

Budget Message

May 30, 2024

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) 2024-2025 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 workshops. Staff have worked hard to align your goals with the recommended projects and operational items. Budgetary decisions were made with fiscal stewardship at the forefront.

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 2025. 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.

North Carolina counties are required by law to reassess property values within their boundaries at least every eight years, though many choose to do this in four-year cycles. This process is commonly known as "revaluation". During revaluation, counties review all real estate parcels and determine their current market value. With that data in hand, counties and cities must then calculate a tax rate that would result in the same property tax revenues as the prior year. This tax rate is then adjusted to account for growth that has occurred since the previous revaluation. This calculation results in what is known as the "revenue-neutral rate".

Although the revenue-neutral rate generates the same amount of property tax revenue in total, it does not necessarily mean that an individual property owner's tax contribution will remain the same. The value of Concord's tax base is the sum of all the property values within the City. Properties may have remained the same, increased, or decreased in value. An individual's tax bill depends on a combination of the recommended tax rate and the property's new value.

Per the Cabarrus County tax collector's office, the City's updated assessed property values are \$23,171,790,000 which is a 46.28% increase over the previous year. One cent of the property tax rate equates to \$2,295,423 after the City's collection rate of 99% is applied.

The City-wide budget totals \$353,849,526 for all funds, including utilities and special revenue funds. This is an overall budget increase of 9.02% over the FY 2024 adopted budget. The recommended General Fund budget for FY 2025 is \$150,303,310 with a tax rate of 42¢ per \$100 of valuation, which is a decrease of 6¢ from the current tax rate. Reducing the rate to 42¢ returns the City to the property tax rate that was in place from 2008 to 2012. The revenue neutral tax rate, using the formula provided by G.S. 159-11(e) and accounting for normal growth is calculated at 34.41¢ for FY 2024-25.

I am recommending the use of \$387,288 from the City's General Capital Reserve Fund toward construction of the initial phase of the Clarke Creek Greenway: Cox Mill Loop. The anticipated General Fund Balance will continue to meet Council's goal of maintaining a Fund Balance target between 30% and 35% of expenditures.

No residential or commercial base rate increases are anticipated for Water, Stormwater, or Wastewater funds, despite an increase in our wastewater treatment cost from the Water and Sewer Authority of Cabarrus County (WSACC). The City has funded year one of debt service for WSACC plant improvements, totaling over \$2.4 million in additional costs to Wastewater. Both Water and Wastewater are in the process of reviewing rates and more information will be available in the coming fiscal year.

Concord Electric continues to follow the recommendations from their recent rates and charges analysis. Through this study and ongoing expert consultation, rates and charges will be adjusted to better match rates with the cost of providing service. Following these consultants' recommendations, the recommended fee changes will work together with a reduced purchase power adjustment (PPA) to build on a rate structure that can handle both the consistent and volatile needs within the Electric industry.

Per Council's direction, the FY 2025 budget focuses on providing essential services, funding vital infrastructure projects, and providing the quality of life for which our community is recognized. My recommended budget was developed with this in mind. What follows is a discussion of important considerations in the budget development process.

Honoring Our Commitments

My FY 2025 directive to departments was to create a plan that funded essential City operations and honored the commitments made by City Council to residents, the community, and our employees. Budget requests were constrained by the need to limit personnel additions, hold-the-line in operational costs, and reduce capital requests where possible. The goal of the annual budget development was to remain as close to a revenue neutral tax rate as possible while funding Council's priorities. These priorities included a commitment to competitive compensation, repayment of the Ronnie Long settlement, and continuing to provide dedicated funding for Parks & Recreation, Affordable Housing, and Transportation. The costs associated with meeting these commitments and funding essential operations drive the recommended tax rate.

Investments in Team Concord

The high level of excellent service Concord provides would not be possible without our dedicated staff. In Fall 2023, the City hired Guerrilla HR to conduct a comprehensive market pricing study to refine the City's compensation strategy and address internal equity as well as external competitiveness. Additionally, the study addressed pay compression by adding a fixed percentage increase based on the years of service that employees had in their current position. The adoption of a new salary grade structure study by Council in November 2023 was a significant investment in Team Concord, with an 18.2% overall increase in salary and benefits for City employees when compared to the FY 2024 Adopted Budget. This investment will help the City attract and retain employees at all levels, keeping Concord an employer of choice.

Rebuilding Fund Balance

Last year, the City reached a \$22 million settlement with Ronnie Long, following his wrongful conviction in 1976. The City recognized its responsibility to correct this injustice. Concord's portion of this settlement was \$9,350,000. The City used fund balance from the General Fund to cover the cost. The Local Government Commission (LGC), a division of the State Treasurer's Office, recommends a fund balance level of 44.63% for governments of our size. We are working towards meeting this goal and replenishing our fund balance with a dedicated contribution amount over the next four years. City staff will continue to monitor fund balance and adhere to strategies that encourage conservative usage. Concord strives to use fund balance only when absolutely necessary and does not use this funding source lightly.

Dedicated Funding

Since FY 2021, City Council has appropriated 2.5¢ of the property tax rate for the Transportation Improvement Fund, 1¢ for Parks & Recreation projects, and 1¢ for Affordable Housing construction, allowing the City to focus our efforts in these crucial areas. To build upon the progress that we have made and to demonstrate our continued commitment to these priorities, I am recommending an increase in funding for each priority. Furthermore, I am proposing to transition the funding for these priorities from amounts that are based on the value of 1¢ of the property tax rate to a fixed dollar figure. Providing a fixed amount of funding will ensure a stable source of revenue that will help the City plan and budget for projects in the years to come.

Dedicated Priority Funding

Transportation

Council continues to place a priority on dedicated funding for the maintenance of City-owned streets. The FY 2025 budget designates \$4,400,000 for projects within 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. A portion of this funding is further set aside for the replacement of concrete streets. The proposed budget also includes \$3,000,248 million for street resurfacing.

Staff works closely with the North Carolina Department of Transportation to reduce traffic and congestion concerns. The City maintains over 300 miles of sidewalk and more than 350 center lane miles of roads. There are still areas throughout the City where sidewalks are needed to enhance the connectivity and walkability.

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 resurfacing of Lake Concord Road
- Bridge Repairs along Weddington Road and White Street
- Design funding for a roundabout at Weddington Road and Rock Hill Church Road

Parks & Recreation

Ensuring our Parks & Recreation department has the resources it needs to make progress towards the goal of 30 miles of greenway by 2030 remains an important Council priority. The FY 2025 budget sets aside \$1,800,000 for Parks & Recreation projects. This year, the City began work on Phase I of the \$60 million Parks & Recreation general obligation

bond projects that Concord residents voted to approve in November 2022. Work is well underway on the renovation of Dorton Park, with an expected reopening date of Fall 2024. The initial round of bonds was issued in September 2023 and the first set of debt service payments will begin with the FY 2025 budget. In the coming year, staff will continue to focus on the initial phase of bond projects, while also:

- Funding construction of the first phase of the Clarke Creek Greenway: Cox Mill Loop
- Completing parking improvements to address stormwater-related flooding in the parking lot of the Logan Multipurpose Center

Affordable Housing

The gap in housing affordability continues to grow and Council prioritizes the creation of affordable housing options. The FY 2025 budget will continue to dedicate funding for affordable housing and partner with WeBuild Concord and other private organizations. This year, I am proposing to appropriate \$1,800,000 to Affordable Housing, which is an increase of \$216,000 over the amount appropriated in the FY 2024 adopted budget. Concord will also continue to support the operations of our Public Housing department beyond their federal funding allotments to ensure the department has the necessary resources to provide quality housing. Through the Community Development Block Grant (CDBG) and HOME programs, the City was able to construct two affordable homes that were sold to qualified buyers in 2023. CDBG funds will also be used for the McGill Reuse project, which will assist low and middle-income entrepreneurs to build successful food and beverage-based business to help address the food desert needs within our Gibson Village Community.

Economic Challenges & Our Growing Community

Budget development for FY 2025 was driven by staffing needs associated with our continued growth, inflationary cost pressures, and a slowdown in sales tax revenues. Over the past year, local governments across the state have seen sales tax revenues normalize after several years of above average growth. Our organization is monitoring sales tax revenues to ensure our projections are reliable. For now, staff will continue to project minimal growth. Economic challenges, like continued higher interest rates, supply chain issues, and increased costs for goods continue to impact our community.

As a result, residents and local governments alike continue to pay much more for goods and services than before. Vehicle prices are an illustrative example of this issue. Two years ago, the City's average cost for a Ford Interceptor (Police car) was \$37,000. The cost of the same vehicle this year is \$49,000, an increase of 32%. Not only are prices increasing, but wait times continue to be extended. Fire trucks and specialized equipment that we used to get in 18 months continue to have 3-year wait times. The City is still learning 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.

Our community is growing with new residents and as a corporate destination. Concord continues to receive national recognition for our excellent quality of life. USA Today HOMEFRONT ranked Concord as [the second-best city to move in N.C. based on our excellent public schools, nearby attractions, and low crime rate](#). [Smart Asset marks Concord as the 15th fastest growing city in the U.S.](#)

Eli Lilly broke ground on their new \$2 billion state-of-the-art manufacturing campus in June 2022 and construction work is being completed at record speed. Active solicitation continues at The Grounds, as we partner with Cabarrus EDC to attract valuable, job-creating projects to the site. Exciting things are happening in Downtown Concord as well! The Downtown branding has been updated to reflect the new residential developments in the NOVI projects, corporate offices, and retail tenants. The streetscape will be completed later this calendar year and the City is looking forward to hosting future events in our revitalized space. While the City continues to grow, we remain focused on keeping our community affordable with a well-maintained Water, Electric, and Transportation infrastructure.

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 reserve and operating revenues. There are no other proposed changes to water, stormwater, and sewer rates for this year but rate studies are underway for all water groups. Below is a list of anticipated capital projects for Water and Stormwater.

Water Projects

- Begin funding an AMI (automated meter infrastructure) System replacement
- Fund construction of water infrastructure replacements due to the Union Cemetery Road realignment
- Fund easements and construction of the Old Charlotte Road Water Line replacement

Stormwater Projects

- Farmwood Boulevard Culvert Replacement

Reliable Electric System

Concord Electric Systems takes pride in being one of North Carolina's public power communities and has been in operation for 120 years. Concord Electric Systems recently earned the American Public Power Association's Safety Award for Excellence, Diamond level for safe operating practices in 2023. This award is the highest level of recognition for utilities with 110,000 - 249,000 worker-hours of annual worker exposure. As a City, we are committed to ensuring our team members are prepared for their demanding workload and can return home safely to their families. Work continues to ensure that rates and charges are adjusted to better match rates with the cost of providing service. The department currently has over 80 employees who operate more than 1,700 miles of distribution lines and 21 substations and deliveries - serving over 34,000 residential and commercial customers. To continue providing an exceptional level of service, we must invest in our electrical infrastructure. Electric capital projects funded for FY 2025 are:

- 100kV Interconnect Between Delivery #4 and Substation E
- Delivery #1 Replacement
- Begin funding an AMI (automated meter infrastructure) System replacement
- Construction of a new Electric Substation N
- Delivery #3 Replacement of Metering, Main, and Circuit Breakers
- 100kV Tie Line from George Liles Parkway to Substation O

Addressing Transit Needs

The Concord-Kannapolis Rider Transit System is primarily funded with federal dollars and provides a vital transportation option for many in our community. 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 the future of the County's transit systems. In the coming year, Rider will work to improve passenger experience, operator satisfaction, and enhance safety. The FY 2025 budget includes funding to operate the Cabarrus County Reentry Program, which provides transportation to individuals transitioning from incarceration to employment. Rider will also update their ADA Transition Plan, continue a micro transit pilot, replace CCTV at the Transit Center, and complete Phase 1 of the bus stop amenity plan. This budget also includes funding to cover the cost of both the paratransit and fixed route service as a part of the TransDev contract.

Committed to Excellent Service

Optimization in Solid Waste and Recycling Services

With one year of full solid waste service provision under our belts, our Team is looking to improve processes and create efficiencies in the year to come. One way we are doing this is by right-sizing the City's limb collection process. Implementing yard waste collection limits will increase departmental productivity and allows customers who need more than 6 CY (cubic yards) a process to retain those additional services. The Solid Waste Department will also monitor collection routes for optimization opportunities throughout the year. As always, the City will report 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. A small increase to the solid waste fee has been proposed to help cover costs associated with providing service.

Leveraging Technology

Last year, Concord brought Information Technology (IT) in-house after working with a contractor to provide this service since the 1990s. Throughout FY 2024, the IT department has worked diligently to modernize the City's technology and network infrastructure. In the coming year, IT staff will facilitate the transition of several key software programs to cloud-based servers. As more of the City's work shifts to the virtual world, we are continuing our investment in cyber security resources that will help protect our network from bad actors that can compromise our ability to provide essential services. These technological advancements and services will allow us to meet our citizens' expectations of what excellent customer service is. Information Technology projects include:

- Network Firewall Enhancements at City Facilities
- Fleet Management Software Enhancements
- Partnering with Government Finance Officers Association on a Finance/HR ERP System Replacement

Keeping our Community Safe

The safety of Concord residents is a priority for the City. In FY 2025, the City will begin the design process for a new Fire Station on Flowes Store Road. The new Station 13 will provide fire service to several areas that are outside of the response capabilities of existing fire stations. Improving response times will help us maintain our ISO 1 rating, keeping insurance rates for citizens and businesses low. The budget includes funds to further expand the residential Knox Box pilot program. A Knox Box is a reinforced steel key box registered with Concord Fire that allows firefighters to quickly unlock a home or business in the event of an emergency, eliminating property damage to doors and windows resulting from forcing entry. The Knox Box system has been used by Concord Fire in commercial settings since 1987 and was recently expanded to provide elderly and non-ambulatory residents with this service at no cost. The FY 2025 budget

also contains funding to order a new fire truck for Station 13 in addition to replacing two existing fire trucks and replacing 24 police cars.

Giving Back: External Agency Funding

Our non-profit partners in the community fill a crucial role in ensuring a safety net is available for those in need and provide services that help enhance the quality of life in our City. 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. Requests for general and utility fund grants must meet a municipal public purpose to be considered for the award. CDBG grant recipients must meet federal eligibility guidelines, including 501(c)(3) status and 70% of funding must assist low/moderate-income citizens. 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 \$98,500 from the General Fund with \$32,000 being adopted separately for the Cabarrus Arts Council, are recommended by City Council. CDBG monies totaling \$75,000, and \$33,125 from utility funds are also included in this budget.

Updated Strategic Plan

Throughout FY 2024, City Council and the Staff Leadership Team worked closely with the Centralina Regional Council to develop a new Strategic Plan. The Strategic Plan identifies City Council's vision for Concord, updates our Mission Statement, outlines Goals, and specifies key actions to achieve those goals. The planning process included Council work sessions, meetings with department directors, staff engagement, and a community survey to gather input from residents. The Plan was adopted by Council in May 2024 and includes six Goals that will guide our capital planning processes and the development of future budgets over the next three to five years. In the coming year, staff will begin the work of implementing the Plan in our budget formulation and decision making. Our departments will create metrics to meaningfully report on our progress. This was a time-intensive process, and I am very appreciative of everyone who provided their insights.

Team Concord

Our employees are our most important resource, and they are vital to the City's successful delivery of the high level of service we are committed to providing for our citizens. In October, the City worked with ETC Institute, a national market research firm, to gather feedback from Concord residents about their experiences living in Concord and their perception of City services and employees. The results from the survey show that overall, Concord residents are highly satisfied with the quality of customer service and with the quality of City services. Eighty-four percent of survey respondents reported satisfaction with the overall quality of customer service they received from City employees and 82% were satisfied with the overall quality of City services. When compared to national benchmarks, Concord ranks significantly higher than other cities around the nation.

In addition to surveying our residents, the City also worked to gather feedback from our employees. This past fall, the City conducted an employee engagement survey in partnership with the University of North Carolina School of Government to hear from employees about their experience working for the City. The results of the survey were shared in March and will be reviewed by leaders, managers, and employees throughout the organization over the coming months to look for ways to implement employee feedback.

Employee compensation and benefits were some of the major themes that emerged in the responses to the employee engagement survey. In addition to the increases implemented with adoption of the compensation study, a 3% cost of living adjustment will be provided to all employees effective July 2024. In addition, I am proposing merit increases to range from 1% to 4%, depending upon performance. Through the career development program, employees are provided with an opportunity to enhance their skill sets in the coming year - benefiting themselves and the City. I am proposing employees receive a 1.5% salary increase upon completion of their annual career development requirements.

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 fourth 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 offered throughout the year.

The City's required contribution levels to the North Carolina Local Government Employees Retirement System will increase again in FY 2025. The contribution rate for general employees is now 13.6%, while the rate for law enforcement officers is 15.1%. By State mandate, the City contributes 5% to 401(k) accounts for sworn law enforcement officers. This year, the City will complete a 3-year commitment by increasing the 401(k) contribution by 0.5% once again to bring the total 401(k) contribution for non-sworn coworkers to 5%. This contribution increase is effective on July 1, 2024.

This budget includes funding for 3 additional full-time staff positions and 8 position reclassifications for FY 2025. Start dates are noted below. A total of 1,221 full-time and 42 part-time positions are recommended for funding.

General Fund (2 full-time)

- IT: Server Engineer (October 2024)
- Planning & Neighborhood Development: Community Development Technician (July 2024)

Other Funds (1)

- Electric: Electric Systems Technician I (October 2024)

Reclasses & Moves

- Human Resources:
 - HR Technician to HR Generalist
 - HR Analyst I to HR Analyst II
 - HR Analyst I to HR Analyst (Learning & Development) from City Manager's Office to HR
- Emergency Management:
 - Emergency Management Coordinator to Fire Division Chief from City Manager's Office to Fire
- Billing: Utility Billing Specialist I to Utility Billing Specialist II
- Engineering: CAD Technician to CAD Supervisor
- Buildings & Grounds:
 - Administrative Assistant to Executive Assistant
 - Grounds Maintenance Worker to Tree Specialist

Conclusion

In the coming year, the City will work to ensure our programmatic and fiscal decisions meet the goals set forth by City Council. My proposed budget continues to balance the exceptional quality of life in our City while meeting the needs of our departments to provide excellent service for our residents. 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 a team to provide the high level of service our residents deserve, and this budget provides Team Concord with the resources to do this each and every day.

Respectfully submitted,



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