

The Smithfield Town Council reconvened at its May 12, 2025 budget session on Monday, May 19, 2025 at 6:30 pm in the Council Chambers of the Smithfield Town Hall, Mayor M. Andy Moore presided.

Councilmen Present:

Marlon Lee, District 1
Roger Wood, Mayor Pro-Tem
Travis Scott, District 3
Dr. David Barbour, District 4
Stephen Rabil, At-Large
John Dunn, At-Large

Councilmen Absent

Sloan Stevens, District 2

Administrative Staff Present

Michael Scott, Town Manager
Elaine Andrews, Town Clerk
Andrew Harris, Finance Director
Pete Hedrick, Chief of Police
Shannan Parrish, HR Director
Stephen Wensman, Planning Director
Ted Credle, Public Utilities Director
Jeremey Daughtry, Fire Chief
Lawrence Davis, Public Works Director
Gary Johnson, Parks & Recreation Director
C. Timothy Short, Asst. Police Chief

Also Present

Administrative Staff Absent

CALL TO ORDER

Mayor Moore called the meeting to order at 6:40 pm. He made the announcement that Sloan Stevens would not be present at this meeting due to prior obligations. He also stated that Councilman David Barbour had to leave the budget meeting early at 8pm, due to a prior commitment.

FY 2025-2026 TOWN OF SMITHFIELD BUDGET DISCUSSIONS:

Changes/Additions/Deletions to General Fund Draft Budget

Parks & Recreation

Town Manager, Mike Scott reminded the Board of prior discussions whereby Councilman Lee brought up an issue with a crosswalk at the Eva Ennis Splash pad. He stated the Council also had significant discussions about the issue last year. Manager Scott stated that nothing was put in the budget, and there were no plans to make changes there, so if the Board wanted to make changes in this or in the next fiscal year budget, he wanted to be clear where everyone was at with regard to the issue.

Police Department

Manager Scott stated that Town IT personnel brought to his attention that there was a server that is failing at the Town's Police Department. He stated it is going to have to be replaced at the cost of \$22,000 that he has added to the budget. He stated it used some of the additional funds that were saved as a result of the decrease in workers comp and liability insurance for the department.

The Board requested clarification regarding the state of the server at the police department. Chief Hedrick stated the department has cascading technical issues, which require IT assistance in their building at least twice a day. He said the server is tremendously slow. Councilman Travis Scott asked how old was the current server. Chief Hedrick stated some of the ones that he has looked at were almost ten years old. The recommendation is to replace servers every three to five years with all the data they have going into it. Hedrick noted he changed backup measures to a daily schedule as a precaution.

Councilman Travis Scott asked if, once replaced, would the old server be repurposed. Hedrick stated they will continue to use it until it is done.

On another topic, the mayor asked Manager Scott to speak on a document presented to the Town Council which was their written response to two issues brought up by the auditor regarding the town's FY 2023-24 financial audit. The issues were:

- o The lateness of the audit submission
- o Mis-stating(s) in previous budgets—brought to the auditor's attention by Town staff

Town Manager Scott explained that the Town has to send a letter to the Local Government Commission to acknowledge the issues and how they will be improved upon and resolved.

Manager's Proposed Budget

Mayor Andy Moore asked the town manager to remind the board of what personnel positions were included in the current budget, and also the salary increase percentages for staff.

Town Manager Scott stated the proposed budget had a 4% pay increase for staff. There was some discussion regarding the last raises given to employees, with Councilman David Barbour stating everyone got a 5% raise over the course of the year as a minimum. Others got more as the salary adjustment took place, with some receiving a

considerable increase. He confirmed with the manager that the 4% raise proposed this budget year was for everyone.

There was some discussion about the tax rate, with manager Scott noting the Town has not changed its tax rate in over twenty years. Also, there was discussion of tax rates of neighboring towns.

Councilman Travis Scott stated the following, noting these are his observations: He acknowledged the complexity of budgeting and the many variables beyond the town's control. He noted that town revenue from taxes is only about 45-50% of total revenue. Councilman Scott expressed concern about the Council potentially cutting the budget line by line, emphasizing trust in staff's responsible budgeting. He stressed the importance of not balancing the budget on the backs of employees and advocated for paying fair wages. He highlighted the need for public safety, particularly mentioning the police department's full staffing after years of being understaffed. Councilman Scott discussed the fire department's long-standing need for additional personnel, noting the budget includes three firefighters and a fire marshal position. He referenced historical budget cuts from 2007-2009 that impacted the fire department, including the fire chief's salary reduction. He mentioned the fire inspection department now having to catch up inspections with more residents here now. Councilman Scott advocated for a balanced approach to budgeting that considers both needs and wants, with a focus on maintaining essential services and supporting employees.

Councilman John Dunn noted with regard to the large fund balance, that for several years the Town had budgeted for a fully staffed police department that they have not had until recently. He stated he felt that expense side has somewhat contributed to the large fund balance, and luckily, we do not have that deficiency anymore, and have given the police pay raises.

Mayor Andy Moore discussed several key points:

1. He acknowledged the difficulty of the budgeting process
2. He highlighted the town's recent growth, noting that while growth has been slow, it's preferable to a dying town.
3. He referenced the past when houses in South Smithfield were sitting unsold for years, contrasting it with the current situation.
4. He recognized the significant 70% increase in property evaluations as a challenging factor.
5. He expressed a commitment to trying to lower the tax rate as much as possible for citizens.
6. He suggested looking at one-time expenses that could be paid from the fund balance without impacting ongoing expenses.
7. He acknowledged Councilman Scott's concerns about staff salary
8. He was cautious about the long-term impact of recent salary increases, expressing uncertainty about how they might affect future town budgets, noting that salaries is one of the Town's biggest recurring expenses.

Councilman David Barbour asked the manager about potential budget adjustments with regard to keeping the tax rate lower. He noted that from prior discussions he gathered that \$230,000 equated to a one cent increase in the tax rate. Barbour asked if particularly the \$250,000 line item for architectural plans for the town hall expansion could be potentially funded by the fund balance. Manager Scott confirmed that general fund items can be paid with fund balance, but cautioned against using too much. The Manager stated the more you take from fund balance, the more you will be forced to raise the tax rate. Manager Scott noted the already 4 million being appropriated from fund balance for street repairs and resurfacing. Manager Scott also highlighted other future items of note, including:

- A third fire station
- A person for economic development
- Additional fire fighters needed
- More police officers needed

The manager stated this was why he suggested going to a .47 cents tax rate for the proposed budget. He wants to be cautious about reducing the budget too aggressively, as it could limit the town's ability to address future needs.

Councilman Travis Scott asked the Manager for a breakdown for fund balance spending in this budget, in addition to the 4 million planned for roads. Manager Scott stated \$290,000 to pay for the balance of the fire engine, and the rest was for roads. Councilman Scott asked for clarification of whether the Town was going to purchase another knuckle boom truck and street sweeper in this budget. The manager clarified that these items would be purchased with a loan. There was some discussion about where the Town's available fund balance should be, perhaps at 45%, with Manager Scott stating it was at 25% right now with what was being deducted from it. Mayor Andy Moore stated that a policy was put into place that the fund balance be around 45-47%. Councilman Dunn added this was unrestricted fund balance. The Manager agreed, and added that over the next two fiscal years the fund balance would drop due to equipment purchases and street repair work. There was some discussion regarding the County's budget discussions and tax rate. Manager Scott noted they usually propose a higher rate than where they end up, and he wanted to approach the Town's budget with the same idea while receiving public feedback. Manager Scott stated his proposed budget was for a .47 cents tax rate, but this was ultimately up to the Council.

The Manager gave the Council a few ideas to cut the budget that would put the tax rate at .42 cents; however, he noted that such cuts would significantly impact our service and operations levels.

Councilman David Barbour shared his perspective on the tax rate and its impact on taxpayers. He believes people would prefer a larger initial decrease followed by small increases in future years. He acknowledged the 70% property valuation increase as a significant shock factor for taxpayers. He argued that regardless of the tax rate adjustment,

residents will still experience a substantial tax increase. Councilman Barbour suggested the council should try to minimize service impacts while finding areas to reduce expenses. He recommended delaying or absorbing smaller items in the budget to provide some relief to taxpayers. He expressed hope for future growth, believing that new residents and houses will help spread the tax burden. Barbour viewed the current growth as an opportunity to build the town without placing the entire financial burden on existing residents. He noted that this year is unique due to the 70% valuation increase, and next year will be easier for residents to absorb. Councilman Barbour suggested the Town be conservative, minimize service disruptions, and provide some tax relief while anticipating future growth.

Councilman Travis Scott asked if we modify the tax rate, how does it affect the other lines in the budget, specifically personal property.

Town Manager Mike Scott explained the revenue-neutral tax rate calculation:

1. Revenue-neutral is calculated by combining the total tax level and the growth rate, which is currently 7.7%.
2. The growth rate is not based on the number of new houses, but on the total value of real and personal property.
3. When the tax rate is lowered, property owners will pay less on personal property (like cars, boats, and campers) compared to the current .57-cent rate.
4. Most people have more value in their house than in personal property, so the tax impact will vary.
5. He noted that some property owners with significant personal property will see a reduction in their tax rate across both real and personal property.
6. Manager Scott also mentioned that there is still half a billion dollars of property under appeal, which represents over a million dollars in potential tax adjustments.

Councilman Travis Scott asked, specifically, what pieces of the budget regarding the tax rate is going to affect personal property. Town Manager Mike Scott referred him to page three of the proposed budget which listed all the revenues broken down.

Councilman Travis Scott explored the downtown tax rate reduction, noting that downtown businesses will actually receive multiple tax cuts. He pointed out they'll see a reduction from the current .57-cent town tax rate to the new proposed rate (around .45-.47 cents), plus an additional three-cent downtown rate cut. Councilman Scott was curious about the financial impact. He acknowledged that downtown businesses did not experience the same 70% property value increase as other areas. While he didn't want to dive deeply into the downtown tax rate discussion that evening, he indicated a desire to revisit the topic in the future and understand its nuances more thoroughly. Town Manager Scott stated one penny on the downtown tax rate equates to \$7,000 in revenue.

Councilman Travis Scott also asked about how the payment in lieu of tax would be affected by the rate change, specifically the substation and its value. Town Manager Mike Scott stated we don't usually charge for things like substations, but we do for the water plant and those numbers have increased. He referred Councilman Scott to page four of the proposed budget to review those numbers. Councilman Travis Scott stated our whole infrastructure has value and he does not think the Town's general fund is getting a fair deal on that specific tax as it would, had this been owned by another person.

There was some discussion regarding the strength of the water sewer, electric and general funds, with Manager Scott noting the electric fund was the weakest. It was noted that the County is having a 7% increase in water rates, while the Town was not increasing water rates. Councilman Travis Scott asked why the electric fund was not suddenly stronger due to a \$96,000 per month payment to Electricites for a debt going away. Town Manager Mike Scott explained that the electric utility fund has not raised rates in at least seven years, and they have been waiting for this payoff to be considered for factoring future rate adjustments. He noted that they have only increased rates based on wholesale utility cost increases passed on to them. Manager Scott was not suggesting the electric fund was unhealthy, but rather that it was not as strong as other utility funds.

Councilman John Dunn discussed the property valuation increase, noting that not all properties will be impacted equally. He referenced a previous conversation with Dr. Barbour about a \$250,000 house calculation and pointed out that his own property value increased by 58%, not the full 70%. He emphasized that the 70% increase is not uniform across all properties and is significantly influenced by commercial property valuations, such as the potential massive increase in an Amazon property from farmland to a multi-million-dollar facility. Councilman Dunn stated he may be wrong, but he does not think individual residential units will be affected as much.

Manager Mike Scott made mention that the tipping fees at the solid waste facility were not going up, as a result the Town's sanitation fees should remain status quo.

There was some discussion regarding what the 3.5% proposed electricity rate increase would amount to in dollars per customer. Public Utilities Director Ted Credle stated that based on a usage of 1000 kWh, it would equate to \$10 or so. The Manager stated he would get back to the Board with an accurate number. Manager Scott further suggested that if the Board wanted to manage and try to absorb cost, that it considers the sewer rate-- which is going up 9.5%. Councilman Travis Scott suggested the Town absorb some of the residential costs for customers, who only make up 24% of the electric load and some of whom are on a fixed income.

Public Utilities Director Ted Credle informed the council that the EPA recently extended the deadline for PFAs (Per- and Polyfluoroalkyl Substances) from 2029 to 2031. He plans to examine a treatment system in June in Cary as a pilot study. Credle anticipates a significant future expense of four to five million dollars to upgrade the water plant and remove PFAs from the water. He described a new treatment method that will chemically enrich and destroy the water's forever chemicals on-site, avoiding the need to ship byproducts elsewhere, which is different from current disposal methods, but would still come with cost.

Councilman David Barbour asked about the push for municipalities to get rid of the fluoride chemical in water. Credle stated that when he arrived in 2018, our previous water treatment plant superintendent had gotten rid of fluoride.

Town Manager Scott stated the 9.5% sewer increase would generate about a \$435,000 increase in revenue. He also mentioned a recent law suit settlement payment for \$300,000 that could also make up part of the money to reduce the impact of the upgrade, and evaluate moving forward in congruence to County rates. Credle added that the Town would get the same credits from the County as other Towns for infiltration and intrusion.

There was more discussion regarding the Town's proposed tax rate, with Councilman Scott suggestion that the Board give the manager some direction.

Councilman John Dunn expressed concern about maintaining a healthy fund balance while addressing the town's growth and future needs. He acknowledged everyone's desire for a lower tax rate but emphasized the importance of keeping sufficient funds available for upcoming projects and expenses that might not immediately generate property tax revenue. Dunn highlighted the potential infrastructure demands from new developments, such as the possible 700 new housing units near Amazon, which would require additional resources. He warned against depleting the fund balance to a point where the town cannot respond to future needs. Dunn suggested that while cutting the tax rate might seem appealing, it could limit the town's ability to manage growth and infrastructure demands. He proposed that it would be easier to lower the tax rate in future years if things go well, rather than having to increase it after cutting too deeply. He stated paying cash for roads now, but then using \$350,000 in Powell Bill money the next year puts the Town back into the same shape. He said the preliminary numbers can be adjusted, but suggested waiting for more tax information.

There was some discussion regarding how many linear feet, or miles of roads could be repaired for the 4 million dollars proposed for such in the budget. Public Works Director, Lawrence Davis stated there was repaving proposed for Outlet Center Drive as well as Third Street.

Councilman David Barbour expressed agreement with the Town Manager's proposed budget at .47 cents. He suggested waiting to see feedback from the county and other municipalities to ensure the town's tax rate is comparable and reasonable. Barbour noted that in previous instances, the town has adjusted fees and rates based on comparisons with other localities. He recommended maintaining the proposed .47-cent rate and using the time before the final budget adoption to gather more information and see how other jurisdictions are handling their tax rates.

Councilman David Barbour left the meeting excused at 8:00 pm.

Mayor Moore asked if there were any further thoughts regarding the budget.

Councilman Travis Scott suggested that if the council is going to make budget cuts, they should look at all departments equally. He specifically mentioned the parks and recreation department, noting that a previous presentation indicated the town is spending more per capita on parks than Raleigh. Scott highlighted the proposed soccer complex in West Smithfield as a potential "want" rather than a "need," especially given the county is beginning to develop recreational facilities. He asked the Town Manager to provide a more balanced budget review that considers cuts across all departments, not just focusing on specific departments. Scott emphasized the desire for an equitable approach to budget reductions, if necessary.

Adjourn

Councilman Travis Scott made a motion, seconded by Councilman John Dunn to adjourn the meeting at 8:04 pm. Unanimously approved.


M. Andy Moore, Mayor

ATTEST:


Elaine Andrews, Town Clerk

