



May 29, 2017

The Honorable J. Scott Padgett, Mayor
 Members of the City Council
 Concord, North Carolina

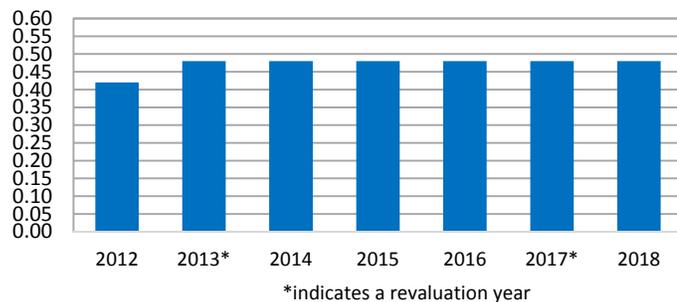
Dear Mayor Padgett and Members of the City Council:

Pursuant to Section 159-11 of the North Carolina General Statutes, attached is the recommended FY 2017-18 Budget for your review and consideration. I want to thank the Mayor and Council for providing staff with specific direction to maintain basic City services as indicated in the FY 2017-18 Goals Statement. I used this document as a guide in making recommendations. I also want to thank Deputy Manager Merl Hamilton, Assistant City Manager Lloyd Payne, all department directors and their respective staffs, Finance Director Pam Hinson and, in particular, Budget and Performance Manager Robin Barham and Budget Analyst Lesley Reder for their assistance in preparing this proposal.

The City-wide budget totals \$246,574,923 for all funds, including utilities and special revenue funds.

The recommended General Fund budget for FY 2017-18 totals \$86,330,539 for City personnel, operations, capital improvements and debt service. This recommendation maintains the tax rate at 48¢ per \$100 of valuation. As in past years, this proposed tax rate includes restricting the 2¢ budgeted for use in the Transportation Improvement Fund as mandated by City Council.

City Property Tax Rate
 (cents per \$100 of valuation)



No rate increases are anticipated for the Water or Wastewater funds, despite a 5% increase in our wastewater treatment rates from WSAAC. No changes are recommended in electric rates at this time. As is the practice, if there is a need to consider a Purchased Power Adjustment, changes would be implemented in the September time frame. Increases in stormwater fees are recommended in response to the Council's goal of accelerating stormwater capital projects.

During the budget process, departments were able to identify additional needs beyond their current operations. Management considered the impact of these operational needs in an environment of an expanding economy and growth, and recommended those new requests that will meet Council goals and/or have the greatest impact on direct service delivery to our citizens. The budget was balanced using conservative revenue projections.

The growth in all sectors of the economy in Concord speaks well for the desirability of our community, however, with this growth, the City cannot maintain current services levels or meet Council goals without adding positions and increasing operational line items. The Council has adopted many expansion goals to enable the City to meet growing service needs and maintain a high quality of life for our residents.

This recommendation assumes the General Assembly will not make changes to local government revenues that will impact the City of Concord. As of this date, there is one bill that would reduce annual sales tax revenues to Concord by an estimated \$948,000. I am recommending a contingency plan of expenditure cuts, outlined later in the message, should this bill be approved effective July 1, 2017 as currently proposed.

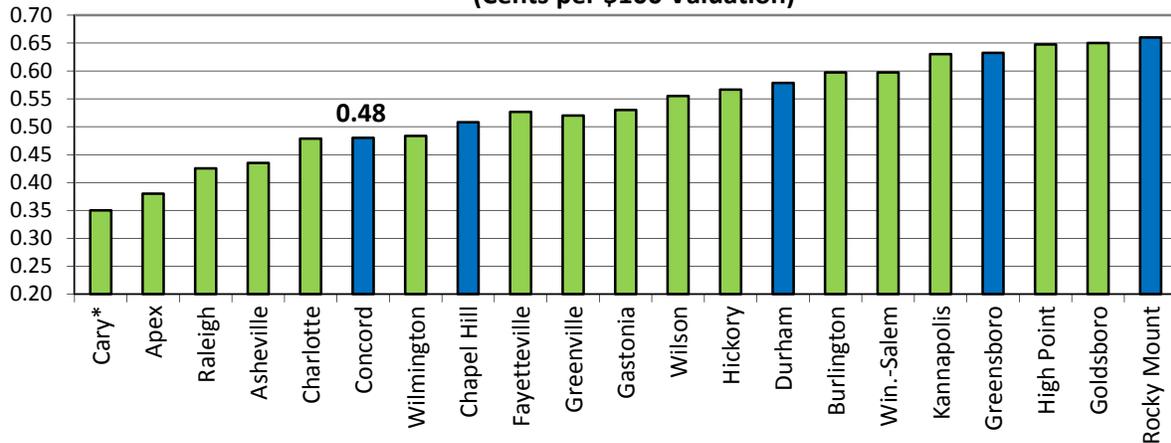
Also, there have been lawsuits filed based on the Quality Built Homes v. Town of Carthage Supreme Court decision to challenge the City's ability to charge capacity fees for water and wastewater and to seek refunds for past fees paid over the last ten years. These developers are the very people benefitting from residential growth and Concord's investment in utility infrastructure. Concord's legal position is very different from that of Carthage and we eventually expect a positive resolution, however, should a court rule differently it could have a major impact on reserves and result in current businesses and residents bearing the full cost for providing major water and wastewater infrastructure needed to support residential growth. There has been legislation introduced to address this issue but it is not known if it will be enacted.

Per Council's direction, the focus of this budget is maintaining essential services provided to our residents and businesses and fund the essential projects necessary to maintain and improve the quality of life in a growing community. To do this and to continue to make basic capital purchases, we are recommending the use of \$2,985,540 from the City's Capital Reserve Funds. RESERVES ARE NOT BEING USED TO FUND OPERATIONAL LINE ITEMS.

The City Council is to be commended for continuing its past conservative practices, not only in projecting revenues, but also holding down expenditures and maintaining reserves to help meet essential needs. Operations continue to remain lean but these practices have enabled us to remain in a solid financial position. This could be undermined by past and future actions of the General Assembly.

For FY 2017-18, the recommended Concord property tax rate continues to be among the lowest third of full-service North Carolina municipalities with populations greater than 40,000 and the lowest of those that do not charge solid waste and/or recycling fees. The property tax comparison chart on the next page summarizes the proposed property tax rates for these comparable cities. Most of the cities whose property tax rates are lower than Concord's make extensive use of State authorized impact fees, and/or charge additional user fees for solid waste collection and/or disposal. Some of the lowest are cities in the Triangle, a region with rapid growth in sectors, resulting in high property values and disposable income.

**FY 2017-18 Proposed Property Tax Rates for
NC Full-Service Cities Over 40,000 Pop.
(Cents per \$100 Valuation)**



Note:

*Cary - extensive use of impact fees.

Cities in green apply a fee for solid waste (for some or all services) in addition to property tax.

Due to increasing customer needs, several departments requested new positions for FY17-18. Many of these are recommended. These include 31 new full-time positions, a total of 5.72 FTE in new part-time positions, and 5 positions with increases in authorized hours (2 of which are moving to full-time status).

The Council's goal is to maintain a General Fund balance target between 30% and 35% of expenditures. The General Fund balance will continue to meet the Council goal.

This stability in fund balance is possible only because our elected officials have been good stewards of the City's revenues in the past. Regardless of its size, over reliance on fund balance in any one fiscal year is a dangerous practice in times of slow growth, particularly if used for ongoing operations. With this diligence, we have tried to avoid the practice of over reliance on fund balance or retained earnings, which would require us to eventually generate ongoing replacement revenue or new sources of funding. If we see more of the worst case revenue scenario coming from the General Assembly later this year, the Council will have difficult decisions to make regarding using reserves, raising revenues and/or cutting services.

The overall budgetary principles on which this document is based are:

- Basic City services are continued by recommending any increases needed to maintain current service levels.
- Revenue projections are estimated with the assumptions outline earlier in this message.
- We have used the Mayor/City Council Goals Statement as our guide in recommending new projects and services.

EXPENDITURE HIGHLIGHTS BY FUND

While highlights of each operating fund are contained within the individual program summary pages located throughout this document, the expenditure highlights of major funds for the FY 2017-18 Recommended Budget are listed below:

GENERAL FUND

- *Police* – Addition of 1 Park Patrol Officer position to due to expanding greenways and parks (including equipment/supplies/vehicles) - \$124,200.
- *Police* – Purchase and training of 2 canine officers (dogs) to replace the 2 canines retiring in FY18 - \$30,000.
- *Police* – Implementation of Narcan overdose prevention program - \$7,200.
- *Police* – Expansion of the fitness training area of officers - \$36,700.
- *Code Enforcement* – Increase in overtime funding - \$50,000.
- *Emergency Communications* – Addition of 2 Telecommunicator positions handle growing call volume and provide more efficient model of staffing - \$89,510.
- *Radio Shop* – Addition of a part-time Communications Technician position (0.6 FTE) associated with vehicle installations of lighting/radios/data/power - \$22,466.
- *Fire* – Replacement of a fire engine and associated equipment - \$680,000.
- *Fire* – Addition of 6 Firefighter positions (including necessary equipment/supplies) - \$282,132. There is the potential that grant funds could be received covering the cost partially or entirely for a number of years.
- *Fire* – Addition of rescue tools for each engine company in service - \$41,080.
- *Fire* – Replace an unreliable reserve rescue truck with a more dependable, used version - \$200,000.
- *Fire* – Continuation of funding for renovations to fire stations and parking lots - \$100,000.
- *Fire* – Install a vehicle exhaust system at Fire Station 7 - \$78,000.
- *Fire* – Purchase of a Swift Water Rescue boat - \$58,009.
- *Fire* – Transfer of funds for design of permanent Fire Station 10 - \$319,921.
- *Fire* – Use of capital reserve funds to purchase land for future Fire Station 12 - \$240,000.
- *Fire Prevention* – Addition of 40 hours to 3 existing Asst. Fire Marshal positions to better align staff with increased plan review workload (results in 3, 20 hour per week positions) - \$46,382.
- *Emergency Management* – Replacement of the City's Mobile Command Unit - \$500,000.
- *Emergency Management* – Conduct a city-wide Cybersecurity Risk Assessment - \$50,000.
- *Transportation* – Addition of 1 Streets crew (1 Supervisor, 1 Sr. Equipment Operator and 2 Equipment Operator positions) for sidewalk maintenance activities (includes supplies/equipment/vehicle) - \$271,760.
- *Transportation* – Continuation of additional \$30,000 for contracted sidewalk repair.
- *Transportation* – Purchase of a brine distributor cover to extend life of winter weather equipment - \$95,000.
- *Transportation* – Purchase of a trailer mounted crash attenuator to reduce the likelihood of injury while working along roadways - \$21,210.
- *Transportation* – Transfer of funds for the following projects: sidewalks, Brookwood Corridor Enhancements, Bruton Smith Blvd Pedestrian Improvements, US 601/Flowe Store Rd Improvements, the Downtown Pedestrian Signal Upgrade, and Union Street South Sidewalk Extension. Total transferred from General Fund - \$2,139,207.
- *Solid Waste and Recycling* – Addition of one residential yard waste collection crew associated with growth across the City (includes 2 Equipment Operator positions/equipment and Knuckleboom truck) - \$199,270.

- *Solid Waste and Recycling* – Purchase of a one-person truck-mounted leaf machine to more efficiently collect loose leaves during the fall/winter season - \$180,000.
- *Fleet Services* – Reduction of \$100,000 in city-wide fuel costs (due to lower prices) - \$1.2 million budgeted.
- *Cemeteries* – Continued maintenance funds for monument repair, landscaping, and sidewalks at all three City-owned cemeteries - \$28,000.
- *Planning and Neighborhood Development* – Addition of 1 Development Services Technician to assist with high volume of plan review - \$39,404.
- *Economic Development* – Contribute approximately \$3 million to Cabarrus County for the construction of a parking deck in the downtown area.
- *Parks and Recreation* – Conduct Open Space Connectivity Analysis - \$90,000.
- *Parks and Recreation* – Addition of Senior Planner and Parks and Recreation Specialist positions as part of the implementation of the Master Plan - \$120,303.
- *Parks and Recreation* – Reorganization and addition of part-time Recreation Center leader positions to more efficiently staff increased programming and activity at the City's three recreation centers.
- *Parks and Recreation* – Funding for construction of the Hector H Henry Greenway Riverwalk phase (\$1,581,000).
- *Parks and Recreation* – Complete renovations to the Burrage Road house as future programming space - \$165,000.
- *Parks and Recreation* – Funding for design of the Coddle Creek Greenway Phase I - \$25,000.
- *Parks and Recreation* – Use of Capital Reserve funds for a one-time capital contribution to the Boys and Girls Club for the expansion of recreation facilities for area youth - \$350,000.
- *Public Services Administration* – Improvements to the Brown Operations Center Upper Laydown Yard - \$500,000 (allocated to General Fund and utilities).
- *Public Services Administration* – Construction of a roundabout on General Services Drive - \$100,000 (allocated to General Fund and utilities).
- *City Manager's Office* – Conduct Biennial Citizens Survey - \$16,000.
- *Human Resources* – Addition of 1 Human Resources Analyst position to assist with recruitment/hiring - \$71,954.
- *Tax* – Transfer of tax collection expenses to Cabarrus County - \$72,000 (resulting in a savings of approximately \$170,00 per year and a reduction of 2.0 FTE)

MUNICIPAL SERVICE DISTRICT FUND:

- A total of \$90,000 is appropriated to the Concord Downtown Development Corporation for use in the promotion and improvement of the City's downtown district. The recommended tax rate for the MSD is 23¢ per \$100, which is unchanged.

STORMWATER FUND:

- Provide funds for the replacement of culverts at Hanover Circle and Havencrest Court – combined budget of \$1,450,000.
- Provide funds for the design of culverts at Glen Eagles Lane, Chadbourne Ave, and Chelwood Drive – combined budget of \$144,900.
- Matching funds for the construction/completion of Army Corp of Engineer's Stream Restoration project along the Stricker branch - \$465,610.

ELECTRIC FUND:

- FY17 Wholesale Purchase Power budget reflects 3.24% increase over the FY16-17 budget.
- Addition of Electric Analyst position to provide systems analysis of data/operations - \$87,310.

- Addition of 2 Electric Systems Line Tech I positions for underground construction - \$96,530.
- Perform Solid State Relay Conversions at Substation E (\$95,000) and Delivery 3 (\$350,000).
- Purchase of land needed to construct Delivery 4 - \$370,000.
- Design of additional shed to be constructed at the Brown Operations Center - \$100,000.
- Increased funding for contracted construction crews due to growth in the system - \$845,000.

WATER FUND:

- Coddle Creek Treatment Plant Settling Basin Upgrades - \$1,500,000.
- George Liles Blvd Extension Waterline Phase 3 - \$300,000.
- Construction of US Highway 29 Water Tank - \$5,000,000.
- Design of Poplar Tent Rd 24" Waterline Extension (\$332,000), Pitts School Rd 24" Waterline Extension (\$137,000) and NC Highway 49 30" Waterline Extension (\$753,000).
- Funding for the Corban Ave Pump Station Elimination - \$137,000.
- Upsizing of lines/extension of mains - \$285,500

WASTEWATER FUND:

- Construction of Havencrest Court Sewer Outfall Phase II - \$452,000.
- Replacement of a Jet Vac truck - \$440,000.
- Continue to invest in pipe lining for wastewater lines - \$720,000.
- Reflects 5% increase in utilities paid to WSACC for the treatment of sewer – addtl. \$334,240.

PUBLIC TRANSIT FUND:

- Second year for ADA Paratransit service – experienced 36% growth during first year.
- Additional staffing needed for compliance and reporting to FTA and other grant sources (1 new FTE and 0.5 FTE transferred from Aviation).

GOLF COURSE FUND:

- Budget reflects increased revenue/rounds associated with recent course and clubhouse improvements.
- Course irrigation repairs - \$92,000.
- Funding for replacement of capital equipment used for landscaping/mowing - \$108,000.

AVIATION FUND:

- Addition of 2 Aviation Service Worker positions to growing number of operations - \$87,324.
- Begin work on an Airport Master Plan for operations.

INTERNAL SERVICES FUND: The Internal Service amounts are charged back to user departments and are reflected in each department or fund's recommended budget amount. Highlights include:

- *Billing:* Addition of Billing Specialist position to assist with increased workload under accounts - \$51,490.
- *Collections* – Addition of self-service payment kiosk at City Hall - \$35,000.
- *Customer Care* – Addition of Customer Service Representative position in response to higher call volumes and longer call times - \$48,188.
- *Engineering* – Addition of 2 Construction Inspector positions crucial to City's treescape efforts (including vehicles/equipment) - \$164,644.
- *Building and Grounds* – Addition of 1 Grounds Maintenance Worker, effective January 1, 2018, for greenway expansion (including vehicle/equipment) - \$91,681.
- *Building and Grounds* – Increase in part-time Custodian position to full-time to assist with larger space at the newly renovated Hartsell Recreation Center - \$21,615.
- *Data Services* – Creation of a City-wide GIS Strategic Plan - \$40,000.

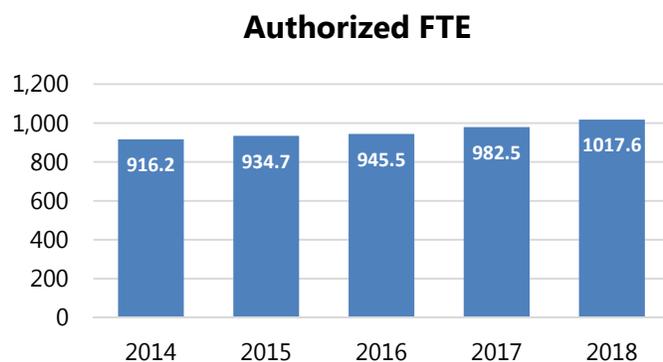
The budget is presented in a format that groups expenditures into major areas: personnel services, operations, capital outlay, debt service, and non-departmental allocations. This format is consistent with Council's goal of developing a results-oriented budget with performance measures rather than just numbers not tied to specific goals and projects. It is an extension of the Mayor and Council's annual process of formally setting goals to track results. There has been a refinement of many departmental performance measures. Staff is working to meet the objective of only using measures that are meaningful to the elected officials and citizens and which truly reflect value added services. Staff also proposes that Concord continue participation in the North Carolina Local Government Performance Measurement Project as it has proven to assist in benchmarking and performance improvement.

The City Council adopted Fiscal Policies addressing Revenues, Capital Improvements, Accounting, Debt and Reserves. These policies have been updated annually as part of the Mayor/Council Goals and have been addressed in preparation of this budget.

The five-year Capital Improvement Program is also updated and also presented herein for your review.

PERSONNEL HIGHLIGHTS

Personnel expenditures include salaries, FICA, group insurance, retirement, 401K, longevity pay, merit pay, and other miscellaneous benefits for co-workers. Contract, legal, medical, and other outside professional services are not included under personnel. They are included under the Operations category. For FY 2017-2018, personnel expenditures account for \$69,387,783 or 28% of the total budget.



This year we are proposing funds for reasonable performance based merit increases. An overall average increase of 4.0% is recommended with merit increases to range from 3% to 6%, depending upon performance. The City will also continue with career development programs for many classifications.

A total of 38.47 FTE in additional staffing is recommended for FY 2017-18. Thirty-one new full-time positions and eleven new part-time positions (equivalent to 5.72 FTE) are recommended for funding. In addition, 5 part-time positions are recommended to increase in authorized hours, 2 of which move to full-time status (increase of 1.75 FTE). The recommended positions are as follows:

General Fund (20 full-time positions, 11 part-time (5.6 FTE), increase in 1.25 FTE in existing positions)

- Human Resources:
 - 1 - HR Analyst (Recruiting/Hiring)
- Police:
 - 1 – Park Patrol Officer
- Emergency Communications:
 - 2 – Telecommunicators
- Radio Shop
 - 1 – PT Communications Tech (0.6 FTE)

- Fire:
 - 6 – Firefighters
 - 1 – Logistics Officer
 - 3 - Addition of 40 hrs to existing PT Asst. Fire Marshall positions (resulting in 3, 20 hr/week positions)
- Transportation/Streets:
 - 1 – Streets Crew Supervisor
 - 1 – Senior Equipment Operator
 - 2 – Equipment Operator
- Solid Waste and Recycling:
 - 2 – Equipment Operators
- Planning and Neighborhood Development:
 - 1 – Development Services Technician
- Parks and Recreation
 - 1 – Senior Planner
 - 1 – Parks and Recreation Specialist
 - 7 – Parks and Rec Center Leaders (equal to 3.5 FTE)
 - 3 – Parks and Rec Center Leaders (equal to 1.5 FTE)
 - 1 – Part-time Senior Administrative Assistant to move to full-time (0.25 FTE)

Electric Fund (3 full-time positions):

- 1 – Electrics Systems Analyst
- 2 – Electric Systems Line Tech I positions

Aviation (2 full-time positions):

- 2 – Aviation Service Workers

Transit Fund (1 full-time position):

- 1 – Grants Compliance Coordinator

Internal Service Fund (5 full-time positions, 1 part-time position to full-time status):

- 1 – Billing Specialist
- 1 – Customer Service Representative
- 2 – Construction Inspectors (Engineering)
- 1 - Grounds Maintenance Worker (Building and Grounds), est. start date Jan 1, 2018
- 1 - Part-time Custodian to move from part-time to full-time (0.62 FTE)

A total of 1,017.6 full-time equivalent positions are recommended for funding.

Our health care premiums and benefits were adjusted in anticipation of the new budget year. The City's HRA health care plan continues to be used by most coworkers. Employees have the option of selecting this plan at a lower cost with the City paying most of the full cost for the individual. The alternate PPO based plan, which is similar to the plans used by most employers in the region, provides a "richer" level of benefits at a higher cost for coverage and the coworker must pay most of the additional cost over that of the HRA for employee only and family plans. Both plans are self-funded and administered by Blue Cross/Blue Shield.

Wellness efforts have been a priority, both for the benefit of our coworkers and to reduce costs. The City of Concord Wellness Center offers free health care services to all full-time City of Concord employees, along with retirees, spouses, and dependents who are enrolled in the City's self-funded insurance plan. The Wellness Center provides a basic level of routine medical care and health screenings. It is not

intended to replace an individual's primary care physician, but rather to provide a convenient, no-cost access point for basic medical care. The Center is staffed by a licensed nurse practitioner and a medical office assistant with direct oversight by a licensed physician. The City has also expanded the availability of equipment for coworkers to exercise on-site before or after work, or during lunch.

An incentive has been offered to coworkers again this year for managing their health. Employees who completed a Health Risk Assessment and certified they do not use tobacco, or attended a tobacco cessation program if they do, receive a reduction in monthly health care premium costs. The Health Risk Assessment includes the completion of a questionnaire, biometric measures and a fasting blood draw.

The City's required contribution levels to the North Carolina Local Government Employees Retirement System will increase with FY 2017-18. The contribution per general employee increased to 7.5%, while contributions for law enforcement officers are at 8.25%. Actuarial projections point to continued modest increases in future fiscal years. The budget also maintains the City's 401(k) contribution for coworkers at 3.5%. By State mandate, the city contributes 5% to accounts for sworn law enforcement officers.

We also continue to monitor the impact of retiree health care benefits. The City provides health care benefits to eligible retirees up to the time they are Medicare eligible. As with other retiree benefits, these health care plans have gone through drastic changes over the years. Retiree healthcare subsidies started with large private employers, with governmental employers jumping in later as the struggle to compete with the salaries and benefits in the private sector became more pronounced. State governments, including North Carolina, jumped in next to cover teachers and other employees. The market has changed dramatically since then, but many state and local governments still provide retiree health care at some level. These benefits are costing the City more as baby boomers continue to retire. This is particularly true for public safety coworkers who tend to retire earlier than the general employee population, thus staying on the City's plans for a longer period of time.

Staff is recommending that Concord continue to allocate \$100,000 to go into the State trust fund established for this purpose in order for the city to participate in the future if it decides to do so. In the meantime, staff will continue to monitor what other local governments are doing in response and evaluate the use of this trust.

KEY RECOMMENDATIONS, ACCOMPLISHMENTS AND CHALLENGES FOR THE FUTURE

THE NORTH CAROLINA GENERAL ASSEMBLY AND REVENUES

Once again the General Assembly is targeting local revenues. Senate Bill 126, if the House of Representatives concurs, would result in Concord losing at least \$948,000 annually in its current form. This is almost equivalent to a penny on our property tax rate, and comes on top of the \$1.1 million annual loss incurred just a few years ago when the General Assembly eliminated the use of local business license fees.

It is understood this is an attempt to get rid of some adjustment measures involved with a portion of the local sales tax that are no longer needed as technology now covers the issues that caused these factors to be used. However, rather than just being eliminated, these out of date measures are being replaced by new adjustment factors that end up redistributing sales tax across the State. North Carolina already redistributes many of its revenue sources, but there appears to be an on-going focus on the sales tax. These efforts will create disincentives to localities to grow their own economies. Redistribution of more

money is not the answer. A State-wide effort to develop stronger economies in these communities provides a much more sustainable solution.

Since the current bill calls for an effective date of July 1, 2017, a contingency plan is recommended to outline expenditure cuts should the House approve this bill. The cuts are outlined as follows:

Parks and Recreation: \$100,000 total

- \$2,000 Group Tours
- \$1,000 Postage
- \$20,000 Utilities
- \$15,000 Expand Hartsell Soccer Field
- \$22,000 Replace Administrative carpet
- \$10,000 Re-roof two bleachers covers at Hartsell
- \$30,000 Upgrade Paul's Kitchen at Les Myers Park

Fire: \$250,000 total

- \$37,169 Hurst Rescue Tools
- \$167,593 Radio Replacement
- \$45,238 Swift Water Rescue Boat

Police: \$249,799 total

- \$50,000 Overtime
- \$18,334 Taser consumables (batteries, cartridges, etc).
- \$97,500 In-car camera funding
- \$7,637 Morpho Track Fingerprint Station
- \$58,000 Decreasing 2 of the 5 unmarked vehicles
- \$18,328 Decreasing 2 of the 20 replacement vehicle equipment (related to bullet above)

Transportation

\$95,000 Push Brine Distributor Cover to FY 19 (4510-5550000)

BOC Admin Projects

\$500,000 (net impact of \$92,000 to General Fund) Upper Laydown Yard project – push to FY 19

Solid Waste

\$30,000 Reduce Residential Recycling Disposal Fees from \$120,000 to \$90,000 (4520 – 5305000)

If needed, the rest of the cuts will be accommodated through a reduction in General Fund contingency.

Concord is looking to the General Assembly to potentially assist with another area that could have a dramatic impact, not only on future utility revenues and rates, but water and wastewater reserves. As noted earlier, there have been lawsuits filed against Concord and others based on the Quality Built Homes v. Town of Carthage Supreme Court decision. These lawsuits are initiated by developers challenging the City's ability to charge capacity fees for water and wastewater, and to seek refunds for past fees paid over the last ten years. These same developers have benefitted from the infrastructure investments paid for by these fees. Concord's legal position is dissimilar from that of Carthage and we eventually expect a positive resolution, however, should a court rule differently it could have a major impact on reserves and result in

current business and residents bearing the full cost for providing major water and wastewater infrastructure needed to support residential growth. Of course, the City Council will be forced to consider the desirability of such future investments depending upon where the financial burden falls. There has also been needed legislation introduced to address the ten year pay back issue but it is not known if it will be enacted.

THE ECONOMY AND THE CHALLENGES OF GROWTH

The economy is strong and there are many opportunities to continue to plant the seeds for the future of better paying industrial and technology jobs, mixed-use office parks, and the continued redevelopment of Concord's Center City. The City works closely with the Cabarrus County Economic Development Commission and with private land owners to pursue such opportunities. Concord has been a leader in developing speculative industrial space by partnering with the private sector. While "product" is available, we must look to develop future sites as industrial parks and buildings are completed and occupied.

The City Council, with staff assistance and help from a consultant, is in the process of updating the City's Land Use Plan. 2017 will end with the consideration of a new Plan. With the growth of our community comes the need to constantly plan for the future. These are exciting times as the City needs to prepare not only for the services and lifestyle for a very active baby boomer generation, but also for the younger generations that are staying in their hometown to live and raise families in the community they grew up in, or are moving here due to the quality of life.

The Plan will provide a vision for the future, with long-range goals and objectives for all development activities. This includes guidance on how to make decisions on public and private land development proposals. In other words, it provides an outline of how we want the community to grow and look in future years.

With the growth in homes and businesses comes the need for the City to add positions and equipment so service levels will not diminish. New positions and related equipment are proposed for Communications, Fire, Police, Street Maintenance, Solid Waste, Parks and Recreation, Planning, Electric and Aviation. Support positions are recommended in Human Resources and Transit. Additional Customer Service and Billing positions are recommended for Finance.

Another challenge to growth is making sure our City has a strong sense of place, taking into consideration our environment and quality of life. We are recommending that two new Construction Inspectors be added. Their primary purpose will be to ensure that areas in new development that are designated for street trees and supplemental plantings are prepared correctly to promote the healthy growth of the plants and to minimize the impact of their roots on nearby sidewalks and other infrastructure. Staff has observed the impact of plants installed incorrectly and/or in poor quality soils in new developments. The coworkers in these positions will work with the City Arborist to make sure plantings are done correctly to avoid these problems in the future.

DOWNTOWN DEVELOPMENT

City Council adopted a new Downtown Master Plan in FY 2016-17 and efforts quickly started to implement the recommendations. In fact, the rehabilitation of the Hotel Concord is well underway and will soon to be home to both retail and apartment uses. Funds are allocated from proceeds remaining from the financing of the City Hall to cover the design of a new plaza that will provide much needed open space to downtown. New downtown wayfinding signs have been funded and are being installed in conjunction with a County wide effort to provide assistance to visitors to our area.

In addition, Cabarrus County plans to build a new parking deck on the County property located between Barbrick Avenue and Corban Avenue in FY 2017-18. This represents a major opportunity for the City, so \$3,000,000 is budgeted to contribute to the County project to provide for parking to support the activities outlined in the Downtown Master Plan. The deck is also designed to accommodate a “wrap” on the Barbrick side so that a future building can be built facing that street by a private developer.

The City continues to work with the School of Government’s Development Finance Initiative; who also conducted the market analysis for the Downtown Master Plan, on the future use of the City buildings and/or sites that were vacated after the completion of the Cabarrus Avenue City Hall. Their work is focused on the best use of these sites and will also help with locating a private sector buyer and the financial assistance needed to support any redevelopment.

Other major changes recommended in the plan are targeted for future fiscal years. This includes major changes to create wider sidewalks on Union Street to accommodate sidewalk dining areas and other amenities.

WATER AND WASTEWATER NEEDS

A Water Master Plan has been completed and it contains several major recommendations to improve infrastructure needed due to growth. However, with the unknown impact of the developer lawsuits generated from the Carthage case, the recommendation for FY 2017-18 is not as aggressive as initially requested. What is included is an estimated \$5,000,000 project to build a new water tank adjacent to the Ben Mynatt car dealerships to improve water pressure in that area. The initial recommendation was to invest in approximately \$10,000,000 in capital projects in FY 2017-18, but with the potential impact on reserves the recommendation was reduced.

In concert with Electric Systems, Water Resources continues to implement advanced metering technology as part of the City’s efforts to develop a utility smart grid.

WSACC implemented another rate increase for the wholesale treatment of wastewater; however, a rate increase is not recommended. The wastewater budget also includes funds for improvements to and maintenance of wastewater lines, particularly in areas of Concord where aging lines are more likely to lead to rainfall infiltration. However, with the unknown impact of the lawsuits generated from the Carthage case and the pending Wastewater Master Plan results, few major infrastructure investments are recommended for FY 2017-18.

Both the Water and Wastewater Master Plan recommendations may result in the need for a revenue bond issuance in future fiscal years.

ELECTRIC SYSTEMS

The Smart Community effort continues with most of the new “smart” electric meters installed. Once completed with the new software capabilities fully operational this system and the related technology will improve our service response, systems reliability and will provide both the City and its customers with sophisticated tools to analyze and manage use.

The City’s current contract to purchase power from Duke Energy is based on Duke Energy’s system average cost. Costs are tied to Duke’s expenditures and go up (or down) depending upon market conditions and infrastructure investment. Concord has entered into a contract with NTE, the builder and

operator of a natural gas fired plant under construction in Kings Mountain. Under the terms of the agreement, the City of Concord will be provided with electric generation services by NTE using a portion of the capacity and energy generated by the facility for an initial term of 20 years. This will allow Concord to utilize this source when the Duke contract ends in 2019. The contract also provides for access to power produced from other types of generation if it is more cost effective to buy on the market.

At the same time, the City will need to continue its investment in major electric infrastructure, including the completion of the 100 KV line extensions and connections. This and other major projects may result in the need for a revenue bond issuance in future fiscal years.

AIR AND SURFACE TRANSPORTATION

Air transportation

The growth of commercial air service at Concord Regional Airport (CRA) continued in FY 2016-17 with the completion of a new terminal for passengers parking deck. The new terminal was partially funded through a FAA grant matched by the City of Concord. The adjacent parking deck was financed, with parking fees generating the revenue to cover the debt.

While commercial activity has already helped to solidify the airport’s position in qualifying for FAA funding for airports with commercial type operations, Concord Regional Airport intends to continue being a top General Aviation airport that helps to spur economic activity. The growth in commercial operations is intended to provide funds to help support that General Aviation infrastructure. It is essential that CRA maintain strong General Aviation and commercial services. This will be the major goal of the new Aviation Director.

Surface transportation

This budget maintains the Transportation Improvement Fund created by the City Council to fund transportation projects. These funds come from 2 cents of the property tax rate and are supplemented by dollars generated from local vehicle license fees. Many of the projects described will be at least partially funded through this source.

There are two major challenges with surface transportation. First, many of the roads serving high growth areas are over capacity. Most of these are North Carolina Department of Transportation facilities. Motorists are experiencing congestion problems during peak times of the day on roads, such as Poplar Tent, NC 73 and the streets that that feed these corridors. While some of these facilities are programmed for funding in the North Carolina State Transportation Improvement Plan, construction is several years away. The only way the City could impact these intersections, considering the projects already committed with Transportation Fund proceeds is to finance such improvements, hopefully to later get reimbursed by NCDOT. Even then it is likely the payments would need to be subsidized from other General Fund revenues.

The second challenge is the escalating cost of projects, primarily due to the bidding environment. There is a great deal of work out there so bids are coming in well above engineering estimates in some cases. Obviously our staff and consultants will be taking this into consideration as we design future projects.

The design work for improvements to Brookwood Avenue continues. The Virginia Street improvements are scheduled to start in Spring of 2018. The Transportation Management and Signals Operation Center project at the Brown Operations Center has been awarded using both General Fund and Transportation Fund allocations. The Transportation Fund also includes all the dollars that have been set aside previously for participation with NCDOT on other projects.

The City has begun the implementation of the Intelligent Transportation System grant that was received a few years ago. The ITS Grant Project provides for the signal system master plan to prepare us for future growth and expansion. It will involve the design and construction of dynamic message board signs for the Exit 49 area as well as provide funding for CCTV cameras, video servers, fiber and wireless communications infrastructure, laptop computers for signal technicians and the video wall for the new traffic management operation center.

Projects impacting NCDOT facilities that are programmed with Concord’s participation:

I-85 Widening Project, NC 73 to 29-601 Connector in Rowan County – Construction continues on the NCDOT, I-85 project from NC 73 to 29-601 Connector in Rowan County. This includes significant improvements to the interchanges at Exits 58 (US 29) and 60 (Copperfield/Dale Earnhardt). The City of Concord and the City of Kannapolis are cooperating to include aesthetic improvements to the end of the bridges at these interchanges.

Exit 49- Three projects are funded in the I-85 – Exit 49 area. These include a “fly over” directly into the first entrance to Concord Mills Mall, pedestrian improvements along Bruton Smith Boulevard and the completion of the Derita Road widening project, including the bridge, from the Rocky River to the end of Concord Mills Boulevard. The Derita Road project has started and the engineering for the other two projects is underway. The City of Concord has pledged to provide 20% of the cost of these projects.

Derita Road – Traffic congestion is choking this important corridor that serves the Airport, the growing industrial area, and Concord Mills. Concord was required to pick up the total cost to match the Federal funds for Phase 1 construction of this NCDOT Road going from Poplar Tent Road to the Rocky River Bridge. This project is now underway and includes funding going all the way to Concord Mills Boulevard.

George Liles Parkway Extension – This project has been completed to its termination at Stough Road, leaving only the Stough Road section from Roberta Road to NC 49 to complete in the future. The City will be working on the landscaping of the section between Weddington Road and Concord Parkway to satisfy promises made to the adjacent property owners that donated the land to NCDOT.

Congestion Mitigation and Air Quality Project – Concord continues to work with NCDOT on a CMAQ road project to improve the intersection of Poplar Tent and US 29 (C-4918-A). This required a local match that has been budgeted in the Transportation Fund. The City will manage the project during construction. The construction will incorporate a “superstreet” design. Unfortunately the bids came in \$1.5 million over engineering estimates so they were rejected. Discussions are taking place with NCDOT regarding moving the project forward.

Public Transit

The biggest obstacle for the future continues to be changes and/or decreases in Federal revenue. The Cabarrus County Transportation System and the Salisbury fixed-route bus system are now lumped in with the Rider System to compete for Federal Transit Administration funding. Rowan County will be included in future fiscal years. This has resulted in negotiations over how to split the decreasing revenue “pie”. These changes could eventually have a dramatic impact on the ability to maintain the current level of service. Cabarrus County is still considering a study to analyze better coordination between the Rider and Cabarrus County systems, or even consolidation. Rider will participate with funding once details are finalized by the County.

Conversations continue to take place with Charlotte's CATS system as to how to link riders in Concord with the Blue Line in the University area. It is unknown if CATS will continue to participate in funding once the Blue Line opens and the current Express route is eliminated.

PUBLIC SAFETY

As noted, with a growing city comes the need for new police personnel. Several positions were added in the last fiscal year. The Police Department has completed a staffing study and will be evaluating future staffing needs during the upcoming fiscal year. An additional Park Patrol officer position is recommended for FY 2017-18.

The budget contains funding to purchase the land for a future fire station site in an area off Roberta Road. It also contains funding for the design of the permanent building to replace the temporary facilities currently housing Fire Station 10 on Poplar Tent Road near the intersection with Harris Road. Money for major equipment purchases is also included.

Six new Firefighter positions are recommended, with the hope that the funding for some or all can be partially covered with a Federal SAFER grant.

RECREATION AND OPEN SPACE

The Recreation Master Plan update has been completed and it contains many recommendations addressing future needs. This will be a priority for FY 2017-18 and years to come. The budget contains several adjustments to existing Recreation positions and two new positions to begin addressing programming recommendations. The two new positions are for Outdoor Programming and a Park Planner.

The FY 2018 recommendation contains funds for several projects. This includes over \$1.5 million for the Hector H. Henry, II Greenway section that will link the Riverwalk neighborhood to the portion that currently ends behind the Weddington Road Bark Park. Another project is the renovation of the former residence on Burrage Road into a community building serving the surrounding neighborhood. Funds are also included to build a natural path along the Burrage Road property to link Burrage Road to Lake Concord Road to provide more opportunities for walking and exercising in that area.

\$90,000 is set aside for a study looking at ways to connect neighborhoods with parks and greenways. The hope is to encourage pedestrian and bicycle use to get residents out of their cars to access such facilities.

All this is just the start. The Master Plan calls for adding more parks and greenway facilities. This requires planning and land acquisition, which should be facilitated with the addition of the Park Planner position. Staff is currently evaluating sites. In the northwest section of Concord we are working with Cabarrus County and Kannapolis as there are opportunities to develop facilities that will serve residents of Concord and Kannapolis as well as those living outside the municipalities. We are not recommending specific funding at this time as costs are unknown. However, it is anticipated that we will be aggressive in pursuing land so that we will be asking Council to appropriate money out of General Capital Reserve for land acquisition during the fiscal year. Money has been set aside over the years in anticipation of such acquisitions.

After land is acquired and plans finalized, then will come the time to build these parks and greenways. It is very likely the City will need to develop a major financing plan to support more rapid development of facilities as recommended in the Master Plan.

The Rocky River Golf Club continues to be one of the highest quality municipal golf courses in North Carolina. The first phase of bunker renovations was completed last year. This year major needs focus on equipment and work on the irrigation system.

Finally, the budget includes a recommendation for a one-time \$350,000 appropriation for the Boys and Girls Club capital campaign designated to be used for expanding recreation facilities at the Club. This organization provides facilities and services that supplement the City's recreation programs and provides transportation for school age children who participate.

TECHNOLOGY

Today's customers demand that we keep up with technology as it impacts the way they interact with the City. With more and more people being technologically "savvy" and possessing smart devices, this creates a challenge to advance City technology to meet customer expectations. These efforts are ongoing within all our departments, usually with the assistance of Technologies Edge.

The implementation of the Accela software has been completed in partnership with Cabarrus County. The end user now has one source to go to when going through the development process. This technology is proving to be very useful to developers and their engineers and architects, as well as small business people who may not have the money to spend on support staff for their development project(s).

The efforts going into the Smart Community program have been noted. This is a very complex project that will have great benefits. It has been very time consuming with staff from Electric, Water, Finance and Technologies Edge working with the involved private contractors. Full implementation should take place during FY 2017-18.

Finally, the City has worked hard over the years to develop a fiber optic system to link City facilities. This is a valuable asset. We are working to better coordinate the development of this system to make sure we are maximizing its use for the betterment of all departments and Concord as a whole.

CUSTOMER SERVICE AND CITIZEN COMMUNICATIONS

The organization will continue the emphasis on customer service excellence. The Customer Service Advancement Team continues to meet and implement various activities to keep our Principles of Excellent Customer Service in front of our coworkers in support of our Mission Statement and Core Values. These coworkers help the management team keep the focus on what it means to be in public service.

Citizen communications will continue to be varied. Direct mailings such as the "City Circular" newsletter, newspaper placements, the electronic newsletter, the City's website, news releases, television, radio and other outlets will continue. However, we have also moved into new media such as, Facebook, and RSS feeds, as citizens get their news from vastly different media outlets than a few years ago. The Connect CTY calling system continues to be a very valuable tool to notify groups during emergency situations and notify citizens of work that might impact their neighborhood, changes in City services and changes in schedules during holidays. The City continues its partnership with the school system by offering various opportunities to learn about City services. The City's Civic Education program involving 3rd grade students attending participating elementary schools continues to expand. One of the best ways to teach the parents about local government is through their children. Also, the highly successful Youth Council will continue this year. Concord 101 and the Public Safety Academy are very well received by participants. These programs give residents an opportunity to learn more about their municipal government and to

provide feedback on important local needs and issues. Funds are budgeted to continue these programs in the new fiscal year.

As noted above, the Accela software has been implemented to provide a more seamless experience for those seeking to develop in our City.

The Customer Care Center is essential in providing a human contact for citizens who phone in service needs or who walk in with service requests or utility account issues. Customer Care handled 129,776 calls in 2016, resulting in an average of 10,815 per month. That is an increase of about 1000 calls per month over 2015. We continue to upgrade software so more utility transactions can be completed online and are proposing the purchase of a self-serve pay kiosk for customers.

The Concord Mobile Care app continues to be available for those preferring to report certain service requests on line.

EMPLOYEE COMPENSATION AND BENEFITS

Periods of strong economic growth are challenging times for local governments as we are competing with private sector employers who are willing to pay what it takes for particular jobs where there is a shortage in the labor market. There are several areas where it is proving difficult for employers in this region to retain and/or attract qualified applicants. For example, some contractors are offering very high wages for construction related jobs requiring specific skills. We must work to retain and attract good workers so we have to be sensitive to these market forces, even when the market is paying more for similar knowledge, skills and or abilities for one job versus another, causing internal equity concerns.

The cost of retiree health insurance overall, and the supplemental retirement benefits in the Police Department, continue to rise as baby boomers retire. The General Assembly is considering a bill that would expand supplemental retirement benefits to firefighters, putting even more pressure on future local government budgets. They are also considering legislation that would grant full retirement to those in sworn Police positions after serving 25 years. Because of all these other benefits, Police and Fire employees will generally maintain their retiree health insurance for longer periods as they tend to retire at younger ages. All these factors could be undermining the sustainability of providing such benefits for all new coworkers in the future.

EXTERNAL AGENCY FUNDING

For FY 2017-18, external agencies requested \$194,780 from the City of Concord. This compares to the \$145,780 appropriated for such purposes in FY 2016-17. These non-profits play an important role in ensuring a high quality of life in our community and, in some cases, providing a safety net for those in need. However, Concord must focus on its core mission of providing municipal services. While many of the services these agencies provide are vital, they are not considered municipal in nature in North Carolina. Community Development Block Grant funds can be used for human services and housing, but they are limited to a certain percentage of the grant amount. The President's budget calls for the elimination of CDBG funding, so checks to the agencies receiving grants will have to be delayed until the City gets confirmation of the funding level for the Federal fiscal year.

The recommendations call for allocations to most of the agencies that received City support last year. \$86,780 is recommended from the General Fund. \$50,500 is recommended from Community Development Block Grant monies. \$15,000 is recommended from the utilities funds. The individual agency funding recommendations are included within the budget of their associated functional areas as directed

by Council. Please note that in addition two new non-profits are recommended for allocations of \$3,000 each from the Mayor's Golf Tournament proceeds.

CONCLUSION

The FY 2017-18 budget proposal operationalizes the goals for the City of Concord established by the Mayor and City Council. The services, programs, and facility needs prioritized in the City Council Goals Statement were addressed. In addition, basic services have been maintained.

While this budget is proposed by the City Manager, it is neither final nor is it necessarily a reflection of what will be approved by the City Council. The Mayor and City Council will review these recommendations to arrive at what it considers the proper expenditure of the available revenues for the upcoming year.

Respectfully submitted,

A handwritten signature in black ink that reads "W. Brian Hiatt". The signature is written in a cursive, flowing style.

W. Brian Hiatt
City Manager