

The Smithfield Town Council reconvened its April 3, 2018 meeting on Tuesday, April 24, 2018 at 6:00 p.m. in the Council Chambers of the Smithfield Town Hall, Mayor M. Andy Moore presided.

Councilmen Present:

Travis Scott, Mayor Pro-Tem
Marlon Lee, District 1
David Stevens, District 2
Dr. David Barbour, District 4
John A. Dunn, At-Large
Stephen Rabil, At-Large

Councilmen Absent

Emery Ashley, At-Large

Administrative Staff Present

Michael Scott, Town Manager
John Blanton, Fire Chief
Lenny Branch, Public Works Director
Ted Credle, Public Utilities Director
Gary Johnson, Parks & Rec Director
Tim Kerigan, Human Resources/PIO
Shannan Parrish, Town Clerk
R. Keith Powell, Chief of Police
Greg Siler, Finance Director
Stephen Wensman, Planning Director

Reconvene: April 3, 2018 Meeting

Mayor Moore reconvened the meeting at 6:09 pm

1. FY 2018 – 2019 Draft Budget Overview

Town Manager Michael Scott made a presentation to the Council concerning the FY 2018-2019 Budget. Items of discussion were as follows:

- Fire Department Ladder Truck: The Town Manager explained that a ladder truck was approximately more than a million dollar piece of equipment that would be purchased thorough a loan. Since a ladder truck is built per specifications, the Town would not receive the truck for almost a year and a half. The purchase of a ladder truck is not included in the budget.
- Police Department take home car program: The Town Manager explained that it would cost approximately \$600,000 to implement the program which would be funded through loan proceeds.
- Sarah Yard Community Center: The Town Manager explained that a new budgeted department for the Sarah Yard Community Center had been included in this budget. The budgeted amount of \$40, 600 does not include full time personnel.
- Storm Water as a Utility: During the budget process, the Town Manager explained that staff would discuss the possibility of creating a utility for storm water. He explained that the Planning Department was currently working on a stormwater plan and did not believe the Council would be able to make a decision on this issue until that plan was completed.
- Street and Road Conditions and Motor Vehicle Tax: According to the Town Survey, citizens felt the Town roads needed more repair. The Town Manager explained that the State Legislature allows Municipalities to tax every vehicle in Town from a minimum of \$5.00 to a maximum of \$30.00. Proceeds from this tax can only be used for road repairs. If every vehicle in Town was taxed the maximum amount, the Town could double its Powell Bill funds.
- Equity Drive Improvements: Based on the preliminary findings of the road condition study, Equity Drive was the second worst road in Town. The estimated cost for the project was \$1 to \$1.5 million. This would include road repairs, curb and gutter and sidewalks. If the Council chose to pay for this from the General Fund fund balance, the LGC indicated the Town would still have a healthy fund. This could be funded by assessing the property owners or through implementing the motor vehicle tax.
- Increase in Water and Sewer Fees: Two years ago, the Town implemented a schedule to

increase water and sewer fees to cover expenditures. These fees are due to increase again. Johnston County is proposing to increase sewer charges to all customers by 5% on September 1, 2018. If the County does pass the proposed rate increase then staff will request that this be passed through to Town customers.

- Water Plant Expansion: This project is estimated to cost \$12.5 million payable by a twenty-year low interested loan which the Town has already secured, but not accepted. The project will require LGC approval. The project would impact the Greenway, Talton Field and require the closure of North Second Street. The Town Manager suggested the soccer fields at Talton Field be relocated to Johnson Park.
- Electric Rate Changes: The Town Manager explained that wholesale rates were expected to increase in 2020 and 2021 by 3% each year. NCEMPA informed its members that the wholesale rates would increase by 3% in 2019 and again in 2020. The proposed 3% increase in 2019 was not proposed in this budget because staff felt the rate stabilization fund would have sufficient funds until the proposed 2020 rate increase.
- Personnel Expenses/ Recommended Salary Increase: Included in the budget was a 3% salary adjustment for all employees. The pay scale would also increase by 3%; meaning minimum and maximum salaries for each position would increase by 3%. This was not a merit increase. The Town Manager also explained that retirement increased by .25% and medical insurance increased by 8%. Staff was recommending the Town remain with its current provider, Cigna. The Town Manager further explained that he was proposing to increase electric lineman and electric crew leader starting salaries by 10%. These positions are highly sought after and the Town needed to remain as competitive as possible. This increase would not affect the salaries of current employees.
- Employee Handbook: Proposed changes to the employee handbook included: promotions increasing from 5% to 10%, career ladders remaining at 5% and inclusion of a vacation compensation program.
- Fund Balance: Based on audit numbers at the end of FY 2017, the General Fund had a fund balance of 56.3% or \$7.1 million. The Water/Sewer Fund had a fund balance of 64% or \$4.8 million. The Electric Fund had a fund balance of 46.7% or \$8.7 million. He estimated that the General Fund fund balance was approximately 60% in unassigned funds.
- Debt: The Town Manager explained that \$269,914 in debt would be retired in this fiscal year and \$168,639 would be retired in 2019. The Town Manager informed the Council that in this fiscal year, the Town purchased a street sweeper and an animal control truck which was supposed to be paid for through loan proceeds. He requested that the Council consider paying the \$152,000 out of this year's funds instead of incurring the debt. The Town Manager explained that there would be a five year rolling stock loan of \$287,845 with annual payments of \$62,100.00
- Proposed in this budget were no capital transfers from the Electric Fund to the General Fund, no increase in the property tax rate, no addition of the motor vehicle tax, and no special assessments for Equity Drive
- Economic Development: The Town Manager informed the Council that \$24,000 would be encumbered in this fiscal year and \$26,000 had been budgeted for the upcoming fiscal year totaling \$50,000 in the General Fund for economic development efforts. \$100,000 has been included in the each of the Water/Sewer Fund and the Electric Fund to assist with the recently created policy for residential development which reimburses some infrastructure costs.
- Revenues: The Town Manager explained that not all revenues are usable by the Town. The Occupancy Tax is passed through to the Johnston County Visitor's Bureau and the Downtown Municipal Service District Tax is passed through to the Downtown Smithfield Development Corporation.

2. Non-Departmentals

Town Manager Michael Scott provided a brief introduction of the requests made by non-profit agencies and local schools. He explained he had received a request for funding from Neuse Charter School that was not included in the Council's original materials. Since it was received on the day of the meeting, it had not been included in the draft budget. In regards to donations made to local schools by the Town, the Town Manager explained that it was the position of the School of Government that the Town does not have statutory authority to provide funding to schools. After consulting with the Town Attorney, it was determined that these funds were minute and should not pose any problems for the Town.

a. Non-profit Request

i. Annie D. Jones Child Enrichment Fund: Requested \$3,000 - included in the draft budget \$3,000

Executive Director Kayrese McDuffie explained her organization committed to providing opportunities for disadvantaged children in the East Smithfield Community to participate in diverse enrichment activities.

ii. Ava Gardner Museum: Requested \$25,000 - included in the draft budget \$22,000

Executive Director Lynell Seabold explained the Ava Gardner Museum's important to the community and the economy of Smithfield. She explained that the funds would be used to help support the salary of the Executive Director.

iii. Community and Senior Services of Johnston County: Requested \$3,500 - included in the draft budget \$3,500

Chairman Jimmy Parker explained that Community and Senior Services of Johnston County provided services to older citizens. The requested funding would allow the organization to provide delivered meals to those in need.

iv. GSSA Chamber of Commerce: Requested \$4,000 – included in the draft budget \$4,000

Town Manager Michael Scott explained that the Chamber of Commerce was requesting the same funding as received in the current fiscal year.

v. Harbor, Inc. : Requested \$2,500 – included in the draft budget \$2,500

Town Manager Michael Scott explained that Harbor was requesting the same funding as received in the current fiscal year.

vi. Local School Support: Included in the draft budget \$5,000

1. SSS Men's Varsity Basketball: Requested \$500

Varsity Men's Basketball Coach Matthew Cuddington explained the requested funding would be used for travel expenses for the team to participate in off-site camps and trainings.

2. SSS Robotics: Requested \$2,500

President Troy Brindle explained the requested funding could be used to continue to assist younger school children with Lego League or for travel, expos and robotics parts.

3. South Smithfield Elementary: Requested \$1,000

Hadley Lee explained the requested funding would help the school continue its efforts to build an all-inclusive community playground.

4. West Smithfield Elementary: Requested \$1,500

Principal Sharon Bryant explained that the requested funding would be used for those items the school cannot purchase with State or county funding.

vii. Downtown Smithfield Development Corporation(DSDC): Requested \$55,000 – included in the draft budget \$55,000

Executive Director Sarah Edwards explained the partnership between the Town and the DSDC and the important roll the DSDC plays in Smithfield. Town Manager Michael Scott \$55,000 is the donation the Town gives to the DSDC. The Downtown Municipal Service District tax is accounted for by the Town and passed through to the DSDC.

viii. Public Library of Johnston County and Smithfield: Requested 263,532 – included in the draft budget \$250,000

Executive Director Margaret Marshall explained that the requested increase in funding was due to maintenance costs for NC Cardinal, increases in building insurance, and employee health insurance and costs associated with two soon to be retirees. Ms. Marshall explained that state funding is based on the library receiving equal or greater than current funding levels over a three year period.

b. Insurance and Bonds

Town Manager Michael Scott explained the Town utilizes the North Carolina League of Municipalities for Property and Liability insurance and Worker's Compensation insurance. This year, the Town has seen an increase in both policies. These premium increases were due in large part to increased worker's compensation claims. The premiums were included in the draft budget. The Town Manager requested the Council approve the policies with the League.

Mayor Pro- Tem Scott made a motion, seconded by Councilman Dunn, to approve the renewal of the Property and Liability Insurance Policy and the Worker's Compensation Policy with the North Carolina League of Municipalities. Unanimously approved.

c. Economic Development

Town Manager Michael Scott explained \$26,000 would be budgeted for economic development and \$24,000 would be encumbered from this fiscal year making the total budget \$50,000. No funds are spent from this line item without Council approval. Mayor Moore recommended that the Town Manager be allowed to manage the funds in the Economic Development line item.

Councilman Barbour made a motion, seconded by Councilman Rabil, to allow the Town Manager to manage the funds in the economic development line item. Unanimously approved.

d. SHARP Reimbursement

Town Manager Michael Scott explained that budgeted in this line item were the approved grants to the Walter Schmidlin project and the Sound Station and Security Project. Funds for the Penn Compression Project will be budgeted next year.

e. Occupancy Tax

Town Manager Michael Scott explained that the occupancy tax was simply a tax collected by the Town and passed through to the Johnston County Visitors Bureau.

f. PEG Chanel

Public Information Officer Tim Kerigan explained the Town received funds from cable television taxes. These funds can only be used to help run the PEG channel. Funds have been used to purchase software, purchase cameras for the Council Chamber and items to promote the PEG channel.

3. Debt Service

Town Manager Michael Scott explained that \$269,914 in debt would be retired in this fiscal year and \$168,639 would be retired in 2019. New debt would be added for three vehicles which included: a large Truck to be used as a leaf box for Public Works, a dump truck for the Parks and Recreation Department and an SUV for the Fire Department. A Debt Service payment for the \$152,000 spent on an animal control truck and the street sweeper was not included in this budget because it was the recommendation of the Manager to pay for those items from the current fiscal year's funds.

Mayor Pro-Tem Scott questioned if the Town Manager could provide alternatives on how to fund or finance the \$600,000 needed for the Police Department's take home car program.

Mayor Pro-Tem Scott requested that staff provide the Council with an accounting of funds used for street repairs from the past four years. It was his hope that the Council could take more aggressive steps to repairing the Town's streets.

4. Utilities

a. Electric

Public Utilities Director informed the Council that most of the department's budget remained status quo. Mr. Credle highlighted some line items in the Electric Department proposed FY 18-19 budget. They are as follows:

- Equipment Maintenance and Repair: Increase in this line item was due to specialized transformer at delivery point #1 replacement and \$50,000 for building repairs and security updates.
- Training and Education: Increase in this line item was due to Workzone Safety Training provided by NCDOT in the amount of \$2,400.
- Vehicle Supplies and Maintenance: Increase in this line item was due to maintenance and repair of aging department vehicles.
- Electricity Purchase: Decrease in this line item was due to Electricities projection.
- Transfer to Electric Capital Project Fund: \$500,000 was budgeted for AMI meter system and \$300,000 was budgeted for voltage conversion
- Transfer to Electric Fund Capital Reserve: \$150,000 was budgeted for the purchase of a bucket truck. \$115,000 was allocated in FY 17-18 for half of the cost for the purchase of the bucket truck.
- Capital Outlay: \$75,000 was budgeted for the design of the North Circuit and \$75,000 was budgeted for Delivery Point #3 land and survey.

Mayor Pro-Tem Scott questioned if the meter reading contracting would decrease as more AMI meters were installed. Mr. Credle responded the cost would be significantly reduced and realized during the next budget.

Mr. Credle explained that his two senior linemen are slated to retire in the next fiscal year. Due to Duke Energy and Dominion Power's recruiting efforts, it has been difficult to attract linemen. Duke Energy was currently paying linemen \$45.00 an hour and Dominion Power was paying \$45.00 an hour with a \$100 per day per diem. Town's across the state cannot compete with these two agencies. Mr. Credle explained that in the event he was able to hire someone before one of his senior men retired, he would be seeking the Council's approval.

Mayor Moore questioned if the proposed transformer was needed now or if was needed in the event that a replacement was needed. Mr. Credle explained it was needed as a replacement in

the event that the current one is damaged. This would allow his employees to immediately replace the transformer instead of waiting for one to arrive.

Councilman Barbour questioned how the Manager determined that 3% was needed for salary adjustments. The Town Manager responded that he consulted other municipalities and agencies and he was trying to stay competitive. Employees will remain with the Town if salaries and benefits are competitive with neighboring agencies.

Recess

Mayor Pro-Tem Scott made a motion, seconded by Councilman Rabil, to recess the meeting until Thursday, April 26, 2018 at 6:00 pm. The meeting recessed at approximately 8:41 pm.

ATTEST:

M. Andy Moore, Mayor

Shannan L. Parrish, Town Clerk