

Budget Message

May 19, 2022

The Honorable William C. "Bill" Dusch, Mayor
Members of the City Council
Concord, North Carolina

Dear Mayor Dusch and Members of the City Council:

I am pleased to present the Fiscal Year (FY) 2022-2023 Annual Budget for your review and consideration. This proposed budget represents the goals and priorities expressed by you at our annual planning session and budget workshop. Staff has worked hard to align your goals with the recommended projects and operational items. Continuous improvement is always at the forefront of our decision-making process.

The proposed annual budget was prepared in accordance with North Carolina General Statutes Chapter 159, Article 3, The Local Government Budget and Fiscal Control Act. All funds within the proposed budget are balanced, and all revenues and expenditures are identified for FY 2023. I want to offer a special thanks to our Assistant City Managers, Finance Director, Budget & Performance Manager, Senior Budget Analysts, and all Department Directors for their commitment to developing a budget that enhances the excellent service provided to our citizens.

Per the Cabarrus County tax collector's office, the City's updated assessed property values are \$15,259,110,068, which is a 5.8% increase over the previous year. One cent of the property tax rate equates to \$1,442,298 after the City's collection rate of 98.4% is applied.

The City-wide budget totals \$302,825,728 for all funds, including utilities and special revenue funds. This is an overall budget increase of 10.1% over the FY 2022 adopted budget. The recommended General Fund budget for FY 2023 is \$118,600,024 and maintains the tax rate at 48¢ per \$100 of valuation, which is the same tax rate since 2013. This budget continues setting aside the equivalent of 2.5¢ of the tax rate for use in the Transportation Improvement Fund, 1¢ for Parks & Recreation Projects, and 1¢ designated for Affordable Housing as mandated by City Council.

I am recommending the use of \$5,851,700 from the City's General Capital Reserve Fund for the purchase of Fire apparatus and the construction of an Equipment Shed to accommodate the move towards providing garbage and recycling services in-house. The anticipated General Fund Balance will continue to meet Council's goal of maintaining a Fund Balance target between 30% and 35% of expenditures. I am not recommending any use of Fund Balance in the FY 2023 budget.

No residential or commercial rate increases are anticipated for Water, Stormwater or Wastewater funds, despite a 4.7% increase in our wastewater treatment rates from the Water and Sewer Authority of Cabarrus County (WSACC). No changes are recommended in Electric base rates. If there is a need to consider an additional Purchased Power Adjustment, changes would be implemented based on the unpredictability of natural gas costs. In this fiscal year, the City will pursue revenue bonds for major capital improvements at our water treatment plants and for water line extensions. I am also recommending \$1,200,000 from the Utility Capital Reserve Fund to pay for construction of Electric's Substation S.

Per Council's direction, the focus of this budget is maintaining essential services and funding critical projects to maintain and improve the quality of life in a growing community. My recommended budget was developed with this focus in mind. What follows is a discussion of important considerations in the budget development process.

Contending with COVID-19

As we enter the third year of the COVID-19 pandemic, our community is developing strategies for learning to "live" with the virus and its innumerable variants. Vaccinations are now widely available for those over the age of 5 and promising treatments are on the horizon. COVID-19 continues to shape our lives in unprecedented ways and local governments are not exempt from its impacts.

Budget development for FY 2023 was made more difficult due to levels of inflation not seen in this country in more than 40 years. The US inflation rate (CPI-U) reached 8.3% in April 2022. The City continues to feel the impacts of inflation and the ongoing supply chain crisis through spikes in material costs, double-digit percentage increases in fuel prices, and long delays for equipment purchases. These uncertainties made for a challenging environment as we developed budgets for the upcoming fiscal year. One bright spot, however, is a fundamental shift in how citizens purchase goods and services. Local governments across the state have experienced unparalleled increases in sales tax revenues, as consumers shifted their spending both closer to home and online. No one knows yet if this revenue growth is sustainable, but the outlook is promising.

A Growing Community

The 2020 US Census showed the tremendous growth our community has experienced over the last ten years. We are one of the fastest growing cities in North Carolina with a population of more than 105,000 residents. As Concord continues to grow, we remain committed to keeping our community safe and livable with a well-maintained infrastructure network.

Keeping our Community Safe

Public Safety remains a high priority in this budget. Concord Fire achieved a Class 1 Insurance Services Office (ISO) rating in FY 2019 and has maintained that status for the last three years. Construction for Fire Station 12 was completed in April 2022 giving necessary coverage for planned industrial development at The Grounds at Concord site. Development throughout the City necessitated adding a ladder truck at Fire Station 10 along with 18 additional personnel to staff it. Concord Police continues to pursue national accreditation through the Commission on Accreditation for Law Enforcement Agencies (CALEA) with the goal of becoming accredited in FY 2023. In the upcoming school year, Cabarrus County will open the Roberta Road Middle School where the City will provide an additional School Resource Officer (SRO). Concord Police staffs 22 SROs and 2 SRO supervisors to cover all elementary, middle, and high schools within City limits.

Committing to Affordable Housing

The City continues to place great emphasis on affordable housing by maintaining its relationship with WeBuild Concord (previously Concord Family Enrichment Association). I am continuing to recommend that 1¢ of the tax rate be set aside to fund construction of new affordable housing units and/or the renovation of dilapidated housing for affordable housing purposes. In FY 2022, \$1,000,000 was appropriated to WeBuild to develop and build affordable housing projects through reimbursable contracts with the City and Cabarrus County. The goal is to provide 50 to 60 affordable units for single family, multi-family, and senior housing with approximately 75% ownership and 25% rental. The first phase of this plan is the Lincoln Street Townhomes project, which is comprised of 26 units. The City is planning to use a portion of the transformational American Rescue Plan Act (ARPA) funding for this effort.

Working through Downtown Development

The City's downtown is undergoing a metamorphosis, with multiple residential developments underway and an increase in pedestrian friendly amenities. Development (new and infill) is strong in downtown. New businesses and restaurants continue to fill vacancies as soon as they become available. Lansing Melbourne Group (LMG) is constructing three mixed-use Novi projects, representing an estimated \$70 million in private investment. Approximately 294 dwelling units, including 170 affordable/workforce units, are being built. These units provide more options for those who work in the City to live here too. Construction will begin soon on the new Union StreetScape, which will widen sidewalks and create additional opportunities for outdoor dining. Means Avenue will be transformed into an open, pedestrian-friendly space for future programming and activities driven by the expansion and renovation of the County courthouse, with a tentative opening date in 2023. The Annex project, formerly the home of the City's Planning and Human Resources departments, is nearing completion. Its lowest level operates as a non-profit center, providing affordable office space to local non-profits. The main and second levels will soon open as retail, restaurant, and office space. Staff are working diligently to promote downtown Concord as an ideal place to live and work.

Maintaining our Water and Electric Infrastructure

Funding is proposed in our CIP to continue the implementation of our Master Plans. The City will use a mix of funding sources to pay for these projects – including reserves, operating revenues, and revenue bonds. Water will partner with Kannapolis

and Albemarle on a preliminary study to determine the infrastructure needed to expand Albemarle's water treatment plant. This expansion will provide Concord and Kannapolis an additional 5 million gallons per day of treated water from the Yadkin River Basin. Investing in our water infrastructure allows us to be proactive towards future growth while sustaining our current system. Below is a list of anticipated capital projects for Water, Wastewater, and Stormwater.

Water Projects

- Construction for:
 - GAC Contactors at Hillgrove Water Treatment Plant (\$3,200,000)
 - US Highway 29/601 bridge over Irish Buffalo Creek (\$510,000)
- Settling Basin Improvements at Hillgrove Water Treatment Plant (\$750,000)
- Right-of-way acquisition and construction for:
 - NC Highway 49 24" Water Line Extension (\$4,851,00)
 - 5 MGD Water Booster Pump Station (3,034,000)

Wastewater Projects

- Design and right-of-way acquisition for the Cold Water Creek Tributary Outfall to NC Highway 49 (\$418,000)
- Construction of Coddle Creek Tributary Outfall Weyburn Drive to Sunberry Lane (\$601,000)

Stormwater Projects

- Mall North Culvert Replacement (\$516,000)

Sewer availability has become a hot topic due to limited capacity within WSACC's Rocky River Wastewater Treatment Plant. The plant will be expanded to meet current and future wastewater needs. Until that expansion is completed, the plant's remaining sewer capacity has been allocated to its four member jurisdictions. Concord's Sewer Allocation Policy assures responsible growth while carefully allocating available sewer flow. To do this, Council has changed the sewer allocation methodology to require approval of a preliminary sewer allocation before a project may proceed.

I am not recommending a change to Electric base rates in this budget, marking the 7th year that rates have remained the same. A volatile natural gas market caused a dramatic spike in the City's purchased power costs over the last year. This unprecedented increase left Concord at an impasse: either raise base rates or change the Purchased Power Adjustment (PPA). The PPA was created in 2011 to help Concord manage purchased power cost volatilities throughout the year without having to change base rates. To help pay for the cost increase, the City made the tough decision to reset the purchase power adjustment to zero for the first time since 2016. Rate stabilization funds were also used to help alleviate additional cost increases and prevent base rate changes. Planned Electric projects in FY 2023:

- Right-of-way Acquisition for Substation S (\$1,200,000)
- Design and construction for Substation V (\$6,945,500)
- Completion of the Electric Operations Center (\$1,800,000)

Concord entered into a 20-year agreement with NTE Energy effective January 1, 2019 to purchase power. Savings from this contract allowed Electric to complete five substations, three delivery stations, and construct the Electric Operations Center without having to raise rates. In FY 2023, Electric's budget includes \$90,000 for a Cost-of-Service Analysis to ensure revenues are keeping up with the cost of service delivery. Investments in our electric system will allow us to provide reliable public power now and into the future.

Improving Transportation and Transit

Citizen surveys continue to state the need for transportation improvements across the City. This budget maintains an allocation equal to the value of 2.5¢ of the City's ad valorem tax collections for the Transportation Improvement Fund. The primary focus of these dedicated monies is to fund roadway projects and will be supplemented by dollars generated from local vehicle license fees. The proposed budget includes \$2.9 million for street resurfacing.

Staff works closely with North Carolina Department of Transportation to reduce traffic and congestion concerns. The City maintains 297.8 miles of sidewalk and 764.9 lane miles of roads. Despite continuing cost increases, we can and should improve the maintenance of these assets. In addition, there are still areas throughout the City where sidewalks are needed to enhance the connectivity and walkability. The FY 2023 budget includes funding for sidewalk extensions along Glenn Street NW and Elm Avenue.

Our current motor vehicle tax is \$30, and State Statutes dictate how the revenue generated must be used. Currently, the \$30 is broken up as follows: \$5 to Transit, \$5 for sidewalk extensions, and \$20 to supplement the cost of road resurfacing. Major projects in this proposal include:

- Funding toward the Spring Street concrete street replacement
- Land and right-of-way acquisition for the intersection improvements at Poplar Tent Road/Harris Road
- Construction of the Lincoln Street Bridge replacement

CK Rider is primarily funded with federal dollars. As the lead agency, Concord is the responsible party for federal transit funds in Cabarrus County, Rowan County, and Salisbury. Over the past two budget cycles, the City received COVID relief funds, which allowed us to pause contributions from the General Fund. The FY 2023 budget reinstates the General Fund transit contribution of approximately \$1.2 million.

The Public Transit Master Plan was completed in 2020. The Plan detailed suggestions for enhancing service, including a consolidation of the City and Cabarrus County's transit systems. In the coming months, both systems will begin the process of planning for consolidation. The study is expected to be complete early in calendar year 2023. It will review governance models, service delivery, staffing structures, financing, public education efforts, and marketing strategies. One anticipated finding is the need for the design and construction of a new operations and maintenance facility to be built with the long-range transit plan in mind.

Innovation at the Airport

Concord-Padgett Regional Airport has partially emerged from the COVID-19 crisis. Flights, parking, and fuel sales have begun to bounce back to pre-pandemic levels. This recovery allowed the Airport to increase fuel sale revenues and continue with maintenance projects. While some projects are still on hold, such as the domicile base for Allegiant Travel Company, there are exciting things coming to the airport. New remote traffic control tower technology from Kongsberg will be implemented at the airport along with installing phase one of three for fiber feedback loop construction and the expansion of the North Apron. These projects allow the Airport to remain at the front of innovation and efficiency.

Committed to Excellent Service

Bringing Solid Waste Services In-House

In FY 2020, Council instituted a nominal monthly Solid Waste fee. A small increase to this fee is proposed for FY 2023 to cover increased service costs. Solid Waste Services provides high quality garbage, recycling, and yard-waste collection to our citizens through a partnership with Waste Pro. In FY 2022, the decision was made to transition services fully in-house in two phases. This budget continues to lay the groundwork for this change, starting phase one of assuming bulky waste collection in July 2022 and transitioning to City-collected garbage and recycling in July 2023. By providing all aspects of solid waste collection, the City will reduce costs and customer complaints, deliver prompt and reliable service, and provide more responsive service recovery. As we draw closer to full-service control, the Solid Waste department is gearing up to ensure a smooth transition. Phase two includes bringing in 19 positions at the end of FY 2023 to begin garbage collection. A new equipment shed will be paid for using general capital reserves and built at the Brown Operations Center to house additional vehicles needed for garbage services.

Staff is working to enhance all aspects of solid waste services, including education. A recent service enhancement is Cartology, an informational and educational app available for download on mobile devices. Cartology provides detail on recyclable items, personalized collections schedules, and push notifications for any service changes or updates.

Providing Customer Service and Citizen Communications

In a rapidly changing world, expectations about what it means to deliver excellent Customer Service have shifted. Now more than ever, technology plays a significant role in the way the City conducts business. Our residents increasingly rely on digital platforms to receive and digest information. To keep up with this demand, Customer Care launched a virtual chat feature on the City's website, allowing citizens to inquire about City services without having to visit City Hall or call our customer service line. This feature has the potential to fundamentally change the work of our current coworkers. As the popularity of chat increases, the City will shift additional staff away from in-person service to online assistance. We continue to look for ways to increase accessibility of public meetings. AV upgrades are currently underway in Council Chambers to install the

capability to live-stream meetings, allowing residents and stakeholders to participate without requiring them to attend in-person.

As our city continues to grow and become more diverse, it is important that we continue to broaden our communication methods to reach our community where they are. To help us share our story, we are incorporating more video-forward content to highlight our employees, community events, and share important information. Creating and sharing video-based content allows us to personalize our story, reach a larger audience, and is a useful tool in helping to increase our social media following. While this is important to our communication growth and reach, we also know communication must continue to be varied and expansive. Direct mailings such as the City Circular newsletter, newspaper placements, the CityLink electronic newsletter, website, news releases, television, radio, and other outlets will continue.

Engaging Our Citizens

Giving Back: External Agency Funding

Non-profits play an important role in ensuring a high quality of life in our community and often provide a safety net for those in need during difficult times. Funding provided to these agencies through tax dollars, utility revenues, or Community Development Block Grant funds (CDBG) allows us to focus on our core mission of providing municipal services. While many of the services these agencies provide are vital, they are not considered “municipal” by statute in North Carolina. CDBG funds can be used for human services and housing, but they are limited to a certain percentage of the grant amount. All non-profits receiving funds from the City must sign an agreement and are accountable for how they spend these public monies.

To comply with new regulations provided by the state in N.C.G.S. § 14-234.3, the City updated the budget adoption process for external agencies. Grant funds comprising \$80,000 from the General Fund with \$28,000 being adopted separately for the Cabarrus Arts Council are recommended by City Council. CDBG monies totaling \$86,500, and \$40,500 from utility funds are also included with this budget.

Promoting Diversity, Equity, and Inclusion

My goal is to attract and retain the very best employees possible for a workforce that resembles the community we serve. Our ability to do this is vital to the City’s success in achieving the high level of customer service we are committed to providing for our citizens. To ensure that the City is meeting our commitment to diversity, City Council created the Concord United Committee (CUC) and appointed its first slate of 24 members in May 2021. Its members represent the various racial groups, religious backgrounds, socio-economic statuses, and geographic locations of the City.

The Committee was charged with evaluating City departments and activities for racial and other inequities. Over the past 6 months, CUC examined the City’s Affordable Housing efforts to fully understand the process and procedures Concord uses for providing affordable housing for our residents. CUC will spend the remainder of this fiscal year and the beginning of FY 2023 reviewing Transit’s practices and policies. Once this review is complete, CUC will study the City’s hiring and promotion policies while focusing on racial and gender diversity in the City’s leadership. The Committee’s diversity and representation make them an excellent group for providing insight in other aspects of the City.

Expanding Recreation and Open Spaces

The adopted Comprehensive Master Plan and Open Space Connectivity Plan continue to drive Parks & Recreation greenway expansion, park development, and connectivity to neighborhoods and schools across the City. The 1¢ dedicated to Parks & Recreation helps to accelerate site control and increase connectivity. To further enhance and expand our parks, the City will place a \$60 million general obligation bond package on the ballot this November. If passed, bond funding will accelerate projects related to the adopted master plans and address City-wide needs for additional recreation resources. The funding will go towards developing playgrounds, splashpads, a pump track, and more at ten locations across the City.

Parks & Recreation continues to focus on site control for greenway development, with a goal of having 30 miles of greenways by 2030. In FY 2021, staff acquired 70 acres of land for future development and added an additional mile of greenway. An estimated 2.8 miles of future greenway will come from this added acreage. In the coming year, staff will focus on:

- Design plans for the Academy/Gibson Village area (\$929,400), Wilson Street Park (\$90,000), David Phillips Activity Center Park Development (\$170,000), and the WW Flowe Complex (\$205,000)

- Beginning phase one of Les Myers Park improvements (\$160,000)
- Greenway design for the Hector H Henry II Greenway, Canon Crossing Phase (\$160,000) and the construction of the Clarke Creek Greenway, Cox Mill Loop (\$375,000)

We continue to maintain our current recreation investments by dedicating funds to roof, bridge, and light pole replacements throughout our current parks in this budget.

Team Concord

In the current ultracompetitive job market, we must compete not only with other governmental entities, but also the private sector for many of our positions. In the coming year, we will continue to enhance our workplace culture to ensure Concord is a place where our employees are excited about coming to work each day, find value in the work they perform, and encourage others to seek employment with Team Concord. We continue to evaluate options for remote work and flexible staff scheduling as well as compensation and benefits plans that allow employees the opportunity to select from a “menu of options” for health insurance plans and benefits.

Supporting our Staff and Departments

COVID-19 ushered in a fundamental shift in how society thinks about work. Recruiting and keeping qualified employees continues to be challenging as personnel shortages impact all aspects of the economy. According to a recent Pew Research Center study, nearly 60% of workers with telework-capable jobs are choosing to work from home. This presents a challenge for the City, as many of our jobs require extensive field work. We continue to look for ways to be more flexible while maintaining the excellent service that Team Concord is known for.

A 2% cost of living adjustment will be provided to all employees effective July 11, 2022. In addition, I am proposing performance-based merit increases to range from 1% to 3%, depending upon performance. The career development program will continue to provide staff with an opportunity to enhance their skill sets in the coming year – benefiting themselves and the City. As employees complete their career development, I am proposing they receive a 1.5% salary increase.

The City’s required contribution levels to the North Carolina Local Government Employees Retirement System will increase again in FY 2023. The contribution rate for general employees is now 12.1%, while the rate for law enforcement officers is 13.1%. By State mandate, the City contributes 5% to 401(k) accounts for sworn law enforcement officers. New for FY 2023, the City will increase its contribution for non-sworn coworkers from 3.5% to 4%. By FY 2025, the City plans to contribute 5% to 401(k) for all coworkers.

This budget includes funding for 48 additional full-time staff positions for FY 2023. The recommended positions are budgeted to start in October 2022, unless otherwise noted.

General Fund (40)

- Police: SRO for new Roberta Road Middle School (August 2022)
- Fire: Ladder 10 Positions: 9 Firefighters, 3 Engineers, 3 Lieutenants, 3 Captains (March 2023), and Training Captain
- Solid Waste: Assistant Superintendent, 2 Crew Supervisors (April 2023), 7 Senior Equipment Operators, 9 Equipment Operators (May 2023)
- Parks & Recreation: Reservation/Facility Leader

Other Funds (8)

- Aviation: Aviation Project Manager (August 2022), Operations/Communication Coordinator (January 2023), Aviation Service Worker, Custodian
- Electric: Administration Manager (August 2022)
- Water Resources: Senior Equipment Operator
- Buildings & Grounds: Administrative Assistant, Custodian (December 2022)

Reclasses & Moves

- Buildings & Grounds: Reclass of Custodial Supervisor to Custodial Services Manager and a Reclass of Custodian to Custodial Supervisor
- Customer Care/Solid Waste & Recycling: Transfer 1 Customer Service Specialist from Customer Care to Solid Waste

- Two Utility Locator positions will move from Electric to Water to allow for more specialized locates.

A total of 1,198.2 full-time equivalent positions are recommended for funding. This figure includes 1,179 full-time and 41 part-time positions.

Offering a Menu of Healthcare Options

The City is self-insured for the medical insurance available to employees and their dependents. The City offers coworkers the choice of three health insurance plans: the High Performance Network Plan, offering reduced premiums in exchange for a limited network of providers; the Basic Plan with lower monthly premiums and a higher deductible; or the HRA plan, with a lower deductible, but higher premiums. All plans are administered by Blue Cross/Blue Shield. No premium increases are recommended for employees in the upcoming fiscal year.

Health care benefits are provided for eligible retirees until they become Medicare eligible. The cost of this benefit to the City continues to increase as the number of baby boomers reaching retirement eligibility grows. The City is preparing for this cost by ensuring annual contributions are made to fund a trust for post-employment benefits where possible.

Wellness efforts are a priority, both for the benefit of our coworkers and to reduce costs. The Wellness Center provides a basic level of routine medical services and health screenings to all full-time City employees, retirees, spouses, and dependents enrolled in a City insurance plan. It is not intended to replace an individual's primary care physician, but rather to provide a convenient, no-cost access point for basic medical care. In addition, the Human Resources Department offers multiple health/wellness-oriented trainings each month for coworkers.

Coworkers continue to be offered incentives for managing their health. Employees can receive a reduction in insurance premiums if they visit their dentist for an annual cleaning appointment and/or complete a Health Risk Assessment and certify they do not use tobacco or attend a tobacco cessation program. The Health Risk Assessment includes the completion of a questionnaire and biometric measures.

Conclusion

My proposed budget is designed to address many of the goals set forth in the 2020-2023 Strategic Plan as established by the Mayor and City Council in 2019. I, along with staff, have been very deliberate in ensuring we first provide excellent existing services to our citizens while looking for ways to build upon and enhance the quality of life for our City. I feel the proposed FY 2023 annual budget does this.

As always, City staff have worked closely with me to develop this proposed budget. Concord is growing and we will continue to look towards the future as City Council updates our Strategic Plan in the coming year. Our aim is to ensure we are correctly positioned and have the resources available to handle this growth responsibly. It takes all of us working together to meet this goal, and Team Concord strives to do this each day for our citizens.

Respectfully submitted,



Lloyd Wm. Payne, Jr., ICMA-CM
City Manager