



City Council
Winter Budget Retreat

Hickory and Statesville Regional Airports

February 19-20, 2026

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AGENDA

Thursday, February 19, 2026

- 8:30** Meet at the Event Center to carpool to Hickory Regional Airport
- 9:00-10:00** Discussion with Hickory Officials
No Action Required
- 10:00-10:30** Discussion with DELCO Partners
No Action Required
- 10:45-11:45** Tour of Hickory Trail, Gateways, and Downtown
No Action Required
- 12:00-1:00** Lunch / Observations Discussion
- 1:00-3:00** Financial Forecast, Memo #2, *Lawrence*
Certificate of Occupancy Data, Memo #3, *Martin*
Six Year CIP, *Lawrence, Smith, Harrell*
Strategic Plan Review, Memo #4, *Hills, Lawrence*
Proposed Amended Fee and Revenues, *Lawrence, Leis, Harrell, Vaughan*
Electric Fees, Memo #5, *Leis*
Water and Sewer Fees, Memo #6, *Harrell, Vaughan*
- 3:00-3:30** 4th Creek Wastewater Treatment Plant Future Gameplan, Memo #7, *Harrell, Vaughan*
- 3:30- 4:15** Growth Strategies, Memo #8, *Martin*

Friday, February 20, 2026

- 8:45-9:00 Welcome and Review of Previous Day
- 9:00-9:30 Workforce Topics, Memo #9, *Everette*
- 9:00-11:00 Transportation Projects, Memo #10, *Hubert, Martin, Harrell*
Charlotte Regional Transportation Organization (CRTPO) 101, *CRTPO REP*
Airport Grants, Memo #11, *Information Only*
- 11:15-11:45 Economic Development Trends, *Bosser*
- 12:00-12:30 Lunch
- 12:30-1:00 City Council Committees, Memo #12, *E. Kurfees*
Special Appropriations, Memo #13, *E. Kurfees*
- 1:00-3:00 Prioritization Process, *Smith*
Action Requested: Staff will lead the Council in a process to prioritize the needs and proposals presented in the retreat.

Conclusion and Adjourn

TO: Mayor and City Council
FROM: Ron Smith, City Manager
DATE: February 13, 2026
SUBJECT: FY2027 Budget Retreat

Staff have developed an agenda that encompasses many of the items necessary to discuss prior to developing the FY2027 Budget. Your decisions will play a key role in how the document takes shape and where the city's funds are allocated.

We will start the day with a discussion with Hickory city officials, at this point their City Manager, and possibly the Mayor. They are going to talk about the information I forwarded to you previously, including their investment infrastructure, improving the city through their "walks", and economic development overall. After that, Roger Young, president of David E. Looper Company (DELCO), who is building the parking deck/PD expansion/apartments in Statesville, will talk about why they have invested in three projects in Hickory, and what we can do to promote that type of development. After our discussions we will take a tour of some of their improvements.

After lunch we will discuss an overview of the city's financial position, and what we expect to see in the upcoming year. Due to timing, which is an issue every year, we will not have a firm grasp of our revenue projections for next year. The biggest source, ad valorem tax, is reported by the county, and does not come out until March. Therefore, we cannot be as finite as we would like, but we can get close. As part of the discussion, we will explain how we are using the Strategic Plan in our budget process, as it should play a significant role in your prioritization process.

Associated with the growth we are experiencing, our Public Utilities Director will give an update and overview on the mandatory steps we will be facing in the future regarding sewer capacity at our wastewater treatment plants.

We will then move to a discussion furthering growth strategies that have been presented to this and the previous Council. As a part of that discussion we will talk about the cost and benefits of density and walk through scenarios that hopefully will help you to determine where you want to see specific development types occur.

The biggest costs in our yearly budgets are generally our employees and capital expenditures. Without these two, especially the former, we cannot function. Stacey Everette will talk through options regarding our employee satisfaction survey and employee pressures.

We will have representatives from the Iredell County Economic Development Corporation (ICEDC) and the Charlotte Regional Transportation Organization (CRTPO) that will give you an update on economic development and transportation projects, respectively. As a part of the CRTPO discussion, we will include information about the Bethlehem Road project.

The last information topic will be about council committees and special appropriations. We will follow all of this with a prioritization process, where we will be asking for where your interests lie regarding the budget, to tailor it to the Council.

There is a lot of information included in this packet. Please review and let me know if you have questions up front. Most of this you have heard before, but no question is a bad one, so if you have any please reach out to me.



City Council
 Winter Planning Retreat
 Hickory and Statesville Regional Airport
 February 19 and 20, 2026

TO: Ron Smith, City Manager
 FROM: Gina Lawrence, Chief Financial Officer
 DATE: February 12, 2026
 SUBJECT: **Memo #2: FY26 Mid-Year Revenue Analysis and Forecast**

In preparation for the FY27 budget process, it is important to evaluate the City’s FY26 adopted revenue performance to identify trends and early indicators that may impact future projections. To support this effort, Finance staff completed a mid-year analysis comparing actual collections through the first six months of the fiscal year to adopted budget levels, with a primary focus on General Fund revenues. This analysis is intended to assess current performance and identify any potential revenue risks or shortfalls.

Overall, the City’s financial condition remains stable at mid-year. Core General Fund revenue sources including property tax, investment earnings, and permits are performing at or above expectations and continue to provide a strong and reliable financial foundation. Enterprise Fund revenues are generally tracking in line with projections, with Aviation revenues trending slightly below budget due to seasonal activity patterns.




Economically sensitive revenues, including sales tax (Unrestricted Intergovernmental) and Sales & Services, are currently trending below the mid-year benchmark. These categories are influenced by economic conditions, timing of distributions, and activity levels, and will require continued monitoring throughout the remainder of the fiscal year.

FY26 Mid-Year Revenue Traffic-Light Dashboard (Updated)

Through January 2026 | Mid-Year Benchmark = 50%

Revenue Source	% Collected	Status	Indicator	Year-End Outlook	Key Driver
Ad Valorem	77.7%	Strong	●	Meet or exceed	Front-loaded collections
Unrestricted Intergovernmental (Sales Tax & Local Taxes)	27.1%	Below Pace	●	Potential shortfall	Timing lag / economic softening
Sales & Services	39.5%	Below Pace	●	Potential shortfall	Lower activity levels
Investments	59.0%	Above Benchmark	●	Meet budget	Prior higher interest rates
Permits	62.2%	Strong	●	Meet or exceed	Continued development

Color Criteria

-  Green: >55% (on track)
-  Yellow: 45–55% (monitor)
-  Red: <45% (risk or timing concern)

National and local economic forecasts indicate several trends that may influence revenue performance for the remainder of FY26 and into FY27:

- **Interest rates** are beginning to trend downward, which may moderate investment earnings in the second half of the year and into FY27.
- **Consumer spending trends** remain uncertain, which could impact sales tax collections and other economically sensitive revenues.
- **Development activity** remains steady; however, growth could slow if financing costs, lending conditions, or broader market factors begin to tighten.

The City's financial position remains **stable with moderate revenue risk** at mid-year. Strong performance in core revenue sources particularly property tax, investment earnings, and permits continue to provide stability and helps offset softer performance in economically sensitive categories.

Based on current trends, overall revenues are expected to remain within a manageable range for FY26. Currently, no immediate corrective actions are necessary. Finance staff will continue to monitor monthly revenue activity, evaluate economic conditions, and refine assumptions as needed. These trends and updated forecasts will be incorporated into the development of FY27 revenue projections to support informed and conservative budget planning.

In Service,



Gina Lawrence
Chief Financial Officer

TO: Ron Smith, City Manager
FROM: Erika Martin, Planning Director
DATE: February 9, 2026
SUBJECT: ***Memo #3– Permit Data***

Certificate of Occupancy Data

Attached is the Certificate of Occupancy information from the past two fiscal years. In summary, there were a total of 733 Certificate of Occupancies issued. Of the 733 that have been issued, 675 were for residential buildings and 58 commercial buildings.

The valuation of the residential permits totaled \$108,162,368.80. The valuation of the commercial permits totaled \$106,717,786.65. The total valuation of these permits' totals \$214,880,155.45.

Manager Comments

The resulting increase in tax base, based on these certificates of occupancy is a large part of the growth in revenues that the city relies on to build our budget. Tax base is the largest part of our revenue stream, therefore seeing a 3% increase can theoretically help offset a 3% inflation/escalation effect.

Attached is additional information you may find interesting about how different types of residential development is valued and the impact that has on the city's budget and development patterns.

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TO: Ron Smith, City Manager
FROM: Sherisha Hills, Assistant City Manager
DATE: February 9, 2026
SUBJECT: ***Memo #4 – Strategic Plan (Key Priority Areas)***

Purpose

This memorandum provides additional explanation and context for the City of Statesville’s three major components of the Front & Center 2023-2028 strategic plan —**Developing Our Team, Connecting Our City, and Connecting Our Communities**. The first section presents the core of the strategic plan, including the mission, vision, values, and strategic initiatives. Developed over a year with input from the City Council, staff, and over 500 citizens, the plan envisions Statesville as “a vibrant regional center that provides a higher quality of life for ALL.”

These focus areas are designed to work together to strengthen internal operations, guide infrastructure and growth decisions, and enhance quality of life for residents, businesses, and visitors. The Front and Center Strategic Plan was approved on August 21, 2023.

Developing Our Team

What this means:

This focus area recognizes that City employees are the foundation of successful service delivery. No strategic goal can be achieved without a skilled, supported, and engaged workforce. Developing Our Team is about building organizational capacity so the City can meet both current demands and future challenges.

Why it matters:

As Statesville continues to grow, the complexity of services, regulatory requirements, and community expectations increases. Investing in employees helps ensure continuity, institutional knowledge, and high performance while reducing turnover and recruitment costs.

Key priority areas include:

1. Organizational Excellence: Efficient and high-quality service delivery while being a city organization that is exemplified as an employer of choice with policies and programs to support employee inclusion and well-being.
 - Our City Family: Supporting employees' physical, mental, and economic well-being.
 - Improve Retention by investing in employee growth, leadership development, and empowerment.
2. Responsibly governed: A local government that provides excellent customer experience, responsibly manages the city's assets, and makes data-driven decisions informed by community engagement inclusive of those who have been historically excluded from government programs and services.

Strategies:

1. Attract and retain a talented, engaged workforce responsive to the needs of our growing community.
2. Invest in employee professional development to promote continuous learning and improvement in service delivery

This focus area ensures the city remains an employer of choice and has the internal strength necessary to deliver high-quality services to the community.

Connecting Our City**What this means:**

Connecting Our City focuses on the physical systems that allow Statesville to function—streets, utilities, public facilities, and land use policies. It emphasizes thoughtful planning and proactive investment to support growth while maintaining the City's existing assets.

Why it matters:

Infrastructure decisions made today shape the City for decades. Without intentional planning and maintenance, costs increase and service reliability declines. This focus area ensures Statesville is not only responding to growth but guiding it in a way that is fiscally responsible and aligned with community goals.

Key priority areas include:

1. Infrastructure and Mobility (Street Infrastructure): we will take the lead on transportation solutions for the future, developing a first-class transportation system that is affordable, accessible, and innovative
 - Create premium transit corridors along major transportation spines in our city
 - Substantially completing existing citywide plans (Mobility and Development Plan)
2. Proactive Prevention (Maintenance): Statesville embraces the dual responsibility of being responsive to emerging challenges while also dialing up efforts to prevent problems on the front end. This means investing in preventative maintenance of public assets like bridges, service vehicles, utilities and community facilities. An intentional focus on prevention today leads to a brighter future.
3. Strategic Growth and Infrastructure Planning
 - 2045 Land Development Plan: this document will guide Statesville’s City Council, Planning Board, and City staff in making decisions related to land development, location-related capital investments, and community programs.
 - Unified Development Code: will guide Statesville to promote orderly and quality growth that ensures the public health, safety and general welfare of its citizens, establish standards for land development that are up to date and consistent with the City's vision and plans Improve the visual character of the City, conserve and protect property values within the City and Provide a more user friendly format of the standards to its current and future citizens.

Strategies:

1. Proactively maintain existing infrastructure assets and systems to ensure current quality and long-term viability.
2. Invest in critical public infrastructure to align with land use plan goals and accommodate future growth citywide.
3. Keeping all plans updated to ensure that the strategic plan remains relevant, responsive to change, and aligned with our organizational goals.

Through this focus area, the City is committing to long-term sustainability, safety, and efficiency in its physical infrastructure.

Connecting Our Communities

What this means:

Connecting Our Communities centers on people, neighborhoods, and quality of life. It reflects the City’s responsibility to ensure that all residents benefit from public services, amenities, and opportunities—regardless of where they live.

Why it matters:

Strong neighborhoods, safe environments, and accessible amenities are essential to community trust and long-term success. This focus area prioritizes equity, inclusion, and partnership to ensure investments are distributed in a way that strengthens the entire city.

Key priority areas include:

1. **Protect & Enrich Every Neighborhood (Public Safety/REV):** Statesville is an extraordinary place to live, and every resident and visitor should have access to a safe and secure environment, along with a variety of core amenities that improve quality of life. Serving every neighborhood means we are prioritizing investment in communities with the greatest need and ensuring amenities are geographically distributed throughout the city so everyone can access them easily. We are strategically placing artwork, digital resources, and recreational amenities in locations that have historically been underserved.
2. **Strong Partnerships:** Statesville will foster strong, inclusive partnerships with residents, government agencies, non-profits, and visitors to enhance communication, build trust, leverage shared resources, and advance the long-term success of the community.
3. **Living Community (Affordable Housing):** We know that a sense of safety and excellent quality of life is foundational to our community's success. Statesville will focus on enhancing a sense of civic pride in order to strengthen safety and be a community of choice.
4. **Economic Development and Cultural Vibrancy:** A city well-positioned to compete regionally, nationally, and globally to create jobs and business opportunities, building upon its strength as a destination for culture, arts, conventions and recreation.
 - Downtown & NC 115 Streetscape/Land Use Master Plan
 - Route 2 Recreation

Strategies:

1. Provide reliable, high-quality public safety to ensure the wellbeing of residents, businesses, and visitors.
2. Expand access to enriching cultural, recreational, and open space amenities.
3. Promote the development of a range of housing types throughout our community and housing stability for residents.

This focus area reinforces the City's commitment to being a place where people feel safe, connected, and invested in their community.

How the Focus Areas Work Together

These three focus areas are intentionally interconnected:

- **Developing Our Team** builds the internal capacity needed to deliver services effectively.
- **Connecting Our City** ensures the infrastructure and systems are in place to support growth and daily life.
- **Connecting Our Communities** ensures the outcomes of these efforts are visible, equitable, and meaningful to residents.

Together, they form a comprehensive framework for decision-making, budgeting, and long-term planning that supports Statesville's vision as a safe, vibrant, and well-managed community.

Attachments

1. **Strategic Plan Framework**

FRONT & CENTER



VISION

Statesville will be a vibrant regional center that provides a higher quality of life for ALL.

MISSION

City of Statesville will serve with integrity, provide sound resource management, and equitably deliver high-quality public services.

CORE VALUES

We Value City Staff—We acknowledge the unique talents of each employee, their career goals, and the importance of their overall well-being. We incentivize excellent performance, thinking creatively, and quality customer service. We provide opportunities for employees to provide feedback on what would improve the workplace, their quality of work, and how the city serves its citizens.

We Value Engagement—We look for opportunities to listen to community members where they are. We engage with the community in order to improve quality of service, deliver better programming, and develop solutions to community problems. We provide timely, clear, and accessible information on current challenges, forthcoming opportunities, and solutions delivered to the community.

We Value & Encourage Opportunity—We design facilities and programs in a way that enables all citizens to participate and benefit. We develop local talent and strengths into the next generation of city employees and leaders.

We Value Integrity—We interact with one another and the community with honesty, compassion, and respect. We act as responsible stewards of the resources entrusted to us. We govern, lead, and serve as we would want to be governed, led, and served.

We Value Quality & Creativity—We collaborate to find cost effective, creative, and equitable solutions and procedures. We work with citizens, community partners, and other units of local government to deliver better outcomes for members of our community.

GOALS & STRATEGIES



DEVELOPING OUR TEAM

Description: The City of Statesville recognizes that its employees are its most valuable asset and resource for realizing the city’s vision. Capable and professional employees are essential for delivering high-quality customer service and managing the long-term needs of the community.

STRATEGIC INITIATIVES

1. Attract and retain a talented, engaged workforce responsive to the needs of our growing community.
2. Invest in employee professional development to promote continuous learning and improvement in service delivery.



CONNECTING OUR CITY

Description: The City of Statesville strives to provide high-quality services and utilities for today’s needs while also planning for the future needs of residents, businesses, and industry.

STRATEGIC INITIATIVES

1. Proactively maintain existing infrastructure assets and systems to ensure current quality and long-term viability.
2. Invest in critical public infrastructure to align with land use plan goals and accommodate future growth citywide.



CONNECTING OUR COMMUNITIES

Description: The City of Statesville supports vibrant communities and safe neighborhoods with opportunities for employment, recreation, engagement, and housing.

STRATEGIC INITIATIVES

1. Provide reliable, high-quality public safety to ensure the wellbeing of residents, businesses, and visitors.
2. Expand access to enriching cultural, recreational, and open space amenities.
3. Promote the development of a range of housing types throughout our community and housing stability for residents.

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TO: Ron Smith, City Manager
FROM: Cody Leis, Director – Statesville Public Power (SPP)
DATE: February 10th, 2026
SUBJECT: **Memo #5 – Electric Rate Discussion**

Note: A portion of this memo is from the last Winter Retreat (2025) because the info it contains relates to and aids in the upcoming rate discussion around the Cost-of-Service Study.

Statesville Public Power’s purchased power represents the largest portion of SPP’s expense, which is roughly 60%. Therefore, when NCMAPA1 announced a 10% decrease in wholesale power in 2024, it brings up the question of, “Do we lower rates?” Currently, City staff is recommending that we do not lower rates due to the other 40% of SPP’s expenses which have had an upward trajectory that is outpacing the purchased power’s downward trajectory. These expenses include salaries and benefits (labor), capital outlay, transfers to other funds, and operating supplies. You will see a 5-year graphical representation of these expenses in the attached PowerPoint.

SPP has some large future capital projects that will make a positive impact on the community but require significant funds. These projects include 4kV revitalization projects in the older parts of Downtown Statesville, undergrounding areas with reliability issues (roughly \$85,000 per 1,000 feet of electric line), strategic utilization of composite poles, and the planned replacement of our oldest substation that dates to the 50s (\$7-9 Million).

Additionally, it has been communicated by NCMAPA1 staff that while we received a 10% decrease in 2024, participants should plan on 3-4% annual increases this year, and every year until 2032, when all debts are expected to be paid off for the **current** Catawba Plant Sales Agreement. Therefore, we enlisted the help of Electricities and Utility Financial Solutions to perform a Cost-of Service-Study to assist us in our future rate planning.

Their results indicate that we are well-funded and in a healthy position for not having to increase retail rates for our customers. One item they recommend is to update our Basic Facility Charge (fixed charge) to reflect our actual cost of service, i.e. the cost to serve that customer when you include the transformer, meter(s), wire, and personnel costs. Historically, the motive was to mirror Duke Energy Carolinas so that we remain competitive. However, that is no longer the case due to our power supply costs trending much lower than Duke Energy’s. Because we do not have any debt, and have historically underspent on our system, we have larger than normal cash reserves on hand. With SPP staff input, we have recommended funding

a rate stabilization account so that our customers do not have to feel those annual power supply increases that begin this year.

Guidance from Council would be appreciated in the following:

- With the goal of the rate change to be 0% (no increase or decrease in revenue), can you support SPP adjusting our Basic Facility Charge to the Cost-of-Service?
- Like the General Fund, SPP would like to create a fund balance policy that takes into account several factors like power supply escalations (fuel costs or unplanned capital expense), capital projects, and catastrophic events (think if Helene or Winter Storm Fern had hit us). No action on this item, but I do want to bring a proposed policy in the future.
- Knowing that annual wholesale power increases are imminent, SPP would like to get your take on funding a rate stabilization account that can delay any future retail rate increases on our customers. More information will be forthcoming on our 5-year wholesale rate projections in our March Board of Commissioners meeting.

Summary and Takeaways

1. SPP's largest expense lowered by 10% in 2024, but the other 40% of expenses dramatically increased over the years like benefits and wages, inflation, transfers to other funds, and increased capital overlay. These expenses have almost negated the effects of the purchased power decrease.
2. SPP strives to establish projects that will improve Statesville communities and offer better reliability in older areas. These projects will require significant funds to revitalize and beautify the City. Also, with Delivery 1 being our oldest substation that dates to the 50s, the engineering and construction for a new one will cost at least \$7-9 million depending on large power transformer pricing.
3. NCMAPA1 indicated that annual wholesale power increases of 3-4% should be planned for 2026 until 2032, at which participants will be engaging in new power supply contracts.
4. Utility Financial Solutions Cost-of-Service study results indicate that Statesville is in great shape, and in great financial health. They do have some suggestions for our fixed charges moving towards the cost-of-service, with the intention of that change remaining revenue neutral.
5. Another takeaway from the study shows that Stateville Public Power should probably have a minimum cash reserve policy, similar to the general fund.

Strategic Plan Impacts

[Connecting our City – Invest in critical public infrastructure to align with land use plan goals and accommodate future growth citywide.] This memo pertains to our Strategic Plan by allowing Statesville Public Power to secure the funds for us to establish a capital improvement project list that could impact several key areas within Statesville. These projects would include undergrounding inaccessible lots or downtown areas, upgrading our electric lines to withstand harsh storms, and strategically using composite poles that lower labor costs over their lifetime.

Attachments

1. PowerPoint Presentation – Electric Rate Discussion




Electric Rate Discussion

City Council Winter Retreat

Cody Leis | February 19 & 20, 2026

1



Agenda

1. NCMPA1 Wholesale Power 10% Decrease in FY 2024/2025
2. Cost Per kWh (kilowatt-hour) Timeline
3. Current and Future State of Statesville Public Power
 - Contract Labor continually goes up
 - Material/Equipment is extremely volatile
 - Grid Hardening
4. Cost of Service Study Results

2



2024/2025 NCMPA1 10% Wholesale Decrease

- Sale of 150MW of excess capacity to Central Electric Power Cooperative in January 2024.
 - This allows some “breathing room” from O&M and administrative and general fees that NCMPA1 agencies were responsible for, allowing for a credit of \$100M to the respective participants.
 - Statesville’s allocated demand share of NCMPA1 is 8.8%.
 - Average wholesale rates have dropped to 1970s levels and carry a 16% lower rate compared to Duke Energy (5-year average).

3



Where are we now?

- Contracted labor has increased year after year. This labor is necessary to keep up with the current growth rate Statesville is experiencing.
 - Labor contracts include overhead and underground crews, tree trimming crews, substation maintenance, pole inspections, etc.
 - New construction requires a lot of capital spending (transformers/wire). A portion of these costs will be passed on to the Developers with the new line extension policy (passed in Dec 2024).
- Commercial/Industrial Retail Sales have declined over the years due to corporate restructuring and consolidation outside of Statesville
- Current residential rates are still much lower than our competition

4



Rate Comparison

Provider	Basic Charge	Energy Charge (\$/kWh)	Riders (\$/kWh)	Total (Monthly)	Percentage
Statesville Public Power	\$14.00	\$91.40000	\$-	\$105.40	100%
EnergyUnited	\$50.00	\$76.70000	\$-	\$126.70	120%
Duke Energy Carolinas	\$14.00	\$122.60	\$4.95	\$141.55	134%

*Based off NC monthly average of 1000 kWh

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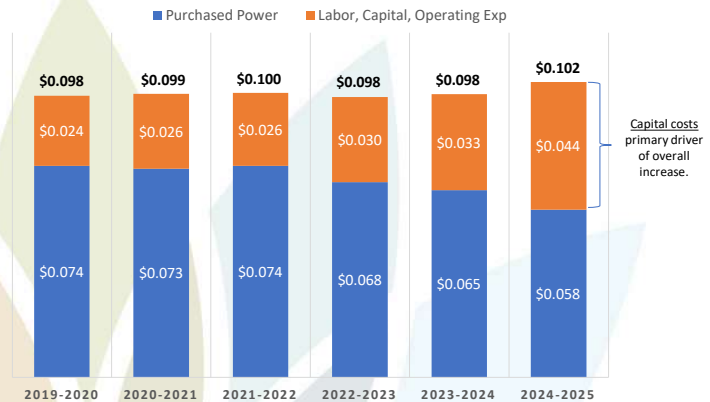


Electric Fund 5-Year Actual and 24/25 Budget

Takeaway:

- Purchased Power Costs (PP) have decreased, while Non-Purchase Power (NPP) Costs have increased in similar proportion.
- NPP costs on an upward trajectory since 2019/20 due to cost of Labor (Wages), Capital (Transformers/Contractors), and Operating Supplies (inflation).

COST PER KWH



Question: Do we lower rate due to lower Purchased Power costs?

Answer: Not recommended due to increased Non-Purchased Power costs.

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Ongoing Initiatives That Require Large Capital

- 4 kV Conversions (13/21 miles left)
- Undergrounding Projects
 - Reliability Issues
 - Key growth focus areas
 - Aged out equipment (old cable)
- Grid Hardening/Resiliency
- New Substation



7



Grid Hardening/Resiliency Improvements

- SPP is exploring the introduction of composite poles onto our system. Benefits include:
 - Avoiding copper theft
 - Stronger than wood equivalent poles
 - 3x lifespan of wood poles (60+ years)
 - Lower labor costs during the lifespan
 - Will not rot like wood poles & UV resistant



8



Beautification/Undergrounding Projects

Before



After



9



Delivery 1 Substation Replacement

- Delivery One dates to the 1950s and in need of replacement.
 - This substation is the only SW quadrant substation and is where much of our growth is happening. Wallace Springs, Hidden Lakes, Barium Springs are all fed from Delivery One.



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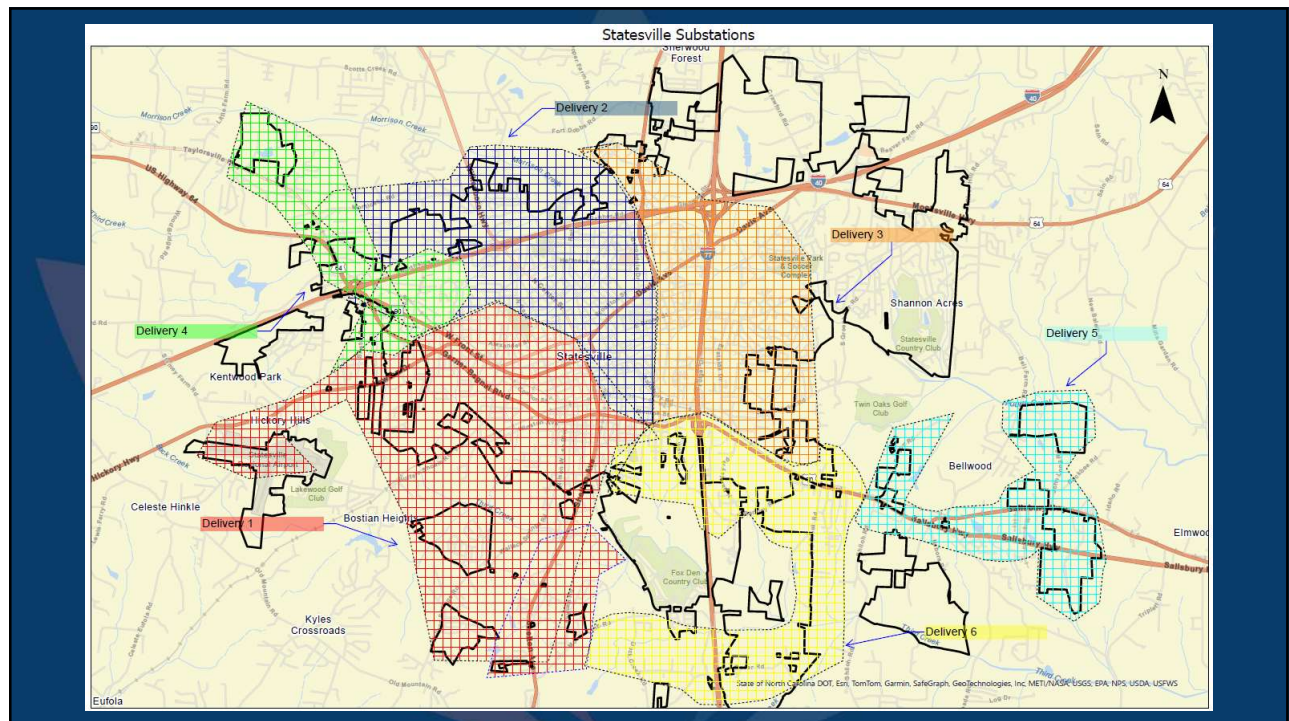


Delivery 1 Substation Replacement

- Duke recently gave us the greenlight on the proposed location at Alex Cooper Park.
- This location will allow us to build our standard configuration design.
- A/E & construction costs are around \$7-8M, including equipment procurement.



11



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Future State of Statesville Public Power

- SPP has completed the Cost-of-Service Study with Electricities and Utility Financial Solutions. Their analysis will give us an idea of our current financial health and assist us with rate planning for the future.
 - 5-year financial projections and any necessary rate adjustments
 - Rate design for various usage levels
 - Minimum cash reserve policy
 - Target operating income

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Statesville Public Power - Cost of Service Study/Financial Projection

Mark Beauchamp
 President, Utility Financial Solutions, LLC
 mbeauchamp@ufsweb.com
 616 403 5450

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Objectives

- Financial Projection
 - Debt Coverage Ratio – No Debt
 - Minimum Cash Levels
 - Target Operating Income
- Rate Adjustment Plan
- Review Cost of Service Results
 - Class Cost Results
 - Customer Charges
- Next Steps
- Sample Rate Designs

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Significant Assumptions

Fiscal Year	Inflation	Model			
		Model Usage Change	Model Purchase Power Change	Investment Income	Utility Funded Capital
2026	5.0%	7.2%	-7.5%	3.0%	7,402,000
2027	3.5%	1.8%	3.1%	3.0%	9,010,000
2028	3.5%	0.3%	2.9%	0.5%	5,450,000
2029	3.5%	0.1%	3.0%	0.5%	8,800,000
2030	3.5%	-0.1%	3.1%	0.5%	5,050,000

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COS Summary Financial Results (without rate change)


Fiscal Year	Projected Rate Adjustments	Debt Coverage Ratio	Adjusted Operating Income	Optimal Operating Income	Projected Cash Balances	Recommended Minimum Cash
2026	0.0%	N/A	\$ 8,017,896	\$ 4,626,561	\$ 32,764,186	\$ 14,846,502
2027	0.0%	N/A	\$ 7,006,616	5,085,700	\$ 35,572,503	14,887,549
2028	0.0%	N/A	\$ 5,592,314	5,363,425	\$ 40,076,897	14,092,603
2029	0.0%	N/A	\$ 4,089,942	5,811,862	\$ 39,986,392	14,112,057
2030	0.0%	N/A	\$ 2,493,708	6,069,204	\$ 42,334,297	13,351,645

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Debt Coverage Ratio (no current debt)

- Identifies cash generated by operations above the debt service payment
- Debt coverage ratios mandated by covenants and established in bond ordinances
- Know your requirements and calculate with the yearly budget process



General Obligation bonds don't require a ratio but for prudent planning you should meet 1.25

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18

Having a Minimum Reserve Policy Helps Justify Reserves of Utility



Customers and Council may not understand why utilities need to maintain reserves

Have a policy that provides detailed description of the methodology used by the utility



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Reasons for Minimum Cash

Pay Bills

Catastrophic Events

- Wind, Ice, Equipment Failure

Changes in Electric Supply

Capital Costs

Debt Service



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Maintain Stable Rates for Customers

- Allows the utility to draw down on reserves for an unexpected event rather than issue debt or substantial rate increases
- Allows the ability to phase in large rate adjustments
- Reduces the chance of a significant transfers to City to reduce cash levels



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Minimum Cash Calculation

Description	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030
Minimum Cash Reserve Allocation					
Operation & Maintenance Less Depreciation Expense	12.3%	12.3%	12.3%	12.3%	12.3%
Purchase Power Expense	11.2%	11.2%	11.2%	11.2%	11.2%
Historical Rate Base	3%	3%	3%	3%	3%
Rate Stabilization	20%	20%	20%	20%	20%
Current Portion of Debt Service Payment	83%	83%	83%	83%	83%
Five Year Capital Improvements - Net of bond proceeds	20%	20%	20%	20%	20%
Calculated Minimum Cash Level					
Operation & Maintenance Less Depreciation Expense	\$ 1,258,254	\$ 1,302,292	\$ 1,347,873	\$ 1,395,048	\$ 1,443,875
Purchase Power Expense	2,939,951	3,087,060	3,185,033	3,283,312	3,382,573
Historical Rate Base	2,723,708	2,994,008	3,157,508	3,421,508	3,573,008
Rate Stabilization	782,189	782,189	782,189	782,189	782,189
Current Portion of Debt Service Reserve	-	-	-	-	-
Five Year Capital Improvements - Net of bond proceeds	7,142,400	6,722,000	5,620,000	5,230,000	4,170,000
Minimum Cash Reserve Levels	\$ 14,846,502	\$ 14,887,549	\$ 14,092,603	\$ 14,112,057	\$ 13,351,645
Projected Cash Reserves	\$ 32,764,186	\$ 35,572,503	\$ 40,076,897	\$ 39,986,392	\$ 42,334,297



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Should Public Power have a Rate of Return?

- Adequate rate of return on investment to help ensure current customers are paying their fair share of the use of the infrastructure and not deferring the charge to future generations
 - Fund interest expense
 - Fund inflationary increase on historical investment of system



23

Potential Rate Track

Fiscal Year	Projected Rate Adjustments	Debt Coverage Ratio	Adjusted Operating Income	Optimal Operating Income	Projected Cash Balances	Recommended Minimum Cash
2026	0.0%	N/A	\$ 8,017,896	\$ 4,626,561	\$ 32,764,186	\$ 14,846,502
2027	0.0%	N/A	\$ 7,006,616	5,085,700	\$ 35,572,503	14,887,549
2028	0.0%	N/A	\$ 5,592,314	5,363,425	\$ 40,076,897	14,092,603
2029	0.0%	N/A	\$ 4,089,942	5,811,862	\$ 39,986,392	14,112,057
2030	0.0%	N/A	\$ 2,493,708	6,069,204	\$ 42,334,297	13,351,645



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COS Summary Results

Customer Class	Cost of Service	Projected Revenues	Effective % Change
Residential	\$ 14,748,276	\$ 14,466,654	1.9%
Lighting	1,403,600	1,278,053	9.8%
Small General	6,667,021	7,273,793	-8.3%
Medium General	7,552,104	9,389,691	-19.6%
Large General	4,308,842	5,724,553	-24.7%
TOU	2,897,859	3,439,613	-15.8%
Incentive	4,458,149	3,854,829	15.7%
Total	\$ 42,035,851	\$ 45,427,186	-7.5%



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What is a Customer Charge?

Recovers cost for connection to grid at zero kWh consumption

- Meter operation, maintenance and replacement costs
- Meter reading costs or AMR installation costs
- Billing costs
- Customer service department
- Service into customers facilities
- Portion of distribution system
 - Cost to get a wire from the sub-transmission system to customer
 - Based on minimum sizing (If all customers only used a single kWh)



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Why is a Customer Charge Needed?

Stabilizes revenue

Reduces seasonal subsidies

May impact low-use customers

Low income may not be low use



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Monthly Customer Charges

Customer Class	COS Customer Charge	Current Average Customer Charge	Rate Breakdown	Res (R)
Res (R)	\$ 27.28	\$ 14.00	Customer Breakdown	
Small General (SG)	66.48	20.78	Distribution Customer Costs	\$ 12.48
Medium General (MG)	139.01	20.78	Transformer Customer Costs	4.20
Medium Industrial (IM)	158.50	20.78	Meter O&M	2.76
Large Commercial (EG)	252.02	20.78	Meter Reading	0.98
Large Industrial (LG)	263.65	20.78	Billing	1.96
Commercial Time-of-Use (CT)	142.26	55.14	Services	2.68
Industrial Time-of-Use (IT)	192.08	55.14	Customer Service	2.22
Very Large Industrial Incentive (VI)	1,180.11	49.87	Customer Charge \$/Meter	\$ 27.28
Coincident Peak Medium (CP-M)	330.12	85.00		
Coincident Peak Large (CP-L)	486.52	425.00		



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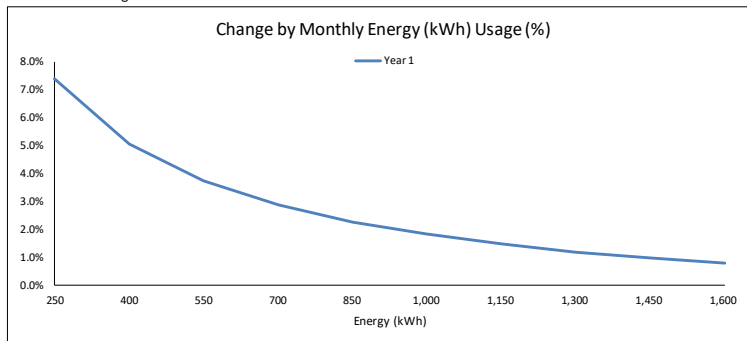
Next Steps

- Proposed Rate Change
 - Planned 0%
- Develop Bandwidth Rates (Rate Adjustment Plan)
 - 2% Bandwidth
 - Maximum Increase 2%
 - Maximum Decrease 2%
- Customer Charges
 - Move toward Cost of Service

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Sample Residential Rate (1)

Rates	Current	Year 1
Monthly Facilities Charge:		
Monthly Charge	\$ 14.00	\$ 17.00
Energy Charge:		
All Energy	\$ 0.09140	\$ 0.09032
Revenue from Rate	\$ 14,466,654	\$ 14,755,987
Change from Previous		2.0%

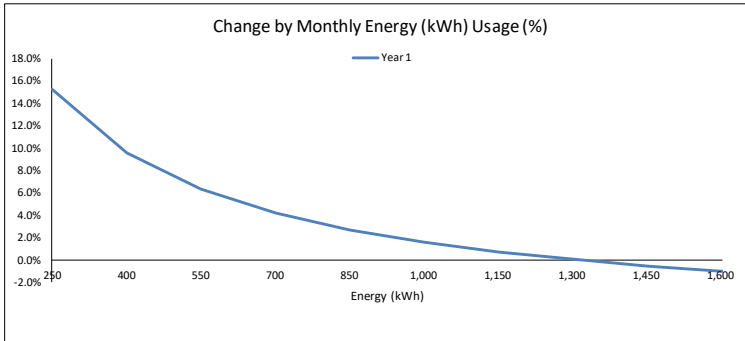


Monthly Change by Usage Level (Average Usage: 936 kWh)		
Usage (kWh)	Year 1	
250	\$ 2.73	
400	\$ 2.57	
550	\$ 2.41	
700	\$ 2.24	
850	\$ 2.08	
Average (936kWh)	\$ 1.92	
1,150	\$ 1.76	
1,300	\$ 1.60	
1,450	\$ 1.44	
1,600	\$ 1.27	

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Sample Residential Rate (2)

Rates	Current	Year 1
Monthly Facilities Charge:		
Monthly Charge	\$ 14.00	\$ 21.00
Energy Charge:		
All Energy	\$ 0.09140	\$ 0.08605
Revenue from Rate	\$ 14,466,654	\$ 14,755,987
Change from Previous		2.0%



Monthly Change by Usage Level (Average Usage: 936 kWh)		
Usage (kWh)	Year 1	
250	\$	5.66
400	\$	4.86
550	\$	4.06
700	\$	3.25
850	\$	2.45
Average (936kWh)	\$	1.65
1,150	\$	0.84
1,300	\$	0.04
1,450	\$	(0.76)
1,600	\$	(1.57)

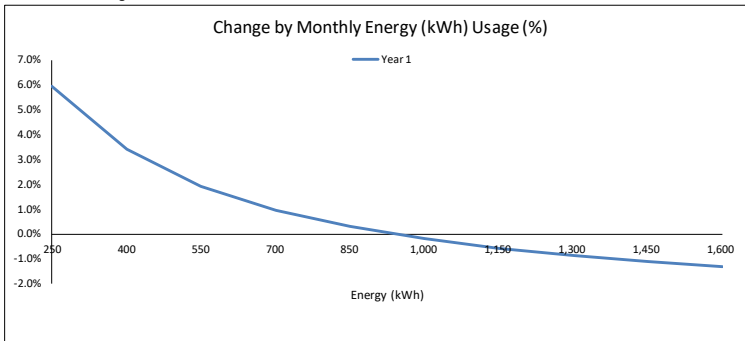


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Sample Residential Rate (3)

Rates	Current	Year 1
Monthly Facilities Charge:		
Monthly Charge	\$ 14.00	\$ 17.00
Energy Charge:		
All Energy	\$ 0.09140	\$ 0.08819
Revenue from Rate	\$ 14,466,654	\$ 14,466,654
Change from Previous		0.0%




Monthly Change by Usage Level (Average Usage: 936 kWh)		
Usage (kWh)	Year 1	
250	\$	2.20
400	\$	1.72
550	\$	1.24
700	\$	0.76
850	\$	0.27
Average (936kWh)	\$	(0.21)
1,150	\$	(0.69)
1,300	\$	(1.17)
1,450	\$	(1.65)
1,600	\$	(2.13)



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Questions?



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CITY of
Statesville
NORTH CAROLINA

34

TO: Ron Smith, City Manager
FROM: Scott Harrell, Assistant City Manager
DATE: February 13, 2026
SUBJECT: ***Memo #6 – Water and Sewer Rates***

Staff has evaluated several fees and rates against current and anticipated future costs and anticipates recommending the following rate and/or fee adjustments in support of the FY26 budget:

Staff contracted with McGill Associates in 2024 to evaluate water and sewer rates. McGill developed a 10-year rate plan based on FY26 water and sewer capital improvement plan (CIP). Significant in the CIP are projects needed to maximize the capacity of the Fourth Creek Wastewater Treatment Plant and better utilize the capacity at the Third Creek Wastewater Treatment Plant, both of which are vital to supporting and sustaining growth in Statesville.

The initial results of the McGill study recommended a 22% rate increase for FY26, with increases in subsequent years in the 5% range. After reviewing the rate study at the 2025 Winter Retreat, the Council settled on a 9% rate increase for FY26 (the current year). The rate study called for a 12% increase in FY27, followed by 9% increases in subsequent years.

Staff is continuing to evaluate whether water and sewer projects can be deferred in an effort to reduce the needed rate increases. In exploring options for state funding, staff consistently finds that Statesville’s current water and sewer rates are too low for the City to qualify for grants. Lower-interest loans from the state are the City’s most likely option to fund the larger projects.

Summary and Takeaways

Staff continues to evaluate water and sewer projects in order to minimize the pressure to increase rates, while balancing the need to maintain our infrastructure and keep up with increasing construction and process costs.

Strategic Plan Impacts

Connecting Our City:

- Proactively maintain existing infrastructure assets and systems to ensure current quality and long-term viability.

- Invest in critical infrastructure to ... accommodate future growth citywide.

Decision Needed: The FY27 budget will propose a 12% increase to water and sewer rates.

1. If favorable, we will model this increase and include it in the budget as an increased revenue.
2. If the Council is not in favor, we will not include the recommended rate increase and will report on the impact to the Water/Sewer CIP.
3. If there is no decision on how to proceed, staff will include the proposed rate increase and the Council will have an opportunity to adjust the proposed budget when it is presented.

Attachments

1. Water and Sewer Rate Study Summary Table

Financial Model Output Summary 10-Year Planning Period

Revenue	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Operating Revenue Existing Rates	18,137,000	19,124,000	19,380,000	19,639,000	19,902,000	20,168,000	20,434,000	20,700,000	20,966,000	21,232,000	21,498,000
New Revenue - System Development Fees	1,000,000	1,010,000	1,020,000	1,030,000	1,041,000	1,051,000	1,062,000	1,072,000	1,083,000	1,094,000	1,105,000
New Revenue - Rates (Cumulative)	19,137,000	21,615,000	23,881,000	25,668,000	27,479,000	29,312,000	30,573,000	32,396,000	34,243,000	36,114,000	38,007,000
Projected Operating Revenue		21,615,000	23,881,000	25,668,000	27,479,000	29,312,000	30,573,000	32,396,000	34,243,000	36,114,000	38,007,000
Annual Revenue Increase from Rate Adjustments - Percentage		7.7%	10.3%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%

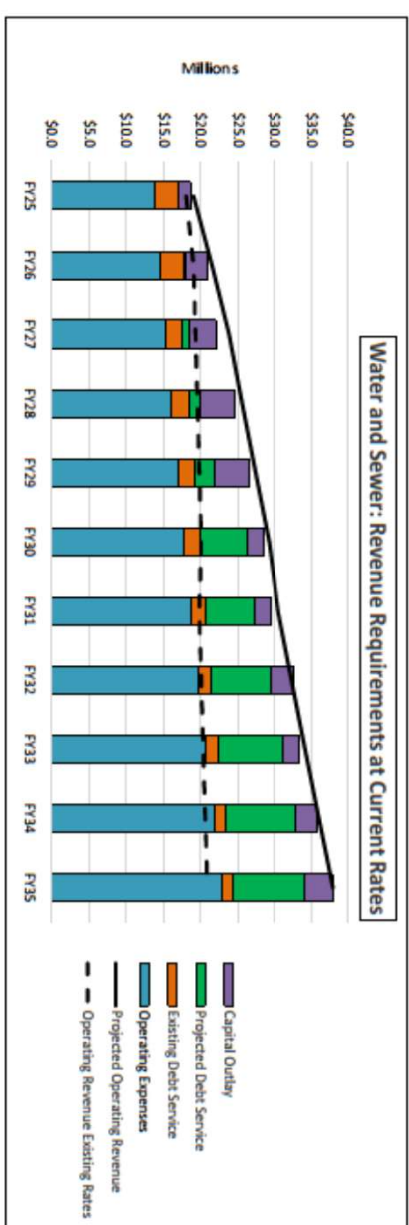
Expenses	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Operating Expenses	13,845,000	14,656,000	15,322,000	16,176,000	16,919,000	17,868,000	18,695,000	19,751,000	20,672,000	21,846,000	22,872,000
Capital Outlay	1,679,000	2,995,000	3,717,000	4,620,000	4,808,000	2,090,000	2,247,000	3,289,000	2,215,000	2,927,000	3,835,000
Existing Debt Service	3,196,000	3,047,000	2,290,000	2,270,000	2,251,000	2,232,000	1,891,000	1,672,000	1,652,000	1,633,000	1,614,000
Projected Debt Service	-	333,000	851,000	1,622,000	2,670,000	6,267,000	6,653,000	7,929,000	8,907,000	9,505,000	9,613,000

Financial Outcomes	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Expenses to Cover	18,720,000	21,031,000	22,180,000	24,688,000	26,648,000	28,648,000	29,486,000	32,641,000	33,946,000	35,911,000	37,934,000
Difference / (Shortage)	417,000	584,000	1,701,000	980,000	831,000	855,000	1,087,000	(245,000)	897,000	203,000	73,000

Effect on Monthly Residential Customer Bills	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Combined Residential Water/Sewer Bill CCF:	4.01	\$66.32	\$74.28	\$80.96	\$88.25	\$96.19	\$104.85	\$114.29	\$124.57	\$135.79	\$148.01
Combined Residential Bill - Change		\$5.48	\$7.96	\$6.69	\$7.29	\$7.94	\$8.66	\$9.44	\$10.29	\$11.21	\$12.22
Percent Rate Increase		9.0%	12.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Financial Indicators	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Fund Balance Tracker	14,927,000	15,511,000	17,212,000	18,192,000	19,023,000	19,878,000	20,965,000	20,720,000	21,617,000	21,820,000	21,893,000
Fund Balance % of Expenses	80%	74%	78%	74%	71%	70%	71%	63%	65%	61%	58%

Summary Chart



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TO: Ron Smith, City Manager
 FROM: W^m E. Vaughan, DPA, PE, Public Utilities Director
 DATE: February 6, 2026
 SUBJECT: **Memo #7 - 4th Creek Wastewater Treatment Plant Future Expansion**

Based upon the last three years of FTSEs completed and expected FTSEs in this CY, the following two charts below show the basin trends for the Fourth Creek and Third Creek plants.

Figure 1
4th Creek WWTP % Plant Additional Flow by CY

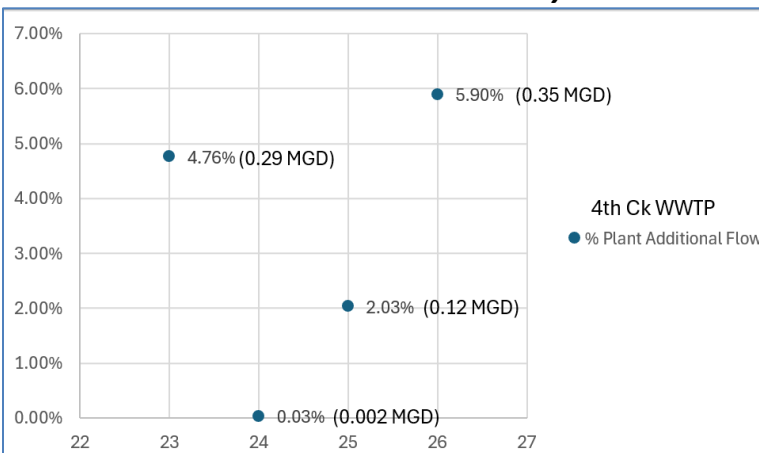
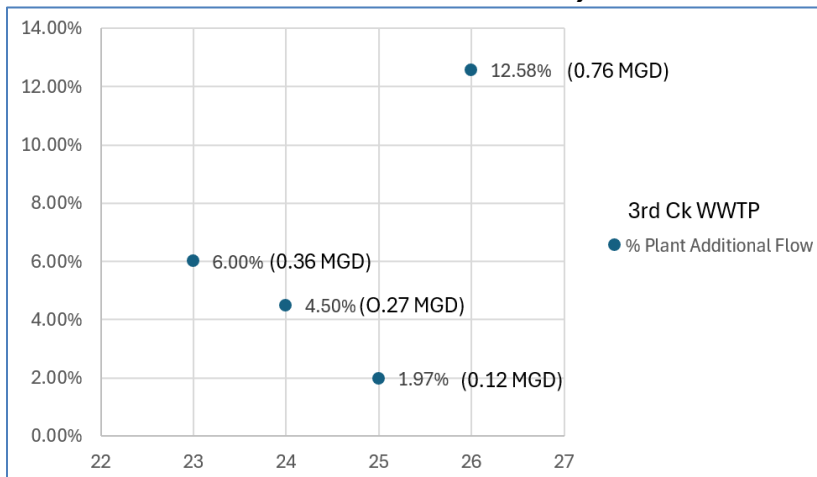


Figure 2
3rd Creek WWTP % Plant Additional Flow by CY



Soon, additional potential flows (programming development) will accrue to the 4th Creek WWTP, placing us at a 78% allocation. Prior to reaching the 80% allocation point, NCAC recommends beginning an engineering evaluation that will allow construction permits to continue to be issued after reaching the threshold¹.

As a result, based on the 4th Creek expected basin growth, we should immediately program funds in the FY 27 O&M budget for the start of the planning requirement associated with the 80% regulatory rule (will move us into the suggested DWR planning cycle: according to their guidance, “as a general rule, 1 ½ years should be allowed to complete the permitting process” for plant expansion²). Planning begins with an Engineering Alternatives Analysis (EAA) which is part of the requirements for a new or expanding wastewater treatment plant discharge³. Key evaluation components include:

- Current Flow: Includes residential, commercial, industrial, and infiltration/inflow (I/I) based on actual flow data or water billing records.
- Future Residential Flow: Twenty-year residential flows based on projected residential growth.
- Future Commercial Flow: Based on projected residential population growth.
- Future Industrial Flow: Based on documented known flows and an allowance for future unplanned industrial flows based on current land-use plans and local zoning.³

An 80% threshold planning point is critical so that all permits needed for construction are obtained prior to exceeding the 90 percent threshold of the system's permitted hydraulic capacity.¹

OPTIONS AND ISSUES: EXTENDING CAPACITY AT FOURTH CREEK WWTP

- 1. Third Creek WWTP Basin Transfer.** Discussions with McGill Associates (the A/E firm with inherent knowledge of our system based on past work) have focused on the possibility of diverting flow from the 4th Creek contributory area to the 3rd Creek WWTP (30& currently at flow allocation). The best identified course of action is for the construction of a lift station in proximity of Disposal Plant Road (the historical location of prior treatment facilities and central meeting point of much of the collection system north of I-40 and the downtown area).
- 2. CIP Financial Impacts.** Initial estimates from McGill Associates:
 - Disposal Plant Pump Station and Force Main. This project is sized for two (2) million gallons per day average daily flows and five (5) million gallons per day instantaneous peak flows, which also accommodates inflow and infiltration and spikes. Current estimates: FY 27, design, \$1.3M; FY 32, construction, \$13.1M.

- Interstate Pump Station Removal and Outfall. This project addresses expansion needs in the US 70 corridor and completes the transfer of flow from the Disposal Plant project to the 3rd Creek WWTP. Current estimates: FY 27, design, \$600k; FY 30, construction, \$8.3M.

The two projects must work together, with the latter being first to construct. This project also benefits the current I-70 corridor growth needs (the Interstate lift station is at capacity).

The CIP collection system identified projects will delay major plant expansion requirements at the 4th Creek WWTP. Economic development pressures could dictate move ups in program years. For example, expected growth in the I-77 Exit 54 area is a major driver necessitating near-term flow diversion. Along with the cross-basin transfer scheme, other projects (discussed below) will work in conjunction to address the overall Fourth Creek plant issue.

- 3. Fourth Creek WWTP EQ Basin.** The 4th Creek WWTP experiences high flows during wet weather events. The City has been fined and/or cited for exceedances associated with nutrient removal and flow, in violation of the City's National Pollutant Discharge Elimination Permit. Flow equalization has been identified as a plant need to prevent treatment plant upsets (i.e., overflows and nutrient removal issues) due to inflow and infiltration within the sewer collection system. The proposed equalization basin will be sized to accommodate future plant expansion associated with growth in the Fourth Creek basin and possible state-mandated regulatory actions for increased nutrient removal in the High Rock Lake basin by contributory point sources dischargers. Evaluation will address plant expansion, a project currently under contract for architect/engineer services with McGill Associates (\$125,000). A key component will be the incorporation of the equalization basin into future plant expansion as a biological nutrient removal tank. Construction cost estimate is \$2,000,000 (FY 27).
- 4. Fourth Creek I&I Study & Implementation.** Programmed FY 26 funds have been used for the asset inventory analysis (AIA) study for inflow and infiltration (I&I) (\$545,640). An initial FY 28 construction project fund request (placeholder) of \$3.6M is being submitted with the FY 27 CIP budget request to address the initial worse case infiltration impacts found by the AIA study. These projects have the additional benefit of accommodating the 4th Creek plant's future needs by addressing severe hydraulic flow impacts. Place holders funds in the CIP out years will be adjusted once projects are identified by the study.
- 5. Fourth Creek WWTP Expansion.** The expansion of the 4th Creek plant is being driven by the regulatory required planning threshold of 80% of permitted flow. Current flow allocations are at 72% (January 2026). The regulatory threshold for an expansion construction start is 90%. The current CIP planning associated with the water/sewer rate study includes design funding in FY 27/28 of \$3M and a \$30M placeholder for construction in FY 30. (Also, there is an associated \$80 million dollar placeholder for the Third Creek plant beyond FY 32.) Depending on the results of the EAA required for the Fourth Creek plant expansion,

anticipated courses of action could include a larger expansion of the Third Creek plant in conjunction with the permanent cross basin flow transfer for the Fourth Creek basin (requires adequate sizing of the Disposal Plant pump station system and other possible intra-basin package-type treatment facilities that would remove hydraulic loading on the Fourth Creek plant).

FUTURE PRESSURES IN THE FOURTH CREEK BASIN

Two major factors that will put pressure on the Fourth Creek WWTP, beginning in January of 2027, will be the US-21 corridor north of Jane Sowers Road to Exit 54 and areas north and west of Exit 54 with the potential to access the Jennings Park sewer expansion.

1. **Limiting Factor on Exit 54 Area Expansion.** The Fifth Creek lift station (aka auto auction lift station) will be a key capacity limiting parameter concerning Exit 54 area system. The regulatory design firm capacity of the lift station is 828 gallons per minute, or 1.2 MGD, with one of the two pumps off-line. By regulation, the design average daily flow evaluated will be 0.48 MGD. Accounting for the current contributory flow of 0.06 MGD, that leaves an Exit 54 available flow capacity of 0.42 MGD. However, there is a guaranteed allocation to NC DOT for the I-77 rest area of 0.025 MGD, with the current average flow from the rest area at 0.013 MGD. Debiting out the NC DOT balance leaves a working number for Exit 54 of 0.407 MGD, which matches the current planning estimate discussed below.
2. **Impacts of the Jennings Park Sewer Project.** Beginning in January of 2027, the Jennings Road sewer project will open major economic development opportunities in the I-77 Exit 54 area. Specific growth, as indicated by numerous recent inquiries, as well as programmed commercial and residential development along US 21, will stress the current capability of the 4th Creek WWTP in accepting additional flow. Conservative planning estimates using 50 plus acre parcels and housing densities of 2.4 residences per acre and base estimates for mixed-use and light commercial flow at 1720 gpd/acre indicate a potential future impact of 420,000 gallons per day west and north of Exit 54. Diverting this flow to 3rd Creek buffers the impact to the 4th Creek WWTP and will allow the balance of the 4th Creek WWTP contributory area to work within the 80 and 90 percent regulatory planning thresholds.¹

CONCLUSION AND RECOMMENDATIONS

Based on the above-known requirements, the following course(s) of action are recommended to address the forthcoming regulatory needs of the 4th Creek WWTP and expected development requirements:

- Continue the equalization basin project at 4th Creek WWTP, which will help address expected nitrogen-based limits on point-source discharge locations.

- Execute the Disposal Plant LS and FM project and the complementary Interstate Lift Station gravity sewer replacement project.
- Identify funding requirements and sources.
- Program funds to begin the regulatory driven engineering alternatives assessment to facilitate future plant expansion and operation.
- Complete the engineering alternatives assessment (EAA) program required debt service and begin procurement activities.
- As allowed by the debt service, and to the maximum possible, program inflow and infiltration remediation projects to minimize hydraulic impacts to the WWTPs.

REFERENCES

¹NCAC (2018). Demonstration of Future Wastewater Treatment Capacities. 15A NCAC 02T .0118. <http://reports.oah.state.nc.us/ncac/title%2015a%20-%20environmental%20quality/chapter%2002%20-%20environmental%20management/subchapter%20t/15a%20ncac%2002t%20.0118.pdf>

²NC DENR (March 2014). *Looking Ahead: Planning For An Expansion At Your Wastewater Treatment Plant*. NC DENR, DWR, Water Quality. <https://www.deq.nc.gov/planning-expansion-wastewater-treatment-plant/download?attachment>

³NC DWR (April 2014). *Engineering Alternatives Analysis (EAA) Guidance Document*. North Carolina Division of Water Resources. https://files.nc.gov/ncdeq/Surface%20Water%20Protection/NPDES/permits/eaaguidance-20140501-dwr-swp-npdes_13.pdf

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TO: Ron Smith, City Manager
FROM: Erika Martin, Planning Director
DATE: February 9, 2026
SUBJECT: ***Memo #8 – Growth Strategies***

This memorandum provides a concise overview of three widely referenced planning frameworks — Smart Growth, Strong Towns, and the 15-Minute City — and clarifies how each may inform local land use and development decisions.

1. Smart Growth. Smart Growth is a planning policy framework focused on managing growth in a sustainable and efficient manner. It emphasizes compact development, mixed uses, transportation choice, and protection of open space.

Key Characteristics:

- Concentration of development in designated growth areas
- Mixed-use and higher-density nodes
- Transit-oriented development
- Preservation of rural land and environmental assets
- Multimodal transportation networks

2. Strong Towns. Strong Towns is a fiscal resilience and incremental development philosophy focused on ensuring that public investments generate long-term financial sustainability.

Key Characteristics:

- Emphasis on maintenance of existing infrastructure before expansion
- Analysis of tax base per acre relative to public cost
- Preference for incremental, small-scale development
- Skepticism of large, debt-financed capital projects

3. 15-Minute City. The 15-Minute City is an urban design and access-based concept that seeks to ensure residents can meet most daily needs within a short trip — typically 15 minutes by walking, biking, or transit.

Key Characteristics:

- Neighborhood-scale mixed use
- Safe and connected pedestrian and bicycle infrastructure
- Distribution of essential services
- Reduced car dependency
- Focus on quality of life and equity

Areas of Alignment

While distinct, the three frameworks share common themes:

- Support for mixed-use and compact development
- Reinforcement of walkable, connected street networks
- Preference for reinvestment and infill over outward sprawl
- Emphasis on creating economically productive land use patterns

TO: Ron Smith, City Manager
FROM: Stacey Everette, HR Director
DATE: February 9, 2026
SUBJECT: **Memo #9 – Workforce Topics**

As the City of Statesville continues to navigate the challenges of providing high-quality public services to our community, it is essential that we also prioritize the well-being, satisfaction, and retention of our workforce. Employees are the foundation of service delivery, and maintaining a competitive and engaged workforce is critical to the City's long-term success. This information is intended to provide context for future discussions regarding compensation aimed at remaining competitive in attracting and retaining talent.

2025 Employee Engagement Survey - Summary Results

The 2025 Employee Engagement Survey indicates a generally high level of engagement among City of Statesville employees, reflecting a positive work environment and strong working relationships.

- Participation Rate: 87.38%
- Survey Tool: Survey Monkey
- Survey Length: 30 closed-ended questions and 1 open-ended comment section
- Survey Scale: 1-5 (Strongly Agree to Strongly Disagree)

Top 5 Strengths:

- Working Relationships: 94% of employees maintain good relationships with coworkers.
- Clear Expectations: 93% understand what is expected of them in their roles.
- Meaningful Work: 88% find their work meaningful and important.
- Pride in Employment: 90% express pride in working for the City of Statesville.
- Safety Concerns: 87% believe safety concerns are taken seriously.

Top 5 Areas of Opportunity:

- Compensation Concerns: 44% feel their pay isn't fair or competitive.
- Performance Management: 40% believe poor performance isn't adequately addressed.
- Promotion Process: 27% are dissatisfied with the promotion determination process.
- Favoritism Issues: 25% report concerns regarding favoritism.

- Employee Morale: 23% do not perceive high morale in their departments.

Overall, while employee engagement is high, there are areas for improvement, particularly performance management and promotion processes.

Employee Turnover Overview (Calendar Years 2022-2025)

Calendar Year	Voluntary Turnover %	Turnover %	Reasons
2022	9.30%	18.00%	Retirement, Low Morale, Pay
2023	7.60%	18.50%	Involuntary, Seasonal, Retirement
2024	9.70%	20.30%	Retirement, Relocating, Involuntary
2025	9.00%	16.30%	Involuntary, Retirement, Pay

Cost of Turnover: The estimate cost of turnover for the City of Statesville in 2025 was approximately \$1.35 million, based on a conservative replacement cost of 75%. The average cost to replace an employee is 50% to 200% of the annual salary, depending on the position. These costs include recruitment, overtime, training, and lost productivity.

2025 Market Study Results

The 2025 Market Study identified that the City of Statesville’s current minimum pay is 9.1% below the market entry rate. The proposed adjustment would place the City at 99.1% of market entry, significantly improving competitiveness at the point of hire.

Implementing the 2025 Market Study results alongside a Cost-of-Living Adjustment (COLA) represents a strategic approach to aligning compensation with current market conditions. Providing a COLA without addressing the market study findings may offer short-term relief, but it does not resolve the underlying compensation issues. This combined approach promotes internal equity, supports retention efforts, and reduces long-term turnover costs.

The estimated implementation cost of the market study is approximately \$680,000.

Cost-of-Living Consideration

The City of Statesville has made significant strides in addressing cost-of-living pressures over recent years. Below is the five-year COLA history.

Effective Date	Increase %
7/1/2021	0.00%
7/1/2022	2.00%
7/10/2023	8.00%

Effective Date	Increase %
7/8/2024	3.00%
7/7/2025	3.00%

There was a seven-year period (2008–2014) during which no COLA was provided, the impacts of which the City continues to address.

Comprehensive Benefit Package

Over the past several years, the City has made significant investments to enhance employee benefits and remain competitive in attracting and retaining a high-quality workforce.

Key benefit enhancements include:

1. High-Deductible Health Plan (HSA) Contributions
2. Limited-Purpose Flexible Spending Account (FSA)
3. Paid Bereavement Leave
4. Supplemental Dental Premium Contribution
5. Increased 401(k) Employer Match
6. Police Incentive Program
7. Fire Career Development Program Enhancements

Benefit Comparison Summary

Human Resources surveyed peer jurisdictions last year to compare benefit offerings. Responses were received from Iredell County, Town of Mooresville, City of Hickory, City of Salisbury, City of Kannapolis, Alexander County, Winston-Salem, and the City of Charlotte.

A key finding includes notable differences in vacation accrual practices. Additionally, the Employee Engagement Survey identified compensation-related enhancements as the number one benefit improvement requested by employees.

Accrual Timing: Several peer cities provide an incremental increase in vacation accrual after five years of service. In contrast, the City of Statesville’s vacation accrual rate does not increase until ten years of service.

City of Statesville Accrual Method:

- The City accrues vacation at a fixed monthly rate, regardless of daily work hours. As a result: Employees working 10-hour shifts earn 8 hours of vacation per month, which does not equate to a full day off for those schedules.

Equity Consideration: To provide a comparable benefit across work schedules, vacation accrual should result in equivalent time off, regardless of whether an employee works an 8-, 10-, 12- or 24-hour shifts.

Summary and Takeaways

As the City approaches fiscal year 2026–2027, the focus should be to remain competitive in attracting and retaining talent. A continued focus on compensation and benefits is essential to maintaining a strong, stable workforce. Over the past several years, the City has made meaningful progress in enhancing salaries and benefits; however, market pressures and employee feedback indicate further evaluation is warranted.

Moving forward, it is important to carefully evaluate and prioritize proposed compensation and benefit strategies to ensure the City remains competitive, supports employee retention, and aligns available resources with organizational and service delivery needs.

Proposed for Consideration

1. **Cost-of-Living Adjustment (COLA) – Recommended 3.0%**

A COLA helps employees maintain purchasing power and keeps compensation aligned with inflationary pressures. While COLA does not address structural pay gaps, it is an important component of maintaining overall compensation competitiveness.

Estimate Cost of COLA

Fund	1% COLA	2% COLA	3% COLA
General Fund	\$245,859	\$491,718	\$737,577
Airport	\$6,817	\$13,634	\$20,451
Public Power	\$32,571	465,142	\$97,713
Water/Sewer	\$33,692	\$67,384	\$101,076
Stormwater	\$4,018	\$8,036	\$12,054
Event Center	\$4,106	\$8,212	\$12,318
Estimate Factoring (LGERs, 401k, FICA)	\$92,937	\$185,874	\$278,811
	\$420,000	\$840,000	\$1,260,000

2. **Implemented Market Study: \$680,000**

Implementing the market study will align salaries with competitive benchmarks, address market lag and internal equity concerns, and support employee retention and workforce stability.

3. **Vacation Accrual Increase:** Further review the cost of a vacation accrual increase and develop a related policy.

By focusing on these areas, the City can continue building a stable and engaged workforce necessary to support future service delivery and organizational success.

TO: Ron Smith, City Manager
FROM: Erika Martin, Planning Director
DATE: February 9, 2026
SUBJECT: ***Memo #10 – Transportation Review***

CRTPO (Charlotte Regional Transportation Planning Organization) will provide an introductory overview to this federally mandated transportation and planning organization for our greater region. City Staff will then provide updates on public transportation projects.

Project Updates

- 5 Points (U-5964)
- Hwy 21 Improvements (U-5799)
- Hwy 21 Greenway Connector (EB-5818)
- Amity Hill Rd Bridge Replacement (BR-0084)
- Bethlehem Rd (U-6153)
- Cloverleaf Elementary School Pedestrian Crossing
- Shelton Ave Multi-Use Path (EB-5788)

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TO: Ron Smith, City Manager
FROM: John Ferguson, Airport Director
DATE: February 9, 2026
SUBJECT: **Memo #11 – Airport Grants**

City and airport staff has been very successful in recent years in obtaining grants for the development of the Statesville Regional Airport. These projects have resulted in an increase in airport activities. Below is a summary of the latest projects funded by the NCDOT Aviation Division and the FAA.

- Airport Terminal Building- Funded by funds directly from the State Legislature in the amount of \$13,000,000.
- South Corporate Hangar Development- Also part of the Legislature funds in the amount of \$9,000,000.
- Utility improvements to the airport with a grant from the FAA in the amount of \$3,100,000.
- Economic Development Grant through the NCDOT Aviation Division in the amount of \$7,100,000 for the construction of a hangar for Victory Air.
- Economic Development Grant in the amount of \$3,000,000 for the horizontal work to assist West Star Aviation in constructing a \$22,000,000 hangar.
- FAA Safety Grant in the amount of \$500,000 to remove a runway obstruction.
- FAA Discretionary Grant in the amount of \$9,000,000 to extend the runway safety area by 1,000 feet so larger aircraft can utilize the full length of the runway.

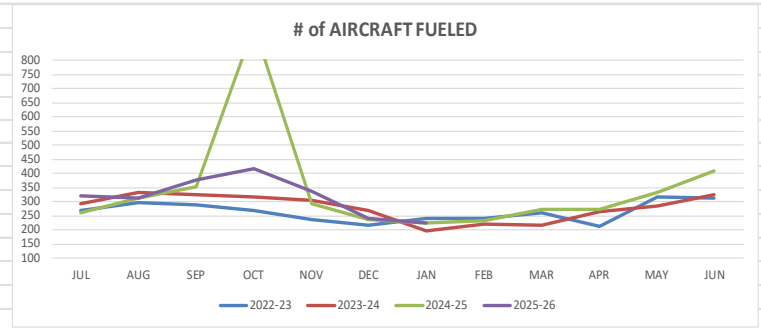
Future Projects not funded yet:

- Southwest Parallel Taxiway- \$18,000,000. This will be split into 3 phases.
- Airport Parking Apron Expansion- To accommodate a future flight school- \$2,000,000
- New Fuel Farm- To replace an aging fuel storage facility- \$2,000,000
- Land Acquisition East End of Runway- \$2,000,000

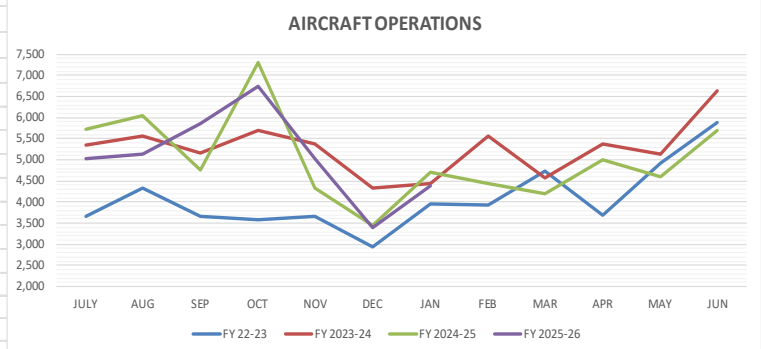
The following page highlights the activity over the past 3 years.

Airport Activity by planes fueled, take-offs and landings, and gallons sold

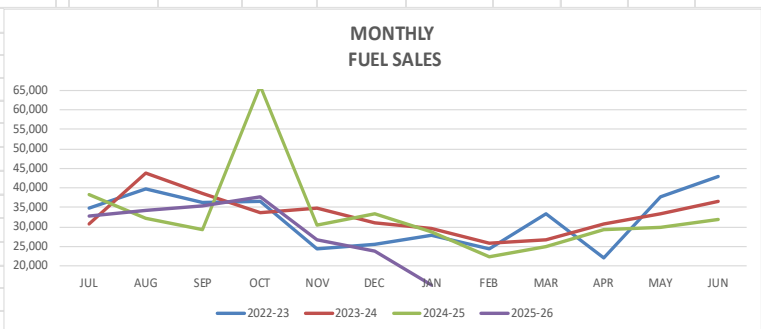
Planes Fueled	2022-23	2023-24	2024-25	2025-26
JUL	270	291	260	320
AUG	297	331	311	312
SEP	289	325	353	378
OCT	270	317	924	416
NOV	235	303	291	338
DEC	216	268	236	241
JAN	240	198	223	224
FEB	241	219	232	
MAR	259	218	272	
APR	211	266	273	
MAY	315	283	333	
JUN	314	326	410	
TOTAL	3,078	3,345	4,118	2,229



OPERATIONS (Take-off or a Landing)				
OPS	FY 22-23	FY 2023-24	FY 2024-25	FY 2025-26
JULY	3,655	5,347	5,732	5,035
AUG	4,339	5,576	6,057	5,143
SEP	3,659	5,174	4,765	5,859
OCT	3,591	5,687	7,307	6,751
NOV	3,665	5,371	4,328	5,034
DEC	2,926	4,331	3,453	3,387
JAN	3,967	4,436	4,709	4,380
FEB	3,933	5,575	4,445	206
MAR	4,727	4,565	4,211	
APR	3,698	5,386	4,996	
MAY	4,929	5,138	4,600	
JUN	5,881	6,641	5,699	
TOTAL	47,015	63,227	60,302	35,795



GALLONS	2022-23	2023-24	2024-25	2025-26
JUL	34,829	30,772	38,402	32,847
AUG	39,666	43,767	32,319	34,099
SEP	36,337	38,498	29,338	35,421
OCT	36,443	33,775	66,208	37,614
NOV	24,251	34,735	30,434	26,640
DEC	25,552	31,014	33,364	23,919
JAN	27,835	29,487	28,811	15,232
FEB	24,275	25,950	22,437	
MAR	33,271	26,726	25,048	
APR	21,999	30,775	29,426	
MAY	37,571	33,248	29,935	
JUN	42,875	36,467	31,888	
TOTAL	384,883	395,870	397,610	205,772



TO: Ron Smith, City Manager
FROM: Emily Kurfees, City Clerk
DATE: February 9, 2026
SUBJECT: ***Memo #12 – City Council Committees***

Council committees are advisory bodies created to assist the City Council by providing focused, in-depth review of policy issues, strategic initiatives, and community priorities. Committees promote collaboration among council members, staff, and residents while improving efficiency and effectiveness of the regular City Council meetings. All committees would serve in an advisory capacity and do not have independent decision-making authority.

Role of Council Committees

Council committees are intended to:

- Study issues requiring detailed analysis beyond regular Council meetings
- Serve as a forum for collaboration and public engagement
- Identify policy options, impacts, and trade-offs
- Support implementation of Council-adopted strategic goals
- Provide informed recommendations to the full Council

Committees complement, but do not replace, existing boards and commissions.

Committee Composition and Appointments

Each committee should include:

- Two to three Council Members, appointed by the Mayor or Council as a whole
- Members of the Public, appointed to provide community perspective and expertise
- City Staff, assigned to provide subject-matter expertise and administrative support

Committee assignments may be reviewed periodically to ensure balanced workloads and alignment with Council priorities. Most communities appoint members to Council Committees at their organizational meetings in December.

Committee Operations and Governance

- Committees may be standing or ad hoc and will have a clearly defined scope.
- Meetings must comply with open meetings and public notice requirements.
- Committees will forward recommendations to the full Council for consideration.

Meeting Cadence

To ensure consistency and effectiveness:

- Standing committees should meet monthly, depending on workload and priorities.
- Ad hoc committees should meet as needed for the duration of their assignment and dissolve upon completion of their task.
- Meetings should be scheduled on a predictable calendar to support public participation and staff coordination.
- Additional meetings may be called as necessary, subject to open meetings requirements.

Reporting Format and Communication

To maintain transparency and accountability:

- Committees should provide regular reports to the full City Council, either in writing or through verbal updates during Council meetings.
- Reports should include:
 - A brief summary of topics discussed
 - Key findings or issues identified
 - Any recommendations or requested Council direction, especially on items on the City Council Agenda
 - Next steps or anticipated future actions
- Written reports may be included in Council packets, while verbal updates should be concise and focused on actionable items related to the agenda.
- Committee recommendations should clearly indicate whether they are informational, advisory, or requesting Council action.

Possible Council Committees and Scope

After reviewing the City's past committees and other communities, including the City of Charlotte, the City of Winston-Salem, the City of Raleigh, and the City of Thomasville, a list of

possible Council Committees was developed in relation with the Front and Center Strategic Plan's Goals and the Council's priority areas.

Public Safety Committee

The Public Safety Committee would focus on policies and initiatives that protect the health, safety, and welfare of the City. This includes:

- Police, fire, and emergency management services
- Community policing strategies and crime prevention efforts
- Fire prevention, inspection, and emergency preparedness
- Code enforcement coordination related to public safety
- Review of public safety performance measures and community concerns
- Coordination with Iredell County on emergency preparedness

Quality of Life Committee

The Quality of Life Committee would address programs and services that enhance community well-being and civic pride, including:

- Parks, recreation, and greenway planning
- Arts, culture, and special events
- Neighborhood engagement and community programming
- Accessibility, inclusion, and services that improve overall livability

Transportation and Transit Committee

The Transportation and Transit Committee focuses on mobility, connectivity, and infrastructure planning, including:

- Street maintenance and capital transportation projects
- Traffic safety and congestion management
- Pedestrian, bicycle, and multimodal connectivity
- Public transit services and regional transportation coordination
- Long-range transportation planning and funding strategies
- Review of projects at Charlotte Regional Transportation Planning Organization (CRTPO) and on the Statewide Transportation Improvement Program (STIP)
- Microtransit discussions

Land Use and Planning Committee

The Land Use and Planning Committee could address growth management and development policies, including:

- Zoning and land development regulations
- Comprehensive and small-area planning
- Development review policies and processes
- Balancing growth, infrastructure capacity, and neighborhood character
- Provide input on text amendments to the Unified Development Code
- Coordination with planning board and other planning committees

Community Development and Housing Committee

The Community Development and Housing Committee focuses on strengthening neighborhoods and expanding housing opportunities, including:

- Affordable and workforce housing strategies
- Neighborhood revitalization and redevelopment efforts
- Homelessness prevention and housing stability initiatives
- Community development grants and partnerships
- Coordination with non-profits and housing providers
- Review of the HOME Funds Program and Affordable Housing Fund and Policy

Economic Development and Workforce Committee

The Economic Development and Workforce Committee supports a strong local economy and job growth, including:

- Business recruitment, retention, and expansion
- Downtown and corridor development strategies
- Workforce development and education partnerships
- Talent attraction and small business support
- Alignment of economic development with land use and infrastructure planning
- Recommend a member of the Iredell County Economic Development Corporation to be included on this committee.

Conclusion

A consistent meeting cadence and standardized reporting format will ensure council committees operate efficiently, remain transparent, and provide meaningful value to the City Council. This structure allows for focused policy work while preserving the Council's authority as the final decision-making body.

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TO: Ron Smith, City Manager
FROM: Emily Kurfees, City Clerk
DATE: February 9, 2026
SUBJECT: ***Memo #13 – Special Appropriations***

Each year, as part of the annual budget process, the City of Statesville solicits Special Appropriation funding requests from twelve agencies and nonprofit organizations that have historically participated in the program. Since FY 2016, both the list of funded organizations and the funding levels have remained largely unchanged.

The City currently provides Special Appropriations funding to the following organizations:

- Charlotte Regional Business Alliance – \$8,654
- Children’s Homes of Iredell County – \$5,000
- Children’s Hope Alliance – \$9,560
- Downtown Statesville Development Corporation – \$7,500
- Fifth Street Ministries – \$10,000
- Greater Statesville Chamber of Commerce – \$12,500
- Iredell County Active Transportation Service (ICATS) – \$75,000
- Iredell Arts Council – \$5,000
- Iredell County Council on Aging (Social Services Project, Elderly Nutrition Program, and Senior Center) – \$13,331
- Iredell Museums – \$3,750
- Iredell County Rescue Squad – \$6,500
- LifeSpan, Inc. – \$25,000

Approximately ten years ago, City Council directed staff to place a cap on the amount given in Special Appropriations to those on this list and at the amount stated. In addition, if one of the organizations does not request funding they will be removed from the list and not added back on. Since that time, no additional organizations have been added to the program.

City Council decided at the Winter Retreat in 2024 to keep the cap on Special appropriations and not add any additional funds or organizations. Despite this cap, the City continues to receive multiple funding requests each year from nonprofit organizations seeking to partner with the City to address community needs.

Strategic Considerations

In many cases, partnering with nonprofit organizations may allow the City to advance its Strategic Plan Mission, Vision, and Goals in a more cost-effective and efficient manner. Numerous community organizations share the City's vision that "Statesville will be a vibrant regional center that provides a higher quality of life for ALL."

In prior years, the City has received funding requests from organizations such as Dove House (child advocacy), Village Intervention Partnership (community and child advocacy), and Foundations of Hope Ministries (homelessness services). Additionally, proposals such as the United Way's affordable and attainable housing initiatives could reasonably fall within the scope of Special Appropriations.

Other municipalities allow any qualifying nonprofit organization within their jurisdiction to apply for special appropriations funding. These programs typically include a more structured application and evaluation process to ensure accountability, transparency, and clear alignment with community priorities.

Funding Policy

The City of Statesville recognizes that nonprofit organizations play a vital role in enhancing the quality of life for residents by delivering services in a cost-effective and community-focused manner. The City is committed to providing financial assistance to nonprofit organizations that help advance the City's Strategic Plan initiatives and that:

- Demonstrate a clear contribution to the City's Mission and Vision;
- Support delivery of services the City does not provide or that can be delivered more effectively through partnership;
- Enhance the City's overall function or service delivery; or
- Address a documented community need through their programs or services.

All funding requests will be evaluated by the City's budget team, with funding recommendations forwarded to City Council for consideration during the annual budget retreat.

Application Process

To improve accessibility and transparency, the Special Appropriations policy and application will be made available on the City's website. The application process will include the following requirements:

- All nonprofit organizations must submit a formal funding request for City review every year.
- Organizations receiving funding may be required to provide mid-year documentation detailing how funds were expended.
- The following materials must be submitted by the established deadline to be considered for funding:

- A completed application
 - A copy of the organization's current IRS 501(c)(3) status determination letter
 - A list of current board members
 - The most recent financial statement or audit
- City Council will take final action on all Special Appropriations funding requests as part of the annual budget adoption process.
- Funding must be requested within the fiscal year for payment between July 15 and June 15 of each fiscal year.

Summary and Takeaways

- The City is experiencing an increase in funding requests from nonprofit organizations that serve Statesville residents.
- Twelve organizations currently receive Special Appropriations funding, with no changes to funding levels or recipients since 2016.
- Many nonprofit organizations working closely with City staff to advance the City's Mission and Vision are unaware this funding opportunity exists.
- Updating the Special Appropriations policy and application process would better support achievement of the City's Strategic Plan goals.
- A revised process would improve transparency, accountability, and Council's understanding of how taxpayer dollars are invested in the community.

Request – Is the Council interested in expanding the list of agencies that receive special appropriations? If so, is there information you would find helpful in vetting these organizations through the budget process?

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