



May 27, 2014

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

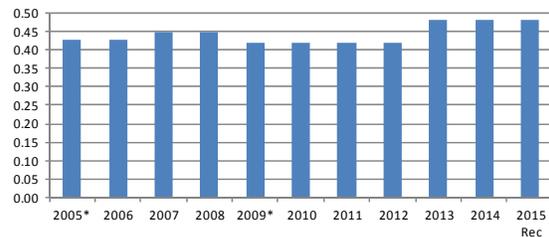
Dear Mayor Padgett and Members of the City Council:

Pursuant to Section 159-11 of the North Carolina General Statutes, attached is the recommended FY 2014-15 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 2014-15 Goals Statement. I used this document as a guide in making recommendations. I also want to thank Deputy Manager Jim Greene, Assistant City Manager Merl Hamilton, 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 \$216,784,204 for all funds, including utilities and special revenue funds.

The recommended General Fund budget for FY 2014-15 totals \$71,577,540 for City personnel, operations, capital improvements and debt service. I am recommending that the tax rate remain at 48¢ per \$100 of valuation, as calculated using the formula provided in G.S. 159-11(e). As in past years, the 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; * indicates revaluation year)



I am recommending moderate rate increases for the Water and Wastewater funds and no increase for the Stormwater fund. We will continue to monitor Duke Energy wholesale cost changes to determine the need for Purchased Power Adjustments (up or down) for electric charges during the year.

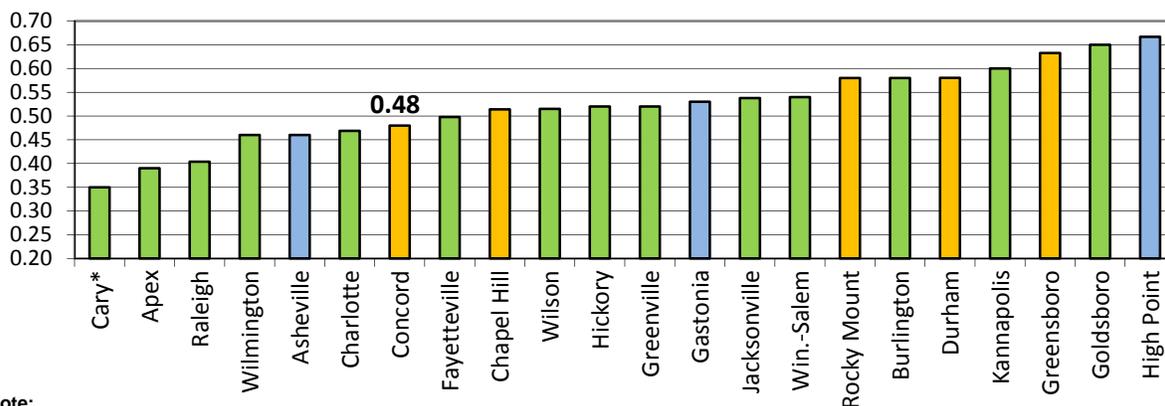
We started the budget process with all departments being asked to prepare a budget with no operational increases. However, departments were able to identify additional needs during the process; management considered the impact of these operational needs in an environment of a strengthening economy leading to increased activity 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, but not the worst case scenarios used during the fiscal years impacted by the recent recession. We are still seeing increases in sales tax revenues toward pre-recession levels and new investment in commercial and industrial development. Residential development is also strengthening.

Per Council’s direction, the focus has been on maintaining 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 \$2,094,750 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. Funds are set aside for salary adjustments, but specific recommendations on the use of these funds will not be made until the City’s consultant makes a recommendation on the position classification and compensation study currently underway.

For FY 2014-15, the recommended Concord property tax rate continues to be among the lowest third of full-service North Carolina municipalities with populations greater than 35,000 and the lowest of those that do not charge solid waste and/or recycling fees. 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. The Property Tax Comparison chart illustrated below summarizes the proposed property tax rates for comparable cities.

**FY 2014-15 Proposed Property Tax Rates for
NC Full-Service Cities Over 35,000 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.

Cities in blue (Asheville, Gastonia and High Point) charge a nominal recycling fee, but not for garbage or yard waste.

Charlotte and Jacksonville residents are assessed a solid waste fee for disposal through property tax or utility bills.

The City has not been able to weather the recession without impacting jobs. This budget recommends 2 full-time positions be eliminated (neither currently filled) and 10 part-time positions be eliminated. In addition, 14 more remain “frozen” with no appropriated salary. The total projected savings from these positions in FY 2014-15 is \$632,994. No sworn police positions or firefighter positions have been frozen. Though we have added new positions in the last 2 budget years, the recommended FTE count of 935.4 is still below the 941.25 FTEs approved for FY 2009-10.

Due to increasing customer needs, several departments requested new positions during the FY 2014-15 budget process. Grant funding has made it possible to recommend positions in areas where operating revenues could not sustain them. As a result, we are recommending 21 new full-time positions and 1 part-time position, along with the “unfreezing” of 3 frozen positions within the organization. Adding (or

filling) these positions will enable these departments to provide a consistent level of service, as demands for our services continue to increase.

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 just over a 2 cent property tax increase.

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.

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 2014-15 Recommended Budget are listed below:

GENERAL FUND

- Department-wide – Inclusion of first debt service payment by General Fund departments who will occupy space in the new City Hall - \$424,441.
- *Governing Body* – Restoration of old "ghost" signs (painted brick murals) downtown - \$5,000.
- *City Manager's Office* – Direct the revision of the City's development/zoning ordinance.
- *Public Services Administration* – Continued energy efficient improvements at the Brown Operations Center, including addition of LED lights in the parking area.
- *Public Services Administration* – complete last phase of the BOC parking and yard rehabilitation - \$560,000.
- *Police* – Addition of 9 Police Officer positions and equipment/supplies (related to SRO grant approved by Council in April 2014).
- *Police* – Body Armor replacement for Patrol and SWAT - \$114,540
- *Police* – First of 4 Year Plan to ensure that each patrol vehicle has an in-car camera (25 cameras per year, including those in need of replacement) - \$162,500
- *Police* – Provide capability for live streaming of in-car camera video (phased in over time).
- *Emergency Communications* – CAD server replacement - \$50,000.
- *Radio Shop* – Addition of a Communications Tech Supervisor position to maintain and repair digital radios city-wide -\$68,500.
- *Fire and Life Safety* – Replacement of fire pumper with needed equipment - \$560,000.
- *Fire and Life Safety* – Addition of 1 Inspector/Investigation position in Fire Prevention - \$56,528.
- *Fire and Life Safety* – Increased maintenance needs at Fire Stations - \$207,000.

- *Transportation* – Continuation of \$725,000 in resurfacing funds under the Streets budget, a continuation of the additional \$200,000 budgeted in FY 2013-14.
- *Transportation Signals* – Addition of a Staff Engineer position (beginning Jan 2015) to assist in signal maintenance and timing (will receive offsetting revenue from DOT).
- *Solid Waste and Recycling* – Continued use of Mobile 311 tablet-based computing within solid waste trucks for more efficient pickup of bulky waste.
- *Solid Waste and Recycling* – Schedule replacement of 2 large yard waste trucks; 1 Knuckleboom at \$135,000 and 1 Rear Loader at \$185,000 – using Capital Reserve funds.
- *Fleet Services* – Budget of \$1.7 million for fuel City-wide; the same as the current year budget.
- *Cemeteries* – Additional maintenance funds for landscaping, fencing, and sidewalks at Oakwood Cemetery - \$34,620.
- *Planning and Neighborhood Development* – Funding for an updated Downtown Master Plan and updates to existing small area plans as development dictates - \$105,000.
- *Economic Development* – Provision of \$100,000 in City-matched funding towards redevelopment of the former Heilig Meyers building downtown into market-rate apartments.
- *Parks and Recreation* – Additional funds for increasing participation in youth athletic sports and summer playground camp - \$34,056.
- *Parks and Recreation* – Replace Beverly Hills Park playground - \$35,000.
- *Parks and Recreation* – Replacement of basketball goals at all 3 recreation centers (\$65,000) and resurface basketball and tennis courts (\$91,000) at Caldwell Park.
- *Parks and Recreation* – Remaining funds needed to construct the trailhead and initial phase of the Hector H Henry II Greenway on Weddington Road - \$704,380 (use of Capital Reserve in case grant funding is not approved).
- *Parks and Recreation* – Use of Capital Reserve funds to fully fund and construct McEachern Greenway Cabarrus Phase - \$380,000.
- *Parks and Recreation/Aquatics* – complete last phase of pool deck repairs/renovation - \$30,000.

MUNICIPAL SERVICE DISTRICT FUND:

- A total of \$87,794 is appropriated to the Concord Downtown Development Corporation for use in the promotion and improvement of the City's downtown district.

STORMWATER FUND:

- Provide funds for the completion of system Master Planning (\$350,000), replaces culvert at Wyoming Drive/Montana (\$178,000).
- Completion of culvert replacements funded in the FY13-14 budget.
- Addition of 2 positions to create a Ditch Maintenance crew, allowing the City to work proactively in maintaining the storm drain system before problems arises.

ELECTRIC FUND:

- Continue upgrade of aging vaults/equipment in Downtown underground system - \$150,000.
- Relocation of infrastructure for various DOT projects - \$510,000.
- Smart grid meter pilot project - \$10,000.
- Construction of SCADA control room and offices - \$350,000.
- Upgrade of Substation H (switchgear replacement) - \$650,000.
- Delivery 2 Upgrades - \$415,000.
- Cost for purchase of wholesale electricity projected to decline again in FY15 due to success of peak shaving, the Peak Partners program, and lower fuel costs.

WATER FUND:

- Completion of 2 multi-year projects: Disinfection Byproduct Reduction (\$440,000) and High Service Pump Motor Starter (\$306,000).
- Construction of waterline related to George Liles Blvd. extension (Phase 3) - \$282,430
- Waterline improvements related to I-85 Widening - \$206,335.
- Continue to upsize of lines and extend water mains - \$285,500.
- Continued maintenance of waterlines, mains, and valves; replacement/upgrade of problem areas - \$240,000.

WASTEWATER FUND:

- Small outfall sewer replacements/upgrades at Irish Buffalo Creek, Hatley Circle, Moore Place and general manhole rehabilitation.
- Continue to invest in pipe lining for wastewater lines - \$654,000.
- Upsizing of wastewater lines for future development - \$100,000.

PUBLIC TRANSIT FUND:

- Continue adding shelters and lighting of bus stops.
- All 8 hybrid buses are now in service, which will save substantial fuel dollars in FY14-15.
- Addition of a Transportation Planner position to aid in routing, growth management, and other planning tasks.

GOLF COURSE FUND:

- Budget reflects increased revenue/rounds associated with new course greens.
- Funding from Capital Reserve for expansion of the Clubhouse seating/patio area - estimated \$135,000.

AVIATION FUND:

- Increase in the fuel budget of 5.8% to accommodate increased operations (takeoffs and landings).
- Continues commercial service, with potential for added flights.
- Changes proposed to staffing, including the elimination of several part-time positions and replacement of them with full-time positions directed towards increasing customer needs.
- Complete construction of 2 parking lot areas – increase in capacity of 350 spaces.
- Proposed Capital Improvement Plan (CIP) projects dependent on grant funding.

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:

- *Data Services* – Continue upgrade of City's network infrastructure and capacity - \$68,000.
- *Data Services* – Disaster recovery solutions for GIS and Harris Utility servers - \$42,000.
- *Building and Grounds* – Addition of an Urban Forester position to oversee the City's assets, interfacing with all departments on tree and landscaping issues - \$81,046.

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 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 2014-15, personnel expenditures account for \$62,706,466 or 29% of the total budget.

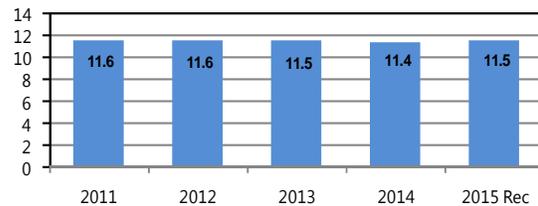
An outside consultant is currently conducting a comprehensive position classification and pay study. With the economy recovering, we are experiencing challenges in attracting and retaining qualified coworkers for some positions. As a result, we have included money in each of the funds for implementation of the study once it is completed. It is possible that if the recommendation includes merit adjustments, that some of these may have to be retroactive to the date the coworker's performance evaluation took place if the implementation strategy is not in place before July 1, 2014.

A total of 21.6 FTE in additional staffing is recommended for FY 2014-15. Twenty-one new full-time positions and 1 part-time position are recommended for funding in this budget, while 3 current "frozen" positions are recommended to be funded and filled. To slightly offset these, 2 full-time vacant positions and 10 part-time positions are recommended for elimination. The recommended positions are as follows:

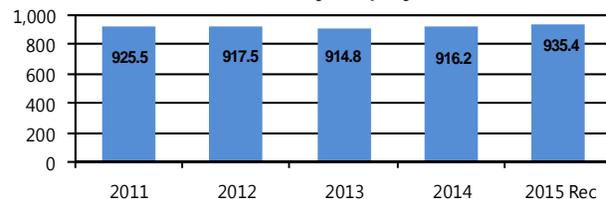
General Fund (12 full-time positions recommended)

- Police:
 - 9 – Police Officer positions (SROs under grant approved in April 2014)
- Radio Shop:
 - 1 – Communications Tech Supervisor
- Fire Prevention:
 - 1 – Inspector/Investigator
- Transportation – Signals:
 - 1 – Staff Engineer (with revenue partially offsetting from the state for signal timing)

**Number of City Employees
Per 1,000 Population**



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



Stormwater Fund (2 full-time positions recommended)

- Stormwater
 - 1 – Utility Service Supervisor
 - 1 – Utility Service Worker

Water Fund (1 full-time position “unfrozen”)

- Water
 - 1 – Staff Engineer (reclassify to GIS Coordinator)

Aviation Fund (4 full-time positions, 2 full-time positions “unfrozen”)

- Aviation
 - 2 – Aviation Assistants (replaces 5 PT positions recommended for elimination)
 - 2 – Customer Service Specialists (replaces 3 PT positions recommended for elimination)
 - 1 – Aviation Supervisor (was previously frozen)
 - 1 – Executive Assistant (was previously frozen)

Transit Fund (1 FT position)

- Transit
 - 1 – Transportation Planner (grant funded)

Public Housing Fund/Section 8 Vouchers Program Fund (1 FT and 1 PT position)

- Section 8 Vouchers Program
 - 1 – Housing Specialist
 - 1 – PT Family Self Sufficiency Specialist (split 50-50 with Public Housing budget)

Internal Service Fund (1 full-time position)

- Building and Grounds:
 - 1 – Urban Forester

The 2 full-time vacant positions and 10 part-time positions recommended for elimination are as follows:

Aviation (1 full-time position and 9 part-time positions)

- Aviation:
 - 1 – Aviation Manager (in October)
 - 5 – Aviation Assistant (PT)
 - 3 – Customer Service Specialist (PT)
 - 1 – Custodian (PT)

Internal Service Fund (1 full-time position and 1 part-time position)

- Engineering:
 - 1 – GIS Coordinator
- Building and Grounds:
 - 1 – Custodian (PT)

A total of 935.4 full-time equivalent positions are recommended for funding, excluding the frozen positions listed below. At the present time, 13 full-time and 1 part-time positions are frozen with more subject to be frozen if they become vacant. The frozen positions are as follows:

General Fund (5 positions):

Solid Waste and Recycling:

- 1 – Utility Service Supervisor
- 2 – Equipment Operators

Parks and Recreation:

- 1 – Parks & Recreation Specialist

Fleet Services:

- 1 – Automotive Technician

Electric Fund (3 positions):

- 1 – Project Engineer
- 1 – Electric Systems Technician I
- 1 – Utility Locator

Water Resources Fund (1 position):

- 1 – Utility Service Worker

Aviation Fund (3 full-time positions):

- 1 – Custodian/Courier
- 1 – Sr. Customer Service Specialist
- 1 – Accounting Supervisor (newly frozen)

Internal Service Fund (1 full-time and 1 part-time position):

Building and Grounds:

- 1 – PT Custodian (20 hours/week)

Engineering:

- 1 – Engineering Manager (newly frozen)

Unfortunately, health care costs continue to increase, resulting in another series of small increases in the amounts contributed by the City and by coworkers and adjustments to the deductibles included in the City's plans. 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.

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.

While we have seen significant increases in City contributions from FY 2010-11 to FY 2011-12 and again in FY 2013-14, the North Carolina Local Government Employees Retirement System is projected to be stable in FY 14-15 with the City's contribution per general employee at 7.07% of payroll. Contributions for law enforcement officers remain at 7.41%. Due to actuarial projections, staff does anticipate the City's

contribution rates to increase in future fiscal years, but perhaps not to the level originally projected during the depths of the recession.

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. 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 some type of retiree health care. However, the majority of 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 stay on the City's plans for a longer period of time. This past year, the number of retirees receiving health care benefits from the City grew from 86 to 107. Coupled with the premium increase, the resulting budget for Retiree Health Insurance will grow by just over \$187,000 in FY15.

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 revenues projected in this budget recommendation are based on a number of conservative assumptions. As noted earlier, we have not used worst case numbers as the economic trends are finally showing improvement in many areas. Still, we are still nowhere near pre-recession levels.

While this budget is designed to focus on the delivery of basic services, it also sets the framework for addressing priorities that prepare for the future.

THE ECONOMY AND REVENUES

Concord's economy is improving. There are several examples that demonstrate that investment is up.

First of all, there has been a significant increase in available industrial/distribution facility "product" in the form of speculative buildings constructed or under construction that has been spurred by the City providing investment grants. An 88,000-square-foot spec building recently opened at the International Business Park, between Poplar Tent Road and N.C. 73 and construction of a \$12 million, 277,000-square-foot spec building is underway on International Drive at the intersection with Poplar Tent Road. Also under construction is a 403,750 spec building in the Concord Airport Business Park located off Derita Road and the same developer has plans to build another 150,000-square-foot building in the same area. There have already been several inquiries from prospects interested in these buildings.

The Derita Road area is attracting other investment. S&D continues to up-fit the buildings on the second campus they acquired to meet their needs. A new business park, the River Oaks Corporate Center is under development up the street at the intersection of Derita Road and Poplar Tent Road.

One of the most exciting developments was the recent sale of the former Philip Morris property. The purchasers plan to focus on "clean tech" industries with more specific announcements to come later. This acreage, combined with other properties along the George Liles Parkway extension currently under construction, means Concord has over 3,000 acres of property zoned for business near the geographic center of the City.

It was noted that the increase in speculative building development has been supported by City grants based on new tax base generated. Cabarrus County has stopped supporting incentives, which is leading to great concern over our ability to compete with other jurisdictions to fill these buildings or attract industrial development to "greenfield" sites. This is troublesome. Since we are working with private landowners, this often requires partnerships to make the pricing competitive in comparison with publicly owned parks. These type of efforts will need to continue to develop the infrastructure and buildings these employers desire as they as explore sites in the southeast or across the United States. While it requires some investment of public funds, the Concord City Council has shown they believe these public/private partnerships are preferable to develop the product that brings new jobs and investment to our community over an even greater reliance on public funds like as in other jurisdictions.

Retail development has also made a comeback. New shopping centers are planned, such as the one located at the intersection of George Liles Parkway and Weddington Road to be anchored by a Publix. Just down the street on Concord Parkway a Walmart Market is under construction. The Concord Mills/Speedway area continues to be strong with the addition of the new Sea Life Aquarium in the Mall and the Hendrick Automall closer to the Speedway.

Downtown continues to move forward with several new restaurants coming into existing storefronts. The sale of the Helig-Myers building for renovation into market rate apartments should establish the viability of residential development in downtown, helping to support the further diversification of retail businesses.

Most of the single-family subdivisions platted before the recession that stalled are now back in business. There are many reports of a shortage of inventory of new and existing house coming on the market. Homebuilding is not back to pre-recession levels, which is not bad, as many feel the rate of development occurring prior to 2008 was not sustainable.

Good jobs remain a challenge for some. Cabarrus County continues to have one of the lowest unemployment rates in the Charlotte region, but underemployment is an even bigger concern. The February unemployment rate in Cabarrus County was 5.9%. While the steady decreases from previous years continues to be good news, we all still have work to do to provide more good jobs for those that might be unemployed or underemployed.

STATE TAX REFORM

The General Assembly has thus far kept to the promise not to use State collected municipal revenues to balance the budget. However, there are more proposals under discussion that will impact local revenues.

The most far reaching effort approved in 2013 was branded as tax reform. Thus far it appears the changes implemented will be revenue neutral for local government. However, there is a proposal now to drastically change the statute pertaining to local privilege license beginning July 1, 2015. Privilege license

fees bring in over \$1,000,000 to the City of Concord, equivalent to over a penny on the property tax rate. One proposal that has been offered sets privilege licenses costs for all businesses at \$100, regardless of the size of the business. This would not only result in the City losing at least over \$700,000 in annual revenues, it could actually increase the amount paid by many small businesses. This is a significant impact on revenues that could result in the need to increase the property tax rate, implement a solid waste fee and/or cut services.

GROWTH MANAGEMENT

It is puzzling that some in the General Assembly are still focused on the elimination of tools local governments have used to reduce the impact of rapid growth on the quality of life of residents as well as the environment. Of course, the legislation impacting annexation has undermined a tool that has led to strong municipalities for over 50 years. Growth management has been one of the biggest challenges facing Concord over the past decade years and has often been a highly charged issue County-wide. Cabarrus local governments and Concord in particular, have come a long way in trying to control housing density, requiring higher development standards in rural areas and in reducing the impact of development on the environment.

We continue to look for ways to be user friendly in working with those seeking to make quality investments in our community. The implementation of the Accela software through the partnership between Cabarrus County and Concord that is currently underway will go a long way in this effort.

CITY HALL AND 30 MARKET STREET

Consistent with the Council goal, the design of a New City Hall located at the intersection of Cabarrus and Market, adjacent to the Police Headquarters, is well underway. It is anticipated that the completion will be in December 2015. The estimated total \$20,000,000 cost will be financed rather than using reserves as this would deplete any excess in the capital reserve and fund balance over the City Council's goal.

A related issue is what will happen with the "old police headquarters" located at 30 Market. The occupants of the offices located on the main floor will move to the New City Hall. However, currently the Traffic Management Center is located on the bottom floor. The City Hall architects have also been charged with looking at concepts for the development of a plaza that could serve as a public gathering point. Implementation of alternatives is not anticipated in FY 2014-15. Also, if the building is slated to be demolished to make more room for a plaza and/or parking, a building for the Traffic Management Center will need to be constructed at the Brown Operations Center in advance of the demolition of the old police headquarters. That is also not anticipated in this budget, but will be an important issue for exploration in the upcoming fiscal year.

NEW WATER SOURCE AND EXISTING WASTEWATER NEEDS

Concord, Kannapolis and Albemarle are jointly funding a line to bring treated Yadkin River water from the Albemarle system. Construction is underway and the project should be completed during the fiscal year. The upfront capacity purchases that includes the "take or pay" amount in the Albemarle agreement, is one of the reasons a small water rate adjustment is recommended. Another adjustment will likely be needed in FY 2015-16 as Concord will see a full year of purchasing treated water from Albemarle.

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 some of its neighbors who are adjacent to free water sources fed by larger rivers. The Water and

Sewer Authority of Cabarrus County has completed the new master plan for the entire County. This data is now being used to develop strategic plans for upcoming water and wastewater budgets.

For example, the wastewater budget continues to be tight with limited dollars available to meet future capital needs. The recommendation to increase wastewater rates is to generate capital funds to address future needs, particularly in support of economic development. This recommendation also includes funds for capital improvements and maintenance of the system, particularly in areas of Concord where aging lines are more likely to lead to rainfall infiltration.

ELECTRIC SYSTEM

The City's 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.

As anticipated, wholesale costs from Duke Energy have stabilized. This is leading to more predictability in the rates Concord charges its customers. We anticipate that increases needed for FY 2014-15, if any, will be minimal. In fact, we hope to be able to implement a very small decrease in the Purchased Power Adjustment this summer when the new State mandated sales taxes are imposed on customer bills.

The wholesale energy market is changing and Concord must be preparing now for future wholesale purchase contracts, including talking with all potential suppliers. Staff is in the process of doing so now in anticipation of the next contract period.

AIR AND SURFACE TRANSPORTATION

Air transportation

Concord Regional Airport (CRA) continues to be a vital resource in supporting the business and general aviation communities. A promising development has been the addition of scheduled commercial operations at Concord Regional Airport through the Allegiant Airlines flights to Orlando. Allegiant started commercial service in December. The twice a week service to Orlando-Sanford International Airport provides an affordable option for local travelers here in Concord and elsewhere in Central North Carolina. Service has been widely successful and Allegiant is in discussion on expanding their operations.

There is more interest in providing flights from CRA to other destinations and back during particular days of the week. Staff will continue to analyze the upfront costs it takes to make these arrangements work before making recommendations. The activity has already helped to solidify the airport's position in qualifying for FAA funding for airports with commercial type operations.

It is hoped that there will not be renewed efforts at the Federal level to eliminate funding for the contract control tower program. As in the past, the City of Concord will be strongly opposed to such efforts.

Surface transportation

This budget maintains the Transportation Improvement Fund created by the City Council almost 15 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.

The Burrage Road Bridge replacement is underway and the rehabilitation of the concrete portion of the street will start soon. After these projects are completed, the NE Subset sidewalk extension will be constructed in the same area. In addition, the FY 2014-15 funds will be used to continue the design work

for improvements to Brookwood Avenue, matching dollars for the traffic management grant and for the Virginia Street improvements. Of course, it also includes dollars that have been set aside previously for participation with NCDOT on other projects.

Three projects have surfaced as priorities 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. These are currently being ranked using the new NCDOT ranking criteria. Concord has strengthened the ranking by offering to provide a 20% match for the projects. It will be at least August before we know the results and if any of these projects will begin soon. The City may have to be involved in partnering with NCDOT to advance one or more of these projects if State money is not readily available.

With the Philip Morris property sold and the George Liles Parkway extension project underway, there is likely to be a push for public/private partnerships in developing the infrastructure needed to support development that will lead to job growth along this important corridor. The City will need to play a role in making sure the street systems serving such properties are well planned and are multi-modal in nature.

Staff has been able to develop a fully functional traffic management operation center on a very tight budget. The traffic management grant will enable staff to take this to another level. As noted earlier, the traffic management center has been housed in the basement of 30 Market Street in the old Police Headquarters. The design and eventual construction of a new plaza on this site may very well impact this building. The exploration of alternatives are well underway.

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

I 85 Widening Projects and NC 73 to 29-601 Connector in Rowan County

- The project between Concord Mills Boulevard and NC 73 is complete except for around Poplar Tent and NC 73 interchanges. Concord is participating with NCDOT to provide sidewalks and bicycle accommodations along both Poplar Tent Road and NC 73.
- NCDOT is now getting ready to start another I-85 project from NC 73 to 29-601 Connector in Rowan County. This will include significant improvements to the interchanges at Exits 58 (US 29) and 60 (Copperfield/Dale Earnhardt).

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 this NCDOT Road. The match is estimated to be \$3,036,763. Design and permitting is nearing completion and right-of-way acquisition is underway with construction to begin in 2015.

George Liles Parkway Extension – Project underway with Blythe acting as contractor. There are incentives for contractor to finish portion between Weddington and Concord Parkway (US 29) first. Entire project to Roberta Road should be completed in 2017, including the interchange at US 29.

Congestion Mitigation and Air Quality Projects – Concord is working with NCDOT on two CMAQ road projects to improve NCDOT facilities. These require local matches that have been budgeted using the transportation fund.

The first is the intersection of Poplar Tent and US 29 (C-4918-A). The City will manage the project during construction. The construction will incorporate "superstreet" design and should start in 2014.

Another CMAQ project is to provide extra capacity by expanding lanes on South Union Street and Warren C. Coleman; this project is scheduled for funding in the amount of \$1,294,915 with Concord providing a 20% match. Project also to begin this year.

Cabarrus Avenue Bridge over Norfolk Southern Railroad – The replacement of this bridge has started. Concord is participating to add Texas Classic Railing, decorative lighting and sidewalks on Cabarrus Avenue, and a mast arm traffic signal at Powder Street. The project will also facilitate the closing of the at-grade railroad crossing on Corban Avenue with modifications to Powder Street to accommodate the change in the traffic pattern.

Burrage Road Bridge Project – City project awarded to Blythe Construction; construction and detour underway. Estimated completion is March 2015. City is preparing for rehab project to remove concrete portion of Burrage Road and replace with asphalt.

Public Transit

New 35' heavy duty low floor hybrid electric replacement buses have be placed into operation.

Concord continues the partnership with CATS on the 80x Concord Express running between Charlotte and Concord, although the ridership continues to go down due to the amount of construction going on between Concord in Charlotte that is undermining the ability of the system to stay on schedule.

Safe and reliable service is the most important factor for system customers. It is important to note that Rider has received the award for "Outstanding Performance in Traffic & Passenger Safety two years in a row. This recognition was provided by the North Carolina Public Transit Association for Urban/Regional/Small Fixed Route systems - 999,999 miles or less.

While the system has improved over the past 10 years, Concord and Kannapolis continue to grow and urbanize. No doubt transit needs will grow and change. The Rider Transit Commission, made up of representatives from both cities, is in the process of working with staff to evaluate a draft Transit Development Plan completed early this year after months of analysis and public input. The final recommendations will eventually make their way to the City Councils and will provide an essential roadmap for service development and delivery over the next 10 years.

The biggest obstacle for the future is likely to be changes and/or decreases in Federal Funding. Already we are seeing efforts to take the current funding but using it to pay for services across other local systems, resulting in decreased funding for Rider. These changes could eventually have a dramatic impact on the ability to maintain the current level of service.

PUBLIC SAFETY

The Cabarrus County Schools applied for and received a School Resource Officer matching grant from the N.C. Department of Public Instruction. This budget contains these funds and others from the City for FY 2014-15. The grant pays for the salaries and benefits for 18 officers to work as School Resource Officers in Cabarrus County Elementary Schools. There are nine SROs assigned to Concord Police Department and nine assigned to Cabarrus County Sheriff's Office. Funds have been approved to cover the FY 13-14 and

FY 14-15 school sessions. These funds will be recurring funds as the legislators have stated in Senate Bill 589. Salaries and benefits are paid on a 12-month basis and not for 10 months as is stated in our current SRO High School contract. This should offer more police officer coverage on the streets when schools are not in session. The City of Concord will be responsible for providing the equipment for the School Resource Officers, including vehicles, so this program will have a budgetary impact regardless of the personnel, along with the necessary vehicles and other equipment. The routine replacement of vehicles will take place to maintain the one car per officer plan, however, older vehicles will be kept to cover these positions it is known their status if the grant is not continued. It is recommended that if this funding ends after the grant period, these positions should be eliminated through attrition unless the Board of Education picks up the costs. All the schools impacted are attended by Cabarrus County residents so County residents who live inside the City of Concord should not have to pay double.

Fire Station 11 will be under construction during the fiscal year at a site adjacent to the Rocky River on Weddington Road. This station will house a ladder company and truck that will be moved to provide better protection to the many businesses in this area. The station will have a Cabarrus County EMS unit and will be sitting at the trail head for the Hector H. Henry, II Greenway segment in that area, and next to a proposed City dog park. At this time we are concerned if the project bids will come in within the estimated budget. Like some of the other projects where planning took place during the recession, we may find that the economic upturn has impacted the cost of construction.

RECREATION AND OPEN SPACE

PARTF, Carolina Thread Trail and NCDOT grant money is being used to help fund the current construction of the first segments of the Hector H. Henry, II greenway adjacent to Moss Creek, with the private donation of the land serving as an additional part of the match.

Developing other sections of the Hector H. Henry, II greenway remains a priority. The fire station site on Weddington Road at the Rocky River will also be used as a trail head and parking for the Greenway section running from Weddington Road north toward the Airport and south toward Charlotte Motor Speedway. The 58 acre site also provides a limited amount of additional usable land to develop other needed recreation facilities for the western side of Concord. For example, City Council adopted a goal of developing a dog park. This property will enable the City to develop facility using the funds already allocated. In fact, this funding is used being as a match in a grant proposal to acquire money to help build a greenway connector from this park, along Weddington Road, to connect to the Concord Convention Center. It is hoped we will know the results of these grant applications early in FY 2014-15.

Continued development of the McEachern Greenway is also a priority as planning continues on how to connect the section in Mickey McGee Park north to beyond Cabarrus Avenue. Some construction funds are already budgeted for construction of part of this segment.

The Rocky River Golf Club continues to be one of the highest quality municipal golf courses in North Carolina. It suffered in past years due to the impact of hot summers affecting the quality of the greens. In FY 2012-13 a project was completed to renovate the greens to return them to their original size and to plant a strain of grass more tolerant during the hottest months of the summer. This project was very successful and has had a positive impact on course revenues and perceptions of golfers who use the facility. We now look forward to a project expanding the clubhouse so gatherings of larger groups can be accommodated, resulting in increased revenue.

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.

City departments have responded in a variety of ways. For example, we have implemented Mobile 311 software and are using that technology to identify bulky and yard waste piles in lieu of requiring scheduling. Now we are looking to put technology in the hands of our customers so they can report service needs using their smart devices.

The implementation of the Accela software continues in partnership with Cabarrus County. When implemented the end user will have one source to go to when going through the development process. This technology will be very useful to 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).

CUSTOMER SERVICE AND CITIZEN COMMUNICATIONS

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 blogs, 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.

The Customer Care Center continues to be essential in providing a human contact for citizens who phone in service needs. Customer Care handled 133,372 calls in 2013 for an average of 11,114 per month. Coworkers have expanded their ability to handle full transactions so fewer calls are being transferred to others for disposition.

A special project is examining how we can better communicate with customers when we have situations impacting their services and/or City infrastructure. Examples include utility outages and street closings. Our customers have higher expectations today and we need to relook at our current methods to better meet those expectations.

EMPLOYEE COMPENSATION

Due to the economic conditions during the recession, the City was very modest in providing performance based salary adjustments, if at all. It is clear that many employers in the public and private sectors are now enhancing their compensation offers as the economy strengthens. During the recession, the City tried to benefit its coworkers by managing positions so to provide stability to employees. Many positions were frozen or eliminated, but no one was laid off. Now we are seeing other employers who laid off workers begin to rapidly ramp up to hire experienced personnel to meet the expanding workload.

There were no overall adjustments to our pay structure that raised entry level salaries during the recession. That is why a comprehensive classification and pay study is underway. We want to make sure we capture the new reality in attracting and retaining good employees. We are already seeing some of our best professionals being targeted by other organizations, and other local governments and companies paying more to new employees for the same level of work. While money is budgeted for pay adjustments, we are not recommending an implementation plan until that study is complete and an implementation strategy can be developed. That should take place early in FY 2014-15.

It is human nature for many coworkers to forget the stability we offered during the recession once other opportunities start to open up. Also, younger generations of workers are clearly much more mobile during their careers. We are only as good as the people working for us so it is crucial that we keep our eye on this. We must attract and maintain good people who can work as a team and communicate well with internal and external customers. We must also continue to replace the baby boomer generation as these retirements accelerate.

EXTERNAL AGENCY FUNDING

For FY 2014-15, external agencies requested \$193,500 from the City of Concord. This compares to the \$120,250 appropriated for such purposes in FY 2013-14. 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 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 recommendations call for again funding requests from many of the agencies that received City support last year. \$74,500 of the \$114,000 requested is recommended from the General Fund, a 6% increase over FY 2013-14. \$41,000 of the \$66,500 requested is recommended in Community Development Block Grant monies, which represents a 10% increase over FY 2013-14. The individual agency funding recommendations are included within the budget of their associated functional areas as directed by Council.

CONCLUSION

The FY 2014-15 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,



W. Brian Hiatt
City Manager