

FY 2015-2016 CITY COUNCIL GOALS

On February 3-4, 2015, the Mayor and City Council held the annual planning session. The direction provided by the Mayor and Council during the planning session has been developed into a statement of goals for the City of Concord for FY 2015-2016. These goals guide budget development and implementation. In addition to this statement of goals, the City has also developed a set of financial policies that are approved by City Council to guide the City in the financial management of all funds. Although North Carolina local governmental units must adhere to the requirements set forth in the North Carolina Local Government Budget and Fiscal Control Act, the financial policies approved by City Council are often more stringent than State requirements to assure the City of Concord will continue to function in a very fiscally sound manner.

The FY 2015-2016 goals are presented according to functional areas. During the year, monthly functional meetings are held to monitor progress on these goals and to identify new issues that must be considered for long-range planning. City Departments are evaluated on their performance in meeting these goals.

General Government

- Communicate legislative goals and agendas to representatives for both the Federal and State legislative processes.
- Continue to maintain a fund balance goal of 30 to 35 percent of General Fund expenditures and use fund balance only for non-recurring capital expenditures.
- Continue to include a performance measurement component in the external agency process, requiring monitoring, and reporting of performance outcomes for funded agencies.
- Continue to adhere to approved financial management policies that maintain the City's financial strength and integrity including continuation of conservative revenue estimates that reflect economic conditions and the aggressive pursuit of revenues collections.
- Continue to prepare the City's annual budget document in compliance with criteria established to obtain the Government Finance Officers Association's (GFOA) budget award and submit the document for review to the GFOA.
- Continue to maintain a sound financial position that results in bond ratings that are at least as beneficial as current ratings.
- Continue to update and re-adopt the Capital Improvement Program, detailing capital projects, estimated costs, and funding sources.
- Continue to maintain accounting systems in compliance with the NC Local Government Budget and Fiscal Control Act.
- Continue to prepare the Comprehensive Annual Financial Report (CAFR) in compliance with the required criteria in order to obtain the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- Continue to finance capital costs so that future growth can help pay for major capital needs and improvements, but continue to use pay-as-go method for most other capital purchases.
- Evaluate the impact of a Solid Waste Fee (including what type of fee and what it would cover), and recommend if implementation is necessary for the FY 2015-16 Schedule of User Fees and Charges (Fee Schedule).
- Evaluate the impact off increasing Planning Department fees for Board of Adjustment, Board/Commission Re-advertising, Conventional and Conditional Rezoning, and Special Use Permits, and recommend changes to the Fees Schedule.
- Evaluate the impact of adjusting Recreation fees to be "middle of the pack" of comparable programs and municipalities, as well as the impact of discontinuing free facility use, and recommend changes to the Fee Schedule.

Customer Service, User Friendliness, and Technology

- Enhance partnership among management, directors, and Customer Service Advancement Team to serve our citizens and customers, apply best practices to enhance satisfaction levels, and focus on continuous improvement.
- Continue to support the recognized neighborhood program and seek opportunities to enhance the quality of relationships, strengthen communications, and build capacity of neighborhood leaders.
- Upon completion of design and final estimate for a new Traffic Signal Maintenance and Traffic Management Center, continue with construction documents and bring construction contract before council for approval to bid the project, assuming project funding is included in the approved FY 2016-17 budget. Include the construction of a road from US 601 to General Services Drive and install utilities to accommodate future site development.
- Demolish 30 Market Street, once the traffic signal system related functions are relocated, in preparation to design and construct a new plaza and parking facility adjacent to City Hall.
- For the Municipal Building and City Hall Annex (26 and 66 Union Street S) use the School of Government's Developmental Financial Initiative program and Downtown Master Planning process to develop plans for reuse, including possible development and financial scenarios, as well as recommendations on selling or leasing the structures.
- Implement a well-balanced security system that fulfills the budgetary, security, and cultural needs of our City Hall. Staffing will include hiring one Police Officer to be assigned to front desk security. Continue current police staffing at Council meetings, and add an officer to operate the metal detector before and after meetings, or other personnel as needed.

Transportation

- Continue to routinely monitor projects and consider participation in additional projects to assure Transportation Fund revenues are being used to fund highest priorities and funds are available for local matches to leverage additional projects with a focus on City infrastructure.
- Continue, at a minimum, appropriating existing revenue amounts using 2-cents of the Ad Valorem tax and \$5.00 of the Vehicle tax for the Transportation Fund.
- Continue to maintain the \$400,000 minimum balance in the Transportation Fund.
- Budget \$150,000 annually within the Transportation Fund to implement priorities in the Pedestrian Improvement Plan based on established policy.
- Continue efforts to secure funding for Congestion Mitigation Air Quality (CMAQ), Federal Transportation, Community, and System Preservation Program (TCSP), Economic Enhancement, Highway Safety Improvement (HSIP), and small construction projects from the federal government and/or the NCDOT, and continue to coordinate associated local activities with NCDOT Division 10.
- Continue to apply funding revenues toward City infrastructure rehabilitation projects not addressed under routine maintenance programs.
- Support Exit 49 economic development, congestion, and pedestrian projects with City participation at the levels already committed.
- Pursue participation with Kannapolis on interchange gateway treatments.
- Direct staff to provide an inventory and prioritize potential corridors requiring a higher level of service for right-of-way maintenance and beautification. Provide an analysis of in-house versus contract maintenance of selected corridors.
- Direct staff to explore increasing commercial airline services, growth, and construction opportunities in partnership with the FAA and NCDOT, while separating these operations from based or itinerant customers; facility needs include a commercial service terminal and parking lots in the south development area.
- Once the FY15 FTA allocation is released, have Transit staff work with the other affected entities to reach an equitable distribution of funding to minimize impact on each system. In the short term, attempt to secure a Congressional or agency waiver/exception allowing more funds to be used for operating costs. In the long term, push for a Federal funding plan that provides enough funds for all modes, including public transit; request a revision of the FTA funding formula that adds actual population served and ridership as factors. Evaluate local transit revenue generation options, as well as consolidation of Rider and CCTS.
- Reduce funding of CATS 80X by one-third to 8 trips a day (4 morning, 4 evening) for FY16. Direct Transit staff to work with CATS to resolve some operational issues and address recent passenger service feedback.

Environment/Solid Waste and Recycling/Stormwater

- Continue emphasis on improving community appearance through regular street sweeping, litter pick-up and removal of signs that violate City ordinance.
- Continue to pursue strategies to reduce fuel consumption, including diversification of fueling methods, purchasing hybrid vehicles when possible, replacing aging light-duty vehicles with smaller more fuel-efficient vehicles, increasing fuel storage capacity and the use of blended fuels and target goals to reduce overall fuel consumption.
- Continue the current practice of only maintaining stormwater systems on public rights of way, and seek alternate funding mechanisms and encourage private owners to do the same to address drainage issues on property outside of public rights of way.
- Consider approval of the highest ranking projects on the integrated Stormwater project list during the Stormwater CIP and budget review process.

Utilities

- Continue to educate the public and all system customers on the importance of water conservation.
- Continue to pursue strategies to promote water conservation, water re-use, and investigate alternatives to reducing individual water use.
- Continue to work with WSACC to develop a plan to reuse water for irrigation and other permitted purposes.
- Continue to enforce consistent rights-of-way protection policy to include notification of property owners relative to existing obstructions, conflicts or structures within the utility right-of-way.
- Continue to follow the RW Beck recommendations for the Electric System.
- Allow the wholesale cost increases to be handled by the purchased power adjustment over the next few years that Duke has forecasted significant capital cost expenditures that will affect increases in the City's demand cost.
- Investigate ways to control/buffer these increases for customers through applying rate stabilization funds to the purchased power adjustment.
- Continue to match Duke Energy's avoided cost rate for purchase of renewable generation projects that attach to the City's system.

Planning/Economic Development/Redevelopment

- Address and respond to current growth trends through a process to update the City's land use plan and small area plans.
- Continue implementation of the Logan Redevelopment Plan if financing becomes available to a private development partner.
- Continue to support the business recruitment and development efforts of the Concord Downtown Development Corporation (CDDC) in attracting new business and enhancing existing downtown businesses.
- Continue to work closely with economic development partners in Cabarrus County to present a complete coordinated recruitment and retention effort.
- Continue to regulate the design criteria for commercial development in accordance with the Concord Development Ordinance (CDO).
- Continue to utilize five specialized guidelines to create standards to promote low impact development into the CDO.
- Continue to update the five-year annexation plan.
- Continue to use policy for voluntary annexations that includes cost-benefit assessments and requirement of acceptance of water and sewer utility service where feasible.
- Continue the close working relationship between various City Departments on zoning and ordinance issues, and continue to use the methods in place to weigh the positives versus the negatives of future annexations.

Public Safety

- Continue to explore opportunities to make Fire Station #1 on Church Street a museum if Fire Station #1 is relocated to another location in the future.
- Continue support of an Urban Archery Season consistent with state and local law.
- Continue to maintain code enforcement penalties and fees, with annual monitoring of potential changes in order to ensure that the penalties properly discourage code violations.
- Continue participating in the school resource officer program at the elementary schools in FY16 if funding is approved by the state or local school board. Use off-duty officers to fill four vacant positions through June 30, 2015, or when external funding for the officers is approved.
- Implement Police Motorcycle Unit in FY16.
- Complete the purchase and deployment of the body worn cameras to every sworn officer.

Recreation/Parks/Open Space

- Continue active participation in and representation on the Carolina Thread Trail Advisory Board with goal of having greenway sections being designated as part of the Thread Trail.
- Continue to make full use of Carolina Thread Trail and Trust Funds money to acquire properties for future greenways if net cost to City is reduced.
- Continue to evaluate properties that are available, pursue joint development opportunities and master plan future park development, with a special focus on the northwest section of the City.



May 26, 2015

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

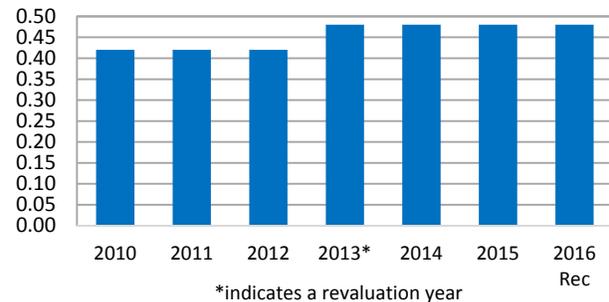
Dear Mayor Padgett and Members of the City Council:

Pursuant to Section 159-11 of the North Carolina General Statutes, attached is the recommended FY 2015-16 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 2015-16 Goals Statement. I used this document as a guide in making recommendations. I also want to thank Deputy 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 \$227,644,710 for all funds, including utilities and special revenue funds.

The recommended General Fund budget for FY 2015-16 totals \$72,765,445 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

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



Improvement Fund as mandated by City Council; however, this recommendation changes the philosophy for the use of these funds for FY 2015-16 due to the current revenue challenges.

I am recommending moderate rate increases for the Water and Wastewater funds and no increase for the Stormwater fund. The water increase represents the second of the two phase increase to cover the take-or-pay from the Albemarle water line. The wastewater increase will cover the rate increase from WSACC. We are also recommending tweaks to electric rates this year as part of an up-date across rate classifications. As is the practice, if this impacts the Purchased Power Adjustment, changes would be implemented in the September time frame.

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.

In looking at the General Fund it is very tempting to shout "The sky is falling". The sky very well may be falling, but then again it may not. It is too early to comfortably rely on some of the revenue trends we are following and the General Assembly has yet to take action on many items that could dramatically impact local government revenues and services. We do know we are starting FY 2015-16 with the loss of over \$1,000,000 in Privilege License revenues. All of this is ironic as the City is experiencing strong growth in many of economic sectors and revenues from this growth are needed for expanded infrastructure and service needs.

Local governments do not have the luxury to wait and see. City Managers must have a budget recommendation before their City Council by June 1. The City Council must adopt a budget by the end of June. The General Assembly does not appear to be concerned about these deadlines, that ironically are established by statute, as there are many decisions yet to be made that could severely impact local government budgets.

This recommendation anticipates neither a worst case nor a best case revenue scenario. We realize that our General Fund revenue projections could be inaccurate due to the many unknowns as the General Assembly makes decisions on its budget and/or other legislation. Here are some of the assumptions made in developing the FY15-16 recommended budget:

- Revenues intended to expand the base from last year's "tax reform" will cover the loss of the privilege license tax, or the General Assembly will approve a new revenue source that will provide that coverage.
- There will be no major redistribution of sales tax and, if there is, it will involve a major expansion of the sales tax base to other businesses.
- Sales tax refunds that have yet to be returned will not be so large that they negate the current growth we see in sales tax revenues (even without any redistribution)
- Council will be willing to use the Transportation Fund in a much different way this fiscal year.
- There will continue to be funding of the elementary school resource officers from other sources.
- Council will be willing to alter the implementation timetables for some of your priorities established at the Planning Session.
- Council will be willing to hold off on some major capital and operational expenditures until after the General Assembly adjourns to see how the budget will need to be adjusted at that time.
- Council will be willing to fund a very few new positions needed due to growth but starting later in the Fiscal Year to delay the full cost until next fiscal year.
- Council will be willing to live with the current tax rate until FY 16-17. The only revenue that is set in stone when you adopt a budget is the tax rate, as it cannot be changed.
- Council will support use of reserves to fund capital projects/equipment.

If any of the first three assumptions above turn out to be inaccurate, the City Council will be faced with some tough decisions later in the year as expenditures will need to be cut further and/or revenues will have to be increased. Since the tax rate will have already been established, additional revenues would have to be generated from other sources, such as a solid waste fee. If cuts are made to services and programs, City Council will have additional challenges for the FY 2016-17 budget year to fund services and improvements as we try and keep up with the growth of our community.

Note the City Council also has no control over the first three assumptions. That is very disturbing as it reflects the anti-urban stance taken by some in the General Assembly.

If the General Assembly's actions replace the loss of the privilege license and they do not tinker with sales tax distribution to create winners and losers, then it is possible some of the Council goals that have been delayed can be revisited later in the year.

In order to keep the Council's options open until we know which direction the General Assembly selects in adopting legislation. We are recommending that City Council hold off on many of the major new expenditures recommended in the budget until after the legislative session is over. The few new positions recommended are delayed in hiring. This not only provides the time to determine the direction of the General Assembly, it also saves dollars for Fiscal Year 2015-16. Obviously once we have coworkers in these positions, they will have to be fully funded in future fiscal years.

Below is the list totaling just under \$3 million dollars of those major expenditures that are budgeted, but are recommended to be delayed to provide Council flexibility should a worst case scenario take place:

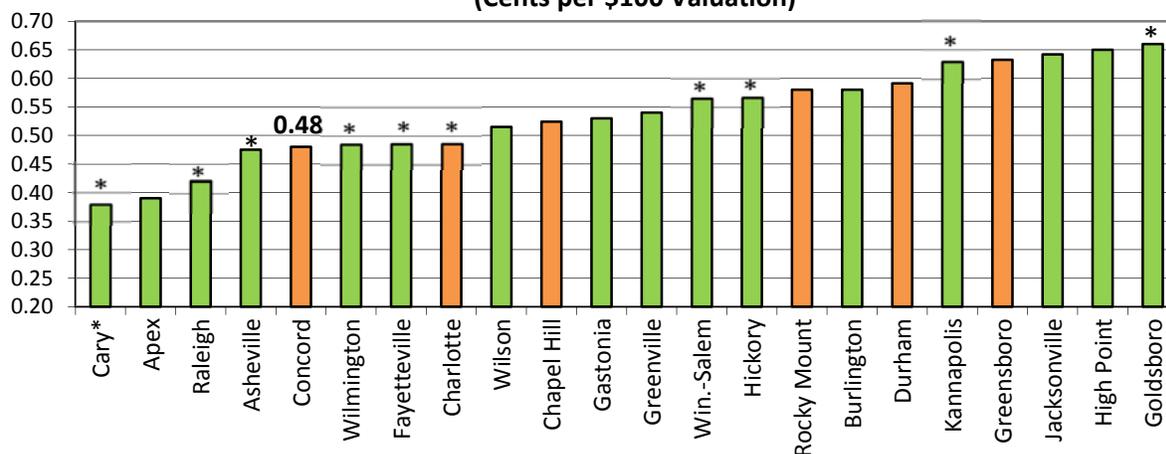
- Purchase of replacement ladder truck (Fire)- \$1.1 million (Capital Reserve)
- 2 Safety/Training officers (Fire) - \$139,080
- Renovations/upgrades to Fire Stations - \$132,000
- Phase 2 of Fire Station 7's bay floor replacement - \$75,000
- Police Officer position for new City Hall – \$83,468
- AP Paperless Workflow Software (Finance) - \$50,000
- Replacement of lights on Union St with LEDs - \$52,000
- Senior Equipment Operator/equip (medians/mowing) - \$118,404 (Council goal)
- Infrastructure portion of Traffic Mgmt. Center - \$366,683 (Capital Reserve and Council goal)
- Parks and Rec Asst. Supervisor (recreation center) - \$49,554
- Updated Land Use Plan - \$100,000 (Council goal)
- Updated Parks and Rec Master Plan - \$75,000
- Upgraded Control Link for parks court/field lighting - \$75,000
- Replacement of basketball goals in all 3 recreation centers - \$50,000
- Design work on Hector H Henry II Greenway, Airport Phase - \$25,000 (Capital Reserve)
- Engineering work on Hartsell Rec Center renovations - \$84,000 (Capital Reserve)

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 \$1,942,683 from the City's Capital Reserve Funds. RESERVES ARE NOT BEING USED TO FUND OPERATIONAL LINE ITEMS.

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

For FY 2015-16, 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. Most of these municipalities are in the same position as Concord, so tax rates and solid waste fees are subject to major changes during this and the next budget cycle.

**FY 2015-16 Proposed Property Tax Rates for
NC Full-Service Cities Over 40,000 Pop.
(Cents per \$100 Valuation)**



Note:

*Cary - extensive use of impact fees.

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

Cities with asterisks above the bar are proposing a tax rate increase for FY2015-2016.

Due to increasing customer needs, several departments requested new positions during the FY 2015-16 budget process. Despite the growth we are experiencing, we are only able to recommend 7 new full-time positions and 1 part-time position. Of those, 5 full-time positions are within the General Fund. In addition, Electric has requested to unfreeze and fund a previously frozen position. Going into FY15-16, 12 positions remain "frozen" with no appropriated salary. The total projected savings from these positions is \$548,771. No sworn police positions or firefighter positions have been frozen.

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 have tried to avoid the practice of over reliance on fund balance or retained earnings, which would require us to eventually generate ongoing replacement revenue or new sources of funding. If we see more of the worst case revenue scenario coming from the General Assembly later this year, the Council will have difficult decisions to make regarding using reserves, raising revenues and/or cutting services.

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

- Basic City services are continued with potential challenges coming due to growth, possibly without proportional revenue growth.
- Revenue projections are estimated with the assumptions outline earlier in this message.
- We have used the Mayor/City Council Goals Statement as our guide even though we were unable to address all of the Council's goals in full due to the unknowns.

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 2015-16 Recommended Budget are listed below:

GENERAL FUND

- Department-wide – First full year of debt service payment by General Fund departments who will occupy space in the new City Hall - \$1,533,718.
- *Governing Body* – Continue funds for the restoration of old “ghost” signs (painted brick murals) downtown - \$5,000.
- *Public Services Administration* – Continued safety and security improvements at the Brown Operations Center, including key system and additional gate access - \$30,000.
- *Finance* – AP Paperless Workflow Software to handle payment process electronically - \$50,000.
- *Police* – Addition of 1 Police Officer position and equipment/supplies to staff the new City Hall (beginning January 2016) - \$83,468.
- *Police* – Body Armor replacement for Patrol - \$20,460
- *Police* – Second 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; provide storage capability for in-car camera video - \$48,360.
- *Police* – Provide 10 tablets as a means of technology for School Resource Officers - \$76,350.
- *Police* – Purchase of a tactical robot for use in SWAT situations - \$24,000.
- *Fire* – Use of Capital Reserve Funds to replace a ladder truck and associated equipment - \$1,170,000.
- *Fire* – Addition of 2 Safety/Training Officer positions in the Training Division (beginning October 2015) - \$139,080.
- *Fire* – Increased maintenance needs at Fire Stations - \$207,000.
- *Transportation* – Addition of 1 Senior Equipment Operator position (beginning January 2016) for median and shoulder mowing - \$23,404; purchase of double flail tractor mower - \$95,000.
- *Transportation* – Continuation of \$725,000 in resurfacing funds under the Streets budget.
- *Transportation* – Additional \$30,000 for contracted sidewalk repair.
- *Transportation* – Use of Capital Reserve funds to build a salt storage shed for winter weather supply storage - \$297,000.
- *Solid Waste and Recycling* – Scheduled replacement of 2 large yard waste trucks; 1 Knuckleboom at \$135,000 and 1 Rear Loader at \$150,000.
- *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 and West Concord Cemeteries - \$27,250.
- *Planning and Neighborhood Development* – Funding for an updated City Land Use Plan - \$100,000.
- *Planning and Neighborhood Development* – Replace lights on Union Street with LEDs - \$52,000.
- *Parks and Recreation* – Update Parks Master Plan - \$75,000.
- *Parks and Recreation* – Replace basketball goals at all 3 recreation centers - \$50,000.
- *Parks and Recreation* – Upgrade Control Link system to automatically control lighting at 5 ball fields - \$70,000.
- *Parks and Recreation* – Use of Capital Reserve funds to prepare construction documents and design for the Hartsell Recreation Center renovations (\$84,000) and Hector H Henry II Greenway Airport Phase (\$25,000).

- *Parks and Recreation* – Addition of 1 Assistant Recreation Center Supervisor (beginning January 2016) - \$49,544; addition of 10 part-time seasonal instructors and bus drivers for Parks and Rec programming (previously were contracted) - \$14,337; addition of a part-time Boat Attendant slot at Lake Fisher (no cost or increase to FTE count); and addition of weekend hours at Lake Fisher boat house - \$2,730.

MUNICIPAL SERVICE DISTRICT FUND:

- A total of \$89,240 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 replacement of culverts at Chadbourne, Chelwood, Treasure, Reubens, Wyoming, Princess/Crowell, and Shamrock - combined budget of \$1,342,000.

ELECTRIC FUND:

- Continue upgrade of aging vaults/equipment in Downtown underground system - \$100,000.
- Relocation or addition of infrastructure for various DOT projects - \$645,000.
- Smart grid meter project to convert all meters across the City to newer technology, improving operational efficiency reliability/service to customers - \$7,000,000.
- Video camera equipment/storage for 3 substations - \$55,000.
- Cost for purchase of wholesale electricity projected to increase 1.2% due to success of peak shaving and the Peak Partners program.

WATER FUND:

- Completion of Disinfection Byproduct Reduction project - \$550,000.
- Construction of waterline related to US 29 Bridge Replacement - \$300,000.
- Smart meter project (Phase 1 of 4) - \$1,000,000.
- 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:

- Elimination of pump stations at both Province Green and Laurel Park - \$1,490,000.
- Continue to invest in pipe lining for wastewater lines - \$686,700.
- Reflects 5% increase in utilities paid to WSACC for the treatment of sewer - \$303,164.

PUBLIC TRANSIT FUND:

- Continued savings in fuel expenses through use of hybrid buses.
- Addition of an ADA Coordinator to certify passengers' eligibility and coordinate ADA service.
- Conduct a study looking at better coordination between Rider Transit and CCTS.

GOLF COURSE FUND:

- Budget reflects increased revenue/rounds associated with recent course and clubhouse improvements.

AVIATION FUND:

- Materials and equipment for improved de-icing capabilities in winter weather - \$125,000.
- Continues commercial service with potential for added flights.

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:

- *Purchasing* – Updated space needs study for warehouse and yard space - \$19,500.
- *Data Services* – Continue upgrade of City’s network infrastructure and capacity - \$62,000.
- *Data Services* –Seamless document solution to allow data captured on internet forms to be automatically transferred into utility systems - \$10,000.

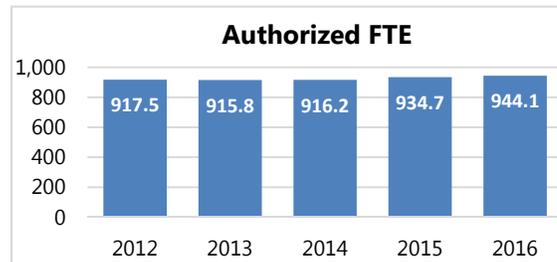
The budget is presented in a format that groups expenditures into major areas: personnel services, operations, capital outlay, debt service, and non-departmental allocations. This format is consistent with Council’s goal of developing a results-oriented budget with performance measures rather than just numbers not tied to specific goals and projects. 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 2015-16, personnel expenditures account for \$62,706,466 or 29% of the total budget.



An outside consultant completed a comprehensive position classification and pay study that was implemented in January of 2015.

This year we are proposing modest merit increases due to the uncertainty in our revenues. An overall average increase of 2.5% is recommended with merit increases to range from 2% to 3%, depending upon performance.

A total of 9.4 FTE in additional staffing is recommended for FY 2015-16. Seven new full-time positions and 1 part-time position are recommended for funding in this budget, while 1 current “frozen” position is recommended to be funded and filled. The recommended positions are as follows:

General Fund (5 full-time positions recommended)

- Police:
 - 1 – Police Officer/City Hall (hire date of January 2016)
- Fire:
 - 2 – Safety/Training Officer positions (hire date of October 2015)

- Transportation/Streets:
1 – Senior Equipment Operator (hire date of January 2016)
- Parks and Recreation:
1 – Assistant Recreation Supervisor (hire date of January 2016)

Electric Fund (2 full-time positions recommended)

- Electric Engineering
1 – GIS Analyst (previously contracted)
1 – Project Engineer (request to be unfrozen and funded)

Transit Fund (1 full-time position)

- Transit
1 – ADA Specialist

Public Housing Fund/Section 8 Vouchers Program Fund (1 part-time position)

- Public Housing Operations and Section 8 Vouchers Program
1 – Part-time Accounts Payable Tech (split between 2 units)

A total of 944.1 full-time equivalent positions are recommended for funding, excluding the frozen positions listed below. At the present time, 11 full-time and 1 part-time positions are frozen. The frozen positions are as follows:

General Fund (5 positions):

Solid Waste and Recycling:

- 1 – Solid Waste Crew Supervisor
- 2 – Equipment Operators

Parks and Recreation:

- 1 – Parks & Recreation Specialist

Fleet Services:

- 1 – Fleet Mechanic

Electric Fund (1 position):

- 1 – Electric Tree Trimmer I

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

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

Building and Grounds:

- 1 – PT Custodian (20 hours/week)

Engineering:

- 1 – Engineering Manager

Our health care premiums and benefits were adjusted on slightly this year. The City's HRA health care plan continues to be used by most coworkers. Employees have the option of selecting this plan at a lower cost with the City paying most of the full cost for the individual. The alternate PPO based plan, which is similar to the plans used by most employers in the region, provides a "richer" level of benefits at a higher

cost for coverage and the coworker must pay most of the additional cost over that of the HRA for employee only and family plans. Both plans are self-funded and administered by Blue Cross/Blue Shield.

Wellness efforts have been a priority, both for the benefit of our coworkers and to reduce costs. The City of Concord Wellness Center offers free health care services to all full-time City of Concord employees, along with retirees, spouses, and dependents who are enrolled in the City's self-funded insurance plan. The Wellness Center provides a basic level of routine medical care and health screenings. It is not intended to replace an individual's primary care physician, but rather to provide a convenient, no-cost access point for basic medical care. The Center is staffed by a licensed nurse practitioner and a medical office assistant with direct oversight by a licensed physician. A Wellness committee, comprised of coworkers, meets monthly to help create and promote wellness activities city-wide.

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 in prior years, 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 dropping slightly at 6.77% of payroll. Contributions for law enforcement officers remain at 7.00%. 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 staying 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 107 to 116 and will continue to grow in the next few years. Coupled with potential premium increases to our plan, this is an area of concern for future budgets.

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

KEY RECOMMENDATIONS, ACCOMPLISHMENTS AND CHALLENGES FOR THE FUTURE

The NORTH CAROLINA GENERAL ASSEMBLY AND REVENUES

Until 2014, the General Assembly has thus far kept to the promise not to impact local revenues. That changed dramatically last year.

First the Privilege License Tax was eliminated. That change resulted in the loss of over \$1,000,000 to the City of Concord, equivalent to over a penny on the property tax rate. Some legislative leaders indicated they would pass additional legislation to cover this loss by further broadening the sales tax base. As explained to Council, the loss of these revenues alone could result in the need to increase the property tax rate, implement a solid waste fee and/or cut services. This budget anticipates the broadening of the sales tax base will cover this.

In addition, there were two bills introduced in 2015 that changes the distribution of sales tax to 100% based on population without recognition to where the taxes are generated. They also change the local sales tax from local revenues to State revenues, making it easier for the General Assembly to keep these revenues for their own purposes in the future. All local sales taxes in North Carolina are collected by the State. 4.75% is kept for use for State programs and services. The rest is returned to North Carolina counties and its municipalities based on complicated formulas. .5% is distributed on a per capita basis, in other words, according to the population of local governments across the State. This means regardless of where the sales tax is paid, all North Carolina jurisdictions benefit from it. So part of the sales tax you are paying in Concord already goes to other local governments, even outside Cabarrus County.

Another 1.5% is returned to counties on a point of sale basis. This means if this portion of the tax is paid in Concord, it will come back to Cabarrus County and will not be distributed among all 50 counties. It is then distributed among Cabarrus local governments using the ad valorem basis. This is the distribution method Cabarrus County has chosen instead of the per capita basis. Using this method, the dollar amounts of *ad valorem* (property) taxes levied by the county and each municipality in the county in the preceding fiscal year are added. The proportion that each unit's levy bears to the total levy of all units in the county determines the amount of local sales and use tax revenue that each local government receives. Thus, when one Cabarrus local government increases its tax rate and/or grows significantly more than another, it will impact the distribution of these sales taxes. Currently, Concord receives 21.64% of the local sales tax returned. Concord's portion has been on a downward trend over the last ten years, primarily due to changing tax rates among local governments.

The final .25% of the total 2.25% for local use is returned to Cabarrus County for school needs.

If the General Assembly changes the formulas to further redistribute the sales tax dollars paid in Concord so that others benefit, estimates show the City could eventually lose over \$2.3 million annually in existing revenue. Keep in mind this is in addition to the \$1 million plus Concord is losing because the General Assembly will no longer allow local governments to charge business privilege licenses taxes. The sales tax redistribution proposals provide a windfall to select local governments by taking revenues from the local governments whose communities and budgets bear the physical and fiscal brunt of the costs of development. In effect, the proposed legislation aims to socialize sales tax revenues and redistribute them under the guise of "fairness."

This budget recommendation does not anticipate these bills passing (the worst case), but does not take a best case approach either. Growth in sales tax is projected to be flat in relation to FY 2014-15

projections, just to try a middle of the road approach. If one of the sales tax bills do pass, that will just add to the dilemma for FY 2015-16 and beyond.

THE ECONOMY AND THE CHALLENGES OF GROWTH

Ironically, all these revenue issues have surfaced while Concord's economy is improving. Growth is strong in the residential and commercial sectors. Industrial growth is experiencing a comeback, particularly in the area of distribution. All these factors combined mean we need the growth in sales tax and other revenues to offset the increase in demand for infrastructure and services generated by this growth.

Speculative buildings constructed or under construction that has been spurred by the City providing investment grants. Also, Alevo has purchased the former Philip Morris property and will have a production line of batteries to be used for their grid bank product in operation later in 2015. 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. 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. Obviously investment requires revenue.

Retail development has also made a comeback. New shopping opportunities have been added to the City, both in new growth areas and in Downtown. Downtown continues to move forward with several new restaurants coming into existing storefronts. The completion of the Heilig-Meyers renovation into market rate apartments this summer should establish the viability of residential development in downtown, helping to support the further diversification of retail businesses.

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. While homebuilding is not back to pre-recession levels, which is not bad, it is rapidly growing. At the same time building of multi-family apartments units has exploded. Again, all this development requires the infrastructure and services to support the growth. This requires new revenue associated with growth.

GROWTH MANAGEMENT

While local government revenues are under assault, there are some in the General Assembly 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. This is troublesome as power is being concentrated in Raleigh rather than in the hands of the people who vote for local government officials that serve the areas where they live. 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.

With growth picking up, so do the concerns of adjacent land owners over density, traffic, noise, etc. The FY 2016 recommendation includes money for a consultant to help update the land use plan. There has been no update since before the recession so this study will be timely.

FY 2015-16 will also see the completion of the update to the Downtown Master Plan. With the addition of the new apartments in the Heilig-Meyers Building, the completion of City Hall and recent changes to the UDO to allow microbreweries, it is time to relook at downtown and the new opportunities that exist.

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 will take place this summer will go a long way in this effort.

NEW CITY HALL AND THE BUILDINGS IT REPLACES

The construction of a New City Hall located at the intersection of Cabarrus Avenue and Market Street, adjacent to the Police Headquarters, is well underway. The building should be complete by the end of December 2015.

Council has decided the fate of the buildings that will be vacated. 30 Market is slated to be demolished to make more room for a public. Before that can happen, 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. The funds for construction of this Traffic Management Center are included in the FY 2015-16 recommendation, assuming we do not see a worst case revenue scenario coming from the General Assembly.

The two City buildings on Union Street will be studied, possibly with the assistance of the School of Government's Development Finance Initiative. This study will focus on the best use of these buildings downtown and could help with locating a buyer and financial assistance to support the sell. The buildings should be vacated early in 2016.

NEW WATER SOURCE AND EXISTING WASTEWATER NEEDS

Concord, Kannapolis and Albemarle have funded a line to bring treated Yadkin River water from the Albemarle system. Construction is nearing completion the project should be finished by late summer. The upfront capacity purchases that includes a "take or pay" amount in the Albemarle agreement, is one of the reasons a small water rate adjustment was recommended to be phased in over FY 2014-15 and FY 2015-16. The budget contains the second of these anticipated increases.

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 (WSACC) has completed the new master plan for the entire County. This data is now being used to develop strategic plans for water and wastewater.

Water will begin a phased implementation of smart meters. This project will not be as aggressive as in Electric initially as the need to replace meters is not as urgent and Electric has led the way in testing the technology during the pilot project.

WSACC has implemented a rate increase for the wholesale treatment of wastewater. The recommendation to increase Concord's wastewater rates covers this increased cost. This budget 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 current contract to purchase power from Duke Energy is based on Duke Energy's system average cost. Costs are tied to Duke's expenditures and go up (or down) depending upon market conditions and infrastructure investment.

Electric has updated the RW Beck study across rate classifications and those changes have been included in the rate schedule. If necessary, a slight increase in the Purchased Power Adjustment may be made this fall.

On October 28, 2014, the North Carolina Utilities Commission granted a certificate of public convenience and necessity for the construction of the Kings Mountain Energy Center, an approximately 475 MW natural gas-fired combined cycle generating facility. Construction of the facility is anticipated to begin in the summer of 2015, and commercial operation is scheduled to begin in the first-quarter 2018. Concord has entered into a contract with NTE, the builder and operator of the plant. Under the terms of the agreement, the City of Concord will be provided with electric generation services by NTE using a portion of the capacity and energy generated by the facility for an initial term of 20 years. This will allow Concord to utilize this source when the Duke contract ends in 2019.

AIR AND SURFACE TRANSPORTATION

Air transportation

Concord Regional Airport (CRA) continues to be a vital resource in supporting the business and general aviation communities. Allegiant Air began operations in December of 2013 and has been providing twice weekly service on Monday and Friday to the Orlando-Sanford International Airport serving the Orlando / Daytona Central Florida market. In addition, on November 13th, 2014, Allegiant added a second destination with twice a week service to the St. Pete-Clearwater International Airport (PIE). Allegiant added a third non-stop destination with twice a week service to the Ft. Lauderdale Hollywood International Airport (FLL) in May, 2015.

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. However, with such growth come other needs. A new terminal for commercial passengers and related parking must be developed on the south end of the Airport. The new terminal would be funded through a FAA grant matched by the City of Concord. The parking will likely be financed if a deck is needed. Passenger fees and parking fees will need to generate the revenue to cover the debt.

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 completed and the rehabilitation of the concrete portion of the street will be complete this summer. After these projects are completed, the NE Subset sidewalk extension will be constructed in the same area. In addition, the design work for improvements to Brookwood Avenue continues along with the matching dollars for the traffic management grant and the funding set aside for the Virginia Street improvements. Of course, it also includes dollars that have been set aside previously for participation with NCDOT on other projects.

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. Funds are included in this budget, partially out of the Transportation Fund, to construct a new facility and supporting infrastructure on land at the Brown Operations Center.

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. Concord participated 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). The City of Concord and the City of Kannapolis are cooperating to include aesthetic improvements to the end of the bridges at these interchanges.

Exit 49- Three projects 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. All of these projects now have been included for NCDOT funding in future fiscal years. The City of Concord has pledged to provide 20% of the cost of these projects.

Derita Road – Traffic congestion is choking this important corridor that serves the Airport, the growing industrial area, and Concord Mills. Concord was required to pick up the total cost to match the Federal funds for Phase 1 construction of this NCDOT Road going from Poplar Tent Road to the Rocky River Bridge. The match is estimated to be \$3,036,763. However, as noted above NCDOT has now allocated funds to complete the rest of the project all the way to Concord Mills Boulevard. Design and permitting is completed and right-of-way acquisition for the Phase I portion has been underway. Construction has been delayed to allow the full project to be bid at the same time.

George Liles Parkway Extension – Project continues with Blythe acting as contractor. There are incentives for contractor to finish portion between Weddington and Concord Parkway (US 29) first and this portion should be complete this summer. 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. It has been delayed repeatedly waiting for NCDOT approvals but should start in 2015.

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. This project is underway.

Cabarrus Avenue Bridge over Norfolk Southern Railroad – The replacement of this bridge is nearing completion. Concord is participating to add Texas Classic Railing, decorative lighting and sidewalks on Cabarrus Avenue, and a mast arm traffic signal at Powder Street.

Public Transit

The Rider Transit Commission, made up of representatives from both cities, and the Concord City Council adopted a new Transit Development Plan in 2014 after months of analysis and public input.

However, the biggest obstacle for the future is likely to be changes and/or decreases in Federal revenue. The Cabarrus County Transportation System and the Salisbury fixed-route bus system are now lumped in with the Rider System to compete for Federal Transit Administration funding. This could result with the revenue "pie" being near the same with more systems getting funding from the same source. These changes could eventually have a dramatic impact on the ability to maintain the current level of service. Funding is included for Concord's portion of a study with Cabarrus County to analyze better coordination between these systems, or even consolidation.

PUBLIC SAFETY

The Cabarrus County Schools 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 in anticipation this will continue in FY 2015-16. 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 were approved to cover the FY 13-14 and FY 14-15 school sessions. We are told these funds will be recurring as the legislators have stated in Senate Bill 589 but that is yet to be seen. 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 offers more police officer coverage on the streets when schools are not in session. The City of Concord has been responsible for providing the equipment for the School Resource Officers, including vehicles, so this program has 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 continue to be used to cover these positions. The recommendation stands 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.

The City will also be assigning body cameras to all officers during the summer of 2015. This project and the first year of storage will be funded through drug seizure money that has been held in reserve. In future years, the cost of storage and camera replacement will be a regular component of the Police Department budget.

Fire Station 11 is under construction 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 located at the trail head for the Hector H. Henry, II Greenway segment in that area, and next to the Weddington Road Bark Park. The Fire Station should be complete in late summer of 2015.

RECREATION AND OPEN SPACE

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. The newly named Weddington Road Bark Park (for dogs) is under construction, along with the greenway connector that runs from this park, along Weddington Road to eventually connect to the sidewalk system near the Concord Convention Center. These projects should be completed in late summer of 2015.

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. 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. A small project to expand the clubhouse will begin later in 2015 so gatherings of larger groups can be accommodated, resulting in increased revenue. Although funds were not included as a part of this recommendation, the bunkers on the course need to be rehabilitated. Plans were to have a two phase project starting in FY 2015-16 but revenue limitations would not allow for this.

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. For example, customers now have technology in the hands as they can report service needs using a City app and their smart devices.

The implementation of the Accela software continues in partnership with Cabarrus County. When completed this summer 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).

Finally, the City has worked hard over the years to develop a fiber optic system to link City facilities. This is a valuable asset. This year we will be working with Tech Edge to develop personnel to oversee this system to make sure we are maximizing its use for the betterment of all departments.

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 144,338 calls in 2014 for an average of 12,028 per month. Coworkers have expanded their ability to handle full transactions so fewer calls are being transferred to others for disposition.

EMPLOYEE COMPENSATION AND BENEFITS

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.

The City completed a comprehensive classification and pay study that was implemented at the beginning of 2015. This plan should help in attracting and retaining good employees. We are seeing competition for some of our best in technical and professional jobs. At the same time, wages for many other jobs remain stagnant in the market place. That is sure to change with the economy heating up and organizations competing for labor.

The cost of retiree health insurance overall and the supplemental retirement benefits in the Police Department continue to rise as baby boomers retire. Police and Fire employees will generally draw the retiree health insurance longer as they tend to retire at younger ages.

EXTERNAL AGENCY FUNDING

For FY 2015-16, external agencies requested \$194,000 from the City of Concord. This compares to the \$122,500 appropriated for such purposes in FY 2014-15. 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 funding requests from many of the agencies that received City support last year. \$67,500 is recommended from the General Fund, a 9.4% decrease from FY 2014-15. \$51,000 is recommended from Community Development Block Grant monies, which represents a 24% increase over FY 2014-15. Some agencies with missions more social services in nature are recommended to receive funding from the Community Development Block Fund this year rather than the General Fund, resulting in the shift in percentages. \$14,000 is recommended from the utilities funds. The individual agency funding recommendations are included within the budget of their associated functional areas as directed by Council.

CONCLUSION

The FY 2015-16 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 prominent initial "W" and a distinct "H".

W. Brian Hiatt
City Manager

BUDGET PROCESS

The budget is the single most important document presented to the Mayor and City Council. The budget document outlines policy direction, but it also serves the citizens by providing an understanding of the City's operating fiscal programs. It reflects the City's commitment to maintaining necessary services, improving the quality of service, and keeping the impact of taxes to citizens at a minimum.

The City operates under an annual budget ordinance adopted by the City Council in accordance with the provisions of N.C.G.S. 159 – known as the Local Government Budget and Fiscal Control Act. The City Manager is required to submit a balanced budget by June 1 and the Council must adopt the budget by July 1. The fiscal year encompasses the period between July 1 and June 30.

Procedures

The City's budget process begins in November, at which time CIP instructions are explained and distributed to departments. All departments receive their operating budget forms and instructions in early January.

Department Directors are responsible for estimating departmental expenditures. The Finance Director in conjunction with appropriate Department Directors determines revenues. When budgeting expenditures, the basic requirements are to request sufficient funding to adequately operate the department and to request funding at the lowest reasonable level in order to achieve departmental goals and objectives. The departmental requests are submitted to the Finance Department, then organized and analyzed.

The budget reflects the service priorities of the Governing Body and Citizens of Concord. The service needs of the community are determined by public hearings and feedback through the Mayor and City Council. The City Manager and Budget

Staff then conduct a comprehensive review of service needs in light of departmental budget requests. After final service priorities are established and decided upon, a balanced funding plan is formulated. Through careful assessment of funding requirements and financing methods, a proposed budget document is organized into final format and submitted to the Mayor and City Council for their consideration and adoption.

The Mayor and City Council review the recommended budget packet, including departmental performance objectives, thoroughly with the City Manager and Budget Staff during special work sessions. A copy of the proposed budget packet with recommended changes is also filed with the City Clerk for public inspection. A public hearing is scheduled prior to the formal adoption of the budget. Adoption of the budget by the City Council establishes the legal authority to incur expenditures in the ensuing fiscal year. All annual appropriations lapse at fiscal year end.

Budget Transfers & Amendments

Even though the budget begins July 1, changes to revenues and expenditures can occur throughout the fiscal year. Under a budget transfer, monies are transferred, within the departmental budget, from one line-item revenue or expenditure to another line-item. This process requires the approval of the City Manager (or his/her designee if sum is under \$10,000), and the City Manager may authorize any amount of money to be shifted within a cost center. The City Manager is also authorized to effect interdepartmental transfers within the same fund, not to exceed 10 percent of the appropriated monies for the department whose allocation is reduced. A budget amendment usually involves larger sums of money and results in a significant change to the department's overall revenue and/or expenditure level. Budget amendments require City Council approval. Budget transfers and amendments must adhere to balanced budget requirements and

impose no additional tax levy liability on citizens.

Encumbrances

All monies at fiscal year end lapse and spending authority ceases, unless specific services or goods are encumbered. Encumbrances are a financial commitment or earmark for services, contracts, or goods that have not been delivered by June 30 – the end of the fiscal year. Encumbered monies are carried over into the new fiscal year’s budget. Outstanding encumbrances at fiscal year end do not constitute expenditures or liabilities.

Basis of Budgeting and Accounting

In accordance with the North Carolina Budget and Fiscal Control Act, the budget is developed and

adopted under the modified accrual basis of accounting. Under this format, revenues are recognized when measurable and available and obligations of the City are budgeted as expenditures. During the fiscal year, budgets are monitored and accounted for using the modified accrual basis. At fiscal year end, the City’s Comprehensive Annual Financial Report (CAFR) is prepared using Generally Accepted Accounting Principles, or GAAP. All governmental funds are reported using the modified accrual basis of accounting. Although the CAFR reports all proprietary funds using the full accrual basis of accounting, whereby revenues are recognized when earned and expenses recognized in the period incurred, for simplicity, the budget document reports all proprietary funds’ prior year actuals using the modified accrual method.

FY 2015-2016 OPERATING/CIP BUDGET & PERFORMANCE PLAN DEVELOPMENT CALENDAR

TASK	START DATE	DUE DATE(S)	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE
CIP Informational Meetings, CIPs due	11/3/14	4/23/15												
Mgt. & Budget Team discuss process and calendar	11/2014	11/2014												
CIP & Budget software training	11/10/13	1/28/15												
Revenues estimated	12/1/2014	4/30/2015												
Budget Kickoff: Packets distributed to Dept Directors	12/9/14	12/9/14												
Council goals and objectives established at Mayor & City Council Planning Session	2/3/2015	2/4/2015												
External agency budget requests accepted and hearing before Mayor & City Council	1/31/15	2/28/15; 4/7/15												
Budget Requests, Budget Document Pages, 5-Year Capital/Personnel Estimates due for Internal Service Depts. 1/23/15, for Operating Depts. 2/6/15	1/23/15	2/6/15												
Departmental budget reviews	2/11/15	3/10/15												
Fees & Charges Schedule emailed to Dept Directors; Updates due	3/13/15	4/10/15												
City Manager’s recommended budget compiled and presented to Mayor & City Council	04/01/15	05/26/15												
Budget available for public viewing at City Clerk’s Office	05/26/15	06/15												
Mayor & City Council review budget and performance objectives, budget workshop held	05/26/15	06/15												
Public Hearing conducted; budget & Capital Improvement Plan adopted by City Council	06/15(hearing)	06/15												
Evaluation of budget process	6/15	8/15												

Legend:
■ City Mgt., Budget Staff, Dept Directors & Staff
■ Budget Staff, Department Directors
■ Mayor, City Council, City Mgt., Dept. Directors, Budget Staff
■ External Agencies, Budget Staff, City Manager, Mayor & City Council
■ City Mgt. & Budget Staff
■ Finance & Budget Staff
■ Internal Service Depts.
■ Budget Staff, Dept Dir. & S
■ Mayor & City Council

FUND AND BUDGET UNIT STRUCTURE (FY 2015-2016)

Below outlines the organizational structure the city uses to account for (including accounting numbers) revenues and expenditures of city operations. Revenues are accounted at the fund level. Expenditures are accounted at the budget unit level (e.g. Governing Body, Tree Trimming, Purchasing, Police, etc.).

GENERAL FUND

FUND 100 – GENERAL FUND

General Government

1. Governing Body – 4110
2. Public Services Admin. – 4115
3. City Manager’s Office – 4120
4. Risk Management – 4121
5. Human Resources – 4125
6. Wellness Center – 4126
7. Finance – 4130
8. Tax – 4140
9. Legal – 4150
10. Non-Departmental – 4190
11. Emergency Management -- 4343

Public Safety

12. Police – 4310
13. Code Enforcement – 4312
14. Emergency Communications – 4315
15. Radio Shop – 4330
16. Fire Operations – 4340
17. Fire Prevention – 4341
18. Fire Training – 4342

Public Works

19. Streets & Traffic – 4510
20. Powell Bill – 4511
21. Traffic Signals – 4513
22. Traffic Services – 4514
23. Solid Waste & Recycling – 4520
24. Cemeteries – 4540
25. Fleet Services -- 4550

Economic Development

26. Planning & Neighborhood Development – 4910
27. Transportation Planning – 4915
28. Economic Development – 4920

Cultural and Recreational

29. Parks and Recreation – 6120
30. Aquatics – 6121

SPECIAL REVENUE FUNDS

FUND 201 – MUNICIPAL SERVICE DISTRICT FUND

1. Municipal Service District – 5000

FUND 210 – SECTION 8 VOUCHER PROGRAM FUND

1. Housing Vouchers Program – 1500

FUND 256 – HOME CONSORTIUM FUND

1. Administration – 2560
2. Projects 2015 – 2565

FUND 292 – ADDL. \$5 VEHICLE TAX (TRANSIT) FUND

1. Addl. \$5 Vehicle Tax – 8200

FUND 306 – COMMUNITY DEVELOPMENT

BLOCK GRANT (CDBG) FUND

1. Administration – 3060
2. Projects 2014 – 3065

ENTERPRISE FUNDS

FUND 600 – STORMWATER FUND

1. Stormwater Operations – 7100

FUND 610 – ELECTRIC SYSTEMS FUND

1. Electric Administration – 7200
2. Purchased Power – 7210
3. Powerlines Maintenance – 7220
4. Tree Trimming – 7230
5. Electric Construction – 7240
6. Peak Shaving – 7241
7. Electric Engineering Services – 7250
8. Utility Locate Services – 7260

FUND 620 – WATER RESOURCES FUND

1. Hillgrove Treatment Plt. – 7330
2. Coddle Creek Treatment Plt. – 7331
3. Waterlines Oper. & Maint. – 7340

FUND 630 – PUBLIC TRANSIT FUND

1. Rider Transit System – 7612

FUND 640 – WASTEWATER RESOURCES FUND

1. Wastewaterlines Operations & Maintenance – 7420

FUND 650 – GOLF COURSE FUND

1. Rocky River Golf Club – 7501

FUND 680 – AVIATION FUND

1. Aviation Operations – 4530

FUND 690 – PUBLIC HOUSING FUND

1. Public Housing Operations – 1000

INTERNAL SERVICES FUND

FUND 800 – INTERNAL SERVICES FUND

1. Utilities Collections – 4200
2. Data Services – 4210
3. Billing – 4215
4. Customer Care – 4220
5. Engineering - 4230
6. Purchasing – 4250
7. Buildings & Grounds – 4270

PROJECT FUNDS

FUND 285 – GENERAL CAPITAL RESERVE PROJECTS

1. Capital Reserve Expenditures – 8150

FUND 420 – PARKS & RECREATION CAPITAL PROJECTS

2. P&R Capital Projects – 8300
3. Hector H Henry II Greenway – 8311
4. McEachern Greenway – 8312
5. Parks – 8313

FUND 421 – WASTEWATER CAPITAL PROJECTS

1. Wastewater Projects – 8402
2. Quail Haven – 8403
3. Irish Buffalo/Zion Church Outfall – 8404

FUND 423 – TRANSPORTATION CAPITAL PROJECTS

1. Streets Projects – 8600

FUND 426 – FIRE & LIFE SAFETY PROJECTS

1. Fire & Life Safety Projects – 8670

FUND 429 – WATER CAPITAL PROJECTS

1. Water Projects – 8700

FUND 430 – GENERAL CAPITAL PROJECTS

1. BOC Projects - 8800
2. Business & Neighborhood Services Projects - 8801
3. Solid Waste Projects - 8802
4. Data Service Projects - 8803
5. General Fund Projects - 8804

FUND 451 –AIRPORT PROJECTS

1. Airport Projects – 6300

FUND 473 – ELECTRIC PROJECTS

1. Electric Projects – 6949

FUND 474 – STORMWATER PROJECTS

1. Stormwater Master Plan – 7101
2. Stream Restoration Project – 7102
3. Stormwater Projects – 7103

FUND 475 – ROCKY RIVER GOLF COURSE PROJECTS

1. Golf Course – 7550

FIRST CONCORD/DEBT SERVICE FUNDS

FUND 550 – 2010 LIMITED OBLIGATION

1. 2010 LOBS – 7020

FUND 552 – 2014 LOBS

1. 2014 LOBS First Concord – 6990

FUND 553– 2005 CERTIFICATES OF PARTICIPATION

1. Police Headqtrrs & Commun – 7000

FUND 569 – 160A-19 FINANCING AGREEMENT

1. Golf Course – 4600
2. Aviation – 4650

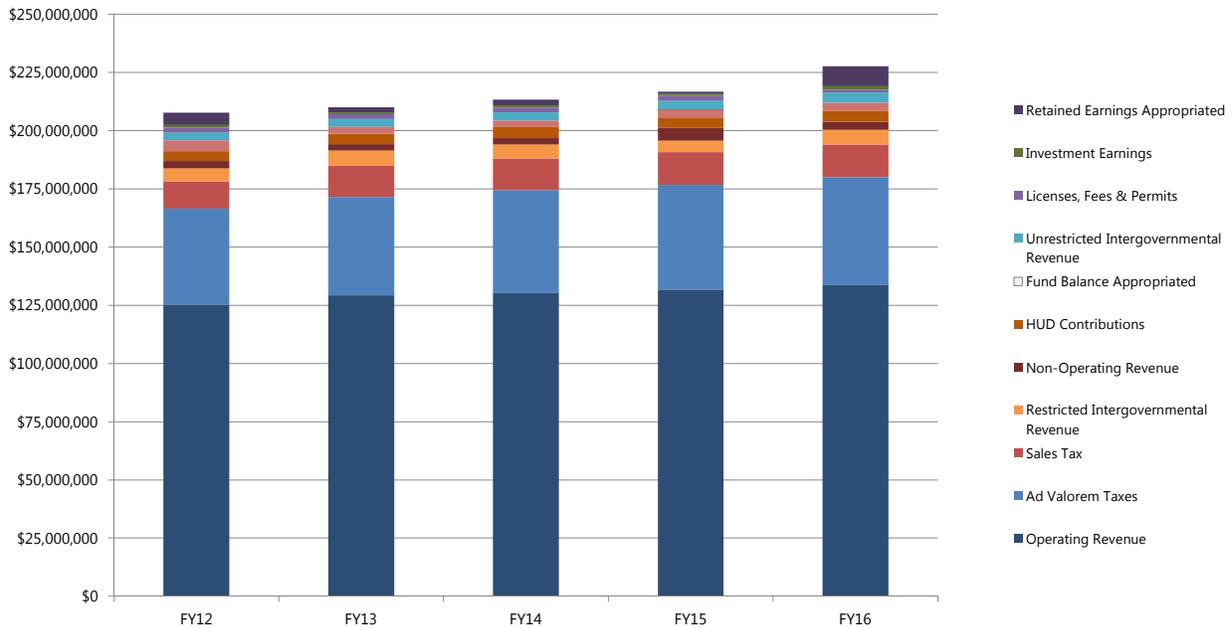
FY 2015-2016 Budget

Revenues:	General Fund	Special Revenue Funds					Stormwater
	General Fund	Municipal Service District	Section 8 Voucher Program	HOME Consortium	CDBG	\$5 Vehicle Tax	
Ad Valorem Taxes	\$ 46,291,850	\$ 89,240	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	\$ 14,084,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Fees & Permits	\$ 864,800	\$ -	\$ -	\$ -	\$ -	\$ 310,000	\$ -
Unrestricted Intergovernmental Revenue	\$ 4,327,433	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Intergovernmental Revenue	\$ 3,031,820	\$ -	\$ -	\$ 173,225	\$ 476,545	\$ -	\$ -
Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,811,061
Other/Non-Operating Revenue	\$ 2,364,437	\$ -	\$ 1,061,000	\$ 48,331	\$ 16,000	\$ -	\$ 1,000
Investment Earnings	\$ 631,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Retained Earnings Appropriated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance Appropriated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HUD Contributions	\$ -	\$ -	\$ 3,768,256	\$ -	\$ -	\$ -	\$ -
Transfers	\$ 1,170,000	\$ -	\$ -	\$ 55,743	\$ -	\$ -	\$ -
TOTAL REVENUE	\$ 72,765,445	\$ 89,240	\$ 4,829,256	\$ 277,299	\$ 492,545	\$ 310,000	\$ 3,862,061
		\$ 5,998,340					

Expenditures:							
Personal Services*	\$ 39,948,800	\$ -	\$ 277,291	\$ 60,784	\$ 80,735	\$ -	\$ 1,439,238
Operations	\$ 23,116,582	\$ 89,240	\$ 4,551,965	\$ 216,515	\$ 411,810	\$ -	\$ 600,713
Capital Outlay	\$ 3,312,475	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 3,748,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cost Allocations	\$ (1,505,602)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 478,032
Transfers	\$ 4,144,781	\$ -	\$ -	\$ -	\$ -	\$ 310,000	\$ 1,344,078
TOTAL EXPENDITURES	\$ 72,765,445	\$ 89,240	\$ 4,829,256	\$ 277,299	\$ 492,545	\$ 310,000	\$ 3,862,061

*Note: Personal Service costs for the Internal Service Fund (\$6,506,391) are captured in the Cost Allocations line above

Budgeted Revenues FY12-FY16

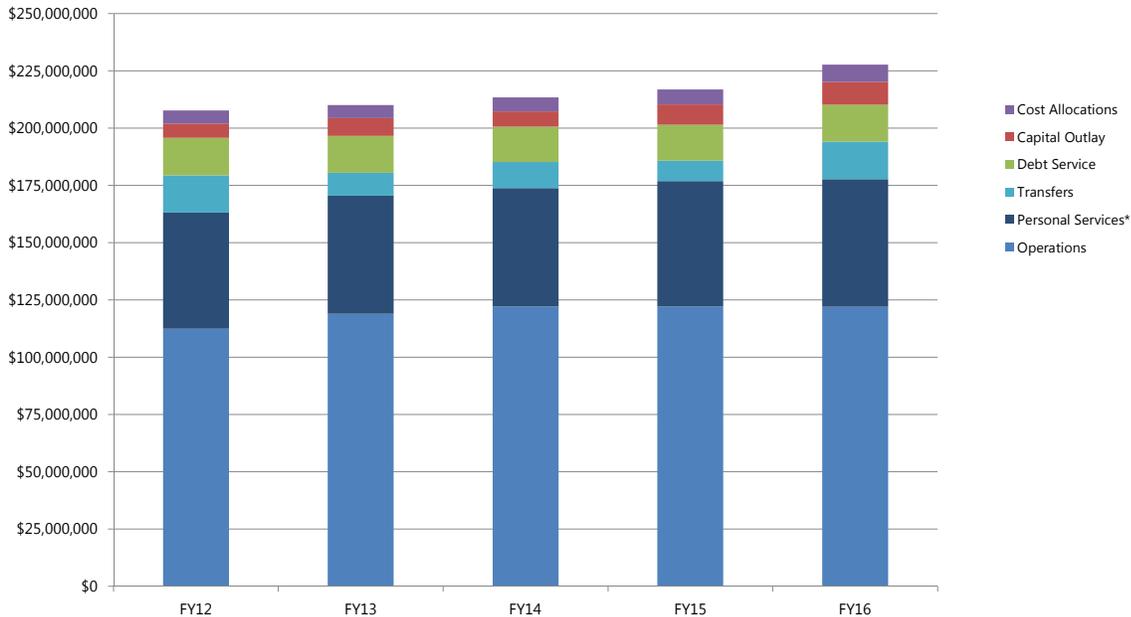


Summary By Fund

Enterprise Funds								
Revenues:	Electric	Water Resources	Transit	Wastewater Resources	Golf Course	Aviation	Public Housing	All Funds
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,381,090
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,084,105
Licenses, Fees & Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,174,800
Unrestricted								
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,327,433
Restricted Intergovernmental								
Revenue	\$ -	\$ -	\$ 2,536,749	\$ -	\$ -	\$ -	\$ -	\$ 6,218,339
Operating Revenue	\$ 81,722,445	\$ 21,305,040	\$ 275,000	\$ 16,111,000	\$ 1,655,639	\$ 8,411,689	\$ 330,000	\$ 133,621,874
Other/Non-Operating								
Revenue	\$ 30,000	\$ 34,000	\$ -	\$ -	\$ 18,848	\$ (189,000)	\$ 17,000	\$ 3,401,616
Investment Earnings	\$ 315,000	\$ 340,000	\$ -	\$ 200,000	\$ -	\$ 40,000	\$ -	\$ 1,576,000
Retained Earnings								
Appropriated	\$ 7,000,000	\$ 1,090,580	\$ -	\$ -	\$ -	\$ 467,635	\$ -	\$ 8,558,215
Fund Balance Appropriated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HUD Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 906,610	\$ 4,674,866
Transfers	\$ -	\$ -	\$ 704,068	\$ -	\$ 939,920	\$ 756,641	\$ -	\$ 3,626,372
TOTAL REVENUE	\$ 89,067,445	\$ 22,769,620	\$ 3,515,817	\$ 16,311,000	\$ 2,614,407	\$ 9,486,965	\$ 1,253,610	\$ 227,644,710

Expenditures:								
Personal Services*	\$ 5,448,811	\$ 4,108,358	\$ 282,702	\$ 1,834,544	\$ -	\$ 1,810,032	\$ 508,102	\$ 55,799,397
Operations	\$ 66,063,990	\$ 8,588,925	\$ 2,954,538	\$ 7,495,764	\$ 1,556,383	\$ 5,555,649	\$ 724,388	\$ 121,926,462
Capital Outlay	\$ 3,570,795	\$ 1,459,500	\$ 141,220	\$ 1,024,700	\$ -	\$ 615,388	\$ -	\$ 10,124,078
Debt Service	\$ 2,959,374	\$ 4,448,449	\$ -	\$ 2,796,226	\$ 939,920	\$ 1,154,238	\$ 1,451	\$ 16,048,067
Cost Allocations	\$ 3,453,816	\$ 2,576,141	\$ 137,357	\$ 1,917,253	\$ -	\$ 347,918	\$ -	\$ 7,404,915
Transfers	\$ 7,570,659	\$ 1,588,247	\$ -	\$ 1,242,513	\$ 118,104	\$ 3,740	\$ 19,669	\$ 16,341,791
TOTAL EXPENDITURES	\$ 89,067,445	\$ 22,769,620	\$ 3,515,817	\$ 16,311,000	\$ 2,614,407	\$ 9,486,965	\$ 1,253,610	\$ 227,644,710

Budgeted Expenses FY12-FY16



City Revenues

By Fund	2012-2013	2013-2014	2014-2015	2014-2015	2015-2016	2015-2016
	Actual Revenues	Actual Revenues	Council Approved*	Actual Revenues**	Manager Recommended	Council Approved
General Fund	\$ 69,939,222	\$ 73,998,621	\$ 74,873,546	\$ 66,421,215	\$ 72,765,445	\$ -
Municipal Service District	\$ 99,263	\$ 99,007	\$ 103,290	\$ 99,007	\$ 89,240	\$ -
Home Consortium Fund	\$ 98,870	\$ 132,582	\$ 306,702	\$ 69,671	\$ 277,299	\$ -
Community Development Block Grant (CDBG) Fund	\$ 297,596	\$ 288,600	\$ 496,426	\$ 101,708	\$ 492,545	\$ -
\$5 Vehicle Tax for Public Transit	\$ 320,103	\$ 512,378	\$ 310,000	\$ 291,309	\$ 310,000	\$ -
Section 8 Voucher Program	\$ 4,636,094	\$ 4,514,998	\$ 4,790,717	\$ 3,595,050	\$ 4,829,256	\$ -
Stormwater Fund	\$ 3,745,026	\$ 3,936,832	\$ 3,733,448	\$ 3,192,681	\$ 3,862,061	\$ -
Electric Fund	\$ 81,131,380	\$ 81,513,408	\$ 82,805,667	\$ 65,939,256	\$ 89,067,445	\$ -
Water Resources Fund	\$ 19,358,500	\$ 20,389,774	\$ 20,320,270	\$ 17,434,560	\$ 22,769,620	\$ -
Transit Fund	\$ 1,189,620	\$ 6,578,015	\$ 3,767,824	\$ 2,150,489	\$ 3,515,817	\$ -
Wastewater Resources Fund	\$ 15,212,155	\$ 15,537,033	\$ 15,902,824	\$ 13,110,285	\$ 16,311,000	\$ -
Golf Course Fund	\$ 2,352,763	\$ 2,539,685	\$ 2,695,592	\$ 1,119,715	\$ 2,614,407	\$ -
Aviation Fund	\$ 11,144,207	\$ 11,100,573	\$ 11,964,370	\$ 7,834,946	\$ 9,486,965	\$ -
Public Housing	\$ 1,110,677	\$ 1,032,799	\$ 1,211,929	\$ 987,824	\$ 1,253,610	\$ -
TOTAL CITY REVENUES	\$ 210,635,476	\$ 222,174,305	\$ 223,282,605	\$ 182,347,716	\$ 227,644,710	\$ -

% budget change

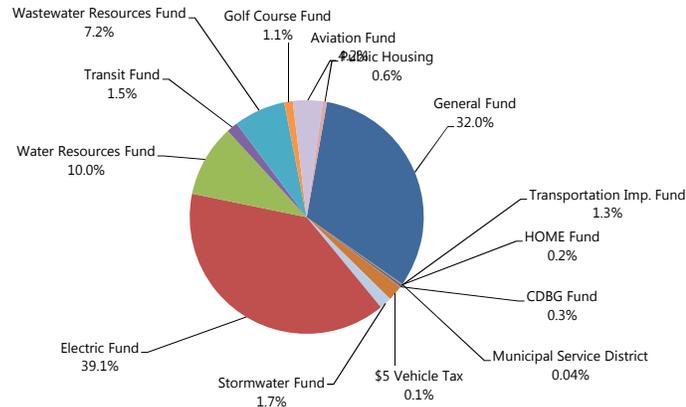
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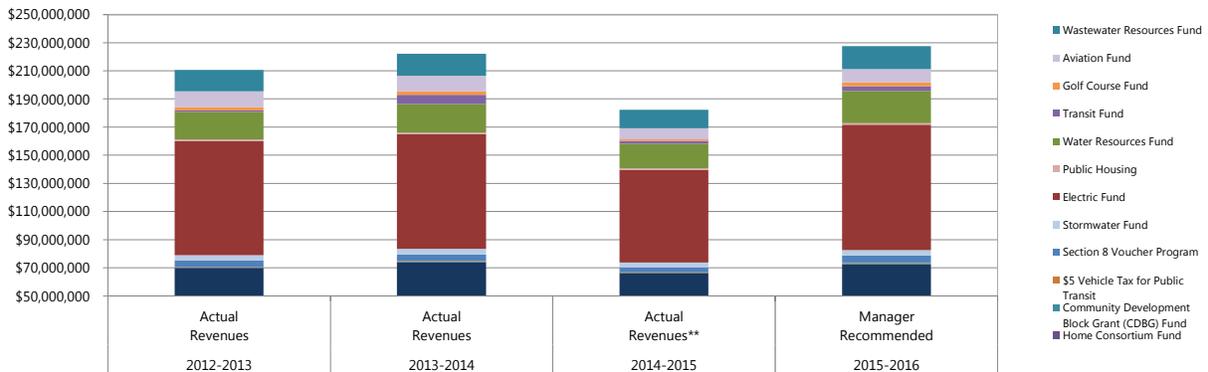
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* as amended **as of April 24, 2015

FY 2015-2016 City-wide Revenues (by Fund)



Total City Revenue Trend



City Expenditures

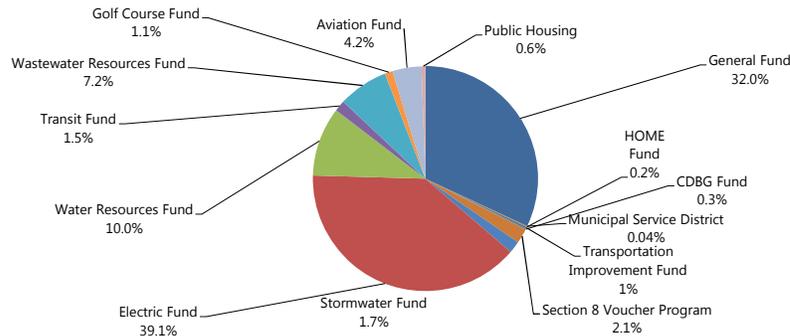
	2009-2010	2012-2013	2013-2014	2014-2015	2014-2015	2015-2016	2015-2016
	Actual Expenses	Actual Expenses	Actual Expenses	Council Approved	Actual Expenses**	Manager Recommended	Council Approved
By Fund							
General Fund	\$ 73,651,429	\$ 72,259,283	\$ 71,844,372	\$ 74,873,546	\$ 47,513,742	\$ 72,765,445	\$ -
Municipal Service District	\$ 76,889	\$ 99,263	\$ 99,007	\$ 103,290	\$ 99,915	\$ 89,240	\$ -
Home Consortium Fund	\$ 187,462	\$ 93	\$ 80	\$ 306,702	\$ 170	\$ 277,299	\$ -
Community Development Block Grant (CDBG) Fund	\$ 488,222	\$ 303,396	\$ 71,127	\$ 496,426	\$ 104,760	\$ 492,545	\$ -
\$5 Vehicle Tax for Public Transit	\$ 370,548	\$ 320,103	\$ 310,000	\$ 310,000	\$ 252,763	\$ 310,000	\$ -
Section 8 Voucher Program	\$ 3,455,917	\$ 4,588,823	\$ 4,596,324	\$ 4,790,717	\$ 3,738,386	\$ 4,829,256	\$ -
Stormwater Fund	\$ -	\$ 4,119,527	\$ 3,460,856	\$ 3,733,448	\$ 2,331,190	\$ 3,862,061	\$ -
Electric Fund	\$ 63,778,896	\$ 79,083,228	\$ 76,407,890	\$ 82,805,667	\$ 56,534,466	\$ 89,067,445	\$ -
Water Resources Fund	\$ 15,955,287	\$ 16,149,891	\$ 20,108,311	\$ 20,320,270	\$ 12,653,146	\$ 22,769,620	\$ -
Transit Fund	\$ 2,368,593	\$ 3,056,103	\$ 7,749,440	\$ 3,767,824	\$ 2,150,489	\$ 3,515,817	\$ -
Wastewater Resources Fund	\$ 13,507,142	\$ 13,966,088	\$ 13,660,161	\$ 15,902,824	\$ 11,085,907	\$ 16,311,000	\$ -
Golf Course Fund	\$ 2,382,090	\$ 2,372,081	\$ 2,539,685	\$ 2,695,592	\$ 888,676	\$ 2,614,407	\$ -
Aviation Fund	\$ 10,060,530	\$ 11,728,617	\$ 12,433,127	\$ 11,964,370	\$ 6,820,014	\$ 9,486,965	\$ -
Public Housing	\$ -	\$ 1,532,032	\$ 1,176,711	\$ 1,211,929	\$ 991,467	\$ 1,253,610	\$ -
Internal Service Fund***	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CITY EXPENDITURES	\$ 186,283,006	\$ 209,578,527	\$ 214,457,091	\$ 223,282,605	\$ 145,165,091	\$ 227,644,710	\$ -

% budget change

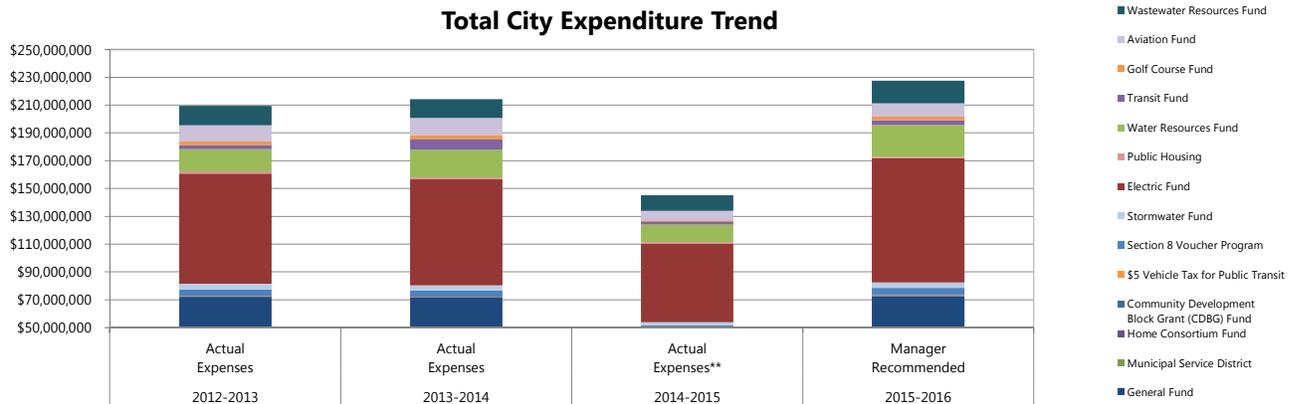
* as amended **as of April 24, 2015

*** All Internal Service Expenditures are allocated to other City departments.

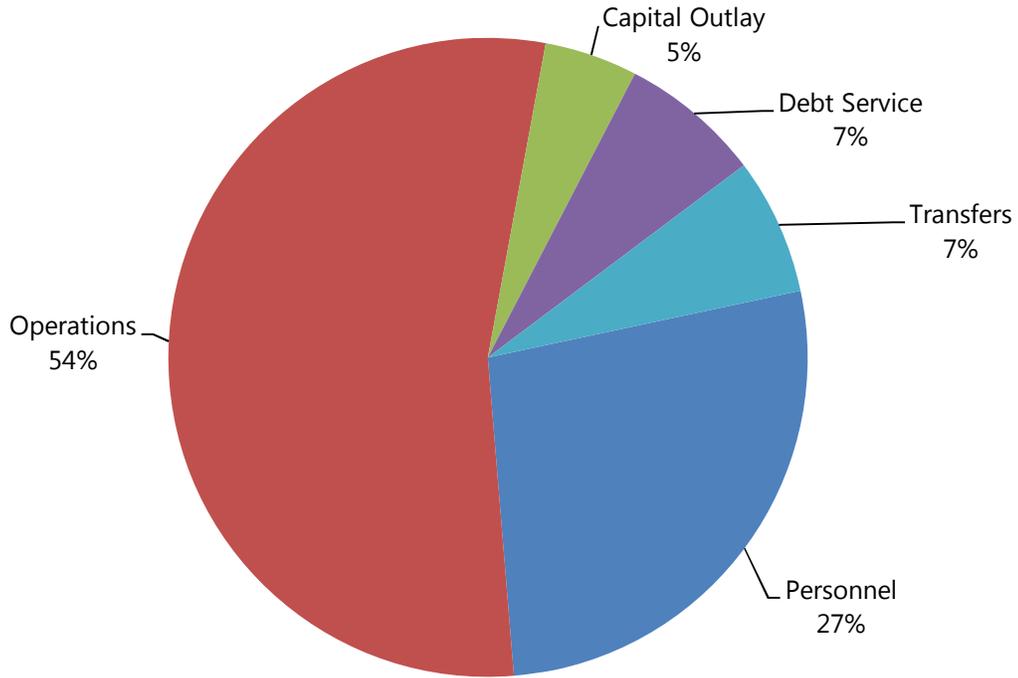
FY 2015-2016 City-wide Expenditures (by Fund)



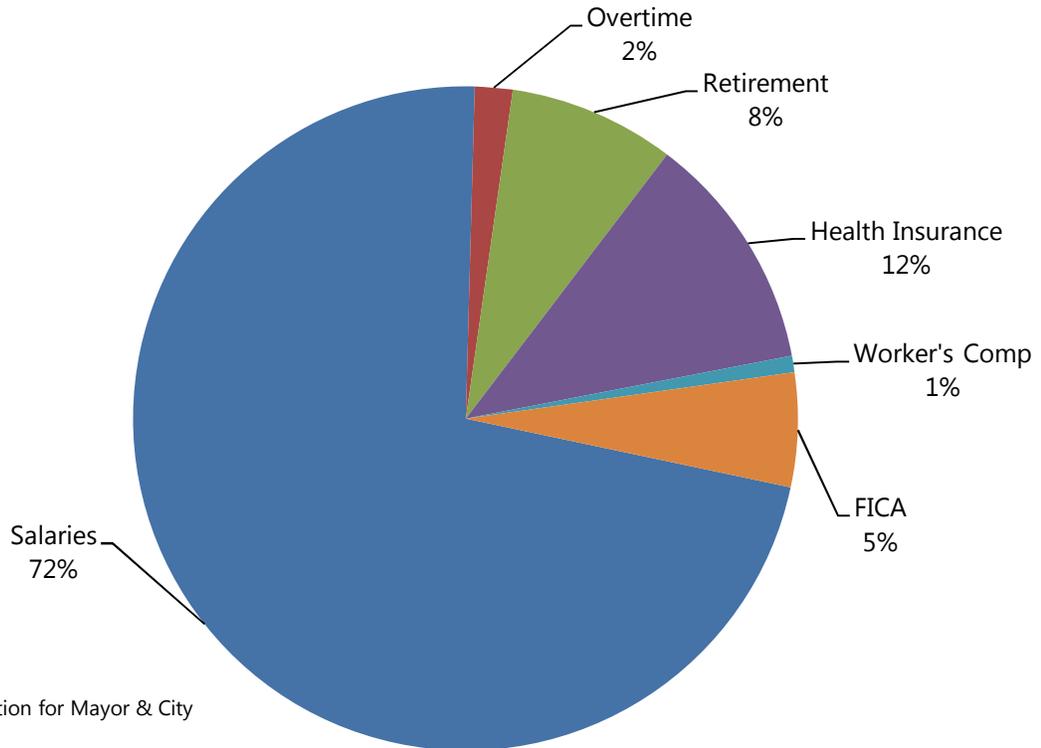
Total City Expenditure Trend



FY 15-16 Expenditures by Category
(City total = \$227,644,710)



FY 15-16 Summary of Budgeted City-wide Compensation Expenditures*
(\$62,563,755)



*Includes compensation for Mayor & City Council Members

MAJOR REVENUE SOURCES

General Fund: The General current Fund budget for the 2015-16 fiscal year totals \$72,765,445 compared to the amended budget of \$73,633,413 for FY 2014-15. Factoring out transfers, financing proceeds and appropriations from fund balance (non-operating revenue); there is a revenue increase of \$1,174,301 (1.6%) when compared to the current amended budget. The increase in revenues for the City's General Fund budget proposal is a result of a 3% growth in the City's assessed values. The City's tax rate of 0.48¢ per \$100 will not change. The City has estimated revenues conservatively using information provided by the North Carolina League of Municipalities, historical and statistical trends, and other local factors. Again, this budget was prepared under the assumption that the City of Concord will receive all of its State shared revenues for the 2015-16 fiscal years.

Property Taxes: The budget is balanced with a property tax rate of \$.48 per \$100 valuation. This will yield \$46,291,850 in total current and prior year ad valorem tax revenue based on an average real and personal property collection rate of 97.70%. The tax base used in this budget preparation represents a 3% increase in property values for a total valuation of \$9,765,423,462 (including motor vehicles). One cent on the City's tax rate produces \$945,983 in revenue, after the City's estimated collection rate is applied. This rate compares favorably to past City tax rates and remains one of the lowest in the state among medium to large size cities.

Sales Taxes: Local sales taxes levied by the City and County comprise 2.25% of the total 7.0% sales tax paid on retail sales in North Carolina. The local sales tax portion consists of a 1-cent tax that was first levied in 1971, a ½-cent tax levied in 1983, a ½-cent tax levied in 1986 and an additional ½-cent that was levied July 1, 2003. Effective October 1, 2008, the State took over one quarter cent of the Article 44 local option sales tax and effective October 1, 2009 the state took over the remaining one-quarter cent of this local tax. The City will be completely reimbursed for the loss of this revenue with hold harmless payments. The State of North Carolina collects the sales taxes and distributes them to the local units.

Local option sales taxes, telecommunications sales taxes and video programming sales taxes are estimated to be \$14,084,105 for fiscal year 2015-16. This revenue source is expected to remain flat with no growth when compared to the current year amended budget. Sales tax allocations for Cabarrus County are based on proportional property tax levies. The City has projected no growth in local option sales tax allocations for FY 2015-16 when compared to FY 2014-15 budgeted collections. The City continues to apply a conservative approach when estimating this revenue source. Although sales continue to increase, the refunds issued by the State have not been fully issued in the current year. A conservative estimate ensures the City can absorb the refunds if they are disbursed in FY 2015-2016.

Legislation passed during the 2001 session repealed the utility franchise tax on telephone companies and replaced it with a sales tax on telecommunications of 6% of gross receipts (now 8%). As State and local tax rates change, the percentage of the net proceeds on which the municipal distribution is based also changes in order to keep municipality's revenue share neutral. The rate is currently 18.7%. The estimated telecommunications sales tax included for FY 2015-14 is \$561,725, which represents a 3% decline when compared to FY15 estimated collections. Much of the recent decline has been driven by a loss in revenue from landlines as consumers have increasingly opted to go solely wireless.

The N.C. Department of Revenue distributes part of the state sales tax collected on video programming and telecommunication services to counties and cities. Local governments receive 23.6% of the sales tax collections from video programming service, an additional 7.7% of the existing telecommunications sales tax and 37.1% of sales tax collections on satellite television service. The estimated video programming sales tax included in FY 2015-16 is \$542,990, which represents a 2% decline in this

revenue source when compared to FY15 estimates. The decrease in revenue is attributed to more consumers switching from traditional cable and satellite television services to Internet-based viewing services.

Utility Franchise Tax & Piped Natural Gas Sales Tax: The distribution method for the electricity sales tax changed in Fiscal Year 2014-15 as a result of the tax reform legislation passed during the General Assembly session in 2013. The general sales tax rate is now be applied to the sales of electricity, and 44 percent of the proceeds from the sales tax is returned to cities and towns. That percentage was chosen with the intent that it would be sufficient to hold municipalities harmless from the amount they were currently receiving in utility franchise tax distributions. The amount of electricity franchise tax municipalities received in Fiscal Year 2013-14 was intended to serve as a baseline for the amount they were to receive going forward. The City has projected Franchise Tax in FY2015-16 to be \$3,060,000 which is based on actual estimated collections in FY2015. As with the electricity sales tax, the distribution method for the tax on piped natural gas was changed as part of the tax reform legislation passed during the General Assembly session in 2013. The general sales tax rate is now applied to the sale of piped natural gas, and 20 percent of the proceeds from the sales tax are returned to cities and towns. Similar to the electricity sales tax, that percentage was chosen with the intention that it would be sufficient to hold municipalities harmless from the amount they were currently receiving in piped natural gas distributions. The amount of piped natural gas excise tax municipalities received in Fiscal Year 2013-14 is intended to serve as a baseline for the amount they are to receive going forward. The FY2015-16 proposed budget of \$278,915 is based on estimated collections for FY2015.

Powell Bill Street Allocation: These funds represent redistribution by the State of a portion of the motor fuel taxes collected. The use of these funds is restricted to maintaining, repairing, constructing, reconstructing or widening any public street or thoroughfare within the City limits. Bridges, drainage, curb and gutter and other necessary appurtenances are also approved uses of these funds. One-quarter of distribution is based on the number of miles of local streets in the City and the remainder is distributed on a population basis. These funds are expected to provide \$2,247,065 for FY 2015-16, which represents no growth when compared to current year estimates. This revenue source continues to remain flat as the State's allocation per street mile does not increase; in some years, it is reduced.

Fund Balance: The City's unassigned General Fund balance was \$38,394,345 as of June 30, 2014. It is anticipated that the City will meet our target goal of a 30-35% minimum General Fund unassigned fund balance at June 30, 2015, as unassigned fund balance is not expected to materially change. Our ability to maintain a healthy fund balance in previous fiscal years was attributable to the economic vibrancy present in the City of Concord and increases in available cash for investments, collection percentage of property taxes, and conservative estimates on revenues. As the City experienced a slowing economy, our conservative policies and procedures were even more important. The proposed budget for FY 2015-16 does not include an appropriation from fund balance.

The recommended budget does appropriate \$1,940,000 from the General Capital Reserve fund balance for one time capital expenditures. In FY2007-08 the City created a General Fund Reserve to begin preparing for future projects and each year the City contributes available resources to this Capital Reserve Fund. Although these reserves (approximately \$14,100,000) now reside in a separate fund from the General Fund and are no longer included in the City's General Fund *Balance*, the amounts are still available for projects and capital designated by the City Council.

Special Revenue Funds: The Municipal Service District tax rate is \$0.23 per \$100 assessed valuation. Also, included in the Special Revenue Fund is the budget request for Community Development Block Grant Funds, the H.O.M.E. Program, the \$5 Vehicle Tax fund (Transit), and the Section 8 Housing Vouchers program. The special revenue funds total \$5,998,340.

Enterprise Funds: Stormwater, Electric, Water and Wastewater rates and charges will generate \$119,911,646 in revenues.

Stormwater: The Stormwater Fund is comprised of \$3,811,061 in operating revenue, \$50,000 in investment earnings and \$1,000 in non-operating revenues. No rate or fee increases are proposed for the Stormwater program. Rate revenue for FY 2016 is expected to remain stable when compared to FY 2015 year-end estimates.

Electric Fund: The Electric Fund is comprised of \$81,722,445 in operating revenues, \$315,000 in investment earnings and \$30,000 in non-operating revenues, with an appropriation from the rate stabilization reserve in retained earnings of \$7,000,000. Electric revenues are estimated using the City's rate model. The proposed budgeted revenue does not include a rate increase. The purchase power adjustment to rates will be evaluated during the year, but the FY 2016 budget proposal does not project increases in purchase power rate adjustments. FY 2016 rate revenue is anticipated to remain stable.

Water Fund: The Water Fund is comprised of \$21,305,040 in operating revenue, non-operating revenue of \$34,000, \$340,000 in investment earnings, and an appropriation from retained earnings of \$1,090,580 for one time capital project costs. Water revenues are estimated using a recommended average rate increase of 2.5% and no growth in consumption.

Wastewater Funds: The Wastewater Fund is comprised of operating revenue of \$16,111,000 and investment earnings of \$200,000. There is no appropriation from retained earnings. Wastewater revenues are estimated using no growth in consumption and a recommended average rate increase of 3%.

Public Transit: The Public Transit budget is comprised of \$275,000 in operating revenue, \$2,536,749 in restricted intergovernmental revenue, and transfers of \$704,068. In FY 2015-16, Concord's General Fund contribution to the Transit system is \$394,068, which includes our portion of the CATS 79x service. No fare increases are proposed for the FY 2015-16 budget.

Golf Course: The Golf Course Fund anticipates earned revenue for FY 2015-16 to increase when compared to the proposed budget of the prior year. Total revenues are estimated at \$1,674,487 with an additional transfer from the General Fund of \$939,920 which is designated towards debt service.

Aviation: The Aviation budget is comprised of \$8,217,689 in operating revenue, \$45,000 in non-operating revenue and a transfer of \$756,641 from the General Fund. There is an appropriation from retained earnings of \$467,635 for one time grant matches. Fuel Sales have been budgeted with no material increases.

Internal Services Fund: The Internal Services Fund – comprised of Data Services, Customer Care, Utilities Collections, Billing, Engineering, Buildings and Grounds and Purchasing – totals \$11,080,223. All costs within this fund are allocated among the Electric, Water, Wastewater, Stormwater, Aviation and General Funds based on percentages derived from a cost allocation method.

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

Fund Balances / Net Position

Amounts shown as fund balance for Governmental Funds represent a running total of monies over the years that remain unspent after all budgeted expenditures have been made. For many years, the North Carolina Local Government Commission has recommended that units retain an amount of available fund balance in the general fund to at least 8% of the appropriations of the fund. The Concord City Council has a financial policy requiring a fund balance between 30%-35% of its general fund operating budget. The reason for this policy is to avoid cash flow interruptions, to generate investment income, to eliminate the need for short-term borrowing, and to have a reserve available in case of sudden emergencies. In accordance with GASB, the City reports net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) in Proprietary Funds as opposed to retained earnings (accumulated earnings of funds after all budget business expenses have been made).

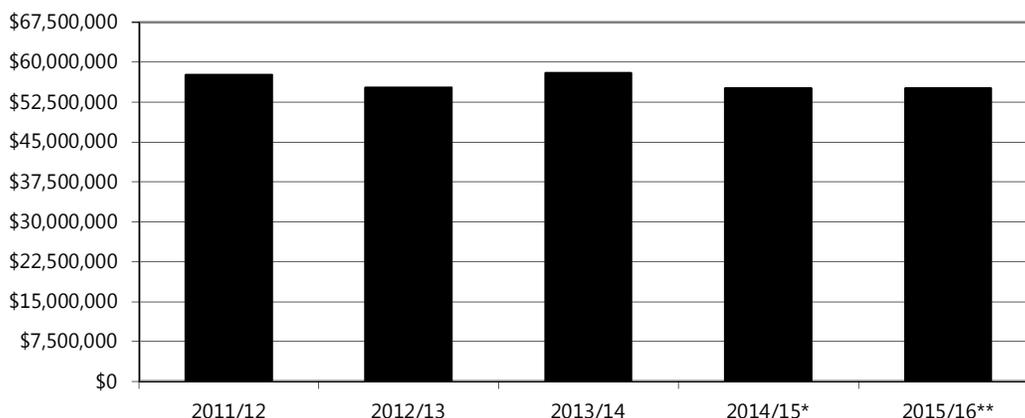
Fund Balances	2011/12	2012/13	2013/14	2014/15*	2015/16**
General Fund	\$ 57,480,127	\$ 55,160,067	\$ 57,879,528	\$ 55,046,270	\$ 55,046,270
Other Governmental Funds	\$ 22,271,455	\$ 31,634,171	\$ 35,917,593	\$ 35,697,942	\$ 33,000,000
Totals	\$ 79,751,582	\$ 86,794,238	\$ 93,797,121	\$ 90,744,212	\$ 88,046,270

Net Position					
Business Type Activities - Enterprise Funds					
Electric Fund	\$ 88,702,887	\$ 94,000,371	\$ 99,847,033	\$ 97,817,302	\$ 90,817,300
Water Fund	\$ 87,737,772	\$ 90,882,515	\$ 95,653,439	\$ 94,863,869	\$ 93,763,870
Wastewater Fund	\$ 58,342,053	\$ 58,986,048	\$ 67,199,198	\$ 66,323,373	\$ 66,323,400
Aviation Fund	\$ 66,158,930	\$ 69,723,777	\$ 70,697,418	\$ 70,672,611	\$ 70,172,610
Stormwater Fund	\$ 53,002,720	\$ 53,037,393	\$ 53,189,453	\$ 53,189,005	\$ 53,189,100
Other Enterprise Funds	\$ 15,410,714	\$ 15,298,407	\$ 19,548,401	\$ 15,200,400	\$ 15,200,400
Totals	\$ 369,355,076	\$ 381,928,511	\$ 406,134,942	\$ 398,066,560	\$ 389,466,680

* unaudited

** estimate

General Fund - Fund Balance



Personnel Summary

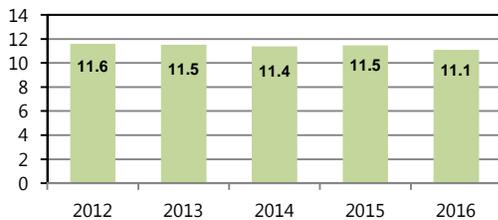
Personnel counts are calculated using the full-time-equivalent (FTE) method for all full-time and permanent part-time city employees (seasonal and temporary positions are not included). The FTE converts the hours worked by a position into a percentage of a full year's number of hours. For most city positions, 1 FTE equals 2,080 hours per year per position (based on a 40 hour work week and a 52 week work year). If a position works 1,040 hours per year, this translates into .5 FTE. Similarly, if a new full-time position has a Jan. 1 effective date (1/2 of the fiscal year), this translates into .5 FTE. In the case of Police Officer positions, 1 FTE equals 2,229.84 hours per year. A Fire Fighter FTE equals 2,920.96 hours per year.

Budget Unit	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	FTE	FTE	FTE	FTE*
GENERAL FUND				
General Government				
Public Services Administration	1	1	1	1
City Manager's Office	6	6	6	6
Risk Management	3	3	3	3
Human Resources	7	7	7	7
Finance	14	14	13.25	13.25
Tax	4.5	4.5	4.5	3.5
Legal	5	6	6	6
Non-Departmental	0	0	0	0
Emergency Management	1	1	1	1
Public Safety				
Police	178.25	180.25	189.25	190.25
Code Enforcement	7	7	7	7
Communications	21.5	22.5	22.5	22.5
Radio Shop	3.5	2.5	3.5	3.5
Fire	181	181	181	181
Fire Prevention	6	6	9	9
Fire Training	4	4	2	4
Public Works				
Streets & Traffic	27	27	27	28
Powell Bill (staff part of Streets & Traffic)	0	0	0	0
Traffic Signals	4	5	6	6
Traffic Services	5	5	5	5
Solid Waste & Recycling	32	32	32	32
Cemeteries	8	8	8	8
Fleet Services	13	13	13	13
Economic Development				
Planning & Neighborhood Development	14	14.5	14.5	14.7
Transportation Planning (contract)	0	0	0	0
Economic Development	1	1	1	1
Culture & Recreation				
Parks & Recreation	20	21.25	21	22
Parks & Recreation - Aquatics (seasonal staff)	0	0	0	0
Total FTE General Fund	566.75	572.5	583.5	587.7
OTHER FUNDS				
Municipal Service District Fund	0	0	0	0
HOME Consortium Fund	0.9	1	0.9	0.8
Transportation Improvement Fund	0	0	0	0
CDBG Fund	1.1	1	1.1	1.2
Addl. \$5 Vehicle Tax (Transit) Fund	0	0	0	0

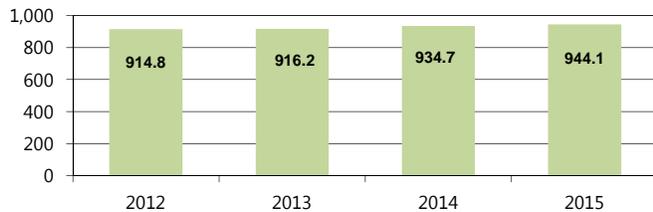
Budget Unit	FY 2012-13 FTE	FY 2013-14 FTE	FY 2014-15 FTE	FY 2015-16 FTE*
Stormwater Fund				
Stormwater Operations	20.25	19.77	22.09	22.09
Electric Systems Fund				
Electric Administration	2	2	3	3
Purchased Power	0	0	0	0
Powerlines Maintenance	13	13	17	17
Tree Trimming	9	9	7	7
Electric Construction	34	34	33	33
Peak Shaving	2	2	0	0
Electric Engineering Services	5	5	5	7
Utility Locate Services	4	4	5	5
Water Resources Fund				
Hillgrove Water Treatment Plant	14.5	14.5	14.5	14.5
Coddle Creek Water Treatment Plant	15.5	15.5	15.5	15.5
Waterlines Operations & Maintenance	34.75	34.24	34.59	34.59
Public Transit Fund				
Rider Transit System	2.55	2.7	3.7	4.7
Wastewater Resources Fund				
Wastewaterlines Operations & Maintenance	30	30	30.32	30.32
Golf Course Fund				
Golf Course Operations (contract)	0	0	0	0
Aviation Fund				
Aviation Operations	36	33	34	34
Public Housing / Sec. 8 Vouchers Funds				
Public Housing Operations / Vouchers Program	13	12	13.38	13.88
Internal Services Fund				
Utilities Collections	4.5	4.5	4.5	4.5
Data Services (contract)	1	1	1	1
Billing	11	10	10	10
Customer Care	24	25	25	26
Engineering	24	24	23	23
Purchasing	7	7	7	7
Buildings & Grounds	39	39.5	40.65	41.3
Total FTE Other Funds	348.1	343.7	351.2	356.4
Total FTE All City Funds	914.8	916.2	934.7	944.1

* For FY16, the equivalent of 11 FTE are not funded, but remain authorized for the future.

Number of City Employees
Per 1,000 Population



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



SUMMARY OF EXTERNAL AGENCY FUNDING

The City of Concord grants funding to non-governmental, or "External Agencies," that contribute to the City's cultural, social, and economic vitality. External Agency funding requests are considered by the City Council under the auspices of the Public Purpose Clause of the North Carolina State Constitution (Article V, Sec. 2(7)). Further guidance by North Carolina Supreme Court case law allows the City Council to choose to fund activities that 1) are within the appropriate scope of governmental involvement and reasonably related to community needs and 2) benefit the general public, as opposed to special interests or persons.

<i>External Agency</i>	<i>Departmental Budget</i>	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	<i>FY 15/16 Request</i>	<i>FY 15/16 Manager Rec.</i>	<i>FY 15/16 Council Approved</i>
General Fund monies							
Boys & Girls Club of Cabarrus County	Parks & Rec	6,000	6,000	6,500	10,000	6,500	
Cabarrus Arts Council, Inc.	Parks & Rec	25,000	25,000	30,000	30,000	30,000	
Cabarrus County Museum of Fine Art & African American History	Econ Dev	1,500	-	-	-	-	
Cabarrus Events Association	Econ Dev	5,000	5,000	5,000	5,000	5,000	
Cabarrus Victims Assistance Network (CVAN) Sustaining Grant	Police	9,500	9,500	10,000	10,000	10,000	
Cabarrus Literacy Council	n/a	-	-	-	4,000	0	
Habitat for Humanity Cabarrus County	Planning & Nbhd	7,000	6,000	4,000	-	-	
Historic Cabarrus, Inc.	Econ Dev	5,000	10,000	10,000	10,000	9,000	
Hope Haven	Planning & Nbhd	-	2,000	2,000	4,000	2,000	
Multicultural Community Student Union	Parks & Rec	2,000	2,000	2,000	3,000	0	
Special Olympics Cabarrus County	Parks & Rec	2,000	2,000	2,000	2,000	2,000	
Teen Court (Conflict Resolution Center)	Police	2,500	2,500	3,000	3,500	3,000	
Sub-total		\$65,500	\$70,000	\$74,500	\$81,500	\$67,500	\$0
Utility Fund monies							
Cabarrus Cooperative Christian Ministries	Water, Electric, Wastewater	12,000	13,000	13,000	14,000	14,000	
Sub-total		\$12,000	\$13,000	\$13,000	\$14,000	\$14,000	\$0
Community Development Block Grant monies							
Cabarrus Arts Council, Inc.	CDBG	1,500	1,500	1,500	5,000	2,000	
Cabarrus Cooperative Christian Ministry	CDBG	6,000	6,000	6,000	10,000	6,000	
Cabarrus Literacy Council	CDBG	4,000	4,000	4,000	4,000	5,000	
Cabarrus Meals on Wheels	CDBG	4,000	4,000	5,000	5,000	5,000	
Coltrane LIFE Center, Inc.	CDBG	4,000	4,000	5,000	5,000	5,000	
Habitat for Humanity Cabarrus County	CDBG	-	-	-	5,000	0	
Hispanic Learning Center	CDBG	2,000	2,000	2,000	-	-	
Hope Haven - Sustaining	CDBG	3,000	3,500	5,000	5,000	5,000	
Hope Haven -Affordable Housing	CDBG	-	1,000	-	-	-	
Multicultural Community Student Union	CDBG	-	-	-	3,000	3,000	
Opportunity House	CDBG	-	-	-	10,000	2,000	
Prosperity Community Connection Inc.	CDBG	1,500	1,500	1,500	1,500	1,500	
Prosperity Unlimited, Inc. Sustaining Grant	CDBG	8,000	8,000	8,500	10,000	8,500	
Salvation Army	CDBG	-	-	-	30,000	5,000	
Safe Alliance	CDBG	1,750	1,750	2,500	5,000	3,000	
Sub-total		\$35,750	\$37,250	\$41,000	\$98,500	\$51,000	\$0
		FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 15/16	FY 15/16
TOTAL		\$113,250	\$120,250	\$128,500	\$194,000	\$132,500	\$0

NOTE: A dash (-) signifies that no request was made.