



# City of Raleigh, North Carolina Citizens' Annual Financial Report

For the Fiscal Year Ended June 30, 2013





# 2013 CITIZENS' ANNUAL FINANCIAL REPORT

## OVERVIEW OF THIS REPORT

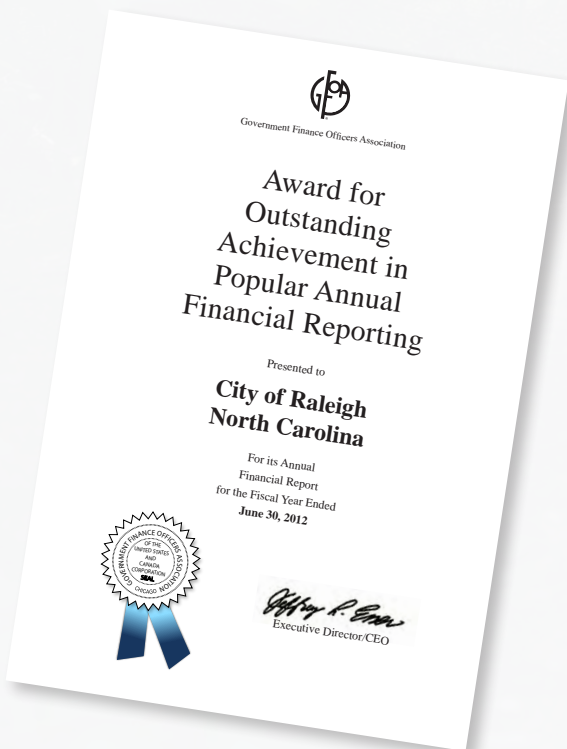
The 2013 **Citizens' Annual Financial Report** provides you and other interested parties with an overview of the City's financial results. This report is prepared to increase awareness throughout the community of the City's financial operations. Therefore, it is written in a user-friendly manner. The information is derived from the audited financial statements in the City's 2013 Comprehensive Annual Financial Report (CAFR), our formal annual report. The Citizens' Annual Financial Report is not required to present the same level of detail as the CAFR and, therefore, does not fully conform to generally accepted accounting principles (GAAP). This report, in a summarized version, highlights the overall financial condition and trends of the City. The 2013 CAFR is audited by Cherry Bekaert LLP and has received an unmodified or "clean" audit opinion. This report may be viewed on the City's website at [www.raleighnc.gov](http://www.raleighnc.gov).

## ABOUT THE THEME

This year, the Parks, Recreation and Cultural Resources Department was chosen to be featured in the report. Pictured on the cover is one of the two suspension bridges on the Neuse River Greenway Trail that crosses the Neuse River. The bridge is located just west of U.S. 401 North (Louisburg Road) and provides access from the Neuse River Trail to Horseshoe Farm Nature Preserve Park.

## GFOA AWARD

The City of Raleigh participates in the Government Finance Officers Association (GFOA) Award Program for Outstanding Achievement in Popular Financial Reporting. The award below is for last year's report.



## CITY COUNCIL 2012-2013

**First row:**  
**Russ Stephenson** - At Large  
**Nancy McFarlane** - Mayor  
**Eugene Weeks** - Mayor Pro Tem, District C

**Second row:**  
**Randall Stagner** - District A  
**Mary-Ann Baldwin** - At Large

**Third Row:**  
**Thomas Crowder** - District D  
**Bonner Gaylord** - District E  
**John Odom** - District B



## IN THIS REPORT

Letter from the City Manager .....	2
Everyone's Household .....	3
Raleigh by the Numbers .....	4
FY13 Adopted Budget - Sources.....	5
FY13 Adopted Budget - Uses.....	6
FY13 Governmental Actuals .....	7
FY13 General Fund Actuals .....	8
FY13 Enterprise Actuals.....	9
A Closer Look at Enterprise Activities.....	10
Understanding City Debt.....	11
Raleigh Accolades.....	12
Spotlight on Parks, Recreation & Cultural Resources .....	13-14



# LETTER FROM THE CITY MANAGER



To all residents of the City of Raleigh:



During the period covered by this Citizens' Annual Financial Report, the City of Raleigh began a transition of City Manager leadership that culminated in the selection of Ruffin Hall as the new City Manager. My role as Chief Financial Officer changed during this transition period, providing me the honor of serving as Interim City Manager until shortly before this report went to press. As a result, I would like to provide you an introductory message as part of our transmittal of this report to you followed by a message of the new City Manager as he begins his service to the City.

The budget for Fiscal Year 2013 began with a priority that the budget ensured the long-term financial sustainability of our general governmental operations and enterprises at standards consistent with a AAA quality credit entity. Through this Citizens' Annual Financial Report, we offer Raleigh residents a summary overview of how the year's actual results accomplished this objective while balancing the financial and operational components that this embodies.

In a period when our financial position was positively impacted by increasing revenues, the challenge of balancing larger service delivery demands with cost competitiveness still existed. Our City government has always been diligent in managing this balance through constantly looking for innovative and cost effective services to our citizenry. The results of this past year show that same character.

In this report, you will see that we remain a City that highly values the service quality that you receive while continuously maintaining overall City costs that are among the very lowest in North Carolina. We also strive to maintain the equity of cost for future generations as well, having moderate debt levels and by actuarially funding key future costs related to our pension and healthcare obligations.

I hope that you enjoy reading this Citizens' Annual Financial Report. For further details, I would refer you to our annual financial report, the Comprehensive Annual Financial Report, which is included in our City website at [www.raleighnc.gov](http://www.raleighnc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Perry E. James, III".

Perry E. James, III  
Chief Financial Officer

Dear Readers:



As a new member of the City organization and Raleigh community, I look forward to beginning what I know will be an exciting time for me in being a part of our efforts to keep Raleigh at the top of the quality charts in our service to all residents. As noted above, this requires a consistent focus on the finances of the City such that we have the capacity to meet the demands of our citizenry in an efficient and cost effective manner. I look forward to interacting with many of you in our pursuit of this and thank you in advance for already being such a vital part of our community through your volunteer efforts on our boards and commissions, citizen advisory committees or in just being an informed and interested person in what we do.

I would also draw your attention to the area that we have highlighted this year in this report – our Parks, Recreation and Cultural Resources Department. This department is, of course, responsible for many of the quality of life experiences that provide value to us all and we wanted to feature them in our current version of this report.

I look forward to continuing to communicate with you in the future on the financial health of our City government so that you can see just how your public dollars are put to use. We believe that it's a good story and I personally look forward to engaging with you on a regular basis to make sure we are on target with our services.

Sincerely,

A handwritten signature in black ink, appearing to read "Ruffin L. Hall".

Ruffin L. Hall  
City Manager



# THE CITY OF RALEIGH: EVERYONE'S HOUSEHOLD

The City applies the same financial fundamentals that apply to individual households. In protecting citizens from crime and fire hazards, regulating quality of housing and other construction, providing parks and recreational facilities, picking up garbage, making water and sewer available, paving roads, managing the transit system, and providing convention and performing arts events, the City of Raleigh is the level of government that touches your daily lives the most. Highlighted below are some of the ways the City's financial management practices ensure a strong financial position.

## BUDGET AND PLANNING

Much like the average citizen, the City uses a balanced budget to ensure that it maintains a healthy financial position. North Carolina law requires local governments to approve a balanced budget each year. The City plans for its financial needs of the future through various ways, including budget analyses, a 10-year capital improvement plan, long range studies and multiple business models.

## FINANCIAL STANDARDS

Similar to a household's need to borrow for a house or car, the City has to take on moderate debt levels in order to provide infrastructure such as parks and roads. The City's general credit ratings from the three national credit rating firms – Moody's, Standard & Poors and Fitch – are all AAA/Aaa. This represents the highest credit ratings available and allows the City to access the debt markets at the lowest interest rate costs available.



## SAVING AND INVESTING FOR THE FUTURE

Similar to your personal budget, ensuring savings for the future is an important aspect of our financial stewardship. The Raleigh City Council has approved a policy that the City maintain a "savings" in its General Fund of 14% of the subsequent year's budget. The City ensures an adequate level of savings while continuing to grow and make the appropriate investments within the community.

# RALEIGH BY THE NUMBERS

Below are some interesting statistics about some of the many services the City provides.

All statistics are from the City of Raleigh FY13 Adopted Budget.

## PUBLIC SAFETY

**99.4%**

of all emergency calls  
answered within 60 seconds

**6** police  
districts

**27** fire  
stations

## LEISURE SERVICES

Total annual performing  
arts program attendance

**382,522**

**50** annual conventions  
& trade shows

**56** annual theater  
performances

## PUBLIC SERVICES

**47,723**  
permits issued

**2,350**  
lane miles of streets  
and right-of-ways

**518** signalized traffic  
intersections

## WATER & SEWER

**184,000**  
water meters

**2,500**  
miles of water lines

**2** water  
treatment  
plants



# SOURCES OF CITY FUNDS



**39%**  
property taxes and sales taxes



**27%**  
water and sewer charges



**14%**  
grants



**13%**  
service charges



**7%**  
other

## FY ADOPTED

Fiscal Year 2013 (FY13) City-wide Adopted Operating and Capital Budgets total \$672 million. The bar graphs highlight the sources (revenues) and uses (expenses) as a percentage of the total for ease of understanding. Also shown are the key priorities used as a basis to build the budget.

The City of Raleigh has a variety of sources of revenues to fund operations. The largest general government sources are property tax and sales tax. The FY13 budget included a slight increase from the prior year for property tax and sales tax. Water and sewer charges fund the utility system's operations and are consistent with an independent task force recommendation on rate increases. The City receives federal and state grants as well as allocations to support specific initiatives such as our Emergency Operations Center and street repair and maintenance. There are specific services such as solid waste pickup and transit passenger fees that are collected directly from those who use the services. Additionally, other sources include interest income and prior year savings.

# USES OF CITY FUNDS

## 13 BUDGET

### Budget priorities for FY13:

- Ensure long-term financial stability
- Balance increasing service delivery demands
- Minimize service impacts to our citizens
- Address deferred capital maintenance
- Invest in City employees

27%  
water and sewer operations



23%  
public services



22%  
public safety



16%  
leisure services



12%  
other



The City provides many services to our citizens. Water and sewer operations which provide clean drinking water and wastewater services while protecting the environment and public health are the largest budgeted enterprise expense for the City. Public service includes a wide variety of programs including inspections, planning, solid waste and public works. Public safety, which includes fire, police and emergency communications, is the third largest budgeted general governmental expense for the City. The fourth largest operation is Leisure Services, which includes the Parks, Recreation and Cultural Resources Department and the Raleigh Convention Center complex. Other uses include general government service organizations such as Human Resources and Information Technology and various community initiatives.



# FY13 GOVERNMENTAL ACTUALS

The “Governmental” activities section in the City budget lists programs normally supported by taxes and allocations/grants from federal and state governments as distinguished from “Enterprise” activities described on pages 9-10. Governmental activities include the General Fund, special revenue activities and capital project work that supports general infrastructure activities across the City. These revenue sources cover various services including: public safety (for example - fire, police, and emergency communications), public infrastructure (for example - planning, inspections, and roadways) and the Parks, Recreation and Cultural Resources Department as well as general government administration (for example - human resources, information technology, finance).

	FY13	FY12	Change
<b>Total Assets</b>	\$ 1,494	\$ 1,478	\$ 16
<b>Total Liabilities</b>	570	613	(43)
<b>Total Net Position</b>	\$ 924	\$ 865	\$ 59

Amounts in millions

## BALANCE SHEET

A balance sheet provides a snapshot of what the City owns (assets) and owes (liabilities).



Increases or decreases in net position may serve as a useful indicator of whether the City’s financial position is improving or declining. The City’s net position increased \$59 million which is in line with expectations. The majority (or 60%) of the City’s net position is capital infrastructure which represents land, building and equipment that allow the City to provide services to citizens.

## INCOME STATEMENT

An income statement provides a summary of amounts received (revenues) and amounts spent (expenses). The difference between revenues and expenses show how the City’s net position changed during the year.

	FY13	FY12	Change
<b>Revenues</b>	\$ 431	\$ 414	\$ 17
<b>Operating (Expenses)</b>	(330)	(347)	17
<b>Transfers In (Out)</b>	(42)	(34)	(8)
<b>Change in Net Position</b>	\$ 59	\$ 33	\$ 26

Amounts in millions



A positive change in net position indicates the City had enough revenues to cover its obligations and has the ability to save for the future. Saving for the future is an important aspect of the City’s financial management.



# FY13 GENERAL FUND ACTUALS

This information highlights the FY13 actual results specifically for the General Fund, which is the main operating fund of the City. The revenues and expenses are displayed in cents to provide an easy-to-understand summary. Property tax and sales tax are the two largest sources of revenue and totals 76 cents of every General Fund dollar received. Public Safety (fire, police, and emergency communications) accounts for the largest area of General Fund spending at 43 cents.





# FY13 ENTERPRISE ACTUALS

“Enterprise” activities rely heavily on fees charged to customers for services rendered, with shortfalls covered by general government funds. The City operates six operations as Enterprise activities: Water and Sewer, Solid Waste Services, Stormwater, Transit, Convention Center Complex and Parking.

## BALANCE SHEET

A balance sheet provides a snapshot of what the City owns (assets) and owes (liabilities).

	FY13		FY12		Change
<b>Total Assets</b>	\$	2,152	\$	2,012	\$ 140
<b>Total Liabilities</b>		1,221		1,133	88
<b>Total Net Position</b>	\$	931	\$	879	\$ 52

Amounts in millions



The net position of \$931 million includes over 77% of capital infrastructure. The largest types are the water and sewer lines which run underneath the City streets and the water and sewer plants. An increase in net position of \$52 million highlights continued growth of the City.

## INCOME STATEMENT

An income statement provides a summary of amounts received (revenues) and amounts spent (expenses). The difference between revenues and expenses show how the City's net position changed during the year.

	FY13		FY12		Change
<b>Revenues</b>	\$	267	\$	230	\$ 37
<b>Operating (Expenses)</b>		(254)		(225)	(29)
<b>Transfers In (Out)</b>		39		34	5
<b>Change in Net Position</b>	\$	52	\$	39	\$ 13

Amounts in millions

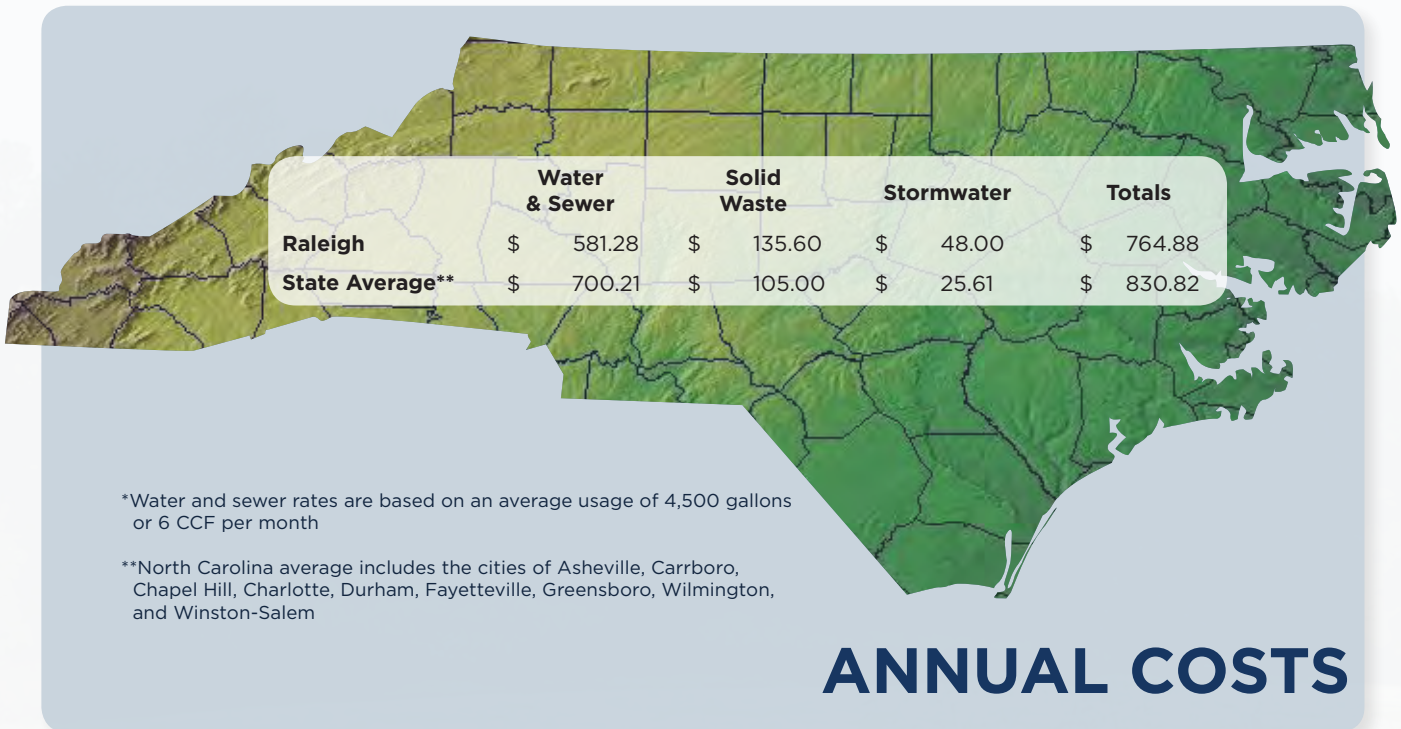


The majority of the City's Enterprise funds have independent analyses to ensure charges are adequate to cover current and future costs associated with growth and ongoing replacement of infrastructure.



# A CLOSER LOOK AT ENTERPRISE ACTIVITIES

A portion of your annual cost of municipal services is paid monthly through your utility bill. This monthly bill includes charges for water and sewer, solid waste and stormwater. The City operates these activities like a business. The City consistently offers one of the lowest costs for these municipal services in the State. The following chart displays the average customer cost\* of annual services for three of the City's Enterprise operations.



Additionally, the City has three other enterprise funds that operate as business-type activities:



- **The Convention Center Complex** which includes the Raleigh Convention Center, Duke Energy Center for the Performing Arts and the Red Hat Amphitheater.
- **Parking or ParkLink** is responsible for parking enforcement, collections, parking meters, permits and maintenance/improvement of all City-owned parking decks and lots.
- **Transit** which includes Capital Area Transit (CAT) and Accessible Raleigh Transportation (ART), which provides transportation services for people with disabilities.



# UNDERSTANDING CITY DEBT

The City continues to benefit from outstanding credit ratings. A priority in the budget process is to ensure the long-term financial sustainability of our general governmental operations and enterprises consistent with a AAA quality credit entity, which is the highest rating for general credit. As a result, Raleigh has earned the highest credit ratings and excellent bond ratings. The City has had a AAA rating since 1973.

The City's debt funds general governmental uses and business type purposes. As noted below, debt in the enterprise funds exceeds general government debt due to infrastructure needs. Approximately 70% of the City's debt is paid for by sources other than general governmental revenues.

## GOVERNMENTAL

General Government debt totals \$462 million and is used to support projects such as parks, recreation centers, streets and sidewalks.

Important points to know about general government debt:

**15%** - Maximum percentage that City policy goal allows for annual debt payments to be as a percentage of the General Fund budget.

**13%** - FY13 actual debt payments as compared to General Fund budget was 2% below the maximum percentage.

N.C. State Statute limits the amount of general obligation debt a City can issue based on a formula tied to property tax valuations.

The City's outstanding debt is significantly below N.C. State Statute maximum.

**20%** - Current governmental debt levels as a percentage of the N.C. State statutory maximum.

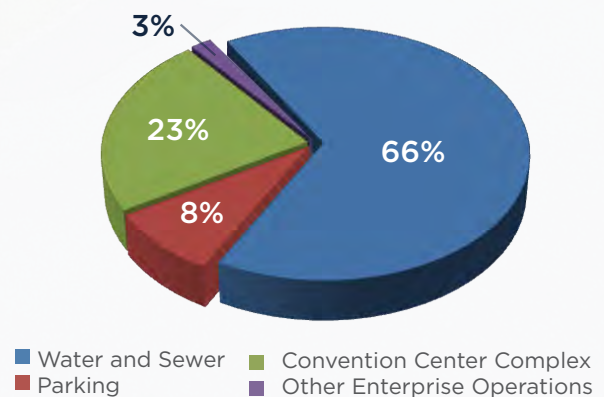
## BUSINESS TYPE ACTIVITIES

The majority of City debt is associated with our enterprise funds, specifically public utilities, convention center, solid waste and parking. In total, debt for business type activities is \$1.055 billion.

This debt supports infrastructure needs and helps build new facilities. An example is the recently completed Wilders Grove Solid Waste Services facility which was completed in March 2012 and received LEED Platinum certification which measures a building's sustainability and environmental impact.

An important point about business type debt is that it is repaid from business related charges, not from general revenue sources.

### Business Type Debt



## RALEIGH ACCOLADES

Raleigh continues to be ranked as among the best places in the United States to live, work, play and more. Here are a few accolades we have received:



### #1 Best quality of life

*Business Facilities Magazine,  
July/August 2012*



### #3 Best Performing Large City in the U.S.

*Milken Institute, January 2013*



### #1 Fastest growing city in the U.S.

*Forbes, March 2013*



### #2 Best city to start a business

*National Federation of  
Independent Businesses, February 2013*



### One of the most **family friendly** cities

*Human Life Project, January 2013*



### #5 America's New Tech Hot Spot

*Forbes, January 2013*



### #4 Ten Best Cities for **young entrepreneurs**

*Forbes, April 2013*



### #1 Market for Retail Job Growth

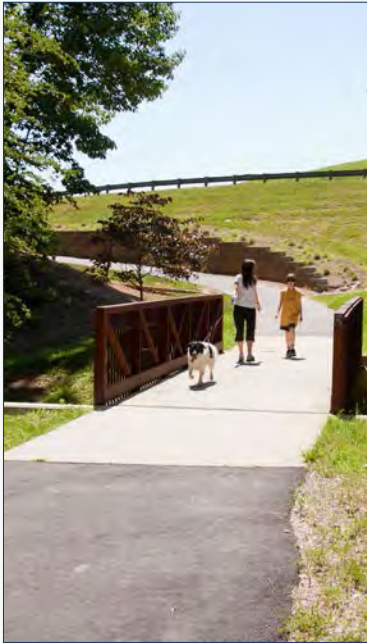
*American City Business Journal, September 2012*

If you would like to read more about the City's continued success, please visit the City's website at [www.raleighnc.gov](http://www.raleighnc.gov) and click on the link at the bottom of the page entitled "View our accolades."



# SPOTLIGHT ON

In fiscal year 2013, the Parks, Recreation and Cultural Resources Department had many accomplishments thanks to support from our citizens and partnerships with nonprofit, private and government organizations. Those accomplishments include the arts, greenways and many contributions from our volunteers.



*Citizens enjoying the greenway*

**Neuse River Greenway Trail:** Twenty miles of the Neuse River Trail were dedicated on April 25. Under a warm afternoon sun, several hundred people gathered at Anderson Point Park to celebrate the completion of this significant greenway trail project that extends from Horseshoe Farm Park to the Wake/Johnston County Line.

Over the past four years, partnerships have been forged with the North Carolina Department of Transportation (NCDOT) and the following communities: Wake County, Wake Forest and Knightdale. These communities contributed over \$15 million to partner with the City in the \$32 million project.

Two of the bridges are magnificent suspension bridges. The suspension bridges required less expensive materials and less intensive construction techniques, saving over \$1 million.

The Neuse River Trail will extend from Falls Lake Dam to Clayton next year after the final section of the trail is completed. This section is located between the WRAL Soccer Complex and Louisburg Road. The total trail length will then be approximately 32 miles.

**The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the City of Raleigh, N.C.:** The Arts & Economic Prosperity IV study provides compelling new evidence that the nonprofit arts and culture are a \$144 million industry in the City of Raleigh - one that supports 5,699 full-time equivalent jobs and generates \$14 million in local and state government revenue.

Nonprofit arts and culture organizations, which spend \$73 million each year, leverage a remarkable \$70 million in additional spending by arts and culture audiences - spending that pumps vital revenue into local restaurants, hotels, retail stores, parking garages, and other businesses.



*Patrick McDonald, Diamonds are Forever*

Another accomplishment included the Office of Raleigh Arts and members of the Raleigh Arts Commission and Public Art and Design Board collaborating with colleagues in the Parks and Recreation Department and City staff to advance six core Raleigh Arts Programs.

Source: Americans for the Arts, 2013 ([www.AmericansForTheArts.org](http://www.AmericansForTheArts.org)). For study details, visit [www.raleighnc.gov/arts](http://www.raleighnc.gov/arts).

**Volunteers:** Over the past year, the Parks, Recreation and Cultural Resources Department was pleased to have over 9,000 volunteers who served 158,710 hours at a value of \$3,390,045. These volunteers included individuals, families, civic clubs, students, churches, schools, universities, garden clubs, scouts, and local businesses.



# PARKS, RECREATION AND CULTURAL RESOURCES

Corporate volunteers from the following businesses assisted with various park projects: AT&T, Nationwide, Clark Nexsen, Target, Foresters Insurance, Dimension Data, Allscripts, Marriott, Starbucks, The North Face, Johnson Controls, Whole Foods, Wasser Media Group, Eaton Corporation. Corporate volunteers assisted with park projects at 60 different parks and greenways throughout the City. The park projects included playground renovations, removal of invasives, mulching, litter pick up, painting, tree planting, and landscaping.

The Parks, Recreation and Cultural Resources Department also utilizes volunteers to enhance City parks and greenways through the Adopt-A-Park Program. Currently 75 different individuals and 26 groups have adopted various parks and greenways throughout the city.

For more information about the Parks, Recreation and Cultural Resources Department, visit [parks.raleighnc.gov](http://parks.raleighnc.gov) or call 919-996-6640. To see all of the Parks, Recreation and Cultural Resources Department's accomplishments for FY13, visit [parks.raleighnc.gov](http://parks.raleighnc.gov) and search for "Parks Publications" to view the full annual report.

## PARKS, RECREATION & CULTURAL RESOURCES BY THE NUMBERS

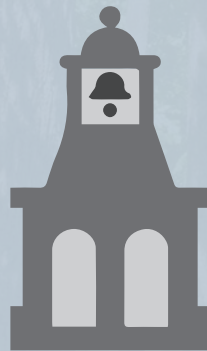
**9**   
aquatic facilities

**850 acres**  
of nature preserve




**62** ball  
fields

**68**   
playground  
locations



**6** historic  
sites

**112**   
tennis  
courts

**40**  
staffed  
facilities



**9,764**  
acres of parkland



**100 miles**  
of greenway trails





## CITY OF RALEIGH'S MISSION STATEMENT

"We are a 21st century city of innovation focusing on environmental, cultural, and economic sustainability.

We conserve and protect our environmental resources through best practices and cutting-edge conservation and stewardship, land use, infrastructure and building technologies.

We welcome growth and diversity through policies and programs that will protect, preserve and enhance Raleigh's existing neighborhoods, natural amenities, rich history, and cultural and human resources for future generations.

We lead to develop an improved neighborhood quality of life and standard of living for all our citizens.

We work with our universities, colleges, citizens and regional partners to promote emerging technologies, create new job opportunities and cultivate local businesses and entrepreneurs.

We recruit and train a 21st century staff with the knowledge and skill sets to carry out this mission, through transparent civic engagement and providing the very best customer service to our current citizens in the most efficient and cost-effective manner."



City of Raleigh • Post Office Box 590 • Raleigh, North Carolina 27602  
Office of the City Manager • 919.996.3070  
Office of the Chief Financial Officer • 919.996.3215

[www.raleighnc.gov](http://www.raleighnc.gov)