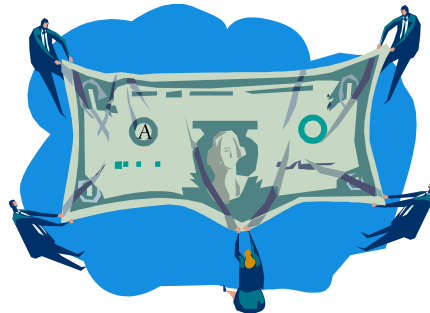


TO: Mayor Henry Foy and
Members of the Board of Aldermen
FROM: Lee Galloway, Town Manager
DATE: July 6, 2005
SUBJECT: Status Report for Period Ending July 5, 2005

It has been some time since a status report has been prepared for the Board. It has been a busy spring and early summer, and there have been a number of special reports to the Board in terms of the annual retreat, the budget or the landfill. In many ways, it is difficult to imagine that we have reached the mid-point of the calendar year, but I have always found that time seems to pass more rapidly when I am busy. The first six months of this year have been very busy.



FINANCIAL AREA

Another fiscal year has been completed, and we have commenced on the new, **2005-2006 fiscal year**. As indicated to you previously, it was a particularly difficult budget and one which Finance Director Eddie Caldwell and I found especially frustrating. Both of us like to have things neatly packaged, and when the budget is approved by the Board, we like it without uncertainties.

For the 2005-2006 fiscal year budget which you recently passed, there are still a good number of uncertainties. During August and September, we will be working with the salary and wage figures as we assess the recently completed Personnel Pay and Classification Study. In addition, we will be assessing how the new cost sharing of health insurance by employees will relate to the pay changes recommended in the study. It has been our hope that pay increases will cover all or a major portion of any deductions which must be made from an employees' paycheck for their share of health insurance. We will need to continue to work with the figures provided us by MGT, the consultant that prepared the Study.

As the **2004-2005 fiscal year** ended, we were scurrying to complete various projects and make certain equipment purchases to assure that they fell into the right fiscal year. We had good cooperation for various vendors and contractors to assure that our expenditures were done in accordance with generally accepted accounting practices. There were some other projects and equipment purchases which were put on hold as we awaited the arrival of July 1 and the start of the 2005-2006 fiscal year.

When our auditor, Bruce Kingshill, makes his annual report in late November or early December, I believe we will be pleased with the outcome of the 2004-2005 fiscal year. As noted many times, we are blessed with some very conscientious and dedicated department heads and employees, and they are very good stewards of the money with which the citizens of the community entrust us.

ELECTRIC RATE ADJUSTMENTS

In the April 1, 2005, quarterly newsletter distributed to our citizens, we explained the situation that the Town is facing regarding the charges for electricity that we must pay Progress Energy. At that time, the Town Board directed us to give regular reports to the citizens and the Board regarding the adjustments to be made each quarter based upon the adjustments received from Progress Energy during the previous quarter. The following is a copy of the report that was included in the quarterly newsletter for July 1, 2005:



“In our last report, we explained the situation that the Town is facing regarding the charges for electricity that we must pay Progress Energy. As noted then Waynesville purchases electricity from Progress Energy and resells the electricity to its Waynesville customers. When Progress Energy experiences increases in the natural gas and coal they use to generate electricity, these increases must be passed along to Waynesville. During the first several months of the year, the Town attempted to absorb these increases rather than pass them along to our customers. We had hoped the increases were only temporary, but as the year progressed, the fuel adjustment charges from Progress Energy increased. By March, 2005, the Town had absorbed \$401,000, and we realized that we simply could not go any deeper in that hole. Beginning on April 1, 2005, we had to raise the rates to electric customers on the Town’s system, and this was the first increase since 1988.

In deciding to implement a fuel adjustment charge, the Town established a schedule under which the charge would be based upon whatever increase we received from Progress Energy for the previous quarter. In other words, the fuel adjustment charge that went into effect on April 1 was based upon the increase in Progress Energy charges for the October-December quarter of 2004. The fuel adjustment charge to take effect on July 1 will be based upon the increase in Progress Energy charges for the January-March, 2005 quarter.

We are not trying to go back and recover the costs that the Town absorbed during the first several months of the year - we are simply trying to break even and not go any further in the hole. During April and May, the rate increase which was implemented resulted in a net profit for the town of \$8,993. That is essentially “break even” when you are talking about a charge of \$638,165 from Progress Energy for those two months. We are pleased that we are no longer losing over \$40,000 per month that we absorbed the first nine months of the year.

In January, 2005, rates from Progress Energy were up 22.38% over January, 2004. In February, 2005, the rates were up 19.76% over February, 2004. In March, 2005, the rates were up 4.9% over March, 2004. On April 1, 2005, we raised rates by .00549 cents per kilowatt hour used to cover in increases for the October-December period. On July 1, 2005, with these additional increases in January-March, 2005, we must add another .00058 cents per kilowatt hour. That is an increase of 58/100ths of a cent per kilowatt hour. A typical residential customer who is now using 800 kilowatts per month is paying \$71.73 per month. With the new rates to take effect July 1, 2005, that customer will pay \$72.19, an increase of 46 cents per month.”

As we pointed out in the quarterly newsletter of April, 2005, the Town absorbed just over \$400,000 in losses through the fuel adjustment charges from Progress Energy, and it reached a point that we could absorb nothing more. Our cash reserves were on a nose dive in the Electric Fund, and we had no choice but to pass along the increases to our electric customers. Our intention was never to recover the \$400,000 that the Town absorbed in the first several months of 2004-2005 fiscal year. Our intention was to set a rate that would prevent further losses. During the first quarter, I can now report that the new rates implemented on April 1, 2005, have resulted in net sales of \$6,291.73 for that quarter. That slight “profit” is based upon sales for the quarter of \$1,508,255.80.

PROJECTS

STREETS

During the spring, extensive work was done on rehabilitating and redesigning that section of **Wall Street** between East Street and a point behind the renovated structure known as Town Center. The existing pavement was removed, a new base installed, a leveling course of asphalt binder placed and a top coat of asphalt applied. Town crew members also installed pedestrian street crossings using brick pavers within a concrete frame work in which the pavers are placed. The end result has been very attractive, and with the new pedestrian crossings, trees and bump outs used, we are in hopes that traffic will move a little slower on Wall Street. We were trying very hard to get done with this project before the traffic picked up during the tourist season, and I am pleased to say that we were able to meet this goal. In the coming years, we would like to be able to extend the improvements along Wall Street in a northerly direction to enhance the business possibilities along that street and hope that success will spread from Main Street.



Another project our street personnel completed this spring was the curb and sidewalk improvements along **Main Street adjacent to the new Justice Center**. While the contractor for the County placed concrete curbing along the sidewalk edge, the Town wanted to place granite curb along Main Street to match the curb already existing in much of the downtown area. Rather than install a concrete sidewalk, the County wanted to have the brick sidewalks to match the rest of downtown. We reached an agreement with the County that if they would provide the brick pavers for the sidewalk, Town personnel would install the pavers. I believe that you will agree that our employees did an excellent job with this installation, and I was particularly impressed by the way they cut and placed the bricks following the curve in front of the building.

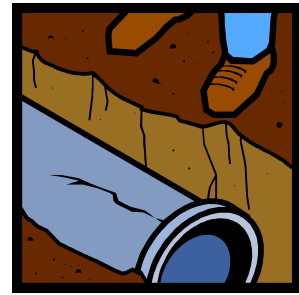
Town personnel also began work on rehabilitating **Carolyn's Point**, the triangular shaped lot at the foot of Wall Street. The Board had previously approved plans for this work, and the landscaping is to be done by the Master Gardner's organization. Due to the involvement of streets and sanitation personnel in resolving the problem at the Town's landfill, we had to delay completion of this project. Paving in this area has now been done and in the fall, when the climate is more favorable for landscaping, work on the installation of plants and trees will be completed.

Town personnel were also involved in redoing **the intersection of Depot-Haywood and Branner Streets** this spring; however this work also had to be halted as we turned our full attention to resolving issues at the Town's landfill. On Tuesday of this week, we had a contractor in to use what is called a Milling Machine to shave off the upper portion of the intersection and eliminate a hump in the road. We have completed the rerouting of some drainage in and near this intersection and implemented the "asphalt diet" we have heard Public Works Director Fred Baker speak of so often. This "diet" has involved the narrowing of travel lanes and installation of some bump outs at the intersection, and in the fall, plants will be installed in these islands to enhance the attractiveness of this area.

Special reports have been provided the Board on the **Town's landfill**, and I will not repeat that in this status report. The bottom line is that as soon as the State pointed out the violations, town personnel attacked the problem with determination and had the non-permitted items removed within two weeks time. In doing this, we had to pull town employees from wherever we could find them, and we had between six and ten employees in the old landfill at any given time. But that meant we had to halt and delay other important projects such as the rehab of Carolyn's Point and the Depot-Haywood-Branner Street intersections. We have now been given approval to reopen the landfill for limited use, and we cannot be put in a situation where improper materials are again placed in the area. We have new signs ordered indicating that the landfill is not for public use, and, as indicated to the Board, we will be enforcing the "No Trespassing" signs diligently.

One of the directives received from the State was that the materials placed in the landfill need to be covered more frequently. At the meeting of June 28, the Town Board gave approval to the purchase of a new John Deere bull dozer so that we can push off the brush and debris frequently and remain in compliance with our operating permit. I am pleased to report that the bull dozer has been received and the first of our 60 monthly, lease-purchase payments has been made on the unit. On behalf of the Public Works Operations, I want to thank the Mayor and Aldermen for granting this much needed equipment addition.





WATER AND SEWER

During the previous fiscal year, we experienced a number of overflows on a sewer line coming into **Brown Avenue from Hazelview Drive** just south of the Middle School. After discovering the poor condition of that sewer line, we had it replaced, and hoped that would correct the problem. We have since discovered that the sewer line running east in Brown Avenue from its intersection with Hazelview is actually a six inch line, woefully undersized for that area. In addition, it is also in poor condition. We have now begun the process of replacing that line with a new and larger line, and we are sincerely hoping that this will halt further problems in that area.

Other lines replaced in recent months included the area of **Meadow and Goodyear Streets** where both water and sewer lines were addressed. We have completed the last section of sewer line replacement on **Westwood Circle**, this time dealing with the section in front of Wellco, between Georgia Avenue and Elysina Avenue. Since the merger with Hazelwood in 1995, we have now replaced every foot of water and sewer line on Westwood Circle. Work was also done replacing the sewer line along the Browning Branch behind the Barber Shop on **South Main Street** in West Waynesville. This line was under the creek and taking an extensive amount of water into the wastewater collection system. Hopefully this will eliminate some of the sewer overflows along Camelot Drive behind the former Hazelwood Elementary School.

A notice to proceed has been issued to Cooper Construction Company for the construction of the new, **two million gallon water tank** on Reservoir Drive. That firm began moving in some material on Tuesday, July 5th, and they will be working with all due speed to have the tank constructed prior to winter weather. On Wednesday, July 6th, the closing on the loan for this water tank was held at the Town Hall. Representatives of Home Trust Bank, the successful bidder on financing this project, were on hand along with Finance Director Eddie Caldwell, Town Attorney Woody Griffin, Town Clerk Phyllis McClure and me as we signed all the paperwork necessary to close this loan.

On Thursday, June 30, engineer Patrick Bradshaw received the tentative approval of the Norfolk and Southern Railway Company for the crossing of their right-of-way for the installation of the twelve inch water line to **Haywood Vocational Opportunities**. We have been waiting for this approval for over four months, and it was the only item left to be completed prior to being able to start construction on the water line to serve HVO. The contractor on this project will also be Cooper Construction Company, and he plans to commence work on Monday, July 11. It is not a big project and should be completed in less than a month.

COLUMBARIUM UNITS/ CEMETERY REGULATIONS

On Wednesday, July 29, the four columbarium units were delivered to the Green Hill Cemetery. Haywood Landscapes was hired to prepare the site for the columbarium units, pouring the four concrete pads, each a foot thick, as well as the concrete pad for the monument stone on which the cremation urns will sit during services at the cemetery. The firm also poured the three pads for the benches still to be placed at the site, and they installed the landscaping that has been placed thus far. In the fall, when growing conditions are better, Haywood Landscaping will install nine fruitless sweet gum trees at the site.

Town staff has been working on revisions to the rules and regulations at the cemetery. During the past year, we have encountered a number of problems with people placing various items at the cemetery, and these end up creating conflicts with mowing and maintenance operations. There are several other issues that have come up and which have not been specifically addressed in our cemetery rules, and we are attempting to clarify those items.

The Committee that the Board appointed to work on the columbarium placement developed some rules and policies regarding the use of those units. Town staff members also worked on these rules and they are pretty much in a final form. We felt it might be best to have one document that covers rules and regulations for the columbarium units as well as the in ground burials. We hope to have these ready in late August.



WORK TO BE DONE

There are a number of managerial projects that have been on hold for some time now as we struggled through the budget season and dealt with a variety of issues that consumed a good deal of time the first half of the year.

During August and September, Finance Director Eddie Caldwell and I will be spending a good deal of time reviewing the **Compensation and Pay Plan** that was done by MGT of Columbia, South Carolina. In adopting the 2005-2006 annual budget, the Board set aside a considerable amount of money for implementing the recommendations of the pay study. It is our desire to see those recommendations take effect on January 1, 2006, but we need to do some work with the figures before making that recommendation.

We also need to continue our study of the **health insurance costs** since we will be assessing Town employees a portion of the increase which took affect on July 1, 2005. You will recall from the budget work sessions that the employees will be asked to pick up between \$20 and \$40 per pay check depending on the type coverage they have, but those deductions will not take place until after the pay study is implemented in January, 2006. Individual employees will still receive their health insurance coverage at no charge.

During the budget work sessions, the Board also expressed a desire to see us study the **recreation department**. That department has a budget of over \$1.8 million dollars, but the revenues produced by the program are far below the expenditure level. In fact, for the current fiscal year, the recreation department will require a supplement of over \$900,000 from the General Fund and the Electric Fun in order to operate. For the first time since the Recreation Center opened in December, 2000, a number of fees and charges were increased as we attempted to generate more revenue. During the coming months, we will be assessing how we can operate more efficiently and how we need to alter and adjust our programming to draw more people to the center.

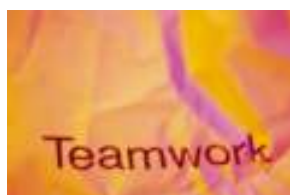
There are a number of **development issues** on the horizon, particularly some large scale residential projects. During June, I spent some time calculating the various projects on the drawing board in Waynesville for residential development. If all of those projects reach construction, there could be between 600 and 800 new homes in Waynesville. In addition, there are several commercial projects that have been discussed, the most significant being the possible redevelopment of the old Dayco site that could begin later this calendar year. While the sale of that property has not been completed, the potential buyer remains very interested and is looking for a closing on the sale in late 2005.

Town staff, particularly the Code Enforcement Section, needs to work with the Town Attorney on the issue of **property conditions** in Waynesville. We have been addressing some of the concerns previously raised, but we need to revisit some of those issues and see if we can find a way within the statutes of the State of North Carolina to resolve more of the problems.

In the coming months, we will investigate a **system to record and track complaints** received from citizens. We want to reach a point where any employee of the Town, in any department, can take a complaint from a citizen and direct it to the appropriate spot for that complaint to be resolved. We would also like to include in this system on the Town's web site so that citizens can file complaints or requests for service on line. We feel this will help us to address citizen complaints in a much quicker and more satisfactory manner.

During the budget process, the Board decided to retain the **Building Inspections** Department rather than merge that unit with the County's Inspection Department. It is my plan to develop a "customer survey form" that will be provided to some or a portion of those who secure building permits from the Town and to seek their input on the services that were provided by our Department. This should be a relatively short form and should not take a lot of time to develop, so I would hope that we can implement this during the first sixty days of the fiscal year.

We will need to work together to accomplish so much!



PERSONNEL MATTERS

Last October, I attended the International City and County Manager's Conference, and I was interested in one of the sessions dealing with **the aging of the profession**. There are a tremendous number of municipal and county managers across the country that are in their senior years, and I fall into that category. The North Carolina City and County Management Association also had programs on this topic at our winter conference this past February, and I helped to coordinate that session. In doing so, I found that of the North Carolina managers who belong to the ICMA, approximately 60% are over 50 years of age and eligible to retire within the next five years. I have to admit that I also fit that category.

One of the speakers at the ICMA encouraged the membership to look beyond themselves and realize just how many of the senior management personnel, department heads and supervisors fall into that same situation – within a few years of retirement. It was less than a month after returning from that conference that we began to see several of the Waynesville employees start talking about retirement, and in looking over the list of our employees, there are a considerable number who will be eligible to retire in the next five to seven years and an almost shocking number who will be able to retire in about ten to twelve years.

Ron Gillett, an employee with 29 years of service, retired as the Purchasing Supervisor on June 30. Ron served police department and then served another seven years. In purchasing assistant and in 1995, During his service as Purchasing process used by the purchasing inventory program and a much and equipment the Town owns. his retirement and suspect that he will spend a great deal of time spoiling grandchildren.



approximately seven years in the moved to the fire department where he 1990, he moved to public works as a he was promoted to Purchasing Agent. Agent, Ron did much to modernize the department, adding a computer more detailed tracking system of goods We certainly wish Ron the very best in

We were pleased to have someone within the organization who could assume the duties of the Purchasing Supervisor, and **Julie Grasty**, Accounting Technician II, has been appointed to replace Ron. In attempting to implement one of the recommendations of the Staffing Study by MGT, we have reorganized the Purchasing Operation, and it will now fall under the supervision of the Finance Director, Eddie Caldwell. There are a number of programs which we would like to see implemented by the purchasing department, but for the time being, Julie will be trying to learn about the procedures we follow and the legal requirements of the State of North Carolina regarding purchasing.

In what is like a domino effect, **Jackie Pressley** has been promoted from Accounting Technician I to Accounting Technician II, the position that Julie Grasty formerly held. And in another internal promotion, Lisa Burnett has been promoted from Customer Service Representative to Accounting Technician I, the position Jackie Pressley held. As noted before, it is always pleasing to be able to promote from within the organization.



During the month of July, Land Use Administrator **John Swift** will be retiring after a 19 year career with the Town. Prior to joining the Town, John had worked with the Mountain Projects Agency, so he has a career of nearly 25 years in public service. John has one of the most difficult jobs in our local government, and it is simply because he is the one who has to inform a citizen or developer that they cannot do whatever it is that they want to do as it is in violation of the land development standards or regulations regarding signs or slope density requirements or flood plain regulations, etc., etc., etc.

People do not generally like to be informed that they cannot do something that they want to do, and the situation often lends itself to conflict. Frequently, that individual goes to an elected official or town manager to seek their assistance and that makes it very stressful for the employee to be caught in the middle - trying to uphold the ordinances and regulations while seeing an elected official or a Town Manager getting directly involved with a developer. That makes it doubly difficult when he has to be the bearer of bad news, and John has had to be in that position for many years. We wish John the very best in his retirement and hope that his health will be such that he will be able to spend many days on the golf course enjoying his favorite hobby. When not preoccupied with golf, we hope that he will be able to enjoy many UNC Tarheel victories in various sports.

John's last official work day is around August 31, but he will have sufficient vacation time so that his last day on the job will be July 20. A replacement has been selected and a separate report will be forthcoming about that individual who will be joining Town employment on August 1, 2005.

We would also report that Mark Banks, Sergeant of the Waynesville Police Department, will be going out on a disability retirement at the end of July. Sgt. Banks injured his back in a work related situation and cannot continue in his present position. We know that Mark will miss serving as the Administrative Sergeant in the Police Department, and we wish him well in his retirement.

There are other retirements which will be forthcoming over the upcoming months. Some of these individuals will be employees with many years of service to the community, while others will be individuals who came to the Town in a second career after working elsewhere for many years. In the past few months, the Town lost two men like that. Russell Cochran retired from the Recreation Department after five years of service, and he will be sorely missed. Likewise, the employees at the Water Treatment Plant will miss Steve Robinson who retired this spring after seven years of service. We certainly do not want to see manufacturing plants close up operations, but the Town has been the beneficiary in many cases of gaining employees from those companies who have served the Town well in second careers.

MANAGER'S TRAVELS

For many years, I have wanted to visit the State of Alaska. In 1977, my first cousin moved to Alaska and she has often encouraged me to pay a visit there and see a very different part of the world. This past winter, my wife, Nancy, and I decided that we would try to make this trip during 2005, and we began planning our vacation. We will be leaving Waynesville on Friday, July 15, and fly to Seattle, Washington, where we will spend four days with Nancy's brother and his family. We will then fly to Alaska on July 19, and spend ten days driving, hiking, fishing, enjoying the scenery of this State and trying to avoid being eaten by bears. We will fly back to Seattle on July 30, and we will fly from Seattle to Asheville on July 31. If the airline flights go well, I should be back in the office for some of the day on Monday, August 1.

We are both very excited about this trip, and we have been reviewing maps and reading about sights to see for several months. It just seems like such a different place than any place either of us have ever been, and we are looking forward to this experience.

As always when I travel, I will leave numbers where I may be reached, and I will check in with Phyllis while I am away. I will also be able to check emails some of the time, at least for the three days while I am visiting with my cousin.

We have made it a point not to schedule any public hearings for July 26th, and our intent has been to make it easy for the Mayor and Board to cancel the meeting unless there is just some pressing item that cannot be delayed until August 9th. In that event, I will ask Fred Baker to cover the meeting for me.

The past few months have been very challenging, and the chance to escape and get some rest and relaxation will be very welcome. I appreciate the opportunity you allow me to serve as the Town Manager of this community, and I am equally grateful for the opportunity to get away from it all on occasion.

