



May 25, 2010

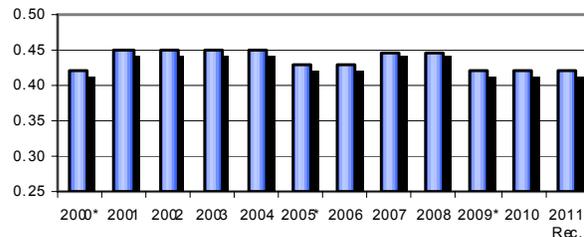
The Honorable J. Scott Padgett, Mayor  
 Members of the City Council  
 Concord, North Carolina

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 2010-11 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 2010-11 Goals Statement. I used this document as a guide in making recommendations. I also want to thank Deputy Manager Jim Greene, all department directors and their respective staffs, Finance Director Pam Hinson and, in particular, Budget and Performance Manager Robin Barham and Analysts Lesley Reder and Peter Franzese for their assistance in preparing this proposal.

The recommended budget for FY 2010-11 totals \$195,146,632 for all City personnel, operations, capital improvements and debt service. This reflects a 1.9% (or \$3.59 million) increase from the adopted budget figure of FY 09-10, however as you may recall, we reduced last year's overall budget by 3.2% (or \$6.42 million) from FY 08-09. I am recommending the tax rate remain at 0.4200 per \$100 of valuation, reflecting no change from the tax rate first adopted by City Council for FY 2008-09. As in past years, the proposed tax rate includes restricting the \$.02 budgeted for use in the Transportation Improvement Fund as mandated by City Council.

**City Property Tax Rate**  
 (cents per \$100 valuation; \* indicate s revaluation year)



The economy MAY finally be moving in a positive direction but it will be some time before local governments begin to see revenues from the recovery. As of this writing, the Cabarrus County unemployment rate is hovering around 12% and monthly sales tax revenues have at times been down as much as 16% from the already reduced levels in FY 2008-09.

Per Council's direction, the focus has been maintaining our essential services provided to our residents and businesses. To do this and to continue to make basic capital purchases, we are recommending the use of \$1,600,000 in reserves. RESERVES ARE NOT BEING USED TO FUND OPERATIONAL LINE ITEMS. However, operational line items have been reduced over the last three budget years to the point that declines in future fiscal years will require reductions in services.

The City Council is to be commended for continuing its past conservative practices in projecting revenues and holding down expenditures, and for having these reserves to use during a time when they are needed to offset a need for a property tax increase. While the FY 2009-10 budget revenue projections anticipated reduced property and sales tax collections, we have been on a monthly roller coaster in examining revenues to see if they were going to meet projections. At the time this message was written, we were still holding back on a few expenditures to make sure we do not spend more than budgeted. While we are very lean, we still have avoided entering into a crisis mode. This budget recommends the



We started this budget process with all departments being asked to prepare a budget with no increase and continuing all of the operational expenditure cuts implemented in FY 2008-09 and FY 2009-10, including a 17% decline in operational expenses in FY 2009-10 alone (excluding the Wholesale Purchase Power in Electric). We used the budget requests submitted to evaluate this funding level on City services and make recommendations to Council on those that will have the least impact on basic service levels. The City provides many essential services, such as police, fire, clean water, street and traffic signal maintenance, among others, so we had to be strategic in the areas impacted. I feel we have been successful in maintaining funding levels to maintain services, though in some areas, such as Police and Solid Waste, we are recommending changes in the way we provide selected services so that we are more efficient.

The City cannot sustain cuts of this nature without continuing to impact jobs. This budget recommends 6 positions be eliminated and 23 more remain "frozen" with no appropriated salary. The total projected savings from these positions is \$1,092,040. No sworn police positions or firefighter positions have been frozen. When any position becomes vacant, we evaluate the duties to determine if is essential to providing basic services. Also, in those areas where the workload has been impacted by the economy, coworkers remain assigned to other departments where the workload has remained constant or even increased.

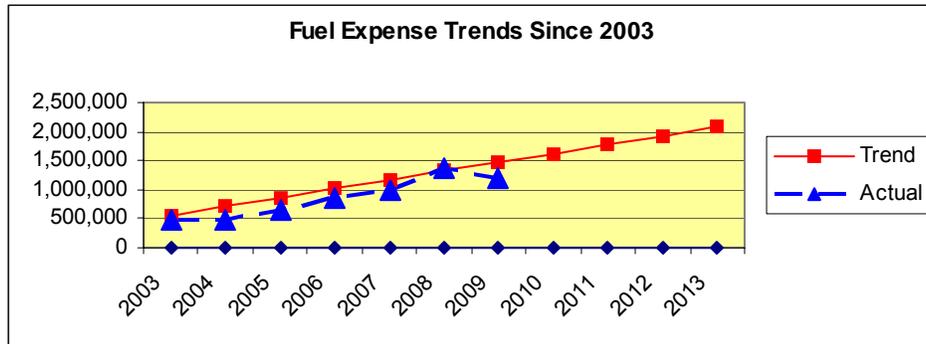
As in past years, we have been conservative in projecting revenues across funds. This certainly proved to be very important in this fiscal year as sales tax revenues continued to decline and property taxes have been more difficult to collect. Usage in the utility funds has been relatively flat, and development related fees continue to be a very small portion of what they were three years ago. Of course, the reduction in property tax valuation attributed to Philip Morris has also impacted sales tax revenues due to the distribution formula used in Cabarrus County.

The Mayor and Council have adopted goals that are geared to balancing service delivery city-wide to meet these basic needs. Listed below are examples of some of the major expenditure trends that are greatly impacting this year's budget and projections for future budgets.

#### **EXAMPLES OF MAJOR EXPENDITURE TRENDS IMPACTING THE FY 2010-11 BUDGET AND FUTURE FISCAL YEARS**

- Assumption of the continuation of the impact of the worst recession since the Great Depression. Economic conditions have triggered significant reductions in sales tax and development fee revenues.
- The highest regional unemployment levels in 75 years, impacting customers' ability to pay utility and property tax bills and fueling the increase in local foreclosures.
- The loss of Philip Morris, leading to a further drop in property tax revenues and contributing to the higher area unemployment rate. The closure has also impacted water and wastewater fund revenue with an annual loss of approximately \$1,800,000.
- Current freeze of targeted vacant positions, except for sworn law enforcement personnel and firefighters, and the elimination of 6 vacant positions.
- Continued expenditure of previously awarded federal stimulus money provided both through formula allocation and grants.
- Improvements to McCachern Boulevard and the intersection of Poplar Tent Road and Concord Parkway (US 29) by matching CMAQ funds provided through NCDOT.
- Funding from the Transportation Fund for Concord's share of the match to improve Derita Road and the up-front monies for NCDOT to start the George W. Liles Extension.
- Mandated increases in the City's contribution to the Local Government Employees Retirement system from 4.8% to 6.35%, resulting in an annual increase in excess of \$700,000.
- Increased health insurance plan costs both to the City and to coworkers.
- Setting aside matching resources from reserves to secure funds from the Carolina Thread Trail and other sources for greenway development and rights-of-ways needed for future projects.
- Continued increases in the purchase price of wholesale electricity based on the contract with Duke Power.

- Complete the engineering design needed to construct a major water line that will enable Concord to purchase treated water from Albemarle to supplement water supplies for Concord and Kannapolis.
- Nationwide fuel prices are creeping back up. We will need to track prices carefully, however we have budgeted enough to cover prices at their current levels.



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 budget does recommend appropriating money out of reserves for some capital expenditures.

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 will continue 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. With this in mind, we have limited the use of capital reserves in the General Fund to an amount approximately equivalent to a 1.5 cent property tax increase.

This year we are recommending no increase in residential, commercial and industrial water rates as indicated on the charts to the right. This is despite the loss of revenues from the Philip Morris shutdown. The engineering required to construct the Yadkin River water connection will take place this fiscal year and will be followed by the need to construct the line.

<b>Water Base Charges (per meter size)</b>		
	<i>Inside City</i>	<i>Outside City</i>
	<b>Proposed FY11</b>	<b>Proposed FY11</b>
3/4"	\$ 4.04	\$ 4.54
1"	5.76	6.61
1 1/2"	9.71	11.35
2"	14.66	17.29
3"	26.28	31.23
4"	42.85	51.11
6"	83.89	100.36
8"	133.34	159.70
10"	191.20	229.13
12"	355.86	426.73

It is also important to note that during FY 2009-10 Concord and Kannapolis reached a settlement agreement with the Save the Catawba River Coalition and the Catawba Riverkeeper over the Interbasin Transfer amount previously approved by the North Carolina Environmental Management Commission. This settlement

<b>Water Volume Charges (all rates per 1,000 gallons)</b>	
<b>Residential Volume Charges:</b>	
<i>Inside City</i>	<b>Proposed FY11</b>
Block 1 (0-6,000 gallons)	\$5.08
Block 2 (6,001-8,999 gallons)	6.61
Block 3 & Irrigation (>9,000 gallons)	8.14
<i>Outside City</i>	
Block 1 (0-6,000 gallons)	\$6.10
Block 2 (6,001-8,999 gallons)	7.93
Block 3 & Irrigation (>9,000 gallons)	9.77
<b>Commercial Volume Charges:</b>	
Commercial (Inside City)	\$5.06
Commercial Irrigation (Inside City)	8.14
<b>Industrial Volume Charges:</b>	
	\$4.20
<b>Harrisburg Volume Charge: (capacity per contract)</b>	
	\$2.99
<b>Drought Surcharge: 10% surcharge added to Blocks 2 &amp; 3 of residential rates</b>	

finally allows for clear direction for obtaining water from the Catawba River in the future.

Unfortunately, with the loss of Philip Morris, revenues in Wastewater cannot cover basic needs without a rate increase. Even with the rate increase, staff had to postpone some key capital projects. The highest on the priority list, Irish Buffalo Creek to Zion Church Road, is a rehabilitation project that has been on the radar screen for several years. Two other projects that were cut are sewer main relocations for the Westside Bypass (George Liles Parkway) project between Weddington Road, and Roberta Road. These involve installing new gravity mains under the proposed road alignment. This would eliminate the need to return

<b>Wastewater Base Charges (per meter size)</b>		
	<i>Inside City</i>	<i>Outside City</i>
	<b>Proposed FY11</b>	<b>Proposed FY11</b>
3/4"	\$ 3.39	\$ 3.80
1"	4.80	5.49
1 1/2"	8.02	9.35
2"	12.05	14.18
3"	21.51	25.53
4"	34.99	41.71
6"	68.40	81.80
8"	108.65	130.10
10"	155.74	186.61

<b>Wastewater Volume Charges</b>		
<b>Uniform Volume Charges:</b>	<b>Proposed</b>	<b>Approved</b>
<i>Uniform Rate</i>	<b>FY11</b>	<b>FY10</b>
Inside City Rate (per 1000 gallons)	\$5.29	\$5.09
Outside City Rate (per 1000 gallons)	6.35	6.11
<b>Flat Sewer Charge</b> Inside:	\$35.32	\$33.96
<b>Flat Sewer Charge</b> Outside:	42.38	40.75

after the road is constructed and bore the road, resulting in increased costs. The key to this delay is when the State will actually start construction on this project.

If staff has been overly conservative in projecting wastewater revenues and we generate more than anticipated, the recommendation will be to revisit these capital projects during the fiscal year. These are crucial to the future of the system and should be constructed if funds allow.

If adopted, the increase in the residential volume rate shown above will result in a \$0.96 monthly increase in a residential wastewater bill inside of Concord with a monthly household consumption of 4,800 gallons.

The electric fund budget recommended is also structured to maintain current levels of services. It continues to be a "bare bones" budget when it comes to operations and capital, but it does address the recommendations made in the cost of service study completed by RW Beck during the fiscal year. The recommended budget includes amounts to replenish reserves, contribute to a rate stabilization fund and for the recommended payment to the City in addition to cost allocations.

The study also made recommendations for rate design and a mechanism to recover changes in purchased power costs passed on under the contract with Duke Energy. Study results demonstrated the need for total system rate revenue to increase by approximately \$5 million or 7.7% over two years. Council adopted the recommendations and the increases associated with the first of the two phases were implemented January 1, 2010. The second round of rate increases approved by Council will be effective January 1, 2011. These increases are projected to average 4.3% and are included in this budget. The mechanism to automatically recover changes in purchased power costs will be effective in 2011.

Like other funds, Electric capital projects will be limited. There are no major capital improvements planned in FY2011 other than the normal maintenance and improvements to the City's system.

There is no increase recommended in the stormwater fee that was implemented in FY 2005-06 to meet the mandated Phase II stormwater requirements. It is recommended that the fee remain at \$4.30 per Equivalent Residential Unit. Revenues in FY 2010-11 will be used for required system mapping, for maintenance projects, to match federal dollars for stream restoration projects and to expand maintenance of the existing system.

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

- Basic City services are continued with funding at adequate levels.
- Revenue projections are estimated at realistic and conservative levels.
- Any service and facility expansion has been addressed using the Mayor/City Council Goals Statement as a guide.

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. This 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 updated and presented herein for your review.

### **BALANCED BUDGET FOR FY 10-11**

<b>Fund</b>	<b>Revenues</b>	<b>Expenditures</b>
General Fund	\$ 66,204,799	\$ 66,204,799
Municipal Service District	74,275	74,275
Home Consortium	296,936	296,936
CDBG	475,304	475,304
Transportation Improvement Fund	2,588,792	2,588,792
\$5 Vehicle Tax Fund (Transit)	250,000	250,000
Stormwater Fund	3,590,105	3,590,105
Electric Fund	70,246,245	70,246,245
Water Fund	18,294,013	18,294,013
Wastewater Fund	14,136,171	14,136,171
Golf Course Fund	2,451,412	2,451,412
Transit Fund	2,591,950	2,591,950
Aviation Fund	9,336,130	9,336,130
Public Housing	1,184,000	1,184,000
Section 8/Vouchers Program	3,426,500	3,426,500
<b>Total Budget</b>	<b>\$195,146,632</b>	<b>\$195,146,632</b>

### **EXPENDITURE HIGHLIGHTS BY FUND**

#### **GENERAL FUND**

**General Government:** This function accounts for \$8,438,685 or 13% of the General Fund budget.

Highlights include:

- *Governing Body* – Continue to lobby for federal funding of priority projects.
- *City Manager's Office* – Continue emphasis on providing excellent external and internal customer service while reducing unnecessary expenditures from the budget.
- *Risk Management* – Continue to evaluate all insurance coverage levels to ensure proper allocation of resources.

- *Public Services Administration* – Begin implementing measures to conserve energy and reduce KWH usage at the Brown Operations Center.
- *Finance* – Upgrade Jantek system, which provides payroll function for all City employees - \$53,500.
- *Human Resources* – Continuation of programming/initiatives designed to facilitate employee wellness, reducing health care costs to the co-worker and the City.
- *Human Resources* – Add a performance measurement and customer service component to employee performance evaluations.
- *Wellness Center* – Offer a new annual co-worker birthday health assessment.

**Public Safety:** This function accounts for \$34,550,100 or 52% of the General Fund budget. Highlights include:

- *Police* – Maintenance of the one car per officer plan in the Police Department through the purchase of 15 replacement vehicles.
- *Police* – Addition of two Customer Service Specialist positions for a dedicated telephone reporting unit to increase office availability in the field.
- *Police* – Replacement of two K-9 vehicles.
- *Police* – Purchase 2 in-car cameras towards meeting departmental goal of a camera in every patrol vehicle.
- *Code Enforcement* – Provide additional funding for a proactive approach to code enforcement violations in the City.
- *Emergency Communications* – Replacement OSSI Message Switch equipment.
- *Radio Shop:* Replacement of recording equipment for 911, Call Center, Customer Service, and Police Headquarters.
- *Fire and Life Safety* – Funds to reclassify three existing Firefighter positions to Captain for the supervision of Ladder Company #5.
- *Fire and Life Safety* – Installment-purchase of a Ladder Apparatus to provide ladder coverage in the area surrounding Concord Mills and the Speedway.
- *Fire and Life Safety* – Provide design and engineering funds for renovations to Station #5 (budgeted directly in project fund).

**Public Works:** This function accounts for \$15,719,436 or 24% of the General Fund budget. Highlights include:

- *Transportation* – Additional \$525,000 in funds for street resurfacing (due to high cost of materials and declining Powell Bill funds).
- *Transportation* – Purchase a trailer and fiber splicing equipment in order to move this service completely in-house.
- *Transportation* - Continue maintenance of the Raised Pavement Marker program on major City streets to enhance centerline and travel lane visibility.
- *Transportation* – Provide partial funding (with Powell Bill funds) to replace one crew truck, one patching truck, and a rubber-tire backhoe in the Streets and Traffic Division.
- *Transportation* – Construction of a mezzanine to provide relief for over-crowded office space.
- *Transportation* – Continue funding for prismatic high-intensity retro-reflective sign sheeting for new and replacement signs (in compliance with new federal regulations).
- *Solid Waste and Recycling* – Begin to implement aspects of efficiency study that identified opportunities to reduce costs and improve productivity, including bidding the recycling contract and moving towards a single-stream recycling program.
- *Solid Waste and Recycling* – Expand the department’s role in solid-waste related code enforcement.

**Economic and Community Development:** This function accounts for \$2,930,427 or 4% of the total General Fund budget. Highlights include:

- *Business and Neighborhood Services* – Continuously update and improve departmental web pages to make them more accessible and helpful for users.
- *Business and Neighborhood Services* – Continue to build on the Neighborhood Program through liaison support, matching grants, facilitation of information sharing among recognized neighborhoods and code enforcement.

- *Economic Development* - Market Concord as a desirable place to do business through the City's Business Website and through print, as well as electronic media to stimulate new investment and job creation.
- *Economic Development* – Continue to expand business recruiting, retention, and support activities in collaboration with Cabarrus Economic Development and other partners.
- *Economic Development* – Provide funding to repair and maintain the former Heilig-Meyers building - \$60,000
- *Economic Development* – Work with Transportation to realign Dorland Avenue to intersect directly with Cabarrus Avenue - \$209,000 (funded directly in project fund).
- *Development Services* – Complete study of multi-departmental financial analysis to determine appropriate level of plan review fee cost recovery and provide recommendations for Council consideration.
- *Development Services* – Provides \$16,000 in funding to study the Historic Designation of Gibson Village.

**Cultural and Recreation:** This function accounts for \$4,566,151 or 7% of the total General Fund budget. Highlights include:

- Addition of three part-time Recreation Center Leader slots to increase staffing availability, but not change the overall amount of part-time funding.
- Replastering and retiling of the pool at the John F. McInnis Aquatic Center - \$29,500

**Other General Fund Financing Uses and Debt Service**

**Other Financing Uses:** This function accounts for \$4,604,684 of the total General Fund budget. Highlights include:

- Transfer funds from the General Fund to the Transportation Improvement Fund for transportation projects - \$2,007,563.
- Transfer funds from the General Fund for the Rider Transit System - \$401,825.
- Transfer funds from the General Fund to the Aviation Fund to assist with operations/debt service - \$699,000.
- Transfer funds from the General Fund to assist with the debt payment for Rocky River Golf Club - \$951,296.
- Transfer funds from the General Fund to the H.O.M.E. Consortium Fund to help support eligible affordable housing activities in Concord - \$45,000.
- Transfer funds from General Fund to the Electric Fund to pay for street lighting on public thoroughfares - \$500,000.

**Debt Service and Transfers to First Concord for Debt Service:** This function accounts for \$4,383,236 of the total General Fund budget. Highlights include:

- Lease-purchase payments for fire station construction, vehicles, heavy equipment, and fire station furnishings in the General Fund - \$427,942
- General Obligation bonds for Parks and Recreation projects - \$89,845.
- 2009 and 2009B Revenue Bonds Refunding for the Alfred M. Brown Operations Center - \$332,929.
- 1998 Variable Rate COPS for Transportation improvements - \$632,845.
- 160A-20 COPS for Fire Department projects - \$805,132.
- 160A-20 COPS for Parks & Recreation - \$363,244.
- 160A-20 COPS for Downtown Parking Facility - \$521,072.
- 160A-20 COPS for Police Headquarters and Communications Radio Shop Improvements - \$1,210,227

**MUNICIPAL SERVICE DISTRICT FUND:** The Municipal Service District fund for FY 2010-11 totals \$74,275 compared with \$74,650 for the current, amended FY 2009-10 budget. This fund serves as a pass through agent for the Concord Downtown Development Corporation. The Municipal Service District tax rate is recommended at \$.018 for FY 2010-11, the same rate as FY 2009-10.

**CDBG FUND / HOME FUND:** The CDBG and HOME Funds for FY 2010-11 total \$772,240 compared with \$823,969 for the current, amended FY 2009-10 budget. Highlights include:

- Continue to assist senior citizens and low to moderate-income families with emergency repairs to their homes.
- Partner with Prosperity Unlimited to implement NSP Self-Help Program
- Encourage homeownership for low to moderate-income buyers through down payment assistance using HOME funds from the US Department of Housing and Urban Development.
- Provide funds for the extension of Powder Street.
- Continue redevelopment efforts in the Logan Community.

**TRANSPORTATION IMPROVEMENT FUND:** The Transportation Improvement Fund for FY 2010-11 totals \$2,588,792 compared with \$2,398,761 for the current, amended FY 2009-10 budget. Highlights include:

- Continuation of the Pedestrian Improvement Plan including extension of sidewalk infrastructure in high pedestrian travel areas around the City.
- Accumulation of monies from the Transportation Improvement Fund to fund the local match for Derita Road improvements due within the next 3-4 years (up to \$2.1 million).
- Participation in the extension of new sidewalks and bicycle lanes along Poplar Tent Road and Highway 73 in the areas that intersect with Interstate 85.
- Funding for railing, decorative lighting, and sidewalk enhancements to the Cabarrus Avenue Railroad Bridge replacement.

**SECTION 8 VOUCHER FUND:** The Section 8 Voucher Fund for FY 2010-11 totals \$3,426,500 compared with \$3,502,492 for the current, amended FY 2009-10 budget. Highlights include:

- Continue to promote self-sufficiency and achieve HUD's High Performer Status.
- Maintain successful Voucher program with 534 units participating in the program.

**\$5 VEHICLE TAX FUND (TRANSIT):** The \$5 Vehicle Tax Fund (Transit) for FY 2010-11 totals \$250,000 which is the same as the current, amended FY 2009-10 budget. Highlights include:

- Funds are transferred as a pass through agent to the Public Transit Fund.

**STORMWATER FUND:** The Stormwater Fund budget totals \$3,590,105 for the FY 2010-11 budget year. This represents an increase of 3.3% from the current, amended FY 2009-10 budget of \$3,476,180. Highlights include:

- Develop a tracking system to monitor response time to resident inquiries, street sweeping routes, stormwater treatment facility annual inspections, and the performance of private stormwater BMPs.
- Increase participation in Adopt-A-Stream Program and increase minority outreach.
- Continue to fund local match requirement of Army Corp of Engineers Concord Stream Restoration project and complete design - \$202,250.
- Set aside funding for future projects that will be identified by the Second Basin Master Plan process - \$683,869.

**ELECTRIC FUND:** The Electric Fund budget totals \$70,246,245 for the FY 2010-11 budget year compared with the current, amended FY 2009-10 budget of \$68,455,880 (a 3% increase). Highlights include:

- Rising costs of wholesale purchased power from Duke Energy (estimated to be 3.5% increase over FY 2009-10).
- Funds to complete a System Coordination Study (technical analysis) of the entire Electric System (first half completed in FY09-10) - \$60,000.
- Continue tree replacement program, which encourages re-planting of low growing trees in order to minimize future maintenance of power line rights-of-way and improve reliability of electric service to customers.
- Upgrade additional aging vaults/equipment in Downtown underground system - \$150,000.
- Purchase 2 replacement trucks: Bucket Truck- \$190,000; Line Truck - \$210,000.
- Contributions of \$250,000 each to a Rate Stabilization Fund and Retained Earnings.
- Transfer of \$511,000 to General Fund for payment in Lieu of Taxes on behalf of the Electric System.

**WATER FUND:** The Water Fund budget for FY 2010-11 totals \$18,294,013 compared with the current, amended budget of \$19,389,435 for FY 2009-10. Highlights include:

- Begin Hazardous Stimulus Mitigation Plan to evaluate water pressures and flows with approved land use if federal funding is received.
- Begin annual appropriation of \$250,000 for Sludge Removal (done every 2 years) at Coddle Creek Water Treatment Plant.
- Complete engineering of Yadkin River Waterline project upon approval of agreement.

**WASTEWATER FUND:** The Wastewater Fund budget for FY 2010-11 totals \$14,136,171 compared with the current, amended budget of \$13,955,636 for FY 2008-09. Highlights include:

- Provide funding for replacing, upsizing and relining our aging infrastructure to ensure we have an adequate system for future development.
- Continue to invest in pipe lining for wastewater lines - \$475,481.
- Expand flow-monitoring program to identify inflow and infiltration sources.
- Expand the smoke-testing program to identify system defects so they can be repaired.
- Continue to inspect and as necessary, repair high priority lines near steams and creeks.
- Continue to identify and install cleanouts on customer connections that do not have cleanouts so the city has access to the service line within the right of way in the event of a problem.

**PUBLIC TRANSIT FUND:** The Public Transit budget for FY 2010-11 totals \$2,591,950 compared with \$2,505,798 for the current, amended FY 2009-10 budget. Highlights include:

- Continue funding Concord's share of "Concord Express" and Rider System.
- Update Transit website to improve its ease of use for customers.
- Continue use of bio-diesel as a fuel source.
- Open central Transit Center as a one-stop shop, allowing all complaints, ticket sales, and information requests to be handled at a single location.
- Provide funding for Transit Manager and Customer Service Specialist positions.

**GOLF COURSE FUND:** The Golf Course Fund budget totals \$2,591,950 for FY 2010-11 compared with \$2,550,399 for the current, amended FY 2009-10 budget. Highlights include:

- Maintain superior health rating through replacement of kitchen equipment.
- Control operating expenses while experiencing a reduction in rounds played due to economic conditions.
- Market to new golfers through the use of internet and web site specials and by offering instructional clinics.
- Maintain ranking as one of the top 100 courses in North Carolina.

**AVIATION FUND:** The Aviation Fund budget for FY 2010-11 totals \$9,336,130 compared with \$9,333,906 for the current, amended FY 2009-10 budget. Highlights include:

- Maintain high quality service level while adjusting operational expenses to off-set reduction in business and fuel sales.
- Recruit new business through a partnership with the local Economic Development Commission and the Convention and Visitor's Bureau.
- Continue working with FAA and NCDOT to pursue funding for a new Air Traffic Control Tower.
- Primary focus on safety, security and outstanding customer service.

**PUBLIC HOUSING FUND:** The Public Housing Fund for FY 2010-11 totals \$1,184,000 compared with \$1,088,914 for the current, amended FY 2009-10 budget. Highlights include:

- Implementation of the Logan Community Revitalization Plan with support from the neighborhood and guidance from HUD.
- Modernize and retrofit housing stock through funding received from American Recovery and Reinvestment Act.
- Operate as a HUD high performer with a total of 174 Public Housing units and a waiting list of 517 applicants.

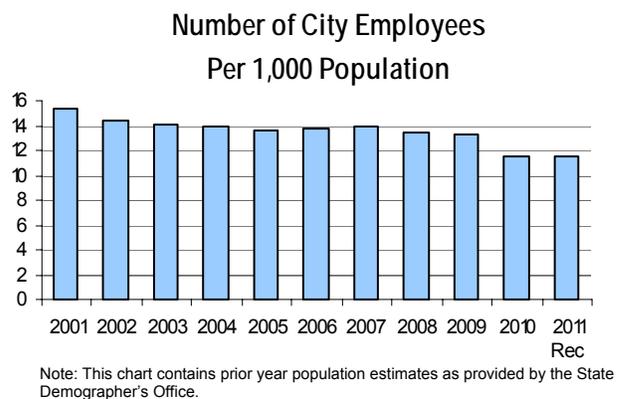
**INTERNAL SERVICES FUND:** The Internal Service Fund for FY 2010-11 totals \$11,285,908 compared with \$11,257,333 for the current, adopted FY 2009-10 budget. These amounts are charged back to user departments and are reflected in each department or fund's recommended budget amount. Highlights include:

- *Utilities Billing* – Replace one mobile collector unit to increase efficiency in drive-by meter reading capability - \$40,000
- *Utilities Collections, Billing and Customer Service* - Continued promotion of the Harris eCare software, which allows customers access to their account information and provide the customer with the ability to initiate various service requests.
- *Data Services* – Replacement of the City's SQL server, which will house the upgraded Jantek Payroll System in Finance - \$18,000.
- *Data Services* - Replacement of the City's primary GIS Server.
- *Fleet* – Retain same level of funding for fuel city-wide (projected budget of \$1.4 million).

### **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 now fall under the Operations category. For FY 2010-11, personnel expenditures account for \$56,422,255 or 30% of the total budget.

According to published reports, in the past year hourly wages nationwide are up only 1.6 percent. That's less than the rate of inflation, which rose 2.3 percent in the 12 months ending in March, mostly due to rising gas prices. Excluding the volatile food and energy categories, the consumer price index rose 1.1 percent in the year ending in March.



As a result, it is recommended that the City increase each full-time employee's annually salary by the modest amount of \$600 in FY 2010-11. Any coworker receiving a performance evaluation rating of "meets expectations" or better would have this amount added to their annual salary at the time of the evaluation. Also, the City's annual salary survey did identify the need to adjust salaries for a very few classifications that were found to be behind the labor market. Monies are budgeted to implement the study findings. Management would have liked to recommend a higher performance based increase using a formula based on percentage of salary; however, financial limitations would not allow this across funds. Certainly the City will have to pay particular attention to the action of other local governments in the region to make sure salaries remain competitive. Funding is also included to continue the longevity plan for those hired before July 1, 1996 and to continue existing career development plans.

The recommendation also contains funds to update the City's performance evaluation system so that it is focused on rewarding coworkers who provide the best in customer service and incorporates measures to make sure that departmental performance measures are reflected in individual evaluations. This is the next step in the emphasis on customer service and relating organizational goals to individual performance.

The budget adds 2 Customer Service Specialist positions (Police) which will create a dedicated telephone reporting unit to allow officers more uncommitted time for active patrol. It also adds a Transit Manager position to support the expanding RIDER system and the new Transit Center opening in late summer 2010. In addition to the Transit Manager, an existing position will be reclassified to Customer Service Representative to help staff the Transit Center. An existing position that was frozen in FY 2009-10 in Transportation will be unfrozen and used to provide the higher level of traffic signal maintenance consistent with the recent agreement with the North Carolina Department of Transportation. No other new positions are recommended for funding in this budget and 6 vacant positions are recommended for elimination. The eliminated positions are as follows:

General Fund (1 position)

Solid Waste & Recycling

1 – Utility Service Worker (upon a retirement)

Internal Service Fund (4 positions):

Customer Service:

1 – Meter Technician

Engineering:

1 – Construction Inspector

1 – CAD Technician (to be eliminated upon filling CAD Analyst vacancy)

A total of 925.5 full-time equivalent positions are recommended for funding, excluding the frozen positions listed below. At the present time, 17 full-time and 6 part-time positions are frozen with more subject to be frozen if they become vacant. The frozen positions are as follows:

General Fund (7 positions):

Finance:

1 – Accountant

Police:

1 – Customer Service Specialist

Development Services:

1 – Development Services Manager  
(employee currently reassigned)

Parks and Recreation:

1 – Parks and Recreation Specialist

Electric Fund (2 positions):

1 – Project Engineer

1 – Electric Systems Technician I

Aviation Fund (2 full-time, 3 part-time positions):

1 – Customer Service Specialist

1 – Custodian/Courier

1 – Aviation Assistant (3 positions – 10 hours/week each)

HOME Fund (1 position)

1 – Planner

Internal Service Fund (2 full-time and 3 part-time positions):

Building and Grounds:

1 – Utility Service Supervisor

3 – Custodian (3 positions – 20 hours/week)

Electric Fund

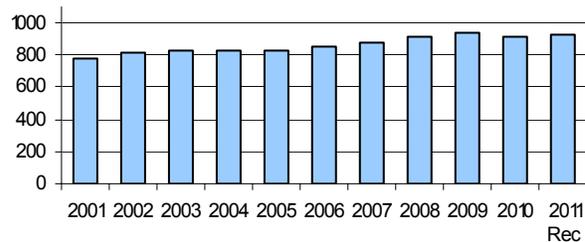
Electric Administration

1 – Deputy Electric Systems Director

Purchasing:

1 – Warehouse Clerk

**Number of Budgeted Full-Time-Equivalent (FTE) City Employees**



Solid Waste and Recycling:

1 – Utility Service Supervisor

2 – Equipment Operators

Water Resources Fund (2 positions):

1 – Staff Engineer

1 – Utility Service Worker

Wastewater Fund (1 position):

1 – Utility Service Worker

Engineering:

1 – Staff Engineer

Unfortunately, health care costs continue to increase and so do the amounts that the City and its coworkers must pay for premiums. The HRA plan continues to be the plan used by most coworkers. Employees have the option of selecting this main plan at the lower cost and the City pays the full cost for the individual. While family premiums increased for HRA participants, they are still lower than the PPO plan. The alternate PPO based plan provides a "richer" level of benefits at a much higher cost for family coverage, and the coworker must pay most of the additional cost over that of the HRA for the employee only plan. Both plans are self-funded and administered by Blue Cross/Blue Shield.

The Wellness Center for City co-workers and dependents on the medical plan provides such services as conducting physical examinations, diagnosing and treating health problems, ordering and interpreting diagnostic tests, prescribing medications and providing health information and wellness training. While the clinic is not intended to replace the coworker's primary care physician, it has assisted in controlling insurance costs, sustaining the health of coworkers, reducing absenteeism and improving productivity. There were 2,447 visits (4.6% increase) in calendar year 2009 which resulted in \$24,750 co-worker savings (13% increase), \$156,124 (30% increase) in HRA Fund savings, and \$77,609 (36.7% increase) in productivity gained. There were also 8 referrals to the emergency room for critical situations.

The North Carolina Local Government Employees Retirement System increased the City's contribution per general employee from 4.8% to 6.35% of payroll for FY 1010-11. Contributions for law enforcement officers increased from 5.27% to 6.82%. This increase resulted from the tremendous reduction in investment earnings the Retirement System experienced over the past two years. Some actuarial numbers show the City's contributions jumping to near 10% over the next five years. The increase this year alone totals over \$700,000 in additional expense across funds.

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. If increases to the regular retirement system continue to rise, this will impact the City's future ability to contribute to 401(k) accounts.

We also continue to monitor the impact of retiree health care benefits. The Governmental Accounting Standards Board (GASB) require these benefits to be accounted for over the service of the employee to whom the benefits will become payable. The biggest area of concern is the impact of retiree health benefits. The City must report the projected funding necessary to set aside to provide the benefit as it accrues over the working career of coworkers. Consistent with the practice of most municipalities, Concord is funding the direct cost of these benefits annually as they are incurred as opposed to attempting to fund them on an actuarial cost basis.

As with other retiree benefits, these health care plans have gone through drastic changes over the years. They 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. At one time, over two-thirds of large private sector companies provided some type of retiree health care. Now about one third of large private sector organizations provide retiree health care. However, nearly 80% of state governments do so and 60% of local governments provide it at some level.

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.

## **MAJOR REVENUE SOURCES**

**General Fund:** The General Fund budget for the 2010-11 fiscal year totals \$66,204,799 compared to the amended budget of \$78,125,459 for FY 2009-10. It is important to note that the amended 2009-10 budget includes proceeds from a debt refunding in the amount of \$2.7 million as well as a one time appropriation from fund balance in the amount of \$7 million which will be reserved for capital and major improvements. Factoring out the two previously mentioned items, there is a decrease of \$2,157,655 or 3% less than current amended budget. The decrease in the City's General Fund budget is a result of significant budget

cuts in departments that are necessary due to the continued decline in revenues, as well as prior year encumbrances that rolled over into FY 2009-10 and do not carry forward as operational expenses. Current economic conditions have decreased development revenue and sales tax distributions. The City has also felt the effects of the Philip Morris plant closure, which has impacted property tax values, resulting in a 2% decline in assessed values. The City has estimated revenues conservatively using information provided by the North Carolina League of Municipalities, historical and statistical trends, and other local factors. Again, this budget was prepared under the assumption that the City of Concord will receive all of its State shared revenues for the 2010-11 fiscal year, except the Beer and Wine tax reimbursement. This source was reduced by 2/3 in fiscal year 2010 and the City is assuming the State will again hold these funds. This equates to an approximate \$200,000 loss in revenue for the City.

**Property Taxes:** The budget is balanced with a property tax rate of \$.42 per \$100 valuation. This will yield \$42,475,061 in ad valorem tax revenue based on a collection rate of 97.70%. The tax base used in this budget preparation represents a 2% decrease in property values for a total valuation of \$10,241,817,189 (including motor vehicles). One cent on the City's tax rate produces \$995,104 in revenue, after the City's estimated collection rate is applied. This rate compares favorably to past City tax rates and is one of the lowest in the state among medium to large size cities.

**Sales Taxes:** Local sales taxes levied by the City and County comprise 2.25% of the total 6.75% sales tax paid on retail sales in North Carolina. The local sales tax portion consists of a 1-cent tax that was first levied in 1971, a ½-cent tax levied in 1983, a ½-cent tax levied in 1986 and an additional ½-cent that was levied July 1, 2003. Effective October 1, 2008, the State took over one quarter cent of the Article 44 local option sales tax and effective October 1, 2009 the state took over the remaining one-quarter cent of this local tax. The City will be completely reimbursed for the loss of this revenue with hold harmless payments. The State of North Carolina collects the sales taxes and distributes them to the local units. Sales taxes are estimated to be \$10,667,950 for fiscal year 2010-11. Sales tax allocations for Cabarrus County are based on proportional property tax levies. The City has projected a 7% decline in sales tax allocations for FY 2010-11 when compared to FY 2009-10 anticipated collections. No major tax increases were adopted in other jurisdictions located in Cabarrus County in the past fiscal year, but the current economy indicates that spending will remain low in the county. The City continues to apply a conservative approach when estimating this revenue source, as it is difficult to project when the current economy will rebound. The City currently projects that the sales tax decline will be 14% for fiscal year 2010.

Legislation passed during the 2001 session repealed the utility franchise tax on telephone companies and replaced it with a sales tax on telecommunications of 6% of gross receipts (now 7%). The estimated telecommunications sales tax included for FY 2010-11 is \$468,000, which represents no growth.

**Utility Franchise Tax:** As of July 1, 1999, each city's share of the utility franchise fee is based on actual receipts from companies that provide electricity. The State levies a 3.22% franchise tax on the total gross receipts of all businesses within the State that provide electricity. An amount equal to 3.09% of the total gross receipts of electricity service derived from the sale within any municipality is distributed to the municipality in which these gross sales are made. These funds are collected by the State and are distributed to the City of Concord based on the actual receipts from the providers for services provided within the city limits. This revenue source is expected to be \$2,000,000 for FY 2010-11, which is also the anticipated collection for the current year.

**Powell Bill Street Allocation:** These funds represent redistribution by the State of a portion of the motor fuel taxes collected. The use of these funds is restricted to maintaining, repairing, constructing, reconstructing or widening any public street or thoroughfare within the City limits. Bridges, drainage, curb and gutter and other necessary appurtenances are also approved uses of these funds. One-quarter of distribution is based on the number of miles of local streets in the City and the remainder is distributed on a population basis. These funds are expected to provide \$1,843,000 for FY 2010-11, which is a decline of 4%. This revenue source continues to decline as the State's allocation per street mile is reduced.

**Privilege License Taxes:** Each business activity operating within the City limits is required to purchase a privilege license to conduct such business. These taxes are a revenue measure provided to cities by the North Carolina General Statutes. Staff recommends continuing a gross receipts basis for our privilege license ordinance. A total of \$990,000 in revenues has been estimated in this budget, which represents no growth when compared to current year estimates.

**Fund Balance:** The City's undesignated General Fund balance was \$37,262,786 as of June 30, 2009. It is anticipated that the City will meet our target goal of a 30-35% minimum General Fund undesignated fund balance at June 30, 2010. Our ability to maintain a healthy fund balance in previous fiscal years was attributable to the economic vibrancy present in the City of Concord and increases in available cash for investments, collection percentage of property taxes, and conservative estimates on revenues. As the City is now experiencing a slowing economy, our conservative policies and procedures are even more important. The recommended budget does appropriate \$1,315,750 from General Capital Reserve Fund balance for one time capital expenditures. In FY2007-08 the City created a General Fund Reserve to begin preparing for future projects. Although these reserves (approximately \$9,200,000) now reside in a fund other than the General Fund, and are no longer included in the City's General Fund Balance, the amounts are still available for projects designated by the City Council.

**Special Revenue Funds:** Municipal Service District tax will remain at the current level of \$.18 per \$100 assessed valuation. Also, included in the Special Revenue Fund is the budget request for Community Development Block Grant Funds, the H.O.M.E. Program, the Transportation Improvement Fund, the \$5 Vehicle Tax fund (Transit), and the Section 8 Housing Vouchers program. The special revenue funds total \$8,295,807.

**Enterprise Funds:** Stormwater, Electric, Water and Wastewater rates and charges will generate \$103,854,989 in revenues.

**Stormwater:** The Stormwater Fund is comprised of \$3,575,405 in operating revenue and \$14,700 in non-operating revenue. No rate or fee increases are proposed for the Stormwater program.

**Electric Fund:** The Electric Fund is comprised of \$69,691,595 in operating revenues and \$554,650 in non-operating revenues, with no appropriation from retained earnings. Non-operating revenue includes a transfer from the General Fund to cover street lights provided to the City. Electric revenues are estimated using the current rates for similar customer classes as currently charged by Duke Power. The proposed budgeted revenue includes an anticipated average rate increase of 4.3%, which will be effective with the January 2011 billing.

**Water Fund:** The Water Fund is comprised of \$18,126,063 in operating revenue, non-operating revenue of \$167,950, and no appropriation from retained earnings. Water revenues are estimated using no growth in consumption and no rate adjustments. Economic conditions, the closure of Philip Morris and conservative usage practices continue to affect the City's revenue in the water fund.

**Wastewater Funds:** The Wastewater Fund is comprised of operating revenue of \$14,073,171, non-operating revenues of \$63,000, and no appropriation from retained earnings. Wastewater revenues are estimated using no growth in consumption. An increase in wastewater rates is recommended as reflected in the Schedule of Fees and Charges effective July 1, 2010. The rate increase is recommended due to an increase in maintenance and capital needs, as well as the closure of Philip Morris.

**Public Transit:** The Public Transit budget is comprised of \$200,000 in operating revenue, \$1,740,125 in restricted intergovernmental revenue, and transfers of \$250,000. In FY 2010-11, Concord's General Fund contribution to the Transit system is \$401,825. No fare increases are proposed for the Transit System.

**Golf Course:** The Golf Course Fund anticipates continued decreases in earned revenue for FY 2010-11 of 11% when compared to the proposed budget of the prior year. The downturn in the economy has affected rounds played and the business at the golf course. Revenue projections

are conservative and as the economy rebounds, so will activity at the Golf Course. Total revenues are estimated at \$1,449,189 from operations and an additional transfer from the General Fund of \$951,296 designated towards debt service.

**Aviation:** The Aviation budget is comprised of \$8,467,930 in operating revenue, \$169,200 in non-operating revenue and a transfer of \$699,000 from the General Fund. Fuel Sales have been budgeted conservatively as the slow down in the economy has also affected activity at the airport. Current activity does indicate that fuel sales are beginning to increase.

**Internal Services Fund:** The Internal Services Fund – comprised of Data Services, Customer Service, Utilities Collections, Billing, Engineering, Fleet Services, Call Center, Buildings and Grounds and Purchasing – totals \$11,285,908 or an increase of less than 1/2% over the current year adopted budget. These budgets have no increase as the City continues to operate as efficiently as possible during the economic down turn. All costs within this fund are allocated among the Electric, Water, Wastewater, Stormwater, Aviation and General Funds based on percentages derived from a cost allocation method.

All rates, fees, and charges are listed in the Schedule of Fees and Charges.

## **KEY RECOMMENDATIONS AND CHALLENGES FOR THE FUTURE**

The revenues projected in this budget recommendation are based on a number of conservative assumptions. We hope local governments will begin to see revenues that reflect a stronger economy and we find our projections for FY 2010-11 to be too conservative. However, it is unknown if the rebound will be strong enough in FY 2010-11 to show a difference. We feel it is reasonable to assume that revenues will be, at best, flat during the fiscal year. We do know that the Philip Morris closure will continue to impact property tax revenues directly and sales tax revenues indirectly. While this budget is designed to focus on the delivery of basic services, we cannot ignore other infrastructure needs that existed before the decline in the economy. We must prepare for the future, regardless of our financial constraints.

### **THE ECONOMY, REVENUES AND PHILIP MORRIS**

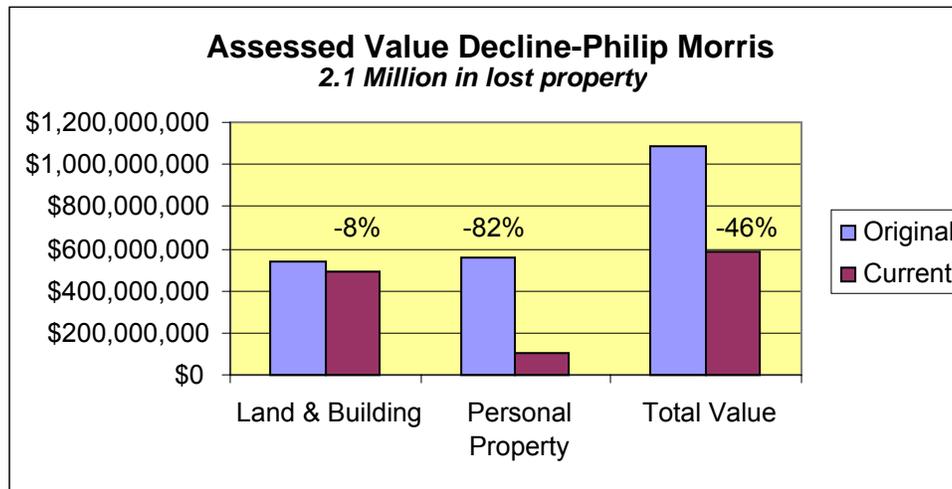
It goes without saying that the economy will be the biggest factor impacting future Concord budget recommendations. Unemployment has hurt sales tax collections and foreclosures have impacted property tax collections. Even if consumer spending begins to grow, the City will likely not see a rebound in sales tax receipts related to the construction industry. These conditions have led to a leveling off of growth in utility revenues. Experts are saying the recovery will continue to be slow, with local governments being some of the last institutions to benefit. For the first time, many local governments will be faced with the possibility of decreased property values at the time of the next County-wide revaluation.

The challenges faced by the State of North Carolina will likely be even greater. The State is in the process of making additional cuts to prepare for FY 2010-11 with the knowledge that the loss of Federal stimulus dollars will lead to an even deeper hole for FY 2011-12. The State withheld a portion of the FY2009-10 beer and wine taxes due to local governments. It is unknown if this will carry through to FY 2010-11, however our revenue projections anticipate that some portion of the revenue will be withheld again. Powell Bill receipts continue to decline due to economic conditions and changes in driving habits.

While it may not happen during the election year of 2010, there is great fear that the General Assembly will decide to keep local revenues that are collected by the State and/or will decide to force local governments to take over services provided by the State in order to balance their budget. For example, it is clear that there is discussion of turning over State maintained roads to local governments without providing for an adequate revenue source. The division of service responsibility and revenue sources with the State is likely to continue to be a hot debate for some time. If responsibilities for services are restructured, there must be an accompanying comprehensive review of revenue options available to local government. This will put even more pressure on legislators to consider a massive modernization of State and local tax systems.

Because of the size of the property and the status of the economy, the marketing of the 2,000+ acre site formerly occupied by Philip Morris has been slow. The General Fund will continue to see the impact of the loss of this industry until new development starts to take place on the property. We continue to plan for an eventual loss in tax revenues of at least \$2,101,200, which is equivalent to approximately 2.1 cents to the tax rate. This loss in valuation also impacts Concord's sales tax receipts since the City's share goes down as its proportion of the overall tax assessment declines. Currently Philip Morris has not appealed any tax values, but the City will continue to monitor this process and any effects an appeal may have on the values of the Philip Morris property. It is still anticipated the total loss in property tax revenues will eventually exceed \$3,000,000.

The impact of the loss of Philip Morris as a water and wastewater utility customer has been fully realized. A combined \$1.8 million in annual revenue has been lost.



### FEDERAL FUNDING

Concord was awarded over \$3,000,000 in funding from various sources through the American Recovery and Reinvestment Act. The City should have most of this money obligated by the end of FY 2009-10. Over \$1,000,000 resulted from formula allocations from the Byrne Justice Assistance program, Energy Efficiency and Conservation Block Grants, Community Development Block Grants and the Public Housing Capital Fund, which can only be used on public housing property.

Other grants received were a \$200,000 Brownfields Assessment Grant for private sector entities to conduct Phase 1 and, if needed, Phase 2 environmental assessments on privately owned property, a \$1,495,000 grant for transit technology and furnishings under the FTA – Section 5307 for the Concord/Kannapolis RIDER system and the Byrne Justice Assistance Grant, of which Concord received \$120,974.

It is unknown if the City will receive more Federal funding of this nature. The City applied to the Office of Community Oriented Policing Services (COPS Office) for 3 sworn positions but was not awarded funding in the first round, primarily due to the City's low crime rate. The second round will only consider requests from applications already received so there is some chance of funding for the application. There are on-going discussions regarding extending the Energy Efficiency and Conservation Block Grant program and a new jobs bill to target local governments. We did not project any new revenues from sources not already awarded.

### GROWTH MANAGEMENT

The financial challenges in the wastewater fund also point out some of the ironies of the current economic situation. Growth management has been one of the biggest challenges facing Concord over the last ten years and has been a highly charged issue County-wide. Past budget messages have documented the

impact of decisions made several years ago that extended infrastructure and built schools in the northwest section of the County, opening up a large area to residential growth. Concord was forced to adopt a reactionary mode and countered with measures to ensure higher quality infrastructure and amenities within its growth area. Since then, Cabarrus local governments have come a long way in trying to control housing densities and requiring higher development standards in rural areas.

However, we are now learning a good lesson in what happens when you anticipate growth and you end up in a “no growth” environment. Concord worked with Cabarrus County to implement a Central Area Plan that discourages development at suburban densities in a specified area of the County in order to promote in-fill development in other locations where infrastructure already exists. However in one part of this area, Cabarrus County already approved residential developments, which led Concord to construct a sewer system to serve the basin. Concord designed the system to minimize the use of pump stations for environmental reasons. The one subdivision within Concord served by this system went bankrupt and could not live up to its legal obligation to pay for its share of the system. The other subdivisions approved by Cabarrus County have not materialized. The City has had to assess the property owners in the subdivision within the City limits, so pay back will be much slower. This was one factor leading to a rate increase. If these other subdivisions were not approved in the County, the City would not have been reacting to these infrastructure needs and would have likely implemented a different strategy in providing wastewater services.

While growth management continues to be a long term goal, County policies must also take municipal infrastructure costs into consideration when impacting land uses. While growth needs to be planned, it should not be viewed as evil. The dramatic decline in the construction industry in this County has had significant long term effects on our economy.

A key tool for growth management for municipalities is annexation. This year, the City will initiate a process to evaluate the annexation of four areas discussed with Council at the Annual Planning Session in February. These developments appear to meet all statutory requirements for annexation and are in areas where City services already exist or will exist well before the annexation would be complete. This action is consistent with the concept that development at urban densities adjacent to a city should be municipal.

## **NEW WATER SOURCES AND EXISTING WASTEWATER NEEDS**

Concord is a leader in water conservation and our long term commitment has now been memorialized in the settlement agreement with the Save the Catawba River Coalition and the Catawba Riverkeeper that led them to drop their appeal of the Interbasin Transfer amount previously approved by the North Carolina Environmental Management Commission. This settlement finally allows for clear direction for obtaining water from the Catawba River. Much of the settlement reflects Concord and Kannapolis agreeing to specific steps to promote best practices in water conservation and to a schedule for use of water from the Catawba River. This includes continuing to use water pricing techniques to encourage conservation. The settlement calls for Concord and Kannapolis to use no more than 3 million gallons per day (GPD) from the Catawba River until the cities are using at least 5 million GPD from the Yadkin River. After this 8 million GPD is in use, the rest of the 12 million provided through the Interbasin Transfer Certificate is unrestricted.

Waterline connections already exist to utilize the Catawba through the Charlotte/Mecklenburg Utility Department, though they have not been used in recent years other than for maintenance purposes. On the Yadkin side, Concord, Kannapolis and Albemarle are jointly funding the engineering necessary to bring water from the Albemarle system. It is hoped this engineering will be completed in FY 2010-11 so right-of-way acquisition and construction can quickly follow. While demand may not be growing now, if Concord does not tap into the sources now, future opportunities may be much more limited.

Water rate increases have to be evaluated annually against the amounts needed for these major capital projects and to meet increasing environmental standards. It is likely that upfront capacity purchases and related financing will have to take place with Concord's wholesale customers participating based on their desired capacities. Faced with the reality that Cabarrus County has no additional water sources within its boundaries, we must go outside to obtain water. As a result, water continues to be more expensive in Cabarrus County than for its neighbors adjacent to free water sources fed by larger rivers.

It was noted that the Philip Morris closure had the greatest impact on the wastewater fund this fiscal year. This means that many needed capital projects are not being funded. Many of these were planned during the period of high growth before 2008. If growth were to return in these basins, so will the need for these improvements. However, there are also project needs to replace aging infrastructure and address capacity issues. These will have to be first priorities.

## **ELECTRIC SYSTEM**

During FY 2009-10, the City undertook the most comprehensive evaluation of the municipal electric system that has occurred since its beginning over 100 years ago. The study included a cost-of-service and revenue study, comparison of service levels and efficiencies with other benchmark electric providers, an analysis of the financial interrelationships between the Concord electric system and other City utility and non-utility functions, legal issues, the value of the current system, and the pros and cons of operating a municipal system in today's market.

This study was necessary due to the dramatic changes that have occurred in the energy sector. Economic conditions have impacted the growth in consumption at the same time that alternative fuels and energy conservation have become a nationwide focus. The City also finished its first year under a new purchased power contract with Duke Energy, so the study included recommendations on how the City should keep the Electric fund financially sound as the provisions impact the cost of power in the future. The contract 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. This increased the cost to Concord and, when added to the significant fuel adjustment increases Duke imposed over the past several years, led to the need to adjust rates. The structure of the agreement also makes it more challenging for the City to predict Duke's peak usage to save money by using our own generation and it also allows Duke to use these City's peak shaving resources on a defined basis.

The Council adopted new policies on setting rates based on purchased power costs and factors that include operation and maintenance expenses, debt service requirements, maintaining reserves and return to the City. Customer rate classes were updated to better reflect the market. In late 2009, Council adopted a two phased rate adjustment across customer classes that were designed to increase total system rate revenue over two years by approximately 7.7%. The first phase was implemented in January 2010 and this budget contains projections to implement the second phase in January 2011. Policies now also include a mechanism to recover the costs of purchased power.

## **SOLID WASTE**

The City also completed a comprehensive study examining solid waste services and how they are delivered. With changes in technology and additional mandates on separation of waste, it was an appropriate time to evaluate each service provided and establish a direction for the future. Concord has historically provided a very high level of service with customers only required to take items such as appliances and tires to the curb on their normal day of pick-up. Because residential garbage collection and recycling is contracted and the rest of the residential services are in-house, Concord has one of the most unusual combinations used for service delivery in the State. Also, environmental regulations continue to change and collection methods must adapt. For example, electronics will be banned from landfills starting in 2012, which will require a different collection method.

This budget reflects changes in the way a few solid waste services are provided, but does not reduce the number of services provided. For example, staff recommends collecting appliances and tires when called in, rather than running trucks up and down streets looking for such items.

Also, study results pointed out the potential advantages of going to a single stream recycling collection system both to encourage a higher level of recycling and, one day, reducing the need for weekly collection of recyclables. This process uses roll out containers similar to that used for solid waste, eliminating the need for the smaller bins as used now. In FY 2009-10 Council approved a new recycling agreement with Republic that allows the City to use funds provided by Republic for recycling, due to Concord's status in hosting their landfill, to pay the City's provider of choice to collect recycling. This provides the City with the ability to bid out this service for FY 2011-12 to determine if such a change can be beneficial.

After considering study results, Council also instructed staff to include garbage collection in this same bid process and to include an option to go to fully automated collection. This will allow the City to weigh the cost benefits of going to a more efficient method of service delivery with the impact on its residents.

## **SURFACE TRANSPORTATION**

The North Carolina Department of Transportation continues to face the challenge of finding equitable ways to raise more dollars and distribute the funds according to need. However, congestion problems in urban areas exist today and there is a need to address them now.

Some legislators have suggested the best way to solve the funding issue is to reverse the State's historical role and to turn more of the responsibility over to municipalities and counties. Most counties, and many municipalities, have no staff and no capacity to take on this challenge. Since they not been in the business, or in the case of small municipalities, contract out the few projects they have, jurisdictions have no one to develop and monitor maintenance and improvement projects.

Where this local funding comes from is an even bigger issue. If the State does not provide funding, or new funding options, then the burden will fall on the only revenue that local governments can control – the property tax. The NC Legislature controls how local governments raise revenues and some legislators continue to point out that most local government property tax rates are well below the State maximum limit. However, many local governments, like Concord, are already maintaining and improving roads using local property taxes. When you consider major roads, the relationship between local property taxes and the use of these roads is far less.

Concord has already invested heavily in NCDOT facilities. In fact, the City of Concord has averaged spending \$2,000,000 per year on maintenance and improvements associated with NCDOT roads. Much of this money has been generated from the Transportation Improvement Fund created by the City Council over 10 years ago 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. Smaller intersection improvements on NCDOT facilities like Poplar Tent Road, US 29, and NC 73 have been covered by this fund and the City has also constructed projects such as the major extension of the NCDOT maintained section of Weddington Road.

For years, one of the most important projects in NC has been to widen the remaining four lane sections of I-85, largely through Cabarrus County, to match the rest of the highway from Durham through Charlotte. The first section from Exit 49 to Highway 73 is now funded and on the TIP to begin construction in 2011 (I-3803B). The reworking of the interchanges at Poplar Tent, Highway 73 and related improvements to the area around Exit 49 (we hope) are important components to all of Cabarrus County.

The City has stepped up to the plate and has developed additional partnerships with NCDOT to provide local funds for major projects impacting other NCDOT roads. These projects will impact Concord budgets for several years. With the exception of Morehead Road, local dollars will come from the Transportation Fund. These are summarized below.

### **Projects on NCDOT Facilities that are Programmed with Concord Participation**

**Morehead Road** – NCDOT is providing \$3.5 million dollars to relocate and improve the portion of Morehead Road running parallel to the Lowe's Motor Speedway property. This improvement will enhance pedestrian safety and vehicular movements, particularly during Speedway events. It will also include changes that will improve traffic movements at all times, particularly at the intersection with US 29. The City of Concord has paid for additional engineering and will contribute another \$1.5 million to the construction project. The project should be underway in FY 2010-11 with an estimated completion date of mid-May 2011.

**Derita Road (U-4910)** – This is a project to widen a facility that is used as a connector between I-85 and I-77 and even I-485, and serves as a main entryway to the Concord Mills area from northern Mecklenburg, southern Iredell and western Cabarrus counties. It is also a rapidly growing industrial area with many NASCAR related businesses, including Sprint Cup teams and the NASCAR Research and

Development Center, located along the road and provides the only access to Concord Regional Airport. Traffic congestion is choking this corridor; as a result, the City of Concord sought Federal monies to assist NCDOT in solving the problem. Unfortunately, most of the Federal money allocated ended up being subject to the equity formula, so Concord had to “trade off” and delay the larger Poplar Tent Road widening project through a requested TIP priority change in order to add Derita Road. Even with this change, Concord was required to pick up the total cost to match the Federal funds for this NCDOT Road. The match is estimated to be \$3,036,763. Concord and NCDOT have entered into a Municipal Agreement and right-of-way acquisition is scheduled for 2011, with construction in 2013.

**George Liles Parkway Extension (R-2246B)** – With the closing of Philip Morris it is imperative to North Carolina, Cabarrus County and Concord to replace these jobs and tax base. This project, scheduled to begin construction in FY 2013, will connect this 2000 + acre property and others directly to I-85. With the promise of donation of land from the major property owners, Concord and NCDOT have entered into a municipal agreement where Concord will up-front \$10,767,000 in funds to accelerate this project. The City will be reimbursed at the end of the project once those funds are available as programmed in the TIP. The schedule for financing this up-front amount will be determined during the new fiscal year with the likely source being dollars from the Transportation Fund available when other debt covered by that fund is retired. We anticipate this partnership will eventually pay huge economic development dividends for the State, Cabarrus County and the region.

**CMAQ** – Concord has worked with NCDOT on CMAQ projects to improve NCDOT facilities. These include the intersection of Poplar Tent and US 29, which is currently under design. The estimated cost for this project is \$879,125 with Concord providing a 20% match. Another active CMAQ project is on McCacheran Boulevard. Funds are allocated to provide the match for these street and pedestrian improvements.

A future project is the intersection of NC 3 and US 601. The City is also providing a match for this estimated \$1,202,829 improvement.

**Traffic Signal Maintenance** - The recommendation also unfreezes a position to support City staff providing NCDOT signal maintenance under the NCDOT Schedule D program. The Council approved an agreement with NCDOT in FY 2009-10 providing for staff to take over a higher level of system maintenance of the State traffic signals in Concord. City staff will be able to respond to issues more quickly and adjust the system locally to better accommodate traffic flow. While the State reimbursement will not cover all the City's costs, the level of service and response should improve.

### **Public Transit Including the Potential for Light Rail**

As mentioned earlier, the Concord and Kannapolis RIDER system received \$1,495,999 in ARRA funds to purchase an Automated Vehicle Locator/passenger counter system, automated fare boxes, two light transit vehicles and transit center furnishings. The transit center furnishings will go into the new transit center located on Ridge Avenue. Once it is open in August 2010, users transferring from one bus route to another will not only be able to take advantage of covered shelters, but a main office facility containing restrooms and a customer service area. This is where the customer service and transit manager positions will be housed.

Charlotte Area Transit System (CATS) has contracted to have the second phase of light rail development engineered. The Blue Line is to be extended from uptown Charlotte northeastward to I-485 at US 29 in the University area. This provides a future opportunity for Cabarrus County as CATS officials have expressed interest in crossing I-485 to serve the Concord Mills / Lowe's Motor Speedway area. They indicated that light rail is feasible over a distance of 15 to 20 miles from the main transit center. That distance would encompass Concord Mills and Lowe's Motor Speedway, possibly even the Philip Morris property.

The first step in this possible additional extension will be to study the physical feasibility of constructing light rail over I-485. The challenge for the future will be determining how such a feasibility study might be funded.

## **PUBLIC SAFETY**

This budget recommendation includes two new Police customer service specialist positions responsible for taking information on calls where a personal response by a sworn officer will not contribute to the investigation. This is another method we can use, and one that other jurisdictions have used as well, to provide the same service in a more efficient way, freeing up time for sworn officers. This is not a permanent solution to avoid adding more officers in the future; however, it is a practical method to increase efficiency. We will monitor the impact of this change should the new positions be approved by Council.

The City is currently in the process of establishing a temporary Fire Station 10 on City property located on Poplar Tent Road near the intersection with Harris Road. This station will be staffed with the pumper and personnel moved from Station 6, as this is a more central location to serve this district. Eventually, a permanent station will be constructed at this location. This alternative provides fire service to the newer neighborhoods in that area, while delaying the cost of new construction until the economy rebounds.

During FY 2009-10, Council also voted to accept a Federal SAFER grant to add 12 new firefighter positions. These new positions are being used to establish a new ladder company to serve the western side of the County. They will begin service using an existing ladder truck. The funding breakdown for the new positions is as follows:

	FEMA	CITY
First year	90%	10%
Second year	80%	20%
Third year	50%	50%
Fourth year	30%	70%
Fifth year	0%	100%

This recommendation contains funds to lease purchase a new platform ladder truck for this company. The budget also provides for hiring an architect to renovate Station 5 so this new truck can be moved to that location which is closer to the commercial development on the western edge of the City. It is anticipated that this renovation will be ready to begin in FY 2011-12 and that the money for the renovation might be bundled with the debt for the George Liles Parkway Extension to support the financing for that project.

One major challenge is deciding how to move forward with new radio communications infrastructure. The City's current system, which is also used by Kannapolis and Cabarrus County, is nearing the end of its useful life and Motorola has provided different dates on when they will no longer maintain parts of the system. There are several options available, from Concord maintaining a "stand alone" system to joining a regional system maintained by the City of Charlotte. This decision has more of an impact on Concord than the other Cabarrus County jurisdictions as Concord staff has been responsible for some of the maintenance on the current system. One key to this decision will be if Charlotte can bring capital grant monies to the table that will offset the increase in operational expenses of Concord moving away from a Concord maintained system. If such grant opportunities that surface lower the local costs, it may require an immediate appropriation to help match the outside dollars. This would have to come from reserves. Unfortunately, it will be very easy to get "married" to one vendor, which makes it very difficult to get competitive pricing on equipment and radios.

## **RECREATION AND OPEN SPACE**

While the recession has impacted the City's ability to be aggressive in developing recreation facilities, staff recommends maintaining funds in reserve to be able to take advantage of opportunities that might surface during FY 10-11. Potential exists for property to be acquired for projects, particularly related to the Rocky River Greenway. For example, the Carolina Thread Trail may have funds to assist with acquisition if matching monies are available. Carolina Thread Trail matching monies are already targeted

for a section of the Rocky River Greenway adjacent to Moss Creek if a PARTF grant is awarded for the project.

In FY 2009-10, \$300,000 was allocated toward stream restoration in Dorton Park. The erosion continues and will eventually put the playing fields in danger of being washed away. Staff believes in order to maximize the project; a matching grant would be preferable to allow us to include property controlled by the YMCA, so the construction project was not bid. At the May 2010 meeting, City Council approved a recommendation for staff to apply for a NCDENR 319 Non Point Source Pollution Control Grant to develop a local and comprehensive watershed plan for Lower Coddle Creek, which will provide a strategic plan to address these issues. This plan will compile and analyze new and existing watershed assessment data and develop a watershed plan that will meet local needs, reduce non-point source pollutant loadings, and follow the guidelines outlined in the EPA's nine key elements for watershed planning. This watershed plan will be required for any future projects submitted for potential grant funding within the watershed. The total project cost is \$26,925 which includes \$15,925 in a grant request and \$11,000 of City funds and in-kind services.

This plan will be invaluable to prepare in applying for a matching grant in FY 2011-12 to fund a restoration project for the Dorton Park area.

## **CUSTOMER SERVICE AND CITIZEN COMMUNICATIONS**

The City of Concord is a service organization and is accountable to its customers to provide quality service at an affordable price. This is no different from a private sector company except that many of our services can only be obtained through the City. Our coworkers are constantly reminded of this through our Mission Statement and Core values, our "Eyes and Ears" program, our Productivity Improvement Team (PIT Crew) and through training.

The organization continues its focus on customer service. Coworkers on the Customer Service Design team include employees from each department who are leaders and who practice good customer service skills on a day-to-day basis. They have developed training and recognition programs that are proving to be invaluable to maintaining a focus on service excellence. Customized training is being delivered in all departments by coworkers. In addition, the Special Thanks And Recognition program (STAR) is used to recognize coworkers who go above and beyond their regular duties. The latest effort has been the "Journey through Concord" program designed to educate coworkers on the specific functions of the departments so they can help customers who have questions about other departments or services. "Journey through Concord" also provides coworkers an opportunity to understand how the City works together as a team to meet community needs.

The budget also contains funds to update the City's performance evaluation system to include a focus on rewarding coworkers that provide the best in customer service and incorporating measures to make sure that departmental performance measures are reflected in individual evaluations. This is the next step in our emphasis on customer service and relating organizational goals to individual performance.

Citizen communications continues to become more 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 blogs, Facebook, Vimeo 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 3<sup>rd</sup> 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.

The Customer Care Center continues to be essential in providing a human contact for citizens who phone in with service needs. The Center handled 150,776 calls in 2009 for an average of 12,565 calls per month.

### **EXTERNAL AGENCY FUNDING**

For FY 2010-11, external agencies requested \$206,324 from the City of Concord. This compares to the \$129,600 appropriated for such purposes in FY 2009-10. These agencies 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 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. CDBG funds dwindled in the past but actually grew last year for the first time in several years.

The recommendations hold the line for most of the agencies that received City support last year. \$84,674 of the \$129,824 requested from the General Fund is recommended and \$45,000 of the \$76,500 requested is recommended in Community Development Block Grant monies. The individual agency funding recommendations are included within the budget of their associated functional areas as directed by Council.

### **CONCLUSION**

The FY 2010-11 budget proposal operationalizes the goals for the City of Concord established by the Mayor and City Council. The services, program 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,



W. Brian Hiatt  
City Manager