

SPECIAL MEETING  
BOARD OF ALDERMEN  
TOWN OF WAYNESVILLE  
TOWN HALL, 9 SOUTH MAIN STREET  
WAYNESVILLE, NC  
MAY 25, 2012  
FRIDAY, 12:00 P.M.

The Board of Aldermen held a special meeting at 12:00 Noon, on Friday, May 25, 2012, in the Town Hall at 9 South Main Street, Waynesville. Board Members present were Mayor Gavin Brown, Aldermen Gary Caldwell, Wells Greeley, Julia Freeman and LeRoy Roberson. Also present were Town Manager Marcia D. Onieal, Assistant Town Manager Alison Melnikova, Finance Director Eddie Caldwell and Management Advisor A. Lee Galloway.

Mayor Brown called the meeting to order at 12:00 noon and advised that it was a meeting continued from Monday, May 21, with the purpose being to further discuss the Town's budget for Fiscal Year 2013. The Mayor asked Management Advisor Galloway to pick up where he left off on Monday with the budget presentation.

Galloway indicated that he would like to give an overview of the General Fund and Enterprise Funds budgets for 2012-2013. He noted that the economy seemed to be growing and there was continued growth projected in Haywood County and North Carolina for the coming year. Sales taxes rose in 2011-2012 and another 1 ½ to 2% is included in projections for next year. The Town's Development Office is receiving more contacts from developers about potential projects, and there have been more commercial construction permits issued. Unfortunately, home construction is still low and few permits for new homes have been issued.

Most full time and part time employees are set to receive a 3% cost of living adjustment in the 2012-2013 budget. With wages and fringe benefit costs included, this will be at a cost of \$166,260 in the General Fund. Galloway noted that employees received a 3% cost of living adjustment in the 2011-2012 budget, their first raise in 3 years, but with costs rising for groceries, fuel and home heating, staff felt it was important to again provide increases for employees in 2012-2013.

There is also a change in the health insurance program with Blue Cross-Blue Shield, and there followed a long discussion about the various efforts made over the years to hold down health care premiums. Galloway called attention to a special report on the proposed changes and noted that these centered on having higher co-pays for prescriptions. At present, the co-pays are \$4.00 for generic drugs, \$30 or \$45 for name brand and \$100 for special drugs. Under the new plan, the generic drugs will be \$10 and the co-pay for brand name prescriptions will be \$100; however, the employee will only be responsible for \$40 of the \$100, with the Town absorbing the rest of the co-pay up to \$100. The Town secured proposals from Waynesville Pharmacy and Kim's Pharmacy, with each agreeing to charge the employee the \$40 for name brand and then billing the Town, through a special arrangement with Elkins & Associates, for the remainder up to \$100. Anything over \$100 would be billed to Blue Cross-Blue Shield based upon the allowed amount negotiated between the pharmacy and the carrier.

Town Manager Onieal explained that an employee was not required to use Kim's Pharmacy or Waynesville Pharmacy, but those two were willing to accept the \$40 co-pay and then bill the Town for

the difference. If an employee wished to use another pharmacy, the employee would have to pay the full co-pay up to \$100 and could then file for reimbursement from Elkin & Associates, the same firm that handles the Town's health insurance cost reimbursements. Ms. Onieal also noted that employees may shop around and find that some pharmacies may still charge only \$4.00 for generic prescriptions and they may certainly take advantage of that savings.

Galloway noted that if no changes were made in health insurance benefits, the initial quote from Blue Cross-Blue Shield showed a 17.19% increase of \$256,000 in renewal rates. The Town has three years of high claims and the carrier will pay \$1.45 for each \$1.00 in premiums collected in 2011-2012. When Town Staff first met with Blue Cross-Blue Shield, options were sought to keep the premiums down, and the change in the prescription co-pays was the way to achieve the lowest increase. About \$70,000 is allocated in the budget for higher costs due to the Town absorbing a portion of the co-pay, but there is the possibility that the change could result in almost no increased expense for the Town.

Another change that Town staff recommends is to attempt to move all employees toward paying the same share of whatever dependent coverage the employee carries. At present, there are two groups of employees, those employed prior to January 1, 2006 and those hired on or after January 1, 2006. Those employed on or after that date pay about 24% for dependent care. Those employed prior to that date pay varying amounts, and that variation came about in 2006 when the Town switched health care insurance from the League of Municipalities to Blue Cross-Blue Shield. Pre-2006 employees pay about 12% or 13% or 23% depending upon what dependent care they have. Starting in July, staff would like to put the pre-2006 employees with employee-spouse or with family coverage at paying 16% of the cost of dependent care. Those pre-2006 employees with employee-child coverage would continue at 23% of the cost. The staff recommends that if possible, those paying 16% in the 2012-2013 budget be raised to 20% in 2013-2014 and that every employee goes to a 25% level of contribution for dependent care in the 2014-2015 budget. For now, though, staff is only seeking the Board's approval for the two groups, employee-spouse and employee-family, to go to 16% of the cost of dependent care effective in July, 2012. Finance Director Eddie Caldwell noted that he had made a calculation of the lowest paid position with the Town, and the increased cost for health insurance would not exceed the amount of the cost of living adjustment being recommended. No one would actually lose money with the implementation of the 16% contribution for dependent care.

Board members indicated their support for the new program through Blue Cross-Blue Shield and the plan that staff is proposing to use Waynesville Pharmacy and Kim's Pharmacy for the lower co-pays for employees. Town Manager Onieal explained that if the Board was in agreement with the new proposal, she would need to sign the contract with Blue Cross-Blue Shield and send it in to the carrier so that they may begin making changes in the insurance cards to issue those covered by July 1. Mayor Brown asked the Board for comment and all were in agreement to go with the changes to Blue Cross-Blue Shield and to increase the amount of participation in dependent care costs for 2012-2013.

Galloway noted that there was one additional employee recommended in the 2012-2013 budget, that being in the Sanitation Department, to shuttle full garbage trucks from Waynesville to the White Oak landfill. By going this route, the collection crews would not have down time driving to and from the landfill as they currently do to the transfer station at Jones Cove Road. In another change, he told the Board that the COPS Grant which has funded two police officers for the past three years would be ending and that the Town would be picking up the costs of those two officers. In responding to a question from Alderman Wells, Finance Director Caldwell advised that the Town had received about \$80,000 annually in grant funds to provide for those two officers.

Galloway advised that the budget included \$400,000 for the cost of the skate park that the Board authorized at the annual retreat. He noted that Recreation Director Rhett Langston requested \$325,000 for this purpose, but that in discussions, the staff felt that the Board wanted the skate park to include adequate parking and landscaping, so the figure was moved to \$400,000. Of that amount, about \$100,000 will come from grants and donations and another \$100,000 will be provided through a new privilege license tax to be assessed on internet and/or video gaming machines. The remainder of \$200,000 will come from the reserves of the General Fund as a one-time expense.

In other highlights, Galloway noted that \$20,000 was requested for a study of the Information Technology System for the Town, assessing how all departments are connected and supported. There is also an appropriation of \$25,000 to completely redo the Town's web site, trying to make it cutting edge and easy to maneuver and a real drawing card for the community. He pointed out that so many industries and commercial enterprises as well as individuals use the web site of a community to learn more about the location as a potential site for their business or as a retirement home. Mayor Brown, who has served on the Economic Development Commission, confirmed this, noting the number of hits on the web site that come from various industries which have Haywood County and Western North Carolina as a potential location for their operations.

It was also reported that funds were requested for three studies in the Planning Department. One study would be on the downtown historic area and another would be on the section of Town bordering North Main Street and Walnut Street, which many refer to as "Spreadout". Finally, he noted that \$20,000 had been designated as a potential cost of the Town's study on the issue of the future of Lake Junaluska Assembly. That area is currently studying its own future, and some of the options will certainly have an impact on Waynesville. The Assembly will consider whether to become a town or to approach the Town about being annexed by Waynesville or to transfer the water and sewer system and streets to another entity or to remain the same with no changes. The Waynesville Board has mentioned that the Town would need to conduct its own study of the issue, and these funds will provide the costs to conduct that study.

Galloway mentioned that there were two major capital purchases proposed for 2012-2013, a rear loading fire truck and a new fire pumper. The rear loader is on order and should arrive in late summer, and he suggested that the fire truck specifications be developed as early in the fiscal year as possible so the unit may be ordered and delivered in the spring of 2013. He advised that these two items along with the bucket truck for the Electric Department will arrive in 2012-2013, but the first payment on the debt to buy the three units will not be due until the 2013-2014 fiscal year.

For the General Fund, the appropriation from fund balance is \$1,063,090, and Galloway noted that even though that was more than normally appropriated from reserves, the staff was comfortable in making the recommendation. He pointed out that the reserves of the General Fund would likely exceed \$5,000,000 at June 30, 2012, and that the \$200,000 for the skate park was a one-time appropriation that would not be repeated. He also directed attention to the property tax and sales tax collections which were both growing as the economy recovers.

Attention was then turned to the Enterprise Funds, where the Town has 37 employees in the Water, Sewer and Electric Departments. The 3% cost of living adjustment and related fringe benefit increase will be \$47,440, and there are no new employees recommended in these operations.

Galloway reminded the Board that a 6% increase was recommended in both water and sewer rates and that staff felt these were necessary to continue to address the \$31 million in needs that were identified in the Asset Management Study from 2007. He remarked that when he became manager in 1994, the Town was spending between \$15,000 and \$25,000 on maintaining the systems. In the next budget, it is recommended that \$300,000 be spent on water system improvements and that the amount for sewer system rehabilitation increase from \$300,000 to \$350,000. In addition, \$498,000 is being recommended for improvements at the Water Treatment Plant - \$305,000 for repairs to the concrete at the filter basins, \$143,000 for replacing filter valve actuators and \$50,000 for repainting the pipe gallery. At the Wastewater Treatment Plant, the bridge on Walnut Trail is in serious need of attention, with replacement of some timbers, sandblasting and repainting scheduled at an estimated cost of approximately \$100,000.

In discussing the \$498,000 in Water Plant improvements, Galloway noted the proposal of staff that the Water Fund contribute \$98,000 from the 2012-2013 budget, with the remaining \$400,000 coming as a loan from the General Fund. That amount would be paid back at increments of \$100,000 in each of the subsequent four years, FY2014 to FY2017. Because there is already a loan and a lien on the Water Plant due to the expansion of the lab in 2008, it would be difficult to find bidders on lease-purchase financing for the \$498,000 in improvements requested in the 2012-2013 budget. Since the General Fund has the resources available, Ms. Onieal recommended that a loan be made to the Water Fund and the staff concurred with that suggestion.

The Electric Fund will see a substantial increase in total revenues and expenditures in the 2012-2013 budget, and that is driven by the expansion of Sonoco Products. That firm is adding a 22,000 square foot facility and a new machine which can produce many more plastic trays than the current machines. As a result, the Town will be installing two 2,500 Kva transformers which will dramatically increase the amount of electricity available to the facility. There should be a substantial increase in the revenues from the sale of electricity to Sonoco, and that will be offset to some degree by a substantial increase in amount of wholesale power the Town buys from Progress Energy to meet the demand.

As far as the use of reserves of the Water, Sewer and Electric Funds, Galloway noted that the budget calls for an allocation totaling \$645,520 from all three funds for 2012-2013. That number is \$186,230 less than the \$831,750 initially proposed in 2011-2012. While he expressed some concern about the stability of the Electric Fund, he recommended that the Town Board wait to see about the impacts when Sonoco Product's expansion came on line.

In the 2012-2013 budget year, the Electric Department will receive a new bucket truck at a cost of \$196,000, the Sanitation Department will receive a new rear loading garbage truck at a cost of \$130,000 and the Fire Department should receive a new fire pumper at a cost of \$434,500. Those three units will add around \$761,500 to the debts of the Town, and the first payment will not be due on these trucks until the 2013-2014 fiscal year. But over the next two years, the Town will be paying off \$3,719,911 in debts on various buildings, equipment and vehicles, with \$1,975,520 being paid in 2012-2013 and \$1,744,391 being paid in 2013-2014. While the Town is incurring an additional debt of \$761,500 over the next two years, it will be paying off almost five times that amount, \$3,719,911.

There were few additional questions of the Town Manager and her staff, and Board members commended the staff for the job done with developing the budget, helping the employees and meeting the needs of the community.

Mayor Brown asked Mr. Galloway for a status report on the sagging roof at the new fire department. Galloway explained that under the terms of the construction document on the building, there was a requirement that action must be filed against the contractor's insurance carrier within two years of the date the occupancy permit is issued. The fire station was occupied in May, 2008 and the certificate of occupancy was issued in August, 2008. The snow storm that caused the roof to sag occurred in December, 2009 and the engineering study of the problem was not completed until the spring of 2010. By the time attorney Bill Cannon was brought into the matter and had time to assess the situation, the two year period from the date of occupancy had passed, and Mr. Cannon advised that he felt the Town would not have a valid claim against the insurance company.

Ms. Onieal advised that staff had discussed the matter with the Town Attorney and he made the recommendation that the Town secure another structural engineering report on the building. She noted that there had been no leakage during rainfall or snows but she felt that the matter did need to be addressed and resolved before leaks did show up.

Mayor Brown then called on the Board members for their additional input on the budget or on future financial needs of the Town. He asked Alderman Caldwell for his recommendation of the way in which the \$100,000 available for distribution to non-profits should be distributed. Alderman Caldwell presented his recommendation for the distribution of the \$100,000 and this was accepted by the consensus of the Town Board.

Mayor Brown indicated that he had given thought as to the best use for the former prison in West Waynesville next to the Haywood County Jail. He said that if the State would donate the facility to the County for \$1.00, it would appear to be a good site for a Homeless Shelter. He suggested that homelessness is a problem for the entire community, the Town and the County included, and he noted that the two entities might need to come together to find a solution to this issue.

Alderman Caldwell advised the Board that he has been working with merchants and property owners in Frog Level on securing pedestrian level lighting in that area. He had consulted with Fred Baker, Public Works Director, and Phillip Wyatt, Electric Superintendent, on underground wiring for the area, and he expressed hope that the Town would provide the labor and some materials and supplies to help on this project. He also mentioned the continual problem with parking in the Frog Level area, pointing out that as more businesses located there and more people were drawn to the area, there would be more challenges to providing adequate parking in the area.

There being no further discussion on the proposed 2012-2013 budget, Alderman Caldwell made a motion that the meeting be adjourned. This was seconded by Alderman Freeman and passed unanimously, with the meeting ending at 2:15 p.m.

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A. Lee Galloway  
Town Manager

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Gavin A. Brown  
Mayor