

# The City of Gastonia

## Challenges. Opportunities. Growth.

---

### City Manager's Budget Message FY 2023-2024

April 26, 2023

**Mayor Walker E. Reid, III**  
**Members of City Council**  
**City of Gastonia**  
**North Carolina**

Dear Ladies and Gentlemen:

I am pleased to present to you, for your review and consideration the City of Gastonia's Fiscal Year 2023-24 Proposed Budget. I want to thank all our employees for their hard work and dedication in preparing this budget. The proposed Budget is our financial plan that will guide the City through the coming fiscal year. Under the direction of the Mayor and City Council, City staff will implement and manage the new budget in a manner that takes advantage of opportunities and meets challenges as they occur during the year. The budget addresses, within the scope of available revenues, the goals and objectives as unanimously approved by the Mayor and City Council.

The specific focus of this budget is the City's human resources, our most important resource, and to improve our citizen and customer service levels for all. The City must be competitive and provide a great work experience to ensure that the City has the most professionally trained staff in place for the City to continue to be successful and a destination for people locating in the growing Charlotte area. This budget also takes advantage of a once in a generation opportunity to receive and appropriate one-time federal and state funds for substantial capital improvement projects that will significantly improve the quality of life for the citizens of Gastonia and increase the positive outreach to people to come and live, work, play and invest in a way of life, where you can be who you are, and receive an excellent level of service.

Supporting economic development that produces jobs and capital investment by the private sector continues to be a focus, as we make decisions on where and when to spend our limited resources. Essential municipal services such as water, sewer, electricity, public safety, streets, and solid waste must be in place to support economic development and sustainable growth throughout the City. Parks, recreation, sidewalks, greenways, and museum amenities also enrich the City's ability to attract new investment and improve the quality of life for all citizens across the City of Gastonia.

#### **MISSION**

*To provide fair, competent, responsive, cost-effective services at the highest level.*



#### **CORE VALUES**

*Accountability, Inclusiveness, Safety, Professionalism, Honesty/Integrity*

## American Rescue Plan Act (ARPA)

The American Rescue Plan Act of 2021 (ARPA) is a \$1.9 trillion economic stimulus bill passed by Congress in March of 2021. From this Act, the City received a total of \$15,661,923, with the first payment of \$7,830,961.50 received in May 2021 and the remaining payment received in June 2022. This funding is a once in a generation opportunity for the City and will allow the City to fund projects and make improvements that would otherwise not happen, be delayed or impose a greater tax burden on the citizens of the City.

The funds do not come without restrictions. There were four categories the U.S. Treasury identified that all expenditures must fit within: COVID response & adaptation, premium pay, revenue loss and infrastructure investments.

Ten million dollars of the funds have been designated as revenue replacement, allowing a little more flexibility in spending and reporting. Projects or items identified to be purchased with this funding include Police defense equipment, body cameras, and the necessary server storage for (\$1,275,942), a three-year street resurfacing project for (\$1,500,000), contractual improvements at the FUSE stadium for increased capacity for (\$750,000), grant match for Linwood Park development (\$1,000,000), converting unused tennis courts into pickleball courts at T. Jeffers Community Center (\$850,000), traffic preemption devices for the Fire department vehicles in partnership with NCDOT (\$117,000), upgrade to Public Works facility (\$3,909,893), partnership with Gaston County Schools for improved athletic facilities (\$750,000) and a one-time transfer to assist with balancing the budget (\$500,000) in FY 2022-23.

The remaining funds (\$5,661,923) must be spent on projects or items that fall within the four categories identified by the U. S. Treasury. Expenditures qualified to date are miscellaneous COVID-19 public health items (\$453,915), an ARPA grants position to assist with processing and reporting (\$500,000), the replacement of playground equipment at four community centers (\$500,000), security cameras for Martha Rivers Park Community Center (\$95,173), a three-year advertising campaign for Communications and Marketing (\$75,000), Wayfinding signage for miscellaneous greenways and Parks and Recreation facilities (\$75,000), a bridge replacement at the Catawba Creek Golf Course (\$192,740) and miscellaneous upgrades for information technology security (\$232,000). During our budget outlook meeting in March, City Council also approved funding multiple projects at Erwin Center including the pool and pool house replacement (\$1,500,000), the replacement of the gym floor in the community center (\$130,000), and adding fencing around the field (\$60,000). The remaining funds will be used towards affordable housing (\$545,260), miscellaneous updates to the Gastonia Conference Center (\$400,000) and potentially partnering with a local non-profit for workforce development (\$250,000).

The City has received **\$871,269** in Community Development Block Grant (CDBG) Coronavirus funds that can be used for programs to prevent, prepare for and respond to coronavirus. The City has partnered with the United Way for utility bill and rental assistance. The City also received

HOME-ARP funding of **\$2,850,611** to help address homeless assistance needs by creating affordable housing or non-congregate shelter units and providing tenant-based rental assistance or supportive services.

## State Grant Funding

In November 2021, the State of North Carolina General Assembly adopted their annual budget, which included direct appropriations to the City of Gastonia totaling **\$21,629,000**. These allocations were made for the following projects:

- Gastonia Municipal Airport Safety Improvements \$250,000
- FUSE Stadium District Improvements \$1,500,000
- Catawba Creek Greenway Extension \$1,850,000
- Miscellaneous funds to be used for recreation center signs \$25,000
- Firestone basin wastewater Outfalls \$4,425,000
- Supervisory Control and Data Acquisition system (SCADA) \$5,579,000
- Water Advanced Metering Infrastructure (AMI) \$8,000,000
- Schiele Museum (Nonprofit) \$1,000,000 for fencing and facility improvements

## Budget Principles and Objectives

The focus for this budget has been centered on four guiding principles: ***financial responsibility, customer service, economic development and human resources.***

***Financial responsibility*** means that the budget includes programs and expenditures that are supported by adequate and predictable revenues. Also, financial responsibility means that capital projects, equipment, and human resource costs are budgeted each year, so the City is not faced with a deterioration that would cause a fiscal crisis in future years.

***Customer service*** means that the budget focuses on the direct delivery of services to our customers. Expenditures that are directed to serving our citizens deserve to be emphasized. Our customers include our taxpayers, utility customers, and others that receive a service from the City. Our customer base also includes people simply looking to live or start a business venture in Gastonia.

***Economic development*** means that the City should invest in specific ways to grow and diversify Gastonia's economic base. Expenditures in the budget that are targeted to encourage private sector economic investment are important because they stimulate additional jobs and commerce in our city. Strategic public sector expenditures are proven to catalyze private investment through development.

***Human Resources*** means that the City must provide a compensation and benefit structure to attract and retain our growing workforce. The City must invest in our most important resource. The investment in our workforce allows the City to take full advantage of opportunities as they arise and meet goals and objectives.

### **Budget Objectives**

- Provide adequate funding for the essential operations of the City
- Provide competitive compensation and benefit structure to retain and recruit qualified employees; implement a higher level of employee engagement initiatives to ensure inclusiveness throughout the workforce
- Provide adequate funding for the maintenance or replacement of City facilities and equipment
- Provide excellent customer service through effective and efficient programs and projects
- Maintain adequate fund balances compliant with the City's adopted fund balance policy
- Appropriately fund the City's Health Self-Insurance Fund
- Adequately maintain the City's existing infrastructure
- Expand the City's infrastructure to promote economic development
- Fund capital projects that enhance the City
- Make public investments in improvements to neighborhoods and commercial areas throughout the City as funds are available
- Look for opportunities to provide and implement more cost-effective municipal operations
- Maintain a tax rate that generates necessary funds and implement strategic fee increases necessary to raise capital for increased maintenance and capital investments
- Continue to invest in economic development strategies that grow our local economy

### **General Fund**



**The proposed budget for Fiscal Year 2023-24 includes a five-cent decrease to the City's property tax rate.** Gaston County's revaluation of real property resulted in an average increase in values of approximately 41.84% including a factor that anticipates appeals. Revenues for motor vehicles and personal property have decreased, so the net revenues for all property tax categories are projected to increase by 32.18% over last year's budget. The proposed budget does not appropriate fund balance.

The general reappraisal of real property for the City of Gastonia occurs normally every four years as decided by the Gaston County Board of Commissioners. State law requires that units of local government, including public authorities, publish a revenue-neutral rate in the budget immediately following the completion of the general appraisal of real property. The purpose of the revenue-neutral tax rate is to provide citizens with comparative information.

The revenue-neutral tax rate, as defined by G.S. 159-119(e), is the rate that is 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 factor equal to the average percentage increase in the tax base due to improvements since the last general appraisal.

The reappraisal produced a tax base of \$10,124,965,289 for the City of Gastonia. The tax levy for FY 2023-24 is \$38,313,078, and the growth factor since the last general reappraisal is 2.07%. Using the formula mandated by State law, the revenue-neutral tax rate for the City of Gastonia

is .376 cents per hundred dollars of value. The recommended property tax rate for Fiscal Year 2023-24 is 47 cents per hundred dollars of value, which represents a decrease from the property tax rate of 52 cents for Fiscal Year 2022-23.

## Electric Fund



**No general retail electric rate increases are in the FY 2023-24 budget.** The City will continue to utilize excess revenues over expenditures for future capital projects and funding for future rate stabilization. This should allow for a consistent rate structure for the foreseeable future. It is important to expand economic development into the areas served by the City's electric system. Capital funds will be available for redevelopment, as well as for new growth corridors.

The FY 2023-24 budget maintains the amount of transfers to the General Fund at \$2,000,000. Gastonia must maintain the level of transfers approved by the Local Government Commission at no more than 3% of gross electric fixed assets. The FY 2023-24 budget also provides funding for maintenance and capital projects including such projects as the new construction of a southeast substation, new development infrastructure, new electric operations center and continued LED street light conversion throughout the City. Expenditures in the Electric Fund are organized into priority areas: ***reliability and redundancy, safety & maintenance, load growth initiatives, and use of innovative ideas and technology.***

## Water and Sewer Fund



**No water and sewer rate increases are included in the FY 2023-24 budget.** The focus of the Water and Sewer Fund continues to be strategic investments in repairs to existing infrastructure, meeting demands for economic development extensions, and continuing to develop cooperative agreements with surrounding municipal systems and the County.

The City will continue to partner financially with the State, the private sector, other municipalities, and the County to extend lines into our important growth areas. This is particularly important now as the City and County see increased development pressure in all areas of the City. New developments are being constructed between the Union Road and New Hope Road corridors. Staff has completed the acquisition of necessary right of way and easements to construct major water distribution and sewer collection systems in this corridor. The project known as the Southeast Utility Extension project is under construction with an



expected completion in Spring 2023 and the City anticipates issuing \$50,000,000 in revenue bonds for the second phase of the project in the summer of 2023.

Our priority for the Water and Sewer Fund will be ***safety, increasing our sales, infrastructure maintenance, system performance, system expansion in those areas that provide a viable return on investment, and use of innovative ideas and technology.***

## Solid Waste Fund



**No solid waste fee increase is included in the FY 2023-24 budget.** The City's Solid Waste Fund receives revenues directly from solid waste fees and transfers from the General Fund on a 50%-50% basis. With the fee schedule adopted in the prior fiscal year, this has prevented the need for any additional fee increases for the FY 2023-2024 budget.



The City will experience modest increases in solid waste tipping fees at the Gaston County landfill, increased investment in necessary fleet replacements, and the continued automation of equipment. The City has also added additional solid waste employees as the city continues to expand.

## Stormwater Fund

**No increase to the stormwater fee is included in the FY 2023-24 budget.** The Stormwater Fund pays for a wide variety of State compliance requirements, maintenance and capital improvement projects. The priority for stormwater projects is concentrated on those within public rights-of-way that the City has an obligation to maintain and repair. Improvements proposed for stormwater problems (outside of the rights-of-ways) are prioritized by the Stormwater Citizen's Advisory Committee. Projects are rated according to a three-tier priority system. The City was awarded \$5,979,200 of an \$8,000,000 project from FEMA for the infrastructure, realignment and stream restoration of Duharts Creek. City staff will continue to seek state funds to assist with the 25% match. Additionally, the City has been awarded an \$500,000 grant from NCDEQ for the purchase of a crawler camera system and an Asset Inventory Assessment.



## Employee Compensation and Benefits

One of the two primary focuses of this proposed budget is human resources. Local Government is challenged with retaining and recruiting employees into an evolving and complex service delivery model that transcends various fields of expertise. The total number of authorized full-time employees the upcoming fiscal year is **939**. The growth in residential infill and new construction are placing increased demands on City services. The FY 2023-24 budget includes a 4% increase effective 7/1/2023 and a newly created 1% career development program that provides a method for employees to capitalize participation in professional development, DEI training, and wellness. This incentive will be effective 1/1/2024. The budget maintains the annual \$350 Holiday Bonus for eligible employees that will be distributed to employees the last week in November. The City will continue the 401(k) program for all full-time employees and also continue to invest in the NC Local Government Retirement System at mandated levels.



Health care costs remains a challenge for both the City and employees and will continue to be so for the foreseeable future. The proposed budget continues to provide funding for a \$750 payment to the Health Savings Account (HSA) for all employees covered by the City's Health Insurance Program. Wellness initiatives and incentives that positively impact employee health will continue for the upcoming fiscal year. The City plans to expand the existing health care clinic to all those that participate in the City's insurance plan. Staff will continue to utilize employee wellness committees and focus groups to improve our overall employee health and wellness. Staff will continue to monitor claims throughout the year and will provide consistent updates through the City's Monthly Financial Reporting.



## Infrastructure



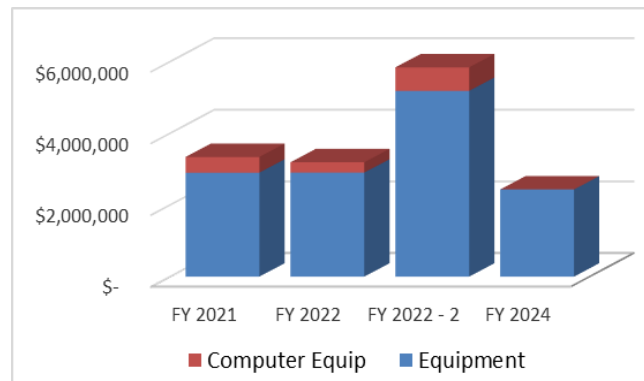
The City of Gastonia is responsible for approximately 454 miles of paved streets (354 miles of local streets) along with sidewalks and traffic control systems, 693 miles of water lines, 654 miles of sewer lines, and 513 miles of electrical distribution lines. Our municipal facilities are spread from Mountain Island Lake to Clover, South Carolina. One of the most important responsibilities of our city is to provide and maintain the critical public infrastructures that is often taken for granted. The City maintains the electric lines, electric substations, one water plant, three water storage tanks, stormwater systems, three wastewater treatment plants, many wastewater pump stations, greenways and sidewalks, parks,

ballfields, and rights-of-ways. Additional challenges related to maintaining other aspects of our vast infrastructure will be addressed through this budget and future budgets. Maintenance of our infrastructure, such as streets, water, sewer, stormwater, electric, and other City facilities, while not glamorous, is critically important and commands significant resources. In order to capture new economic development opportunities, we must consistently maintain and expand our critical infrastructure.



## Funding for Equipment

Vehicles, large equipment, and computer/communications hardware are funded through an annual equipment loan. The loan for the equipment is spread over a 59-month period, thereby leveling the impact of equipment needs from year to year. More than \$3 million of vehicle equipment was requested by City departments for replacement or additional equipment in the upcoming fiscal year. The proposed budget



appropriates a total of \$2,361,918 in funding for equipment replacement. We are proposing to replace various fleet vehicles, including 14 police vehicles and \$1,375,030 for Solid Waste vehicles and equipment. Requests by departments for replacement equipment that were approved by the Fleet Services Manager and Public Works Director are included in the budget.

## Transportation

The FY 2023-24 budget provides \$915,198 for resurfacing and repairing local City streets. This is in conjunction with \$1,500,000 that has been allocated from American Rescue Plan Act (ARPA) for a three-year resurfacing project. The NCDOT has several projects spanning across the City that equal to over \$1,000,000,000 in the next decade. The City will continue to partner with NCDOT on these critical projects; the widening of I-85 from the Catawba River to US 321, the widening of South New Hope Road from Titman Road to Union-New Hope Road, and the widening of Union Road from Garrison Boulevard to Niblick Drive.

The citizen approved General Obligation (GO) Bond revenues have already begun providing improvements to our street system. Over 30 miles of street resurfacing are underway and expected to be complete by the end of 2023, along with adjustments to over 30 manholes on Franklin Boulevard. Additional street resurfacings are anticipated for FY 2024. The City also have several studies underway that will identify specific improvements that can be made to the streets around our parks and schools and at congested intersections. These study projects are



intended to provide the basis for future projects where we can leverage GO Bond funds to match with state or federal funding to complete the projects.

Prior year federal grant funds and the required City match (\$1,991,869) will assist the City in continuing to make pedestrian and sidewalk improvements. These sidewalk expansion projects have begun the preliminary engineering design phases and will reach into FY 2024-25 for completion. Funding is also available from prior year state and federal grants for multiple Airport capital projects, including a comprehensive update to the airport layout plan that will continue to study the potential lengthening and reorientation of the runway, in phase one of a fencing project, the comprehensive renovation of the existing fueling area and tarmac, and the construction of a new self-serve fuel station.

Ongoing communications with NCDOT will continue to identify and fund pedestrian improvements, medians, and lane realignments along the Franklin Boulevard corridor. Finally, the City will continue to partner with the Gaston-Cleveland-Lincoln Metropolitan Planning Organization (GCLMPO), the City of Belmont, the Town of Cramerton, and Gaston County to identify funding to continue moving the Catawba Crossings Project (bridge crossings over the South Fork and Catawba rivers) forward. This is a critically important transportation project, connecting South New Hope Road to I-485 and NC 160 (Steele Creek Road) just south of the Charlotte-Douglas International Airport.



## **Maintaining Adequate Levels of Fund Balance**

As of June 30, 2022, Gastonia's general fund balance available was 47.96% of the budget. This is well above the 25% requirement, as set forth by the Council adopted Fund Balance Policy and the recommendation of the North Carolina Local Government Commission (LGC). The City should

continue to compare fund balance totals to cities in our peer group of population and level of service

Hotel Occupancy Tax Fund revenues are allocated towards the Gastonia Conference Center debt service and operating deficit. In prior budget years, Tourism Development Authority's fund balance was intentionally increased to ensure coverage of future debt service payments. Fund balance has been appropriated for the last four budget years and is currently expected to continue through FY 2026-27.

Due to State shared revenue allocations, staff will not know the precise amount of fund balances for each fund until September 2023, after the close of the FY 2022-23 budget year. Accounting practices will allocate the last three months of sales tax and reimbursements received during the summer back to the FY 2022-23 budget year.

## Economic Development

Gastonia continues to show its competitiveness across industry sectors. Residential growth is booming, industrial growth is strong and we continue to see commercial growth. This year, Polykemi, Inc opened a new location in the Gastonia Technology Park in the Maistro Shell building, representing \$11.8 million in investment and 22 new jobs. Apple Creek Corporate Center has seen additional investment this year. Hans Kissle started construction on their headquarters in Apple Creek in what will be a \$42 million investment and 219 new jobs. This industry has also become a new corporate citizen in Gastonia by annexing into the City limits. Gateway 85 has become a very visible example of how strong Gastonia's industrial growth has been with the addition of the Newell Brands, USPS and Amazon buildings a highlight along Interstate 85.



The City continues to see new residential developments both infill and expanding its borders through voluntary annexation. The challenge for Gastonia is to encourage developments of high quality. Developments with high values are more fiscally sustainable and will contribute more to the expansion of the tax base. Consistent with our land development plans, Gastonia encourages commercial, office, industrial, and residential development in each sector of the City. In particular, infill developments are the most desirable form of economic growth because the infrastructure is already in place, thereby reducing the cost to serve new developments. High value growth is important to the General Fund and also to our utility funds that need the growth of customers to broaden their revenue base. ***It is our ongoing objective to grow and diversify the City's tax and utility bases.***

CaroMont Health Park and the City's commitment to invest in this area of the City has proven to be successful and the catalyst for growth in the FUSE and Downtown Districts. Several new projects in the works have stated their decision to invest in Gastonia has been because of



CaroMont Health Park. FUSE is proving to be the catalyst for economic development it was intended. The future growth of our FUSE District remains strong as we look at the planned projects for development. This past year saw a strong leasing uptake for Trenton Mill and with this successful project, LMG Development has presented plans for The Foundry. This will be a \$50 million project to bring 250 market-rate multi-family units and 5,000 square feet of commercial

space to our FUSE district. Franklin Yard is another projects bringing 230 new multi-family units and 7,000 of commercial space with the redevelopment of the former Central YMCA property. This will be an additional \$50 million investment. The Dillinger and Hangar projects will begin construction in this upcoming year and we expect them to open with new residential, new restaurant and new retail space. We have also started preliminary conversations with Tribridge Development on the redevelopment of Loray Mill Phase 2.

The growth of Downtown Gastonia has had a very visible representation through 2023 with the addition of the red tower construction crane being used to construct Center City Crossings. This project is now reaching its full mass of six-stories and is an impressive structure. Center City Crossings remains on schedule and is planned to be open January 2024. This year we have worked to form a partnership with Gaston College to open in the former Citizen's National Bank bringing a higher education center to Downtown. This project continues to move forward and will be the catalyst for the redevelopment of that



building. Additionally, the Rustins building is under renovation bringing new retail space and condominiums. WhiskGars has been purchased by a well-established Charlotte group and will be rebranded in this upcoming year. Downtown has also opened the first Social District in Gaston County and we are looking forward to having it available this upcoming season of the Gastonia Honey Hunters.

The long-range future for Gastonia remains positive and strong. The City continues to partner with ElectriCities and Retail Coach to market and recruit potential developers and businesses to the region. Gastonia's location 25 minutes west of Charlotte continues to be a major strength.



Source: CLTAirport.com

Charlotte is one of the fastest growing and most affluent metropolitan areas in the United States, and has become a major U.S. financial center, and is now the second largest banking center in the United States after New York City. Interstate 85, the transportation link between Atlanta and Charlotte, bisects our city with eight interchanges. US Highway 321 links us to Hickory and Interstate 40, while the proposed Catawba Crossings project would further connect Gastonia to the Charlotte-Douglas International Airport and Interstate 485.

### **Creating and Maintaining a Fiscally Sustainable Organization for the Future**

Each year when preparing the budget, staff looks beyond this year's budget to identify revenue and expenditure trends focused on the next three years. The General Fund depends upon tax base growth, which is tied closely to the economic condition of our community. With a large percentage of our expenditures being salary and fringe benefits, the most meaningful changes to General Fund expenditures in the future will have human resource implications as reflected in this proposed budget.

We must continuously search for ways to retain and recruit talented professionals to provide the essential services to a growing city. Some operating costs will increase no matter what we do. There are some services that simply cannot or should not be reduced at all. In those cases, we will still carefully examine their operating procedures to produce savings. The nature of these changes will be developed cooperatively with each City department and the Budget Office of the Financial Services Department.

The City must always evaluate customer service delivery and seek to improve policies and procedures to provide an updated platform that is easy to navigate by **ALL** citizens and customers.

New and expanded expenditures are carefully evaluated and must be viewed as an investment. Questions should be asked. If we make this expenditure, what kind of investment return will the City receive? We must view each new expenditure as one that may cause us to reduce an expenditure elsewhere within the City. A request to spend funds must always be viewed within the larger context of our budget. We must constantly look for innovative ways to deliver services in the most efficient and effective manner.

## Conclusion

In closing, the recommendations contained in the Fiscal Year 2023-24 Budget reflect the goals of the Mayor and Council to continue investment in the City's human resources, continue to improve the quality of life of the citizens of Gastonia while providing the highest level of citizen and customer service. Employee related costs will continue to be the most significant challenge to fund each year, especially with the ever-growing difficulty recruiting employees into a complex local government. Growing our revenues through quality economic development will be our way to provide the services expected for our city in the future.

Our efforts will continue to focus on implementing strategic actions that support the Mayor and City Council's approved goals and objectives to build a city with ongoing economic development and improved livability. We will continue to evaluate operations and processes for methods of efficiency and effectiveness. We will persistently strive to improve the quality of city services at the lowest cost possible, while seeking opportunity to improve all of our citizens' quality of life.

Respectfully submitted,

*Michael C. Peoples*

Michael C. Peoples  
City Manager