

FY2015 Budget Process Pre-Budget Work Session

April 2, 2014



Stormwater Management

Division History

- Erosion and Sediment Control - 1974
- Floodplain management - 1978
- Water Supply Watershed - 1981
- Stormwater Division formed in 1985
- EPA Stormwater Permit - 1995
- Post-construction Stormwater rules adopted - 2001
- Stormwater Utility Feasibility Study - 2002
- Stormwater Utility Fee adopted - 2004
- Current annual revenue approximately \$16 million

Stormwater Management

Business Services

Administrative Support
Customer Services
Fee Investigation and Calculation

Budget/Financial Management

Budget control
Rate Modeling
Revenue projection

Infrastructure Projects

CIP Projections
Master Planning
System Analysis

Drainage Assistance

Drainage Complaints
Petition Projects
Emergency Repairs
Stormwater Maintenance Coordination

Water Quality

EPA Permit Compliance
CIP Project Management
Mapping
Inventory
Public Education

Development Compliance

Plan Review
Inspections
BMP Program

Technology Management

Database Management
Cityworks Program

Drainage Complaint Response Program

- **Direct, front-line interaction with our citizens/customers while addressing some 650+/- inquiries per year**
- **Effective and efficient response and resolution to citizen/property owner drainage complaints and concerns**
 - Coordination with Public Works Maintenance or other City departments such as Public Utilities, Parks, etc.
 - **Identification of potential drainage assistance projects**
 - **Identification of potential capital improvement projects**
 - Private matter, provide information and technical assistance only

Drainage Assistance/Petition Program

- Provides financial assistance for drainage improvements on private property (where there is a public contribution of runoff)
- Annual budget of \$750,000 (under the Stormwater CIP budget)
- Projects recommended by SMAC & approved by City Council
- 80% to 85% City share
- Owner cost contribution at 15% to 20% with cap of \$5,000
- 68 projects in the current capital program
- Historically, 15 to 20 new projects added per year



Infrastructure Project Management

- **Capital Improvement Program (CIP)**
 - *Approximately \$5 million available annually pay as go*
 - *Approximately 40 major capital improvements projects currently in progress*



Aging/Failing Infrastructure

[Winthrop Drive and Lake Dam Road Bridges]



Failed Infrastructure [Brentwood Today Dam]



Flooding

[North Ridge - Harps Mill culvert upgrade project]



Flooding

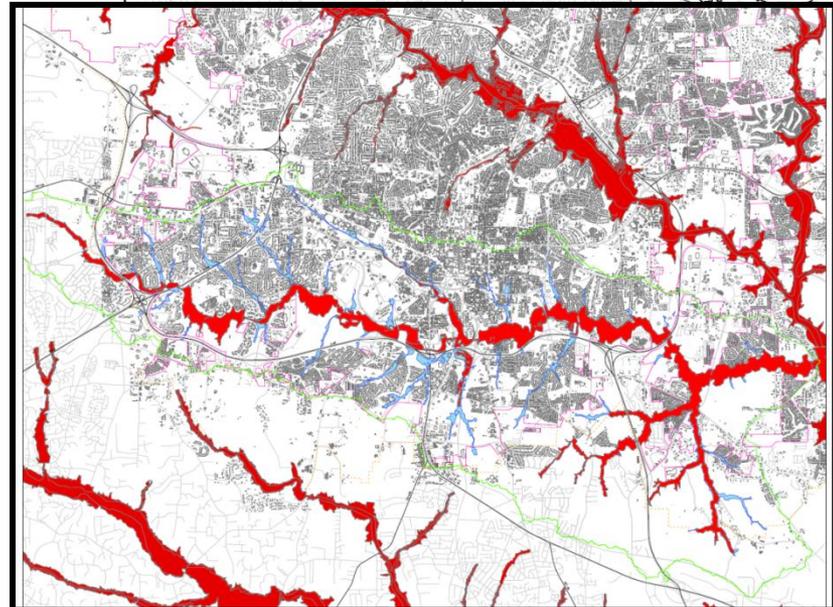
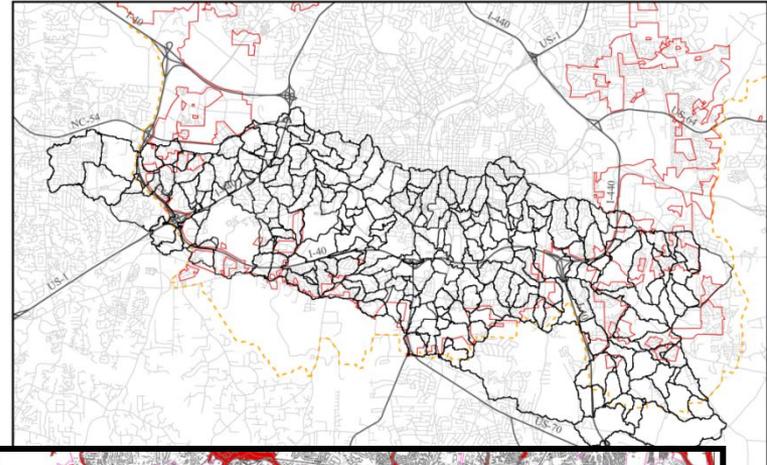
[Yorkgate – neighborhood system upgrade]



Stormwater Master Planning

Stormwater Master Planning/ Watershed Modeling

- Manage the Watershed Planning Projects
- Make Recommendations for CIP Projects
- Manage the Floodplain Mapping Projects
- Develop a Stormwater Analysis System Utilizing GIS in Combination with Stormwater Models



Water Quality Program

- Drivers

- Water Supply Watershed Rules (Falls, Swift & Richland) - **1981**
- EPA Stormwater Permit –**1995**
- Stormwater Industrial Permits – Private & City owned industrial sites
- Neuse River Basin Nutrient Sensitive rules - **1998**
- EPA listed Streams (Pigeon House, Perry Creek, Swift Creek)

Water Quality Program

- Public involvement and participation
 - Adopt-A-Stream
 - Drainage Inlet marking
 - Volunteer Monitoring



Water Quality Program

- Illicit Discharge Detection and Elimination (IDDE)
- Pollution Prevention and good housekeeping
- Private industrial site monitoring



Water Quality Program

- Water quality assessment and monitoring
- Water Quality Cost Share program - \$250,000 annually
- Retrofit Program



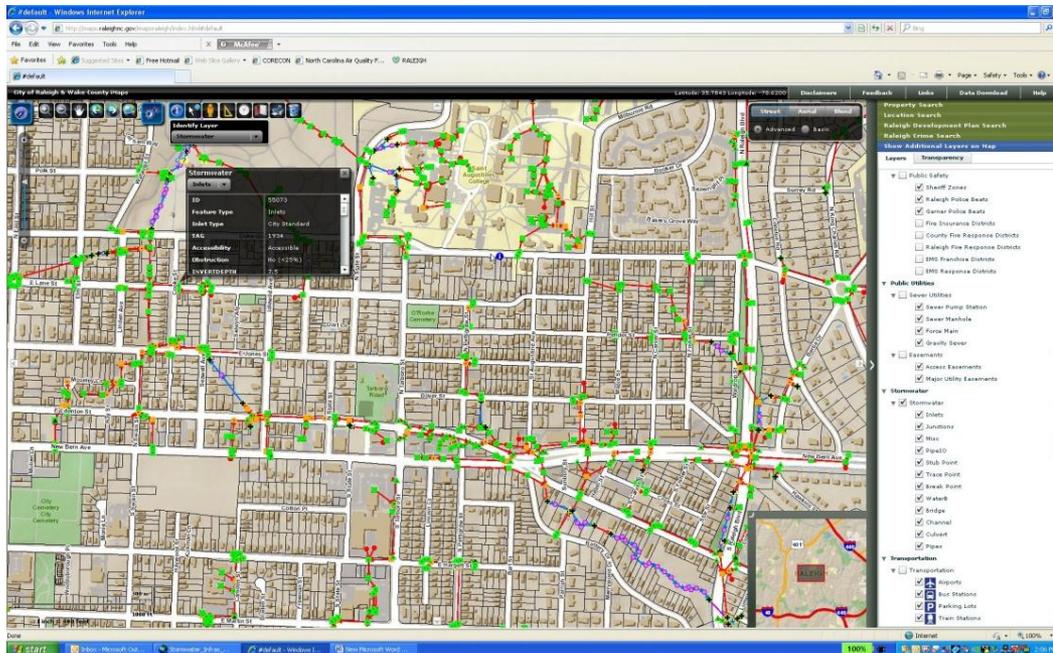
Water Quality Program

- Stream Restoration
- Lake Preservation



Infrastructure Mapping

- Map stormwater structures 180 square mile jurisdiction
- Updates for new construction & annexations



Infrastructure Mapping

- Special Projects
 - Storm debris cleanup
 - flood disaster preparation & response



Water Quality Program

- Program Status, Challenges, Vision
 - EPA Audit in April 2012 & Report June 2013
 - EPA Stormwater Permit renewed March 2013
 - Improving industrial site inspection
 - Enhancing City staff water quality education
 - Advancing Low Impact Development / Green Infrastructure concepts
 - EPA listed impaired stream recovery plans

Stormwater Development

- Stormwater Engineers
 - Compliance review for;
 - Sediment and Erosion Control regulations during construction
 - Floodplain regulations
 - Water Supply Watershed regulations
 - Neuse River Buffer rules
 - 5 positions reviewed **1900 stormwater** plans in 2013 during various stages
 - Coordinate the City's repetitive loss buyout program

Stormwater Development

- Construction Inspectors
 - Inspection & enforcement of Land Disturbing, Stormwater Control, Water Supply Watershed and Flood permits
 - Currently, **181 active sites**
 - Performed **8,942 inspections** in 2013
 - Issued **140 Notices of Violations** in 2013

Stormwater Development

- Stormwater Device Inspectors
 - Insure proper installation and maintenance of approved stormwater control devices
 - Over **1700** private stormwater devices (and growing)
 - **141** Notice of Violations sent in 2013
 - 2 current positions
 - 1 new position approved by Council to help achieve goal of inspecting **1/3 of devices each year**

Stormwater Maintenance

- Performed by staff in **Transportation Field Services**
- Catch Basin Repair and Inspections
- Culvert/Pipe Repair and Replacement
- Bridge Maintenance
- Leaf Collection
- Street Sweeping



Plan for next 5 years

- Our challenge
 - Have greater number of budgeted projects than existing staff could complete
- Solution:
 - Add staff to address project backlog
 - Reprioritize capital projects based on
 - Life safety
 - Roadway safety
 - Public/private property damage
 - Consolidate and simplify project accounts to support high priority projects

Staffing/Reorganization Plan for Improved Project Delivery

Current Organization



Proposed Organization



Staffing/Reorganization Plan for Improved Project Delivery

Separate Capital Improvement and Drainage Complaints & Drainage Petitions Programs for more effective response

Projected Workload (Current through coming 5-year planning horizon)

- **40** projects in current Capital Program
- **68** drainage petition projects in current Capital Program
- Projected **20-30 new** Repair capital infrastructure projects
- Projected **75 - 100 future drainage petitions projects**

- Projected total current and five-year workload
 - » Total of **60 - 70** capital projects and **140 – 170** drainage petition projects

 - » **Key Result: Additional staff and workload leveling will allow these projects to be managed to reduce the workload for each engineer from the current 20+ projects per engineer down to a manageable 6-12 projects per engineer.**

 - » Assumes no changes in capital program funding for the coming 5 years

Stormwater Reorganization Status

Recruiting for Eight Priority Positions

(4) Project Engineer II Positions (2 new positions, 2 vacant positions)

(1) New Sr. Project Engineer for Drainage Petitions Program

(1) New Staff Analyst for Financial Management

(1) New Sr. Business Analyst for Database Management

(1) New Engineering Technician for BMP Inspection

Stormwater Fund Model

	FY12	FY13	FY14	FY15
	ACTUALS	ACTUALS	ADJUSTED	ESTIMATE
EMPLOYEES	48	48	54	54
User Utility Fees	15,519,538	16,229,265	17,486,870	17,146,000
Grant Revenues	325,602	1,684,703	1,228,794	1,000,000
Miscellaneous Revenues	<u>1,381,373</u>	<u>(82,938)</u>	<u>51,491</u>	<u>136,300</u>
TOTAL REVENUES	17,226,513	17,831,030	18,767,165	18,282,300
Operating Expense	10,024,282	10,145,193	10,048,303	11,634,476
Project Expense	<u>4,521,897</u>	<u>8,556,493</u>	<u>7,301,438</u>	<u>5,000,000</u>
TOTAL EXPENDITURES	14,546,179	18,701,686	17,349,741	16,634,476
Net Change from Operating & Capital Project Funds	2,680,334	(870,656)	1,417,424	1,647,824
Note: Funding above operating costs is available for capital projects				

Projected Capital Improvement Project Budget

Funded Projects	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	5 Year Total
Lake Preservation	1,800,000	2,200,000	-	575,000	1,100,000	5,675,000
Water Quality Improvement	-	-	100,000	800,000	-	900,000
General Water Quality	550,000	550,000	850,000	850,000	550,000	3,350,000
Stream Restoration	700,000	300,000	824,000	900,000	950,000	3,674,000
General Drainage Infrastructure	950,000	890,000	1,050,000	1,150,000	950,000	4,990,000
Neighborhood Drainage	1,000,000	2,225,000	3,595,000	1,725,000	2,006,000	10,551,000
Street Drainage System	-	650,000	-	-	-	650,000
Total	5,000,000	6,815,000	6,419,000	6,000,000	5,556,000	29,790,000

Revenue Sources	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	5 Year Total
Transfers from Operations	5,000,000	6,815,000	6,419,000	6,000,000	5,556,000	29,790,000
Total Revenues	5,000,000	6,815,000	6,419,000	6,000,000	5,556,000	29,790,000

Stormwater Fee

- **Stormwater fee based on amount of impervious surface**
- **Single Family Rate (5 Tiers)**
 - median size home of **2,260** square feet used as basis for fee structure

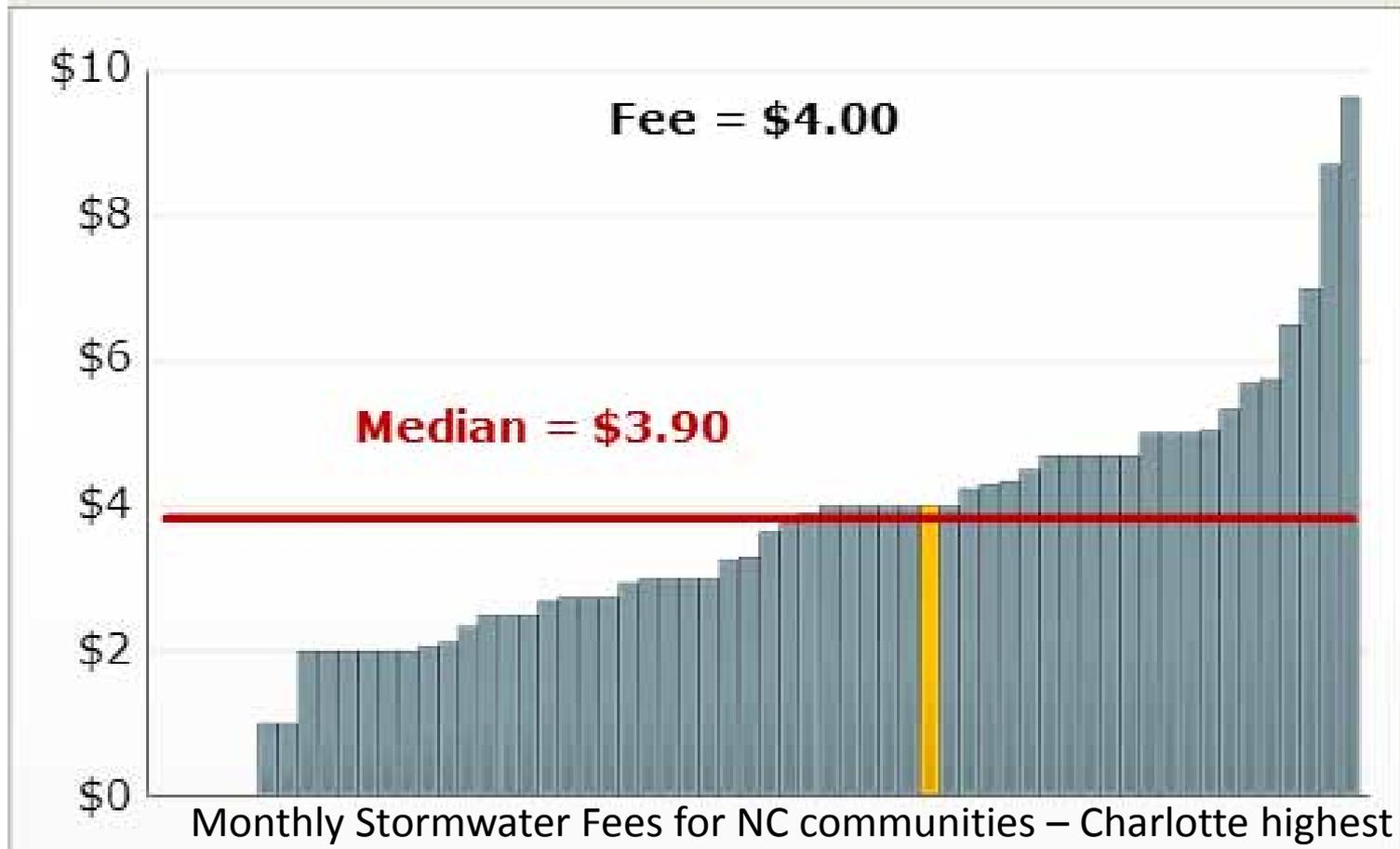
Tier	Square Feet	Fee per Month
▪ 0	<400	\$0
▪ 1	400 – 1,000	\$1.60
▪ 2	1,001 – 3,870	\$4.00
▪ 3	3,871 – 6,620	\$6.80
▪ 4	6,621 – 9,500	\$11.60
▪ 5	>9,500	total impervious surfaces divided by 2,260 times \$4*

*Example 10,000sf / 2,260sf x \$4 = \$17.70

- **Commercial Rate**
 - For multi-family, office, commercial, industrial
 - Fee is based on **\$4 per 2,260** square feet of impervious surface
 - Total impervious surface divided by 2,260_{sf} times \$4
- **No fee increase since inception in 2004 and none proposed for 2015**

Raleigh's Stormwater Utility Fee at NC Median Rate

2012 Residential Monthly Fees (@ 3,000 sq ft)



Stormwater Division Vision/Challenges

- Utilize additional staff to reduce backlog of Drainage Petition projects
- Optimize staffing and organizational development to meet future desired level of service
- Plan for increased Aging/Failing Infrastructure
 - Adapt to increasing emergency/unplanned projects and demands on resources
- Plan for Growing regulatory demands – State and Federal
 - Increased demands to insure maintenance of stormwater devices



Solid Waste Services

Topics for Today's Work Session

- Solid Waste Services as an Enterprise Fund
- Defining the Cost Recovery Goal
- Budget Drivers
- New Approaches for Solid Waste Service Delivery

SWS as an Enterprise Fund

- Increase financial accountability and transparency
- Track all costs related to providing municipal solid waste, recycling and yard waste collections
- Demonstrate fiscal responsibility to public
- Provide SWS with ability to make strategic investments and purchasing decisions

SWS Fee Structure and Revenues

	FY12 <i>actuals</i>	FY13 <i>actuals</i>	FY14 <i>adopted</i>	FY15 <i>request</i>
<i>Garbage Fee</i>	\$7.70	\$8.70	\$9.70	\$9.70
<i>Recycling Fee</i>	\$2.60	\$2.60	\$2.60	\$2.60
Total Operating Revenues	\$15.4 million	\$17.1 million	\$18.8 million	\$19.6 million
GF Transfer	N/A	\$11.4 million	\$11.0 million	\$12.2 million
Expenditures	\$24.6 million	\$31.2 million	\$32.5 million	\$34.6 million
Expenditures covered by fees	63%	55%	58%	57%

FY15 based on initial SWS Budget Request with no fee increase proposed

SWS as an Enterprise Fund

- Financial Model
 - Identifies all costs of service delivery
 - Forecasts annual revenue requirements
 - Assumptions included in model:
 - Service area growth
 - Salary Increases
 - Health, OPEB & Retiree benefits
 - Fuel, M&O, Operational Expenditures

Financial Model

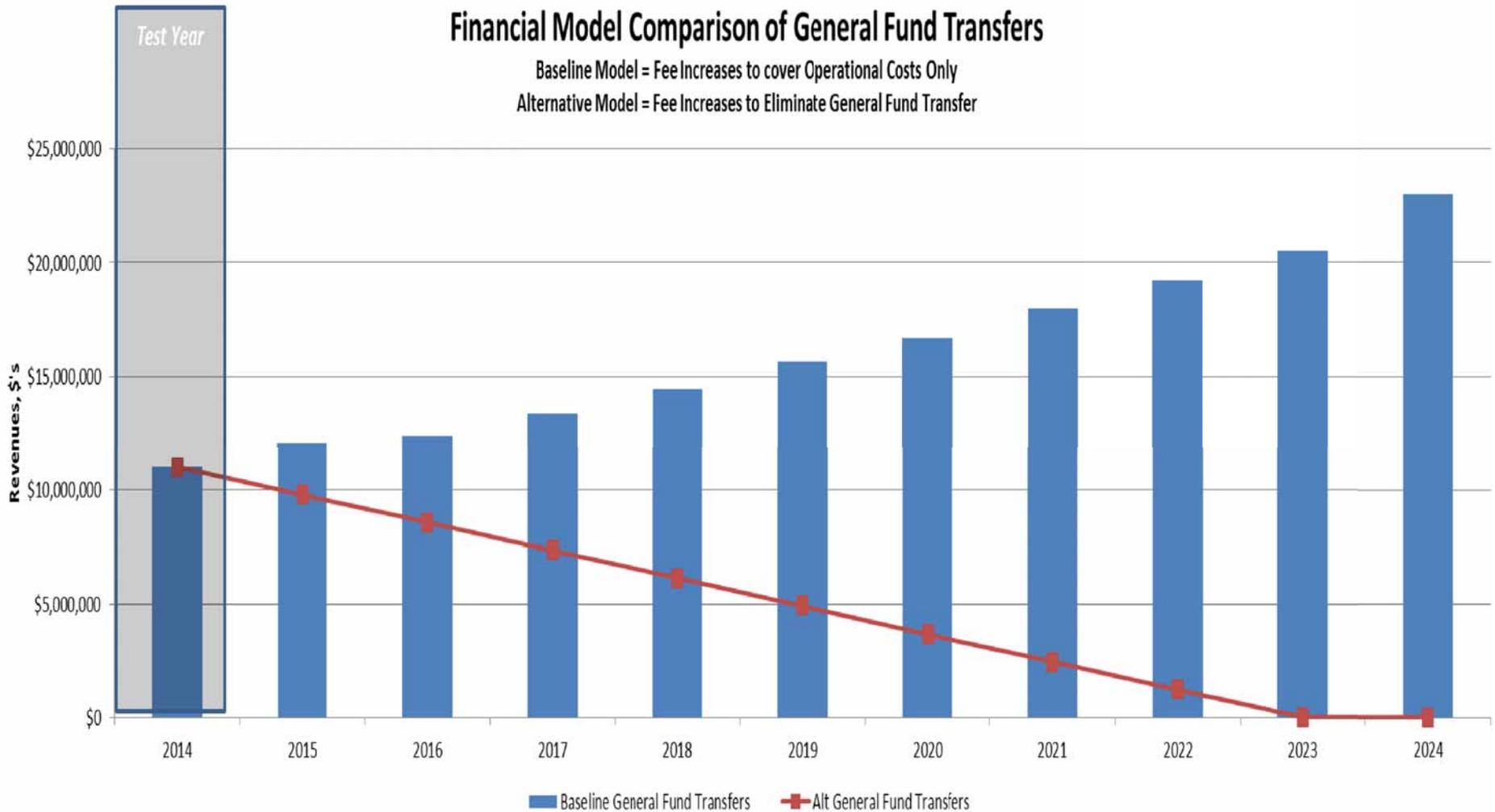
- Revenue requirements modeled suggest fee increase of \$1.45 per year
 - Past two years fee increase: \$1 per year
 - Transfer from General Fund continues to grow



Financial Model Comparison of General Fund Transfers

Baseline Model = Fee Increases to cover Operational Costs Only

Alternative Model = Fee Increases to Eliminate General Fund Transfer



Financial Model calculates general fund transfer reduction through fee increases over a 10 year period.

Maintaining General Fund Transfer

Projected Collection Rates Maintaining Constant Transfer from General Fund										
Type	Current Rates		Projected Rates							
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Recycling	\$2.60	\$2.80	\$2.90	\$3.01	\$3.12	\$3.20	\$3.31	\$3.41	\$3.50	\$3.58
Solid Waste	\$9.70	\$10.46	\$10.99	\$11.57	\$12.18	\$12.71	\$13.34	\$13.94	\$14.55	\$15.13
Total Rate	\$12.30	\$13.26	\$13.89	\$14.58	\$15.29	\$15.91	\$16.65	\$17.35	\$18.04	\$18.72
Increase		\$0.96	\$0.64	\$0.68	\$0.72	\$0.62	\$0.74	\$0.70	\$0.69	\$0.67
Percent Increase		8%	5%	5%	5%	4%	5%	4%	4%	4%

If transfer from General Fund remains constant, rate increases would be necessary to cover operating expenditures.

SWS Enterprises

- Municipalities that operate user-fee supported enterprises
 - Mesa City, AZ (pop. 452,084)
 - Wilmington, NC (pop. 101,526)
 - St. Petersburg, FL (pop. 244,997)
 - Tampa, FL (pop. 346,037)
 - Atlanta, GA (pop. 432,427)
 - Austin, TX (pop. 820,611)



Cost Recovery Options

Total Fees	\$15.30	\$17.30	\$18.30	\$20.30
<i>Garbage Fee</i>	<i>\$11.70</i>	<i>\$13.70</i>	<i>\$14.70</i>	<i>\$16.70</i>
<i>Recycling Fee</i>	<i>\$3.60</i>	<i>\$3.60</i>	<i>\$3.60</i>	<i>\$3.60</i>
Total Operating Revenues	\$24.6 million	\$27.6 million	\$29.0 million	\$31.8 million
General Fund Transfer	\$6.9 million	\$3.9 million	\$2.4 million	\$0
Expenditures covered by fees	71%	80%	84%	92%

Cost recovery calculated using initial FY15 SWS Budget Request.

Budget Drivers

- Overtime expenses due to weather, broken down equipment, and SWS support at events/festivals
- Deferred equipment needs
- Capital expenditures
- Programmatic changes

New Approaches to be Reviewed

- Programs under consideration to reduce waste & increase recycling:
 - Radio Frequency Identification (RFID) for recycling
 - Pay as You Throw (PAYT) programs
 - Recycling Rebates
 - Composting & Organic Waste
 - Mandatory Recycling
 - Yard Waste Ordinance (paper bags)



Transportation

Transportation Capital Improvement Program

- Council Workshop to review projects and prioritization in Spring 2013
- Transportation Bond Referendum approved in October 2013
- 2013 transportation bond funds allocated in first three years of program
- Need for additional funding starting in Year 4 (FY17-18)
- 1.12¢ property tax increase required to support additional debt service and operating costs

2013 Transportation Bond

Fully funded major projects:

- Buck Jones Road Widening (\$2.7 Million)
- Mitchell Mill Road Widening (\$13.8 Million)
- Sandy Forks Road Improvements (\$9 Million)
- Hillsborough Street Phase 2 (\$8.4 Million)
- Pleasant Valley Road Widening (\$3.8 Million)
- New Hope Church Road Improvements (\$3.7 Million)
- Blount/Person Street Restriping (\$700,000)

Funding Changes

Neighborhood Traffic Management Program split into two separate funds:

- Total projected from bond: \$1.5 Million
- Minor projects allocation of \$150,000-\$175,000 per year
- Major projects allocation reduced to \$1,000,000

Funding Changes

Sidewalk Program

- Total projected from bond: \$1.5 Million
- \$1.15 Million accelerated to FY14-15 and FY15-16
- \$200,000 set aside for Micro Gap program
- \$150,000 allocated to proposed Gorman Street cycle track improvements
 - Includes bike and pedestrian upgrades

New Capital Revenue

- Thoroughfare Facility Fee revenue increased by \$2.5 Million in FY14-15, additional \$1.0 Million per year projected for FY15-16, FY16-17
- Must be used on capacity-related project
- Can offset funds allocated from bond for capacity-related projects (up to 50% of costs)

New Capital Projects

- Peace Street West Streetscape
 - Shovel-ready project
 - \$2.0 Million in FY14-15
- Yonkers Road Improvements
 - Emerging critical need due to pavement failure
 - \$500,000 in FY14-15, \$1.0 Million per year in FY15-16 and FY16-17

Short Range Transit Plan

FY2014- Phase 1 - Funded

- Third / Fourth Quarter - FY2014
 - Improvements which do not require expansion buses
 - Mid-day, evenings and weekends

New Bern Ave

Poole Rd

Capital Blvd

Apollo Heights

Six Forks Rd

South Saunders

- Improved efficiency
- \$700K

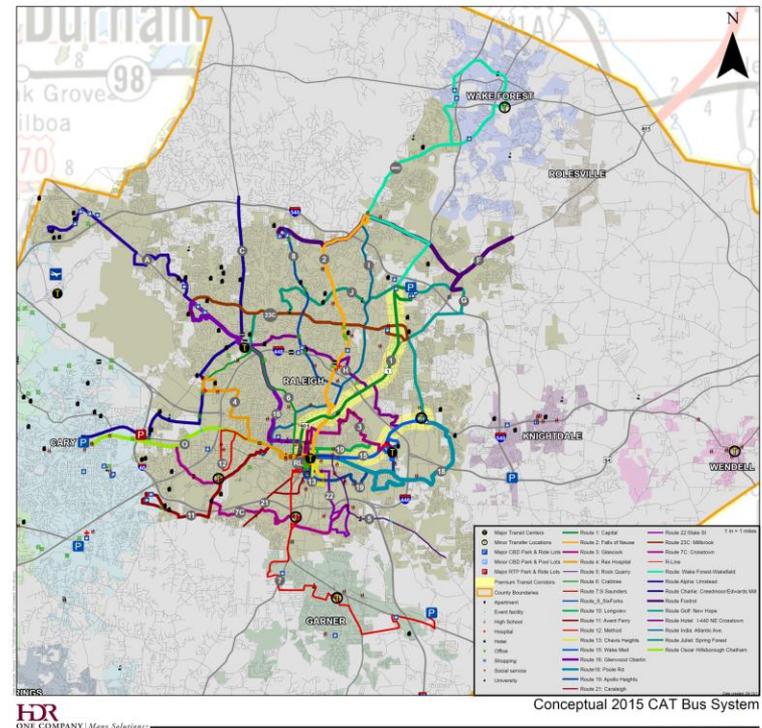
Short Range Transit Plan

FY2015 - Phase 2 - Funded

- Second Quarter FY2015
 - Improvements which require expansion buses
 - 15 Minute Peak Headway

South Saunders

- \$700 K
- Recurring 1.4 Million Annual
- Slides do not reflect all service improvements



Capital Improvement Program Local Contribution FY2015

Bus Shelters & Benches	\$140,000
Facility & Property	\$200,000
Bus & Van Expansion / Replacement	\$650,040
Preventative Maintenance (Operations)	\$940,000
 FY2015 Program	 \$1,930,040

Capital Improvement Program Project Budgets FY2015

Project	Local	State	Federal	Total
Shelters & Benches	\$140,000		\$560,000	\$700,000
Facility & Property	\$200,000		\$800,000	\$1,000,000
Bus & Van	\$650,040	\$650,040	\$5,200,320	\$6,500,400
Prev. Maintenance	\$940,000		\$3,760,000	\$4,700,000
FY2015 Program	\$1,930,040	\$650,040	\$10,320,320	\$12,900,400

Annual Capital Improvement Program Traditional Transit Request

- Transit CIP Funding is constrained by available federal funding
 - Local Funds used to match available funding only
 - 10% to 20% Local Match – “Traditionally”
 - Transit CIP does not represent all capital needs
 - Short Range Transit Plan capital needs partially funded

Resurfacing

- Resurfacing includes:
 - Reconstruction of major pavement failures
 - Severe Fatigue Cracking (“alligator cracking”)
 - Utility Adjustment
 - Curb and gutter repairs
 - Replace and install ADA Ramps
- City maintains 1,055 miles (2500 lane miles)

Contracted and City staff

- Pavement Repair Staff – Major Repairs
 - Currently 3 crews with 21 positions
 - 12 positions eliminated due to economic downturn since 2009.
- CIP funds used to contract work

Year	Funding Source	Budget
FY 2011	Paygo/Cash	2,938,283
FY 2012	Paygo/Cash	2,689,211
FY 2013	Debt	5,050,000
FY 2014	Debt	5,000,000
FY 2015 (draft)	Paygo/Cash	2,030,000

Evaluating Street Condition

- City uses a 100 point grading system
- Goal is to maintain roads in a safe condition.
 - 80+ means structural integrity
 - Translates to smoother ride
- Rating below 80
 - 925 sections of streets or 101 miles
 - Decreasing structural integrity
 - Leads to fatigue cracking and bumpy ride

Severe Fatigue Cracking



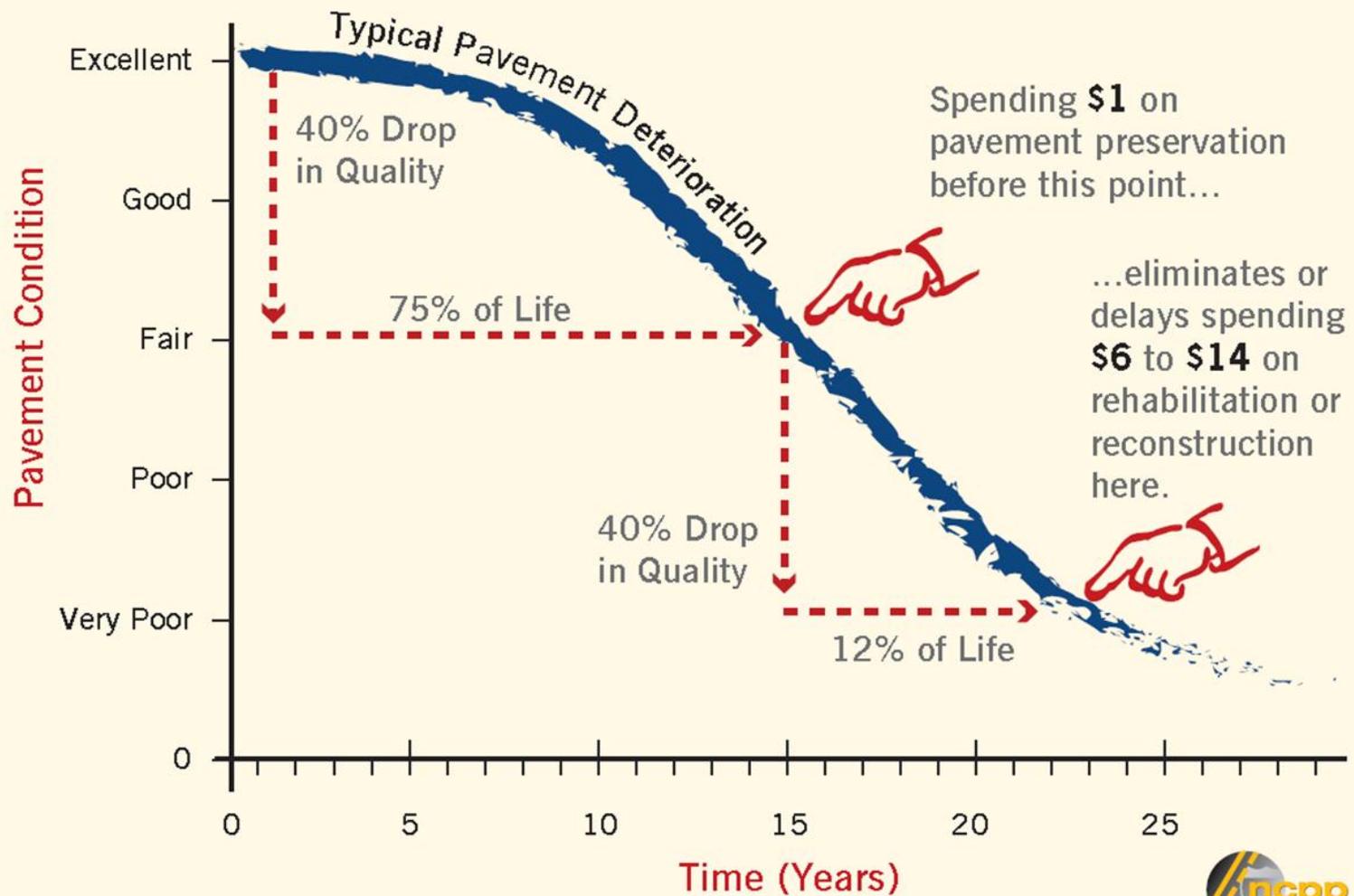
Pavement Failure



Replacement of a Street Section

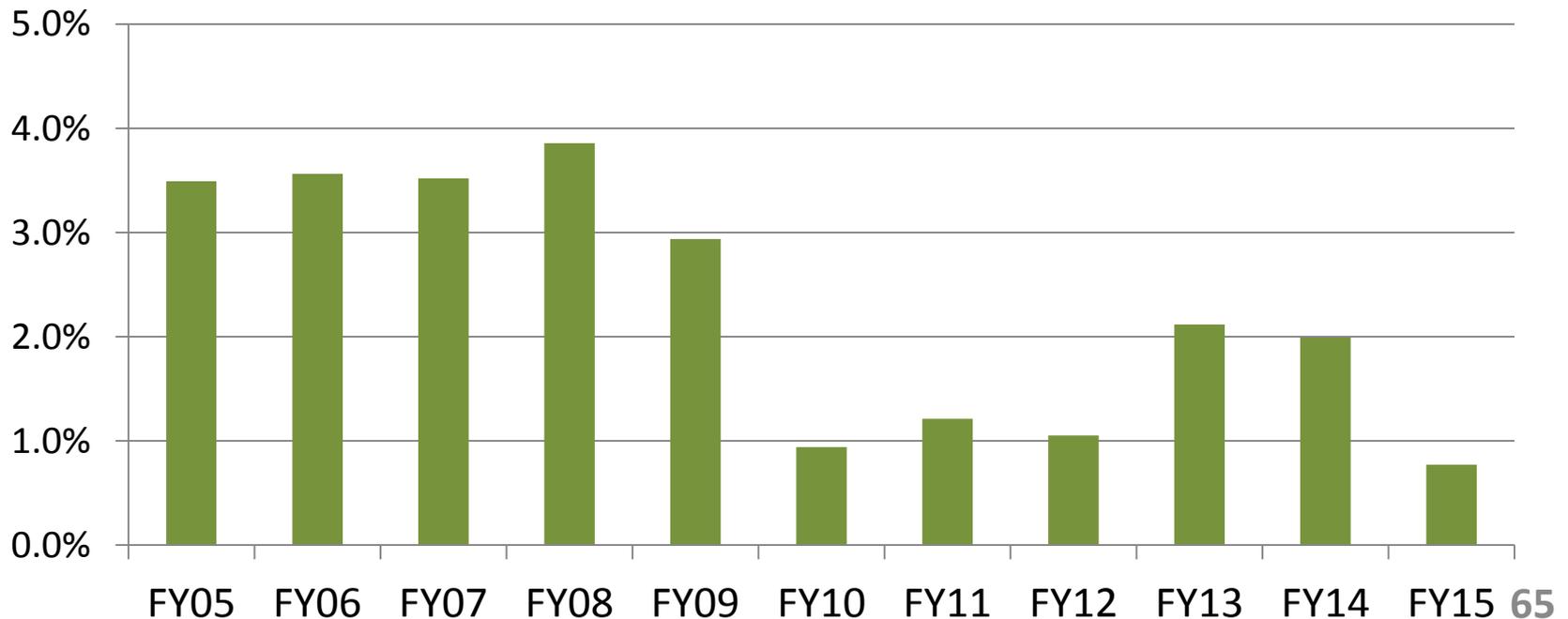


PAVEMENT PRESERVATION IS COST EFFECTIVE



Resurfacing Goal

- Approximately 10% of the system falls below 80.
- How do we maintain goal of 80 or better?
 - Resurface 5% of city miles annually (or each street every 20 years)
 - Percentage of city miles resurfaced per year:



What Does the Goal Cost?

- Resurfacing 5% of total miles annually would cost roughly \$12 M per year
- Draft FY15-FY19 CIP includes:

FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	5 Year Total
\$2.0 M	\$2.3 M	\$2.1 M	\$2.5 M	\$2.5 M	\$11.4 M

- Planned funding will resurface less than 1% annually

Example of Additional Funding Impacts

Tax Rate Equivalent (cents)	Additional Funding	Estimated Additional Miles	% Total Miles Resurfaced (with total funding)
$\frac{1}{4}$	1.3 M	5.5	1.3%
$\frac{1}{2}$	2.6 M	11.0	1.8%
1	5.1 M	21.5	2.8%
2	10.2 M	43.0	4.9%

Future Challenges

- Increasing workload from new road miles
 - Add approximately 5 miles annually
- Increase in the cost of asphalt (Oil Prices)
- Aging System
- Increasing cost per mile for resurfacing due to delayed resurfacing



General Fund Revenue and Financial Position Update

Agenda

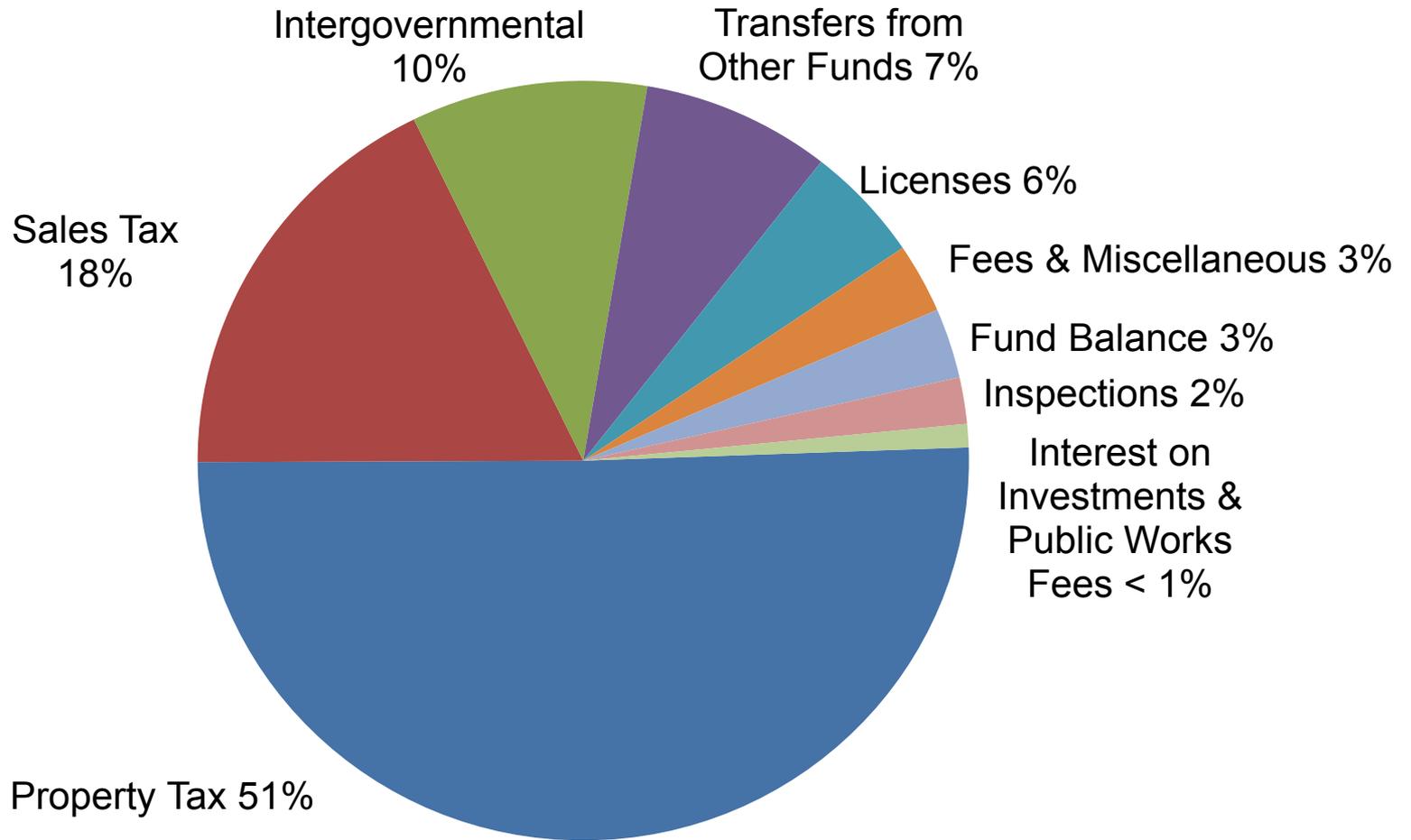
1. Economic Outlook
2. Budgeted General Fund Revenues – Current Year
3. Review of Financial Results – Current Year
4. Key Revenue Drivers
 - Property Taxes
 - Sales Taxes
 - Intergovernmental Revenues
 - Inspections Fee Revenues
5. State Legislative Impacts
6. Debt Model Update
7. Summary Points

Economic Outlook



- Consumer confidence highest in six years
- Economists see labor, consumer and housing markets improving further over next two years, while inflation remains tame
- FED increase in short-term rates is inevitable but may not be until 2015 and would likely not be economically disruptive
- Unemployment rates improved
- All bode well for Raleigh's financial and budget health but relative caution is still appropriate in projecting into the future

General Fund Revenue Budget FY 13-14



Financial Results – Year-to-date

Financial Results – Year-to-date

(Eight Months Ending February 28, 2014)

GENERAL FUND (thousands)

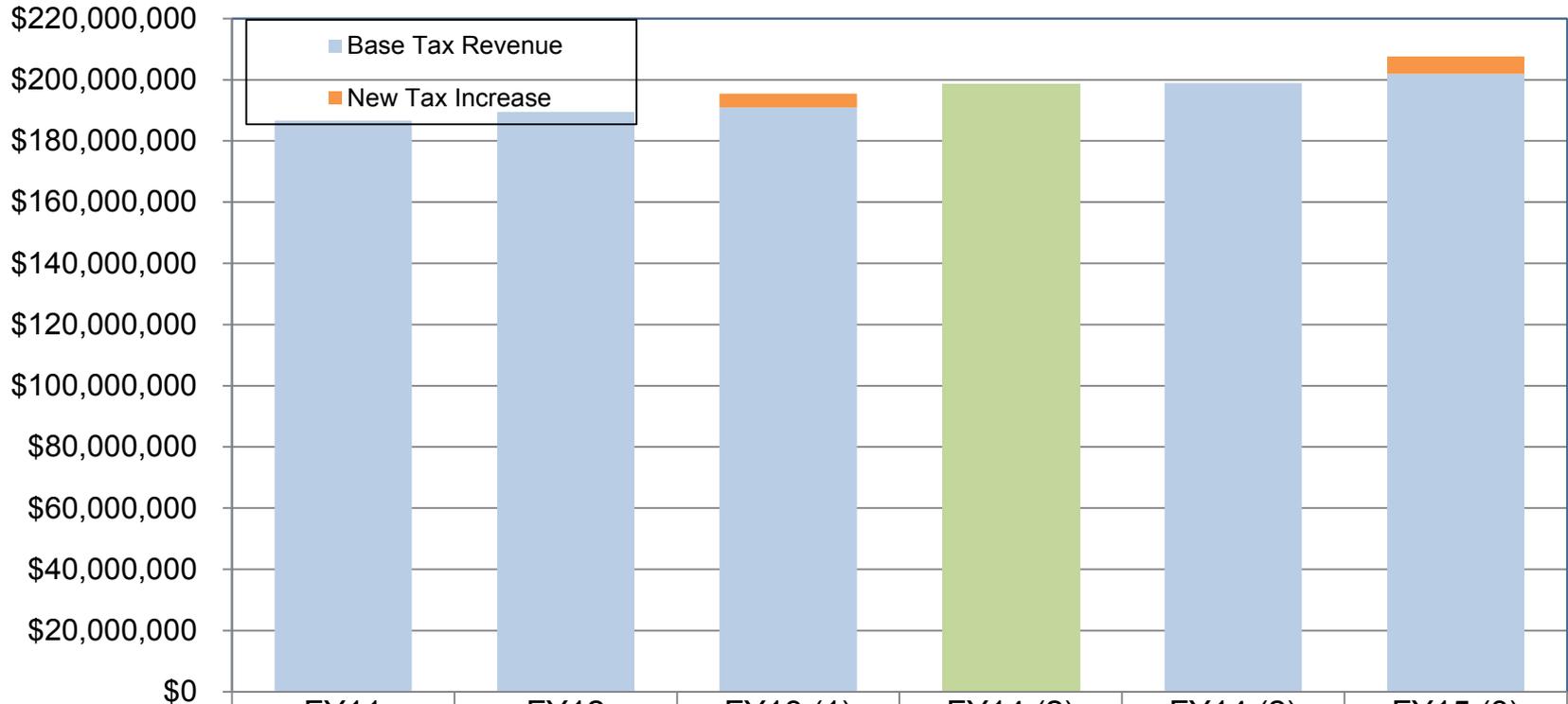
	ANNUAL BUDGET	ACTUAL TO DATE	YTD % REVENUE	PRIOR YTD % REVENUE
REVENUES				
PROPERTY TAXES	\$ 203,364	\$ 195,566	96%	97%
SALES TAX	74,232	49,455	67%	68%
INTERFUND REVENUE	20,560	14,632	71%	74%
INTERGOVERNMENTAL REVENUE	38,398	25,879	67%	36%
LICENSE FEES	24,311	13,218	54%	48%
ALL OTHER REVENUES	26,195	16,566	63%	38%
TOTAL OPERATING	\$ 387,060	\$ 315,316	81%	80%
TRANSFER IN	\$ 5,061	\$ 5,061	100%	94%
FUND BALANCE APPROPRIATION	\$ 26,547	\$ -		
TOTAL REVENUE	\$ 418,668	\$ 320,377		
EXPENDITURES				
PERSONNEL SERVICES	\$ 161,312	\$ 101,040	63%	63%
EMPLOYEE BENEFITS	62,371	39,053	63%	65%
DIRECT EXPENDITURES	84,558	46,788	55%	54%
CAPITAL EQUIPMENT	1,651	527	32%	39%
INTERFUND EXPENSE	886	654	74%	75%
TOTAL OPERATING	\$ 310,778	\$ 188,062	61%	61%
TRANSFER OUT	\$ 107,890	\$ 59,817	55%	75%
TOTAL EXPENDITURES	\$ 418,668	\$ 247,879	59%	64%

- Positive actual to budget trends for revenue and expense
- Full year should meet expectations for strong financial position
- Fund balance projected to exceed 14% fund balance policy objective

Key Revenue Drivers

Property Tax Revenue

Property Tax Revenue History



	FY11 Actual	FY12 Actual	FY13 (1) Actual	FY14 (2) Budget	FY14 (2) Projected	FY15 (3) Estimated
New Tax Increase	\$0	\$0	\$4,500,000	\$0	\$0	\$5,700,000
Base Tax Revenue	\$186,625,218	\$189,485,533	\$190,891,930	\$198,463,787	\$198,850,000	\$201,920,000
% Increase (Base)	0.9%	1.5%	0.7%		1.8%	1.5%

(1) 0.91 cent tax rate increase - 2011 Streets / Housing Referendum

(2) Does not include one-time revenue from tax/tag transition (\$4.9M)

(3) 1.12 cent tax rate increase - 2013 Transportation Referendum

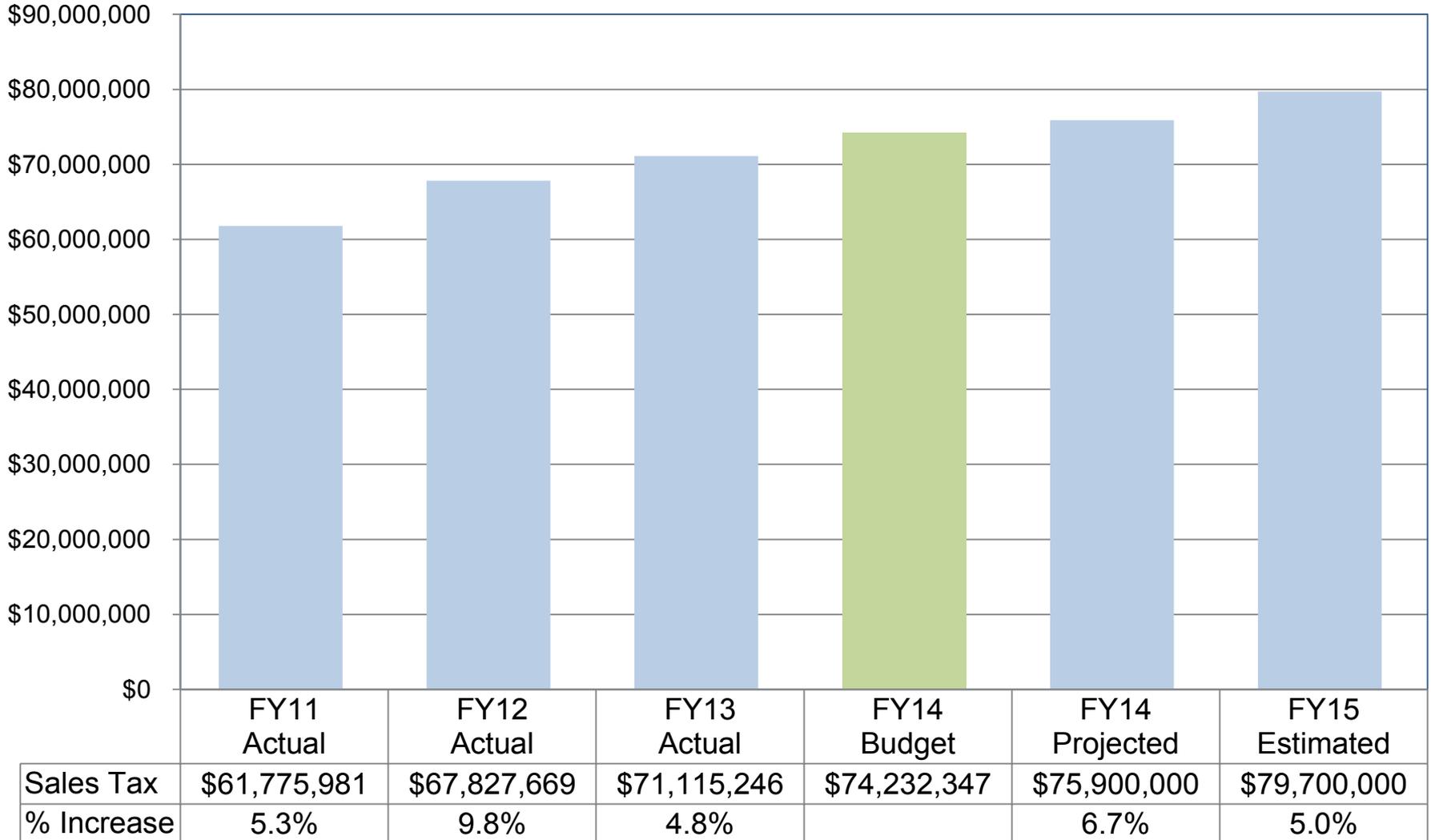
Evolving Impacts from Tax/Tag System

- New system combining registration and paying of property tax implemented September, 2013.
- Expected positive benefit on the % of collected property tax.
- Current year collections are lagging due to various issues
 - Some delays in vehicle owners choosing to renew
 - Reporting problems
 - Process and system problems
- May take several years to see consistent results.



Sales Tax Revenue

Sales Tax Revenue History



Legislative and Other Impacts on Sales Tax Revenue



- NC tax reform lifted various exemptions from sales tax - expanded the sales tax base.
 - NCLM and NC Fiscal Research project increases for municipalities.
 - Raleigh's increase estimated at \$500,000 in FY14 and \$750,000 in FY15.
- Amazon announced decision to begin remitting sales tax on NC internet sales – estimated gain of \$10-\$13 million for NC cities and counties
 - Estimate of annual revenue for Raleigh -- \$300,000 to \$500,000
- 5% regular overall growth recommended for FY 15 budget at this point
- On the federal level, the Marketplace Fairness Act continues to progress, giving the potential for a federal mandate on collection of sales taxes on internet sales.

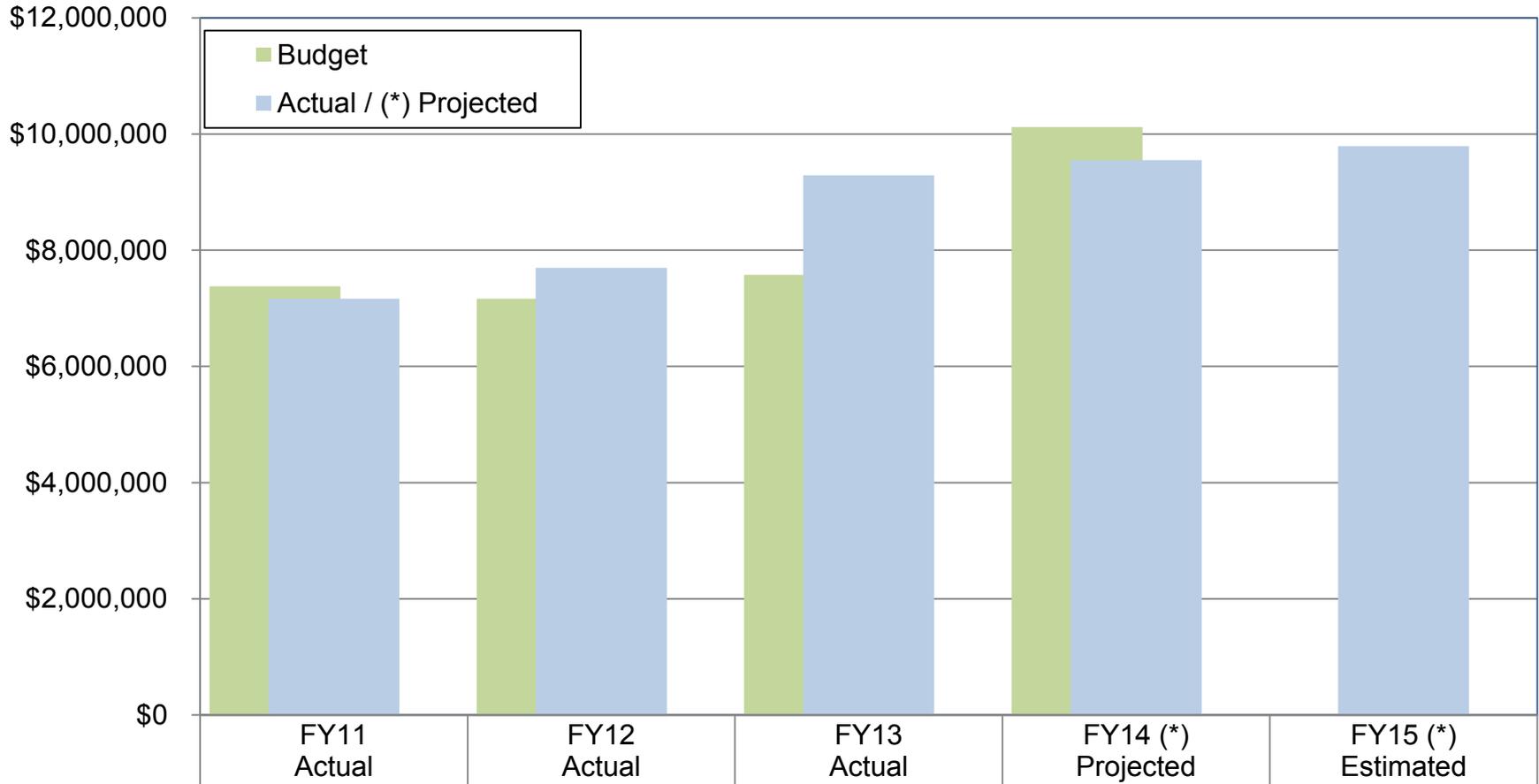
Intergovernmental Revenues

<i>Type</i>	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Budget	FY14 Projected	FY15 Estimated
NC Franchise Tax	\$22,633,795	\$21,189,652	\$21,272,446	\$21,526,004	\$21,520,000	\$21,700,000
Powell Bill	-	-	-	10,380,000	10,343,674	10,534,000
NC Beer & Wine Tax	1,693,055	1,762,158	1,665,085	1,795,000	1,685,000	1,700,000
ABC Sales Revenues	1,159,054	1,276,871	1,539,034	1,300,000	1,575,000	1,570,000
Fire Protection Reimbursement	1,273,288	975,747	981,350	988,000	988,000	988,000
PILOT - Centennial Authority	840,356	840,356	860,831	860,830	860,831	886,000
Other Intergovernmentals	3,014,518	3,146,041	2,823,466	2,118,014	2,830,000	1,990,000
Total Intergovernmental Revenues	\$30,614,066	\$29,190,825	\$29,142,212	\$38,967,848	\$39,802,505	\$39,368,000

- Franchise Tax – Share of revenue from state power & telecom utility taxes. Revenue has been flat – impacted by weather and utilities commission rate increases. Franchise tax rates convert to general sales tax rate, cities to be held harmless at FY14 revenue levels.
- Powell Bill – Share of state highway trust fund gas taxes. Moved to General Fund in FY14, averages 2% growth.
- Beverage Taxes:
 - NC Beverage Tax – annual share of state excise taxes on adult beverages
 - ABC Revenues – quarterly profit distribution from local ABC operations

Inspections Fee Revenue

Inspections Fee Revenue History



	FY11 Actual	FY12 Actual	FY13 Actual	FY14 (*) Projected	FY15 (*) Estimated
Budget	\$7,376,697	\$7,163,957	\$7,574,842	\$10,120,475	
Actual / (*) Projected	\$7,164,276	\$7,695,493	\$9,290,731	\$9,550,000	\$9,792,000
% Increase (Act/Proj)	-3.3%	7.4%	20.7%	2.8%	2.5%

Residential and commercial development rebounding from the recession

State Legislative Changes

The Big Unknown – State Legislative Issues



- Changes Made (FY14)

- Expansion of Sales Tax Base
- Utility Franchise Tax – Converts to Sales Tax
 - Hold Harmless provision currently has no sunset
- Elimination of traditional admissions tax and replacement with sales tax

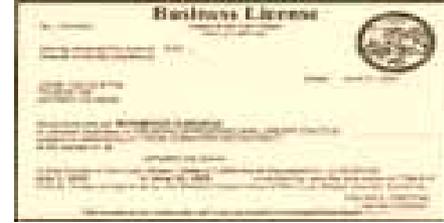
- Likely Change (FY16)

- Privilege License proposed legislation would eliminate many exclusions but would put flat tax of \$100 in place

- Other Possible Areas of Change

- Debt provisions
- Utility programs – such as Charlotte and Asheville have experienced

Privilege (Business) License



Current Fee Structure

- Businesses taxed on gross receipts unless exempt or restricted
 - Tax ranges from \$50 to \$20,000
- Restricted businesses pay an amount as specified by State Statute and include:
 - Restaurants, amusements, utilities, beauty/barber shops, etc.
 - Tax ranges from \$2.50 to \$2,000
- Exempt businesses include:
 - Professionals (doctors, lawyers, accountants)
 - Banks
 - Miscellaneous business activities (pest control, wineries)

Privilege (Business) License

Proposed legislation

- \$100 cap on tax
 - Large businesses would pay significantly less tax
- Eliminates exemptions & restrictions
 - May need increased staffing to handle on-going additional volume without much impact on revenues
- Potential revenue impact \$3.4 - \$5 million annually (current revenue from licensing is \$7.9 million)
 - Revenue impact depends upon whether City increases tax on all businesses to \$100 cap (currently 50% of licensed businesses pay tax of \$50 or less)
- Impacts budget for FY14-15
 - Effective date is July 1, 2015 - renewals for license year beginning July 1, 2015 are due by June 30, 2015 and would be renewed at the reduced tax rates

Debt Model Update

Debt Model Update

- Continues to provide a strong management tool for:
 - Tracking general debt obligations and approved but unissued amounts
 - Projecting debt service requirements
 - Doing “what if” scenarios on new debt options
- Historical Policies for General Debt:
 - General debt service should not exceed 15% of General Fund Budget
 - Fund balance in debt model should be at least 50% of annual debt expenses
- Current Points:
 - Debt service transfer is currently 10.1% of General Fund Budget
 - Debt model fund balance is 170% of annual debt expenses
 - Debt capacity > 50% level has accumulated mainly due to deferred City Lightner Center building project, providing flexibility for CIP decisions



Two-Thirds General Obligation (GO) Bonds

- State Statutes allow the City to issue GO Bonds without voter approval in an amount up to 2/3rds of the net amount by which the City's GO debt was decreased in the prior fiscal year
- Capacity available to issue in FY13/14 is \$15,300,000
- City has regularly utilized 2/3rds bonds capacity in years when such is available
- Bonds must be issued and "closed" prior to June 30, 2014
- Council action either in April or early May would be required
- City Manager has been reviewing options for this and will provide a recommendation

Summary Points



- Economy continues to show improvement but uncertainties remain
- YTD financial results in General Fund are consistent with prior year and project to favorable budget variance
- Sales Tax shows most favorable improvement with 5% growth projected for FY 15
- Other major General Fund revenues show moderate growth trends with some uncertainty for Inspection Fees
- Privilege License changes by Legislature could result in \$3.4-\$5 million revenue loss
- General Debt Model – has flexibility in additional debt capacity for capital financing needs

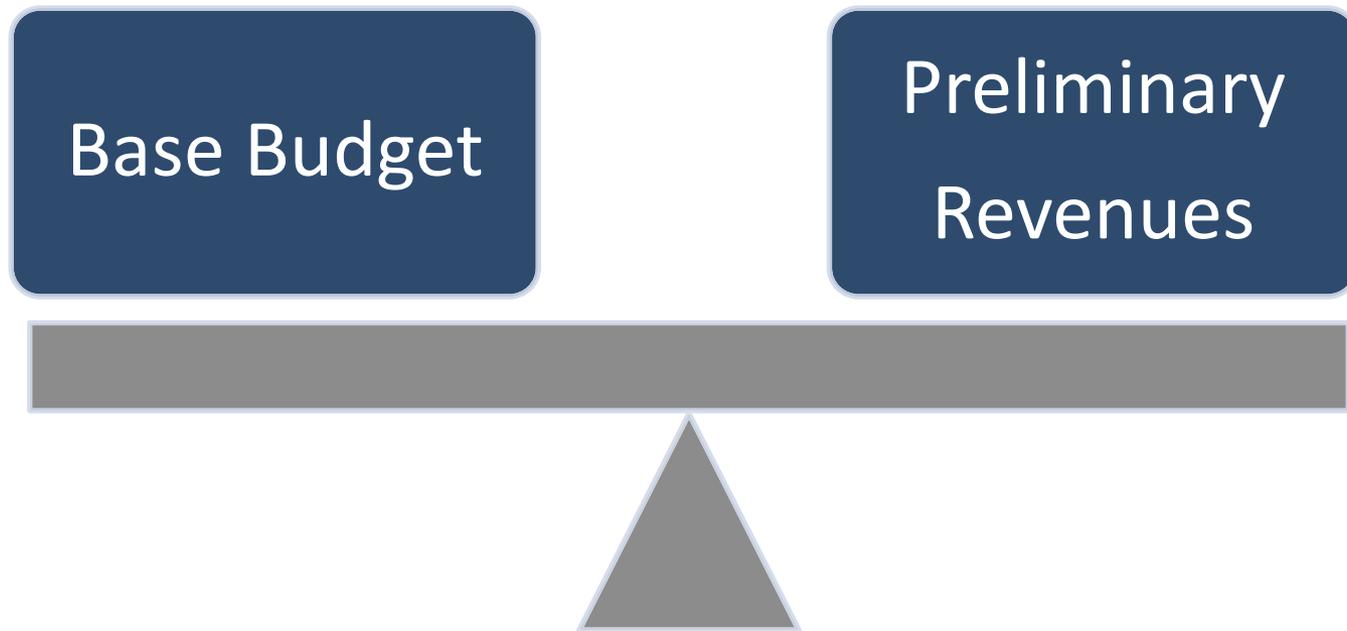


General Fund Pre-Budget Update FY2014-15

Agenda

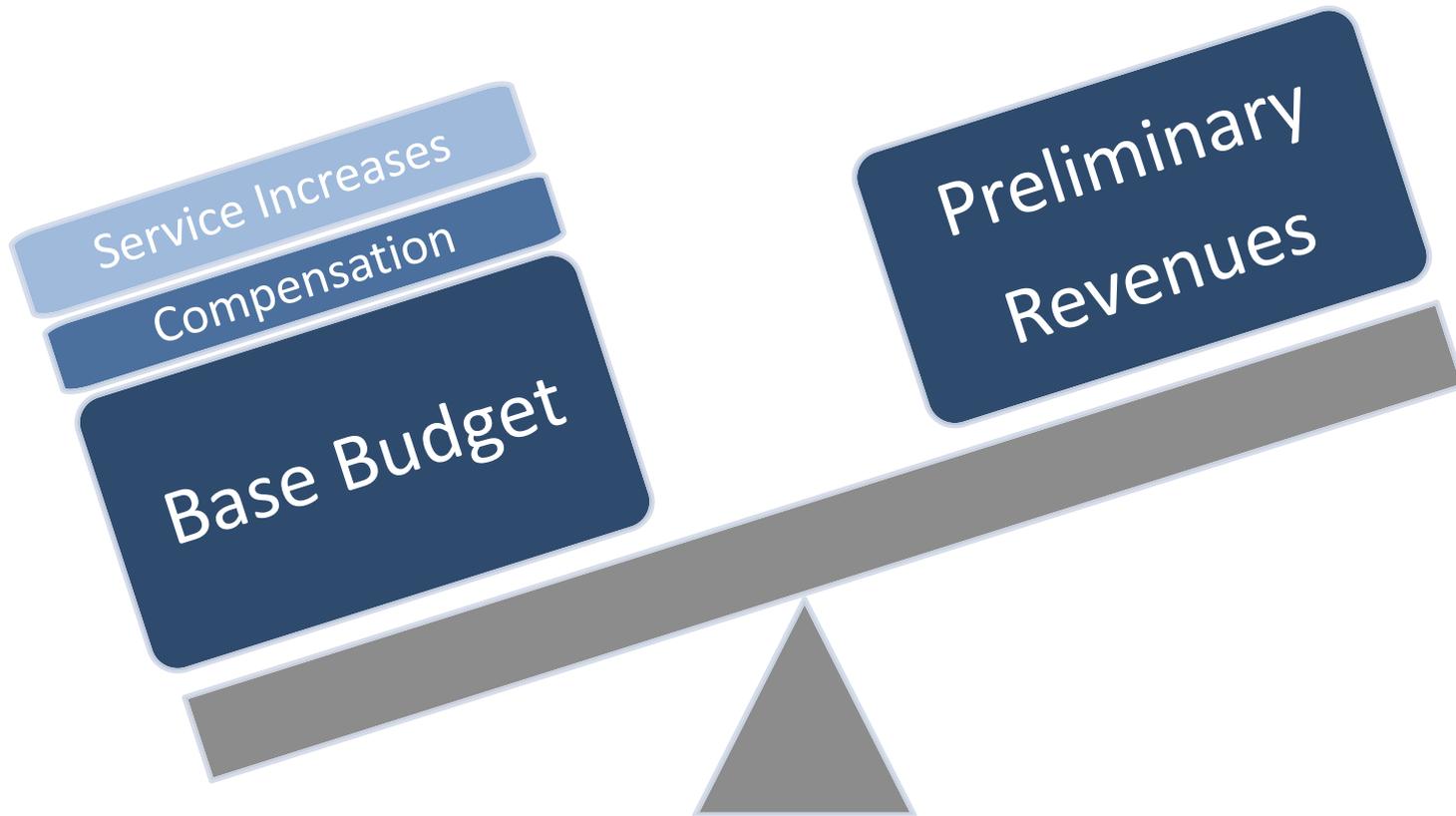
- Current Budget Status
- Budget Drivers
- Funding Needs
- Next Steps

Preliminary Budget Status



Base Budget: Estimated funding required to continue existing services.

Current Budget Status



Base Budget: Estimated funding required to continue existing services.

Additional Requests

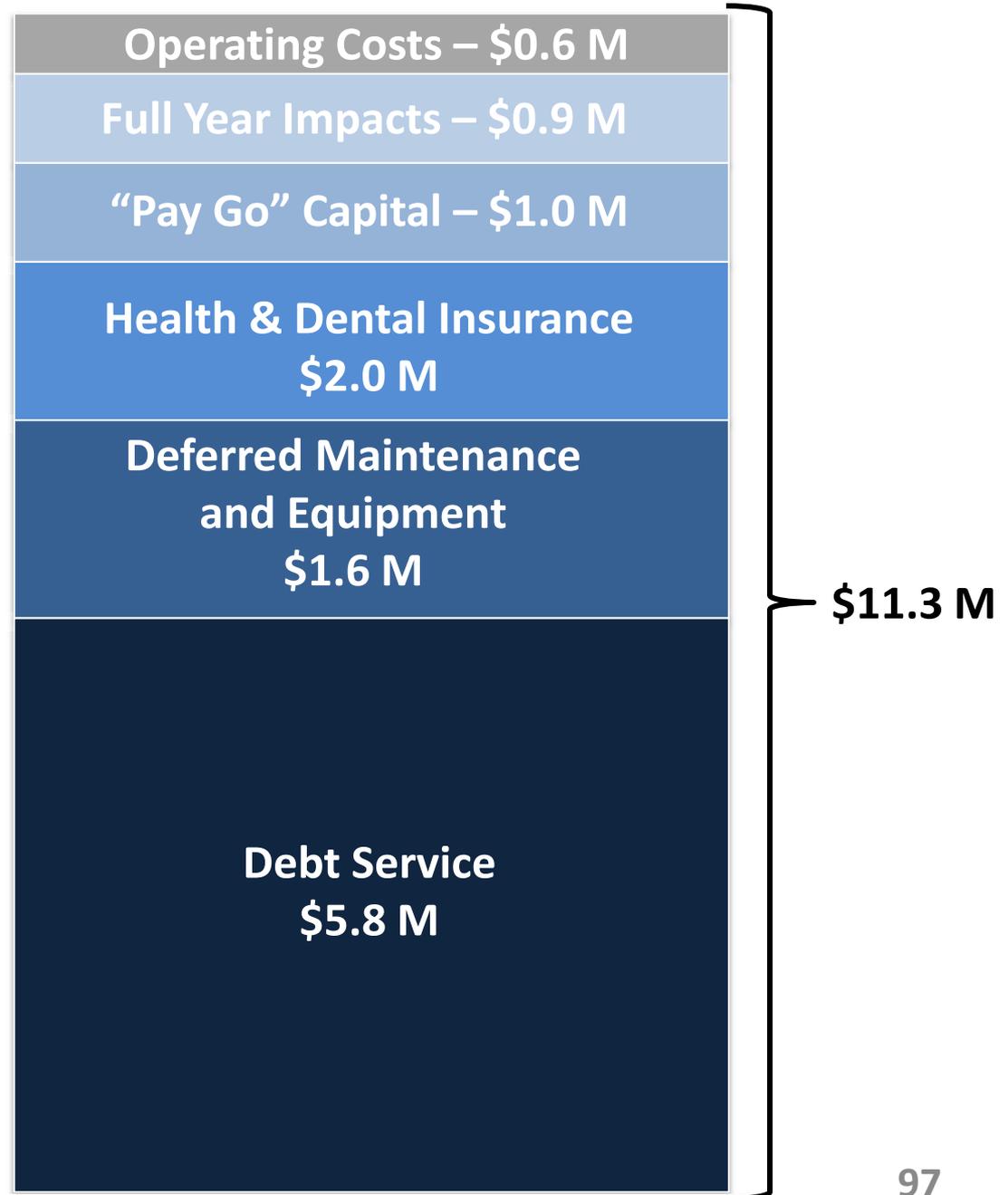
- \$24 million in additional department requests
 - \$3.5M to support operating impacts of capital projects (63 positions)
 - \$20.5 to respond to deferred maintenance and growth (140 positions)

Employee Compensation

- Competitive pay increase
 - 1% of salaries = \$1.9M
- FY2014-15 focus - review of pay, classification & employee performance systems

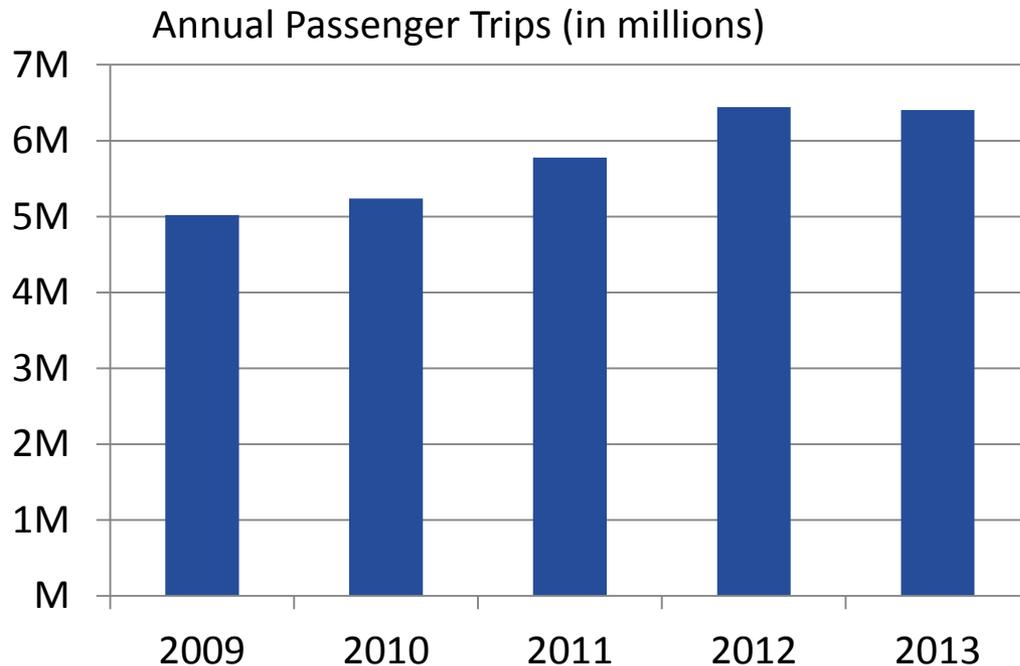
FY2014-15 BUDGET DRIVERS

FY2014-15 Budget Drivers



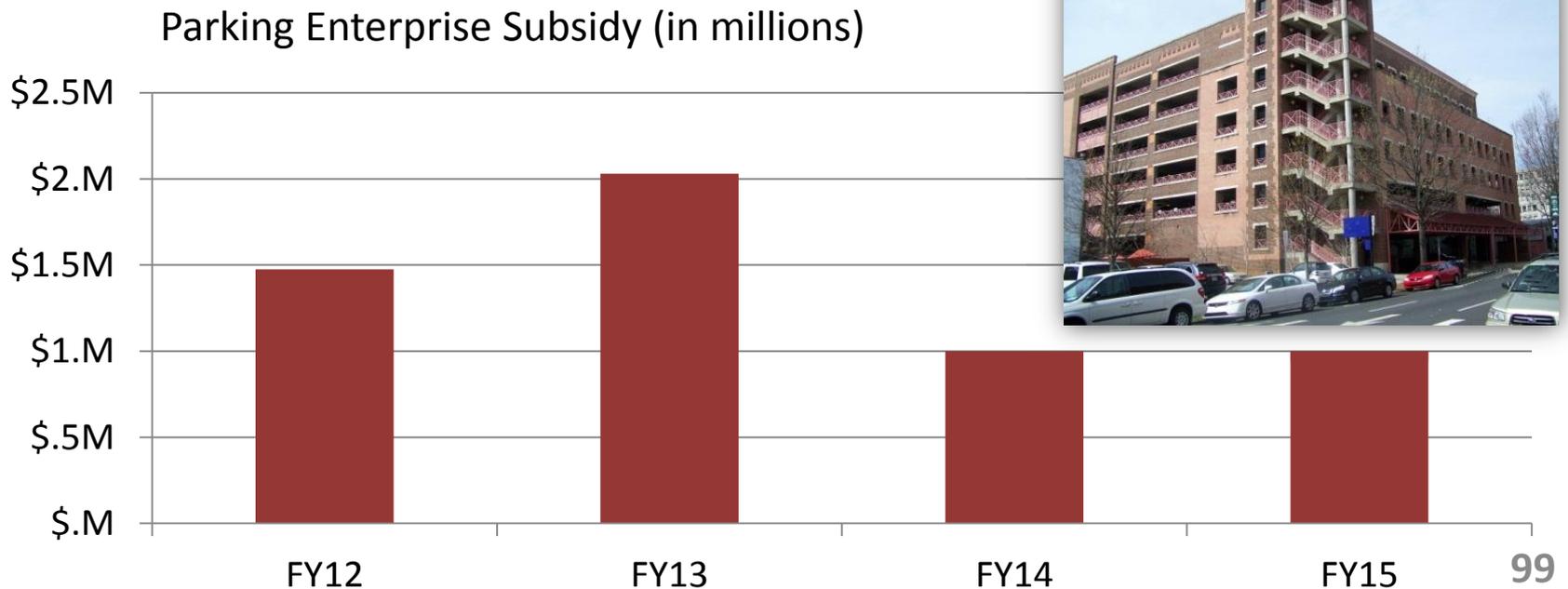
Transit Enterprise

- Phase 2 of Short Range Transit Plan (\$430k increase)



Parking Enterprise

- Projected level \$1M subsidy in FY2014-15
- Impacted by future development, interest rates and maintenance costs



FUNDING NEEDS

Enhance Public Safety

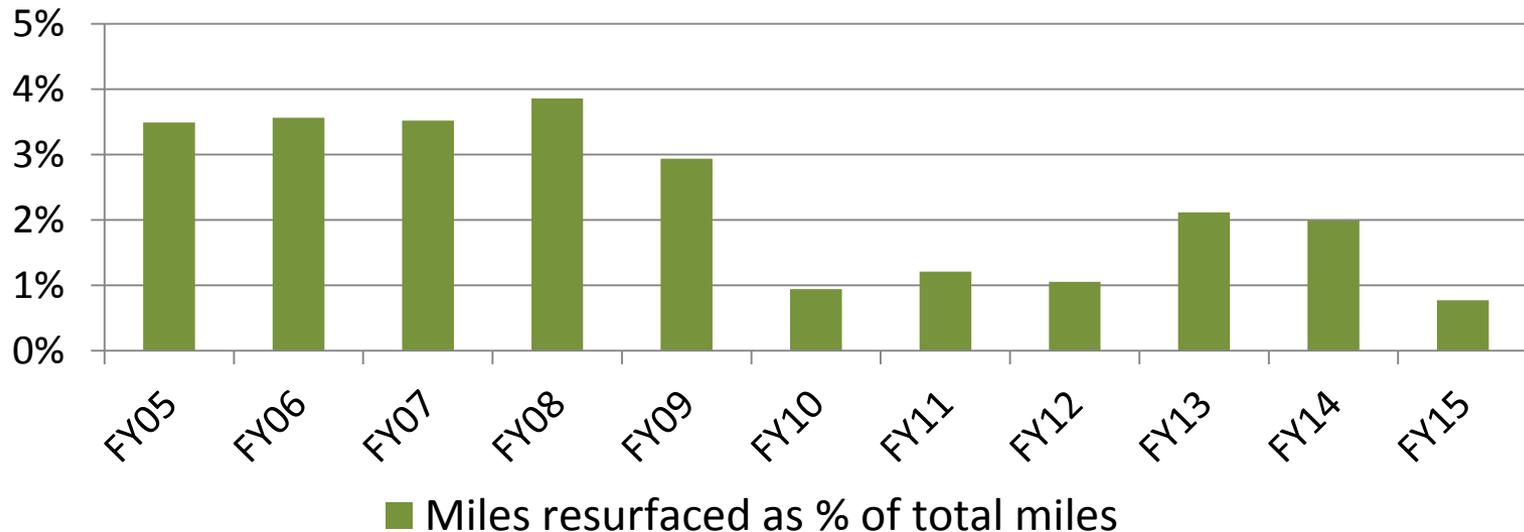


- 9 Police Officers (\$970k) to improve quality and effectiveness of existing police response
- Police 800Mhz radios (\$1M)
- 1 Engine and 1 Ladder company (\$2.3M) to open Fire Station 13



Road Resurfacing & Rebuilding

- Asphalt Crew (\$785k)
 - \$16.1M backlog of streets with alligator cracking
 - \$12M annual resurfacing to maintain
 - New crew would increase asphalt repair by 33%



Sidewalk Repair

- Concrete Crew (\$380k)
 - 800 miles of sidewalks
 - \$32M backlog of routine maintenance
 - 1,320 more panels of sidewalk could be replaced (33% increase)



Sidewalk needing repair

Staff New Facilities

- Horseshoe Farm Park
- Lake Johnson
Woodland Center
- Remote Operations
- Walnut Terrace Neighborhood Center



Horseshoe Farm Park



Lake Johnson Woodland Center

Other Key Funding Requests

- Special events manager
- Social media communications
- Strategic planning
- Internal audit
- Inspections
- Vehicle fleet maintenance



Solid Waste Cost Increases

- Equipment, maintenance & personnel driving increased costs (\$2.1M)



Solid Waste crew collects residential yard waste

EVALUATING OPTIONS

Revenues Under Review

- Development/Inspections Revenues
- Sales Tax Growth
- Property Tax Collection

Revenue Multipliers

- \$1 garbage fee = \$1.4 million
- \$1 recycling fee = \$2.2 million
- 1 cent on property tax = \$5.1 million

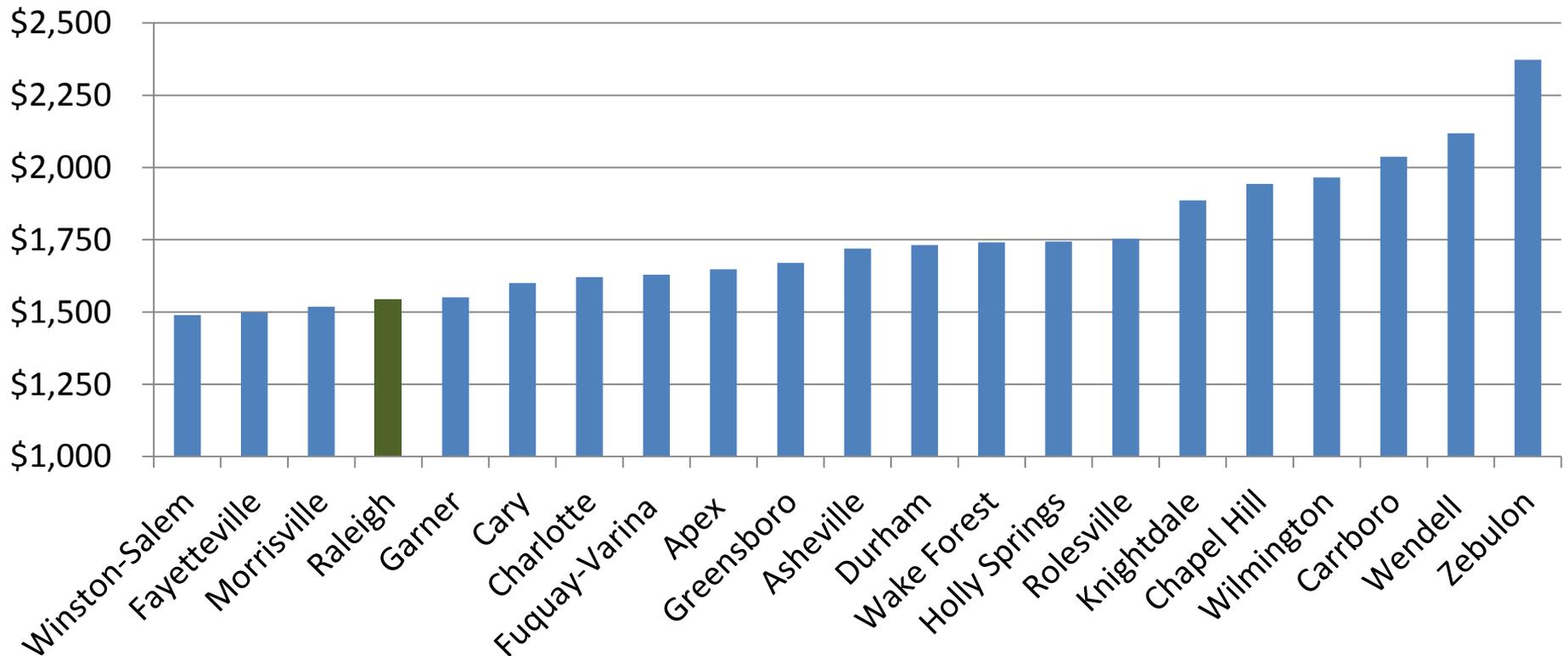
FY2014-15 Property Tax

- 1.12 cent property tax increase
 - 1.02 cent for transportation bond debt service
 - .10 cent for operating costs related to transportation bond

Competitive Cost for Services

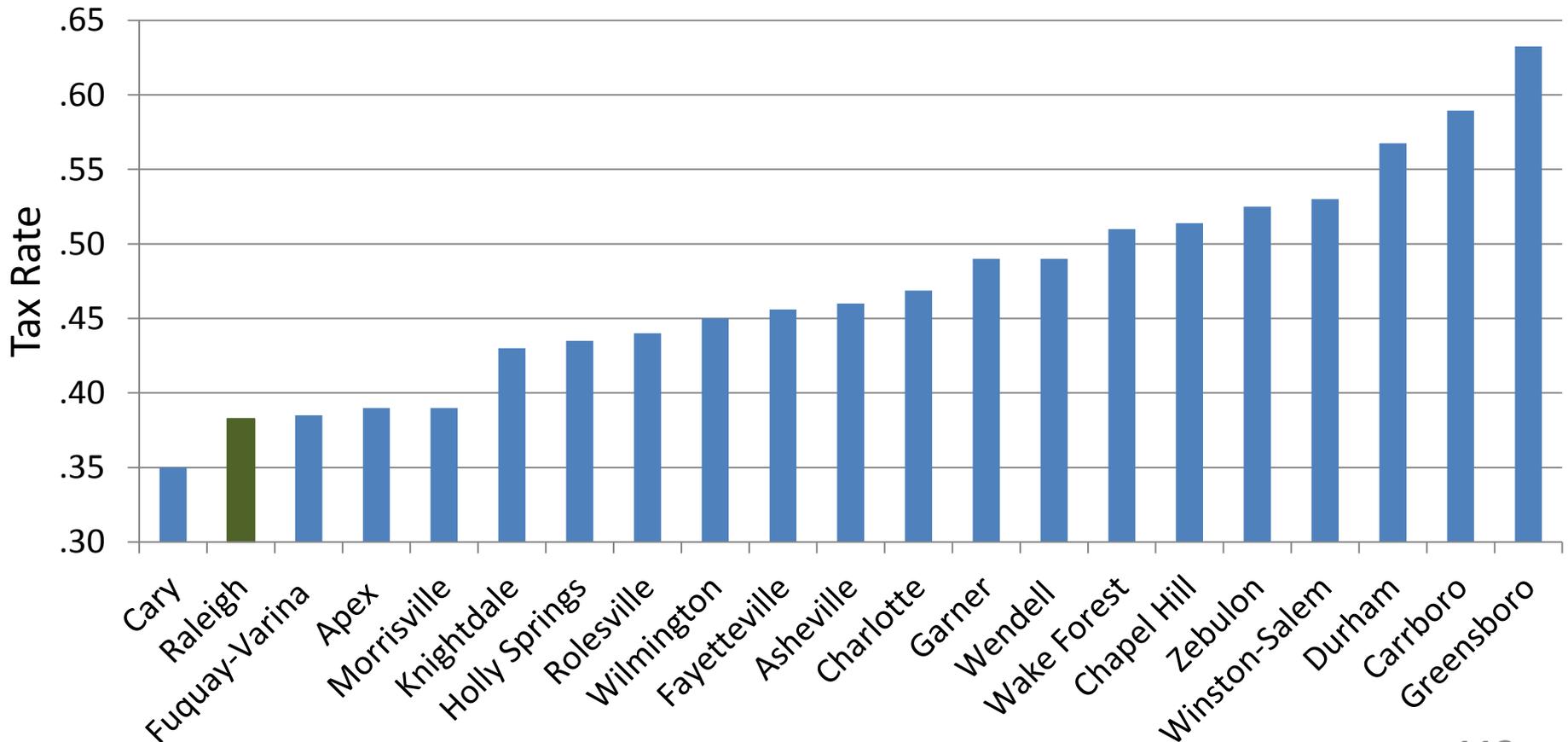
Annual property tax is based on a single family home valued at \$188,755. Annual water/sewer charges based on use of 4,500 gallons or 6 CCF per month.

Annual Customer Cost for Services FY2013-14



Competitive Property Taxes

FY2013-14 Property Tax Rates in Select NC Communities
(cents per \$100 of assessed property value)



NEXT STEPS

Timeline of Next Steps

- Proposed Budget presented May 20
- Public Hearing June 3
- Council Work Sessions in June
- Adopt FY2014-15 Budget by July 1