

BUDGET WORK SESSION MINUTES

The City Council of the City of Raleigh met in a Budget Work Session at 1:00 p.m. on Monday, February 27, 2017 in the City Council Chamber, Room 201 of the Raleigh Municipal Building, Avery C. Upchurch Government Complex, 222 W. Hargett Street, Raleigh, North Carolina, with the following present.

Mayor Nancy McFarlane, Presiding
Mayor Pro Tem Kay Crowder (arrived late)
Councilor Mary-Ann Baldwin (arrived late)
Councilor Corey D. Branch
Councilor David Cox
Councilor Bonner Gaylord
Councilor Russ Stephenson

Mayor McFarlane called the meeting to order at 1:10 p.m. All Council members were present except Councilor Thompson, who was absent and excused. Mayor Pro Tem Crowder and Councilor Baldwin arrived late.

These are summary minutes unless otherwise indicated.

Interim Budget and Management Services Director (IBMSD) Ben Canada introduced the presenters and provided a brief overview of the agenda.

EMPLOYEE BENEFIT UPDATE – INFORMATION RECEIVED

Human Resources Director (HRD) Stephen Jones presented an update on employee benefits with the assistance of a PowerPoint presentation. Slides during this part of the presentation included the following information that he explained further.

Agenda

- Employee Demographic;
- Fiscal Year (FY) 2017 Benefits Update;
- FY 2018 Benefits Outlook; and
- Future Considerations.

Strategic Plan Focus: Organizational Excellence

- 4.2 Assess, develop and adopt a total compensation philosophy and structure.
- 4.4 Develop recruitment strategies to ensure the city attracts highly qualified candidates while leveraging strengths of the local workforce.

Critical Components: Primary Objectives

- Attract through competitive pay and benefits.
- Reward through competitive pay and benefits.

- Develop through competitive pay and benefits.
- Retain through competitive pay and benefits.

Total Workforce Investment

- Employee Count: 4164 (budgeted/active) Total (Full Time).
- Salaries: \$203 million (Full Time).
- Benefits: \$97 million. Active Health/Dental Insurance: \$36 Million.
- Total Investment: \$300 Million.

*All numbers reflect budgeted amounts for employees.

Bar Graph: Employee Count.

Bar Graph: Key Indicators – Attraction.

Bar Graph: Key Indicators – Retention Turnover (All Full Time).

Current Benefit Plan Observations

- Advantages:
 - Competitive advantages;
 - Paid Time Off;
 - Retirement Savings/Pension; and
 - Health Insurance (cost/coverage).
 - Employee Health Center; and
 - Wellness activities.
- Challenges:
 - Rising health costs for active and retiree;
 - Cost sharing decisions; and
 - Industry best practice to review plan design periodically.

Health Insurance

- Most valued benefit by employees.
- Most expensive benefit for organization.
- Self-Insured:
 - City responsible for all claims up to \$285,000;
 - Pay Blue Cross Blue Shield of North Carolina (BCBSNC)/Optum for network access and processing claims;
 - Allows flexibility... but also assumes risk;
- Offer two plan options:
 - Plan A – higher premiums/lower out of pocket.
 - Plan B – reduced premiums/higher out of pocket.

COUNCILOR BALDWIN ARRIVED TO THE MEETING AT 1:20 P.M.

FY 2017 Update

- Adopted new January-December Plan Year;
- Limited Plan Design Changes;

- Increased premiums by plan type (dependents) between 10%-12%;
- High Cost Claims (Claims in excess of \$50,000);
- Implemented Spousal Surcharge (\$50/month);
 - 248 (180 active) paying the surcharge.
 - Estimated 60 employees transitioned to non-spousal coverage.
- Teladoc: 24/7 non-emergent medical care/advice;
- FitPass: Employee use of PRCR fitness facilities; and
- Through 7 months of FY17, 56% of budget spent.

Bar Graph: Health Insurance Covered Lives.

Bar Graph: Total Healthcare Cost Comparison.

Bar Graph: Pharmacy Cost Comparison Actives & Retirees.

Chart: 5-Year Summary of City and Employee Health Contributions As Well As Annual Growth and Overall Cost-Share Percentages.

FY 2018 Outlook

- Preliminary projections for FY 2018 are a 7% (\$2.3M) to 11% (\$3.6M) increase in total medical costs.
 - Industry trends indicate 6.5% for medical and 11.6% for pharmacy.
 - FY 2017 budget increase was 14%.
- Considering variable premium increases by plan type.
 - Specific cost drivers for increased claims costs.
 - Pharmaceutical costs.
- Example per month active employee premium range increases by plan type.

	Plan A		Plan B	
	Minimum	Maximum	Minimum	Maximum
Employee	\$2	\$4	\$0	\$0
Employee/Spouse	\$19	\$37	\$13	\$26
Employee/Child	\$9	\$18	\$6	\$11
Employee/Children	\$12	\$24	\$7	\$15
Family	\$28	\$56	\$20	\$39

- Anticipated increases also expected for retirees.

FY 2018 Benefit Initiatives

- Spousal Annual Wellness Assessment.
 - Health awareness; and
 - Criteria for discounted contribution premium.
- Parental Leave.
 - Paid leave for child birth/adoption/foster care;
 - For active regular full-time employees;

- Up to 8 weeks of paid leave; and
 - 100% of regular, straight-time weekly pay.
- Expand FitPass to covered spouses.
- Analyze health clinic options.

Philosophy Considerations

- Factors:
 - Cost sustainability;
 - Employee coverage levels;
 - Compensation study impacts;
 - Retention and recruiting; and
 - Peer benchmarks.
- Goal is to plan the design/new structures/initiatives.

HRD Jones pointed out that staff will continue to closely examine costs while being sensitive to how the City recruits and retains employees.

Councilor Cox stated that the City's health insurance does not provide coverage for a treatment known as Applied Behavioral Analysis (ABA) for children who have Autism Spectrum Disorder. He expressed concern, stating that the City should consider adding coverage in order to be in conformance with Senate Bill 676. HRD Jones pointed out that Senate Bill 676, "An Act to Provide Coverage for the Treatment of Autism Spectrum Disorder", does not require organizations such as the City of Raleigh to provide coverage for ABA if they have self-funded plans. He added that staff have asked BCBSNC to determine the impact of adding this coverage to the plan. He plans to present the information to Council on April 5, 2017.

Mayor McFarlane pointed out that she did not want to include an option for mail order prescriptions when the City signed a contract with Optum; however, she recently received a letter indicating mail order as an option. HRD Jones replied that he would speak to the City's consultant about the error. Mayor McFarlane added that mail order is very expensive and read the following statement.

I would like this information from our pharmacy contract.

1. We are not covering mail order prescriptions. Why are letters being sent to employees offering mail order services?
2. Check to see if the contract contains MAC pricing.
3. Rebate information.
 - a. Name of drugs;
 - b. Amount of rebate; and
 - c. Timing of rebates, i.e. do we receive rebates monthly, quarterly, etc.
4. Pricing for specialty drugs.
5. Specifically, pricing for drugs in the following categories:
 - a. Hemophilia;
 - b. Neurology;

- c. Hepatitis C;
- d. Rheumatology; and
- e. IVIG.

COMPENSATION SYSTEM STUDY UPDATE – INFORMATION RECEIVED

HRD Jones presented an update on the City's compensation study with the assistance of a PowerPoint presentation. Slides during this part of the presentation included the following information that he explained further.

Mid-Year Adjustments

- 19 employee information meetings scheduled (15 held, 4 remaining).
- Over 700 attendees to date.
- Feedback:
 - Concerns about compression/"leapfrogging";
 - Survey process and application;
 - Other potential areas of focus; and
 - What are the next steps?

Compensation System

- Job classifications;
 - Reduce number of classifications from 750 to 260.
 - Finalizing "Job Families" and employee allocations.
- Pay structure;
 - Three proposed:
 - Public Safety (Fire and Police) step.
 - General step.
 - Broad band.
 - Finalizing new structures to include:
 - Steps;
 - Pay ranges; and
 - Pay levels.
- Evaluation tool; and
 - Developing tools for different employee groups.
 - Analyzing implementation options for Fall of 2017.
 - Human Resources system changes.
- Market survey.
 - Applying data to construct pay ranges/levels.

Budget Impacts

- Estimating costs to implement compensation system elements, including:
 - Move all positions to new salary range minimums;
 - Allocate positions/employees to new step structure;
 - Additional market alignment;

- Compression/"leapfrogging"; and
- Analyzing phasing approach.

Budget Process – Next Step

- April 5 Work Session:
 - Final classification and pay structures;
 - Estimated costs of implementing new pay system; and
 - Long-term budget impacts.

Councilor Cox asked if annual cost of living adjustments had been incorporated into the study. HRD Jones responded that staff have not made a decision; however, they know that the issue needs to be addressed. Councilor Cox asked how employees will move throughout the pay levels. HRD Jones responded that it has not yet been established.

Acknowledging that the budget impacts will span over several years, Councilor Stephenson asked if the Council would know more about the upcoming implementation schedule at the April work session. HRD Jones responded that staff will have a better picture of the timeline once the City experiences the impact of the new system. IBMSD Canada added that staff will present information to Council in April regarding the broader picture of the impacts, including the financial cost and operational/policy challenges.

RALEIGH ARTS PLAN DISCUSSION – INFORMATION RECEIVED

Raleigh Arts Administrator (RAA) Sarah Powers presented an update on the Raleigh Arts Plan with the assistance of a PowerPoint presentation. Slides during this part of the presentation included the following information that she explained further.

Vision: Raleigh is a community connected through arts and culture, where every person is empowered to lead the creative life they envision.

Agenda

- Raleigh Arts: Overview;
- Raleigh Arts Plan;
- Budget;
- Implementation Priorities; and
- Questions.

Raleigh Arts: Overview

- 11 full-time staff, several dozen part-time staff and instructors.
- Volunteer engagement: Led by Arts Commission and Public Art & Design Board (PADB).
- Two vibrant arts centers: Pullen and Sertoma.
- Manages an investment of \$1.7 million in arts grants to nonprofit organizations.

- Organizes programming and public art projects with the goal of expanding the reach of the arts across Raleigh.

Raleigh Arts Plan

- Community plan;
- Adopted by Council in February of 2016;
- Process led by 34 member steering committee;
- Ten year plan;
- Eight Goals; and
- Developed to align with the City Strategic Plan.

Statistics

- Over 900 individuals attending 75 community conversations and 20 discussion groups.
- Over 4,000 people in total participated in the development of the Raleigh Arts Plan.
- Over 2,500 survey respondents participated by mail and online.
- 528 respondents to intercept surveys conducted at festivals and community events.

Community Priorities

- Support nonprofit arts and cultural organizations: 62%.
- Support the development of artists in Raleigh: 56%.
- Provide more art in public places: 46%.
- Create neighborhood festivals/celebrations: 45%.
- Support arts in the community: 38%.
- Creative co-working or “maker spaces”: 35%.
- Support arts and cultural programs for youth: 33%.
- Support programming for adults and seniors: 30%.
- More art galleries, exhibits or craft shows: 32%.
- Ethnic or cultural festivals (e.g. African American, Hispanic): 29%.
- Support events celebrating the cultural diversity of Raleigh: 28%.

City of Raleigh Strategic Plan

- Leadership Roles:
 - ACR 1.2 Explore the feasibility of partnering with the private sector to establish a unified arts and culture foundation.
 - ACR 2.4 Identify future destination facilities and develop programs that support and enhance the arts, culture, and tourism activities throughout all geographical areas of Raleigh.
 - ACR 2.5 Cultivate projects and partnerships that foster collaboration between the creative community, arts and cultural organizations, and local tech companies.
- Active Partner:
 - ACR 2.1 Identify and inventory Raleigh’s unique places, experiences, and traditions.

- ACR 2.3 Work with community partners to create a development plan for the Dorothea Dix Park.
- Completed: ACR 1.3 Complete the development of the Raleigh Arts Plan.

Raleigh Arts: Impact

- Nonprofit art activities add 5,699 full-time jobs and \$143 million to the City’s local economy.
- More than 15,000 people attend First Friday each month.
- Raleigh has more than three times as many arts-related jobs as the national median.
- Nonprofit arts in Raleigh generate more than \$6.5 million in local government revenue each year.

Budget Overview: FY 2017

- Program and operating: \$3,224,349.
 - Program: \$170,000;
 - Arts centers: \$481,000;
 - Salaries/office: \$734,000; and
 - Grants: \$1,800,000.
- Capital: \$1,778,402.
 - Percent for art: \$1,700,000;
 - Collection maintenance: \$25,000; and
 - Planning: \$50,000.
- Per capita: \$2,199,480.
 - Program: \$170,000;
 - Salaries/office: \$236,000; and
 - Grants: \$1,800,000.
- General fund: #1,024,869.
 - Arts centers: \$469,000; and
 - Office of Raleigh Arts: \$555,000.

Budget: Arts Plan Implementation

Goal	Focus	Expense
1	Community	\$662K
2	Youth	\$150K
3	Equity, Access and Inclusion	\$241K
4	Artists and Organizations	\$263K
5	Public Art and Venues	\$16M
6	Leadership	\$25K
7	Promotion	\$75K
8	Sustainable Funding Systems	\$30K
TEN YEAR TOTAL		\$17M+

Setting Priorities

- Arts Plan implementation matrix;
- Stakeholder interests and priorities: Raleigh Arts Commission, PADB, Arts Plan participants, community partners;
- Alignment with Strategic Plan; and
- Staff and internal partner priorities and opportunities.

Current Business Plan for FY 2017 Implementation

- Create a Master Plan for Public Art;
- Continue community public art projects like Art-On-The-Move and Banjostand.
- Leverage art center staff during construction to provide programming through temporary art labs, at Dix Park and special events.
- Continue capacity building through partnerships with BCBSNC and Learning Community for Universal Access.
- Convene internal and external stakeholders around public art, affordability, capacity building and communications issues.

Short Term Priorities

	Description	Plan Links	Outcomes	Cost
1	Work with external and internal partners to create bold public art projects.	RAP: 5.5, 5.6 ACR: 2.4, 2.5	<ul style="list-style-type: none"> • Residents are empowered to make public art. • Artists involved in public art increases. • Private groups and developers include more public art in their work. 	\$100,000
2	Launch tech laureate and neighborhood engagement residency programs.	RAP: 1.1, 1.4, 1.5, 1.6, 2.4 ACR: 2.4, 2.5	<ul style="list-style-type: none"> • Add arts programming in underserved areas. • Test new projects in new communities. • Professional opportunities for artists increase. 	\$35,000
3	Expand capacity building and provide professional development funding for artists. Update grant program.	RAP: 7.1, 7.3 ACR: 2.4, 2.5	<ul style="list-style-type: none"> • Organizations grow services and programs. • New organizations grow. • Arts audience diversifies. • Artists achieve professional goals. • Projects with community impact are cultivated and funded. 	\$40,000
4	Create and distribute tool kits to activate temporary,	RAP: 1.4, 5.5, 5.6 ACR: 2.4, 3.5	<ul style="list-style-type: none"> • Residents are empowered to make public art. • Artists involved in public art 	\$5,000

	neighborhood and citizen-initiated public art.		<p>increases.</p> <ul style="list-style-type: none"> Private groups and developers include more public art in their work. 	
5	Expand new and innovative community arts activities, events and projects.	<p>RAP: 1.4</p> <p>ACR: 2.3, 2.4, 2.5</p>	<ul style="list-style-type: none"> Add arts programming in underserved areas. Test new projects in new communities. Professional opportunities for artists increase. 	\$30,000
6	Fund community, pop-up and experimental public art projects across the city.	<p>RAP: 1.1, 1.4, 1.5, 1.6, 2.4</p> <p>ACR 2.4, 2.5</p>	<ul style="list-style-type: none"> Strengthen creative community by providing risk capital to experiment. Build partnerships with the community, artists and the tech sector. 	\$20,000

FY 2018 Funding Needs

Implementation Priorities	Cost
Current business plan: Plan for public art, convene community, expand art center programming and continue learning communities.	\$180,000 (funded)
Short term Arts Plan priorities	\$230,000 (unfunded)

Short Term Allocation Strategies

- Per capita increase of \$.25 generates \$112,767.
- Per capita increase of \$.50 generates \$225,533.
- Moving the three full-time positions from arts per capita provides \$234,749 for implementation.

RAA Powers noted that all short term allocation strategies provided above impact the General Fund.

AGENCY REQUESTS – INFORMATION RECEIVED

Grants Program Administrative Manager (GPAM) Kirsten Larson provided an update on agency requests with the assistance of a PowerPoint presentation. Slides during this part of the presentation included the following information that she explained further.

Agenda

- FY 2017 Agency Appropriations;
- FY 2018 Agency Grant Requests and Processes;

- FY 2018 Other Outside Agency (OOA) Grants Request Details;
- Current Adopted Policies and Guidelines; and
- 3-Year Step-Down Plan Update.

FY 2017 Agency Appropriations

Grant Categories	FY 2017 Adopted
Arts	
Grants Awarded	\$1.8M
Arts Commission Programs	\$170K
Arts Commission Staff Support	\$236K
Leases and Agreements	\$576K
Human Services	
Grants Awarded	\$520K
General Fund Support	\$499K
Community Enhancement	\$175K
Other Outside Agency	\$1.18M
Total FY 2017 Agency Appropriations	\$5.13M

FY 2018 Agency Grant Requests

Grant Category	FY 2018 Grant Requests	FY 2018 Grant Funding Available
Arts	\$2.0M	\$1.8M*
Human Services	\$1.88M	\$530K*
Community Enhancement	\$348K	\$175K*
Other Outside Agency	\$3.4M	\$1.18M

**Note: A 2.5% increase for arts and human service funding is included and is consistent with Council policy. Funding awards are recommended via commissions/panels from grant funding available.*

FY 2018 Agency Grant Process

- Arts:
 - Grant applications due in January.
 - Arts Commission recommendations to Council in April.
- Human Services:
 - Grant applications due in December.
 - Human Relations Commission recommendations to Council in April.
- Community Enhancement:
 - Grant applications due in January.
 - Panel recommendations to Council in April.
- January: OOA grant applications due.
- February: OOA requests provided to Council.

- April-June: Council makes decisions regarding OOA funding.

FY 2018 Other Outside Agency – Recurring Requests

	FY 2018 Request	FY 2017 Adopt
Chamber of Commerce	\$170,000	\$170,000
Downtown Raleigh Alliance	\$161,382	\$108,450
Hillsborough Street CSC	\$125,000	\$125,513
Southeast Raleigh Assembly	\$100,000	\$101,829
DHIC	\$113,000	\$108,000
Passage Home	\$100,000	\$90,000
Food Bank of CENC (Year 2 of 5)	\$75,000	\$75,000
Catholic Charities	\$68,000	\$51,000
Transitions LifeCare (Year 3 of 4)	\$62,500	\$62,500
Advance Community Health (Year 2 of 5)	\$50,000	\$50,000
African American Cultural Festival	\$48,000	\$48,301
Total Recurring Requests	\$1,072,882	\$990,395

FY 2018 Other Outside Agency – New Requests

	FY 2018 Request
The YMCA of the Triangle	\$2,000,000
Carolina Small Business Development Fund	\$100,000
InterAct	\$100,000
Communities in School of Wake County	\$60,000
Triangle Family Services	\$50,000
Davner Theatricals (Burning Coal)	\$26,000
Bridge II Sport	\$25,000
The Wireless Research Center of NC	\$24,600
Blue Ridge Corridor Alliance	\$12,000
Total Recurring Requests	\$2,397,087

Current Agency Grant Policy

- Approved November 2016:
 - Agencies qualifying for arts, human services, and/or community enhancement grants eligible to apply for capital-related funding only in OOA grant category.
- Approved January 2015:
 - Submit an application through agency grant process.
 - Comply with general eligibility, contractual, reporting, insurance and audit requirements.

- Comply with the 25% funding requirement.
- Human Services funding increases annually.

Agencies Applying to OOA and Arts/Human Services Grant Category

- Eligible for OOA Funding:
 - Advance Community Health* (\$50K – Building Renovations);
 - Burning Coal Theatre (\$26K – Roof Replacement);
 - InterAct (\$100K – Security System); and
 - Transitions LifeCare* (\$62K – Building Renovations).
- Ineligible for OOA Funding:
 - Triangle Family Services (\$50K – Programming)

**Multi-year funding committed in previous fiscal years.*

25% Maximum Policy Calculations

Recurring Agency Requests	25% Policy Calculation
Chamber of Commerce	3%
Downtown Raleigh Alliance	7%
Hillsborough Street CSC	20%
Southeast Raleigh Assembly	51%
Catholic Charities	1%
DHIC	2%
Passage Home	3%
African American Cultural Festival	27%
Transitions LifeCare	0%
Advance Community Health	0%
Food bank of CENC	1%

New Agency Requests	25% Policy Calculation
Blue Ridge Corridor Alliance	25%
Bridge II Sport	5%
Carolina Small Business Development Fund	2%
Communities in Schools of Wake County	3%
Davner Theatricals (Burning Coal)*	28%
InterAct	3%
The Wireless Research Center of NC	2%
The YMCA of the Triangle	3%

Note: Calculations based on FY 2018 grant requests.
*Total grant requests from City (arts and OOA) exceed 25% maximum policy.

Step-Down Plan – Approved April 2015

- Maximum funding awarded is reduced by equal percentage amounts over three years, starting in FY 2016, and achieving the 25% limit by FY 2018.

Agency Name	FY 2016 Adopted	FY 2016 %	FY 2017 Adopted	FY 2017 %	FY 2018 Request	FY 2018 %	FY 2018 Max Funding
Southeast Raleigh Assembly	155,981	72.3%	101,829	48.6%	100,000	25%	49,312
African American Cultural Festival	61,547	44.4%	48,103	34.7%	48,000	25%	44,209

- Note: Maximum award amounts are calculated with each budget process and are based on previous fiscal year actual expenditures.

Next Steps

- Preliminary feedback from Council.
- April budget work session.
 - Update on Other Outside Agency grant requests; and
 - Arts, human services and community enhancement grant funding recommendations presented.

Councilor Baldwin expressed her frustration and confusion with this portion of the budget process. Mayor McFarlane noted that the City has attempted to provide direction and instructions for applicants to the best of its ability. City Manager (CM) Ruffin Hall added that the City has increased the amount of application and rigor in the process since there is a tremendous amount of need in the community. He stated that there are more requests than there is funding available.

Councilor Branch asked when the FY 2016 numbers are due to the City from the agencies. GPAM Larson responded that the numbers were due in January. Despite the several attempts to communicate, some agencies did not provide the necessary information. Councilor Branch confirmed with GPAM Larson that the agencies involved in the three year step-down process are informed and aware of all aspects of the agreement.

CM Hall reminded the Council that there is no recommendation from staff. The purpose of today's meeting was to communicate the requests that have been received by staff and receive feedback from Council.

Councilor Gaylord asked for staff to return to Council with clarification on the category stipulations for all outside agencies.

COUNCILOR CROWDER ARRIVED TO THE MEETING AT 2:18 P.M.

Councilor Stephenson asked for staff to update Council on current North Carolina Department of Transportation (NCDOT) projects. He would like a matrix of information about the capital improvement projects, including the debt capacity. CM Hall responded that staff could gather information and present it at a future meeting.

ADJOURNMENT

There being no further business before the City Council, Mayor McFarlane announced the meeting adjourned at 2:19 p.m.

Cassidy R. Pritchard
Assistant Deputy Clerk