



Popular Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2023
RALEIGH, NORTH CAROLINA

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Report Overview

The fiscal year 2023 (FY23) **Popular Annual Financial Report** provides residents and other interested parties with a user-friendly overview of the City's financial results and is produced to increase awareness of the City's financial operations. The report includes long-term planning initiatives, accolades and other City demographics that may be of interest to readers. This report also highlights the overall financial position and trends of the City. The financial information presented within this report is obtained from the audited financial statements of the City's FY23 Annual Comprehensive Financial Report (ACFR), the City's formal financial annual report.

The Popular Annual Financial Report is not required to present the same level of detail as the ACFR and, therefore, may not fully conform to generally accepted accounting principles (GAAP). The FY23 ACFR was 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 [Annual Comprehensive Financial Report | Raleighnc.gov](https://www.raleighnc.gov/annual-comprehensive-financial-report)

Pictured on the front cover is the downtown Raleigh skyline as viewed from Dix Park, one of the City's largest parks consisting of 308-acres and located in the heart of Raleigh.

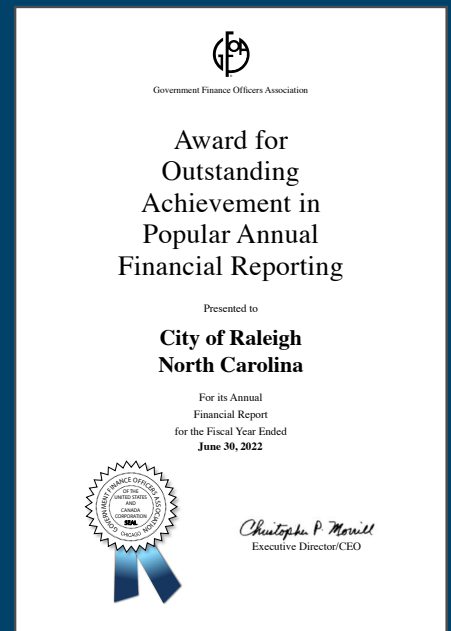
The City of Raleigh's Vehicle Fleet Services (VFS) division works to meet the transportation and equipment needs of the City by providing cost-effective: maintenance and repair services; vehicle and equipment specification and procurement; accident management; vehicle monitoring; city-maintained fuel sites; and, a citywide motor pool solution.

VFS was recognized in May 2023 as #1 in the nation in both the Large Fleet and Overall Fleet categories at the Government Fleet Exposition & Conference. The City's VFS division is featured in our Spotlight article starting on page 16 of this report.

About the Cover and Spotlight Article

GFOA Award

The Government Finance Officers Association (GFOA) represents public finance officials throughout the United States and Canada, whose shared mission is to promote excellence in state and local government financial management. The City of Raleigh participates in the GFOA Award Program for Outstanding Achievement in Popular Annual Financial Reporting. The award shown is for last year's report.



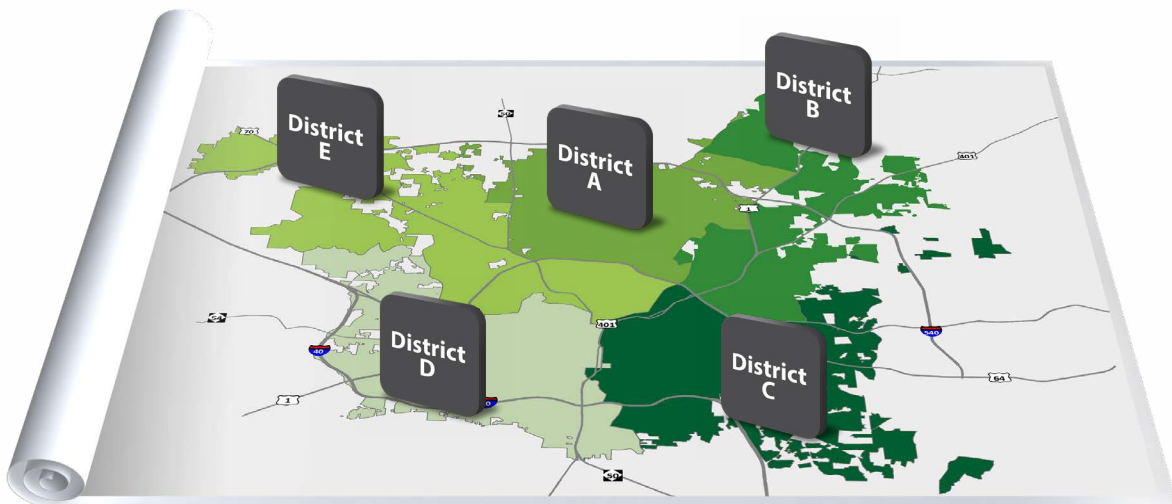
Raleigh City Council | 2023



Bottom Row: **Stormie D. Forte, Mary Black, Mary-Ann Baldwin, Christina Jones, Jane Harrison**
Top Row: **Jonathan Melton, Megan Patton, Corey Branch**

Mary-Ann Baldwin – MAYOR
Mary Black – DISTRICT A
Megan Patton – DISTRICT B
Corey D. Branch – DISTRICT C

Jane Harrison – DISTRICT D
Christina Jones – DISTRICT E
Stormie D. Forte – AT LARGE
Jonathan Melton – AT LARGE





"Our Community and Our People captures our strategic focus on meeting organizational and community goals"

Leadership | From the City Manager

Dear Readers:

The City of Raleigh continues its commitment to providing efficient and effective services and to consistently seek innovative and sustainable measures for improvement. The fiscal year 2022-23 budget theme – Our Community and Our People – captures our strategic focus on meeting organizational and community goals. The success of each is closely tied to the other. The annual budget reinforces our commitment to fiscal and environmental stewardship, operational efficiency, strategic investments, and effective change management while also staying true to our historic guiding principles.

Driven by a diverse business environment and an outstanding quality of life, Raleigh is consistently ranked among the nation's best places to live, work, and play. In this report, you will find accolades and results that reinforce Raleigh's continued resilience in meeting the needs of the residents of Raleigh and our community.

The City's Vehicle Fleet Services division plays a critical role in ensuring the City's equipment and vehicles are maintained in a cost-effective manner. On Pages 16-22 of this year's Popular Annual Financial report, please read about the team that received national recognition for fleet management.

I certainly hope that you enjoy and find the FY23 Popular Annual Financial Report useful.

Sincerely |  Marchell Adams-David | City Manager

RALEIGH BY THE NUMBERS

\$1.1 BILLION
FY2023 Budget

10,054
Parks Acreage

56.02 MILLION
gallons average daily
water usage

4,383
Full-Time Employees

9,135
Parks and Recreation Programs

36,753
Streetlights

555,591
911 Calls

2.0 MILLION
attendees at Parks

26,528 TONS
of Recycles Collected

6
Police Stations

49
Park Community Centers

795
Convention Center
Complex Events

29
Fire Stations

8
Aquatic Facilities

1,145
Street Miles

43.30 CENTS
City Property Tax

2,418
Miles of Water Mains



The City of Raleigh and the surrounding region continue to experience growth in population and commercial activity. Fueled by an impressive mix of educational institutions, ingenuity, and a collaborative spirit, Raleigh is an internationally recognized leader in life science and technology innovation. Driven by a strong economy and an outstanding quality of life, Raleigh is consistently ranked among the nation's best places to live and to operate a business.





The City of Raleigh | Everyone's Household

The City of Raleigh is the level of government that touches the daily lives of residents the most. The City provides a full range of governmental services, including public safety, regulating quality of housing and construction, paving roads, solid waste management, water and sewer services, providing public transit and parking options, maintaining parks and recreational facilities, and hosting convention and performing arts events. These services are provided to ensure Raleigh remains one of the top places to live, work and play. Over the last several decades, growth in Raleigh and the surrounding region has consistently and significantly outpaced the nation, further driving the City to strategically invest in its financial sustainability well into the future. The City applies the same financial fundamentals to the management of the City's finances that apply to individual households. Highlighted below are a few of the ways the City's financial management practices continue to ensure a strong financial position.

Budget and planning

Similar to the average resident, the City uses a balanced budget to ensure that it maintains a healthy financial position and uses its resources effectively. The City responsibly plans for its future financial needs in various ways, including relying on key financial policies and procedures, financial projections, a 5-year capital improvement plan (CIP), long-term rate studies and financial models. North Carolina law requires local governments to approve a balanced budget each year. The City's annual budget process includes a review of current economic conditions to develop a fiscally sound funding plan that ensures revenues are sufficient to cover budgeted operational needs for each department. The proposed budget is presented in May to City Council, which adopts the final budget on or prior to the start of the fiscal year July 1.

The City's annual Operating and CIP budgets can be found on the City's website at <https://raleighnc.gov/services/grants-and-funding/current-city-budget>.

Financial standards

Comparable to a household's need to borrow for a home or car, the City has taken on moderate debt levels to provide necessary infrastructure which impact daily lives, such as streets and parks. The City's credit rating from the three national credit rating agencies – Moody's, S&P Global and Fitch – are all AAA/Aaa. This represents the highest credit ratings available and provides an independent view of the City's overall financial well-being. Details summarizing FY23 City debt activities are captured on page 14 of this report.

Saving and investing for the future

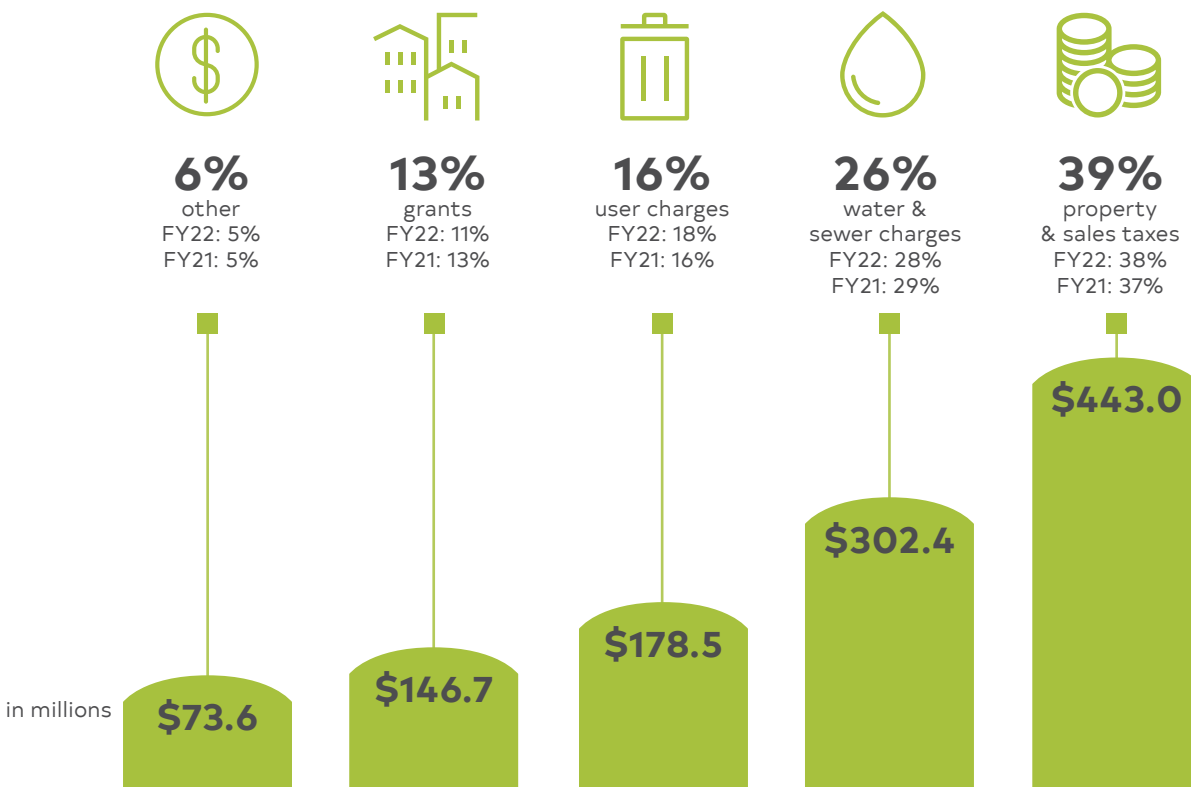
Saving for the future is an important aspect of the City's financial stewardship, similar to your own household budget planning. The City utilizes various policies and guidelines, models, and fiscal analyses that enable management to address short-term as well as plan for long-term financial needs. Collectively, these financial tools allow City Council and City Management to make informed decisions regarding future investments within our growing community, while also maintaining an adequate level of savings.

Sources | City Funds

The City has various funding sources that provide for governmental and business-type services. The three-year trend illustrated below shows City funding sources remain relatively consistent over time. The City's largest revenues are **property and sales taxes**. These tax collections predominately fund basic government services, including investments in public safety, public infrastructure, and leisure services. **Water and sewer charges** are the second largest category of revenues and reflect City Council approved rates for the regional utility system consistent with long-term financial planning models. **User charges** capture a variety of City services, and fees are collected specifically from those who directly benefit and utilize these services. Examples include solid waste services fees, stormwater fees, development permitting activities, parks and recreation fees, convention center activities, and parking charges. The FY23 budget included an approved rate increase in user charges for water and sewer, solid waste services and stormwater to maintain service levels and support growing infrastructure needs. Enterprise user rates are predominately aligned to long-term planning models, ensuring the City can sustain existing service levels and pay for future capital infrastructure needs. The City also receives federal and state **grants**, as well as other funding allocations from external sources that support specific initiatives, such as road repairs, parks and recreation, housing development projects and community outreach. **Other sources** include interest income and miscellaneous revenues.

FISCAL YEAR 2023 (FY23) ADOPTED BUDGET

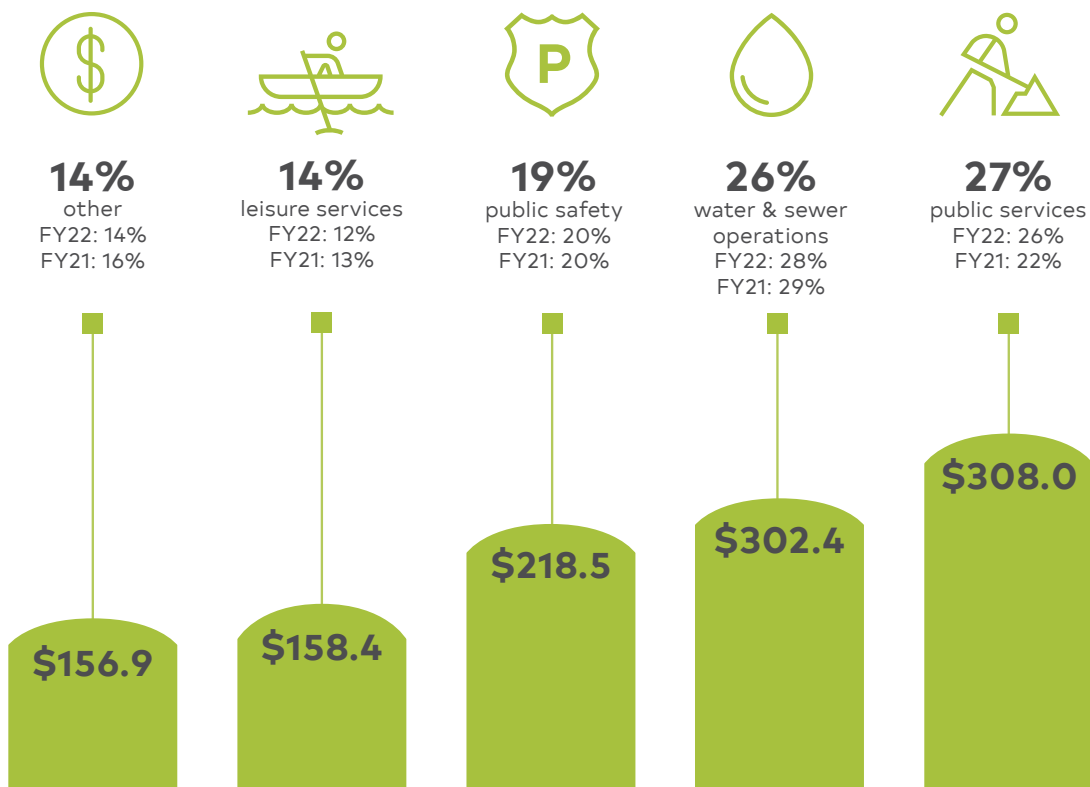
FY23 City-wide Adopted Operating and Capital budgets total \$1,144.2 million. The categories shown highlight the sources (revenues) and uses (expenses) as a percentage of the total. Budget priorities for FY23 focused investments in **Our Community and Our People**. A few initiatives are included to the right:



Uses | City Funds

The City provides many comprehensive services to residents. The three-year trend illustrated below displays how the City's uses of funds continue to remain relatively consistent over time. **Public services** captures a wide variety of work efforts, including solid waste services, stormwater, development activities, parking and public transit. Public services budgeted uses increased year over year more than other categories, reflecting the City's FY23 strategic investment in capital improvements and infrastructure management. **Water and sewer operations** ensures a focus on providing clean drinking water and effective wastewater management services, which protect both the environment and public health. **Public safety** accounts for budgeted funding uses associated with fire, police and emergency communication operations, which are funded predominately by general tax revenues. The City's support of public safety initiatives provides for the continued safety of our growing service area. **Leisure services** include parks, recreation, and cultural resources, as well as the Convention Center Complex where residents and visitors enjoy amenities and cultural programs. Additional uses listed as **other** include internal service organizations, various housing assistance and other community initiatives.

- Equity and inclusion resources to support capacity building, training and other services that promote inclusion and address biases
- Commitments in infrastructure to support our growing community with regional water and sewer services, oversight of land development to meet stormwater requirements and additional resources to assist with signal timing for bus rapid transit projects
- Communication investments to support ongoing maintenance and continuous improvement of the City's website and other critical communication channels
- Additional resources to provide enhanced programming and maintenance support within our community parks
- Commitments to maintain and upgrade public safety vehicles and equipment as well as to replace critical technology infrastructure at the Emergency Communications Center
- Investment in our greatest asset, our employees with our sustainable approach to remain competitive in the market
- Continued long-term investments in funding affordable housing, street resurfacing and parks maintenance
- Capital funding to support additional public safety facilities for police and fire



in millions

FY23 | Governmental Activities

The Governmental activities section in the City's financial statements includes programs predominately supported by taxes, federal and state grants, and other general funds. In comparison, the City's Business-type activities, described on page 12, are predominately funded by user charges. Governmental revenue sources are utilized for various community services, including public safety efforts for fire, police, and emergency communications; parks, recreation, and cultural resources initiatives; infrastructure management; planning and neighborhoods; and general government administration. Governmental activities also include capital project activities which support infrastructure across the City.

Balance sheet

Amounts in millions	FY23	FY22	Change
Assets	\$ 2,483	\$ 2,285	\$ 198
Deferred Outflows of Resources	149	115	34
Liabilities	(1,162)	(1,028)	(134)
Deferred Inflows of Resources	(48)	(104)	56
Net Position	\$ 1,422	\$ 1,268	\$ 154

A **balance sheet** provides a snapshot of what the City currently owns (assets) and owes (liabilities), as well as sources (deferred inflows) and uses (deferred outflows) that will be recognized in future years. **Net position** represents the City's investment in the assets it uses in providing services to its residents. Increases in net position serve as a useful indicator of the strength of the City's financial position..

Net position is a snapshot of the overall financial condition of the City and is comprised of capital assets, restricted funds for needs such as debt commitments, and the remaining is unrestricted and available to support ongoing operations. The majority (or 59%) of the City's \$1,422 million net position represents investments in capital assets, including land, buildings and other infrastructure that are used to provide services to residents. As shown in the tables, the City's net position increased by \$154 million. The City's continued investment in capital assets, continued growth in key revenues, and diligent monitoring of expenditures yielded positive fiscal impacts.

Income statement

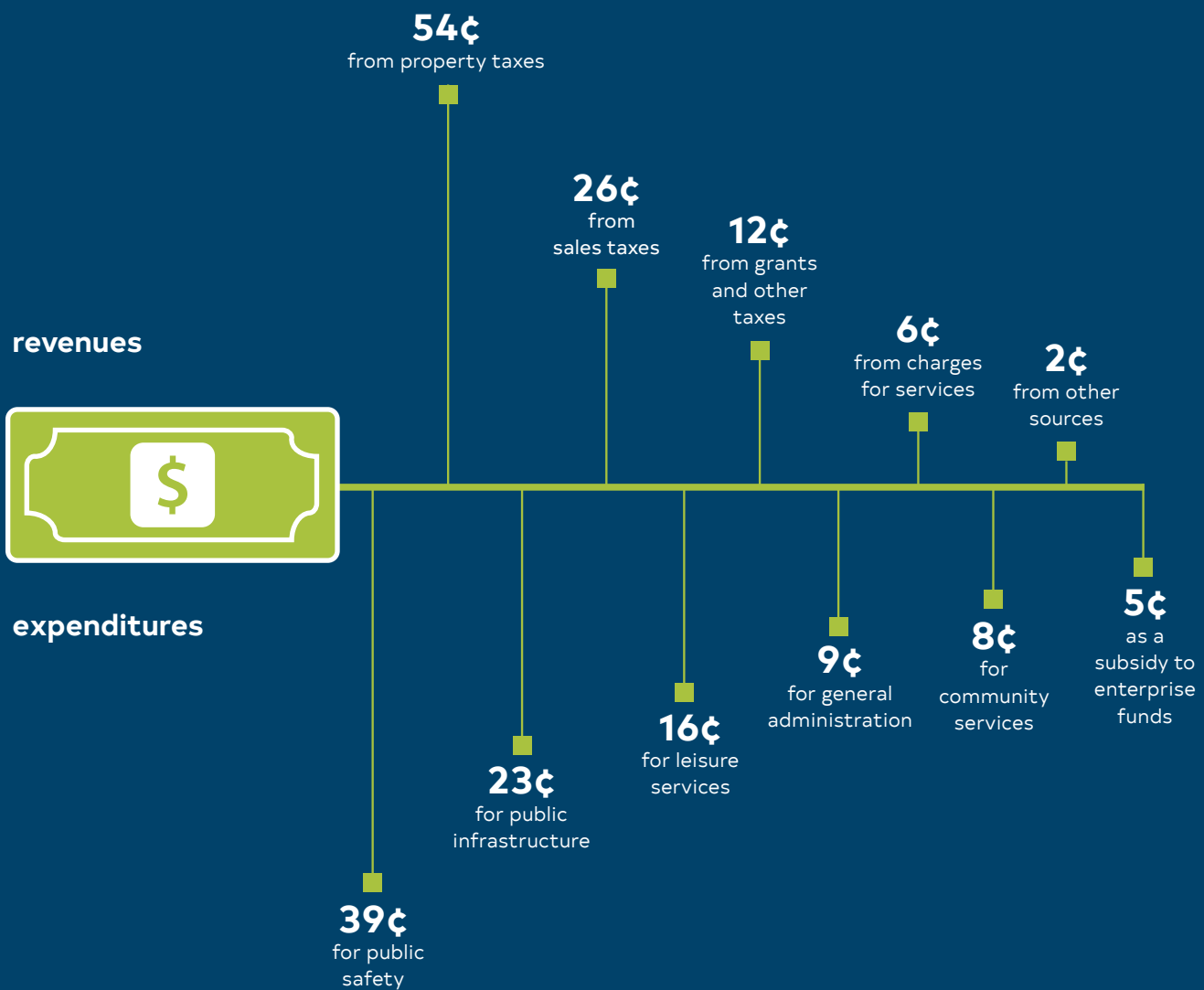
Amounts in millions	FY23	FY22	Change
Revenues	\$ 742	\$ 631	\$ 111
Expenses	(533)	(475)	(58)
Transfers In (Out)	(55)	(59)	4
Change in Net Position	\$ 154	\$ 97	\$ 57

An **income statement** provides a summary of amounts received (revenues) and amounts spent (expenses). The difference between revenues and expenses shows the City's **change in net position**. A positive change in net position indicates the City had enough revenues to cover its obligations and the ability to save for the future.

The FY23 revenue increase in the City's governmental activities was driven primarily by exceptionally strong sales tax collections, property tax collections, and development user fees activity, and interest income that was driven by the rising interest rate environment. Current year expenses increased moderately and are in-line with expected annual operating increases. Transfers out decreased from the prior year as the FY23 budget supported normal funding levels to the City's capital improvement program.

FY23 | General Fund Results

The General Fund is the City's main operating fund supporting key operations, such as public safety, public infrastructure, and leisure services. This page displays FY23 actual results in cents to provide an easy-to-understand illustration of General Fund revenue sources and expenditure uses. **Property taxes** and **sales taxes** are the two largest sources of General Fund revenue totaling 80 cents of every dollar received. **Public safety** (fire, police, and emergency communications) accounts for the largest area of General Fund spending at 39 cents, followed by **public infrastructure** (city planning, inspections, and roadways) at 23 cents and **leisure services** (parks, recreation, and cultural resources) at 16 cents. The City's General Fund revenues and expenditures allocation is similar to the prior year with a shift in spending towards public infrastructure as a result of our growing city. Results met expectations in FY23 when compared to budget.



FY23 Business-Type Activities

Business-type activities encompass the City's enterprise fund operations. The City manages six enterprises: Raleigh Water, Convention Center Complex, Public Transit, Stormwater, Parking, and Solid Waste Services. These business-type operations are primarily funded by fees charged to customers who directly benefit from the services provided.

Balance sheet

Amounts in millions	FY23	FY22	Change
Assets	\$ 3,393	\$ 3,235	\$ 158
Deferred Outflows of Resources	59	62	(3)
Liabilities	(1,373)	(1,345)	(28)
Deferred Inflows of Resources	(25)	(49)	24
Net Position	\$ 2,054	\$ 1,903	\$ 151

A **balance sheet** provides a snapshot of what the City currently owns (assets) and owes (liabilities), as well as sources (deferred inflows) and uses (deferred outflows) that will be recognized in future years. **Net position** represents the City's investment in the assets it uses in providing services to its residents. Increases in net position serve as a useful indicator of the strength of the City's financial position.

Net position is a snapshot of the overall financial condition of the City and is comprised of the investment in capital assets, while the remaining net position is unrestricted and available to support ongoing operations. The majority or 74% business-type net position represents investment in capital assets that are used to provide services to our residents. The largest examples of capital assets are water and sewer treatment plants and the supporting infrastructure pipelines. As shown in the tables, the City's net position increased by \$151 million. The slight year over year decline in the change in net position is driven primarily by an increase in expenditures to support the growth of the City; however, the results demonstrate strength in the City's fiscal stability. The City's continued investment in capital assets and ongoing operations yielded positive fiscal impacts.

Income statement

Amounts in millions	FY23	FY22	Change
Revenues	\$ 484	\$ 445	\$ 39
Expenses	(388)	(337)	(51)
Transfers In (Out)	55	59	(4)
Change in Net Position	\$ 151	\$ 167	\$ (16)

An **income statement** provides a summary of amounts received (revenues) and amounts spent (expenses). The difference between revenues and expenses shows the City's **change in net position**. A positive change in net position indicates the City had enough revenues to cover its obligations and the ability to save for the future.

The City experienced many positive trends and growth in business-type activities during FY23. The year over year revenue increase for the City's business-type activities was driven primarily by revenue growth in business-type activities associated with approved rate increases to support operations coupled with events at the Convention Center Complex exceeding pre-pandemic levels. Expenses increased to maintain operations and service demands and met expectations. City management continues to monitor user charges while leveraging financial projection models for long-term planning.

FY23 | Capital Improvement Plan

The City utilizes a multi-year Capital Improvement Plan (CIP) as one element in the City's long-term planning process. The CIP outlines future investments needed for the growing community. Long-term studies as well as resident input are important aspects in identifying new projects and making informed decisions. The CIP analyzes the City's major facility, equipment and other infrastructure needs within the context of establishing priorities, estimating available fiscal resources, and phasing the development of funded projects over a 5-year horizon. The entire CIP process is completed in a strategic, thoughtful, and impactful way to maximize community growth and improve quality of life in alignment with the City Council's vision. Capital project initiatives generally include buildings, land, major technology projects, infrastructure and general improvements which allow the City to develop or expand services. The first year of the CIP is approved by City Council annually as part of the adopted budget.

The five-year adopted CIP plan can be found at: [Budget and Management Services | raleighnc.gov](https://raleighnc.gov/Budget-and-Management-Services)

During FY23, the City completed numerous projects outlined in the City's Capital Improvement Plan, including the following:

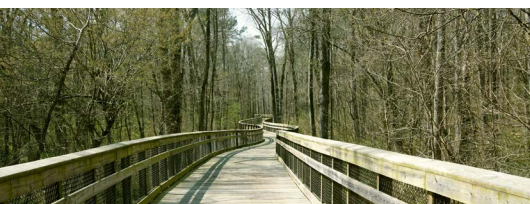
Raleigh Water and Stormwater Projects:

- Progress continued on the City's Bioenergy Recovery Project which will enable a new way to manage wasty byproducts at the Neuse River Resource Recovery Facility.
- Stormwater supported many initiatives including projects centered around reducing runoff, improving stream quality, and purchasing properties in flood prone areas of the City.

Other Infrastructure Projects:

- Enterprise and governmental equipment acquisitions, including purchases of police and fire vehicles for the continuation of responsive public safety efforts.
- Transportation initiatives included the completion of a variety of projects including bikeways, sidewalks, bridge maintenance, neighborhood traffic management programs and street maintenance.
- Transit continued efforts to design the first bus rapid transit corridor along New Bern Avenue to deliver fast and efficient services to residents.
- The Convention Center Complex completed initiatives such as interior painting, carpet replacement, LED memo board, and theatrical lighting to ensure facilities remain first in class.
- Housing remains committed to supporting affordable housing with key investments in supporting new units for seniors and to households earning at or below 30 percent of the area median income (AMI) to 70 percent AMI.
- Enhancements to the Capital Area Greenway System were completed including tunnel lighting, repaving and pavement markings and trail completions. In addition, Walnut Creek Wetland Park phase one of the master plan was also completed and a community partnership to create a temporary skate park at the future Smokey Hollow Park site.

In addition, the adopted FY23 CIP provided funding for new or continuing capital projects consistent with the City's strategic and comprehensive plans ranging from investments in capital maintenance and renovations, long-term public transit expansions, housing and community outreach, and other general public improvements.



FY23 | Understanding City Debt

A priority of the City is to maintain long-term financial sustainability of operations. This strong commitment to the future sustainability has resulted in the City maintaining Aaa ratings from Moody's Investors Service and AAA ratings from S&P Global and Fitch ratings. All three of these top credit rating agencies represent the highest rating available on both the general government and Raleigh Water debt. Raleigh is one of the few cities in the nation to have achieved these superior credit ratings, providing benefits such as obtaining the lowest interest rates.

The City maintains a healthy balance of debt to support general government activities, such as public safety facilities, streets, affordable housing, and park improvements, while also supporting capital infrastructure needs for business-type activities that provide services to residents and visitors. Given the capital intensive-nature of the business-type activities (pipes, pumps, and treatment plants), (50%) of the City's total debt portfolio is repaid from business-type user charges. The remaining (50%) of the City's debt portfolio supports governmental activities and is paid for by general governmental revenues.

Governmental activities

General governmental outstanding debt totals \$596.0 million, an increase over prior year. The City has the ability to extend \$514.5 million for future debt needs that would support transportation, parks and recreation, and housing projects.

FY23 New Debt

- The City issued \$142.5 million in general obligation bonds which supported parks and streets.
- A program was authorized for up to \$110.0 million to finance capital projects for streets, housing, and parks and as of year-end, \$9.8 million was outstanding. This funding is associated with voter approved debt.
- The City entered into a financing agreement for \$43.0 million to support the purchase of equipment

9.2% - FY23 actual debt payments compared to General Fund budget. City policy allows for a maximum of 15.0%.

Business-type activities

Most of the City debt is associated with enterprise funds, primarily Raleigh Water, with a significantly smaller portion for Convention Center Complex and Parking. Business-type outstanding debt totals \$1.1 billion, which is consistent with prior year.

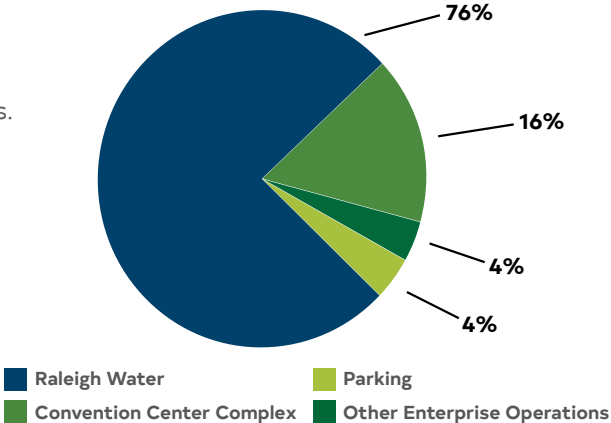
FY23 New Debt

- The City issued \$303.2 million in revenue bonds to support regional water and sewer capital infrastructure.
- The City received authorization for a program pertaining to water and sewer capital projects that allows for up to \$215.0 million supporting the Raleigh Water enterprise operation of which \$21.5 million was outstanding at year end.

Debt management

The City's Finance department is dedicated to ensuring prudent debt management that allow for future City planning needs.

More detailed schedules specifically on City debt can be found in the FY23 ACFR.



FY23 | Raleigh Accolades and Demographics

Raleigh continues to be ranked among the best places in the United States to live, work, play and more. Below are a few accolades the City has received:

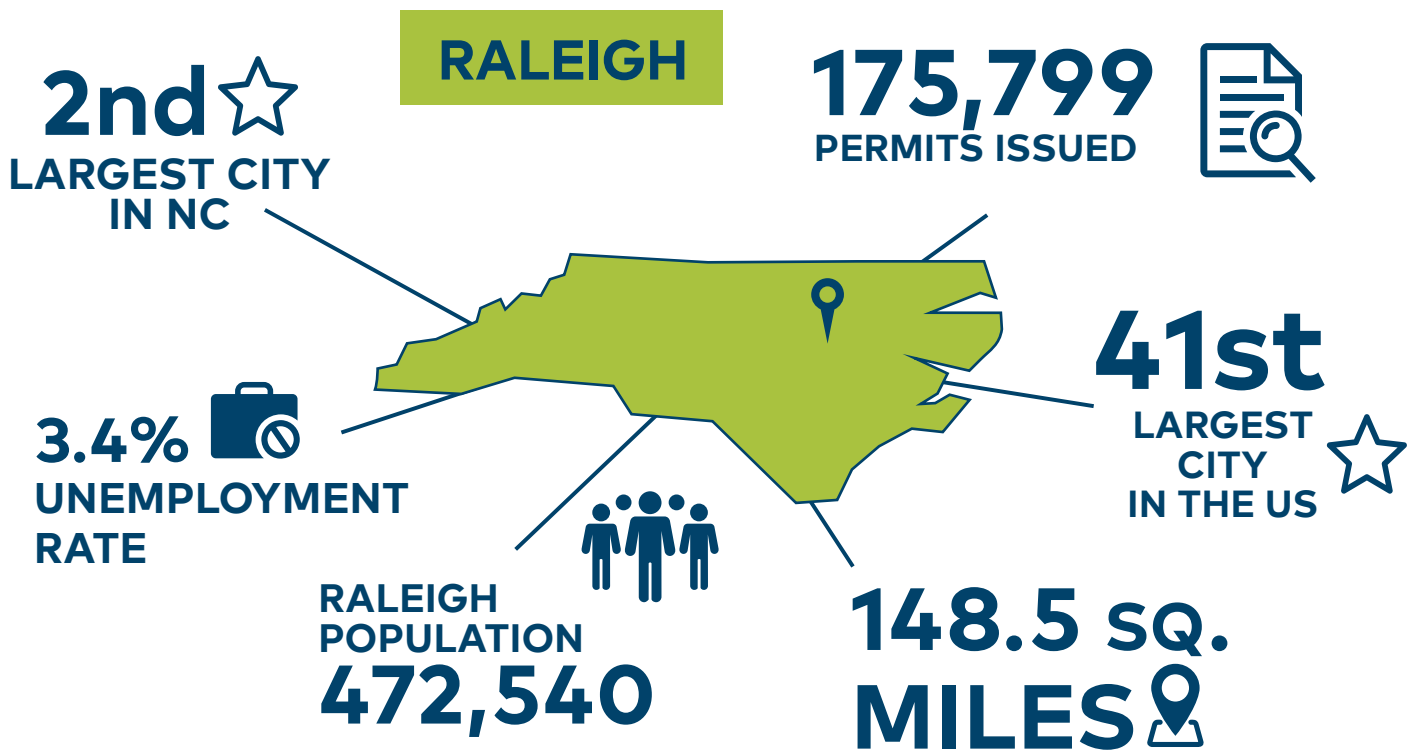
- 2nd in the county for Fastest Large Metro Where Wages are Rising the Fastest (Raleigh-Cary) (August 2022, Smartest Dollar)
- 2nd in the Best City for Remote Workers (December 2022, RentCafe)
- 1st in Best City for Veterans to Live (October 2022, Wallet Hub)
- 8th in the Country for Biggest Boomtowns (February 2023, LendingTree)
- 3rd Best Place to Live (tied with Durham) (May 2023, US News and World Report)
- 3rd Best Performing City (May 2023, Milken Institute)

Major Industries & Employers:

As the Capital of the State, the City derives its economic profile from a diverse combination of business and employment centers, including Federal and State government, higher education, information technology, scientific research, healthcare, and retail trade.

The top ten employers within the City include:

- State of North Carolina
- Wake County Public School System
- Wake Med Health and Hospitals
- Food Lion
- North Carolina State University
- Target Stores
- UNC Rex Healthcare System
- Harris Teeter
- Wake County Government
- City of Raleigh



If you would like to read more about the City's accolades, please visit the City's website at www.raleighnc.gov.



Spotlight On: Vehicle Fleet Services

"The men and women do the work; we just tell the story." These were the words expressed as the City of Raleigh's Vehicle Fleet Services (VFS) accepted the award for the number one fleet in the Nation in both the Large Fleet and Overall Fleet categories, surpassing almost forty thousand other organizations at this year's Government Fleet Exposition & Conference (GFX) in Dallas, Texas, on May 22, 2023. Raleigh's fleet team triumphed over such cities as Baltimore MD, Sacramento CA, and Durham, NC. This tremendous accomplishment is a testament to the team's hard work and dedication. VFS has and will continue to demonstrate excellence in maintaining and managing the City's vehicles, ensuring they are safe, reliable, and efficient, all while providing outstanding customer service city wide.



Vehicle Fleet Services, a division of the City of Raleigh's Engineering Services Department, plays a critical role in ensuring the city runs smoothly. From committing to the wellbeing of our equipment and vehicles to performing various tasks such as procuring vehicles or machinery, all preventative maintenance work, small- and large-scale repairs, and road maintenance calls, VFS is involved in all aspects of the service life of the City's vehicles and equipment. VFS also works to maintain the seven fuel sites used throughout the city by all departments, including the Raleigh Police Department (RPD).



Comprised of 78 full-time positions, VFS is the largest division within Engineering Services. From technicians to service writers, parts personnel, and an administrative team, the gears are always turning! There is no shortage of work within the three shops of VFS (Central Operations Facility, Northeast Remote Operations Facility and Heavy Equipment Shop) as we service and maintain over 4,000 vehicles and equipment used within the city. The Ford Explorers driven by RPD or the Parks and Recreation's Dodge Journey SUVs may be what most people think of when they imagine the fleet, but the technicians here are also experts on heavy equipment such as cement trucks, street pavers, excavators, and tractors. If critical services, such as refuse pickup, are missed, residents of Raleigh notice the impact immediately. VFS strives to ensure all critical assets of the City's fleet are operational and on the road. We strive to maintain an above industry standard of 95% availability rate to ensure the operating departments have the equipment they need, when they need it.



Jump Starting a Sustainable Fleet

In 2022, Vehicle Fleet Services partnered with ICF Incorporated, L.L.C., (ICF) to develop a 'Fleet Electrification Implementation Rollout Strategy.' Together, we have been able to construct a ten-year plan that looks to completely transition the City of Raleigh to an all-electric fleet or alternative technologies where Electric Vehicles (EV) transition is not feasible. ICF has extensive experience in designing, standing up, and running fleet electrification programs for municipalities. In partnership with the Triangle Clean Cities Coalition, ICF has begun a discovery phase, collecting, analyzing, and characterizing the City's existing fleet conditions. Using the collected fleet inventory information, ICF will perform a baseline evaluation of the fleet's electrification opportunity. This aligns with the 2012 Climate Energy Action Plan, a large community-wide effort to reduce Green House Gas (GHG) emissions from the City's operations. Fleet also had the pleasure of working with two local universities (North Carolina State University and University of North Carolina-Charlotte) 'Climate Action' interns who facilitated electric charging infrastructure training, and a Climate Action Fellow from Yale University who assisted with analyzing other steps that would help in transforming the city's assets, specifically heavy duty. VFS has been at the forefront of that mission, helping to achieve the goal of an 80% reduction in GHG from our 2007 levels by 2050.

It is not uncommon to see VFS out and about at City and state-sponsored climate change events. Whether we are there promoting our fleet transition and answering questions of our residents or learning new ways to make our fleet greener, VFS looks to stay ahead of the

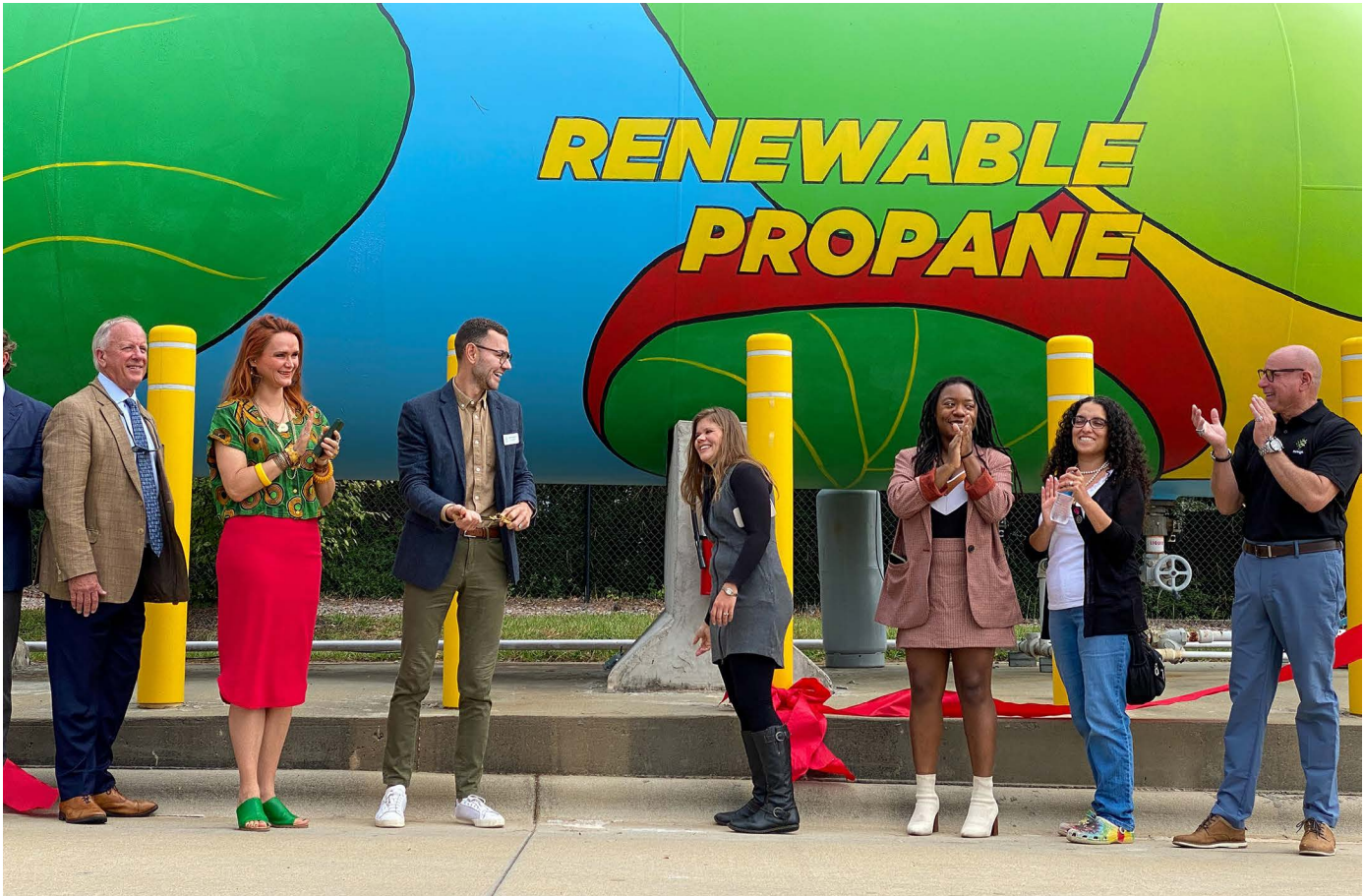
curve as we work to change the City by promoting the electrification of our fleet. Whether it's through keeping up with the latest advancements in technology or preparing City employees for fleet changes, VFS takes no short cuts.

Since June of 2015, VFS has more than tripled the number of hybrid assets under management, rising from 6% to 18%. Within that time span VFS has also increased our use of alternative fuels (Compressed Natural Gas, E85, and propane) from 31% to 45% in our fleet. In total, VFS has added almost 400 hybrid and electric vehicles to the fleet, charging up change! VFS looks to continue the trend of success in transforming the fleet in more ways than one.

The City's current Automatic Vehicle Locator (AVL) is Geotab Inc, a system that allows VFS to track vehicle maintenance, driver behavior, and fleet activity. BlueArrow, a local distributor of Geotab, has worked countless hours to help personalize this system to the City's needs. Geotab is currently installed on over 1,000 vehicles in the fleet and the City plans to have it implemented on all vehicles by 2025.

VFS can assess tailpipe emissions, fuel usage, and idling time. Having these statistics at our fingertips enables VFS to make the best decisions when it comes to transforming the fleet. 'Telematics' or the data gathered directly from a vehicle using its on-board diagnostic (OBD) system can easily be pulled to suggest which vehicles in the fleet can be replaced with a hybrid or an electric vehicle based on its utilization history.

VFS is also able to look at a driver's behavior and assess their environmental impact. For example, most drivers in the U.S. believe that a car needs to idle for at least 5 minutes before the engine "heats up" and is ready to drive. On the contrary, a normal powered vehicle is ready to run within 30 seconds of turning over the engine. Debunking myths like these allow the City to reduce idling time. VFS is also looking to put standard operating procedures in place, including a pre-city driving permit training to help educate drivers and, in turn, change their driving behavior. VFS can track how much the reduction of idling saves the City, seeing a swing anywhere from \$2-10K in idling cost savings in just one month!



VFS has also made EV's accessible to employees in the city with a driving permit. With 'Ridecell', an employee can borrow a COR motor pool smart fleet vehicle by using an app-based rideshare program. This enables the driver to make or manage active or new rentals, unlock, and lock their vehicle and report any damage, eliminating the need to have a physical key in hand. EV's are fueling the future of technology!

As sustainability becomes a key focus for fleet operations within the City of Raleigh, the use of retreaded tires has been one of the advancements leading the charge. Retreading offers a viable alternative to traditional tire replacements, providing several environmental benefits in the process.

According to the NHTSA (National Highway Traffic Safety Administration) Commercial Medium Tire Debris Study, each retread tire uses 30 percent less energy and 15 fewer gallons of oil to manufacture than a new tire. That means the average retread tire takes only seven gallons of oil to produce, while a new tire takes as much as 22 gallons.

The environmental benefits of retreaded tires cannot be understated. By embracing this sustainable alternative, the City of Raleigh continues to play a crucial role in reducing tire waste, conserving resources, lowering emissions, and enhancing fuel efficiency.



The Gears of a Well-Oiled Machine

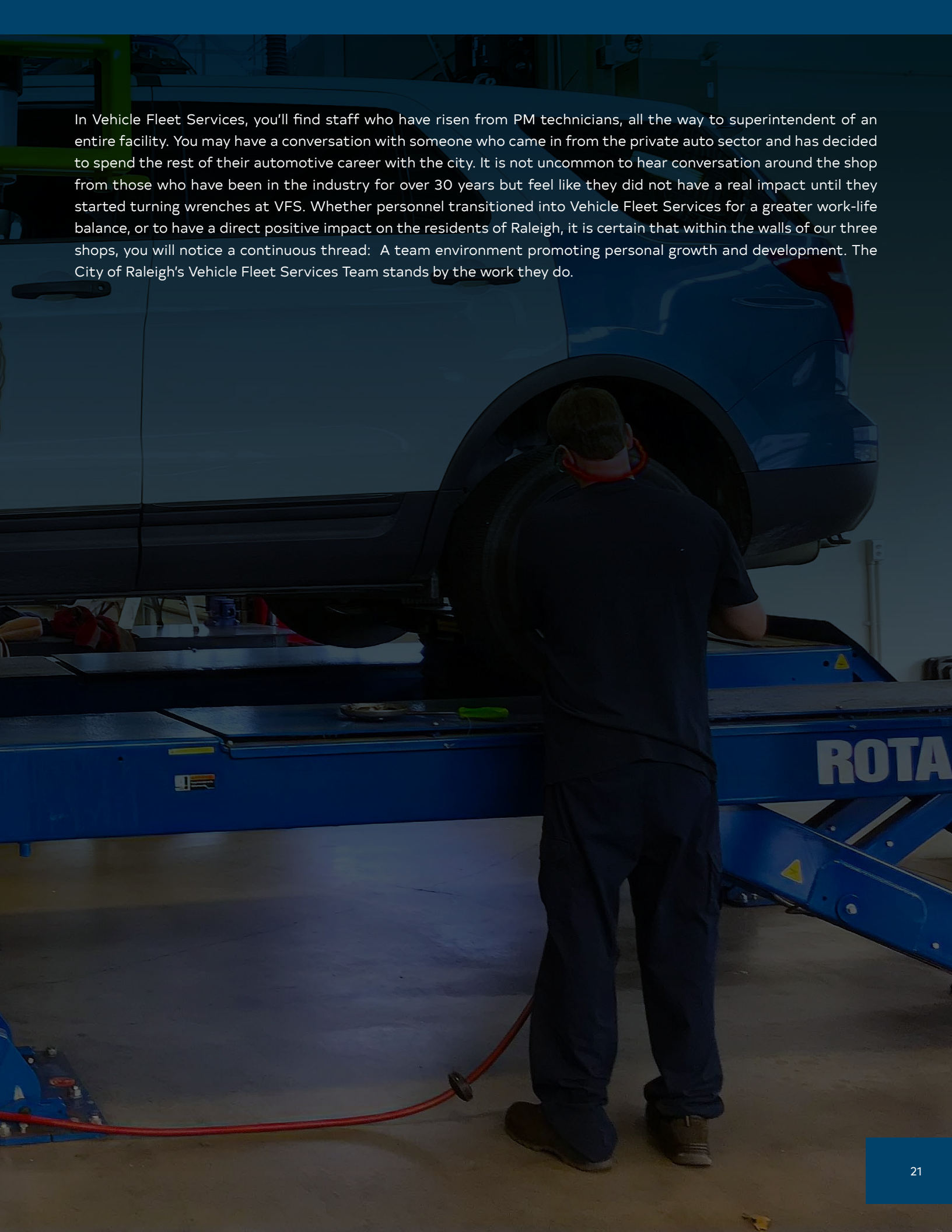
Automotive Service Excellence (ASE) promotes quality in vehicle repair, service, and parts distribution. All fleet staff are encouraged to obtain their ASE. Last quarter, fleet saw an increase in certifications with eight technicians earning a combined total of 23 certificates. VFS currently has 16 technicians currently holding an ASE, nine Master Technicians and two multiple Master Technicians. As of September 2023, VFS has a world class master technician, Victor Avila. Since 1986, that title has only been achieved by less than 2,400 technicians in the industry.

In FY22, the goal of completing 80% of Preventative Maintenance (PM) services was not only reached but surpassed by 5% from our well-trained technicians. With PM completion rate as high as 85%, it logically follows that the fleet's availability rate also surpassed the goal of 93% to reach 95% in that year. As PM service goals continue to be surpassed, departments can rely on a longer vehicle life expectancy, and better usage out of their vehicles, including a larger miles per gallon range and lower CO2 emissions and greenhouse gases including nitrogen oxides (NOx) and volatile organic compounds (VOC). For instance, a vehicle's yearly service inspection includes an OBD monitoring system examination. As this is checked on each vehicle as they come in for services, technicians can identify tailpipe emissions and quickly make repairs to improve air quality.

In the last three years, staff, technicians, and office personnel, have completed over 6,000 hours of technical, safety, leadership, and administrative training. VFS participates in training offered by the City, GFX events, community colleges, vendors, and commercial training companies. As new technicians enter the fleet family, they are welcomed in by world class trainers to assist them in obtaining their CDLs. All staff within VFS are required to take a monthly training class, led by an in-house health and safety officer. These trainings have included forklift certifications, CPR, first aid, computer, and equipment safety. Keeping our fleet as up to date as possible is another way VFS is putting safety first. In FY23, each technician was equipped with a wireless Bluetooth enabled tablet, allowing for seamless research, diagnostic, and on the go support as they work around Raleigh on road calls.

In June of 2023, the City of Raleigh and Advance Auto Parts (AAP) entered into a contract for procuring parts for our vehicles and equipment. This is a strong collaborative effort led by parts personnel to ensure Raleigh had everything needed to keep vehicles operational and on the road. With a local headquarters in Raleigh, this collaboration has given the City access to millions of parts while streamlining our procurement process. We were able to see a reduction in over 1000's purchase orders during a year. This has also decreased our downtime of vehicles as they do not have to wait extended periods of time for part delivery.

In Vehicle Fleet Services, you'll find staff who have risen from PM technicians, all the way to superintendent of an entire facility. You may have a conversation with someone who came in from the private auto sector and has decided to spend the rest of their automotive career with the city. It is not uncommon to hear conversation around the shop from those who have been in the industry for over 30 years but feel like they did not have a real impact until they started turning wrenches at VFS. Whether personnel transitioned into Vehicle Fleet Services for a greater work-life balance, or to have a direct positive impact on the residents of Raleigh, it is certain that within the walls of our three shops, you will notice a continuous thread: A team environment promoting personal growth and development. The City of Raleigh's Vehicle Fleet Services Team stands by the work they do.



Vehicle Fleet Services by the Numbers

- Number of Hybrids: 366 vehicles
- Number of alternative fuel vehicles: 1862 Vehicles
- Total Gallons of alternative fuel (E85, Biodiesel Compressed Natural Gas, Propane) used in FY 23: 1,994,584
- Total Gallons of non-alternative fuel (Off- Road Diesel, Diesel, and unleaded) used in FY 23: 1,107,735.
- As of December 1, 2023, the city has used a total of 752 retreaded tires in lieu of buying brand new tires, saving \$335 per tire.
- All departments had over 90% availability rate of their vehicles throughout all of FY23.
- 1 of 2,224 world class technicians nationwide. There are an estimated 887,000 automotive technicians in all of the United States.
- 9 Master Technicians
- 2 Double Master Technicians
- City of Raleigh is the number 1 fleet in the nation out of 38,642 fleets.
- All 49 Technicians are forklift certified and either CDL A and/or B certified
- 4,700 vehicles and equipment in the fleet





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