

**MINUTES OF THE TOWN OF WAYNESVILLE BOARD OF ALDERMEN
SPECIAL SESSION MEETING – BUDGET WORK SESSION #2
JUNE 10, 2013**

THE WAYNESVILLE BOARD OF ALDERMEN held a special budget work session on Monday, June 10, 2013 at 5:30 in the board room of Town Hall, 9 South Main Street, Waynesville, NC

CALL TO ORDER

Mayor Brown called the meeting to order at 5:30 p.m. with the following members present:

Mayor Gavin A. Brown
Alderman/Mayor Pro Tem Wells Greeley
Alderman Julia Freeman
Alderman LeRoy Roberson
Alderman Gary Caldwell

The following staff members were present:

Marcy Onieal, Town Manager
Alison Melnikova, Assistant Town Manager/Deputy Clerk
Margaret Langston, Human Resource Manager
Paul Benson, Planning Director
Eddie Caldwell, Finance Director
James Robertson, Tax Collector
Fred Baker, Public Works Director
Bill Hollingsed, Police Chief
Brian Beck, Lieutenant
Joey Webb, Fire Chief

- **Electric Fund Revenues & Rates – Marcy Onieal/Eddie Caldwell**

Marcy Onieal acknowledged that the references to revenues and rates in regard to the Electric Fund may have been a little confusing in the proposed budget. She mentioned the proposed budget includes both a revenue increase, due largely to additional sales of electricity anticipated, particularly to the Town's largest industrial electric customer, and an anticipated adjustment in the electric rates, which is not yet included in the proposed budget, but which is anticipated to occur sometime later summer or early fall. The manager noted that the NC Utility Commission had already approved 7.2% and 7.5% rate increases for Duke and Progress residential customers and noted that we expect to see anywhere from a 10-20% increase in wholesale rates from Duke Energy Progress in 2015 when our current contract is set to expire. In addition, although the Electric Fund has continued to remain healthy without an increase in consumer rates since at least 2009, the Funds margin for reinvestment in the system has dropped over the last five years to the point that an increase is warranted, however, the Town has always tried to ensure that rates for customers on Town electric was about the same or slightly lower than rates for customers on Progress. The proposed new rates for Duke Energy Progress are not yet available, but we anticipate raising Town electric rates in tandem with Duke Energy's raising of theirs. Mr. Caldwell

mentioned wanting to be cautious as he has not seen Duke Energy's rate structure yet. Manager Onieal mentioned that it is likely we will recommend gradual rate increases in each of the next three years in anticipation of the wholesale increase we anticipate coming three years out, so that our customers will not be hit suddenly with such a large single rate increase in 2015. Initiating modest rate increases now will buy down the much larger anticipated increase three years out.

- **Gross Receipts Proposal – James Robertson**

In an effort to recoup revenues lost from sweepstakes licenses, changes to the business privilege license rates are proposed. Mr. Robertson reported the Town of Waynesville currently operates on Schedule C, which is a flat rate model, under which businesses are charged a flat rate per year, with most being charged \$25 per year. The proposed budget recommends moving to a Schedule A, or gross receipts model, which is based on revenue. Much research went into this, particularly reviewing Article 39 regarding what the state gives out as far as sales tax. According to what Haywood County generates in sales tax, we estimate 40% of that flows to Waynesville. There are anchor businesses that would generate more than a million dollars per year and it is these businesses that could help replace the revenue we lost. Some businesses operating under Schedule B, would not see an increase because they are regulated by general statute, by the State.

Under the gross receipts model, businesses generating less than one million dollars in revenue annually would continue to be charged a flat rate of \$25 per year; the businesses that would be most affected are big box, anchor and/or national chain businesses in Waynesville that have annual revenues exceeding \$1,000,000. Fifty cents per \$1,000 would be charged over the million dollar threshold. Mr. Robertson reported the majority of cities and counties are adopting this method which puts everyone on a more equitable playing field.

To put it in perspective, if the Town of Waynesville implements the proposal as presented, this would generate \$121,500.00 to \$131,500.00 in business license revenue along with a projected amount of \$17,500.00 from Schedule B and Schedule C fees. This would put the business license revenue amount at approximately \$139,000.00 to \$149,000.00. Mr. Robertson does not recommend putting a cap on this tax.

In answer to Mayor Brown's questions regarding enforcement and concern over more regulation, Mr. Robertson explained businesses would have to give evidence of their income on an honor system basis. A one page form would have to be filled out with income information the business customarily provides to their tax accountant or the IRS. It is not many businesses that would fall into this category, mostly the big box retailers, and they already have this type of tax calculated into their business model.

Mayor Brown asked about the possible elimination of this revenue-based tax in 2015 and the chance of making people mad for one year of revenue. Mr. Robertson agreed these are "uncharted waters". He sees this as a fairness issue: The proposed gross receipts model will not hurt small business owners and would simply require the higher-end businesses to pay their share.

- **Cemetery Rates/Implementation – Fred Baker**

Raising fees associated with Greenhill Cemetery is proposed to increase the perpetual care fund which is "woefully low" according to Town Manager Marcy Onieal. Fees for cemetery lots and columbarium niches may see an increase to \$1,500, which are still lower than what most other private cemeteries

charge on average. Changes to administrative fees were suggested by Public Works Director Fred Baker who does not like having separate charges for opening and closing during normal business hours and for recording cemetery deeds. An additional fee of \$200 would remain for opening and closing for after-hours, weekends or holidays.

The Board agreed the cemetery is a public service, not a money maker, and while the proposed fee changes should help the Town recoup a small portion of the cost in future years by investing the income in the perpetual care fund, it will not result in substantial revenue or enough of an “endowment” to fully maintain the cemetery in perpetuity. Ms. Onieal emphasized the responsibility the town has in maintaining the cemetery forever saying it would be a travesty for a community to let public cemeteries fall into disrepair. Mayor Brown looks forward to having cemetery records in digital format and Wells Greeley hopes the Town will consider flat markers for less maintenance costs.

- **Personnel Considerations**
--2.1% Pay Adjustment – Marcy Onieal

Ms. Onieal reported that for the last 15-20 years the Town of Waynesville has seen wage adjustments for personnel strictly coinciding with cost of living, with everyone receiving an across-the-board increase. From a leadership standpoint it is important to consider alternative methods of compensation that serve to both encourage performance and target problems.

By FY 2013, total payroll with benefits will be \$10.7 million or one third of the entire budget. With personnel being the Town’s single biggest resource, Ms. Onieal proposes to set aside 2.1 percent (\$140,000) for a multitude of employee development initiatives including succession and wellness, cross training, customer service training, and incentives for productivity and efficiency. She said it is important for the whole leadership to be engaged in the process of recommending how to allocate these funds.

Ms. Onieal said she is not saying there is currently a problem, but it is important to be cognizant of the signs of trouble within an organization:

Signs that Employee Compensation & Benefit Packages Need Work:

1. Trouble recruiting or retaining
2. Open & frequent discussions among employees about employee compensation
3. Questions or difficulty accessing employee benefits
4. Declining motivation, morale, drama in the organization
5. Exit interview identifying compensation as a problem
6. Paying as much or more for new hires as seasoned veterans
7. Inability to distinguish high performers from average or below average performers through appropriate means of reward and recognition
8. When incentive bonuses are provided to all and become to be viewed as an “entitlement” over time

Shifting some resources from cost of living to a merit model may better serve the organization and employees, raising performance over time. One concern of this proposal may be a perception of unfairness, but the manager assures there will be no playing favorites or cherry-picking where resources go. The fact is \$140,000 will not come close to addressing compensation challenges which have arisen in recent years due to failure to keep the pay and classification plan up to date. We will

complete a full study of options and where the funds can best address the most significant compensation needs, which will allow us to take baby steps in a different direction.

Mayor Brown agreed payroll is a large percentage of what the Town spends and it is important to look toward the future and maintain a healthy long-term investment in the Town's most important resources – it's employees. These measures are some we talk about within our own businesses. Dr. Roberson agreed investing in employees is a logical way to proceed.

--Health Insurance Program – Margaret Langston

Human Resource Manager Margaret Langston reported the drug plan program with Waynesville Pharmacy and Kim's Pharmacy is a successful one with others pharmacies interested in coming on board. There have been no complaints from employees or either pharmacy. Ms. Langston is awaiting a call from Rite-Aid's corporate office to discuss inclusion in the program.

Ms. Langston attended a League of Cities conference in Denver recently where high insurance costs across the country were discussed—percentages of 17-19% and higher. Waynesville's claims under \$70,000 increased 16 percent, while big claims over \$100,000 are coming down. Eddie Caldwell reported setting aside \$293,000 for health insurance, but will spend \$160,000 and employees are satisfied with the system. Ms. Onieal added part of the reduction in cost is due to the drug program which has encouraged increase use of generic prescriptions over top tier brand-name drugs.

Ms. Langston hopes the proposed health & wellness program will educate employees to change their eating and fitness habits and encourage regular doctors' care rather than necessitated urgent care visits. Mayor Brown mentioned the possibility of an on-site health clinic being beneficial. Manager Onieal has already initiated conversation with Haywood County about partnering with them in the county's already established in-house clinic, which has proven to be a cost-saver for the county. The manager and Ms. Langston will be working with the Leadership Team in coming weeks to formalize a proposal for employee health, development and compensation with a proposed effective date of January 1, 2014.

--Wellness Program Proposal – Margaret Langston, James Robertson

Tax Collector and Wellness Program Coordinantor James Robertson hopes to have wellness incentives in place this fall with implementation January 1, 2014. One concept for consideration in association with Blue Cross is to implement health risk assessments to save 5% on next year's premium. This would require 50% of employees participating. Several other incentives were discussed in a power point presentation, most of which would require proof of participation. While incentives will cost money, it is important to motivate employees into making lifestyle changes and educate them that wellness impacts our health. From the Town's standpoint, without wellness initiatives, the cost will come in the form of insurance.

Ms. Langston reported Blue Cross pays 100 percent for wellness exams for employees but 66 percent have not taken advantage of it. The Waynesville Recreation Center offers free admission for employees but less than 20 percent take advantage of this.

The total amount proposed to implement incentives would be \$91,275 and that would include: \$66,000 rewards (monetary, gift card, etc); \$19,800 in food for Lunch & Learn; guest speakers; on-site health

screenings; \$600 for point-recording (proof of participation in various programs); and \$250 for miscellaneous supplies and materials.

--Fire Department Staffing – Joey Webb

Chief Webb reported an increased need in his department for fire personnel. He hopes to have 2 fire engineers at Station 1 and 1 fire engineer at Station 2 (on four shifts) with additional part time staff to cover Station 2 (currently there is one fire engineer at each station on four shifts).

Ten full time and 4 part time firefighters operating in four shifts, 30 volunteer firefighters and 15 volunteer first responders for medical calls are not meeting the needs of the department currently and especially when merger with Lake Junaluska is at issue. In 2012, Station 1 received 974 calls for service while Station 2 received 880. For 2013, Station 1 has received 438 while Station 2 has received 475 to date.

Chief Webb reported that historically, 80% of all firefighters are volunteers but as the Town grows it is important to supplement with increased personnel. Chief Webb said he has been trying to take care of needs for his department by maintaining volunteers but “down the road this could become an issue”. Mayor Brown reiterated that even without the merger of Lake Junaluska in the equation, Chief Webb “would have asked for [an increase in personnel] regardless”.

--Assigned Vehicle Program – Bill Hollingsed

Bill Hollingsed and Lieutenant Brian Beck who manages the Police Department’s fleet reported on the various benefits of the Waynesville Police Department’s Assigned Vehicle Program.

Town benefits include:

- Operating costs per mile are 30% lower for assigned vehicles versus pool vehicles
- Pool vehicles are replaced every 24-36 months compared to 72-84 months for assigned patrol vehicles
- Lower accident and repair costs—Studies showed pool vehicles averaged \$8400.00 a year in damage and repair costs while an assigned vehicle required only \$1375.00 a year
- Maintenance costs were found to be 16% lower per vehicle for assigned vehicles as compared to pool cars
- Drivers take ownership in the cars that they are assigned and are held responsible for daily care. Assigned cars are generally not run as hard, which equates to better mileage.
- Individual driver takes pride in his or her vehicle

Department benefits include:

- On average, an officer takes between 30 and 45 minutes to check-out, load and/or unload their pool car. On the low side (30 minutes), that equates to 1 hour per day of lost time each shift.
- Officers in assigned vehicles typically render a significant amount of service while “off duty”.
- Increases the back-up potential for officers on duty and in need of assistance.
- Additional police presence as officers travel to and from work and while responding to other activities. Citizens and potential offenders see a more visible presence, often creating a deterrent effect.

- Creates a rapid response to emergency callouts. SRT members, Crisis Negotiators, etc. can respond directly to the scene instead of to the station.
- Recruitment and Retention

Officers' Benefits include:

- Increased Officer morale
- Ownership and pride in vehicles and agency
- Decreased response times to emergency call-outs

Community Benefits include:

- Increased visibility of officers
- Greater overall efficiency
- In assigned vehicle study, only 16% of community members were opposed to assigned vehicles versus 84% who believed the program was beneficial to community
- Savings to taxpayers—After initial start-up, net savings begin to occur in the second year due to lower maintenance and operating costs. By the fourth year, vehicle replacement costs drop significantly due to much lower accumulation of miles.

The total cost for implementation of the assigned vehicle plan would be \$548,700 for 15 cars with necessary equipment, cages and radios. After discussion among members and staff, Mayor Brown called the proposal a “no-brainer” and asked how long the program would take to implement. Lt. Beck said the deadline has passed for 2013 models, therefore 2014 models would have to be purchased. Once ordered in November, next Spring would be delivery. Mayor Brown thanked Lt. Beck for his thorough report.

- **Junaluska Merger Implications – All Staff**

Town Planner Paul Benson mentioned Lake Junaluska’s first exposure to zoning issues created unease, but zoning must be done if the Town doesn’t want to suffer consequences. For tax purposes, once annexation is effective, Junaluska residents will receive a bill and a letter from the Town explaining there is no overlap in payment. Manager Onieal noted that Junaluska residents will feel as if they are being double billed, because in fact they will receive a bill for assessments at Lake Junaluska for the previous 8 months at the same time they receive the tax bill from the town for the next 10 months. The problem arises because Lake Junaluska bills in arrears, whereas municipalities bill in the middle of the fiscal year for the full 12 months. Officials at Lake Junaluska have been clear about telling their residents that they will indeed be paying for 18 months of service in the first year but that they are not paying for the same service twice. Two additional police officers are needed and Police Chief Hollingsed reported they are in the process of hiring these individuals.

- **Capital Equipment/Project Questions – All Staff**

Mayor Brown reported the Town of Waynesville is not initiating new capital construction projects but water and sewer upgrades are necessary.

- **IT Master Plan Implementation – Alison Melnikova**

Assistant Town Manager Alison Melnikova reported there is an increase in the amount being asked for IT improvements. The skeleton needs to be fixed if we are to communicate effectively and have a

network that is secure. Since changes to technology are disruptive, we would like to see as many changes handled at once rather than incrementally. The biggest expenditures will be in assessment, training and software. Employees must be given the tools they need to provide the necessary services.

It is estimated that \$180,000 will be needed for “cloud service”. Ms. Onieal mentioned that while we are moving as if we are going to implement the IT Master Plan, we are somewhat hesitant based on adjustments the General Assembly may or may not be making and will hold off signing a contract until the full state budget picture is known.

- **ABC Board Budget – Marcy Onieal**

Ms. Onieal reported the ABC Board is required by law to present their budget to the Board of Aldermen for review. The ABC board is currently projecting a \$61,000 loss, with “negative” distributions, but by law it must proposed a balanced budget. The manager has informed the ABC Manager that changes must be made to balance the budget appropriately before their board may adopt the budget. The ABC board confirmed that it will not be making any profit distributions to the town or county in the coming year.

- **Non-Profit Allocations – Gary Caldwell**

The Board discussed several non-profits, those which have received or are hopeful to receive support from the Town of Waynesville including REACH and the Asheville Symphony respectively. Most of the non-profits have remained constant, and the Board was asked to review the current list and bring forward any concerns or suggestions.

Mayor Brown thanked the staff for being at the meeting, for addressing the Town’s priorities and interests and for a job well done. With no further business, Alderman Greeley made a motion to adjourn the meeting. Alderman Freeman seconded. The motion passed unanimously.

ATTEST:

Gavin A. Brown, Mayor

Marcia D. Onieal, Town Manager

Eddie Ward, Deputy Clerk

Minutes prepared by:

Ginny Boyer, Administrative Assistant