

**CITY OF LAURINBURG
CITY COUNCIL SPECIAL MEETING
MAY 19, 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 its special meeting on Tuesday, May 19, 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; Jennifer McGirt, Finance Director; Mitchell "Mitch" Johnson, Police Chief; Betty Galloway, Human Resources Director; Walker McCoy, Community Development Director; Dixon Medlin, Treatment Plants Director.

Mayor Willis called the meeting to order at 4:01 p.m. Councilmember Allen gave the Invocation and led the Pledge of Allegiance.

2. DISCUSSION OF FISCAL YEAR 2026-2027 BUDGET

a. Presentation of the Draft 5-year Capital Improvement Plan.

The City Manager stated that Mr. Harold Haywood, the City Budget & Management Services Director, would present the Draft 5-Year Capital Improvement Plan (CIP) and noted that there would also be a routine 10-year Capital Improvement Plan presented in June for Council's approval. He added that both Capital Improvement Plans would be presented to Council then would be adopted in June, along with the budget. He explained that the two plans are beneficial for planning and also aid in obtaining grant funding.

Mr. Haywood presented an overview of the City's capital needs over the next five years, stating that pending any revisions made over the next month, it would be available at the public hearing in June for approval. He explained that the CIP is a long-term plan for identifying the capital needs of the City over the next five

years. He stated that the threshold for capital projects is defined as investments in non-disposable, tangible assets with an estimated life of more than one year and exceeding \$5,000 in cost. He explained that what occurs in the first year of the plan would be represented in the upcoming Fiscal Year 2026-2027 Annual Operating Budget, then future years are meant to provide a perspective on what is on the horizon so that the city can plan accordingly and help forecast needed revenues in the upcoming years.

Mr. Haywood referenced the CIP development process currently used by the City. He explained that the goals and policies are reviewed at the City's annual council retreat, at public input sessions, at budget workshops, and within departments during the budget process to identify capital needs. He explained that departments submit these needs so that a consolidated document can be developed during the beginning of the calendar year and into early spring after working with vendors and engineers to determine costs. He stated that the City's goal is to apply for as many grants as possible to help meet some capital needs.

Mr. Haywood referenced a graph showing the trend of projected capital expenditure in the General Fund over the next five years, with the first two years representing between \$1.5 million and \$2.5 million worth of needs each year. He explained that there is the possibility to transfer some items from years two and three to year four, to level out the amounts needed over that time period. He added that there are a few upcoming large expenditures in fiscal year 2027, such as a community development project for the McDuffie Square Depot budgeted at \$390,000 and the fueling facility budgeted at \$650,000. Mr. Haywood also referenced an expected \$750,000 fire truck expenditure in fiscal year 2028. Mr. Haywood noted that the rescue and fueling facility are currently shared-cost departments, so the County funds 50% of those operations. He added that the City receives Powell Bill assistance for streets and highways, which is another large part of the general fund, noting that the street and highway reserve included in the fund every year is \$250,000.

Mr. Haywood presented a graph showing projected capital expenditures over the next five years in the Electric Fund. He stated that several large projects were moved to Fiscal Year 2027 due to insufficient time to complete them in Fiscal Year 2026, including the Highway 401 lighting project and fiber replacements. He then presented additional details on Electric Fund capital projects, noting that the total for electric operations is elevated due to several major capital projects scheduled to begin in the upcoming fiscal year.

Mr. Haywood presented a graph showing projected capital expenditures over five years for the Water and Sewer Fund in \$2 million increments, stating that it is the largest fund in terms of capital expenditures. He noted that some of the projects were funded by the State and some were funded by the low-interest loans the

City received, adding that the projects are well underway, which is why fiscal year 2027 would exceed \$15 million. He stated that some projects include tank improvements and the Bridge Creek Project and presented a chart with more detail regarding the specific expenditures, highlighting a \$4 million expenditure on water production and treatment and a \$9 million expenditure on wastewater treatment.

Mayor Pro Tem Rainer asked to confirm that the projects were being funded by grants. Mr. Haywood stated that some were, adding that the City received over \$19 million in state direct appropriations, over \$11 million in State ARPA funding, and some low-interest loans. The City Manager added that there is \$31 million in direct grant funding and that there are currently three state low-interest revolving loan funds that must be paid back. Mr. Haywood stated that those loans would become a part of the City's operational costs over the next few years. The City Manager noted that all of those factors were accounted for when the rate study was performed approximately three and a half years ago.

Mr. Haywood presented a graph showing projected capital expenditures over five years in the Solid Waste Fund. He explained that there were currently rising costs and that the City continues to investigate other options for handling solid waste within the City. He noted that the majority of the capital projects are truck replacements totaling to \$750,000 for the upcoming fiscal year, but that there may be a reduction in that cost. He also outlined other upcoming truck replacements projected through fiscal year 2031.

Mr. Haywood then presented a graph showing projected capital needs for all four funds combined over five years, totaling to approximately \$60 million. He stated that, last year, the total was approximately \$80 million and that the big difference was due to the water and sewer projects. He also presented a graph from the last audit that represented changes in the General Fund's fund balance and Enterprise Fund cash totals. He pointed out which graph line represented the General Fund and explained each of the other values, stating that the General Fund balance increased from 2021 to 2023 primarily due to the ARPA funding the City received from the Treasury. Mr. Haywood explained that, in the last year, the City had to begin using some fund balance in the General Fund to pay for operating and capital expenditures. He referenced a graph showing the projected capital expenditures for the Solid Waste fund over the next five years and explained that the current trend is rising costs, so the City continues to investigate other options for handling solid waste. He added that it is predicted that the trend would continue unless new grant opportunities were pursued due to the pressures of increasing operating costs across all departments. Mr. Haywood explained the graph's key and what each line represented in regard to Electric Fund cash totals, adding that the City used some of that cash over fiscal years 2021, 2022, and 2023 for capital projects that were postponed, and

similarly in the Water and Sewer Fund from 2021 to 2023 as well. He noted that the Water and Sewer Fund had improved over fiscal years 2024 and 2025 because of the decision to implement the rate structure plan of gradually increasing water rates over the last three years.

Mayor Willis referenced a finance session at the recent North Carolina League of Municipalities conference where it was mentioned that cities can transfer money from an Enterprise Fund to the General Fund, and asked if that was correct. The City Manager stated that the Electric Fund has general statutes that regulate what can be transferred. He noted a recent news story regarding the City of Rocky Mount, an Electricities member in the North Carolina Eastern Municipal Power Agency's (NCEMPA) eastern region, that has a separate legislation in the general assembly that allows them to move funds for special projects, but now the general assembly is questioning whether that is right or not. He explained that all other Electricities members have a general statute that regulates that action, adding that the City runs an analysis each year to present all transfers to the auditor and confirm that it remained within the general statute. Mayor Willis stated that a portion of the budget is divided into departmental salaries. The City Manager stated that the City does cost allocations, for example between the Human Resources, Administration, Finance and Governing Body, which are all presented to the auditor for justification. He noted that, in Rocky Mount, it appeared that the General Fund was being subsidized by their Natural Gas and Electric Funds, causing them to enter into a financial crisis.

Councilmember Adams referenced the \$134,748 fund balance in the Solid Waste Fund for fiscal year 2025, and asked if that value represented how much the balance changed or if it was the total fund balance. Mr. Haywood stated that the listed value was the change in cash, adding that the \$134,748 was an increase in cash in the Solid Waste Fund for fiscal year 2025. He noted that the fluctuations in that value are from the City's inflow and outflow of cash, from savings to then making purchases such as vehicles, and the cycle repeats continuously throughout the years. The City Manager stated that the General Fund must be accounted for differently than the Enterprise Funds, for audit purposes. He explained that the General Fund involves a fund balance, which is composed of cash with subtracted liabilities, whereas, Enterprise Funds are like business entities that must be accounted for as cash totals or reserves.

Councilmember Adams referenced the City's previous preparedness for disaster response and infrastructure repair after Hurricane Florence due to ample cash reserves, versus some other entities in the community that did not have a strong contingency plan. Mr. Haywood stated that the City currently has one project remaining to close out due to that 2018 hurricane, so the reserves are necessary. The City Manager stated that the City must be able to rapidly repair water and sewer infrastructure when a natural disaster hits, then request FEMA

reimbursement. Mr. Haywood also referenced recent project closeouts from Hurricane Matthew in 2016.

Mr. Haywood concluded his presentation and opened the floor for questions from Council.

Mayor Willis asked how rising fuel prices have impacted Pee Dee Fuel. The City Manager stated that fuel price fluctuations have been partially accounted for in the upcoming fiscal year budget. Mr. Haywood added that, due to the inherent unpredictability of the fuel industry, the City maintains a financial cushion within its budget for maintenance and supplies associated with fuel operations. The City Manager further stated that, due to ongoing international conflicts, a financial cushion has also been incorporated into the Electric Fund. He added that Capital Improvement Plan (CIP) updates are presented annually to Council to allow for ongoing monitoring of trends and to make adjustments as necessary.

b. Presentation of Fiscal Year 2026-2027 Proposed Budget.

The City Manager stated that significant uncertainty remained regarding the budget due to recent legislative developments in Raleigh concerning property taxes and potential moratoriums. He noted that the North Carolina General Assembly is currently considering several bills related to property taxes, levy limits, and possible moratoriums. The City Manager further stated that staff have begun discussing potential courses of action should a moratorium be enacted.

The City Manager explained that the City is subject to restrictions established by state statute, which require the City Manager to present a balanced budget for all four funds to the Council by June 1 of each year. He stated that the proposed budget would be emailed to Council during the last week of May. The City Manager noted that the budget encompasses all four funds, employee compensation and benefits, and other anticipated expenditures. He emphasized that property tax valuations remain a significant uncertainty in the budget process and stated that the City may need to make adjustments to the Solid Waste Fund accordingly, as well as potential adjustments to the General Fund depending on the outcome. He noted that the City's solid waste services are a valuable amenity for residents but stated that the City may need to explore alternative service delivery options, including contracting out certain aspects of the service. He added that, if current conditions remain unchanged, the City may need to consider increasing monthly solid waste rates or reducing the level of services provided to residents.

The City Manager then began his presentation of the balanced budget, which was based on maintaining the current tax rate, and referenced a slide outlining

alternative tax rates and the revenue each would generate. He explained that the proposed budget was based on the draft property valuation figures provided by the County earlier in the spring. The City Manager stated that he would first review the previous three budgets, broken down by the General Fund, Electric Fund, Water and Sewer Fund, and Solid Waste Fund.

He explained that the proposed budget before Council totaled \$47,346,302 and stated that he would outline the primary factors contributing to the increase from the prior year's budget. He noted that the proposed budget included a 3% cost-of-living adjustment for City employees, that no changes had been made to the fringe benefit package, and that health insurance costs had increased by 39% to maintain the current coverage plan, resulting in an additional cost of approximately \$500,000.

General Fund

The City Manager stated that the proposed budget was based on a 40-cent tax rate, which would generate approximately \$5.1 million in annual revenue. He reviewed several budget items for Council's consideration, including funding for the City's 150th anniversary celebration and a new position within the Human Resources Department. He stated that \$30,000 was budgeted for touch-up work and flooring improvements at City Hall, which is now seven years old. The City Manager noted that \$360,000 was budgeted for the McDuffie Square Depot project, which involves the construction of an enclosed facility with permanent restrooms, storage space, and an open-air shelter for farmers market events. He further stated that \$60,000 was budgeted for improvements to McKay Street, for which a final plan had been completed and discussions had been held with adjacent property owners. The City Manager continued that \$100,000 was budgeted for the construction of a permanent building at the cemetery to house equipment used for maintenance and beautification efforts. He noted that \$322,000 was allocated for the renewal of contracted police services and equipment, including Tsunami cameras, Tasers, LiveScan equipment, and license plate readers, while \$250,000 was budgeted to replace four fully equipped police vehicles and associated equipment. He added that \$21,000 was budgeted for the replacement of general police equipment, including ammunition.

The City Manager further stated that \$130,000 was budgeted for fire equipment replacements, \$250,000 for street resurfacing projects, which have benefited from favorable bid pricing in recent years, and \$130,000 for street equipment replacement. He noted that \$50,000 was allocated for stormwater improvements to proactively address future needs, \$150,000 for the installation of a 15,000-pound vehicle lift in the City garage to reduce the need for contracted maintenance services, and \$650,000 for a Joint Fueling Facility project, including

the replacement of all underground fuel tanks and aboveground pumps. He added that additional funding had been allocated for 'Tis the Season, the Chamber of Commerce, economic development initiatives, the Humane Society, downtown revitalization efforts, and the Arts Council.

Councilmember Allen asked whether the fire equipment replacement allocation included the purchase of a new fire truck. The City Manager stated that it did not and explained that a new fire truck, estimated to cost approximately \$750,000, is planned for purchase during the next fiscal year. He added that the amount budgeted this year is intended for routine equipment replacements, such as hoses and other firefighting equipment.

Councilmember Williamson asked for clarification regarding the Joint Fueling Facility and whether the City would proceed with the project if the County elected not to participate. The City Manager confirmed that the facility is planned as a joint project, with costs to be shared equally between the City and County. He further stated that, under the terms of the new Memorandum of Understanding, the City retains ownership of and liability for the property and would have the ability to move forward with the project independently if necessary.

Mayor Pro Tem Rainer asked what type of fuel the new police vehicles would use. The City Manager stated that the vehicles would use regular gasoline rather than diesel fuel. Councilmember McLean asked for clarification regarding the \$322,000 budget allocation, specifically whether the amount was intended for equipment replacement or for the renewal of contracted services associated with existing equipment. The City Manager confirmed that the funding was for the renewal of contracted services and stated that Police Chief Johnson could provide additional details. Chief Johnson explained that the City's contract includes equipment updates and replacements as technology evolves. He noted that when updates are made to the Police Department's Tsunami camera system, the company automatically provides the newest version at no additional cost, including enhancements such as improved night-vision capabilities. The City Manager confirmed that the City's cost remains unchanged when receiving updated or replacement equipment and stated that these provisions are included within the City's service agreement.

The City Manager noted that the proposed General Fund budget is currently balanced through the use of approximately \$535,000 in fund balance. He stated that he would review the amount of available fund balance that could be appropriated, noting that the City typically budgets between \$400,000 and \$500,000 from fund balance each year. He added that only approximately 90% to 95% of budgeted expenditures are generally spent and stated that the Fiscal Year 2025 audit marked the first time the City had utilized a portion of the fund balance that had been appropriated in the budget. The City Manager further

noted that he would discuss the City's available fund balance and the amount that would be recommended for appropriation.

Electric Fund

The City Manager stated that no rate increase was currently proposed and that approximately \$348,000 in fund balance had been appropriated to balance the budget. He noted that \$500,000 was budgeted to account for projected increases in power purchase costs from the North Carolina Eastern Municipal Power Agency (NCEMPA). The City Manager explained that, historically, the City had relied on NCEMPA's projections when budgeting for power purchases; however, the previous fiscal year was the first time actual costs exceeded the projected amount. As a result, a \$500,000 budget adjustment was included this year, which he stated was primarily driven by climate-related factors and the increased cost of natural gas.

The City Manager further stated that the budget included \$150,000 for equipment replacements associated with area light conversions and load management updates, \$450,000 for the replacement of a digger truck, \$75,000 for meter replacements, and \$50,000 for the relocation of certain utility infrastructure to accommodate renovations at Scotia Village. He noted that \$500,000 had been budgeted during the previous fiscal year for a joint lighting project with the North Carolina Department of Transportation (NCDOT) to install lighting along the four-lane corridor from the dog park to Mi Casita; however, the project would not be completed by June 30. He explained that such projects are typically included within capital project funds that carry forward each year, but following recommendations made during the audit process, staff determined it would be more appropriate to re-budget the project in the upcoming fiscal year and return the funds to the cash reserve in the interim.

The City Manager added that \$100,000 was budgeted for the replacement of the City's Supervisory Control and Data Acquisition (SCADA) server. He explained that the SCADA system enables communication with the City's electric and water infrastructure and provides operational monitoring capabilities, including water tank levels and system alerts. He concluded by noting that \$300,000 was budgeted to replace aging fiber infrastructure that has been in service since the 1990s in the City's historic areas.

Councilmember Williamson asked who was installing fiber. The City Manager stated that fiber installation is occurring across many rural areas and noted that the orange conduits visible throughout the City are used for fiber installation. He added that having fiber infrastructure provides a competitive advantage in the industrial broadband market and stated that the City offers both lit and dark fiber

services to many industries in Laurinburg and Scotland County, including facilities such as hospitals and school buildings.

Mayor Willis asked how the fiber infrastructure deteriorates over time. The City Manager explained that earlier installations contained approximately 12 strands of fiber per casing, compared to up to 96 strands in more modern systems. He stated that older fiber is therefore less capable of high-speed transmission. He further noted that deterioration may also occur due to physical damage from excavation work over the years, as well as weather-related impacts.

Councilmember Allen asked for clarification regarding the location of the NCDOT lighting project. The City Manager explained that the project would extend from the triangle on the south side of Mi Casita to the area where Main Street and US 15-401 merge near the dog park, and that the lighting would be installed in the median. He noted that the City has requested assistance from the North Carolina Department of Transportation but may need to proceed with the project independently if NCDOT support is not provided.

Councilmember Williamson asked whether the project would involve solely LED lighting. The City Manager stated that it would and noted that area light conversion efforts are currently underway to convert remaining City-owned lights to LED. He added that some property owners have opted not to participate in the conversion process; therefore, not all property lights are being converted.

Water & Sewer Fund

The City Manager stated that a 10% water and sewer rate increase was currently planned, representing the fourth year of a five-year phased rate adjustment. He explained that Raftelis completed a rate study approximately three and a half years ago, during which all future capital needs were evaluated. The City Manager noted that there had only been two water and sewer rate increases over the past 40 years; however, as referenced in Mr. Haywood's Capital Improvement Plan (CIP) presentation, cash reserves have been declining, necessitating the exploration of future capital funding strategies. He added that the Raftelis rate study recommended a five-year incremental increase schedule of 25%, 20%, 15%, 10%, and 5% in the final year, and confirmed that the current fiscal year increase reflects the planned 10% adjustment.

The City Manager explained that the City currently has approximately \$500,000 in fund balance appropriated to balance the budget and has successfully secured \$31 million in grant funding, with approximately \$60 million in ongoing capital projects. He noted that the primary cost driver of the upcoming year's budget is slightly more than \$1.5 million in debt service within the Water and

Wastewater Fund, resulting from three revolving capital loans secured by the City with 20-year financing terms. The City Manager stated that \$415,000 was budgeted for water production and treatment capital needs, including generators, pumps, piping, Supervisory Control and Data Acquisition (SCADA) systems, and other related equipment. He added that \$530,000 was budgeted for distribution system capital needs, including tools, meters, waterline replacement, and other projects not included within the City's capital improvement plan, primarily to address emergency repairs when waterlines break. The City Manager further stated that \$40,000 was budgeted for estimated sewer line repair costs, along with \$980,000 in wastewater capital improvements for pumps, SCADA system enhancements, and continued paving improvements at the wastewater treatment facility within Public Works. He noted that only one pump station rehabilitation project was included and emphasized that, whereas similar rehabilitation projects cost approximately \$300,000 five to six years ago, current costs are now approximately \$600,000.

Solid Waste Fund

The City Manager stated that two trucks were included in the Solid Waste Department's budget request; however, an automated side-loader valued at approximately \$450,000 was removed from the proposed budget. He noted that approximately \$287,000 in fund balance is currently appropriated to balance the Solid Waste Fund budget, adding that this allows solid waste fees to remain flat for the time being. He stated that, if the City intends to maintain current service levels, Council may need to discuss potential fee increases in the future. The City Manager explained that the City had to rent a truck from Big Truck Rentals due to one of the side-loader trucks being out of service for approximately a year and a half. He stated that his goal is to present a balanced budget for approval and then begin discussing operational and financial decisions Council may need to address in the near future. He added that, based on the Fiscal Year 2025 audit, there is sufficient cash to support approval of the budget with the \$287,000 fund balance appropriation. The City Manager further noted that \$186,000 was budgeted for replacement equipment, \$250,000 for a boom truck, and approximately \$60,000 annually for replacement of commercial dumpsters used by the City.

Councilmember Williamson asked whether there was a report on the City's recycling losses. The City Manager stated that a report is available and that an update on the recycling program would be provided in the near future. He noted that the program incurred approximately \$200,000 in costs last year while generating only about \$28,000 in revenue. The City Manager added that the City does not intend to eliminate recycling services and remains committed to maintaining the quality of those services.

The City Manager stated that slide 6 provided a breakdown of the available fund balance from the audit, noting that the City is at approximately 32% of total expenditures in fund balance. He explained that the State recommends a minimum of 8%, while the City's policy target is 16%, and stated that the City remains well above both benchmarks. He further explained that the slide also reflected pledges and contributions made by the City over the past year, resulting in approximately 22% of the fund balance being appropriated. The City Manager highlighted an additional figure on the slide for Council's awareness, identifying it as the fund balance available for appropriation based on conservative estimates. He stated that this amount was approximately \$574,000 and emphasized the tight nature of the current budget. He added that, within the General Fund, the City is currently budgeting approximately \$535,000 in fund balance as available for appropriation.

Councilmember Adams asked whether the \$535,000 figure pertained to the 16% policy threshold or the 22% of fund balance appropriated. The City Manager stated that the City is only able to budget based on the prior audit figures, adding that the referenced amount represents what is available to be appropriated, not necessarily what would be expended. Councilmember Adams requested further clarification. The City Manager explained that the Local Government Commission (LGC) identifies this amount as the fund balance available for appropriation, based on the calculations of restricted, assigned, and non-spendable fund balance as of June 30, 2025. He added that, of the approximately \$5.8 million total fund balance, approximately \$3.1 million was unassigned as of June 30, 2025.

Mayor Pro Tem Rainer asked whether the City could utilize the \$500,000 allocated for the Highway 15-401 lighting project. The City Manager stated that those funds are in the Electric Fund and therefore cannot be reallocated, noting that the current discussion pertains to the General Fund. He added that staff have made efforts to coordinate with state representatives and the North Carolina Department of Transportation (NCDOT) to seek assistance for the project. The City Manager further stated that Council would have the opportunity to discuss additional fund balance appropriation options, potential rate adjustments, and other budget considerations as part of the ongoing budget process.

The City Manager continued the budget overview with a discussion of the 2027 contributing factors, stating that these factors reflected departmental requests, with certain items removed from the proposed budget. He reiterated that the remaining line items included funding for the City's 150th anniversary celebration, a new Human Resources position, City Hall touch-ups, the McDuffie Square Depot project, computer replacements, the cemetery beautification

building, and four Police Department vehicles. He noted that another key consideration was staffing within the Police Department, specifically that there are currently 13 vacant positions out of a total of 50 authorized positions, and commended Police Chief Johnson for efforts made to reduce vacancies. The City Manager explained that a \$300,000 reduction in the budget was attributable to not funding five of the 13 vacant positions at this time. He stated that the budget assumes funding for eight positions and that Chief Johnson was aware of this approach, noting that this method avoids inflating the budget and allows the City to return to Council for appropriation if additional positions are filled in the future.

The City Manager stated that two positions had been requested by Fire Chief McQueen. He explained that the City had approximately doubled full-time Fire Department staffing from five to ten positions about three to four years ago, in addition to adding two positions for the Fire Chief and Fire Marshal. He noted that the Department currently operates on three shifts with approximately 12 employees, and that for safety and operational reasons, the City prefers to maintain a minimum staffing level of two personnel at each station at all times. He stated that the new North Station, constructed after being flooded during Hurricane Florence, has only recently become fully occupied. The City Manager added that, in order to maintain consistent two-person staffing at each station, two additional part-time positions were requested. He noted that an adjustment to the budget to accommodate these part-time positions was included on the regular meeting consent agenda. He further stated that the two requested permanent positions had been removed from the budget at this time, while the part-time funding allocation was increased, noting that this could be revisited and adjusted by Council at a later date if necessary.

The City Manager stated that additional items included in the budget were \$650,000 for the fueling facility, a new truck lift, an economic development grant associated with the Hobby Lobby project, Public Works painting and building repairs, the NCEMPA wholesale rate increase, and a boom truck in the Solid Waste Fund. He noted that \$450,000 for an automatic side-loader had been removed and stated that the City may need to consider truck rental options for equipment that requires replacement. The City Manager emphasized that the total budget amount must first be approved by Council, after which additional options and adjustments could be considered at a later date.

The City Manager noted that the final slide presented an overview of projected 2027 property tax revenue, which remains uncertain. He stated that current estimates are based on a projected property valuation of \$1.28 billion, an increase from the \$885 million valuation in 2026. He explained that a revenue-neutral tax rate based on the \$1.28 billion valuation would be approximately

\$0.29, which would generate an estimated net levy of \$3.6 million. He added that the City typically collects approximately 95.5% of the net levy.

The City Manager referenced a table on the slide outlining various tax rate scenarios and the corresponding projected property tax revenue. He stated that the table reflected tax rates of 30 cents, 35 cents, 40 cents, 42 cents, and 45 cents, which would generate approximately \$3.8 million to \$5.7 million in annual property tax revenue. He also presented a comparison of other municipalities and their respective annual property tax revenues, noting that the City of Lumberton generates approximately \$13 million annually. He compared the City's population of approximately 15,000 residents to Lumberton's population of approximately 19,000 residents. The City Manager further noted that the City currently employs 58 law enforcement officers, while Lumberton employs approximately 80 officers, and stated that the difference between \$3.5 million to \$5.1 million in revenue compared to \$13 million is significant. He referenced the slide's calculation showing the tax rate that would be required to generate approximately \$5.1 million in revenue under unchanged valuation conditions, stating that the property tax rate would need to be approximately 56 cents to achieve that level of revenue.

Mayor Willis asked about the status of the proposed moratorium at the state level. The City Manager stated that the bill had passed all three readings in the Senate and had passed its first reading in the House, with two additional readings remaining. Mayor Willis asked whether the current budget assumptions and values presented would be adopted by default if no action is taken by June 30. The City Manager confirmed that this would be the case and stated that Council would proceed based on the proposed budget unless adjustments are made. He noted that special budget meetings may be required if changes are needed; however, if adjustments occur after the fiscal year closes, the budget process would need to be restarted. He added that, depending on the final outcome, the City may need to consider reducing certain contributing factors, adjusting rates, or exploring other options.

Mayor Willis commented that legislators in regional municipalities and counties are likely actively advocating on this issue. The City Manager stated that multiple related bills have been introduced in the General Assembly, none of which have been signed by the Governor. He added that discussions among legislators have been ongoing for approximately six to eight months regarding potential limitations on annual property tax levy increases and noted that the moratorium legislation was introduced approximately three months ago. He further stated that a recently introduced bill, supported by Speaker Destin Hall and Senator Phil Berger, would cap the state income tax at 3.5% if approved by voters in a November referendum and could also include additional restrictions on local government property tax increases. The City Manager stated that he believes

both the North Carolina League of Municipalities and the North Carolina Association of County Commissioners are actively advocating that such decisions remain under local government authority, noting that these organizations represent municipalities and counties, respectively.

Councilmember Adams stated that some members of the North Carolina League of Municipalities attended a House committee meeting but were not permitted to speak. The City Manager noted that there were no additional updates at this time. He further stated that, regardless of the final legislative outcome, the City has established the foundation of the budget and would only need to make adjustments as necessary rather than restarting the budget process in its entirety.

Councilmember Adams stated concerns regarding the use of fund balance in both the Enterprise Funds and the General Fund. She asked whether the City would still require approximately \$535,000 to balance the General Fund budget if updated property values were used while maintaining a 40-cent tax rate. She also asked how the use of fund balance would impact the Enterprise Funds in the event of a natural disaster. The City Manager stated that the City had been monitoring the General Fund closely for several years but has been able to offset financial pressures through external funding sources, including federal assistance received during the COVID-19 pandemic. He noted that these funds, which included salary subsidies and other grant funding, totaled approximately \$6 million. He stated that, absent this type of extraordinary federal support, the City would have needed to more directly evaluate adjustments to the General Fund property tax rate. The City Manager further explained that, over the past decade, the City's property tax rate would likely have been more aligned with surrounding municipalities; however, he stated that it could not have reached 60 cents due to a General Statute limiting the combined property tax burden to \$1.50 per \$100 valuation. He concluded that the City continues to seek to minimize the financial burden on residents but will need to adapt based on potential changes at the state level.

Councilmember Adams asked whether the City submitted a legislative request in the previous year. The City Manager stated that the City did submit a request to Representative Pierce, who subsequently introduced a bill that incorporated the City's request, and added that a separate direct appropriation request was not submitted in the same manner as in prior years. Councilmember Adams stated that, in previous years, the State had been very generous in its support. The City Manager agreed and stated that over a two-year period, the City received approximately \$31 million in direct appropriations for Water and Sewer projects.

The City Manager opened the discussion for any potential adjustments Council may wish to consider prior to June 1 and stated that he would continue to keep Council informed regarding ongoing discussions at the state level.

Councilmember Williamson requested that Council proceed with the budget as presented for the time being and that the City Manager continue to provide updates as additional information becomes available.

3. COMMENTS FROM MAYOR AND/OR COUNCILMEMBERS

There were none.

4. ADJOURNMENT

Mayor Willis adjourned the meeting at 5:32 p.m.


James T. Willis, Mayor


Amanda K. Futrell, City Clerk

