BUDGET WORK SESSION

The City Council of the City of Raleigh met in Budget Work Session on Monday, June 13, 2016, at 4:00 p.m. in the City Council Chamber of the Raleigh Municipal Building, Avery C. Upchurch Government Complex, 222 West Hargett Street, Raleigh, North Carolina, with the following present.

Mayor Nancy McFarlane, Presiding
Mayor Pro Tem Kay C. Crowder
Councilor Mary-Ann Baldwin
Councilor Corey D. Branch
Councilor David N. Cox
Councilor Russ Stephenson
Councilor Dickie Thompson

Mayor McFarlane called the meeting to order at 4:04 p.m. All Council members were present except Councilor Gaylord, who was absent and excused.

PROPOSED FY17 BUDGET – INFORMATION RECEIVED

Budget Note 10 – InterAct

During the budget public hearing held Tuesday, June 7, questions arose regarding the current proposed funding level for InterAct. This budget note provided funding history, FY17 proposed budget information for InterAct, and funding options.

Over the past 10 years, the City has provided InterAct with human service funding totaling almost $471,500. Since FY14, the total funding allocated to InterAct has been a combination of Human Relations Commission (HRC) grant recommendations and additional General Fund allocations from City Council. Interim Budget and Management Services (BMS) Director Ben Canada explained InterAct has received consistent funding over the last three years of $75,000 per year, composed of $25,000 from HRC grant recommendations and $50,000 from the General Fund. For FY17, Interact submitted a request for $275,000. The HRC Grants Committee recommended $5,000, which is $20,000 below the $25,000 amount awarded annually the past three years. Staff provided funding options if Council wishes to restore funding to the $75,000 level.

Mayor McFarlane asked if the HRC provided any reason for the decrease in funding. Grants Program Manager Kirsten Larson said there was not. When the Commission met in April, Chairman Michael Leach mentioned the Commission receives a lot of requests and they don't prohibit the City Council from providing additional information to agencies, but no additional information was given.

Ms. Baldwin asked if the Council would consider this request with all other outside agency funding requests, and the Mayor responded affirmatively.

Budget Note 11 – Draft Ordinances and Related Resolutions

This budget note included the following drafts of the FY 2016-17 budget ordinances, resolutions and other materials for City Council to approve as part of the budget adoption:

1. FY2016-17 Budget Ordinance
2. FY2016-17 Internal Service Fund Ordinance
3. FY2016-17 Bond Projects Budget Ordinance
4. FY2016-17 Water and Sewer Utility Service Rates Ordinance
5. FY2016-17 Solid Waste Services Fee Ordinance
6. FY2016-17 Mayor and City Council Compensation Ordinance
7. FY2016-17 through FY2020-2021 Capital Improvement Program Resolution
8. FY2016-17 Municipal Service Districts Budget Resolution
9. FY2016-17 Greater Raleigh Convention and Visitors Bureau Budget Resolution
10. 2016 and 2017 City Holiday Schedules

The agenda packet included a table summarizing the content and purpose of each ordinance and resolution. This budget note was not discussed and the Council took no action on the documents.

FIRE AND POLICE COMPENSATION – REQUEST FOR BUDGET NOTE DENIED

Mr. Cox said he would like to continue discussion regarding pay for sworn police officers and firefighters. He reviewed information regarding starting salaries and is concerned those salaries are considerably lower than even those for the local market. He requested a budget note regarding the possibility of providing a one-time bonus to those police officers and firefighters who earn below the local market starting rate. Based on his information, it appears the local market starting salary is about $36,000 for firefighters and $40,000 for police officers. This bonus would bring them up to market starting salary for this year until the City reaches the point where the pay study is completed and Council can take more comprehensive action regarding compensation.

Mayor McFarlane said Council has had a lot of study about compensation and the study should be done by next spring in time for the FY18 budget. She believes everyone is in favor of a pay increase for first responders, but is not sure about the effects of a one-time bonus for one particular class of employee. She worries about its impacts on a whole organization that works together. It is difficult to pull out pieces without a comprehensive look and understanding what that impact is on everyone, which is why the City is conducting a comprehensive pay study. The Mayor said the decision is best made in the context of the entire organization.

Mr. Thompson agreed with the Mayor, and told Mr. Cox he does not question the validity of his comments. However, the City is already one year into the pay study and he feels it would be misadvised to single out a certain segment of City employees for an increase before completing the study. That could cause other segments of employees to make the same request.

Ms. Crowder asked how much the one-time bonus would cost the City and Mr. Cox said he estimates less than $500,000 for sworn police officers and firefighters. He thinks there was a

63% attrition rate for police officers who started in FY15. There is common anecdotal evidence showing police officers come here to be trained and then leave for higher-paying jobs in other cities. Part of the reason for this bonus is the practical matter of addressing the attrition problem. One possible way of structuring such a bonus would be to provide that bonus after the officers and firefighters complete their training. Perhaps it could be staged so they receive part of it after completing training and the rest after completing an additional three months of their assigned duties. Mayor McFarlane said it is difficult to start taking an organization apart and doing things for some employees but not for others. Mr. Cox responded that he looks at it as addressing the City's basic services, and two basic services are police and fire protection.

Ms. Baldwin stated she does not think there is anyone at the Council table who disagrees that firefighters and police officers deserve more; they are underpaid. Her concern is two-fold. First is singling out one class of employee and second, lowering morale for the other employees. She told the police officers that she talked to that she is committed, and she believes the rest of the Council is also committed, to ensuring that the classifications will be in place next year and will be part of the FY18 budget. Ms. Baldwin said she wants to do this the right way but it is Council's commitment to get this done. Mr. Branch agreed.

Mr. Stephenson said he agrees with Ms. Baldwin that police officers and firefighters deserve more. They understand the compensation study is underway, but that doesn't change the fact that this year the City has first responders risking their lives at the low end of the pay spectrum who qualify for public assistance. He does not think Council should wait another year. He agrees with the Mayor about the difficulty of appealing to the needs of one segment of employees and not others, but looking at the data regarding high attrition rates and low pay compared to other local municipalities, the problem exists right now. Low pay leads to attrition and an inability to attract high quality and diverse personnel. He suggested the Council should at least get a budget note about the fiscal impacts, and he seconded Mr. Cox's motion for a budget note.

Mayor McFarlane stated some good points had been made, but she still think it is difficult to take some positions out for separate consideration.

Mr. Stephenson asked how adding money at the bottom end affects other levels. He and Mr. Cox talked to police officers and firefighters about that, and the employees understand that while it is not a perfect solution to have a bonus, it is an important one, because they are committed to those at the bottom of the pay scale. Mr. Cox added that the police officers and firefighters understand Council is not in a position to fix this issue now the way it should be fixed, but Council must address the low starting salary issue. He talked about an Orlando, Florida police officer who was shot in his helmet while working and sustained an eye injury. It is hard to accept telling sworn officers and firefighters on public assistance that they have to wait another year. Mr. Cox wants the pay study completed by Thanksgiving so the results can be studied as a community and Council can resolve what it might need to do by next year's budget.

Mayor McFarlane stated the Council members are in agreement that salaries should be raised, but Mr. Cox is asking staff to do a lot of work for one class of employees that is already being done for everyone in the compensation study. Every business decision made impacts other

levels of the organization. Council is committed to making adjustments but must do so in a fair and equitable way for all City employees.

Mr. Thompson asked the Mayor to call the question. The motion for a budget note failed by a vote of 3-4 (Mr. Cox, Mr. Stephenson, and Ms. Crowder voting in favor; Mr. Gaylord absent and excused).

HISTORIC DISTRICT STREET LIGHT FIXTURES – REQUEST FOR BUDGET NOTE APPROVED; RALEIGH HISTORIC DEVELOPMENT COMMISSION REQUEST FOR ADDITIONAL FUNDING FOR CONSULTANT STUDIES – REQUEST FOR BUDGET NOTE APPROVED

Mr. Stephenson raised the issue of requests Council has received from the historic preservation community, including citizens and staff, and asked for budget notes for both items. The first pertains to the conversion of street light fixtures in the City's seven historic districts to LED lights. The historic districts represent a tiny fraction of the overall area of the City but have an outsized impact on our sense of the City's history and on the City's branding as a place for people to visit. Oakwood in particular is a place where people go for house tours, garden tours, and road races. The historic preservation community has been working with City staff and Duke Energy on the opportunity to have historic street light fixtures in their districts. When staff started working to install the new modern light fixtures in historic districts, they requested a Certificate of Appropriateness (COA) from the Raleigh Historic District Commission (RHDC) and were turned down. In keeping with the City's Comprehensive Plan policies about promoting historic preservation and the RHDC guidelines for development in historic districts, these types of modern fixtures are inappropriate. Mr. Stephenson suggested to the Oakwood residents that they talk to residents in the other historic districts and get their opinion. Oakwood took the lead and distributed a survey to residents in the other historic districts. Two hundred people responded to date and all said it is important to have historic light fixtures in historic districts. Mr. Stephenson said there are 655 light fixtures in historic districts. They cost more than the standard LED fixtures and because of the strange mechanism Duke Energy has for paying for these not as a one-time payment but as an annual cost, there would be an annual cost of approximately $135,000. However, the logic of having historic street light fixtures is that the City has strong Comprehensive Policy statements about promoting historic preservation. The local historic districts represent some of the most important heritage aspects of the City and represent a very outsized importance to us in terms of the type of city we are, our history, and what we want to be, as well as the kind of branding the City does to promote itself for people to come here. Mr. Stephenson requested a budget note analyzing the information that has already been assembled in the e-mail from Sandra Sherer.

Second, the RHDC has noted there is a great increase and interest in doing the background study for nominating local historic districts in the City of Raleigh. Mordecai, Anderson Heights, and a neighborhood north along Ridge Road have expressed such interest. Staff has put some money into planning to add a staff person to help with the workload, but there is additional money needed. RHDC is asking for $40,000 to fund consultant studies to (1) analyze historic district requests from citizens and (2) update the citywide architectural survey. The survey has not been

updated since 2001 and there are many more eligible properties and neighborhoods that have not been analyzed as part of Raleigh's architectural inventory.

With regard to historic light fixtures, Ms. Crowder asked if the City has an agreement with Duke Energy to pay a certain amount for each fixture and anything additional and different from that is an additional cost per month for whatever lighting fixture that might be. Chief of Staff Lou Buonpane responded that there is an incremental higher monthly fee for these different fixtures. Ms. Crowder said the City has a baseline price for these new LED lights and anything it changes from that is an additional cost to the baseline price. She asked if the difference in cost between the standard LED fixtures and the historic street light fixtures for historic districts has been determined. Chief of Staff Buonpane said there is an additional monthly cost for the different fixtures. When the City entered into the contract with Duke Energy, Duke Energy provided a listing of fixtures and the City chose the standard fixtures. Duke Energy has indicated it is willing to install the historic light fixtures for a higher monthly cost.

Ms. Crowder asked Mr. Stephenson if the historic district residents would be willing to pay the additional cost to serve their community the way they want it to be served from a lighting standpoint, since it seems to be very important to them. Mr. Stephenson replied that some historic neighborhoods are more affluent than others. However, all have the same historic designation and therefore the same standing in the eyes of the City of Raleigh in terms of maintaining their historic importance and character. It is a question of whether the City would treat affluent neighborhoods differently and ask them to do a cost-share. Ms. Crowder said that basically answers her question. She suggested keeping all light fixtures the same over the City so everyone is treated equally and fairly. Mr. Stephenson demurred, stating these districts are different. They are historic districts and represent the City's own investment in them to create and maintain those districts, and to maintain regulations to preserve those districts, because the City thinks they are special because they represent the history and the heritage of the City. In some cases, they are economic generators for the City. People come from out of town to see these neighborhoods so they generate revenue in a way that other neighborhoods do not through heritage tourism. There is an argument to be made that the City should not put contemporary light fixtures in these historic districts and that to the extent that these neighborhoods may or may not be able to fund the cost of historic light fixtures themselves, the City should pay for them.

Mr. Thompson asked if there is an additional cost to take down the existing light fixtures and install new ones, in addition to the monthly cost. Chief of Staff Buonpane said he does not know the precise answer to that. Some work has been done, but the work was stopped in Oakwood. If the City asked Duke Energy to replace the new LED fixtures with historic fixtures, he presumes Duke Energy would want to be compensated for the re-work. Mr. Thompson suggested that information be included in the budget note, if approved. He would also like to see what the fixture looks like, and what the light trajectory and light coverage are. He thinks the City should be careful about what it is asking for relative to the type of light fixture.

Mr. Stephenson stated the conversation about historic, appropriate style light fixtures has been debated at the RHDC. The RHDC looked at the contemporary light fixtures that were proposed

and said the LED fixture is not appropriate for historic neighborhoods. The fixture put forward by Duke Energy is a teardrop-shaped historic-looking fixture.

Ms. Baldwin reminded Mr. Stephenson that when Council worked on budgets in the past, if a Council member requested an addition to the budget, s/he always provided a funding source. Mr. Stephenson replied the City has $18M in excess unassigned budget reserves, and that would be the source. Ms. Baldwin pointed out the cost for the light fixture is a recurring annual cost. Mr. Stephenson said in future budgets, Council may decide where it fits. He heard one Council member ask that the budget note break down the cost by the seven historic districts. There may be a stronger interest in one or more historic districts than others to move forward.

City Manager Hall told the Council staff will pull together as much information as they can in the next four days before the budget note is presented to the Council at its budget work session on Monday, including what the City can and cannot accomplish in working with Duke Energy. Mr. Stephenson reminded him a lot of the legwork has been done. The June 8 e-mail from Sandra Sherer contains information on costs. Mr. Branch stated he cannot support this budget note, since the Council did not approve the earlier request for a budget note regarding police officer and firefighter compensation.

Mr. Stephenson moved to request a budget note regarding historic district lighting. His motion was seconded by Mr. Cox and carried by a vote of 6-1 (Mr. Branch voting in the negative, Mr. Gaylord absent and excused).

Mr. Stephenson moved to request a budget note regarding RHDC's request for $40,000 to fund consultant studies to analyze historic district requests from citizens and for updating the City's architectural survey. His motion was seconded by Ms. Crowder and carried unanimously, 7-0 (Mr. Gaylord absent and excused).

PLANNING DEPARTMENT POSITIONS – INFORMATION RECEIVED; REQUEST FOR BUDGET NOTE WITHDRAWN

Mr. Cox said positions are being added to the Planning Department and he has had discussions with the City Manager regarding the appropriateness of increasing fees to cover the cost of those positions. He moved to request a budget note regarding what increase in fees would be necessary to cover those additional positions.

Mayor McFarlane states those positions are already included in the budget and Mr. Cox said he would like information about increasing fees to cover them. City Manager Hall explained there are positions in both Planning and Development Services that are often supported by fees. A Development Services fee study is currently underway and the results are expected around the middle of the year. He believes Mr. Cox is asking what it would cost to adjust fees to cover the positions now as opposed to waiting for the fee study results. Staff can provide that analysis. The key question is which positions are to be analyzed. There are two in Planning and at least six in Development Services related to plan review and inspections. Mr. Cox replied whichever ones could be covered by fees, because he wants to fund them differently.

Ms. Baldwin stated a fee study is complex, and asked if it wouldn't be better to wait for that to be completed. Mr. Cox pointed out that puts the burden on the taxpayers to cover those positions rather than on the developers who are relying on those services. Ms. Baldwin responded the taxpayers benefit when the City builds its tax base and secondly, the City is actually using data when it brings forward a study with recommendations.

Mayor McFarlane commented she is not sure staff can answer this request in four days and she doesn't know if the information would be applicable without seeing it in the context of the fee study. Mr. Cox said he is merely asking staff to prepare a good estimate based on historic numbers.

Mr. Stephenson asked for input from staff on the fee study, specifically, if this is so complex that Council can't receive information before the study is completed. City Manager Hall replied the data collection going on now by the consultant will not be ready in the next four days to give staff an indicator of how to change the fee structure. In the past, Council has raised fees by an arbitrary dollar amount or a percentage. Staff can provide Council with illustrations about how they have raised fees in the past, although it has been arbitrary and has crossed all different categories. The purpose of the fee study is to better create a relationship between the fees that are being charged and the services that are being provided, then create a policy that would address cost recovery of those costs. That would provide a better formula basis for applying fees in the future. Staff does not have the data yet for that nexus piece the City is going for in the study, but could create general assumptions.

Mr. Cox asked if the City was being premature by adding these positions now instead of waiting for completion of the fee study. The City Manager said the City needs the positions on the ground now. Council can change the fee structure in middle of year. Based on the volume of work coming through the door right now, those inspectors are necessary. Plan Review staff are feeling the same type of pressure.

Mr. Stephenson asked when the recommendations from the fee study are coming forward. Senior Planner Bynum Walter said October for Council discussion with a potential effective date of January 1, 2017. Mr. Cox withdrew his motion for a budget note.

OUTSIDE AGENCY FUNDING – INFORMATION RECEIVED

Ms. Baldwin asked about outside agency funding, specifically, if the Daniels Center for Math and Science completed an application and go through the process. Grants Program Manager Larson replied affirmatively. Ms. Baldwin confirmed with Ms. Larson that the requests are (1) Boys and Girls Club – $76,463 for a food van; (2) InterAct – $20,000 to bring them up to their usual $75,000 in funding; (3) Triangle Family Services – $50,000; (4) Advance Community Health – $450,000; and (5) Food Bank – $500,000. She asked if the YMCA submitted a formal application and Grants Program Manager Larson said it did not. The Mayor added that the YMCA submitted a letter, but did not go through the formal grants process. Ms. Baldwin asked if these requests would be considered at the next budget work session or if Council would rather vote on these today. It was the consensus of the Council to vote on everything at once in the budget.

Mr. Branch said after his conversation with Advance Community Health, he would like to recommend the Council consider providing funding of $50,000 per year for the next five years, for a total of $250,000.

Ms. Crowder said she has had many conversations with the Food Bank of Eastern and Central North Carolina and their request for $500,000 could be spread over five years.

ADJOURNMENT

There being no further business, Mayor McFarlane announced the meeting adjourned at 4:45 p.m.

Leslie H. Eldredge
Deputy City Clerk