

**MINUTES OF THE TOWN OF WAYNESVILLE BOARD OF ALDERMEN
SPECIAL SESSION MEETING – BUDGET WORKSHOP
JUNE 3, 2013**

THE WAYNESVILLE BOARD OF ALDERMEN held a special meeting on Monday, June 3, 2013 at 5:30 p.m. in the board room of Town Hall, 9 South Main Street, Waynesville, NC.

A. CALL TO ORDER

Mayor Brown called the meeting to order at 5:42 p.m. with the following members present:

Mayor Gavin Brown
Alderman Gary Caldwell
Alderman Julia Freeman
Alderman Wells Greeley
Alderman LeRoy Roberson

The following staff members were present:

Marcy Onieal, Town Manager
Alison Melnikova, Assistant Town Manager/Deputy Clerk
Phyllis McClure, Acting Clerk

Representing the media:

Mary Ann Enloe, The Mountaineer

Mayor Brown welcomed everyone and said Manager Onieal will be bringing her expertise to the Board regarding the proposed budget for Fiscal Year 2013-2014. Mayor Brown stated that historically, Waynesville does not spend money that it does not have. Collectively, the Board knows where the funds will come from before money is spent, adding that he is proud of what has been accomplished. Any questions the Board may have will be answered by the Town Manager and Finance Director. Mayor Brown asked if Board Members have specific issues to discuss. He asked if expenses for the Junaluska annexation were included in this budget. Manager Onieal said the monies are included for 10 months. If approved, the annexation will be effective in August. Nothing is definite at this point, but Town representatives may need to travel to Raleigh next week. Mayor Brown said Senator Davis has indicated that he will push on with the issue.

Mayor Brown asked what types of increases were included for employees. Manager Onieal said a 2.1% wage and salary adjustment is included in the budget to be held until the middle of the year. This is an ambitious budget, and staff is trying to do a lot of things even though the economy is still not in great shape. Employee committees are working on employee development plans, a comprehensive wellness program is being developed and an opportunity is being created where employees can progress within grade. A classification study was done in 2005 and then again in 2009 in which the recommendations were not implemented. Sometimes this creates situations in which new employees are hired at salaries higher than employees hired a few years earlier. If anything like COLA is implemented it may be for employees in certain classes where we have particular range compression problems or need to make

equity adjustments where wages within a class have become skewed due to failure to implement the recommendations of the previous two pay plans. Health insurance estimates originally came in with a 27% increase. However, after having negotiated with representatives, the increase is now expected to be 13.5%. The program continues with the same deductibles and continuing coverage. Some minor increases are proposed for employee contributions with dependent coverage to eventually have all employees paying 25% of dependent coverage. At the present time employees pay varying amounts on dependent coverage, depending on when they were hired, and which benefits plan was in place at the time of enrollment.

Manager Onieal provided a complete summary of the budget, and thanked Eddie Caldwell and Alison Melnikova for their hard work and assistance. There were some delays in developing the budget due to the Junaluska merger and some of the bills in the Legislature that have not yet passed, which could have a tremendous impact on local governments. The fact that there are still some unknowns, especially with the economy and the merger of Junaluska leaves some new issues remaining and a lot to be pulled together in a short time.

After coming into the organization, Manager Onieal took time to review all the plans adopted by the Board during the last decade to look for the Board's long range plans. Those include the 2020 Comprehensive Plan, Facility Needs Assessment, two different staff analysis classification pay plans, two versions of the Water and Sewer Management Plan, Comprehensive Parks and Recreation Plan, Pedestrian Transportation Plan, Forest Stewardship Plan, several transportation corridor plans, Comprehensive Bicycle Plan and IT Assessment Master Plan. All the plans were developed with input from this Board, previous Boards and the public with the goal to maintain the character of Waynesville as a small family friendly town with a high quality of life. Like any organization, these plans are great, but if you don't put the commitment of funding and active pursuit behind them they just sit on the shelf and collect dust. The 2020 Comprehensive Plan is now more than one decade old and in need of some revisions. In the fall, possibly in September, Manager Onieal would like to encourage the Board to review these plans, reflect on what has been accomplished and review the direction and vision for the community. She also suggested the need for other plans such as a Downtown Master Plan, Greenway and Pedestrian Plan, as well as others, to provide a clear long range vision for the community, and an operational prioritized budget plan for staff. While the town has done a good job of maintaining existing facilities, there are a lot of recommendations, particularly with regard to new construction and infrastructure improvements in these plans that have not been pursued.

The proposed budget contains budgetary challenges with room to adjust and it is felt that the Board should weigh in on whether this is too ambitious and how to make this plan work. There are also changing expectations in the community. Constant requests are received for more service and people want to pay less for those services. Manager Onieal noted that while she believes this budget fairly reflects the Board's priorities as expressed over the course of the past year, it is an ambitious undertaking in her first year, in an economy that has yet to fully recover, and with a state legislature threatening municipal revenues. She asked the Board to let her know if any of the items being recommended should be delayed, until she has been in Waynesville a little longer and has a better feel for the community.

Waynesville's financial position is strong, and the Town remains fortunate to own three healthy utilities which provide some support for general government activities. Since the recession began in 2008, many towns have been forced to lay off employees and make some very difficult decisions. Many communities are proposing tax increases in the coming year. Manager Onieal is pleased that this budget

is balanced without having to recommend a tax increase. The proposed budget includes an 8.7% increase overall for all funds. The vast majority for the increase is due to the annexation of Lake Junaluska, which essentially represents a wash in that revenues received from Junaluska will be expended for purposes directly related to serving Junaluska.

Manager Onieal credited Eddie Caldwell with being a great steward of town finances, and having always anticipated unbudgeted needs at an appropriate level. However, in the coming year, with a real reduction in revenue, primarily from the loss of ABC and sweepstakes revenues, and taking on the additional expenditures associated with an IT Master Plan, the Junaluska annexation and absorption of a 13.5% health insurance increase, the budget will be tightened up with considerably less flexibility than in previous years. Staff is working to create efficiencies within each unit. Some changes are small, but when added up they make for impressive savings. Alison Melnikova has handled many of these changes. Select vacant positions have been held open longer to allow cushion, and overtime hours have been handled more efficiently. Historically a good job has not been done with this, but improvements have been made. Small changes have been made such as eliminating the small desk top printers and purchasing larger, more efficient printers for shared use. Changing to ceramic brakes in the service department has reduced service time in patrol cars by two thirds. An employee in the Wastewater Treatment Plant researched a different treatment process, which saved 75% on the purchase of chemicals. BST paving and crack sealing was increased in maintenance of the Town's streets, thus extending the life of pavement at far less cost than full overlay. Changes were made to switch from fixed copper lines to VOIP lines for the phone system which reduced monthly phone charges significantly. Changes were made in how vehicles hauling solid waste to White Oak were loaded. The costs were reduced to \$80,000 rather than the expected \$200,000, and the \$80,000 was reimbursed by Haywood County. Town staff continues to look at other ways to do more with less.

Great progress has been made with formal goals resulting from last year's planning retreat. Waynesville is currently in the middle of constructing the new skate park, and work continues on transportation corridor plans. These items were included in the current year's budget and have been pursued. Part of the changes began when Manager Onieal was hired and others came as a result of board discussions over the course of the past year. No tax rate increase is proposed and a water and sewer management plan will be pursued by increasing funds to take care of the immediate needs of Lake Junaluska. Planning for the merger with Lake Junaluska and making sure it is successful has become a number one priority.

Creating a Comprehensive IT Master Plan for Waynesville is a big program. This is not just about the development of new website, or having information stored in the clouds. The Town has reached the point of complexity in operations at which a "break/fix" model of IT management is no longer adequate and round-the-clock monitoring and access to more sophisticated network support is necessary. Alison Melnikova was thanked for all her work in this area.

Support for retail business development has been ongoing for many years in the downtown area, but attempts are being made to extend to include this support to Frog Level. Internal organizational improvements have been made and the Town has focused on a major building program to make sure we have the needed facilities. The next couple of years will concentrate more on the internal aspects.

The General Fund Budget totals \$15.1 million, which includes the expenses and revenue for Lake Junaluska for 10 months. The State will not certify the population estimates to include this area until the July 2014 so sales tax revenues will not come in until the following year. This means the \$592,000

benefit for the next year will not be included in this fiscal year. Other challenges to the General Fund budget include the loss of two revenues, ABC profit distributions and sweepstakes gaming (\$150,000 revenue stream). Tax Collector James Robertson will attend next Monday's workshop with a proposal to the gross receipts formula to help recover this revenue stream. Many communities have switched to gross receipts. A \$25 fee is proposed for the first million in revenue for the business, and fifty cents for each \$1,000 thereafter with no cap proposed. A form would be sent out each year and compliance is voluntary. Most of the larger franchise stores are accustomed to doing this in other communities.

A few minor fee adjustments are proposed, and we are trying to adjust our fees for specific reasons. Utility accounts will increase from \$20 to \$25 for new accounts and bad checks. We are trying to match our charges with what Lake Junaluska has been accustomed to and to encourage people not to disconnect and reconnect. This will help recover actual costs of \$12,000 - \$14,000 per year. Cemetery fees are proposed to increase from \$900 to \$1,400 for plots and columbariums. A new fee is proposed for locating existing cemetery lots by charging \$100 during regular business hours and \$200 on holidays and weekends. The main purpose is to generate additional revenue for the perpetual care fund. Fees are also proposed to charge \$25 per inspection and standardize off duty security charges.

Waynesville is flat in revenue and sales tax is beginning to show a little spike, but it is not back to the level we were when sales tax began dropping.

On the chopping block potentially are franchise taxes, beer and wine tax, and reform of the sales tax, which could result in 1 million in revenue loss to Waynesville which would equal a nine (9) cent tax increase. Marcy Onieal said several streams of revenue have already been attacked. It is going to be a different picture, but at this point the budget does not include the revenue losses.

Finance Director Caldwell pointed out in Section 2 Pages 1 – 7 the line item adjustment is broken down 34% comes from personal property and motor vehicle taxes. This year is up \$128,000 from last year with a collection rate of 95.8%. During the previous year taxpayers submitting late payments reduced the collection rate to 95.54%. The current year is projected to be slightly above 96%. State collected revenues, including sales tax – the 1 cent rate (about 4 months to go) has been running 3.75% ahead of budget. The two ½ cents increased about 3.5%. The bad news is that only two quarters of the cable franchise revenue has been received. Beer and wine revenues are down slightly. Mayor Brown pointed out that if you add the largest revenue sources, which include property and motor vehicle taxes, this is almost the same amount spent on the basic necessities proposed by the Town, Police and Fire protection services.

The Powell Bill did fairly well. Connect and reconnect fees are up about \$17,000 from the budgeted amount. The Ingles building permit was budgeted, but the permit was not issued during this fiscal year. This line item has been added to the 2013-2014 budget. On page 4, regarding commercial sanitation fees, a private hauler is underpricing Waynesville in the lightest loads, resulting in lost revenues for the Town. There is not a lot of growth in recreation. Manager Onieal said town staff spent a lot of time discussing whether this is time to begin charging more for outside residents. Alderman Roberson pointed out that there are some challenges and there may not be an easy way to determine whether residents are inside the corporate limits. Manager Onieal said Rhett Langston also looked at increasing rates for the Recreation Center. The current rates are competitive with the hospital and it was felt that they did not want to lose patrons to the facility by increasing rates. Mayor Brown said the Recreation Center building will be paid off in five years.

Eddie Caldwell said on page 6 there are miscellaneous revenues with no big difference there. Page 7 reflects that the Town does not anticipate receiving ABC store distribution. The last two items include fund balance appropriations and Eddie Caldwell always tries to give the worst case scenario. The drug reimbursement program saved a large amount of money. Both pharmacies have agreed to continue with the drug reimbursement program. Manager Onieal added that more employees have chosen generic medications. \$250,000 was left over from medical reimbursements that were not spent. Gasoline prices have improved as the year progressed. The one million dollars from fund balance for this year's budget will not be used, but will be included again for the next fiscal year. There are some concerns about the water fund and a loan from the sewer fund may be needed.

Manager Onieal reported that a 6% increase is recommended for both water and sewer, in keeping with the maintenance plan for these two utilities. In the Electric Fund, the Town may want to mirror Progress Energy's increase. Timing and amount is proposed to increase by the same percentage. Staff would like to set aside for a rate stabilization program. There was some discussion about rate increases proposed by Progress/Duke and whether those increases could arbitrarily be charged first and later discussed with the Utility Commission. A 5.7% increase dated May 31 from the Raleigh office is scheduled to begin June 1. Eddie Caldwell said Waynesville's increase is proposed to begin August 1. Mayor Brown said in 2009 the rate increases were proposed but never implemented. There was some discussion regarding the Town's largest electric customer, Sonoco and some of the assistance by the Town in that development.

Alderman Roberson asked about an area in Section 3 regarding the extension of sewer to the Rest Area west of Waynesville and the sewer being more expensive than water. Finance Director Eddie Caldwell said this is because the water has already been extended to the property. The expense for sewer extension is 100% reimbursable.

Manager Onieal said the Town will be adding 15 full time employees associated with the Lake Junaluska annexation. Those will include four (4) sanitation workers, one (1) horticulturist, three (3) water /sewer maintenance, two (2) police officers, and four (4) firefighters. The other position is currently a part time position (1/2 time public works employee will become full time). Alderman Roberson pointed out that some of the benefits did not seem consistent. Eddie Caldwell clarified that some of those are for vacant positions already budgeted but not yet filled. Police Department overtime seemed to have a large increase from other years. Eddie Caldwell explained it has been difficult to find any part time police officers since after they receive training by Waynesville they are sometimes hired by another entity on a full time basis. Dispatchers receive the most overtime because they are not sworn officers and there have been some vacant positions in the past. Manager Onieal added that the four positions proposed to be added in the Fire Department will allow two firemen at each station, meeting the staffing requirements for Waynesville.

Eddie Caldwell said the Town has never spent the full amount of fund balance that was budgeted. Marcy Onieal added that the Town has more debt falling off than it is taking on.

The agenda for the next budget workshop was included for the Board to review. The next budget workshop will be held on Monday, June 10, 2013 at 5:30 p.m.

The Board will be attending the dedication immediately after leaving tonight's Budget Workshop for the new Fire Truck at Station II, 280 Georgia Avenue.

There being no further business, Alderman Greeley made a motion, seconded by Alderman Caldwell, to adjourn the meeting at 7:21 p.m. The motion was approved unanimously.

ATTEST:

Gavin A Brown, Mayor

Marcia D Onieal, Town Manager

Phyllis McClure, Acting Clerk