WINSTON-SALEM CITY COUNCIL

COMMITTEE OF THE WHOLE

VERBATIM MINUTES OF ITEM G-3

4:00 P.M., MONDAY, NOVEMBER 12, 2007

COMMITTEE ROOM

ROOM 239, CITY HALL

G-3. LONG RANGE FINANCIAL OUTLOOK ON SELECTED FUNDS.

MR. LEE GARRITY: Thank you Mayor and Members of the Council. We're back before you to update you on four of our funds: Solid Waste, Mass Transit, Parking and Fair. They are four funds that we account for those activities in that have experienced some financial issues in recent years and times. We wanted to update you. Two of those, we've talked about before, the first two, of course, they are the ones that have the most difficulty going forward but we wanted to go through the four of those. Not to make any decisions today but again, to get a little more of a chance to get input from you, building toward any decisions we might make with budget next year. Ann?

MRS. ANN JONES: Ok, we've got four funds so I'll start quickly. The first one we'll look at is the Solid Waste Disposal Fund. Now this fund was previously reviewed with you all in August of 2007, and the major changes that we're just showing today, one is that we're extending the outlook (inaudible) up through 2015 and we're extending that now to 2025. And we also added in expenses and revenues related to new State Law 1492. The projection through 2025, what we're showing showed before the same indication which is that the fund reserves will fall below zero for us in 2010-2011. And it shows there, but we tried to show the two pieces of the reserve, part of which is restricted and part of which is unrestricted and when you get to 2011, you basically have some money for restricted purposes and that would be basically for closure and post-closure costs. And, but we don't have anything for unrestricted, but when we get to 2014-2015, you will see there is absolutely no cash available at that time. The red bars indicate how much we should have in place for restricted purposes going forward, so it's just kind of an indication of what we would need so it shows just how much we are out of balance there. Just to summarize a little bit about this outlook too, this outlook does assume that we are effaced of all of our capital needs and our capital requirements out from 2008 all the way through 2025 reserve cash. And then we also included in this, continuation of funding for curbside recycling and we also are, as I said earlier, include all the expenses and revenues for State Law 1492.

Another way of looking at this is to look at the bars on this chart show the solid waste fund expenditures and the green line shows the revenue picture for this fund. The operating expenditures, the assumptions here is that we will have increased about 2% per year of our regular operating expenses and about 3% per year in our recycling costs. Again, we are not issuing any new debt in this picture. We're showing cash outlay for capital and when you see the bars peaking up above the (inaudible) it will look like kind of an actual, average cost per year. That's for the incurred capital expenditures, significant capital expenditures such as in 2010-11. That's when we are opening the new C&D landfill and then there's some more years that kind of peak in between there, like in 2015 and 19 and so on. And that represents our continuing expansion of Hanes landfill and then the very large increase in cost there in 2024 is when we develop our new municipal solid waste landfill or the new transfer station.

Revenues, we're assuming there that we would be increasing our regular tipping fee every other year by a dollar. But those things feed in to a pretty flat revenue picture. And again, we are including in there the 1492 expenditures.

Moving on to options that we would have to address, the picture that we've presented so far, if we look at our current outlook as I said earlier we would be looking at the year in which our unrestricted reserves would be exhausted would be 2011. If we were to do some of our capital reserve debt financing, for instance, if we were to take financing of $24 million over this time period, $12 million in 2011, another $12 million in 2018, that scenario would mean that we could extend the life of our reserves through 2014. If we did that plus increasing our tipping fee, I believe we've had a study that shows us how much we could increase our tipping fees without losing substantial tonnage, that would mean that for Hanes Mall, their tipping fee would go up from $30 to $34. We would eliminate our discount for large volume users and we would also increase the Old Salisbury C&D landfill, that would go up from $28 to $34 a ton. That would basically just generate that 100 or $600,000 so that's not substantial enough to move us farther along in our time frame. We would still be looking at a 2014 year in which there would be no more funds. If you went to the final line of that options table and the debt financing, increased tipping fees and then also phased-in new funding for the curbside recycling, that would go over a two year period, we would phase in half the cost of recycling one year, half the cost in the next. This would get us to 2018 with our, which substantially increased the life of the reserves. When we talked about this last time, which did not include the state 1492 bill for expenditures and revenues, we were showing a scenario like this that would extend the life of the landfill reserves to 2024. So by including those expenses (inaudible) to include for 1492 it reduces our outlook by about six years.

MAYOR JOINES: So the State action cost us six years?

MRS. JONES: That's right. If you, but if you looked, just to give you a picture of what it would be if you were to cover the full amount of the, of the recycling, it would be at 1.2¢. So that's just a, put that in the firm of our property tax equivalent. So those are the options that we provided and that concludes the presentation. Questions, are there questions?

COUNCIL MEMBER CLARK: Five questions, real quick. The restricted amount, is that required by law?

MR. DAVID SAUNDERS: The one with bright colors (inaudible).

COUNCIL MEMBER CLARK: When we look at this, this chart that's got all that red ink on it on page one, we're going to have to make that up one way or the other?

MRS. JONES: That's right.

COUNCIL MEMBER CLARK: As far as large volume users giving away the discounts, the City of course is the largest volume user. Are there any other significant larger volume users?

MR. SAUNDERS: Well, the folks like Waste Management and (inaudible) they have very large accounts with us, even though they represent multiple customers. So they are the large revenue generators.

COUNCIL MEMBER CLARK: Third item, and this is just a comment, I don't have any trouble capitalizing the financing because you buy a house, you take a mortgage and you pay for the house as you use it or in 30 years. So, in the landfill, in finance those people that pay for the landfill will pay that cost and be the ones using it over the 15 to 20 years so I think that's very viable. On page 8, and I call this the addendum section because it's after the yellow sheet, now I thought it read on, ok I'm reading about this new 1492. It says the estimated cost to the City primarily in the Sanitation Department would be $173,000, but we'd expect to get back $215,000? Am I reading that right? I thought we were making a little bit of money off this.

MRS. JONES: The 173 is through a general fund, and the 215 is coming back to the welfare funds that were established.

COUNCIL MEMBER CLARK: Given that everyone has to pay the tipping fee in, we're a third of the landfill price.

MR. GREG TURNER: The information that Mrs. Jones indicated about the cost of this statute, or the series of Statutes 1492 program, are how it would affect the long-term cost for a landfill system, not just what we're getting in handle (inaudible). When you go to permanent, and that's landfill, it will be hugely, much more expensive than the current landfill. So that's why 1492 cost us money as opposed to just this micro analysis of how much we'll get back versus how much we're paying.

COUNCIL MEMBER CLARK: Will we get a little better incentive? Everybody just gives $2?

MRS. JONES: $2.

COUNCIL MEMBER CLARK: Now what's the State doing with all that money?

MR. TURNER: They're using it toward waste reduction programs, toward orphaned landfills and toward a couple of other functions that they have identified.

COUNCIL MEMBER CLARK: Orphaned landfills is more like a superfund type situation?

MR. TURNER: Somewhat. That's correct.

COUNCIL MEMBER CLARK: And we could get some of that back, say for recycling and waste reduction programs?

MR. TURNER: We could get some back, that's right.

COUNCIL MEMBER CLARK: Last thing, and you commented on this briefly, on the C& D landfill, what would be the impact of going to, going to a recycling program in that area? You said it's much more expensive to recycle, but would it push out when we needed to build the next one?

MR. TURNER: What we have done is, we have analyzed whether it's possible to have C & D at our existing landfill and it's not possible to fit that onto the existing facility. And if you wanted to have that at the existing facility, what you would have to do is you would have to buy some of the residential properties around that facility, get that property re-permitted in order to have recycling as part of the function and we don't think either one of those is a viable possibility for the existing C & D site. Recycling will be a part of the proposed new facility that we're looking at, planning to build on the Forsyth/Stokes line.

COUNCIL MEMBER CLARK: So the recycling will actually extend the life of that?

MR. TURNER: That's correct.

COUNCIL MEMBER CLARK: That's all. Thank you.

MAYOR JOINES: Other questions on this?

COUNCIL MEMBER BESSE: In, in your question, in your answer to question number 7, you discussed the impacts of the Senate Bill 1492, but there's no information on what you estimate the impact on private facility rates would be. And I wondered, what I was looking for was some discussion on whether we might anticipate any different impact on the rates of the product, facilities, based on things that they will now be required to do that they have not been doing and that the City utilities and public utilities may have already had them to do.

MR. TURNER: We do not anticipate that there will be a differential between what private landfills will have to do and what public landfills will have to do under 1492. We do anticipate that as a function of when that landfill chooses to permit its next facility. So if that landfill operator chooses to permit its next landfill facility soon, then they're going to have significant impacts. If they've already permitted their next landfill, then they're exempt from those provisions for the most part and therefore won't have a big impact. As far as mandating recycling and things like that, that's not a part of it, part of 1492, but what is a part of 1492 is the paying of the $2 fee.

COUNCIL MEMBER BESSE: My question was directed at whether there are things that public facilities including ours, have already done, that private facilities do not necessarily, that are included in what departments?

MR. TURNER: I'm not (inaudible).

MR. SAUNDERS: (inaudible) because everybody's building landfills and permitting to the same set of standards, currently. So I think we're building the landfills to the same engineering standards and the same requirements so I don't think there's any particular part that's going to work (inaudible).

COUNCIL MEMBER BESSE: Thank you. The other thing question that I was looking for a little more outlook on was in the area of options for reducing the cost and our thought was operations and there is some, there are references to that scattered throughout the questions, but there's no (inaudible). I remember looking at the summary table of what things could be done, and what they do.

MR. TURNER: As we continue to work on this, and the outcomes that you allude to that are scattered throughout, we'll try to pull that together in one cohesive location as well as provide you information on what the results of the various studies that are ongoing right now will indicate.

COUNCIL MEMBER BESSE: Alright, thank you. I'm particularly interested in not where we will find additional revenue, we've got an analysis of that, and not necessarily a definitive, this is a good or a bad idea but what could be done and how much it will save, and what the impact will be.

MR. GARRITY: In question 10, it addresses that we are contracted with a company to do just that kind of assessment. I think it will be about three months I believe, when we finish it, but when we come back, we intend to come back in January or February and I believe we should have that information for you.

MAYOR JOINES: Alright, move on the next one.

MRS. JONES: Ok. Ok, the Mass Transit Tax Fund. Our last review of that was October 2006 and in 2006-2007, we did make a number of changes. We reduced some of our expenditures, did some changes to our routes, basically increasing the wait times in some cases, reducing number of trips per route and so on. One of the big things that we did though that was on the resource side is that we added that $1.2 million and one-time transfer from the General Fund to the Mass-Transit Tax Fund and we also shifted property tax rates so we added .1/8¢ to the portion of the tax rate that is allocated to Transit. So, if you look at this first table or chart, you will see that there is a general trend going down in the, in the amount of fund reserves we have except for 2007, where we are reflecting those changes, in particular, the one-time change where we added the $1.2 million from the general fund. So, as you look towards the years following 2007, we are continuing to show what's basically a structural gap, and we're projecting that the rest of the tax fund balance will be negative by the end of 2008-2009. That is what we project at this time. The trend is still a major cause for concern. So we look to, what are the reasons that the Mass Transit Tax Fund balance continues to decline. And, first off, if you look at the revenue line there for, the green line, you'll notice how flat the revenue picture is. In fact, it's a little bit flat because of the scale, but we actually do dip down some in 2008-2009 because we project that we will be losing some of our federal transit dollars that are for operating assistance, that will, we will continue to have some growth in our property taxes, in terms of, about 2.5% per year. Some of that growth will be offset by the federal transit dollars. We also are not projecting any fare increases as we look forward into the future years here. We currently have $1 fare for the fixed route system and a 50¢ rate for Trans-Aid. We also are not projecting any growth in our Medicaid reimbursements for Trans-Aid service. All those things are reasons why we see such a flat picture for the revenues. Expenditure growth, we are looking at about 5% growth per year for fixed route service and 11% for Trans-Aid and that's exclusive of fuel. We're looking at fuel costs continuing to go up about 5% per year. So we are, that explains, I think, the structural gap that we're looking at right here, or that we looked at earlier.

A little bit more information on just what's happening in our fixed route area. We're looking at a fairly flat ridership, this is ridership in millions. We do have a, one year, 2005, 2006 was a slightly higher bar than, and that was related to the fuel cost. That's when fuel costs went up so dramatically. In 06-07 our fuel costs did not go, well actually fuel costs went down a little compared to 05-06 and it's estimated that the level of ridership that we had in 2006, 2007 is where we're going to stay for 2007, 2008.

Here's where we have a lot of demand, is in Trans-Aid ridership. And we're looking there at basically double-digit growth in our ridership going out from, we've had that since 2005, 2006, through 2007, 2008. This is most likely because of our aging population, more folks who qualify for this service, it is cheaper, it could be I guess basically the same if you had a discount rate, if you're elderly and get a discounted rate on a regular bus, 50¢. It is more convenient and we feel it's probably by a lot of word of mouth that's going this is a good service, take advantage of it. So we think it's going to continue to grow.

Here are resource options, some of the options that we could do. We've talked about these before, but I'll mention again what we think the benefits would be of these different types of resource options. First of all, fare increases. We currently as I said, we have $1 fare for fixed route trips. Currently, Greensboro has gone up to $1.10. Also, at $1.10, we would still be within kind of the market rate range for, that would impact ridership slightly, but we would basically get about a $79,000 increase in revenue. 20¢ would give us $193,000. We could go from having transfers that are currently free to 10¢ and that would be low-impact on our ridership and give us a slight increase in revenue. And then, we could also look at passes and increase the rates for those. If you have a chance to look at the information, you should, about Asheville. They did have some additional ridership as a result of their reducing their monthly pass rates. Of course, we also have the option of increasing the amount of property tax rate that is currently allocated to transit. One cent would be $1,000,000 so any portion of 1¢ you can see would, you can see that proportional amount of additional revenue. And the new motor vehicle tax, if you look at the first $5 that was added going forward, if the Council voted to allocate that to operations going forward, that would be $267,000 and of course it would be another opportunity. We do have another $5 that would be allowed by the state to continue to use so if you went with that route it would be another $267,000 that could be allocated to operations.

On the expenditures side, as I mentioned earlier, in 06-07, we did make some changes and based on our research there, we could be, if we did continue to look at underutilized routes, basically

$156,000 per route. So, if there were a route that could be eliminated, that would have savings of that amount. And then we could look again at frequency of service which we did in 06-07. And increase wait times and so forth and that would be probably around $80,000 that would generate.

So, looking at the combination of those options, if we were to take the option of expenditure reductions, we could extend perhaps our mass transit tax fund reserves to 2010. If we did the expenditure reductions plus increasing the fare by 10¢, that again would be such a small amount that it would just kind of keep us within that same range of 2010. Again, if, to, if we implement the second $5 of new motor vehicle tax, that still keeps us in that 2010. But if went to a ½¢ increase in the property tax rate for that, for transit purposes, that would shift us out to 2011. And although it's not listed here, if we did the full 1¢, that would extend the life of the mass transit tax fund balance through 2011-2012. So, it just kind of incrementally pushes us along in keeping the reserves (inaudible). Any questions on that?

MAYOR JOINES: Questions on Mass Transit?

COUNCIL MEMBER JOHNSON: What's the current qualifications for Trans-Aid?

MR. ART BARNES: There's a certification process. We have a person that goes out to their home or they come to (inaudible) and there's an evaluation. We take them out and see if they can use fixed route service. If there's a doctor's certification, we require that also.

COUNCIL MEMBER JOHNSON: There's not a needs analysis?

MR. BARNES: A needs analysis?

COUNCIL MEMBER JOHNSON: Financial needs analysis.

MR. BARNES: I'm sorry.

COUNCIL MEMBER JOHNSON: Financial needs analysis.

MR. BARNES: No, no.

COUNCIL MEMBER BESSE: Looking at the ridership, fixed route the year labeled 2006-2007, so this is a figure that we've all experienced. Do we have any, any valuation on why it dropped back to the '05 level from the, fairly notable increase in '06?

MR. BARNES: That's difficult to say. When you reduce service, there's going to be an impact.

COUNCIL MEMBER BESSE: Did you provide us, what were the reduced services?

MRS. JONES: Basically, increased wait times on several routes, reduced number of trips per route and eliminated stops on selected routes. So there was about $164,000 worth of reductions.

COUNCIL MEMBER BESSE: So we had $164,000 drop in expenditures and how much drop did we register in revenue?

MS. JONES: I'll have to look at that. I don't think we've got that detailed a number, that detail, the number with us but we can find that for you.

COUNCIL MEMBER BESSE: I'm interested to see what our net savings will be from that. And this is a, something I haven't thought to ask before. Do we have any information available on per capita utilization and ridership in Winston compared to some of the other cities, Thomasville, Charlotte, Asheville? I'd be interested in seeing that. That might offer some information about who's combination was continuing to notice a more effective avenue in drawing ridership.

COUNCIL MEMBER JOHNSON: That probably needs (inaudible) the demographics and be weary because our (inaudible) are going to be different than those (inaudible) or Greensboro.

MR. GARRITY: Or with the traffic in Charlotte. I mean there are different things that impact.

COUNCIL MEMBER JOHNSON: Right. But I'm just trying to figure out if that's just a number, what do we do with the number because of (inaudible).

COUNCIL MEMBER BESSE: Absolutely true, but it's a useful number to have in the midst of evaluation because we've got some data on the frequency of service and Charlotte, Charlotte noticeably has and Durham has been involved.

MR. BARNES: I was going to mention the frequency of service involves utilization.

COUNCIL MEMBER BESSE: And the, I noticed that in your survey of discretionary riders that you, that was (inaudible) I noted difficulty in…

MR. BARNES: …(inaudible) in terms of comparison to other transportation systems.

COUNCIL MEMBER CLARK: Just a couple of questions. The $5, we currently give 1/3 of it to WSTA?

MRS. JONES: Right.

COUNCIL MEMBER CLARK: And how much more can we give to WSTA?

MRS. JONES: I think that's the, at this point, Transit gets that amount. It's limited I think to that third.

COUNCIL MEMBER CLARK: Can we give any more? Because I thought that we restricted what it could go towards.

MRS. JONES: Well it's up to…

COUNCIL MEMBER CLARK: So we could give it all if we wanted to?

MRS. JONES: Yes.

COUNCIL MEMBER CLARK: What do we charge for Trans-Aid?

MR. BARNES: Fifty cents.

COUNCIL MEMBER CLARK: For everybody?

MR. BARNES: No, no we don't. If you qualify for Medicaid, we don't set up, you ride for free. We don't generate our own money (inaudible) from Trans-Aid to turn into revenue.

COUNCIL MEMBER CLARK: Is that just our doing or is that a requirement?

MR. BARNES: That's our doing.

COUNCIL MEMBER CLARK: Next item. As far as your fares, do you know how many riders pay one time for just monthly, bi-monthly pass? How many people are riding versus buying a monthly pass versus a one-way?

MR. BARNES: I don't have that number here but quite a few.

COUNCIL MEMBER CLARK: Very few people would pay to (inaudible).

MR. BARNES: I'd say its, I can't be specific without those numbers but quite a few people buy passes.

COUNCIL MEMBER CLARK: And do the drivers make change or do they have to have exact change?

MR. BARNES: No, they don't make change.

COUNCIL MEMBERCLARK: So if we go from $1.00 to $1.10, everybody's got to bring it?

MR. BARNES: Yes, increasing the fare is going to generate a lot of money.

COUNCIL MEMBER CLARK: Just the last comment, if you look at the numbers, we have about a $3 million structural imbalance and that's significant and it's going to hit next spring when we do the budget or I guess we've got one more year and it's gone. I don't know if we can wait until next spring to start doing some adjustments here. I just think this thing's about to go out, to run out of money and if we want to give, start giving more of the $5 or up the monthly fee or do whatever I just think we need to be looking at this one more than any of the others ASAP. Thank you.

COUNCIL MEMBER JOHNSON: Just to add a comment, I could support fare increase and I know the Transit Authority Board hasn't seemed to be willing to do that, but I think that all of us bear some responsibility in how we transport from one place to the other and the fares have been flat for a long time and I think it's more fair for everybody to absorb part of the cost of how they transport.

COUNCIL MEMBER BESSE: Please tell me if I'm looking at the wrong number, but on the mass transit cash flow (inaudible) we've got operating revenues and cash for 2006 was just over $2.8 million and the actual 2007 was just over $2.6 million and it looks like a little more than $200,000 drop in revenues from fares. And you say that our savings from the service reduction were 100 and what?

MRS. JONES: $164,000 but those were budgeted, so it was budgetary savings.

COUNCIL MEMBER BESSE: It looks like we suffered a resulting net loss from the service cutbacks.

MS. JONES: I think it could be that. It also could be just that we did have that peak in ridership in 05-06 also which was higher than it had been, and I think it might have still been fuel-related, fuel prices did go down. There might have been some impetus on the part of ridership to go back to their cars in 06-07, so there's a little bit of a shift. I'm just not sure how you can determine what cause and effect. It was probably a combination.

COUNCIL MEMBER BESSE: But we are also looking at a potentially very significant additional jump in fuel price increases over this coming year, assuming (inaudible) that will port it, then we could get it and be looking at other units of ridership. The payments of, what I'm suggesting is that instead of looking for the cutbacks, it doesn't even make economic sense let alone public services, looking at what we can do to grow our ridership. One final question. Do we have any information on comparative subsidy levels in the comparable cities that include this (inaudible) we have to keep our free space and we're not going to operate a bus (inaudible) and the question is, is it worth it, now that we've been given this looking at the projection of what it costs to have decent buses.

MRS. JONES: Right, we shared with you a chart that included Durham, Greensboro, Raleigh and Winston-Salem, local funding, kind of how much, local funding could buy into transit systems and last review. And not to, but we did update it thinking that would come up and basically, I'll say this now but I'll send you this, I've got it too, I can make copies too and get that to you right away. Basically, the local funding amount that we could look at, the amount that we actually put in plus the 1.4, but it says plus the additional amount we need to cover up our gap. We have about $4.2 million a year that we're allocating which is about 39% of the cost of the operation. In Raleigh, I guess I should go in order here. Durham is next and they're $8 million and we are about half, that's less than half the amount that our next comparisoned city is, so Durham contributes $8 million which is about 57% of their cost. Greensboro, $8.6 million which is 53% of their cost. And Raleigh is at $12.8 million and 71% of their cost, so we definitely are in that position in this comparison to show that we are the lowest of the cities in terms of our local contribution to the service that is provided for us.

MAYOR JOINES: Council Member Johnson (inaudible).

COUNCIL MEMBER BURKE: I was just going to say that I read something I heard from (inaudible) because we're going to have to have transportation, no matter what we say, because we have more people who are riding. And I think you need to take a serious look at it when you talk about increase, the kind of salaries and the people who ride transit, what they're getting in these jobs they go to. They're on minimum wage, some of them and that's all they can get to go back and forth. And that's one thing I'd like for someone to do, let's just say a person on minimum wage Mrs. Jones, not tonight, but give me, if they're making minimum wage and they're working 40 hours a week, then how much of that money is used for transportation. How many is riding the bus? And I will say as far as a compliment, we had spoken to the transit about making us look a little more updated and we do have the new schedules out so people can see and also trying to keep improving the area where the benches are sitting because people do have to and we do have people at the bus stop and corners that are aggravated at folks who have gone out and tried to move them to another corner.

COUNCIL MEMBER LEIGHT: I just, I understand the mindset that each city is different but it still strikes me that just looking at, for example, our monthly passes, that we are far below any of the other cities. So perhaps some sort of a combination of the $5 increase and a monthly pass, how much that would (inaudible) how much time and how much dollars? And that combined with obviously, we're way low on our contribution too. The City's contribution.

MAYOR JOINES: Thank you.

COUNCIL MEMBER MALLOY: What are we doing? What are we instructing Ann to do? We've got, as Council Member Clark said, and I think we all agree, we have a dire situation with this and what are we instructing Ann to do?

MAYOR JOINES: I think I heard that Council Member Clark said that we should be taking steps (inaudible) to add additional dollars to fund it and (inaudible).

COUNCIL MEMBER MALLOY: Let's just talk about the whole $5.

COUNCIL MEMBER CLARK: There's certain things we can't impact right now as far as the budget, I mean wait until the budget but if we're going to have a fare increase, maybe you could do a fare increase now and we could pass a resolution to get more of the $5, so that would be two income streams. And then I think next year, during the budget, we're going to need to give them more than whatever we give now, 1.8¢ or whatever it is, 1.58, maybe it goes to 1.85 or something. So I think there are some steps we could do now, some we'll do next spring, but as Mr. Besse said we're going to have a bus system, but the question is what pieces come together.

MS. JONES: As I understand it, we will be coming back Mr. Garrity in terms of January and what we need to do also is we need to look at where we are as ridership and we need to really get, by mid-year I think we can give you a better picture too of what the end picture will be. So, that will be part of it as well. Just update.

COUNCIL MEMBER BESSE: I'd like to ask where you would spend additional dollars to improve service and increase ridership?

MR. BARNES: The Board's already recommended we come up with a plan for expansion, by January and we'll also bring it to the City Council, those plans.

COUNCIL MEMBER BESSE: Thank you.

MAYOR JOINES: Council Member Merschel.

COUNCIL MEMBER MERSCHEL: Thank you. I'd like to see a list and I apologize, I think we had it last year or the year before, of the current routes in order of profitability, most profitable to most costly, and why.

COUNCIL MEMBER JOHNSON: With the legislation that we did, do we need to go back and request the undoing of the one, the third, the third, the third, to maybe see what we want to do? I support giving more (inaudible).

COUNCIL MEMBER BESSE: Ann, we haven't used all the flexibility we have to underwrite the bus system. If we wanted to use some of those revenues for the bus system, we just have to use them.

MAYOR JOINES: (inaudible)

COUNCIL MEMBER JOHNSON: Because I, I sympathize with the whole thing that you're talking about, and a $5 increase and an unfunded mandate. But if we looked at the current $5 and then redid the percentages with the current $5 before we (inaudible) as opposed to looking at necessarily adding only the other $5 to bring us to 287 so we get more out of the 287 for transit.

COUNCIL MEMBER MERSCHEL: Have we already committed some of that to other capital projects?

MRS. JONES: We did issue a portion of that to cover the City's match for the new buses.

COUNCIL MEMBER CLARK: I just did a quick analysis and I think I have confirmed my suspicion on your number here. What we as local taxpayers put towards mass transit is not just the 1.58, it's also what you take out of the fund balance.

MRS. JONES: Right, that's the .62.

COUNCIL MEMBER CLARK: Well no, I came up with $5.5 million just adding two numbers together. The mass transit tax , well I see that was the balance, excuse me, I withdraw my, I added the 2.762 to I guess the, I'll get with you later

MRS. JONES: Ok, that's what this is supposed to represent.

COUNCIL MEMBER CLARK: Tell me it should be everything that's the, the riders pay about 20%, the federal government puts money in and the rest of it comes from us. So those three numbers ought to add up. I'll get with you later.

MAYOR JOINES: Alright, parking.

MRS. JONES: Ok. Just a few comments before we start on this one. I'd just like to point out that we are a (inaudible) which is that we build and operate decks from the City as a part of our economic development program and we don't actually expect them to be profitable as long as we're committed to the level of debt service, things required to pay for them. There are little spinoff benefits as well, so that, but those spinoff benefits don't come back into the parking fund. So, because we don't account for the spinoff growth, we often, we are in a situation where we are actually subsidizing our parking fund. Unusual (inaudible) is that we are subsidized from and we'll talk about subsidy in a minute but we also have in this fund, cash reserve. And this picture of cash reserve we have shared with you of each year in the budget document does show sort of an alarming down trend. But basically, what that is, is revenue that we have added to our reserve but is from the sale of decks. So that's basically, the big center blue bar is the amount that we collected from our sale of the Liberty-Main Deck, in particular. And what we've done over the years is we've said we've got to, that money there, we're going to use about $290,000 of it a year to help kind of offset the total amount of general funds set in this meeting every year. So we're kind of, it's naturally going to decline, it's kind of an artificial decline because it's been our practice to use $290,000 every year just to kind of keep us from, keep our general fund subsidy in check. So, that's just a little bit of information about that.

Looking at the subsidy that we have provided to the parking fund from the general fund, a large proportion of this is because I said earlier, because of the debt service. Our decks, we don't really need to subsidize our parking fund if it weren't for the debt service that we have to pay for. And the, we really start to get the subsidies of this fund, starting in 2003 which was the year that we started operating our 4th and Church Street Deck. And, so that was in 2003, just a portion of the year and as you get to 2004-2005, you can see the growth in the subsidy. The subsidy is sort of sliding down a bit until you get to what we've estimated for our 2008 budget and one reason that jumps back up, there are a number of reasons there. One is the somewhat more conservative sort of, almost is our budget number and so even though we've been having better usage of our decks, since we were somewhat conservative, we didn't really show quite as much or quite as optimistic leveling picture there so that's one reason it was a little bit higher than it was for the year before. But also we've added to the cost of the decks, the cost of our stormwater, increase in our stormwater rates. We also reflected here some additional growth because this (inaudible) was affected somewhat by the going to the $9 for our minimum wage rate, so that was reflected, there is an increase in expenditures there. And also we have shown in 2008-2009 about $50,000 towards, it's a lease payment towards the replacement of the elevators in Cherry-Marshal. So that shows why that particular bar is estimated as going up a bit. So an average from about 2009 through 2021, our average subsidy is about $1.2 million a year. This scenario does not include any major capital for our debts, so it's pretty much a baseline outlook without major capital. And the fluctuation you see in those forecast years is primarily fluctuation in principle interest payments. So there's a number of decks we do that are on different schedules for their debt payments so that's why it goes up and down a bit.

Looking at the next chart gives you a little bit more picture of what the expenditure, different types of expenditures that we have in our parking operations. It is a very flat, kind of unchanging picture pretty much for our personnel costs, and supplies and services also is a little bit up and down but still pretty much in the same ballpark each year. Again, the capital outlay and debt service is what varies and is a very large piece of the budget and as you look at the green line which is the operating revenues, you basically see that if you were looking at just operating picture for this fund, that the operating revenues in general feed our operating expenses.

Just for more information, deficit by parking deck is a little too small to read on the screen but you can see it in your handout, it's even small there. But you can see that the big one color of dominance there is pretty much the 4th and Church subsidy that we provide. And then also, I guess second in size would be One Triad Park and then Center City West. The first three years in 2002-2004 we also operated the Integon Deck and the Frazier Deck, both of which have been sold, so those no longer, don't show up in the future years. Just as another clarification, we share the deficit cost for the 4th and Church Deck with the County and this does not include the County's (inaudible) as a resource so this is just the City's portion of it. One thing to keep in mind is that the 4th and Church was built in association with the Project One West Fourth and we do have an increment by revenue that comes to us as a result of that in terms of property tax. But as I said earlier, that increment does not go into the parking fund, it goes into the general fund. So, this basically, when we give them a subsidy, a portion of that is coming from the property tax increment that we get from One West Fourth.

As I mentioned earlier, we did not include in this forecast any of the capital improvements that are major that we see and have talked about in terms of Cherry-Marshall. Lighting system replacement, interior decking and exterior façade repairs and interior painting. So those are in addition to, add to our debt financing and costs for the decks.

And we also know, that even though we don't have numbers, we know that One Triad Park Deck is at 6th-Cherry-Trade are getting at that age where they are going to need some major repairs and we know those are coming but don't know how much.

So, the conclusions we have here are that we do want to acknowledge that operating revenues do cover our operating costs but not our capital investment. The deck profitability is affected by downtown business and we are seeing more and more usage of our decks downtown. And then our options really are to be able to sell some of our decks. So, that would be obviously a positive impact on our fund if we could sell decks. And then also, looking at ways to structure future deals that we might be, encounter what, we could structure some like the Center City West 4th Street Deck which is where we get a certain number of the parking spaces are guaranteed. So, we know that we've got a situation where we can kind of control for how much the City subsidy needs to be. So, those are the major points we've got for parking.

COUNCIL MEMBER JOHNSON: Have we been involved in terms of the residents marginally for Cherry-Marshall? So what (inaudible).

MR. TURNER: Some of their concerns are structurally unsolvable. For instance the ability get out, doctores, immediately when there is a major event at the Convention Center. What we have done is we have made sure that they have information on when those events are going on so that they can make their residents aware. And also we have identified other parking lots and decks available for their clients to use in case they do have that as a major issue that can’t be resolved with the structural design of the deck.

MAYOR JOINES: The million dollars of budget here are not (inaudible) does that allow those humps to come out? Or is that not physically possible?

MR. STAN POLANIS: Mayor I don’t believe that will allow those humps to come out. I think what that is, is we’ve got more places where they (inaudible) unfortunately the choice of getting humps out would mean taking out the whole floor which means closing down the deck.

COUNCIL MEMBER MERSCHEL: Does that mean a big SUV with a luggage rack will not be able to go through that deck in the next five years?

MR. POLANIS: I would hope not. If they took it down, it would still fit in, it’s just, it’s the tire humps (inaudible).

COUNCIL MEMBER LEIGHT: On the dark blue one on page three, the deficit by parking deck. You say that part we get back, part of that is the subsidy?

MRS. JONES: Well, the deal is that the terms that are provided that deck as an incentive for the One West 4th Street. Basically, the value that was added to pur property tax base by the building One West 4th Street gives us about $370,000 in, for ’07. I think we get that much, $370,000 in property tax revenue and so that is a piece of it. But the amount that we are budgeted to subsidize is closer to that $795,000 so it’s not dollar for dollar.

MAYOR JOINES: One thing that happened there, of course is that the deck size was anticipated for use by Wachovia and then the merger came by the time (inaudible).

COUNCIL MEMBER CLARK: Two comments. First off, we’re only pulling $290,000 out of this fund so it’s not like it is the mass transit is a $3 million debt and this a tenth of that so I don’t think this is nearly the order of magnitude. Eventually, it will solve itself when we get decks paid for but it’s looking like it’s way past 2016 (inaudible) unless we get a significant reduction. The last comment I was going to make and I was going to make it about humps, I think we have got a major expense and I suggest you put this on the list of potential things for the next bond referendum. I think we need to spend a lot of money on that deck and I think, I’m talking about ripping out the floors. If you patch everything in there that needs patching, the humps, they’re going to be everywhere and that is our signature place. More people are in that deck than any other place.

COUNCIL MEMBER LEIGHT: Which one are you talking about?

COUNCIL MEMBER CLARK: Cherry-Marshall. And I don't know why the humps have to be there but I guess that's what it requires to fix it. But I just think at some point we're goingto have to spend a lot of money and just tear out the top and fix it and then close it and open and then tear out the middle one and then somehow leave a lane to get up there. I don't know how you do it. You can't close it, but I just see a $3-4 million type of capital, but I'm just guessing they'll build or replace the flooring. But that deck is just in awful shape.

COUNCIL MEMBER LEIGHT: Maybe that's how you also fix it so there's another exit.

COUNCIL MEMBER CLARK: Exactly, you could do some type of traffic flow thing to help out.

MAYOR JOINES: It is one of the more confusing double-helix decks. Alright, Fair funding.

MRS. JONES: Ok. The fair fund is, we saved the best for last. The good news or the sort of good news and that is as in the parking fund and the reason we draw down on our fair reserves is typically because we have greater debt service on our long-range plan for the fair than we have enough dollars to cover. So, as our debt expenses go down, we will be , actually what will happen is in 2015, our debt expenses will pretty much be downsized to the extent that we will be able to add to our fund balance starting in 2015. And luckily, it looks like it's just about the point we would have gone negative but we begin to start pulling out from that situation. The unfortunate thing is that basically, when you get down to that lower part of that cahrt, the dollars are very close to zero. If you get down below, to $230,000, $150,000, $60,000 there is in a scenario number of years where the fair does have a lot of rainy days or something, then this could maybe push itself down below. But there is a point at which it does pick back up so that the debt service fund itself, so that does appear to be a situation that will correct itself. However, again, this is another one where we have not included any additional debt or major capital needs at the fairgrounds, so that will change the picture substantially.

Looking at the fair fund that we have with the others in terms of how the revenue and expenses, we kind of roll that together. You can see there where it begins to pick up and the green line begins to go above the cost bar and that's where we start adding to our fund balance.

Fair attendance, just to show that we did have a very good year this year, so a big jump in fair attendance. We did not build our forecast on that high number, we kind of went back to our three-year average from prior to that so we wouldn't be overly optimistic. That helped a lot in terms of positioning the fund a little bit better than it had been and moving this a little bit farther along in terms of a healthy fund balance.

And in terms of future issues, as I've already mentioned, when the final payment in 2014 and the long-term debt financings that were set up in the 1990's, that is what helps us get the fund back in order. And then the fair staff will be looking at ways to increase revenues. One way they do that is by negotiating cost-sharing or revenue-sharing contracts with Strates Shows and other major contractors and vendors. Also looking at the fair rental fees where they can adjust those and also looking at sponsorships, so there's some sponsorship revenue that could be added to the budget. And then finally, I mentioned earlier that the major facility maintenance needs that were not included, we do know that they have needs in terms of the grandstand and the cattle barn. So those need to be addressed in some way and I think it's a matter of just timing that, working with the CFA, I know they can incur debt for that that won't put the fund too much out of balance.

COUNCIL MEMBER JOHNSON: My annual question, regarding UniverSoul Circus, and what opportunities do we have looking at the fairground and at the coliseum for that?

MRS. MARTHA WHEELOCK: Yes ma'am, we have looked into that specific event. That's an event that they actually wish to set up in a parking lot so I'm not sure that the fairgrounds is a viable opportunity. They also are currently, as we pursued it 6 months ago, they are on a long-term contract with Greensboro and not interested in talking with us at all at this point in time. We will continue to pursue that event and others.

COUNCIL MEMBER CLARK: Has the fair always been the same number of days?

MRS. WHEELOCK: I know it has extended but I'm not sure.

MR. GARRITY: It used to be, end on a Saturday and we added an additional, that second Sunday. It must have been at least 5 or 6 years ago. Adding more time depends really on Strates and where they go next. They're not going to Raleigh. Their next stop I believe is Anderson, South Carolina.