

**Dunn City Council  
Budget Work Session  
Tuesday, May 12, 2026,  
4:00 p.m., Dunn Municipal Building**

**Minutes**

**PRESENT:** Mayor William P. Elmore Jr., Mayor Pro Tem April Gaulden, Council Members Raquel McNeil, Alan Hargis, and Billy N. Tart.

**ABSENT:** Council Members J. Wesley Sills and Dr. David L. Bradham

**ALSO PRESENT:** *City Manager Justin Hembree, Assistant City Manager Billy R. Godwin, Finance Director Cary McNallan, Police Chief Lynn Gay, Administrative Support Specialist Christy Sweeney, HR Director Connie Jernigan, Parks & Recreation Director Brian McNeill, Senior Planner Stephanie Goodrich, Public Works Director Dwayne Williams, Waste Water Treatment Plant Manager Donrie Dukes, Water Treatment Plant Manager Ian Stroud, City Attorney Tilghman Pope and City Clerk Melissa Matti.*

**CALL TO ORDER**

Mayor William P. Elmore, Jr. called the City Council Budget Work Session to order at 4:00 PM on Tuesday, May 12, 2026, at the Dunn Municipal Building, 401 East Broad Street, Dunn, North Carolina.

**INVOCATION & PLEDGE OF ALLEGIANCE**

The invocation and Pledge of Allegiance were led by Council Member Alan Hargis.

**CONSIDERATION & APPROVAL OF THE AGENDA**

The agenda was considered and approved. Mayor Elmore noted that Council Member David Bradham was absent and would not be present for the evening session. Council Member Sills was unexpectedly absent due to testing at school where he is employed.

**PRESENTATION**

FY27 Budget Presentation

**Legislative Context — State Reevaluation Moratorium**

City Manager Justin Hembree opened by providing critical context for the Revised Budget Presentation. He informed the Council that a Bill had passed the North Carolina State Senate the prior week that would place a pause on property reevaluation in approximately fifteen (15) counties, including Harnett County. If enacted, the Bill would invalidate the new schedule of values adopted by the Harnett County Board of Commissioners in January and revert property tax assessments to the prior year's values. City Manager Hembree stated that while the Bill had not yet passed the House, he anticipated that it would, citing widespread bipartisan support in the Senate and a parallel House Bill concerning a Property Tax Constitutional Amendment.

The practical effect of the moratorium, City Manager Hembree explained, was the elimination of approximately \$1,800,000 in anticipated additional tax revenue that had been presented to Council at a prior budget workshop. He described this as a return to the drawing board, noting that staff had been working to close a remaining budget gap now estimated at approximately \$600,000.

**Major Cost Drivers**

City Manager Hembree outlined two (2) significant areas of increased expenditure driving the budget shortfall:

- Employee benefit costs: Mandatory increased contributions to the Local Government Employees Retirement System (LGERS), a projected 10% increase in State Health Insurance Plan premiums, and a required additional contribution of 2.4% of retirement system amounts to address the health plan's deficit. Collectively, these benefit-related increases total approximately \$300,000 in the General Fund.
- Utility costs: Rising costs across all City departments due to increasing Water and Sewer rates (including the City paying its own rate increases), Duke Energy rate increases, and expanded infrastructure such as additional streetlights in new subdivisions.

**FY27 Recommended Budget — Version 2 (General Fund)**

Finance Director Cary McNallan presented the Revised Recommended Budget, characterizing it as "Recommended Budget No. 2," reflecting a series of reductions from the

- Reduced COLA and merit increases (still included, but at a lower amount)
- Reductions in travel, training, and business meal allowances
- Reduction in the Harnett Economic Development Corporation contribution
- Elimination of the Stewart Theatre contribution
- Reduction in laptop requests
- Elimination of the Codrington Park local match contribution
- Deferral of a community building HVAC replacement in Parks & Recreation
- Reduction in athletic program materials
- Reductions in the Planning Department's demolition and community appearance budget
- Reduction in Police Department equipment requests (e.g., rifles reduced from 45 to 15)
- Elimination of one new Public Works employee position request
- Reduction in Public Works equipment requests. *A copy of the FY27 Recommended Budget — Version 2 (General Fund) presentation is incorporated into these minutes as Attachment #1.*

City Manager Hembree clarified that the elimination of the Codrington Park Budget contribution did not halt the project. The grant application process through McAdams would continue, as a multi-year ramp-up period applies and a Federal matching grant opportunity remains available.

Finance Director McNallan also presented a list of FY27 unfunded requests that had not made either version of the recommended budget. These items were acknowledged as legitimate City needs but without available funding, and would likely be deferred to FY28 or FY29.

A separate slide addressed vehicle and machinery requests totaling approximately \$171,000 in annual debt service if fully funded. Finance Director McNallan noted these items would have no cost impact in FY27 itself, as debt service payments would not begin until FY28. The Council was asked to determine whether to proceed with any of these purchases. Discussion centered on Police fleet replacement, with Council members noting the transition away from Dodge Chargers toward Ford Durangos and the ongoing need to cycle through a fleet of approximately 40–50 police vehicles.

### **Tax Rate Increase**

To balance the proposed \$14,900,000 budget, Finance Director McNallan presented a recommended tax rate increase of 6 cents, bringing the operational rate from \$0.50 to \$0.56 per \$100 of assessed value, and the total tax rate (including the existing \$0.04 dedicated to the paving fund) from \$0.54 to \$0.60. Using the prior year's assessed values, each penny of tax rate generates approximately \$115,000 in revenue, meaning the 6-cent increase would generate approximately \$690,000.

Finance Director McNallan illustrated the taxpayer impact: a home valued at \$250,000 (using prior-year values) currently pays \$1,350 in City taxes annually; the proposed increase would add \$150 per year, or approximately \$12.50 per month. A \$500,000 home would see an increase of \$300 per year, or \$25 per month.

Finance Director McNallan noted that the current General Fund balance stands at approximately 27.3% following the FY25 audit, and that failing to raise the needed revenue would reduce Fund Balance by approximately \$690,000, likely pushing it below the 25% threshold required by the Local Government Commission.

### **Council Discussion**

Council members engaged in substantive discussion on strategies to reduce the tax rate increase or offset the budget gap. Council Member Tart raised the possibility of selling City-owned vacant lots and properties, arguing that such sales could generate meaningful one-time revenue, reduce maintenance costs, and produce long-term Tax Revenue once properties are developed. City Manager Hembree and Finance Director McNallan expressed support for the idea. Finance Director McNallan suggested that \$100,000 in property sale proceeds could be conservatively budgeted, which would reduce the needed tax levy increase from 6 cents to approximately 5.5 cents. City Manager Hembree noted that an inventory of City-owned properties had been compiled and offered to share it with the Council for review.

Council members also asked about the Tax Revenue impact of new residential growth. Finance Director McNallan confirmed that approximately two hundred (200) new homes had been added, and that he had included an estimated \$200,000 in additional tax levy to account for that growth, though the County was unable to provide precise figures due to the

had been added, and that he had included an estimated \$200,000 in additional tax levy to account for that growth, though the County was unable to provide precise figures due to the reval transition. Council Member Tart estimated that 50–75 new homes could contribute \$60,000–\$100,000 in additional annual tax revenue.

Mayor Pro Tem Gaulden and other Council members sought clarification on where the approximately \$700,000 increase over the prior year's budget was being directed. Finance Director McNallan summarized the major components as: approximately \$365,000 in mandatory State-related benefit cost increases, approximately \$240,000 in COLA and merit adjustments, and the remainder attributed to rising utility costs.

Council Member Tart raised a question about the Tourism department appearing as a Budget Expenditure, noting it inflated the apparent total. Finance Director McNallan clarified that Tourism costs are fully offset by a corresponding reimbursement shown on the revenue side, resulting in a net cost of zero to the General Fund.

City Manager Hembree addressed the broader budget philosophy, acknowledging that further expenditure reductions beyond what has already been cut would require examining service provision levels, as the majority of the City's budget consists of personnel costs. He cautioned that reducing services further would create a snowball effect on remaining staff. He also noted that staff was working to review the City's Fee Schedule across all departments by Friday of that week, with the goal of ensuring user fees more accurately reflect the cost of services provided.

Finance Director McNallan reminded the Council that the statutory deadline to present a formal recommended budget to Council is May 31, 2026.

#### **Water and Sewer Rates**

City Manager Hembree briefly addressed the Water and Sewer Enterprise funds, noting that a rate increase is being recommended. He emphasized that if implemented, the proposed rates would bring the City to full cost recovery — a significant milestone following several years of Major Capital Investment, the resolution of a Special Order of Consent, and the lifting of a Development Moratorium. He credited the Council for the steps taken over the preceding four (4) to five (5) years. He noted that once full cost recovery is achieved, future rate adjustments would be expected to track closely with inflation rather than requiring large catch-up increases, unless significant new capital debt is undertaken.

A Council member expressed concern that multiple simultaneous cost increases — property taxes, water and sewer rates, and solid waste fees including the Yard Waste Cart charge — would burden residents. The Council member noted receiving a high volume of constituent calls about the Yard Waste Cart fee specifically, and expressed frustration that a small number of abusers of the service were effectively penalizing compliant residents.

#### **Next Steps**

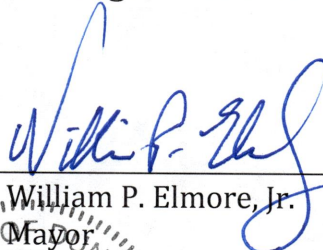
City Manager Hembree proposed scheduling another round of individual or two-by-two meetings with Council members the following week to review the budget in greater detail before the end-of-month deadline. Finance Director McNallan agreed to prepare and distribute by Thursday a Revised Budget Document showing a detailed comparison of FY26 adopted figures against the proposed FY27 figures at the line-item level, as requested by Council members. Council members agreed this format would be more useful for identifying specific areas of change and preparing to answer constituent questions.

#### **ADJOURNMENT**

With no further business, Mayor Elmore called for a motion to adjourn the Budget Work Session, with the regular work session set to reconvene at 6:30 PM.

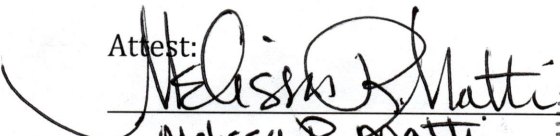
**A motion to adjourn was made by Council Member Alan Hargis and seconded by Mayor Pro Tem April Gaulden to adjourn the Budget Work Session.** The motion carried unanimously.

The meeting was adjourned at 5:05 p.m.

  
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William P. Elmore, Jr.

Mayor

Attest:

  
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Melissa R. Matti  
City Clerk

