

**CITY OF LAURINBURG
CITY COUNCIL SPECIAL MEETING
APRIL 21, 2026
CITY HALL AND POLICE DEPARTMENT
303 WEST CHURCH ST.
4:00 PM**

Minutes

1. CALL TO ORDER

The City Council of the City of Laurinburg held a special meeting on Tuesday, April 21, 2026, in the Council Chambers of the City Hall and Police Department at 4:00 p.m. with the Honorable James T. Willis, Mayor, presiding. The following Councilmembers were present: Mary Jo Adams, DeMarco Allen, James McLean, Rosemary Rainer, and Andrew G. Williamson, Jr.

Also present were Charles D. Nichols III, City Manager; Amanda K. Futrell, City Clerk; Brooke Bathie, Deputy City Clerk; Harold W. Haywood, Budget & Management Services Director; Betty Galloway, Human Resources Director; Mitchell "Mitch" Johnson, Police Chief; Jennifer McGirt, Finance Director; Walker McCoy, Community Development Director; Dixon Medlin, Treatment Plants Director; Jordan McQueen, Fire Chief; Chris Young, Assistant Police Chief.

Mayor Willis called the meeting to order at 4:02 p.m. Councilmember McLean gave the Invocation and led the Pledge of Allegiance.

2. DISCUSSION OF FISCAL YEAR 2026-2027 BUDGET

Discussion of Alterations to the City's Health Insurance plan

The City Manager stated that the City's Human Resources (HR) Director, Mrs. Betty Galloway, was present, alongside long-time insurance broker Mr. Chad Huff, of the Hilb Group, to provide an update regarding the City's health insurance.

Mr. Huff noted that he has had the opportunity to work with the City of Laurinburg for about a decade, and that his firm represents all the major health insurance carriers in the state, citing Blue Cross Blue Shield, United Healthcare, Aetna, MedCost, and Cigna as examples in the area that have positive networks. He stated that his role as a benefit consultant is to ensure that the best available health insurance plan is marketed to employees each year. Mr. Huff noted that he has been in the insurance business for approximately 22 years, and that roughly

50% of his day consists of working with municipal groups across the state, adding that the Hilb Group represents approximately 200 municipalities and is the endorsed provider for the North Carolina League of Municipalities.

Mr. Huff stated that the City's insurance is a challenging budget item that continues to escalate year after year, and he provided a brief history of the City's insurance coverage. He explained that the City has been with Blue Cross Blue Shield for nine years and every year, the firm markets the City's program to every carrier after which, Blue Cross Blue Shield comes back with a favorable renewal. He stated that over the past nine years, the increase had been approximately 4% on average, which is about 2.5% below the medical trend. Mr. Huff explained that the medical trend is medical inflation that the carriers incorporate into their rates, which had been averaged over those nine years at 6.5% while the City's increase had been roughly 4%. He noted that the inflation would be reflected in the upcoming renewal. Mr. Huff also outlined that another thing to be aware of is that the average age of the City's group was 0.89 when starting with Blue Cross Blue Shield nine years ago, which was below the industry average, and now it is between 1.02-1.03. He explained that it is a combination of tenured employees that are getting older and bringing the average age up, along with the City's coverage of retirees on the plan.

Councilmember Adams asked to clarify what the average age means. Mr. Huff explained that it is a blend of the average age of the entire group, expounding that 1.0 is the benchmark and that the City was about 10% below the average in the beginning and is now a few percentage points over the average. He added that it is the average of all ages of employees, measured on a scale using 1.0 as the benchmark average.

Mr. Huff presented an update regarding the City's loss ratio, stating that carriers strive to obtain an approximately 80% loss ratio when working with a municipality, and over the past two years the City's Medical Loss Ratio (MLR) has been as high as 122%, which is roughly 40% above the average. He noted that the City was still given small increases when the MLR was high and that last year practically had a flat renewal even though Blue Cross Blue Shield wanted 15% when they sent the renewal. He stated that this year, the renewal had generated at 49.5%, which is one of the largest renewals ever received. Mr. Huff explained that his firm worked to negotiate that rate with competitive information and by marketing the City's plan with other carriers, adding that both Aetna and Cigna declined a quote because they could not compete with a renewal based on the required claims data presented to them through Blue Cross Blue Shield. He stated that the City received a proposal from United Healthcare, and that they are the most competitive option for the City, but it is 22% for a similar plan. Mr. Huff explained that the challenge with United Healthcare is that the network in the area is not

favorable, specifically in the Pinehurst area, so transferring carriers would cause some employee disruption. He noted that, after looking at the City's formulary for medication, he noticed that there were quite a few that some employees currently receive that would not be covered by United Healthcare, which would shift more costs onto the employees. Mr. Huff stated that his firm worked with Blue Cross Blue Shield to get the renewal down to 38% and does not include any plan changes to the benefits, which is very important. He explained that, over the last nine years, while most municipalities have had to raise their deductibles and copays, the City of Laurinburg has been able to maintain a competitive benefit package with Blue Cross Blue Shield and there are still no plan changes at the 38% renewal rate. He added that due to the medical trend, the age increase and the recent high claims, it is difficult to find another solution that is competitive with networks in the area.

Councilmember Williamson asked if the firm had considered any adjustments such as higher deductibles and how it would affect the total. Mr. Huff responded that the firm had previously reviewed 19 different plans with the City Manager to weigh those options. He stated that, when previously increasing deductibles with Blue Cross, it had very little impact on the overall premium. He added that, due to a few people creating a catastrophic risk to the plan, they were not willing to lower the rate significantly. Mr. Huff explained that, if they looked at plans that would double the City's deductible from \$2,500 to \$5,000 and kept everything else similar, the renewal could come down to 28%, but it would double each deductible and the out-of-pocket costs to employees would increase from \$4,500 to \$10,000.

Mayor Pro Tem Rainer asked Mr. Huff how the firm was able to keep the rate flat last year. Mr. Huff explained that it was one of the most challenging renewals the firm has ever had, and he had connected Mrs. Galloway with the team at Blue Cross Blue Shield for direct meetings about the renewal. He continued that, typically, those discussions involve his underwriter, his office and the carriers, and then he would present that information to the City. Mr. Huff stated that, in one of the meetings with Mrs. Galloway, Blue Cross Blue Shield stated that, based on the data from last year in the claims, they thought the City was improving, so they did not want to pass on an increase that would cause the City to abandon its services. He then clarified that the City did not improve, but that the firm provided competitive information to Blue Cross Blue Shield, so they had to compete to retain the City's business. Mr. Huff continued that the City has now caught up over the past nine years, so now there is no other option than transferring to United Healthcare, which may not be the best option.

Mayor Willis asked Mr. Huff to elaborate on the City's high-cost claims. Mr. Huff provided an overview of the recent cancer claims, some involving chemo and rejection therapies that are escalating costs and do not look to be improving in the

near future. He explained that some individuals in the City's group are not employees, but are retirees, so the firm is not privy to additional information about the claims, but it does appear in the City's loss ratio. He stated that nationwide prescription drug costs have escalated year after year and that when he first started in the business 20 years ago, prescriptions were 20% of the total claims on average, and now they are approximately 50%. Mr. Huff relayed to Council that the City has very high-cost specialty drugs being prescribed to individuals in the group plan, one of which costs \$81,000 per year for one person, so the plan is paying high costs on the back end which leads to the high loss ratio and the premium increases. Mayor Willis stated that a major drawback to switching to United Healthcare would be out-of-network providers. Mr. Huff explained that United Healthcare is more of a managed care company than Blue Cross Blue Shield, so there may be some disruptions with some of the prescriptions mentioned, but the network in the Pinehurst area could cause some disruption as well.

Mrs. Galloway stated that the Hilb Group is a good firm to rely on and that the HR Department performs quarterly reports to evaluate the medical loss ratio early on, and would typically begin the process in January. She stated that, unfortunately, all the claims occurred at one time and when there have been long-term employees with the city for 30 years, the City feels compelled to do what it can to help them by not changing the insurance or not doubling the deductible. She concluded that the City uses that, along with paying for healthcare, as a recruiting tool.

Mr. Huff explained that, when benchmarking the City's plan against other cities across the state and other employers in the area, the average out-of-pocket is over \$6,000 while the City's is \$4,500, and the employee-only rate is about 10% lower than the average. He stated that \$10,000 is the approximate annual cost for an employer for a similar plan across the state but the City's cost is still about 10% below that, even with an increase.

Mayor Pro Tem Rainer asked what a general doctor's visit copay would be if the increase is approved. Mrs. Galloway stated that it would remain the same.

Councilmember Adams asked if the City's ten years working with The Hilb Group had been consecutive, because she remembers when the City did change carriers at one point, and it was a disruption for the employees. Mrs. Galloway noted that it had not been consecutive but that the City has been with Blue Cross Blue Shield since 2016. The City Manager stated that the City was with Carolina Care prior to that. Councilmember Adams also asked what the City's benchmark average age was before it was 1.02-1.03. Mr. Huff reiterated that it was at 0.89.

The City Manager emphasized that this process involves a lot of back-end negotiations and the 38% increase would be presented during the budget

discussion, because having a rich insurance plan sets the City apart from the private industry and is a large asset for retention and recruitment.

Discussion of the Fiscal Year 2026-2027 Budget

The City Manager prefaced his high-level discussion of the budget by stating that the annual health insurance cost to the City for 150 employees and retirees is \$1 million, so the 49.5% increase was a \$500,000 increase that has since been reduced to a 38% increase. He then began presenting the slides to Council and stated that he had spoken with a few citizens previously and encouraged them to watch the live meeting on Facebook to see where the City stands competitively with property tax rates and other budgetary items. He noted that the values with stars next to them are preliminary values from the County because they are still going through their appeals process, so it is difficult to make decisions and present information to Council based on that.

The City Manager explained that the first few slides compare the City with other municipalities in the surrounding area, with the first slide presenting the tax rate comparison. He stated that the next slide compares what one penny generates from the 40-cent tax rate and shows that the City receives about \$100,000 for that penny. He noted that Fayetteville is always highlighted in yellow because it is so much higher that it does not fit on the scale, emphasizing that one cent on Fayetteville's tax rate is \$1.5 million. The City Manager explained that the next slide breaks down annual property tax revenue, highlighting that the majority of the General Fund is allocated to Public Safety for the Police and Fire Departments. He stated that the farthest left value represents what the City's 40-cent tax rate brings in, which is \$3.54 million, and that the second value is based on the preliminary evaluation number provided by the County that shows that, at the 40-cent rate, it would increase the City's annual revenue to \$5.1 million. He stated that Fayetteville's annual revenue from their tax rate is \$88 million, reiterating that it would skew the scale on the chart. The City Manager explained that, no matter how much tax revenue is brought in, the City aims to maintain the highest level of public safety, and with the preliminary increase from \$3.54 million to \$5.1 million, the City's annual revenue remains in line with Rockingham at its 55-cent tax rate and are well below Lumberton, Southern Pines, and Aberdeen. He iterated that tax revenue is the largest revenue driver in the General Fund and commended Council on what they have been able to accomplish with less revenue than surrounding areas.

The City Manager reviewed a slide with information regarding the City's property tax rate history since the year 2000, stating that it was higher in the early 2000s until it decreased to 38 cents, then increased back up to 40 cents, and eventually

increased to 42 cents between 2007 and 2008. He stated that it has been flat at 40 cents since approximately 2012.

The City Manager presented a high-level description of departmental requests and other figures for 2027, including a 38% health insurance increase, a 3% Cost-of-Living Allowance (COLA), all capital requests, and all additional personnel requests. He noted that the total for the General Fund is approximately \$13.7 million, primarily due to requests from department heads that had been discussed in recent meetings. The City Manager noted that department heads have been made aware that this would be a tighter budget, primarily due to health insurance issues. He explained that the next slide is a pie chart representing the expenditure breakdown in the General Fund consisting of Administration, Facilities, Community Development, Public Safety, a portion of Public Works, and non-departmental services such as chamber contributions and the City's debt.

The City Manager presented the next slide with a revenue breakdown, stating that the City must have a zero-balance budget. He explained that, in order to balance the \$13.7 million budget with all requests, the 3% COLA and the 38% health insurance, 11% of it would need to be fund balance appropriation. He noted that he would discuss what the City has available to balance.

Councilmember Williamson asked if the 37% for property taxes assumed the same tax rate or the new rate. The City Manager stated that it is based on the new estimated 40-cent tax rate received from the County from the preliminary evaluation, so the 37% had the \$5.1 annual revenue factored into it.

Councilmember Adams asked to review the previous slide again. The City Manager reiterated that some of the values shown are preliminary, adding that public safety is estimated to occupy roughly 55% to 60% of the budget and that some of the non-departmental estimates are associated with all the departments. He noted that there have been discussions at the state level about the future of property taxes and potentially limiting or eliminating the local ownership of setting tax rates, meaning they would need to find alternative revenue sources to accommodate those changes for municipalities to be able to fund their budgets.

Councilmember Adams referenced the 11% fund balance projected for Fiscal Year 2027-2028 and asked what the fund balance was for the last fiscal year. The City Manager explained that the City has an allocated fund balance planned for the 15-year debt service to the current City Hall building, which is currently \$1.5 million, but it would take \$1 million to balance the budget of the unplanned fund balance. He stated that the fund balance last fiscal year was \$388,000. Councilmember Adams asked to clarify what it is projected at this year. The City Manager stated it is projected to be \$1 million and reiterated that it is an estimate based on all requests, the 3% COLA, and the 38% health insurance. Councilmember Adams

also asked to clarify that the fund balance is included but not always utilized. The City Manager confirmed this and explained that it is uncommon to spend an entire line-item budget, but that the budget cannot be balanced with that understanding. He explained that the budget can be planned out to spend about 90% to 95% of the total budget and that is why the recent audit raised flags, because the City did have to spend some of the fund balance. He noted that the audit was performed on June 30, 2025 and the City spent approximately \$300,000 of the fund balance, which is unusual for the City.

The City Manager then went on to discuss the City's current and projected fund balance, explaining that, as of June 30, 2025, the audit showed \$5.8 million of total funds in the General Fund, with an unassigned amount of \$3.1 million. He stated that the City has obligations and has pledged \$1 million in contributions to organizations that must be reduced from that unassigned fund balance, leaving an unassigned balance of \$2.15 million of the \$5.8 million. He noted that the Local Government Commission (LGC) requires an 8% fund balance and the City has a 16% request, and that the current \$2.15 million puts the City's percentage of fund balance to the total budget at 21.82%. The City Manager explained that, according to the City's standard, it could come down to 16% for the fund balance available to appropriate \$574,000 based on the audit. He stated that, when the tax rate went up to 42 cents, the City was on the LGC's radar, then a resolution was passed establishing an internal policy intended to maintain the fund balance at a minimum of 16%, versus the state's 8% fund balance. Councilmember Allen asked the City Manager to repeat a part of his explanation. The City Manager explained that, in order to pass the budget now, it would need to pass with \$1 million in fund balance, but the current fund balance calculations are at \$574,000 that they could conservatively pass the budget with. Councilmember Williamson noted that the City would either need another \$500,000 or to reduce the request. The City Manager reiterated that these amounts include the 3% COLA and the 38% health insurance and stated that the health insurance alone could add that additional \$500,000. He reiterated that the City wants to maintain a rich insurance plan for the employees because it benefits them and helps to retain and recruit employees. He noted that he had spoken with Mrs. Galloway regarding various options to reduce it, but if it is continuously reduced and the deductible continues to increase, then the City's competitive advantage against other municipalities, local governments, and the private sector would be lost. The City Manager stated that the City also offers a 5% 401(k) that is not contingent upon employee matching, which serves as an additional employee benefit, and also offers 12-month claims.

Mayor Pro Tem Rainer asked to clarify that the City currently has 21.82% of fund balance for the total budget and that the City currently has \$574,000 to appropriate and still be in line. The City Manager confirmed both statements and explained that the \$2.1 million is the 21.82% of the City's total expenditures, and to reduce it to

16% based on total expenditures and unassigned fund balance, the City could appropriate \$574,000 in the current budget and still be able to plead the City's case to the LGC for that to be available fund balance. He stated that it is not common to spend the entirety of the budget and what happened that caused a flag in the recent audit was that the City's budgeted property tax amounts were higher than what they actually were, so the City did not hit the projected revenues, therefore some of the fund balance needed to be used. The City Manager noted that he pledged in the performance indicators response to the audit that the City would reevaluate its property tax budgeting, which is still unknown until the evaluation number from the County is confirmed. He added that he pledged that the City would be more conservative when projecting property tax revenues. Councilmember Williamson asked if the City would receive another flag in the audit if it utilized the 16% fund balance. The City Manager stated that it would not and if the City reassessed the budgeted numbers for property taxes with the already factored-in contributions and future costs, then it would show as a conservative number based on that. He then commended The Hilb Group for spending a lot of time negotiating values for the City, providing flexibility for the City throughout April, May and June to navigate next steps as new negotiation values come in.

The City Manager reviewed the last slide that represents the penny breakdown, showing what each penny is allocated to from the 40 cent tax rate. He noted that 22 cents are allocated directly toward the Fire and police Departments. He added that all the others are broken down into 4 and 5 cent increments for the Enterprise Funds consisting of electric, water and sewer, and solid waste.

Councilmember Williamson asked about the anticipated revenue based upon a 40% increase. The City Manager stated that the current annual revenue is \$3.5 million and would increase to \$5.1 million for a 40% increase from the evaluation. Councilmember Williamson asked how it balances out if both revenues and expenditures are increasing. The City Manager stated that is what is trying to be determined now and reiterated that these values are preliminary and are subject to change before the May 2026 Council meeting when they will be discussed again. He also reiterated that there have been high insurance claims in the last 12 months, so they may level off and come back down next year. He noted that insurance carriers have turned away the City's business because of the last 12-month claims.

Councilmember McLean asked to return to the slide that showed the municipality comparisons of annual property tax revenues in the area. The City Manager stated that he wanted to emphasize how much General Fund revenue the City is generating from one cent, compared to surrounding municipalities that are providing the same public safety, community development, and other services that

the City provides. Mayor Willis pointed out that Rockingham has a much smaller population than the City of Laurinburg.

Councilmember Adams asked to clarify that the total General Fund for this year was \$13.7 million and last year it was \$11.7 million and asked if the other new values would be reviewed again. The City Manager confirmed. Councilmember Adams asked if there were cost increases that could be shown. The City Manager stated that some cost increases are represented by the 3% COLA, the health insurance increase, capital that had been delayed, new position requests, and the fueling facility increase from upgrades. He noted that the fueling facility costs are split between the City and County and that the projections for that project are \$650,000 to get the tanks above and out of the ground, install a new canopy, new dispensers, and other modifications.

Councilmember McLean asked if Animal Control was split with the County. The City Manager stated that Animal Control is with the City's Police Department and that the budget for Animal Control includes the officer's salary and operating expenses. Mayor Willis clarified that the money provided to the Humane Society is non-departmental. The City Manager confirmed and noted that the \$1.2 million shown are contributions to the Chamber, 'Tis The Season, debt services, and other non-departmental entities. Councilmember Adams asked to clarify why the Animal Control budgetary items are separated. The City Manager stated that, because it was a separate department before moving under the Police Department, it remained that way. Mayor Willis asked if the value would stay the same if the position was no longer under the Police Department. The City Manager stated that it would because it is in the General Fund. Mayor Willis asked what department Animal Control was under before moving to the Police Department. The City Manager stated that it was under the Public Works Department and explained that it was moved to the Police Department to improve operation efficiency for issuing citations. Councilmember Adams asked if each officer could be certified to handle animals instead of having only one person qualified to do so in that department. The City Manager stated that he has had discussions with Police Chief Johnson regarding a plan of action for that situation.

Police Chief Johnson addressed Council to provide a brief update regarding Councilmember Adams' inquiry. He stated that the Police Department has qualified K-9 units that are trained to handle all dogs, along with other officers that may not be qualified, and noted that if there is an animal control call on the weekend, an officer will respond with the proper tools and vehicle. He referenced discussions that have occurred regarding training to prepare officers for any situation they may encounter with a dog. Chief Johnson also noted that there are cages and traps available to officers which are only allowed to be set out by officers within City limits, emphasizing that they have no jurisdiction over an animal that leaves City

limits and is still within Scotland County. He stated there is also discussion of training that can assist all officers within the City to handle animal control calls, noting that the primary complaint with the City is animal complaints. Mayor Willis noted that some officer vehicles carry dog food, which Chief Johnson verified to be true and concluded that an officer will respond to any call the City receives. Mayor Willis stated that a significant discussion topic when recently meeting with the County Manager and County Commissioner was animal control and the relationship with the Humane Society. The City Manager referenced Mr. Alan Livingston's presentation of the Humane Society budget request to the City.

The City Manager stated that there are no specific details to touch on regarding the Enterprise Funds, so he just provided a high-level brief overview of where they stand. He noted that everything is flat on the electric side, and he had addressed issues with Duke Energy regarding the increases, such as the 4.5% wholesale increase on April 1st. He stated that the City is in the fourth year of a five-year plan for water and sewer rate increases, with a current 10% increase. The City Manager stated that he has received no notification from the County about tipping fee increases for solid waste, adding that the current monthly rate for City residents is \$35 and there were two trucks included in the budget request, stating that the two trucks are an automatic side-loader and a boom truck that would cost \$700,000. He explained that, to balance that budget, the City would currently need \$720,000 of fund balance based on the \$35 monthly rate, because there is only \$470,000 of cash in the solid waste. He emphasized that this request would need a lot of attention in the next month to bring back a recommendation to Council and mentioned potentially contracting out some services in solid waste. The City Manager explained that the County controls the transfer station, so the City does not benefit from that tipping fee. Mayor Willis asked if that includes the recycling program. The City Manager stated that the City handles everything except the bulky items and municipal solid waste (MSW), so the City handles all recyclables and yard debris.

Councilmember Williamson noted that there have been no recent reports since a revision of those processes. The City Manager stated that he will obtain an update on that for next month, and that there is an approximate \$200,000 expense associated with those services, which does not generate an equivalent return on investment but is a benefit to City residents. Mayor Willis inquired about the recycling revenue. The City Manager explained that the revenue from recycling services is not high. Councilmember Adams asked if the \$700,000 for the two trucks was included in the 2027 budget. The City Manager confirmed that it is and noted that the City had been renting a side-loader truck temporarily while one was out of service, adding that an equipment replacement last year was \$291,000 and this year it is \$886,000, so it would be \$450,000 for a side-loader and \$250,000 for a boom truck. He noted that the City also has other trucks that are being financed

out, one of which is being financed out until 2031, and that it is difficult to break even in the budget when a truck is \$450,000 and the budget is \$3.5 million for solid waste. He added that it is difficult to build up enough cash without raising the monthly rate. Mayor Willis asked if the side-loaders could pick up both garbage and recycling. The City Manager confirmed they can and noted that the trucks must remain clean to not contaminate the MSW. He concluded that the City would run the vehicles through the fleet wash station to clean them to try to extend their use-life to help in the budget process.

The City Manager stated that he must present a zero-balance budget to Council by June 1, 2026, so he will meet with the Budget & Management Services Director and each department head to make the alterations and come back with updates, questions, and direction for Council at the May 19, 2026 meeting. He noted that Council would then need to call for a Public Hearing to be held at the June 16, 2026 meeting.

Councilmember Adams asked if the City Manager would be able to project revenues from a 38-cent tax rate along with the 40-cent projections. The City Manager stated that it could be projected at any tax rate. Councilmember Adams stated that she believes it would be best to approve the health insurance increase and COLA rates, then look for additional funds if needed. The City Manager stated that it is required to present a revenue-neutral plan to Council and to the public, which will be easier once the County's reevaluation value is received. Councilmember McLean stated that he would like to see projections at a higher rate as well.

3. COMMENTS FROM MAYOR AND/OR COUNCILMEMBERS

Councilmember Adams thanked the City Manager and those involved in the meetings for preparing the budget.

Mayor Willis thanked everyone for attending the meeting.

4. ADJOURNMENT

Mayor Willis adjourned the meeting at 5:16 p.m.


James T. Willis, Mayor


Amanda K. Futrell, City Clerk

