

TO: Mayor and Board of Aldermen

SUBJECT: Proposed 2012 - 2013 General Fund Budget

The proposed General Fund Budget for the 2012-2013 Fiscal Year is hereby submitted for your review. The document calls for expenditures of \$14,186,410, which is an increase of \$816,970 from the initial 2011-2012 General Fund Budget of \$13,369,440. We are anticipating that our actual expenditures for the 2011-2012 fiscal year will be \$13,123,050, meaning the next budget will be \$1,063,360 or 8.1% more than what we expect to spend during the current fiscal year.

During the past several years, our budget numbers in the General Fund have remained relatively constant. But in Fiscal Year 2013, the budget will see a significant increase due to a variety of reasons which will be discussed in the course of this document. For your information, I am listing the following General Fund budgets which are or have been proposed:

2008 – 2009	\$ 13,396,910
2009 – 2010	\$ 13,034,800
2010 – 2011	\$ 13,393,900
2011 – 2012	\$ 13,369,440
2012 – 2013	\$ 14,186,410

While there was little variation during the recession years of 2008-2012, there will be substantial change in the amount proposed for the FY 2013 General Fund budget. While specifics will be discussed in more detail in this document, in large part, the increase can be tied to three areas - the construction of the skate park, the requirement that the Town must transport solid wastes to the White Oak Landfill and granting a cost of living adjustment for town employees with related fringe benefit costs.

We are seeing more signs of economic recovery, but the unemployment numbers in our area have remained high due to the depressed construction market and the negative impact the recession has had on the second homes market. Construction jobs, of which our economy is dependent, have been slow to return. Retail sales are showing an upward trend and the positive outlook in general has led some national retailers to construct facilities in Waynesville. With the much larger Belks and the addition of Pet Smart and Michaels at the Waynesville Crossings Shopping Center, all scheduled to open in Fall, 2012, we anticipate a boost in retail sales and sales taxes. Other companies are meeting with Town Staff and working on plans as they consider potential locations in Waynesville. We feel that there will be a substantial boost to the economy in FY 2013.

In the second part of this section, you will find comparisons of estimated revenues and expenditures for the current fiscal year with those proposed for the next fiscal year. There is a brief notation as to the major increases or decreases in various revenue sources or in the expenditures for each department. The budget narrative which follows will give more detail about these changes and attempts to explain any new programs or major differences in the 2012-2013 budget.

I. REVENUES

In the coming year, we estimate that **General Fund Revenues** will be \$11,486,170, and to meet anticipated expenditures of \$14,186,410, it will require the use of \$1,063,090 in General Fund reserves, \$180,780 in Powell Bill reserves and the transfer of \$1,456,370 from the Enterprise Funds. Over the past several years, we have used General Fund Reserves to pay down the costs financed on the new Fire Station, the Development Office/Police Station/Town Hall and to help buy the Dayco site out of bankruptcy. But the General Fund remains strong, with reserves approaching \$5,000,000 or close to 35% of the total fund. In the Powell Bill, we are continuing to catch up our street maintenance expenditures from the severe winters of 2010 and 2011, and propose using \$180,780 of the reserves which exceed \$600,000 in that account. The fund balance in the Electric Fund is such that funds should be available for a transfer of \$1,275,600, particularly when Sonoco goes on line with their new manufacturing addition and draw considerably more power from our system. This transfer helps keep the tax rate low for all our citizens and businesses. As the Water and Sewer Funds have become stronger, transfers to the General Fund in the amount of \$103,370 and \$77,400 respectively, are reasonable.

During 2011-2012, as the economy began to rebound, we saw an increase in the payments on property taxes, and there was an increase in revenues over the prior year. In our 2012-2013 estimates, we are showing a projected decrease. Under State law, the estimated percentage of collections for property taxes in a year may not exceed the actual percentage of collections during the year preceding the current year. In other words, the percentage of collections we estimate for 2012-2013 may not exceed the actual percentage of collections for 2010-2011. For Waynesville, collections in 2010-2011 were off, down nearly a percentage point over prior year collections. Even though collections are much better in 2011-2012, we must use the percentage collected in 2010-2011, and this will mean our property tax revenue will be estimated to decline by \$86,730.

In 2011-2012, the values used in property tax billings were from the revaluation, and the values in Waynesville came in almost flat. Typically, there is an increase in property values during revaluation, but we actually saw a slight decrease. As a result, the Town Board adopted a "Revenue Neutral Tax Rate" of 40.82 cents, and that is the rate we are recommending for the 2012-2013 fiscal year. In section 6 of the budget, you will see a comparison of the Waynesville tax rates with other communities, and you will find that our rate is lower than most others. We will be recommending other fee and rate increases as a part of this budget and did not want to recommend a tax increase for the coming year.

The second largest source of General Fund revenue is the sales tax. The Town receives four different sales tax revenues. The first is a 1% tax and it is based upon sales in Haywood County. The second and third are two, one-half cent sales taxes, partly based upon sales on a statewide basis and partly based upon local sales. The last is a half-cent passed in 2004 as a compensation for various State-shared taxes which Governor Easley took from local governments when the budget for the State of North Carolina was extremely tight. But the State took back that 2004, half-cent sales tax when it took over the Medicare payments for the counties. There was a compromise to replace the revenues that municipal governments would lose in that exchange, and we were promised a "hold-harmless" arrangement. Even during difficult economic times, the State has maintained that reimbursement.

During the first three years of the recession, sales tax revenues declined a great deal, nearly \$350,000, but in 2011-2012, those began to grow again. It is projected that sales tax revenues will continue on the rise in 2012-2013 as the economy seems to be growing, and we estimate that those revenues will rise from \$2,082,450 to \$2,119,720. I would point out that in FY2008, the Town collected \$2,327,459 in sales tax revenues, so we are still a long way from returning to the robust days prior to the recession. And of course, our merchants are a long way from returning to those days as well. But at least the sales taxes and retail sales are on the rise again.

For 2012-2013, major changes in revenue sources in the General Fund would be as follows: Increases are expected in Sales Taxes (\$37,270), Privilege License Tax (\$100,500), Franchise Taxes (\$21,450), Miscellaneous Grants (\$143,840), Sanitation Fees (\$261,220) ABC Store Sales Distribution (\$40,000). There are several revenue sources which we expect to decline in the coming fiscal year, and these include: Property Taxes (-\$86,730), Powell Bill Revenue (-\$15,260), Police Grants (-\$51,010), and Miscellaneous Revenues (-\$105,000).

As indicated in the opening, the use of \$1,063,090 from the General Fund reserves would be necessary to balance the upcoming budget. In the 2011-2012 budget, we estimated using \$812,410 in reserve funds, but we feel that the actual use will be considerably less, perhaps around \$400,000. We are also suggesting the use of \$180,780 in Powell Bill reserve funds in 2012-2013, which compares with the initial proposal of \$151,880 in 2011-2012. We estimate we will actually use \$113,480 in Powell Bill reserves in the 2011-2012 budget.

Beginning in 2004, the Town began a difficult period with the billings from Progress Energy for the wholesale purchase of electricity. Our rates were set, but there were fuel charges which were tied to the cost of fuel for Progress Energy. Over these past eight years, the fuel charges have fluctuated quite a bit and it has often been difficult for us to anticipate what the true costs will be. We reached a point that our rate seemed to cover the fluctuations and have not had to raise the charges to our customers since June, 2009. Our Electric Fund reserves began to grow gradually in late 2009 as the cost of coal and natural gas dropped, but we are now being faced with fuel charge increases and seeing the reserves in this fund drop. As Sonoco Products comes on line with their expansion and higher electrical consumption, the reserves should grow again. We feel comfortable then in recommending a transfer of \$1,275,600 to the General Fund in the 2012-2013 budget, which is the same amount as in the current fiscal year.

The Electric Fund has traditionally made transfers to the General Fund and we have viewed that as a form of "profit sharing". The profits from the sale of electricity are returned to the citizens through the transfer, and were it not for the \$1,275,600 contribution, the property tax rate would have to be twelve cents higher to provide the same revenues. Over the years, the transfer has made it possible to have the Recreation Center, for the Town to share in the cost of the Parking Deck and for many other extras that could not have been provided solely with General Fund revenues.

We are also recommending that General Fund receive \$103,370 from the Water Fund and \$77,400 from the Sewer Fund.

II. EXPENDITURES

In the coming year, it is projected that **General Fund Expenditures** will total \$14,186,410, exceeding our anticipated expenditures for 2011-2012 by \$1,063,360, an increase of 8.1%. Over four long years, we have tried to hold expenditures in check while still delivering the same level of services that our citizens have come to expect. I believe our department heads and employees have done a phenomenal job in doing so, but as we are facing increased costs and there are programs and activities that the Town wants to do or that are being thrust upon us, the level of expenditures must increase.

First we consider the Town employees, and the FY 2013 budget allows a 3% cost of living adjustment for most full and part time employees. There will be some fringe benefit expenses that go along with the raise. We will see some increase in the health insurance costs under a new program where the co-pay is higher for prescription drugs. Employees could face a \$100 copay, but we have devised a program with Blue Cross-Blue Shield where an employee will pay \$10 for generic drugs and \$40 for name-brand drugs. The Town will pay the difference between \$40 and \$100 and any drug cost in excess of \$100 will be billed to Blue Cross-Blue Shield. Details on this program are provided in a separate report, but if the Town had simply renewed with Blue Cross-Blue Shield with the same benefits, the increased cost would have been around \$262,000. When we met with Blue Cross-Blue Shield, they indicated that the above alternative program would be available with an increased cost of roughly \$70,000. The Town simply cannot absorb the \$262,000 cost to maintain the same program and we had to find some alternatives.

In the 2012-2013 budget, we will be adding costs due to the County's decision to close the transfer station at Jones Cove Road and require the Town to haul solid waste to the White Oak Landfill. We are estimating that the increased costs of doing so will be about \$272,617. This includes the hiring of a driver who will shuttle full garbage trucks between Waynesville and the White Oak Landfill so that our collection crews do not experience down time while making the hour drive to and from White Oak. It also includes the capital equipment needed in terms of trucks and new axles.

In the study conducted by the Land of the Sky Regional Council, we learned that of the total sanitation department costs of \$1,446,494, the Town spends \$441,256 annually on the removal of yard wastes – grass clippings, bush trimmings, leaves, limbs and plants leftover from the garden. Further, the Land of Sky Study showed that the Town is collecting fees of \$577,000 to collect and dispose of garbage alone, yet we are spending \$687,366 in that work. Essentially this means that of our cost of \$687,366 for garbage, we collect fees of \$577,000. We are subsidizing the collection and disposal of garbage roughly \$110,000 annually. We are going in the hole on solid wastes and we are not charging anything for the high level of service provided in the collection and disposal of yard wastes.

In the 2012-2013 budget, we propose that the Town begin to address this matter with the implementation of higher fees and continued moves toward greater efficiency. Even with higher fees, we expect that the Town will continue to subsidize the service. We hope that during the fiscal year we can begin assessing the current solid waste program, including yard wastes, recycling and the collection of junk, to determine what changes need to be made to close the gap between the cost of service and the fees collected.

The final item to which we may attribute the sizable increase in the expenditures in the 2012-2013 budget is in the Recreation Department. The Board has expressed a desire to proceed with the construction of the skate park along Vance Street where the horse rink was once located. The estimated cost of the skate park is \$400,000, which includes an area for parking, something that was left off the earlier cost estimates. Of that amount, there are grants and donations which should cover approximately \$100,000 and based upon the discussion at the Board's Annual Retreat, another \$100,000 might come from the fees we are proposing to charge on video gambling or sweepstakes machines. The other half of the cost of the skate park is proposed to come directly from the reserves in the General Fund, which is part of the reason why the fund balance appropriation is as high as it is for 2012-2013. Regardless of the origin of the revenues to pay for the skate park, it still adds \$400,000 to the expenditures of the General Fund.

Other than the shuttle driver in the Streets and Sanitation Department, there are no other new employees proposed in the 2012-2013 budget in any fund. I would note that in the Police Department, the COPS grant that has provided two additional officers will expire, and those two officers will have to be provided entirely with Town funds. The only other change in personnel is a recommendation related to the horticultural department where we have funds to hire a landscape student from Haywood Community College for 20 hours per week. It is our recommendation that funds be provided to hire a student for a total of 25 hours per week. We feel that the work load of the horticulturalist is such that the additional hours by the assistant is well warranted.

In a few weeks, the North Carolina General Assembly will be reconvening in Raleigh. In last year's session, while considerable damage was done to local government, there were few unfunded mandates or additional costs assessed to us for any programs. We are in hopes of escaping unscathed when the Assembly meets this year.

In Section 6 of the Budget, you will find comparisons for each of the six funds the Town operates. These show the actual amount of revenues and expenditures we are estimating for 2011-2012 compared with the amount we project for the 2012-2013 fiscal year. These charts may be helpful to the Board in understanding the origin of the money and how it is spent.

III. APPROPRIATION FROM RESERVES & INTERFUND TRANSFERS

The 2012-2013 General Fund Budget calls for a **Fund Balance appropriation** of \$1,243,870 with \$1,063,090 coming from undesignated reserves and \$180,780 coming from Powell Bill funds. The amount coming from Powell Bill reserve funds has been built up over a few years to provide the Town funds to pay its 20% share of costs to replace bridges or undertake major projects. But for the next few years, no bridges are on tap for replacement, and we continue efforts at repairing and resurfacing our streets which have been severely damaged from the harsh winters of 2010 and 2011. The \$1,063,090 coming from the undesignated reserves of the General Fund is up over what was appropriated in 2011-2012, but a good part of the reason for the increase is attributed to the plans to construct the new skate park on Vance Street. With nearly \$5 million in reserves, we are comfortable recommending an appropriation that large. In most years we only spend a portion of the reserves appropriated to balance the budget.

In many communities, the fund balance is viewed as a rainy day fund or as a resource to be used to meet specific needs and make one time expenditures. We have used the fund balance to help the Town through a time when funds are particularly tight. It will take a few more years for the Town to regain the levels of sales taxes and franchise taxes that we enjoyed in the 2006-2007 fiscal year, prior to the recession. In the meantime, while we have such a large fund balance, it seems logical to use it to meet the needs of our departments and the community. Even with this appropriation, the General Fund reserves will leave the Town with a fund balance close to 30%.

On interfund transfers, we must watch the Electric Fund closely over the next year. If Sonoco's expansion results in the higher electric use we expect, the Electric Fund should strengthen and the transfer of \$1,275,600 should not be an issue. We do not want the reserves of the Electric Fund to drop below \$1,000,000. In a few years, the Town will pay off some debts funded by the Electric Fund - the \$227,050 annual payment to Haywood County on the parking deck ends in 2017 and the \$370,850 payment on the Recreation Center ends in 2018. The Electric Fund will then have \$600,000 that has been transferred to the General Fund. While the Town is presently in a strong and enviably solid financial position, over the next decade, as more debts are paid off in all funds, the Town's financial position will be even stronger. The long term picture for the Town is quite bright.

IV. TAXES AND FEES FOR 2012-2013

The 2011-2012 fiscal year brought property revaluation and values within the Town of Waynesville were down slightly. Other portions of Haywood County saw decline, but the property within the Town's Municipal Service District actually saw an increase in assessed value. Under State law, after a property revaluation, a local government must determine a "revenue neutral tax rate". That local government may raise the tax rate above that level, but the citizens must be informed as to what the rate would be to generate the same amount of revenue. The law does allow the Town to factor in growth in the tax base, using the average over a period to make that determination. For Waynesville, the "revenue neutral tax rate" for the 2012 FY was 40.82 cents per \$100 in valuation, and that is the rate that was recommended to the Town Board and which the Board approved. For the upcoming 2012-2013 fiscal year, we are recommending that same rate of 40.82 cents.

On July 1, 2012, Haywood County will close the transfer station at Jones Cove Road and the Town will need to haul garbage to the White Oak Landfill. This will mean higher costs to the Town of Waynesville, other municipalities and private haulers. The Board agreed to a study of our solid waste system by the Land of the Sky Regional Council, with the report submitted at the end of December, 2011. The study showed the increased costs to haul to White Oak and it also calculated the cost of providing each sanitation service offered by the Town – garbage, yard waste, recycling, junk collection and street sweeping. The report gave the Town several options to consider, but for the present and as long as there are no tipping fees on residential garbage, the best option is to haul to the White Oak Landfill. As noted earlier in this report, the current cost of hauling garbage is subsidized by \$110,000 from tax revenues, and we charge nothing for recycling, yard waste, junk or street sweeping. Haywood County has indicated that it will provide some level of reimbursement to the Town for the increased cost of hauling residential garbage to the White Oak Landfill. They have suggested a figure of \$15 per household or \$80,000 a year. There is no reimbursement for the increased cost of transporting commercial garbage.

The best way to reduce the cost of the sanitation operation is to reduce the volume hauled, especially what is transported to the White Oak Landfill. The volume recycled has grown but is below the average of other municipalities. We must find a way to increase the amount recycled, perhaps providing recycling containers to residents to serve as a reminder and to relieve them from purchasing the required blue bags. We might want to look at alternatives for yard waste, encouraging composting by citizens to reduce what the Town must haul away. The collection of junk, appliances and old furniture is not a major expense, but when landlords clean out apartments after a tenant leaves and pile truckloads of items at the curb, it is time consuming and costly for the Town. Perhaps the Town should consider a fee collected in advance for any item of this nature that is removed. There are many issues and possibilities for the Town to consider, but as indicated, with the high level of service and the ever increasing cost, this matter should be addressed.

It continues to be a challenge to provide recreation services to so many people who live outside the corporate limits with no assistance from Haywood County. We do not charge residents from outside the town or county any more than we charge citizens from Waynesville. The Department has made efforts to expand programming, expending funds to increase services, particularly for our more mature population, and continues to make adjustments to the fee structure in recreation to be more cost effective and to programs and activities to be more self-sufficient.

In 2008-2009, after years of seeking a more equitable way of collecting charges for providing fire service, the Towns and Volunteer Fire Departments convinced Haywood County to place almost all property within the county into some fire district. Beginning in the 2009-2010 budget, the three fire tax districts to which our Fire Department was under contract were merged into the Waynesville Rural District, with all property in the district assessed a 6 cents per \$100 fire district tax. We have seen a significant increase in the revenues collected from this new method; however, there remain seven areas outside of the Town which are not in the Waynesville Rural District but which receive fire service from the Waynesville Fire Department. Some of these properties pay \$4.00 per month for this service and others pay nothing, so they receive fire service and benefit from lower fire insurance premiums, yet pay nothing for the service. We have made a number of appeals to the County for this item to be returned to the County Commissioners, but it has lingered now for three years and the Commissioners have continued to allow many people in the seven areas the luxury of fire service and lower insurance premiums without compensation to the Town of Waynesville Fire Department for that service.

At the Board Retreat in February, there was discussion about the Sweepstakes Parlors around the State. The General Assembly tried to outlaw these, but manufacturers seem to find a loophole in the law and now the State Court of Appeals has declared that virtually all the gaming machines are legal. For years, Waynesville has not attempted to tax these machines, as they were viewed as illegal. With this Court decision, we propose that a tax be added to our Privilege License Tax Program for any and all of these internet sweepstakes machines. After extensive research on fees charged by other municipalities, it is our proposal that there be a \$1,000 location fee and a charge of \$1,000 per machine. These will be inspected by the Police Department which will then place a stamp on the machine and notify the Tax Collector that the machine may be permitted. We anticipate that this tax could result in \$100,000 in revenues. During the coming year, we would like to review the licensing fees for all businesses under our Privilege License Tax Program.

V. HIGHLIGHTS OF EXPENDITURES FOR 2012-2013

A. Cost of Living Adjustments and Retirement Contributions

A visit to a grocery store, gas station or shoe store will reveal that prices are on the rise. The Town Board granted our employees a pay increase in the 2011-2012 budget after they suffered through three years without a raise. In the 2012-2013 budget, we are recommending a cost of living adjustment of 3% to most full-time and part-time employees. As noted many times, our employees are the most valuable asset we have and it is one we need to compensate fairly. The cost of the increase, with fringe benefits, is \$166,260, but we feel this is a reasonable expense to reward employees for a job well done.

All fringe benefits which our employees presently enjoy will continue without interruption or downgrade. As has been done for several years, funds are provided to make a 5% contribution to a **401(k) retirement account** for every full-time employee. Employees may invest that money as they chose and may contribute their own money into the 401(k) account. The funds in the 401(k) account are the property of the employee and goes with them when they retire or when they leave Town employment.

In addition to the 401(k), the Town contributes on behalf of every full time employee to the **Local Government Employees'** or the **Local Law Enforcement Officers' Retirement Systems**. With the economic recession of recent years, the Retirement Systems experienced a decline in stock values and other investments at a time when there are growing numbers of retiring baby boomers. As a result, in 2010-2011 and again in 2011-2012, the Retirement System increased the amount of employer contribution. In 2012-2013, there will be a slight decrease in the required contribution, but expect future increases as more baby boomers retire. Employees have a mandatory 6% deducted from their paychecks for this retirement system, but the share employees contribute will not be increased this year. This is one of the finest benefits offered to our personnel.

B. Employment Levels

During the four recession years, the Town eliminated 9 positions. In the course of that time, we were awarded grant funds to add two police officers, and those two officers will be paid entirely by the Town beginning in FY 2013. In 2012-2013, we will need to add a position in the Streets and Sanitation Department to shuttle trucks from Waynesville to the White Oak Landfill. We are estimating that there will have to be an average of three trips per day to White Oak and that the wastes for some days will have to be held in the trucks overnight. It appears that the best way to make this new process work is to hire one driver to shuttle full trucks so that the collection crews will not have to spend so much down time making the drives from Waynesville to White Oak. We are also recommending the addition of five hours per week for the part-time employee in the horticultural department. This change will bring the number of employees in the General Fund from 117 to 118.

During the 2009-2010 fiscal year, the Town was awarded a federal grant under the Community Oriented Policing Program. Under this grant, funding is provided for three years for the full cost of two police officers, and then, after the third year, the Town must take on the cost of the two officers. These officers will be fully funded through June, 2012, and in the FY 2013 budget, the Town will cover the full costs of these officers.

In this section of the budget, we often mention areas where additional personnel might be considered. In 2011, we added a part-time receptionist at the Municipal Building and she has been providing clerical assistance to the Human Resources Director, Margaret Langston. Long term, a full time person to assist Ms. Langston would be beneficial in the Human Resource area, but also in the area of Safety Management. We have added several new buildings with more specialized equipment, and it may be wise to hire a building maintenance superintendent to oversee and perform simple repairs and maintenance on these.

Another future need may be an employee to oversee Information Technology. Thus far, our investigation into this reveals that our broad contract with a computer maintenance firm is a better and more affordable option for the Town. The Police Department works with Haywood County to manage its IT systems. Even the League of Municipalities now contracts out its IT services. We are proposing a full scale study of the Town's Information Technology System and future needs in the 2012-2013 budget.

C. Fringe Benefits Costs

The greatest fringe benefit provided our employees continues to be health insurance, the cost of which has increased far in excess of the inflation rate over the years. In 2006-2007, we switched coverage from the League of Municipalities to Blue Cross-Blue Shield. After an initial three years of low claims, the past three years have seen very high claims, and this has forced our premiums up. In 2010-2011, we made changes in our policy, raising the deductible from \$500 to \$5,000, with the Town taking on the difference of \$4,500 in the deductibles. This led to a substantial savings over what the increase might have been, and our cost of absorbing the higher deductible has paid off. But our claims continued to rise in 2011-2012 and we were faced with a 17% increase for FY 2013.

Blue Cross-Blue Shield now offers a program where we can see a minimal increase, with the co-payments on drugs going to as much as \$100. After negotiations, we reached a compromise where the employees would pay \$10 for generic prescriptions and \$40 for name brand prescriptions. The Town will pay the cost of prescriptions between \$40 and \$100 so employees will not have to pay so much. A third party administrator will bill the Town for its share of co-payments weekly. More details on this new plan are presented in a separate report, but in essence, by taking this route, we are looking at an increase from Health Insurance of approximately \$70,000 annually. If we had simply renewed the policy with the same coverage, the increased cost would have been \$262,000.

At present, there is no charge to employees for their own health insurance, only for that of their dependents. In FY 2013, we are proposing that employees begin to pay a greater share of the health insurance costs. When premiums are increased, the insurance company might alter rates differently for different classes of employees depending upon the experience of that class. The rates for individual or employee-spouse or employee-children or the family coverage might go up at different percentages from one year to the next. The portion that employees pay has not changed in several years, and with varying increases to the different classes of employees, some employees are paying 12% of the cost of coverage, some are paying 13% and some are paying 24%. We propose bringing those paying the lowest percentages up to 16% of dependent cost in 2012-2013 and try to bring that higher over two or three years until all are paying 25% of dependent care costs.

Regarding retirement benefits, the Town has two different employee groups in the health insurance program – those employed prior to January 1, 2006 and those hired after January 1, 2006. Those hired prior to January 1, 2006, enjoy free retiree health insurance for ten years if they have at least 10 years of service. Those hired after January 1, 2006, pay a bit more for dependent coverage and will find that retiree health insurance benefits will require varying levels of financial participation for those with less than 25 years of service. The employees in this latter group would have to have 25 years of service to receive free health insurance for up to ten years in retirement.

Our dental insurance coverage is provided through the North Carolina League of Municipalities which also provides our **Worker's Compensation, Property, Automotive and Liability Insurance**. Some of these policies will have slight increases and some will have decreases. We were pleased to learn that due to our improved experience with accidents, the Workers' Compensation premium will drop by a significant amount. The Town will receive some credits due to our long term participation in these programs.

In addition to the 401(k) retirement program, the Town offers the opportunities for employees to participate in other retirement programs, to purchase extra life insurance for themselves or their dependents, to establish pre-tax health savings accounts, or special eye care accounts and to take part in a variety of other programs. I would note that the Town of Waynesville has always used a third party administrator to manage the pre-tax health savings account and has never had problems with misuse of funds in this program or with the abuse of these benefits.

The budget includes funds for **Longevity, Safety and Christmas Bonuses**, and as required by federal law, the Town contributes 7.65% of earnings for each employee to Social Security. Our Town employees enjoy a generous fringe benefits program.

D. Capital Outlay/Infrastructure Improvements Costs

For FY 2013, capital outlay appropriations in the General Fund are limited. We will make some capital purchases at the end of the 2011-2012 fiscal year which would have been in the 2012-2013 budget. We propose to spend just over \$700,000 in FY 2013, excluding street resurfacing, but of that sum, \$400,000 is designated for the skate park. The balance is comparable to what is in the current budget. In addition to the street paving, these numbers also exclude payments on the debt on capital projects. We try to hold our expenditures down on capital items and we do our best to maintain the vehicles and equipment, but at some point, these items need to be replaced for the safety and well-being of our personnel or for the satisfactory delivery of services. Too often, agencies will reduce capital outlay during the lean times, but that sometimes results in higher maintenance costs to keep vehicles and equipment in operating condition for too long.

There are two specific items to which we would call attention, a new fire pumper truck and a new rear loading garbage truck. In both cases, these items will be delivered during the 2012-2013 fiscal year, but the first payment on the loans for these units will not be due until the 2013-2014 fiscal year. In the case of the rear loading garbage truck, that should not be an issue, for in the 2012-2013 fiscal year, the Town will make final payment of \$82,876 annually on the two front loading garbage trucks. That expense can convert to the debt payment on the new rear loading garbage truck which is estimated at \$35,000

annually. We will not be paying off anything in the fire department in 2012-2013 to offset the debt on the new fire truck, which we estimate to be around \$50,950 annually for a ten year loan. It is noted that the debt on the fire truck will be close to the difference in the debt payments on the garbage trucks, so that may be from where the fire truck payment in 2013-2014 could originate.

For all Capital Outlay, including Powell Bill expenditures for streets and the debt payments on capital items, the total requested was \$3,605,890. Of that amount, \$2,435,450 has been funded and \$69,500 was permitted for expenditure in the 2011-2012 budget when departments were underspent. We moved \$58,000 out of capital outlay into Materials and Supplies or Professional Services, but the items were funded. Last, the \$425,000 fire pumper and \$135,000 rear loading garbage truck were permitted, but payment is not due until the 2013-2014 budget. Essentially, of the \$3,605,890 requested, \$3,122,950 was allowed. Of the \$482,940 in requests that were omitted from funding, \$175,990 came from Recreation and \$121,620 came from the Police Department.

We know department heads believe in the capital requests they submit and feel the items would assist in their ability to perform the work at hand or in maintaining or improving the services to citizens. It would not be possible for us to fund every request, and we are recommending the most critical items. In Section VI of this document, you will find a list of all capital outlay items requested and the amount that is recommended for funding. Each department head is asked to prioritize their requests, and you will see these numbers next to the items in Section VI. We have tried to honor those priorities as much as possible, though that could not be done in every instance.

At times we find needs that we are unable to meet with current revenues, and we must buy that equipment through Lease-Purchase Finance Agreements. In the General Fund, it is noted that we will be purchasing a fire truck and a rear loading garbage truck for which lease-purchase financing will be required, but the first payment will not be due until the 2013-2014 budget. There are no other facilities or equipment in the General Fund that will require financing in the coming year. The debt for the new fire truck and garbage truck should total \$560,000. In that regard, it is noteworthy that during the coming fiscal year, the General Fund will be paying off \$1,306,710 in debt on the Recreation Center, Fire Station, Police/Development Office, Parking Deck, Police Cars, Fire Truck, Garbage Trucks, Brush Truck, Dump Truck and Exercise Equipment at the Recreation Center.

As noted previously, the Town will be securing a new rear loading garbage truck to transport solid waste to the White Oak Landfill and facilitate the County's decision to close the transfer station at Jones Cove Road. The Town will also begin collecting recycling in a rear loading truck rather than a flat bed truck, and this will likely reduce the number of daily trips to the recycling disposal area at Jones Cove Road. During the coming year, the Town should study ways to increase recycling, and that might lead to an expense to provide residents with roll out recycling carts or bins which have been shown to contribute to higher recycling participation. As pointed out, the process of collecting and disposing yard wastes is expensive and along with the collection of junk needs to be scrutinized during the coming year. The Town needs to determine if there are not more efficient and less costly ways to provide these services or if it is desirable to alter the level of service or assess additional fees for that service. As we have learned, Sanitation is a very expensive operation that takes a large portion of the budget and it is subsidized heavily by tax revenues.

Departments have developed and maintained a **Capital Improvements Plan (CIP)**, and we expect it to be used as a planning tool in preparing budget requests. Considerable time goes into the development of a list of items which need to be replaced over the next five years. We pay close attention to how well departments follow the CIP and we require that it be reviewed and updated annually. Needs and conditions change and new circumstances arise that make us rethink earlier decisions and recommendations. The CIP should cause us to develop replacement schedules for major equipment, and help prevent a situation where all big-ticket items have to be replaced at the same time.

E. General Operating Expenditures

During the recession, we have been somewhat amazed and disappointed that the costs the Town pays for goods has not declined as the revenues received have declined. So much of the increases we have seen in the price of materials and supplies, asphalt, concrete, pipe, tires and auto supplies, relate to the increasing cost of petroleum. During times when the cost of petroleum drops, though, we seldom see a reduction in the price we pay for these items. The cost of gasoline and diesel fuel this past year will take most of what we have budgeted for fuel, and we will seek more in 2012-2013 when we will buy an extra 15,000 gallons of fuel to haul wastes to the White Oak Landfill. But it takes a lot of fuel to operate more than 100 vehicles which make up the Town's fleet, 120,500 gallons annually, and when fuel goes up 1 cent, it will mean an increased expense of \$1,250.

In the 2012-2013 budget, many departments requested increases in Materials and Supplies. We have tried to hold the line on these items in recent years, but as we are seeing price increases in all areas, we have granted some increases in these areas. We are asking department heads and supervisors to accomplish more, but the funds are limited. We will be placing more emphasis on setting priorities and sticking to those priorities during the fiscal year. For new items that arise, we will reassess the priorities and see if they need to be adjusted to accommodate new requests. As always, it will require skills in diplomacy as we explain to citizens why some projects cannot be accomplished in the time frame they might desire. And some patience on the part of the Manager and elected officials as well as citizens might be needed as well.

Appropriations for travel and training are at or near the same level as in prior years. There were some requests for increases but in most cases, we used the amount allowed in the current year. We will assure that our personnel receive the training in skills to perform their jobs well, but training at distant sites will be more limited. The School of Government is using more computer Webinars to conduct training and hold costs down, and we will try to take more advantage of these opportunities.

F. Miscellaneous Costs

The **Professional and Contract Services** will be close to the same in FY 2013. We are suggesting some studies which we feel are needed and warranted. In the Administrative area, we ask for \$25,000 to expand and improve the Town's web site. In addition, we request an appropriation of \$20,000 for an outside study of our Information Technology systems. In the Planning and Code Enforcement Department, funds are budgeted for a study of the Historic Main Street (\$15,000), the North Main/Walnut Street area (\$20,000) and the question of taking in the Lake Junaluska area (\$20,000).

The new items are offset by items eliminated in FY 2013. We will not have the expense for the consultant in the manager search process not the cost of the Town Board elections reimbursed to Haywood County. And in the Planning and Zoning Department, the South Main Street study will be final, and we do not expect to repeat the study by the Land of the Sky Regional Council on the Sanitation operations.

In 2012-2013, we recommend that the Town maintain \$100,000 for distribution to various agencies and non-profits for their operations. As always, we support full funding of the Downtown Waynesville Association, one of our greatest economic development tools. As you know, Haywood County dropped funding to all non-profits and the Town may need to move in that direction over a given time frame. In a separate document, the Board is provided a list of the requests and letters received from various organizations.

The final category in this report is for **Debt Service**. In FY 2012, we paid off a loan on telephone systems for town facilities and in FY 2013 we will pay off loans on front loading garbage trucks and police vehicles. We propose new lease-purchase finance agreements for a fire truck and rear loading garbage truck in FY 2013, but the first payment on those will not be due until FY 2014. A list of all town loans and payment information may be found in Section VII. The following are debts to be funded in 2012-2013:

1. the fourteenth of twenty years to Home Trust Bank on Rec. Center (\$370,850),
2. the tenth of fifteen payments to Haywood County for a parking deck (\$227,050),
3. the sixth of fifteen years on the BB&T loan for the fire station (\$93,700),
4. the fourth of forty years to Rural Development on the fire station (\$108,700),
5. the fifth of twenty years to Wachovia loan on the police station (\$211,340),
6. the fifth of five years to RCB on the front loading garbage trucks (\$82,900),
7. the third of three years to Sun Trust Bank on police vehicles (\$61,870),
8. the second of ten years to BB&T on a fire pumper truck (\$45,500),
9. the second of four years to TD Bank on three streets trucks (\$63,200) and
10. the second of three years to Home Trust Bank on exercise equipment (\$42,000).

VI. NOTEWORTHY ITEMS

One of the greatest parts of the Town's General Fund budget is in the area of wages and fringe benefits. Approximately 60% of the costs of the General Fund go for the earnings and benefits provided the 118 full time and more than 60 part time personnel who serve in this division. At the same time, it must be said that one of the greatest parts of the Town's operation are the personnel who work to deliver services to the citizens of the town.

In the 2012-2013 budget, we are proposing a 3% cost of living adjustment for most of our full and part-time employees. As they face rising costs to provide for themselves and their families, we feel an obligation to help them meet those higher costs. We are also making recommendations for an adjustment to the health insurance program that will lead to a lower increase to the Town, and in the area of premiums, we will be looking to our employees to help take on a larger portion of costs for dependents. We have been able to continue the benefits granted to our employees, maintaining their health, dental and life insurance coverage, assured the contribution to the Retirement Systems and the 401k plan and provided the employees with longevity and year-end bonuses on which they depend.

It was rewarding to see the adoption of the revised Land Development Standards in the 2010-2011 fiscal year, and it is satisfying to see the new development that is taking place or under consideration as a result. New construction is underway at the Waynesville Crossings Shopping Center and other projects are being considered along South Main Street, Russ Avenue and at Ingles Shopping Center. The adoption of the South Main Street Corridor Study may assist with traffic flow and aesthetic improvements along that well traveled route. We continue in our optimism that the great recession may be drawing to a close and that the local economy will begin to pick up speed once again.

In the coming year, studies are planned to improve operations, to expand the services we provide citizens and to assess the community and its future. In that regard, there are funds for improvements to the web site, to make it more responsive to the needs and desires of the public and to also be a better tool to convey information to the public. We will assess the entire information technology system, trying to improve the link between departments and systems rather than letting each department go their separate way. We want to study the Downtown Historic District as well as the neighborhood bounding North Main and Walnut Streets. And as the Lake Junaluska community conducts its study on its future, with possible approach to Waynesville for annexation, we are proposing funds for the Town to conduct its own study to determine what is best for the Town and its citizens.

Sanitation operations will certainly be different during 2012-2013, and while we have tried to anticipate the changes that must be made, there will no doubt be alterations which should be made during the year. A new employee will be hired to shuttle full garbage trucks between Waynesville and the White Oak Landfill, and there will potentially be changes in the collection routes or collection days as we continue to make adjustments to become as efficient as possible. Changes will be made to the recycling program once the new rear loading garbage truck arrives and an assessment should be made for collection of recycling, yard wastes and junk in the future.

Haywood County's decision to privatize the landfill and close the transfer station was done with little regard for the higher costs to municipalities and private haulers. As they reconsidered their action, the County has indicated a willingness to assist with the increased cost for municipalities of transporting solid wastes to the White Oak Landfill. Now they have retracted that somewhat, offering to help only with the increased cost for residential customers. The County has offered a sum of \$15.00 per household to assist with the higher costs and that would be a total of \$80,670 annually. We anticipate our increased cost to transport wastes to White Oak to be approximately double that amount, but we are glad to have any financial help from Haywood County and hope it will continue in the future.

The fire department is requesting the purchase of a new fire pumper truck. When we purchased a new truck in 2010, it was our intention to move the 1988 Ford fire pumper to become a second line, backup truck. Unfortunately, that unit has encountered recurring mechanical problems and we have concluded that it would be best to replace it now rather than incur a continual string of expensive repairs. We will continue our efforts with Haywood County to establish fire districts in the seven areas that the Waynesville Fire Department serves in areas outside of the Waynesville Fire District. Many of the residents and home owners of those seven areas are receiving fire service without compensation to the Town of Waynesville, and they are enjoying reduced home insurance premiums when they are not paying for that benefit.

One of the comments heard most often about Waynesville is what an attractive town it is. A large part of that is due to the work of the horticulture department which has primarily consisted of one full time employee and what help he can borrow from the Streets or Recreation Departments from time to time. In 2011-2012, we granted some part-time help to assist during busier portions of the year, and the horticulture department has used that help to expand and improve performance. In the 2012-2013 budget, we are asking that the hours of part-time help be increased from an average of 20 hours per week to an average of 25 hours per week. Although a full time person had been requested, the most we felt comfortable in doing at this time was to grant an average of 25 hours per week.

During the past year, we have made extensive renovations and improvements to the Municipal Building. Approximately \$100,000 was spent on replacing the drive-thru window and repainting any portion of the exterior that is not brick. In addition, extensive work was done to repair cracks in the mortar of this structure which was built in 1917 and to replace the deteriorated stucco on the west portion of the building. With repairs to the membrane roof of the building, we feel we have sealed the building from further water damage. Then we began making some of the repairs needed to the plaster on the interior of the building, repainting much of the first floor for the first time since 1989 and replacing a portion of the carpet which was installed in 1994. We are replacing a good bit of the furniture in the offices, much of which has been with us for three decades.

After more than a decade of discussion and the development of a design plan by one of the most noted skate park design firms in the country, the Town Board authorized the construction of the Waynesville Skate Park. Construction on this facility should begin during 2012-2013 at a cost of approximately \$400,000. Of that amount, an estimated \$200,000 will come from grants and donations and the Town will fund the balance.

We have included the largest appropriation from fund balance in memory, with a figure of \$1,063,090 designated to balance the budget. But the Town has approximately \$5,000,000 in fund balance and of the amount appropriated, \$200,000 is specifically for the skate park, a one-time, non-recurring expenditure. And traditionally, the Town seldom spends the amount that is appropriated from fund balance, it is usually more a number to balance the budget rather than an amount that will actually be spent. Our General Fund remains very healthy and the balances are at an all time high, so we are comfortable recommending this amount from fund balance.

There is one other item regarding fund balance that should be mentioned at this point. Because of the health of the fund balance in General Fund, we proposed making a loan of \$400,000 from the General Fund to the Water Fund to pay for the costs of some structural improvements at the water treatment plant. Some of these improvements are for repairs to the concrete walls surrounding the detention basins, while other funds will be used for Valves in the filter chambers and painting of the pipe gallery. These three projects have an estimated cost of \$498,000, with \$400,000 coming as a loan from the General Fund and \$98,000 coming directly from reserves accumulated in the Water Fund. Without the loan from the General Fund, we would be required to go to the Local Government Commission for approval and then we would place the loan with BB&T, the financial institution that has a lien on the water plant for a loan made to make the lab expansion. We felt it would be simpler to have General Fund loan the \$400,000 to the Water Fund and let Water Fund pay back the General Fund \$100,000 annually over the next four years.

VII. SUMMARY

We are seeing improvements in the economy as sales taxes rise, and we view that as the result of people spending more money for goods and services. The unemployment rate has been declining for many months, and when people have jobs, they tend to travel and spend more money. Unfortunately, the second home market remains flat and that means so many people in our area who are in the construction industry continue to face economic challenges. We are seeing more commercial construction, so perhaps that will lead to employment opportunities for those who have their livelihood in the construction field. But the construction projects and plans for other projects give cause to view a brighter picture for Waynesville in the months and years to come.

Our greatest assets are our employees, and we are providing them with a cost of living adjustment in the 2013 fiscal year. We have maintained the health insurance benefits they enjoy as well as the other fringe benefits that are part of our compensation program. We are blessed with wonderful employees and we believe they should be rewarded for a job well done.

We will also be maintaining and/or improving the level of services provided citizens of our community in the adoption of this document; however, to do so will come at a cost, particularly in the area of sanitation fees. Even though Haywood County is willing to assist with some of the costs of transporting wastes to the White Oak Landfill, Waynesville offers a very high level of sanitation service that is heavily subsidized by property taxes.

Funds are provided to assure that we have well trained employees to deliver the level of services that our citizens have come to expect. And we will certainly provide our personnel with the necessary equipment to carry out their duties.

In an age that is oriented more and more to the internet and information technology, we will be improving the Town's web site to expand communications with the public and to allow citizens more and easier options to secure information and to conduct business. And we will be researching our own information technology system to assess whether there are better ways to operate the networks between departments and the outside world and determine if there are better ways to manage these systems.

The Board has been generous in providing funds so that the Town may construct excellent facilities. We have a recreation center, a fire station, a police station/development office that are envied by others, and we made strides in upgrading and modernizing the former Hazelwood Town Hall and the Municipal Building. But there are other improvements that need to be made at the Municipal Building, at Public Works, at the old Armory and even at the Recreation Center which is approaching 14 years old. When an organization has as many facilities and the infrastructure valued in the multi-millions of dollars, there will always be expenses and improvements and renovations to be made.

In a community that is becoming more heavily populated by more mature citizens, the Town Board has continually shown its interest in young people. The commitment made toward recreational facilities has been a trademark of Waynesville Boards for many years, and the present Town Board placed its own finger prints on that tradition with its authorization to proceed with the plans to construct a skate park for Waynesville.

The Town has been fortunate to place qualified and capable department heads and employees in its workforce, and they have attempted to make their best recommendations for what they believe to be essential for the proper operation of their departments and to deliver the level of services our citizens want and expect. The Town Board has been generous in support for those operational costs as well as offering support for facilities.

Waynesville is a solid community – solid in the leadership provided by the elected officials and the many appointed Boards and Commissions which help administer various aspects of the municipal operation. The Town is solid in the managerial capabilities of the department heads and supervisors, and it is blessed with a solid group of dedicated and loyal town employees. There are few municipalities, counties or any organization that can boast of a team of this degree of excellence!

For the outgoing manager, this will be the final budget after more than 18 years of service. He believes that things work better in Waynesville than in any other place in which he has served over his 39 year career. He feels that he is leaving things in much better shape than when he took office on March 1, 1994. But he leaves knowing that the job is not done, that there are plenty of challenges and opportunities on the horizon. He leaves expressing his gratitude to the elected officials, members of boards and commissions, department heads and supervisors and employees for their support and cooperation during his years serving as the Waynesville Town Manager.

For the incoming manager, she also realizes there are challenges and opportunities ahead. While she continues to learn about the organization and the people who fill the various positions as elected officials, Board and Commission members and as employees, she already realizes she has a competent and qualified group of people with whom to face those challenges and to explore every opportunity. She is grateful to have been selected as the new manager and looks forward to working with the existing staff in service to the people of this community and those who visit here.

As you review the 2012-2013 budget and during budget work sessions, Finance Director Eddie Caldwell, Assistant Manager Alison Melnikova and the two of us welcome questions and input. We have worked jointly to prepare this budget but realize there is always room for improvement and ways to make the document better, so your suggestions are welcome. If need additional information, please do not hesitate to ask. We are anxious to work with you in making this a better process and welcome ideas you have.

Respectfully submitted,



Marcia D. Onieal
Town Manager



A. Lee Galloway
Management Advisor

PART 2 - 2012 - 2013 PROPOSED GENERAL FUND BUDGET

I. GENERAL FUND			
A. REVENUES	EST. ACTUAL 2011-2012	PROPOSED 2012-2013	DIFFERENCE
Real Estate Taxes - Town	4,257,680	4,170,950	(86,730)
Comment: Under state law, local governments may not estimate the percentage of collections higher than what they were in the previous fiscal year (2010-2011). Our collections were down that year, so our estimate of collections in 2012-2013 must be lower, even though we are exceeding that percent in 2011-2012.			
Real Estate Taxes - Municipal Service District - Downtown Waynesville	113,210	110,050	(3,160)
Comment: As with real estate taxes, we must use the collection percentages from 2010-2011, which were lower. The values in the MSD increased during 2011-2012 when other property values county wide dropped in the reappraisals.			
Motor Vehicle Taxes	240,880	248,800	7,920
Comment: Even though collections are on the rise and there are more new vehicles on the road, we must use the lower collection percent from 2010-2011.			
Motor Vehicle Rental Tax	19,000	20,000	1,000
Tax Refunds and Discounts	(3,500)	(3,500)	0
Comment: Refunds are issued when people pay property taxes already paid by their mortgage company.			
Penalties/Interest/Advertising	43,600	34,200	(9,400)
Comment: Tax collections in 2010-2011 were lower than expected, and as people paid back taxes in 2011-2012, the penalties and interest were higher. Collections in 2011-2012 were higher, so the late penalties should be down next year.			
Local Option Sales Tax - 1 %	836,640	849,180	12,540
Comment: We are seeing an improvement here as the economy improves.			
Local Option Sales Tax - 1/2 %	836,990	853,610	16,620
Comment: We are also seeing an improvement here as the economy improves.			
Additional 1/2% Sales Tax to Replace Reimbursements	408,820	416,930	8,110
Comment: This reimbursement has shown a higher growth rate than other taxes.			
Privilege License Tax	19,500	120,000	100,500
Comment: The revenue from the assessment upon video gaming machines will produce an estimated \$100,000.			
Cable Television Gross Receipts	138,110	139,500	1,390
Comment: Revenues for cablevision and satellite service should grow in FY2013.			

PART 2 - 2012 - 2013 PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACTUAL	PROPOSED	DIFFERENCE
Beer and Wine Tax	45,600	46,050	450
Comment: This revenue grew slightly and we expect another gain in FY2013.			
Court Facilities Fees	2,100	2,800	700
Franchise Taxes			
Comment: These revenue sources used to grow steadily, but in recent years they have been more unpredictable. More people are using their cell phones and many have dropped their land lines, but this revenue is up. The mild winter has meant lower electric and gas use and lower franchise taxes as a result.			
A. Telecommunications	287,310	293,050	5,740
B. Electric	359,790	374,170	14,380
C. Natural Gas	13,280	14,610	1,330
Powell Bill Revenue	342,480	327,220	(15,260)
Comment: Powell Bill revenues are tied to population and street mileage, neither of which grew last year. We anticipate a slight decline in the coming year.			
50% Bridge Reimbursements	4,850	0	(4,850)
Comment: The last reimbursement for the Hendrix Street Bridge came last year.			
Solid Waste Tax	6,710	6,840	130
Comment: This was a new source of revenue in 2009-2010 and results from a \$2.00 per ton charge on everything disposed of at the landfill.			
Payments on Behalf of Firemen for Pensions	15,000	15,000	0
Federal Emergency Management Reimbursements (FEMA)	0	0	0
Powell Bill Interest Earnings	1,500	1,500	0
Comment: Powell Bill fund reserves remain low with little interest earnings.			
Police Grant - Others	110,010	59,000	(51,010)
Comment: The last reimbursements for the COPS Grant to add two police officers came in 2011-2012, and these officers will be paid from local funds in FY 2013.			
Unauthorized Substance Funds	9,010	25,000	15,990
Comment: When funds are taken during drug raids or in connection with drug deals/sales, the funds are distributed back to the department involved in the police actions. We anticipate an increase in this account in 2012-2013.			
Richland Creek Grant	0	0	0

PART 2 - 2012 - 2013 PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACTUAL	PROPOSED	DIFFERENCE
Miscellaneous Grants	44,000	187,840	143,840
Comment: This is primarily the grant funds received through the Municipal Planning Organization for Planning Studies. In addition to studies, next will include the grant from the Rural Center to assist with the renovations to the Strand Theater.			
Sale of Fixed Assets - Powell Bill Items	14,900	0	(14,900)
Comment: We do not anticipate the sale of any pieces of equipment which were purchased with Powell Bill funds.			
Construction Classes	650	600	(50)
Comment: These are fees collected from individuals who take classes from Jason Rogers in the construction trades.			
Building Permits	121,000	120,000	(1,000)
Comment: Commercial construction began to pick up in 2011-2012, and we are hopeful that trend will continue in the 2012-2013 period with several projects being discussed.			
Planning Fees	1,500	4,000	2,500
Comment: Requests for special permits or subdivisions review have been low, but as development is on the rise, we anticipate more activity in this area.			
Rezoning and Annexation Fees	0	1,000	1,000
Comment: We expect to see some requests for changes in the coming year.			
Homeowners Recovery Fund	-200	-500	(300)
Comment: There is a fee charged for each new home to go to a State fund, and we are optimistic that housing activity will increase in FY 2013.			
Civil Penalties from Code Enforcement	360	0	(360)
Comment: This was a new item in the 2011-2012 budget with Code Enforcement now assessing civil penalties to try to encourage people to comply with the Town codes. We may see more pressure to comply next year and more penalties as a result.			
Connection and Reconnection Fees	58,000	48,000	(10,000)
Comment: Fees have been higher than we would have liked to see due to a poor economy, and we are hopeful of more people paying on time in 2012-2013.			
Late Payment Penalties	22,000	21,500	(500)
Comment: Although the economy is improving, there are still those who are late and must pay penalties. Maybe this will drop as well in 2012-2013.			
Charges to the Water Fund	218,610	215,830	(2,780)
Charges to the Sewer Fund	179,290	183,540	4,250

PART 2 - 2012 - 2013 PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACTUAL	PROPOSED	DIFFERENCE
Charges to the Electric Fund	378,190	415,030	36,840
Police Contract Services	60,000	71,100	11,100
Comment: These are revenues for contract police services, including a large sum from the School System for the School Resource Officer at the middle school. We are estimating these to rise in the coming year.			
Fire Protection Charges	245,000	245,000	0
Comment: The County expanded fire districts in 2009-2010 and revenues rose. These remained stable in 2011-2012, even though there are seven areas still not included in a fire district. We hope to see this resolved during 2012-2013,			
Commercial Sanitation Fees	332,000	459,000	127,000
Comment: With the requirement that the Town haul garbage to the White Oak Landfill, there will be a dramatic increase in costs. We are proposing an increase in service fees as a result, for these costs must be covered.			
Residential Sanitation Fees	349,000	483,220	134,220
Comment: Residential fees will rise in 2012-2013, partly to cover higher costs to haul garbage to the White Oak Landfill and partly to recover the high costs the Town has for the collection and disposal of yard wastes.			
County Reimbursement - Residential Costs	0	80,000	80,000
Comment: Haywood County plans to reimburse us a part of cost to haul residential garbage to the White Oak Landfill. This is based upon \$15.00 per household.			
Solid Waste Containers - Rental	41,670	42,000	330
Comment: With the economy picking up, we anticipate some additional revenue as new businesses open and require dumpster service.			
Cemetery Lot Sales	13,000	20,000	7,000
Comment: Sales were off last year and we expect them to resume in FY 2013.			
Cemetery After Hours Call Out Fees	180	100	(80)
Comment: This is the charge for call outs on weekends and holidays.			
Columbarium Sales	1,350	1,200	(150)
Comment: We are seeing more interest in the columbarium niches now, and feel the sale of these niches will remain steady in the coming years.			
Columbarium Openings	900	600	(300)
Comment: A fee is charged for opening columbarium and engraving doors.			
Cremation Lots	200	0	(200)
Comment: This is the charge for a space and to bury cremains at the cemetery.			

PART 2 - 2012 - 2013 PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACTUAL	PROPOSED	DIFFERENCE
Recreation - Memberships	325,000	322,000	(3,000)
Comment: We saw a decline in most recreation revenues in 2010-2011, but the revenues for memberships have stabilized and should remain so next year.			
Recreation - Daily Passes	116,000	118,000	2,000
Comment: Daily attendance was down the past two years due perhaps to weather conditions and the economy, but it is returning as things improve.			
Recreation - Rentals	43,500	43,000	(500)
Comment: Rental fees showed a little growth in 2011-2012 and should be stable.			
Recreation - Department Services	23,500	30,000	6,500
Comment: Department services and fees for the same had dropped, but we are in hopes that they will grow with more participation and increased activities.			
Recreation - Contribution from Haywood County	0	0	0
Comment: Haywood County no longer supports recreation efforts of the Town.			
Recreation - Adult and Children Recreation Programs	95,500	95,000	(500)
Comment: This resource, mostly fees for programs, has remained stable.			
Recreation - Program Fees at Armory	6,400	7,500	1,100
Recreation - Rentals Collected at Armory	7,000	10,000	3,000
Comment: We are trying to make greater use of the armory for rentals.			
Recreation - Child Care	10	0	(10)
Recreation - Commissions on Vending Machines	5,000	5,000	0
Comment: The Town moved out of the vending machine business and collects a share of the profits from the machines placed here by others.			
Recreation - Proceeds from Concessions	1,300	1,500	200
Comment: We receive a small amount from the sale of items at the center.			
Recreation - Playground	9,880	0	(9,880)
Comment: This was money left over from contributions toward the Community Playground and is used for annual maintenance on the playground. We expect those funds to be exhausted in 2011-2012 and will have nothing to appropriate in FY 2013.			
Contributions/Donations - Police	0	0	0
Contributions/Donations - Recreation	2,510	0	(2,510)

PART 2 - 2012 - 2013 PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACTUAL	PROPOSED	DIFFERENCE
Community Foundation Donation	0	0	0
Comment: When the Recreation Center was started, a special fund was established to receive donations. This fund normally provides donations from interest earnings, but in most years there are little if any earnings.			
Memorials	0	10,000	10,000
Comment: This was a new account in 2009-2010 where people donate toward the purchase of memorials for others for trees, benches and other items.			
Public Art	6,000	15,900	9,900
Comment: These were donations made in support of the Public Art Program			
Public Art - Town of Waynesville	5,000	4,900	(100)
Comment: This is the Town's contribution to the Public Art Program.			
Public Art - Ticket Sales	0	0	0
Comment: This was a one time revenue resulting from the Public Art Program.			
Historic Pamphlet Sales	650	0	(650)
Comment: We no longer sell this booklet but provide it to those who are interested.			
Miscellaneous	110,000	5,000	(105,000)
Comment: This is an account where we place revenue that does not fit easily in other categories. It can be erratic from year to year and hard to predict. Last year we received a large insurance settlement for the recreation building which burned.			
Rents	32,940	32,940	0
Comment: These are mostly the rents from two cell tower locations.			
Sale of Materials & Fixed Assets	24,000	26,000	2,000
Comment: We did not have as many items to sell in 2011-2012, but we do expect to have some additional equipment to sell in 2012-2013.			
Parking Tickets	1,500	1,500	0
Comment: More and more second floor residents are parking on Main Street and we have increased parking enforcement to try and curtail some of that parking.			
Noise Ordinance Violations	100	200	100
Comment: This is a fine for excessive noise and may be paid much like a parking ticket. It has been helpful in reducing the loud radios on Main Street.			
Cash - Over and Short	50	0	(50)
Bad Check Charges	1,540	600	(940)

PART 2 - 2012 - 2013 PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACTUAL	PROPOSED	DIFFERENCE
Investment Earnings	0	0	0
Comment: Interest rates remain very low providing little investment income. We also deduct bank charges from interest earnings, meaning almost a wash in this account.			
ABC Store Sales Distribution	60,000	20,000	(40,000)
Comment: The ABC Board plans to build a store off South Main Street and this will reduce their capital reserve. We anticipate they will reduce their "profit sharing" with the Town while they rebuild their reserves. We anticipate a reduction on this item.			
ABC Distribution - Law Enforcement	6,740	8,320	1,580
ABC Distribution - Rehabilitation	4,210	4,790	580
Transfer from Water Fund	103,100	103,370	270
Comment: We transfer a portion of the water revenues after fund balance is deducted to the General Fund.			
Transfer from Sewer Fund	77,930	77,400	(530)
Comment: We transfer a portion of the sewer revenues after fund balance is deducted to the General Fund.			
Transfer from Electric Fund	1,275,600	1,275,600	0
Comment: In 2010-2011, the Electric Fund was in great health, and we recommended a larger transfer than normal. We may need to look more closely at that next year, but the Electric Fund retains almost \$1.5 million in reserves.			
Fund Balance Appropriated-Powell Bill	113,480	180,780	67,300
Comment: We proposed taking more from our Powell Bill Reserves to allow more asphalt work in 2012-2013 as we continue to catch up with the damages from the two consecutive severe winters.			
Fund Balance Appropriated	474,440	1,063,090	588,650
Comment: We anticipated a large transfer from fund balance, but a significant part is related to the construction of the new Skate Park which has been authorized.			
TOTAL GENERAL FUND REVENUES	13,123,050	14,186,410	1,063,360

PART 2 - 2012 - 2013 PROPOSED GENERAL FUND BUDGET

B. EXPENDITURES	EST. ACTUAL	PROPOSED	DIFFERENCE
Governing Body	152,540	132,370	(20,170)
Comment: The expense of the Manager Search was paid from this department and would not reoccur in 2012-2013. Also, we will not pay election costs in FY 2013,			
Administration	928,140	969,210	41,070
Comment: Wages and fringe benefit costs will drop with no overlay in managers, but a redesign of the web site and an assessment of the IT systems is requested. postage costs were below estimates.			
Finance Department	785,640	847,850	62,210
Comment: Wages and Fringe Benefits will rise with the Cost of Living increase, and we expect to see a rise in the Maintenance and Repair costs of computer equipment. There are some carryover capital outlay costs for improvements in technology.			
Public Buildings	966,860	963,150	(3,710)
Comment: Wages and fringe are up some as we budget additional hours for part-time help in horticulture. Capital costs are expected to be down in FY 2013.			
Horticulturist (excludes wages & fringe which shows in Public Buildings)	41,000	44,100	3,100
Police Department	3,389,660	3,524,960	135,300
Comment: Wages and fringe will see a significant increase with the cost of living raise and this is the largest department. The cost for vehicles and equipment will be a good bit higher than in 2011-2012.			
Miscellaneous Police Grants	40,000	84,000	44,000
Comment: We anticipate more in State and federal government grants in FY 2013.			
Fire Department	930,290	1,005,460	75,170
Comment: Wages & Fringe benefits will rise with cost of living adjustment. We are also expecting an increase in the cost of materials and supplies, and we are asking for the replacement of the Chief's vehicle, a 2003 Dodge Durango.			
A. Emergency Responders	8,920	10,690	1,770
Streets and Sanitation	2,316,550	2,562,440	245,890
Comment: Wages and fringe will be up considerably due to cost of living and addition on new employee in this department. There will be a dramatic cost increase as we haul wastes to White Oak Landfill, particularly in fuel and in materials and supplies.			
Powell Bill	477,210	509,500	32,290
Comment: Department is continuing to catch up with damage to roads from severe winters of 2010 and 2011. We will need to replace a large tractor in FY 2013 for mowing rights-of-way.			

PART 2 - 2012 - 2013 PROPOSED GENERAL FUND BUDGET

B. EXPENDITURES	EST. ACTUAL	PROPOSED	DIFFERENCE
Cemetery			
Comment: Wages and fringe benefits up with cost of living adjustment.	118,120	123,720	5,600
Planning and Code Enforcement			
Comment: Wages and fringe are up with cost of living adjustment. We will complete some grant projects but others will be added in FY 2013,	290,470	296,890	6,420
A. Building Inspectors/Code Enforcement Officer			
Comment: Wages and Fringe will be up due to cost of living adjustment and the cost of retirement insurance for a new retiree in this department.	232,640	249,180	16,540
Special Appropriations			
Comment: We are not proposing any increase in contributions to non-profits, and we have the grant for the Strand Theater reflected in this account.	228,590	279,910	51,320
Parks and Recreation			
Comment: Wages and Fringe will be up due to cost of living adjustment, but the big increase in this account is for the capital improvements where the construction of the Skate Park is planned for FY 2013.	2,187,920	2,536,980	349,060
Recreation - Special Projects			
Comment: We are hopeful for some grant funding to assist with Richland Creek.	28,500	46,000	17,500
TOTAL GENERAL FUND EXPENDITURES	13,123,050	14,186,410	1,063,360
C. GENERAL FUND SUMMARY	EST. ACTUAL	PROPOSED	DIFFERENCE
REVENUES	13,123,050	14,186,410	1,063,360
EXPENDITURES	13,123,050	14,186,410	1,063,360
DIFFERENCE	0	0	0