

TO: Mayor and Board of Aldermen
FROM: Lee Galloway, Town Manager
DATE: February 14, 2006
SUBJECT: Status Report

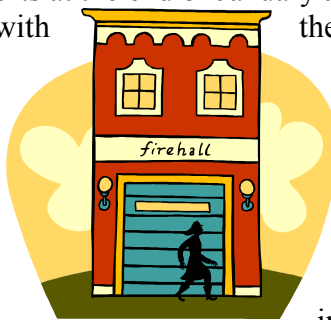
I often comment about how rapidly time passes. I guess it is because so many events occur for all of us that it leaves you standing back and scratching your head at the quickness of it all. Some of these things we measure in our work life and some we measure in our personal life.

This past week, I was talking with Police Chief Bill Hollingsed, and he pointed out that on February 1, he completed seven years with the Town. Both of us were surprised that it had been seven years, but I understand how unreal that seems. It is nearly startling to me to realize that in a few weeks, March 1 will arrive and I will be completing twelve years with the Town of Waynesville. So much has happened in that time, but when I look ahead, there is so much to be done in the next few years. I would never want to work in a position where I am bored, and with all we have on the horizon, that is never a problem here.

NEW FIRE STATION

As you are aware, the Town has directed the architectural firm of ADW, INC. to investigate the suitability of the former Brookmont Motel site for a fire station. Following their guidance, the Town employed Mattern and Craig of Asheville to conduct a survey and site analysis of the property. In addition, a firm named Terracon, also of Asheville, was employed to conduct a geotechnical investigation of the site and to make an environmental assessment of the site. The geotechnical investigation involves doing core drillings to determine the suitability of the soil to support a fire station. The environmental assessment involved a check of each structure on the property to assess the presence of asbestos, lead paint or any other hazardous material which might require special handling and expense in the demolition process.

The architects received these reports at the end of January and they are presently evaluating the costs involved in dealing with these studies. From their initial soils are poor on the site, that there is require extra heavy-duty foundations also know that there is some degree of contained lead and will require special hope to have a report ready later this to discuss the situation in more detail. none of the problems discovered are be some unanticipated costs involved in making the site usable for the fire station.



the issues which emerged from comments, we know that the excess water and that it will to support the station. We asbestos and that the paint treatment. The architects month and plan to visit here From their initial comments, insurmountable, but there will

The architects have also asked for some input from the Town in regard to the exterior appearance of the new fire station. In response to that request, I asked them to provide some samples of other fire stations and public buildings which they have designed. We are also in the process of gathering pictures of other fire stations in North Carolina. These will be provided to the Town Board and to Fire Chief Bill Fowler in hopes that we can find a design that is both functional and affordable.

Finance Director Eddie Caldwell and I recently met with representatives from the Rural Development office of the U. S. Department of Agriculture to discuss financing arrangements which that agency offers for projects such as the new fire station. I believe that we mentioned previously that this agency makes loans of up to 40 years, and that would make it much more feasible to undertake projects such as the renovation of the police/fire station and the renovations of the Town Hall and Public Works facilities. Were we to try to finance these over a 15 or 20 year period, it would be a stretch to find the funds to make those payments. We will continue our investigation of this in hopes of having a report back to you at your annual retreat.

PUBLIC WORKS

It has been a fairly mild winter thus far, with little overtime spent on the removal of snow and ice from our streets. There has also been very little use of our stockpile of salt and sand to make the streets safer, for there simply has not been much reason to spread those items. This past weekend, we did expend a bit of overtime, but it was really minimal since what snow fell in town seemed to melt on the streets almost as quickly as it fell.

The favorable weather has allowed our personnel to undertake some construction projects such as the installation of a concrete drainage culvert on Meadow Street and the installation of some storm water culvert on Water Street.



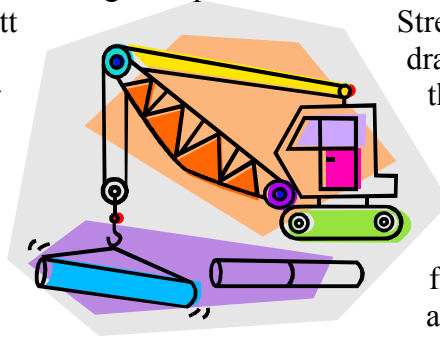
Street crews have also assisted our Horticulturalist, Jonathan Yates, in the installation of various plants and trees throughout the Town. One place that has been particularly noticeable is the Depot-Branner-Haywood Street intersection. Street crews worked to install new traffic bump outs and brick sidewalks during 2005, leaving a nice nature street between streets and sidewalks for planting the scrubs and trees. These were added in late December and give that intersection such a refined appearance. As those plants grow and blossom, citizens will be proud of the attractiveness of that intersection.

The same can be said for the work at the intersection of Wall Street and North Main Street, known as Carolyn's Point. Street crews worked during 2005 to install new curbing and sidewalks and traffic islands. Then the Master Gardener group assisted with the selection and placement of various plants for that "beauty spot" at one of the main entrances to the downtown. Jonathan Yates worked with the gardeners to complete the project as did other city personnel, and all of us are anxious to see how this area will look in the coming spring and in future years.



We continue to hear so many compliments about the attractiveness of our community. There was a recent news article in The Mountaineer in which Jonathan Yates and Fred Baker were interviewed on the projects being completed and those scheduled for the future. We are doing so much more now in the way of sidewalks and traffic islands and planting areas. The goal that the Board has established to make Waynesville a more walkable community remains a focus as new sidewalks are constructed and existing, deteriorated sidewalk is replaced. And when these are done, we attempt to add trees and plants to further the beauty of the area. We hope that we will always have funding for this type work.

Utility crews have been working with private contractors in the completion of a larger replacement water line on Hyatt Street and Tarheel Drive. This project has been on our drawing board for a few years, but there are so many demands for and undersized water lines available to meet all of those demands. We keep chipping away at the worst of the problems. The Board has been very supportive by then in providing additional funds to meet the infrastructure needs. We must continue to address this problem for the next several years.



Street and Tarheel Drive. This project has been on our drawing board for a few years, but the replacement of deteriorated and not enough revenue demands. We keep chipping away at the worst of the problems. The Board has been very supportive by then in providing additional funds to meet the infrastructure needs. We must continue to address this problem for the next several years.

With the colder, winter weather, work on the new water tank on Reservoir Drive has slowed considerably. It is challenging to do much work on ground preparation or with concrete in weather such as we have experienced, but we expect the project to resume at full speed later this month or in early March as spring breaks.

ELECTRICAL MATTERS

Rates

Over the past 18 months, the Town of Waynesville's Electric Fund has been under severe financial stress as we attempted to deal with the increasing fuel charges from Progress Energy. During the summer of 2004, Progress began receiving much higher charges for natural gas and coal, and they had no choice but to pass them along to their customers. You will recall that during the first eight months of the 2004-2005 fiscal year, the Town's profits from the electric fund dropped by over \$400,000.

In April, 2005, the Town began making quarterly adjustments in electric rates charged our own customers, for we could not continue to take the losses we were experiencing. We have continued adjusting rates each quarter, but we have had a hard time keeping up with the fuel adjustment increases we have received from Progress Energy. This is not a criticism of Progress, it is just a matter that they are positioned to react more quickly to the increasing fuel costs they have to pay and we do not see the increases until two months later.

During the first six months of the current fiscal year, the Town has seen another \$220,000 drop in proceeds from the electric fund. We have continued to adjust our rates quarterly, but we have always seemed a step behind. This winter, coal and natural gas prices began to settle after the large spikes of August and September. The quarterly increase we assessed in January, 2006, was based upon the rates we were paying in the previous quarter. So at first glance, it appears that our rate adjustments may finally allow us to balance out the losses we have experienced during the first six months of the fiscal year. While rates from Progress Energy dropped in January, our charges allowed us to run in the black for the first time this fiscal year, and we showed that revenues exceeded expenses by \$75,000 during the month. We are anxious to see the results for February and March and hope that positive results in those two months will get the Town back closer to running even for the year.



Net Income – Past 18 months



Net Income - January, 2006

Electrical Work

During the 2005 calendar year, our electric personnel spent a goodly amount of time trimming trees and limbs adjacent to or overhanging our power lines. As you will recall, the past three years have seen above average precipitation, and when that occurs, we see a higher growth rate for trees and bushes close to our power lines. As a result, we have to redouble our efforts to trim back the new growth or the leaning limbs and trees to prevent the blinks and outages that result when trees meet power lines. Although our personnel try to trim in a neat and attractive manner, they are not professional arborists. Complaints often result from citizens who feel that we may have trimmed too much or may have trimmed in a manner that is not “arborist-like”.

But when winter arrives and the snow and ice and winds cause limbs to bend close to and even onto power lines, electrical blinks and outages occur. This winter, we have not seen a lot of snow and ice, thankfully, but we have had a considerable amount of wind. We seem to have reduced our electrical outages quite a bit. As a result of the snow and ice over the weekend, I have heard several people in our region speak of being without power for as much as 24 hours. I do not know if we had any outages over the weekend, but if we did, I am sure they were no more than blinks and not extended outages. I commend the electrical personnel for their dedication and persistence in maintaining the trimming program. It is not the favorite activity of the electric department’s personnel, but it is a task that bears fruit when there is a reduction of outages. So we offer a special thanks to the electric personnel for their efforts at reducing blinks and outages.

PERSONNEL ACTIVITIES

Assistant Fire Chief

At the end of 2005, following the death of Fire Captain Mike Warren, I sought Board approval to commence a search for an Assistant Fire Chief. My goal in taking this approach was two-fold. First and foremost, we needed to replace Mike Warren and get the department back to full strength. But in addition, we need to be thinking about the eventual retirement of Fire Chief Bill Fowler and in having someone trained and ready to move into his position. Chief Fowler has not given me any indication that he plans to retire any time soon, and I am certainly not anxious to see him leave our staff. Bill has expressed his desire to be a part of the design, construction and completion of the new fire station, which could be as much as two years away. I think we have an obligation to our employees and citizens to find an Assistant Chief who is skilled in fire service and has the supervisory skills and would be ready to step up to the Chief's position whenever Chief Fowler decides to retire.

During early January, we began advertising for this position, and the application deadline is on February 15. We have received an excellent response, with between 40 and 50 individuals applying for the vacancy. I have begun to work my way through the applications and expect to begin interviews in early March.

Recreation Director

Recreation Director Mike Smith has announced his plans to retire effective June 1, but with his accumulated vacation time, it is likely that Mike will complete his work with the Town in late April. We also began advertising for this vacancy in January and have received a good response to our invitation to submit applications. The deadline for the applications for this position is advertised at February 20; however, our timing was a bit off for printing in some publications having good circulation among recreation professionals, so we may extend that deadline until early March. I am hoping that before Mike and his wife, Rachel, ride off into the sunset on his motorcycle, we could have the new director on Board by mid-April, giving that individual an opportunity to work with Mike a little before his retirement.



Personnel Generally

The North Carolina City and County Managers' Association held its winter conference at the Research Triangle Park in Durham the first week of February. Many of the sessions dealt with the issue of succession planning – trying to anticipate and plan for the replacement of so many baby boomers as they reach retirement age. This is a problem throughout the State, and Waynesville has not escaped. According to Michael Williamson, the Director of the North Carolina State Retirement System Programs and a former resident and employee of the Town of Waynesville, the number of retirees from local government has increased by 104% since 1991. In 1991, there were 5,802 retirees, and in 2004, there were 11,827 retirees. In January of 2005 alone, there were 2,500 retirees, showing a continuing growth in retirements.

As indicated, the Town of Waynesville is not immune. The following statistics are based upon the assumption that all of our 16 top department heads and assistants would remain with the Town until they earned a full retirement or turned the age of 65. Right now, 11 of the 16 are at least 50 years of age. Of these 16 top department heads and assistants, 8 would be able to retire in the next 6 years, 14 would be able to retire in the next ten years. Of the remaining two, one would need to work 13 years and the other 16 years to earn full retirement benefits. So in the next six years, one half of our senior staff would be able to retire. And there is no guarantee that any of these would stay until they have reached the number of years necessary to achieve full retirement. Some could go earlier if they found an attractive opportunity.

At the N. C. Managers meeting and at the International City Managers' Conference I attended in Minnesota last September, the need to prepare for these retirements was emphasized. As an organization, we must begin to build from within if we hope to promote from within. We must work harder to assure that our second line supervisors are prepared and well trained if we hope that they will be able to step up to the senior staff positions that will become available over the next several years. And we must work with them so that they are aware of the educational and training requirements and encourage them to search for and participate in those programs. Then, before openings occur, they may attend the training programs and seek the educational courses that will qualify them for the positions which will be opening up in the future.

POLICE

Vehicles

During the early part of 2005, we began to experience serious problems with some of the Dodge Intrepids which had been purchased for police cruisers. Two of the units in particular were experiencing about as much down time as they were on the road, and it was causing a real problem with having adequate vehicles in the patrol operation. Vehicle Maintenance Supervisor Edwin Fish began contacting personnel with the Chrysler Corporation regarding these "lemons", and through his determined efforts, Chrysler eventually bought back two of the Intrepids from the Town with only a small reduction for the vehicle mileage on those cars.

The Police Department has evaluated police package vehicles again in attempting to buy the three vehicles that were budgeted for this fiscal year and two more to replace the two which Chrysler purchased from us. There is still a lack of confidence in the Ford Crown Victoria Police Cars due to the number of cars which have had gas tanks explode during rear end collisions. This is a problem that I believe we have noted the Town Board previously. As it turns out, Chrysler discontinued the Dodge Intrepids after the 2004 rear wheel drive Dodge Charger with a police package. Based upon some success stories and positive reports from other law enforcement agencies, we have now placed an order for five of the Dodge Chargers and expect delivery in the spring. We will be looking at the SUV police vehicles in the 2006-2007 fiscal year budget.



Traffic Calming/Speeding

We regularly receive complaints about speeding in various sections of Town, and I am sure you receive these as well. The Police Department and Public Works Director Fred Baker have been in discussions about the need to try some new measures to address these problems. It is the impression of the Police Department that the primary concerns are on perhaps 8 to 10 streets in the town. That is not to say that an occasional speeder will not show up on another street, but the continuous problems seem to be concentrated on these 8 to 10 streets.

Addressing these particular problems may vary depending upon a particular street and the condition found on that street. The solution on one street may not be the most desirable solution for another street. I have reached the point where I am willing to attempt some traffic calming measures on certain streets to try to reduce speeding. While I do not care for traffic bumps which are typically found in parking lots, I have seen one used on Church Street in the front of the Lomo Grill, used effectively. I have offered encouragement to Fred Baker and the Police Department to begin looking at these seriously along with other traffic calming ideas in hopes that some of these can be installed during the next few months.



Running radar has a certain attraction, but when you have four vehicles on patrol and somewhere around 90 miles of streets inside the town, we have to look for other options to help control speeding. On some roads, traffic tables or roundabouts or stop signs are simply not what you want to use. On the U.S. Route 23/74 Bypass, for example, we have had four fatalities in the past 13 months, and all of those were related to speeding. So we have been running more radar on that road in an attempt to reduce speeding and to eliminate these deaths. Fortunately, we have not had many fatalities inside the Town, but that is not to say we should not use radar inside town. We just have to continually attempt to use police personnel in the most productive and efficient way, or where we get the most bang for the buck. And then there are areas where we have to employ other devices, like stop signs, traffic tables, roundabouts, trees or other devices to calm traffic when the police cars cannot be present.

WATERSHED

The Town approved an agreement with Western Carolina University for the preparation of a Forestry Management Plan for the Allens Creek Watershed. This work will begin in earnest in the spring and summer of this year. In early January, Dr. Peter Bates, the WCU representative from the Natural Resources Department, mentioned that we needed to develop some detailed history regarding water quality in the watershed. That issue is noted in the conservation easements on the watershed. Simply stated, in order to measure the levels of silt which may occur in the future in the creeks and streams in the watershed, we have to have some history of the silt that occurred in the past in those same creeks and streams. Dr. Jerry Miller, also of WCU, specializes in water quality issues, and he has expressed an interest in establishing measurements of the silt occurring in the watershed. I met with him this week and we discussed a grant application to the Pigeon River Fund for this purpose, and Dr. Miller will attend the Board meeting on February 28 to discuss this in more detail.

FINANCIAL AFFAIRS



Once again, we have arrived at budget season. We have some unique challenges this year as the County goes through a revaluation of property. So far, we have seen no numbers as far as what we might expect in determining the total taxable valuations which are used to set our tax rate. A recent report in the Asheville Citizen-Times indicated that values in Buncombe County had increased 45% since the last revaluation in 2002. While I would not anticipate an increase of that nature in Haywood, I realize that values have increased dramatically.

We saw some good increases in sales tax revenues during the first several months of the 2005-2006 fiscal year, but receipts dropped some in the most recent report. The tourism industry has apparently been strong and the economic situation here seems better than in many of the counties of our region, for our unemployment remains low in comparison to other counties. We are optimistic that for the year, our sales tax revenues will show a good gain.

Once again, we will also be dealing with the issue of health insurance costs. In the 2005 calendar year, the League's insurance program paid out more in claims than the revenues they received from the Town for health insurance. Our employee group continues to be a high risk account, and when the League pays more in claims than they receive in revenues, it is certain that our premiums will rise once again. Unless we have some exceptionally good claims experience from January until April, we are likely looking at another year of double digit increases in health insurance premiums.

Department heads are already meeting with Finance Director Eddie Caldwell and Assistant Director Gladys Messer as they work their way through their budget requests for the 2006-2007 fiscal year. Capital Outlay budget requests are due on February 15 and Operating Budget requests are due on March 1. During March, the Finance Department will be working on accumulating requested expenditures and estimating anticipated revenues. Then in April, Eddie Caldwell and I will begin working our way through the budget requests and trying to arrive at a document we can present to the Town Board with a recommendation for adoption.

WHOLESALE POWER AGREEMENT

During 1994, we negotiated a new, Wholesale Power Supply Agreement with Progress Energy. The agreement was supposed to be for ten years, but due to lower wholesale power rates, we negotiated a new agreement in 2002. It took affect on January 1, 2003, nearly two years early, and will expire on December 31, 2009. There have been some significant changes in the power supply industry in recent years. You will perhaps recall that when Kevin was on hand in November, he mentioned that Progress Energy has indicated that the utility does not have the capacity to import power from other electrical systems after 2009. This would make Progress the sole available provider for the Town of Waynesville and other wholesale customer in North Carolina. As a result, our electrical consultant, Kevin O'Donnell has suggested that we begin preliminary discussions with Progress Energy on a new Wholesale Power Supply Agreement. On Thursday, February 23, Fred Baker, Kevin O'Donnell and I will be meeting with Progress Energy officials in Raleigh to start the process.

RECREATION

Since the last status report, the Waynesville Recreation Center held a celebration to commemorate the fifth anniversary of the facility. Recreation Staff provided tours of the entire center and provided explanations about the different programs and activities offered. There was a good turnout at the celebration considering it was so close to Christmas, and I understand that there were some new memberships coming out of that event.

During 2005, the Haywood County Council of Governments appointed a Special Committee to investigate recreational opportunities provided to the citizens of the county by the county government and the municipalities within the county. The Committee came back with a recommendation that there should be a consultant hired to do an inventory of the recreational facilities throughout the county and to make recommendations regarding the future of recreation.

The Committee developed a Request for Proposals and solicited firms which are qualified and interested in doing a study for the county. Initially, they thought such a study might cost in the range of \$50,000, and toward the end of 2005, approval was sought from the Waynesville Town Board to participate in such an expense at an estimated cost of \$8,000 to \$9,000. When the proposals were received, the costs were in the \$55,000 to \$80,000 range, depending upon the level of services desired. With these costs in mind, it appears that the pro-rated assessment for Waynesville may be in the range of \$12,000 to \$13,000. I have indicated to County Recreation Director Claire Stewart that I felt the Town Board would still be supportive of this study even at the increased cost, and I am confident that we can cover the higher expense within the existing Operating Budget of the Recreation Department. Action on authorizing the Study will not take place until some time in March, so if the Board feels we should not participate at this higher cost, please let me know so that I can advise Ms. Stewart.



WEB SITE CHANGES

Town Clerk Phyllis McClure has continued to work with Rick and Debi Hall at CGI Group in developing and expanding the Town's Web Page. She has regularly added new documents to the web page, and recently, she worked with CGI to add a series of historical pictures of the Waynesville area.

Ms. McClure has also done considerable work on publishing the quarterly newsletter that we mail to citizens and businesses of the town. This has been well received and is an excellent tool for citizens attempting to learn more about their local government. The web site and the newsletter are part of the Town's efforts to keep citizens informed about their local government.

MANAGERS' WINTER CONFERENCE

On February 1-3, I attended the North Carolina City and County Management Seminar at the Research Triangle Park in Durham. This is one of the primary training opportunities for city and county managers in North Carolina during the year, and it has become a very large event.

Programs this year included:

- “The Challenges of Leadership in a Changing World” by Major General Virgil Packett II, Commanding General at Fort Bragg;
- “Elected Officials Perspective on the Future of Local Government in North Carolina”;
- “Preparing for the Tsunami: How the Baby Boomers are Transforming Retirement and What You Should Do About It”;
- “Telecommunications Issues”;
- “Managing Diversity”;
- “Downtown Development for Small Towns”;
- “Manager-Board Relations”;
- “Managers Helping Managers During Disasters”
- “Succession Planning: Who Will Lead?”
- “Top Ten Information Technology Tips”
- “Fair Labor Standards Act”
- “Cost Containment Strategies and Best Practices”

Over the past twelve years, I have seen the conference registrations grow from 250 in 1995 to over 400 people in 2006. A lot of managers attend the special educational courses prior to the official opening of the conference and use those training hours toward the 40 hours annually required to earn and maintain the Credentialed Manager Certification offered through the International City/County Management Association. This program was established about four years ago and ICMA began offering what have become known as ICMA University Courses at the annual ICMA conference, at regional conferences and at State Conferences. There are presently 881 Credentialed Managers in the International City/County Management Association, and 76 of those are located in North Carolina. I earned my Credentialed Manager Certification in 2004 and have worked to maintain that designation through attending various educational courses. ICMA is offering another ICMA University Course in Asheville on March 2, and I will be attending to take advantage of such a convenient location.

I want to thank the Mayor and Board members for allowing me the opportunity to attend these conferences and training programs. Hopefully the skills and knowledge I gain will be used to further good management practices in our community and improve the quality of services that we offer our citizens.