Town of Clayton
Town Council Work Session Minutes
Monday, April 7, 2025 at 9:00 AM
Rotary Room, Town Hall
111 E. Second Street

Council Present:
Mayor Jody McLeod
Mayor Pro Tem Michael Sims
Council Member Andria Archer
Council Member Porter Casey
Council Member Ruth Anderson
Council Member Gretchen Williams

Council Absent:
None

Staff Present:
Rich Cappola, Town Manager
Heidi Holland, Town Clerk,
Dolores Gill, Deputy Town Manager
Lee Barbee, Deputy Town Manager
Courtney Tanner, Deputy Town Manager
Robert McKie, Jr., Finance Director
David Ranes, Fire Chief
Nathanael Shelton, Communication Director
Michelle Snyder, Executive Asst. to Town Manager
Sam Johnson-Phillips, Deputy Town Clerk
Joe Stallings, Economic Development & Government Affairs Director
Ann Game, Revenue & Utility Customer Service Director
Todd Melton, Budget Manager
Steven Langston, Clayton Center Director
Joshua Baird, Water Resources Director
Louis Duffie, Asst Program Manager

1 ARRIVAL AND BREAKFAST

a) 8:30 - 9:00 a.m.

2 CALL TO ORDER

a) 9:00 a.m.

Mayor McLeod called the meeting to order at 9:02 a.m.

3 ADJUSTMENT OF THE AGENDA

a)

Approve or Adjust the Agenda

RESULT:	**CARRIED 5-0**
MOVER:	Ruth Anderson
SECONDER:	Porter Casey
YES:	Andria Archer, Michael Sims, Porter Casey, Ruth Anderson, and Gretchen Williams

NO:	None

4 ITEMS FOR DISCUSSION

a) 9:45 - 10:30 a.m.
Water Resources Updates
Presenters: Joshua Baird, Water Resources Director, Louis Duffie, Project Manager, and Rich Cappola, Town Manager

Mr. Baird shared the Town currently owns 6.1 MGD (million gallons per day) of average daily flow capacity from Johnston County. In 2024, the Town's average daily usage was 4.15 MGD. It is projected that by 2033/2034, an additional 4 MGD will be needed to support growth and development. While the goal remains to stay ahead of future demand, Johnston County has indicated that no additional capacity is currently available for purchase.

The projected 4 MGD increase is based on both known development allocations and anticipated future projects.

To address long-term water needs, Mr. Baird introduced the Lower Neuse Water Supply Program (LNWSP) as a potential regional solution. This would be a costly, multi-year initiative but critical for sustainable water supply. The proposal includes:

- A new 30 MGD raw water intake and pump station on the Neuse River
- 14 miles of raw water transmission infrastructure
- A new 12 MGD greenfield water treatment plant (WTP)
- An 800 MG (million gallons) quarry for raw water storage at the WTP site
- Finished water transmission lines to connect to the existing system

Two potential routes for raw water transmission (approximately 14 miles) to the new plant were shared. Estimated project timelines under a design-build approach an average of five years, with other delivery methods taking longer.

Staff also discussed the planned treatment process. It was noted that water quality expectations are outlined in agreements, and there have been extensive discussions to ensure those standards are met.

The estimated total project cost is $750 million, which includes $60 million specifically for treatment upgrades to address PFAS and other regulatory requirements. The County has proposed that the Town contribute 50% of the project cost due to projected growth; however, negotiations are ongoing. Partner cost estimates were shared, with approximately $165 million of the total expected to be supported by industrial growth. Program funding timelines and an updated project schedule, which includes a 6-month delay, were also presented. Construction on the main contract is estimated to begin in FY2027. A significant investment will be needed upfront to initiate the project.

Short-Term Alternatives Being Explored:

- Updated Flow Demand Projections:
  Town and County staff are re-evaluating 2019 estimates and meeting with large water users to update usage forecasts (ongoing).
- JD Solomon Solutions, Inc.:
  Hired by Johnston County to assess the business case for LNWSP and explore alternatives. Work includes engagement with program managers, engineering and rate consultants, Town staff, and potential partners. An initial report is scheduled for presentation to the Johnston County Commissioners on May17, 2025.
- Legislative Engagement:
  A presentation to the Senate Regulatory Reform Committee was completed for March 3, 2025, requesting statutory changes to support expanded water supply options.

Potential partners identified include Raleigh, Wilson, Goldsboro, and Harnett County. Meetings have already occurred with Raleigh, Wilson, and Goldsboro, and a meeting has been requested with Harnett County.

The Town continues to evaluate all alternatives including if the Town could create an intake of its own. Further evaluation and coordination with DEQ and regional partners are needed.

Mr. Duffie provided an update on Sam's Branch project; the estimated completion date is winter 2025/2026.

Current progress includes:

- Headworks: 90% complete, with all mechanical equipment installed and piping underway
- Bioreactor: Filled with water and undergoing testing
- Administrative Building: Temporary power connected; interior finishes in progress
- EQ Tanks: 95% complete

The Preliminary Engineering Report was shared for the future phases on the Sam's Branch WRF, outlining the project's phased approach. Staff continues to work with the City of Raleigh on extended water and wastewater agreements, and discussions on short-term solutions are ongoing.

5 BREAK

a) 10:30 - 10:45 a.m.

6 ITEMS FOR DISCUSSION

a) 10:45 - 11:30 a.m.

Economic Development and Legislative Affairs
Presenter: Joe Stallings, Economic Development Director

Mr. Stallings updated Council on the new reporting reconstruction. It was shared that the Economic Development Director would now report to Courtney Tanner, Deputy Town Manager. Mr. Stallings stated Mr. Sam Shumate, Vice-President of Governmental Affairs, is the main contact from Electus Governmental Affairs.

Key points of the Down-Sizing Legislation were discussed. It was stated H.B. 24 was filed on January 29, 2025. The primary sponsors were Representatives Howard Penny (R-Harnett, Johnston), James Adams (R-Catawba), Harry Warren (R-Rowan), and Jeff McNeely (R-Iredell). This would repeal S.B. 382's down-zoning provision from last year.

A question was raised regarding the definition of down-zoning. It was explained down-zoning refers to a reduction in the development density of land or a limitation on the permitted uses of that land. It was also noted that the North Carolina League of Municipalities has been working closely with Representatives, and as of last week, 289 bills have been filed.

Mr. Stallings stated the ETJ legislation was filed on March 17, 2025. S.B. 314, known as the "Eliminate ETJ Overlap Act", would prohibit a city from exercising powers outside its contiguous corporate limits in any county with a zoning or UDO. Efforts were being led by Senate Regulatory Reform Chairs Tim Moffitt (R-Henderson) and Steve Jarvis (R-Davidson).

Highlights of the STIP Grant Legislation were shared. S.B. 172 was filed February 25, 2025. The primary sponsors were: Senators Benton Sawrey (R-Johnston), Michael Lazzara (R-Onslow), and Vickie Sawyer (R-Iredell, Mecklenburg). This would amend G.S. 159-171 to allow a unit of local government to borrow money for paying appropriations made for a State Transportation Improvement Program (STIP). The goal would be to accelerate beneficial municipal projects by empowering local governments to expedite transportation projects labeled as regional impact or division need. As of February 26, 2025, this was referred to Senate Committee on Rules and Operations.

Mr. Stallings presented to Council the FY26 Stability and Growth Survey results.

- 37% - Promotional initiatives for downtown businesses
- 35% - Marketing campaigns to attract new business and industry
- 22% - Identification and purchase of new sites for business and industry
- 78% - Construction of infrastructure improvements to support new and expanding businesses
- 8% - None of these are important to me

Crystal Morphis, Founder and CEO of Creative Economic Development Consulting, provided the Economic Development Strategic Plan Update virtually. Mrs. Morphis discussed the types of services Creative Economic Development Consulting offers. The services mentioned were:

- Strategic Planning
- Product Development
- Economic Impact Analysis
- Organizational Development
- Special Studies & Back Office

The next topic of discussion was the scope of work. Mrs. Morphis outlined the entire process, which included: Project Initiation, Economic Profile & Cluster Analysis, Stakeholder Engagement, Economic Development Assessments, Best Practices Review, Strategy Development, Performance Metrics, Strategic Plan, Final Report & Presentation, and Launch.

In the area of Economic Profile and Cluster Analysis, there was discussion on the trends in the population, labor force, employment industries, wages, occupations, demographics, income, affordability, business startups, and other data points. Mrs. Morphis reported that clusters were analyzed and identified those that were projected to grow.

There was a discussion about the industry clusters for Johnston County, NC as of 2024Q3. It was stated that manufacturing sectors are important. There was discussion on different ways to engage:

- Steering Committee
- Economic Development Staff interview
- Town Leadership interviews - Council Members, Town Manager, Planning Director
- Business Leasers input session
- Interview key leader (staff and/or chair) of allies:
  - Utility partners
  - Chamber and other business associations
  - Entrepreneur organization(s)
  - EDPNC Representative(s) who has worked on projects in Clayton
  - RTRP
- Business survey

It was stated the Town has actively worked to increase light industrial, retail, restaurant, and other economic development opportunities.

- Develop a plan to identify and seek opportunities for investment in Clayton.
- Explore opportunities to redevelop underutilized properties throughout the Town.
- Encourage collaborative efforts between the Town and business community.

Mrs. Morphis spoke on the deliverables:

- Economic Profile and Cluster Analysis
- Stakeholder Engagement
- SWOT Analysis
- Economic Development Program Assessments
- Best Practices
- Metrics
- Economic Development Strategic Plan
- Implementation Plan
- Launch Communications

Mrs. Morphis discussed the timeline:

- Month 1
  - Research Initiated
  - Stakeholder Engagement Initiated - Steering Committee Workshop, Interviews
- Month 2
  - Stakeholder Engagement Complete - Business Leaders Input Session, Interviews Research Complete
- Month 3
  - SWOT Analysis
  - ED Program Assessments
- Month 4
  - Steering Committee Strategy Workshop
  - Draft Strategic Plan
- Month 5
  - Final Deliverables
  - Presentation

b) 9:00 - 9:45 a.m.
Cultural Arts Financial Update
Presenters: Todd Melton, Budget Manager and Steven Langston, Cultural Arts Director

Mr. Melton and Mr. Langston presented highlights on the Cultural Arts Financial updates:

- Cultural Arts Department Functions
- Financial health and Town Investment
- Contextualize CA with a service-based lens
- Highlight broader functions of CA beyond revenue

Discussed were the Cultural Arts Functions:

- Ticketed performances at The Clayton Center
- Third party promoter rentals

- Facility rentals (Churches, social gatherings)
- Internal Town support (downtown concerts, council meetings, department meetings, retreats, special events)

Four different types of Clayton Center Events were discussed:

- Town Meetings and Events: It was stated that this includes all Town Council and other public meetings, internal staff meetings and interviews, and Town Square Concert Series. It was stated that these Town Meetings and Events do not generate revenue. These types of meetings and events make up 44% of the Clayton Center event Types.
- Rentals (Public Shows): Includes ticketed shows as well as shows where groups rent the space and share revenues with the Town. These events are revenue-producing events that make up 32% of the events held at The Clayton Center.
- Booking Inquiries (Canceled/Released): These events are reserved (and inquiries are made both locally, through an agent or third party) and it requires staff time to plan and organize and are then canceled. These do not generate revenues and make up 14% of The Clayton Center events.
- Clayton Center Shows and Free Events: It was stated events such as Juneteenth Celebration and the Veterans Day Ceremony do not generate revenue and consist of 10% of The Clayton Center events.

A comprehensive and detailed financial snapshot was provided. It was broken down into two categories.

- Revenue: ticket sales, rentals, occasional grants and donations.
- Expense: staff, performer/show contracts, advertising, minor supplies and subscriptions.

The following was reported for the current FY25 YTD:

- Revenues $214,447
- Expenses $597,477
- Net Town Investment: Revenue - Expenses $383,030
- Net Town Investment - 3 year trend
  - FY22 $543,307
  - FY23 $475,324
  - FY24 $461,390

Mr. Melton explained the amount of the budget that was covered by the expense is called "cost recovery." It was stated Cultural Arts recovered 36% which has been consistent over the past three years. Parks & Recreation has recovered 18% and the Library has recovered 9%.

It was reported 11,057 tickets were sold in FY23, 16, 260 tickets were sold in FY24, and 15,239 projected to be sold in FY25. During the calendar year 2024, there were 4,000 attendees that attended four Downtown Concerts. It was stated there are 6 concerts scheduled for the calendar year 2025.

Mr. Langston communicated a survey would go out to the entire community in mid April/May. It would take approximately three weeks for the results to be compiled and for feedback to be provided to Council. Council Member Anderson inquired on the number of questions. Mr. Langston responded there would be approximately 27 questions. Mr. Melton stated the survey would be similar to the Parks & Recreation survey that was recently conducted. Council Member Anderson inquired about the return rate. Mr. Cappola stated the survey company was very happy with the return rate.

There was a brief discussion regarding the canceled/released bookings. It was explained that at times, working with agencies has involved a lot of back-and-forth, which has occasionally led to cancellations. When booking agents are made aware of the full scope of costs—such as licensing fees, insurance liabilities, and other related expenses—they may choose to cancel.

In summary, the Cultural Arts Department not only generated external revenue but also provided essential internal support and contributed significant civic value. Its financial focus centers on long-term sustainability, which aligns with the goals outlined in the Town's Strategic Plan.

Mayor McLeod asked about the current status of their work with the schools. Mr. Langston responded they maintain a strong relationship with the schools and have served just under 1,000 students. He noted that Mrs. Vandergriff is responsible for all follow-ups with the schools. Mr. Langston shared the National Society of the Arts has provided funding to both the NC Arts Council and the Johnston County Arts.

Mr. Langston shared an upcoming Live Band Karaoke event that would be held in the Council Chambers. Mr. Cappola expressed thanks to Mr. Langston and stated that he has done a great job at marketing.

7 LUNCH

a) 11:30 a.m. - 12:00 p.m.

There was discussion concerning the higher than average electric bill this past winter. It was reported that January 2025 was the 2nd coldest January in over 3 decades with winter 2018 being the coldest. There were two major cold events in January and February causing the increased likelihood of experiencing two high back-to-back electricity bills. It was stated the average of 40 days across all billing cycles in January and February which were at or below 32 degrees.

Key points of data were discussed to better understand the issue.

<u>Consumption:</u>

- Average consumption increased 22.96% between January and February 2025
- Average consumption increased .9% comparing January 2024 to January 2025
- Average consumption increased 19.33% comparing February 2024 to February 2025

Average Bill:

- Average bill increase of 20.44% between January and February 2025
- Average bill increase .4% comparing January 2024 to January 2025
- Average bill increase of 21.12% comparing February 2024 to February 2025

Mrs. Game outlined strategies to help customers better understand the cost. She shared that the Utilities and Billing Department is currently working on a bill redesign project with an approved vendor. Key components of the redesign include customer input, involvement of internal and external focus groups, graphic illustrations, and a detailed billing breakdown. The Communication Department and the Utilities and Billing Department are also collaborating on a website redesign aimed at improving usability and making information more accessible. Additionally, the Bill Backer and Insert Program will feature an enhanced newsletter with more space dedicated to customer education and conservation. Ongoing staff training and energy audits will continue to be part of the initiative.

8 ITEMS FOR DISCUSSION

a) 12:00 - 1:00 p.m.
Electric Rate Model Information
Presenter: Craig Brown, 1898 Consultants

Craig Brown stated the rate study process is a 3-step process that begins with financial planning. Then the next step is a cost of service study that includes a deep dive at cost allocations to make sure costs are aligned followed by rate study design. He stated his financial forecast for the Town is we continue to see residential growth and he expects a 3.5% customer growth through the study period.

He discussed the NCEMPA Power Supply. He stated increases in these costs are driven by true-up payments to Duke Energy Progress and higher natural gas prices. NCEMPA would release debt reserve funds as NCEMPA's defeasance debt service falls off in July of 2025; this would result in monthly credits to the Town's wholesale power bill totaling $191,000. NCEMPA proposed three rate options for consideration.

There was discussion of the impact of the new water treatment plant estimated to come online January 2026. There would be a peak-shaving 3.5 megawatt generator at the plant. The generator is expected to run during coincident peak events each month which would reduce the load and minimize the system coincident peak contribution. The Town should expect to see approximately 1.2 megawatt of export each month, reducing power supply needs and creating savings for the system (this has not been included in the current forecast).

The Town's Electric Utility Capital Improvement Plan is another driver. Shared was an Electric Utility CIP financing table showing how much could be spent and annual revenue. Revenue requirements under our existing rates were shared. It was stated there could be an increase in debt due to the financing of the Electric Utility CIP. He stated we are below our metrics now. Shared were Key financial metrics which are broken down into three categories: operating cash balance, debt service coverage, and operating ratio.

Shared were the proposed FY2026 increase and 5-year forecast. A 2% rate increase in FY2026 is what is being requested; this is driven by the Town's annualized debt repayment while maintaining target metrics. This plan would get the Town back to 120 days cash on hand. Shared was the Rate Adjustment Summary and the recommended rate adjustment. Any additional rate increases would be necessary to meet the Operating Ratio target.

Discussed were the rate design objectives and a detailed class rate design. It was stated customer charges have basically stayed the same this year. The coincident peak charge stays in line with the NCEMPA bill. Regarding the impact on the residential monthly bill, the proposed increase would increase the typical electric customer's bill by about 9 cents per day.

Mayor McLeod stated it is important to let our citizens know that Council wants a minimum increase.

9 BREAK

a) 1:00 - 1:15 p.m.

10 ITEMS FOR DISCUSSION

a) 1:15 - 2:00 p.m.
Financial Analysis
Presenter: Ted Cole, Davenport Financial

Mr. Cole provided an update on the Town's financial analysis and peer comparatives. It was reported that the Town is AA rated and one notch away from the highest rating which is AAA rating. Factors that could lead to an upgrade were:

- Improved income and wealth levels
- Increased fund balance and cash positions to levels in line with AAA peers

It was stated many AAA communities have high levels of growth. They rely on a debt to manage capital needs.

Historically, the Town's operating revenues have exceeded operating expenditures, resulting in a structurally balanced budget and annual operating surpluses. The Town has increased total fund balance each year for the past five fiscal years.

Mr. Cole discussed the general fund balance performance and policy. It was stated that the minimum balance would be 20% with 30% being the target. All five years the Town has been on target for the General Fund Balance. The Town has an adopted financial policy that stated, "General Fund unassigned fund balance at the close of each fiscal year shall not be less than 20% of actual General Fund net expenditures without prior Town Council Authorization." The Town has also formalized in their policy a General Fund Target to maintain unassigned fund balance as a percentage of net expenditures of at least 30%.

There was discussion on the existing tax supported debt. It was reported the total outstanding tax-supported debt is $21 million. This amount decreases each year, which is a positive sign as it indicates that older debt is being paid off.

b) 2:00 - 3:00 p.m.
Initial Budget Overview for FY26
Presenters: Robert McKie, Finance Director; Rich Cappola, Town Manager; and Todd Melton, Budget Manager

Mr. McKie shared budget highlights. He stated the Town has implemented a base budget strategy, implemented new budgeting software ClearGov, and have recommended 10 new positions. Mr. Melton stated he is working towards balancing the budget; all departments have entered in their budget requests for FY26 and those requests are being considered.

Mr. McKie shared the Black & Veatch preliminary financial plan based on 3 scenarios. Key proposed plan cost drivers (FY26-30) include Water Supply Project ($324 million over 7 years), Wastewater Treatment Plant Project ($146 million over 3 years), Substantive increase in O&M costs (annual average cost increase of 6%), and maintaining sufficient reserve to mitigate year-to-year rate volatility and financial resilience.

All scenarios have the same revenue adjustments for sewer. Scenario 1 includes the Water Supply Project starting in FY25. The proposed residential impact would be approximately $20.00 monthly bill increase based on 4,000 gallons per month. Scenario 2 includes the Water Supply Project delayed until FY2030 and interconnection cost with neighboring utilities higher ($30 million). The proposed residential impact would be approximately $14.00 monthly bill increase based on 4,000 gallons per month. Scenario 3 includes the Water

Supply Project delayed until FY2030 and interconnection cost with neighboring utilities lower($15 million). The proposed residential impact would be approximately $13.00 monthly bill increase based on 4,000 gallons per month. It was stated Scenario 3 is the scenario more than likely the budget would be balanced against.

Shared were budget highlights.

Economic considerations include:

- Consumer Price Index (CPI) inflation rate was 2.8% in February compared to 3% in January 2025 and 3.2% for February 2024.
- Personal Consumption Expenditures (PCE) Price Index was 2.5% in February, which reflects no change compared to January 2025 and February 2024.
- Federal Reserve policy – vigilant effort to achieve 2% inflation target.
- GDP Q1 2025 projection is -2.8%. GDP increased 2.8% in 2024, 2.5% in 2023, 1.9% in 2022.
- Federal Reserve expects softer economic activity in 2025 rather than a recession.
- Experts concerned about the tariff impact in conjunction with darkening consumer sentiment.

Major Revenue Assumptions:

- Preliminary revenue neutral tax rate is $0.46; 99% collection rate.
- Recommend 5 cent CIP provision based upon adopted tax rate.
- Ad Valorem property taxes will grow 7.67%. Value of $0.01=$534,478.
- Sales tax revenues will increase $0.6 million compared to FY 2025 budget and 2.5% higher than the $9.4 million estimate for FY 2025. NCLM projects 2.8% increase for FY 2026.
- Development revenue will continue to grow.

Employee Benefit Assumptions:

- 5% salary adjustment pool and 2% COLA recommendation.
- State Health Plan employer contribution increase = 10%.
- NC Retirement Fund employer contribution increase = 0.74% for General and 1.04% for LEO.

Shared were final thoughts. Mr. McKie stated the FY26 budget reflects continued use of budgeted funds in an efficient and effective manner. The Town continues to experience strong growth, which impacts all components of operations. The major fund balance appropriations are not a financially prudent strategy, nor sustainable in the General Fund Budget. The Water and Sewer Fund would continue to require rate increases to fund reinvestment in the system. The Electric Fund would require nominal increases to sustain the financial health of the utility. Debt issuance would be required to fund new development, and an ongoing economic uncertainty requires a conservative spending strategy.

Shared were the results of the budget survey. There was a slight increase in participation for FY26. Public safety is still very important among our citizens. The top 10 themes to consider are: traffic congestion and unsafe intersections; rapid residential development outpacing infrastructure; desire to support downtown and small businesses; invest in parks, greenways, and recreation amenities; need for more police and fire staff/resources; frustration over tax and utility rate increases; water/wastewater infrastructure concerns; calls for transparency in budget/spending; concerns about affordability and cost of living; and skepticism about spending on beautification over essentials.

11 BREAK

a) 3:00 - 3:15 p.m.

12 ITEMS FOR DISCUSSION

a) 3:15 - 5:00 p.m.
Organizational Updates
Presenters: Stasey Whichel, Evergreen Consulting and Rich Cappola, Town Manager

Stasey Whichel with Evergreen Solutions was present. She stated in the fall, a financial review was completed resulting in a few proposed changes in the current organizational chart.

Shared were those changes, some of which included retitling a Deputy Town Manager position to Chief of Staff and Strategic Initiatives. It was recommended to have the Executive Assistant position as shared services to be able to assist in other areas and be shifted around. It has been proposed to move the Warehouse Supervisor from Procurement to Operations and to move Human Resources under Chief of Staff and Strategic Initiatives.

The review of the Finance Department resulted in recommendations to include efficiencies in processes, succession planning, training, and development of policies/procedures.

Shared was the compensation update. She stated given the growth, the Town is doing well at maintaining at mid-point. The peer average range is just over 60, ours is at 80. It is recommended the Town consider adding pay grade levels to the General Pay Plan and the Utilities Pay Plan, adjust the pay grade assignments where appropriate, narrow the salary range, and apply a COLA to maintain competitiveness.

Other recommendations include for Non-exempt employees to maintain a step plan and for exempt employees to transition to an open range plan; add pay grades to electric/water positions and adjust public safety plan by 1.5% to maintain competitiveness.

13 ADJOURNMENT

a) With nothing further, the meeting was adjourned at 4:26 p.m.

Motion To Adjourn

RESULT:	**CARRIED 5-0**
MOVER:	Ruth Anderson
SECONDER:	Michael Sims
YES:	Andria Archer, Michael Sims, Porter Casey, Ruth Anderson, and Gretchen Williams
NO:	None

Duly adopted by the Town Council this 5th day of May 2025 while in regular session.

Michael Sims
Mayor Pro Tem

ATTEST:

Heidi L. Holland

Heidi L. Holland, MMC, NCCMC
Town Clerk

TOWN OF CLAYTON
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