

SPECIAL MEETING  
BOARD OF ALDERMEN  
TOWN OF WAYNESVILLE  
JUNE 19, 2006  
MONDAY, 4:00 P.M.

The Board of Aldermen held a special meeting at 4:00 p.m. on Monday, June 19, 2006. Board Members present were Mayor Henry Foy, Aldermen Libba Feichter, Gary Caldwell, Kenneth Moore and Gavin Brown. Also present was Town Manager Lee Galloway, Finance Director Eddie Caldwell and Management Intern Alison Melnikova.

Mayor Foy called the meeting to order at 4:00 p.m. and advised that the purpose was to have further discussions on the proposed 2006-2007 Town Budget. He called upon Town Manager Galloway to begin the session.

The Town Manager noted that Finance Director Eddie Caldwell and he wanted to delay a final budget meeting until after the public hearing on the document which was held on June 13, 2006. Although no one appeared to speak at that meeting, members of the Town Board had made suggestions at work sessions held in May, and these have been incorporated into the final draft of the 2006-2007 budget. Galloway pointed out that at the last work session, Board member indicated that a 4 cent tax rise was preferable to the 5 cent rise which was included in the initial proposal. In order to accomplish this, expenditures in the General Fund had to be reduced by approximately \$88,950. Galloway noted that the final estimated billing for Property and General Liability Insurance had been received and cuts the cost by \$49,020, with \$40,750 coming from the General Fund. To make up additional needed for a one cent reduction in the proposed tax rate, certain capital outlay expenditures proposed in 2006-2007 had been authorized in the 2005-2006 budget.

Finance Director Eddie Caldwell explained that the 2005-2006 expenditures for the Fire Department were estimated to be under by almost \$50,000. As a result, that Department was granted approval to purchase \$14,000 in capital outlay items planned for 2006-2007 from the current budget. The Police Department was projected to be under spent by more than the Fire Department, and they were given approval to make \$10,300 in expenditures from the current budget. The Recreation Department will likely be under spent by more than \$50,000, and they were given approval to purchase \$26,200 in exercise equipment from the current budget rather than wait until 2006-2007.

With the reductions in insurance costs and the shifting of capital outlay from the 2006-2007 budget into the 2005-2006 budget, the property tax rate for 2006-2007 may be reduced to 40 cents per \$100 rather than 41 cents per \$100.

Galloway pointed out that during the original budget work session, the Electric Fund had expenditures which would have required an appropriation of \$362,940 from the reserves of the fund. Both the Finance Director and he felt that was too large a demand upon the reserves of that fund and that to continue that for three years would leave nothing in the fund balance. One of

the expenditures in the Electric Fund was for \$223,500 as an annual debt payment for construction of a new substation; however, the staff has since determined that a new substation may not be required for a few more years. The proposed budget removed the substation debt payment from expenditures in the Electric Fund, reducing the fund balance appropriation to \$137,080, a figure both Galloway and Caldwell could recommend.

The Town Manager reported that during the spring, efforts had been made to find a less costly health insurance program for Town Employees. He advised that a quote had been received from the insurance division of Wachovia Bank which could result in an annual cost savings of between \$150,000 and \$200,000. This plan is through Blue Cross-Blue Shield and is as good if not better than the current plan offered through CIGNA under the North Carolina League of Municipalities. When the Town was informed of a potential 25% premium increase with CIGNA, Galloway and Caldwell proposed a higher contribution from employees for coverage above the individual policy. While the Town will pay about \$108,000 more for health insurance than it did in the current fiscal year, the savings under Blue Cross-Blue Shield are such that Caldwell and Galloway are recommending that the employee contribution remain the same as it is in the current year. This will save employees between \$184 and \$462 annually, depending on the type coverage they carry. The total policy savings for the year is estimated to be approximately \$200,000, but the employee contribution will be cut, with the savings for the Town around \$165,000. Galloway expressed some reservations about these potential savings. He advised that Blue Cross-Blue Shield had provided a letter guaranteeing these rates for a year, but he would not count on the savings until the savings was in hand.

The Town Manager noted that at the Board meeting of June 13, Alderman Caldwell had recommended that a pickup truck in the Recreation Department budget be added back into the budget. Galloway indicated that \$21,000 for the truck would be included in the final budget document.

Galloway also pointed out that at the previous work session the Board reviewed and made minor changes to the list of Special Appropriations for non-profit groups, with the total being \$130,000. Alderman Moore expressed concerns about how large the contributions had become, remembering that when he went on the Board in 1995, the total was much smaller. It was noted that Folkmoot and the Economic Development Commission were each receiving \$30,000 annually, and that contribution pushed the total up considerably. The Finance Director noted that the pledge to Folkmoot was for a five year period, with the 2006-2007 budget being the third year. He anticipates that the pledge to Folkmoot would drop in the 2009-2010 budget, bringing the total down.

The Town Manager again mentioned the plans to shift personnel in the next fiscal year, with the finance employees at the Hazelwood Branch relocating to Town Hall and the Planning Director, Land Use Manager and Administrative Assistant moving from Town Hall to the Hazelwood Branch Office. Alderman Moore stated that a few people had spoken with him to say they liked being able to transact their business at the Hazelwood Branch. Galloway noted that the night deposit box would remain available at the Hazelwood Office for those preferring to make payments there.

In turning to the Electric Fund, the Finance Director and Town Manager explained that they were not ready to declare the status of that fund as stable. During the first six months of the 2005-2006 fiscal year, the Electric Fund had experienced reduced proceeds of \$255,378. For the next five months, the Fund experienced increased proceeds of \$192,361. For the first eleven months of the fiscal year, the Fund has seen proceeds decline by \$63,017 from those in the 2004-2005 base year. This is much better than the \$500,000 decline in the 2005-2006 fiscal year, but the Town must make alterations if it plans to have sufficient funds to build the second substation. It was the recommendation of the Manager and Finance Director that the electric rates remain the same for the first quarter of the 2006-2007 fiscal year. Board members agreed with this but noted that the issue needed to be revisited prior to the end of the next quarter to see if further changes are needed.

With no further business, motion was made by Alderman Brown, seconded by Alderman Moore and passed unanimously that the meeting be adjourned at 5:30 p.m.

A. Lee Galloway, Town Manager  
Henry B. Foy, Mayor