

# PROPOSED BUDGET FY 2023

Dear Mayor and City Council Members,

It is with great pleasure that I present to you the Manager's Proposed Budget for the Fiscal Year 2023 and the Proposed Five-Year Capital Improvement Program (CIP) for FY2023-FY2027, in accordance with the provisions of the City Charter and the State's Fiscal Control Act. Collectively these documents represent a financial roadmap for the City of Raleigh; a map that guides operational decision-making, helps to strengthen our organizational values, advances City Council priorities, and reinvests in vital community initiatives.

Our commitment over the last year has been to resilient service, ensuring that the needs of the residents of Raleigh and Our Community are met while adjusting from the global pandemic. We are committed to providing services in a more efficient and effective manner more than ever before, and we continue to seek innovative and sustainable measures for improvement. The City has been tested and we have risen to meet the challenges by being flexible and transforming patterns in our service delivery models.

The proposed budget reinforces our commitment to fiscal and environmental stewardship, operational efficiency, strategic investments, and effective change management. Through the budget process, we stayed true to our historic guiding principles, which have been:

- Present a balanced budget to reflect the community's economic conditions;
- Maintain our greatest asset, our workforce;
- Avoid solely relying on deferring our capital maintenance to balance the budget; and
- Continue to provide great service to our community.

Through this lens, you will see our robust spirit of optimism as we change our focal point from the unprecedented issues which have challenged our organization and City over the past three years; and we readjust our focus on investments in **Our Community and Our People**.

Our Parks, Recreation, and Cultural Resources Department continues to expand programming and offer additional activities, all while keeping open spaces safe and clean. Our Planning and Development Services Department has been diligent in its efforts to ensure that the unprecedented growth in our community has been done safely and equitably. Raleigh Water continues to deliver safe and clean drinking water to our businesses and residents throughout Raleigh and our merger communities. Our Stormwater Division continues to provide services that protect our natural environment from floods. Our internal service departments continue their high standards of efficient, effective, and accountable services providing backup to those who deliver face-to-face service.

# PROPOSED BUDGET FY 2023

The budget cover showcases the John Chavis Community Center. The photo captures the essence of how our community engages with its parks. Listed on the National Park Service's National Register of Historic Places, the center serves as a catalyst in community building, placemaking, and reflects the intersection of community pride and history with our commitment to world-class services

The Proposed Budget for FY2023 reflects our commitment to **Our Community and Our People.**

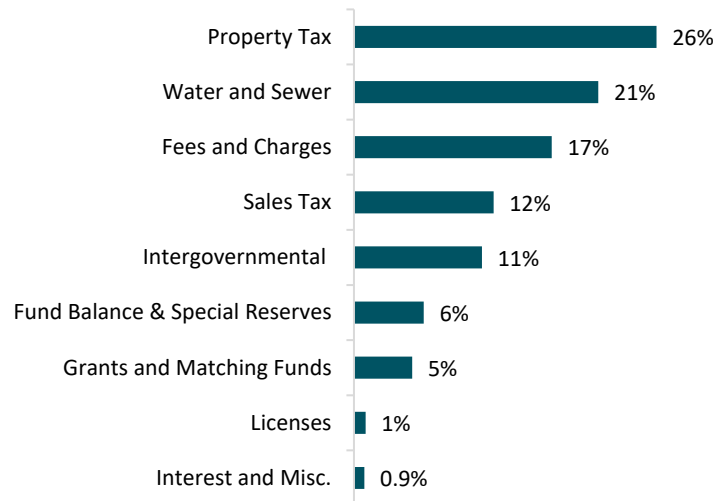
## REVENUE OUTLOOK

The FY2023 budget proposes a two (2.0) cent property tax increase from the FY22 adopted tax rate of 37.30 to a proposed tax rate of 39.30 per \$100 valuation. These two (2) cents increase as well as natural increases in the value of property results in \$21.5 million of budgeted growth in regular property tax or 7.4% from FY2022. The property tax revenue assumes a slight increase in the property tax collection rate from 99.30% last year to 99.50% in FY2023.

The proposed tax rate increase reflects City Council's commitment to increase employee compensation to maintain the organization's market competitiveness while enhancing our ability to retain and recruit talented employees. Additionally, funding is provided to support much needed operating enhancements that have been delayed or deferred during the pandemic.

Our budgeted sales tax revenue is estimated to increase by \$16.2 million (14.2%) from the FY2022 budgeted amount of \$113 million for a total of \$130 million. This amount represents a 0.8% increase from projected FY2022 sales tax actuals and is based on expected growth in economic activity as the economy continues to recover from the pandemic. Conversely, the utility franchise tax continues a downward trend in the FY2023 budget. The proposed budget includes a 4.3% decrease (\$2.1m). This continues to decrease due to warmer winters and less people using cable services.

FY2023 Revenues



## PROPOSED BUDGET FY 2023

The City continues to see growth in user fees and is projecting a near return to pre-pandemic levels in FY2023 for Parks and Recreation user fees and Development Services fees related to building and development in the community. User fees are budgeted to increase by \$2.9 million (13.2%) from FY2022. Raleigh Parks also adjusted some of their user fees to reflect the costs associated with the implementation of the Permanent Part-Time program and the increase of the average temporary worker rate from \$8.25/hour to \$11.00/hour. This increase in fees will be built into Raleigh Parks' user fees to offset the increase in hourly rates for temporary staff.

In FY2023, Solid Waste Services is proposing a \$.25 increase per month to support increase costs associated with employee compensation, fuel, vehicle repair and maintenance and landfill fees. This increase brings the monthly Solid Waste Services fee for recycling, yard waste and refuse collection to \$20.30 per month in FY2023.

In support of Raleigh Water operations, the proposed budget includes a 1.5% increase in in the monthly base and volumetric water and sewer charges, with no changes to the infrastructure or watershed charges. This results in a 1.37% or \$0.80 increase in the average residential customers' monthly utility bill. The proposed rate increase for Raleigh Water customers will afford the utility the opportunity to sufficiently maintain the system, offset operating impacts associated with increased operational costs, and employee compensation and benefits.

Stormwater management is a community and city council priority. In order to enhance and improve our stormwater system, the proposed budget also includes a \$0.18 increase per Single-Family Equivalent Unit (SFEU), bringing the rate from \$7.00 per month in FY2022 to \$7.18 per month in FY2023. The proposed rate increase covers additional staff and helps to accelerate the backlog of CIP projects.

GoRaleigh will continue to suspend transit fares through Fiscal Year 2023. Accordingly, the proposed budget does not include increases in transit or parking rates.

Despite growth in revenues, our expenses have outpaced that growth. As such, we were challenged to find financial solutions that were fair, equitable and addressed the demands of our community.

# PROPOSED BUDGET FY 2023

## OUR PEOPLE

The proposed budget recognizes the importance of investing in our greatest asset, our employees. Our continued investment reflects a sustainable approach to remaining competitive in the future. This approach is in alignment with our Strategic Plan Organizational Excellence Objective 3.1 to foster a transparent, nimble organization of employees challenged to provide high quality, responsive, and innovative services efficiently, effectively, and equitably. This budget continues the organization's investment in strategies to recruit, develop, and retain a diverse, high-performing workforce.

The proposed budget includes the full-year expense of a 2% Cost of Living Adjustment (COLA) for all full-time employees. The COLA was approved by City Council in April 2022. The total budgeted cost of the COLA in FY2023 is \$5.3 million.

To address growing concerns with pay plan competitiveness in the local market for Public Safety (Police, Fire, and Emergency Communications), a study was conducted to benchmark pay plans and best practices in each public safety area. Based on the study, Police and Fire pay range minimums were moved to the average of Wake County municipalities plus 6%. The pay range maximums were increased accordingly. This shift increases employees' earning potential. Based on market survey findings, Emergency Communications' pay ranges increased by two levels within the General Pay Structure and Broadband Pay Structure.

To increase the stability of service delivery, improve recruitment and retention, and maintain programming and services, a Permanent Part-Time (PPT) classification was established with the FY2022-23 Proposed Budget. Funding for PPT implementation is included in the personnel budgets for departments. Departments with identified PPT needs include Parks, Recreation and Cultural Resources, Raleigh Convention Center, Human Resources, and Transportation.

To assist with recruitment challenges among temporary positions, staff conducted a study to evaluate the hourly pay for temporary employees, or those working 999 hours or less in a 12-month period. As a result of the study, the minimum hourly pay for temporary positions was moved from \$8.25 per hour to \$11.00 per hour. Proposed departmental budgets include changes based on the City's new temporary employee pay structure.

The additional funding for hourly temporary employees will allow the organization to be more competitive in the market for critical staffing and will ensure continuity of operations across the departments.

These new investments in Our People align with the City's continued effort to recognize the value of our employees. The FY2022-23 budget builds on the annual merit increases for employees in the General Pay Structure, Police Pay Structure, and Fire Pay Structure at 3% and 5%. Broadband employees will be eligible for variable merit increases based on

## PROPOSED BUDGET FY 2023

performance, at an estimated cost of \$2.1 million. In addition to funding merit increases, 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 FY2023, the living wage increases from \$36,052 to \$37,850.

The proposed budget also maintains our highly competitive employee benefits package. Employee and retiree health claims are estimated to increase by 4% for FY2023. Recognizing the uncertainty of post-pandemic recovery for our employees and the need to review our health plans, the City is absorbing the estimated increases in the health insurance program. The budget proposes no increase to the monthly employee and retiree premiums, nor recommends any changes to out-of-pocket maximums. The city continues to maintain the no-premium employee-only plan that covers 40% 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. For FY2023, contributions increase from 11.35% to 12.10% for regular, full-time employees and from 12.10% to 13.10% for sworn law enforcement employees, totaling \$2.2 million. The city expects that the cost escalation will continue this benefit. The NCLGERS Board has not recommended any changes to the employee contribution.

To maximize retirement income, all regular full-time employees may voluntarily participate in the City's 457 Supplemental Retirement Plan. Employees are vested at enrollment, which allows employees full ownership of both employee and employer contributions and interest earned as soon as they begin participation.

# PROPOSED BUDGET FY 2023

## OUR COMMUNITY

As Our Community continues to grow and the demand for City services increases, the proposed FY2022-23 Budget focuses on investing in City services that have a direct impact on the Raleigh community. The FY2022-23 budget prioritizes funding to support the following areas.

### **Equity, Communications and Outreach**

Communication with our community is one of our top priorities. According to the 2020 Community Survey, the number one source of information about city services, special events and programs is from our website, Raleighnc.gov. This budget funds a contractual position in Communications to support the ongoing maintenance and continuous improvement of the website and other critical communication channels.

The newly created Office of Strategy and Innovation started building capacity within the organization around creative service delivery and innovative strategies that encourage the organization to ask, "What if?" This new approach sparks creativity and ingenuity in local government. This year's budget includes funding for an Artist/Innovator in Residence Program. This exciting program will provide support to departments to implement new and innovative solutions for optimizing service delivery.

Community engagement remains a high priority for the community, staff and city council. As such, our new Community Engagement Office has developed a work plan that is transparent and responsive to the growing needs of our community. However, in order to fully meet organizational and community expectations, additional staff resources are needed. I am proposing two additional staff members to carry out the vision and mission of this critical function. In addition, the FY2023 budget proposes funding a Mobile Community Engagement bus that will allow staff to take engagement on the road. These enhancements ensure we are meeting our community where they are available and continuing to advance City Council's commitment to reaching those that are traditionally underserved and underrepresented in our city.

The FY2023 budget proposes funding for consulting services for the Department of Equity and Inclusion. These resources will provide capacity building, training and facilitation development, and other support services that promote inclusion and address biases.

# PROPOSED BUDGET FY 2023

## **Infrastructure, Public Services and Raleigh Water**

Housing affordability remains at the forefront of all community conversations. If we are to create a Raleigh for all, we must ensure that everyone who works, plays and learns in Raleigh is afforded an opportunity to live in Raleigh. I am recommending a new position in Housing and Neighborhoods that will advance the implementation of the 2020 voter approved Affordable Housing Bond.

The FY2023 proposed budget includes funding to support additional licenses of eBuilder which is an enterprise project management and delivery software that is used by several departments. This tool, along with the processes that are currently in place, will enhance service delivery in our Capital Improvement Program (CIP) across all of the CIP elements.

Clean and safe drinking water is a critical resource for our community and to those communities that we provide water and sewer services. This year's budget includes the addition of several positions that will provide Capital Improvement Program oversight. These positions will operate and maintain the Department's new Bio-Energy Recovery project located at the Neuse River Resource Recovery Facility. This \$177 million dollar capital investment will decrease biosolids at an anticipated 48% reduction in the volume and significantly reduce the transportation cost of solids removal. This process will also capture biogas to power as many as 50 City buses per day.

The Stormwater program proposes to add positions to provide critical oversight of developable land to ensure that new projects meet the City's high standards for stormwater runoff, which will facilitate smart growth in our community. Stormwater also proposes adding one position to provide leadership in the oversee the collection, analysis, and reporting of the stormwater data collection process for the division. This flusher truck and crew of two will fill the demand and backlog of service requests and will expand regular maintenance access throughout the city.

Finally, we propose adding a position to provide additional support for the implementation of the Wake Transit Plan implementation through FY2030. The additional staff member will work with the Traffic Control Center on signal timing for Bus Rapid Transit projects. This position is funded at 80% from federal grants and will increase the speed and reliability of bus service throughout the community.

## **Parks & Cultural Resources**

Community partnerships remain critical to the Parks, Recreation and Cultural Resources Department's success. Increased focus on private and philanthropic contributions to the park system have increased our collective impact. Similarly, the partnership between the Dorothea Dix Conservancy and the City continues to bring new programming investments to the highly activated Dorothea Dix Park. High community utilization of the park and increasing event demand have put pressure on existing staff resources. The proposed budget

# PROPOSED BUDGET FY 2023

includes three additional staff to provide enhanced programming and maintenance support in order to help free existing staff resources to focus on upcoming investments in the park.

## **General Government**

Two Associate City Attorney positions are included in the proposed budget. One of the positions is partially funded by the 2020 Housing Bond and will support the implementation and administration of the bond. The second position will address increased workload demands in litigation and contracting.

## **Public Safety**

Council and staff are dedicated to creating a safe and vibrant atmosphere for the community to thrive. The current political, social, and economic environments have challenged our ability for recruit and retain public safety personnel. Greater demands for trust, transparency and integrity, increased call volumes and officers' mental wellness have all placed a spotlight on the critical nature of the work. To respond to the growing needs of our sworn and civilian employees, the FY23 budget includes the addition of a Staff Psychologist for the Raleigh Fire Department. This resource will provide mental health and well-being support services to staff who need assistance.

The proposed budget also includes provisions that address concerns in Raleigh Fire Department's fleet. Resources are provided to maintain and upgrade the fleet of vehicles and equipment in the department. My commitment is to ensure that staff has the tools they need to safely complete the job and that these tools will be well maintained and serviced according to industry standards.

The Emergency Communications Center provides dispatching and centralized communications for four EMS agencies, eight law enforcement agencies, and 20 fire departments, serving more than one million residents. This budget proposes funding to replace critical technology infrastructure at the center to provide the highly trained staff with the tools they need to adequately and expeditiously provide compassionate service to those in need. This reinforces our high commitment to public safety.

The Raleigh Police Department's proposed budget includes a digital evidence storage solution. This software will track, and house vast amounts of digital evidence collected by the department. This solution will allow for proper collection, tracking, and storage of evidence to ensure crimes are solved and evidence is preserved. Resources are included for the Annual Youth Summit. This event promotes and supports opportunities for the police department to engage with our youth through various facilitated activities. It is my hope that the summit will help to foster transparency and communication between law enforcement and young adults.



# PROPOSED BUDGET FY 2023

## **Capital Improvement Program**

Long-term, planned investments in facilities and infrastructure are critical to our overall success. Properly maintained buildings and facilities ensure that staff can do their jobs safely, effectively, and efficiently. Additionally, investments in capital improvements enhance the user experience for our customers, residents, and staff.

The FY2022-2023 proposed Capital Improvement Budget continues Council's commitment to funding affordable housing, street resurfacing and parks maintenance. Through the penny allocation, each of these program areas have \$7.8 million dedicated. This represents a \$117,000,000 commitment to these program areas over the next five years.

One-time funding is also being utilized for several projects that were identified in the FY2022-2023 CIP process. This one-time funding comes from American Rescue Act appropriations, and a reduction in general fund transfers to debt and General Capital reserves. The projects include funding for 2017 Transportation Bond Program Gaps (\$17.7M), major bridge inspections, neighborhood traffic calming, and pedestrian and bicycle improvements (\$5.5M), and \$500,000 for the Vision Zero Spot Safety program. In general, Public Improvements, one-time funding was identified for building system improvements (\$1.5M), public safety maintenance (\$1.4M), planning and feasibility studies (\$0.8M), continued funding of the Building Upfit Grant (\$0.9M), Public Project Community Support Fund (\$1.5M) and funding to support an institution fiber refresh (\$0.9M).

Finally, the FY2023-2027 Capital Improvement Program includes funding that utilizes debt capacity to fund additional public safety facilities including advancing the design and land acquisition of the Police Evidence Building (\$10.0M) and design of Fire Station #1 and Administration Building (\$5.0M) in year one.

## **CONCLUSION**

This year's budget theme – Our Community and Our People captures our strategic focus on meeting organizational and community goals because the success of each is closely knitted together. Voted most recently by Bankrate, as America's Best Place to Live in 2022, Raleigh has risen beyond the crises that divided us and challenged us over the last two years. I firmly believe that the proposed budget supports both our Community and its diverse People. It represents my desire to be fair, honest, transparent, compassionate, responsive, and prompt in our service delivery. Many of my goals for the organization are contained within this budget proposal that I respectfully submit for your consideration.

I continue to be amazed by the Raleigh community. It's resilience over the last two years has been nothing short of amazing. I am equally inspired by our staff that provide the critical services our community both demands and expects. Over the last two years we have worked

# PROPOSED BUDGET FY 2023

tirelessly, in often very difficult and challenging circumstances, to bring exceptional services to our residents and customers.

I would like to thank our dedicated staff for their support and assistance in preparing the FY23 proposed budget. The document aligns with the City's organizational values, strategic plan, departmental business plans and key city initiatives. It is a pleasure to work side-by-side and hand-in-hand with public servants who value the work and those for whom which the work is performed. Every challenge faced over the last year presented an opportunity for our team to get creative and innovative and in my humble opinion, I feel we delivered!

## NEXT STEPS

As you review the proposed investments, please share any follow-up questions that you have. We appreciate City Council's support throughout the budget process and the direction received as part of the FY2023 budget prioritization exercise. I 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 (except June 20th - Juneteenth holiday), beginning at 4 pm. 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 7 at 7 pm.

Thank you,



Marchell Adams-David  
City Manager