of the references here is that there are a number of things that are kind of brewing that will ultimately convert into specific funding opportunities. Large NOAH projects are obviously market driven and opportunistic, but we would expect that there would be NOAH projects that will emerge in the months ahead. The NEST Commission recommendations, as I made reference to before, will start really being unveiled in the June/July timeframe. Then the Home For All, which is the initiative that was started a couple of years ago, worked on by Charlotte Center City partners and the United Way and now being led by the United Way as a quarter back agency. There are a number of recommendations there that are kind of consistent with this general notion of cost burden, vulnerable households, and anti-displacement. I believe that is the final slide.

Mr. Jones said so, thank you, Mayor, members of Council. Ryan, if you, if you could just go back to slide two. I think it's important, as a starting point, to make sure that we have a level set about the tax bill that's going out. If there's something that the City does or the County does and the opposite doesn't do that, that doesn't necessarily help with that bill. So, one thing that I am very pleased about is Ryan working with his counterpart at the County to see if there's an opportunity with this HOMES Program where the City and the County could do something that actually reduces the bill before it even goes out, as opposed to some of the things that we try to be creative with, with like Aging in Place. You have to try some pilots and we tried some things. The other thing I want to say is, and thank you Shawn for saying it, you guys have not been flatfooted, but even since the last reveal, you've been looking to see what can happen with this next one. So, we have, I guess some opportunities. You didn't spend all of the money. You still have the \$50 million that's related to the Trust Fund. So, we just wanted to put that all out there that just trying to get a little guidance, a little direction from the Council.

Mayor Lyles said wow, this is the real deal here, for how we're going to really keep people housed and so we've got to really get some consideration here.

Ms. Watlington said can you go back to slide seven please? Okay, what I'd like to see, somewhere, is an understanding of who meets the criteria for each one of these and how that lines up with the demographics of the NPAs that y'all have shared with us. Because, I want to understand who's missing. Who's not being served under one of these programs? The last thing I want us to have a host of programs but they be underutilized because the people who need them don't fit in one of these groups. Follow what I'm saying? One that jumps out at me. I know we talked about this before, and I bring this up because as we're talking about taxes, Mr. Driggs mentioned before, that particularly renters don't see the upside of a tax increase, but they always pay for the cost. So, in my mind we would do ourselves a great service by enabling more people to become homeowners if they so choose, particularly because of some of the other things that are going on nationally with large scale corporate investors and our City being one of them. When I look at number three, how Charlotte's downpayment assistance for instance. We understand maybe as the market has softened, we don't see it as much, but certainly, still are very much in a competitive marketplace when it comes to buying particularly these homes that cost, that are in these places that have seen large tax increases and also have a large number of rentals and have lower overall purchase prices. I would love to see us connect the dots between our programs and who needs them because that's one in particular that I think we got to figure out how to tailor in a way that makes them more meaningful in the City particularly, what we're dealing with right now. So, thank you.

Mr. Bergman said yes, understood. The only thing that I'll add of course is everything that's in place that's on that slide, generally speaking, is going to have an income

restriction. Most of it would be 80 percent or below, some of it digs down into the 30 percent AMI level and then I didn't put Corridors of Opportunity on here, but some of our programming from a housing perspective is being intentionally aligned with Corridors or areas of influence around the Corridors, including the most recent extra funding we put in the for the House Charlotte Plus model.

Ms. Watlington said definitely. In addition to that I would just like to see, based on the demographics in these NPAs, who are these folks and are they the folks that would be eligible for these programs beyond like you mentioned the 80 percent AMI is an income restriction, which certainly makes good sense.

Ms. Ajmera said I agree with Ms. Watlington. It would be good see how some of these programs are actually helping our most vulnerable and really seeing the utilization. Because if the program is not doing what it supposed to do, then we got to figure out something else. All these programs are great, but keep in mind, this is still a drop in the ocean. Just the need is so much, that no matter what we do it just feels like we're barely scratching the surface here. I think the slide, Mr. Jones, you had pointed out earlier where we had the City share versus the County share, if we could go back to that slide because I think it really puts things into perspective here, where collaboration is really very important here because, if we truly want to address the burdens our residents face, we really got to collaborate with County to ensure that it's the total deduction versus the let's say the County increases the tax rate and the City does the revenue-neutral or the other way around, we got to make sure that we are reducing the tax burden overall. So, Mr. Jones, do you have any idea as to what County is going to do in terms of their tax rate or would you have some idea before your budget presentation?

Mr. Jones said may I flip it a different way please?

Ms. Ajmera said yes. They would like to know from you.

Mr. Jones said I think Ryan can back me up on this there are conversations going on between the City and County in terms of this HOMES Program and how there could be some level of collaboration. In other words, we don't have an infrastructure built that would allow us to do what Shawn mentioned earlier, to get that reduction on the bill. So, it makes a whole lot of sense for the City to partner with the County or at least use the County's infrastructure much like we did the Opioid Settlement Funds.

Mr. Bergman said yes, so, let me first say it's not just me and the County budget director. There's, the County has the Department of Community Resources, and the City has Cherri, who has been doing a lot of this work, collaboration. The reason I mentioned earlier that I was excited about this program, is this is maybe our only opportunity to have a way where it's on the front end, where it actually reduces the bill. If we're able to partner with them I think for us to partner, to continue the discussions and to finalize it, you have to have the same rules, the same requirements and the huge advantage to the residents, if we have the same program is a resident can apply once and they can potentially get City and County tax relief if they are below 80 percent AMI. So, if you actually go to slide four, so let's use the middle example and no, it's not like a big outlier or anything, but 100 percent growth is still on the high end of what people are experiencing. So, if you take that \$708, if they qualified, and they are under 80 percent AMI, and you take off a quarter off that tax bill. Let me do the math quickly in my head here. That's like a \$175 off. So, if they are eligible that does knock off a big part of impacts on this, which is why it's something that we'd been excited to explore.

Ms. Ajmera said I have followed up Madam Mayor, if I may? So, I know you are collaborating with the County, this example only shows City's portion, right?

Ms. Bergman said yes.

Ms. Ajmera said I think to Mr. Jones' point, I'd like to see the overall. Because when resident looks at the bill, they don't care about whether it's City or County. We're trying

to just figure out how can we minimize the impact overall. So, the collaboration, would that result in the overall reduction? Is that what you're saying?

Mr. Bergman said yes. I mean if we're able to get it to the finish line, it could result in the City bill going down and the county bill going down proportionately the same like they're a bigger share of the bill, so the relief would be bigger.

Ms. Ajmera said so, that's not limited to like other programs where it has to be, it's like for 65 years and older or is this just based on income?

Mr. Bergman said the way that the County has ran it, it's not based on age. It's 80 percent and below, you have to live in your house for three years, they have a way to verify that you're not renting the property. So, that's the way it works, but if you're eligible for those state programs that already exist you wouldn't be eligible for this which makes sense.

Ms. Ajmera said okay, thank you.

Mr. Driggs said I think it's worth clarifying, we are not allowed to charge different rates at different levels, just so everybody understands that. I want to get that out there and in fact I'm a little concerned that some of the things we might do to provide relief would be seen to undermine that. So, we always need to work in that context. I just want to mention, I suggested a couple of times, if your house went up in value by \$130,000 and your tax bill went up by \$300 a year, it should be possible to have some sort of a home equity loan process through which people could borrow against the equity in their house to pay the bill because they have a liquidity problem. In net worth terms, this is big plus for them, but we need to help them meet that, sort of clear that hurdle, of the extra cost. So, I would love to be able to talk to a bank, or have us talk to a bank and just say could we have an arrangement where people can borrow against that value, that new value in their home in order to deflect and then they would only be paying the interest on the increase in taxes and not the actual increase in taxes until some settlement date, maybe when they pass the home on to somebody else or when they move out or if they die. Then you square that up, but you're not going to run up a bill of more than a few thousand dollars on a \$300,000 home doing that. So, I don't know what the obstacles might be, but just speaking as an economist, it seems to me that we should be able to time shift the increased tax obligation recognizing the improvement in their circumstances because of the value of their home.

Ms. Mayfield said that's what I was saying. She [INAUDIBLE] Are you done, Councilmember Driggs?

Mr. Driggs said I am, yes, thank you.

Ms. Mayfield said this is a great presentation, lots of information. I want us to also consider when we're pulling these numbers and looking at actuals, looking at the impact versus our intent. So, right now we have for the Staying in Place Program, we got a pilot in Hidden Valley, Winterfield, and Washington Heights. Let's go back to when we created the TLC by CLT Program that started off at historic Camp Greene which is between Freedom Drive and Wilkinson Boulevard. Historic Camp Greene runs from Berry Hill all the way down to Ashley, which is right in front of the Walmart off of Wilkinson Boulevard. That's where we started our program. A number of the community have already been displaced. So, I, when I hear us having the conversations of the Crescent and Wedge, I would like a different lens. I want to know how many other residents still live in that Crescent and Wedge in 2023 that were there when we first started that study, because if we look at just where we started one pilot. So, we keep doing these pilots in different areas oppose to creating a pilot and seeing that community through for five to ten years. Actually, watching and making the investments and identifying the impacts. We keep moving it around. When during the time that we do that, investors come in, they go into the area, a lot of the people that we identified for these programs aren't even in those areas anymore. A good number of them were renters who have been displaced because the owners have sold. At the same time with

this new property valuation, one of the other examples that I shared with the Manager, was a home that was valued at \$288,000 in 2019, is now valued at \$470,000. That's great except for the fact that we have a large number of layoffs, especially in our banking community for those who weigh mortgages and in certain departments we have had a number of layoffs with a number of the companies that we have brought in. They have had massive layoffs. Those individuals that were able financially to sustain and may have been living under their means now are in a very different position. If we're able to have this partnership with the County I would hope that you're also having the conversation with them regarding some flexibility. I am really concerned about our middle. Our middle-income community can very well be in a position where they would be the ones with the greatest need in less than two years. Whereas if we're able to help stabilize them right now, they could continue versus letting them get to the point of 30 percent and below.

So, we have a target, it was once a conversation of how do we rethink CDBG (Community Development Block Grants) Funds in order to be more accessible, but we have a number of individuals that may be on paper, because of the valuation have a house [INAUDIBLE] but here's the reality that is not what the house is appraising for in the community right now. Just because the appraisers said this house is now valued at \$470,000 you can go online and do a general search if you're not a real estate agent and have access to MLS (Multiple Listing Service) that home is not coming in at that amount. So, that's not the amount that they are necessarily going to be able to get a loan on and everyone's not in a position to create more debt if they're already underemployed or unemployed and even with HIRE Charlotte, HIRE Charlotte's target is not executive positions.

We have a large number of senior VPs (Vice President), Senior Assistant VPs, and other higher-level individuals that have been laid off and they have been laid off for more than a year or coming up on a year. Those are the individuals where we're going to be seeing high foreclosures. If we have conversations with the bank, with any bank, I'd like it to be a number of banks, we also have to look at not only the history, but the current lawsuits with some of our banking partners specifically in black community, and Hispanic Latino community, and Asian Pacific Islander community and the dealings in those communities. So, before government gets into a room and tries to convene certain conversations, we have to understand what our role in that conversation is. So, we need to come in with the history and the knowledge of understanding that we have a role that we can play. I would like to see if we're going to put funding aside as was mentioned by my colleague that, that funding is able to actually be spent by those who need it. It is going to be a challenge to just say 80 percent and below. I would love to find out if we have the ability to push that to look at what the needs are in our community right now. So, whether that's creating a survey to figure it out. We got the numbers. The numbers are out there. We know what companies have had major layoffs. We know which companies that the City has given funding in order for them relocate that have laid off and we can easily have them provide us in what position levels that they lay off, because those are the individuals that's living in our community right now that many not be able to afford whatever we do. Whether we reset at revenue neutral, whether we figure out some kind of way to revenue negative, whatever we do based on this new dollar amount it is causing a challenge. So, if we're going to have funding out there, we can look at how much funding have we already set aside and how much of that has been utilized. What is the barrier for why individuals have not been able to utilize it, and can we create something that is Charlotte Mecklenburg specific that will be able to help the needs of our community, really look at that Crescent and Wedge that we keep talking about. How many of the individuals that we have originally identified that we wanted to help are even still in those communities versus how much wealth has come into those communities and has the demographic changed financial-wise whatever the differential would be for it to no longer be part of the Crescent and Wedge and where have those people gone? That is what we need to figure out because if we're making all these investments, but we're losing neighborhoods and we're not tracking where those individuals are going, whether they owned or rented and that additional the last piece will be for me, yes for that homeowner that rents out that property whatever rate we come out with that is going to be the increase on that rent.

Not everyone receives government assistance. So, you have individuals out there that are able to pay rent without receiving subsidies, but that very well may change because based on whatever numbers once its tallied between the City and the County, those individual homeowners are going to looking at anywhere from a \$200 to a \$500 increase on their rent just to cover the taxes, even if they're not looking for a profit, just because they're going to be in a financial bind if the taxes aren't paid. So, I would just like for us to consider that and pull some of the information together so that we really know are we achieving the greatest impact of tax dollars to help those in need recognizing that those in need are greater than those that are 80 percent and below of our area median income. So, you might need a little, but that little can go a much further distance in helping to stabilize you. Thank you.

Councilmember Bokhari said I think I almost forgot, but now I remember I would just say I think the barter point for us to consider as a Council is everyone is going to be impacted by this and we've seen through the results of when we've tried with the program, Aging in Place, and things like that and they just don't work. They don't work for a variety of reasons. So, if we think that we take this extra money that we're now going to be taking from them at a revenue neutral rate and somehow spend it better with all the headwinds and hurdles and our lack of track record at being able to do it right to help keep them in place I think that is a bad, bad way to think about it. Rather than why don't we cut the fat a little bit, why don't we tighten up our belts and then have the market solve this which is all these folks. We know who's going to get the biggest benefit of a revenue negative rate. We know who it is by math. It's the people who are going to be hurt most. So, why wouldn't we, Manager, as you hand us the budget, give us some options as a group. If you want to put a revenue positive rate in there by all means do that, not advised, and it the County's going to do that I wish them well. Put your revenue neutral rate in and let us know kind of how that looks, but give us a revenue negative rate and I think the crux of our conversation needs to be do we think we can find and help the people who are going to be hurt worst, better than just letting them all keep the money that we would have charged them. I can't imagine a world no matter. You run a great government, but it's still government, right. I just don't see us doing better than a model that already knows, those are the folks that would be getting most of it back.

Mayor Lyles said okay, alright, I think we've got a lot more.

Ms. Ajmera said yes, I just wanted to make a comment. I just want to highlight the good work that's been done by the budget staff. I looked at this Revaluation Impact Analysis that's at the end of the package. It's really detailed. So, I just wanted to highlight that, and it shows really district by district comparison. So, if you have the opportunity take a look at that, I think the staff has done a great job putting all of this together. So, I appreciate that.

Mr. Bergman said yes, I just want to make sure it's Innovation and Technology and Andrew Bowen's team primarily. So, thank you to them for being for being on top of this.

Mayor Lyles said alright, what's our next section?

Mr. Jones said thank you, Mayor, and members of Council. Now we're going to the Enterprise Funds, and we'll start off with the CATS budget outlook followed by water, and stormwater, and then aviation.

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ITEM NO. 3: CATS BUDGET OUTLOOK

Mayor Lyles said alright, Brent Cagle it's nice to see you.

Brent Cagle, Interim CATS Chief Executive Officer said good to see you as well.

Mayor Lyles said I do want to say that we have asked our City Attorney to help us understand better all of these ways that we work with CATS and how to explain the agreements that we've had for the last 20 years plus to be sure, but I do understand clearly that one of the responsibilities for the City Council is to approve the CATS budget and so that's what we're going to talk about next and Mr. Cagle, you're going to start us off.

Brent Cagle said alright, well, good afternoon, Mayor and members of Council. I'll be joined in a minute by Chad Howell, our Interim CFO (Chief Financial Officer) and I'll go ahead and get us started off. First of all, all of you should have received some information in your packets. This is what I am going to call "Our 2-pager" or CATS at a Glance. It tries to provide you our mission, our vision, our core values as well as some of our operating statistics from 2022. Then, the backside talks a little bit about our budget, how we spend the money, and our focus areas. I wanted to make you aware of that. Alright, so what are we going to be talking about today? One is just the budget process, my focus areas for the budget. Chad will be talking more about the particulars of our operating budget, our debt service budget, and our capital investment program.

So, a little bit about the process. I think we're all familiar with the City's budget process. CATS, however, does have a slightly different process that incorporates the City's process, but is really one piece of the process. So, our budget starts in January. By January 30th of each year, the CEO (Chief Executive Officer) of CATS is responsible for presenting our initial budget to the TSAC (Transit Services Advisory Committee), the CTAG (Citizens Transit Advisory Group), and then to the MTC (Metropolitan Transit Commission), which we did in January. Then in March, we presented again to the three groups, again with MTC being the final group.

That really brings us up to April, today, the Budget Workshop, where we are presenting our initial budget to the City Council. That will lead us into April 26th, where the MTC will take final action on endorsing our budget bringing us around full circle again to City Council adopting a budget in early June. So, our process is the same on the City side as any other City department, however, because of the Interlocal Agreement and how we operate with the MTC, we do have additional requirements that we satisfy. This has been the process for many years.

Focus areas. I always think it's good to think about budgets in what our priority areas are. This year, obviously every year, balanced budget it is always a priority and Chad is going to talk to you about how we've done that, how we're bringing to you a balanced budget. Beyond that, sort of what are our focused areas and we have three this year, safety and security, valuing our employees, and then maintenance and asset preservation. I will say that I think these three pillars if you will, create the foundation for providing excellent service for our customers. Because fundamentally, our budget is in support of excellent service and providing the service that the community deserves out to the community. So, those are three pillars. With that, I will let Chad take over and talk to you more about the details and the numbers of the budget.

Chad Howell, Interim CATS Chief Financial Officer said thank you, Brent. Good afternoon, Mayor, and Council members. My name is Chad Howell and I'm CFO, and what you'll see over the next few slides is we'll be drilling in a little bit deeper than we maybe normally would. We'll touch on each of these focus areas, safety and security, valuing employees, and maintenance and asset preservation. I always believe it's good when we do a budget to look at both sides of the coin. So, one side is our revenues, and the other side is our expenses. So, what you have in front of you here is our preliminary operating revenues. Predominately we are funded by the half-cent sales tax, 60 percent, about \$151 million. We'll be funded by \$42 million in State and Federal Grants. About \$30 million, or about 12 percent, will come from the City as part of a Maintenance Of Way, and then we'll have about \$17 million of our total funding will come from passenger's fares. I would like to take this time to point out that we are asking for no fare increases as part of FY24.

I want to go a little bit deeper here and talk about our sales tax. So, we are projecting a slight increase in our sales tax this year. Thank you to Strategy and Budget and City Economist Ndem for helping us with these estimates. What I'd also like to point out here, again, just to go back through some things that probably have been talked about in the past. You'll see the red line. So, the red line here is what's called the Sales Tax Trend Line. That is intended to help balance out our budgets as we go so that we don't become overly dependent on a sales tax increase. The difference there is about, as you can see, is about \$7- \$7.5 million and that money will go into a reserve fund for future years in case we were to need to use it for something else as you'll see later on that we are in fact doing this year. Our ridership trend, our ridership is improving. We're obviously not back to pre-COVID levels, but we are improving just not as quickly.

Councilmember Winston said one second, Ms. Ajmera?

Mr. Howell said I'm sorry.

Councilmember Ajmera said can you go back to [INAUDIBLE]

Mr. Howell said yes, ma'am.

Ms. Ajmera said I didn't quite follow you. What is the red line?

Mr. Howell said oh, the red line is the sales tax trend line. So, the blue is what we would expect to bring in on any given year. So, if you look at FY2023 budget was a \$137 million. We think we'll bring in \$150 million and then in 2024 we're projecting to bring in \$151 million. The sales tax trend line is something that has been set up. It's within the guidance, the policies that we have with the MTC that talks about a way to kind of normalize the sales tax revenue that we will receive. So, it's a way to keep us from becoming overly dependent on the sales tax. In other words, we're not budgeting to spend all the \$151 million just in case it comes in lower than we expect it to.

Ms. Ajmera said so, there is sort of like cushion, some sort of cushion I guess you can say?

Mr. Howell said like a safety valve.

Ms. Ajmera said it's not policy driven.

Mr. Cagle said so, sales tax is super volatile, unlike the General Fund, CATS is really dependent on it. So, because of that, they have the trend line so they don't become too dependent on sales tax for their operations. So, if sales tax takes a little bit of a dip, they're still prepared and don't have to cut back on operations. It's important note, the money stays with CATS and they end up using it for capital purchases and things like that.

Mr. Howell said great question, thank you for allowing me to explain that, because you'll see later where this money is now helping us out with some of the things that we have going on now. So, this is our operating expenses and what I did here was just kind of note each year, so each of the two columns that you see could be looked at as budget versus actual, and I just did that to provide kind of an explanation as we go out and looking back. So, for FY2024 about 45 percent or \$113 million is for personal services, about 43 percent or \$107 million is for operations and maintenance, and then we have about \$30 million in here for departmental charges and transfers. We did this as a way just to provide information about how CATS has operated over the last few years from a budget perspective. The next few slides take that prior slide and drill into a little bit more detail. So, the blue here, the dark blue is our full operating budget for each year. The orange is our maintenance budget for each year. So, you can see of our operating budget, how much of that budget was actually devoted to maintenance and that's all types of maintenance throughout the department. Then the dark gray is what we actually then spent of the maintenance money. So, you can see in 2020, 2021, and 2022, there's around an average of a \$6 million difference between those three figures.

Looking now into 2023, we've got \$34 million, we've already spent \$13.2, we've got another \$6 almost \$7 million encumbered and another \$17 million or so in some form of procurement process. Procurement process takes time to work through the system, but this being a focus area, we are now working that through the system and so we hope to spend everything that we have budgeted, maybe a little bit more this year. One thing I'll point out here if you look at 2024 the \$33.9 million. That number is not an apples to apples comparison to the 2023 number and here's why. We've pulled out of that number about \$13.5 million that is now on the capital side, and we'll talk about that when I get to the capital side. So, in reality to make these an apples to apples comparison, 2023 to 2024, the dark orange column would be about \$47.4 million. So, as one of the focus areas, we are focusing on maintenance this coming year and putting a lot more funds toward it than we have in prior years.

Similar type of analysis with operating safety and security. In this particular slide it is the entire safety and security budget. So, it is both personal services and the operating part of their budgets. That's the blue columns. You can see each year we've spent pretty close to but not exactly what was budgeted. In 2023 again, we are accelerating our efforts to try to get any issues that we are finding addressed and hopefully we'll spend all that we have allocated there. In 2024, one of our enhancements I'll touch on in a minute, is additional money for our safety and security contract and so the primary difference between the \$11.9 and the \$15.2 here is that additional enhancement in enhanced security services contract. Here's some of the details on the enhancements. Again, they sync up exactly with the CEOs focus areas for safety and security. It is funding an expanded security contract. Specifically, that contract is changing from one contract to two contracts, and it is adding additional both armed and unarmed security guards to our force. The unarmed guard contract will almost double the number of guards that you currently see either on one of our vehicles or at one of our stations or one of our facilities. That is a direct result of what we've heard both from our customers, our riders, as well as from staff, our bus operators, and other CATS staff.

We're also expanding the Transit Ambassador Program, and also De-escalation Training is part of this as well for our bus operators. Valuing employees, we're standing up what we call an eSERVE Academy. This is a similar program to something that exists and is doing very well at both Charlotte Water and Aviation, where we are bringing in apprentices and interns into the program as a way of helping train them to fill vacancies that we may have. We're also including 30, so there's 4 full time staff associated with that. We're also rightsizing our work force. We're requesting that the Manager consider 30 additional FTEs, fulltime positions for, throughout our organization, heavily focused on the operations side. Again, to be sure that we are able to meet the staffing levels that we need to be able to provide safe, secure service, to our customers. Another thing here is maintenance and asset preservation. We are adding approximately \$12 million between bus, rail, and facilities money, \$12 million in maintenance funding between over 23 numbers.

Debt service, this just quickly shows that we're scheduled budgeting to pay our \$18.1 million in debt service and at the current time we do not have any additional debt program for 2024. As we move forward though, I believe we will. I will need to, and have initiated conversations with our friends in City Finance about a debt financing program for some of our larger, long-term capital needs.

This just covers our sources of funding for our CIP, as Councilmember Ajmera allowed us to talk a little bit about that. What that trend line does, is the difference between those two, again is money that goes into a reserve fund. Well, that's built up over time. What that's going to allow us to do in 2024, and hopefully into 2025, is to invest in capital improvements. We're going to purchase as you'll see on the next slide, we're going to purchase more buses, more STS (Special Transportation Service) vehicles, and continue some other things that we need to do. We'll be using about \$37 million from that reserve fund and that's above the required amounts that we have to have. We'll be using that, bringing that into our budget in 2024 to fund that. Again, busy slide here, but what I wanted to show from this slide was if you look at the, kind of the hazy columns, that was the 2023 to 2027 adopted CIP. Now then compare that each year.

So, that's 5-year CIP. Compare that each year to our current CIP, and you'll see that we're focusing much more on replacing vehicles and some other larger items than we necessarily did in previous years. If you look at the dips, it sort of forms a U-shape from 2024 to 2028. That's the areas that I'll be working with CATS staff, City staff on, getting a better understanding of what our real needs are for 2025, 2026, and 2027. Then looking at possible sources of funding for those, be it local money, be it state or federal grant money, be it necessary to do some type of debt issuance. We'll be working with folks here to look at that. Before I open for questions, I just want to say, I want to really thank CATS finance, and other CATS staff for making this budget possible. They've worked very tirelessly since December and actually before October, November to be able to put this together so that we could present it to y'all tonight.

Mayor Lyles said alright, Brent, do you have any other comments? Thank you. Okay, so we're going to open it up for questions.

Councilmember Mayfield said I see the numbers, but what is the breakdown for Safety and Security, and Safety and Security for whom? Safety and security for the riders or safety and security for our drivers, since we've seen a number of challenges both with health and/or access to our drivers, not just here but across the nation? So, who is the safety and security for?

Mr. Cagle said Ms. Mayfield, that's an excellent question. The safety and security, there are many elements to it. The security contract, which I one of our largest security expenses, is for personnel to protect the riders and the operators. It's for both and it is split between unarmed and armed guards between the contracts as well as what we call the Ambassador Program. Think about an ambassador, they aren't a security personnel. They are not a security guard or a security personnel, but what they do is they ride on the buses or they're available at the transit facilities and they help answer questions when those questions arise. What we find is sometimes our security incidents or incidents involving operators and passengers, they really, they escalate. It may be a very easy question, but it turns into an escalated situation. The ambassadors can help with that. A great example is sometimes someone will get onto the bus and ask the operator, "Where's such and such address?" The operator doesn't know. They know where the next stop is and they can tell them where that stop is, but they don't know where that particular address that, that person is trying to find. The operator should be focused on operating. An ambassador, when they are onboard, they can say, "You know what? Let's let the operator drive the bus, let me help you with that." It's better customer service, but it also turns down the heat sometimes on those situations. So, safety and security, the security contract is for all of our operators and for our passengers. The other thing I will say to that end, another key element for our Safety and Security Program is de-escalation training. We do provide de-escalation training to our operators, but we need to provide more routine de-escalation training. De-escalation training is so important because the best ways to prevent these kinds of incidents is just to turn the heat down on the kinds of things. We need our operators to have the tools, the ability to be properly trained in de-escalation and so that is the other element. To your question, it is for all of our passengers and for our operators.

Ms. Mayfield said, so, I'm going to ask a different question, because the bulk of this financial request is in vehicle replacements. Have we done any research on buses that have new security? Meaning secured glass or some type of safety shield that cannot be breached for our drivers. Because, if you have an individual that may be experiencing a traumatic experience, having a guard that is randomly on different routes does not protect that driver from someone that is spitting on them, someone putting their hands on them, someone reaching over and in their physical space. When I'm thinking about safety and security, I am thinking about the physical safety of our drivers. Unfortunately, the incident that we had when we lost a driver, due to whatever issues was going on with that individual. We don't have bullet proof glass. That is about the only thing that could have protected that particular individual, but we have other drivers out there that are physically assaulted. I'm wondering if either in the investigation and the identifying of new buses to purchase, if they already have the features, and if not if that is part of this because it's a very small line. If we go back to the slide of the CIP expenditures,

that's a very small percentage that's even going to safety and security. If I'm hearing that the safety and the security is more physical bodies, but not actual barriers to protect our drivers, I feel like there's a disconnect.

Mr. Cagle said so, we do have physical barriers. Actually, CATS started investing in those previously over the last two or three years. They're not bullet-resistant glass, but they are physical barriers to prevent passengers from spitting on or those kinds of things. They also provide a barrier to putting hands on the operator. So, there are those. We've already invested in those and we will continue to invest in those with the new vehicles. They are not bullet-resistant glass, but they are barriers that are designed for operators.

Ms. Mayfield said so, I would like to encourage that as we're looking at one, how to identify more sustainable options in our fleet, making sure that the current fleet that is operable, because we always have a good percentage of our fleet that is inoperable. For those, all of the units that lead out of the main stations out of any of our stations, that our drivers are behind the wheel on let's, try to see if we can make sure that all of those have the proper protections for our drivers. Because, their safety is extremely important as we ask them to move us and our neighbors around the City. That alone with if we're looking to invest in new technology, finding out on the front end what would that look like because a lot of time some things it is more economical to have it factory installed versus trying to install it later. Let's just at least one, make sure that all of our drivers are protected that are out there, and if we bring a new fleet in that is at the forefront of our decision making when we're deciding on which fleet to invest in.

Mr. Howell said absolutely, I don't think any of the measures are either or, they are both and. I will tell you, so, we do have the protections, the shields for the drivers, but I will tell you I was out talking to operators at a town hall meeting last week and I was really encouraged. One of the operators said they loved the Ambassador Program. It allows the operator to focus on their job which is operating the vehicle and then allows someone else on the vehicle to help those other passengers. It just removes that stress point for them. So, I think you're right it's not an either/or, it's both/and, and we're looking at all of the things we can do. We're also talking to the operators to understand from their point of view what are the important things to help them be safe and do their job better.

Ms. Mayfield said thank you.

Councilmember Driggs said Mr. Howell, thank you for taking up the financial reigns of CATS under unsettled conditions. Appreciate your professionalism. I do have one question. With these numbers that you've shown, how do the repairs that are needed to Blue Line trains that we've identified going out a couple of years, how do they figure in this?

Mr. Howell said they figure in two places. I'll start. So, your more routine repairs and I'll try not to get too far beyond my expertise. More of your normal type of repairs, the normal cycle of repairs would be budgeted here on the operating side. Then you've got the, what we call the midlife overhaul, which is really think of it all the way literally top to bottom, inside and out. That is now budgeted on the capital side each year for the next three to four years, somewhere around \$50-ish million. We're still working to get the exact number there. So, annually each year, you will see a certain amount of routine maintenance budgeted on the operating side and then the midlife larger type of overhaul will continue to be budgeted incrementally each year on the capital side.

Mr. Driggs said thank you and just for clarification, the budget item Operating Safety and Security Analysis is part of our ongoing effort to ensure that the environment on the trains is safe for drivers and passengers, does not have anything to do with recent kind of disclosures or controversy around CATS, right? I mean these are issues that we'd identified before the drivers safety question and incidents on trains and I don't know if this is for Mr. Cagle or for you, Mr. Howell, but I just want to be clear, we're not creating

a special line item for safety and security in the context of some of the work that's going on as a result of disclosures for the last few weeks.

Mr. Cagle said you are correct sir. This is about the day-to-day safety and security measures that we have and always have. This is doing more in extending programs that are in place there, not related to the safety repairs or the repairs, the capital repairs that are needed on the light rail vehicles.

Mr. Driggs said right, so I would just note that there's a lot of ongoing activity to address the concerns that have come to light recently. We haven't seen a need to create this particular budget item. So, we will be reporting on an ongoing basis on how some of these operating and other difficulties are being resolved.

Mr. Cagle said yes sir.

Mr. Driggs said this particular thing has to do with risks that existed before any of this came to light.

Mr. Howell said yes, sir.

Mr. Driggs said thank you.

Mr. Winston said thank you. If we could go to slide 15, and my question relates to Federal Funding that might be available now or in the future. I see that we have a couple of those sources of funds and the ARP, the American Rescue Plan and Federal Grants, but when we carried on our legislative agenda request to keep abreast of any other grants that might come to fruition. I know we only budget what we know, but do we anticipate more programs coming online or anything like that? Are there additional, potentially additional opportunities for funding coming down the line that we're thinking about?

Mr. Howell said yes sir. Yes sir, in fact right we're in the process of applying for what's called a Low No Grant that will aid us in some of these things here. This would be additional money on top of what you would see here, but we have numerous staff throughout CATS on the planning development side, on our sustainability side, also the CATS Finance Team. We're constantly looking and get alerts for funding that are out there. We assess those and then if everything aligns with something that we're doing or that we think we stand a good chance of getting it, we go after it.

Mr. Winston said I guess do we have any kind of temperature or whatever the scale is of new monies that might be coming along in the next year or so?

Mr. Cagle said so, Mayor Pro Tem, let me, as an example, we can get you more detail on all of the grants that we plan to pursue, but just as an example, I think that in the past CATS has received on the Low No Grants. So, the Low No Grants is Low to No Emissions, when you use that for low or no-emission vehicles. I think in the past, we've received several million dollars, \$2 to \$3 million in Low No Grants. We are seeking approximately \$22 million in Low No Grants. We don't know if we're going to receive all of that, but we are being much more aggressive in pursuing those grants. I would be happy to have Catherine, our Governmental Affairs Specialist, pull together a list of all the grants that she sees out there on the sustainability side and otherwise too and provide that to Council.

Mr. Winston said thank you very much.

Mr. Cagle said yes sir.

Ms. Ajmera said Mr. Cagle, I appreciate your leadership where we are using our capacity to address concerns around safety, security, valuing our employees, and especially rebuilding trust in the system. I don't know why it wasn't done in the past, but certainly from looking at slide 9 and slide 10, what concerns me is that we had specific

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budget allocated for maintenance, for safety and security each year \$6 to \$8 million were just not used. So, in 2023 projection I see, so some of those unused capacity did carry on to this year? Is that where our additional capacity came from or was the additional capacity from that cushion on slide 7?

Mr. Howell said so, it's a combination of things, So, if we are able to get and actually achieve a \$36.8 million, it will be a combination of using everything that we have plus looking throughout the department for places where other places, non-maintenance related places, where we could bring money over and use it on the maintenance side. The CATS Finance Team are constantly doing that. We're looking to allocate funds that are maybe throughout the department that we can bring in and use.

Ms. Ajmera said so, to follow up on that, may I, so, this unused capacity that we had in 2021 and 2022, did that just carry forward to the maintenance budget?

Mr. Howell said I'll give you the best answer of where I think that is. I do not believe it carried. Some part may have carried forward that was encumbered. My guess is the rest of it, if it was not encumbered, rolled into our Operating Fund Balance, which is now available for us to use this year, next year, and in future years.

Ms. Ajmera said alright.

Mr. Cagle said Ms. Ajmera one thing I think, and Chad gave you the very technically correct answer, so I don't want to paint in broad brush strokes, but I will do that. Other than contracts that were encumbered and just didn't get spent on a cash basis basically what's happened is as we didn't spend that money, that left additional revenues at the end of the year, and all of the those revenues went into the Capital Reserve Account or into our Reserve Fund, which is good. That gives us, as we've mentioned, plenty of funding today, to deal with some of those large capital maintenance items. So, it's good. It's not as good in that it would have been great to have spent that money two years ago on the O&M (Operations and Maintenance) needs. So, we know going forward number one we have to increase our day-to-day O&M needs and we will spend those dollars.

Ms. Ajmera said right, I guess I use this example. If you don't end up spending in every year oil change, we might have an engine issues 2 years down the road. So, what I'm trying to figure out, because of this unspent amount, are we projecting higher than expected in repairs, but ultimately what it looks like I'm running my accountant head here. What it looks like, CATS does not have a funding issue. What the issue is really about everything else but funding from what it sounds like to me because that's what I was concerned about that it was really not having enough funding, but that's clearly not an issue here.

Mr. Cagle said you are correct. You are correct, it is not a funding issue.

Ms. Ajmera said okay. On slide 9, if you could just go back on that slide. So, this transfer to other funds and transfer to control account, what does that entail?

Mr. Howell said yes, the transfer of the funds, in other words, because we are, the quickest way I think to sum that up, because we are an entity of the City, and we pay for other services within the City just like every other enterprise fund and actually every other department does. With us, it's a transfer from our fund to their fund. I'm sorry, I'm being very technical. Then the transfer to debt services, to pay our deb service, the Transfer to Control Account is that Trend Line. It's the transfer of the Trend Line so the money comes in and then the difference is transferred and stays in that Reserve Account for future years.

Ms. Ajmera said got it. So, that created additional capacity for Capital Expenditure whether it's new buses or that.

Mr. Cagle said that is correct.

Ms. Ajmera said that's all I have. Thank you.

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ITEM NO. 4: WATER AND STORMWATER BUDGET OUTLOOK

Marcus Jones, City Manager said I think we will start off with Mike Davis. We have to make sure that Director Charles does an intro.

Angela Charles, Director, Charlotte Water said we appreciate the opportunity for the water team to provide an update, a budget update this afternoon. Also, I have some team members here. If you guys will stand up, that includes stormwater, thank you all for being here. I just love the team, so I need to recognize them. All water has value whether it has fallen out of the sky and hitting a catch basin, or whether it is coming out of a faucet when you need it or being discharged to the streams after we treat it. All water in our community has value and the One Water Team takes care of this precious resource in our community. So, as we look at how water works in the Charlotte Mecklenburg region, we have two funds, two enterprise funds, a Water and Wastewater Fund, and a Stormwater Fund that have contributed and have continued to plan and implement projects, produce outcomes by sustaining and maintaining our current infrastructure and by supporting the growth in Charlotte and the Charlotte region. So, we want to start by Mike Davis coming up and he's going to talk about the Stormwater Fund and then I will talk about the Water and Wastewater Fund.

Mike Davis, Director, Stormwater Services said alright, thanks for the introduction and Mayor, and Council, it's good to be with you. I did want to just add a note of thanks. It's always a privilege for me to be able to get up here about once a year and really just brag on the work that, in the case of the Stormwater Fund, about 200 people are doing out in the community. That's the real work. I also want to thank you all for the support of the program, that we couldn't do what we do without your support. I've got four slides to talk about just the biggest things that we are thinking about. It's by no means everything. I want to start with one that will be very familiar to many of you, some may be a little bit new. In the year 2020, we were on the cusp of making a pretty significant change to how Stormwater Services was sort of tackling it's work. We had to focus our mission and really speed up productivity around how we were taking care of the drainage system because before that time, if people called in and needed help on something that we were intending to repair, they may hear it might take seven or eight years for us to be able to even get out and begin working on that. So, that was clearly not on a sustainable path. So, as we focused our work on the public drainage system and brought resources to bear to increase our productivity, we have been on a steady path of resolving what that growing repair list had been. So, the maps tell the story. On the left is where we were back when we were going in FY2020. It was thought to be a five-year repair list that we were going to try and get down by the end of those five years. So, that's an 83 percent increase in productivity from where we had been, and I'm pleased to report that by the end of that fifth year, we're going to have every one of these remaining. I think we're at 276 outstanding repair requests as of this week. So, that the goal here would be we would have every project either completed or the remainder of those under way by the end of FY2024.

A couple other important notes on this screen though Stormwater Services continues to get a really high volume of contacts every year from residents asking for some form of help, that averages about 3,000 contacts per year. Also wanted to note that in terms of how we think about our priorities, when critical things emerge as a repair need, a.k.a. there some sort of threat to a street for example, that could be imminent, those things go to the top of the stack. There is no waiting. It gets immediately addressed. Just a little bit of a tag note here. I know this has affected all funds that are heavy in capital, but certainly for stormwater, our productivity has been impacted in the last year or two based on construction and labor availability, primarily.

So, you may be thinking to yourself, gosh we're working through that map, that's great, we're cleaning it all up, but where do we go? Really the question about where are we

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going from here requires that we start to think about what's in our rearview mirror. Basically, when we go out to fix things, we're fixing them in most cases because they're old and aging out, it's failing infrastructure. So, it's helpful to understand when those things were put in the ground and what condition they're in. So, therefore it's useful to understand how did the development of our drainage system take place. You can see it sort of a story of rapid growth. I don't think this will be a surprise to anyone who has looked at Charlotte's growth history, and so as we understand kind of when and how those things were installed, it's give us an insight as you look at this new chart on where do we think we're going in the coming decades.

So, you can see that we can anticipate that maybe three decades out, that based on the types of materials that were popular in certain eras and based on what we know about conditions, we will expect to see some increase in the future. We've also, I think, positioned ourselves in the near term that we're able to basically keep pace with what we think the needs are going to be. Part of that challenge is developing our preventative maintenance in a way that we can be ready to tackle things not just now, but into the future, which takes me to this concept called preventative maintenance. I'll show you these two pictures here on the right. One is just of a gentleman walking into a pipe, that you can see at the bottom is this sort of metal pipe that tends to fail by rusting out. You can see that happening at the bottom. So rather than letting that get to a place where it needs to be torn up and ripped out of the ground with a lot of impact, the idea is to get into these things, do preventative maintenance treatments that can extend the life of that system so we get more out of it and at overall reduced cost of the program.

The next sort of frontier, I will just ask you to think about a little bit, is just and I've said it before, the UDO is a really significant piece of the puzzle for us and what I would want you to take away is that Charlotte has had very effective drainage regulations for a few decades now, but they've been really tailored to the type of development that we have seen, which has been large format. They trigger our requirements. We're able to regulate for them. Where there's been a gap recently has been as redevelopment occurs specifically infill development, we see new types of issues emerging that frankly, did fall between the cracks. So, there's a simple illustration here I will point out. Just imagine this is just any development that maybe years ago was permitted as a single-family subdivision built. Maybe there's stream running through it. What ends up happening over time, is some of these smaller houses get redeveloped, improved, whatever. On their own they were never enough to trigger development regulations, but taken as a whole, they end up sometimes bringing all these different kinds of drainage issues that sometimes you will hear constituents report about. Could be street flooding, stream erosions, sink holes, damage to infrastructure. So, what the UDO is going to do when it becomes effective, is give us the authority for the first time to actually start to deal with these infill conditions.

Councilmember Mayfield I noted your question from the committee meeting Monday, and we can go more into detail, but for now I just wanted to acknowledge that we do see this as an issue in terms of Charlotte's current growth patterns. One that we're hopeful that we will make some real progress on. I do want to reinforce though the idea that the main reason that we think the sink holes might appear sort of on private property throughout the community probably has a lot more to do with age than necessarily any one of these sites having to do with a lot of new development and aggregate. Keep in mind that the development regulations usually come with these things called stormwater control measures that are meant to slow down the release of water. So, in theory what those things should be doing is really preventing some of those kind of downstream issues, but again what we've been missing are these small scale redevelopment infill things. So, we are looking forward to the opportunity to begin to make progress on this frontier. On the last slide, I have for you is an acknowledgement to say that yes we are a capital heavy program in our budget. I think the key thing is that this is all set up to align with Council's priorities. You'll see that the bulk of it is really in supporting transportation. Surface mobility is really how our infrastructure is integrated. So, with that, I will turn it over to Director Charles.

Ms. Charles said thank you Mike. Before you, you have a one pager back and front that gives you some statistics and information on the proposed FY24 budget. Also, we have given each member of Council a brochure on the STW (Stormwater Services) regional because we know that we have elected officials in Gaston County in love with this project, and so we want to make sure that our Council is aware and up-to-date on the latest on the STW regional project. Again, for the water and wastewater fund, we want to continue being the leading utility recognized for excellence dedicated to our people, community, to our region and environment. Some of our achievements this past year is that all of our plants received NACWA awards. We were regulatory compliant with all of our drinking water plants. We completed a reimagining service delivery study, and it is kind of related to what Councilmember Bokhari talked about. That project was about looking at ourselves internally and how we deliver services to the community.

This is the second week Council will be receiving a memo. We have a Charlotte Water team member imbedded at Mecklenburg County DSS (Department of Social Services) and that is going to help us with financial assistance. So, you can see here since COVID we have a \$6.2 million in financial assistance to our customers. The way it works, LIHWAP, Low Income Housing Water Assistance Program, is administered through DSS from the Federal Government. So, we have led the way in North Carolina with receiving those funds. As a matter of fact, we've gotten almost \$3 million into our community. Also, with achievements, I'd like to mention the STW Project. We've completed two pipelines from Mt. Holly to Charlotte, and when I say Charlotte, to our side of the river. Two pipelines, 65 to 75 feet deep below the creek bed. We have completed that and we've made that connection to Gaston County and we are very, very proud of that. Our proposed budget is \$568 million. Our proposed Capital Program is \$2.6 billion with 58 percent of that dedicated for capacity for growth and that's about \$1.5 billion in our community. If you look at the elongated blue circles on the map, those represent about 22 of our projects that are included in our Capital Program and just from an economic output standpoint, for every \$1 spent in water, that equates to \$17 in economic input in our community. We have about 128 projects in our Capital Program. Corridors of Opportunity, May 10, 2022, we had \$200 million invested. We are pleased to announce today that the One Water Group has \$260 million invested in Corridors of Opportunity in our community. Some of the challenges, just like other departments in the City, we have material and equipment increasing costs. We have the supply shortages. So, for example, we have a two-year lead time on generators. We have increasing chemical costs. As a matter of fact, we are projecting in FY2024 that our chemical costs will exceed our energy cost. This is absolutely mind boggling. We are expecting double digit increases for electric and power to run the utility. Just like other departments in the City, there is plenty of work out there, especially in the water and wastewater industry. A lot of federal money coming in across the country and so, the contractors and consultants have plenty of work and we are seeing higher bid prices in the work that we are trying to accomplish for the community. In terms of internal positions, fantastic work has been done in City led by the City Manager to address our hourly employee issues. We are seeing now, recruiting challenges and I think that was alluded to earlier with our professional engineering positions, especially for us, civil, mechanical, electrical, and environmental engineering disciplines. We are working with HR (Human Resources) to address. In terms of financial planning, we are proposing a modest increase for the water/wastewater fund. We are looking at \$3.10 a month and for the stormwater fund we are looking at \$0.42 a month. Now this allows us to sustain our AAA rating to meet our financial targets, to maintain our current infrastructure and to support the growth in our community.

Affordability Index, Councilmember Mayfield, we started this your first time on Council, and so what we've done here is there is a benchmark. The benchmark was developed by UNC School of Government and EPA. Basically, the benchmark is that a typical water and wastewater bill is about 4.5 percent of the household income, average median income. So, what this chart shows here, is that you would have to be 20 percent AMI in our community and use 7 CCF (100 cubic feet) which is 7 x 748 which is 5200 gallons a month for your water/wastewater bill to clip 4.5 percent. So we are, even with the proposed increase, we are still affordable and in fair well on this affordability index. And so that is it. The overall message is that both funds are doing well. We have

challenges. We are meeting our challenges. We do need a modest increase to maintain our current system. Look at Jackson. Look at Flint. There are communities out there that haven't had the benefit of great investment that we've had here. We want to continue that trend and we also want to support the growth as much as we can in our community. So, on behalf of the 1,200 water professionals in our region, we thank you for your support.

Mayor Lyles said thank you Ms. Charles. Questions for Ms. Charles on stormwater or water?

Ms. Mayfield said thank you Ms. Charles for this presentation. It would be helpful for me if just as we started off with the presentations with the breakdown, this 3.42 percent, where are we currently in what services, and what would implement be? That 3.42 may not sound like a lot. It may seem like only \$3.10. That \$3.10 adds up very quickly when you have people, because of other challenges. A pipe has eroded. Water is running. They are not even aware that the water is running. We've had to create the fund because we've had residents who had \$800,000 longer period of time than anticipated. The bill ran up so it might not seem like a lot. Can you give us, bring back to us or send to us some other numbers? What would a 1 percent, what would that cover? Two, before we get to the 3.42.

Ms. Charles said we can.

Ms. Mayfield said it may not seem like a lot but it can definitely. Just for clarification, is that, when we say it's \$3.10 a month, are we saying what?

Ms. Charles said for the average 7 CCF customer. So, remember, the water is based on usage so that doesn't mean that all Charlotte water customers are going to see \$3.10. Some are going to see much, much less and some may see more. It's based on usage. So, what we do is we try to kind of cut it in the middle and say for the average customer this is what it would be. But the control is really in the person who is using the water. But to also address, because we certainly understand, that's why we've put so much emphasis and we are very proud of our partnership, the DSS to imbed someone in that organization that can help us access not just LIHWAP Funds, but other funding sources that are coming into our community to help folks who need help with their water bill. Fundamentally, we believe water is for everybody. So, we want to make sure that we have the systems in place to direct folks to nonprofits or money from the Federal Government. If you're receiving any type of aid from the Federal Government, you have an automatic qualification for LIHWAP. Now if you are in our community, you don't have to go to different nonprofits and different places. You can start with DSS and there is someone with a water drop on their chest there who can help you access funds. I just think that's remarkable. That's transformative.

Ms. Mayfield said and I would agree that that is an amazing opportunity. I'm going to share with you, which you heard that I mentioned earlier. The City has taken on a number of responsibilities for decades that fall into the count. We all have very limited funds and we are in a time in our community where everyone's resources are stretched. When I'm thinking about, again, that employee that has been unemployed for 8 months, a year, a year-and-a-half that were in a very different financial position that a little assistance would help them versus a lot of assistance. That is a different conversation for me. So, when I'm thinking about, my colleague when we stepped outside, I said a CMVP, well we thought CMVP around with banks, but every other title. Some of those people make over \$300,000. A good majority of them, I'm saying those people that are in the \$70-120,000 that are no longer making that and now are in a very strained position who are homeowners. Whether you are a home of two individuals or a home of six individuals, you're going to have different rates of water usage. It would be helpful for me to have a comparison that got us up to this 3.42 to see exactly currently what percentage is needed, mainly what dollar amount am I paying today for the services and graduate me up to what is needed to maintain and what is needed for you to have a surplus. We have a surplus. When we have something that we may be able to move around, it would just be helpful for me to have a better understanding of start here

where we are today and let's graduate up to 3.42 because it might be a different number. It might be 1.8, might be 2.25 before we get to 3.42 that may be more beneficial, but I also wanted to quickly ask our last presenter.

Ms. Charles said can I have just one response, we brought it down to the \$3.10 so part of what happens internally is that you started and said come up. What we've done is we've said okay, we brought it down to the \$3.10. So, when you look at what really drives water is the Capital Program.

Ms. Mayfield said and that's what will be helpful to see.

Ms. Charles said, yes. We'll bring that to you because we've gone through many iterations to be able to present a rate increase to the Manager, a proposed rate increase that we felt like would keep us within our affordability matrix. It has been brought down. It's not layering up to it, but going up to it. It's been brought down.

Ms. Mayfield said that would be helpful, because you do give us that trending data of active payment arrangements. So, there's somewhere between getting to needing. Needing a payment arrangement and not being in a position to have to be in a payment arrangement. So, it would just be helpful to get that. You might be able to answer this question. If we go back to slide five, it was right before you came up, 20 percent private property assistance. What is that?

Mr. Davis said so if we go back to the formation of the Stormwater Services Program, about 30 years ago, one of the pillars of that program was to offer private property assistance. When we talk about this five-year surge that I mentioned on one of the earlier slides.

Ms. Mayfield said, when we talk about the sinkholes.

Mr. Davis said yes, it's really. That was the list that was made up primarily of doing private property assistance in those conditions. That list had gotten to be roughly somewhere in the neighborhood of 1,600 to 1,700 projects and that has been what we have been working to retire. So, the 20 percent that you are seeing there is kind of that which still exists in our Capital Program going forward as we wind that program down.

Ms. Mayfield said that is helpful. I also would like for us Council members to consider one of the challenges that we are also having [INAUDIBLE] compaction so that is how we are compacting the dirt and when we put the drains in. We are having, when a development is cleared and they are going in and they are grading the dirt and they are putting in the pipes, an inspector is not there checking everyone. So, if the pipe is off more than a certain percentage, like less than half an inch, off without sending up red flags, but when we start having these challenges which you all have done an amazing job which I want to give you credit for backfilling, because we have a lot of old pipes around the City. So, as you learn about it, you try to get out there and you fix it. I'm concerned that if some of these projects that we've approved, that may be triggering some of the challenges in our older residential. Whether it's because you're putting a 12-inch pipe and tying it into our line or putting an 8-inch pipe and it wasn't actually installed properly because the grading wasn't done right, that is causing challenges at the end and people are looking to us. So, I appreciate the fact that we had funding set aside specifically to help homeowners, so I did not want the chance to go by to not publicly acknowledge and say thank you for the work that you do, but I'm still going to always ask for more and you already know this. So, therefore it would be helpful to just look at, can't we bring that \$3, we think \$3 is not a lot; \$3 is a whole lot cause I don't have \$3 cash on me right now. Right now I can pull out a dollar that's sitting in my bag just for good luck. So, let's just think about what that could possibly look like so that we can, when we get together and come up with our budget, we're presenting to the community something that it's going to hurt, but maybe it can not hurt as bad. Thank you, Madam Mayor.

Mayor Lyles said I want you to know that we have been in here for a good while and I think that my suggestion would be, and the Manager has agreed, that we could do the Aviation Budget at the Council Manager's briefing on Monday and then that means that we can adjourn this meeting now.

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ADJOURNMENT

The meeting was adjourned at 4:51 p.m.


Billie Tynes, Interim Deputy City Clerk

Length of Meeting: 3 Hours, 12 Minutes
Minutes completed: May 30, 2024