

Budget Message

May 26, 2023

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) 2023-2024 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 have worked hard to align your goals with the recommended projects and operational items. Budgetary decisions were made with continuous improvement at the forefront of our 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 2024. I want to offer a special thanks to our Assistant City Managers, Finance Director, Budget & Performance Manager, Senior Budget Analysts, and Department Directors for their commitment to developing a budget that provides excellent service to our citizens.

Per the Cabarrus County tax collector's office, the City's updated assessed property values are \$15,841,192,649, which is a 3.8% increase over the previous year. One cent of the property tax rate equates to \$1,584,000 after the City's collection rate of 99% is applied.

The City-wide budget totals \$324,562,193 for all funds, including utilities and special revenue funds. This is an overall budget increase of 7.18% over the FY 2023 adopted budget. The recommended General Fund budget for FY 2024 is \$126,885,078 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 \$8,020,076 from the City's General Capital Reserve Fund toward construction of a new, larger Fleet Facility to accommodate the additional vehicle/equipment maintenance needs associated with our growing fleet. 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 2024 budget.

No residential or commercial base rate increases are anticipated for Water, Stormwater or Wastewater funds, despite a 7.9% increase in our wastewater treatment rates from the Water and Sewer Authority of Cabarrus County (WSACC). State law requires the City to evaluate the system development fees charged for new water and sewer connections every 5 years. Per Council's direction, I am recommending adoption of the rates as determined for FY 2024 based on the results of the most recent evaluation to be included in the City's Fees & Charges Schedule. In this fiscal year, the City will also pursue \$21 million in revenue bonds for major capital improvements at Hillgrove Water Treatment Plant.

Concord Electric recently completed a rates and charges analysis. Consultants were brought in to examine the current rate structure and determine if it met the ongoing needs within Electric. Through this study, rates and charges have been adjusted to better match rates with the cost of providing service. These changes will work together with a reduced purchase power adjustment (PPA) to create a rate structure that can handle both the consistent and volatile needs within the Electric industry.

When residential customers receive their Electric bill, there are three different charges: the base rate, the unit rate, and the PPA. All three charges will be adjusted, but on average, residential customers should see a small reduction in their overall bill in the coming year. Over the past five years, we have invested more than \$68 million in system improvements and operational upgrades. This will continue in FY 2024, with Electric funding the construction of Exits for Substation T. Investments in our utility systems will allow us to provide more reliable service now and into the future.

Per Council's direction, the FY 2024 budget continues our focus on providing essential services, funding critical infrastructure projects, and providing the quality of life for which our community is renowned. My recommended budget was developed with this in mind. What follows is a discussion of important considerations in the budget development process.

Economic Challenges & Local Governments

Budget development for FY 2024 was driven by staffing needs associated with our continued growth, changes in service provision, inflationary cost pressures, and general uncertainty about the direction of the economy. Economic changes, like higher interest rates, supply chain issues, and increased costs for goods, have impacted all levels of our community. Local governments are facing fiscal pressures to afford their current needs and services in an environment where prices seem to continually increase. As of this writing, economic growth appears to have slowed to [1.1% for the first quarter of 2023](#) with the potential for a mild recession on the horizon. The US inflation rate, however, remains high at [4.9% in April 2023](#).

As a result, residents and local governments alike are having to pay much more for goods and services than before. Vehicle prices are an illustrative example of this issue. In FY 2023, the City's average cost for an F-150 was \$28,000. The cost of the same truck for FY 2024 has increased, requiring us to budget a minimum of \$42,000 for the same exact vehicle. Not only are prices increasing, but wait times are also being extended. Items our organization used to get in 18 months now have 3- year wait times. The City has had to learn to create a budgetary environment that allows departments to plan orders years in advance of receiving their equipment while also meeting current needs in the interim.

Like last year, local governments across the state are still experiencing higher than normal sales tax revenues. No one is sure if this change is sustainable, but our organization is monitoring sales tax revenues to ensure our projections are reliable. For now, staff will continue to project with conservative optimism.

A Growing Community

Our community continues to grow, both in population and as a corporate destination. In 2022, Concord was the [6th fastest growing city in North Carolina](#) with more than 107,000 residents. Approval has been issued for thousands more single-family homes to be constructed over the next few years. Eli Lilly broke ground on their new \$2 billion state of the art manufacturing campus in June 2022 and construction continues at record speed. Hendricks Motorsports plans to build two new advanced manufacturing projects in Concord – an investment of nearly \$24 million. As the city continues to grow, we remain committed to keeping our community affordable with a well-maintained infrastructure network.

Furthering our Commitment to Affordable Housing

Inflation was a serious factor in our budget development, and we understand that governments are not the only ones feeling the pressure of rising costs. Home prices have skyrocketed in recent years, making it increasingly challenging for residents to purchase homes in our community. In March 2023, Cabarrus County's median home sales price was \$355,500 – up \$100,000 from pre-pandemic levels. The [median single-family home sales](#) price was \$255,000 in March 2020. These price increases are mimicked in [rent prices](#) as well.

The gap in housing affordability is growing, but the City continues to prioritize the creation of affordable housing options. FY 2024's budget will continue to dedicate 1¢ of the tax rate for affordable housing and partner with WeBuild Concord and other private organizations. We also continue to explore innovative projects that will allow for our coworkers to live in the same city where they work. Concord Fire is an example of this initiative – the department partnered with the Joe Cannon Trust and the Housing department to manage an affordable home within city limits. Each year, Fire employees are eligible to apply for an affordable housing program which will allow the selected firefighter to rent the home at or below market rate for 1 year. A portion of each month's rent will be set aside in an escrow account that will later be used as a down payment on a future home. During the year, the firefighter will complete a financial literacy course and undergo homebuyer counseling.

Revitalizing our Downtown

If you have walked or driven through downtown recently, it is no surprise that there is a lot happening! With the sounds of construction ringing through the air and the sight of construction workers and machinery hard at work, it can be hard to find respite from the development. Central to the construction is the Downtown Streetscape project, which was approved in 2019 and will provide opportunities for outdoor dining, more spaces for public art, places for citizens to gather, and wider sidewalks for pedestrians. The new Streetscape will enliven downtown, making it a destination for festivals, parades, and new events. Downtown businesses remain open as the construction progresses. Staff are working tirelessly to make sure this process is as painless for them as possible. A series of programming is in the works to encourage visitors to come downtown and our Planning department provides City Council with monthly progress updates. This budget also includes \$50,000 for façade grants to aid downtown business owners with making updates to their buildings.

Park Expansion & Redevelopment

In November 2022, Concord residents voted to approve a \$60 million general obligation bond for Parks & Recreation. The bond package includes funding for 4 brand new parks and renovations to 5 existing parks. Park designs and plans were developed through an extensive community input process, which included thousands of comments from residents. Bond projects will be developed in two phases, with debt issuance and groundbreaking for the estimated \$41.5 million phase beginning later this year. Phase I estimates may end up higher or lower due to changing economic conditions.

In the coming year, staff will focus on the initial phase of bond projects including:

- Caldwell Park: expanded parking, an inclusive playground, field renovations, and greenway within the park
- J.E. "Jim" Ramseur Park: playgrounds, pickleball courts, open/event space, dog park, and park shelters
- Dorton Park: improvements to the Yorke side of the park
- Poplar Tent Trailhead Park: trailhead parking lot, park, and restrooms
- Academy Recreation Center/Gibson Village Complex: pump track, skate park, open art event space, and restrooms
- David Phillips Activity Center Park: park development of the 10 acres surrounding the Center

While work on the initial phase of bond projects is underway, we will continue to maintain our current recreation facilities by dedicating funds to boardwalk and building maintenance in this budget. The Ceramics Center at ClearWater Arts Center and Studios opened in October 2022, providing a new amenity in the Gibson Mill neighborhood. Parks & Recreation will add a part-time position and begin programming the Center in the coming fiscal year.

Greenway expansion and neighborhood connectivity continues to be driven by the Adopted Comprehensive Master Plan and Open Space Connectivity Plan. Parks & Recreation receives 1¢ of dedicated property tax revenues which help to accelerate site control and increase connectivity. The City's goal is to have 30 miles of greenways in place by 2030.

Maintaining our Water Infrastructure

Funding is proposed in our CIP to continue implementing our utilities' Master Plans. The City will use a mix of funding sources to pay for these projects – including reserves, operating revenues, and revenue bonds. After reviewing Water and Sewer data from the last few years, new system development rates are being implemented. These rates will keep us in compliance with system development fee legislation and ensure that our rates are up to date with our current water and sewer capacity. There are no other proposed changes to water, stormwater, and sewer rates. Below is a list of anticipated capital projects for Water, Wastewater, and Stormwater.

Water Projects

- Construction for:
 - GAC Contractors at Hillgrove Water Treatment Plant and Zion Church Road 12" Parallel Water Line
- Settling Basin Improvements at Hillgrove Water Treatment Plant
- Design for:
 - Cross Country 16" Water Line Extension and Rocky River Road 16" Water Line

Wastewater Projects

- Design and right-of-way acquisition for the Cold Water Creek Tributary Outfall to NC Highway 49
- Construction of Coddle Creek Tributary Outfall Weyburn Drive to Sunberry Lane

Stormwater Projects

- Farmwood Boulevard Culvert Replacement

Sewer availability continues to be a hot topic due to limited capacity within the Water & Sewer Authority of Cabarrus County's (WSACC) Rocky River Wastewater Treatment Plant. The Plant is in the process of being expanded, but until that expansion is completed, the remaining sewer capacity has been allocated to its four member jurisdictions. WSACC's plant expansion has two anticipated project phases, one occurring in 2024 and another in 2027. The City will continue to monitor each part of WSACC's plant expansion and review our Sewer Allocation Policy to ensure responsible allocation of available sewer flow.

Addressing Transportation and Transit Needs

The City is listening to citizen feedback about transportation needs and making improvements where we can. 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 \$2,024,551 million for street resurfacing.

Staff works closely with the North Carolina Department of Transportation to reduce traffic and congestion concerns. The City maintains approximately 300 miles of sidewalk and 758 lane miles of roads. There are still areas throughout the City where sidewalks are needed to enhance the connectivity and walkability. The FY 2024 budget includes funding for sidewalk extensions near Roberta Road Middle School.

Our current motor vehicle tax is \$30, and State Statutes dictate how the revenue generated must be used. The \$30 tax 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
- Construction of intersection improvements at Poplar Tent Road/Harris Road
- Funding for a state-mandated Traffic Signal Central System Replacement

The Concord-Kannapolis Rider Transit System 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. City staff will continue discussions with partner agencies in Kannapolis and Cabarrus County on a future consolidation of the City and Cabarrus County's transit systems.

Committed to Excellent Service

Communicating with all Citizens

As our city continues to grow and become more diverse, it is important that we continue to broaden our efforts to reach our community members where they are. Concord is committed to improving and increasing access to our programs for those with a dominant and/or primary language that is not English. In January 2023, the City was accepted into the Institute for the Study of Americas' Local Government Language Access Collaborative through the University of North Carolina at Chapel Hill. Our team of 7, including coworkers and representatives from El Puente Hispano, will learn promising practices, assess our current offerings and opportunities, and create a language access plan. We are tracking our progress at www.concordnc.gov/languageaccess.

Bringing Solid Waste Services In-House

After years of preparation, Concord will have all solid waste services in-house starting in July. Collection routes will be updated to reflect a four-day schedule and customers will receive their updated collection day soon. We anticipate this change will create a more prompt and reliable service, reducing both costs and customer complaints. Solid Waste & Recycling staff have worked hard over the last two years to ensure personnel would be trained and equipment would be ready for this transition. New for FY 2024 are some operational changes surrounding vehicle maintenance, fuel, and reduced contract reliance. The City is committed to ensuring a smooth transition and will be reporting any route or service changes online and through the CARTology app. CARTology is an app that provides detail on recyclable items, personalized collections schedules, and push notifications for any service changes or updates. Growth within the city requires an additional yard waste/limbs crew. A small increase to the solid waste fee has been proposed to help cover this increased service cost.

Leveraging Technology

Technology has become more than a convenience; it is a necessity for service provision across all sectors of local government. The COVID-19 pandemic exacerbated the need for such tools by showing us the gaps in our current technology. In the FY 2024 budget, I am addressing the gaps in a way that will position us to be more proactive in the future. We will conduct an audit of our fiber system to map and better understand our current network. In tandem with this project, aging network switches will be replaced to allow for growth and longevity of our system. In the coming year, we will transition to Microsoft 365 to encourage more collaboration between departments. As the landscape continues to shift more to the virtual world, we see a shift to more bad actors using those avenues to take advantage of anyone they can. The City continues to be aware of Cyber Security threats, and we are continuing to budget for cyber security services that help keep us out of harm's way. These technological advancements and services will allow us to meet our citizens' expectations of what excellent customer service is. IT projects include:

- Fiber Network Expansion
- Finance/HR ERP System Replacement

To keep us proactive in the world's changing technological landscape, Concord will bring information technology (IT) services in-house. Since the 1990s, the City contracted with Technologies Edge, Inc. to provide these services. While this has been a successful partnership over the past decades, the time has come to transition to internal IT staff. This change allows us to have a more customized level of services that matches our growing organization. Concord hired its first IT Director in April 2023 and will add 16 new city IT employees in FY 2024.

Keeping our Community Safe

Concord places high priority on the safety of our citizens. In FY 2024, our public safety departments will strengthen their partnerships internally and externally through a series of co-locations. This is exemplified through the partnership of Concord Police, Fire, and Aviation to construct the new Fire Station 6 located at Concord-Pagett Regional Airport. It will still respond to emergencies at the airport and will now cover development in the Cox Mill/Christenbury Parkway area, helping us maintain our ISO 1 rating and keep insurance rates for citizens and businesses lower. The new Station 6 will replace an outgrown, existing facility and will share space with the Police Department's new David District. Concord Fire will work with Rowan-Cabarrus Community College to secure equipment for Aircraft Rescue & Fire Fighting (ARFF) training at the Airport. This partnership increases opportunities for firefighter recruitment and will reduce the impact of travel costs and time as coworkers will no longer need to leave city limits for ARFF training. The budget also includes funds to purchase deployable vehicle barriers. These barriers increase safety at public events and are easily deployable in the event of an emergency. Other public safety-related projects in this budget are:

- Fire Station 3 Expansion
- Renovations to Charlie District Police Substation
- New Emergency Communications Facility at Fire Station 3

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. CDBG funds can be used for human services and housing, but they are limited to a certain percentage of the grant amount. Requests for general and utility fund grants must meet a municipal public purpose to be considered for the award. 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 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 \$97,750 from the General Fund with \$36,000 being adopted separately for the Cabarrus Arts Council, are recommended by City Council. CDBG monies totaling \$84,500, and \$35,000 from utility funds are also included in this budget.

Team Concord

The job market continues to be historically strong, with unemployment levels in [Cabarrus County at 3.4%](#). Employment rates for the Charlotte metro area [were 14.1% higher in February 2023 than in January 2020](#). In this ultracompetitive job market, we must compete with regional governments of all sizes for our Team Members. In the coming year, HR will conduct a compensation study that will cover all positions. This study will be completed within calendar year 2023, keeping Concord competitive with the various studies that have been/are being conducted by local governments in our region.

To keep our talented coworkers and recruit new ones, the City continues to look for ways to ensure Concord is a place where our employees are excited about coming to work each day while upholding the excellent service that Team Concord is known for. Increased flexibility is rapidly moving from an employment "perk" to an expected job component. Our remote work policy became effective in January 2023, permitting coworkers with applicable roles to work from home up to 2 days per week. This past Spring, City Council adopted a Parental Bonding Leave Policy, which will provide 6 weeks of paid parental leave beginning on July 1, 2023.

Employee feedback is a valuable resource and in FY 2024, the City will conduct an employee engagement survey to learn more about how to keep Concord a premier employer. The previous employee engagement survey was in 2017 and many aspects of employee feedback have been incorporated in our benefits package. 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.

A 3% cost of living adjustment will be provided to all employees effective July 10, 2023. In addition, I am proposing merit increases to range from 1% to 4%, 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.

Concord is self-insured for the medical insurance available to employees and their dependents. Coworkers can select from three health insurance plans and for the third year in a row, no premium increases are recommended for employees. Wellness efforts are a priority, both for the benefit of our coworkers and as a cost reduction measure. Employees can receive a reduction in insurance premiums if they visit their dentist for an annual cleaning appointment, complete a Health Risk Assessment, and certify they do not use tobacco or attend a tobacco cessation program. The City offers a Wellness Center for basic, routine medical services for those enrolled in a City insurance plan. It provides a convenient, no-cost access point for basic medical care. In addition, coworkers can select from multiple health/wellness-oriented training courses each month.

The City's required contribution levels to the North Carolina Local Government Employees Retirement System will increase again in FY 2024. The contribution rate for general employees is now 12.88%, while the rate for law enforcement officers is 14.04%. By State mandate, the City contributes 5% to 401(k) accounts for sworn law enforcement officers. This year, the City will increase its contribution for non-sworn coworkers from 4% to 4.5%. By FY 2025, 401(k) contributions will be 5% for all.

This budget includes funding for 1 additional part-time and 39 additional full-time staff positions for FY 2024. Start dates are noted below.

General Fund (37 full-time, 1 part-time)

- IT: IT Director (April 2023), Software Development & GIS Manager, Senior Software Developer, Infrastructure & Network Manager, Network & Cyber Security Engineer, Senior Network Engineer, Senior Network Engineer-Servers, Business System Administrator – Applications, Business Systems Administrator – GIS, Client Services Manager, Senior Technical Specialist, 4 Technical Specialists, Senior Support & Procurement Specialist (July 2023)
- Emergency Communications: Administrative Assistant (October 2023)
- Fire: 6 Firefighters, 3 Engineers, 3 Lieutenants, 3 Captains for Engine 6 (April 2024)
- Fire Prevention: 2 Assistant Fire Marshals (October 2023)
- Transportation - Signals: Utility Locator (October 2023)
- Solid Waste: Solid Waste Worker and Senior Equipment Operator (February 2024)
- Parks & Recreation: PT Ceramic Center Leader (July 2023)

Other Funds (2)

- Wastewater Resources: Utility Locate Supervisor (October 2023)
- Housing Choice Vouchers: Section 8 Specialist (October 2023)

Reclasses & Moves

- Transportation: Reclass of CAD Technician to GIS Analyst and reclass of GIS Coordinator to Senior GIS Coordinator
- Aviation: Reclass of Customer Service Manager to FBO Manager
- Rider Transit: Reclass of Transit Manager to Deputy Director and reclass of ADA Coordinator to Transit Manager

A total of 1,218 full-time and 42 part-time positions, or 1,237.7 full-time equivalent positions, are recommended for funding.

Conclusion

As we continue to welcome new residents and businesses, Concord will look towards the future while preserving what makes us unique. In the coming year, City Council will update our Strategic Plan, providing guidance for Concord's future. My proposed budget meets the needs of our departments, ensures the continuation of excellent service for our citizens, and builds upon the exceptional quality of life in our City. Staff worked closely with me to develop a budget that meets these goals. My aim is to ensure we are correctly positioned and have the resources available to handle our 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