



May 31, 2011

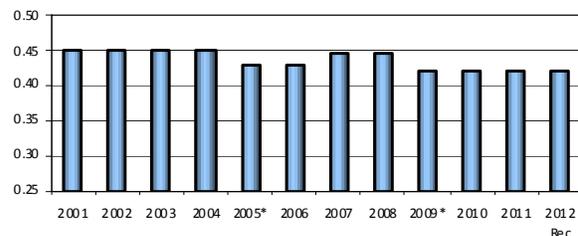
The Honorable J. Scott Padgett, Mayor
 Members of the City Council
 Concord, North Carolina

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 2011-12 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 2011-12 Goals Statement. I used this document as a guide in making recommendations. I also want to thank Deputy Manager Jim Greene, Assistant City Manager Merl Hamilton, all department directors and their respective staffs, Finance Director Pam Hinson and, in particular, Budget and Performance Manager Robin Barham and Budget Analyst Lesley Reder for their assistance in preparing this proposal.

The recommended General Fund budget for FY 2011-12 totals \$64,371,850 for City personnel, operations, capital improvements and debt service. This reflects a \$1.8 million decline (or 2.8%) over the adopted budget for FY 10-11 and is the lowest General Fund budget adopted since FY 07-08. I am recommending the tax rate remain at 0.4200¢ per \$100 of valuation, reflecting no change from the tax rate first adopted by City Council for FY 2008-09. As in past years, the proposed tax rate includes restricting the \$.02 budgeted for use in the Transportation Improvement Fund as mandated by City Council.

City Property Tax Rate
 (cent s per \$1 00 of valuation; * indica tes re valuation year)



The City-wide budget totals \$207,724,003 for all funds, including utilities and various special revenue funds. The City-wide budget reflects a 6.4% (or \$12.5 million) increase from the adopted budget figure of FY 10-11 and is due to an expected \$4.5 million increase in the wholesale purchase of electricity and the appropriation of \$4.7 million in retained earnings towards the Albemarle Waterline connection. Setting aside these two large expenses, the City-wide budget is relatively the same size as the budget adopted back in FY 08-09.

While the economy is moving in a positive direction, it will be some time before local governments begin to see significant revenues from the recovery. As of this writing, the Cabarrus County unemployment rate is 9.8%, down from around 12% this time in 2010, but overall sales tax revenues continue to lag behind FY 2009-10. Sales tax revenues have now decreased for three consecutive fiscal years.

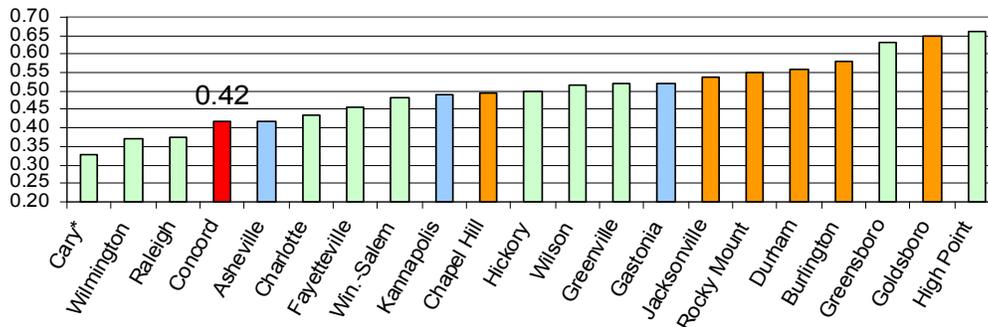
Per Council's direction, the focus has been on maintaining essential services provided to our residents and businesses. To do this and to continue to make basic capital purchases, we are recommending the use of \$1,460,162 from the City's Capital Reserve Funds. RESERVES ARE NOT BEING USED TO FUND OPERATIONAL LINE ITEMS. However, operational line items have been reduced over the last four budget years to the point that declines in future fiscal years will require reductions in services.

The City Council is to be commended for continuing its past conservative practices in projecting revenues and holding down expenditures, and for having these reserves to use during a time when they are needed to offset a need for a property tax increase. Operations are very lean but these practices have enabled the City to avoid entering into a crisis mode. This budget recommends the elimination of some vacant positions, many that have been frozen previously, the continuation of the freeze on others, a small salary adjustment, and no layoffs.

A budget recommendation always reflects choices; however, the revenues available to fund this budget and the Council's mandate to maintain basic services certainly narrowed the number of choices from which to recommend. As a result, we focused on providing basic services and the capital investments that will support these same basic services for future fiscal years. We have continued to avoid major debt in the General Fund and other expenditures that would generate recurring costs.

For FY 2011-12, the recommended Concord property tax rate continues to be among the lowest of full-service North Carolina municipalities with populations greater than 35,000. Most of those few cities whose property tax rates are lower than Concord's make extensive use of State authorized impact fees, and/or charge additional user fees for solid waste collection and/or disposal. The Property Tax Comparison chart illustrated below summarizes the proposed property tax rates for comparable cities.

**FY 2011-12 Proposed Property Tax Rates for
NC Full-Service Cities Over 35,000 Pop.
(Cents per \$100 Valuation)**



*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.
 Note that cities in blue (Asheville, Kannapolis and Gastonia) charge a nominal recycling fee, but not for residential garbage or yard waste.
 Charlotte residents are assessed an annual solid waste fee for disposal of \$45 or \$27 (for multi-family) through Mecklenburg Co. tax bills.

A key change in services methods for FY 2011-12 will be in solid waste collection. In FY 2010-11 staff issued a Request for Proposals for private service providers that included weekly automated collection of garbage using most of the existing garbage carts and every-other-week recycling pick-up, also using 96 gallon roll-out carts. Staff also evaluated other services currently provided through weekly collection routes and made changes so they can be handled more efficiently by collecting these materials on a call-in basis.

Based on the results, City Council approved a schedule of new collection methods in November of 2010 and the changes will be implemented in July of 2011. These changes will eventually save the City approximately \$1.7 million in annual collection costs. We feel the public will see the solid waste changes as a true "win-win" once residents become accustomed to the new methods. **At the same time, the money saved is crucial as it partially offsets the decline in City revenues due to the economy and the reduction in the tax base on the Philip Morris property. If these changes were not made, it would have been very difficult to balance this budget without a tax increase unless the Council was prepared to make significant cuts in services.**

For example, because of the economy and changes in the apportionment formula allocating sales taxes to Cabarrus County local governments, Concord has lost over \$2 million in sales tax revenue as compared to 2007. When you add that to the more than \$2 million already lost from personal property

removed from Philip Morris facilities with more to come, it is essential to implement new methods to save money while trying to maintain services. The Cabarrus County reevaluation that will be implemented in FY 2012-13 will result in lower tax valuations for the first time perhaps since the Great Depression. The recession has led to a drop in residential and some commercial values. The closure of the Philip Morris and the vacating of the property will add to this challenge as real property values will likely follow the decline in personal property. Again, the City is extremely fortunate that the City Council has been wise in previous fiscal years by building reserves beyond the fund balance goal to help the City through this difficult period.

2011 has also seen an increase in the inflation rate, primarily due to rising petroleum prices. This impacts expenditures in all departments and revenues at Concord Regional Airport. While all this is going on, wholesale prices for purchased electricity continue to rise, forcing the City to start passing on a larger proportion of these increases through purchased power adjustments to make sure we do not erode funds needed to maintain service levels.

We started this budget process with all departments being asked to prepare a budget with no operational increases and continuing the operational expenditure cuts implemented in FY 2008-09, FY 2009-10 and FY 2010-11, including a 17% decline in operational expenses in FY 2009-10 alone (excluding the Wholesale Purchase Power costs in Electric). We used the departmental budget requests submitted to evaluate this funding level on City services and make recommendations to Council on those that will have the least impact on basic service levels. The City provides many essential services, such as police, fire, clean water, street and traffic signal maintenance, among others, so we had to be strategic in the areas impacted.

The City has not sustained cuts without impacting jobs. This budget recommends 12 positions be eliminated (none currently filled) and 21 more remain "frozen" with no appropriated salary. The total projected savings from these positions is \$1,256,073. No sworn police positions or firefighter positions have been frozen. When any position becomes vacant, we evaluate the duties to determine if is essential to providing basic services. Also, in those areas where the workload has been impacted by the economy, coworkers remain assigned to other departments where the workload has remained constant or even increased.

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

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

EXAMPLES OF MAJOR EXPENDITURE TRENDS IMPACTING THE FY 2011-12 BUDGET AND FUTURE FISCAL YEARS

- The residual impact of the worst recession since the Great Depression including reduced sales tax, property tax and development fee revenues.
- Unemployment levels that are slowly declining but still over double what they were prior to 2007, impacting customers' ability to pay utility and property tax bills and fueling the increase in local foreclosures.
- The continued increase in the amount of property tax revenues lost from the Philip Morris property.
- Current freeze of targeted vacant positions, except for sworn law enforcement personnel and firefighters, and the elimination of 12 vacant positions.
- Expiration of federal stimulus grant funds (mainly impacting availability of capital funds).

- Funding from the Transportation Fund for Concord's share of the match to improve Derita Road and the up-front monies for NCDOT to start the George W. Liles Extension.
- Mandated increases in the City's contribution to the Local Government Employees Retirement system from 6.35% to 6.88%, resulting in an annual increase in excess of \$266,000.
- Increased health insurance plan costs that will be absorbed in FY 2011-12 by excess reserve funds in the health insurance fund.
- Use of funds from reserves previously set aside for Parks and Recreation to secure funds from the Carolina Thread Trail and other sources for planning and property needed for future projects.
- Implementation of comprehensive changes in solid waste collection methods including a new contractor for garbage collection and recycling.
- Continued increases (expected 8.5%) in the purchase price of wholesale electricity based on the contract with Duke Power.
- Completion of the engineering design, right of way acquisition and plans for financing needed to construct a major water line that will enable Concord to purchase treated water from Albemarle to supplement water supplies for Concord and Kannapolis.
- Soaring fuel prices nationwide: during the past 2 years, the City has been able to keep fuel costs fairly constant by controlling (and reducing in some departments) mileage driven and overall usage of fuel. However, with the significant increases we have seen in the last few months, it will be impossible to offset the rise in price with less usage and still deliver the same level of services.
- Pending County-wide revaluation impacting FY 2012-13.

The Council's goal is to maintain a General Fund balance target between 30% and 35% of expenditures. The General Fund balance will continue to meet the Council goal. This budget does recommend appropriating money out of reserves for some capital expenditures.

This stability in fund balance is possible only because our elected officials have been good stewards of the City's revenues in the past. Regardless of its size, over reliance on fund balance in any one fiscal year is a dangerous practice in times of slow growth, particularly if used for ongoing operations. With this diligence, we will continue to avoid the practice of over reliance on fund balance or retained earnings, which would require us to eventually generate ongoing replacement revenue or new sources of funding. With this in mind, we have limited the use of capital reserves in the General Fund to an amount approximately equivalent to a 1 cent property tax increase.

This year we are recommending no increase in residential, commercial and industrial water rates as indicated on the charts to the right. The engineering required to construct the Yadkin River water connection continue and we anticipate working with our partners, the cities of Kannapolis and Albemarle, to finalize the arrangements to bid and finance this essential improvement by the end of FY 2011-12.

There is also no rate increase recommended for wastewater. This is difficult because to do so defers some key capital projects. The highest on the priority list,

Water Base Charges (per meter size)		
	<i>Inside City</i> Proposed FY12	<i>Outside City</i> Proposed FY12
¾"	\$ 4.04	\$ 4.54
1"	5.76	6.61
1½"	9.71	11.35
2"	14.66	17.29
3"	26.28	31.23
4"	42.85	51.11
6"	83.89	100.36
8"	133.34	159.70
10"	191.20	229.13
12"	355.86	426.73

Water Volume Charges (all rates per 1,000 gallons)	
Residential Volume Charges:	Proposed FY12
<i>Inside City</i>	
Block 1 (0-6,000 gallons)	\$5.08
Block 2 (6,001-8,999 gallons)	6.61
Block 3 & Irrigation (>9,000 gallons)	8.14
<i>Outside City</i>	
Block 1 (0-6,000 gallons)	\$6.10
Block 2 (6,001-8,999 gallons)	7.93
Block 3 & Irrigation (>9,000 gallons)	9.77

the Highland Creek/Elrond Drive Outfall upgrade, is a project that has been on the radar screen for several years. There are other projects that are not scheduled for the upcoming fiscal year, but will be necessary due to planned construction schedules. For example, the work necessary for the extension of George Liles Parkway between Weddington Road and Roberta Road will likely not take place until FY 2012-13. This involves installing new gravity mains under the proposed road alignment. The key to this schedule is when the State will actually start construction on this project.

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

The recommended electric budget is also structured to maintain current levels of services. The recommendation continues to address the RW Beck cost of service study completed in 2010. The budget includes amounts to replenish reserves, contribute to a rate stabilization fund and for the recommended payment in lieu of taxes to the City, in addition to cost allocations.

The RW Beck study also made recommendations for rate design and a mechanism to recover changes in purchased power costs passed on under the contract with Duke Energy. City electric revenues include an overall 6% rate increase in September of 2011 to reflect the required adjustment to recover the increase in purchased power costs. The purchased power adjustment will be evaluated again after reviewing Duke Power's next planned increase that will be effective January of 2012.

There is no increase recommended in the stormwater fee that was implemented in FY 2005-06 to meet the mandated Phase II stormwater requirements. It is recommended that the fee remain at \$4.30 per Equivalent Residential Unit. Revenues in FY 2011-12 will be used for required system mapping, for maintenance projects, to match federal dollars for stream restoration projects and to expand maintenance of the existing system.

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

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

<u>Water Volume Charges (cont)</u>	
	Proposed FY12
Commercial Volume Charges:	
Commercial (Inside City)	\$5.06
Commercial Irrigation (Inside City)	8.14
Industrial Volume Charges:	
Harrisburg Volume Charge: (capacity per contract)	\$2.99
Drought Surcharge: 10% surcharge added to Blocks 2 & 3 of residential rates	

<u>Wastewater Base Charges (per meter size)</u>		
	<u>Inside City</u>	<u>Outside City</u>
	Proposed FY12	Proposed FY12
¾"	\$ 3.39	\$ 3.80
1"	4.80	5.49
1½"	8.02	9.35
2"	12.05	14.18
3"	21.51	25.53
4"	34.99	41.71
6"	68.40	81.80
8"	108.65	130.10
10"	155.74	186.61

<u>Wastewater Volume Charges</u>	
<u>Uniform Volume Charges:</u>	Proposed
<u>Uniform Rate</u>	FY12
Inside City Rate (per 1000 gallons)	\$5.29
Outside City Rate (per 1000 gallons)	6.35
Flat Sewer Charge Inside:	\$35.32
Flat Sewer Charge Outside:	42.38

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

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

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

BALANCED BUDGET FOR FY 11-12

Fund	Revenues	Expenditures
General Fund	\$ 64,371,850	\$ 64,371,850
Municipal Service District	73,900	73,900
Home Consortium	292,549	292,549
CDBG	405,471	405,471
Transportation Improvement Fund	2,268,718	2,268,718
\$5 Vehicle Tax Fund (Transit)	275,000	275,000
Stormwater Fund	3,604,157	3,604,157
Electric Fund	76,965,186	76,965,186
Water Fund	23,436,128	23,436,128
Wastewater Fund	14,170,270	14,170,270
Golf Course Fund	2,358,597	2,358,597
Transit Fund	2,740,738	2,740,738
Aviation Fund	12,185,919	12,185,919
Public Housing	1,161,883	1,161,883
Section 8/Vouchers Program	3,413,637	3,413,637
Total Budget	\$207,724,003	\$207,724,003

EXPENDITURE HIGHLIGHTS BY FUND

GENERAL FUND

General Government: This function accounts for \$8,291,008 or 12.9% of the General Fund budget. Highlights include:

- *Governing Body* – implementation of redrawn electoral districts to reflect the results of the 2010 Federal Census.
- *City Manager's Office* – Continue emphasis on providing excellent external and internal customer service while reducing unnecessary expenditures from the budget. Coordination of economic development support and sustainability efforts throughout the organization.
- *Risk Management* – Continue to evaluate all insurance coverage levels to ensure proper allocation of resources.
- *Public Services Administration* – Installation of additional security cameras and sealing/patching of the parking lot at the Brown Operations Center.
- *Human Resources* – Implementation of the redesigned Performance Management system, which adds performance measurement and customer service components to the employee performance evaluation.

- *Human Resources* – Provide funding, along with Planning and Neighborhood Development, for minor renovations to the Annex building that will improve service delivery to customers/applicants. Total of \$52,000 budgeted between the 2 departments.
- *Various City Departments* – Assessment of ARC Flash Compliance throughout City-owned facilities.

Public Safety: This function accounts for \$35,162,777 or 54.6% of the General Fund budget. Highlights include:

- *Police* - Adds one position, a School Resource Officer, for the new middle school as part of the safe schools initiative.
- *Police* - Focus on enhanced accountability of response in select criminal hotspots.
- *Police* - Focus on increasing officer uncommitted time through the use of telephone reporting to increase community contacts and problem solving.
- *Police* – Purchase of live link mobile video surveillance camera to assist in covert investigations in high crime areas - \$13,995.
- *Code Enforcement* – Maintain efforts to enforce overgrown vacant lots and messy yards in neighborhoods.
- *Code Enforcement* – Focus on particular hotspots causing criminal activity and/or neighborhood concern.
- *Fire and Life Safety* – Renovations of Fire Station 5 - \$124,000.
- *Fire and Life Safety* – Begin design, planning and construction of Fire Station 11 to provide enhanced ladder service to the Speedway./Concord Mills Blvd. areas of the City.
- *Fire and Life Safety* – Continue to assess needs and plan for increasing the level of fire and life safety services in the western growth area.
- *Fire and Life Safety* – Complete weapons of mass destruction classes for Haz-Mat and USAR teams.
- *Fire and Life Safety* – Purchase of a replacement pumper to be used at Station 10 and as a first option for a spare (offset with revenue from sale of apparatus no longer meeting specs) - \$325,000.
- *Emergency Management* – Provide funding for piping to install a flood warning system on Derita Road at Rocky River.
- *Emergency Communications* – Complete and implement service contract with the Charlotte Regional Radio System.
- *Customer Care Center* – Addition of one part-time position to handle increased call volume and maintain high level of customer service.

Public Works: This function accounts for \$13,514,469 or 21% of the General Fund budget. Highlights include:

- *Transportation* – Continues additional \$525,000 in funds for street resurfacing (due to high cost of materials and declining Powell Bill funds).
- *Transportation* – Provide partial funding (with Powell Bill funds) to replace one dump truck with a tandem truck, including purchase of snow plow and spreader for winter snow and ice removal.
- *Transportation* – Continue funding for prismatic high-intensity retro-reflective sign sheeting for new and replacement signs (in compliance with new federal regulations).
- *Solid Waste and Recycling* – Begin new contract with Waste Pro, saving the City \$1.7 million annually while improving the recycling program and making garbage and bulky waste collection more efficient.
- *Solid Waste and Recycling* – Construction of a Leaf Processing area at the Brown Operations Center for efficient disposal of leaf collection - \$60,000.
- *Fleet Services (moved from Internal Service Fund)* – budget of \$1.5 million for fuel City-wide, an increase of \$100,000 over the current year.

Economic and Community Development: This function accounts for \$2,987,374 or 4.6% of the total General Fund budget. Highlights include:

- *Planning and Neighborhood Development* – Maintenance of murals on Union/Market Street alley and Bicentennial Parking lot - \$36,000

- *Planning and Neighborhood Development* – Continue to build on the Neighborhood Program through liaison support, matching grants, facilitation of information sharing among recognized neighborhoods and code enforcement.
- *Planning and Neighborhood Development* - Work with the Housing Department to redevelop 7.5 acres in the Logan Community for mixed income.
- *Planning and Neighborhood Development* – Provide funding, along with Human Resources, for minor renovations to the Annex building that will improve service delivery to customers/applicants. Total of \$52,000 budgeted between the 2 departments.
- *Economic Development* - Market Concord as a desirable place to do business through the City's Business Website and through print, as well as electronic media to stimulate new investment and job creation.
- *Economic Development* – Continue to expand business recruiting, retention, and support activities in collaboration with Cabarrus Economic Development and other partners.
- *Economic Development* – Expand downtown banner program to Spring and McCachern Streets.

Cultural and Recreation: This function accounts for \$4,416,222 or 6.9% of the total General Fund budget. Highlights include:

- Completion of construction documents and permitting for Rocky River Greenway Phase One.
- Secure site control of Northwest Park property.
- Begin Afton Run stream restoration in Dorton Park.
- Complete site control of McEachern Greenway Phase Three.
- Begin design of Rocky River Greenway Phase Three.
- Completion of construction documents and permitting for Rocky River Greenway, Northwest Phase. Start bid process for construction.
- Resurface all tennis courts - \$64,032.

Other General Fund Financing Uses and Debt Service

Other Financing Uses: This function accounts for \$4,301,744 of the total General Fund budget. Highlights include:

- Transfer funds from the General Fund to the Transportation Improvement Fund for transportation projects - \$1,990,718.
- Transfer funds from the General Fund for the Rider Transit System - \$392,243.
- Transfer funds from the General Fund to the Aviation Fund to assist with operations/debt service - \$837,808.
- Transfer funds from the General Fund to assist with the debt payment for Rocky River Golf Club - \$997,205 and small operating losses expected from winter closure of course during greens renovations - \$38,770.
- Transfer funds from the General Fund to the H.O.M.E. Consortium Fund to help support eligible affordable housing activities in Concord - \$45,000.
- Payment from General Fund to the Electric Fund for street lighting on public thoroughfares - \$500,000.

Debt Service and Transfers to First Concord for Debt Service: This function accounts for \$3,364,016 of the total General Fund budget. Highlights include:

- Lease-purchase payments for fire station construction, vehicles, heavy equipment, and fire station furnishings in the General Fund - \$272,943
- 2009 and 2009B Revenue Bonds Refunding for the Alfred M. Brown Operations Center - \$332,190.
- 160A-20 COPS for Fire Department projects - \$465,173
- 160A-20 COPS for Police Headquarters and Communications Radio Shop Improvements - \$1,189,918
- LOBS 2010 (Limited Obligation Bonds) refunding Parks & Recreation projects - \$258,223.
- LOBS 2010 (Limited Obligation Bonds) refunding Downtown Parking Facility - \$284,048.
- LOBS 2010 (Limited Obligation Bonds) refunding Fire Department projects - \$232,403
- LOBS 2010 (Limited Obligation Bonds) refunding Transportation projects - \$232,403

MUNICIPAL SERVICE DISTRICT FUND: The Municipal Service District fund for FY 2011-12 totals \$73,900 compared with \$74,275 for the current, amended FY 2010-11 budget. This fund serves as a pass through agent for the Concord Downtown Development Corporation. The Municipal Service District tax rate is recommended at \$.018 for FY 2011-12, the same rate as FY 2010-11.

CDBG FUND / HOME FUND: The CDBG and HOME Funds for FY 2011-12 total \$698,020 compared with \$777,299 for the current, amended FY 2010-11 budget. Highlights include:

- Continue to assist senior citizens and low to moderate-income families with emergency repairs to their homes.
- Continue rehabilitation activities for Clearwater Artist Studio on Kerr Street.
- Encourage homeownership for low to moderate-income buyers through down payment assistance using HOME funds from the US Department of Housing and Urban Development.

TRANSPORTATION IMPROVEMENT FUND: The Transportation Improvement Fund for FY 2011-12 totals \$2,268,718 compared with \$2,688,792 for the current, amended FY 2010-11 budget. Highlights include:

- Continuation of the Pedestrian Improvement Plan including extension of sidewalk infrastructure in high pedestrian travel areas around the City – increase to \$150,000 annually per Council goal.
- Accumulation of monies from the Transportation Improvement Fund to fund the local match for Derita Road improvements due within the next 2-3 years.
- Provide initial local match funding for environmental and planning documents for NC 3 / US 601 Intersection Improvements - \$240,566.
- Provide \$10.7 million loan to NCDOT to complete funding in FY 12 for the extension of George W. Liles Boulevard.

SECTION 8 VOUCHER FUND: The Section 8 Voucher Fund for FY 2011-12 totals \$3,413,637 compared with \$3,426,500 for the current, amended FY 2010-11 budget. Highlights include:

- Continue to ensure staff is kept abreast of all new HUD changes that are taking place.
- Maintain high performance score on Section 8 Management Assessment Program.
- Maintain performance standard for submission of participant data to the Department of Housing and Urban Development at a reporting rate of 95% or more monthly.
- Continue to focus on homeownership and family self-sufficiency programs to assist our voucher program participants.

\$5 VEHICLE TAX FUND (TRANSIT): The \$5 Vehicle Tax Fund (Transit) for FY 2011-12 totals \$275,000 compared to the current, amended FY 2010-11 budget of \$250,000. Highlights include:

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

STORMWATER FUND: The Stormwater Fund budget totals \$3,604,157 for the FY 2011-12 budget year. This represents a decrease of 2.8% from the current, amended FY 2010-11 budget of \$3,707,453. Highlights include:

- Increase participation in Adopt-A-Stream program.
- Replace culverts on Spring Street and James Street - \$156,000 each
- Transfer remaining funds to local match requirement of Army Corp of Engineers Concord Stream Restoration project - \$275,254.
- Set aside funding for future projects that will be identified by the Second Basin Master Plan process - \$603,236.

ELECTRIC FUND: The Electric Fund budget totals \$76,965,186 for the FY 2011-12 budget year compared with the current, amended FY 2010-11 budget of \$70,615,979 (a 9% increase). Highlights include:

- Rising costs of wholesale purchased power from Duke Energy (estimated to be 8.5% increase over FY 2010-11).
- Continue tree replacement program, which encourages re-planting of low growing trees in order to minimize future maintenance of power line rights-of-way and improve reliability of electric service to customers.
- Upgrade additional aging vaults/equipment in Downtown underground system - \$150,000.
- Scheduled replacement of 1 mid-size Bucket Truck - \$115,000.

- Completion of Substation K at International Business Park - \$1,300,000.
- Various infrastructure installations and upgrades to the system (due to aging or newly identified needs - \$1,300,000.
- Contribution of \$250,000 to the Rate Stabilization Fund.
- Transfer of \$520,000 to General Fund for payment in Lieu of Taxes on behalf of the Electric System.

WATER FUND: The Water Fund budget for FY 2011-12 totals \$23,436,128 compared with the current, amended budget of \$19,213,209 for FY 2010-11. Highlights include:

- Transfer to project fund for the repair of Clearwell Tops at Hillgrove WTP due to deterioration - \$250,000.
- Sludge Removal (done every 2 years) at Coddle Creek WTP (funded with \$250,000 from recommended FY12 budget and \$250,000 from retained earnings restricted in FY11 for this purpose)
- Provide funding for waterline replacement at Burrage Road Bridge - \$203,500
- Continue waterline and valve replacement program - \$240,000
- Fund City's portion of the Albemarle/Yadkin River Waterline construction project through appropriation of retained earnings - \$4,773,195

WASTEWATER FUND: The Wastewater Fund budget for FY 2011-12 totals \$14,170,270 compared with the current, amended budget of \$14,328,499 for FY 2010-11. Highlights include:

- Provide funding (as budget allows) for replacing, upsizing and relining our aging infrastructure to ensure we have an adequate system for future development.
- Continue to invest in pipe lining for wastewater lines - \$565,000.
- Replacement purchase of 1 Jet Vac truck for sewer cleaning - \$339,908.
- Complete the outfall replacement for the remainder of the Larkhaven project.
- Replace defective sewer mains/aerial crossings: Epworth Methodist, Ramsgate, George Liles Outfall upgrade, Elm Street @ Boys Club and Hatley Circle mains. Stewart Street, Sign Drive, Broad Street and Cascade aerials.
- Continue our flow monitoring program to identify system defects so they can be repaired thus reducing Inflow & Infiltration.

PUBLIC TRANSIT FUND: The Public Transit budget for FY 2011-12 totals \$2,740,738 compared with \$4,097,594 for the current, amended FY 2010-11 budget. Highlights include:

- Continue funding Concord's share of "Concord Express" and Rider System.
- Maintain Transit website to improve its ease of use for customers and provide new real time customer service news update features.
- First full year of operation for the central Transit Center as a one-stop shop, allowing all complaints, ticket sales, and information requests to be handled at a single location.
- Provide funding for a part-time Customer Service Specialist position to work evenings/weekends.

GOLF COURSE FUND: The Golf Course Fund budget totals \$2,358,597 for FY 2011-12 compared with \$2,504,112 for the current, amended FY 2010-11 budget. Highlights include:

- Maintain ranking as one of the top 100 courses in North Carolina.
- Complete installation of new HVAC system for pro shop and clubhouse.
- Complete greens restoration project to begin in the second half of fiscal year - \$250,000.
- Begin new five year contractual period with JQH Hotels Management, LLC for the management of the golf course.

AVIATION FUND: The Aviation Fund budget for FY 2011-12 totals \$12,185,919 compared with \$9,653,910 for the current, amended FY 2010-11 budget. The increase is due to the higher cost of fuel. Highlights include:

- Continue primary focus on Security, Safety, and providing outstanding Service.
- Preparation for 2012 DNC.
- Complete Fire Suppression System repairs and upgrades - \$345,000.
- Explore new radio system for line operations.

- Maintain the 139 certification for Concord Regional Airport.

PUBLIC HOUSING FUND: The Public Housing Fund for FY 2011-12 totals \$1,161,883 compared with \$1,254,644 for the current, amended FY 2010-11 budget. Highlights include:

- Provide residents access to and utilization of resources of technology and computer training classes.
- Provide residents access to resources for the development of skills in conflict resolution.
- Establish a Youth Leadership Council to foster leadership development, civic involvement of youth in the community (developments, neighborhoods, city, state, nation and world).
- Provide Leadership Training to the officers of the Resident Council.

INTERNAL SERVICES FUND: The Internal Service Fund for FY 2011-12 totals \$9,035,960 compared with \$11,376,160 for the current, adopted FY 2010-11 budget. The decrease is attributed to the movement of the Fleet Services budget unit into the General Fund. The Internal Service amounts are charged back to user departments and are reflected in each department or fund's recommended budget amount. Highlights include:

- *Utilities Billing* – Replace one mobile collector unit to increase efficiency in drive-by meter reading capability - \$44,000
- *Purchasing* – Upgrade bar coding equipment and software to improve inventory controls and efficiency in the Warehouse - \$51,870.
- *Data Services* – Begin upgrade of City's network infrastructure.
- *Data Services* – Replace Annex Building and Airport Novell Servers.
- *Data Services* – Evaluate Cloud Computing, Smart Phones as a low cost field laptop replacement alternative, and Mobile 311 as a smart phone application for Cityworks.
- *Data Services* – Prepare implementation plan for Microsoft Exchange email system.
- *Customer Care Center* – addition of 1 part-time position to assist citizens in peak call times.

PERSONNEL HIGHLIGHTS

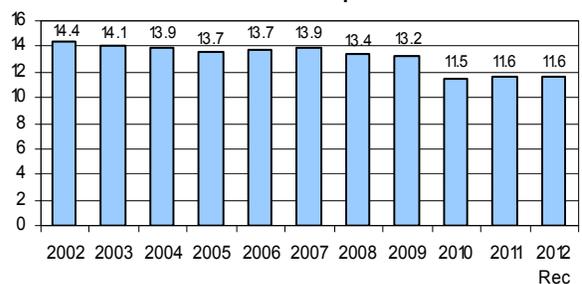
Personnel expenditures include salaries, FICA, group insurance, retirement, 401K, longevity pay, merit pay, and other miscellaneous benefits for co-workers. Contract, legal, medical, and other outside professional services are not included under personnel. They are included under the Operations category. For FY 2011-12, personnel expenditures account for \$56,806,602 or 27% of the total budget.

It is recommended that the City increase each full-time employee's annual salary by the modest amount of 1.5% or \$600 (1.5% or \$300 for regular part-time employees), whichever is larger, effective for all those receiving a probationary increase after

July of 2011, and the first full pay period in December of 2011 for all others. Any coworker receiving a rating of "meets expectations" or better on his/her last evaluation prior to the new evaluation system trial period would have this amount added to their annual salary. It is not recommended that the ranges in the pay structure be adjusted. Management would have preferred to recommend a higher performance based increase; however, financial limitations would not allow this across funds. Also, the City's annual salary survey did identify the need to adjust salaries for a very few classifications that were found to be behind the labor market. Monies are budgeted to implement the study findings. Certainly the City will have to pay particular attention to the action of other local governments in the region to make sure salaries remain competitive. Funding is also included to continue the longevity plan for those hired before July 1, 1996 and to continue existing career development plans.

Staff continues to work hard on a new performance evaluation system that it is focused on rewarding coworkers who provide the best in customer service and incorporates measures to make sure that departmental performance measures are reflected in individual evaluations. This is important to continue

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



our emphasis on customer service and relating organizational goals to individual performance. New forms have been developed and software acquired so the evaluation process can also be automated. Most importantly, training is taking place so all that use the system will understand the City's principles and how to use the process to promote good work.

The budget adds one middle school resource officer in the Police Department to be assigned to the new Harold Winkler Middle School. Two part-time Customer Service Specialist positions are proposed to help with the increasing call load in the Customer Care Center and to help staff the Transit Center.

No other new positions are recommended for funding in this budget and 12 vacant positions are recommended for elimination. The eliminated positions are as follows:

General Fund (8 positions)

Public Services Administration:

1 – Executive Assistant

Solid Waste & Recycling:

2 – Utility Service Workers

Planning & Neighborhood Development:

1 – Planning & Development Assistant

1 – Senior Planner

Internal Service Fund (1 position)

Purchasing:

1 – Warehouse Clerk

Other Funds (2 positions)

2007 ROSS Homeownership Grant:

1 – Housing Specialist

Radio Shop:

1 – Communications Technician

Parks & Recreation:

1 – Parks & Recreation Coordinator

1 – Planner

Wastewater Fund (1 position)

1 – Utility Service Worker

Networks Neighborhood Grant:

1 – Housing Specialist

A total of 917.5 full-time equivalent positions are recommended for funding, excluding the frozen positions listed below. At the present time, 16 full-time and 5 part-time positions are frozen with more subject to be frozen if they become vacant. The frozen positions are as follows:

General Fund (8 positions):

Emergency Communications:

1 – Telecommunicator

Police:

1 – Customer Service Specialist

Planning & Neighborhood Development

1 – Senior Planner

Parks and Recreation:

1 – Parks & Recreation Supervisor

1 – Parks & Recreation Specialist

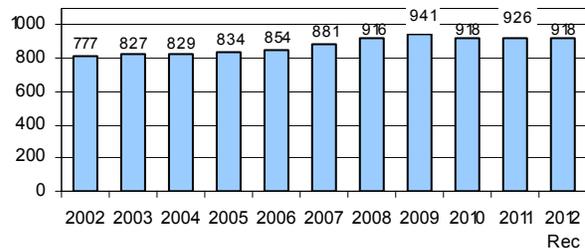
Electric Fund (3 positions):

1 – Project Engineer

1 – Electric Systems Technician I

1 – Utility Locator

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



Solid Waste and Recycling:

1 – Utility Service Supervisor

2 – Equipment Operators

Water Resources Fund (2 positions):

1 – Staff Engineer

1 – Utility Service Worker

Aviation Fund (1 full-time, 3 part-time positions):

1 – Custodian/Courier

3 – Aviation Assistant (10 hours/week each)

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

Building and Grounds:

1 – Utility Service Supervisor

2 – Custodian (20 hours/week each)

Engineering:

1 – Staff Engineer

Unfortunately, health care costs continue to increase. The City's unique 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 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.

While costs have increased, the City has built up strong reserves in the health care fund using dollars appropriated by the City, combined with those paid by coworkers through their premiums. The reserves exceed what is needed to provide emergency coverage, even for an extremely costly year. Therefore, it is recommended that health care premiums remain the same and the extra funds in reserve be used to offset any additional costs to pay actual claims. This does mean premium costs will very likely need to be increased in FY 2012-13.

One reason the plan has extra reserves is the Wellness Center. The Wellness Center is for City coworkers and dependents on the medical plan and provides such services as conducting physical examinations, diagnosing and treating health problems, ordering and interpreting diagnostic tests, prescribing medications and providing health information and wellness training. While the clinic is not intended to replace the coworker's primary care physician, it has assisted in controlling insurance costs, sustaining the health of coworkers, reducing absenteeism and improving productivity. There were 2,854 visits in calendar year 2010 which resulted in \$23,575 co-worker savings, \$146,680 in HRA Fund savings, and \$108,093 in productivity gained. There were also 14 referrals to the emergency room for critical situations.

The North Carolina Local Government Employees Retirement System increased the City's contribution per general employee from 6.35% to 6.88% of payroll for FY 2011-12. Contributions for law enforcement officers increased from 6.82% to 7.35%. This increase was less than projected because there was some rebound in Retirement System investment earnings. Actuarial numbers show the City's contributions continuing to increase over the next four years. The increase this year totals over \$266,000 in additional expense across funds.

The budget also maintains the City's 401(k) contribution for coworkers at 3.5%. By State mandate, the city contributes 5% to accounts for sworn law enforcement officers. If increases to the regular retirement system continue to rise, this will impact the City's future ability to contribute to 401(k) accounts.

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

As with other retiree benefits, these health care plans have gone through drastic changes over the years. They started with large private employers, with governmental employers jumping in later as the struggle to compete with the salaries and benefits in the private sector became more pronounced. State governments, including North Carolina, jumped in next to cover teachers and other employees. At one time, over two-thirds of large private sector companies provided some type of retiree health care. Now

about one third of large private sector organizations provide retiree health care. However, the majority of state and local governments still provide retiree health care at some level.

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

MAJOR REVENUE SOURCES

General Fund: The General Fund budget for the 2011-12 fiscal year totals \$64,371,850 compared to the amended budget of \$69,569,166 for FY 2010-11. It is important to note that the amended 2010-11 budget includes a one time appropriation from fund balance in the amount of \$4.1 million which funded capital and major improvements such as golf course renovations, fire trucks and recycling carts. Factoring out transfers, financing proceeds and appropriations from fund balance (non operating revenue); there is a revenue decrease of \$110,602 (less than 1%) when compared to the current amended budget. The small decrease in revenues of the City's General Fund budget proposal is a result of continued efforts of departments to maintain their existing operating budgets in a time when the City is not experiencing any significant revenue growth. Although the City is no longer experiencing large revenue declines, current economic conditions continue to keep most City revenues flat. The City has also felt the effects of the Philip Morris plant closure, which has impacted property tax values, resulting in an additional 2% decline in assessed values for FY 2011-12. 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 2011-12 fiscal year, except the Beer and Wine tax reimbursement. This source was reduced by 2/3 in fiscal year 2010 and the City is assuming the State will again hold these funds. This equates to an approximate \$200,000 loss in revenue for the City.

Property Taxes: The budget is balanced with a property tax rate of \$.42 per \$100 valuation. This will yield \$41,054,885 in ad valorem tax revenue based on an average collection rate of 97.70%. The tax base used in this budget preparation represents a 2% decrease in property values for a total valuation of \$9,953,592,028 (including motor vehicles). One cent on the City's tax rate produces \$966,602 in revenue, after the City's estimated collection rate is applied. This rate compares favorably to past City tax rates and is one of the lowest in the state among medium to large size cities.

Sales Taxes: Local sales taxes levied by the City and County comprise 2.25% of the total 6.75% sales tax paid on retail sales in North Carolina. The local sales tax portion consists of a 1-cent tax that was first levied in 1971, a ½-cent tax levied in 1983, a ½-cent tax levied in 1986 and an additional ½-cent that was levied July 1, 2003. Effective October 1, 2008, the State took over one quarter cent of the Article 44 local option sales tax and effective October 1, 2009 the state took over the remaining one-quarter cent of this local tax. The City will be completely reimbursed for the loss of this revenue with hold harmless payments. The State of North Carolina collects the sales taxes and distributes them to the local units. Sales taxes are estimated to be \$11,789,495 for fiscal year 2011-12. Sales tax allocations for Cabarrus County are based on proportional property tax levies. The City has projected a 2.5% decline in sales tax allocations for FY 2011-12 when compared to FY 2010-11 anticipated collections. No major tax increases were adopted in other jurisdictions located in Cabarrus County in the past fiscal year, but the current economy indicates that spending will remain low in the county. The City continues to apply a conservative approach when estimating this revenue source, as it is difficult to project when the current economy will rebound. The City currently projects that the sales tax decline will be 4% for fiscal year 2010-11.

Legislation passed during the 2001 session repealed the utility franchise tax on telephone companies and replaced it with a sales tax on telecommunications of 6% of gross receipts (now 7%). The estimated telecommunications sales tax included for FY 2011-12 is \$607,600, which represents no growth.

Utility Franchise Tax: As of July 1, 1999, each city's share of the utility franchise fee is based on actual receipts from companies that provide electricity. The State levies a 3.22% franchise tax on the total gross receipts of all businesses within the State that provide electricity. An amount equal to 3.09% of the total gross receipts of electricity service derived from the sale within any municipality is distributed to the municipality in which these gross sales are made. These funds are collected by the State and are distributed to the City of Concord based on the actual receipts from the providers for services provided within the city limits. This revenue source is expected to be \$2,141,420 for FY 2011-12, which is also the anticipated collection for the current year.

Powell Bill Street Allocation: These funds represent redistribution by the State of a portion of the motor fuel taxes collected. The use of these funds is restricted to maintaining, repairing, constructing, reconstructing or widening any public street or thoroughfare within the City limits. Bridges, drainage, curb and gutter and other necessary appurtenances are also approved uses of these funds. One-quarter of distribution is based on the number of miles of local streets in the City and the remainder is distributed on a population basis. These funds are expected to provide \$2,096,560 for FY 2011-12, 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 or in some years is reduced.

Privilege License Taxes: Each business activity operating within the City limits is required to purchase a privilege license to conduct such business. These taxes are a revenue measure provided to cities by the North Carolina General Statutes. Staff recommends continuing a gross receipts basis for our privilege license ordinance. A total of \$970,000 in revenues has been estimated in this budget, which represents no growth when compared to current year estimates.

Fund Balance: The City's undesignated General Fund balance was \$36,741,965 as of June 30, 2010. It is anticipated that the City will meet our target goal of a 30-35% minimum General Fund undesignated fund balance at June 30, 2011. Our ability to maintain a healthy fund balance in previous fiscal years was attributable to the economic vibrancy present in the City of Concord and increases in available cash for investments, collection percentage of property taxes, and conservative estimates on revenues. As the City is now experiencing a slowing economy, our conservative policies and procedures are even more important. The recommended budget does appropriate \$150,162 from General Capital Reserve Fund balance for one time capital expenditures. In FY2007-08 the City created a General Fund Reserve to begin preparing for future projects and each year the City contributes available resources to this Capital Reserve Fund. Although these reserves (approximately \$9,000,000) now reside in a fund other than the General Fund, and are no longer included in the City's General Fund Balance, the amounts are still available for projects and capital designated by the City Council.

Special Revenue Funds: Municipal Service District tax will remain at the current level of \$.18 per \$100 assessed valuation. Also, included in the Special Revenue Fund is the budget request for Community Development Block Grant Funds, the H.O.M.E. Program, the Transportation Improvement Fund, the \$5 Vehicle Tax fund (Transit), and the Section 8 Housing Vouchers program. The special revenue funds total \$6,729,275.

Enterprise Funds: Stormwater, Electric, Water and Wastewater rates and charges will generate \$110,931,735 in revenues.

Stormwater: The Stormwater Fund is comprised of \$3,577,300 in operating revenue and \$26,857 in non-operating revenue. No rate or fee increases are proposed for the Stormwater program.

Electric Fund: The Electric Fund is comprised of \$76,710,354 in operating revenues and \$254,832 in non-operating revenues, with no appropriation from retained earnings. Electric revenues are estimated using the City's rate model. The proposed budgeted revenue does not include a rate increase. There will be a purchase power adjustment to rates of 6%, which will be effective with the September billing.

Water Fund: The Water Fund is comprised of \$18,265,394 in operating revenue, non-operating revenue of \$340,409, and an appropriation from retained earnings of \$4,830,325 for one time capital project costs for sludge removal and the Albemarle Waterline construction. Water revenues are estimated using no growth in consumption and no rate adjustments are recommended.

Wastewater Funds: The Wastewater Fund is comprised of operating revenue of \$14,057,433, non-operating revenues of \$112,837, and no appropriation from retained earnings. Wastewater revenues are estimated using no growth in consumption. No increase in wastewater rates is recommended.

Public Transit: The Public Transit budget is comprised of \$190,000 in operating revenue, \$1,882,994 in restricted intergovernmental revenue, and transfers of \$275,501. In FY 2011-12, Concord's General Fund contribution to the Transit system is \$392,243. There is a small fare increase proposed for the Transit System. The Smart Card per ride rate increased \$.10 for disabled, senior, medicare and student riders and \$.20 for all others.

Golf Course: The Golf Course Fund anticipates continued decreases in earned revenue for FY 2011-12 of 6% when compared to the proposed budget of the prior year. The downturn in the economy has affected rounds played and the business at the golf course. Revenue projections have been reduced due to a greens renovation project that will result in the golf course being closed a few months in the upcoming year. Although the closure has been planned for the slow months, there will be anticipated revenue losses. Total revenues are estimated at \$1,322,622 from operations and an additional transfer from the General Fund of \$1,035,975 the majority of which is designated towards debt service.

Aviation: The Aviation budget is comprised of \$10,747,702 in operating revenue, \$100,409 in non-operating revenue and a transfer of \$837,808 from the General Fund. An appropriation from retained earnings, \$500,000, is included for one time capital and improvements at the airport. Fuel Sales have been budgeted higher due to the increasing price of fuel. Current activity does indicate that fuel sales are beginning to increase.

Internal Services Fund: The Internal Services Fund – comprised of Data Services, Customer Service, Utilities Collections, Billing, Engineering, Fleet Services, Call Center, Buildings and Grounds and Purchasing – totals \$9,035,960 or an decrease of less than 20% over the current year adopted budget. The internal service fund budgets have decreased as the City is now direct charging many fleet costs to budgets. All costs within this fund are allocated among the Electric, Water, Wastewater, Stormwater, Aviation and General Funds based on percentages derived from a cost allocation method.

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

KEY RECOMMENDATIONS, ACCOMPLISHMENTS AND CHALLENGES FOR THE FUTURE

The revenues projected in this budget recommendation are based on a number of conservative assumptions. We hope local governments will begin to see revenues that reflect a stronger economy and we find our projections for FY 2011-12 to be too conservative. We feel it is wise to assume that sales tax revenues will be at best flat, based on our experience during FY 2010-11. We do know that the Philip Morris closure will continue to impact real property tax revenues directly and, as a result, sales tax revenues indirectly.

While this budget is designed to focus on the delivery of basic services we cannot ignore infrastructure needs, many of which existed even before the decline in the economy. We must prepare for the future, regardless of the financial constraints.

THE ECONOMY, REVENUES AND PHILIP MORRIS

The economic climate will be the biggest factor impacting future Concord budget recommendations. Unemployment continues to hurt sales tax collections and foreclosures have impacted property tax collections. It has been troublesome that sales tax revenues continue to be below previous year's receipts when other counties are seeing slight growth. Of course, some of this is related to the on-going weakness in the construction industry. These conditions have also led to a leveling off of growth in utility revenues. Experts are saying the recovery will continue to be slow, with local governments being some of the last institutions to benefit.

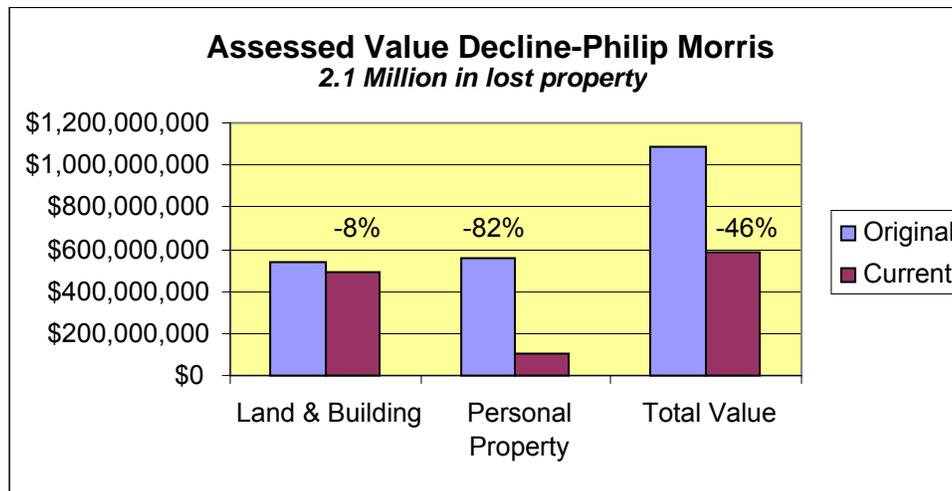
The City has reorganized to include an Economic Development & Sustainability Director position within the City Manager's office with economic development as part of the responsibilities to meet this challenge. This position provides a direct resource for the Cabarrus County Economic Development Commission staff and a liaison for any business seeking to locate or expand in Concord. Job creation and expansion of the tax base has to be a priority.

The challenges faced by the State of North Carolina are even greater. The State is in the process of making significant cuts as the loss of Federal stimulus dollars and the expiration of temporary sales tax increases has led to an even deeper hole for FY 2011-12. The good news is that as of the time this message was written, the General Assembly has not proposed to use State collected municipal revenues to balance the budget. However, State budget proposals will still impact Concord, at least indirectly. For example, the elimination of the Cabarrus County erosion control program in 2010 put that responsibility back on to the North Carolina Department of Environment and Natural Resources. Now, positions are proposed for elimination in the DENR office in Mooresville that services this area. This means not only decreased monitoring of environmental issues, but delays in review of development permits that help drive the growth within the County and City. This could force the City to provide such services to support future growth and environmental protection. Also, Powell Bill receipts continue to decline due to economic conditions and changes in driving habits. This decline could be accelerated if a hard cap on the gas tax is adopted.

While it has not surfaced in State budget proposals yet, there is still concern that the General Assembly will decide to keep local revenues that are collected by the State and/or will decide to force local governments to take over services provided by the State in order to balance their budget in future fiscal years, if not in FY 2011-12. For example, there has been discussion of turning over State maintained roads to local governments without providing for an adequate revenue source. The division of service responsibility and revenue sources with the State is likely to continue to be a hot debate for some time. If responsibilities for services are restructured, there must be an accompanying comprehensive review of revenue options available to local government. This will put even more pressure on legislators to consider a massive modernization of State and local tax systems.

The General Fund continues to feel the impact of the loss of Philip Morris and will do so until new development starts to take place on the property. We continue to plan for an eventual loss in tax revenues of at least \$3,000,000, with much of this decline already realized in the revenues projected for this budget. This loss in valuation also impacts Concord's sales tax receipts since the City's share goes down as its proportion of the overall tax assessment declines. Philip Morris has appealed its tax valuation for FY 2012, so we have been very conservative in projecting revenues from this source.

The impact of Philip Morris as a water and wastewater utility customer was fully realized a couple of years ago. A combined \$1.8 million in annual revenue has been lost, so any activity on the property will be a plus for these funds.



THE CABARRUS COUNTY REVALUATION OF PROPERTY

Sometime during FY 2011-12 Cabarrus County will release the results of the County wide reassessment of property values. It is anticipated that values will decline by at least 9% County wide. It is very possible that the decline in Concord will be even higher due to Philip Morris. This is unprecedented as traditionally the debate in Concord after a revaluation is over how much to lower the tax rate and if the budget should be “revenue neutral” or not. This time the term “revenue neutral” will take on a different meaning, as it would require raising the tax rate to achieve the same amount of revenue.

This will be a difficult decision for local elected officials in the County. Of course, Concord has already lost sales tax revenues due to the economy and property tax revenues from Philip Morris over the past three years, so just being at a revenue neutral level will not gain back those dollars. Staff will need to start discussing this challenge with Council as soon as this information is available so we can prepare for the level of services Council will seek to provide for FY 2012-13. Our budgets are such that we will not be able to adjust to a loss in revenue without impacting services.

GROWTH MANAGEMENT

The financial challenges in the wastewater fund also point out some of the ironies of the current economic situation. Growth management has been one of the biggest challenges facing Concord over the last ten years and has been a highly charged issue County-wide. Cabarrus local governments and Concord in particular, have come a long way in trying to control housing densities and requiring higher development standards in rural areas.

However, we are now learning a good lesson in what happens when you anticipate growth and you end up in a “no growth” environment. In 2008, Concord worked with Cabarrus County to adopt a Central Area Plan that discourages development at suburban densities in a specified area of the County in order to promote in-fill development in other locations where infrastructure already exists. However in one part of this area, Cabarrus County already approved residential developments, which led Concord to construct a sewer system to serve the basin. Concord designed the system to minimize the use of pump stations for environmental reasons. The one subdivision within Concord served by this system went bankrupt and could not live up to its legal obligation to pay for its share of the system. The other subdivisions approved by Cabarrus County have not materialized. The City has had to assess the largest property owner in the subdivision within the City limits, so pay back is much slower. If these other subdivisions were not approved in the County, the City would not have been reacting to these infrastructure needs and would have likely implemented a different strategy in providing wastewater services.

Our utility departments have delayed infrastructure projects required to meet future needs as they would result in little new revenue because a lack of customers due to the economy. Rate increases would be needed to pay for these capital projects because there would be little to no new income. At the same

time, there is the risk of having to move forward on these projects quickly should growth mandate that they take place. We must be prepared to use reserves to respond to new growth should opportunities arise.

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

A key tool for growth management for municipalities is annexation. The City has initiated the process to annex 10 "doughnut hole" areas that are surrounded by the Concord City Limits. On the other hand, the City is not moving forward with other annexations that meet all of the current statutory requirements due to pending bills in the General Assembly that will likely drastically change the rules for these types of annexations. The wording of the primary bill is very disappointing as it will likely force some cities to make hard choices to limit services in a way that will prove to those living outside City limits that they have been benefitting from these services. That will likely generate complaints from the same people and request for legislation to force municipalities to provide these services so they can continue to enjoy them for free, or at a rate subsidized by municipal taxpayers. It is very unfortunate in a state that is now urban in nature that the majority of taxpayers are forced to subsidize others.

Development at urban densities adjacent to a city should be municipal.

ORGANIZATIONAL SUSTAINABILITY

Sustainability efforts have been underway in several City departments well before FY 2010-11. Much has been done through the City's Fleet Department. The "No Idling" policy has been crucial for both fuel conservation and air quality improvement. Studies indicate that if a vehicle is going to idle more than 10 seconds, it should be switched off. This does not harm the engine. Biofuels are being used in City vehicles in warmer months when they can be used efficiently. Hybrid vehicles are being incorporated in the City's fleet in the vehicle replacement cycles. Public transit is being provided through the CK Rider system to reduce the number of vehicles on the roads to improve air quality, as well as serving citizens without personal transportation.

City staff throughout the organization, with efforts at the Brown Center providing the catalyst, have been switching off lights, computers, monitors, printers and other office equipment whenever they are not in use. This has already yielded an 11% reduction in power consumption at the Brown Center. City staff continues to recycle office paper, newspapers, and drink containers at City facilities, as well as promoting recycling aggressively to the City's residents and businesses. Water conservation continues to be a priority and is promoted to the City's residents. Incandescent light bulbs are being replaced with CFLs and LEDs in settings where they are a suitable light source. The City continues to be a leader in promoting recycling and educating the public about the sustainable handling of waste products, including buying and using items that minimize waste.

With the Economic Development & Sustainability Director position now in the City Manager's Office, the City has a single point of contact for sustainability, among other responsibilities. That individual will be partnering with the City Sustainability Committee, comprised of coworkers from several departments. Sustainability efforts internal to the City organization will be the focus in the next year. The director has reviewed the many sustainability efforts already underway. He is working with City's Purchasing Manager to draft a sustainable purchasing policy for consideration by City Council. Goals for that policy may include purchasing products that are sustainably manufactured, products which can be recycled, products that create minimal waste, and those which are cost effective. Input from City departments will be an important part of developing that policy.

While sustainable solid waste handling will receive ongoing attention, energy cost reductions will also be pursued and monitored to expand on pilot program accomplishments of the past year. As part of working toward that goal, energy saving practices and monitoring initiated at the Brown Center will be expanded to other City facilities. Coworker education will be conducted on how to conserve on electric power

consumption. Another part energy cost reductions involves the City's fleet of vehicles and equipment. There will be continued monitoring of fuel usage by departments and the promotion of efforts to increase fuel savings coworkers have already accomplished.

Through the position in the City Manager's Office, the staff will be identifying local, regional and national partners to serve as resources in the City's pursuit of becoming a more sustainable community. The staff will begin work on a broader sustainability plan for consideration by City Council with the intent of laying out a strategy to make Concord a more sustainable community in the long term, addressing environmental, economic and social elements of sustainability appropriate for the City to pursue.

NEW WATER SOURCES AND EXISTING WASTEWATER NEEDS

While demand may not be growing significantly in the current economic environment, Concord cannot wait to move forward to prepare for the future and expand its supply of potable water.

Concord, Kannapolis and Albemarle are jointly funding the engineering work necessary to construct a line to bring treated Yadkin River water from the Albemarle system. The engineering plans will be completed by the end of FY 2011-12, so right-of-way acquisition and construction can follow. The three municipalities are currently exploring if the respective funding obligations for construction of this line should be covered in one joint financing arrangement or separately. If it is done jointly, it is likely that Concord will have to take the lead in borrowing the money. These plans will need to be worked out during the fiscal year while the engineering is finalized.

Concord continues to be a leader in water conservation and this long term commitment has been memorialized in an Interbasin Transfer settlement agreement with the Save the Catawba River Coalition and the Catawba Riverkeeper Foundation. This settlement provides clear direction for obtaining water from the Catawba River. Much of the settlement reflects specific steps Concord and Kannapolis are taking to promote best practices in water conservation and to a schedule for our use of water from the Catawba River. This includes continuing to utilize water pricing techniques to encourage conservation. The settlement also provides for Concord and Kannapolis to use no more than 3 million gallons per day (GPD) from the Catawba River until the cities are using at least 5 million GPD from the Yadkin River. After this 8 million GPD is in use, the rest of the 12 million provided through the Interbasin Transfer Certificate is unrestricted. Waterline connections already exist to utilize the Catawba through the Charlotte/Mecklenburg Utility Department, though they have not been used in recent years other than for maintenance purposes.

The budget includes funds to expand Concord's best practices conservation programs as outlined in the settlement agreement. This includes, but is not limited to:

- Leak Detection Program - \$20,000 is included in the Waterlines budget for contracted leak detection services. The goal is to perform this on 10% of our distribution system annually.
- Low Flow Toilet Credit Program - \$10,000 is also included in the Waterline budget to off-set the revenues reduced by this credit program. This will offer a credit on the next water bill if customers replace existing toilets with low flow toilets. The credit will be available for homes built before 1984.
- Install High Efficiency Toilets in City Facilities – Buildings and Grounds is starting the process of replacing low efficiency toilets in older City buildings where practicable.

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

As mentioned earlier, the wastewater budget is very tight with limited dollars available to meet future capital needs. The recommendation does include funds for maintenance of the system, particularly in

areas of Concord where aging lines are more likely to lead to rainfall infiltration. There is no wastewater rate increase recommended, however, it must be noted as growth returns in future fiscal years there will be a need for additional revenue to address critical needs.

ELECTRIC SYSTEM

During FY 2009-10 and FY 2010-11, the City implemented the results of the most comprehensive evaluation of the municipal electric system that has occurred since its beginning over 100 years ago. The study included a cost-of-service and revenue study, comparison of service levels and efficiencies with other benchmark electric providers and an analysis of the financial interrelationships between the Concord electric system and other City utility and non-utility functions. This study was necessary due to the dramatic changes that have occurred in the energy sector. Economic conditions have impacted the growth in consumption at the same time that alternative fuels and energy conservation have become a nationwide focus. The City's contract to purchase power from Duke Energy is now 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.

The Council adopted new policies on setting rates based on purchased power costs and factors that include operation and maintenance expenses, debt service requirements, maintaining reserves and a payment in lieu of taxes. Customer rate classes were updated to better reflect the market. The rate increases Council adopted as a result of the study have put the system back on solid financial ground. Policies now also include a mechanism to recover the costs of purchased power. This purchased power adjustment provision will be used in FY 2011-12 in September and again in the spring. It will be crucial for the City to use this mechanism to continue to pass on wholesale increases imposed by Duke Energy to maintain an operating margin that will allow for proper system maintenance and to meet the capital needs of an expanding customer base.

As in other service areas, sustainability is a goal. This budget contains money to start a program that will provide a rebate for homeowners installing high efficiency heat pumps.

SOLID WASTE

Council approved a schedule of new solid waste collection methods in November of 2010 in order to be prepared to implement them at the start of the new fiscal year. The FY 2011-12 budget recommendations reflect the implementation of these changes. As noted earlier, these new methods will eventually save the City approximately \$1.7 million in collection costs. This is crucial as it helps to partially offset the decline in City revenues due to the economy and Philip Morris.

The automation of the garbage collection services provided to most residents will require the use of a truck that can pick up the carts and empty them into the truck using only one worker to operate the equipment. This means that all garbage will need to be bagged and inside the cart, and proper cart placement will be essential so the driver can use a mechanical arm to pick it up. The contract with the new private provider, Waste Pro, calls for the City to pay for service of one cart per single family household. The City will pay the private provider for the collection of garbage in that cart once a week. If a resident generates more garbage than can be bagged and placed in one cart, then that person will need to order another cart from the City and pay for the additional service. This is designed so that the majority of residents that are able to manage with one cart are not paying taxes to subsidize the cost of those who cannot.

To assist residents with reducing their waste so that one cart for garbage is adequate, Waste Pro will also start collecting recycling with the same type of truck so recycling materials can be placed in a 96 gallon container provided by the City and collected every two weeks. This will allow residents to "roll" their recycling to curb rather than carrying multiple bins and will also allow customers to recycle more items than can be recycled now. Residents in other municipalities have found this to be far more convenient, resulting in increased levels of recycling. If residents can put more of their materials in the recycling cart,

then it should reduce any need for a second garbage cart. Of course, this method will also save the City money on the collection contract.

Residential yard waste will continue to be collected on a weekly route, just like garbage. However, after evaluating how other types of solid waste materials are collected to look for money saving efficiencies, the City changed to pick-up several items on a call-in basis. Call-in was required to schedule collection of bulky waste, appliances (or white goods), swing sets and tires effective January 1, 2011. Bulky waste collection continues to be limited to 10 cubic yards.

Electronic waste (such as televisions and computers) will be collected on a call-in basis effective July, 2011, reflecting new State regulations impacting these items. A new law has banned electronic waste from landfills so they must be recycled. Many local governments will find it necessary to ask residents to take these to a central facility. Concord will offer this service curbside.

AIR AND SURFACE TRANSPORTATION

Concord Regional Airport (CRA) continues to be a vital resource in supporting the business and general aviation communities. One of the major projects over the next two fiscal years will be repairing and upgrading the system providing water for fire suppression. \$345,000 is budgeted for FY 2011-12

Another factor will be preparation for 2012 Democratic National Convention in Charlotte. The event will be held in September of 2012. The Democratic National Committee estimated that the convention brought 50,000 people to Denver, the last site of this event. The Convention and associated activities will likely bring many general aviation flights into CRA and create the need for heightened security. Staff has already begun meeting with those planning for this event to prepare to provide these resources and to position CRA to benefit from the extra business.

Surface transportation

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

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

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

Concord has already invested heavily in NCDOT facilities. In fact, the City of Concord has averaged spending \$2,000,000 per year on maintenance and improvements associated with NCDOT roads. Much of this money has been generated from the Transportation Improvement Fund created by the City Council over 10 years ago to fund transportation projects. These funds come from 2 cents of the property tax rate and are supplemented by dollars generated from local vehicle license fees. Smaller intersection improvements on NCDOT facilities like Poplar Tent Road, US 29, and NC 73 have been covered by this fund and the City has also constructed projects such as the major extension of the NCDOT maintained section of Weddington Road. FY 2011-12 will see a number of such projects underway or in preparation for construction.

Projects impacting NCDOT facilities that are programmed with Concord participation

I 85 Widening Project (I-3803-B) - This project adds lanes and increases capacity from I-485 in Mecklenburg County to NC 73 in Concord. It will replace the interchanges at Poplar Tent Road and NC 73 with “diverging double diamond” interchanges. Concord is participating with NCDOT to provide sidewalks and bicycle accommodations along both Poplar Tent Road and NC 73 for the sections impacted by the project.

Morehead Road (U-5145) - NCDOT is providing \$3.5 million dollars to relocate and improve the portion of Morehead Road running parallel to the Lowe’s Motor Speedway property. This improvement will enhance pedestrian safety and vehicular movements, particularly during Speedway events. It will also include changes that will improve traffic movements at all times, particularly at the intersection with US 29. The City of Concord has paid for additional engineering and will contribute another \$1.5 million to the construction project. The project is substantially complete and traffic is now utilizing the new relocated section of roadway. The estimated completion is July 2011.

Derita Road (U-4910) - This is a project to widen a facility that is used as a connector between I-85 and I-77 and even I-485, and serves as a main entryway to the Concord Mills area from northern Mecklenburg, southern Iredell and western Cabarrus counties. It is also a rapidly growing industrial area with many NASCAR related businesses, including Sprint Cup teams and the NASCAR Research and Development Center, located along the road and provides the only access to Concord Regional Airport. Traffic congestion is choking this corridor; as a result, the City of Concord sought Federal monies to assist NCDOT in solving the problem. Unfortunately, most of the Federal money allocated ended up being subject to the equity formula, so Concord had to “trade off” and delay the larger Poplar Tent Road widening project through a requested TIP priority change in order to add Derita Road. Even with this change, Concord was required to pick up the total cost to match the Federal funds for this NCDOT Road. The match is estimated to be \$3,036,763. Concord and NCDOT have entered into a Municipal Agreement, AECOM has been contracted to perform the design and permitting with right-of-way acquisition scheduled for 2011-12 and construction to begin in 2013.

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

CMAQ - Concord is working with NCDOT on CMAQ projects to improve NCDOT facilities. These include the intersection of Poplar Tent and US 29 (C-4918-A), which is currently under design. The estimated cost for this project is \$922,973 with Concord providing a 20% match. 25% design plans have been submitted to NCDOT for review. Construction is anticipated late 2011. Additionally, a project to provide lanes on South Union Street and Warren C. Coleman (C-4918-B) is scheduled for funding in the amount of \$1,294,915 with Concord providing a 20% match. Council approved the agreement April 2011 and Request for Proposals will take place summer 2011. Another active CMAQ project is on McCacheran Boulevard. The plans are 90% complete with construction contract anticipated late summer 2011. Funds are allocated to provide the match for each of these street and pedestrian improvements.

Cabarrus Avenue Bridge over Norfolk Southern Railroad (B-3421) - Replacement of the subject bridge is scheduled to begin in 2012 and take 12 months to complete. Concord is participating to add Texas Classic Railing, decorative lighting and sidewalks on Cabarrus Avenue. The project will also facilitate the closing of the at-grade railroad crossing on Corbin Avenue with modifications to Powder Street to accommodate the change in traffic pattern.

Public Transit including the potential for light rail

The RIDER Transit center on Ridge Avenue opened for business in 2010. This building, which is eligible for LEED certification has enabled the system to enhance service along existing routes. An Automated Vehicle Locator/passenger counter system and automated fare boxes were also implemented. Users transferring from one bus route to another are now able to take advantage of covered shelters and a main office facility containing restrooms and a customer service area. This is where the customer service and transit manager positions are housed. A part-time position is proposed to provide customer service coverage during some of the hours outside of the normal work week of the full time position.

Charlotte Area Transit System (CATS) continues to explore ways to extend the Blue Line from uptown Charlotte northeastward to the University area. It appears cost cutting measures will not provide for taking it all the way to the I-485 interchange. In the past, there have been discussions with CATS officials about crossing I-485 to serve the Concord Mills / Lowe's Motor Speedway area. They indicated that light rail is feasible over a distance of 15 to 20 miles from the main transit center. That distance would encompass Concord Mills and Lowe's Motor Speedway, possibly even the Philip Morris property. However, the economy and the reduction in Federal funding are making this more difficult. However, regional transit has to be in the future for Cabarrus County.

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

Concord continues its successful partnership with CATS on the Concord Express running between the two cities. The budget also contains funds to continue the 79x route, providing limited service to the Speedway/Concord Mills area.

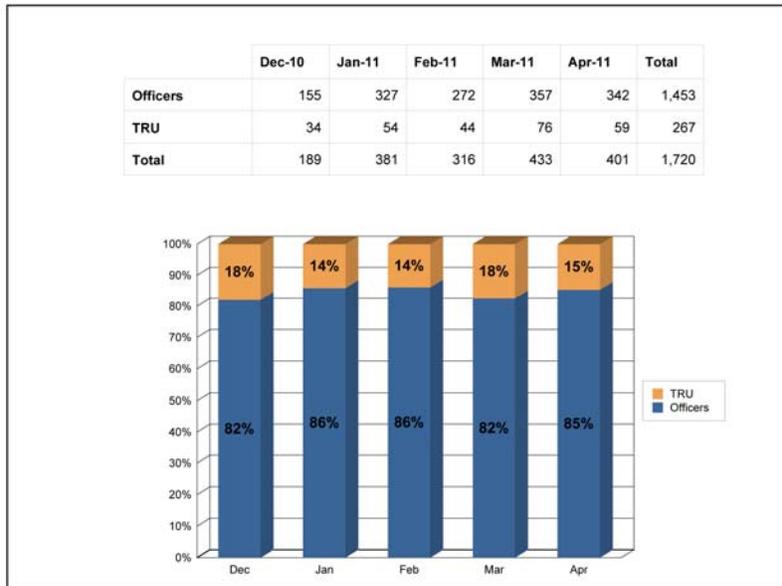
PUBLIC SAFETY

This budget recommendation includes one new School Resource Officer for the Harold Winkler Middle School. This is the only full time position recommended for any department.

Last year, however, Council approved adding two new Police customer service positions for taking information on calls where a personal response by a sworn officer would not contribute to the investigation. This change has worked, as it has in many other jurisdictions, in allowing non-sworn personnel to provide essentially the same service in a more efficient way, freeing up time for sworn officers. The Telephone Reporting Unit is now functional and is taking the following types of police reports:

- Frequent runaways (with supervisor approval)
- Misdemeanor larceny (less than \$1,000)
- Property Damage/Vandalism (except traffic crashes)
- Larceny of vehicles that occurred earlier
- Robbery from a person that occurred earlier (more than 24 hours)
- Fraud, Obtaining Property by False Pretense or Embezzlement
- Identity or Financial Identity Theft or Forgery
- B&E to storage buildings or detached garage
- Harassing phone calls (unknown suspect(s))
- Communicating Threats (unknown suspect(s))
- Stalking (known or unknown suspect(s))
- Minor assault (no injury, unknown suspect(s))
- Supplements to previously taken reports

The chart on the following page shows the impact of the Telephone Reporting Unit from December, 2010 through April, 2011.



The City has completed the construction of a temporary Fire Station 10 on City property located on Poplar Tent Road near the intersection with Harris Road. This station is staffed with the non-Airport related pumper and personnel from Station 6. Eventually, a permanent station will be constructed at this location. This alternative provides fire service to the newer neighborhoods in that area, while delaying the cost of new construction until the economy rebounds. Ironically, it also provides better fire protection for a number of neighborhoods outside the Concord City Limits, which will be more difficult to annex if the General Assembly approves the new statute as proposed.

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

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

In FY 2011-12 the City will be at the end of the second year of the grant and the beginning of the third year, so the FEMA supplement will go from 80% to 50% during the fiscal year.

A new platform ladder truck has been purchased for this company. The question is the permanent location of the truck and the new ladder company. It was originally thought that this would be accommodated with the renovation of Station 5 on Pitts School Road. It has since been determined that a location closer to the Rocky River on Weddington Road or further west would not only provide better protection, it could help support an enhanced Insurance Service Office (ISO) rating. Regardless if this is a renovation or new construction project, the cost of the improvements might be bundled with the debt for the George Liles Parkway Extension to support the financing for that project.

A new direction is being implemented impacting the City's radio communications infrastructure. The City's current system, which is also used by Kannapolis and Cabarrus County, is nearing the end of its useful life and Motorola has provided different dates on when they will no longer maintain parts of the system. There were several options available, from Concord maintaining a "stand alone" system to joining a regional system maintained by the City of Charlotte. Concord, Kannapolis and Cabarrus County

are working on an agreement with the City of Charlotte to utilize a UASI Grant they control for a \$900,000 software upgrade that will extend the current system a few years. However, Concord, Kannapolis and Cabarrus County will still have to purchase a new P-25 compliant system by 2015 or so as the current system will be obsolete and will have no maintenance support. It is hoped that by entering into this regional partnership with Charlotte, the Cabarrus entities will be better positioned to obtain grant funding to help with the purchase of the P-25 compliant system.

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

Because Concord built the original system and has charged Cabarrus County and Kannapolis for their portion of the cost of maintaining the local system, this new agreement with Charlotte will ultimately mean Concord will end up paying possibly over \$300,000 in annual maintenance costs and will result in the elimination of positions related to this function. Some of these new costs are reflected in this budget recommendation and one vacant position is already being recommended for elimination with another likely to follow later in the fiscal year. It is probably inevitable that the Federal and State governments are going to push local governments in the direction of shared systems and, if there are grants available, they will only be available for regional systems. The challenge of public safety in-operability has been a major issue since 9/11 and the Federal government only wants to pay for new technology if they perceive it is being implemented on a regional level.

There will eventually be three agreements related to this change. There will be an Inter-local Agreement with Charlotte regarding the UASI Grant, a governance agreement at the regional level that spells out what formal input the Cabarrus entities will have into the system operation and maintenance, and an agreement among the three Cabarrus entities that reflects a true partnership among Concord, Kannapolis and Cabarrus County, and not just Cabarrus County representing the two municipalities at the table in Charlotte.

RECREATION AND OPEN SPACE

While the recession has impacted the City's ability to be aggressive in constructing new projects, staff recommends using funds already set aside in reserve for recreation projects to take advantage of opportunities in FY 2011-12, particularly in the acquisition of property that can be used for the eventual development of new facilities. The City is currently exploring property off Weddington Road that could be used for a trail head and parking for that greenway. Local dollars are also included to match a PARTF grant and/or Carolina Trail money for another section of the Rocky River Greenway adjacent to Moss Creek, with the private donation of the land serving as an additional part of the match.

Funds are also earmarked for land acquisition for Phase 3 of the McEachern Greenway and for property that may serve as access if existing public lands can be used for the development of a northwest park.

The City is still very interested in the restoration of the portion of Afton Run running through Dorton Park. The erosion along the stream continues and will eventually put the playing fields in danger of being washed away. Staff believes in order to maximize the project; the property controlled by the YMCA should be included if possible. Council has approved an application for EPA funds with a total project budget of \$800,000. The budget includes the required local 40% match.

The Rocky River Golf Club continues to be one of the highest quality municipal golf courses in North Carolina. It is also a key attraction for those attending conventions in Concord, particularly at the Concord Convention Center. It is important that the course be maintained at this level. The budget recommendation contains money to renovate the greens to return them to their original size and to plant a strain of grass more tolerant during the hottest months of the summer. This will require the course to be closed during the early part of 2012, resulting in our projection of a loss of revenue, but is a necessary maintenance item due to the age of the facility.

CUSTOMER SERVICE AND CITIZEN COMMUNICATIONS

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

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

To continue this emphasis, City coworkers are now focusing on understanding the diversity that exists in our community as Concord continues to grow and more people move to this region from across the USA. "Train the Trainer" sessions were conducted so our own coworkers could help others in developing new skills. Sessions focused on cultural differences within the community and the organization such as gender, age, ethnicity, language and communication styles, social status, regional and/or nationality, physical ability, beliefs and values and professional experience.

The objectives of the sessions were:

- To reinforce the City of Concord's commitment to customer service
- To introduce a *Model for Success* required for delivering customer focused service
- To lay the foundation for understanding cultural differences
- To recognize the dynamics that can lead to cultural conflict in the workplace

The City also completed its biannual citizen's survey in 2010 and results were presented to City Council at the Planning Session in January of 2010. Overall, levels of citizen satisfaction increased. Departments have evaluated the specific responses related to the perceptions of their performance with the goal of continuous improvement.

Staff is finalizing a comprehensive update of the City's performance evaluation system that includes a focus on rewarding coworkers that provide the best in customer service and incorporating measures to make sure that departmental performance measures are reflected in individual evaluations. This is the next step in our emphasis on customer service and relating organizational goals to individual performance. This includes new forms detailing performance expectations and training of all supervisors and coworkers. It is anticipated we will begin implementation of this new system in September of 2011 on a trial basis.

Citizen communications 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. The Center handled 153,602 calls in 2010 for an average of 12,800 calls per month, representing an increase of almost 3,000 total calls over 2009.

EXTERNAL AGENCY FUNDING

For FY 2011-12, external agencies requested \$234,200 from the City of Concord. This compares to the \$129,874 appropriated for such purposes in FY 2010-11. 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. Cutbacks in Federal spending are leading to a reduction in the CDBG allocation for Concord and fewer dollars are available for external agencies.

The recommendations call for cuts in many of the agencies that received City support last year. \$80,500 of the \$163,700 requested is recommended from the General Fund. This is an 8.5% decrease from FY 11. \$39,500 of the \$70,500 requested is recommended in Community Development Block Grant monies. This is a 12% decrease from FY 11. The individual agency funding recommendations are included within the budget of their associated functional areas as directed by Council.

CONCLUSION

The FY 2011-12 budget proposal operationalizes the goals for the City of Concord established by the Mayor and City Council. The services, program and facility needs prioritized in the City Council Goals Statement were addressed. In addition, basic services have been maintained.

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

Respectfully submitted,



W. Brian Hiatt
City Manager