



May 29, 2013

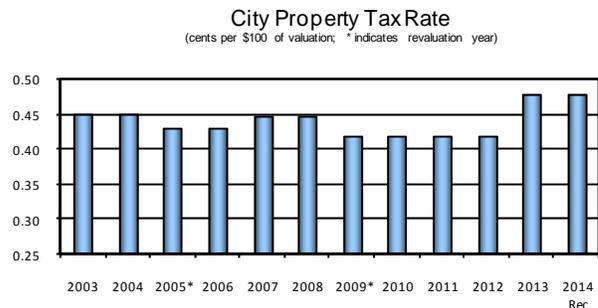
The Honorable J. Scott Padgett, Mayor
 Members of the City Council
 Concord, North Carolina

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 2013-14 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 2013-14 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 \$213,386,710 for all funds, including utilities and special revenue funds.

The recommended General Fund budget for FY 2013-14 totals \$68,960,872 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.



No rate increases are recommended for the water, wastewater or stormwater funds. 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 and continuing the operational expenditure cuts. However, departments were able to identify additional needs during the process so management could consider the impact of these operational cuts in an environment of a strengthening economy. The budget was balanced using conservative revenue projections, but not the worst case scenarios used during the fiscal years impacted by the recent recession. Though very gradual, we are seeing increases in sales tax revenues and in the interest in commercial and industrial development. Single family residential development has started to pick up, but at a slow pace. Multi-family development is more robust.

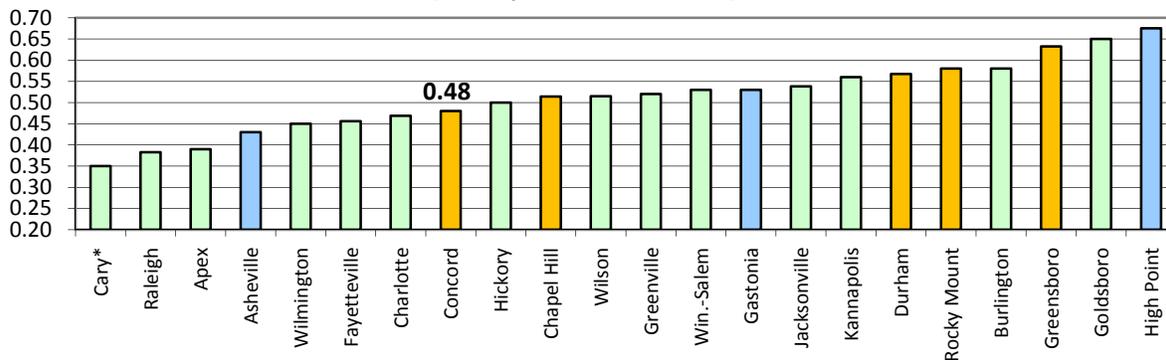
Per Council's direction, the focus has been on maintaining essential services provided to our residents and businesses. To do this and to continue to make basic capital purchases, we are recommending the use of

\$1,640,000 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 come out of the recession in a solid financial position. This budget recommends the "unfreezing" of a very few vacant positions and the addition of a few new positions in targeted areas. It also recommends two, small merit-based salary adjustments for co-workers.

For FY 2013-14, 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 2013-14 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 16 more remain "frozen" with no appropriated salary. The total projected savings from these positions in FY 2013-14 is \$672,645. No sworn police positions or firefighter positions have been frozen. Including the above figures, we will have eliminated 24 full-time and 4 part-time positions since July 2010. When any position becomes vacant, we evaluate the duties to determine if is essential to providing basic services.

After several years of tight budgets and limited resources, several departments requested new positions during the FY 2013-14 budget process to meet increasing customer needs. Only a few requests were recommended, however the needs of those departments will remain going into the FY 2014-15 budget process. We are recommending 5 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 approaching 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 2013-14 Recommended Budget are listed below:

GENERAL FUND

- *City Manager's Office* – Increased funding for Neighborhood Program matching grants.
- *City Manager's Office* – Funds needed to develop a Supervisor training program city-wide.
- *Public Services Administration* – Continued energy efficient improvements to shops/sheds (\$10,000) and partial controls upgrade (\$24,500) at the Brown Operations Center.
- *Human Resources* – Full compensation study of all positions/classifications - \$100,000.
- *Finance* – Upgrade of Finance Plus Software - \$75,000.
- *Legal* – Addition of an Assistant City Attorney position to help with personnel and workers compensation issues.
- *Police* – Addition of 2 Police Officer positions; 1 for Forensic Examination and 1 for Special Investigations.
- *Emergency Communications* – Unfreeze and fill one vacant Telecommunicator position.
- *Emergency Communications* – Purchase of additional equipment to provide considerable in-house maintenance of digital radios – there is a cost savings associated with this purchase.
- *Fire and Life Safety* – Replacement of SCBA breathing apparatus for all firefighters - \$1,200,000 (using Capital Reserve funds).
- *Fire and Life Safety* – Renovation/security improvements to the Fire Admin Office area - \$50,000.
- *Fire and Life Safety* – Increased maintenance needs at Fire Stations - \$200,000.
- *Transportation* – Addition of resurfacing funds for the Glengrove Subdivision - \$200,000.
- *Transportation Signals* – Addition of a Transportation Tech II position to assist in signal maintenance and timing (will receive offsetting revenue from DOT).
- *Solid Waste and Recycling* – Use of Mobile 311 tablet-based computing within solid waste trucks for more efficient pickup of bulky waste.

- *Solid Waste and Recycling* – Addition of funds for Electronics Recycling disposal (\$18,750) and additional yard waste disposal costs (\$20,000).
- *Solid Waste and Recycling* – Completion of Debris Management and Loose Leaf processing site at the Brown Operations Center - \$145,288.
- *Fleet Services* – Budget of \$1.7 million for fuel City-wide; the same as the current year budget.
- *Planning and Neighborhood Development* – Addition of part-time position to assist with management of the Clearwater Artists studios.
- *Planning and Neighborhood Development* – Funding for the Accela Plan Review software implementation (includes software and implementation costs) - \$655,000.
- *Economic Development* – Replacement of tree lighting in the downtown area with warm white LED lighting - \$18,925.
- *Parks and Recreation* – Unfreeze and fill vacant Parks and Recreation Supervisor position (recreation center staff).
- *Parks and Recreation* – ID card system for all Recreation Centers - \$20,000.
- *Parks and Recreation* – Replace Les Myers Park playground - \$30,000.
- *Parks and Recreation* – Replacement of gymnasium windows (\$80,000) and design of center improvements (\$50,000) at Hartsell Recreation Center.
- *Parks and Recreation* – Use of Capital Reserve funds to construct McEachern Greenway Cabarrus Phase - \$440,000.

MUNICIPAL SERVICE DISTRICT FUND:

- Additional \$15,000 in distribution of sales tax dollars to the Concord Downtown Development Corporation.

STORMWATER FUND:

- Replace culverts at Ruebens Road, Wyoming Drive at Grand Canyon, Treasure Drive, Chadbourne Ave, and Chelwood Drive - \$1, 174,781.

ELECTRIC FUND:

- Continue upgrade of aging vaults/equipment in Downtown underground system - \$150,000.
- Relocation of infrastructure for various DOT projects - \$410,000.
- Upgrade of Substation I-1 and I-2 to a single station - \$1,500,000.
- Cost for purchase of wholesale electricity projected to decline in FY14 due to success of peak shaving, the Peak Partners program, and lower fuel costs.

WATER FUND:

- Boosted Pressure Zone for fire flow improvements - \$150,000.
- Waterline improvements related to various DOT projects - \$1,600,000.
- Continued maintenance of waterlines, mains, and valves; replacement/upgrade of problem areas - \$240,000.

WASTEWATER FUND:

- Small outfall sewer replacements/upgrades at Cabarrus County Boys and Girls Club, Southbrook, Wilkinson and Rosehaven, and Concord Business Park, Phase I and II - \$230,000.
- Continue to invest in pipe lining for wastewater lines - \$623,000.
- Elimination of pump station at Roberta Woods - \$598,000.

PUBLIC TRANSIT FUND:

- Continue adding shelters and lighting of bus stops.
- Increase in fuel expenses for transit buses as well as costs to provide ADA services.

- Sunday service begins in October 2013, with a CMAQ grant covering 80% of the costs for the first 3 years.
- Arrival of new hybrid buses in March 2014 – to be paid for with 85% federal funding.

GOLF COURSE FUND:

- Budget reflects increased revenue/rounds associated with new course greens.
- Funding for preliminary design of potential Clubhouse expansion - \$5,000.

AVIATION FUND:

- Includes startup costs for potential limited commercial service.
- 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:

- *Utilities Billing* – Outsourcing of the bill printing and mailing function.
- *Data Services* – Continue upgrade of City's network infrastructure and capacity.
- *Data Services* – Upgrade of Harris software for utility billing and collection.
- *Data Services* – Complete conversion process to Microsoft Outlook for email, utilizing Cloud-based storage.

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

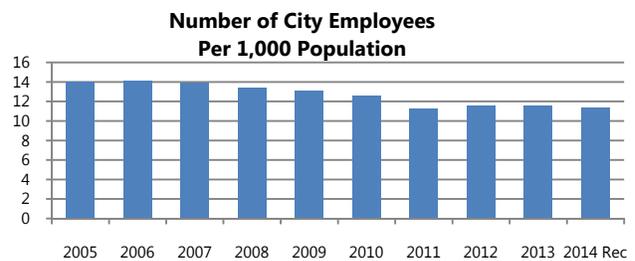
Personnel expenditures include salaries, FICA, group insurance, retirement, 401K, longevity pay, merit pay, and other miscellaneous benefits for co-workers. Contract, legal, medical, and other outside professional services are not included under personnel. They are included under the Operations category. For FY 2013-14, personnel expenditures account for \$57,768,037 or 27% of the total budget.

It is recommended that the City provide two performance based opportunities for coworkers to be rewarded with a salary adjustment. First, all coworkers in permanent full-time and part-time positions would receive a 2% salary adjustment the first full payroll in July of 2013, provided they were rated at least "meets expectations" on their last performance evaluation. This adjustment would also apply to elected officials. Coworkers in a probationary or other status would not receive the 2% increase until that evaluation takes place and the employee receives a rating of "meets expectations".

In addition to this 2%, I am recommending a very modest merit based adjustment for those co-workers receiving a performance evaluation rating of “meets expectations” or better on the date of their annual evaluation during the upcoming fiscal year. Any co-worker, other than those coming off probationary status, receiving “meets expectations” will receive a 1% increase, co-workers receiving “exceeds expectations” will receive a 2% increase, and any co-worker with an “outstanding” rating on their evaluation will receive a 3% increase. Overall, salary ranges in the pay structure are not recommended for adjustment. However, 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. Funding is also included to continue the longevity plan for those hired before July 1, 1996 and to continue existing career development plans.

Funds are also budgeted for an outside consultant to conduct a comprehensive position classification and pay study. With the economy recovering, we are experiencing challenges in attracting and retaining qualified coworkers for some positions.

A total of 8.5 FTE in additional staffing is recommended for FY 2013-14. Five 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 are recommended for elimination. The recommended positions are as follows:



General Fund (6 full-time positions, 1 part-time position recommended)

- Police:
 - 2 – Police Officer positions (1 Forensic Examiner, 1 Special Investigations)
- Emergency Communications:
 - 1 – Telecommunicator (previously frozen)
- Legal:
 - 1 – Assistant City Attorney
- Transportation – Signals:
 - 1 – Transportation Tech II (with revenue offsetting from the state for signal timing)
- Planning and Neighborhood Development:
 - 1 – Part-time position for Clearwater Studios
- Parks and Recreation:
 - 1 – Parks and Recreation Supervisor (previously frozen)

Other Funds (1 full-time position)

- Customer Service:
 - 1 – Customer Service Specialist

Internal Service Fund (1 full-time position)

- Building and Grounds:
 - 1 – Utility Service Worker (previously frozen)

The 2 vacant positions recommended for elimination are as follows:

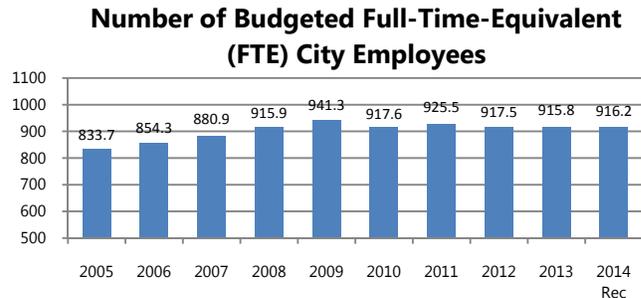
Water Resources (1 full-time position)

- Wastewater:
1 - Wastewater Director

Internal Service Fund (1 full-time position)

- Utility Billing:
1 – Meter Technician

A total of 916.20 full-time equivalent positions are recommended for funding, excluding the frozen positions listed below. At the present time, 15 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 (2 positions):

- 1 – Staff Engineer
- 1 – Utility Service Worker

Aviation Fund (4 full-time positions):

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

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

Building and Grounds:

- 1 – PT Custodian (20 hours/week)

Engineering:

- 1 – Staff Engineer

Unfortunately, health care costs continue to increase, resulting in another series of small increases in the amounts contributed by the City and by coworkers. 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.

A new provider took over staffing the Wellness Center with an additional focus on enhanced services from prevention and intervention to management of acute and chronic illnesses. In order to offer an incentive to coworkers for managing their health, employees who complete a Health Risk Assessment and certify they do not use tobacco, or that they will attend a tobacco cessation program if they do, will receive a reduction in monthly health care premium costs. The Health Risk Assessment will entail 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 a slight decrease in FY 2012-2013, the North Carolina Local Government Employees Retirement System again increased the City's contribution per general employee from 6.74% to 7.17% of payroll for FY 2013-14. Contributions for law enforcement officers increased from 7.21% to 7.64%. The increase represents approximately \$150,000 in additional City-wide dollars for FY2013-14 contributions. 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. 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 retiree health care. However, the majority of state and local governments still provide retiree health care 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.

Finally, a new State mandate requires employers to reserve an amount equal to 1% of unemployment insurance taxable wages to stabilize the unemployment system. The amount across all funds is equal to \$190,000 for the City of Concord.

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, even if the pace is slower than we would like. There is strong evidence of activity that is generating momentum.

There has been an increase in inquiries related to industrial projects and/or expansions. Actual projects include, but are not limited to, the just completed Pre-Gel expansion, an expansion of Oiles's facilities in International Business Park and speculative buildings under construction or in the planning stages on International Drive and near the intersection of Derita and Poplar Tent Roads. These speculative buildings are very important as there must be an inventory to effectively compete for many of the prospects in today's industrial recruitment environment. Having "product" available is essential. Of course we are all excited about the new S&D campus being developed off Westwinds Boulevard near Concord Regional Airport. S&D is preparing to up-fit and expand existing speculative buildings they acquired to meet their needs. Nearby, Fly Right is preparing to bring in an additional flight simulator to enhance their ability to provide training for pilots of corporate aircraft.

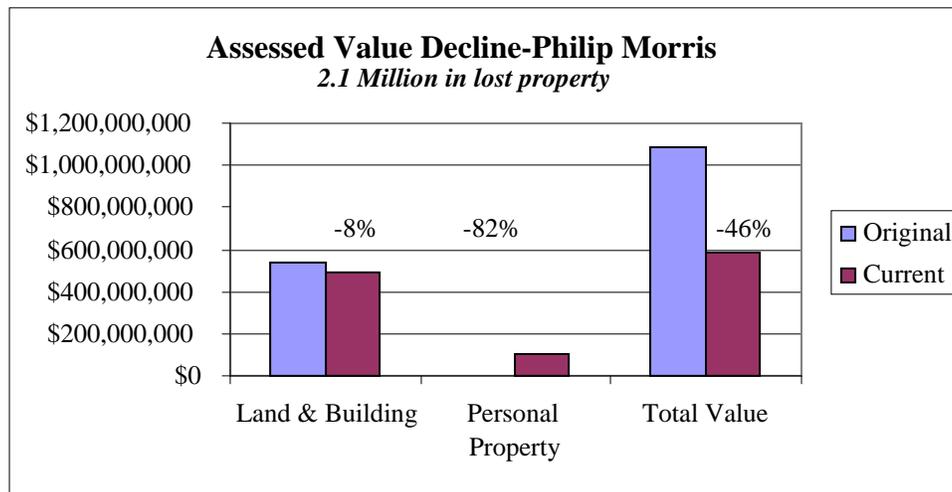
Developers are back at the table discussing the possible resurrection of larger commercial projects approved before the onset of the recession. There has also been an increase in the volume of inquiries for potential commercial construction at existing and proposed major thoroughfare intersections. Some of the potential or confirmed new businesses include multifamily residential, a charter school, a bank, convenience stores and grocery stores. Residents have certainly noticed the new businesses that have opened or are under construction in the Concord Mills area.

The City is also seeing several up-fit permits being issued in relationship to existing business properties. These are important as they show the interest in reinvestment in existing locations. Recent examples include the S&D expansion at the intersection of Concord Parkway and Rock Hill Church Road, the Verizon Wireless Retail and Popeye's on Concord Parkway. It appears more are on the way.

This spring, staff has received numerous inquiries from builders pursuing approval extensions for previously platted single-family subdivisions and/or asking how to modify or update existing plans. Reports from the Cabarrus County Building Standards Office showed that in April the number of single-family detached home permits were the highest since 2008. Cabarrus County building permits in April totaled nearly \$18.3 million. Of that total number, there were 33 new home permits issued in Concord in April with an estimated value of \$5.4 million.

Concord is not back to the days of a booming economy, but we are seeing the strongest growth in investment in several years. We are also seeing growing sales tax revenues, though we are still not at pre-recession levels.

The General Fund realized the full impact of the loss of Philip Morris in FY 2012-13. The appeal of the Philip Morris tax valuation has been settled so values will not change until new development starts to take place on the property. The impact of Philip Morris as a water and wastewater utility customer was fully realized three years ago. As with the General Fund, any activity on the property will be a plus.



Good jobs remain a challenge for some. Cabarrus County continues to have one of the lowest unemployment rates in the Charlotte region, but jobs are still a concern. The March unemployment rate in Cabarrus County was 8.3%. While the decrease of 0.6% from March of 2012 was good news, it shows we all still have work to do to provide more good jobs for those that might be unemployed or underemployed.

There is no doubt our local economy is getting stronger. However, we also share the concerns of many regarding the uncertainties within the current political environment beyond the local level. The inability to reach political consensus is hurting this recovery. Despite these obstacles, things are getting better. We all hope this trend continues.

STATE GOVERNMENT

The General Assembly appears to be continuing its assault on local governments in areas such as land use, annexation and other areas of local control. However, the Legislature has thus far kept to the promise not to use State collected municipal revenues to balance the budget. However, there are actions under discussion that will impact local revenues.

The most far reaching effort is being branded as tax reform. While modernization is needed, it will remain to be seen if this results in true reform, such as the broadening and simplification of the base, or if it amounts to reductions and the shifting of responsibilities and/or reducing local revenues. Some State representatives have indicated the changes will be revenue neutral for local government, but at this point the details as to how that will take place have not been released.

GROWTH MANAGEMENT

It is ironic that many in the General Assembly have focused on the elimination of some of the tools local governments have used during the last decade to reduce the impact of rapid growth on the quality of life

of residents and 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.

Everyone realizes that with the proper tools in place, no growth is as bad, or worse, than too much. Concord is proud that the City reduced positions in targeted areas through attrition during the recession rather than laying coworkers off. Many of these areas were in departments that were supporting growth, such as planning and engineering. With the economy getting better, some employers in the public and private sectors who did lay people off are now hiring again. That means they will be trying to attract our existing coworkers at the same time the City may need to unfreeze some frozen positions due to the development review workload. Retaining these key people will be a challenge.

We continue to look for ways to be user friendly in this area. The recommended FY 2013-14 purchase of the Accela software currently used by Cabarrus County and the partnership Concord and the County are pursuing to make the development approval process more seamless is one example.

CITY HALL AND 30 MARKET STREET

Consistent with the Council goal established a few years ago, the design of a new City Hall located at the intersection of Cabarrus and Market, adjacent to the Police Headquarters, will begin in the new fiscal year. It is anticipated that the City will then move forward to bid and construct the facility. It is recommended this cost 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. If the building is slated to be demolished to make more room for construction and/or to develop other facilities consistent with the Downtown Master Plan, the City will need to find a new location for the Traffic Management Center. Staff has already started considering this need in case the decision is to demolish the building in the near future.

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. The bidding process has started for the project and construction will begin early in FY 2013-14. Concord will fund its portion from reserves.

Though no change is recommended this year, water rate increases will have to be evaluated annually against the amounts needed to fund major capital projects and to meet increasing environmental standards. It is likely that upfront capacity purchases, such as the "take or pay" amount in the Albemarle agreement, will result in the need to adjust rates in FY 2014-15.

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 who are adjacent to free water sources fed by larger rivers. The Water and Sewer Authority of Cabarrus County is completing the new master plan for the entire County. This data will be used to develop strategic plans for upcoming water and wastewater budgets.

The wastewater budget continues to be tight with limited dollars available to meet future capital needs. The recommendation does include funds for maintenance of the system, particularly in areas of Concord where aging lines are more likely to lead to rainfall infiltration, and some capital. There is no wastewater rate increase recommended, however, it must be noted as growth returns in future fiscal years, there will be a need for additional revenue to address critical needs.

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 are starting to stabilize. This is leading to more predictability in the rates Concord charges its customers. In fact, FY 2012-13 saw the first Purchased Power Adjustment (PPA) that reduced user costs. We hope that increases needed for FY 2013-14, if any, will be minimal.

Duke Energy continues to pursue retail rate increases that would be consistent with what it has passed on to its wholesale customers like Concord. Duke has received considerable negative feedback in the political arena at it has attempted to raise retail rates. Concord is impacted by the comparison of the Concord rates with Duke's. Staff will continue to make sure the same principles applied to retail rate reviews are used for the setting of wholesale rates so our customers are not subsidizing Duke's retail customers. At the same time, the wholesale energy market is changing and Concord must be preparing now for future wholesale purchase contracts, including talking with all potential suppliers.

AIR AND SURFACE TRANSPORTATION

Air transportation

Concord Regional Airport (CRA) continues to be a vital resource in supporting the business and general aviation communities. FY 2012-13 has been a challenging year with the efforts at the Federal level to eliminate funding for the contract control tower program. At this point there is hope that funds will be restored for this program, at least until the end of the Federal fiscal year, but this has not been confirmed by the Federal Aviation Administration (FAA). If the funds are not forthcoming, Council has instructed staff to explore the development of alternative plans and partnerships for funding and staffing the control tower.

A promising development is the potential for the addition of scheduled commercial operations at Concord Regional Airport. There is interest in providing flights from CRA to a destination and back during particular days of the week. While there may be some upfront costs to make this arrangement work, it provides the opportunity for other revenue sources and solidifies the airports status to qualify for FAA funding for airports with commercial type operations.

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.

Because of developer and NCDOT delays, the projects anticipated for FY 2012-13 will be completed in FY 2013-14. This includes such projects as a traffic signal at the intersection of George Liles Parkway and Village Drive and the rehabilitation of Burrage Road. In addition, the FY 2013-14 funds will be used for connecting Weddington Road with Old Holland, continuing design work for improvements to Brookwood Avenue, matching dollars for the traffic management grant and the NE Subset sidewalk extension and the Virginia Street improvements. Of course, it also includes dollars that have been set aside previously for participation with NCDOT on other projects.

With the strengthening of the economy there are likely to be public/private opportunities that will arise in support of new investment that will create jobs. Such conversations are already going on with property owners and businesses in the I-85 – Exit 49 area with projects such as the connection of Weddington Road and Old Holland coming to the forefront. Other projects, such as the extension of George Liles Parkway, will open up more land for investment. 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 on a very tight budget. The traffic management grant will enable that staff to take this to another level. 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 City Hall adjacent to 30 Market may very well impact this building. As a result, there will be a need to explore alternatives to this site as the design for a new City Hall gets underway. All other offices currently located in 30 Market will be housed in a new City Hall.

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

I 85 Widening Projects - (I-3803-B) and NC 73 to 29-601 Connector in Rowan County- Concord is participating with NCDOT to provide sidewalks and bicycle accommodations along both Poplar Tent Road and NC 73 for the sections impacted by the I-3803-B project. This entire project is underway and is projected to be complete in 2014. 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 and 60.

Derita Road (U-4910) - 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, AECOM has been contracted to perform the design and permitting with right-of-way acquisition scheduled for 2012 with construction possibly to begin in 2014.

George Liles Parkway Extension (R-2246B) - With the closing of Philip Morris, it is imperative that this part of Concord be redeveloped to enhance tax base for Concord and Cabarrus County. The area adjacent to this road encompasses approximately 3000 acres of land zoned for business use. This project is essential to providing direct access to I-85. Right-of-way acquisition is underway and the project has been let by NCDOT.

CMAQ - Concord is working with NCDOT on two CMAQ road projects to improve NCDOT facilities. These require local matches that have been budgeted using the 2 cent fund. The first is the intersection of Poplar Tent and US 29 (C-4918-A). The City will manage the project during construction, which has an anticipated bid let date in 2013. Another CMAQ project is to provide extra capacity by expanding lanes

on South Union Street and Warren C. Coleman (C-4918-B); this project is scheduled for funding in the amount of \$1,294,915 with Concord providing a 20% match. The anticipated bid let date is before the end of 2013. Of course, these let dates can be moved back due to delays caused by the NCDOT approval process.

Cabarrus Avenue Bridge over Norfolk Southern Railroad (B-3421) – The replacement of this bridge has started. Concord is participating to add Texas Classic Railing, decorative lighting and sidewalks on Cabarrus Avenue. 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.

Public Transit

The Rider System saw a change in the contract operator when First Transit took over the contract operations of the Rider System in FY 2012-13. Eight (8) new 35' heavy duty low floor hybrid electric replacement buses have been ordered and will be placed into operation in FY 2013-14.

Concord continues the partnership with CATS on the 80x Concord Express running between Charlotte and Concord. It has been determined that the costs of operating the 79x route, providing limited service to the Speedway/Concord Mills area, was not worth the level of ridership. Funds for that route are not included.

PUBLIC SAFETY

As noted earlier, two new positions are recommended for the Police Department, along with the necessary vehicles and other equipment. The routine replacement of vehicles will take place to maintain the one car per officer plan.

During FY 2009-10, Council voted to accept a Federal SAFER grant to add 12 new firefighter positions. These positions were used to establish a new ladder company to serve the western side of the County. They began service using an existing ladder truck. The funding breakdown for the 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%

In FY 2013-14 the City will be at the end of the fourth year of the grant and the beginning of the fifth year, so the FEMA supplement will go from 30% to no monetary support during the fiscal year.

The personnel funded by the grant and the related equipment are currently housed at an existing station. Land has just been acquired for a new station will be constructed near the Rocky River on Weddington Road to permanently house the personnel and equipment. This station will provide better protection and it will help support the City's enhanced Insurance Service Office (ISO) level 2 rating. The station will also house a Cabarrus County EMS unit and will be sitting at the proposed trail head for the Rocky River Greenway segment in that area, and adjacent to a proposed City park.

Another major budget item is to purchase self-contained breathing apparatus (SCBA) for each firefighter. Sometimes known as an air-pack, this is a device worn by firefighters to provide breathable air in

environments where there may be danger to life and health. All are being replaced at one time in order for the equipment to be compatible and interchangeable.

The new relationship with Charlotte taking over the backbone of the Cabarrus communications system is in operation with more improvements to come. The backbone has been put in place and the first six channels have been activated. This has already paid dividends as Charlotte Fire Department has been able to acquire grant funding, with local matches, to go toward about half of a new P-25 compliant system. Funds are included to complete the purchase of the rest of the P-25 compliant system including the conversion of the final six channels, though it is hoped that this regional partnership with Charlotte will continue to be beneficial and the Cabarrus entities will be better positioned to obtain the additional grant funding needed to complete the purchase. This transition is crucial as the old system is obsolete and will have no maintenance support in future years.

This agreement impacts the system backbone including software, and eventually hardware and its maintenance and upkeep by Charlotte. It does not impact Concord's continued operation of a separate communications/911 center to support its public safety and infrastructure departments.

RECREATION AND OPEN SPACE

PARTF, Carolina Thread Trail and other grant money is being used to help fund the construction of the first segment of the Rocky River greenway adjacent to Moss Creek, with the private donation of the land serving as an additional part of the match. The Rocky River greenway remains a priority. In FY 2011- 12 the City matched State funding controlled through the Carolina Thread Trail to acquire property on the northwest side of Weddington Road to ensure control of necessary property for that segment of the Rocky River Greenway.

Concord is in the process of finalizing the purchase of property across Weddington Road from this property to use for a trail head and parking for the Greenway section running from Weddington Road south toward Charlotte Motor Speedway. The 58 acre site also provides enough 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 for FY 2012-13. There has been a delay in locating a site for the dog park. This land will enable the City to develop facility using the funds already allocated in FY 2012-13. This is the same property where Fire Station 11 will be built, offering the opportunity for incorporating restroom facilities for these recreational uses.

Continued development of the McEachern Greenway is also a priority - \$440,000 is recommended for the segment running from McGee Park north to Brookwood Avenue.

The Rocky River Golf Club continues to be one of the highest quality municipal golf courses in North Carolina. It has 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.

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 during tight economic times.

City departments have responded in a variety of ways. For example, crews have tested Mobile 311 software and are prepared to use that technology to identify bulky and yard waste piles in lieu of requiring scheduling. That will help to quickly identify service needs in the field and document the desired action for tracking purposes.

City government is migrating to a new email system that will be housed in the "cloud" for this solution rather than the current in-house system on a server. This is eliminating the upfront costs of having to host the software and hardware and the need provide for constant updates to keep abreast with new technology.

Funds are budgeted to partner with Cabarrus County to acquire the same development review software the County uses and house it on their server. This will mean the end user will have one source to go to when going through the development process. While implementation of the software is costly, it 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

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 are developing refresher courses to reemphasize this effort on service excellence. In addition, the Special Thanks And Recognition program (STAR) will continue to recognize coworkers who go above and beyond their regular duties. The "Journey through Concord" program continues. This program is 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.

In support of this effort, staff implemented ways to review operations and customer requirements for user-friendliness. Surveys, focus groups and other techniques such as "mystery shopper" are being used. This effort started at the beginning of FY2013 with efforts to gain feedback from internal customers working for the City concerning the support departments that function to help them get the job done. The City also conducted its biannual citizens' survey in 2012 and the findings were presented to City Council at the 2013 Planning Session.

Although the results of the biannual survey were very positive, the feedback from that instrument and the other efforts during the fiscal year are enabling us to focus on "continuous improvement". Departments have identified specific changes to make in reaction to the feedback from the survey of internal customers. The results from the "mystery shoppers" are in and that is also being used to target areas where our coworkers can improve customer services. All City coworkers are participating in a refresher course on customer service that will help reinforce the techniques that help to lead to satisfied customers.

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 155,905 calls in 2012 for an average of 12,992 per month.

EMPLOYEE COMPENSATION

Due to the economic conditions during the recession, the City has been very modest in providing performance based salary adjustments, if at all. Here is what the City has done the past four fiscal years:

FY09/10: No merit increases, no adjustment to the pay structure

FY10/11: Flat, across-the board \$600 salary increase at evaluation date

FY11/12: Across the board 1.5% or \$600 (whichever was larger) salary increase effective December 2011

FY12/13: \$400/\$500/\$600 lump-sum payments based on merit

It is clear that many employers in the public and private sectors are 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 this time. That is why this budget also includes money to fund a comprehensive classification and pay study. 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.

It is human nature for many coworkers to forget this stability once 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 2013-14, external agencies requested \$194,000 from the City of Concord. This compares to the \$113,250 appropriated for such purposes in FY 2012-13. 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. While cutbacks in Federal spending are leading to a reduction in the CDBG allocation for Concord, staff recommends a slight increase in the dollars available for external agencies.

The recommendations call for again funding requests from many of the agencies that received City support last year. \$70,000 of the \$114,000 requested is recommended from the General Fund, a 7%

increase over FY 2012-13. \$37,250 of the \$66,000 requested is recommended in Community Development Block Grant monies, which represents a 4% increase over FY 2012-13. The individual agency funding recommendations are included within the budget of their associated functional areas as directed by Council.

CONCLUSION

The FY 2013-14 budget proposal operationalizes the goals for the City of Concord established by the Mayor and City Council. The services, programs, and facility needs prioritized in the City Council Goals Statement were addressed. In addition, basic services have been maintained.

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

Respectfully submitted,

A handwritten signature in black ink that reads "W. Brian Hiatt". The signature is written in a cursive style with a small dot above the 'i' in "Hiatt".

W. Brian Hiatt
City Manager