

**MINUTES OF THE TOWN OF WAYNESVILLE BOARD OF ALDERMEN  
SPECIAL CALLED MEETING  
JUNE 6, 2014**

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**THE WAYNESVILLE BOARD OF ALDERMEN** held a special called meeting on Friday, June 6, 2014 at 9:00 a.m. in the conference room of the Municipal Building, 16 South Main Street, Waynesville, NC.

**A. CALL TO ORDER**

Mayor Brown called the meeting to order at 9:00 a.m. with the following members present:

Mayor Gavin Brown  
Alderman Gary Caldwell  
Alderman Julia Freeman  
Alderman J. Wells Greeley  
Alderman LeRoy Roberson

The following staff members were present:

Marcy Onieal, Town Manager  
Amie Owens, Town Clerk  
Eddie Caldwell, Finance Director  
James Robertson, Tax Collector  
David Foster, Public Services Director

Representing the Media:

Becky Johnson, Smoky Mountain News  
Mary Ann Enloe, The Mountaineer  
Holly Kays, Smoky Mountain News

The purpose of the special called meeting was to discuss the proposed FY 2014/2015 budget.

Call to Order and Announcements

Mayor Gavin Brown welcomed everyone to the meeting explained that this budget is a work in progress and that key considerations should be the balance between what the citizens of the Town expect and what is needed for continued future growth. He reminded members that if they had questions to please ask and be interactive in this session. Mayor Brown noted that the focus of this first meeting was revenues. He called on Manager Onieal for other announcements.

Manager Onieal made the following announcements:

- There is no break built in to the schedule for this meeting; members may move about as necessary
- Smoky Mountain News will be hosting an event from 5 – 7 p.m. to celebrate 15 years in business and the move to their new facility on Montgomery Street. The Mayor, Aldermen and Staff are invited to attend.
- Board packets are ready and should be acquired before leaving today.
- If any of the Board are having difficulty setting up their new emails on their tablets or phones – Ms. Onieal or Ms. Owens will be happy to assist and will come to offices or homes as necessary.

### Introduction

Manager Onieal began by explaining that this is an informal work session, focusing on critical topics related to revenues. She noted that the projections/estimates were difficult this year due to the climate of uncertainty. Manager Onieal noted four areas that have impacted the budget for the upcoming year including:

- Economic decline/7 year recession and no natural growth
- Loss of a series of revenues – ABC, County subsidies for Recreation and Solid Waste
- Legislative changes – business privilege license – no revenue after 2015
- Lake Junaluska – will take 2 years before revenues are available and if the merger is approved in this session, it will be a full year before the merger occurs

### Manager's Recommendations

Manager Onieal explained that the past years have been difficult, but the upcoming years will be more so. The main consideration is whether or not to proceed as is or do we consider additional cut backs? Manager Onieal recommended a 3¢ increase to the tax rate as cut backs have already been made. The General Fund is supported by the tax rate.

Manager Onieal noted that when she became manager, there were two goals that the Board set for her – the merger and the transition of the IT infrastructure. The merger with Lake Junaluska is now in the hands of the legislators, but a great deal of progress has been made. The IT transition is in process with completion this fall. She noted some of the other areas where improvements have been made including:

- Implementation of Wellness initiatives and wellness programming for staff which will impact health care costs.
- Succession planning including training and mentoring; all departments are developing plans
- Participation in a number of planning efforts including the Opt In and Grow WNC initiatives as well as the North and South Main Street development plan

Manager Onieal called attention to the goals set by the Board at their retreat in March. She noted that these priorities were considered for this budget process. These areas are incorporated by staff and used as a means for to apply priorities for resources.

### Key Elements to the Budget

Manager Onieal discussed fund comparisons between the FY 2104 budget and the proposed FY 2105 budget highlighting the various increases and decreases to the various funds. She called attention to the increase in the Asset Management Fund which is an internal service line. This fund captures functions shared by departments such as IT, purchasing, public services administration, etc...

Finance Director Caldwell explained that these shared services had not been allocated previously; however, the cost allocation formulas will allow for a more accurate reflection of the organization. Manager Onieal added that the comparison for FY 14 and FY15 would not be equivocal, but moving forward it will provide a more comprehensive financial picture and allow for better reporting and more accurate cost allocation than has previously been employed.

Manager Onieal then covered the fund balance appropriations. She noted that it is considered acceptable to use fund balance to balance the budget, or get over a short cash flow problem, spend for one-time capital projects or to exchange one longer-term asset for another, but that it was not good to

use this savings account to fund regular ongoing operational needs.. Ms. Onieal distributed information showing a history of the Fund Balance usage from 2007 through 2013. Manager Onieal added that Mr. Caldwell tries to maintain fund balance as close as possible to like-size towns which typically runs 35-40%. If the current budget is approved, the fund balance will be at approximately 25%. She indicated there is nothing inherently wrong with maintaining fund balance at the 25% level, but that if actually spent, the LGC would not look favorably upon such a dramatic decrease in a single year. She did note that budgeted fund balance in the General Fund was dropping from \$1.6 million in FY13-14 to \$1.2 million in the proposed budget.

Manager Onieal explained that there were no frivolous requests from departments, no capital projects and no vehicle or equipment purchases other than scheduled replacements. She added that one of the actions taken to save monies was to use lapsed salaries and hold vacant positions open as long as possible, although there is not a formal policy in place to freeze positions..

Manager Onieal moved to the revenue recommendations. She highlighted the proposed tax rate increase and noted that there had not been an increase in ten (10) years; the last adjustment was a fraction of one cent intended to keep the Town at a revenue neutral position upon County revaluation of properties. The Municipal Service District tax rate and Solid Waste and all other fees remain the same as in FY13-14. There are proposed increases in the water and sewer rates of 5% which is consistent with the 2006 Asset Management Plan and a \$1.00/month increase in residential base electric rates through August 1, 2014 to reach parity with Duke Progress rates.

Manager Onieal commented that most municipalities have had to increase the tax rates due to the economy in the last 2-3 years. The primary revenue sources that comprise the General Fund are fees and taxes, and municipalities are legally limited as to how they can raise additional funds for ongoing operations. She added that the merger with Lake Junaluska would allow for a little breathing room and flexibility in budget management in the General Fund, but until that happens or until debt begins to fall off, or until the economy improves significantly, the budget is quite constrained on the revenue side.

Mr. Caldwell explained that due to legislation enacted, that the electric franchise fee is disappearing but that new sales tax of 7% will be added for all customers, resulting in an increase to customers which must be passed through to customers by both public and private utilities.. There is a potential for 40% of this fee to be allocated back to municipalities, but this is discretionary and may not occur. Mr. Caldwell confirmed that this would mean that Waynesville customers will pay at least 4% more than they have been accustomed to paying.

Manager Onieal briefly discussed expenditure considerations and explained that the work session on June 17<sup>th</sup> would focus on expenditures.

Manager Onieal covered the final aspect of her budget message and explained that there have been multiple areas where cost increases or lost revenues have been absorbed by the Town. Three ways that the Town has been able to absorb these lost revenues is by:

1. Increasing operational efficiencies
2. Holding positions open and utilizing lapse salaries
3. Increased utilization of fund balance and utility transfers

Manager Onieal highlighted several areas where the General Fund has had to be used to make up for loss of revenues, totaling nearly \$1 million dollars over the last several years. Manager Onieal

acknowledged that the next few years would be financially tight but keeping the level of service high and maintaining the strategic vision of the organization are the ultimate goals.

Mr. Caldwell explained that unfortunately revenues are stagnant with no natural growth occurring. Both he and Manager Onieal are concerned that use of fund balance is occurring more than they are comfortable with and having an increase in the tax rate is the best way to replenish the General Fund for use in the future.

Manager Onieal asked Tax Collector, James Robertson, to provide information regarding the legislative action that eliminates the business privilege license tax and impacts to the Town. Mr. Robertson explained that for FY 14-15 there will be minimal impact, the only change will be that collections will be allowed only for those businesses physically within the town limits; revenue will be lost from those businesses such as contractors who work within the town limits, but their offices are outside of town limits. After July 1, 2015, the business license tax is repealed and the impact will be close to \$150,000 annually or almost 1.5¢ on the tax rate.

Manager Onieal expressed her thanks to Mr. Caldwell for his efforts with this budget and opened the floor up to the Board for questions or discussion.

#### Questions and Discussion

Mayor Brown asked if there was any way to restructure the debt via financing options to help recoup the loss of investment income. Mr. Caldwell explained that it may be possible and he would compile information for presentation to the Board at the next work session.

Mayor Brown asked about the loss of \$80,000 from Haywood County for solid waste costs to drive to White Oak. Manager Onieal responded that she had recently received confirmation from the County Manager stating that these funds were not included in the County's budget this year.

Mayor Brown inquired if the Tourism Development Authority proposed group marketing coordinator, who would be partially supported by funds from municipalities and county, had been included in this budget. Manager Onieal responded that although she had initially included it in the proposed budget, she removed it upon confirmation that the other jurisdictions did not include it in their budgets.

Discussion was held regarding the various economic development incentives for businesses on South Main Street and the timetables for when these incentives are to end. Mr. Caldwell explained that the packages varied and were being charged in accordance with agreements signed.

Manager Onieal inquired if the Board had specific topics that they wished to have information on for the next work session regarding expenditures.

Alderman Caldwell asked about the special appropriations for Folkmoot and HART. As they are already receiving funds from the Town, would it be best to have a total appropriation of \$25,000 for each and let the organization utilize the funds to their best benefit, and allow other agencies the opportunity to benefit from funding. The same question was posed related to the Chamber and EDC as they will be one unit beginning July 1, 2014.

Manager Onieal noted that the Public Hearing will be held on June 10, 2014 and if the board is not ready to approve the budget, they can open the public hearing and continue it to the next meeting, if

necessary. She reminded the board that there is also time to schedule additional workshops if that would be helpful but that the budget must by law be adopted no later than July 1, 2014.

**G. ADJOURN**

*There being no further business to discuss, Alderman Greeley made a motion, seconded by Alderman Caldwell, to adjourn the meeting at 11:17 a.m. The motion passed unanimously.*

ATTEST

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Gavin A. Brown, Mayor

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Marcia D. Onieal, Town Manager

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Amanda W. Owens, Town Clerk