

Dear Mayor and City Council Members,

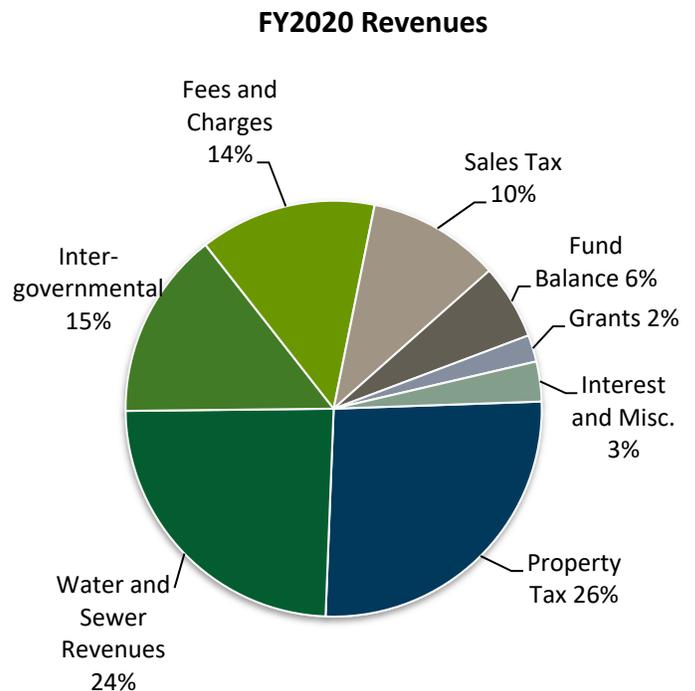
I am pleased to present you with the Manager’s Proposed Budget for Fiscal Year 2020 and the Proposed Five-year Capital Improvement Program (CIP) for FY2020-FY2024. The proposed budget reflects continued strategic investments to support a high quality of life for our community. The \$1.04 billion proposed budget is the culmination of prioritization, analysis and discussion that has included every City department and City Council Members.

Balancing a city budget is never easy, and this year’s budget process presented unique challenges as the service demands and growth pressures are outpacing our revenue growth. We took this opportunity to strengthen our foundation, prioritizing our commitments to employees and the community above the demands for new or expanded services. Working within the confines of limited resources, we carefully examined our community priorities articulated in the Strategic Plan, the 2018 Community Survey, and the FY2020 Resident Budget Priorities Survey, and used those to guide our choices.

In this letter, I highlight how the proposed budget strengthens our foundation in workforce, operations, and infrastructure to advance established priorities.

REVENUE OUTLOOK

While the City is experiencing continued growth, our revenue forecast did not match that growth. During the FY2020 budget development process, staff analyzed several areas where revenues were not performing as strongly as they had in the past and refined those estimates to better align with actual experience. The proposed budget does not include a property tax increase and maintains the current rate of 43.82 cents per \$100 valuation. The budget assumes regular property tax growth of \$5.6 million more than the FY2019 budgeted amount of \$265.8 million for a total of \$271.4 million, a budgeted growth rate of 2.1%. The impacts of the FY2017 sales tax redistribution have led to slower annual growth in sales tax, and the City’s sales tax growth has been lower than the state average



since the change. Our budgeted sales tax revenue is estimated to increase by \$2.5 million in FY2020 to \$106.6 million. The utility franchise tax is outperforming projections in FY2019 and is growing by 7.7% in FY2020, for a total of \$30.3 million.

The proposed budget includes an increase in the monthly sewer administrative charge of \$0.75 which will align the sewer base rate charges to cost recovery based on the cost of service study that Public Utilities completed this year. Solid Waste is proposing a \$1.50 increase per month which will assist in stabilizing the current level of service. The proposed budget also includes various downtown parking rate increases that are part of a two-year phased approach to shift prices to market rates. The proposed changes are for on-street, off-street and monthly parking.

STRENGTHENING OUR FOUNDATION IN WORKFORCE

The proposed budget continues the pursuit of investing in our employees to meet the Strategic Plan goal of *fostering a transparent, nimble organization of employees challenged to provide high quality, responsive, and innovative services efficiently and effectively*. In FY2020, funding is included to provide annual merit increases for our public safety open range and general step employees at 3% or 5% at an estimated cost of \$5.3 million, ensuring we reward performance and stay competitive in the market. Broadband employees will be eligible for variable merit increases based on performance at an estimated cost of \$2.5 million. 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 permanent, full-time employees. For FY2020, the living wage increases from \$30,340 to \$32,090. The proposed budget also includes additional compensation adjustments, including implementing the new public safety open range pay structure and the results of the one-third market review study.

The proposed budget also maintains our highly competitive employee benefits package. Employee and retiree health claims are estimated to increase by 6.9% for FY2020. While some of the cost increase will be passed to employees through premium increases, in the proposed budget the City is absorbing most of the increases. We propose increasing the monthly employee and retiree premiums for all plan types. Depending on plan type, increases will range from \$0 to \$32 per month. We will also increase the non-compliance rates by \$5 per month for employees who opt not to complete the Annual Wellness Assessment or meet the non-tobacco use requirements. Premium increases will take effect on January 1, 2020. We propose no changes to out-of-pocket maximums and will maintain the no-premium employee-only plan that covers 34% of our employees.

All regular full-time employees are covered under the North Carolina Local Governmental Employees' Retirement System (NCLGERS). Employees contribute 6% of their annual salary on a tax-deferred basis. The LGERS Board of Trustees voted to increase employer contributions by

1.2% annually through FY2022 to ensure the pension system is sufficiently funded. For FY2020, contributions increase from 7.75% to 8.95% for regular, full-time employees and from 8.50% to 9.70% for sworn law enforcement employees, totaling \$3 million. The NCLGERS Board has not recommended any changes to the employee contribution.

STRENGTHENING OUR FOUNDATION IN OPERATIONS

With limited new resources available for the fiscal year, this budget focuses on strengthening our foundation and funding our prior commitments. The proposed budget continues our investments in public safety, replacing outdated water and trench rescue equipment in the Fire Department and continuing our fire apparatus replacement plan, with two engines being replaced in FY2020. Funding is also included to expedite police vehicle upfit and to facilitate the opening of the Police Department's new southeast district station on Rock Quarry Road.



The proposed budget also includes six new positions funded through the 2014 Parks Bond and the 2017 Transportation Bond to support project implementation. Four positions are added to Parks, Recreation, & Cultural Resources for expanded service levels and programming for bond funded projects at Walnut Creek Wetlands Center, Kiwanis and Eastgate parks. Two Senior Engineering Specialists are included in Engineering Services to provide inspection services for bond-related projects.

In the 2018 Community Survey, community members identified managing growth as a high priority for investment. To respond to a growing, vibrant city and enhance customer service, a Plans Reviewer for current planning and an Assistant Chief for Multi-Trade Inspections are added to Development Services and funded with development fees. A new Planning Supervisor is included in City Planning to add capacity and additional oversight for ensuring plan review accuracy, consistent interpretation of the development code, and the development of relevant training. Beyond the planning and development arenas, we continue to experience growth in our parks system and city facilities. A Senior Trades Maintenance Specialist is added to Engineering Services to support City-owned facility growth, and a Maintenance Technician is added in Parks, Recreation, and Cultural Resources in response to City park growth, including Moore Square and Dorothea Dix Park.

Community engagement and communications continue to be priorities for City Council, City staff, and the community. 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 a Senior Community Relations Analyst in Housing and Neighborhoods to support the Human Relations Commission and community relations. Funding is also included for front-end web development services to assist with providing a cohesive web presence for web applications across the City and to replace aging recording equipment in the Council Chamber to ensure reliable, high-quality broadcasting of public meetings.

The proposed budget also continues 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:

- *Safe, Vibrant & Healthy Community 1.1* - Safety during Public Events – The Strategic Plan includes an initiative to ensure safety at special events. Funding is included to purchase portable barricades that can be deployed at special events to protect citizens and visitors.
- *Safe, Vibrant & Healthy Community 4.1* – Active Aging – The Strategic Plan includes an initiative to promote healthy and active aging in place. Funding is provided for a pilot creative arts program that provides opportunities for active adults to learn art, engage their creative skill sets and develop friendships.
- *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.

STRENGTHENING OUR FOUNDATION IN INFRASTRUCTURE

As the City of Raleigh continues to grow, maintaining an efficient and well-connected transportation system that supports multimodal forms of transportation is a key area of the capital program. The FY2020-2024 Capital Improvement Program (CIP) continues a strong investment in the Transit system, with \$45.8 million in FY2020 to support bus rapid transit,



expand bus routes and improve transportation amenities. The FY2020 CIP also continues investment from the 2017 Transportation Bond, including major catalytic and street improvements. Programmed projects in FY2020 include \$7.2 million for Blount-Person Two-Way conversion, \$8.6 million for Old Wake Forrest widening, \$9.1 million for Poole Road widening, \$9.5 million for Six Forks corridor improvements, and \$7.8 million for Tryon Road Part C. In addition to planned

corridor improvements, \$12.1 million is programmed for continuous improvements of existing streets, including \$7.3 million in street resurfacing. As the parking system continues modernization efforts, the City is investing \$2.6 million in structure restoration and improvements and \$750,000 in future parking supply creation.

The City of Raleigh continues to prioritize affordable housing development, expanding the use of the 4% tax credit for affordable housing allocated through the North Carolina Housing Finance Agency (NCHFA) and providing the gap funding with the one cent property tax previously allocated toward affordable housing development. The CIP programs \$6.1 million towards developing 645 family or elderly units in FY2020. In addition to affordable housing, the CIP continues to fund homeowner and neighborhood rehabilitation initiatives (\$1.8 million).

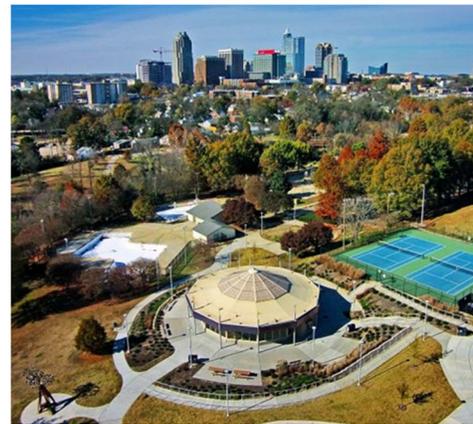


The FY2020-2024 Capital Improvement Program (CIP) also invests in public facilities, including \$15.6 million in funding for the replacement of Fire Station 1. The CIP also programs the remaining funds over the next three years for the Civic Campus project to accommodate staff growth and consolidate facilities in downtown. The City has programmed \$4 million in funding for facility maintenance and upgrades in FY2020.

As indicated in the 2018 Community Survey, community members value efforts to protect the City's natural resources and environment, including the water quality of local streams and

lakes. The stormwater capital improvement program includes \$8.1 million in FY2020 for projects that will fund efforts such as lake preservation, water quality improvement, stream restoration, stormwater system repairs, watershed planning, stormwater control measures and dam repairs, drainage improvements, and flood mitigation. Public Utilities' capital program aligns resources with the 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 CIP includes \$75 million in funding for the rehabilitation or replacement of a large diameter sewer interceptor along the west bank of the Neuse River, a project that will be executed in two phases due to the length of the line. An additional \$34 million is programmed for the rehabilitation and replacement of the wastewater collection system through main replacements.

The City continues investment in our parks and recreation system. The FY2020 CIP includes the last year of scheduled funding of 2014 Parks Bond projects. In addition to the bond, the General Fund is investing \$4 million to sustain and maintain a maturing Parks, Recreation and Cultural Resources system. Major projects include \$2.5 million in greenway improvements and repairs, \$1.65 million for Brentwood Park improvements, \$1 million for John Chavis Memorial Park, \$1.2 million to complete Laurel Hills Community Center renovations, \$855,000 to complete renovations at the Walnut Creek Softball complex, \$200,000 in playground improvements, and \$1.7 million in maintenance and repairs at park facilities.



John Chavis Memorial Park

Local governments in North Carolina can borrow up to two-thirds of the bond debt paid off in the previous fiscal year. Authorized uses, based on general obligation bonds approved by voters in previous fiscal years, include public safety facilities, affordable housing, parks and recreation facilities, and street improvements. For FY2020, the City of Raleigh has capacity to borrow \$17.2M. Programmed projects included in the CIP utilizing this funding mechanism include \$4.7M in affordable housing development to assist in meeting the City's goal of 5,700 units over ten years, \$2.5M in greenway improvements including stabilization of the Crabtree Greenway, \$850K for generators at police substations, \$750K for land acquisition for an emergency vehicle operations course, and \$400K for a grant match to support a \$1.6M federal grant to replace aging bridges.

CONCLUSION

In this proposed budget, we present you with important investments for the City's future. These investments were directed by established priorities and community feedback and reviewed against our limited resources available. Our vision of *pursuing world-class quality of life by actively collaborating with our community towards a fulfilling and inspired future for all* guided us in critically evaluating our opportunities and challenges, and this budget invests in our identified priorities and strengthens our City's foundation.

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 policy 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. A public hearing will be held on the budget on Tuesday, June 4 at 7 pm.

Thank you,



Ruffin L. Hall
City Manager