

The Smithfield Town Council met in special session on Tuesday, December 8, 2015 at 7:00 p.m. in the Council Chambers of the Smithfield Town Hall. Mayor M. Andy Moore presided.

Councilmen Present:

Emery D. Ashley, Mayor Pro-Tem  
 J. Perry Harris, District 2  
 Travis Scott, District 3  
 John A. Dunn, At-Large  
 Stephen Rabil, At-Large

Councilmen Absent

Marlon Lee, District 1  
 Roger A. Wood, District 4

Administrative Staff Present

Jim Freeman, Interim Town Manager  
 John Blanton, Interim Fire Chief  
 Lenny Branch, Public Works Director  
 Pete Connet, Interim Public Utilities Director  
 Paul Embler, Planning Director  
 Gary Johnson, Parks & Rec Director  
 Tim Kerigan, Human Resources/PIO  
 Michael Scott, Chief of Police  
 Greg Siler, Finance Director  
 Shannan Williams, Town Clerk

**APPROVAL OF AGENDA:**

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

**CONSENT AGENDA:**

Councilman Harris made a motion, seconded by Councilman Rabil, to approve the following items as listed on the Consent Agenda:

1. Bid award and purchase approval of a 2016 Ford F150 service truck from Deacon Jones Auto Group to be utilized by the Public Works Sanitation Division in the amount of \$27,038.00. This is a FY 2015-2016 budget items:

Bids were solicited from the following vendors:

- Deacon Jones Auto Group \$27,038.00
- Capital Ford Inc. \$29,603.00
- Kenly Ford Inc. \$31,159.00

2. Career Ladder and reclassification for Public Utilities Water/Sewer Department. The Pump Station Mechanic is currently included in the approved Pay Plan at Pay Grade 12.

Approved classification additions:

- Pay Grade 10:Pump Station Mechanic Trainee (little to no experience)
- Pay Grade 13:Pump Station Mechanic II

3. Approved proceeding with bidding the additional transformer at the Brogden Road Substation when Plans and Specs are completed.
4. Approved FY 2015- 2016 Budget Amendments

<u>GENERAL FUND</u>	<u>BEFORE</u>	<u>ADJ.</u>	<u>AFTER</u>
<b>1. Expenditures</b>			
10-4110-5711 Non-Departmental/Public Library	\$ 250,000	\$ 2,834	\$ 252,834
10-9990-5300 General Fund Contingency	<u>338,160</u>	<u>(2,834)</u>	<u>335,326</u>
	<u>\$ 588,160</u>	<u>\$ -</u>	<u>\$ 588,160</u>

To fund 1/3 of the library's HVAC compressor repair as approved at the November 10, 2015 council meeting

**2. Revenue**

10-3560-0006 SRAC Vending	\$ 2,100	\$ (2,100)	\$ -
10-3541-0001 Recreation/Pepsi Sponsorship	<u>10,300</u>	<u>2,100</u>	<u>12,400</u>
	<u>\$ 12,400</u>	<u>\$ -</u>	<u>\$ 12,400</u>

To move SRAC vending budget to Pepsi sponsorship as they are one in the same

**3. Revenue**

10-3900-1101 Cemetery - Riverside Lot Sales	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
10-5500-3201 General Services - Riverside Ext. Inc. Reimb.	<u>-</u>	<u>20,000</u>	<u>20,000</u>

To fund Riverside Ext. lot sales and reimbursements

**4. Expenditures**

10-4110-5710 Non-Departmental/ Chamber Marketing Initiative	\$ 40,000	\$ (8,000)	\$ 32,000
10-4110-5717 Non-Departmental/Web Design and Maintenance	<u>-</u>	<u>8,000</u>	<u>8,000</u>
	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>

To fund Town of Smithfield new web design/maintenance with chamber marketing initiative funds as approved by council

**5. Expenditures**

10-4110-5503 Non-Departmental / Misc.- Settlements	\$ -	\$ 5,976	\$ 5,976
10-9990-5300 General Fund Contingency	<u>335,326</u>	<u>(5,976)</u>	<u>329,350</u>
	<u>\$ 335,326</u>	<u>\$ -</u>	<u>\$ 335,326</u>

To fund Town vs Partner's Equity condemnation settlement. File #11CVS4181

**6. Revenue**

10-3700-0000 Gen. Fund Miscellaneous Revenue	<u>\$ 8,000</u>	<u>\$ 825</u>	<u>\$ 8,825</u>
10-5100-3300 Police - Supplies/Operations	<u>75,710</u>	<u>825</u>	<u>76,535</u>

To increase police operations budget equal to the amount of auction proceeds as all remaining proceeds after expenses are turned over to the local school system

**WATER/SEWER FUND**

**7. Expenditures**

30-9990-5300 Water/Sewer Distribution - Contingency	\$ 270,709	\$ (72,300)	\$ 198,409
30-7200-3502 Water Plant - Bldg Demo and Asbestos Removal	<u>-</u>	<u>72,300</u>	<u>72,300</u>

\$ 270,709      \$ -      \$ 270,709

To establish and fund the old water plant demolition and asbestos removal as approved at the November 10, 2015, council meeting.

**Capital Projects -Water/Sewer Fund (Fund 45)**

**8. Expenditures**

45-7220-7412 I & I E. Smithfield	\$ 100,000	\$ (100,000)	\$ -
45-7220-7413 I & I S. & W. Smithfield	<u>800,000</u>	<u>100,000</u>	<u>900,000</u>
	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>

To combine two I & I projects into one at the Utility Director's request as invoices will come as one project. Also to change the name on 45-7220-7413 to I & I E.,S., & W. Smithfield

Approved by the Smithfield Town Council this the 8th day of December, 2015

5. Approval to pay off two high interest USDA Loans totaling \$479,832 utilizing general fund balance.

Description	Original Loan Amount	Interest Rate	Original Term	Loan Date	Maturity Date	Annual Payment	12/15/2015 Pay Off
EMS Bldg #1	300,000.00	4.130%	30	03/08/07	03/08/37	17,616	259,508
Downtown Revitalization (Streetscape)	250,000.00	4.375%	30	12/07/06	12/07/36	15,125	220,325

6. The Parks and Recreation Department gained approval to solicit bids for the construction of the Inclusion Playground and Miracle League Field at the Smithfield Community Park.
7. Approval of a Memorandum of Understanding between the Public Library of Johnston County and Smithfield, Johnston County and the Town of Smithfield as it relates to unbudgeted and unanticipated emergency expenses at the Library.

Unanimously approved.

**BUSINESS ITEMS:**

- 1. Bid Award to Four Oaks Bank and Trust for the financing of multiple water and sewer projects estimated to cost \$1.43 million.**

Finance Director Greg Siler addressed the Council on approval of a bid award for financing of multiple water and sewer projects. The projects included:

Closed Circuit TV inspection and cleaning of approximately 39,250 linear feet of sewer line and rehabilitation of approximately 10,000 linear feet of sewer lines and replacement/repair of approximately 36 manholes in East, South and West Smithfield (\$900,000)

Install a sand removal system and related equipment at the raw water intake at the Neuse River (\$530,000)

Mr. Siler explained that a request for proposal was sent out on November 30<sup>th</sup>, soliciting bids for the financing and only one proposal was received. Four Oaks Banks and Trust proposed 3.05% for 12 years with semi-annual payments. The fixed semi-annual payment is \$71,784.94.

**Loan information:**

Total interest over 12 years \$ 292,838

First semi-annual payment of \$71,784.94

Total annual payment of \$143,569.86

Amount paid throughout the life of loan agreement is \$1,722,838

Mr. Siler explained that many financial institutions didn't have the appetite for this type of loan or the term of the loan. He did explain that this loan could have a total life of 10 or 12 years.

Councilman Scott stated that this was something that definitely needed to be done.

Mayor Moore stated for the record that the closed circuit inspection project was currently underway.

Mr. Siler explained that the Water/ Sewer fund balance reduction was due to the inflow and infiltration problems and fixing the problems would resolve the fund balance issues.

Councilman Harris made a motion, seconded by Councilman Scott, to award the bid to Four Oaks Bank. Mayor Pro-Tem Ashley amended Councilman Harris' motion by adding awarding the bid to Four Oaks Bank for a total term of ten years and approval of Resolution #572 (22-2015). Councilman Harris and Councilman Scott agreed to the Mayor Pro-Tem Ashley's amendment. Unanimously approved.

Mayor Moore explained that Resolution # 573 was necessary because the I & I project was currently underway and some funds have already been spent. Funds from loan proceeds would be used to reimburse the funds spent from the Water/Sewer Fund.

Councilman Harris made a motion, seconded by Councilman Dunn, to approve Resolution #573 (23-2015). Unanimously approved.

**TOWN OF SMITHFIELD  
RESOLUTION #572 (22-2015)  
APPROVING FINANCING TERMS**

**WHEREAS:** *The Town of Smithfield ("Town") has previously determined to undertake a project for the financing of inflow and infiltration correction; and sand removal system, (the "Projects"), and the Finance Officer has now presented a proposal for the financing of such Project.*

**BE IT THEREFORE RESOLVED, as follows:**

1. *The Town hereby determines to finance the Projects through Four Oaks Bank in accordance with the proposal dated December 2, 2015. The amount financed shall not exceed \$1,430,000, the annual interest rate (in the absence of default or change in tax status) shall not exceed 2.90%, and the financing term shall not exceed 10 years from closing.*
2. *All financing contracts and all related documents for the closing of the financing (the "Financing Documents") shall be consistent with the foregoing terms. All officers and employees of the Town are hereby authorized and directed to execute and deliver any Financing Documents, and to take all such further action as they may consider necessary or desirable, to carry out the financing of the Projects as contemplated by the proposal and this resolution. The Financing Documents may include a Financing Agreement, UCCs, and/or a Project Fund Agreement as Four Oaks Bank may request.*

3. *The Finance Director is hereby authorized and directed to hold executed copies of the Financing Documents until the conditions for the delivery of the Financing Documents have been completed to such officer's satisfaction. The Finance Director is authorized to approve changes to any Financing Documents previously signed by Town officers or employees, provided that such changes shall not substantially alter the intent of such documents or certificates from the intent expressed in the forms executed by such officers. The Financing Documents shall be in such final forms as the Finance Director shall approve, with the Finance Director's release of any Financing Document for delivery constituting conclusive evidence of such officer's final approval of the Document's final form.*
4. *The Town shall not take or omit to take any action the taking or omission of which shall cause its interest payments on this financing to be includable in the gross income for federal income tax purposes of the registered owners of the interest payment obligations. The Town hereby designates its obligations to make principal and interest payments under the Financing Documents as "qualified tax-exempt obligations" for the purpose of Internal Revenue Code Section 265(b)(3).*
5. *The Town intends that the adoption of this resolution will be a declaration of the Town's official intent to reimburse expenditures for the projects that is to be financed from the proceeds of the Four Oaks Bank financing described above. The Town intends that funds that have been advanced, or that may be advanced, from the Town's water/sewer fund, or any other Town fund related to the project, for project costs may be reimbursed from the financing proceeds.*
6. *All prior actions of Town officers in furtherance of the purposes of this resolution are hereby ratified, approved and confirmed. All other resolutions (or parts thereof) in conflict with this resolution are hereby repealed, to the extent of the conflict. This resolution shall take effect immediately.*

**TOWN OF SMITHFIELD, NORTH CAROLINA  
RESOLUTION # 573 (23-2015)  
DECLARATION OF OFFICIAL INTENT TO REIMBURSE**

*This declaration (the "Declaration") is made pursuant to the requirements of the Unified States Treasury Regulations Section 1.150-2 and is intended to constitute a Declaration of Official Intent to reimburse under such Treasury Regulations Section.*

*The undersigned is authorized to declare the official intent of The Town of Smithfield, North Carolina, (the "issuer") with respect to the matters contained herein.*

1. *Expenditures to be Incurred. The Issuer anticipates incurring expenditures (the "expenditures") for the inflow and infiltration correction; and sand removal system projects (the "projects").*
  2. *Plan of Finance. The Issuer intends to finance the costs of the projects with the proceeds of debt to be issued by the Issuer (the "Borrowing"), the interest on which is to be excluded from gross income for Federal income tax purposes.*
  3. *Maximum Principal Amount of Debt to be Issued. The maximum principal amount of the Borrowing to be incurred by the Issuer to finance the Projects is \$1,430,000.*
  4. *Declaration of Official Intent to Reimburse. The Issuer hereby declares its official intent to reimburse itself with the proceeds of the Borrowing for any of the expenditures incurred by it prior to the issuance of the borrowing.*
- 2. Bid Award to R.D. Braswell Construction for the construction and installation of related equipment for the Sand Removal System at the Smithfield Water Treatment Plant**

Interim Public Utilities Director Pete Connet addressed the Council on a request to award the bid for construction and site work at the Water Treatment Plant – Sand Removal System to R.D. Braswell

Construction in the amount of \$246,681.10. This construction is necessary for the pump and sand separation equipment that will be installed in the spring of 2016.

Mayor Pro-Tem Ashley made a motion, seconded by Councilman Harris, to award the contract to R.D. Braswell Construction in the amount of \$246,681.10 for the construction and installation of related equipment for the Sand Removal System at the Smithfield Water Treatment Plant. Unanimously approved.

### **3. Discussion on bidding new Sludge Handling Equipment for the Water Plant**

Interim Public Utilities Director Pete Connet addressed the Council on a proposed plan to try and reduce costs for treatment and disposal of the sludge material left from the water treatment process. Mr. Connet explained that Water Plant Staff had been conducting some Pilot Tests on Sludge Handling Equipment for the Water Plant. Plant Superintendent Dale Boyette visited the Town of Grifton and seen the proposed type of equipment in operation. We have also had two vendors bring their mobile equipment on site to run pilot tests on our waste and to de-water it for disposal. Currently, we are pumping the liquid waste from waste holding basin and either applying to a permitted agriculture site during dry times or hauling it to the County treatment facility for dewatering and disposal. At this time, Johnston County is charging approximately \$750/wet ton to process, or if it is dry they will only charge around \$58.00/ton to dispose of the de-watered waste. The current budget has allocated \$200,000 for sludge removal by our contract hauler and \$150,000 for Landfill Charges to the County or a total of \$350,000.

Mr. Boyette provided the following information on his estimated operational costs if the new equipment were available before July 2016:

\$ 72,000 annually for disposal  
\$ 10,000 for electricity  
\$ 8,000 for polymer  
\$ 90,000 annual operating cost beginning FY 16-17

Mr. Boyette informed the Council that he was also working with Granville farms to further reduce the disposal costs. It is possible that they will haul the dried sludge away for \$42.00 per dry ton. That price includes dumpster rental. His calculations suggest that the disposal can be reduced from \$72,000 per year to about \$40,000. Annual operating budget for sludge would be about \$60,000 in FY 16-17.

Mr. Connet explained that he and Mr. Boyette estimated that a proposed budget for this project would not exceed \$300,000 for the equipment and related engineering work. Both have discussed this with the Finance Officer and Interim Manager and all of us see this project paying for itself in one year. Funds to pay for a portion of this cost can possibly come from savings in other line items and/or capital projects. A loan for the balance may be needed or an appropriation from Water/Sewer Fund Balance.

Councilman Harris questioned if staff would need to come back to Council in the future to gain approval for additional funds. Mr. Connet responded that the equipment and installation should cost approximately \$300,000. He stated that staff is confident with savings from several projects and reallocating unspent economic development funds, the \$300,000 needed for the project was possible.

Councilman Harris stated that the Council should discuss in the future monies that have been allocated for economic development and how Mr. Kerigan will be able to use it.

Councilman Scott questioned if the Water Plant would have adequate staffing to manage this sludge. Mr. Boyette responded that an additional staff member would be proposed in the upcoming budget, but that staff member would be responsible for all maintenance of the Water Plant.

Councilman Scott made a motion, seconded by Councilman Harris, to allow staff to proceed with the bid process of Sludge Handling Equipment for the Water Plant. Unanimously approved.

**4. Discussion regarding the Town Manager Hiring Process**

Interim Town Manager Jim Freeman reported to the Council that 33 applications have been received for the Town Manager position. Mayor Moore stated that staff was seeking direction from the Council on how to proceed with the process.

Mayor Pro-Tem Ashley suggested that the Council be given two or three weeks to review the applications. Each Councilmember should choose five or six candidates to discuss during a close session at the January 5, 2016 regular meeting. It was the consensus of the Council to follow the suggestions made by Mayor Pro-Tem Ashley.

**5. Discussion concerning setting the date for the rate and load management workshop in January.**

It was the consensus of the Council to hold a special workshop on Tuesday, January 26<sup>th</sup> at 6:00 pm Cecil Rhodes of Electricities will be present to discuss load management efforts. Further review of electric rates reductions will also be discussed.

**6. Discussion concerning the State Health Plan**

Human Resources Director Tim Kerigan discussed with the Council the potential of the Town switching to the State Health Plan for employee health insurance. He explained that there are a lot of variables in comparing the Town’s current Health Plan with the State’s Health Plan. The Town’s core plan is an 80/20 plan. The State’s core plan is a 70/30, but employees can elect and pay an additional cost of \$13.56 for an 80/20 as long as several wellness checks were met. If the Town switched from our current plan to the State’s 70/30 plan it would save the Town and estimated \$78,000 this year.

Mr. Kerigan explained that the current premiums are as follows:

FY 2015-16 Totals	Total Enrollees	Cost To Employee For Dependents Per Month	Cost To Town Per Month	Total Premium Per Month
Employee Only	108	\$0.00	\$488.13	\$488.13
Employee/Spouse	8	\$408.93	\$755.44	\$1,164.37
Employee/Child	39	\$231.88	\$755.67	\$987.55
Family	8	\$787.20	\$798.30	\$1,585.50

Mr. Kerigan informed the Council that the State Health Plan will not allow retirees to be insured on their policy. With that in mind, the Town has 25 retirees on its current insurance policy and 63 employees that were hired prior to 2007 that were hired under the premise that if they retired with 20 years of service, they would remain on the Town’s insurance until they became Medicare eligible. Also, the Town has 25 retirees that are not on the Town’s insurance policy that are currently receiving Medicare supplements. Mr. Kerigan posed the question as to what the Town would do with the current “grandfathered” employees and the current retirees. He stated that he felt it was necessary to consult Town Attorney Bob Spence on his legal opinion.

Councilman Harris questioned if the State had a plan for their retirees. Mayor Pro-tem Ashley responded that the State has a large liability that is unfunded with its retirees and that is the reason that they will not allow any additional retirees to be added to their health plan. Councilman Harris further questioned that if the Town chose to switch to the State Health Plan how the Town will insure our retirees. He also questioned if Mr. Kerigan had spoken with Clayton and Benson as to what their course of action would be in regards to their retirees. Mr. Kerigan responded that Clayton and Benson had higher premiums then we did so the cost savings to them was much more significant.

Mayor Pro-Tem Ashley stated that his concern was the Town was headed into uncharted territory with health insurance and might be better served long term by being a part of a larger group

Councilman Harris stated that the Council has a situation. In regards to vested employees if the health insurance is changed, we may have some legal issues to handle in the future. He stated that the Council needed to know what was best for the employees and best for the Town. He further stated that the State program may be a better opportunity for savings for employees in the future. Councilman Harris directed Mr. Kerigan to compile all the information on the Town's current insurance and the State's insurance in some type of chart or spreadsheet and send it out to Council. He explained that this was a major decision for the Town of Smithfield but also for our employees and he felt that Council needed as much information as possible to make an informed decision. He asked Mr. Kerigan to speak with the Town Attorney on any legal issue that he felt might arise from switching to the State Health Plan as it relates to our retirees and "grandfathered" employees. Interim Manager Jim Freeman asked Mr. Kerigan to provide as much information as possible to the Council prior to the January 5<sup>th</sup> meeting. Mr. Kerigan stated that he would provide most of this information to Council via email prior to the holidays.

Councilman Scott suggested that employees be given some type of survey to assist the Council with understanding the employees' thoughts on health insurance and benefits. Councilman Harris suggested that meetings could be held with the employees or Department Heads.

Interim Manager Jim Freeman asked for clarification of the \$78,000 a year savings from the Town's current health plan to the State Health Plan was without the retirees on the policy. Mr. Kerigan responded that was correct.

Councilman Dunn questioned the timetable for implementation on moving to the State Health Plan—Mr. Kerigan responded that there is a queuing order and we have reserved our place in line with the resolution that was approved at the last meeting.

Councilman Harris asked Mr. Kerigan to speak with our current provider and find out what rates increase are going to be and provide that information to Council. Mr. Kerigan responded that staff is anticipating speaking with them at the end of this month or next month depending on their schedule. Mr. Kerigan had heard that the State Health Plan Premiums were estimated to increase 4-8%

Councilman Dunn stated that he did not think it was fair for the employees to bear the burden of increased health insurance premiums.

Mayor Moore instructed Mr. Kerigan to compile the information and e-mail it to Council.

Mayor Pro-Tem Ashley also requested information on the Town's options for covering our retirees.

## **Other Information**

### **Interim Town Manager**

1. Mr. Freeman reminded the Council of the employee luncheon to be held on December 22<sup>nd</sup> at 1:00 pm at the SRAC.
2. Mr. Freeman informed the Council that per their direction, he would be accepting the \$200 rate increase with Verizon Wireless and executing a ground lease agreement as it relates to the generator that they will be installing at the cell tower site at 111 South Fourth Street.

### **Mayor**

1. Mayor Moore informed the Council of the orientation that was held for the two newly elected Councilmembers.
2. Mayor Moore, Councilman Harris and Economic Development Liaison Tim Kerigan met with a local business this morning on possible expansion.

3. Mayor Moore informed the Council that he receive information today that Johnston County Schools received grant for an early technical college at SSS subject to funding.

Councilman Harris stated that Councilmembers typically serve on committees and Boards. He currently serves on the Triangle J. Council of Governments. He stated that Councilman Charles Williams served on the Rural Planning Organization. Councilman Harris stated that he would like to relinquish his seat on the Triangle J. Council of Governments Board of Delegates and serve on the Rural Planning Organization

Councilman Scott made a motion, seconded by Mayor Pro-Tem Ashley, to allow Councilman Harris to serve on the Rural Planning Organization representing the Town of Smithfield.  
Unanimously approved.

### **Adjourn**

There being no further business, Councilman Harris made a motion, seconded by Mayor Pro-Tem Ashley, to adjourn. Unanimously approved.

The meeting adjourned at approximately 8:44 pm.

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M. Andy Moore, Mayor

ATTEST:

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Shannan L. Williams, Town Clerk