

# Town of Smithfield Proposed Annual Budget Fiscal Year 2026-2027

To: Honorable Mayor Andy Moore  
Members of the Town Council

From: Kimberly Pickett, Interim Town Manager and Budget Officer

Date: May 15, 2026

RE: FY 2026-2027 Budget Message

Dear Mayor and Council:

Enclosed is the proposed Fiscal Year 2026–2027 budget for the Town of Smithfield. This document serves as the Town’s primary fiscal planning tool and supports its mission of delivering high-quality government services while keeping the impact of taxes and fees at a reasonable minimum. The proposed budget is submitted to the Mayor and Town Council for review and consideration. On this same day, May 15, 2026, the budget document was filed in the Office of the Clerk and posted on the Town’s website for public inspection. A public hearing date is advertised and scheduled for 7:00 pm, June 2, 2026 in the Town Hall Council Chambers. North Carolina General Statute 159-13(a) directs that the budget ordinance and tax rate adoption take place before July 1, 2026.

This budget has been prepared in accordance with the Local Government Budget and Fiscal Control Act. The budget is based on recommendations from the budget officer, finance director, department heads, and the Mayor and Council following various budget workshops. The budget is balanced in all funds, including the general fund and the utility enterprise funds, meets ongoing debt obligations, and includes several necessary capital expenditures. The proposed budget maintains employee benefits at similar levels, as exists in the current fiscal year. This budget includes a restructuring in the Fire Department, with the addition of three Battalion Chiefs. There is also the addition of a Facility Maintenance Worker in the Parks and Recreation Department.

As a result of conservative expenditures and sound fiscal management, the Town has been able to increase its General Fund balance steadily, while minimizing risk and increased debt service. The available cash reserves for both the Water/Sewer Fund and the Electric Fund remain stable and healthy. No fund balance is utilized in both the Water/Sewer and Electric enterprise funds. The Town sends its wastewater to the Johnston County facility for treatment. Johnston County has provided notice of a recommended ten (10) percent increase to wholesale rates effective September 1, 2026. Currently, the Town is not proposing any increases to water or sewer rates. However, a rate study will be conducted in the coming months, and the matter will be revisited at a later date, at which point any proposed changes would be subject to Town Council approval.

No additional increases to wastewater, treated water, or sanitation fees are included in the proposed budget.

Smithfield has been aggressive with its electric rates by lowering the average customer rate by twelve (12) percent since 2016. Electricities has plans for wholesale and rider increases that equate to a 4.5 percent electric rate increase for Town customers. No rate increase is proposed in the current budget, as the Town is still awaiting completion of the rate study. However, staff reserves the right to return to the Council at a later date to recommend rate adjustments, following all applicable procedures.

The Town maintains a fiscal policy that set, as its goal a minimum 25 percent general fund balance. (See attached financial policy.) This proposed budget exceeds the maintenance of that goal.

One state-wide act of legislation will have an adverse impact on the budgets of local governments, including Smithfield's. This issue increases the employer contribution rate to the Local Government Employees Retirement System (LGERS). This increased the Town's contribution rate from 14.35 percent for local government employees to 15.10 percent and increased Law Enforcement Officer contributions from 16.10 percent to 17.10 percent.

### **Budget Format**

The budget is organized into three groups of funds: The General Fund (general and traditional government service departments such as General Government, Police, Fire, Public Works, Parks and Recreation, etc.), the Enterprise Funds (Water Plant, Water/Sewer Distribution System, and Electric), and Other Funds, including JB George Fund (beautification monies), and Fireman's Relief Fund. Expenditures in the Enterprise Funds are directed toward the operation, repair, maintenance, and extension of the Town's water, sewer, and electrical systems and payment of interest and loans. The "Other Funds" category reflects more specialty funds used to account for the limited assets in those funds. Separation of revenues and expenditures into these funds allows the Town to be more accountable to its citizens as to how money is spent.

In the past fiscal year, the Town maintained its General Fund, fund balance of unrestricted funds at over 114.13 percent. The Town has done a good job of allocating fund balance for major, one-time expenses such as capital equipment and capital projects. The Water and Sewer Fund also maintained a fund balance of over 100 percent while the Electric Utility Fund maintained a fund balance of over 70 percent. In FY 2025 the Town allocated \$2 million in fund balance for an aggressive street resurfacing project. In FY 2026, the Town will continue with street resurfacing as a focus, with \$500,000 allocated from Fund Balance.

This upcoming fiscal year, the Town continues its commitment to adhere to its departmental capital improvement plans; both in the general fund and enterprise funds. This is accomplished by replacing equipment consistent with our capital improvement plan, while evaluating our rolling stock inventory on a regular basis. The budget proposes \$1,110,079 in general fund capital expenditures, \$1,775,000 in the water plant budget for

water system improvements, \$2,020,480 for water/sewer system, capital improvements and \$1,620,480 for Electric Department capital initiatives.

Finally, the proposed budget continues the practice of eliminating transfers from both the Electric Fund and Water/Sewer Fund to the General Fund. Finances are shared between funds using the actual cost for employee support services to the original utility departments that are using these services. This practice involves charging these direct costs back to those funds that are actually using these services. Thereby, the proposed budget would be consistent with our auditor's previous recommendations. While state statute authorizes a transfer to the General Fund of up to three (3) percent of the capital asset value, no such transfer exists in the proposed budget. The General Fund Property Tax rate is set at 45 cents per \$100 tax evaluation while the Downtown Service District is set at 16 cents per \$100 tax evaluation. Revenue neutral rates are 42.5 cents and 15.8 cents respectively.

### **General Fund**

The General Fund budget recommendation is balanced. \$500,000 of fund balance is used in the proposed budget. \$925,000 of unrestricted fund balance is used as a transfer to the General Fund Capital Project Fund to start reserving funds for the purchase of a new fire engine; land acquisition for a new fire station; and for the purchase of a new sanitation truck.

### **General Administration/Finance/Planning/Non-Departmental**

The General Fund contains a contingency amount of \$304,636 to cover unanticipated expenditures. There are four new full-time positions added to the general fund. Three are in the fire department, and one in the Parks and Recreation Department.

The Town continually weighs the balance between affordable employee benefits and the demands of our fund balance. Health insurance costs increased about five (5) percent for FY 2027. Our health care provider will remain BlueCross/BlueShield and our insurance pool will continue to be with the Gallagher Group. The Town will continue to make a concerted effort to provide competitive benefit packages and salary packages to its employees, to maintain retention and improve recruitment efforts.

The proposed budget includes \$2,227,046 in Non-Departmental expenses including \$287,850 for the Smithfield Johnston County Library, \$649,750 in economic development incentive tax reimbursements and an additional \$12,000 for local schools. Tourism funds allocated for Town tourism uses/benefits will also be used for administrative services at the Ava Gardner Museum and Downtown Smithfield Development Corporation (DSDC). Tourism will allocate \$60,000 for the Ava Gardner Museum and \$120,000 for DSDC.

### **Police/Fire**

The Police Department continues to operate at a high level of efficiency and effectiveness. Due in part to Council decisions to increase salary the police department continues to be fully staffed. The Smithfield Police Department is a Nationally Accredited

Agency and received its third, re-accreditation from the Commission on Accreditation for Law Enforcement Agencies (CALEA) in 2026.

As has been the case for several years, there is a responsibility to pay close attention to Fire Department needs for new and/or replacement fire vehicles, such as fire engine apparatus and the need for additional fire stations. The Town took delivery of one new fire engine in 2017 and a second new fire engine in FY 2021. A new, 100-foot ladder truck was purchased in FY 2020. A replacement heavy rescue truck was ordered using ARPA funding in FY 2023. This truck remains in production with an expected delivery date in July 2026. A new Spartan Engine was delivered in January 2026. We will begin this year with the replacement of Fire Engine Four and it is partially included in the FY 2027 budget, with \$625,000 being moved into General Fund Capital Reserve.

### **General Services/Streets/Garage/Powell Bill/Sanitation/Storm Water**

The street resurfacing program continues in FY 2027 with a budgeted amount of \$900,000. These funds are allocated from Powell Bill proceeds and the General Fund, fund balance transfer to the Street Department.

It is noted that the Sanitation Department is expected to be self-funded by its user fees. The proposed budget does not include an increase in sanitation or yard waste fees for FY 2027. The Town also provides easy and affordable solutions for our citizens to recycle by having a centralized collection point at the Public Works facility open all day Wednesdays and Saturdays until 12:00 pm.

### **Recreation/SRAC**

The Town continues to provide superior parks and recreation facilities for Town of Smithfield residents and our neighbors. \$152,500 of capital improvements are budgeted for park and equipment purchases.

The Aquatic Center continues to be a highlight for Smithfield Residents, with memberships increasing annually. This year, we will be focusing on more capital improvements at the center, with a budget of \$122,500 to be shared with our partners at JCPS.

### **Utility Funds**

The Water Plant expansion and improvement project was completed in FY 2023. Chemicals for the water purification process continue to rise causing the Town to budget additional funds for these expenditures. Water rates in the proposed budget have remained unchanged while the sewer wholesale rates are increasing by 10 percent effective September 1, 2025. Due to the town not having a rate study in a couple of years, we will be conducting a rate study to ensure an accurate representation of rates is passed at a later date in this fiscal year.

In the Water and Sewer Fund, \$250,000 is used for I&I Reduction; \$150,000 for Lift Station Repairs; \$300,000 for AMI-Nexgrid integration; \$100,000 in Water line upgrades and \$35,000 in Digitized Mapping. In Capital Outlay, there has been \$1,185,480 set aside

to include improvements on Pump Station #1 and #11, Hydraulic mower, Fire Hydrant maintenance, and water relocation on US-301.

\$100,135 is included as Contingency Funds in the Water/Sewer fund.

The Electric Department continues to be self-supporting.

Electric rates and fees were reduced three times in the last six years, while remaining stable during a year when the wholesale rate increased by 1.2 percent. In April 2020, ElectriCities reduced the wholesale rate by 1.2 percent, again allowing Smithfield to keep its rates stable. In April 2026 ElectriCities increased the wholesale rate by 4.5 percent and necessitated another need for USF to do a rate study. At the completion of the budget, they were not done, so staff will be coming back to council to propose a rate adjustment at a later date.

Also included in the FY 2027 budget proposal are the following capital items for the Electric Department:

- \$900,000 Materials such as wires and transformers

\$35,538 is reserved for contingency costs throughout FY 2027.

### **Debt Financing**

A summary of anticipated debt service accounts, listed by fund, can be found below:

#### **Debt Service; June 30, 2027**

<b>General Fund Description</b>	<b>Lender</b>	<b>Orig. Loan Amount</b>	<b>Interest Rate</b>	<b>Terms-YRS</b>	<b>Loan Date</b>	<b>Maturity Date</b>
Knuckleboom Truck	Truist	160,000	3.92%	5	12/23/22	12/23/27
Police Department Expansion	UCB	784,572	2.13%	15	04/21/21	04/21/36
Ladder Truck	USDA	1,126,105	3.00%	20	10/03/19	10/03/39
Smithfield Crossing	USDA	2,806,400	3.75%	30	07/28/14	07/28/44
<b>Water/Sewer Fund</b>						
Lead Service Line Project	NCDEQ	199,552	0.00%	5	10/01/24	05/02/29
Water Plant Expansion	NCDEQ	12,050,000	1.11%	20	04/09/23	05/01/43
<b>Electric Fund</b>						
Substation Loan	Southern	3,432,596	2.89%	12	08/15/15	08/15/27

While this is the Manager's Budget Message to the Mayor and Town Council, the input and efforts put into its creation should be attributed to all Town department heads and their staff, with special recognition given to Tracy Stubblefield, Shannan Parrish, and Elaine Andrews. While this budget proposal for FY 2026-27 is balanced in all funds and provides a plan and vision to continue moving Smithfield forward both economically and conservatively, this proposal is only a portion of the budget process. A public hearing regarding the budget proposal has been scheduled for June 2, 2026 at 7:00 pm at Town Hall to promote further discussion.



---

Kimberly Pickett, Interim Town Manager