

The Smithfield Town Council held a Public Hearing on Tuesday, June 9, 2015, at 6:00 pm. in the Council Chambers of the Smithfield Town Hall. Mayor John H. Lampe II presided.

Councilmen Present:

M. Andy Moore, Mayor Pro-Tem
Marlon Lee, District 1
J. Perry Harris, District 2
Travis Scott, District 3
Emery D. Ashley, At-Large
Charles A. Williams, At-Large

Councilmen Absent

Roger A. Wood, District 4

Administrative Staff Present

Paul Sabiston, Town Manager
Lenny Branch, Public Works Director
Paul Embler, Planning Director
Patrick Harris, Emergency Services
Gary Johnson, Parks & Rec Director
Tim Kerigan, Human Resources/PIO
Michael Scott, Chief of Police
Greg Siler, Finance Director
Shannan Williams, Town Clerk

Call to Order

Mayor Lampe called the meeting to order at 6:02 pm.

Prior to approving the agenda, Councilman Ashley questioned why a Closed Session was added to the agenda. Mayor Lampe responded that the Closed Session was added at the request of a Councilmember to discuss a personnel matter.

Approval of Agenda

Councilman Scott made a motion, seconded by Councilman Williams, to approve the agenda as submitted. Unanimously approved.

Public Hearing to gain comments pursuant to NCGS 159-12(b):

1. Brief Introduction of the FY 2015-2016 Budget

Town Manager Paul Sabiston informed the Council that the budget presented to them was a balanced budget with the general fund total of \$13,862,098. The Capital Expenditures for the general fund totaled \$1,580,000. In the recommended FY 2015-2016 budget, it was proposed that the Town borrow \$969,000 in traditional bank financing and transfer \$300,000 from the general fund balance to fund capital expenditures. Also as part of the general fund, there was \$550,247 in the Contingency Line Item (10-4100-3400). Contingency funds could be preserved or used to help pay for some of the capital items.

In the Utility Funds, Town Manager Paul Sabiston explained to the Council that the Town had substantial capital needs in the Water/ Sewer, Water Plant and Electric Departments. Mr. Sabiston explained that approximately \$1,046,000 was needed for capital improvements at the Water Plant and \$1,651,000 was needed for capital improvements in the Water/Sewer Department. The majority of the capital needs in the Water/ Sewer Department is to perform Infiltration and Inflow corrections to the lines. Making repairs to the sewer lines will essentially pay for itself over a two year period. Included in this budget was a recommended base rate increase that would help fund some of the infrastructure needs.

In the Electric Department, \$1,766,000 was needed for capital improvements. Of that \$1.7 million, \$1.3 million was needed to purchase an additional transformer for the Brogden Road Substation. Mr. Sabiston explained that purchasing the transformer can be delayed, but it is a part of the long plan and not recommended by staff. Mr. Sabiston further explained that with the North Carolina Eastern Municipal Power Agency (NCEMPA) and Duke Energy Progress (DEP) asset sale, wholesale rates will be lowered and the Town can pass those savings on to the consumers once the cost of service study is completed. Rates could be lowered in November and December.

Public Hearing

Councilman Scott made a motion, seconded by Councilman Harris, to open the Public Hearing. Unanimously approved.

Public Comments

James Snyder questioned the other revenue category in the Budget Ordinance. Mr. Sabiston explained that there are many other revenue categories that are not defined in one of the major revenue categories. Finance Director Greg Siler reiterated that there are many miscellaneous fees and revenues that make up the "other" revenue category.

Councilman Harris made a motion, seconded by Councilman Williams, to close the Public Hearing. Unanimously approved.

Budget Descriptions

Councilman Harris stated that there are some of the descriptions/details that are not accurate in the budget documents. He asked that all descriptions be reviewed and corrected.

Contact Services

Councilman Harris questioned why there were two different line items for contract services. Mr. Siler explained that the Finance Department was attempting to make similar line items consistent for each department.

Water Base Rate Increase

Councilman Harris made a motion, seconded by Councilman Scott, to increase the water base rate from \$5.47 to \$6.02 for in town residents and from \$10.91 to \$12.00 for out of town residents. Councilman Harris, Councilman Scott, Mayor Pro-Tem Moore, Councilman Lee, and Councilman Williams voted in favor of the motion. Councilman Ashley voted against the motion. Motion carried 5 -1.

Mayor Pro-Tem Moore questioned how this rate increase would impact the Town. Interim Public Utilities Director Pete Connet responded that it would impact the overall budget. He stated that it would drastically increase the amount of fund balance or borrowing the Town would need for capital improvements. Mr. Connet strongly recommended the rate increase of \$9.00 for in town residents and \$15.00 for out of town residents.

Councilman Scott stated that in FY 2010-2011 a rate increase was proposed but was never implemented.

Councilman Ashley questioned how the rate proposed by Councilman Harris would affect the capital improvements being proposed. Mr. Sabiston stated that some capital improvements may have to be eliminated. Mr. Sabiston further stated that he would be very concerned to transfer large amounts from the fund balance to pay for capital improvements.

Councilman Ashley stated that this council has discussed the need to repair the infrastructure. One of the greatest services we can provide to our customers is a quality water supply and a quality sewer system. There are some major repairs that are necessary and they need to be completed.

Councilman Williams questioned if the funds budgeted for the AMI system was something that could be delayed. Mr. Connet responded that the AMI system will pay for itself. Mr. Connet stated that the water system could be delayed a year, but he still recommended to proceed on the electric side.

Councilman Ashley questioned the County's base rate. Mr. Ashley stated that he was sure someone on the Council proposed that the Town adopt Johnston County's base rate. Mr. Connet responded that the County's base rates were much higher than the Town's.

Mayor Pro-Tem Moore stated that infrastructure was something that the Council has been talking about for a while. He explained that this is a nationwide issues and it is a very expensive proposition. His recommendation was to support Councilman Harris's rate increase because the Town could increase rates at any time during the budget year if it was necessary.

Sewer Base Rate

Councilman Harris made a motion, seconded by Councilman Williams, to raise the sewer base rates to from \$6.98 to \$7.98 for in town residents and from \$13.98 to \$15.00 for out of town residents. Councilman Harris, Councilman Williams, Mayor Pro-Tem Moore, Councilman Scott and Councilman Lee voted in favor of the motion. Councilman Ashley voted against the motion. Motion carried 5-1.

Councilman Harris questioned the need for the sludge study. Water Plant Superintendent Dale Boyette responded that it could be delayed but the study will show staff mechanical applications needed to process the sludge on site.

Economic Development – Electric Fund

Councilman Harris questioned the budgeted \$11,000 in the utility fund economic development line item (31-7230-3700). Mr. Sabiston explained that these funds are utilized for potential new business and growth of existing businesses.

Councilman Harris made a motion, seconded by Councilman Scott, to delete the \$11,000 proposed in the Economic Development Line Item 31-7230-3700 and if the Town Manager deemed that these funds are needed he can come back to the Council to request funding. Unanimously approved.

Electric Rates

Councilman Harris made a motion, seconded by Mayor Pro-Tem Moore, to reduce all electric rates across the board 5% on the date that the NCEMPA – DEP agreement becomes implemented and on the date the Town started saving from the agreement. Unanimously approved.

Mayor Lampe stated that he believed that the Council was waiting for the rate study to be completed in order to see how much the rates could be reduced.

Councilman Scott stated that he had concerns about purchasing the transformer in this fiscal year. Mr. Connet responded that the transformer was a necessity. Staff currently cannot perform routine maintenance because the current transformer does not have a back-up and in the event of something more catastrophic, a large portion of the Town would be without power for an undetermined amount of time.

Water/ Sewer Backhoe

Councilman Harris made a motion, seconded by Mayor Pro-Tem Moore, to reduce the proposed amount of \$140,000 to replace a 1996 Backhoe in the Water/Sewer Department to \$70,000 to purchase a used model. If staff cannot find a backhoe for \$70,000 then they can come back to Council and seek additional funds. Unanimously approved.

Cell Phone allowance

Councilman Harris made a motion, seconded by Councilman Williams, that the maximum cell phone allowance for any employee other than the Town Manager be \$600 per year. Unanimously approved.

Employee pay increases

Councilman Harris made a motion, seconded by Councilman Williams, that the employee pay increases be capped at 2%. This will be a merit based increase and no employee increase will exceed 2%. Unanimously approved.

Aquatic Center and Parks & Recreation Fees for Nonresidents

Councilman Harris made a motion, seconded by Councilman Williams, to increase all Aquatics and Park and Recreation fees for nonresidents by 10%. Unanimously approved.

Councilman Harris stated that if Parks and Recreation Director Gary Johnson noticed that this increase becomes a problem then he can come back to the Council for a rate increase.

Mayor Pro-Tem Moore asked if Councilman Harris would consider directing staff to look at the impact that this rate reduction would have on the parks and aquatics programs. Councilman Perry stated that he would like to leave his motion as is.

Councilman Ashley questioned if team sports and tournaments were also included in the rate increase. Mr. Harris responded that they were included in the nonresidents rate increase.

Councilman Harris also stated that scholarships should be limited to only in town residents and asked that a report be submitted to Council on the amount of scholarship awarded and how they were being processed.

General Government Professional Dues/ Fees

Councilman Harris made a motion, seconded by Councilman Ashley, to remove from the General Government Line Item 10-4100-0400: \$20,000 for legal research re: school redistricting and \$10,000 for legal research re: HAPP assignments in JoCo. Unanimously approved.

Contribution to General Fund from the Water/Sewer Fund- Payment in Lieu of Taxes

Councilman Scott made a motion, seconded by Councilman Harris, to not transfer from the water/ sewer fund from line item 30-7220-9100 to the general fund in the amount of \$85,404.00 in an effort to help pay for some of the proposed capital items. Councilman Scott, Councilman Harris, Councilman Ashley, Councilman Lee and Councilman Williams voted in favor of the motion. Mayor Pro-Tem Moore voted against. Motion carried 5-1.

Mayor Pro-Tem Moore reminded the Council of the financial situation the Town was in several years ago when the fund balance was at its all-time low. His recommendation was to leave the transfer in as recommended.

Dry Cleaning

Councilman Williams questioned if the budget amount of \$10,000 for dry cleaning would reduce the amount in the uniform line item. Chief Scott responded that it would not reduce his budget for uniforms.

Mayor Pro-Tem Moore questioned if the dry cleaning was included would it eliminate the night shift uniforms. Chief Scott stated that it would eliminate the night shift uniforms.

Additional Meeting

It was the consensus of Council that an additional meeting was necessary in order to adopt the FY 2015-2016 budget.

Closed Session & Recess

Councilman Scott made a motion, seconded by Mayor Pro-Tem Moore, to cancel the closed session meeting and recess the Budget Hearing until June 22, 2015 at 6:00 pm. Unanimously approved.

The meeting recessed at approximately 8:03 pm.

ATTEST:

John H. Lampe II, Mayor

Shannan L. Williams, Town Clerk