CITY COUNCIL
AGENDA
CONTINUED FROM MAY 22,2023
KANNAPOLIS CITY HALL
401 LAUREATE WAY
KANNAPOLIS, NC
MAY 31, 2023   4:30 PM

CALL TO ORDER AND WELCOME

ADOPTION OF AGENDA - Motion to Adopt Agenda or make revisions

BUSINESS AGENDA

A. Discussion of Proposed FY 23-24 Budget (Mike Legg, City Manager)

B. Imagine Kannapolis Strategic Plan Revist List - Parks and Recreation (Mike Legg, City Manager, Gary Mills, Parks & Recreation Director)

CLOSED SESSION

GS. 143-318.11 (a) (3) to consult with an attorney in order to preserve the attorney client privilege and G.S. 143.318.11 (a) (4) for discussing matters relating to the location or expansion of industries or businesses in the area (Mayor Pro tem Kincaid)

MOTION TO CONTINUE MEETING TO JUNE 12, 2023, 6:00 PM. KANNAPOLIS CITY HALL, 401 LAUREATE WAY.

ADA Notice and Hearing Impaired Provisions

In accordance with the requirements of Title II of the Americans with Disabilities Act of 1990 ("ADA"), anyone who requires auxiliary aid or service for effective communication, or a modification of policies or procedures to participate in a program, service or activity of the City of Kannapolis, should contact the office of Tina H. Cline, Human Resource Director by phone at 704-920-4302 or email at tcline@kannapolisnc.gov as soon as possible, but no later than forty-eight (48) hours before the scheduled event.

Kannapolis City Council

City Council Agenda Staff Report
May 31, 2023

To: Mayor and City Council

From: Mike Legg, City Manager

Subject: Discussion of Proposed FY 23-24 Budget

Action Requested by City Council
None. Discussion only.

Required Votes to Pass Required Action
Presentation Only. No Action Required

Background
The FY 23-24 Budget was presented at the May 22nd meeting. Staff will be prepared to answer any follow-up questions that Council Members may have. The required public hearing is scheduled for June 12th meeting (6:00 PM). A copy of the budget message is attached.

Fiscal Implications
None.

Policy Issues
None.

Legal Issues
None.

Recommendations and Alternate Courses of Action
None. Discussion only.

Attachments
1. FY24 City Manager's Budget Message FINAL

May 22, 2023

Subject: Proposed FY 2023-24 Budget

Dear Mayor Hinnant and Members of the Kannapolis City Council:

I am pleased to present to you the proposed Fiscal Year 2023-24 Budget for the City of Kannapolis, North Carolina, which begins July 1, 2023, and ends June 30, 2024. This budget has been prepared in accordance with the North Carolina Local Budget and Fiscal Control Act and the requirements of the N.C. General Statutes. This balanced Budget identifies the revenue projections and expenditure estimates for FY 2024.

The overarching themes for the proposed FY 2023-24 Budget are: 1) to begin implementation of the City's Strategic Plan - Imagine Kannapolis, 2) continued emphasis on employee retention and recruitment, 3) establishment of a new Insurance and Risk Fund, and 4) leveraging the City's financial capacity, including its cash assets, to improve the City's quality of life and service delivery. This Budget also continues to invest in the replacement of equipment and vehicles and renovation and upgrades to several City facilities. Finally, the Budget is designed to continue with numerous economic development activities.

Looking Back: FY 23

The past fiscal year was full of numerous positive events and changes:

- Imagine Kannapolis Strategic Plan work with numerous Focus Group meetings and presentations to City Council.
- Compensation Study completion and implementation including a back pay bonus for employees.
- New longevity policy established including a longevity back pay bonus.
- Downtown continued to thrive. More than 80% of the retail spaces downtown are now occupied with the remaining spaces likely filled by the end of FY 24. Private development began on block 3 ("200 Main" mixed use) and block 4 ("Stadium Lofts" mixed use including Cannon Ballers Team Store and offices and a new restaurant).
- Kannapolis Crossing/Overlook 85 began construction. City's utility extensions completed.
- Metro 63 industrial building completed.
- Sale of Lane Street ballpark property and construction of Lakeshore Corporate Park began.
- Development of Gateway Business Park 7-acre tract underway.

- Castle and Cooke sale of all North Carolina real estate assets completed to Insite Properties (excluding the Core Lab and related properties, Club at Irish Creek and Irish Creek/Kannapolis Lake properties)
- Implementation of Wastewater Treatment Allocation policy.
- Established parking fee structure for VIDA deck.
- Hiring rate for seasonal employees raised.
- Acquisition of the Gem Theatre business to preserve as a Parks and Recreation asset for the community.
- Established 11 new positions and completed 15 reclassifications of existing positions.
- Established a new full cost recovery approach to water and sewer tap installations.
- Debt service began on the complete replacement of public safety radio system.
- One of two planned fire engine replacements are underway.
- Initial improvements to the Dixie Youth athletic facility on Pleasant Avenue.
- Purchase of 19 replacement vehicles.
- Addition of approximately $15 million to cash reserves from a variety of sources.
- Numerous voluntary annexations processed.
- Several KDO amendments approved.
- New agreement executed with the United States Performance Center.
- Hired a new Finance Director.
- Trinity Church Road rezoning.
- Established a Downtown Ambassadors Program.
- Project agreement executed for new concessions building at Atrium Health Ballpark.
- Purchased a new train engine for Village Park.
- Established a Solid Waste Rapid Response Team to address contractor service lapses.
- Successful Jiggy with the Piggy festival.
- Kannapolis named a Top 15 City for Corporate Headquarter Relocation.

FY 2023-24 Budget Overview

The total proposed FY 2023-24 (FY 24) Budget for the City of Kannapolis is **$104,385,876** a 9.98% increase ($9,469,837 actual) from the FY 2022-23 budget. This is the first time in our City's 39 year history that the total City budget has exceeded $100 million. As a point of reference, the FY 2003-04 Budget (20 years ago) was $30 million which translates into a $54 million budget in today's dollars assuming 3% inflationary growth annually. In reality, the City's budget growth (largely facilitated by private sector investment in the City) has been nearly six times the inflationary growth factor.

This FY 24 Budget total is the sum of the General Fund, the Water and Sewer Fund, the Stormwater Fund, the Environmental Fund, the Public Transit Fund, the Separation Pay Fund, and the Insurance and Risk Fund (new for FY 24). This total budget figure excludes any interfund transfers (as defined by transfers between the annually adopted funds). Interfund transfers total $7,252,080, all from the General Fund ($496,912 to the Separation Pay Fund, $323,031 to the Transit Fund, and $1,147,817 to the Environmental Fund and $5,284,320 to a new Insurance and Risk Fund).

Recent Budget History						
FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	**FY 2024 Proposed**
$68,125,000	$69,679,864	$77,279,526	$80,523,452	$85,250,848	$94,916,039	**$104,385,876**

Excludes any interfund transfers (as defined by transfers between the annually adopted funds).

The following overarching themes have driven the proposed FY 24 Budget:

1. **Budget Process and Structure**. The FY 24 budget again includes the implementation of distinct budget levels (continuation and expansion):
    - *Continuation* budget items are defined as essentially "keeping the lights on." These items maintain the same service levels in FY 24 that were included in the adopted FY 23 Budget. There are some increases in these budget items due to unavoidable factors such as inflation and contractual increases.
    - *Expansion* budget items are defined as anything new that was not previously approved through the budget process. Examples are enhancements to programs or services, new employee positions, new capital improvement projects, and new capital outlay (operating capital) items.
2. **Employee Retention and Recruitment.** Similar to the past two budget years, the FY 24 Budget continues with enhancements to employee pay and benefits. Regarding this effort, the following is included in the proposed Budget:
    - **Cost of Living Adjustment (COLA)** for all employees at 3% ($900,577 budget impact across all funds). The CPI index for April 2023 is 4.9%. As a reminder, a minimum 2% pay increase was also included for all employees in the 4th quarter of FY 23 as part of the compensation study implementation. Many employees received higher increases based on the study results. In recent years COLAs have ranged from 1.5% to 5% based on a variety of external economic factors.
    - **Pay for Performance (Merit Pay)** continues for all eligible employees based on performance evaluations. This pay is budgeted in all funds using a 2.5% average, up to a maximum of 3%; those in developmental ranges qualify for 5%. This budget impact across all funds is $825,469.
    - A new change for the FY 24 Budget is an adjustment to the **implementation of the developmental range for Merit Pay**. This change will increase the developmental range from the 15th percentile to the midpoint of each salary range. This will allow employees to move up within the grade more rapidly. This will be an additional employee retention tool. This budget impact across all funds is estimated to be approximately $497,000. $400,000 is budgeted in the General Fund as an estimate. Lapsed salaries will be used to fund this change in the other funds. The FY 25 budget will include more definitive numbers after a year of implementation is completed.
    - **Increased funding for the State Retirement System** to 12.89% from 12.14% (Law Enforcement Officers 14.04% from 13.10%). This is the fifth year of required

contributions by North Carolina cities to the retirement program. This has a $563,861 FY 24 budget impact (General Fund only). While this is not a direct immediate benefit to employees, keeping the State Retirement System financially strong is certainly a long-term benefit.

- There is only one minor **change to health insurance costs** to employees. All dependent coverage premium deductions are to be rounded up to the next $10 increment (example: a $45.25 deduction will be $50.00). There are no changes other changes to premiums, co-pays or out of pocket expenses. However, there are significant new budget impacts related to the establishment of the new Insurance and Risk Fund and a more proactive approach to administering the City's medical expenses – but these expenses are not being passed on to employees.
- Part of retaining good employees is to ensure that they are not burdened with unmanageable workloads that negatively impact their work-life balance. To that end the FY 24 budget includes **fourteen (14) new positions** in three funds bringing the total full time City employee count to 436. The total budget impact across all funds for these new employees is $928,100 in recurring costs and $497,000 in one-time start-up costs (vehicles and equipment).

The FY 24 Budget also includes the full year's budget impact of the following employee salary and benefit changes that were adopted by City Council in the 4th quarter of FY 23:

- Funding for employee **compensation study implementation**. The result was a movement of salary ranges to 110% of the market to be more competitive. Employees who were below the market, received up to a 3% increase per grade or to the minimum of the new proposed grade (whichever was higher). Many employees were also adjusted based on internal inequities and those who were at market received a 2% increase to their base pay.
- At City Council's own initiative, **compensation study back pay** for its originally intended implementation date (January 2023) was provided to all employees in the form of a one-time bonus.
- Funding for **longevity pay** policy per the following schedule (increase of $390,383).

Longevity Pay Schedule	
Length of Service	**Annual Bonus**
5<10 years of service	$1,100
10<15 years of service	$1,900
15<20 years of service	$2,700
20<25 years of service	$3,500
25<30 years of service	$4,300
30+ years of service	$5,100

- Also at City Council's own initiative, **longevity back pay** was provided back to January 2023 in the form of a one-time bonus.

The FY 24 Budget continues funding and/or implementation of the following employee benefits that have been established or improved over the past three years:

- 3% match contribution to 401k (5% for police officers).
- $1,960 (HRA) or $2,110 (HSA) per employee annual contribution to the medical flex savings accounts.
- Free memberships for all employees to the Cabarrus-Rowan YMCA system ($125,000 annual budget impact).
- Separation Pay (retirement supplement for those aged 55-62).
- Police Department fixed shift schedule replacing rotating shifts.
- Differential pay in the Police Department and the Water Resources Department.

3. **Implementation of the Imagine Kannapolis Strategic Plan.** A new strategic planning process, Imagine Kannapolis was launched in March 2022. It is anticipated that the final Plan will be considered for adoption by City Council in late summer/early fall 2023.

   While not every new strategy, initiative, project, or program emerging from the Strategic Plan will require significant financial commitments, many will. To that end a "Watch List" of items included in this budget is intended to move forward once the final Plan is adopted. The "Watch List" projects and initiatives are included in the draft Plan's initial implementation in FY 24. Most of these projects and initiatives are one-time costs which will be funded with cash reserves; however, a few are recurring in nature (operating and/or debt service) which may be initiated with either existing budget capacity or cash reserves in FY 24 and incorporated into future budgets starting in FY 25.

   Unlike previous budgets, the "Watch List" for the FY 24 Budget is exclusively related to the Strategic Plan initiatives. The scope and specific budget for each will be better defined in the coming months. Some different projects may emerge as higher priorities and some that are listed below may get delayed. The projects and initiatives will proceed upon adoption of the Plan.

General Fund: Proposed Expansion Funding (Imagine Kannapolis Strategic Plan Watch List)			
Responsible Department(s)	**Preliminary Cost Estimate**	**Project/Initiative Description**	**Funding Options**
Fire/General Services	$1,550,000	Fire Training Tower and Storage Facility ($345,000 Federal Grant to be added to project budget)	One-Time Cash (Possibly Debt if paired with FS 1&4+ 2nd Floor City Hall renovations)
Fire/General Services	$2,800,000	Fire Station #1 and #4 Renovations (interior and exterior work, bay floor and parking lot)	One-time cash (or debt paired with City Hall 2nd Floor)
City Manager/ Engineering	$700,000	Downtown Parking Management Plan Phase 1 (S. Main St. lot construction and N. Main St. lot upgrades)	One-time cash (or debt with land as collateral)
City Manager	$60,000	NCRC Planning Support (Organization, Real Estate and Economic Development Strategy)	One-Time Cash

General Fund: Proposed Expansion Funding (Imagine Kannapolis Strategic Plan Watch List)			
Responsible Department(s)	**Preliminary Cost Estimate**	**Project/Initiative Description**	**Funding Options**
City Manager/ Parks & Recreation	$50,000	NC Music Hall of Fame Growth Plan	One-Time Cash
City Manager	$20,000	Promotion of Motorsports Assets	Recurring (operating)
City Manager/ Transportation	$1,200,000	I-85 Monument Signage Phase 1 (I-85 Exits 58, 60, 63)	One-time cash
General Services	$750,000	City Hall 2nd Floor Upfit Project	One-time cash (or debt paired with FS 1&4 renovations)
Parks & Recreation	$400,000	Downtown Dog Park (construction)	One-time cash (or debt with land as collateral or paired with larger project)
Parks & Recreation	$50,000	Downtown Dog Park (operations)	Recurring (operating)
Parks & Recreation	$180,000	Cultural Arts and Historic Preservation Work Program (Grass Roots movement, historical milestones and markers, interactive digital map, transfer historic markers, transfer historic assets to the City, historic/cultural advisory board, reprint history book, walking tour, oral and written history)	One-time cash
Parks & Recreation	$100,000	Cultural Arts Program Coordination (consultant services – may evolve into a full time coordinator position)	Recurring (operating)
Parks & Recreation	$30,000	Local part-time Professional Symphony Orchestra Exploratory Program	One-time cash
Parks & Recreation	$1,200,000	Gem Theatre Renovations - Phase 3. (grant pending which may pay for most).	One-time cash
Parks & Recreation	$1,290,500	Existing Park Facility Upgrades - Phase 1	One-time cash
Planning	$50,000	Open Space and Tree Preservation Plan	One-time cash
Transportation	$1,340,000	Little Texas Road Sidewalk (local match)	One-time cash
Total	**$11,776,000**		

At the time of this budget message, the strategic planning process is winding down with only a handful of potential projects and initiatives with budget and funding implications to be discussed by City Council in June and July 2023 which may alter this Watch List for FY 24. These projects and initiatives are described at the end of this budget message.

4. **Establishment of a new Insurance and Risk Fund**. As our City organization continues to grow and mature it is prudent to continually improve our financial management practices. One such change is to establish a new stand-alone Insurance and Risk Fund as part of the City's financial management structure. This step will facilitate better tracking of revenues and expenditures directly related to the City's different insurance and risk management programs. This new Fund includes both premiums and claims for health insurance for all active and retired employees and dependents participating in the City's medical plan. It also includes the City's workers compensation expenses. In the future it will include other insurance and risk management programs (e.g., general liability, dental, vision).

   More details on this new fund and its impact on the FY 24 Budget are included towards the end of this budget message.

5. **Cash Reserves/Fund Balance.** A key component of the City's financial planning for the past decade has been to improve cash reserves. Target percentages of expenditures for each fund have long been established (generally 25% of previous year's expenditures to be set aside in the City's "Savings Account"). Additionally, the City's real estate development activities in recent years has resulted in an infusion of cash which has grown the available fund balance in a substantial way. $9.3 million in Federal ARPA funds are also included in the fund balance numbers. The tables that follow depict the current cash reserves and fund balance estimates and the cash that is available for appropriation in FY 24.

Unrestricted Cash Reserves and Fund Balance				
Fund	**Minimum Target %**	**Projected Total Reserves, June 30, 2023**	**Available for Appropriation in FY 24**	**Amount needed to reach Target %**
General	25%	$43,137,352	$18,912,482	Above Target
Water and Sewer	25%	$18,118,708	$5,313,618	Above Target
Stormwater	25%	$1,964,839	$1,082,339	Above Target
Environmental	10%	$1,375,324	$361,942	Above Target
Transit	NA	$812,606	$812,606	NA
Totals		**$65,408,829**	**$26,482,987**	

Cash Reserves/Fund Balance Notes:

- $900,000 of the General Fund cash reserves estimate has been removed and set aside to establish a fund balance for the new Insurance and Risk Fund. These funds will be transferred to the new fund after the FY 24 Budget is adopted.
- The General Fund cash reserves estimate is also the net of many of the expenditures that were included in the FY 23 Budget "Watch List" that have already been appropriated by City Council.
- $145,000 of the General Fund cash reserves estimate has been removed as this was used to fund the Solid Waste Rapid Response Unit in FY 23.

- The Water and Sewer cash reserves are the net of $6.5 million which has been removed from the Water and Sewer fund and reappropriated to various previously approved capital project funds for (e.g., Downtown Sewer, WTP Clearwell).

It is likely these cash reserve numbers will grow in the next few years mostly due to the City continuing to sell its real estate assets that have been generated from the active economic development programs over the years (predominantly, but not exclusively Downtown).

The following are the real estate assets that will further strengthen cash reserves which will be available for appropriation beginning in FY 24 extending through several years. **The total cash availability for appropriation is currently $29.3 million** including several restricted funds (see below). It is possible this number will grow by an additional **$14.7 million** or approximately **$44 million** total should the remaining real estate assets be sold at market value.

It should be noted much of the draft financial plan linked to the Strategic Plan hinges on the availability of significant cash reserves.

One Time Restricted Revenues		
New One-Time Revenue	**Received Amount**	**Potential Revenues**
Gateway Business Park Lot 3 Sale (HUD eligible activities)	$1,492,935	
Gateway Business Park Lot 2 Sale (HUD eligible activities)		$377,528
HOME/ARP Funding (HUD eligible activities)	$766,001	
Safe Streets Grant (Transportation/Traffic Plan)	$160,000	
Federal Earmark (Fire storage building construction)	$345,000	
Total One-Time Restricted Revenues FY 24-29	**$2,763,936**	**$377,528**

Likely One-Time Additions to Fund Balance FY 24-29	
New One-Time Revenue	**Projected Amount**
Kannapolis Crossing - Rowan County payment #2	$500,000
Swanee Theatre Sale - Developer payment #1	$100,000
Kannapolis Crossing - Developer payment #3	$500,000
Swanee Theatre Sale - Developer payment #2	$467,000
8th Street Landfill Sale - USPC Repayment #2	$755,862
Swanee Theatre Upfit Reimbursement	$950,000
Total	**$3,272,862**

Potential Future Additions to Fund Balance	
New One-Time Revenue	**Projected Amount**
College Station Outparcels	$320,000
Plant 4 – 14.66 acres @ $500,000/acre	$7,330,000
Block 6 West Avenue	$3,450,830
Total	**$11,180,830**

General Fund Overview

The proposed FY 24 General Fund Budget is **$70,371,279** which represents a 12.62% increase over FY 23 Budget ($7,884,120 actual).

General Fund Revenue Highlights:

1. The projected total **Property Tax revenue** for FY 24 is $39,027,140 (which represents a 9.66% *increase* from FY 23 ($3,438,408 actual). The projection is based on a collection rate of 98.95%. Property taxes represent 55% of the proposed FY 24 Budget (FY 21 and FY 22 were 57%).

   The **property tax rate** is recommended to remain unchanged at 63 cents per $100 valuation.

   Each penny on the tax rate is now equal to approximately $619,076 (up from $567,284 in FY 23 $515,240 in FY 22, $495,295 in FY 21 and $425,107 in FY 20).

2. The City-wide **property tax base** is projected to be $6,190,764,848 in FY 24 (an increase of $517,925,849 from FY 23). $5,297,534,835 (85.6%) is attributed to the Cabarrus County side of the City and $893,230,013 (14.4%) is attributed to the Rowan County side. The increase was $412,597,907 from FY 22 to FY 23 and $210,951,347 from FY 21 to FY 22. This increase and the corresponding projection of $3.4 million in property tax revenues is the result of a) new private sector investment in our City, and b) the Rowan County property revaluation as shown below.

Property Tax Base Increase FY 23 to FY 24	
Rowan County Revaluation (44.8% increase)	$265,709,758
Rowan County Natural Growth (private investment)*	$35,132,129
Cabarrus County Natural Growth (private investment)	$217,143,207
Total	**$517,925,849**

*average 3-year non-revaluation growth rate of 5.93% x FY 23 valuation.

3. **Revaluation – Revenue Neutral Analysis.** Cabarrus County and Rowan County conduct revaluations every four years. The past tax year resulted in the revaluation of property on the Rowan County side of Kannapolis. State law requires that units of local government publish a revenue-neutral tax rate in the budget immediately following the completion of the general reappraisal of real property. The purpose of the revenue-neutral tax rate is to provide the citizens with comparative information. The revenue-neutral tax rate, as defined by G.S. 159-11 (e), is the rate estimated to produce revenue for the next fiscal year equal to the revenue for the current fiscal year if no reappraisal had occurred. The rate is then adjusted by a growth favor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal. The Rowan County reappraisal contributed to a projected FY 24 tax base of $6,190,764,848 for all of Kannapolis (both counties). The tax levy for the current fiscal year is $39,027,140 and the growth factor since the last general appraisal is 9.42%. Using the formula mandated by State law, **the revenue-neutral rate for the City of Kannapolis for FY 24 is 63.17 cents per $100 valuation** (essentially the current rate).

   The above revenue neutral calculation is a combined approach accounting for the Kannapolis tax base change in both counties together. This calculation is much more accurate due to the difference in the City's tax base by county with Cabarrus comprising such a large portion (86% vs. 14% in Rowan).

It should be noted a revenue neutral calculation that separates the City by the two counties provides a significantly different result. The Rowan only revenue neutral rate would be 44.26 cents per $100 valuation and a corresponding Cabarrus rate would be 68.99 cents per $100 valuation. Essentially, in this scenario the Cabarrus rate would have to be increased to cover the revenue loss on the Rowan side. Of course, the City cannot have two separate tax rates so adjusting the rate to only impact properties located in one of the two counties is not relevant or practical but is provided here as information.

4. **Sales Tax revenue** is projected to *increase* 20.65% to $16,440,102 ($2,813,941 actual). Due to lingering pandemic impacts, the past two budgets have been conservatively drafted. It is projected sales tax collections in the current FY 23 Budget will exceed the budget projections by about $2 million. As a result, the FY 24 Budget includes a more realistic projection. The 6% increase is based on projected FY 23 actuals ($15,509,530) and guidance from the League of Municipalities.

   Sales taxes comprise 23% of the FY 24 General Fund revenues; this was 22% in FY 23 and 20% in FY 22.

5. **Powell Bill** funding is projected to *increase* by 0.66% which represents a budget impact of $10,324 in the FY 24 Budget. No General Assembly changes are expected for the per capita and mileage-based allocations for FY 24. The growth is simply adding streets from new private developments to the City system.

6. **Franchise Tax** revenues are projected to *increase* by 3.98% to $2,805,308 ($107,308 actual) based on collections from FY 23. Modest to slight growth will be the prudent approach for this revenue source for the foreseeable future.

7. **Ballpark-Related Revenues** includes a contribution from the Cabarrus Convention and Visitors Bureau (CCCVB) of $100,000, an amount that will continue for next 5 more years. These revenues help pay for the annual debt service on the new ballpark. The CCCVB has contributed $600,000 to date.

8. The enterprise fund reimbursement in the form of the **General Fund Management Service Fee** is *decreased* 2.66% (-$62,407 actual) from FY 23 to $2,287,295. The Water and Sewer Fund ($1,823,413) and the Stormwater Fund ($463,882) "pays back" the General Fund for indirect support throughout the year. This is based on a formula of employee allocation across funds. The decrease in transfers is attributed to updated audited figures used in the calculation as well as budgeting health insurance and workers compensation insurance in the enterprise funds initially as opposed to Non-Departmental in the General Fund as had been the practice in the past.

9. **Commercial Rent/Lease - College Station** is projected to increase by 18.27% to $475,000 ($73,370 actual). The majority of this revenue comes from the Rowan Cabarrus Community College lease for its cosmetology program. Prior year overly conservative budgeting is the driver of this increase.

10. **Planning and Zoning Charges and Fees** are projected to increase by $80,000 over the FY 23 Budget to $200,000 based on trends in permitting.

11. **Parks and Recreation Charges and Fees** are projected to *decrease* by 6.81% to $1,100,000 (-$85,545). This change represents a combination of increased fee collection for programming and user charges at parks coupled with a more conservative budget approach to the Gem

Theatre revenues ($600,000 vs. $735,545). With only four months of City operations data at the Gem and the evolving movie business, it is recommended that more conservative budgeting occur until more data is available. The Gem Theatre budget will likely fluctuate until we have two years of operations completed.

12. An appropriation of $1,242,385 in **Fund Balance** (was $753,458 in FY 23) is proposed in the FY 24 General Fund Budget for the following one-time, or short-term purposes (these are described in more detail in the General Fund Expenditures section of this budget message):

FUND BALANCE APPROPRIATION USES		
$330,000	Hot Patch Asphalt Truck	Transportation
$120,000	Mini Excavator	Transportation
$90,000	Dump Truck	Parks and Recreation
$72,000	Park Master Plan update	Parks and Recreation
$30,000	Trailer	Transportation
$323,406	Axon lease payment - body worn/in-car cameras	Police
80,000	Cart Truck in Environmental Fund (GF support)	Environmental
$1,045,406	**Total (7-10 year Operating Life)**	
$1,048,000	Vehicles (15 replacements and 2 new)	Police
$60,000	Truck (new)	General Service
$75,000	Truck (replacement)	Fire
$30,000	Vehicle (replacement)	Planning
$45,000	Parks Superintendent vehicle (new)	Parks and Recreation
$45,000	Recreation Superintendent vehicle (new)	Parks and Recreation
$68,000	Pressure wash system	Parks and Recreation
$33,000	Ballfield maintenance unit	Parks and Recreation
$1,404,000	**Total (less than 7 year Operating Life)**	

It is important to note that this is not a one-to-one match between the Fund Balance number and the projects. The ultimate budget goal is for the Fund Balance appropriation to be earmarked for one-time items that will not be replaced or reoccur within 7-10 years. For the FY 24 Budget this amount is $1,045,406 with the remaining $196,976 of the proposed Fund Balance appropriation being used to subsidize the 24 vehicle and large equipment purchases, the bulk of which are funded with recurring revenues.

General Fund Expenditure Highlights

On the following pages are key General Fund operating expenditure highlights (increases, decreases or other notable expenditures).

1. The General Fund includes **8 new positions and 1 reclassification** in three departments representing a projected total recurring budget impact of $516,000 (salaries and benefits) and $362,000 in initial start-up costs for vehicles and personal safety supplies and equipment**.** These positions are listed on the table below. By comparison, the FY 22 budget included 7 new positions and 14 reclassifications in ten departments.

NEW POSITIONS AND RECLASSIFICATIONS	
Position (number)	**Notes**
School Resource/DARE Officer (2) *New*	To compensate for growth and evolving community needs in Kannapolis City Schools. Offset by $88,000 grant with KCS.
Telecommunicators (2) *New*	To compensate for growth and evolving agency needs. Used for mid-shift during peak hours.
Firefighters (3) *New*	Growth positions to meet increased service demands/workload, in conjunction with existing staffing plan from FY20. This would allow the department to meet NFPA 1710 Staffing Standard on all but one truck, which recommends four personnel on all engine companies.
Parks Superintendent (1) *New*	This superintendent would directly oversee city-wide recreational programming, special events including the Gem Theatre operation. The position will directly report to the Parks and Recreation Director. A vehicle is included with this new position.
Recreation Superintendent (1) *Reclassification*	Reclass existing Assistant Parks and Recreation Director position to Recreation Superintendent. The Assistant Director position was not filled in FY 23 in anticipation of this new organizational structure. This superintendent would directly oversee the physical maintenance and operation of all parks and other outdoor properties. The position will directly report to the Parks and Recreation Director. A vehicle is included with this reclassified position.

2. **Unfunded Expansion Items.**

There were several expansion expenditures of note not included in the proposed FY 24 Budget or in the FY 24 Watch List. These are all worthy of consideration but are not included in the proposed budget due to revenue limitations, management priorities, or other reasons. They are provided in the following table as information.

General Fund: Unfunded Expansion Items requested in FY 2024		
Information Technology	$35,000	Silver Blaze bill formatting and printing add on feature.
Information Technology	$35,000	Firewalls for fire, operations, warehouse (less of a priority with City's move to cloud-based technology and other security measures already taken).
Fire	$125,684	Fire Inspector: Need based on call volume. Was pre-approved for mid-year funding in FY 19, but never funded; Potential PT option, Need more workload data.
Parks	$20,000	Replace current Bobcat vehicle
Parks	$12,000	Walker Tracker App for Loop the Loop participants
Parks	$12,000	Clean-up MLK/Cannon Blvd interchange of underbrush and dead trees. Delayed due to bridge replacement.
Communications	$15,000	Backup to the backup server for the website.
Public Works	$200,000	Resurface motor pool asphalt area at PWOC.
Public Works	$120,000	Laureate traffic circle repair and paver replacement.

General Fund: Unfunded Expansion Items requested in FY 2024		
Public Works	$100,000	1.5 ton truck 4x4 utility bed-S-26 replacement. (2000 model, brine truck, rusted out)
Public Works	$70,687	Crew Chief for additional supervision in the field.
Public Works	$240,000	Tandem Dump with Snow equipment to replace single axle dump (1994 model).
Total	**$985,371**	

3. **General Government Operating Expenditures**.
   (City Council, City Manager, Human Resources, Legal, Finance)
   - $49,220 ***increase*** in municipal election expenses for both Rowan and Cabarrus counties (2023 is a municipal election year).
   - $5,735 increase in **City Council salaries** (same 3% COLA recommended for employees and an additional 2% included in the FY 23 Compensation Study adjustment for all employees).
   - $50,000 increase in **consultant services to help manage, write and track grants** the City pursues. This is currently completed in house by multiple departments. This is an effort to consolidate and better manage the process. The grant consultant will work closely with Strategics, the City's Federal lobbyist.
   - $20,000 increase in **GEM theatre marketing** and branding initiatives ($5,000 net as $15,000 was moved from the Parks and Recreation Department budget).
   - $36,168 increase in marketing and branding due to **increased publication and printing costs**.
   - $5,000 increase in Youth Council program supplies for **state conference attendance**.
   - $50,000 increase in **part time accounting and professional finance services** to streamline functions, provide complex financial management tasks.
   - $50,000 increase in **contracted services** for the addition of a long-term part-time role and/or contract with a CPA for internal audit type functions.
   - $25,000 increase in **tax collection fees** from both Cabarrus and Rowan Counties.
   - $19,500 increase in on-site and remote **MUNIS (finance and HR software) training**.
   - $50,000 increase in **contracted legal services** based on current trends and projections.
   - $20,000 increase in **medical administrative expenses** (employee drug testing, etc.) based on recent trends.
4. **Information Technology Operating Expenditures**.
   - $20,000 increase to **replace two projectors** in Laureate Center.
   - 21,000 increase to **replace data switches**.
   - $20,000 *decrease* in contracted services for data base administration due to a **move of data to cloud-based services**.

- $23,000 increase in consultants for a security intrusion audit to test vulnerabilites in the network.
- $181,250 increase in **software subscriptions** due to projected 15% increase.
- $15,000 increase for additional **Accella (permitting software) licenses** in the Planning Department.
- $3,600 increase in annual maintenance costs for **Armor Link software** for Police Department inventory management.
- $162,000 for **audio-visual upgrades at City Hall** in the Laureate Center II, executive conference room and Emergency Operations Center.
- $10,000 increase for new **door control software** to increase security in the City Hall building.
- $50,000 increase for **software integration efforts for City Works**.
- $80,000 increase for **Silver Blaze (customer service software) by NorthStar** to replace Customer Connect in Customer Service. This change enhances customer experience to allow for payments via text, creation of a mobile application, and allows customers to modify bank draft dates. Customer Connect is being phased out and eventually will not be supported.
- $109,000 increase for **NEWCOM global, redundancy for 911 and CAD/RMS** for Fire/Police.
- $55,691 increase for **NorthStar (utility billing) automation**. This will reduce manual processes in utility billing and the general ledger.
- $44,356 increase for **sync of police interview rooms with body worn and in-car cameras**.
- $50,000 increase for **cloud storage of surveillance cameras**. Currently data is stored on SD cards and is not available to be stored in the cloud as a backup.
- $40,000 increase to **move Laserfiche online document filing** to a cloud-based service.
- $8,000 increase for **SWS storage, firewall in cloud for redundancy efforts**.
- $12,000 increase in **Vida parking deck** annual maintenance software.

5. **General Services Operating Expenditures**.
   - $8,000 increase in **overtime** based on trends.
   - $100,000 increase to replace **HVAC systems** at Fire Station #5, Public Works Operation Center and the Gem Theatre (small unit).
   - $80,000 increase in **copier leases** based on trends.
   - $24,002 increase in contracted services based on **contractual increases**.
   - $60,000 increase in capital outlay for the addition of a **F-150 Truck**. General Services currently has 11 employees and only 7 staff vehicles.

6. **Non-Departmental Operating Expenditures**.
   - Note: Some decreases in the Non-Departmental account (retiree insurance, HSA/HRA contributions, workers compensation claims) are attributed to the move from the General Fund to the new Insurance and Risk Fund.
   - $148,839 increase in General Fund special expenses. The total of this budget line is $2,040,955 which includes:
     - $705,754 increase to fund a **3% Cost of Living Adjustment (COLA)** for all employees.
     - $663,119 **Merit and Developmental pay increases** (includes an increase based on salary changes in FY 23 and new positions included in the FY 24 Budget. Merit Pay for all eligible employees is based on performance evaluations (with a 2.5% average, up to a maximum of 3%).
   - $400,000 increase to fund **changes to the employee Pay for Performance (Merit Pay) implementation**. This change increased the developmental range from 15th percentile to midpoint to remain competitive and move employees within the grade faster.
   - $125,000 for the employee **YMCA memberships** (no change in this amount)
   - $117,348 increase in funding that was moved from the Legal account to Non-Departmental to serve as a buffer for unknown expenses in this account. This was originally funding in the FY 23 Budget for an Assistant City Attorney which is currently not contemplated to be filled (but could be should the need emerge to do so) .
   - A $325,000 *decrease* in special expenses for the one time **Gem Theatre stock/asset purchase** that occurred in FY 23.
   - $54,533 increase in **General Liability Insurance** (11% increase from NC League of Municipalities).
   - $16,500 increase in **Building and Contents Insurance** (11% increase from the NCLM).
   - $260,788 *decrease* in **Contingency Funding**. In FY 23 a larger amount of funds was added to contingency due to the anticipated Compensation Study implementation mid-year. $351,856 is budgeted as Contingency for FY 24. Current budget policy provides at least 0.5% of all General Fund expenditures are added to the contingency line item.
7. **Police Department Operating Expenditures**.
   - $29,000 increase for one additional **Auxiliary Police Officer** ($12,000 in part-time salaries and $17,000 in one-time equipment needs).
   - $149,890 *reduction* in one-time **Internet Crimes Against Kids Grant funds** and related operating expenses (travel, office supplies) from FY 23.
   - $10,000 increase in **recruitment initiatives** (total of $30,000) to assist with the high number of vacancies in this department. Related to the new position and general supplies for job fairs, publication, and promotional materials. This was moved from administration to special operations budget (was $20,000 in FY 23).

- $67,500 *decrease* in capital outlay for **recruiter vehicle** purchased in FY 23.
- $20,418 *reduction* in one-time costs for **equipment related to 911** becoming hosted solutions in FY 23.
- $1,048,000 increase for **replacement of 15 police vehicles** ($910,000) and **2 new vehicles for DARE/SRO positions** ($138,000).
- $12,000 increase in SRT training/Sustainment training.
- $35,000 *decrease* for a park ranger vehicle which was funded in FY 23.

8. **Fire Department Operating Expenditures**.
   - $25,000 increase to pursue **Fire Department Accreditation**.
   - $74,029 increase in **contracted services with the Odell Volunteer Fire District.**
   - $22,000 for the purchase of an **air supply replacement unit** for FS #2.
   - $75,000 increase for the replacement of **Safety and Logistics Vehicle**, a 2008 Ford Expedition with 170,000 miles. Vehicle is used by the Safety and Logistics Officer as a daily work and response vehicle (includes emergency equipment).
9. **Transportation Operating Expenditures.**
   - $70,026 increase in Powell Bill funding for street maintenance and resurfacing.
   - $480,000 increase in **Operating Capital**:
     - $30,000 for tilt deck trailer to replace a 1969 trailer.
     - $330,000 for asphalt hot patch truck.
     - $120,000 for mini excavator to replace 2005 model.
10. **Planning Department Operating Expenditures**.
    - $30,000 increase in **Operating Capital** for the replacement of code enforcement vehicle that has significant maintenance issues. Replacement expected to be an economy size truck.
11. **Parks and Recreation Department Operating Expenditures**.
    - $122,480 increase in corresponding **part-time budgets** due to the FY 23 salary study adjustments and COLA.
    - $210,244 increase in **contract grounds maintenance** including half a year's worth of Highway 3 corridor maintenance (upon completion), aeration of the Village Park lawn and normal contractual increases.
    - $72,000 for update to the **10-year Parks and Recreation Master Plan** and technical assistance for PARTF application for Eastside park.
    - $281,000 increase in **Operating Capital**:
      - $90,000 one-ton dump truck to replace a 1997 truck.
      - $45,000 for F-150 truck for new Parks Superintendent.
      - $45,000 for F-150 truck for new Recreation Superintendent.

- $33,000 for ballfield maintenance unit.
- $68,000 Ventrac pressure washing system for grounds.

- $67,500 increase in **program supplies** for summer event series, Kannapolis Christmas, youth athletics, senior programming, adult programming and Gem theatre programming.
- **General Fund Transfers** to other funds:
  - General Fund to Environmental: Fund $1,147,817 ($85,542 in the FY 23 budget). This will reduce the entire amount of the Water and Sewer Fund subsidy ($495,700) due to revenue bond covenant requirements. This also addresses $206,457 in increased capital outlay in the Environmental Fund. This also addresses a $342,776 increase in the Waste Management contract (CPI and increased housing counts).
  - General Fund to Separation Pay Fund: $496,912 ($506,407 in FY 23 budget) based on an estimated 28 employees receiving this benefit. This assumes a net of four additional employees receiving the benefit in FY 24.
  - General Fund to Transit Fund: $323,031 ($303,235 in the FY 23 Budget) based on an increase in operations in contracts, fuel, paratransit/ADA trips.

12. There are no new **General Fund Debt Service** obligations added to the FY 24 Budget. The existing debt includes a principal balance of $10,106,904 (down from $10,742,368 in FY 23). Interest obligations on this debt is currently $3,877,187 (down from $4,218,027 in FY 23). The current General Fund Obligations are shown in the table below.

    It is important to note that in almost all cases the Local Government Commission approves debt with decreasing payment schedules. The newer debt is going to have the highest payments initially which decrease over time.

Limited Obligation Bonds	Principal	Interest	Maturity Date
Fire Stations 2 and 3	$555,000	$330,503	04/01/2038
City Hall/Police Headquarters	$1,365,000	$607,306	04/01/2034
NCRC Projects	$2,466,000	$186,226	03/01/2027
Irish Buffalo Creek Greenway	$92,000	$24,509	04/01/2035
College Station/Downtown Streetscape	$395,000	$214,485	04/01/2038
Atrium Health Ballpark	$2,600,000	$1,826,890	10/01/2039
Parking Deck at VIDA	$735,000	$264,262	04/01/2041
Other Debt	**Principal**	**Interest**	**Maturity Date**
Misc. Equipment	$42,154	$4,481	06/10/2026
Village Park and Fire Engine	$446,000	$156,294	04/01/2037
Downtown Property Purchase	$733,000	$262,231	08/01/2030
Motorola (Radio) Lease Payment	$677,750		06/30/2025
Total	**$10,106,904**	**$3,877,187**	

Water and Sewer Fund Overview

The proposed FY 24 Water and Sewer Fund Budget is $24,286,437 which represents an 3.92% increase from the FY 23 Budget ($916,437 actual increase).

Water and Sewer Fund Revenue Highlights

The revenue highlights for the FY 24 Budget include the following:

1. **No water or sewer rate increases** are recommended for the FY 24 Budget for the fourth straight year.
2. **Steady organic growth** is likely on both the residential and commercial side. The budget projects a 5% increase in overall water and sewer charges and fees revenue.
3. **Tap fees** are budgeted more conservatively at $800,000 based on FY 23 trends. This is a reduction of $375,000 from FY 23 budget of $1,175,000. Tap installation has slowed largely due to inability to maintain adequate staffing levels. These tap installation delays have the cumulative effect of impacting the full growth potential in this revenue stream.

   At some point a slight decline in tap and connection fee revenue may occur based on external economic factors, decreasing infill homebuilding opportunities, as well as local wastewater treatment constraints. This budget takes into account conservative forecasting for these factors.
4. **Connection fees** are projected to increase by 20% ($250,000 to $1,500,000 totals). In accordance with a new state law, all utility providers were required to complete an independent analysis of connection fee ("system development fee") amounts tied to its capital improvement program. The results of this study for Kannapolis are shown below. The fees set forth in the analysis are not to exceed amounts, so City's current fee structure for these fees is in compliance with the law. No fee increases are included in the FY 24 Budget but this may be revisited at some point.

TABLE 5
COMPARISON OF FEES PER ERU

Description	Fee Per ERU		
	Existing	Proposed	Difference
Combined Fees:			
Water	$ 1,350	$ 2,660	$ 1,310
Wastewater	1,000	1,220	220
City Total	**$ 2,350**	**$ 3,880**	**$ 1,530**
WASACC (Sewer)	2,040	2,968	928
Total	**$ 4,390**	**$ 6,848**	**$ 2,458**

5. **Wholesale water sales** are projected to increase by $40,000 (to $400,000) based on monthly averages in FY 23. This includes water sales to Landis and Concord.

6. **Other revenues** are budgeted with no increases (reconnection, penalties, miscellaneous revenues, and investment income).

Water and Sewer Fund Expenditure Highlights:

1. The Water and Sewer Fund includes **5 new positions** representing a projected total recurring budget impact of $331,500 (salaries and benefits) and $135,000 in initial start-up costs for vehicles and equipment. These positions are listed on the table below. By comparison, the FY 23 Budget included four new positions and one reclassification.

NEW POSITIONS	
Position (number)	**Notes**
Meter Technician (1)	This position will perform additional cutoffs daily. The increased number of cutoff/disconnect fees is anticipated to cover the majority of the salary. Additional duties include daily management and maintenance of the meter reading system.
Lead Service Line Inventory Technician (3)	The new Lead and Copper Revision Rule is requiring the physical determination of public and private water service line materials. The rule compliance date is October 14, 2024. To be complaint with this EPA rule, a service line inventory must be completed along with a plan to determine unknow service line materials, and a plan for the removal and replacement of lead service lines at a minimum of 3% per year. This task will require a crew of (3) WTP maintenance worker employees, a service truck, small mini, and tool budget. This task will be their primary work for possibly the next 3-5 years depending on the number of unknown service line materials in the distribution system (est. could be as many as 5,000) and the number the crew can determine per day. Once these tasks are complete these employees would comprise a full time maintenance crew for the water plant.
Lab Analyst (1)	The landscape of water quality regulations is constantly increasing as well as the increased workload in managing testing, calibration of equipment, additional sampling record keeping, and quality control needs. This position would focus on these specific needs and staying ahead of the constantly changing requirements and quality control procedures.

2. $139,224 increase for 3% **Cost of Living Adjustment (COLA)** for all employees.
3. $116,018 increase for **Merit (Performance-Based) Pay** for all eligible employees (based on 2.5% average, up to 3% maximum with those in developmental range qualifying for 5%).
4. **Customer Service**.
    - $57,000 increase in postage costs due to an increase in customer base printing.
    - $40,000 increase in contracted services due to increases in DataMax collection services contract.
    - $18,000 increase in banking fees based on trends.
    - $13,000 increase in mailing services based on projected increased costs.

5. **Distribution**.

- $150,000 increase in repair and maintenance of lift stations (this was moved from the Water Treatment Plant budget). This is a standard yearly rate to make the necessary Lift Station upfits. Several pump stations are beyond the expected 25 year life cycle and will need maintenance replacements.
- $150,000 increase in contracted services for 12 manhole lids to be re-lined on the Irish Buffalo Creek outfall line.
- $50,000 increase in contracted services for root control of the system. This effort is focused on older parts of the sewer system that are subject to root intrusion.
- Standard contractual and utility increases in other line items.
- $843,000 increase in **Operating Capital**:
    - $475,000 for replacement of W-42, a 2005 Chevrolet Suburban with CCTV camera system with 125,860 miles. This is the CCTV main line camera vehicle and system.
    - $165,000 for replacement of W-41, a 2003 flat-bed construction truck with 80,186 miles.
    - $165,000 for replacement of W-10, a 2007 Chevrolet C4500 with 89,881 miles. This is the maintenance division crew truck.
    - $38,000 for replacement of W-70, a 2005 Chevrolet Colorado truck with 266,497 miles. This is a water meter maintenance vehicle.

6. **Water Treatment Plant**.

- $100,000 increase in chemicals based on inflation.
- $25,000 increase in contracted services for lead and copper rule revision.
- $240,000 increase in **Operating Capital:**
    - $135,000 for a new truck for Lead Service Line Inventory crew.
    - $80,000 for a mini excavator for Lead Service Line Inventory crew.
    - $25,000 for a trailer for transport of the mini excavator.
- $150,000 *decrease* in repair and maintenance to lift stations (this moved to the Distribution Division Budget).

7. **Wastewater Treatment (Water and Sewer Authority of Cabarrus County).**

- $33,460 increase in Interceptor Fixed Rate ($62,869 increase in FY 23).
- $189,150 increase in Sewage Treatment Variable rate charges ($160,920 increase in FY 23).
- $41,590 *decrease* in Treatment Fixed Rate charges ($856,001 increase in FY 23 driven by the first phase expansion of the Rocky River Wastewater Treatment Plant).
- Wastewater Treatment expenditures total $4,455,480 in the FY 24 Budget.
- It should be noted that substantial increases are expected in FY 25 as WSACC enters the next phase of expansion of the Rocky River Wastewater Treatment Plant. This is

accounted for in the City's long range financial forecast (estimated at $1 million impact to Kannapolis – although this estimate is very early in the process).

8. **Water and Sewer Fund Transfers**.

   - $99,069 *decrease* in the General Management Services Fee (to $1,823,413 based on updated audit figures used in the employee allocation. This decrease attributed to updated audited figures used in calculation.
   - $495,700 *decrease* in the transfer to Environmental Fund ($0 in FY 24). In the FY 24 Budget the Environmental Fund is fully subsidized by the General Fund in order to stay in compliance with revenue bond covenants related to the debt service parity ratio in the Water and Sewer Fund.

9. **Water and Sewer Debt Service**. There are no new debt obligations added to the FY 24 Budget. The existing debt includes a principal balance of $4,371,699 (down from $$4,387,194 in FY 23). Interest obligations on this debt is currently $1,351,510 (down from $2,094,833 in FY 23). The current Water and Sewer Fund debt obligations are shown in the table below.

   It is important to note that in almost all cases the Local Government Commission approves debt with decreasing payment schedules. The newer debt is going to have the highest payments initially which decrease over time.

Revenue Bonds	**Principal**	**Interest**	**Maturity Date**
Kannapolis Crossing/Lane St/WTP Improvements	$2,644,000	$454,244	02/01/2042
Downtown Water and Sewer	$1,340,000	$723,281	04/01/2038
Davidson Road Water	$296,000	$162,463	04/01/2041
Other	**Principal**	**Interest**	**Maturity Date**
Misc. Equipment	$76,528	$8,136	06/10/2026
Second Creek	$15,171	$3,386	05/01/2032
Total	**$4,371,699**	**$1,351,510**	

10. There are no new Water and Sewer **Capital Improvement Projects** included in the proposed FY 24 Budget for the Water and Sewer Fund.

11. There were a few expansion expenditures of note not included in the proposed FY 24 Budget. These are all worthy of consideration but are not included in the proposed budget due to revenue limitations, management priorities, or other reasons. They are provided in the following table as information.

Water and Sewer Fund: Unfunded Expansion Requests	
$340,000	Heavy construction crew to address growth demands and aging infrastructure. The purpose would be to perform more complex water and sewer replacement work in-house (vs. contracting). Should a future priority emerge to aggressively pursue the replacement of aging water and sewer lines then this approach may have some merit. Additionally, in this current labor environment, finding qualified employees for this program would prove difficult.
$360,000	Heavy construction crew equipment to support the heavy construction crew.
$100,000	Sewer outfalls (ROW) contracted maintenance due to all available staff being assigned to construction.

Water and Sewer Fund: Unfunded Expansion Requests	
$50,500	New maintenance position for service maintenance, meter repairs, and construction. This is position is needed to service the large and growing service area. As the City continues to expand to the North and West increase demands for service will continue In lieu of this position additional funds were added to contracted services to focus on utility line root control. The current difficulty in securing job qualified job applicants makes this delay prudent.
$850,500	**Total**

Stormwater Fund Overview

Stormwater Fund Revenue Highlights:

The proposed FY 2024 Stormwater Fund Budget is **$3,530,000** which represents an 7.24% increase over the FY 23 adopted budget of $3,291,706 ($238,294 actual). Charges and Fees revenues are experiencing organic growth (budgeted at 6%). No fee increase is proposed for FY 24.

The Stormwater Fund continues to be fully self-sustaining.

Stormwater Fund Expenditure Highlights:

1. $34,599 increase for a 3% **Cost of Living Adjustment (COLA)** for all employees.
2. $28,832 increase for **Merit (Performance-Based)** Pay for all eligible employees (based on 2.5% average, up to 3% maximum with those in developmental range qualifying for 5%).
3. No new Stormwater positions are included in the FY 24 Budget.
4. $25,000 increase in contracted services for **asset management capital lifecycle model**.
5. $26,000 trailer for skid steer. This is a task specific **trailer designed for the skid steer**; it will be a safer hauling option than what is currently used).
6. $180,000 for mini excavator. This is a small **hydraulic excavator** to allow a backhoe to be returned to the Transportation Department. The current equipment is aging out, has increase downtime and parts are becoming obsolete).

6. **General Management Services fee** increased to $463,882 (was $427,220) based on updated audit figures used in the employee allocation.
7. $171,526 decrease in **Stormwater Debt Service** due to retired obligations for various projects and equipment. $559,479 remains. No new debt service is included in the FY 24 Budget. The current debt obligations are show on the table below.

Installment Obligations	Principal	Interest	Maturity Date
Equipment	$17,562	$1,867	06/10/2026
Stormwater various projects	$350,000	$190,050	04/01/2038
Total	**$367,562**	**$191,917**	

8. There are no new **Capital Improvement Projects** included in the proposed FY 24 Budget for the Stormwater Fund.

9. There are no **Unfunded Expansion Items** of note in the proposed FY 24 Budget for the Stormwater Fund.

Environmental Fund Overview

Environmental Fund Revenue Highlights:

The proposed FY 24 Environmental Fund budget totals **$5,683,817** which represents a 15.81% increase over the FY 23 Budget of $4,908,080 ($775,737 actual increase).

Charges and Fees in the Environmental Fund are expected to experience organic growth (1.64% growth rate). No fee increase is proposed for FY 24. $160,000 is budgeted for surcharges for missed pick-ups from the City's solid waste collection contractor.

This Fund is still reliant upon inter-fund transfers to support its operations – all from the General Fund in FY 24 (see table below). The Environmental Fund was projected in the City's 10-year Financial Plan to become self-sufficient by FY 23 with two planned $2.50 fee increases (one in FY 21 and one in FY 23). The FY 21 adjustment was postponed due to the unknown COVID impacts but it was implemented in FY 22 which brought the fee from $15.60 to $18.10. Significant increases in recycling costs and more recently, the addition of supplemental funding to address service delivery lapses by the City's solid waste collection contractor, have prevented these fee increase from achieving the goal of self-sustainability. To make the Fund fully self-sustaining a fee increase of at least $5.00 would be necessary. This is not recommended in this year's budget.

Environmental Fund Transfers In				
Transfer	**FY 21**	**FY 22**	**FY 23**	**FY 24**
From Stormwater Fund	$400,000	$0	$0	$0
From General Fund	$150,000	$85,542	$85,542	$1,147,817
From Water and Sewer Fund	$495,700	$495,700	$495,700	$0
Total Transfers to the Environmental Fund	**$1,045,700**	**$581,242**	**$581,242**	**$1,147,817**

As of the writing of this budget message, City staff has released a Request for Proposals (RFP) for all solid waste services except yard waste. The agreement with the current contractor expires in June 2024 but does include an additional one-year extension option. The intent is for the City to award a new bid for these services starting July 1, 2024. Concurrently, City staff is preparing a proposal to bring this service in-house as an alternative. Final options are anticipated to be presented to City Council in late summer/early fall 2023.

Environmental Fund Expenditure Highlights:

1. $65,000 total budget impact for the addition of **one (1) Construction Maintenance Technician position**. This position will provide full time cart delivery services. Currently stormwater employees provide this service which impacts their existing job duties.
2. $21,000 increase for a 3% **Cost of Living Adjustment (COLA)** for all employees.
3. $17,500 increase for **Merit (Performance-Based)** Pay for all eligible employees (based on 2.5% average, up to 3% maximum with those in developmental range qualifying for 5%).

4. $342,776 **increase in the City's solid waste contract** (includes a 5.84% CPI increase per contract provisions and addition of the new house count estimated at 393 additional houses which represents $46,000 of the increase).
5. $270,000 increase for the full year funding to support three **(3) new waste collection operator positions** which were added in February FY 23 to serve as the **Rapid Response Unit** to supplement the City's solid waste collection contractor with missed pickups and other service delivery problems. Only half a year's costs were included in February. This new service also included the one-time purchase of two used garbage collection trucks (one rear loader and one side loader) in FY 23.
6. $20,000 increase in contracted services for a **supplemental leaf collection contractor**. It is anticipated this contractor will assist the City with two personnel for 10 weeks at the peak of leaf collection season.
7. $35,000 increase in contracted services to maintain a service schedule with Keller Mining trash truck service to **supplement solid waste collection** during peak times, holidays and to assist with service delivery shortcomings by the City's primary solid waste collection contractor.
8. $20,000 increase in **repair and maintenance of equipment**.
9. $32,000 increase in **yard waste collection costs**.
10. $10,000 increase in travel and training due to additional staff and increase in Commercial **Driver's License (CDL) training**.
11. $52,000 in one-time costs for a **mid-size truck** for the Environmental Operations Manager.
12. $80,000 in one-time costs for the replacement of current **cart delivery truck**. The current 1990 F350 cart truck has 209,000 miles.
13. $232,036 *decrease* in **Environmental Fund Debt Service.** The only debt was paid off in FY 23 (leaf collection trucks). There are no additions to Environmental Fund Debt Service in the FY 24 Budget.
14. There are no new **Capital Improvement Projects** included in the proposed FY 24 Budget for the Environmental Fund.
15. There are no **Unfunded Expansion Items** of note in the proposed FY 24 Budget for the Environmental Fund.

Separation Pay Fund Overview

The proposed FY 24 Separation Pay Fund Budget is **$496,412** which represents a 1.87% *decrease* from the FY 23 adopted budget of $506,407 ($9,495 actual).

The full amount of the Separation Pay Fund is projected for separation pay obligations for retired City employees. From FY 23 to FY 24, six former employees are no longer eligible to receive special separation pay because they are now over 62 years of age. Two new employees will begin receiving benefits in FY 24.

Twenty-eight former employees currently receive separation pay benefits.

Transit Fund Overview

The proposed FY 24 Transit Fund budget is **$1,223,031** which is a 29.85% *decrease* from the FY 23 Budget of $1,743,571 ($520,540 actual). The decrease is the result of one-time capital purchases for bus and van replacements that will not occur in FY 24.

Transit Fund Revenue Highlights:

In the past two fiscal years, the Concord/Kannapolis Transit System (CK Rider) was eligible for Federal CARES Act funding due to impacts of the COVID-19 pandemic. The funding was split between the two municipalities. This federal subsidy helped delay several increases until FY 23.

The current vehicle license tax is $30 per vehicle with $20 going directly to the Transit Fund to support the public transit system. $5 goes back to the General Fund and $5 goes towards road paving/improvements. In FY 24, the vehicle license tax revenue is projected at $900,000 (based on $20 for each of the City's estimated 44,000 registered vehicles).

A transfer from the General Fund is also required in the amount of $323,031 (was $303,235 in FY 23). This transfer is necessary to supplement other funding sources. The $19,796 increase from FY 23 is due to normal increase in the costs of operations.

Transit Fund Expenditure Highlights:

As this a contracted service, there are no direct (city owned) capital, personnel, or operating expenditures. There are no significant changes in operating expenditures.

Insurance and Risk Fund Overview

The proposed FY 24 Insurance and Risk Fund budget is **$6,046,460** which is a 100% increase over FY 23 because this is a new internal service fund in FY 24. This new fund brings all Medical and Workers Compensation insurance components together in one place in the City's budget structure. Other insurance premiums and claims (liability, dental, vision, etc.) will be added to this fund in the future. The intent is establish a foundation for the new Fund in the first year then adjust in subsequent budget years.

Over the past two years a number of insurance related changes have been implemented through various City Council policy and staff administrative adjustments:

- Retirement continuation coverage eligibility requirement modifications.
- Discontinuation of the Medicare Supplement plan to anyone hired on or after July 1, 2021.
- Movement of Pre-65 aged retirees to new plans in the marketplace (retirees make up 10% of the City's population coverage and result in over 50% of the claims).
- Policy amendment to allow covered retirees to exit the plan temporarily in certain circumstances.
- Elimination of the PPO and 123 plans through attrition.
- Offering only the HSA plan to new hires hired on or after June 30, 2021
- Increasing the premium differential between the PPO and HSA plans to more accurately reflect the cost of the PPO plan.
- Implementation of the BCBS Specialty Copay program.

The full impact of these changes has yet to be fully realized but the establishment of all insurance programming under one fund will assist in making those assessments going forward.

Insurance and Risk Fund Revenue Highlights

Revenues for this Fund come for four sources (two internal and two external):

- $4,813,440 from employee **Medical Insurance premiums** which is accomplished through a transfer from the General Fund. These premiums are budgeted by individual City departments so as to provide an accurate picture of the total cost of each City service/department. This projection includes the 14 new positions including in the proposed FY 24 Budget. For FY 24 the projection is based on 436 full time positions budgeted at $11,040 per position.

  This revenue includes an **increase in the employer contribution per employee** of $414,200 ($950 increase per employee). Since the City transitioned to being self-insured, these revenues have not been adequate on a consistent basis to cover the cost of the claims. Those shortfalls have been addressed through year end budget amendments (typically fund balance appropriations). The expectation is this new formula will more accurately balance revenues with expenditures. Of course, there is no way to completely predict employee, dependent and retiree health insurance claims in a single year. No portion of these costs are being passed along to employees in FY 24.

- $578,160 is from **employee dependents Health Insurance premiums** that will be credited to this Fund directly as collected through employee payroll deductions.
- $184,000 from **retiree Health Insurance premiums** that will be credited to this Fund directly upon collection from retiree payments.
- $470,880 from **Workers Compensation premiums** which is also a transfer from the General Fund. These premiums are budgeted similarly to Medical Insurance premiums. They are based on 436 full time positions budgeted at $1,080 per position. This revenue stream includes a $111,240 increase from FY 23 based on trends and having each enterprise fund pay its appropriate share.

An additional revenue that will occur mid-year FY 24 will be the transfer of $900,000 from the General Fund - Fund Balance into the Insurance and Risk Fund to establish a “buffer” to this fund for its first year with the goal of it becoming self-sustaining in the future. Several years of budget data will be needed to fully understand how the Fund performs.

Insurance and Risk Fund Expenditure Highlights

This new Fund includes the following expenditures:

- $800,000 for Retiree Medical Insurance claims.
- $959,200 for Employee HSA and HRA benefits (estimated at 436 employees at $2,200).
- $38,250 for Retiree HSA and HRA benefits.
- $10,000 for Contracted Services for required Other Post-Employment Benefits (OPEB) reporting.
- $240,000 to operate the Employee Health Clinic (currently at Fire Station 1). These are fees paid to the City’s contract operator Synergy.

- $3,360,726 for employee Medical Insurance Claims. This is an estimate based on trends forecasted from the City's broker (USI).
- $197,880 for Workers Compensation Claims. This estimate is based on trends forecasted from the City's administrative consultant Gallagher.
- $167,424 for Medical Administration Fees. These are fees for Blue Cross Blue Shield NC to administer the medical plan. The fee is based on $32/person at 436 employees at 12 months.
- $18,000 for Workers Compensation Administration Fees (Gallagher).
- $255,000 for Workers Compensation Insurance.

Looking Ahead – FY 2025 and beyond

Imagine Kannapolis

Over the past 15 months City staff, City Council and about 75 engaged citizens have worked to develop a series of programs, projects, initiatives and strategies as part of the Imagine Kannapolis Strategic Plan. The intent of Imagine Kannapolis, the City's strategic planning process, is to understand where we are as a City, develop a vision of what Kannapolis should look like in the immediate and distant future, and develop a set of strategies to achieve the vision. The planning process has addressed a wide range of issues including, but not limited to, affordable housing and homelessness, economic development historic preservation, environmental sustainability, growth management, changing demographics, and enhanced service delivery. The FY 24 Budget and many future budgets will be guided by this new Plan.

The following is a list of projects and initiatives that are currently in the *draft* Strategic Plan to be initiated (many completed) in the next six years through June 2030.

DRAFT - IMAGINE KANNAPOLIS - DRAFT **FY 24-26 Projects and Initiatives**	
Police Community Response Program	Public Safety
Fire Training Tower and Storage Facility	Public Safety
Fire Station #1 and #4 Renovations	Public Safety
Downtown Dog Park	Parks, Recreation, Culture
NCRC Economic Development/Organizational Plan	Economic Development
Cultural Arts/Historic Preservation Program	Parks, Recreation & Culture
NC Music Hall of Fame Growth Plan	Economic Development
Professional Symphony Orchestra Exploratory Program	Parks, Recreation & Culture
Open Space and Tree Preservation Plan	Planning
Upgrade School Athletic Sites Phase 1	Parks, Recreation & Culture
Upgrade School Athletic Sites Phase 2	Parks, Recreation & Culture
I-85 Monument Signage Phase 1	Economic Development

DRAFT - IMAGINE KANNAPOLIS - DRAFT FY 24-26 Projects and Initiatives	
Little Texas Road Sidewalk	Transportation
Stormwater Master Plan	Government Services
City Hall 2nd Floor Upfit Project	Government Services
City Hall 1st Floor Upfit Project	Government Services
Downtown Kannapolis Ambassador Pilot Program	Economic Development
Eastside Park Phase 1	Parks, Recreation & Culture
Eastside Park Phase 2	Parks, Recreation & Culture
Gem Theatre Renovations Phase 3	Parks, Recreation & Culture
Façade and Site Improvement Matching Grant Program	Economic Development
Six-Year Personnel Plan	Government Services
Solid Waste Plan of Action	Government Services
Public Art Master Plan	Parks, Recreation & Culture
Existing Park Facility Upgrades Phase 1	Parks, Recreation & Culture
"Last Mile" Transportation Plan	Transportation
Manufactured Home Park Improvement Strategy	Planning
Electric Charging Station Expansion Plan	Transportation
Code Enforcement Repeat Offender Policy	Planning
Enhanced Residential Code Enforcement Program	Planning
Rental Registration Program	Planning
Plant 4 Property Development Strategy	Economic Development
U.S. Performance Center Support/Promotion Program	Economic Development
Performance Venue Sustainability Strategy	Parks, Recreation & Culture
Downtown Architectural Review Committee	Economic Development
Amtrak Expansion/Commuter Rail Support Initiative	Transportation

DRAFT - IMAGINE KANNAPOLIS - DRAFT FY 27-29 Projects and Initiatives	
Motorsports Asset Promotion Program	Economic Development
Westside Park Phase 1	Parks, Recreation & Culture
Existing Park Facility Upgrades Phase 2	Parks, Recreation & Culture
Establish Environmental Stewardship & Beautification Commission	Environmental Sustainability
Establish Keep Cabarrus/Rowan Beautiful Organization	Environmental Sustainability
Neighborhood Improvement Program	Planning
Warehouse Improvement Project	Government Services
Public Works Operations Center Improvements Phase I	Government Services

DRAFT - IMAGINE KANNAPOLIS - DRAFT Post FY 29 Projects and Initiatives	
Western Cabarrus Fire Station	Public Safety
Permanent Farmers Market	Economic Development
Upgrade to School Athletic Sites Phase 3	Parks, Recreation & Culture
I-85 Monument Signage Phase 2	Economic Development
Mt. Olivet Road/South Cannon Boulevard Intersection Improvements	Transportation
Rogers Lake Road/ Oakwood Avenue Intersection Improvements	Transportation
North Loop Road Safety Improvements	Transportation
S. Cannon Blvd/DEB Intersection Improvements	Transportation
Cabarrus Joint Public Safety Training Facility	Public Safety
Eastside Fire Station	Public Safety
North Kannapolis Revitalization	Economic Development
Eastside Park Phase 3	Parks, Recreation & Culture
Westside Park Phase 2	Parks, Recreation & Culture
Gem Theatre Renovations Phase 4	Parks, Recreation & Culture
Vietnam Veterans Park Acquisition and Improvements	Parks, Recreation & Culture
Enhanced Street Paving/Pavement Preservation Program	Government Services
Public Works Operation Center Improvements Phase 2 and 3	Government Services

DRAFT - IMAGINE KANNAPOLIS - DRAFT Projects and Initiatives - Active City Council Discussion	
Homelessness/Affordable Housing	Community Development
Alternative School Program (KCS)	Community Development
Six Year Capital Outlay Programming	Government Services
Eastside Park Phase 2 (potential addition of event space to gymnasium)	Parks, Recreation & Culture
Greenways (Rocky River Phase 2 and Irish Buffalo Creek Phase 2)	Parks, Recreation & Culture
Kannapolis Parkway/NC 3 Lighting and Landscaping	Transportation
Midway Revitalization	Economic Development
Park Ranger Program/Auxiliary Police/Downtown Coverage	Public Safety
Fire Adaptive Response Vehicle Program	Public Safety
Downtown - Parking Management Plan (phases 2 and 3)	Economic Development
Downtown - Association/Organization	Economic Development
Downtown - Main Street Streetscape Improvement Project	Economic Development
Community/Recreation Center/YMCA Support (multiple options)	Parks, Recreation & Culture
Public Transit Plan (implementation, system consolidation/structure)	Transportation
NCRC Pillowtex Glenn Avenue Property Acquisition	Environmental Sustainability
Wyrick Property Disposition	Environmental Sustainability

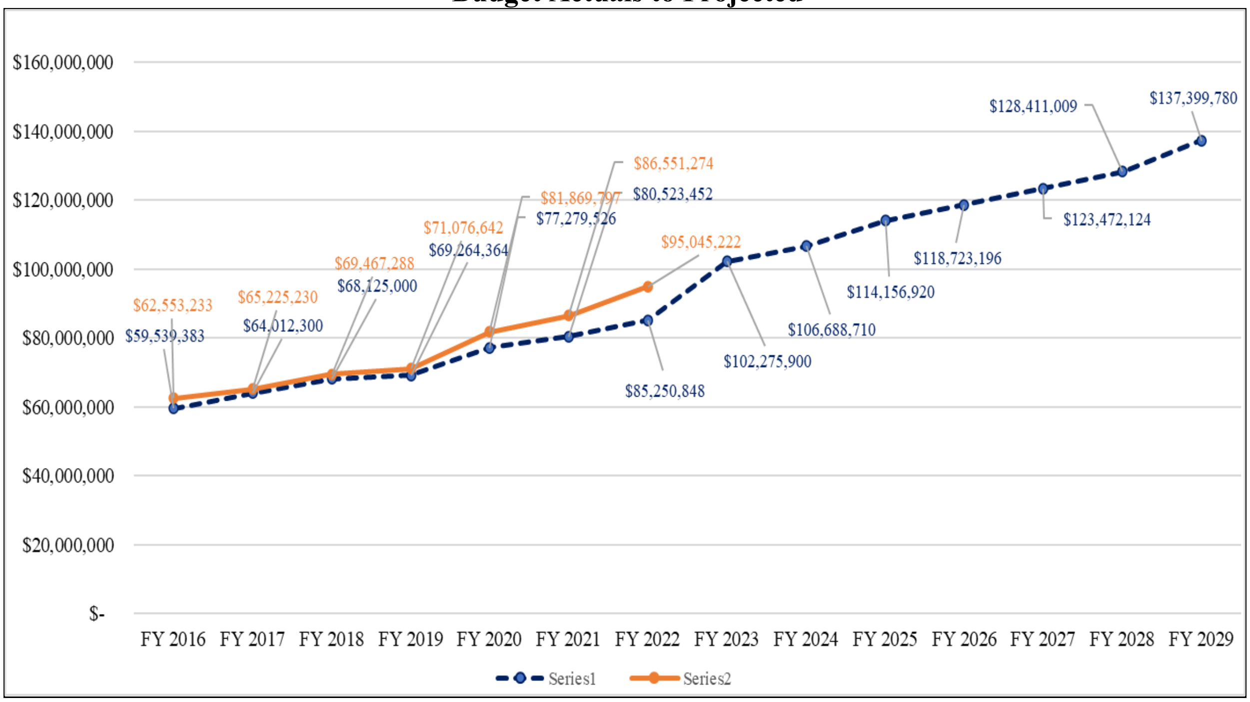
Collectively, over the next 6 years these projects and initiatives will require an **estimated $44 million in one-time cash investments** and an **estimated $45 million in million in annual operating expenditures**.

Financial Forecast

Several factors should provide a certain level of confidence that the City's financial picture in the coming years will be supportive of facilitating the implementation of the Strategic Plan. The following factors support this conclusion:

- **Conservative and Responsible Budgeting**. As depicted on the following graph, the total City budget has increased by 50% since 2015 and is expected to double by 2027. This graph also shows we have consistently exceeded budget projections for the past six years. This has been achieved by sound revenue forecasting and the establishment of important budget policies by City Council a decade ago. These actions are allowing the City to prosper today.

Budget Actuals to Projected



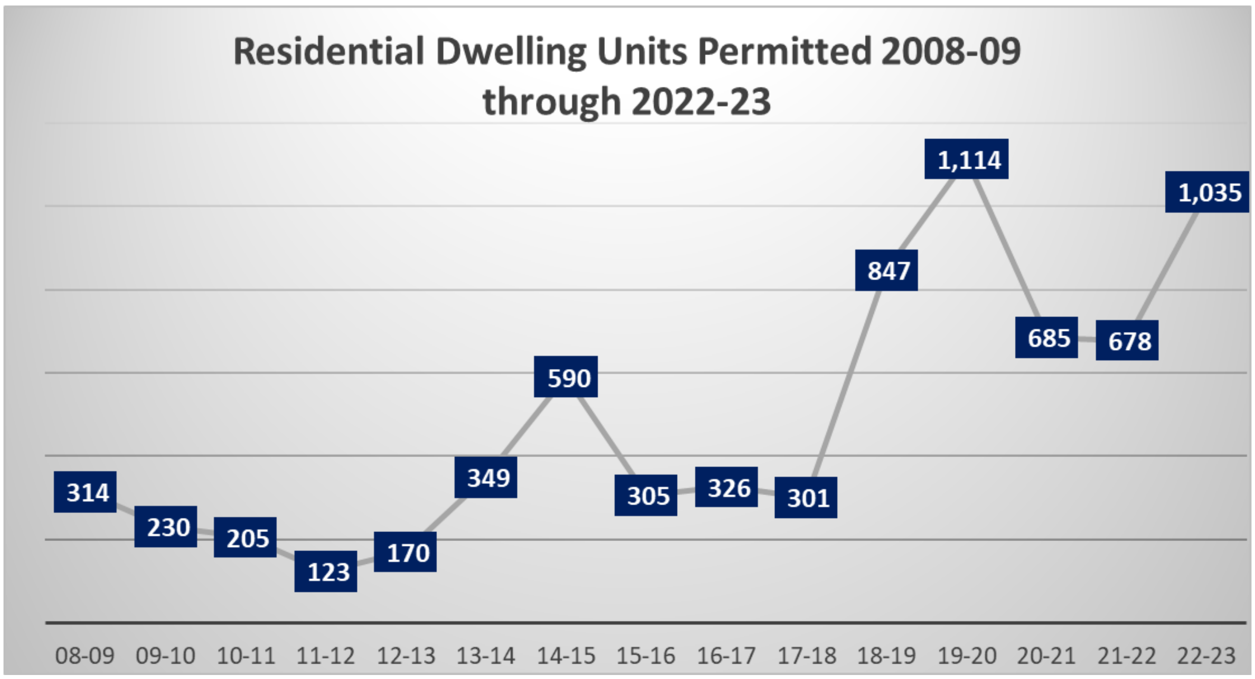
- **Public-Private Partnerships Paying Dividends.** While local governments are not always the best organizations to directly engage in real estate development, for Kannapolis this has not been the case. Over the past 30 years Kannapolis has been quite aggressive in directly facilitating economic growth. Generally, these bold actions have been taken out of necessity to incentivize and reduce risk to the private sector. Examples include construction of the first baseball stadium in 1995, construction of the Gateway Business Park in 2001, partnering with Cabarrus County to issue bonds to support the NC Research Campus in 2010, and more recently major water and sewer extension to the I-85 Exit 65 interchange and the aggressive $120 million investment to revitalize Downtown Kannapolis.

  These bold decisions have fueled private economic growth and will continue to do so in the coming years. These investments will continue to translate into new local revenues which will help pay for the implementation of the new Strategic Plan initiatives and projects.

- **Continued Private Sector Growth and Development**. The City's rapid private sector development trends have continued over the past decade. In the past 10-years more than 6,000 residential dwelling units were permitted. However, this is only the beginning of what is likely an exponentially more rapid growth. Nearly twice as many residential dwelling units have been permitted in the past 5 years (4,359) than in the previous 10 years combined.

  As land prices escalate and household sizes decrease, higher density residential projects will become more of the norm. The economics of low-density large lot single family development are no longer realistic in most settings. Over the past 24 months, the City has seen 920 multi-family dwelling units with a total tax value of $157 million. In the same time period, 793 single family permits were issued with total value of $104 million.

  The City's residential growth trends from the past 15 years are depicted on the graph below.



  Commercial and industrial development (i.e., tax base) has also rapidly grown in recent years:

  - 2022-23 = $102.9 million
  - 2021-22 = $41.8 million
  - 2020-21 = $13.6 million

  There are several large investments in various stages of development, most notably: Kannapolis Crossing/Overlook 85 (I-85 exit 65), Mill Creek Crossing (Kannapolis Parkway@NC73), the injection of the NCRC properties into the marketplace, the possibility of the U.S. Performance Center, and the remaining downtown projects. These projects alone could total more than $1 billion in private investment over the next five years. This is only a sampling of the projects – all of which will have a long-lasting positive revenue impact on the City.

- **Wastewater Treatment Capacity Limitations (not really a short term factor).** One unavoidable challenge to the City's growth narrative is related to the limited wastewater treatment capacity which will be part of the decision-making process for the better part of the next decade as the Water and Sewer Authority of Cabarrus County (WSACC) facilitates three successive treatment plant expansions; the first one is under construction now with a spring/summer 2024 completion target and the second expansion slated to overlap with the first one starting in early late 2023 or 2024.

However, we should not lose sight of how significant even a heavily managed growth plan will be. The City's current wastewater allocation plans are projected to facilitate more than 7,000 dwelling units, more than 10 million square feet of non-residential space and more than 500 hotel rooms. These developments are projected to generate $3.5 billion in new private investment (current City-wide total tax base is $6.2 billion). This level of investment will generate $22 million in new annual property tax revenues and $12 million in new annual water and sewer use revenues over the next decade. This level of development alone will generate an estimated 15,000 new residents. How rapidly this all occurs remains to be seen and external factors such as another recession could impact this. Even so, the growth is coming and will produce new revenue streams to help pay for improvements to our City.

One note of caution, at some future point the lack of maximum development permitting over the coming 4-5 years may result in a dip in private investment but it is also quite possible that the development community will "catch up" once the wastewater capacity issue is less restrictive. This growth dynamic is hard to predict.

Closing Thoughts

This proposed FY 2023-24 Budget is balanced in accordance with N.C. Statutes and continues to move our City forward in both its service delivery to our citizens as well as our economic growth and prosperity. For each of those participating in the development of this budget I am extremely thankful. Our budget manager, Assistant to the City Manager, Kristin Jones worked tirelessly to oversee a streamlined and effective budget process resulting in an exceptionally good final product. Our Finance Director Brian Roberts played a significant role this year, especially with the establishment of the new Insurance and Risk Fund. Our management team and each of our department heads also played key roles in the development of this Budget.

I will also use this message to express my appreciation to a departing member of our management team. Assistant City Manager Eric Davis recently announced his retirement. Eric came to the City in 2010 as the City's second Finance Director. At that time, I asked Eric to help us get to a better place financially – to help give us the ability to take bold actions in the future to better our City. Eric delivered in that charge; he was a big part of helping establish the City's solid financial foundation that serves us well today.

City Council is commended for continuing to lead our City to new heights. What makes Kannapolis different from other similar communities is a commitment of its elected leadership to not rest on its laurels and continually strive to make our City even better than it already is. The issues are sometimes complicated and difficult but these tough decisions will have lasting positive impacts on our City. I offer my appreciation to each of you for your support of City staff in our work to implement City Council's priorities including finalizing our new Imagine Kannapolis Strategic Plan and this year's budget.

Without reservation, I respectfully submit this proposed FY 2023-24 Budget to the City Council for its thoughtful consideration.

Sincerely,

Mike Legg
City Manager

Kannapolis City Council

City Council Agenda Staff Report
May 31, 2023

To: Mayor and City Council

From: Mike Legg, City Manager, Gary Mills, Parks & Recreation Director

Subject: Imagine Kannapolis Strategic Plan Revisit List - Parks and Recreation

Action Requested by City Council

No official action is expected. However, City Council deciding, at least preliminarily, on general direction for the subject is anticipated and encouraged by staff.

Required Votes to Pass Required Action

Presentation Only. No Action Required

Background

At the May 8th City Council Work Session the DRAFT Imagine Kannapolis Strategic Plan Project/Initiative list was presented. At that meeting, City Council decided to put several potential projects/initiatives on a "Revisit List" to spend more time deciding if the projects/initiative warrant different priorities in the planning process. The full "Revisit List" is attached with a tentative schedule for consideration of these items. Also attached is the presentation from the May 8th meeting which includes all of the projects, costs and timing.

It is important that any additions or priority shifts that are made to the FY 24-29 Strategic Plan projects/initiatives list will require: 1) a replacement ("swapping") of the new project for an existing project (or projects) with similar estimated costs, 2) creation of a new revenue stream (a GO Bond issuance for Parks and Recreation - or other uses - is a potential discussion topic), or 3) a repriortization of operating expenditures in the current budget structure that would be replaced with new debt service and operating expenditures for the new project. Obviously, the more expensive a project or project phase, the more complicated this solution will be.

For the May 31 Work Session, the following items will be discussed:

1. **Community/Recreation Center/YMCA Support.** The City Manager and Parks and Recreation Director will present four options for City Council discussion:
    - Construct a multi-phased single-site community/recreation center complex. Staff will provide a high level set of amenities proposed to be included based on City Council's previous input at a Work Session early this year.
    - Construct most or all of the key components of the community/recreation center on separate sites across the City over a period of several years.
    - Negotiate a purchase of the existing Kannapolis YMCA and develop a plan for a multi-phased renovation and expansion of the facility as a City Parks and Recreation asset.
    - Develop a long term financial and operational arrangement with the Cabarrus-Rowan YMCA that involves City investment in capital upgrades to the Kannapolis YMCA and annual operational/financial support in exchange for City control of certain assets

(e.g., basketball courts for City programming) and expanded access for Kannapolis residents to the YMCA (likely through significantly expanded scholarships or other means of improving access).

2. **Eastside Park Phase 2** (potential addition of event space to gymnasium). This will likely be addressed in #1 above.
3. **Greenways** (Rocky River Phase 2 and Irish Buffalo Creek Phase 2). Staff assumes that there is no City Council opposition to greenway construction in general, so this discussion is probably focused on the timing and overall priorities. The following is the description of both projects and the timing in the current DRAFT Strategic Plan:
    - Irish Buffalo Creek Greenway Phase 2 consists of the next leg from Rogers Lake Rd to Safrit Park/Highway 3. This will create a connection to the downtown area via bike lanes and sidewalks along Highway 3 and will create an alternative transportation route in addition to recreation purposes. This project has a preliminary estimated cost of $1.26 million. It is currently slated in the financial plan for FY 29, which means that is the year debt service is slated to begin (summer/fall 2028). This schedule provides that design and right of way acquisition could begin July/August 2026, with construction likely in early 2027 through early 2028.
    - Rocky River Greenway Phase 2 consists of the two remaining legs to connect to the existing Rocky River Greenway to the north and south, which will connect the greenway to the Town of Davidson and City of Concord greenways. This project has a preliminary estimated cost of $1.26 million. It is currently slated for construction beyond 2029. Essentially, this project is unfunded in the current financial plan.

Fiscal Implications

None.

Policy Issues

None.

Legal Issues

None.

Recommendations and Alternate Courses of Action

None. Discussion only.

Attachments

1. Imagine Kannapolis Strategic Plan City Council Presentation 8 May 2023
2. Discussion Schedule - Imagine Kannapolis Strategic Plan Revisit List

Imagine Kannapolis Strategic Plan

City Council Discussion

May 8, 2023

Strategic Plan Guiding Principles

- The Strategic Plan is **flexible**. It is intended as **a guide.**
- The plan will be **reevaluated every year** to ensure the cash & revenues align with the projects & initiatives.
- The initial **input from City Council** at the beginning of the process defined the overarching priorities.
- The **Focus Groups** helped define the specific projects & initiatives
- Our on-going financial capacity is based on **conservative growth** year over year in the operating budgets.
- Cash reserves and operational capacity gains are projected to be utilized through FY 24 - FY 29 to address any short-term deficits in recurring revenues.

Goals for Today

- Understand the basic six-year financial picture.
- Discuss at a high level the **54 projects & initiatives staff has included** in the draft six-year Strategic Plan.
- Discuss at a high level the **34 projects & initiatives that are currently NOT included** in the draft six-year Strategic Plan.
- Action: Establish a **"Revist List"** of any of the 88 projects & initiatives that warrant more in-depth discussion.

  - Assumption is that those not on the "Revisit List" have unanimous City Council support to proceed -

- Action: Decide if **additional meetings** are needed to accelerate decision making (outside of the once-per month Work Session)

Initial City Council Vision Questions

At the beginning of the Strategic Plan process, City Councilmembers participated in a vision exercise to help frame and prioritize the issues at a very high level. This question was posed:

"Kannapolis will be known in the Charlotte region for these attributes."

The following tables were the results…

Best in the Region
City government leadership and management
A vibrant downtown
Safe place to live

Well Above Average
Welcomes newcomers
Several vibrant areas across the City
Health & life sciences research
High paying, professional jobs
Outdoor amenities, including parks, greenways, and natural areas
Stable, resilient neighborhoods

Initial City Council Vision Questions

Above Average
Strong school systems
Values and preserves our history
Embraces diversity
Tourism magnet
Opportunities for economic mobility for all (ability to improve individual economic status/prosperity)
Strong connections to the Charlotte region
Supportive community for children, youth, and teens
Attractive place for retirees and active seniors
A cool place for young adults
Engaged and community minded residents
Well educated residents
Accessible community for our aging population or those with disabilities
Multi-generational community
Healthy residents (mental, physical, and social health)
Traditional small businesses
Innovative entrepreneurs & new companies
Low-cost place to do business
Large corporate employers
Skilled labor force
Physically attractive community
Strong, resilient infrastructure
A walkable, bikeable community
Clean air, water, land
Accessible public transit system
Green, environmental initiatives
Apartments, with high quality design, amenities, and landscaping
Safe, stable housing for all residents
Starter homes
Multigenerational housing options (i.e. carriage homes, apartments above garages)

Initial City Council Vision Questions

Middle of the Pack/Low Priority
Low-cost place to live
Equitable community that addresses racial disparities and systemic barriers
Creative and artistic community
Low skill jobs
Large homes on large lots
High end housing
Denser subdivisions on smaller lots, with high quality design, amenities, landscaping
Affordable housing
Middle-density housing (townhomes, row houses)
Low-income housing

One Time Cash Revenues

Revenue Source	6 Year Projected Revenues
FY 23 Available Fund Balance* *(above target % reserve appropriations)*	$13,815,278
Additions to Fund Balance – Received or Contractually Obligated	$8,006,594
Restricted Revenues – Received/Projected	$3,141,464
Additions to Fund Balance – Projected $1,000,000 Annual Set Aside	$6,000,000
Additions to Fund Balance - Projected	$11,080,830
Total Existing and Projected One-Time Cash Revenues (FY 24-29)	**$42,044,166**

Note:
* Available Fund Balance includes $4,462,385 (FY 23 estimate) and $9,300,000 Covid Relief ARP Funding.

FY 23 City-Owned Land Sales
(received - addition to fund balance)

Revenue Source	Received Revenues
Block 1 Main Street Sale – Developer payment #2	$355,801
Old Baseball Stadium Sale	$3,000,000
Kannapolis Crossing - Rowan County payment #1	$500,000
Kannapolis Crossing - Developer payment #2	$500,000
USPC Repayment #1	$377,931
Total One-Time Land Sale Revenues Received in FY 23	**$4,733,732**

FY 24-29 City-Owned Land Sales
(contractually obligated)

Revenue Source	Projected Revenues
Kannapolis Crossing - Rowan County payment #2	$500,000
Swanee Theatre Sale - Developer payment #1	$100,000
Kannapolis Crossing - Developer payment #3	$500,000
Swanee Theatre Sale - Developer payment #2	$467,000
8th Street Landfill Sale - USPC Repayment #2	$755,862
Swanee Theatre Upfit Reimbursement	$950,000
Total Contractually Obligated One-Time Land Sale Revenues FY 24-29	**$3,272,862**

FY 24-29 Restricted One-Time Revenues

Revenue Source	Received Revenues	Projected Revenues
Gateway Business Park Lot 3 Sale (HUD eligible activities)	$1,492,935	
Gateway Business Park Lot 2 Sale (HUD eligible activities)		$377,528
HOME/ARP Funding (HUD eligible activities)	$766,001	
Safe Streets Grant (Transportation/Traffic Plan)	$160,000	
Federal Earmark (Fire storage building construction)	$345,000	
Total One-Time Restricted Revenues FY 24-29	**$2,763,936**	**$377,528**

FY 24-29 City-Owned Land Sales *(projected)*

Revenue Source	Projected Revenues
College Station Outparcels	$300,000
Plant 4 (14.66 acres @ $500,000/acre)	$7,330,000
Wyrick Property	$0
Block 6 West Avenue Sale	$3,450,830
Total Projected One-Time Land Sale Revenues FY 24-29	**$11,080,830**

One Time Cash Revenues

Revenue Source	6 Year Projected Revenues
FY 23 Available Fund Balance* *(above target % reserve appropriations)*	$13,815,278
Additions to Fund Balance – Received or Contractually Obligated	$8,006,594
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Total Existing and Projected One-Time Cash Revenues (FY 24-29)	**$42,044,166**

Note:

* Available Fund Balance includes $4,462,385 (FY 23 estimate) and $9,300,000 Covid Relief ARP Funding.

General Fund
(operational capacity explained)

	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
Revenues	$68,944,342	$74,543,842	$77,433,918	$80,411,116	$82,635,598	$88,908,690
Expenditures	$66,109,244	$67,826,949	$71,440,412	$74,550,378	$75,992,465	$80,121,808
Operational Capacity	$2,835,099	$6,716,893	$5,993,506	$5,860,738	$6,643,133	$8,786,882
Revenue Margin	4.29%	9.90%	8.39%	7.86%	8.74%	10.97%

Assumptions:

Revenues:

- Rowan County Revaluation increases in FY 24 and FY 28 (no change in tax rate)
- Cabarrus County Revaluation increases in FY 25 and FY 29 (no change in tax rate)
- Sales Tax: 6% organic growth

Expenditures:

- 7% increase in personnel costs *(doesn't include addition of new positions)*
- 7-11% increase in operational costs *(normalized expenditure growth)*
- Transfer to Environmental falls off in FY 24

Annual Revenue Generation

Threshold	Borrowing Capacity	Property Tax	Water and Sewer Base Rate	Water and Sewer Unit Rate	Monthly Stormwater Fee	Monthly Solid Waste Fee	Municipal Service District Tax
Existing rates:		$0.6300	$10.75	$13.50/1000 g	$5.75/7.25/8.75	$18.10	N/A
$250,000	$2,500,000	$0.0044	$0.51	$0.11	$0.55	$1.10	$0.0654
$500,000	$5,000,000	$0.0088	$1.03	$0.22	$1.10	$2.19	$0.1308
$750,000	$7,500,000	$0.0132	$1.54	$0.32	$1.64	$3.29	$0.1962
$1,000,000	$10,000,000	$0.0176	$2.05	$0.43	$2.19	$4.39	$0.2616

Assumptions:

- 1 cent on tax rate equals $567,284
- 40,612 customer base for water and sewer (19,665 sewer, 20,947 water)
- 2,310,673 water and sewer gallons annually
- Borrowing Capacity is based on borrowing terms of 15 years @ 3.25%
- 38,000 customer base for stormwater
- 19,000 residential units for solid waste/recycling fee
- MSD existing tax base is $382,213,822 (one cent would generate $38,221)

Borrowing Capacity

Fiscal Year	Assessed Value	Existing Tax Supported Debt	Available Debt Capacity *(in addition to existing tax supported debt)*	
			4% of Tax Base *(policy)*	**2.5% of Tax Base**
FY 24	$5,899,752,559	$127,831,856	$108,158,246	$19,661,958
FY 25	$6,430,730,289	$114,783,999	$142,445,213	$45,984,258
FY 26	$6,623,652,198	$102,006,287	$162,939,801	$63,585,018
FY 27	$6,822,361,764	$89,540,280	$183,354,191	$81,018,764
FY 28	$7,027,032,617	$79,959,080	$201,122,225	$95,716,735
FY 29	$7,448,654,574	$70,815,220	$227,130,963	$115,401,144

This table shows the existing tax supported debt the City currently has (column 3) and the additional debt capacity (columns 4 and 5) the City can issue:

- Aggressive approach: issue debt up to 4% of the tax base (column 4)
- Conservative approach: issue debt up to 2.5% of the tax base (column 5)
- Note: this table shows maximum amount of borrowing capacity. Debt service payments will still have to be worked into the operating budget.

Key Financial Observations

- Important standard: Identifying recurring revenue sources for projects that have recurring operating impacts
  - New revenues or existing growth on revenue streams
- Implement strategy is to revel utilize cash reserves/one-time revenues to fund smaller capital projects for next 1-3 years
  - Smaller capital projects: less than $3 million
  - Land purchases and capital improvements/outlay (vehicles/machinery)
- City Council could possibly utilize GO Bonds for bigger projects (Parks, Transportation, Public Safety)
- A source of new financial capacity is to re-evaluate and re-prioritize existing services (examples: Jiggy, Summer Concerts, Recycling, Transit)

Draft Recommended Projects & Initiatives

- Projects/Initiatives included in the 6-year plan total: **$91,767,063**
  - Cash projects = **$41,106,831**
  - Projects with an annual operating impact including debt service (“recurring”) = **$50,660,232**

- The following is the guide for the tables on the following pages:

  Green = top priority (included between FY 24 and FY 26)

  Yellow = moderate priority (included between FY 27 and FY 29)

  Teal = top priority initiatives with minimal costs to be included in the 6-year planning window

  Red = low priority (non included in 6-year planning window)

Project/Initiatives Funded FY 24 through FY 26	6-year cash cost	6-year recurring cost
Homelessness/Transition Housing Set-Aside *(use to be determined – from HOME/CDBG/HUD funds)*	$766,001	-
Auxiliary Police Officer Program *(sworn officers in a part time capacity…recently retired officers or others who have sought other professions but want to maintain their certification…provide supplemental assistance for special events such as concerts, 5k races, festivals, and ballgames…expand from current 2 positions to 10)*	$170,000	$21,000
Police Community Response Program *(two-person team led by licensed clinical social worker...creates "soft", non-uniformed teams to help connect people with needed social services, financial assistance and mental health resources…alternative to traditional law enforcement operating procedures)*	$100,000	$732,000
Fire Training Tower and Storage Facility *(includes Federal grant for $345,000…current training tower was constructed in 1996….storage facility will replace the use of aging Floyd Street building)*	$1,550,000	-
Fire Station #1 and #4 Renovations *(wide range of function/operational improvements and addressing building age impacts)*	$2,800,000	-

Project/Initiatives Funded FY 24 through FY 26	6-year cash cost	6-year recurring cost
Downtown Parking Management Plan Phase 1 *(new 53-space S. Main St parking lot)*	$700,000	-
Downtown Dog Park *(density of canines is growing concurrently with the density of people)*	$400,000	$300,000
NCRC Real Estate Strategy *(consultant services: overarching master plan development)*	$20,000	-
NCRC Economic Development Plan *(consultant services: marketing/branding/recruitment coordination)*	$20,000	-
NCRC Organizational Structure *(consultant services: to advance the prominence/growth of the NCRC as a hub for life sciences and health)*	$20,000	-
Cultural Arts/Historic Preservation Program *(includes new Cultural Arts Coordinator position in the Parks and Recreation Department and multiple new initiatives)*	$320,000	$600,000

Project/Initiatives Funded FY 24 through FY 26	**6-year cash cost**	**6-year recurring cost**
NC Music Hall of Game Growth Plan *(consultant services: development of a more sustainable business model and a strategic marketing plan….joint effort among City, the Curb Organization and the NCMHOF Board of Directors)*	$50,000	-
Local Part-time Professional Symphony Orchestra Exploratory Program *(phased initiative: developing a working relationship with the Salisbury Symphony to offer some programming in Kannapolis to gauge interest)*	$30,000	-
Open Space Preservation Plan *(focus would be on designating more natural, undisturbed areas of the City - not just park and greenway areas)*	$50,000	
Upgrade School Athletic Sites Phase 1 *(convert existing rectangle fields at both KMS sites to synthetic turf, develop additional rectangle/diamond fields at Forest Park and Fred L. Wilson; additional athletic fields at the new Northwest High School; improvements to various indoor gym facilities. Phase 1 is 1/3 of these improvements)*	$1,750,000	$600,000
Upgrade School Athletic Sites Phase 2 *(see Phase 1 for description…Phase 2 includes 1/3 of the projects).*	$1,750,000	$600,000
I-85 Monument Signage Phase 1 *(monuments at I-85 exits 58, 60 and 63; Concord is proceeding with their side)*	$1,200,000	$120,000
Little Texas Road Sidewalk *(right-of-way acquisition in 2023, construction begins in 2024, completion in 2025…City's required local match of NCDOT funds has more than doubled from the original projection)*	$1,340,000	-

Project/Initiatives Funded FY 24 through FY 26	6-year cash cost	6-year recurring cost
Stormwater Master Plan *($200k less $160k state grant…will identify stormwater problem areas with solutions and costs projections…precursor to pursing state and federal grants)*	$40,000	-
City Hall 2nd Floor Upfit Project *(upfit 1,500 s.f. of shell space….Finance Dept would move to this space which would free up space in the existing administrative wing for expansion)*	$750,000	$30,000
City Hall 1st Floor Upfit Project *(upfit 5,900 s.f. of shell space….Customer Service moves to shell space to provide better customer - esp. disabled access….Parks & Recreation moves to current Customer Service space to free up space for Planning/Engineering to expand on the 3rd floor)*	$1,800,000	$132,000
Six-Year Capital Outlay Plan *(replacement of operating capital assets for the purpose of improving operational efficiencies….vehicles, fire apparatus, etc...$3 million per year with inflation rate included)*	$23,146,830	-
Downtown Kannapolis Ambassador Pilot Program *(welcoming and assisting visitors, including with parking information, promoting downtown amenities and businesses; exploratory program which could grow….minimal cost even with expansion in the future)*	-	$12,000
Eastside Park Phase 1 *(33-acre Midlake Rd property….passive park = open space, lake access (paddle boats), walking paths/greenway/nature trails, playgrounds, picnic shelters, splashpad, dog park, restrooms, parking)*	-	$5,340,000
Eastside Park Phase 2 *(addition of one gymnasium building to the site to facilitate growing need to support youth sports)*	-	$2,550,000
Gem Theatre Renovations Phase 3 *(new seating, stage renovations, new screen, improved sound/projection, lobby/concession stand reconfiguration, cosmetic improvements….focus is on the customer experience…this project is a good candidate for grants and community fundraising)*	-	$1,500,000

Project/Initiatives Funded FY 24 through FY 26	6-year cash cost	6-year recurring cost
Façade and Site Improvement Matching Grant Program *($30,000/year includes primary commercial corridors as well as areas in or near neighborhoods…may have a focus on Midway, N. Kannapolis and Cannon Blvd)*	-	$180,000
Six-Year Personnel Plan *(implementation of 2023 Salary Study = $1.23 million/year…Longevity Pay = $542,000/year…merit pay changes = $500,000/year…also includes $333,000/year in recurring costs for new growth-related positions)*	-	$11,450,546
Solid Waste Plan of Action *(Rapid Response Program immediately with in-house or rebid service….assumes in house service with debt service on $11.7 million for trucks, fleet area, maintenance building and $2.4 million in annual operating costs costs…includes 20 positions; offset by $3 million in current recurring costs = $559k annual budget impact)*	-	$3,357,216
Public Art Master Plan *(establish guidelines for where and what public art is installed…will include policy recommendations and funding plan….citizen's advisory group is would provide support and leadership)*	$25,000	-
Existing Park Facility Upgrades Phase 1 *(Village Park: green room/restrooms/storage to amphitheater = $650,000, cover the back patio = $450,000, replace existing train/backup train and storage (underway) = $650,000, repave parking lot = $300,000. Safrit Park: repave parking lot and greenway, new playground equipment, parking lot lights, add pickle ball courts = $160,000 and other miscellaneous projects totaling $57,500.*	-	$2,344,500
Affordable Housing Subsidy Program Phase 1 *(partnership with owners of vacant, substandard homes….City will renovate the homes with affordability agreement with owner – home rented below-market rate to low-income families…from HOME/CDBG/HUD funds)*		$300,000

Project/Initiatives Funded FY 27 through FY 29	6-year cash cost	6-year recurring cost
Kannapolis Parkway/NC 3 Lighting and Landscape Improvements Phase I *(enhanced streetscape and roadway lighting along from I-85 into downtown…this phase would complete approximately 1/3 of the project)*	$3,000,000	$900,000
Midway Revitalization Phase 1 *(set-aside amount for initial action…development of activity centers and anchors, key public investments like parking, streetscape improvements, implementation of a strategy for attracting private investment)*	-	$4,200,000
Promotion of Motorsports Assets *(collaborate with the CVBs…refresh the Dale Trail …promote all motorsport assets = Curb Motorsports Museum, Stewart-Haas Racing, Formula 1 Team, LaJoie Kickball Tourney, historical markers)*	-	$120,000
Irish Buffalo Creek Greenway Phase 2 *(Rogers Lake Rd to Safrit Park/Highway 3…creates a connection to the downtown area via bike lanes and sidewalks and creates an alternative transportation route).*	-	$1,260,000
Westside Park Phase 1 *(52-acre Hwy 73 property…full buildout includes six multi-use rectangle fields, two diamond fields, picnic shelters, playgrounds, walking trails/greenway connection, restrooms…Phase 1 is 2/3 of the project)*	-	$9,000,000
Existing Park Facility Upgrades Phase 2 *(<u>Bakers Creek Park</u>: replace existing office/restroom/concession bldg., picnic shelters, playground equipment, ballfield improvements. <u>Pleasant Avenue Park/former Dixie Youth Facility</u>: replace/upgrade existing restroom/concession building, pave parking lots)*	-	$2,500,000

Project/Initiatives Funded FY 27 through FY 29	**6-year cash cost**	**6-year recurring cost**
Environmental Stewardship & Beautification Commission *(promoting environmental sustainability/beautification initiatives: Tree City USA, Wildlife Certification Community, Bee City, Adopt a Street and Adopt a stream programs)*	-	$60,000
Keep Cabarrus/Rowan Beautiful Organization *(become a Keep American Beautiful affiliate for community education and hands-on stewardship that seeks to: end littering, improve recycling, and beautify our community…this could also be a Kannapolis-only effort)*	-	$60,000
Neighborhood Improvement Program *(includes new Neighborhood Improvement Coordinator position, matching grants for common area improvements, signage, landscaping, murals…neighborhood watch efforts….welcome wagon-type program for new residents….recognize and enhance identity of older neighborhoods with street sign toppers…increased communication with neighborhoods and HOAs…homeowner upkeep/repair classes…neighborhood based recreation programming, solid waste pickup in coordination with neighborhood clean-up efforts…community gardens)*	-	$750,000
Warehouse Improvement Project *(purchase or construct a second City warehouse facility to address projected space demands…relocate either Police or Parks & Recreation storage operations to a new location…included enhancements to the existing South Main Street warehouse to maximize existing space)*	-	$1,620,000
Public Works Operations Center Improvements Phase I *(this is a set aside amount…the full scope of renovations are to be determined…the office and administrative space is near full occupancy…the expansion space could occur adjacent to the front entrance of the current office space…will include outdoor property improvements to help with daily operations…this first phase is 1/3 of the expected cost… debt service on $3.5 million)*	-	$2,100,000
Affordable Housing Subsidy Program Phase 2 *(partnership with owners of vacant, substandard homes….City will renovate the homes with affordability agreement with owner – home rented below-market rate to low-income families…CDBG as funds are available)*		$450,000

Initiatives with Minimal Cost over 6-Year Window

Electric Charging Station Expansion *(pursuit of funding to place as many electric charging stations as possible in the City...expectation is to receive state, federal and private sector grant funding…occasional local matches and installation costs may be required)*

Citywide Plastic Bag Ban *(refer to Environmental Stewardship & Beautification Commission…*establish a City policy to eliminate plastic bags citywide *incentivize businesses, residents and visitors to use reusable bags…develop public education campaign)*

Limit Light Pollution Policy *(refer to Environmental Stewardship & Beautification Commission…revise City policies and regulations to limit light pollution)*

Green/Garden Rooftop Policy *(refer to Environmental Stewardship & Beautification Commission…encourage Green/Garden Rooftops as part of new public and private development especially in the downtown core… explore public incentives)*

Stormwater Retention and Beautification Policy *(refer to Environmental Stewardship & Beautification Commission…establish standards to beautify stormwater retention ponds…encourage developers to beautify – especially those in highly visible areas)*

"Last Mile" Transportation Plan *(develop a short-term plan and adopt policies to manage and facilitate "Last Mile" transportation options….plan would address electric scooters, bike sharing, mini electric vehicles, golf carts, walking - with proper sidewalks, pedestrian signals and greenway connections)*

Manufactured Home Park Improvement Strategy *(facilitate the improvement of existing manufactured home parks and to encourage improved housing and residential environments…new design standards for all existing manufactured home parks…include an amortization timeline for any situations that do not meet new criteria….a plan to encourage manufactured home park owners to transition to more stable but still affordable, housing - …encourage spaces to be converted to buildable lots and made available for site built, modular, tiny home or similar type housing)*

Initiatives with Minimal Cost over 6-Year Window

Code Enforcement Repeat Offender Policy *(will require ordinance changes…an increase in repeat offender fines and lessening due process tasks)*

Enhanced Residential Code Enforcement (*provide training/awareness to neighborhood groups about code enforcement and reporting…establish neighborhood or area meetings where Code Enforcement information can be provided to various neighborhoods of the City)*

Rental Registration Program *(an ordinance establishing the program would need to be developed and adopted…the purpose would be to promote greater compliance with minimum housing codes, for all residential rental properties…requirement to register their properties annually with the City….the primary intent is to monitor institutional investor-owned rental properties and their impact on previously owner-occupied neighborhoods)*

Plant 4 Property Development Strategy *(include a planned market analysis from DFI for the remaining 14-acres of property - old Plant 4 and the old post office site…facilitate the exploratory period for the United States Performance Center project - resolved by late summer or early fall 2023)*

U.S. Performance Center Support/Promotion Program *(this initiative assumes USPC establishes a significant presence in Kannapolis that is endorsed by the City…facilitate with the USPC partners, state and the two CVBs to promote the tournaments and events that would be in Kannapolis)*

Performance Venue Sustainability Strategy *(with the Swanee opening the City has a new tourism asset…City staff will work with the Cannon Ballers, West Ave. District and Swanee owners/management to develop this strategy…the key focus is to ensure complete coordination of the usage of the Swanee, the Gem, Village Park, Veterans Park, Atrium Health Ballpark, and the Laureate Center so that ALL venues are successful)*

Private Use Ordinance Implementation *(enforcement of current ordinance OR as amended OR in the form of two party or multiparty agreements rather than ordinances….needs to address the private use of public spaces - sidewalks, plazas, stages, etc…outdoor dining….possible City investment and lease back to businesses…outdoor merchandise display….temporary use of spaces - special events, food trucks…street closures for special events)*

Initiatives with Minimal Cost over 6-Year Window

Downtown Architectural Review Committee *(consists of architects and others with commercial design/real estate backgrounds…will make recommendations to City staff and City Council on approvals of public and private building construction, renovation and removal as well as sign design)*

Amtrak Expansion/Commuter Rail Support *(active support for NCDOT-Rail Division and Amtrak regarding the expansion of commuter rail…focus is on improving the Kannapolis/Salisbury connection with Charlotte and an exploration of the use of Amtrak for daily commuter rail with revised pricing structure….potentially expanded train trips well beyond 10 per day)*

Project/Initiatives Funded Beyond FY 29	6-year cash cost	6-year recurring cost
Contribution to CCM or Operation Homeless (*provides Operation Homeless - Terri Stancil – and/or Cooperative Christian Ministries with a one-time contribution up to $2 million. For Operation Homeless - convert the building at 511 Old Centergrove Road to a homeless or transitional housing facility. For CCM – would support its broader dual site plan including Grace's Place project at CCM's property off Kenlough Drive or at a location to be determined) Reason for delayed funding: cost and unclear City Council priority.*	$2,000,000	-
City-Operated Homelessness and Transitional Housing Project *(City acquires and renovates and/or constructing new a 30,000 square foot existing building - or buildings - for the purpose of operating a transitional housing program….projected costs this project are $15 million in capital and $750,000 in annual recurring operating costs – potentially offset by $200,000 in rental revenue and annual fundraising revenues) Reason for delayed funding: cost and unclear City Council priority.*	-	$13,200,000
Affordable Housing Program *(a set aside amount of $3,402,000 over six years, assumes 1 cent tax rate increase $576,000 x 6 years). Reason for delayed funding: cost and unclear City Council priority.*	-	$3,402,000
Western Cabarrus Fire Station *(City's contract with the Odell VFD will be terminated…. will improve service delivery and response to the areas west of Lake Howell - inside the City limits and unincorporated area….City current pays Odell more than 50% what it will cost the City to operate a full-service fire station - the % will continue to grow…personnel and operating cost will be offset by $500,000 annual contribution from Cabarrus County to serve the Odell Fire District north of NC 73…this budget assumes a co-location of both City and Odell VFD personnel at the existing Odell Station 2 as long as the Odell VFD continues to exist…this initiative will require 15 new firefighter positions…the alternative to construct a $2,000,000 Community Fire House at another location) Reason for delayed funding: cost and no clear commitment with Odell.*	$1,000,000	$3,384,000

Project/Initiatives Funded Beyond FY 29	6-year cash cost	6-year recurring cost
Expanded Park Ranger Program *(program is intended primarily to attract potential police officer candidates…as proposed 8 additional positions over the 6-years…would help cultivate the necessary communication skills required to be a fulltime officer and teach the Rangers the inner workings of the Police Department…would be non-sworn personnel….auxiliary officer program provides a similar and less expensive service…will serve as an increased City presence in Downtown, City parks and greenways, special events). Reason for delayed funding: cost…the auxiliary police program is perhaps more cost-effective way to address downtown, parks, etc.*	$144,000	$504,000
Fire Dept Adaptive Response Vehicle Program *(the introduction of ARVs would reduce the use of large fire apparatus for medical service calls and other non-emergency responses…medical calls account for 60% of all service responses….an ARV program could help reduce mental and physical fatigue by reducing per unit responses and decreasing the workload of busier companies…as proposed 12 new positions would be created – with vehicles - to provide for full coverage) Reason for delayed funding: cost vs. benefit…one option considered was to phase the program in and the initial positions would only cover peak times - the only advantage to slightly reduce wear and tear on large apparatus.*	$280,000	$5,880,000
Downtown Parking Management Plan Phase 2 *(would include purchase of a refurbished shuttle vehicle - tram or trolley - and part-time employees to offer transportation services from outlying parking facilities at peak times…would include possible support of valet services for certain events/peak time…drop-off zones for Uber/Lyft, individual drop-offs and shuttles/valet would be established) Reason for delayed funding: no consensus yet among stakeholders on downtown a parking strategy.*	$100,000	-
Downtown Parking Management Plan Phase 3 *(implement one of two options for regulating parking in the premium spaces downtown - West Avenue and side streets: Option 1: Timed-Parking Restrictions = 90 minutes free then fines...technology solutions are possible…starts with an educational trial period of signage, social media campaigns and “soft” enforcement. Option 2: Paid Parking = installation of kiosks and establishment of mobile device parking solutions....will require those using premium spaces to register online and pay or pay at the kiosks. Option 3: Do nothing…this option essentially means that there will often be little turnover of premium spaces during peak times….a robust public education campaign could attempt to encourage patrons to “do the right thing” and not park beyond a 90-minute time frame. Construction workers, apartment dwellers and store employees may continue to park in on-street spaces all day with no consequences). Reason for delayed funding: no consensus yet among stakeholders on downtown a parking strategy.*	$300,000	-

Project/Initiatives Funded Beyond FY 29	6-year cash cost	6-year recurring cost
Permanent Farmers Market *(would be in a downtown location with alternative uses for the location when not being used for a Farmers Market) Reason for delayed funding: cost vs. benefit…the organizational structure and labor needed to support a regular market is not clear enough to warrant a permanent facility…until there is outside pressure to pursue this it should be shelved.*	$500,000	-
Upgrade to School Athletic Sites Phase 3 *(see Phase 1 and 2 for description…Phase 3 includes 1/3 of the projects) Reason for delayed funding: cost.*	$1,750,000	$600,000
Community Recreation Center Phase 1 *(construction of a multi-building complex design with the Phase 1 focus on one 60,000 square foot building with the following amenities: three full sized multi-use courts, overhead walking track, exercise rooms, fitness components, multi-use spaces, game room, museum/cultural center, indoor pickleball courts, pre-school gym/child watch area, juice bar/café….a new Cabarrus County library is a possible addition…the construction of a museum/cultural arts facility is described in this project but could be a stand-alone facility. Includes debt service on a $24 million capital cost and $1.24 million in annual operating costs…the project cost would be offset by $600,000 in new user fee revenues…land costs could add another $3 to $5 million to the one-time costs depending on the specific site) Reason for delayed funding: cost and unclear City Council priority…unlike other park projects a large recreation center does not phase well.*	-	$21,840,000
Community Center Phase 2 - Aquatics *(the multi-building campus style described in Phase 1 above presumes that aquatic amenities would continue to be provided by the YMCA – until this facility is constructed…will include construction a 25,000 square foot aquatic center including indoor and outdoor pools, indoor and outdoor waterparks…this second phase is projected to cost $15 million with $600,000 in annual operating costs….constructing the facility as a multi-building complex would cost more over time than a single building constructed at once, but the phased multi-building approach would be less of an immediate financial impact) Reason for delayed funding: cost and unclear City Council priority…unlike other park projects a large recreation center does not phase well.*	-	$5,100,000
YMCA Acquisition and Renovation *(purchase of the YMCA and renovate the existing facility to the greatest extent possible… this is projected as a $15 million capital cost and $600,000 in annual operating costs, but the acquisition price and the specific scope of the renovations could significantly impact these numbers) Reason for delayed funding: cost and unclear City Council priority.*	-	$1,800,000

Project/Initiatives Funded Beyond FY 29	6-year cash cost	6-year recurring cost
Limited YMCA Partnership and Renovation *(this commitment assumes that the current YMCA is intended to serve the indoor recreation needs of the community - especially aquatics – for at least 10 years….would be a one-time cash contribution intended to fund capital improvements) Reason for delayed funding: cost and unclear City Council priority.*	$2,000,000	-
Limited YMCA Operating Partnership *(this would provide a commitment of $180,000 in annual contributions to the YMCA to benefit low to moderate income Kannapolis residents through scholarships…these YMCA funding commitments have been made to previously by the City but not to this extent.) Reason for delayed funding: cost and unclear City Council priority.*	-	$1,080,000
Mini Recreation Centers/Gymnasiums *(construct three stand-alone simple gymnasiums…cost is estimated at $15 million ($5 million each) if property acquisition and new parking is required….there could be $1 million to $2 million in cost savings per site if the buildings can be incorporated into City owned property with existing parking (e.g., College Station or an existing or new park). This would address the most critical need a large Community Rec. Center would provide - youth sports participation - but would not address most of the other amenities…Note: one mini-rec center is included in the second phase of the Eastside Park) Reason for delayed funding: cost and unclear City Council priority.*	-	$1,800,000
I-85 Monument Signage Phase 2 *(these would be constructed at I-85 exits 54, 55 and Kannapolis Pkwy/NC 3…Exit 65 will be funded by Kannapolis Crossing developers) Reason for delayed funding: cost.*	$1,200,000	$120,000
Tree Preservation and Expansion Plan *(identify heritage trees City-wide and establish policies to ensure for their protection…addition of more robust tree planting and tree preservation requirements for new public and private development…establishment of community-based tree planting programs…establish a consultant relationship with a professional arborist to assist the City in implementing the Plan). Reason for delayed funding: completion of the Open Space Preservation Plan may set the stage for a deeper look at tree preservation which can be funded in a future year.*	$50,000	-
Kannapolis Parkway/NC 3 Lighting and Landscape Improvements Phase 2 *(see Phase 1 for description…Phase 2 includes the remaining 2/3 of the project) Reason for delayed funding: cost.*	$2,200,000	-

Project/Initiatives Funded Beyond FY 29	6-year cash cost	6-year recurring cost
Public Transit Plan Implementation *(the current 20-year Cabarrus County Public Transportation Plan has a price tag of $1 billion over a 20 year period - $200 million in capital and $800 million in operating costs…this investment would result in 15 minute headways and no significant unserved areas…these costs do not include light rail or commuter rail connections to Charlotte's CATS system…At a high level it is estimated that this plan would cost Kannapolis about $10.6 million over a six year period (average of $1.7 million per year or about 3-cents on the tax rate…it is highly likely that a one cent County-wide sales tax increase would be necessary to fund significant expansion which would require a general assembly action and a public vote…other options to consider include: Status Quo; reduce/eliminate public transit services; follow the 20 year plan; explore Uber-style, on-demand system - similar to the City of Wilson's program, a hybrid of an Uber style and fixed route system. Reason for delayed funding: overwhelming cost…also this is not a Kannapolis-only decision - there must be agreement with Concord and Cabarrus County regarding any changes to the transit services currently provided, and some limited collaboration with Rowan County and Salisbury is also possible….any significant funding demands for transit would require a new revenue source or a shift in the Imagine Kannapolis Strategic Plan projects and initiatives.*	-	$10,623,199
Mt. Olivet Road/South Cannon Boulevard Intersection *(will include right-of way acquisition - potentially expensive, new signals, turn-lanes, improved aesthetics, drainage improvements…will significantly improve safety at this intersection) Reason for delayed funding: a recently received federal Safe Streets for All grant will fund a transportation plan….that will likely assist in our pursuit of federal and state grant/earmark funds which is a more viable funding strategy than City funds)*	$1,250,000	-
Rogers Lake Road/ Oakwood Avenue Intersection *(will include right-of way acquisition, new signals, turn-lanes, improved aesthetics) Reason for delayed funding: same as Mt. Olivet/Cannon Blvd intersection project reason)*	$250,000	-
North Loop Road Safety Improvements *(focused on enhanced pedestrian safety via a restriping exercise…reduction of 5 lanes to 3 lanes plus bike lanes to match Lane Street/Jackson Park Road design…improved pedestrian safety along Loop Road due to buffer between pedestrian and vehicular traffic) Reason for delayed funding: same as Mt. Olivet/Cannon Blvd intersection project reason)*	$650,000	-
S. Cannon Blvd/DEB Intersection Improvements *(aesthetic and pedestrian improvements part of a larger NCDOT project) Reason for delayed funding: it is believed that the funding impact to the City will happen outside of the 6-year planning window*	$400,000	-

Project/Initiatives Funded Beyond FY 29	6-year cash cost	6-year recurring cost
Cabarrus Joint Public Safety Training Facility *(likely the City's focus will be on certain police-related facilities such as safe driving course, indoor shooting ranges, and tactical maneuver structures. Fire Department needs will more likely be addressed at City facilities…a county-wide space needs study is underway which will better define the facility…Kannapolis could buy into the facility in the future…set aside here is based on $ 5 million debt service and $200,000 operating cost). Reason for delayed funding: cost and misalignment of Kannapolis priorities compared to the other jurisdictions…unclear operating arrangement among the participants.*	-	$732,000
Eastside Fire Station *(Mt. Mitchell can no longer maintain enough volunteers to respond in its service area, and the VFD struggles to fulfill mutual aid agreement responses to calls in and around eastern Kannapolis…will require 15 new firefighter positions and purchase new apparatus and equipment and the construction of a Community Fire House. This will serve three purposes: 1) shorten response times in the former Mount Mitchell VFD service area, 2) lessen the service level strain on Fire Station 1 to the existing City service areas, and 3) serve the developing Kannapolis Crossing area at and around I-85 Exit 65….a donation of Mt. Mitchell equipment and apparatus to the City is possible…Personnel and operating cost will be offset by $140,000 annual contribution from Cabarrus County and $110,000 from Rowan County to serve the full Mt. Mitchell District) Reason for delayed funding: cost vs. benefit.*	-	$5,574,000
Downtown Kannapolis Association *(establishment of a Board of Directors to oversee the activities of the Association…would include a formal agreement among the key stakeholders downtown...the Association and the Board of Directors would be comprised of a mix of downtown property owners, City officials and small business owners….while the core activity downtown is along West Avenue and the side streets, it is important to include the peripheral property owners and businesses - Oak Ave, Oak Avenue Mall, South Main Street, future North Main Street/NCRC retail….communication and coordination between the downtown parties must drastically improve for Downtown to reach its full potential….event management and coordinated promotion and marketing would be the primary focus of the Association – at least in its inception…would include one true downtown-focused website…the funding proposal assumes the employ of an Executive Director for the Association - with expenses - the position would likely be a City employee to improve recruitment and retention, but the position would report to the Board of Directors…it is proposed that a new Downtown Municipal Service District tax would cover some or all of costs) Reason for delayed funding: cost and unclear City Council priority and mixed support from downtown stakeholders.*	-	$256,000

Project/Initiatives Funded Beyond FY 29	6-year cash cost	6-year recurring cost
North Kannapolis Revitalization *(similar scope to the Midway revitalization project without a major anchor) Reason for delayed funding: cost – trying to tackle both Midway and North Kannapolis in six years will be difficult administratively and financially…NCDOT is planning a major sidewalk and street reconfiguration of North Main Street towards the end of the 6-year plan window, so it makes sense to wait for that project to materialize).*	-	$2,100,000
Eastside Park Phase 3 *(a $4 million sidewalk on Midlake between Brantley Road and Centergrove Road to provide pedestrian access to the new park from surrounding neighborhoods) Reason for delayed funding: cost.*	-	$2,400,000
Rocky River Greenway Phase 2 *(two remaining legs to the existing Rocky River Greenway to the north and south will connect to the Greenway to the Town of Davidson and City of Concord greenways) Reason for delayed funding: cost.*	-	$1,260,000
Westside Park Phase 2 *(see Phase 1 for description…Phase 2 includes 1/3 of the projects) Reason for delayed funding: cost…this is a good candidate for phasing – all athletic fields must not be constructed at once after restrooms, parking, etc. is in place.*	-	$4,500,000
Gem Theatre Renovations Phase 4 *(this phase involves converting the Gem to a performing arts facility as well as additional building upgrades, mostly on the 2nd floor) Reason for delayed funding: with the emergence of the Swanee Theatre, adding a competing performing arts facility should be pushed to the future…it is possible that some renovations to the other parts of the Gem to maximize its use could be added to Phase 3 project depending upon costs and a full scope evaluation.*	-	$1,500,000
Vietnam Veterans Park *(Cabarrus County continues to inquire about City's interest in taking over this County park….taking it over provides the opportunity to add additional amenities - dog park, pickleball courts, skatepark, etc.) Reason for delayed funding: cost and limited public benefit to shifting from one jurisdiction to another…proposed budget assumes debt service on a $5 million upgrade however, the simple act of taking it over from Cabarrus County would be $300,000 a year in operating expenses (escalating with inflation)*	-	4,800,000

Project/Initiatives Funded Beyond FY 29	6-year cash cost	6-year recurring cost
Enhanced Street Paving/Pavement Preservation Program *(will include a graduated scale of increased funding of $150,000 per year for 6 years…current annual funding is $600,000…it is proposed that $1,134,000 would be offset by an annual 1/3-cent tax increase x 6 years) Reason for delayed funding: cost.*	-	$1,134,000
Public Works Operation Center Improvements Phase 2 and 3 *(see Phase 1 project…these phases represent about 2/3 of the total project needs…debt service on $6 million) Reason for delayed funding: cost.*	-	$3,600,000

Other Projects/Initiatives and Misc. Considerations

- **NCRC Pillowtex Glenn Avenue Property** *($3.7 million estimated cleanup/closure).*
  - Assumes federal grant success. The City has submitted an application to EPA for $500,000 to fund assessment work and planning. Announcement of the awards will be in the spring 2023.
  - As part of the non-binding Letter of Intent between the City and Insite Properties, the City has agreed to pursue the acceptance of the property via donation.
  - Assessment work on the site continues.
  - Currently the position of the City is that the property cannot be accepted until an executed Brownfields Agreement is recorded. A use plan is needed prior to acceptance as well – likely park-type projects.
  - USPC could be an end user/partner
- **Wyrick Property** *($10 million + cleanup for residential uses).* Also assumes federal grant success. More likely to be park property/open space than residential given the cleanup standards.

Water and Sewer Fund
(operational capacity explained)

	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
Revenues	$26,785,000	$27,962,000	$29,196,770	$30,492,188	$31,851,275	$33,277,203
Expenditures	$24,495,789	$25,852,181	$27,121,387	$28,208,672	$29,602,141	$31,084,514
Operational Capacity	$2,289,211	$2,109,819	$2,075,383	$2,283,516	$2,249,134	$2,192,689
Revenue Margin	9.35%	8.16%	7.65%	8.10%	7.60%	7.05%

Assumptions:

Revenues: Tap Fees: $7,500 full cost recovery method for all six years
5% growth for water and sewer charges and fees
1% on tap and connection fees based on sewer constraints

Expenditures: 5% increase in personnel costs *(doesn't include addition of new positions)*
7% increase in operational costs *(FY 26 shows 30% increase for WSACC expansion)*
Transfer to Environmental stays for all 6 years

Projects included in 6-year Plan
Water and Sewer

- WSACC Rocky River Wastewater Treatment Plant Expansion increases included
- Expansion of Albemarle Water Treatment Plant - $3.4 million
- Downtown Sewer Outfall Line Replacement - $3.1 million
- Kannapolis Lake Spillway Replacement - $5.5 million
- Water Treatment Plant Clearwell Rehabilitation - $1.3 million

Projects included in 6-year Plan
Water and Sewer

- Dale Earnhardt Blvd/Cannon Blvd Water and Sewer Relocation - $750,000
- Midlake Road Sewer Pump Station Improvements - $450,000
- Brantley Road Sewer Pump Station Improvements - $275,000
- Highway 136 Sewer Pump Station Abandonment - $300,000
- 30” Water Main Support Bridge Replacement - $650,000
- Nathan Avenue Waterline Loop - $250,000

Projects Needing Immediate Direction

- **Fire Stations #1 and #4 renovations = $2.8 million**
  - Ready to bid, risk running into price increase if we delay
  - Stations in desperate need of renovations to function properly
  - Recommendation: Authorize staff to fund and initiate contracts at the May 22nd City Council meeting
- **City Hall 2nd Floor Upfit Project = $750,000**
  - Ready to bid
  - Staff continues to outgrow current space; opens door for expansion
  - Recommendation: Authorize staff to fund and initiate contracts by May 22nd City Council meeting

Discussion Schedule: Imagine Kannapolis Strategic Plan Revisit List

May 31 City Council Work Session Meeting at 4:30 PM

1. Community/Recreation Center/YMCA Support (multiple options).
2. Eastside Park Phase 2 (potential addition of event space to gymnasium).
3. Greenways (Rocky River Phase 2 and Irish Buffalo Creek Phase 2).

June 12 City Council Regular Business Meeting at 6:00 PM

1. Downtown - Private Use Ordinance.
2. Alternative School Program (KCS).
3. Six Year Capital Outlay.
4. Kannapolis Parkway/NC 3 Lighting and Landscaping.

June 19 City Council Work Session Meeting at 4:30 PM

1. Downtown - Parking Management Plan (phases 2 and 3).
2. Downtown - Association/Organization.
3. Downtown - Main Street Streetscape Improvement Project.
4. Park Ranger Program/Auxiliary Police/Downtown Coverage.

June 26 City Council Regular Business Meeting at 6:00 PM

1. Rental Registration Program.
2. Fire Adaptive Response Vehicle Program.

July 10 City Council Work Session Meeting at 4:30 PM

1. Midway Revitalization (overall project timing).
2. Homelessness/Affordable Housing.
3. Public Transit (long range plan implementation, system consolidation/structure).

July 24 City Council Regular Business Meeting at 6:00 PM

1. Midway Revitalization - DFI Market and Opportunity Site Report (Tentative – may get moved to one of the August meetings).