

TO: Mayor and Board of Aldermen
FROM: Lee Galloway, Town Manager
DATE: July 29, 2011
SUBJECT: Status Report through July 28, 2011

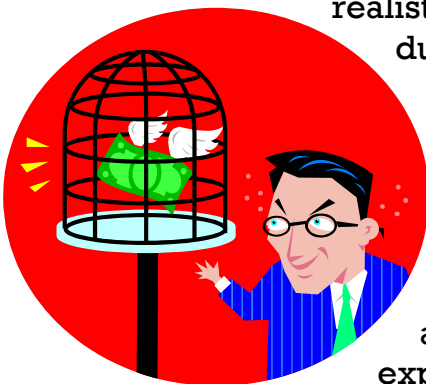
Another fiscal year has drawn to a close and a new one has begun. We are in the midst of a hot and humid summer, but time passes so rapidly, that before you know it, schools will reopen, leaves will need to be raked and turkey and dressing will be on our tables as the year ends.

BUDGET WORK

We completed another challenging budget season, trimming, cutting and scraping and squeezing every dollar possible. We believe that any fat that may have been in the budget has melted away in this process. I am extremely pleased that the Town was able to grant a cost of living increase to the town personnel. They have gone three years with no increases, while the cost of most everything they buy has risen, driven in large part by the cost of fuel. There have been a large number of employees who have expressed their appreciation for the pay increase, but I pointed out that the Board and I knew that our employees needed it and that they had certainly worked hard enough to deserve it. We found a way to grant that increase, to maintain the high level of services to which our citizens have become accustomed and yet still keep our taxes, water, sewer and electric rates among the lowest in the State. I am sure that someone else could find budget reductions, but it would likely mean a reduction in the level of services we believe the citizens desire.



The budget outcome was the result of the work of many, from the employees and department heads to the Assistant Manager and Finance Director and the Town Board. Working together has made the budget a more realistic document, one that we believe we can live within during the coming year. It is a tighter document than usual, and department heads have been given direction to limit their materials and supplies expenditures to no more than 50% of the total by the mid-year point, December 31, 2011. The same is true of the \$300,000 budgeted for water line renovations and replacement and the \$300,000 budgeted for sewer line renovations and replacement. We will need to keep a tighter rein on expenditures as we move through 2011-2012.



FINANCES

Early indications show that the 2010-2011 budget year will end up in better shape than anticipated. Department heads were conservative with their expenditures during the final 60 days of the fiscal year, and it does appear that sales tax revenues were beginning to grow again as the fiscal year ended. We still have sales tax revenue for July, August and September that will be backed up into the 2010-2011 fiscal year, but we are seeing some positive signs. Hopefully this will be a good trend.

If the picture in the General Fund ends as well as we hope, it might be wise to consider a transfer to the Capital Projects Fund. When the construction was completed on the new Fire Station and Police Station/Development Office/Town Hall, the combined costs were less than anticipated and we had \$645,000 remaining. That money was transferred to the new Capital Projects Fund, from which we paid for the renovations to the Hazelwood Branch Office, the renovations to the Municipal Building and the replacement of the roof at the Recreation Center. It would be nice if the Town could return some money to the Capital Projects Fund to provide a source for future capital projects that the Town will need to undertake. The Board may also look to the Electric Fund to help provide some funding to help with capital projects. We may want to talk more on this after the audit has been presented in December.

RENOVATION WORK – MUNICIPAL BUILDING

In June, work began on the renovations to the municipal building. Most of this involves exterior work, mainly repairing the windows on the structure and repainting the entire exterior as well as the windows on the interior. The greatest challenge has been in putting the south side back into the pre-1960s condition, before the drive-thru window was installed and the historical

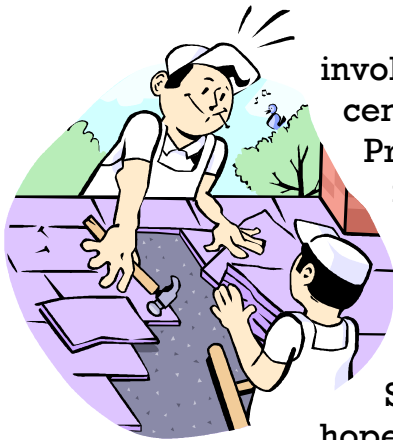


window and brick were removed. We also encountered some problems when we removed the ramp, as there were three windows in the basement that had been buried the past 40 years. All three are rotted and will have to be replaced, something that was not anticipated in the construction bids of the scope of the work. The old, cracked stucco on the walls of the lower level has been removed and will be replaced as part of this project.

In addition, while we have a firm working to match the windows, we have also asked them to take a look at what would have been an historically accurate front door on the structure. We put in the existing front door in 1998 and tried to match what we have in a picture, but it is not wooden as the 1917 door would have been. For the present, we are not addressing the rear entry of the building as the doorway and windows were reconfigured at some point. At some point in the future, we hope to convert the former Board meeting room into a Human Resources Department, a Conference Room and a work area. That work will require addressing the swinging doors at the rear of that room, and it is felt that the rear entry should be addressed at that time.

This work has gone slower than anticipated, due in large part to the fact that the rear of the building, other than the windows, is metal and not wood. The contractor has also gone through 5 heat guns so far in the process of heating and removing many layers of paint on the exterior of the building. Our engineer is pleased with the contractor's work and quality of the job.

RECREATION CENTER WORK



Another construction project that is underway involves the replacement of the roof on the recreation center. This is a project that is paid for from the Capital Projects Fund and costs \$128,000. At this point, the work is about 70% completed and should be done in August.

In approving the 2011-2012 annual budget, the Town Board allocated funds to all the resurfacing of the two swimming pools at the center. The department is currently working with our Purchasing Supervisor to secure cost quotes on the work, and it is hoped that the work can take place during September.

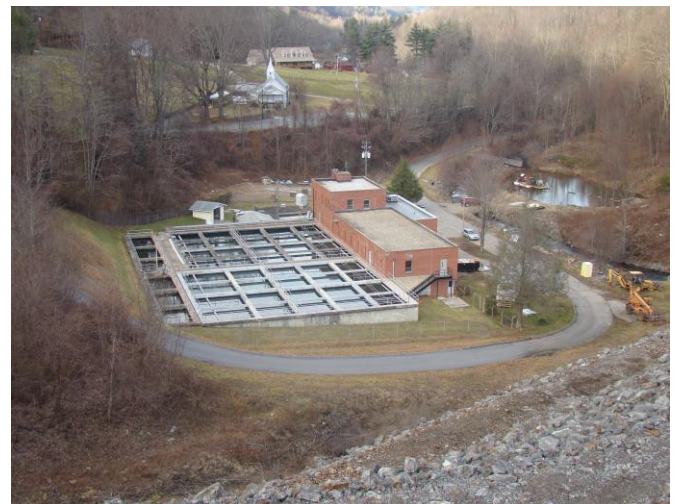
Right now, it appears that there will be money left over to redo the pool deck at the same time as the pools are resurfaced. We have had some problems with slippery floors around the pool decks and have tried to address it with different paint, but a different floor is preferable.

At that same time as the pool work, the department hopes to have the floors in the gym and exercise room redone. With the pool closed along with the gym and exercise rooms, we are considering closing the center for a week to take care of these and a number of other maintenance items as well. The floors in the meeting rooms need to be stripped and redone and some painting needs to be done also. In the past, when the gym and exercise room floors were redone, there were always complaints about the odors. Closing the facility so that all of these things can be accomplished seems like the best thing to do. It has now been in operation for 12 years and doing an overhaul and then having an Open House afterward to show off the improvements may be good for public relations.

Early in the summer, there was a fire in the bathrooms of the building on Marshall Street where the maintenance department and horticulturalist were housed. The fire has pretty much destroyed the rear portion of this structure and we are working with the insurance carrier on the settlement. The front portion of this structure was to be demolished when the Maintenance Superintendent and Horticulturalist moved to the Armory. We are thinking that the best alternative might be to demolish the entire structure and locate a new restroom building close to the old pool building or on the site where the pool was once located. Such a restroom could serve those visiting the Kiwanis Playground as well as the tennis courts, basketball courts and ball fields. We will be working on securing prices for this to compare with funds available from the insurance carrier.

WATER PLANT WORK

In the 2011-2012 budget, there are funds to repair the concrete walls of the detention basins at the water plant as well as the spillway of the dam. I had hoped that the engineer was at the point that we could have this work done prior to winter, but that is not the case. I did not want to see the concrete damaged further if we had another severe winter, but if we bid the work now, much of the concrete refinishing would fall into the colder winter months. Work will now have to be delayed until next spring.



SOLID WASTE STUDY

The Town Staff is working with representatives from the Land of the Sky Council of Governments (LOS) on gathering data and information for the solid waste study. The costs of each element of our solid waste service are being calculated so that LOS will have a better understanding of the total expense of our services. Right now, we rotate personnel between working on Street projects and working on Sanitation services, but the true costs need to be determined. The LOS will then help us determine the additional costs that might be incurred if the Town had to haul wastes to the White Oak Landfill rather than the Transfer Station at Jones Cove Road. These comparisons will lead to developing alternatives that should be considered and a recommendation on the best alternative for the Town. Work will continue on this into the fall.

At the Council of Governments meeting Monday evening, the County Manager indicated that he wanted to meet with the Towns to gain a better understanding of the costs each will incur to haul solid wastes to White Oak. He mentioned that then the County could determine how to help the towns to cover those increased costs. He asked that we try to meet in August.

STREET CONDITION SURVEY

In last year's budget, the Board provided funding to have a study done of the condition of the Town's streets. The Town looks after more than 80 miles of streets and then there are a number of U. S. Routes and State Roads located inside the Town maintained by the North Carolina Department of Transportation. The study was conducted during May and the results will be very helpful in identifying where we need to be spending our limited street maintenance funds to get the most bang for our buck. The recommendations show that we need to do more crack pouring on our streets, filling cracks with sand and tar to prevent water from entering the subsurface and then damaging the asphalt with the winter freezes. During the final months of the past fiscal year, there were a number of streets resurfaced in full or in part, and these were generally streets with many utility cuts and trenches where water and sewer lines had been replaced or repaired.

STORM DRAINAGE PROJECT

Last year, Ms. Shelby Moore approached the Town about a storm drainage problem at her home on South Main Street. The water was actually coming off of South Main, a road under State maintenance, and the water was dumped on the Moore's property. The State's policy is that once the water gets off the right-of-way, it is not their responsibility, and in the Moore's case, the DOT declined to participate, even in a joint project with the Town.

It has long been the Town's policy that if the property owner will buy the materials and pay the costs, the Town will supply the labor to install the pipe and any junction boxes. Ms. Moore contributed \$3,000 to pay for the materials. Town Attorney Woody Griffin prepared the easements and all the adjacent property owners signed. During July, the Street Department has installed the storm drainage pipe on the Moore property and along the property lines with her neighbors. We know this will be a relief to Ms. Moore as well as to her neighbors who have experienced wet, marshy areas in their own yards.



PLANNING STUDY

The Town received a grant to conduct a corridor study of South Main Street between Hyatt Creek and Ninevah Roads. Seven firms submitted proposals on this work and a group of Staff and citizens narrowed the list to two firms. After a formal presentation by the firms, the Staff, citizen and Land of Sky representatives were in unanimous agreement on LaQuatra Bonci Associates of Asheville. The kickoff for the project will be held on Thursday, July 28, and the firm will be working with citizens and stakeholders over the next few months to develop a proposal to present to the Department of Transportation. Property and business owners along South Main Street will be invited to participate and offer suggestions and comments on the project.

FIRE STATION ROOF

We have previously reported on damage to the roof at the fire station after the heavy snow of December, 2009. Our architects and engineers spent much time assessing the damages and presented a list of recommendations for repairs. This was presented to the contractor on the project, but there was no response. As was anticipated, the process led to a letter from our attorney on this matter, Bill Cannon, and the contractor finally retained counsel to represent them on the matter. A few letters have been exchanged between attorneys, but we have not seen any proposals from the contractor for repairs to the damage. It is likely this case will find its way into court unless the contractor's insurance company steps forward to address the situation.

HAYWOOD VOCATIONAL OPPORTUNITIES/WELLCO RENOVATION

In 2009-2010, the Town assisted Haywood Vocational Opportunities in securing a \$240,000 grant from the North Carolina Rural Center. This grant was used along with grants from the Golden Leaf Foundation, the Cannon Foundation and HVO funds to renovate the Wellco Industries facility and make it suitable for HVO to expand its operations. In exchange for the \$240,000, HVO pledged to create 24 new jobs (\$10,000 per job). As of the spring of this year, HVO has created 31 new jobs and has been released from any obligation it may have had to repay the funds if the jobs were not created. It is the intention of HVO to create even more jobs for our community as they secure additional contracts from a firm in Texas with which they do a great deal of business. HVO now has approximately 336 employees and it was a grand opportunity for the Town to assist with this industrial expansion.



PERSONNEL MATTERS

During 2011, we have seen a number of changes, and I previously mentioned the retirements of four employees, Ralph Hannah, Bo Messer, Thomas McClure and Robert Stiles. They had combined service of 74 years, and the Town lost much experience and knowledge about the workings of the water and sewer systems, water plant and streets and sanitation operations.

Additional employees have opted for retirement, including Police Lieutenant Chuck Way, at the end of August and our longest serving employee, Doug Grasty, in late November. Chuck Way joined the Town in December, 1981, but he had prior service with the Lake Junaluska Security, the Blue Ridge Parkway and the Haywood County Sheriff's Department. Chuck supervised Information Technology Systems for our Police Department for a number of years and he was always anxious to help other departments as well. Doug Grasty is the employee with the greatest number of years of service, having joined the Town in December, 1974. He will have a full 37 years of service when he retires. Doug possesses a tremendous amount of knowledge about the water and sewer systems, not just where each line and valve and manhole are located but also about the idiosyncrasies of the system, how it operates. We are losing 73 years of experience, and you just don't replace that overnight. We salute Chuck and Doug and wish them many years of pleasure and satisfaction with the next phase of their lives.

Kim Macy, an employee of 11 years in Finance, decided to pursue a new career. This left a vacancy for which Hollie Burris, a part-time assistant in Administration, applied. Hollie previously worked with Parks and Recreation. With a vacancy in Administration, part-time administrative assistant Ginny Boyer decided that she wanted to go full time. We were happy to combine the two part time positions into a full time job and place Ginny in that position. Now two part-time employees have full time positions. Since joining the town Ginny and Hollie have shown themselves to be excellent employees, very strong in public relations skills, something we place a great value upon.

Finally, Cody Stiles, a groundsman with the Electric Department, applied for the vacant position at the Water Plant and was hired for that post. He fills the vacancy left with the retirement of Thomas McClure.

We learned with sadness of the passing of Butch Cutshaw who served as a meter reader for many years and formerly worked in Streets and Sanitation. Butch retired 7 years ago but while he was with the Town, he was a dedicated and hard-working employee. He would arrive at work well before dawn, make the coffee and read the paper cover to cover. He was often on the street working before the rest of us arrived at work. He was quiet but had a dry wit about him. He will be missed.

DEATH IN ASHEVILLE

We share the grief of the City of Asheville in the loss of a firefighter in the line of duty. We know this a tremendously stressful job, particularly when carrying 50 pounds of gear in buildings where temperatures may reach several hundred degrees. We salute the lost Fire Captain Jeff Bowen and note with appreciation the dangerous risks our own firefighters take each day. We are grateful for the dedication and service of all our public employees!

UPCOMING SCHEDULE

Over the next several weeks, I have several meetings that will take me out of town, and there are some events and meetings that will involve Board members as well as the Manager. I will try to note them here:

August 9:	Town Board's Scheduled Meeting Date
August 17:	Pigeon River Fund Board Meeting, Asheville
August 23:	Town Board's Scheduled Meeting Date
August 24:	Region A Dinner, (Town Board only, since Mgr. in Raleigh)
August 24 & 25:	Department of Environment & Natural Resources, Raleigh Secretary Freeman's Roundtable Discussions
August 26:	Regional Managers' Meeting & Lunch, Burnsville 11:30 p.m. – 3:00 p.m. (Manager & Assistant Manager)
September 3:	Block Party Downtown
September 5:	Labor Day Holiday
September 13:	Town Board's Scheduled Meeting Date
September 15-	International City Managers' Conference, Milwaukee
October 1:	Vacation in Northern Wisconsin
September 27:	Town Board's Scheduled Meeting Date
October 11:	Town Board's Scheduled Meeting Date
October 23-25:	North Carolina League of Municipalities Conference Raleigh (Manager, Assistant Manager, Board Members)
October 25:	Town Board's Scheduled Meeting Date May need to be rescheduled since it is in conflict With the League Conference dates in Raleigh
November 8	Election Day
November 8	Town Board's Scheduled Meeting Date
November 22	Town Board's Scheduled Meeting Date
November 24/25	Thanksgiving Holidays
December 2	Employee Appreciation Luncheon
December 13	Town Board's Scheduled Meeting Date
December 23&26	Christmas Holidays
December 27	Town Board's Scheduled Meeting Date (May be canceled)