



CITY COUNCIL RETREAT

**FEBRUARY 7, 2026
9:00 AM**

**THE KANNAPOLIS CITY COUNCIL WILL CONDUCT THEIR 2026 RETREAT ON
SATURDAY, FEBRUARY 7, 2026 AT 9:00 AM
CITY HALL - 401 LAUREATE WAY
EOC TRAINING ROOM - 3RD FLOOR
KANNAPOLIS, NC.**

CALL TO ORDER AND WELCOME

FINANCIAL OVERVIEW

DISCUSSION OF GENERAL FUND PROGRAMS/EXPENDITURES

MOTION TO ADJOURN

ADA Notice

In accordance with Title II of the Americans with Disabilities Act (ADA), any person requiring an accommodation to participate in a function or program of the City of Kannapolis should contact Daniel Jenkins, Assistant Human Resources Director & ADA Coordinator by phone at 704-920-4312, email adacoordinator@kannapolisnc.gov, or in person at Kannapolis City Hall as soon as possible, but not later than forty-eight (48) hours prior.

1
2
3
4
5
6
7
8

**CITY OF KANNAPOLIS
CITY COUNCIL MEETING MINUTES
Retreat Day 1
February 7, 2026**

9
10
11
12
13
14
15
16
17

The City of Kannapolis City Council held their first Council Retreat meeting on Saturday, February 7, 2026, at 9:00 AM, Kannapolis City Hall located at 401 Laureate Way, Kannapolis, NC.

18
19

CITY COUNCIL MEMBERS PRESENT:

20
21
22
23
24
25
26
27
28
29
30
31

Council Members: Doug Wilson, Mayor
 Ryan Dayvault, Mayor Pro Tem
 Darrell Jackson
 Dianne Berry
 Isaiah Payne
 Jeanne Dixon
 Naomi Hatchell

32
33

Council Members Absent: None

34
35

City Manager: Wilmer Melton

36
37

Deputy City Manager: Eddie Smith

38
39

Assistant City Manager: Tina Cline

40
41

Assistant City Manager: Kristin Jones

42
43

Economic Consultant: Mike Legg

44
45

City Attorney: Andrew Kelly

46
47
48
49
50

Staff Present: Brian Roberts Richard Smith
 Terry Spry Annette Privette-Keller
 Irene Wong Tony Eury
 DJ Jordon Tracy Winecoff
 Gary Mills Laura Wolf
 George Hall Heather James
 Becky Tolle Pam Scaggs

51
52

Visitors Present: Ken Lingafelt
 Phil Goodman

53
54

CALL TO ORDER AND WELCOME

55
56

Mayor Wilson called the meeting to order

57
58
59
60

City Manager, Wilmer Melton and Economic Development and Management Consultant, Mike Legg welcomed everyone in attendance and provided a brief overview of the agenda and explained the voting process.

1 **Financial Position and Taxes**

2 Assistant City Manager, Kristin Jones and Finance Director, Brian Roberts provided an overview of
3 the City’s current and projected financial background stating that five-year plan assumes a constant
4 tax rate of 55.95 cents and no use of fund balance, with property taxes (60%) and sales taxes (20%)
5 comprising the majority of revenues. Property tax growth is expected to moderate in FY26–FY27,
6 with Cabarrus County (89% of the tax base) projecting a 2.6% increase in overall values but a 15%
7 decline in personal property, while Rowan County (11% of the base) anticipates a 5.5% overall
8 increase and a significant rise in personal property values. These projections remain preliminary.
9 Development-related revenues are trending downward due to delayed or slowed projects, reducing
10 planning, development, and water/sewer connection revenues. Sales tax growth is estimated at 5.5%
11 in FY27 and 3.5% thereafter, while other revenues are generally projected conservatively, with some
12 decreases in facility-related income.

13
14 Expenditures are driven primarily by rising personnel costs, including annual retirement increases of
15 about \$1 million and higher employer contribution rates, as well as significant health insurance
16 increases estimated at \$2,200 per employee annually. Inflation continues to raise the cost of
17 operations and capital projects, while demand for maintaining service levels adds pressure. The plan
18 assumes largely status quo spending, with minimal operational growth, no new positions, no salary
19 or cost-of-living adjustments, and no additional debt beyond existing obligations, some of which will
20 roll off over time.

21
22 Under these assumptions, the city projects annual surpluses beginning at approximately \$1.3 million
23 in FY27 and growing in later years due to steady revenue growth, debt reduction, and future
24 revaluations. However, these projections reflect a baseline scenario and do not account for new
25 initiatives, expanded services, or additional capital investments, which could significantly impact the
26 financial outlook.

27
28 Discussion clarified that the \$30 vehicle fee is currently at the statutory maximum, with \$10 allocated
29 to transit and \$20 supporting general fund street maintenance. Of the \$10, half is mandated for public
30 transit, while the remaining portion is discretionary. Total transit funding includes approximately
31 \$444,000 from this fee and about \$1.4 million from the general fund, bringing the total contribution
32 to roughly \$1.8 million annually to support the CK Rider system operated through City of Concord.
33 The projected increase in costs—about \$400,000—is largely driven by a new service provider
34 contract, reflecting inflation, higher labor costs, and initial “ramp-up” expenses in the first year, with
35 smaller increases expected in later years. While a lower bid was received, it was not recommended
36 due to poor service performance, emphasizing the importance of selecting a responsible provider over
37 the lowest cost. Additional cost pressures include potential vehicle replacements, though grant
38 funding can offset a significant portion of those expenses.

39
40 For the environmental fund, it was noted that achieving full cost recovery through user fees has been
41 a long-term policy goal set by Council over a decade ago. While the current fee is \$23.10 per month,
42 an additional \$5–\$10 increase would likely be required for the fund to become self-sustaining without
43 general fund support. However, concerns were raised about the timing of any fee increase, particularly
44 given recent service reductions (e.g., loose leaf collection), which may impact public acceptance.
45 Broader concerns were also expressed about public awareness and equity, particularly regarding the
46 vehicle fee, as some residents may not realize they are contributing to transit services they do not use.

1 Overall, the discussion highlighted the tension between rising service costs, policy goals for self-
2 sufficiency, and community sensitivity to fee increases.
3

4 **Transit System**

5 Mr. Melton shared that the City of Concord is currently reviewing its transit contract with the existing
6 provider and exploring potential changes to the service. Council members expressed concerns about
7 the efficiency and effectiveness of the current system, citing low ridership on some routes,
8 underutilized buses, and what they perceived as an inequitable cost-sharing arrangement between
9 Concord and Kannapolis. The discussion highlighted key financial and contractual considerations,
10 including the timing of decisions necessary to ensure uninterrupted service and the risks associated
11 with committing to long-term contracts. Council also noted the complexities involved in separating
12 Kannapolis from the regional transit system, including potential impacts on shared ridership, the need
13 for transfers, and residents' access to critical destinations such as healthcare providers, social services,
14 and employment centers.
15

16 Deputy City Manager, Eddie Smith provided financial context, explaining that the system is funded
17 through contributions from both Concord and Kannapolis, supplemented by approximately \$3 million
18 in federal funding administered by Concord. While Kannapolis could argue for a share of these federal
19 funds if it withdraws from the system, Concord is not legally obligated to allocate them. City Attorney
20 Andrew Kelly added that any withdrawal by Kannapolis could still leave the City responsible for a
21 portion of existing contractual obligations, depending on the terms of the agreement.
22

23 Council explored several potential paths forward, including negotiating shorter contract terms,
24 adjusting cost-sharing arrangements with Concord, or issuing a termination notice to allow time for
25 further study. Microtransit was discussed as a possible alternative or complement to the fixed-route
26 system; it was described as an Uber-like, on-demand service that could provide door-to-door or virtual
27 stop service, enhancing access to employment, healthcare, and other essential services. However, it
28 was acknowledged that microtransit costs could fluctuate significantly as demand changes, and
29 careful planning would be required to manage service efficiency and budget impacts.
30

31 Overall, the discussion emphasized the importance of balancing fiscal responsibility, contractual
32 obligations, and service quality, while ensuring that Kannapolis residents continue to have reliable,
33 accessible, and effective transportation options. Council members agreed on the need for further
34 analysis, including evaluating microtransit and hybrid models, understanding financial implications,
35 and engaging with regional partners before making long-term commitments.
36

37 **Summer Concert Series**

38 Parks and Recreation Director, Gary Mills, highlighted a community programming survey conducted
39 the previous summer, which revealed that residents' top priorities were concerts and live music,
40 followed by cultural arts programming with 75% of respondents willing to pay additional funds for
41 enhanced facilities and programs. This aligns with findings from the Parks and Recreation
42 Comprehensive Master Plan adopted by Council two years ago, which asked residents about the
43 maximum additional amount they would be willing to pay monthly to fund new parks, facilities, and
44 programs and the insights underscore the community's support for enhancing Parks and Recreation
45 offerings. Mr. Mills reported that the Summer Concert Series, entering its 26th season, has
46 demonstrated consistent growth in participation and attendance and has received multiple awards,
47 including Best Live Music in Cabarrus County. He noted that Council previously approved increased

1 funding for the series and the addition of the Green Room at the amphitheater and added that data
2 shows that approximately 10% of concert attendees patronize local businesses.
3

4 Council discussion focused on funding options for the concerts and included eliminating the program,
5 maintaining current funding, or reducing funding, with the understanding that lower funding levels
6 could result in some program or service reductions. They discussed the feasibility of a hybrid
7 approach that included maintaining free concerts for most events while using ticketed venues for
8 higher-profile acts but concluded that logistical challenges, including fencing, staffing, and protecting
9 playing fields at alternative venues like the Cannon Baller stadium, make this difficult. Council
10 members inquired about sponsorship opportunities, noting that while several consistent sponsors
11 support the series, additional outreach could provide more fiscal support. Mr. Mills explained that
12 sponsorship efforts include ongoing marketing to local businesses and leveraging social media, but
13 securing new sponsors has become increasingly challenging. He reported that attendance is roughly
14 balanced between residents and non-residents, with data showing that most attendees live within a
15 10-mile radius. Concessions were recognized as an additional revenue source, with opportunities to
16 improve offerings and maximize income from food trucks. When asked about production costs, Mr.
17 Mills responded that it varies depending on the venue and the band, ranging from \$3,000–\$25,000
18 per event. It was suggested that the series include more local bands and less high-profile bands.
19

20 While the Summer Concert Series was recognized as a valuable community asset that fosters
21 connection, supports local businesses, and enhances quality of life, Council emphasized the
22 importance of maintaining diverse, high-quality programming while continuing to evaluate funding
23 strategies, sponsorship opportunities, and venue options.
24

25 **Gem Theatre Operations**

26 Mr. Mills reported that the Gem Theatre remains a cornerstone of the community and a key downtown
27 asset. Since reopening after renovations in May 2024, it has sold more than 162,000 tickets and
28 generated approximately \$700,000 in its first year, with current projections slightly above \$600,000.
29 As a designated first-run, single-screen theatre with 700 seats and a historic balcony, its performance
30 is closely tied to the availability and quality of film releases. The projected revenue decline reflect
31 the impact of the actors’ and writers’ strike, which limited film production and reduced box office
32 draw but as the industry recovers, stronger film lineups are expected in 2027. Despite this, the Gem
33 continues to attract strong attendance, including multiple sellouts, with patrons often choosing it over
34 other theatres for its affordability, atmosphere, and enhanced viewing experience.
35

36 Renovations have successfully combined historic character with modern upgrades, including 4K laser
37 projection, Dolby sound, improved seating, and upgraded concessions. The theatre’s importance is
38 further underscored by its ranking as the top asset in prior downtown revitalization surveys.
39 Concessions remain the primary opportunity to enhance overall performance, as ticket pricing offers
40 limited flexibility. Small adjustments to concession pricing, such as modest increases to popcorn,
41 drinks, and combo items, could increase revenue, though pricing must remain competitive to ensure
42 continued customer satisfaction and sales.
43

44 Mr. Legg advised that Council has six potential options for the Gem Theatre. These options included:
45 maintaining current operations with reduced subsidy, further reducing support, transitioning
46 management to a nonprofit board while maintaining some City subsidy, converting the facility to a
47 community theatre model, changing the business model entirely (such as second-run films), or selling
48 either the business or the property.

1 Discussion highlighted philosophical differences, with some members expressing concern about
2 government operating a business and advocating for a self-sustaining model or divestment, while
3 others emphasized the Gem’s cultural, historical, and community value. The theatre’s historic
4 designation and role in downtown identity were noted as key considerations, with several members
5 supporting long-term protections to preserve the facility.
6

7 Mr. Mills explained that the current first-run model is critical to maintain attendance, as shifting to
8 second-run films would reduce film costs but significantly decrease audience turnout and overall
9 revenue and suggested that a hybrid model is not feasible due to studio requirements. He reiterated
10 that the theatre continues to draw strong attendance, with over 162,000 tickets sold since reopening
11 and operating nearly year-round.
12

13 Council generally agreed that raising ticket prices would have minimal impact, while modest
14 increases to concession pricing were viewed as a more effective way to improve cost recovery without
15 discouraging attendance. The importance of maintaining affordability to attract visitors was
16 emphasized, particularly given the theatre’s competitive pricing compared to regional cinemas.
17 Council also noted the Gem’s broader economic and social impact, including drawing visitors
18 downtown, supporting nearby businesses, and serving as a community gathering space. Public
19 investment and past community fundraising support were cited as evidence of its local importance.
20 Overall, there was no consensus on major structural changes such as selling the facility. Instead,
21 discussion leaned toward incremental adjustments, particularly concessions pricing and operational
22 efficiencies, while preserving the theatre’s historic character, community role, and long-term
23 sustainability.
24

25 **Swanee**

26 Council discussion on the Swanee Theatre emphasized its value as a unique community and cultural
27 asset, while also exploring opportunities to improve sustainability and utilization. Council members
28 highlighted the Swanee’s role in creating a distinct downtown experience with events that often
29 coincide with other activities, such as concerts, ballgames, and fireworks, creating a vibrant
30 atmosphere that draws residents and visitors and supports nearby businesses. The venue was
31 described as a gathering place that enhances the overall appeal of downtown and contributes to local
32 economic activity.
33

34 Mr. Mills clarified that “sold out” shows vary based on seating configurations, as the theatre uses
35 multiple layouts depending on the type of performance. Recent changes, such as increasing seated
36 options, have improved ticket sales, with many events selling out seated sections while leaving only
37 limited standing-room capacity. Some shows have recently generated modest operating surpluses,
38 largely driven by concessions and alcohol sales.
39

40 Council discussed programming strategy, noting the importance of booking higher-quality,
41 differentiated acts that do not directly compete with smaller local venues. There was support for
42 refining the event mix, potentially reducing the number of shows while focusing on higher performing
43 events, to further lower operating costs while maintaining community benefit. Differing perspectives
44 emerged regarding financial sustainability. Some Council members emphasized the need to
45 significantly reduce or eliminate public subsidy, while others supported continued investment given
46 the Swanee’s cultural, historical, and economic impact.
47

1 Additional ideas included repurposing portions of the facility to maximize use, such as incorporating
2 a visitor center, expanding partnerships with local history organizations, and creating a centralized
3 space to promote the City’s assets. Enhanced regional marketing was strongly encouraged to attract
4 more visitors and increase daytime activity downtown.
5

6 Council recessed for lunch at 12:19 PM and reconvened at 12:45 PM.
7

8 **Curbside recycling**

9 Director of Transportation and Environmental Services, Michael Rattler presented an overview of the
10 City’s recycling program, noting that while it provides environmental benefits, it is significantly more
11 expensive than solid waste disposal. Recycling costs approximately \$124 per ton compared to \$46.50
12 per ton for garbage, making disposal the primary cost driver. The City currently collects about 3,000
13 tons of recycling annually versus 19,000–20,000 tons of solid waste. Eliminating curbside recycling
14 would result in an estimated annual savings of approximately \$405,000, though near-term savings are
15 limited due to contractual obligations, with only about \$85,000 in immediate reductions. Mr. Melton
16 cautioned that discontinuing recycling could lead to long-term cost impacts, as increased landfill use
17 would shorten landfill lifespan and eventually require more expensive transport to distant facilities.
18

19 Discussion focused on alternative approaches, including reducing collection frequency, offering opt-
20 in services, or shifting from single-stream to dual-stream recycling. Mr. Melton noted that these
21 options would provide limited savings and could be difficult to implement under current contracts. It
22 was also explained that market conditions have changed significantly; unlike in the past, recycled
23 materials no longer generate revenue and instead incur processing costs. Council members expressed
24 concern regarding public perception and environmental impact if recycling services were eliminated,
25 as well as potential behavioral impacts such as increased strain on garbage capacity. Some noted that
26 private recycling options would likely be significantly more expensive for residents.
27

28 **Downtown Business Support**

29 Director of Economic and Community Development, Irene Wong and Director of Communications,
30 Annette Privette Kelly, provided an overview of downtown business support efforts. Ms. Wong stated
31 that the City has invested heavily in downtown Kannapolis, yielding benefits that extend beyond the
32 downtown area to the broader community. Recently, however, there has been a decline in foot traffic,
33 a trend seen in other cities statewide and nationally, partially due to economic factors. Maintaining a
34 vibrant downtown economy requires ongoing marketing efforts and conversations with local
35 businesses over the past few months reveal concerns about this decline and its impact on their
36 operations. While previous plans to engage with Downtown Kannapolis Incorporated (DKI) for
37 marketing fell through, the City utilizes social media and the discoverkannapolis.com website to
38 promote downtown events, including the summer concerts and the Gem Theatre.
39

40 Since Kannapolis is not a county seat and lacks a large daytime workforce, downtown relies primarily
41 on tourism and visitors from outside the area. Partnerships with organizations such as the Cabarrus
42 Chamber and Cabarrus Economic Development have helped market downtown, particularly during
43 the racing season, using cost-effective digital platforms. Based on these experiences, the
44 recommendation is for a modest, ongoing marketing budget to support promotions and events, similar
45 to practices in other downtowns. Funding could be considered through a municipal service district
46 (MSD) tax targeted to the downtown area.
47

1 Mrs. Privette Keller added that the businesses have emphasized that while they are responsible for
2 marketing their individual operations, they lack the resources to promote downtown as a whole. A
3 structured MSD-funded marketing program would allow the City to consistently attract visitors,
4 support local businesses, and sustain downtown vitality. Past initiatives, such as partnering with NC
5 Rail to bring visitor groups, demonstrate the potential impact of focused marketing efforts.
6

7 Council members emphasized that while developing a downtown brand is important, a broader city-
8 wide rebrand highlighting safety, lifestyle, and city assets is also needed. The discussion addressed
9 downtown promotion, the proposed Municipal Service District (MSD), and related marketing
10 initiatives. It was noted that property owners may request exclusion from the MSD if their properties
11 are uniquely situated, with the City Council determining eligibility, and that collaboration among
12 business owners is essential. Mr. Kelly explained that contracts for MSD-funded services would
13 require public outreach and hearings to ensure property owners and residents have input on how the
14 funds are used, as outlined by statute. Council members highlighted that consistent police presence
15 during peak times is critical for public perception, and businesses should understand that MSD
16 program costs may be reflected in rental rates. The city's role was clarified as limited to promotion
17 and facilitation, such as permitting street closures or providing infrastructure support for events, while
18 businesses remain responsible for planning and funding activities. Small-scale events could be
19 supported through MSD funds, but large festivals would remain outside the scope. Mr. Legg
20 suggested that the Miller Davis firm could provide guidance on marketing strategies and coordination
21 efforts.
22

23 **Employee Support**

24 Director of Human Resources, Heather James, provided an overview of the *Pay for Performance*
25 adjustments and reported that the City launched a new performance evaluation system, initially merit-
26 based, but shifted to a flat pay system due to challenges with the software, cultural adjustments, and
27 training. Full-time employees received a 5% flat increase, part-time employees up to 1,500 hours
28 received 2%. She emphasized that the changes were communicated to staff multiple times. Phase two
29 of the system will be implemented in March with refresher training and feedback sessions for
30 department heads to ensure alignment and understanding. F
31

32 Council members reviewed options for this year's flat pay adjustment, noting that a 5% increase
33 fulfills prior commitments to employees. While alternative options could reduce budget costs, they
34 would not meet expectations. Discussion included the potential impact on the upcoming salary and
35 compensation study, ensuring adjustments align with cost-of-living increases and regional
36 benchmarks. It was clarified that next year's evaluation system will return to merit-based increases,
37 combining cost-of-living adjustments with performance-based pay, with supervisors responsible for
38 individual allocations. Members agreed that maintaining competitive compensation is critical for staff
39 retention and emphasized the importance of clear communication regarding merit and cost-of-living
40 components.
41

42 **Compensation Study**

43 Mrs. James reviewed the results of the October 2024 compensation study, noting that the study is
44 conducted every three to four years to ensure alignment with comparable municipalities. Adjustments
45 have been made to account for inflation, and four implementation strategies were presented: an eight-
46 year time-in-position model, a six-year time-in-position model, an eight-year hybrid model
47 combining time in position with total years of service, and a six-year hybrid model. The impact of
48 each option was reviewed, with the six-year and hybrid models affecting a greater number of

1 employees, particularly in public safety departments. Under the eight-year model, 70% of police
2 officers and 47% of firefighters would receive increases, while the six-year model would affect 73%
3 of police and 57% of firefighters.
4

5 Council discussion emphasized the importance of competitive compensation for recruitment and
6 retention, with several members noting that the six-year model would better position employees in
7 public safety roles relative to regional peers. It was acknowledged that some employees already at or
8 above market rates may not benefit immediately, and transparent communication regarding eligibility
9 and implementation would be critical. The hybrid models were noted to have higher costs due to
10 inclusion of total years of service but provide broader adjustments for long-tenured employees.
11 Council consensus indicated a preference for the six-year or six-year hybrid model to ensure
12 competitive pay and retention of key staff.
13

14 **Health Insurance**

15 Mrs. James discussed the City’s self-funded health insurance program, noting that costs are driven by
16 claims from employees, spouses, and dependents and are influenced by the overall health of the
17 workforce. Total annual costs are approximately \$1 million, with stop-loss coverage providing
18 savings for claims exceeding \$150,000. The city’s clinic, recently relaunched to provide primary care,
19 acute care, occupational medicine, and drug testing, is projected to operate at approximately \$300,000
20 annually and now includes required firefighter physicals and access for retirees beginning January 1,
21 2026. Outlined options to manage costs, including maintaining current premiums and subsidizing
22 shortfalls through the general fund, increasing employee contributions, adjusting plan design, and
23 encouraging clinic utilization to reduce claims. Benchmarking against peer municipalities shows that
24 employee health coverage in Kannapolis remains competitive, with most employees paying little or
25 nothing for premiums, and any increase in contributions could reduce competitiveness. Council
26 discussed the impact of the insurance program on the budget, noting a projected shortfall of at least
27 \$1 million through July and limited remaining funds, emphasizing the need to balance cost
28 containment with competitive benefits, workforce satisfaction, and transparent communication with
29 employees regarding potential plan changes.
30

31 **Western Area Fire Protection**

32 Fire Chief Tracy Winecoff provided an overview of fire service coverage and long-term planning for
33 the City’s western area. Since development began, the City has contracted with the Odell Fire
34 Department at an annual cost of approximately \$500,000, with increases tied to rising property values
35 over the past 20 years. While Odell is considered one of the county’s stronger volunteer departments
36 and maintains a positive relationship with the City, its part-time staffing model can lead to delays
37 when personnel are committed elsewhere or assisting neighboring districts. A recent incident
38 resulting in the loss of a home, when both the local Odell unit and a Concord ladder truck were
39 unavailable, highlighted the limitations of relying on volunteer coverage in a rapidly growing, high-
40 value residential area. Call volume in the Farms development has risen from 154 in 2022 to 240 in
41 2025, further underscoring the need for more reliable service, especially given limited reciprocal
42 mutual aid.
43

44 Discussion focused on establishing a City-operated presence to improve response times and reduce
45 dependence on contracted service. Chief Winecoff proposed a “community firehouse” as a cost-
46 effective, flexible interim solution, either by leasing an existing home or constructing a small
47 residential-style facility to house personnel and equipment. Potential sites include City-owned land
48 near Wayne Brothers or the water tower. This approach allows the City to adapt as growth continues

1 while avoiding the higher cost of a traditional station. Staffing and training are expected to take six
2 to nine months.

3
4 Additional considerations included the challenges posed by leadership turnover and political
5 dynamics within Odell, which have complicated past collaboration efforts, though co-location
6 remains a possibility. The City is also evaluating long-term strategies such as selling underutilized
7 properties to “land bank” future sites for joint police and fire facilities. Coordination with neighboring
8 jurisdictions, including Concord and Davidson, was recommended to support consistent coverage in
9 high-growth areas.

10 11 **Adaptive Response**

12 Chief Winecoff provided an update on the proposed Quick Response Vehicle (QRV) program, noting
13 that it was initially presented in 2023 and remains a priority for improving efficiency and service for
14 residents. The program is designed to handle medical, low-acuity, and routine service calls without
15 deploying larger fire apparatus, thereby keeping engines available for higher-priority incidents. Three
16 staffing and coverage options were outlined: the full program with 12 personnel providing 24-hour
17 coverage and two QRVs, a mid-level option with 6 personnel and one QRV, and a limited option
18 using part-time staff for 12-hour coverage. Vehicles would be roving units, primarily assigned to
19 medical calls, but flexible to respond to other incidents as needed. Initial housing would be at Stations
20 1 and 2, with deployment based on demand. Mr. Mills noted the program reduces wear on primary
21 engines, decreases firefighter workload, and has shown positive results during limited trial runs.
22 Estimated costs for fully outfitted vehicles are approximately \$150,000 each. The program also aligns
23 with long-term goals for potential city-operated EMS services. Council expressed support while
24 noting budget considerations and the importance of maintaining flexibility in staffing and
25 deployment.

26 27 **Eastside Park**

28 Mr. Mills stated that Eastside Park will be a 44-acre facility located off Midlake Road, providing
29 recreational space on the east side of Main Street, where no parks currently exist. The city purchased
30 the initial 33 acres in 2017, with the City of Concord contributing an additional 11 acres, including
31 lake access. The park’s design reflects resident priorities identified in the master plan, meeting four
32 of the top six requests: lake access, walking trails, a dog park, and preservation of open space. He
33 noted that the city applied for and was awarded a \$500,000 grant, and that the park’s design and
34 layout are complete, including modifications to convert a private water line to a public line.
35 Construction is expected to take 9 to 12 months, with a goal of opening before summer to maximize
36 use.

37
38 Discussion focused on the implications of returning the grant funds if the project is delayed and
39 clarification that the City of Concord is providing lake access under a nominal lease for the proposed
40 paddle boat amenity. Council also discussed the Midlake Road sidewalk project and received
41 confirmation that, while complementary, it is a separate initiative. Annual operating costs are
42 projected to include a park manager, maintenance staff, and part-time personnel for concessions and
43 seasonal activities. While the project is ready to be bid, Council emphasized careful consideration of
44 budget constraints, noting that delays or cost overruns could significantly impact city finances.

45 46 **Historic Preservation**

47 Mr. Legg stated that discussions regarding the establishment of a Historic Preservation Program have
48 been ongoing for approximately a year. He noted that the program will be administered through the

1 Parks & Recreation Department and will encompass multiple initiatives aimed at preserving the
2 City's historic and cultural assets. He then turned the discussion over to Mr. Mills, Ms. Wong, and
3 Mrs. Privette Keller, who explained that the program's primary focus includes stabilizing historic
4 structures, such as the North Carolina Music Hall of Fame, promoting arts and cultural activities, and
5 creating educational opportunities, including fee-based music lessons for children and additional
6 concerts in partnership with local organizations such as the Salisbury Symphony. A key first step is
7 the creation of a Historic Preservation Advisory Board, which will guide the program's priorities,
8 coordinate with existing local history organizations, and help determine which initiatives are most
9 relevant to the community, without assuming control of assets held by groups such as History
10 Associates.
11

12 Discussion regarding potential initiatives included the development of a digital map and mobile app
13 to identify historic sites throughout the city. The app would incorporate QR codes and augmented
14 reality technology to allow users to view buildings and landmarks as they appeared historically. These
15 tools are intended to make local history accessible to residents and visitors, particularly those
16 unfamiliar with the city's past, while also stimulating tourism and downtown visitation. The program
17 will further focus on community engagement by gathering input from residents on preservation
18 priorities and encouraging participation in cultural activities.
19

20 Funding for the initial position to oversee the program, including administrative tasks, coordination
21 with existing organizations, and program implementation, is already included in the city's budget.
22 Additional projects, such as reprinting a local history book, may be partially funded through
23 community contributions and sales, allowing the program to be partially self-sustaining. The
24 discussion emphasized the importance of moving forward promptly, given strong public interest and
25 frustration over delays, and ensuring that Advisory Board members include knowledgeable local
26 stakeholders. The program is considered a critical step in preserving the city's history, integrating arts
27 and cultural initiatives, and providing both educational and economic benefits to the community.
28

29 **Midway & North Kannapolis**

30 Planning Director, Richard Smith, stated that the 2030 Comprehensive Plan, adopted in 2018,
31 identified nine activity centers, including North Main and South Main Street (Midway) as areas
32 needing redevelopment. While redevelopment is planned for both areas, with funding in place for
33 Midway, further direction from Council is needed. Mr. Smith added that North Main has an ongoing
34 NCDOT streetscape project that can be built upon, but funding would need to be allocated and asked
35 for approval to proceed with developing area plans for both areas. Ms. Wong noted that unlike
36 downtown, the City does not control any properties in Midway or North Main, which makes
37 implementing redevelopment plans more challenging and will require extensive stakeholder
38 engagement.
39

40 Mr. Smith confirmed that the funds for Midway have already been approved and are included in the
41 existing budget, so moving forward will not require additional City resources. He noted that previous
42 studies in Midway identified potential improvements and partnerships, including possible NCDOT
43 funding for roadway enhancements, though many opportunities remain unrealized due to limited
44 property control. The allocated funding is intended to support the creation of urban redevelopment
45 areas and area plans, guiding streetscape enhancements, capital investments, and private property
46 revitalization. While building consensus among property owners will be critical, Council agreed that
47 targeted, cost-effective actions, potentially leveraging grants, could catalyze improvements without

1 fully spending the existing budgeted funds. Mr. Smith confirmed that business owners have expressed
2 interest in assistance, indicating strong potential community support for these efforts.

3
4 Mr. Legg reminded Council members to complete their straw voting packets and return as soon as
5 possible.

6
7 **MOTION TO ADJOURN**

8 There being no further business, Mayor Pro Tem Dayvault made motion to adjourn, second by
9 Councilmember Dixon, and the motion was unanimously approved.

10
11 The meeting adjourned at 4:08 PM on Saturday, February 7, 2026.

12
13

14

15

16

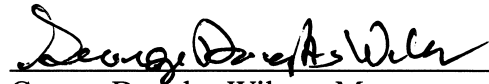
17

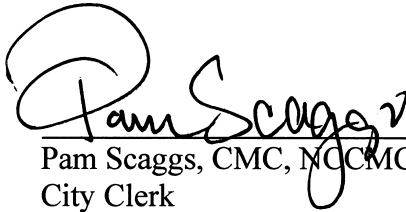
18

19

20

21


George Douglas Wilson, Mayor
City of Kannapolis


Pam Scaggs, CMC, NCCMC
City Clerk



KANNAPOLIS

City Council 2026 Retreat

February 7, 2026

City Council Retreat Overview – Day 1

Logistics and Scheduling

The Day 1 Retreat will be held at City Hall in the 3rd floor EOC room on Saturday February 7, 2026 from 9:00 am to 4:00 pm. Breakfast will be provided at 8:30 am and lunch will be provided mid-day.

Former City Manager Mike Legg will serve as the Retreat facilitator, which allow City Manager Wilmer Melton and the other members of the management team to actively interact with City Council in the decision making process.

Retreat Day 1 Process

The general flow of the Day 1 Retreat will be a very quick reference to summaries for each project by City Staff. Generally each agenda item has been allocated with 25 minutes, including Q&A, discussion, and preliminary decision making. In most cases, City Staff will focus on the options presented and not spend a lot of time with background information. For five members of City Council most of these topics have been discussed at length previously so there should be some familiarity. For the two new Councilmembers, this will not be the case so there may be a few more background questions they may have – which is to be expected.

The above-referenced summaries for each of 15 projects/programs/expenditures are included with this overview. These summaries each include a high level description, financial details, options for City Council to consider and staff observations. The hope is that Councilmembers can find some time ahead of the Retreat to review these summaries. Given the compressed scheduling of this Retreat process this may not be possible but a general familiarization with the Retreat format and topics will be helpful. Doing so will make the decision making process on Saturday a bit more efficient.

In many of the above-described summaries are references to one-time expenditures or appropriations from fund balance. A separate discussion of these one-time expenditures and a number of stand-alone one-time expenditures will be part of the Day 2 Retreat.

As an additional resource to aid in the review of the Retreat summaries, a List Packet is being provided. This includes a list of each of the 15 projects/programs/expenditures being discussed at the retreat as well as a very long list of projects and initiatives that are presumed to be delayed indefinitely.

Conclusions and Decision Making

A critical outcome of the Retreat will be to provide City staff with early guidance on key priorities of a majority of City Council. Simply talking about projects and priorities for eight hours will likely not result in any appreciable conclusions.

To address this challenge, a Straw Voting Packet is being provided for each Councilmember with this overview and the other Retreat documents. This packet will include about 20 or so topics with at least 3 options for each topic. Councilmembers will be asked to “vote” on the option they most support. There will be a place for each topic to offer an alternative option not listed.

These “straw votes” are designed to see if there are early majorities of City Council on the various topics. It is critical to understand that *these votes are not in any way binding*. They are simply designed to bring clarity to the collective thoughts of City Council.

At the end of the Straw Voting Packet is a simple priority setting exercise where individual Councilmembers will be asked to choose their projects/programs/expenditures they support the most and those that they support the least. This is just another set of consensus building data for City staff to reference in crafting the FY 27 Budget.

Most of these decisions will not be final until the new budget is considered by City Council in June 2026. One or more work sessions may be necessary ahead of the budget to further define the Retreat outcomes. In reality, individual Councilmembers may make a change in his or her position during the Retreat, after the Retreat and even up to the consideration of the vote on the budget. As more information is gathered, decisions become easier to make. That is how the process should work!

While these straw votes are not binding, it is important to note that they are considered a public record and are not anonymous. To that end, they have been printed individually for each Councilmember. However, there is no intent to call out any individual Councilmember as to their individual vote.

At the end of the Day 1 Retreat the plan is for City Council to have completed the Straw Voting Packet and City staff will quickly tally the results. The hope is that there is enough time to share those results before adjourning. If not, they will be provided by email after the Retreat. The Day 2 Retreat will begin with a review and discussion of these Day 1 results.

Decisions to add, eliminate or modify any of the projects/programs/expenditures will be an important Retreat expectation. However, these decisions may be influenced by a number of factors that emerge during the retreat or after the retreat. This is not a perfect process. Conclusions may not be crystal clear after the Day 1 Retreat session; but it will undoubtedly move the FY 27 Budget process in a good direction.

Project/Program/Expenditure Details

Day 1 will focus on the General Fund, Environmental Fund, Transit Fund, and the Insurance & Risk Fund. Day 2 will continue Day 1 topics and also include the Water & Sewer Fund and Stormwater Fund. More specifically, the Day 1 Agenda will be comprised of the following three key components:

- *Financial Overview*. Day 1 will focus on financial information for the non-enterprise funds. Topics such as anticipated revenues, budget assumptions, and fund balance projections will be included. This will also include a discussion of the property tax rate and fee structures.

One City Council question to ponder ahead of the Retreat: Are reductions to the property tax rate or fees an overarching goal; if yes, are their specific targets? This is more of a philosophical question than a budget management question. If a majority of City Council has a goal to simply reduce taxes and/or fees as a stand-alone priority then this conclusion could have significant implications on both the Retreat outcomes and the corresponding FY 27 budget preparation.

Note that this is different than reducing expenditures in one area to address budget pressures in another area.

City Council will be asked to formally discuss this issue at the beginning of Retreat Day 1.

- *Discussion of Major Existing Programs/Expenditures.* There are 6 such programs/expenditures slated for discussion (Transit, Summer Concert Series, Gem Theatre Operations, Swanee Theatre Operations, Curbside Recycling, Downtown Business Support).

These are all programs or expenditures that are already included in the adopted FY 26 Budget although some of the numbers are projected to change in FY 27 and one (Downtown Business Support) has approved funding, but nothing has been done to move the initiative forward. These are all programs/expenditures that are generally discretionary and are potential areas where cuts and savings can occur should that be the desire of a majority of Council.

The total projected FY 27 Budget impact for these six programs/expenditures is \$4,648,019, which is the equivalent of 4.91 cents on the tax rate.

- *Discussion of Major New Projects/Programs/Expenditures.* There are 9 such projects/programs/expenditures (Employee Salary Adjustments, Employee Salary Study, Employee Health Insurance, Western Area Fire Protection, Adaptive Response Program, Eastside Park, Historic Preservation Program, Midway Revitalization and North Kannapolis Revitalization).

While some of these Projects/Programs/Expenditures are not new (e.g., employee salary adjustments) the Draft FY 27 Budget in its very early stages does not have any of this included so they are all “new” from a funding standpoint. It is questionable that every one of these can be added to the FY 27 Budget, which is precisely why they are included in this Retreat discussion.

The total projected FY 27 Budget impact for these nine projects/programs/expenditures is \$5,554,942, which is the equivalent of 5.86 cents on the tax rate.

Finally, there are a few multi-year operating expenditures of note that will be considered as part of budget preparation in FY 27 and future budget years. However, they were not added to the Retreat agenda for a variety of reasons (including limited Retreat time capacity). The inclusion of these in future budgets will be subject to available revenues/capacity and separate discussions by City Council.

1. Kannapolis Parkway/Hwy 3 Lighting & Landscaping.
2. Capital Outlay in all Departments (vehicles, trucks, equipment, fire apparatus).
3. Public Works Operation Center Improvements.

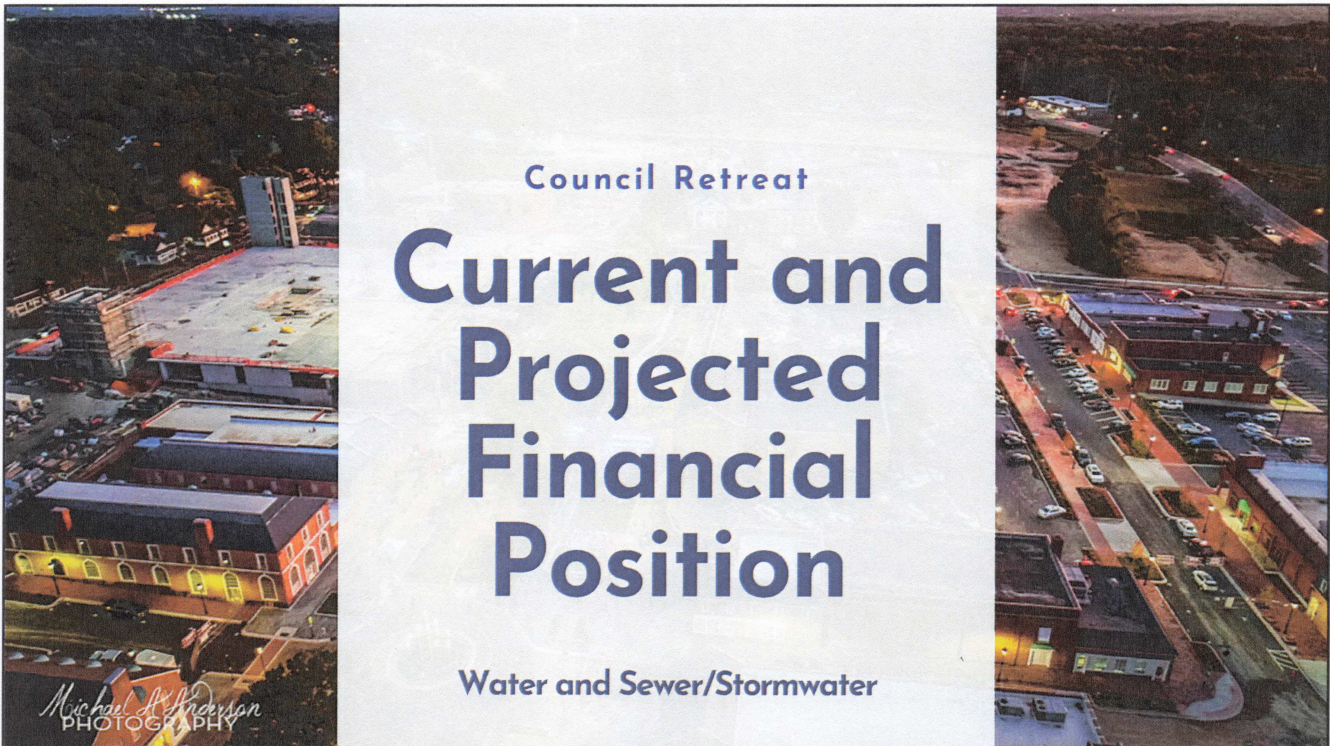
2026 Kannapolis City Council Retreat

Day 1 Agenda

February 7, 2026

City Hall - 3rd Floor EOC

Time	Item	Lead
8:30 - 9:00 am	Light Breakfast	
9:00 - 9:05 am	Welcome and Call to Order	Mayor Wilson
9:05 - 9:15 am	Objective for the Day and Retreat Process	Wilmer Melton, Mike Legg
9:15 - 9:35 am	City's Current and Projected Financial Position – Part I	Kristin Jones, Brian Roberts
9:35 - 9:50 am	Taxes and Fees	Wilmer Melton, Kristin Jones
9:50 - 10:15 am	<i>Existing:</i> Transit System	Wilmer Melton, Eddie Smith
10:15 - 10:40 am	<i>Existing:</i> Summer Concert Series	Gary Mills
10:40 - 10:50 am	Break	
10:50 - 11:15 am	<i>Existing:</i> Gem Theatre Operations	Gary Mills
11:15 - 11:40 am	<i>Existing:</i> Swanee Theatre Operations	Gary Mills
11:40 am - 12:05 pm	<i>Existing:</i> Curbside Recycling	Michael Rattler
12:05 - 12:30 pm	<i>Existing:</i> Downtown Business Support/MSD Tax	Irene Wong, Annette Privette Keller
12:30 - 12:50 pm	Lunch	
12:50 - 1:25 pm	<i>New:</i> Employee Support: Pay for Performance Adjustments, Compensation Study, Health Insurance	Heather James, Kristin Jones
1:25 - 1:50 pm	<i>New:</i> Western Area Fire Protection/Odell	Tracy Winecoff
1:50 - 2:15 pm	<i>New:</i> Adaptive Response Program	Tracy Winecoff
2:15 - 2:25 pm	Break	
2:25 - 2:50 pm	<i>New:</i> Eastside Park	Gary Mills
2:50 - 3:15 pm	<i>New:</i> Historic Preservation Program	Gary Mills, Annette Privette Keller, Irene Wong
3:15 - 3:40 pm	<i>New:</i> Midway and North Kannapolis Revitalization	Irene Wong, Richard Smith
3:40 - 4:00 pm	Day 1 Wrap Up	Mike Legg, Wilmer Melton
4:00 pm	Adjourn	Mayor Wilson



Council Retreat

Current and Projected Financial Position

Water and Sewer/Stormwater

Michael Anderson
PHOTOGRAPHY

1

Key Drivers

- Limited growth on new development (impacts of sewer constraints)
 - Decreases in planning and development
 - Decreases in tap and connection revenue in Water and Sewer Fund
- Increases to personnel costs
 - Performance increases have compounded over time
 - Retirement rate continues to increase
 - Health insurance increases with little adjustment to employee paid premiums for dependents in 20 years
- Inflation
- Increased need to keep up with demand on service levels

2

Revenue Assumptions

- Growth Rate for Water and Sewer
 - FY 27 projected is based on FY 26 ending (mostly showing increases)
 - Assumes 3% growth rate YOY on residential and commercial
 - Tap and connection fees kept flat based on FY 27
 - Reconnection and Penalty revenue based on 5% growth rate YOY
 - Assumes no rate increases
- Growth Rate for Stormwater
 - FY 27 projected is based on FY 26 ending
 - .68% increase on residential and 3% increase on commercial
 - Assumes no rate increases
- Assumes no fund balance appropriation

3

Water and Sewer Fund

Revenue Source	FY 26 Adopted	FY 27 Proposed	Percent Change
Residential Water (in/out)	\$8,504,255	\$8,840,694	4%
Commercial Water (in/out)	\$4,652,200	\$5,031,946	8%
Residential Sewer (in/out)	\$7,548,200	\$7,996,356	6%
Commercial Sewer (in/out)	\$3,422,540	\$3,405,400	-.5%
Wholesale Water Sales	\$436,000	\$448,000	3%
Tap Fees	\$860,000	\$830,000	-3%
Connection Fees	\$1,850,000	\$1,800,000	-3%
Reconnection/Penalty	\$665,000	\$700,000	5%
Other	\$486,821	\$531,000	9%
Totals	\$28,425,016	\$29,583,396	4%

4

Expense Assumptions

- Kept most expenses flat
- Personnel Expenses: 5% increase for retirement and 401k YOY
 - Assumes no new positions YOY
 - Assumes no salary study costs
 - Assumes no merit or COLA YOY
 - Increase of \$2,200/per employee for health insurance(\$50k future years)
- Operational Expenses: 2.5% increase YOY (WSACC at 5% YOY)
 - Assumes no new initiatives outside of continuation and no adjustments to existing programs
- Debt Service Expenses: assumes no additional debt service
 - Includes debt service retiring
- Transfers: includes transfer back to General Fund for indirect support and grows by 5% YOY

5

Water and Sewer Fund

Expense Source	FY 26 Adopted	FY 27 Proposed	Percent Change
Customer Service	\$1,815,401	\$1,899,136	5%
Water - Distribution	\$6,362,613	\$7,299,989	15%
Water Treatment Plant	\$5,460,678	\$5,928,769	9%
Health Insurance	\$-	\$173,800	100%
WSACC	\$6,520,775	\$7,120,775	9%
Debt Service	\$6,073,319	\$4,619,060	-24%
General Management Services Fee	\$2,192,230	\$2,301,842	5%
Totals	\$28,425,016	\$29,343,371	3%

6

Water and Sewer (over 5 years)

	FY 27	FY 28	FY 29	FY 30	FY 31
Revenues	\$29,583,396	\$30,078,110	\$31,107,833	\$31,763,588	\$32,856,799
Expense	\$29,343,370	\$30,696,353	\$31,759,800	\$32,932,005	\$34,098,755
Surplus (Deficit)	\$ 240,026	\$ -618,244	\$ -651,967	\$ -1,168,417	\$ -1,241,956

- Shows deficits outside of FY 27 over the 5-year window and service levels are kept flat
- Assumes no rate increases
- Assumes modest growth assumptions
- Assumes no expansion
- *5% merit will cost: \$327,000 and salary study will cost: \$151,311

7

Items to keep in mind

- As a reminder- we did increase base rates last year (.25 cents on water fixed charges) primarily for the spillway project (\$12m) and (\$3.06 on sewer fixed charges) primarily for WSACC expansion (current phases).
- In summary: will need rate increases outside of adding any new capital to keep up with growth in expenses and stay in compliance with our bond rate covenants.
- Bond rate covenants: Under this covenant, the utility commits to setting and maintaining water and sewer rates, fees, and charges at a level sufficient to cover all operating expenses, debt service, and required reserves.
- Debt Service Coverage Ratio (DSCR), which measures the utility's ability to pay its annual debt obligations (principal and interest) from its net operating revenues. This covenant is a legal promise, often requiring a ratio of 1.2 or higher, ensuring that the system generates enough revenue to cover both operating expenses and debt payments, plus a safety buffer.

8

Current Proposed Rate Increases

Description	Existing	Fiscal Year Ending June 30									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Water System											
Monthly Base Charge											
Monthly Base Charge - Inside City	\$ 8.30	\$ 9.00	\$ 9.75	\$ 10.50	\$ 11.00	\$ 11.50	\$ 11.90	\$ 12.32	\$ 12.75	\$ 13.20	\$ 13.66
Volumetric Charge											
Tier 1: 0 - 7,000 Gallons - Inside City	\$ 7.31	\$ 7.46	\$ 7.61	\$ 7.76	\$ 7.92	\$ 8.08	\$ 8.36	\$ 8.65	\$ 8.95	\$ 9.26	\$ 9.58
Tier 2: over 7,000 Gallons - Inside City	\$ 7.60	\$ 7.76	\$ 7.91	\$ 8.07	\$ 8.23	\$ 8.40	\$ 8.69	\$ 8.99	\$ 9.31	\$ 9.63	\$ 9.96
Water Bill @ 4,000 Gallons/Month	\$ 37.54	\$ 38.84	\$ 40.19	\$ 41.54	\$ 42.68	\$ 43.82	\$ 45.34	\$ 46.92	\$ 48.55	\$ 50.24	\$ 51.98
Sewer System											
Monthly Base Charge											
Monthly Base Charge - Inside City	\$ 7.20	\$ 12.00	\$ 13.75	\$ 15.25	\$ 16.75	\$ 18.25	\$ 18.89	\$ 19.55	\$ 20.23	\$ 20.94	\$ 21.67
Volumetric Charge											
All Flow - Inside City	\$ 7.45	\$ 8.23	\$ 8.39	\$ 8.56	\$ 8.73	\$ 8.90	\$ 9.21	\$ 9.53	\$ 9.86	\$ 10.21	\$ 10.57
Sewer Bill @ 4,000 Gallons/Month	\$ 37.00	\$ 44.92	\$ 47.31	\$ 49.49	\$ 51.67	\$ 53.85	\$ 55.73	\$ 57.67	\$ 59.67	\$ 61.78	\$ 63.95
Total Combined Water & Sewer Bill											
Combined Bill @ 4,000 Gallons/Month	\$ 74.54	\$ 83.76	\$ 87.50	\$ 91.03	\$ 94.35	\$ 97.67	\$ 101.07	\$ 104.59	\$ 108.22	\$ 112.02	\$ 115.93
Monthly Bill Adjustment (\$)	N/A	\$ 9.22	\$ 3.74	\$ 3.53	\$ 3.32	\$ 3.32	\$ 3.40	\$ 3.52	\$ 3.63	\$ 3.80	\$ 3.91
Monthly Bill Adjustment (%)	N/A	12.37%	4.47%	4.03%	3.65%	3.52%	3.48%	3.48%	3.47%	3.51%	3.49%



Stormwater Fund

Revenue Source	FY 26 Adopted	FY 27 Proposed	Percent Change
Residential	\$1,729,148	\$1,740,961	.68%
Commercial	\$1,838,200	\$1,898,790	3%
Investment Income	\$70,000	\$50,000	-28%
Totals	\$3,637,348	\$3,689,751	1.4%

- Modest growth rate from residential based on projections
- Residential projected to grow at .68% over the adopted budget
- Commercial growth at 3% over the adopted budget
- Budget conservatively for investment income

Stormwater Fund

Expense Source	FY 26 Adopted	FY 27 Proposed	Percent Change
Personnel	\$1,791,414	\$1,918,385	7%
Operations	\$722,600	\$740,665	2.5%
Debt Service	\$532,966	\$502,041	-5%
General Mgt Fee	\$590,368	\$619,886	5%
Totals	\$3,637,348	\$3,780,977	33%

- \$37,400 for health insurance increases at \$2,200 increase per employee (17)
- Personnel increases cover retirement and 401k increases for employees
- Operations category grows at contractual rates of 2.5%
- Debt service decreasing due to retirement of debt service
- General Management Services fee projected to increase by 5%

11

Stormwater (over 5 years)

	FY 27	FY 28	FY 29	FY 30	FY 31
Revenues	\$3,689,751	\$3,798,944	\$3,911,412	\$4,027,254	\$4,146,572
Expense	\$3,780,977	\$3,938,737	\$4,104,556	\$4,278,825	\$4,461,954
Surplus (Deficit)	\$ -91,226	\$ -139,794	\$ -193,144	\$ -251,571	\$ -315,382

- Shows deficits over the 5-year window and service levels are kept flat
- Assumes no rate increases
- Assumes modest growth rate assumptions
- Assumes no expansion
- *5% merit will cost: \$76,000 and salary study will cost: \$40,000

12

Current Stormwater Fees

Table 8.1 Stormwater Rate Tier Schedule

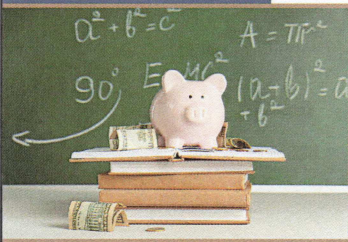
Impervious Area Size (<i>per Equivalent Residential Unit</i>)	Fee
Tier 1 – < 1,200 square feet	\$5.75
Tier 2 – 1,200 – 3,250 square feet	\$7.25
Tier 3 – > 3,250 square feet	\$8.75
Commercial – Per 3,250 square feet	\$7.25

- Most likely \$1 rate increase per year over 4-year window to keep up with expense growth (\$~228,000/year) at 19,000 customers

13

Fund Balance

- What is the need and purpose?
 - City's Savings Account
 - Measures Financial Health
 - Impacts Borrowing Rates and Bond/Loan Terms
 - Estimated available fund balance: \$1,025,424 (over and above the 25% policy) for Water and Sewer
 - Estimated available fund balance: \$2,737,948 (over and above the 25% policy) for Stormwater



14

Projects to think about...

In addition to all the items being discussed today:

- Personnel Costs
 - New positions related to growth/new programs/etc.
- Operations
 - Service demands and program delivery
- Debt Service
 - Replacement of all capital outlay (vehicles, machinery, equipment)
 - Debt service related to capital and expansionary projects

2026 City Council Retreat
List Packet

2026 City Council Retreat
Existing Major Programs/Expenditures (Non-Enterprise Funds)

	Program/Expenditure	Projected FY 27 Annual Budget Impact	Cents on the Property Tax Rate	Notes
1	Transit - Taxes Transit – Motor Vehicle Tax	\$1,366,445 \$444,000	1.44 0.47	\$10/month Motor Vehicle Tax is equivalent of 0.47 cents on the property tax rate.
2	Summer Concert Series	\$418,000	0.44	This number is net of expenditures (\$575,000) minus revenues (\$157,000)
3	Gem Theatre Operations	\$228,990	0.24	This number is net of expenditures (\$829,990) minus revenue (\$601,000).
4	Swanee Theatre Operations	\$521,084	0.55	This number is net of expenditures (\$886,084) minus revenue (\$365,000)
5	Curbside Recycling - Taxes Curbside Recycling - Fee	\$473,520 \$995,980	0.50 1.05	\$4.15/month fee is equivalent to 1.05 cents on the tax rate.
6	Downtown Business Support	\$100,000	0.11	
	TOTALS	\$4,648,019	4.91	

2026 City Council Retreat

Major New Programs/Expenditures (Non-Enterprise Funds)

	Program/Expenditure	Annual Budget Impact	Cents on the Tax Rate	Notes
1	Employee Pay for Performance Adjustments	\$2,306,176	2.43	Figures are for the General Fund only.
2	Employee Health Insurance Adjustments	\$752,000	0.79	Figures are for the General Fund only.
3	Eastside Park	\$720,000	0.76	The budget impacts are new debt service and staffing/operating expenses.
4	Western Area Fire Protection	\$626,766	0.67	The budget impacts are new debt service and staffing/operating expenses
5	Employee Compensation Study Implementation	\$600,000	0.63	Assumes the 8-year model. There are three other options: a) 6-year model (\$1,190,857 = 1.26 cents on the tax rate), b) Hybrid 8-year (\$1,097,982 = 1.22 cents on the tax rate) and c) Hybrid 6-year model (\$1,409,864 = 1.56 on the tax rate). Figures are for the General Fund only.
6	Adaptive Response Program	\$450,000	0.47	The other options are \$900,000/year (0.95 on the tax rate) or \$350,000/year (0.37)
7	Historic Preservation Program	\$100,000	0.11	The budget impacts are either contracted service or staffing expenses.
8	Midway Revitalization	N/A	N/A	Future budget impacts would be further defined by the initial planning process.
9	North Kannapolis Revitalization	N/A	N/A	Future budget impacts would be further defined by the initial planning process.
	TOTALS	\$5,554,942	5.86	

2026 City Council Retreat
Projects/Programs Assumed to be Delayed Indefinitely

Delayed Quality of Life Projects/Programs		
1	Westside Park - Phase I	Athletic fields, parking, bldg. Was planned for 2028 construction, financing in FY 29.
2	Litter Cleanup Program	Staff costs (recurring) and new equipment (one-time cost).
3	Barry Lentz Park Building	Building is 50+ years old. Possible candidate for a future parks accessibility grant.
4	Downtown Dog Park	Potential location on City-owned property on S. Main Street along Railroad tracks
5	Irish Buffalo Creek Greenway Phase III	Assumes phase II constructed.
6	North Bakers Branch Greenway	Connects Bakers Creek Greenway with 22 nd Street along Cannon Landfill property.
7	Swanee Theatre Renovations Phase II	Basement uses and new elevator.
8	Community/Recreation Center Phase I	Core Amenities.
9	Community Recreation Center Phase II	Aquatics.
10	Vietnam Veterans Park Operations	Taking over park ownership and operations from Cabarrus County.
11	Vietnam Veterans Park Improvements	Specific improvements to be determined.
12	Westside Park - Phase II	Additional Athletic fields.
13	Skatepark	Midway as part of revitalization contemplated but could be in another location.
14	NCRC Campus Lawn Improvements	Re-grading with grass replacement, retaining wall and pedestrian features.
15	KCS Middle School Field Upgrades Phase II	Second turf field and lighting.
16	Gem Theatre Renovations Phase IV	Community room and stabilization of second floor spaces.
17	Rocky River Greenway Phase II	Highway 73 to Mecklenburg County line.
18	Glenn Avenue Park	Brownfields Improvement Project - former Cannon Mills Wastewater Site.

Delayed Public Safety Projects/Programs		
1	Cabarrus Joint Public Safety Training Facility	Joint agreement Cabarrus, Concord, Kannapolis. On hold due to budget constraints.
2	Police Community Response Program	Social workers assisting police with domestic issues and other "soft" police duties.
3	Expanded Park Ranger Program	Expanded non-sworn law enforcement service in parks, downtown.
4	Eastside Fire Protection	Establishing a City Fire station w/ apparatus, personnel on the east side of the City to improved response times and service.
5	Expanded Reserve Office Program	Hiring more sworn officers in a part time capacity for a support duties (e.g., downtown).

Delayed Economic Prosperity Projects/Programs		
1	Downtown Block 6 Project Partnership	Likely would involve City funding a parking deck to support private development
2	Support for KCS Alternative Learning Center	Annual funding for former ALC program to address behaviorally challenged students.
3	Downtown Parking Management	Implementation and enforcement of regulated or pay-to-park program for downtown
4	Downtown Farmers Market	Assumes a permanent structure, possibly multiple uses
5	NC Music Hall of Fame Facility	Downtown location to give the HOF more visibility & increased downtown foot traffic.
6	I-85 Monument Signage Phase II	I-85 exits 54, 55 and Kannapolis Parkway at NC Highway 3
7	NCRC-Downtown Parking Deck	A 100% public use deck (different than the Block 6 project).
8	Capital Reserve - Economic Development	Annual set aside to facilitate future City investment in economic development projects.

Delayed Transportation/Environmental Projects/Programs		
1	Enhanced Street Paving	Would involve adding recurring annual revenues to pave more streets.
2	Capital Reserve - Sidewalk Improvements	Annual set aside of funding to build/repair/replace sidewalks.
3	Capital Reserve - Intersection Improvements	Annual set aside of funding for local match to NCDOT Grants.
4	Oakwood Ave/Rogers Lake Road intersection Improvements	This project is in the early stages of an earmark approval sponsored by Congressman McDowell.
5	Cannon Blvd/Dale Earnhardt Blvd Intersection Enhancements	This is a funded NCDOT project that may ultimately require City partnership in aesthetic enhancements and stormwater improvements.
6	Mt. Olivet Road/South Cannon Boulevard Intersection Improvements	One of the more dangerous intersections in the City.

7	Pine Street Sidewalk	Serving Fred L. Wilson Elementary.
8	North Kannapolis Elementary Area Sidewalks	Various segments around the school.
9	Oakwood Ave Sidewalk Phase III	Rogers Lake Rd to Bethpage Rd.
10	Pennsylvania Ave Sidewalk	Mt. Olivet to Dale Earnhardt Blvd.
11	Lane St Sidewalk	I-85 to Cannon Blvd.
12	Rogers Lake Rd Sidewalk	Dale Earnhardt Blvd to Irish Buffalo Creek Greenway.

Delayed Housing & Neighborhood Projects/Programs		
1	Capital Reserve - Affordable Housing	Annual set aside of funds to facilitate the construction of affordable housing units.
2	Capital Reserve - Neighborhood Improvements	Annual set aside of funds to facilitate physical improvements in neighborhoods.
3	Neighborhood Improvement Program	Program coordinator position to oversee neighborhood organization/improvements.

Delayed Cross Departmental Projects/Programs		
1	Fleet Management Program	Consolidation of all rolling stock into one department with a new position.
2	Grants Management Program	New position to oversee grant management (new and existing grants).
3	Second City Warehouse	Likely acquisition of an existing building to address projected space demands.
4	Fleet Management Facility	Would be dependent upon establishing a formal fleet management program.

2026 City Council Retreat Summaries Packet

Table of Contents

Project/Program/Expenditure	Pages
<i>Existing: Transit System</i>	2-3
<i>Existing: Summer Concert Series</i>	4
<i>Existing: Gem Theatre Operations</i>	5-6
<i>Existing: Swanee Theatre Operations</i>	7-8
<i>Existing: Curbside Recycling</i>	9-10
<i>Existing: Downtown Business Support</i>	11-14
<i>New: Employee Pay for Performance Adjustments</i>	15
<i>New: Employee Compensation Study</i>	16-17
<i>New: Employee Health Insurance</i>	18-19
<i>New: Western Area Fire Protection/Odell</i>	20-21
<i>New: Adaptive Response Program</i>	22-23
<i>New: Eastside Park</i>	24-25
<i>New: Historic Preservation Program</i>	26
<i>New: Midway Revitalization</i>	27-29
<i>New: North Kannapolis Revitalization</i>	30-31

Transit System

Description

Rider Transit is a contracted service for mass transit administered by the City of Concord as the lead agency. It provides eight fixed route bus service routes (about 40% in Kannapolis) and ADA Paratransit service. The total Transit System Budget is currently ~\$6.86 million which includes ~\$3 million in Federal and State funding and ~\$2 million from the City of Concord and ~\$1.4 million from the City of Kannapolis. Fare box revenue currently only accounts for about 4% of the total revenue stream (about \$250,000).

The transit operating agreement expires on June 30, 2026. The service has been bid and the cost from the new provider will be \$407,747 greater per year than the current provider. The cities of Concord and Kannapolis own buses and other equipment equally (50-50). The transit center is owned exclusively by the City of Concord.

The City's current Municipal Vehicle Tax (MVT) is \$30 per vehicle with \$10 going directly to the Transit Fund to support the public transit system. NOTE: \$5 of the MVT can only be used for transit expenditures. Another \$5 can be used for "any other general purpose" including transit support.

The remaining \$20 of the MVT is allocated to the General Fund to support transportation related improvements like street paving. This part of the MVT is not part of the Transit discussion.

Status

Current service (started in 2004).

Annual Budget Impact

\$1,402,698 (FY 26)

\$1,810,445 (FY 27 projected)

Funding Sources

\$434,000. Motor Vehicle Tax = \$10 per vehicle (FY 26)

\$968,698. General Fund (FY 26)

\$444,000. Motor Vehicle Tax = \$10 per vehicle (FY 27 projected)

\$1,366,445. General Fund (FY 27 projected)

The City of Concord and State/Federal Funds also support the larger system-wide budget.

Cents on the Tax Rate

1.02 (FY 26)

1.44 (FY 27 projected)

Options

Current Fixed Route Transit Agreement with the City of Concord

1. Status Quo.
2. Terminate interlocal agreement with the City of Concord.
3. Pursue a new agreement with the City of Concord that would establish a hybrid system of fixed routes and Micro-Transit.

Future Options

1. Formally explore the establishment of a Kannapolis-only Micro-Transit solution. *This will require some level (TBD) of funding for planning work.*
2. Place transit on indefinite hiatus with no funding and no exploration of alternatives.

Funding Questions

1. Make no changes to the Motor Vehicle Tax levy or the General Fund transfers to the Transit Fund (Status Quo). *This assumes support for maintaining the interlocal agreement with the City of Concord.*

2. Make no changes to the Motor Vehicle Tax levy (except the elimination of the \$5 Motor Vehicle Tax tied to the Transit Fund and limited by state law to transit) or the property tax rate corresponding to the agreement termination. *This assumes support for terminating the interlocal agreement with the City of Concord but a desire to keep the revenue stream options open for other budget pressures.*
3. Assuming the termination of the interlocal agreement with the City of Concord, (a) eliminate the \$10 Motor Vehicle Tax tied to the Transit Fund and (b) reduce the tax rate by 1.02 cents to account for the savings in the FY 27 Budget. *This assumes that the increase of \$407,747 for FY 27 would be funded via a Fund Balance appropriation since it will only be a one-year cost. However, there is the possibility that Concord and Kannapolis can negotiate an early exit since the new contract with the service provider is not effective until July 1, 2026.*
4. Assuming the termination of the interlocal agreement with the City of Concord, (a) eliminate the \$5 Motor Vehicle Tax tied to the Transit Fund (limited by state law to transit), (b) retain the other \$5 Motor Vehicle Tax and use those revenues for street paving, and (c) reduce the tax rate by 1.02 cents to account for the savings in the FY 27 Budget. *The Fund Balance strategy described above would apply to this option as well.*

Staff Observations

Status quo will result in a \$407,747 increase in the annual funding requirement for Kannapolis due to the new operating contract increases.

Terminating the existing interlocal agreement requires a one year notice to the City of Concord.

Future Option 1 will result in a hiatus on any service while the new service is explored and developed. Some level of funding will be necessary to fund the appropriate studies. It is unclear what, if any federal funding would be available for this option if the agreement with Concord is terminated.

Future Option 2 would likely require that Kannapolis continue to fund the existing system until the new hybrid system is developed. This would also require a renegotiated contract with the City of Concord and almost certainly require some level of Kannapolis funding to allow access to the remaining fixed route system in Concord.

The implementation of Micro-Transit will be more expensive than fixed route and it is not clear what kind of federal funding would be available if Kannapolis and Concord are not partnered in a solution.

Micro-Transit can also be highly volatile and unpredictable. With the current transit system, the City pays for its share of capacity, and it costs the same if one person rides or 50 people ride. Micro-Transit operates differently. It is funded based on an estimated number of vehicles and drivers to serve the projected ridership (similar to Uber or Lyft). If the demand is higher than expected (which is likely if Gastonia is the model) then the funding will need to be increased quickly to cover the additional demand. This can happen in the middle of the year and may result in an inability to serve the demand until more capacity is created (which can take several months to start). The result of this fluid dynamic is poor service where vehicle wait times are dramatically increased due to the overburdened system. It could take a few years to find the "sweet spot."

Summer Concert Series

Description
<p>The Summer Concert Series has become a long-standing tradition in the community, bringing people together through large gatherings to see and hear live music. Since its inception, the concerts have been a highlight of summer evenings, offering a diverse lineup of talented artists and bands. Over the years, the concerts have evolved from small, local performances to large-scale events drawing thousands of residents and attendees from neighboring towns and beyond. The quality and variety of musical acts have continually improved, and with these improvements, the cost has increased over the years with a major increase over the past two years to provide larger concerts.</p> <p>The concerts not only entertain the attendees but also contribute to the cultural vibrancy of the City. They foster a sense of community spirit among residents and visitors alike. The concerts have become a big part of the brand of Kannapolis.</p>
Status
Current service (started in 2001).
Annual Budget Impact
\$418,000. This is the net of expenditures (\$575,000) minus revenues (\$157,000).
Cents on the Tax Rate
0.44
Funding Sources
\$575,000. General Fund.
\$157,000. Sponsorships and Concessions.
Options
<ol style="list-style-type: none"> 1. Status Quo. 2. Reduce funding for the Summer Concert Series to \$400,000 (or some other agreed upon amount). 3. Eliminate the Summer Concert Series completely.
Staff Observations
<p>The Summer 2026 concerts are already booked so any changes that might be considered for the FY 27 Budget would not be in effect until the Summer of 2027 concert series.</p> <p>A decrease in quality of the concerts will have an associated decrease in revenue from concessions and potential sponsors as well. So the savings may not equal 100%.</p> <p>Staff believes a \$400,000 budget would still result in a reasonably high quality series.</p> <p>Reduced attendance will result in a negative impact on local businesses as placer data shows that about 10% of attendees patronized local businesses before and after the show.</p>

Gem Theatre Operations

Description

From the beginning of the downtown revitalization effort preserving the future of the Gem Theatre as an operating business was a critical part of the revitalization plan for a number of reasons:

- The Gem Theatre is viewed as one of the last remaining physical remnants of Kannapolis’ unique history.
- The Gem Theatre is the only historically designated business property in the City.
- The Gem Theatre and its large number of customers & tourists are an important part of the “critical mass” of economic activity needed to serve as a foundational anchor for the Downtown’s emergence as a viable commercial district.
- The community strongly desired to see the Gem Theatre preserved, improved and remain as a family-friendly, first run movie theatre with reasonable prices.

The City owned the Gem Theatre building but did not operate the theatre business. When the previous owner was considering ending business operations (which would have closed the theatre) the discussion about keeping it operating as a public, citizen-owned facility emerged. The acquisition of the business assets was ultimately approved by City Council as part of the FY 23 Budget. The actual acquisition occurred December 31, 2022, and it has operated as a division of the City’s Parks & Recreation Department since that time.

\$1,141,625 was spent renovating the Gem for the purpose of continuing its nearly 90-year history of being an affordable, family friendly entertainment venue.

Status

Current service (started in 2023).

Annual Budget Impact

\$228,990. This is the net of expenditures (\$829,990) minus revenue (\$601,000). These numbers will fluctuate year to year based on the quality of the available movies.

Cents on the Tax Rate

0.24

Funding Sources

\$601,000. Operating Revenues. General Fund.

\$228,990. General Fund.

Options

1. Status Quo.
2. Direct staff to develop a long-range sustainability model that requires zero City General Fund subsidies. This will likely involve raising ticket and concession prices to eliminate all future operating deficits to create excess revenue streams to possibly support ongoing renovations to the Theatre.
3. Spin off the operations to a new stand-alone non-profit organization with a multi-year plan for ceasing City funding for operations.
4. Cease operations as a first run movie theatre and convert to a community theatre with Parks and Recreation programming.
5. Sell the Theatre business and rent the Theatre building to the buyer.
6. Sell the Theatre business and the Theatre building (market value).

7. Staff Observations

Full closure of the theatre would likely be met with significant criticism in the community, especially considering the operating deficits (public subsidies) are relatively small.

Operation of a single screen theatre in the private sector, especially if a market value sale is required, will be quite difficult.

Operating expenses and revenue vary based on largely on the movies and how they are marketed. The upcoming summer and December should be strong. Most of the movie companies, theatre operators and business professionals all see 2027 as being a much better year. Attendance numbers globally have continued to increase year over year.

The community feedback on the Theatre and the City's management have been virtually all positive.

Over 140,000 tickets have been sold since revitalization.

The Theatre has also generated funding and positive branding thru rentals, corporate events and movie and commercial filming projects.

As an anchor business the Gem's positive impact on businesses throughout Kannapolis not just downtown should not be underestimated.

Swanee Theatre Operations

Description

In April 2021, the City entered into a Purchase and Sale Agreement (PSA) with West Ave Entertainment LLC (WAE) to convey City-owned Swanee Theatre for the purpose of WAE renovating the property for use as an entertainment venue. WAE was given permission to take possession of the property to make the improvements with an anticipated closing at a later date. In addition, the City agreed to provide a construction loan for the improvements equal to one-half of the construction costs estimated at the time to be \$1,900,000.

Unfortunately, WAE concluded that it was unable to execute the PSA and close on the property. Both parties then agreed that the improvements constitute a substantial benefit to the City property for which WAE would be compensated after which the City would retain ownership of the renovated facility. This was concluded in November 2023 with the City reimbursing WAE \$1,354,749 which was in addition to the \$950,000 already loaned to WAE for a total cost to the City of \$2,304,749.

Corresponding with the reimbursement agreements described above, the City entered into an eight-month contract with one of the WAE partners, Ken Lingafelt, to operate the Swanee Theatre as a live entertainment venue. The contract called for a payment by the City of \$12,500 per month. Generally, the City paid for all other expenses such as payment for performers and hiring part-time employees for operations. After negotiations on a contract extension and a potential sale of the facility failed, the contract was terminated. The City took over operations of the facility in the fall of 2024.

The Swanee is an additional anchor for the City. Similar to the Gem, it attracts visitors and tourists. There are a limited number of venues in Cabarrus and Rowan Counties that can accommodate live music and theatre events such as the Swanee. Even though it has been renovated it is one of the oldest buildings in the City and also has resident nostalgic value.

The City has only had a year to develop programming and promotion of the facility. A new brand, website, and strategic marketing plan has now been implemented. Shows and events are beginning to sell out. Swanee visits are up 21% from 2024 and 33% of visitors come from more than 10 miles away. Data shows that 30% of visitors go somewhere downtown before a show and 30% of visitors go somewhere downtown after a show.

Status

Current program (started in 2023).

Annual Budget Impact

\$521,084. This is the net of expenditures (\$886,084) minus revenue (\$365,000). These are projections for FY 27 based on FY 26 trends to date.

Cents on the Tax Rate

0.55

Funding Sources

\$886,084. General Fund.

\$365,000. Operating Revenues (ticket sales, concessions, alcohol, rentals).

Options

4. Status Quo.

1. Cease all operations as a live performance theatre and convert to a passive recreation community center with Parks and Recreation programming. This will result in a new Swanee budget of \$257,300. The rental revenue for a programming venue only is estimated to be \$100,000. This results in a budget impact of \$157,300 (a \$363,784 budget savings).
2. Contract with a third party to operate the Theatre as a live performance venue (with a cap on costs). The previous contract for this arrangement was \$120,000 per year with the City covering all other costs. This does not appear to be a significant cost reduction (possibly the opposite).

3. Lease the Theatre building (with stipulations on the use at market rate). Stipulations that are designed to preserve the specific quality and operations of the theatre will likely make finding a market rate tenant difficult.
4. Lease the Theatre building (for any use at market rate). This would create a modest revenue stream for other uses.
5. Sell the Theatre building (any use, market value). This would create a one-time revenue that could be used for other one-time expenditure. The property has a \$909,090 tax value (appraised October, 2022 so the value likely does not account for the renovations). As noted above the City has expended \$2.3 million in recent renovation costs.

Staff Observations

There is a potential strategy that would reduce the budget for talent/entertainment. Unfortunately that also reduces the revenue from ticket sales and concessions. It is staff's view that this is a bit of trial and error that takes a few years to find the right numbers that generate the most "profits."

There were 175 facility usages in the past year which equals to roughly 1 event every 2 days. There was an average of 5.2 concerts per month.

Visitors spend an average of \$85 when they visit Kannapolis. This includes an average of \$61 in restaurants, \$96 in retail, and \$67 in arts, entertainment & attractions.

A new brand for the Swanee was launched last year including a new website and strategic marketing plan. Over 21,000 have signed up to receive the e-newsletter. Social media followers have increased by 90%. There have been 62,000 visits to the website since its launch in 2025.

Curbside Recycling

Description

Since curbside recycling was started 15 years ago citizen participation has remained consistent though there was a slight increase during the Covid period.

It costs more to recycle than to dispose of items at the landfill. The cost of recycling disposal is \$124 per ton, and waste is \$46.82 per ton. Removing recycling from the collection contract will NOT realize 100% savings as there will be increased waste disposal costs and the collection contractor has taken the position that they will not agree to total credit to the contract for terminating the service. The collection contractor has significant start-up costs including the purchase of equipment specifically for providing recycling collection services the City.

Status

Current service (started in 2011). A new multi-year collection contract was executed in FY 25 with Waste Connections.

Annual Budget Impact

\$1,469,500 This is the current cost of collection and disposal costs.

Funding Sources

\$995,980. Environmental Fee (\$4.15 per home per month = 18% of the total fee of \$23.10)
\$473,520. General Fund.

The cost per home per month for recycling services = \$4.15 per home per month to Waste Connections + \$1.92 per month per home for disposal at the Materials Recycling Facility (MRF) = 26.28% of the total fee of \$23.10. The difference in the portion of the Environmental Fee collected from residents and the cost of the service is the reason for the \$473,520 subsidy from the General Fund.

Note: Recycling services represent 17% of the Environmental Fund. The Environment Fund includes two major revenue streams: the monthly Environmental Fee (73% of all Fund revenues) and a General Fund transfer/subsidy (24% of all Fund revenues).

Cents on the Tax Rate

0.50 (the General Fund transfer isolated for recycling services)

Options

Service Questions

1. Status Quo.
2. Eliminate Curbside Recycling Collection completely resulting in a savings of \$85,465 from the collection contractor and \$460,000 reduction paid to Materials Recovery Facility (MRF) that will now be disposed of as municipal solid waste at a cost of \$140,460 for a **net savings** of \$405,005. It is important to consider redirecting recyclables to landfill will have long-term negative cost impacts to program.

Funding Questions for Option 2

1. Make no changes to the Environmental Fee, the General Fund transfer or the property tax rate related to the transfer (Status Quo).
2. Eliminate the \$405,005 of the transfer from the General Fund to the Environmental Fund but make no changes to the Environmental Fee or the property tax rate related to the changes to the curbside recycling program elimination.
3. Reduce the Environmental Fee by \$1.69 to account for the \$405,005 projected savings and make no changes to the property tax rate.
4. Reduce the property tax rate 0.42 cents to account for the for the \$405,005 projected savings and make no changes to the Environmental Fee.

Staff Observations

There is technically another option that would eliminate curbside recycling collection and would add one Drop-Off Center. However, this option will result in an increase in total annual service cost of approximately \$131,994. This option would also require a one-time cost of \$295,600 for site preparation for the Drop-Off Center. It is presumed that increased cost and reduced service is not a viable option.

Curbside recycling is a foundational element of a full service municipality. Elimination could bring some negative impact to the City's image.

Eliminating curbside recycling would require a negotiated amendment to the collection contract with Waste Collections.

Downtown Business Support Plan

Description

Due to the City's investment, downtown property values have increased by 6 times (\$18M to \$118M from 2015 to 2024). Over 50 businesses opened in downtown between 2020-2025. Even with these great successes, Downtown Kannapolis is at a crossroads. Some businesses are struggling and downtown needs some organization, refreshed branding/marketing and common purpose. While overall foot traffic for downtown was about the same in 2024 and 2025, beginning in September 2025 (when baseball season ended and school started), foot traffic in downtown dropped about 20% from the same month as the prior year. These decreases are a major concern if they continue, as businesses have stated that they may need to close. A less than thriving downtown reflects poorly on the entire City. The City began its downtown revitalization efforts in part because of a consultant report that indicated a reluctance of scientists to relocate to Kannapolis to work at NC Research Campus because the downtown was empty.

Unlike Concord and Salisbury, Kannapolis is not a county seat and does not have a significant daytime working population in downtown. The result is that downtown Kannapolis is primarily an entertainment district – a place where people come for leisure and entertainment. In other words, visitation is discretionary and relies on marketing, attractions, and events to draw people to downtown. 10% of downtown foot traffic comes from over 30 miles away. Out of town visitation brings additional dollars into our community. Visitors spend an average of \$85 when they visit Kannapolis. This includes an average of \$61 in restaurants, \$96 in retail, and \$67 in arts, entertainment & attractions.

18% of all Cabarrus County visitors and 18% of all local Cabarrus County visitors visited Downtown Kannapolis last year. 7% of all Cabarrus County visitors and 8% of all Cabarrus County local visitors visited Greater Kannapolis (areas NOT downtown). The data shows that visitors are almost three times as likely to spend time in Downtown Kannapolis as opposed to other areas around Kannapolis

For downtown and the entire City to thrive, one objective should be to increase tourism (i.e., visitors) – especially downtown.

The current FY26 Budget includes \$100,000 in funding for two primary objectives: 1) to support downtown events including the hiring of a part-time events coordinator, and 2) implement strategic marketing and branding efforts including the hiring of a part-time communications specialist. Staff recommends that this level of continued investment in downtown operations is necessary to support the City's significant capital investments. While this number seems to be appropriate, the scope of how it is used needs refinement (see "Status" section below).

A concern has emerged regarding the level of continued investment by the City in downtown efforts. If this is indeed a City Council concern, one solution would be to establish a Municipal Service District (MSD) Tax similar to what Concord and Salisbury (and commercial districts across the state) have long implemented. This essentially taxes the downtown property owners at a rate higher than the City-wide tax rate. The funds (often matched by General Fund dollars) create a separate revenue source to pay for marketing, promotions, events, etc.

Status

The \$100,000 described above is included in the FY 26 Budget but none of these funds have been spent. Leading up to the FY 26 Budget adoption, there were several months of discussion with Downtown Kannapolis Inc. (DKI) to develop a more formal relationship with the City. These discussions were designed to jointly implement a plan to advance the objectives described above. Unfortunately, those discussions were suspended due to the inability of the downtown business owners to reach an agreement on tactics and strategies (and control).

Since that time, DKI has largely been disbanded and the efforts put on indefinite hiatus. There are no longer any organized marketing, promotions or event planning efforts downtown. However, several business owners expressed the need and desire for the City to take a coordinating role with downtown. Staff set up a meeting in January 2026 with businesses who desired to participate in the coordination efforts. City staff is assisting with coordination of promotional efforts for Valentine's Day and St. Patrick's Day. Staff plans to hold regular meetings with interested businesses to continue planning, marketing, and coordination. Efforts are limited (mostly just talk) without the funding described in this summary.

In an effort to maintain the vibrancy of the City's critical core downtown area, a new Downtown Business Support Plan would focus exclusively on downtown marketing. Staff has received an 11-month proposal from the Rowan County-based firm Miller Davis (<https://millerdavisagency.com>) which corresponds to a budget of approximately \$100,000/year. Staff believes some adjustments to their proposal are possible to trim some of the costs.

The proposal includes a) brand/tag line development, b) website management, c) digital marketing, d) e-newsletters, e) photography/videos, f) pay-per-click/targeted online ad placement, g) digital online community immersion, h) search engine optimization, and i) and account management.

Any other expenditures such as downtown event management would require additional funding and an organizational plan everyone can buy into. However, it is contemplated that a budget of \$20,000 be included from Fund Balance for some one-time street scape improvement expenditures.

Project Cost Estimate

\$100,000/year

Funding Sources

Alternative A:

\$100,000 General Fund – Operating Budget.

\$40,000. General Fund – Fund Balance (for one-time expenditures, such as downtown lighting, signage, website and other marketing start-up costs)

Alternative B:

\$120,000. MSD tax revenues – would allow for cash reserves to be established.

Alternative C:

Combination of Alternative A and Alternative B.

Annual Budget Impact

\$100,000 (Alternative A); \$120,000 (Alternative B)

Annual Revenues

\$0

Cents on the Tax Rate

0.11 for Operating Expenditures (if General Fund is used)

20.00 for Downtown Only (if MSD is pursued)

Options

Program Decision:

1. Proceed with implementation of the Downtown Business Support Plan - hire Miller Davis Agency.
2. Proceed with implementation of the Downtown Business Support Plan - hire new staff person in Communications Dept.
3. Delay the initiative indefinitely.

Funding Decision

1. Proceed with Alternative A Funding.
2. Proceed with Alternative B Funding.
3. Proceed with Alternative C Funding.

Staff Observations

Unfortunately, due to a number of factors, the businesses are not in a position to collectively promote and market the downtown as a destination. If the City does not take the lead there could be negative impacts on the existing businesses and the overall sustainability of downtown as a whole.

Should City Council choose program option 1 or 2, the effort could begin immediately using the existing downtown fund in the current FY 26 Budget. For FY 27, the funding would reflect with one of the three options City Council chooses.

Discover Kannapolis -- 2026 Digital Marketing Budget Proposal

Discover Kannapolis - Marketing Budget Proposal

	2026 FEB	2026 MAR	2026 APR	2026 MAY	2026 JUNE	2026 JULY	2026 AUG	2026 SEPT	2026 OCT	2026 NOV	2026 DEC	Cost Per	Annual Total
Brand/Tag Line Development													
Discover Kannapolis - Brand/Tagline Development & Implementation (est time ONLY)	1											\$500.00	\$500.00
Website													
Web Site Content Updates (Billed only Needed)	1	1	1	1	1	1	1	1	1	1	1	\$250.00	\$2,750.00
Digital Marketing													
Social Media Channels - Optimization & Cross Linking	1											\$500.00	\$500.00
Social Media Organic - Scheduling/Management/Monitoring	1	1	1	1	1	1	1	1	1	1	1	\$450.00	\$4,950.00
Social Media Organic - Content Development/Graphic Design	1	1	1	1	1	1	1	1	1	1	1	\$1,150.00	\$12,650.00
Social Media - Boosting/Sponsored Ads - Creative Development/Scheduling/Testing	1	1	1	1	1	1	1	1	1	1	1	\$350.00	\$3,850.00
Social Media - Boosting/Sponsored Ads - Meta -- Placement(est)	1	1	1	1	1	1	1	1	1	1	1	\$500.00	\$5,500.00
Social Media - Boosting/Sponsored Ads - TikTok -- Placement(est)	1	1	1	1	1	1	1	1	1	1	1	\$500.00	\$5,500.00
eNewsletter - Email Marketing													
Templates & Layout Development (4-Spring-Summer-Fall-Winter)	1			1			1		1			\$285.00	\$1,140.00
Constant Contact Scheduling/Copy/Graphics - Development/Setup/Execute	1	1	1	1	1	1	1	1	1	1	1	\$550.00	\$4,950.00
Photography/Videos													
Photography/Video Shoots - Collection of New Digital Assets	1		1		1		1		1		1	\$465.00	\$2,910.00
Social Videos Development - 20-30 sec (1 per ea)	1	1	1	1	1	1	1	1	1	1	1	\$225.00	\$2,475.00
Intro Video to Kannapolis Downtown Originals Video - 2-3 min	1											\$1,250.00	\$1,250.00
Downtown Kannapolis Originals - Persona Videos :90-:120 sec				1			1			1		\$850.00	\$1,950.00
PPC - Pay-Per-Click													
- Manage, Create Ads & Testing (First Month Includes Setup)	2	1	1	1	1	1	1	1	1	1	1	\$400.00	\$4,800.00
- PPC Ad Placement - General Visitation Downtown	1	1	1	1	1	1	1	1	1	1	1	\$1,000.00	\$10,000.00
- PPC Ad Placement -Retargeting Campaign	1	1	1	1	1	1	1	1	1	1	1	\$100.00	\$1,100.00
PR - Digital Online Community Calendars Listings, Bloggers & Influencers													
Research and Setup Listings - Online Community Calendars Listings, Bloggers & Influencers	1											\$500.00	\$500.00
Maintain & Update Listings w/ Photos, Events, Specials, etc.		1	1	1	1	1	1	1	1	1	1	\$175.00	\$1,750.00
Search Engine Optimization - SEO													
- Backlinks Created, Getting up Landing Pages,		2	1.5	1	1	1	1	1	1	1	1	\$465.00	\$5,577.50
- Optimizing Content, General Blogs Development & Monitoring/Reporting													
- Downtown Kannapolis Originals Persona Blogs Development - (1 per)		1	1		1		1		1		1	\$350.00	\$2,100.00
Account Management													
Weekly/Monthly Meetings & Social/Website Reports and Analysis (Travel, Phone & Postage billed at net)	1	1	1	1	1	1	1	1	1	1	1	\$500.00	\$5,500.00
Monthly Activity Spending	\$8,895.00	\$7,470.00	\$7,712.50	\$7,570.00	\$7,470.00	\$6,635.00	\$8,405.00	\$6,635.00	\$7,755.00	\$7,285.00	\$7,470.00		\$81,702.50

Employee Pay for Performance Adjustments FY 27

Description
<p>There was a pause in the performance management system for FY25, and all employees received a 5% pay increase and then a 3% Cost of Living Adjustment (COLA). The new merit-based performance management system (i.e. sliding scale based on score) was introduced in FY 26. Staff recommended a pivot from the merit-based salary increase in June 2025, and all full-time and 2B part-time employees received communication that they would receive a flat 5% increase for FY 26 and flat-percentage for FY 27. Funding for this interim plan was included in the FY 26 Budget. It has been several years since no pay increase was included in the annual budget.</p> <p>Establishment of a merit-based performance management system would reduce the cost somewhat but based on the communication to employees in June 2025, there is currently an expectation of another flat amount (5%) increase for FY 27.</p>
Status
Implementation of employee performance pay for the FY 27 Budget is pending City Council discussion and direction.
Annual Budget Impact
\$2,306,176 for the General Fund; \$327,000 for Water & Sewer, \$76,000 for Stormwater and \$51,000 for Environmental.
Tax Rate/Rate Impacts
2.43 cents on tax rate for the General Fund; \$1.36 on the Water & Sewer rate, \$0.32 on the Stormwater rate; \$0.21 on the Environmental fee.
Funding Sources
\$2,306,176. General Fund, Water & Sewer Fund, Stormwater Fund, Environmental Fund
Options
<ol style="list-style-type: none"> 1. Proceed with inclusion of the 5% salary increases in the FY 27 Budget with implementation in July 2026. 2. Proceed with inclusion of the 5% salary increases in the FY 27 Budget but delay pay increases until January 2027 to reduce the FY 27 budget impact by 50%. 3. Proceed with 2.5% increases in either July 2026 (50% reduction) or January 2027 (75% reduction). 4. Suspend salary increases for FY 27 (possibly revisit in January 2027).
Staff Observations
Staff morale will be impacted by any option other than #1 above due to the communication that they would receive a flat amount increase in July 2026.

Employee Compensation Study

Description

The most recent employee compensation study was completed in 2022 with implementation March 2023. Another Compensation Study is completed in October 2024, but implementation was delayed in both FY 25 and FY 26. It is recommended that a study is completed every 2-3 years to ensure that our employee compensation schedules remain competitive with the market.

The extent of any compensation study is directly related to the compensation adjustment policies. The inclusion of 5% increases in FY 26 (implemented) and FY 27 (not yet implemented) will help keep the City's compensation plan more competitive in between the compensation studies. The goal is always to keep our salaries competitive every year and the compensation studies simply correct those positions where outside factors have resulted in a misalignment of market salaries and the City's salary ranges. The study looked at 2 different factors: years of service and time in position.

There are 4 preferred salary study models:

1. Based on an employee getting to a market rate (mid-point) within 8 years based on time in position at the City of Kannapolis (more aggressive)
2. Based on an employee getting to a market rate (mid-point) within 6 years based on time in position at the City of Kannapolis (less aggressive)
3. Hybrid model based on time in position and years of service at the City of Kannapolis (on 8-year model)
4. Hybrid model based on time in position and years of service at the City of Kannapolis (on 6-year model)

For context: An employee who has been working in their current position for 8 to 10 years at the City of Kannapolis, and who is knowledgeable of the full scope of duties and expectations of the position, and who is performing their duties proficiently and competently should be earning the "market rate" for their position. While most of us use "midpoint" to describe that point in the pay grade range, the midpoint, in true salary administration, is the "market rate," or market value of the position. Most local governments use the 8-year time in position only model.

The value assigned to each model is greater when the shorter years are used because you are moving employees at a greater speed and greater percentage advancement each year to get them to market in 6 years rather than 8 years. The annual implementation costs are less when you use the longer years models.

The hybrid model includes both time in position and year of services at the City of Kannapolis. This generally is the most expensive approach, but it does take into consideration total years of service unlike the other modeling.

The models can be used in several ways. The selected model can be used annually to advance employee salaries across the range. They are most useful if you conduct market updates every 2 – 3 years.

The models are also useful as a guide to determine a new employee's starting salary based on experience from another job. This can be an important recruitment tool.

Status

This has been delayed for a variety of reasons, including FY 26 budget pressures. Its implementation is on hold pending City Council discussion and direction. The salary study data and the total estimates have been adjusted once to address inflationary impacts of the delay. Furthermore, this study does not address part-time job classifications.

Annual Budget Impact

Salary Adjustment based on the 8-year model (impacting ~189 employees):

\$600,000 General Fund
\$65,000 Water & Sewer Fund
\$20,000 Stormwater Fund
\$10,000 Environmental Fund

Salary Adjustment based on the 6-year model (impacting ~223 employees):

\$1,190,857 General Fund
\$151,311 Water & Sewer Fund
\$40,000 Stormwater Fund
\$18,315 Environmental Fund

Salary Adjustment based on the hybrid mode 8- year model (impacting ~238 employees):

\$1,097,982 General Fund
\$88,948 Water & Sewer Fund
\$32,207 Stormwater Fund
\$10,000 Environmental Fund

Salary Adjustment based on the hybrid mode 6- year model (impacting ~239)

\$1,409,864 General Fund
\$134,560 Water & Sewer Fund
\$41,463 Storm Fund
\$13,934 Environmental Fund

Cents on the Tax Rate

0.63 cents for General Fund positions (based on 8-year model)
1.26 cents for General Fund positions (based on 6-year model)
1.22 cents for General Fund positions (based on 8-year hybrid model)
1.56 cents for the General Fund positions (based 6-year hybrid model)

Funding Sources

General Fund, Water & Sewer Fund, Stormwater Fund, Environmental Fund

Options

1. Full implementation and funding for FY 27 Budget using the 8-year model.
2. Full implementation and funding for the FY 27 Budget using the 6-year model.
3. Full implementation and funding for the FY 27 Budget using the hybrid mode based on 8-year model.
4. Full implementation and funding for the FY27 Budget using the hybrid mode based on 6-year model.
5. Delay the implementation indefinitely.

Staff Observations

Staff morale will be impacted if there were to be no implementation. Additionally, the City's competitive edge may be eroded somewhat as our salaries will become less comparable with other local governments. Our employee vacancy rate is at an all-time low – falling behind on salaries could impact that and increase employee turnover.

Employee Health Insurance Adjustments

Description

The most recent employee pulse survey indicates that benefits are the #1 reason that employees choose to work for Kannapolis. Based on recent comparisons to other local government entities, we remain competitive in the cost for employee only coverage. Employee premiums paid for children, spouses and families varies widely across other local government entities.

Health insurance claims have increased tremendously in recent years, and employee contributions have remained the same since at least 2001. We have recently relaunched our voluntary wellness program that includes completing a wellness exam to receive a \$50 decrease in employee only premium. Those that do not complete a wellness exam will be charge \$50 beginning per pay period beginning July 2026.

Unfortunately, there are no magic bullets or quick fixes to rising health care costs. Kannapolis is certainly not alone in experiencing this dilemma.

Status

Implementation of increasing the cost of health insurance and benefits for the FY 27 Budget is pending City Council discussion and direction.

Annual Budget Impact

\$1 million across all Funds:

- General Fund: \$752,000 at \$2,200/employee
- Water and Sewer: \$176,000 at \$2,200/employee
- Stormwater: \$37,400 at \$2,200/ employee
- Environmental: \$22,000 at \$2,200/employee

Cents on the Tax Rate

0.79 in the General Fund

Funding Sources

General Fund, Water & Sewer Fund, Stormwater Fund, Environmental Fund attached actuary study.

Options

1. Status Quo. Other budget decisions may influence this option's impact on the final FY 27 budget recommendation.
2. Increase funding to address the projected insurance claim funding shortfalls but leave employee contribution/premium rates the same.
3. Increase funding to address the projected insurance claim funding shortfalls and pass along some or all of the costs to employees through higher premiums.
4. Explore less expensive plan designs and more restrictive use of referrals, prescription plans, etc.
5. Require that all primary care for ages 2+ is run through the on-site clinic to decrease claim costs.
6. Some combination of 2-5 above.

Increases to employee contributions will help offset the rising expenses. Any increases made to employee contributions will directly affect retiree rates as well. Employee morale will likely be impacted and conversely employees will see an overall decrease in take home pay to offset increased rates.

Staff Observations

This is largely a philosophical decision focused balancing employee support with fiduciary responsibility in the budgeting process.

Option 1 is essentially pushing off the decision to a future date – in hopes that claims come in lower than expected and that trend continues.

Option 2 is not sustainable unless significant cuts are made elsewhere in the FY 27 budget.

Option 3 is the most financially responsible approach, but it ignores the impact on employees and retirees.

Option 4 will result in a lower level of services to employee and retirees or lower coverages for certain services.

Western Area Fire Protection

Description

This initiative will require 15 new firefighter positions and related operating expenses. It will also require the purchase of apparatus and the construction of a Community Fire House (smaller residential-type Fire Station). It will improve service delivery and response times to all areas west of Lake Howell. Average response times by the Odell VFD are about 6.5 minutes due to the voluntary nature of the service delivery - higher than KFD response times of 4.5 minutes in the rest of the City. The City currently pays Odell about 50% what it will cost the City to operate a full-service fire station – and the percentage will continue to grow.

The Kannapolis-Odell fire protection agreement is currently in a bit of flux. Odell has requested \$500,000 per year from the City (a \$100,000 decrease of what was budgeted in FY 26). The City has countered this request with a call volume-based approach that would result in the City paying Odell \$330,600 this year. This would require that Odell ask Cabarrus County for a small Fire District tax increase that would generate about \$170,000. For the purpose of this analysis, however, it is assumed that the City would pay Odell the requested \$500,000. This amount would be applied towards full-time City fire personnel and related costs should the service be brought in house. It is assumed that a contract with Cabarrus County as noted above would add an additional \$500,000 in revenues.

Status

In FY 25 a Western Cabarrus Fire Protection Capital Project Fund was established. Currently there is \$383,122 in this fund. No contributions were made in FY 26. No work has commenced on this initiative, and no funds have been spent. The initiative is on hold pending City Council discussion and direction.

Project Cost Estimate

\$2,900,000 Community Fire House and apparatus.

Funding Sources

\$2,516,878. Debt (\$2,900,000 less \$383,122 in the above described capital project fund)
 \$500,000. Annual contribution from Cabarrus County.

Annual Budget Impact

\$251,687. Debt Service.
 \$375,079. General Fund – Operating Budget.

NOTE: The operating amount above is the net amount: total expenditures minus the Odell contract amount already budgeted and less anticipated revenues from Cabarrus County.

Annual Revenues

\$500,000 from county contributions described above.

Cents on the Tax Rate

0.27 for Debt Service
 0.40 for Operating Expenditures

Options

1. Proceed with the initiative which would involve interlocal agreements with Cabarrus County and the Odell Fire District, design and planning work, property acquisition, apparatus purchase, and issuance of debt. The hiring of new personnel and purchase of equipment would be added to the FY 27 Budget.
2. Delay the initiative indefinitely (continue to contract with Odell - presumably at \$500,000 for FY 27).

Staff Observations

Absent a contract with Cabarrus County to serve all of Western Cabarrus north of NC 73 (not just the incorporated areas), then this initiative may be hard to justify because the call volumes for serving only City residents will be quite low. Serving only City residents in this area will result in a very quiet station with low call volumes – not good for employee morale and not a very efficient use of public funds.

Even with the presumed County contribution, the cost of providing service in house is still greater than the cost of a contract with Odell (when debt service is included) but it is reasonably manageable.

A donation by Odell of its current station and apparatus would reduce the City's capital costs by about 50% but that scenario does not appear to be realistic at this time.

This all assumes that the service that Odell provides is adequate and meets the reasonably expected standard of the Kannapolis Fire Department.

It is important to note that the funds in the Western Cabarrus Fire Protection Capital Project Fund do not have to be used for this project should it not emerge as a current priority. A simple budget amendment can release the funds to other uses.

Adaptive Response Program

Description

The Kannapolis Fire Department (KFD) operates as an all-hazards department, responding to fires, medical emergencies, vehicle accidents, rescues, hazardous materials incidents, and routine service calls. Annual call volume has steadily increased, placing additional strain on personnel, apparatus, and operational costs. In response, KFD is exploring strategies to manage demand while maintaining service quality.

The Adaptive Response Program (ARP) is designed to supplement traditional fire and EMS responses by deploying Quick Response Vehicles (QRVs), which are smaller, cost-effective vehicles, to appropriate low-acuity incidents. Rather than sending a full fire engine on every medical call, QRVs can arrive more quickly, reduce workload on frontline apparatus, and preserve larger units for high-risk emergencies.

Under the proposed ARP, QRVs would be staffed by a Captain and an Engineer. These units would respond to lower-risk, lower-acuity incidents that make up a significant portion of KFD's call volume, as well as non-emergency requests such as special event standbys.

Similar programs are currently in use in cities including Durham, NC; Wilmington, NC; Memphis, TN; Tucson, AZ; Mesa, AZ; Plano, TX; and Mooresville, NC, supporting the viability of this approach.

Overall, the ARP offers KFD a cost-effective method to reduce apparatus wear, improve response efficiency, enhance public perception, and better match resources to incident type while maintaining readiness for critical emergencies.

Status

A pilot program was conducted using a surplus EMS ambulance and supplemental duty staffing. Over an 18-day trial period, the ARV successfully handled 28% of total calls for service, allowing fire engines to remain available for higher-acuity incidents 72% of the time. The results demonstrated improved unit availability and operational efficiency.

No funding has been dedicated for this approach.

Project Cost Estimate

\$350,000- \$1,150,000 depending on the option pursued

Funding Sources

\$125,000 - \$250,000 Fund Balance appropriation for capital purchases of vehicles,
\$350,000 - \$900,000 General Fund for Personnel/Operations depending on option,

Annual Budget Impact

\$350,000 - \$900,000 for Operating costs (depending on the option),,

Annual Revenues

None

Cents on the Tax Rate

0.95 for the 12 personnel option.

0.47 for the 6 personnel option.

0.37 for the part-time employee option.

Options

1. Hire 12 new personnel to provide 24-hour coverage in two QRV's deployed city-wide based on at an estimated staffing cost of \$900,000 annually. In addition, the purchase of 2 squad vehicles would be acquired at the total purchase and upfitting cost of \$250,000.
2. Hire 6 new personnel to provide 12-hour coverage in on QRV, deployed city-wide based on an estimated staffing cost of \$450,000 annually. In addition, the one-time purchase of 1 squad type vehicle would be acquired the total purchase and upfitting cost of 125,000.

3. As a temporary option, increase part-time funding to hire part-time staff to cover peak time hours. Utilize the existing QRV during these times. Personnel cost is estimated at 350,000 annually.

Staff Observations

Eastside Park

Description
Construction of 33-acre park on City owned Midlake Road property with Lake Fisher frontage. Project will be a passive park including open space, lake access (paddle boats), walking paths/sidewalks, greenway/nature trails, playground, picnic shelters, splashpad, dog park, restrooms, and parking. The park design meets many of the requested items by citizens in the last statistically valid community-wide survey that was conducted as part of the recently adopted Parks and Recreation Comprehensive Masterplan.
Status
City Council previously appropriated \$476,000 from Fund Balance for planning, design and bidding. The project is fully designed and ready to solicit construction bids.
Project Cost Estimate
\$5,200,000
Funding Sources
\$4,700,000. Debt (likely to be issued in FY 27, first payment in FY 28) \$500,000. NC PARTF Grant (received)
Annual Budget Impact
\$470,000 Debt Service (FY 28) \$250,000 Operating (FY 29) assuming \$325,000 less \$75,000 in revenues. \$150,000 Capital Outlay - one time start-up expenditures (FY 29)
Annual Revenues
\$75,000
Cents on the Tax Rate
0.50 for Debt Service (FY 27 projected) 0.26 for Operating Expenditures (FY 28 projected) assuming \$325,000 less \$75,000 in revenues. NOTE: the \$150,000 in Capital Outlay would likely be paid for with a Fund Balance appropriation but it could be rolled into a short term debt issuance.
Options
1. Proceed with the project bidding. 2. Delay the project indefinitely.
Staff Observations
Grant funds would have to be returned (\$500,000 loss). While not ideal, City Council could proceed with bidding and ultimately reject all bids and not proceed with the project if the bids are significantly higher than projected. Giving the grant back would likely have long-term implications on receiving another grant in the future. The City has 3 years to construct the park. That clock began in October 2024 which puts the completion to be finished by October 2027). However, a 1-year extension could be requested and utilized if approved by the state (which would push the completion date to October 2028).



Historic Preservation Program

Description
Establishment of a new Parks and Recreation program focused on historic preservation. It is contemplated that the first two years would include the following initiatives: 1) grass roots movement to generate interest in the community (\$25,000), 2) designation of historic districts/areas (staff time), 3) creation of an historic site interactive digital map & mobile app including a walking/driving tour (\$50,000), 4) installation of historic markers (\$30,000), 5) an inventory of city-wide historic assets (\$20,000), 6) creation and support for a new Historic Preservation Advisory Board (staff time), 7) planning feasibility work on a future History Museum/Cultural Arts Facility - assuming this emerges as a City Council priority (staff time), 8) update and reprint of the City's history book (\$50,000), 9) establishment and management of an oral/written Kannapolis history program (staff time)
The recurring costs are primarily focused on hiring a full-time staff coordinator of the program. In year 3 and beyond, operating costs and specific work programs will be determined in future budget deliberations.
Status
No work has commenced on this initiative pending City Council discussion and direction.
Program Cost Estimate
\$100,000 Operating Budget (hiring of a Historic Preservation Program Coordinator and related expenses)
\$175,000 One-time Expenditures
Funding Sources
\$100,000 General Fund - Operating Budget
\$175,000 General Fund - Fund Balance
Annual Budget Impact
\$100,000 Operating
Annual Revenues
\$0
Cents on the Tax Rate
0.11 for Operating Expenditures
Options
1. Proceed with establishing the program including a one-time Fund Balance appropriation.
2. Delay the program initiation indefinitely.
Staff Observations
The one-time expenditure budget will be a set aside with budget amendments over the course of two years as individual work program initiatives are further defined and ready for funding.
This program will be a more significant need if the History Museum/Cultural Arts Facility emerges as a City Council priority.
The focus of this program in the first few years should be on historic preservation. Initiatives such as facilitating the stabilization/prosperity of the NC Music Hall of Fame, establishment of a part-time professional symphony orchestra pilot program, and development of a Public Art Master Plan might be future initiatives but are not included in this proposed start-up work program. Some level of cultural arts programming can be administered by the existing Parks and Recreation staff.

Midway Revitalization - Phase I

Description
<p>Midway (and its “companion” district of North Kannapolis) were identified as focus areas by City Council through the Imagine Kannapolis Strategic Plan in 2022. Prior to that in 2021, the City worked with LandDesign to develop concepts for streetscape improvements and public spaces to activate the South Main Street corridor from Dale Earnhardt Blvd to Rogers Lake Road. The City then engaged the Development Finance Initiative (DFI) to identify development opportunities in Midway and North Kannapolis. In both areas, DFI noted high levels of deferred maintenance, code enforcement cases, and low building values, in addition to limited site control by the City. Public leadership in investment is needed to attract private investment to this area, and revitalization efforts can take many years before progress is noticeable. Public investments can take the form of streetscape improvements, public parks/spaces, code enforcement, provision of public parking, and establishing an urban redevelopment area. DFI estimated \$7-8.5M would be needed for pedestrian and streetscape improvements, \$2-2.5M for public park/open space, and \$300-500k for public parking.</p> <p>DFI identified a site for an affordable housing development as a potential catalyst for Midway, but current construction prices meant that there is a significant financing gap that makes the project unfeasible unless the City chose to support the project. City Council did not move forward with the housing concept, but in the meantime, Loretta’s apartment building was purchased by a private, local investor who has made improvements to the exterior of the building and is in the process of renovating each unit.</p> <p>The City was awarded an EPA grant to do a desk review of potential brownfield sites in the City including the Midway area. Should City Council decide that Midway is still a priority area, the assessment will provide us with some reference information and a foundation to apply for grant funds.</p>
Status
<p>A Fund Balance appropriation of \$250,000 was approved by City Council for project scoping, planning and preliminary design. There has been some private investment including the improvement of the “Larry’s/Loretta’s Apartments” property. No additional work has been completed on this initiative.</p>
Project Cost Estimate
<p>The scope of this project is unknown at this time. If the project were to emerge as a priority the funding described above would be used to fund initial project scoping, redevelopment inventories, and master planning.</p>
Funding Sources
<p>Funding for improvements would be mostly a City responsibility although some HUD funding options could be explored. An MSD tax is a possibility, but the limited tax base would be unlikely to provide for a significant revenue stream.</p>
Annual Budget Impact
<p>Unknown</p>
Annual Revenues
<p>\$0</p>
Cents on the Tax Rate
<p>Unknown</p>
Options
<ol style="list-style-type: none"> 1. Proceed with a) project scoping, b) establish an Urban Redevelopment Area (URA) per NCGS 160A – Article 22, c) complete a blighted parcel inventory, d) complete a master redevelopment plan including property owner and public input. Presumably this would signal a commitment to a larger revitalization project, however, this final decision can be made at a later date after a specific

redevelopment plan is completed. Funding is generally in place for most of these planning efforts although some additional funding may be needed once preliminary work is completed.

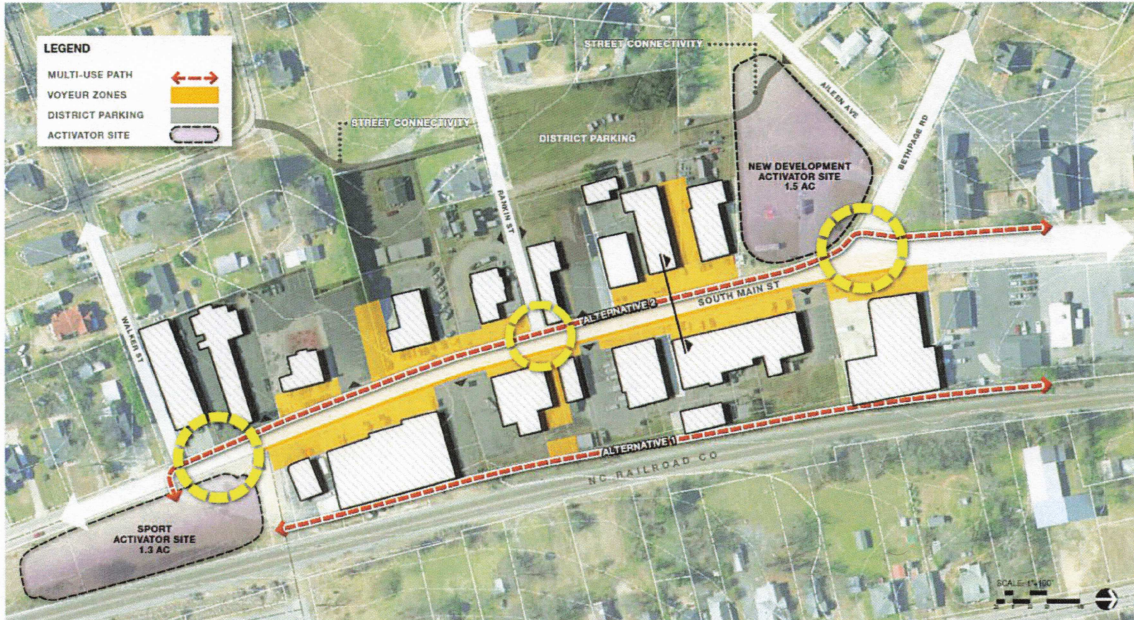
2. Delay the project indefinitely.

Staff Observations

There appears to be some early private sector momentum in Midway which is a positive indication of the need for a more comprehensive approach to this economic development opportunity.

Vision

CORE FRAMEWORK PLAN



Vision

ADAPTIVE REUSE + SKATE-FRIENDLY STREETSCAPE



North Kannapolis Revitalization – Phase I

Description

Revitalization of the commercial area along North Main Street between Loop Road and 22nd Street. Subject to the completion of a master redevelopment plan, the effort will include some combination of the development of activity centers and anchors, key public investments like parking, streetscape improvements, and the implementation of a strategy for attracting private investment.

Midway and North Kannapolis were identified as focus areas by City Council through the Imagine Kannapolis Strategic Plan in 2022. The City then engaged the Development Finance Initiative (DFI) to identify development opportunities in Midway and North Kannapolis. In both areas, DFI noted high levels of deferred maintenance, code enforcement cases, and low building values, in addition to limited site control by the City. Public leadership in investment is needed to attract private investment to this area, and neighborhood revitalization efforts can take many years before progress is noticeable. Public investments can take the form of streetscape improvements, public parks/spaces, code enforcement, provision of public parking, and establishing an urban redevelopment area.

There are two NCDOT Projects that are relevant to the North Kannapolis commercial district. First, project U-6062 would improve North Main Street from Jackson Park Road/Loop Road to China Grove. Included in that project would be bike lanes and sidewalks. Unfortunately, the project is only funded for preliminary engineering and there is no specific timeframe for construction. However, a second project (EB-5921) is a subset of the larger project, and it would add sidewalks along North Main Street from 12th Street to 22nd Street. This smaller project is currently funded for right-of-way acquisition in 2030 and construction in 2033.

Status

No funding has been appropriated for the North Kannapolis revitalization project.

Project Cost Estimate

Unknown. The scope of this project is unknown at this time. If the project were to emerge as a priority a \$175,000 appropriation from Fund Balance would be needed to fund initial project scoping, redevelopment inventories, and master planning.

Funding Sources

NCDOT's funding for the above-described projects will be significant. Any enhancement to the NCDOT projects (streetscape improvements) will need to be funded by the City. Any other expenditures such as parking lot construction of other public improvements will need to be funded by the City. An MSD tax is a possibility, but the limited tax base would be unlikely to provide for a significant revenue stream.

Annual Budget Impact

Unknown.

Annual Revenues

\$0

Cents on the Tax Rate

Unknown.

Options

1. Proceed with a) project scoping, b) establish an Urban Redevelopment Area (URA) per NCGS 160A – Article 22, c) complete a blighted parcel inventory, d) complete a master redevelopment plan including property owner and public input. Presumably this would signal a commitment to a larger revitalization project, however, this final decision can be made at a later date after a specific redevelopment plan is completed. This would require a \$175,000 fund balance appropriation for these one-time start-up activities.
2. Coordination with NCDOT in the preliminary design of the sidewalk and street projects that impact this area but indefinitely delay all other redevelopment planning.

Staff Observations

Staff believes that it is not prudent to proceed with efforts in North Kannapolis ahead of the planned NCDOT improvements. This is especially relevant if Midway emerges as a more immediate priority.