

SPECIAL MEETING  
BOARD OF ALDERMEN  
TOWN OF WAYNESVILLE  
TOWN HALL  
MAY 21, 2008  
WEDNESDAY, 5:15 P.M.

The Board of Aldermen held a special meeting at 5:15 p.m. on Wednesday, May 21, 2008. Board Members present were Mayor Gavin Brown, Aldermen Libba Feichter, Gary Caldwell, Kenneth Moore and LeRoy Roberson. Also present was Town Manager Lee Galloway, Finance Director Eddie Caldwell and Assistant to the Town Manager, Alison Melnikova.

Mayor Brown called the meeting to order at 5:15 p.m. and advised that the purpose was to continue discussions on the 2008-2009 Town Budget. He called upon Town Manager Galloway for the presentation of the Enterprise Funds.

The Town Manager referred Board members to the proposed budget document and discussed the Enterprise Funds which include the Water, Sewer and Electric Funds. He noted that during the coming year, the Water Fund appropriation of \$2,452,970 was almost equal to the appropriation in the 2007-2008 budget. He suggested that was misleading though, since the Town had extra expenses to cover the higher than anticipated cost of the lab expansion at the Water Plant. So there are some increases in the Water Fund, primarily in the area of personnel costs for labor and fringe benefits. There is a rate increase of 5% to customers inside the town and 10% to customers outside the town to continue with the goal of providing \$275,000 for the rehabilitation of the Town's water system.

In the Sewer Fund, there is a sizable increase in the appropriation, as it goes to \$2,150,990. One of the major factors driving this increase is the personnel costs for wages and fringe benefits. Another is in the area of capital outlay where it is proposed to spend the first of four payments of \$55,000 to replace a 1994 sewer cleaning truck. The expected cost of the truck is \$185,000. In the Sewer Fund, an increase of 5% is proposed for customers inside the town and an increase of 10% is proposed for customers outside of town, and this increase will allow the Town to continue to meet the goal of providing \$275,000 annually for the rehabilitation of the sewer lines in the town.

In the Electric Fund, Galloway and Finance Director Eddie Caldwell expressed frustrations at the challenge of dealing with increasing fuel adjustments charges on from Progress Energy. With the cost of coal and natural gas rising, Progress Energy passes along higher costs they pay to their customers. The Town, which buys power wholesale from Progress Energy, must pass along those increases to its own electric customers. For the year, the Electric Fund's financial position did not grow the way it should have. Electric rates were increased to help fund the new electric substation, but with more money going to fuel adjustment charges, the funds set aside for the substation were not as high as projected. Board members encouraged staff to meet with Progress Energy representatives and to find a way to gain knowledge of the fuel adjustment increases earlier if possible. Then, the Town could make adjustments in its rates to prevent an erosion of the fund balance for the Electric Fund. Mr. Caldwell noted that there was no increase in rates proposed in the budget; however both Galloway and he noted that rates would be adjusted in response to the fuel adjustments from Progress Energy. Galloway indicated that as we make our way through the year, if we are not generating enough to pay the debt service on the new substation, additional rate increases may be necessary.

Mayor Brown inquired about the Town's contract to purchase power from Progress Energy and when rate increases would be necessary. Galloway explained that the current contract was set to run

through December 31, 2009, and that at that point, Progress Energy would begin assessing a rate increase which will result in a 3 ½% increase the Town must pass along to its customers. The new contract with Progress Energy will run through December 31, 2015, and there should be no general rate increases during that six year time frame.

The Finance Director presented details of the two service funds, the Public Works Fund and the Garage Fund. These funds are financed by contributions from the various departments, and those departments are assessed charges based upon the amount they use those funds, either by the amount of square footage they occupy at the Public Works facility or the number of vehicles and mileage put on those vehicles by each department. The major item of discussion was in the Garage Fund where the price for gasoline and diesel fuel has risen substantially over a four year period. Galloway noted that efforts are being made to reduce consumption and that Town Staff is looking for ideas on ways to cut costs in this area; however, he admitted that it was very challenging if we are to continue providing the same level of services to citizens as we do at present.

With the Manager and Finance Director finished with their budget presentation, Mayor Brown expressed an interest in considering a different compensation scheme for town employees than what has been proposed. He suggested that rather than all employees receiving an across the board, 3 ½% raise, he would like to see some system where lower paid employees received a larger bonus or pay increase than they would with a straight 3 ½% raise. The Mayor explained that if all employees received a \$600 bonus plus a 1.8% pay increase, the cost to the Town would be close to the same \$206,000 cost if all employees received a 3 ½ % cost of living increase. Other Board members expressed an interest in seeing a compensation package of this nature considered. Town Manager Galloway indicated that he would like some time to evaluate the Mayor's proposal and how it would affect personnel in the organization. He promised to evaluate the proposal and get back with the Board with his thoughts and comments as soon as possible.

Board members expressed a feeling that they would not need to have any further budget workshops until after the public hearing on the budget scheduled on June 10, 2008.

With no further business, Alderman Feichter moved to adjourn the meeting, seconded by Alderman Moore and passed unanimously.

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A. Lee Galloway  
Town Manager

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Gavin A. Brown  
Mayor