

**GASTONIA CITY COUNCIL BUDGET OUTLOOK WORK SESSION**

**March 10, 2026 – 5:30 p.m.**

**MOC Training Room, 1300 N. Broad St., Gastonia, NC**

Mayor Franks called the meeting to order at 5:42 p.m. on March 10, 2026 in the Training Room at the Municipal Operations Center (MOC), 1300 N. Broad St., Gastonia, North Carolina. Councilwoman Dreher presented the Invocation. Assistant City Manager Brian Potocki led the audience in the Pledge of Allegiance. Ms. Suzanne Gibbs, City Clerk, recorded the minutes.

PRESENT: Mayor Richard Franks

Council Members: Demetrios Koutsoupas  
 Mayor Pro Tem Jim Gallagher  
 Angela Dreher  
 Jennifer Stepp  
 Donyel Barber

City Manager Michael C. Peoples  
 Assistant City Manager Adrian Miller  
 Assistant City Manager Brian Potocki  
 City Attorney Eric Edgerton

ABSENT: Councilman Glenn Silverman  
 Assistant City Manager Quentin McPhatter

Also in attendance were: Ms. Crystal Certain, Director of Financial Services; Mr. Sam Clark, Assistant Director of Financial Services; Ms. Judy Smith, Director of Human Resources; Mr. Steven Alvey, Assistant Director of Financial Services; Ms. Randi Gates, Director of Transportation; Mr. Phil Welch, Fire Chief; Mr. Trent Conard, Police Chief; Ms. Nancy Brogdon, Assistant Police Chief; Dr. Tonya Taylor, Research Analysis and Accreditation Administrator, Gastonia Police Department; Mr. Dusty Wentz, Director of Public Services; Mr. Chris Koltyk, Chief Information Officer; Mr. Johnathan Rosales, Budget and Grants Administrator; Mr. Shyam Joshi, Budget Analyst; and Ms. Melissa Charron, Performance and Strategy Analyst.

Mayor Franks turned the meeting over to City Manager Michael Peoples.

**ITEM 4: REVIEW OF ADOPTED FY2026-27 BUDGET CALENDAR**

**MICHAEL PEOPLES, CITY MANAGER,**

**AND CITY STAFF**

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City Manager Michael Peoples reviewed the budget calendar, noting that the process began in October. Assistant City Manager budget reviews have already been conducted with each department and City Manager budget reviews are currently in process. City Manager Peoples emphasized that the goal is to present a balanced budget by March 30.

City Manager Peoples noted a change to the Budget Calendar of moving the public hearing on the budget to be Monday, May 4, from Tuesday, May 5, due to the League of Municipalities City Vision Conference.

(Reference as contained in Exhibit Book 9 to Minute Book 115 at Page 32)

**ITEM 5: FY2026-27 PROPOSED BUDGET HIGHLIGHTS**

- Compensation Overview and Retirement System Changes
- Insurance Program Overview
- Public Safety Update: Flock Safe City for Police Department and Discussion of Fire Department Expansion
- Discussion of GO Bond Transportation Projects
- Equipment/Vehicle Purchases (Current FY and FY 2027 Proposed)

City Manager Michael Peoples said Ms. Crystal Certain, Director of Financial Services, will provide an update on a customer service initiative for a chatbot. Ms. Certain presented an audio demonstration from Cayenta on Cayla Bot, an AI Customer Service Representative. She explained that the chatbot would be used to provide consistency in calls and efficiency and flexibility in staffing. Ms. Certain noted that the City could determine how many calls Cayla Bot answers based on staffing needs.

Ms. Judy Smith, Director of Human Services, provided information on Compensation History from 2020 through proposed FY2027. A 3.5% across-the-board salary increase along with a 1% Career Development increase for eligible employees is proposed in the 2027 budget. She explained the proposed overall Compensation Adjustment is approximately \$2.8 Million citywide.

Ms. Smith provided information on annual retirement costs from FY22 to proposed FY27. She explained that City employees participate in the North Carolina Local Government Employees Retirement System (LGERS), a defined pension plan which is administered by the North Carolina Department of State Treasurer. Ms. Smith said employees contribute 6% of their salary (mandated by the state) into the retirement system. She said employment contribution rates are set by the LGERS Board of Trustees and these have steadily increased over the past several years. Ms. Smith discussed additional retirement savings opportunities which include 401(k) Plan and 457 Plan. Both of the additional plans allow pre-tax or after-tax contributions. The City contributes 5% of an employee's salary to the 401(k) plan but makes no contribution to the 457 plan.

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Ms. Smith presented information on the City's self-insured health insurance program, a High-Deductible Health Plan with Health Savings Account (HSA). She said the FY2026 total claims are expected to reach approximately \$12.7 Million (claims only), which represents an increase of approximately \$1.5 Million compared to FY2025. She said a relatively small number of high-cost claimants represent a significant portion of the expenses (27 individuals on the plan account for approximately 38% of claims – over \$5 Million). Ms. Smith explained steps taken to try to manage costs which include the City moving to a self-insured health insurance plan (in 2006), purchase of stop-loss protection (protected on claims above \$210,000) and participation in IHA (Intergovernmental Healthcare Alliance); and Pharmacy Transparency Plan.

Ms. Judy Smith reviewed the Medical Plan Design and Monthly Medical Premiums and discussed the upwards trend of Medical Insurance Claims, all information contained in the presentation slides. She provided information on the Health Savings Account (HSA) benefit. The City contributes \$1,000 annually to an employee's Health Savings Account (the contribution is pro-rated for new hires). She explained that employees can earn an additional \$250 through the Wellness Incentive Program and said employees can also contribute their own pre-tax funds up to federal limits (\$4,400 for individuals and \$8,750 for families).

Ms. Smith presented information on the On-Site Employee Health Clinic. The clinic is operated in partnership with Atrium Health. The clinic opened in City Hall on July 1, 2009. On July 1, 2018, the clinic expanded to offer services to retirees that are covered on the City's medical insurance. On July 1, 2024, the clinic's expanded facility opened with expanded services to dependents that are covered on the City's medical insurance (ages 5+). There is a \$3 copay per visit. Services include sick visits, labs, and acute care.

Ms. Smith presented information on the Diabetes Program which provides specialized support for employees who have diabetes or are in pre-diabetic stage. Participants meet with a pharmacist who helps to monitor participants' blood glucose levels and ensures participants are utilizing the most appropriate medication. In this program, participants receive their diabetic medication at no cost which helps encourage active participation in the program and encourages diabetics to stay compliant with their medications. Currently there are 82 participants in the Diabetes Program. Ms. Smith explained the Diabetes Program impact and its strong return on investment.

Ms. Judy Smith discussed the City's self-insured dental plan. Delta Dental of North Carolina is the plan administrator. Employees can choose between two plan options: base and buy-up. The City pays 100% of an employee's base individual coverage. Ms. Smith provided information on the dental monthly premiums as contained in the presentation slides.

Ms. Smith explained that the City pays a life insurance policy for all full-time employees at 1x annual salary. It includes Accidental Death and Dismemberment coverage. Employees can elect additional life insurance coverage for themselves or eligible dependents with the premiums paid by the employee.

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Ms. Smith explained that the City partners with CaroMont Health to provide a Comprehensive Wellness Program and provided a history on the program which began on July 1, 2017. A full-time Wellness Coordinator is on staff and located in the Employee Health Clinic. This program includes wellness coaching, in-person lectures, monthly challenges, exercise classes, and other wellness-related activities.

Ms. Smith presented information on the City's Employee Assistance Program (EAP), Paid Leave Benefits, and Additional Voluntary Benefits which can be customized based on an employee's individual needs.

At 6:52 p.m., Mayor Franks called for a 5-minute break. The meeting resumed at 7:07 p.m.

Dr. Tonya Taylor, Research Analysis and Accreditation Administrator, Gastonia Police Department, presented information on Gastonia's Safe City Plan, which has previously been reviewed. She said the Flock Safety contract has been reviewed by the Legal Department. Dr. Taylor reviewed information on pricing for the 10-year agreement and the plan for personnel in the Real Time Crime Center (RTCC). She explained that the plan is designed to benefit both the Police Department and the Fire Department with the capability to transmit video to emergency response vehicles.

Discussion included concerns about personnel costs over the 10-year contract period, with projections showing substantial increases in staffing requirements and emphasized that this represents a significant ongoing financial commitment that would require annual budget appropriations. City Attorney Eric Edgerton explained that the Flock contract includes a non-appropriation clause, which would allow the City to discontinue funding annually if needed because of budget constraints and terminate the contract.

It was the consensus of Council to move forward with the 10-year contract with Flock Safety for the Safe City Plan.

Fire Chief Phil Welch presented information on Fire Department Expansion. He presented information regarding construction of Fire Station 9 near the Nolen Farm area on Union Road, estimated at approximately \$6 Million for building construction, not including site work, apparatus, or personnel costs. The two-bay station would require 15 personnel per crew. Chief Welch's presentation included heat maps showing response time gaps where current response times in the downtown area exceed optimal standards. The presentation included information on a proposed Downtown Station, Fire Apparatus, and Firefighter Staffing. Chief Welch reiterated the continuing price increase for fire apparatus vehicles. Chief Welch said the South East Station proposed for Union Road is the main priority and said the recommendation from the Fire Department is to build Station 9 on Union Road near the Nolen Farm area.

Council discussion focused on funding mechanisms and timing. Staff indicated this was not currently included in the budget but could be placed in the budget to start the initial programming and to assist with the design build if that is the mechanism chosen. Chief Welch emphasized the permanent nature of ongoing personnel costs.

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Council members debated whether to proceed with design work or wait for property revaluation results to better understand revenue projections. The consensus was to begin programming (with an amount to be determined for the budget at a later date).

City Manager Michael Peoples presented information on GO Bond Transportation Projects prior to the second bond issuance. He presented a strategy to use existing fund balance for transportation projects rather than immediately issuing the full \$41 Million in bond debt. The proposal includes 1) using fund balance to be appropriated by as early as April to start developing a resurfacing package to be coupled with the normal \$1.7 Million annual resurfacing and a \$3.3 Million in fund balance creating a \$5 Million comprehensive resurfacing project; 2) intersection improvements with a proposed engineering cost of \$250,000 and project construction cost of \$3 Million; 3) Neal Hawkins Corridor improvements with an engineering design cost of \$300,000 with \$7 Million set aside for future implementation.

Staff requested approval to appropriate \$3.85 Million from fund balance with a reimbursement declaration allowing the City to loan itself money for these projects and reimburse the general fund when bonds are issued. This approach would accelerate project delivery while avoiding immediate debt issuance. Council members supported this strategy as it would provide immediate improvements while maintaining financial flexibility. The approach allows for sooner project completion and engineering preparation for larger future investments.

City Manager Michael Peoples described future projects to include Greenway Expansion/Parking Improvements, Remount Road Sidewalk Improvements, and Parks and Schools Access Improvements, and \$10 Million of the \$41 Million for resurfacing.

City Manager Peoples presented information on Equipment/Vehicle Purchases (Current FY and FY 2027 Proposed). He indicated the request is to appropriate fund balance in the amount of \$4,202,488 to purchase equipment/vehicles now rather than waiting which will result in cost savings and a quicker delivery date. He explained this approach addresses the significant equipment backlog while spreading costs across multiple funding sources including Solid Waste, Stormwater, Electric, and Water/Sewer fund balances in addition to general fund.

Ms. Randi Gates, Director of Transportation, presented the equipment replacement strategy, explaining that departments had submitted \$8.5 Million in requests, with \$7.6 Million being recommended for replacement based on equipment age, mileage, and maintenance costs. Recommended replacements for the equipment loan for FY27 include police vehicles including upfit (13); 105' ladder truck (1); tandem and 5 yard dump trucks with snow plows; mowers, mini excavators, gators, and field rake; rear loader refuse truck (3); automated refuse truck (1); cargo van, pick up trucks, and service trucks.

(Reference as contained in Exhibit Book 9 to Minute Book 115 at Page 33)

*[Councilwoman Stepp left the meeting at approximately 8:00 p.m.]*

**BUDGET WORK SESSION– MARCH 10, 2026****ITEM 6: FY2026-2027 PROPOSED FEE SCHEDULE**

- Water and Sewer
- Solid Waste
- Transit

Assistant City Manager Brian Potocki presented information on Personnel-Related Expenditures and Operational Expenditures for Water and Sewer showing an increase of \$1.5 Million for Personnel-Related Expenditures and an increase of \$0.5 Million in Operational Expenditures in the Proposed FY27 versus the current FY26 budget.

Assistant City Manager Potocki presented information on Capital Expenditures. The current budget includes \$5.7 Million of capital projects. The FY27 proposed budget includes approximately \$8 Million. He emphasized there are over \$100 Million in unfunded needs in Water and Sewer.

Assistant City Manager Brian Potocki presented information on proposed Water and Sewer rate increase options of either 5% or 7.5%, with detailed analysis showing current rates compared to regional municipalities. Mr. Potocki explained that the current residential rate of approximately \$80 monthly for 5,000 gallons remains competitive regionally. He said a 5% rate increase would result in an additional \$4.00 per month increase for the average residential customer; a 7.5% rate increase would result in an additional \$6.00 per month increase for the average residential customer.

Assistant City Manager Potocki explained that rehabilitation needs continue to increase as equipment ages and that funding requirements will increase due to inflation. He said as to the 10-year Capital Improvement Plan (CIP), 89% of total costs are rehabilitation projects; 11% of total costs are new infrastructure projects but does not include additional system expansion beyond the Southeast.

Mr. Potocki explained a proposed 5% rate increase would generate approximately \$2.8 Million in additional revenue, with about \$2 Million needed for operating expenses and salary increases. He said a 7.5% rate increase would generate approximately \$4.2 Million in additional revenues. He indicated the increases are necessary to maintain system operations and capital improvements.

Council discussion focused on the impact on residents, with the 7.5% increase representing approximately \$72.00 additional annual cost for average residential customers (approximately \$6.00 per month). Staff sought guidance on which percentage to incorporate into the balanced budget preparation with Council leaning towards the 7.5% rate increase.

Mr. Dusty Wentz, Director of Public Services, presented information on Solid Waste Proposed Fee Schedule. He reviewed Revenues and Expenses for the Solid Waste Department and noted that landfill fees are the vast majority of operational expenses in that department. Mr. Wentz explained there are three major operational contracts currently in place: 1) Solid Waste sanitary contract with Gaston County Landfill (expires June 30, 2028) – rates are expected to increase with contract negotiations due to capacity pressure at the landfill; 2) Recycling contract with Gaston County (Duke Street and

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Farmer's Market Convenience Centers – expires June 21, 2026 with an optional five-year extension) – no built-in increases; 3) Republic Waste (expires June 30, 2028) which services the downtown development area – increases based on CPI or 5% whichever is less.

Mr. Wentz discussed New Accounts and Operational Concerns noting aging fleet, the need for an additional route, and increased need for personnel. He reported that the Solid Waste Department is requesting a \$2.00 monthly fee increase (from \$14.00 to \$16.00) to maintain the traditional 50/50 split between general fund subsidy and fee revenue. Mr. Wentz explained the increase addresses equipment age, operational needs, and county contract negotiations. The \$2.00 monthly increase would generate needed revenue while maintaining the policy balance between tax support and fee generation. Mr. Wentz also noted the request to increase the second can fee by \$2.50 per month from \$6.50 to \$9.00.

It was the consensus of Council to move forward with the \$2.00 Solid Waste monthly fee increase and the \$2.50 increase per month for the second can fee. Council members noted the cumulative impact when combined with water and sewer increases, totaling less than \$100.00 annually for residents receiving all three services.

Mrs. Randi Gates, Director of Transportation, presented information on the FY27 Proposed Transit Fee Schedule. She discussed the proposed Service Expansion explaining that the current met demand rate is 82%. Mrs. Gates said the proposed microtransit service expansion would require an additional \$458,000.00 annually for 200 additional van hours weekly, serving an estimated 650 additional rides. The expansion would increase the met-demand rate from 82% to the target goal of 90%. Three additional non-wheelchair accessible vehicles would be needed.

Three fare increase scenarios were presented which include across-the-board increase from \$2.50 to \$3.00, distance-based surcharge for trips over 5 miles, and bulk discount rates. Current ridership shows 60% full fare, 30% reduced fare (seniors and disabled), and 10% free rides (any rides to the Bradley Transit Station to purchase vouchers and children under 5 years of age).

The proposed fare structure would increase regular fare to \$3.00 with reduced fare at \$1.50, plus a \$1.00 surcharge for trips over 5 miles (50 cents for reduced fare passengers). This would generate approximately \$440,000 in net revenue after credit card processing fees.

Council discussion revealed mixed opinions on the distance surcharge with some members viewing it as potentially confusing and inequitable. There was general support for the base fare increase but less enthusiasm for the surcharge component.

Mrs. Gates explained the Federal Transit Administration requirements for public input and hearings before implementing fare changes, necessitating early decision-making to meet budget timeline requirements.

City Attorney Eric Edgerton discussed guidance for the Southeast Gastonia transportation issue. He explained guidelines for developers to address this problem while still allowing for flexibility beyond mandating the lot sizes include a three-tiered system: 1) baseline for developers to be capped at 1.5

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units per acre; 2) individual lots must be at least 10,000 square feet in size; and 3) lots cannot be smaller than 75 feet in width.

(Reference as contained in Exhibit Book 9 to Minute Book 115 at Page 34)

**ITEM 7: QUESTIONS/DISCUSSION/DIRECTION**

City Manager Michael Peoples clarified that the Flock Safe City Program contract will need to be on the upcoming March 17 Council agenda due to a request by Flock because they need to have the contract this quarter.

City Manager Peoples confirmed Council consensus on the following: fund balance appropriation for the GO Bond Projects at \$3,850,000; fund balance appropriation for equipment through the mini funds; 7.5% Water and Sewer fee increase to develop the budget; \$2.00 per month additional fee and additional cart fee for Solid Waste; microtransit to hold a public hearing with options for that fee schedule. City Manager Peoples confirmed the budget development would proceed with 3.5% across-the-board salary increases plus 1% career development increases.

**ADJOURNMENT**

Mayor Franks adjourned the meeting at 9:07 p.m.

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Mayor Richard Franks

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Eric Edgerton, City Attorney

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Suzanne J. Gibbs, City Clerk