

The Smithfield Town Council met in Special Session on Thursday, April 23, 2020 via Conference Call at 6:00 pm, Mayor M. Andy Moore presided

Councilmen Present:

Mayor Pro-Tem Dunn (5:48 pm until 7:42 pm)
Marlon Lee – District 1 (5:55 pm until 7:41 pm)
David Stevens, District 2 (6:00 pm until 7:42 pm)
Travis Scott, District 3 (5:52 pm until 7:42 pm)
Dr. David Barbour, District 4 (5:52 pm until 7:47pm)
Stephen Rabil, At-Large (5:49 pm until 7:42 pm)
Roger Wood, At-Large (5:51 pm until 7:42pm)

Administrative Staff Present

Michael Scott, Town Manager
Ted Credle, Public Utilities Director
Gary Johnson, Parks & Rec Director
Shannan Parrish, Town Clerk

CALL TO ORDER

Mayor Moore called the meeting to order at 6:00 pm.

Roll Call of Councilmembers in Attendance

Town Clerk Shannan Parrish conducted the roll call of the Council present. All members were present for the conference call.

Business Items

1. Consideration and request for approval to enter into negotiations with Carolina Recreation and Design for the design build of the Splash Pad at Smith Collins Park

Parks and Recreation Gary Johnson addressed the Council on a request to enter negotiations with Carolina Recreation and Design for the design and then the build of the splash park at Smith Collins Park. Mr. Johnson explained three bids were submitted, but staff was more impressed with Carolina Recreation and Design. The splash park has not been designed. The contractor will start from the beginning and design what we need and what we want before building the splash pad. Staff is only requesting to be allowed to move forward with this company to begin the design phase of the splash park

Mayor Moore questioned if this company had designed other splash parks. Mr. Johnson responded this firm has designed and constructed splash parks in Fuquay Varina, in the Raleigh area and in Erwin.

Councilman Scott stated this item had been tabled from the last meeting because Councilman Lee had some concerns and was unable to attend the meeting.

Mayor Moore questioned if staff was seeking authorization to move forward with Carolina Recreation and Design to begin the design and ultimately complete the project. Mr. Johnson stated that was correct.

Councilman Stevens made a motion, seconded by Councilman Wood, to approve the request. Councilman Stevens, Councilman Wood, Mayor Pro-Tem Dunn, Councilman Barbour and Councilman Rabil voted in favor of the motion. Councilman Lee and Councilman Scott voted against the motion. Motion passed with a vote of five to two.

Councilman Lee stated he voted against the motion because of the amount of the project.

2. 2020 Meeting Schedule

Town Manager Michael Scott addressed the Council on a request to amend the regular meeting schedule. The Town Manager explained that due to the COVID-19 pandemic, he was recommending adjusting the May meeting schedule from May 5th to May 19th. Town staff has received requests for two Special Use Permits requiring quasi-judicial public hearings. By

moving the May schedule back, we can have a better chance of holding the public hearings without the current restrictions placed on public meetings. Public notice would need to be given for the public hearings, as well as the change in meeting schedule.

Moore Moore stated the Governor issued the state home order which would last until May 8th eighth and could extend it further.

Councilman Scott stated he felt the Council was much more productive in the normal setting, if possible. The face to face discussion were important, especially during this budget time.

Councilman Barbour questioned if the meeting was moved to May the 19th, were there any projects that would be affected by it. The Town Manager responded moving these hearing until the 19th would not be a problem and they could be moved to the June meeting if necessary.

Councilman Stevens questioned if the meeting could be moved to Johnston Community College's auditorium. The Town Manager responded the Council was still limited to ten people in a room and that would not work for the quasi-judicial hearings.

Councilman Wood stated he would like the meeting moved to May 19th.

Councilman Barbour questioned if there was any way to conduct a zoom or WebEx meeting instead of a conference call. Mayor Moore responded since typically in the regular budget sessions, Council is only reviewing their budget binders, he and the Manager elected to hold a conference call instead of a zoom meeting.

Councilman Scott stated he had a conflict on May 19th.

Councilman Barbour made a motion, seconded by Councilman Wood, to amend the current Meeting schedule to meet on May the 18th at 7 pm instead of May 5th. Unanimously approved.

FY 2020-2021 Budget Discussion

1. Budget Overview

Town Manager Michael Scott provided a brief overview of the budget process and governmental accounting. The Town Manager explained the town has two enterprise funds an electric fun and a water and sewer fund. Each of these funds are supported by fees derived from the services being provided to customers. Enterprise funds are intended to be operated as a business and that the fee should pay for the services provided. However, we continue to strive to attain and maintain a cost to service balance as opposed to a desire to operate at a profit margin. Enterprise funds should be able to pay for the services being provided, as well as future capital costs and the maintenance of equipment and the grounds.

The general fund includes everything that is not included in another fund. The general fund is primarily funded by tax dollars. That includes property taxes, sales taxes, automobile taxes and other fees. Services included in the general fund our police, fire, parks and recreation, public works the SRAC Sara Yard Center, the general administration of the town and its finances. At this time, the town as a reserve fund balance, which is not committed to any future expenses, in the amount of about eight and a half million dollars. Budget document presented to you is very status quo, meaning much of the ongoing expenses remain the same as the previous year. There are no new positions in the budget, though different departments did request additional staff. The budget maintains property tax rate at 57 cents.

Regarding our electricity, we had a 1.2% increase in our wholesale costs on April 1 of last year that was absorbed by the town as opposed to being passed on to our customers via our rate Stabilization Fund. We just witnessed a 1.2% rollback of our electric wholesale rates effective April 1 of this year. This should allow us to keep our rates stable for the upcoming year. We do have

USF completing a refresher of our electric rates and our electric fun to make sure that we understand the health of our electric utility, which we believe is strong. In this budget, there are increases in water and sewer consistent with planned increases approved by the Council in 2016. This will be the last set of water and sewer rate adjustments that are a result of that 2016 Wooten rate analysis. The recent USF study confirm these increases, though indicated that following these, we should not need any increase for at least the next two years. The increase is equivalent to about 80 cents a month for water for the typical residential utility customer, and about \$3 and 72 cents a month for sewer customers. That is a total of \$4 and 52 cents a month per customer. For those residential customers using less than 4000 gallons of water month which is typical.

The general fund was decreased in revenues by \$536,000 when compared to what we would have normally anticipated for revenues for next year due to the environment that we have right now with COVID-19. The budget also includes state mandated retirement increases. The retirement costs increased from 8.95% for general service workers to 10.15%. And for police, this increased from 9.7% to 10.9%.

Our health insurance rates have also increased. However, they have been minimal compared to many of our neighbors. The town staff saw two plans from our insurance provider, Cigna. The first plan is a status quo plan, which is exactly the benefit package employees have today, which resulted in 6.1% increase over current costs. The second plan decreased deductibles for employees, which staff felt was important during this time. This added an additional increase of 3.95% to our health care costs. The enhanced insurance plan is what is included in your draft budget. We can pull 3.95% of those costs back out if the council wants to remain status quo, or we can leave it in there to provide the employees with a little better benefit in the way of deductibles. The employee contribution rates remain unchanged. There are no salary increases for employees in any of the line items. However, on the contingency page of each fund, there is a 2.5% lump sum there for the council to use as it sees fit for salary increases or other items.

2. Utilities

a. Electric

- Revenues - Town Manager Michael Scott explained electric sales were the primary revenue source followed by penalties. Sales estimated \$16,300,000 and penalties were \$138,500. In the current budget, we are anticipating the penalties line item to be considerably down because we are not charging any penalties and have not for almost a month. By July, we anticipate being back to more normal operations with electric sales, an electric cutoff However, this budget does remove \$25,000 in sales and penalties from what would normally be budgeted.
- Salaries and Wages – the Town Manager explained this was the only department that was not totally status quo. A crew leader in the electric department was going to retire in early July. Because of the pending retirement, we did not adjust his pay based on the salary study results. The employee elected not to retire in July. Included in this budget are funds to bring him back to the same pay as the other crew leader position. This crew leader is a senior crew leader
- Items not included in this budget – The Public Utilities Director requested a bucket truck at a cost of \$150,000. Included in this budget is half of the cost (\$75,000) of that with half of it being included in next year's budget. Also requested but not included was \$400,000 for a generator to offset some electric costs. Mr. Credle requested one new crew leader position at a cost just over \$66,025 (including salary and benefits) and one new electric line technician at a cost of about \$56,370 (including salary and benefits). Neither positions were included in this budget.

Public Utilities Director Ted Credle 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 20-21 budget. They are as follows:

- Training and Education – Councilman Barbour questioned if there were adequat3e

funds in this line for training. Mr. Credle responded he felt the funds were adequate. Councilman Barbour questioned the infrared camera training. Mr. Credle responded that technology was used to locate “hot spots” and areas that needed repairs. Councilman Barbour further questioned if Mr. Credle considered the use of drones. Mr. Credle responded the use of drones would be beneficial after major storm events.

- Legal fees – Councilman Rabil questioned why \$5,000 was needed for legal fees. The Town Manager explained legal fees are placed in each fund so if something comes up the funds are there.

Mayor asked for year to date expenses to be sent to the Council.

- Supplies and Operations – Status quo from last year, but an additional line item has been added for supplies needed for new residential developments.
- East River Supplies – New line item added for development supplies of East river subdivision’s phase 2.
- Service Contracts – This line increased \$10,000 for tree trimming services.
- Electricity Purchase – has a 1% decrease due to the wholesale rate decrease.

Councilman Scott stated the Town was still budgeting contract services to read meters, but we are supposed to be able to read him remotely now. Mr. Credle responded 100% of the residential meter have been replaced. Commercial and industrial clients require more costly meters because they read demand charges. Those meters must be programmed individually. With the changing of the industrial and commercial customers there should be a decline in meter reading services and expenses.

Councilman Scott questioned the implementation of the load management program. Mr. Credle responded he was working with Electricities on this and it has been a slow process. Software is continually being investigated for this project that will meet the Town’s needs and still be reflective of savings to the consumer and to the Town.

Mayor Moore suggested that Councilman Scott work with Mr. Credle on the load management plan. It was suggested that a plan be brought before the Council at the August meeting.

- Capital Outlay- Included in the Capital Outlay was \$40,000 for work truck for the meter technician.

Councilman Rabil questioned if \$40,000 was needed for a truck when the Town only paid \$27,000 for a truck for the Police Department last year. Mr. Credle responded a sensible truck would be purchased, but before the purchase, it would be approved by the Council.

- Debt service – The Town Manager explained there is one loan out that is all we have out in electric substation loan that came out in 2007. We have budgeted at \$342,586 for that payment this year and that matures in fiscal year 2027.
- Contingency – The Town Manager explained \$305,814 was included for a contingency on anticipated expenses. \$31,000 was also included that could be used for that salary adjustment

b. Water Plant

- Revenues – The Town Manager explained water sales and sewer sales are the primary revenue source including wholesale bulk water sales, which are sales made by Johnston County for their use. The draft budget reflects about \$100,000 in decreased revenues when compared to what would have been projected for next year, due to the COVID-19 issues that we are having. These revenue totals include

the plan water and sewer increases from 2016 Wooten study and supported by the UFS study. Water rate increases include a similar increase in bulk water sales and this increase has already been noticed to the county so the increase can be placed into effect on or near July 1. Again, this will increase the water bill for the average residential customer about 80 cents a month, about \$3 and 72 cents a month for sewer.

- Items not included in this budget - The Public Utilities Director requested one new water plant operator at a cost of \$50,340 (including salaries and benefits).

Public Utilities Director Ted Credle informed the Council that most of the department's budget remained status quo. Mr. Credle highlighted some line items in the Water Plant's proposed FY 20-21 budget. They are as follows:

- Salaries and Wages – Slight increased due to at least one possibly two career ladder promotions of one, possibly two, water plant operators.
- Utilities – A 4% increased was proposed we believe since we'll be producing more water in the coming year, we'll be using more pump energy
- Professional Services – 25% decrease due to a new SCADA service company coming in last year and because of the purchase of new items that we do that we do not anticipate buying again

Councilman Scott questioned if all the water plant operators were certified and being paid accordingly. Mr. Credle responded they were all certified and drawing a wage. There is a tiered program in place for promotions.

- Supplies and Operations – There is no change from last year. Mr. Credle explained staff verified that bulk chemical cost will remain unchanged which is surprising since two or three of our chemicals come from Asia. There is on chemical that you can only get from China.

Mayor Moore questioned if there was a contingency plan in place in the event a supplier could not get the necessary chemicals needed for the water plant. Mr. Credle responded there were three or four chemical suppliers used by the Town and there was one chemical that was only manufactured in China. The suppliers are now looking for alternative supply sources in the event they cannot receive it from China. These suppliers do not anticipate any supply line issues and have indicated they have sufficient chemicals for the remainder of the calendar year. If something does occur, Mr. Credle has sufficient time to notify the Council of any supply line breakdown.

Mayor Moore questioned if the chemicals were something the town purchased yearly or were there various shipments throughout the year. Mr. Credle responded the chemicals were shipped at various times throughout the year because there is a shelf life on some of these chemicals. Some chemicals can obviously be bought a well ahead of time, and then we would need storage tanks.

- Transfer to W/S Capital Project Fund - \$350,000 will be allocated for the water plant improvements.

Town Manager Michael Scott stated that last year, the council originally voted to move forward with the water plant expansion that has been put on hold. Just recently, the town received approval from the Corps of Engineers on our engineering plans. The Council will have to make some decisions during this budget process, as if you want to take out the \$12 million loan that is available to you to expand the water plant or to not expand the water plant. Either way, the water plant does have a significant need of replacement of some of the items and mechanical items within the plant. So this \$350,000 is to be used for either one replacement of those items that need to be replaced, or it can be used as part of the debt service payment that would be made should we take out that loan to expand the water

plan. That is what that money is.

- Capital Outlay - \$268,000 has been included in this budget for upgrades to the SCADA for the remote sites out at the water tanks, replacing filter media and the rebuilding of the raw pump, the settled pump, and the grind pump and a work truck

Councilman Scott questioned if the bulk wholesale water rate increase had been accepted by the County and when would the increase take effect. Mr. Credle responded the County has been notified and the increase would take effect on July 1st. It went from \$2.20 to \$2.35 per thousand gallons which is in accordance with the Wooten plan enacted five years ago by the Council.

Mayor questioned if there has been any feedback from the County. The Town Manager responded that he has had a conversation with the County Manager on this subject. He doesn't believe the town will see any decrease in water purchases due to the cost increase. The Manager was sure the county would simply pass that onto their customer

c. Water/Sewer

- Items not included in this budget - The Public Utilities Director requested one utility line mechanic position at a cost of \$45,515 (including salaries and benefits)
- Salaries and Wages - 2% increase due to the anticipated career ladder adjustment.
- Overtime – 20% increase due to increase after hours work
- Training – In this department is where we saw some issues with OSHA. It was not that we did not have training in place, the issue was we didn't apply the training immediately after someone was hired. That has been rectified and all newly hired employees are given the OSHA approved training on day one.
- Equipment Maintenance & Repair – 17% increase because of the increased cost of degreaser which is put into the wet wells to prevent sewer clogs. There has been a decrease in grease backups since staff started using the degreaser.
- Vehicle Maintenance and Supplies – 33% increase due to aging fleet. It is presumed more maintenance will be needed as the fleet ages.
- Supplies and Operations – 6% increase because the cost of supplies have increased.
- Sewage Treatment – 10% increase due to anticipating that the County will increase their costs.

Mayor Moore questioned if the cost of sewage treatment was increasing or was the county using these increased revenues to fund a new sewage treatment plant. Mr. Credle responded he was unsure why the charge what they charge. they might have chemical increases in energy pump issues and things of the same nature. their capacity fee is supposed to be what's funding this new water wastewater plant. Mayor Moore further questioned if the Town was paying more than we should be paying because of growth throughout the county.

- Service Contracts – 8% increase this line was increased in anticipation of additional street repairs due to utility cuts in the roadways.
- Transfer to W/S Capital Projects – There is a \$100,000 reduction in this line from last year. Projects included in this line are the ongoing I & I reduction project, lift station repair and upgrades, next grid water meters and phase two of the Durwood

Stevenson water line. There are funds allocated for the water line project in this fiscal year and \$350,000 will be added to those funds. Also, \$400,000 is budgeted for the replacement of the force main along Highway 210.

- Capital Outlay – Included in this line was rehabilitation of aged manholes, waterline updates throughout town and mapping systems for our asset inventory. There's an alleyway behind Wilson and Holding street that we've repaired three- or four-times in the last year. We're going to go manhole, the manhole and replace the entire line. And in doing so we got a contracted budgetary number of \$170,000.
- Debt Service – There are two loans in the amounts of \$166,144 and \$131,343 and both will mature in 2026. The larger loan in the amount of \$313,676 is the Booker Dairy Road Project where new water and sewer lines were installed. Due to refinancing this loan, it will mature in March 2022. There will be two more payments to make before that matures and that is important as we go forward. If we acquire any more debt in the future to see that debt payment mature.
- Contingency - \$333,005 for next year and again and salary adjustments of \$32,000 for water/ sewer and water plant.

Councilman Scott questioned the undercutting of the roadway to make repairs to water lines. Does your department fix those, another department or is it contracted? Mr. Credle responded the current situation is we will notify public works. And I think Lenny's guys go out and fix or they could either fix it themselves or contract it. We purchase all the materials and I believe they contract it out at a small price.

Recess

Councilman Scott made a motion, seconded by Councilman Wood to recess the meeting until Tuesday, April 28, 2020 at 6:30 pm. The meeting recessed at approximately 7:41 pm.

M. Andy Moore, Mayor

ATTEST:

Shannan L. Parrish, Town Clerk