

The Smithfield Town Council met in Special Session on Tuesday, July 31, 2018 at 6:00 p.m. in the Council Chambers of the Smithfield Town Hall, Mayor Moore presided

Councilmen Present:

Mayor Pro-Tem Scott (left at 7:33)  
Emery Ashley, At-Large (left at 7:26)  
David Stevens, District 2  
John A. Dunn, At-Large  
Stephen Rabil, At-Large

Councilmen Absent

Marlon Lee, District 1  
Dr. David Barbour, District 4

Administrative Staff Present

Michael Scott, Town Manager  
Ted Credle, Public Utilities Director  
Dale Boyette, Water Plant Superintendent  
Shannan Parrish, Town Clerk

Mayor Moore called the meeting to order at 6:04 pm.

Mayor Pro-Tem Scott offered the invocation

### **Discussion Concerning the Water Plant Expansion**

Mayor Moore explained this would be more of an informal discussion with the citizens. He introduced his son Hampton Moore and explained he was a member of Boy Scout Troop 77 working on his citizenship in the community merit badge.

Town Manager Michael Scott stated the goal of the meeting was to try and answer any questions concerning the expansion of the water plant. He explained that property taxes would not fund this project. The Water and Sewer Fund had to operate like a business meaning the fees paid for water and sewer had to fund water and sewer related costs. The fees generated enough revenue to pay for operational expenses with some savings for improvements.

The water plant's current budget was \$2.1 million. The water plant expansion was estimated to cost \$15.3 million. Sales revenues equated to \$2.8 million. The Town had one wholesale bulk water customer, Johnston County, generating \$1.2 million in revenue. The Town had a 5-year capital improvement plan to make improvements to the water system and the sanitary sewer system. Improvements were estimated to cost \$5.25 million for 5 years. Improvements for the Water Plant estimated to cost \$3.15 million over a 5 year period. The current fund balance or savings for the water/ sewer fund was \$5.6 million or 65% of the total water/ sewer budget.

The Town Manager explained there were rules the Town must follow related to water. The current plant capacity was approximately 6 million gallons per day (mgd). The Town sells an average of 2 mgd to the County and between 1.6 and 2 mgd to Smithfield customers. In June of this year, the Town sold 4.004 mgd which was an increase from last year. Staff believed they would continue to see an increase in water demand. The Town had to have a reserve capacity of 3 mgd to meet state regulations. Once the Town reaches 80% capacity or 4.8 mgd, the Town must begin to design improvements for increased capacity. Once the Town reaches 90% capacity or 5.6 mgd, the Town must begin to implement those design plans.

Many have inquired about the Town's contract with Johnston County for water sales. The Town Manager explained the original contract was created in 2000 with a twenty year term. This included guarantee sales of 150,000 gallons per day and a guaranteed reserve of 2.0 mgd. The original contract was amended in February 2009 and was valid for fifteen years. The contract was amended a second time in August 2017. This amended contract increased the price of bulk water, increased the reserve to 2.5 mgd and increased the daily minimum guaranteed sales to 2.0 mgd meaning that the County would pay for 2.0 mgd regardless if they needed that amount or less. The amended contract also included an increase in additional capacity allocation to the County by 1.0 mgd to be implemented on June 30, 2019 if the Town had the excess capacity. The County would pay a one-time capacity fee of \$3.25 million which they have budgeted for this fiscal year. This contract would expire in August 2027.

The Town Manager further explained that in June of 2016, the Town did a water rate study to help the Town look into the future for water needs and charges. At that time, the Council chose to increase water charges to keep up with capital costs. Increases would be implemented every other year. Also, during that time, the

Town made a decision to request an additional draw from the Neuse River to accommodate future growth. If the Town did not request the additional draw, the County could have requested the entire remaining allocation. Meaning they would be able to increase what they take from the river and expand their water plant and Smithfield would be unable to take additional water from the Neuse River. In September 2017, the Town submitted a funding application to fund the water plant improvement and increases. In May 2018, North Carolina Department of Environmental Quality (NCDEQ) approved the increase.

The Town Manager reiterated that State Law required that the Town must have half of our permit capacity in the form of storage. State Law also required the Town to have 72 hours of our treatment capacity in reserve. If the water plant were to go off line, the Town could provide water to its customers for 72 hours. Again, State Law indicated that when 80% of capacity is reached, Smithfield must begin engineering plans to increase capacity. State regulation indicated when 90% of capacity is reached, Smithfield must begin implementing those plans to increase capacity.

How did the Town decide to fund the water plant expansion? The Town Manager explained the Town applied for CWSRF Funding in September 2017. The Town received a letter of intent to fund from NCDEQ, indicating the Town gained approval for \$12.05 million in loan funding. This was a twenty year loan with an interest rate of 1.18%. The loan was currently being reviewed by the Local Government Commission (LGC). The LGC has to review and approve the Town's financial position and the proposed loan before the Town can move forward with the loan. Also, the County has agreed to pay a one time capacity fee of \$3.25 million

Preliminary estimates for the expansion of the water plant was \$15.2 million. At the last meeting there was some concern about project overrun. The Town Manager explain that there may be some overruns, but built into the project estimate was a 20% contingency or \$2.3 million in contingency funds.

Clint Sena questioned if the \$2.3 million contingency was budgeted into the \$15.2 million for the total project cost. The Town Manager explained it was built into the total cost.

The Town had already secured engineering and design by the Wooten Company and that is underway.

In May 2016, the Town completed water/sewer rate study to evaluate rate structure over the next six years to adjust rates for infrastructure needs. This included \$1.5 million for water plant expansion engineering and planning. The Town evaluated growth and expected the water plant to exceed 80% of capacity by December, 2019. Again, the Town contracted with Wooten Company to complete engineering and design to increase water plant capacity at a cost of \$1.3 million.

The Town evaluated its distribution system and determined increased flow was needed to West Smithfield to loop system and provide additional water quantity to County. The Town also wanted a larger water line to go to that side of Town so staff sought and was awarded a Golden Leaf Grant to improve the distribution system by installing a 16 inch line along Durwood Stevenson Highway. This would improve pressure in West Smithfield and increase water distribution to Johnston County. The Town received \$500,000 grant from Golden Leaf to improve the distribution system. Phase 1 of the distribution project was currently out for bid

The Town completed the Preliminary Engineering Report and submitted it to the State Department of Water Infrastructure for approval. The Town received approval from State Department of Water Infrastructure which allowed the Town to secure the loan. The Town then scheduled a public hearing to close North 2nd Street.

The question was posed to the Manager what if the citizens didn't want the Town to sell water to the County anymore. If we want to go backwards, the Town would have to break the 2017 contract with Johnston County to provide water, refuse the \$3.25 million in capacity fees from Johnston County, refuse the Golden Leaf Grant for \$500,000 toward phase one of the 16 inch water line crossing Durwood Stevenson Highway, complete a rate study to determine revised rates if we no longer sell water to the county which accounts for 30% of water revenues, explore funding options to pay Wooten Company \$1.3 million for engineering and design contract and consider the impact on future economic development.

The Town Manager explained that when the Town first looked at expanding the water plant, the pre-engineering ideas was that the reservoir would have to be expanded into the greenway area. The Water Plant would have an addition build onto the building and two new tanks would have to be constructed. One of the tanks would be placed in the middle of North Second Street thus necessitating the need to close Second Street. When staff met with the Wooten Company to review the preliminary design, the clear well

was moved slightly closer to Hospital Road and the second tank would be on the other side of the street, but still in the roadway. Again, the road would still need to be closed to build the expansion and the Town would have to install a service road to access the reservoir. The Town was currently in negotiations with NCDOT to ascertain if they would like the Town to take over that portion of Hospital Road from North Second Street to Buffalo Road since the Town owns all the properties on both sides. As for the tanks that will be constructed, they will only be approximately four to five feet out of the ground.

Joey Hobbs questioned the capacity of the large clear well. Water Plant Superintendent Dale Boyette responded its capacity would be 1 million gallons. Mr. Hobbs further questioned the security measures that would be put in place around the water plant and the tanks. The Town Manager responded that was one of staff's concerns. Staff is considering fencing in the entire water plant campus and closing that portion of North Second Street would also be very important for security.

The Town Manager explained that the reservoir would have to grow. Staff has asked the Wooten Company to determine if the reservoir can expand in a different direction. If it can expand in a different direction, then the relocation of the greenway will be up for debate. At this time, staff was unsure where the greenway would have to be relocated. Staff would provide the Council with as many options as possible so they could make a decision that was best for the Town.

John Branch of 303 North Third Street asked if the contract with the County could be broken because it appeared the Town was relying on the County to hold up their end of the deal. What if the County chose to purchase water from a cheaper source? The Town Manager responded the contract allows for either party to break the contract with written notification. Mr. Branch expressed his concerns about how the Town would pay for the water plant expansion should the County stop purchasing water from the Town.

The Town Manager explained he received another question concerning why the Town needed more water if the Town hasn't grown in years. He showed some of the commercial and residential growth that has already happen in the Town and stated a proposed 315 residential subdivision was approved by the Council that will be developed on Buffalo Road.

The Town Manager explained the proposed time line for the expansion. The timeline is as follows:

- October 1, 2018 – Submit Water Plant expansion plans to NCDEQ
- December 31, 2018 – Approval of plans by NCDEQ
- January 31, 2019 – Advertise the Water Plant expansion for bid
- March 8, 2019 – Any Greenway Construction must be complete (Allow six months if moved).
- April 4, 2019 – Town Council approves Water Plant expansion contract
- May 1, 2019 – Water Plant Construction begins.

Also if the greenway has to be moved, it would take six months to complete that project.

Lee Jackson of 401 North Second Street inquired as to when the expansion would be completed. The Town Manager responded it would take a year and a half once construction began.

The Town Manager provided a conceptual drawing of the area should the greenway be routed through Talton Park. Amenities like a splash park, shelter, small dog park and large dog park could be added to the area. The soccer fields would move to Community Park and Johnson Park. He reminded everyone that this was just an idea and no decision had been made by the Council.

Thomas Stevens of 407 North Third Street expressed his concerns for the closure of North Second Street stating that the tanks could be moved and all that would be needed would be more underground piping. Closing that portion of North Second Street would impact everyone North of Market Street and possibly the entire downtown area. Mr. Stevens explained the State abandoned the idea of aligning Buffalo Road with Third Street because they determined it was not a good idea. The Town Manager responded that it was his recollection that NCDOT had plans and funding for the realignment, but they chose not to do it because the community did not want it. With the closure of that portion of North Second Street, people would simply have to change their driving habits and locate different routes. Staff did ask the engineer if the tank could be moved out of the road, but were told it was as far as it could go (based on the topography) without adding a pump system.

Abe Wellons of 306 North Third Street asked if the Town had conducted a traffic study. The Town Manager responded that staff did a traffic count and determined that 2000 cars travel through the area every day, but a full traffic analysis had not been completed,

Guy Lampe of 415 North Second Street stated his concern was about the nature trail (greenway). Mr. Lampe explained his family had donated the land and when it was constructed, he was told the trail would not come close to his house. Now ten years later and the Town was proposing to put it next to his house. He further stated that he didn't want the nature trail next to his house and he did not want a splash park or dog parks. He asked to be on the committee to review the relocation of the nature trail.

Lee Jackson of 401 North Second Street questioned why the Town was selling water to the County less than what its being sold to the residents. The Town Manager explained that was a negotiated bulk price agreed on by both boards. Any time you buy in commodity there is a reduced price.

Clint Sena of 312 North Second, Street speaking on behalf of some of the residents, explained the Town had been receiving awards for the water plant and high standard awards and he appreciated the Town taking care of the infrastructure. He explained that after some research, the national average of water loss ratio was 15% and the Town's is 7%. He understood there was a water pressure issue in West Smithfield, but the expansion wasn't about pressure; it was about capacity. The Town can process 6.2 mgd and the Town residents only use 1.7mgd. It appeared that the only reason for the expansion was to sell more water to the County. The Town Manager responded that the entire 6.2 mgd cannot be used because the Town must keep half of that in reserves. Mr. Sena further stated the Town's current population was 12,000 with growth of only 1% each year since 2010. The Town Manager responded that two new subdivisions had been approved which will require more water. Also, a lot of commercial uses are moving into Town and those uses need a lot of water. Mr. Sena stated that if the town did not sell any water to the County, the Town would have enough water to serve 45,000 people. It seemed the only reason why the Town was expanding the water plant was for the benefit of the County. The Town Manager asked Mr. Credle to explain the agreement with the County. Mr. Credle responded that the County had looked at multiple options including building a water plant which they were still planning to do. In 2015, they conducted their own study and determined they would be in a water deficient by 2025. The County looked at their growth and requested the maximum amount they could draw from the river. It was determined that would still not be enough water. At that point, they investigated renewing their contracts with the City of Raleigh, Wilson County, Harnett County and the Town of Smithfield. The Town of Smithfield is their cheapest source of water. Mr. Sena questioned the language in the contract that allowed the Town to sell 1 mgd at a capacity rate of \$3.25 gallons per day. Mr. Credle clarified this by saying that the Town can sell them the allocation which meant that the Town could not sell that allocation to anyone else. Also, this was a one-time fee. But should the Town grow at a fast pace, the Town can call back that allocation because staff's first responsibility would always be to the Town of Smithfield citizens. Mr. Sena questioned the cost to make water. Mr. Credle responded it costs a \$1.50 per thousand gallons.

John Branch asked what the Town's plans were should the cost of construction increase beyond the \$15 Million budget. Mr. Credle responded the engineering firm estimated these costs and we think the construction estimate is reasonable, but there was the 20% contingency factored into the overall budget. We are going to stay within budget. As for the loan for the expansion, the estimated annual payment is approximately \$800,000. The Town can make that payment by what it would sell to the County.

Mr. Sena inquired about the life expectancy of the expansion. Mr. Credle explained some items would have a 20 year expectancy with rebuilds every five years, while other parts would have a 40 to 50 year expectancy. Mr. Sena further questioned if some things would have to be rebuilt every five years how would those costs be incurred. Mr. Credle responded that those costs would be included in the capital improvement plan and budgeted accordingly each fiscal year.

Mayor Pro-Tem Scott stated during the water rate study it was determined that if the Town did not sell water to the County, there would be a significant increase in water rates for the Town's customers. Mr. Credle stated the County could not sell water to the Town at a comparable rate because the rate is based in supply. If the Town had to buy water from the County the water plant would have to undergo manager renovations to accommodate it.

Mr. Sena stated the Town had not provided any detailed income and expense analysis for the production cost, revenue stream and debt for this expansion. He questioned if the citizens should have that analysis

before moving forward. The Town Manager responded the Local Government Commission makes sure that governments in North Carolina do not incur debt they cannot afford. They are already analyzing the loan and will determine if it is something the Town can do.

Jimmy Lawrence of 308 North Second Street stated the residents believe they have a nice neighborhood and are fearful the area is going to change. Everyone is concerned of the appearance and how it will impact the neighborhood.

Pam Lampe of 415 North Second Street suggested the Town allow the County to pull the water they need from the river since they are experiencing growth. Mr. Credle responded that the Town needed to be prepared for the growth that is going to happen in Smithfield. Mrs. Lampe stated the only reason the Town was going to expand the water plant was to sell the excess capacity to the County. Mr. Credle explained that in 2015, the County requested 100% of the remaining water allocation that could be pulled from the Neuse River. Lee Jackson responded that he was told that was not the case. Mr. Credle stated the Town stepped in to request a piece of the remaining allocation because not allowing the Town that additional portion was unfair and not in the best interest of the Town of Smithfield. Mr. Jackson stated the County and the Town are seen as one and the County would not let the Town be without water. The Town Manager stated that the County was going to let the Town go without sewer allocation. The Town and the County do have a good working relationship.

Abe Wellons stated he was in agreement with the expansion of the water plant, but he would like to know that the Town had a vision and a master plan for the area.

Joyce Lee of 304 North Second Street questioned how the water plant expansion was going to effect the face of the neighborhood. She also questioned why the soccer fields were going to change. The Town Manager explained the conceptual drawing of the park was a way to enhance the area, but Talton Park did not have to change at all.

Jessica Davis of 412 North Second Street stated that one of the proposed additional tank which could be built in the future and not as a part of this expansion would be very close to her home. She questioned what the Town could do to hide it from her sightline. The Town Manager explained there were no plans to build that tank and staff would develop a landscape plan after the Town received the final plans from the engineer.

Paul Worley of 18 Eden Drive stated there was no reason why the Town shouldn't be looking for growth and preparing for the future. He further stated that in the early 2000s, there was an extreme drought, but the Town did not experience the water shortage a lot of communities experienced. He explained water capacity was vital for economic development. He expressed his concern about closing the portion of North Second Street because it was an important thoroughfare. He suggested that a traffic impact analysis be conducted.

Billie Stevens of 407 North Third Street stated she thought the intent of the meeting was to show the neighborhood what the area was going to look like. The Town Manager apologized because he did not realize the aesthetics of the neighborhood was a priority for this meeting. All of the questions he received were not about aesthetics, but a landscape plan could be provided once the Town received the final engineering plan.

Councilman David Stevens stated he would do everything in his power to make the neighborhood happy. He assured the citizens the Town would plan for the appearance of the area in a way that would not degrade the neighborhood. He informed the citizens if the Town did not expand the water plant, the Town would not exist.

John Booker of 307 North Second Street expressed his concern about the increased traffic, the relocation of the greenway and any changes to Talton Park. He felt confident that the Town would develop a plan for the area and would share it with the community. He asked that Talton Park remained as soccer fields.

Laurie Burch of 411 of North Third Street stated the Council should have involved the community. She expressed her concerns about the closing of North Second Street and questioned if the tanks could be constructed on one side of the road. Mr. Credle stated that based on topography and the surrounding land, the tanks had to be constructed in the proposed areas. If the tanks were moved any farther, the Town would have to install pumps which staff assumed would be expensive. Staff would inquire about the cost of the pumps.

Clint Sena questioned why the Town would spend \$15 million to construct a water plant in the 100 year flood plain.

John Booker of 313 North Second Street questioned why the greenway had to be relocated. The Town Manager responded it was based on the expansion of the reservoir. Staff was investigating other alternatives for the relocation of the greenway.

Pam Lampe question what the community needed to do for the Council not to move forward with the expansion of the water plant. She believed there was sufficient capacity for the Town and potential growth. If the expansion did move forward, she didn't want Talton Park to be changed and she didn't want to see any of the water plant.

Emma Gemmel of 207 Hancock Street stated that to compare Smithfield to Clayton was ridiculous. She said the Smithfield had not done a good job of taking care of the area schools and the Council had not done a good job in a lot of areas. She stated that she and her neighbors care about their community. The Council cared about the Water Plant and the SRAC, but they didn't care about the communities. Mayor Moore responded he had served on the Council for nineteen years because he does care about the Town of Smithfield and he believed the Town was doing a lot of good things. Mayor Moore further stated the way to improve the area schools was with residential growth.

Jan Branch of 303 North Third Street questioned when the neighborhood could expect to see a master plan. She stated that a noise study and a traffic study should be conducted. Mayor Moore responded that once the final engineering plan was completed, Town staff could develop a landscape plan for the area.

Diana Betit of 416 North Third Street expressed her concern for increased traffic in the area. She also expressed her concerns about the proposed park stating it could become a hangout area. She asked that the community be involved before any final decisions were made.

Councilman Stevens stated the proposed park plan was only a sketch of what could be constructed in the area, but the area doesn't have to change. It was not the intent of the Town to hurt the community.

Sonny Howard stated he was not in favor of changing the soccer fields at Talton Park

Billie Stevens expressed her appreciation to the members of Council that attended the meeting and listened to the community's concerns.

Emma Gemmel asked what the next steps were. Mayor Moore explained that the Town was paying an engineering firm to develop the plan for the water plant. He asked the Manager or the Utilities Director to speak with the firm to determine when the final plan would be completed. The Town would consider a noise and traffic study. Mayor Moore stated that the water plant expansion effects every area in Smithfield. To address the issue of not being informed, Mayor Moore explained that all meetings are recorded and posted on the website. All agendas and minutes are published on the website. Citizens could also receive the monthly agendas via email. He stated the Town does its best to make sure the public is notified. The Mayor expressed his appreciation to everyone who attended the meeting and explained the Town understood their concerns.

## **Adjourn**

The meeting adjourned at approximately 9:23 pm.

ATTEST:

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M. Andy Moore, Mayor

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Shannan L. Parrish, Town Clerk