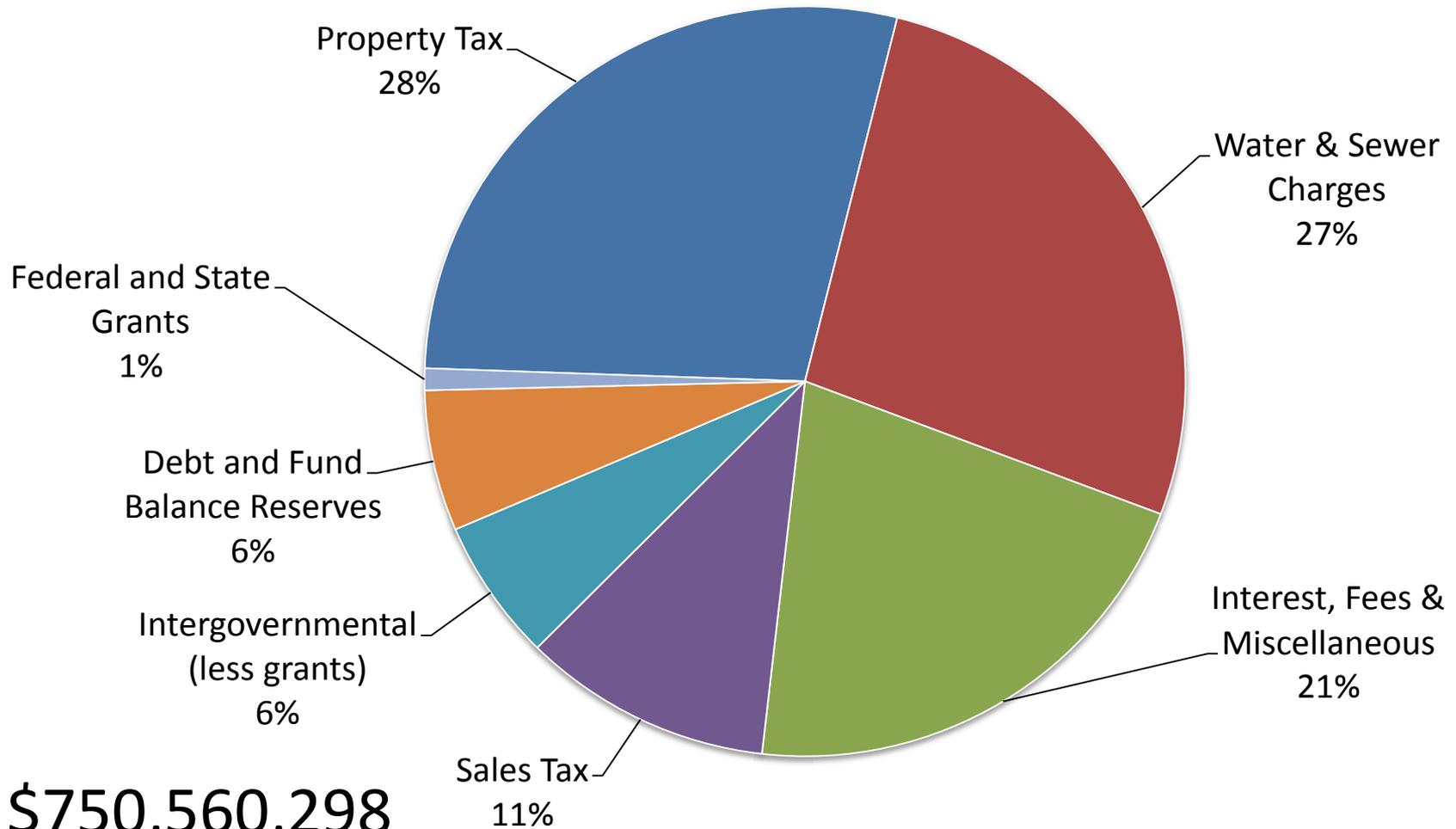




May 20, 2014

# FY15 Operating and Capital Proposed Budget

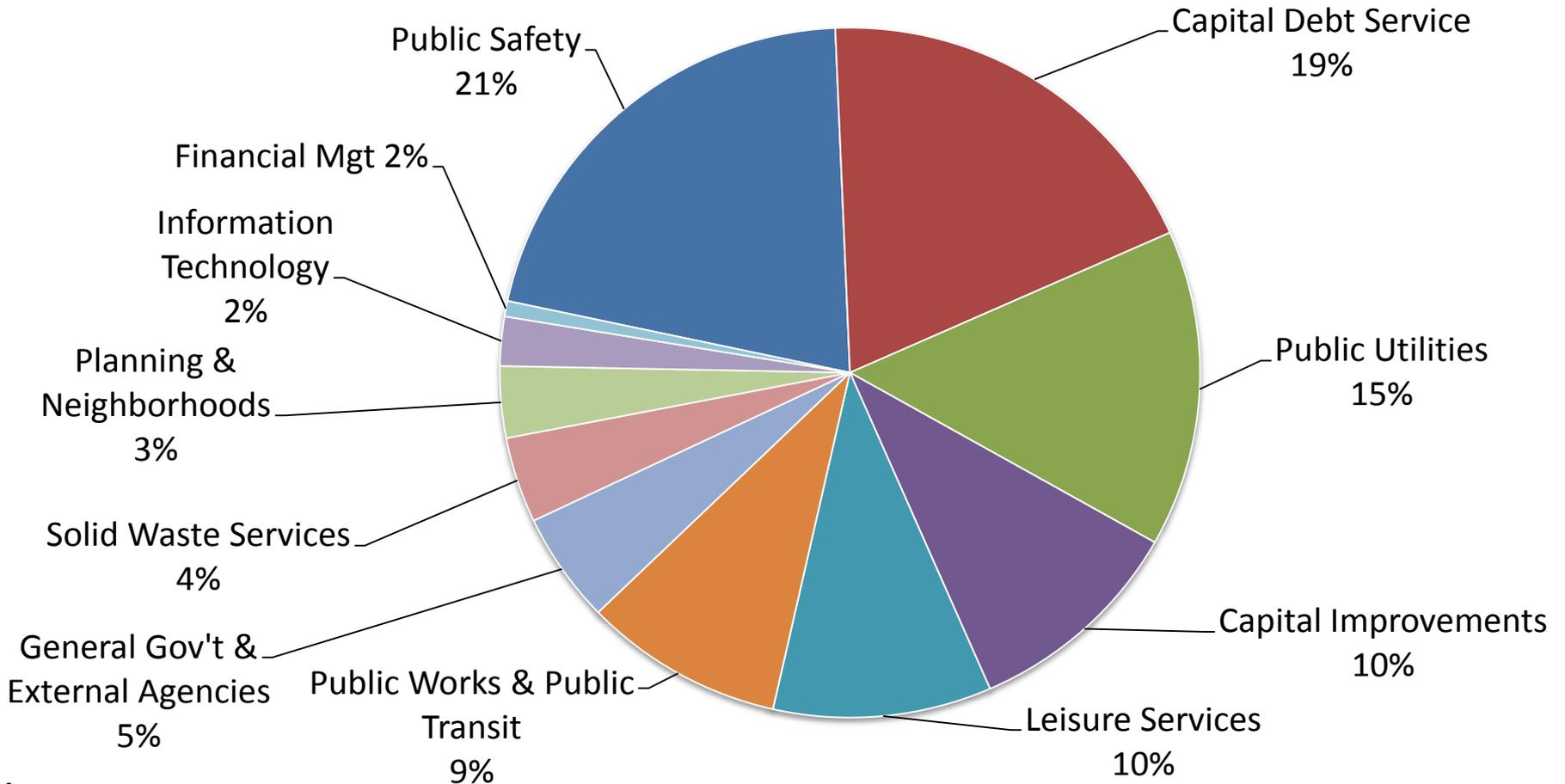
# Total FY15 Revenue



**\$750,560,298**

(Net of Interfund Transfers)

# Total FY15 Expenditures



**\$750,560,298**

(Net of Interfund Transfers)

# Overview

- Revenue and Economic Outlook
- Expenditure Highlights
- Enterprises
- Five-Year Capital Improvement Program
- Next Steps

# FY15 Budget Themes

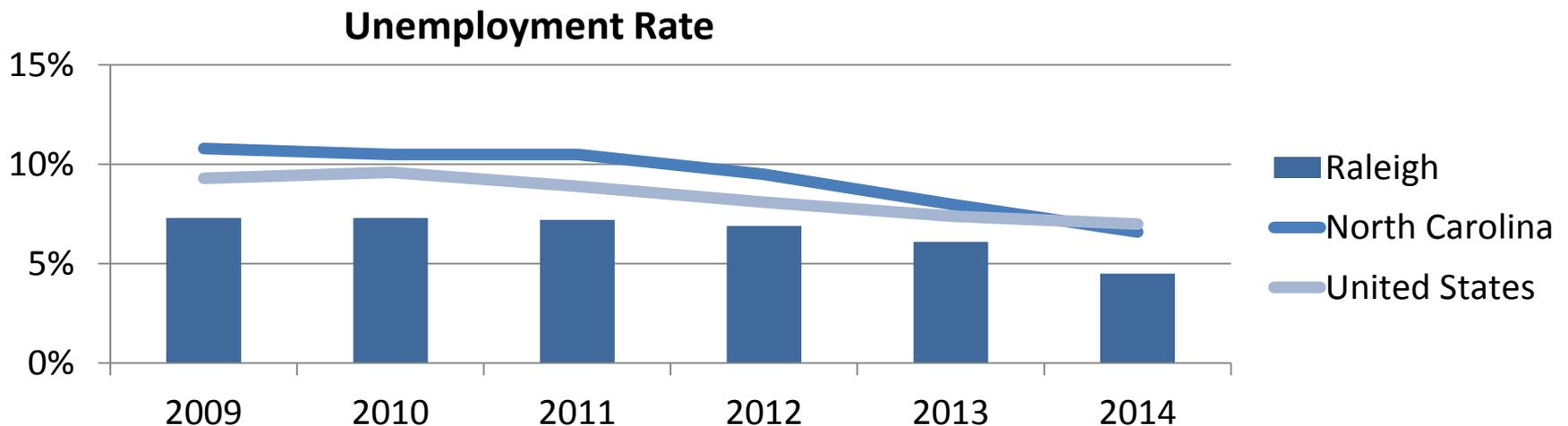
- Rebuild Core Service Delivery
- Open Facilities to Improve Services
- Invest in Deferred Capital and Maintenance
- Improve Business Processes and Realign Resources
- Invest in Employees

Property tax base growth, strong sales taxes, continued development

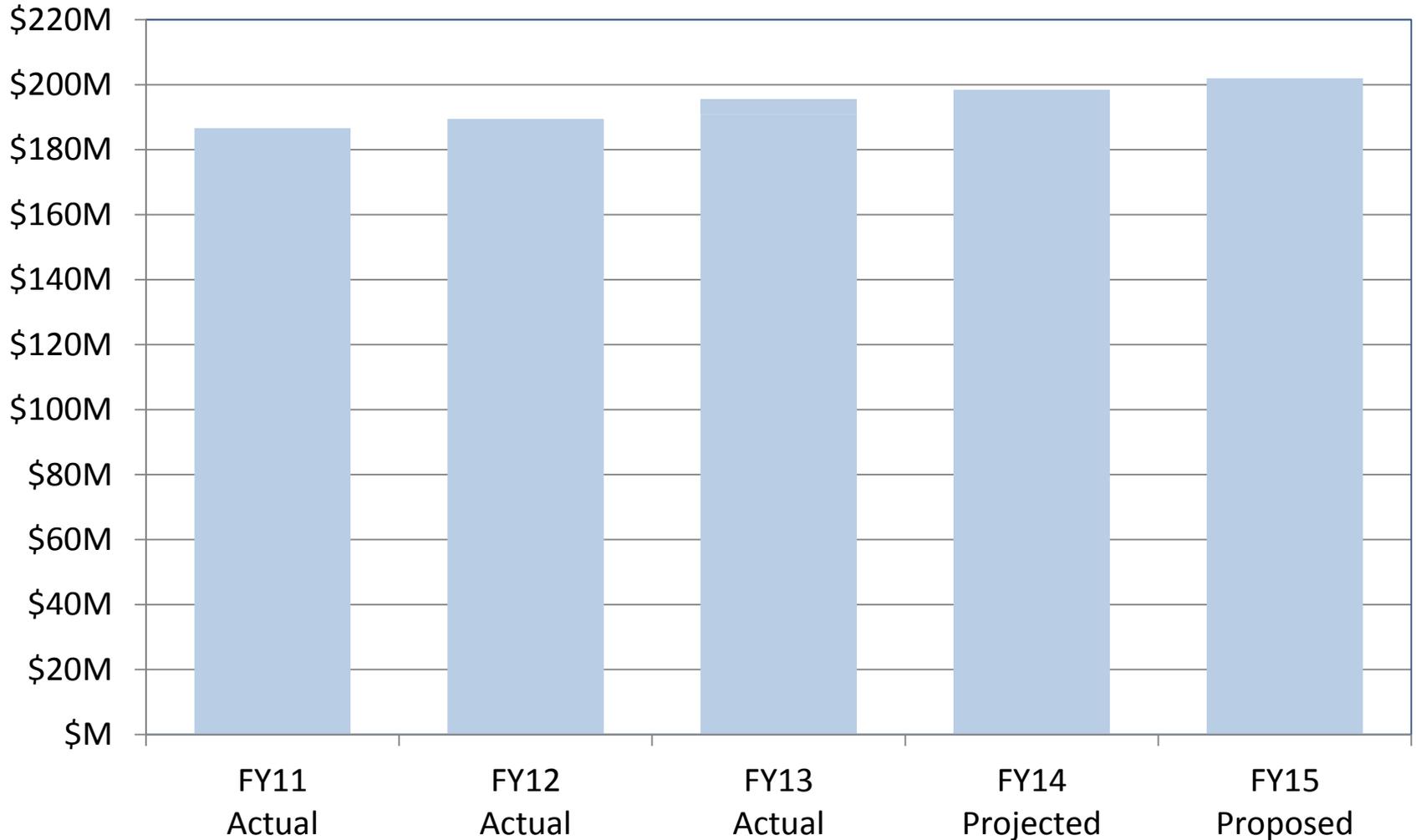
# **GENERAL FUND REVENUE HIGHLIGHTS**

# Economic Overview

- Rebounding economy
- Development intensifying
- Unemployment continues to drop
- Home sales picking up



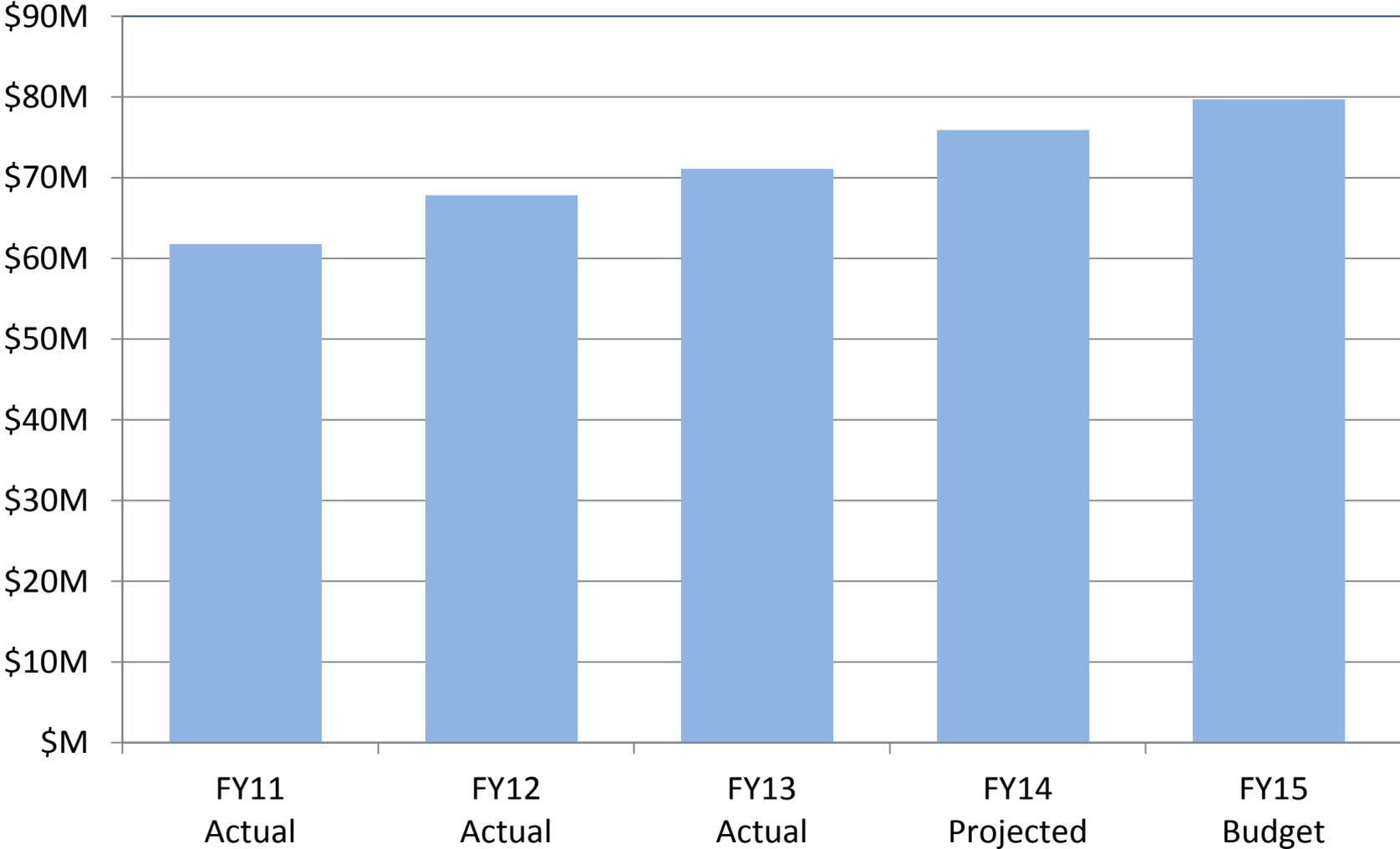
# Property Tax Revenue



# Property Tax Growth

- Growth increasing revenues \$3.5M (1.7%)
  - Increasing commercial, mixed use and multi-family development
  - Historically, 4.4% average growth for the 15 year period ending in FY13

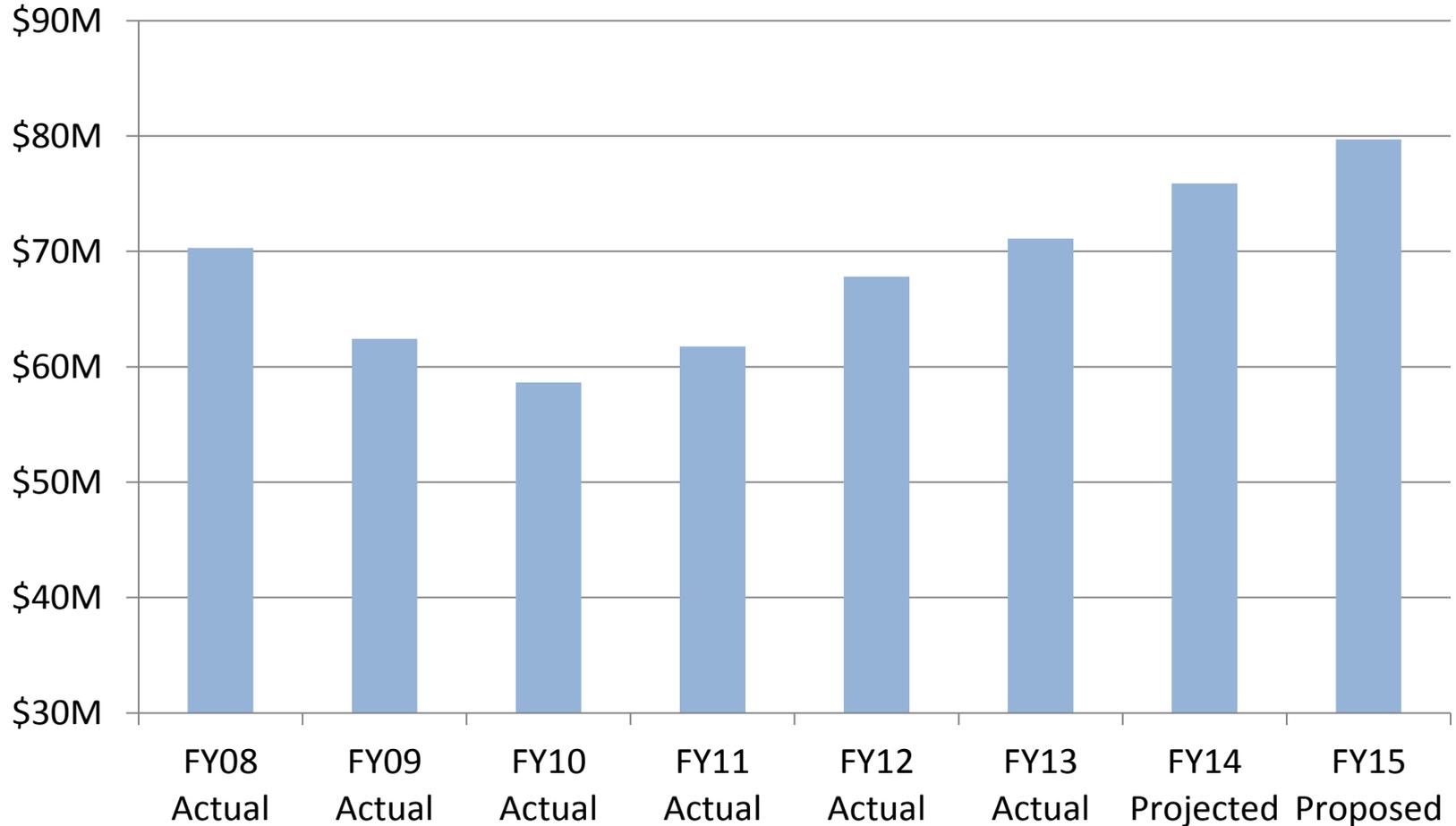
# Sales Tax Revenue



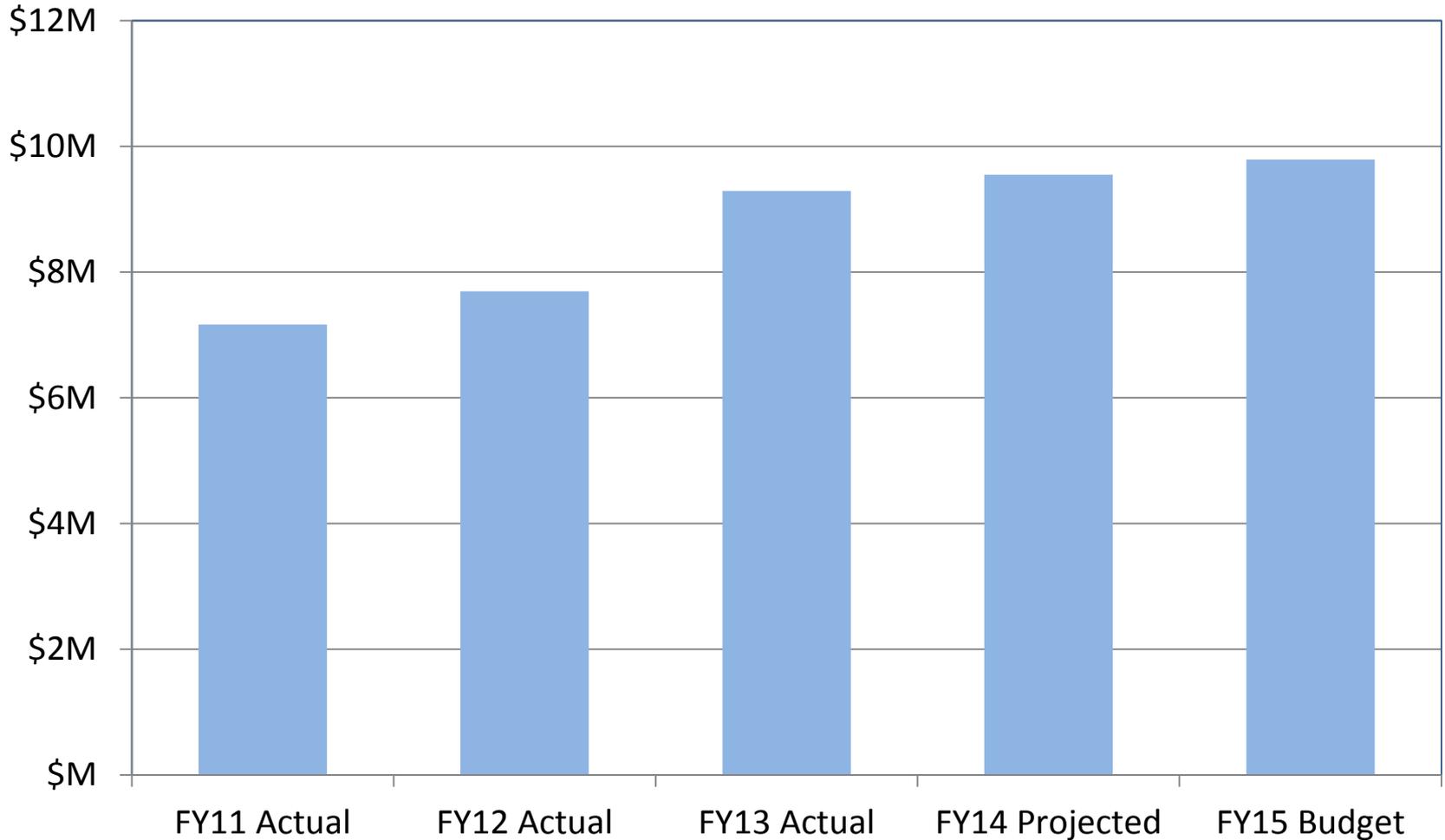
# Sales Tax Revenue

- State legislative research estimates tax reform will expand sales tax base (\$750k)
- Amazon to pay sales tax (\$300k)
- 7.4% total sales tax growth from \$74.2M to \$79.7M

# Sales Tax History

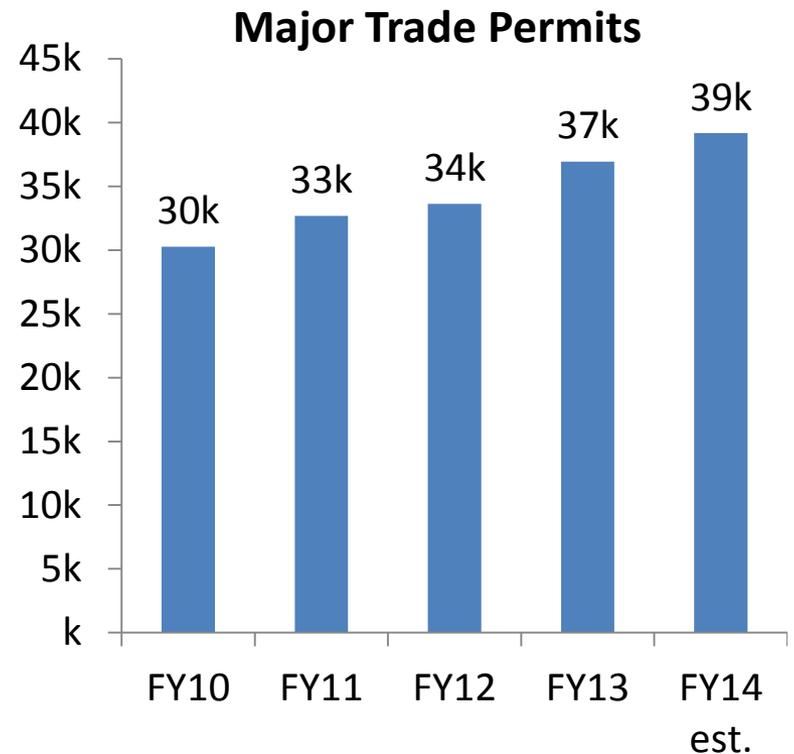


# Inspections and Development Revenues



# Inspections and Development Activity

- Permit and inspections activity continues to pick up from the recession



Rebuild Core Service Delivery; Open Facilities;  
Invest in Deferred Capital and Maintenance;  
Improve Business Processes; Invest in Employees

# **EXPENDITURE HIGHLIGHTS**

# Rebuild Core Service Delivery

- Respond to Development
  - Add inspectors, overtime to respond to development backlog and growth (\$245k)
  - Land Management system to improve development-related services



# Rebuild Core Service Delivery

- 800 miles of sidewalks
- New Concrete Crew (\$380k)
  - Adds 1 crew (5 positions) for 4 total crews
  - 800 miles of sidewalks
  - \$32M backlog of routine maintenance
  - Replace 1,320 more panels of sidewalk, a 33% increase



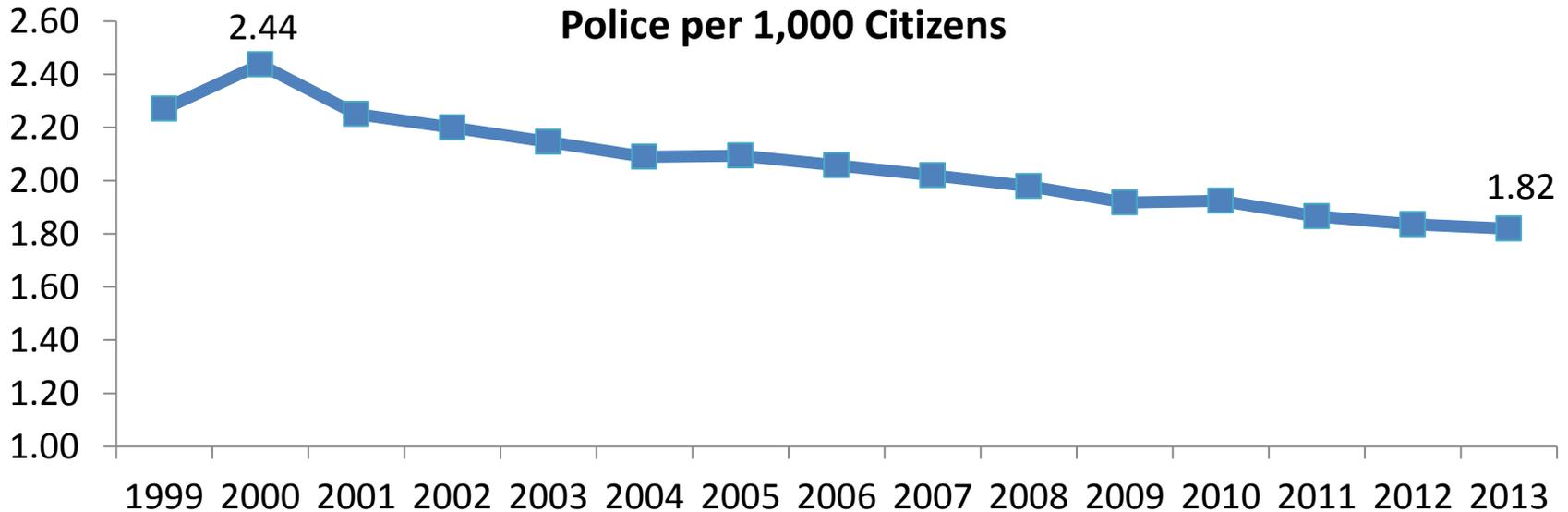
# Rebuild Core Services Delivery

- New Asphalt Crew (\$785k)
  - City crews address major repairs
  - Adds one crew (5 positions) for 4 total crews
  - Prior to the recession, Raleigh had 5 crews
  - Install 4,000 more tons of asphalt (33% increase)



# Rebuild Core Service Delivery

- 9 Police Officers (\$657k) to improve quality and effectiveness of existing police response
- Police 800Mhz radios (\$1.2M)



# Sworn Police Officers

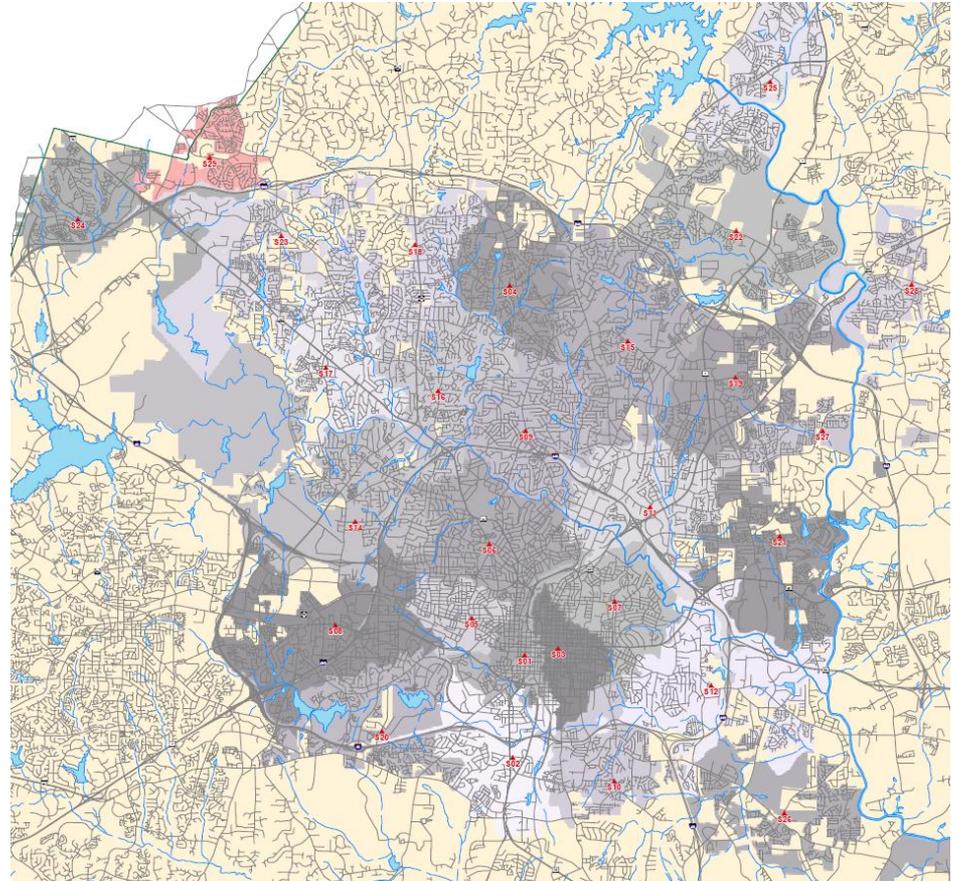
- Raleigh has not added police since 2008, except for several grant positions

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Population (Thousands)	276.1	302.6	313.7	322.0	332.7	347.6	362.5	378.2	392.6	405.2	403.9	416.5	423.2	430.0
Land Area (Sq Miles)	119	124	126	128	131	133	134	140	141	143	144	144	144	146
Number of Sworn Officers	673	681	690	691	695	728	746	764	777	777	777	777	777	782
Officers per 1,000 Citizens	2.44	2.25	2.20	2.15	2.09	2.09	2.06	2.02	1.98	1.92	1.92	1.87	1.84	1.82

\*Note: 5 grant funded positions added in 2013 for formation of a DWI enforcement squad.

# Improve Fire Coverage and Response

- Open Fire Station 29 in December 2014
- Adds two companies — engine and ladder (\$3.22M)
- 3,900 properties within 4 min service area
- First fire station since FY07



# Open New Facilities

- Opened or expanded 24 parks facilities since FY10
- Opening in FY15
  - Horseshoe Farm Park
  - Lake Johnson Woodland Center
  - Northeast Remote Operations
  - Walnut Terrace Neighborhood Center



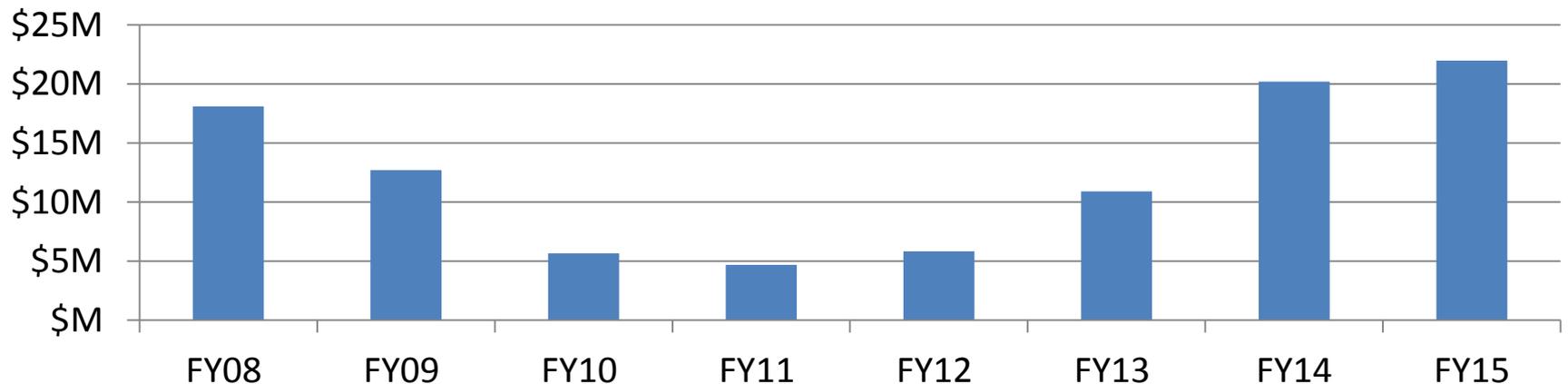
Horseshoe Farm Park



Lake Johnson Woodland Center

# Deferred Capital Maintenance and Replacement

- Replace aging equipment to support Police, Fire, Public Works, Solid Waste, Public Utilities, etc. (\$21.9M)
- Expand Vehicle Fleet Services staffing to maintain city's investment in rolling stock



# Street Resurfacing

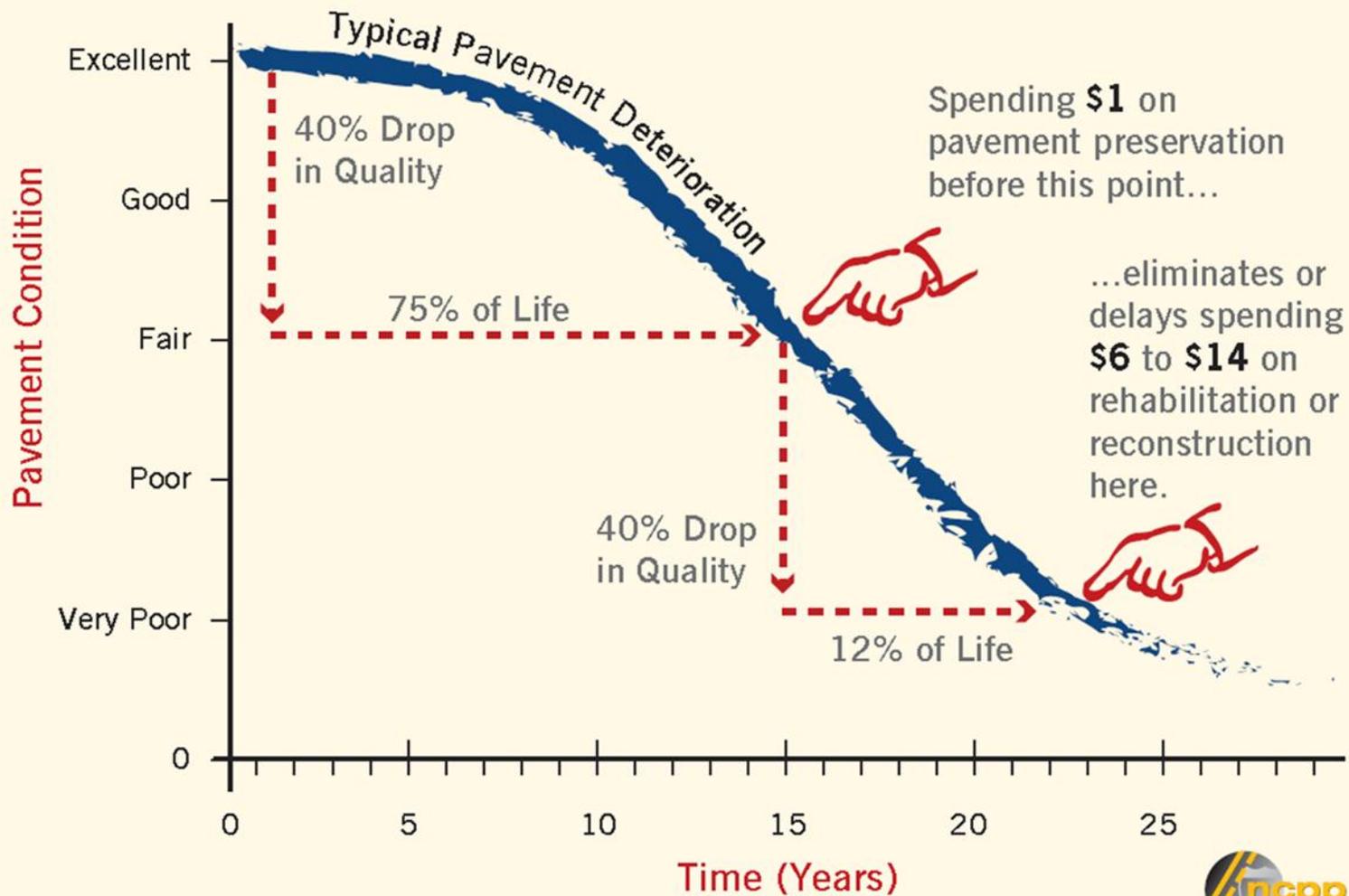
- City maintains 1,055 miles
- Repairs include:
  - Asphalt failures
  - Utility cuts
  - Curb and gutter repairs and ADA Ramps



# Street Resurfacing

- 10% of city roads currently do not meet minimum standard (80 out of 100)
- Base CIP provides \$2M annually
  - Would resurface less than 1% of miles annually (8-10 miles)
- Streets deteriorate faster than resurfacing schedule
- Current resurfacing cycle hits each street every 100+ years

# PAVEMENT PRESERVATION IS COST EFFECTIVE



Source: National Center for Pavement Preservation.



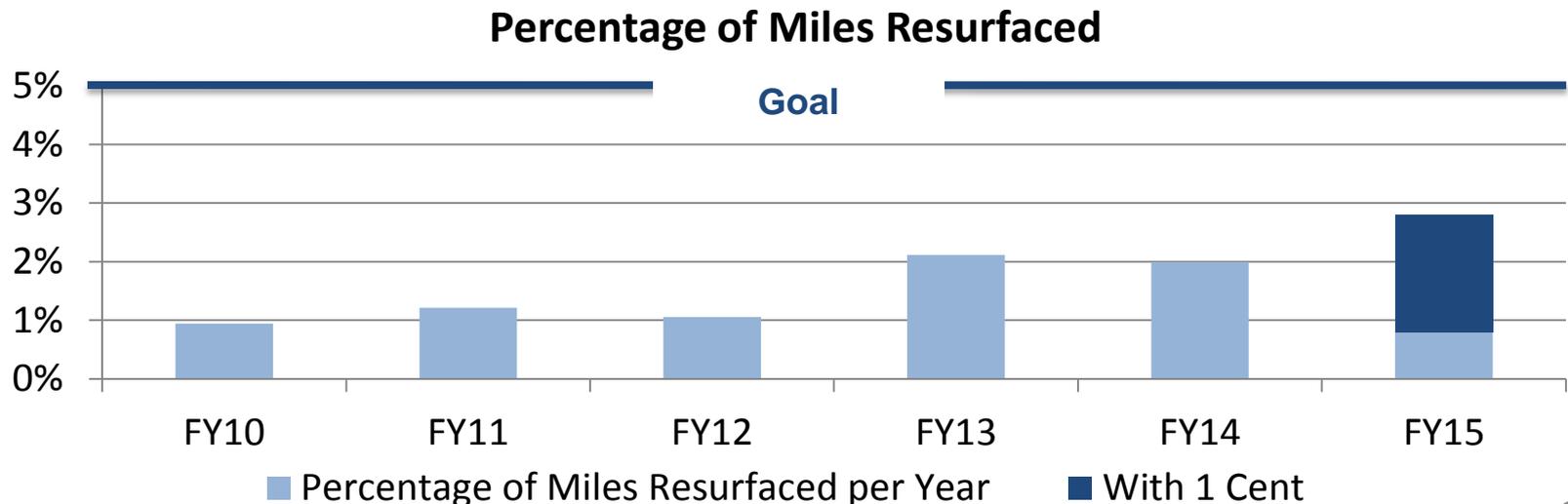
# Street Repair and Resurfacing

- Proposed Goal: Maintain road quality score of 80 out of 100
- Meeting this goal requires
  - Resurface each street an average of 15-20 years
  - Resurface 5% of city miles per year (53 miles)
  - \$12M annually to reach goal



# Increase Resurfacing

- With 1 cent, Raleigh can resurface 2.8% (30 miles) annually, just over half of 5% goal
- Additional 1 cent for resurfacing adds \$5.15M
- Increases paygo funding for resurfacing contracts to \$7.2M; no longer debt-financed



# Improve Business Processes and Realign Resources

- Increase audits of city services
- Comprehensive review of pay and class plan
- Citywide postage efficiencies
- Pursue sustainability initiatives
- Additional studies will be conducted citywide
  - Vehicle Fleet Services optimization
  - Emergency Communications and Police staffing

# Citywide Organizational Improvements

- Implement organizational realignment
- Continue developing citywide strategic plan
- Services inventory to identify what can be streamlined, enhanced or eliminated

# Invest in Employee Workforce

- Competitive compensation increase
  - Budget \$5.6M for pay increase (average 2.9%)
  - Most employees will receive 2% or 4% as a compensation adjustment or lump sum
  - Retains qualified staff to deliver core services
- Employee insurance premiums stay level
- Restore supplemental retirement from 2% to 3% matching contribution
- Study compensation, classification & employee performance systems in FY15

Business-like funds, including Convention and Performing Arts,  
Stormwater, Parking, Transit, Public Utilities, Solid Waste

# **ENTERPRISE FUNDS**

# Enterprises

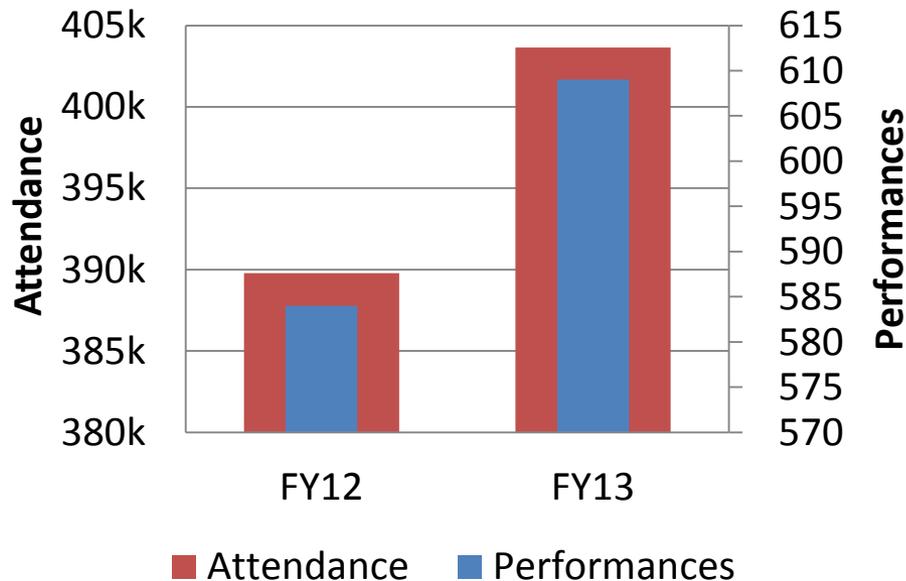
- Business-like enterprises make up 44% of total net budget
  - Convention and Performing Arts
  - Stormwater
  - Parking
  - Transit
  - Public Utilities
  - Solid Waste



# Raleigh Convention Center and Performing Arts Complex

- HVAC replacement at Memorial Auditorium
- First major auditorium renovation since 1998

PAC Attendance and Performances



# Stormwater

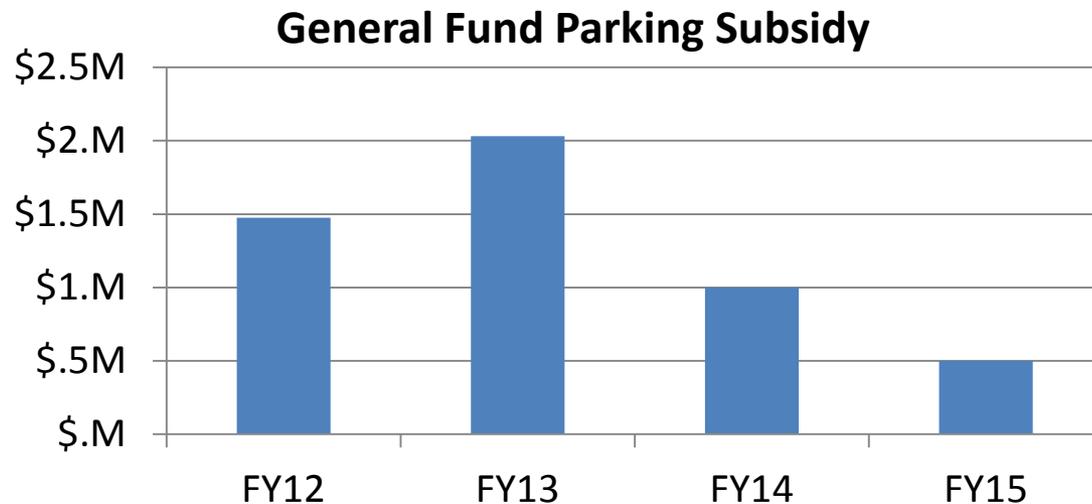
- 6 staff added mid-FY14 to address project backlog and improve responsiveness
- No change in Stormwater Utility Fee
- Reprioritizing capital projects for stormwater
  - \$5 million available annually for pay-go
  - About 40 major CIP projects in progress



Brentwood Today Dam

# Parking Enterprise

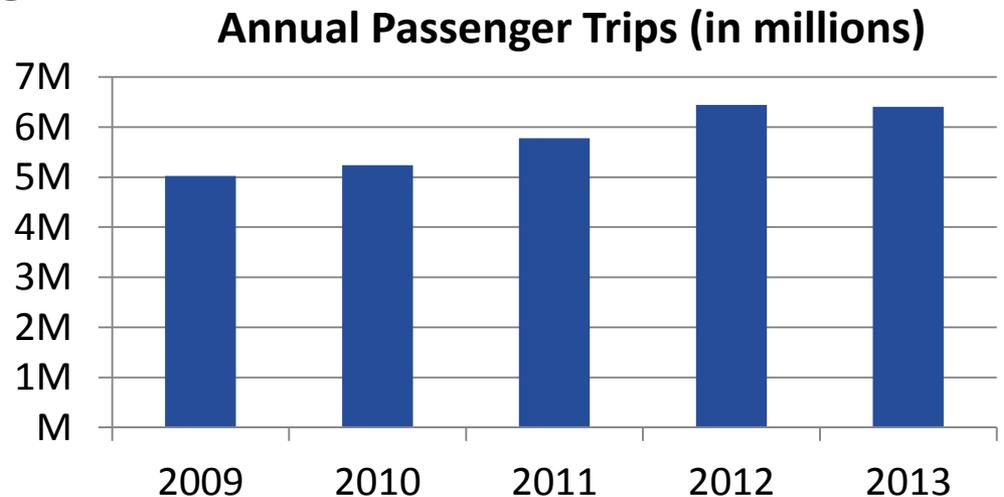
- Adds two maintenance workers
- Subsidy decreases from \$1M to \$500k
- Impacted by future development, interest rates and maintenance costs



Blount Street Deck

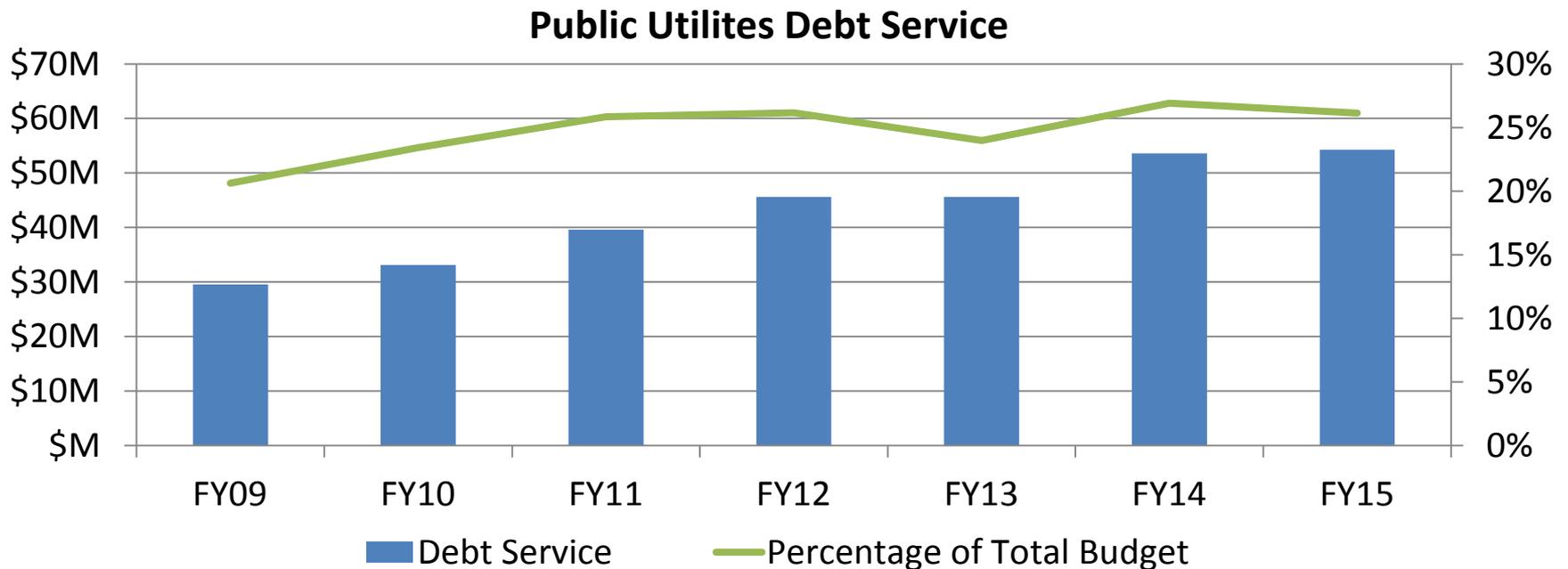
# Transit Enterprise

- Full year of Phase 2 Short Range Transit Plan (\$430k increase) – expanded service along major corridors
- Raleigh Transit Authority approved fare increase on May 8



# Public Utilities

- Public Utilities budget increases 4.3%
- Typical customer will see an increase of \$4.27 per month



# Solid Waste Services

- Catch up on deferred equipment replacement, maintenance and special events (\$1.5M)
- Invests one-time funds in route optimization software and equipment upgrade (\$380k)
- Adds two crew supervisors (\$96k)



# Increase Solid Waste fee by \$1

- \$1 monthly solid waste (garbage) fee increase generates \$1.4M
- Raises total cost recovery from 63% to 67%
- Total monthly garbage and recycling fee =  
 $\$10.70 + \$2.60 = \$13.30$



# Solid Waste Fees in Similar Enterprises

Communities with a SWS Enterprise	Monthly Fee
Raleigh (FY15 Proposed)	\$13.30
Mesa, Arizona	\$23.81
Wilmington, North Carolina	\$24.80
St. Petersburg, Florida	\$26.08
Tampa, Florida	\$32.90
Atlanta, Georgia	\$32.93
Austin, Texas	\$33.50

# Solid Waste Fees in Wake County

Wake County Municipalities	Monthly Fee
Raleigh (FY15 Proposed)	\$13.30
Knightdale	\$13.33
Fuquay-Varina	\$14.25
Cary	\$15.00
Holly Springs	\$15.75
Apex	\$16.15
Zebulon	\$18.75
Rolesville	\$22.00
Wendell	\$22.00

FY15-FY19 CIP focuses on maintenance and infrastructure improvements

# **CAPITAL IMPROVEMENT PROGRAM**

# Replacement and Maintenance

- Utilities infrastructure replacement
- Replace Fire Station 6
- Current facility rehabilitation
- Downtown and other building facilities



# Improve and Expand Infrastructure

- Implements Transportation bond (\$75M)
- Neighborhood and street drainage improvements (\$11.2M)



\$4M in New Bern Avenue  
Transportation Improvements



Harps Mill Road flooding  
in the North Ridge community

# Maintaining Parks Facilities

- CIP includes nearly \$5M annually to maintain and upgrade existing facilities
- Projects include:
  - Greenway repairs
  - Master plans
  - Tennis resurfacing
  - Building improvements



John Chavis Memorial Park



Carolina Pines Park

# Potential Parks Bond

- Primary focus would be renovation and maintenance
- Staff will review options at June 3 meeting
- Bond could be up to \$92M
  - 1.45 cents for debt service
  - 0.40 cents for staff and programming
- Dorothea Dix

Monthly Total Budget Impact, Potential Legislative Risks

# **OTHER ITEMS**

# Monthly Tax and Fee Impact

Monthly Increase by Home Value				
Monthly Impact	\$150k	Median (\$189k)*	Average (\$241.5K)*	\$350k
Property Tax Increase - Transportation Bond	\$1.40	\$1.76	\$2.25	\$3.27
Property Tax Increase - Street Resurfacing	\$1.25	\$1.58	\$2.01	\$2.92
User Fee increase for typical Public Utilities customer	\$4.27	\$4.27	\$4.27	\$4.27
User Fee increase for Solid Waste Services	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total Monthly Impact</b>	<b>\$7.92</b>	<b>\$8.61</b>	<b>\$9.53</b>	<b>\$11.46</b>

\*Source: Wake County Tax Statistics for Raleigh Single Family Residential Homes as of January 1, 2013

# Potential Risk: Privilege License Revenue

- City of Raleigh businesses currently taxed on gross receipts (\$50 to \$20,000)
- Some businesses pay amounts specified by state law, including restaurants, amusements, utilities, and beauty/barber shops (\$2.50 to \$2,000)
- Exempt businesses include doctors, lawyers, accountants, banks, and others (pest control, wineries)

# Proposed Privilege License Legislation

- \$100 cap on tax
  - Large businesses would pay significantly less tax
- Current budget \$7.1M
- Legislature still considering adjustments that could moderate revenue losses for cities
- FY15 impact to be determined based upon final terms in legislation

FY15 Budget Themes, Public Hearing,  
Council Budget Work Sessions, Timeline

# **CONCLUSION AND NEXT STEPS**

# FY15 Budget Themes

- Rebuild Core Service Delivery
- Open Facilities to Improve Services
- Invest in Deferred Capital and Maintenance
- Improve Business Processes and Realign Resources
- Invest in Employees

# Timeline of Next Steps

- Public Hearing June 3 at 7 pm in Council Chambers
- Council Work Sessions at 4 pm on Monday's in June in Council Chambers
  - June 2, 9, 16, 23 and 30, if needed
- Adopt FY15 Budget by July 1



Thank you.



May 20, 2014

# FY15 Operating and Capital Proposed Budget