

STRATEGIC INVESTMENT

PROPOSED RALEIGH BUDGET FY2019

Dear Mayor and City Council Members,

I am pleased to present you with the Manager's Proposed Budget for Fiscal Year 2019 and the Proposed Five-year Capital Improvement Program for FY2019-FY2023. The proposed budget reflects continued strategic investments to support a high quality of life for our community.

Selecting which investments to include in the budget is never an easy task as it challenges us to meet the diverse needs of a vibrant, growing community within the confines of limited resources. The continued implementation of the Strategic Plan, a sharpened cross-departmental focus, and intentional use of data from the 2016 Community Survey and the FY2019 Resident Budget Priorities Survey assist us in completing such an important task with appropriate intentionality and thoughtfulness.

In this letter, I highlight how the proposed strategic investments in our Workforce, Operations, and Infrastructure advance established priorities.

REVENUE OUTLOOK

Selected investments must align with available resources. While the proposed budget reflects the benefit of being in a stable economy, it is prudent to acknowledge that the projected FY2019 revenue growth is not as robust as what we have seen in past years. The proposed budget assumes a regular property tax growth of 1.9%, or \$6.5 million. Property tax is the City's largest revenue source. In previous years, property tax revenue grew at an average of 2.5% to 3%. Included in the FY2019 proposed budget is a 1.29 cent property tax increase from 42.53 to 43.82 cents per \$100 valuation to support the voter approved 2017 Transportation Bond. Our budgeted sales tax revenue is estimated to increase by 5.2%, or \$5.1 million. The utility franchise tax growth has been declining over the past few years and this year's budget is 4.3%, or \$1.3 million, less than FY2018 budget. This number is more in line with current year projections as the state overall has seen a decline partly due to consumers choosing to discontinue the use of landline telephones. FY2018 was the first year of the revised Development Service user fees. Several of these fees have not performed as originally anticipated, and the FY2019 budget reflects a \$1.2 million reduction in anticipated revenues. Staff will continue to monitor these revenues and will be bringing City Council an overall report on the new Development Services fees later this year.

STRATEGIC INVESTMENT IN WORKFORCE

Dedicated, knowledgeable employees are the foundation of any organization, and the City of Raleigh is no different. The ability for the City to meet its Strategic Plan goal of *fostering a transparent, nimble organization of employees challenged to provide high quality, responsive,*

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and innovative services efficiently and effectively hinges on our ability to attract and retain a talented workforce. To that end since 2017, we have been addressing the Strategic Plan's initiative to "assess, develop, and adopt a total compensation philosophy and structure." Beginning with the development of a compensation philosophy to implementing new classification and pay structures, we have taken steps to position our organization as a competitive, desirable employer. The City is committed to investing in our employees and we have been directing our resources accordingly. Since 2017, the City's personnel and benefits budgets have increased 12%.

The proposed budget continues the pursuit of investing in our employees by funding step increases for our public safety and general step employees at 3% or 5% at an estimated cost of \$5.2M to ensure we stay competitive in the market. Broadband employees will be eligible for variable merit increases based on performance at an estimated cost of \$1.9M. In addition to funding the step advancement and broadband merit, the City's living wage rate is adjusted in accordance with the Council adopted living wage policy. The living wage applies to all regular, full-time employees. For FY2019, the living wage increases from \$28,621 to \$30,340. The proposed budget also includes additional compensation adjustments including the proposed change to delayed holidays for our public safety personnel. Eligible employees will accrue delayed holidays on an annual basis and any unused hours will be paid out to the employee at the end of the fiscal year.

The proposed budget maintains our highly competitive employee benefits package. Retirement and employee benefits are estimated to increase by 3% for FY2019. While some of the cost increase will be passed to employees through premium increases, the proposed budget has the City absorbing most of the increases. We are proposing increasing the monthly employee and retiree premiums for all plan types. Depending on plan type, increases will range from \$1 to \$18 per month. Increases would take effect on January 1, 2019. We propose no changes to out-of-pocket maximums and will maintain the no-premium employee-only plan that covers 36% of our employees.

STRATEGIC INVESTMENT IN OPERATIONS

Respondents to the FY2019 Resident Budget Priorities Survey noted public safety as a high priority. Additionally, one of the Strategic Plan's objectives is to *promote a positive level of real and perceived safety that reflects a thriving atmosphere in which to live, work, and play*. The proposed budget continues the City's strong support of public safety operations. Additional resources are provided to ensure that new police vehicles have the proper equipment and technology needed. Funding is also provided for the addition of a Deputy Police Chief which will allow the department to more effectively address operational and strategic needs and a Police Sergeant to support the Transit and Hospitality Unit.

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The proposed budget continues the City's commitment to modernize the Fire Department's fleet through the replacement of one engine and one ladder. Funding is also included in the Capital Improvement Program to finish the renovation of Fire Station 11 and a study to design an emergency vehicle operations course to meet the Fire Department's long-term driver education needs.

An engaged community is an effective community. City Council, City staff, and the community have all expressed an interest and a commitment to enhance how we partner and communicate. In support of our commitment, expressed as a Strategic Plan initiative to *strengthen neighborhood social fabric through community outreach, engagement, and communication*, the proposed budget includes two additional positions in the Communications Department. The positions will provide additional capacity in the City's ability to develop web, print, social media, and video materials that will assist with communication and engagement efforts. Additional resources are included to assist in implementing and maintaining a user-friendly and informative City website.

As others become more aware of the high quality of life Raleigh offers, the population will continue to grow with newcomers seeking to both partake in, and contribute to, its vibrancy. The City's Comprehensive Plan and Strategic Plan acknowledge the importance of *preserving and creating neighborhoods of choice and protecting our natural resources*. Investments in sustainability, protection of natural resources, and planning for neighborhoods and growth were all identified as high priorities in both the Community Survey and the Resident Budget Priorities Survey. The proposed budget includes investments that address these priorities.

To better manage continued growth in Raleigh, we are proposing adding three new positions in the Planning Department. We propose adding a Business Manager position to focus on streamlining processes and improving communication with City Council and the public. The proposed budget includes funding for an additional Senior Zoning Planner position which will increase staff capacity for comprehensive plan updates, text changes, and other special projects. Finally, we are proposing adding a Compliance and Inspections Supervisor position. This position will address increased demand for zoning compliance services, including night-time inspections. This position will also allow support work on land use resolution and property disputes.

Continued investment in the City's Stormwater program to assist in protecting our natural resources is included in the proposed budget. This year's budget proposes no changes to the Stormwater fee and adds six new positions through existing funds. New staff resources will enhance service and program delivery, expedite capital projects processes, and support the drainage assistance efforts.

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The Strategic Plan outlines our desire to have an *economy that supports large and small businesses, entrepreneurs, and a workforce of various ages, skill sets, and backgrounds*. The proposed budget includes investments to support these efforts, such as the addition of a Minority and Women Owned Business Enterprise (MWBE) Analyst who will provide additional capacity to increase the City's ability to engage and recruit MWBE business to work in and for the City of Raleigh.

The City's commitment to promote a clean, engaged community environment where people feel safe and enjoy access to community amenities that support a high quality of life is noted in the Strategic Plan. Raleigh residents have come to enjoy a nationally recognized parks and greenway system and with nearly 80% of the Resident Budget Priorities Survey respondents selecting parks, greenways, and athletic fields as a high priority, maintaining these treasures is important. The proposed budget continues the City's commitment to an enhanced quality of life through increasing funding levels for Parks, Recreation and Cultural Resources, responsible for maintaining and supporting over 10,000 acres of parkland, 120 miles of greenway trails and over 1.3 million square feet of facilities. Additional support includes:

- Funding to install public Wi-Fi at 11 community centers and pools.
- Additional funding for Dix Park for facility maintenance of structures the City of Raleigh is acquiring as part of the Dix Park Project. This funding is being used as a long-term plan is being developed.
- The Walnut Creek Athletic Complex is reopening in FY2019 following a significant renovation funded through the 2014 Parks Bond. Additional operational funding, including supplemental temporary staff to operate during the facility during tournament play is primarily funded through increased softball fees.
- For the first time in a decade, the City is increasing fees at Pullen Park and Chavis Park to improve user experience. Additional funds will support enhanced facility maintenance and additional temporary staffing as attendance continues to increase.

The proposed budget includes funding for the City's Strategic Plan Initiative Teams to implement activities and studies to continue to meet our established goals. Funding is included for the following:

- *Arts & Cultural Resources Initiative 2.4- Pop-up Studios-* The Strategic Plan appropriately challenges us to support and enhance arts, culture, and tourism activities throughout all geographical areas of Raleigh. Aligning with the Raleigh Arts Plan, the Pop-up Studio program, which launched in January 2018, was created to support and enhance arts and culture activities throughout all geographical areas of Raleigh. Pop-up Studios move into a City of Raleigh Parks, Recreation, and Cultural Resources' facility for two months, providing free visual arts programs and open studio time to all age groups. All materials are provided and all programs are free.

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- *Growth & Natural Resources Initiative 1.1-* Tree canopy study- The study will evaluate the urban built landscape impacts on water quality by focusing on the role of tree canopies and riparian buffers. Findings from the study will assist in strengthening the City's ability to encourage sustainable urban development.
- *Organizational Excellence Initiative 1.4-* Continuity of Operations Plan- Through a review of business continuity plans and resiliency principles, the study will assess the organization's ability to provide services during times of severe human, technological, or natural stress that can disrupt the performance of essential functions, capabilities, and services at all levels.
- *Safe, Vibrant & Healthy Community Initiative 1.2-* Crime Prevention through Environmental Design Training(CPTED)- Environmental factors such as access control, lighting, and visibility impact real and perceived safety. By employing Crime Prevention Through Environmental Design principles, the City of Raleigh can address environmental factors and quality of life issues at City-owned facilities. Increasing the number of CPTED certified staff will allow for more CPTED evaluations to be completed.
- *Transportation & Transit Initiative 4.2-* Connect Raleigh Speakers Series- The Strategic Plan includes an initiative to implement a speakers' series with national experts to educate our organization and community on strategic and innovative topics. As such, the "Connect Raleigh" lecture series features nationally known speakers who engage the community in dialogue about issues and topics related to Raleigh being one of the best places to live, work, and play.

STRATEGIC INVESTMENT IN INFRASTRUCTURE

As outlined in our Strategic Plan, the City seeks to *develop an equitable, citywide transportation network for pedestrians, cyclists, automobiles, and transit that is linked to regional municipalities, rail, and air hubs*. Further evidenced by the FY2019 Resident Budget Priorities Survey, the 2016 Community Survey, and the passing of the 2017 Transportation Bond, Raleigh residents have been clear and consistent – the development of a robust and diverse transportation network is of great importance. To that end, this proposed budget and five-year capital improvement program includes critical investments in our transportation network.

The transportation capital improvement program includes major investments in street construction, street improvements, pedestrian and bicycle projects, downtown parking improvements and general transit projects with \$109.6 million planned for FY2019. All capital projects are consistent with the adopted goals of the 2030 Comprehensive Plan and incorporate "Complete Streets" principles, integrating bicycle, pedestrian, and transit system elements into each project. In November 2017, voters approved a \$206.7 million transportation bond of which \$75.4 million will complete several major roadway projects that are currently in design stages. \$75.3 million is for new roadway projects and \$56 million is for citywide

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programs such as sidewalks and traffic management. Beginning in FY2019 the CIP will fund major street improvement projects including:

- Atlantic Avenue
- Barwell Road- South
- Blount-Pearson Two-Way Conversion
- Blue Ridge Road Widening
- Carolina Pines Avenue
- Leesville Road- Part B
- Marsh Creek Road
- Old Wake Forest Road-North & Dixie Forest
- Poole Road Widening
- Six Forks Corridor Improvements
- Trawick Road- West
- Tryon Road Part C
- West Street Extension- South

Recently, there has been concern about bridge repair and maintenance, as non-critical maintenance has often been deferred and consequently, bridges aged and experienced deterioration. In FY2019, these concerns are addressed with an investment of \$848,000 of City funds, which will leverage \$712,000 of federal formula grants to complete major bridge repair and bridge replacements.

To continue the city's investment in transit improvements, staff is coordinating with regional partners to implement the Wake Transit Plan. The FY2019 Wake Transit Work Plan balances the careful use of tax payer dollars with thoughtful investment in transit, supporting \$24M in capital projects in Raleigh. These projects include an East Raleigh transit center, a total of 16 new expansion buses and 13 replacement buses, as well as bus shelters and stop improvements.

Public Utilities continues to align resources with the City's Strategic Plan goal to *encourage a diverse, vibrant built environment that preserves and protects the community's natural resources while encouraging sustainable growth that complements existing development*. The proposed budget includes an increase in water and sewer volumetric rates equivalent to 3%, or \$1.68 per month, for an average customer (5 CCF per month with a 5/8" meter). There are no changes to water and sewer administrative charges, the watershed protection fee, the water infrastructure replacement charge, or the sewer infrastructure replacement charge. The fee increases will aid in replacing aging infrastructure within the utility system. Public Utilities plans to invest a total of \$1.75 billion in capital needs over the next 10 years, including \$139.1 million in FY2019. Projects funded in FY2019 include:

- Eight wastewater collection and treatment projects totaling \$168.6M, as recommended by the 2017 Wastewater Treatment Master Plan.
- Initial design funding for the rehabilitation or replacement of a large diameter sewer interceptor along the west bank of the Neuse River. Due to the length of the line and varying degrees of criticality, the project will be executed in two phases.

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- Funding for the facility construction portion of the Anaerobic Digester project, also known as Bioenergy Recovery.

Decent, affordable housing is a critical part of any community's health. Like many other large U.S. cities, Raleigh's housing costs continue to rise. The FY2019 Proposed Budget and Capital Improvement Program supports the adopted Affordable Housing Improvement Plan by programming \$22M for housing projects in FY2019. \$1.4M of this funding is an additional General Fund contribution. The additional funds will address both new construction and preservation affordable housing projects throughout Raleigh, with a total of 1,084 affordable housing units being added. Specific development communities have been identified – namely Sumner Pointe, Sumner Pointe II, The Pointe at Town Center, The Pointe at Town Center II, Capital Towers, Beacon Ridge, Hampton Spring, Walnut Trace, and Sir Walter.

CONCLUSION

In this proposed budget, we present you with important choices about the City's future. These choices were guided by established priorities and community feedback. When we are strategically focused on making intentional investments, we strengthen our ability to realize our vision of *pursuing world-class quality of life by actively collaborating with our community towards a fulfilling and inspired future for all.*

NEXT STEPS

As you review the proposed investments, please share with us any follow-up questions that may arise. We appreciate City Council's support throughout the budget process. And, we look forward to working with you on these important strategic investment decisions. To discuss the proposed budget, the City Council will hold a work session each Monday in June, beginning at 4pm in the Council Chamber. These weekly work sessions continue until the City Council adopts an annual operating budget and five-year capital program. We will hold a public hearing on the budget on Tuesday, June 5 at 7 pm.

Thank you,



Ruffin L. Hall, City Manager