

PROPOSED BUDGET FY 2024

Dear Mayor and members of the Raleigh City Council:

I respectfully submit to you the Manager's Proposed Budget for the Fiscal Year 2024 and the Proposed Five-Year Capital Improvement Program (CIP) for FY2024-FY2028, in accordance with the provisions of the City Charter and the State's Fiscal Control Act. These documents highlight the various voices in our community and serve as a strategic communication tool of the City of Raleigh's financial vision. The proposed budget articulates our plan for operational efficiencies, sound fiscal stewardship, meaningful engagement, and equitable outcomes. Additionally, this balanced budget prioritizes the advancement of key Council and Community initiatives.

As the effects of the COVID-19 pandemic continue to impact local governments, the City of Raleigh's economy remains strong. According to the Wall Street Journal's annual ranking of nearly 400 metro areas, Raleigh ranks in the top 5 as we continue to attract billions in investment despite the national economy slowing down. With a 4 percent increase in Raleigh's workforce and unprecedented growth in the region, the proposed budget provides a disciplined approach to balancing the City's finances, protects our resources, and invests in our community to ensure equitable outcomes for all.

The City elevated its efforts to embed equity in the budget development process through increased engagement and public participation. The Community Budget Priorities Survey was conducted, focus groups were formed and budget materials were made more accessible through language translation.

The resulting proposed budget maintains the City's commitment to financial resiliency, the provision of quality services, and continued support for our workforce. It also echoes resident preferences expressed during robust community engagement efforts. The Proposed Budget for the Fiscal Year 2024 includes:

- Continuous investments in the city's affordable housing efforts;
- Improvements to bridges, roadways, traffic signals, streetlights, and sidewalks that will enhance mobility;
- Critical investments in the City's technology infrastructure promoting flexibility and productivity for users and our employees;
- Merit increases for our greatest asset-our workforce;
- Commitments to equity in retirement savings for our lowest paid workers through an across-the-board three percent contribution to the City's 457 Plan; and,
- Dedicated operational increases related to the 2022 Parks and Recreation Bond approved by Raleigh voters last year.

As Raleigh continues to thrive in the post-pandemic environment, this proposed budget reaffirms our strategic focus on **Connecting Our Community**.

Created by potter and illustrator Laura Caroline Casas, the cover of the FY24 budget reinforces the theme - **Connecting Our Community** and showcases the bilateral nature of

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city services. It depicts the full array of municipal services from those seen and easily accessed, to those less visible but vital to our collective success.

EQUITY AND COMMUNITY ENGAGEMENT

The Fiscal Year 2024 proposed budget process began in the fall of 2022 with an intentional and renewed focus on equity and engagement. During the budget development process staff were challenged to demonstrate how programs and services advanced equity through a series of equity prompts. Through a collaborative effort between Budget and Management Services and the Department of Equity and Inclusion, a group of City of Raleigh Equity Team members, representing departments across the organization, reviewed each new funding request through an equity lens. This work illuminated areas of the budget where equity gains were possible. I trust that you will see the proposed budget includes investments that foster equitable outcomes for all.

Additionally, the City launched opportunities around the FY24 budget process that encouraged diverse voices and perspectives through authentic engagement. This process commenced with the Budget and Management Services Department launching a rigorous social media campaign in partnership with iHeart Radio to raise awareness of the annual Community Budget Priorities Survey. Posters of the survey (also translated in Spanish) were shared in Wake County Libraries (Raleigh locations), Parks, Recreation and Cultural Resources Community Centers, select non-profit businesses, GoRaleigh buses, and included as inserts in Raleigh Water bills. The first 1,500 survey participants were invited to participate in virtual and in-person focus groups. Through these efforts, the City was able to collect resident preferences and priorities. Overall, the City received 3,107 responses to its Survey: a 275 percent increase from the prior fiscal year. Common themes included affordable housing, transportation, safety, and community engagement. For a full recap of the outreach efforts, refer to the [Engagement Report](#).

ECONOMIC OUTLOOK

Despite gains noted in the March 2023 jobs and wages report, the labor market is slowing with the smallest monthly jobs gain since December 2020. Inflationary pressures began to ease earlier this year, but the price of goods and services remains higher than pre-pandemic levels. In response, the Federal Reserve is attempting to combat inflation with interest rate hikes. Therefore, economists are predicting a slow-down of the national economy for the remainder of 2023 with modest growth over the next two years.

However, the City of Raleigh's economy continues to positively rebound from the impacts of the global COVID-19 crisis. Raleigh continues to grow and attract businesses and new residents. According to a recent Wall Street Journal study, the City ranks as the 5th best job market in the nation and continues to be one of the fastest-growing areas of the country despite inflation and rising interest rates. As North Carolina's capital city, Raleigh's appeal stems from a reasonable cost of living compared to similar-sized metro areas, a mild climate, diverse higher education opportunities, a burgeoning tech and entrepreneurial ecosystem, and endless southern hospitality.

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In recent months, the city hosted events with international appeal. The National Hockey League’s Outdoor Stadium Series game between the Carolina Hurricanes and the Washington Capitals and J. Cole’s Dreamville Music Festival, held for the third time at Dix Park brought more than 120,000 visitors to Raleigh. These two events added more than \$20 million dollars to our local economy helping to solidify Raleigh’s position as a top-tier destination for sports and entertainment.

REVENUE OUTLOOK

Property taxes remain the City’s largest source of General Fund revenues. The proposed budget for FY24 includes a four (4.0) cent property tax increase from the FY23 adopted rate of 39.30 to a proposed tax rate of 43.30 per \$100 valuation. This increase is a direct result of the 2022 Parks Bond Raleigh voters approved by 73 percent during the 2022 General Election. Increased property values result in an additional \$43 million (12.9 percent increase from FY23). Due to consistent collections, the property tax collection rate reflects a slight increase from 99.50 percent to 99.67 percent in the upcoming fiscal year.

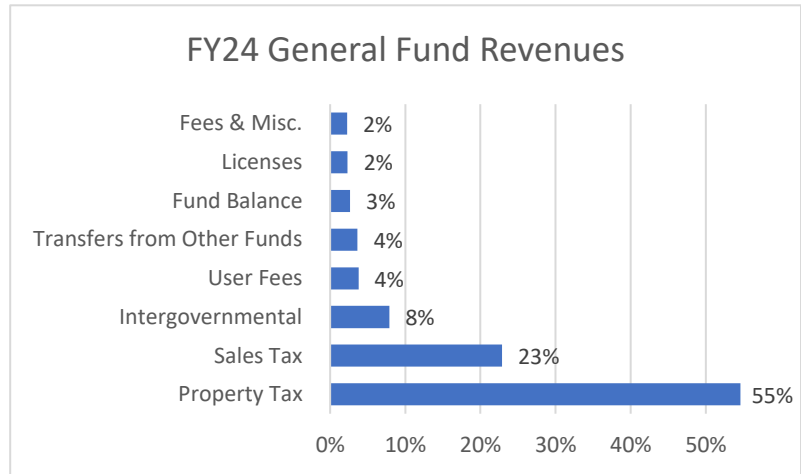


Figure 1: FY24 General Fund Revenue Types

Parks Bond proceeds will be used to support projects that provide improved, equitable, and resilient park amenities and greenways across the City of Raleigh. Of the 4.0 cents increase, 2.6 cents is earmarked to finance major parks and the remaining 1.4 cents will pay for operational increases associated with the bond.

Sales tax revenue is estimated to increase by \$18.0 million (13.8 percent) from the FY23 budgeted amount of \$130 million for a total of \$148 million. This budgeted amount matches the projected receipts of FY23 sales tax actuals and is based on increased economic activity and inflationary increases in the price of goods and services.

The City continues to experience growth in Parks and Recreation user fees and Development Services fees to near pre-pandemic levels. As such, user fees are budgeted to increase by \$2.0 million (9.1 percent) from FY23, and development fees are projected to increase by \$1.2 million (8.9 percent) as a direct result of construction and development activity in Raleigh.

In FY24, Solid Waste Services is proposing a \$2.10 increase to bring the annual fee to \$22.40 to support increased operational costs associated with fuel, vehicle repair, maintenance, landfill fees, and staffing.

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In support of Raleigh Water operations, the proposed budget includes a 4.0 percent increase in the monthly base and volumetric water and sewer charges resulting in a 1.37 percent or \$.80 cents increase in the average residential customer's monthly utility bill. The proposed rate increase will afford the utility the opportunity to sufficiently maintain the system and offset operating impacts associated with increased costs and staffing demands. There are no proposed changes to infrastructure or watershed charges in the upcoming fiscal year.

Effective stormwater management is a community and City Council priority that is vital to protecting creeks and streams from runoff. To enhance and improve our stormwater system, the proposed budget incorporates a \$0.18 increase per Single-Family Equivalent Unit (SFEU), bringing the monthly rate from \$7.18 to \$7.36 per month in FY24. The proposed rate increase will help address outstanding CIP projects and meet staffing challenges.

Transit remains an area of community concern as effective and efficient mobility options are critical. To further encourage the use of public transit, the proposed budget does not include increases in transit or parking rates. Therefore, GoRaleigh will continue to suspend transit fares through FY24.

Despite consistent growth in revenues, expenses continue to outpace revenue growth at a much quicker rate. The proposed budget reflects staff's commitment to finding fair and equitable financial solutions to address the community's demand for quality services.

INVESTMENTS IN WORKFORCE

As work and the workplace has changed significantly since the global pandemic, organizations are working diligently to address the diverse needs of employees without compromising productivity or service delivery. Investments in next year's budget acknowledge and value our employees in meaningful ways, reinforce the City's pledge to organizational excellence, and support strategies to recruit, develop, and retain a diverse and high-performing workforce.

The FY24 budget includes a 5 percent merit increase for public safety employees in Police, Fire, and Emergency Communications. Employees in the General Pay Structure will receive 5 percent merit increases as well. Broadband employees will be eligible for variable merit increases at 3.5 percent. Permanent Part-Time (PPT) employees, established in the prior fiscal year's budget, will receive merit increases at 1 percent. After a successful pilot in FY23, the 2024 proposed budget includes \$35,000 for the utilization of LinkedIn Recruiter to attract diverse pools of qualified applicants to the City.

In addition to funding merit increases, the City's living wage rate is adjusted in accordance with the Council-adopted living wage policy. For FY24, the living wage increases from \$37,850 to \$40,860 for all permanent, full-time employees. The proposed budget also maintains our highly competitive employee benefits package. Although employee and retiree health claims are estimated to increase by 7.1 percent for FY24, the City is maintaining the \$0 cost Plan B for all employees.

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All regular, full-time employees are covered under the North Carolina Local Governmental Employees' Retirement System (NCLGERS). Employees currently contribute 6 percent of their annual salary on a tax-deferred basis and the City assumes the remainder. For FY24, the City's contribution will increase from 12.10 percent to 12.85 percent for regular, full-time employees and from 13.10 percent to 14.04 percent for sworn law enforcement employees, totaling \$1.6 million. It is expected that we will continue to experience annual cost escalations for this benefit.

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. The FY24 proposed budget recognizes that systemic issues may prevent some employees from contributing to their retirement as much as other colleagues. To ensure equity in access to retirement benefits, the proposed budget for FY24 implements a 3 percent contribution for all employees regardless of the employee match status. The elimination of the match requirement will expand equity in retirement savings and contribute to building long-term retirement wealth for all employees.

To assist with recruitment and retention challenges within public safety departments, Human Resources initiated a Public Safety Collaborative. The Collaborative identified areas that created unique challenges and warranted further review. The FY24 budget contains \$500,000 to combat leapfrogging in Raleigh Police, Raleigh Fire, and Emergency Communications. To further address compensation throughout the organization and to ensure that the City remains competitive nationally, and in the Triangle metropolitan area, the Proposed Budget for FY 2024 proposes \$300,000 for a classification and compensation study. Phased over two years, the study will commence next fiscal year and implementation will begin in FY25-26.

INVESTMENTS IN OPERATIONS

As Raleigh continues to grow and the demand for City services increases, the proposed FY23-24 Budget focuses on investing in City services that have a direct impact on enhancing equitable outcomes for the Raleigh community. The FY23-24 budget prioritizes funding to support the following areas.

Equity, Engagement, and Outreach

The FY24 budget proposes funding for an Assistant Director for the Department of Equity and Inclusion to address a critical gap in day-to-day operations and service delivery. This position will be critical in advancing leadership for equity work organization-wide. This budget proposes the addition of an Inclusive Accessibility liaison to develop, lead, and advance initiatives that respond to those in the community who are differently abled. These resources will provide capacity building, training and facilitation development, and other support services that promote inclusion and address biases.

Community engagement remains the cornerstone of responsive government. Therefore, emphasis is placed on enhanced communication with our residents. To guarantee that this organizational and community expectation is met, two additional staff members are included in the FY24 proposed budget. A Community Relations Supervisor and a corresponding analyst will carry out the vision and mission of this critical function. In addition, this budget recommends funding for the Community Engagement Board (CEB) to develop its work plan and procure the necessary items for targeted engagement opportunities. These enhancements will strengthen the ties that bind people to government, and government to people.

Infrastructure and Public Services

The City remains committed to creating, preserving, and encouraging the development of affordable housing units in Raleigh through existing and new partnerships. Additionally, efforts to generate housing choices are also included. The proposed budget for FY24 includes \$7.8 million for affordable housing creation along with an additional \$703,363 for operating needs associated with the implementation of the 2020 voter-approved \$80 million Affordable Housing Bond.

Engineering Services' FY24 budget provides resources for the full complement of security services at certain City-owned facilities, operating increases associated with contract escalations, and the increased cost of providing public services. Provisions for a Senior Technology Specialist and the operational increases associated with the implementation of the 2022 Parks Bond are also contained in the proposed budget.

Funding is provided to ensure that the City's transportation system remains safe, accessible, sustainable, and equitable for years to come.

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Parks & Cultural Resources

In November of 2022, Raleigh voters approved a \$275 million Parks Bond - the largest parks and greenway bond ever for the City of Oaks. With a 73.1 percent approval rate, the Bond supports a wide range of park amenities throughout the city and addresses needs in an equitable manner. Property owners can see their tax rate increase by four (4.0) cents to pay for the bond (2.6 cents to finance major projects and 1.4 cents to pay for operational increases). At a cost of \$103 annually for the median homeowner in the city, notable bond projects include new and improved facilities at the historic John Chavis Memorial Park, Dorothea Dix Park, and Tarboro Road Community Center to name a few.

Resources for additional staff will provide enhanced programming, maintenance support, and bandwidth for existing staff to focus on the current city's parks and cultural facilities.

General Government

The Proposed Budget for the Fiscal Year 2024 includes critical positions to support the City's executive leadership team including the addition of a policy analyst for the City Manager's Office. This position will manage administrative policy development and governance. The FY24 proposed budget also includes funds for an Associate City Attorney in the City Attorney's Office to address increased workload demands in land-use litigation and contracting.

The proposed budget includes funding for additional staff resources in the Information Technology Department. A Senior Technology Analyst will sustain the City's fiber infrastructure and a Technology Systems Administrator will support all City-owned and issued computers and mobile devices. Funding to expand the City's project management software - eBuilder, as well as the provision of Wi-Fi in all 28 city fire stations is also budgeted.

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Public Safety

Community safety is paramount for progressive and growing cities. As such, the City of Raleigh is committed to providing our public safety departments with the necessary skills and resources to perform their jobs efficiently and effectively. The FY24 proposed budget includes resources to right-size and cover operational challenges within the Raleigh Fire Department. This investment responds to continued growth inside the corporate city limits and within Raleigh's extraterritorial jurisdiction (ETJ). The proposed budget also includes funding for two civilian fire instructors so that mandatory training is fulfilled, and operational efficiencies are gained with uniformed staff.

As the nature of fire services transitions into less fire suppression and more medical first responder (EMS) calls, the FY24 Proposed Budget reflects the movement of the Emergency Management function from the Office of Emergency Management and Special Events to the Raleigh Fire Department. This change will create greater operational efficiencies through a targeted focus on national best practices.

The Emergency Communication Center (ECC) processes calls for more than 1 million residents in the Wake County service delivery area. As the demand for service continues to grow, the centralized ECC has been challenged to adapt its staffing model to keep pace with the unprecedented growth in the region. This budget includes the addition of 6 staff members to address this goal and meet the increased number of requests for service.

The FY24 Proposed Budget contains funds that support Raleigh Police Department's efforts to protect and serve the community with trust, transparency, integrity, and empathy. Resources are designated for the purchase of laptops for the Training Center and the new digitized Basic Law Enforcement Training Curriculum for academy recruits.

Enterprise Funds

Clean and safe drinking water is a public good that is instrumental in creating safe, vibrant, and healthy communities. To that end, this year's budget includes \$189 million in capital investment for Raleigh Water to provide various programs that address water treatment, rehabilitation, and replacement of sewer pipelines, interceptor projects, and pump stations.

The Stormwater Program is responsible for overseeing development activity and monitoring growth patterns throughout the City to ensure that runoff is minimized. Additionally, the division provides technical support that encourages and fosters smart growth in Raleigh. The FY24 proposed budget includes the addition of four positions to more effectively manage and deliver critical capital projects, support permit-required water quality monitoring, and provide timely and accurate maps of the city's floodplains.

Lastly, the FY24 proposed budget maintains support for the implementation of the Wake Transit Plan through FY2030. This includes over \$57 million for the Wake BRT Southern Corridor, \$20 million in ADA facility construction, \$3.2 million for maintenance, traffic signals, and the Vision Zero Spot Safety program, and continued support for street resurfacing and pavement preservation totaling \$7.9 million.

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Capital Improvement Program

The FY23-24 capital budget includes existing funds and anticipated revenues to fund both new and projects currently in the City's five-year Capital Improvement Program (CIP). Given that the City's capital needs consistently outweigh available resources, the Proposed FY23-24 capital budget balances and prioritizes competing departmental and community needs. Consequently, the Proposed Fiscal Year 2024 Capital Budget affirms the City's commitment to planned investments in facilities and infrastructure through one-time and long-term capital funds. Funding will support various housing, transportation, water and stormwater, technology, parks and recreation, public safety, and public improvement projects throughout the City of Raleigh.

One-time funding is designated to address major programmatic needs across the City's assets, including public improvements, technology, and transportation. Included in the FY24-2025 CIP for public improvements are funds for public safety land acquisition (\$10.0 million); upgrades to the City's fuel system (\$1.02 million) to better track fuel usage and driving habits across departments; a citywide comprehensive plan study (\$0.9 million), radio replacements for Raleigh Fire (\$0.6 million); a citywide compensation study for employee pay and classification practices (\$0.3 million); and a more sustainable approach for citywide fleet and buildings management (\$0.5 million).

The FY24 capital budget includes funding for a disaster recovery solution (\$0.75 million); an institutional fiber refresh (\$0.5 million); and software enhancements to support the City's permitting processes (\$0.06 million). It is anticipated that each of these initiatives will produce positive outcomes year after year.

One-time funding in the FY24 capital budget provides investments for a variety of transportation needs that address goals identified in the 2030 Comprehensive Plan. Over \$3 million is designated for bridge inspections, sidewalk replacements, sidewalk ADA transition plans, new traffic signals, and the Vision Zero Spot Safety program to eliminate traffic fatalities and severe injuries through pedestrian safety measures.

The FY24-2028 Capital Improvement Program also includes funding that utilizes debt capacity for public safety facilities including advancing the design and land acquisition of the Police Evidence Building (\$25.0 million) and relocation of Fire Station #1 and Administration Building (\$21.65 million) in year one. Leaning into resident priorities expressed as part of the FY24 proposed budget community engagement process, the FY24 capital budget funds the Affordable Housing Bond authorized by Raleigh voters in 2020 (\$11.8 million); invests over \$80.0 million in transit capital investments; commits over \$13.4 million in major street improvements; and dedicates almost \$4.0 million in Citywide technological enhancements.

To support long-term capital program improvements for the 2022 Parks Bond, the FY24-2028 Capital Improvement Program finances major projects funded through the 2.6 cents (of the 4.0 cents) for a total of \$72.2 million. Additionally, investments for facility and greenway improvements, ongoing parks maintenance, and development activities

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totaling \$8.0 million are also included in long-term funding for city parks and recreation facilities.

Lastly, this year's budget includes over \$189 million in investments for Raleigh Water for water and wastewater treatment plant expansion and maintenance, water main expansions, pump stations, tank upgrades, and various watershed initiatives.

CONCLUSION

The Proposed Budget for Fiscal Year 2024 features the interconnectivity of city services and conveys how we are consistently **Connecting our Community**. It incorporates key amenities that respect and protect our natural resources, support affordable housing opportunities, balance neighborhood interests and growth demands, and embed equity throughout.

This year's budget development process actively sought input and diverse perspectives from our residents. As such, this budget document reflects the community and City Council goals, priorities, and strategic initiatives.

Transparency, stewardship, intentionality, equity, fairness, and accountability are just a few of the values that are highlighted in this proposed budget. I trust you will agree that the investments included in this financial roadmap reaffirm a strong focus on fiscal stewardship and appropriately reflect my unwavering commitment to efficient and effective government. It is my hope that the priorities and financial goals outlined in this document enhance the lives of every Raleigh resident regardless of age, race, ethnicity, education, income, ability, lifestyle, or background.

I commend our dedicated staff for remaining devoted to public service during a time when the private sector is aggressively competing for talent. The meaningful work that we do day in, and day out is truly the work of the people. Your professionalism and loyalty drive the success of this organization and ultimately our community; and it is my pleasure and absolute joy to work with you to lead our capital city into its best days.

NEXT STEPS

As you review the proposed investments in the FY24 Proposed Budget, we are happy to respond to any questions that you may have. We appreciate City Council's support throughout the budget process and 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 19th), beginning at 4 pm. These weekly work sessions will continue until the City Council adopts the annual operating budget and five-year capital program. A public hearing will be held on the budget on Tuesday, June 6 at 7 pm.

Thank you,



Marchell Adams-David
City Manager



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