

MINUTES OF THE TOWN OF WAYNESVILLE BOARD OF ALDERMEN
SPECIAL CALLED MEETING – BOARD RETREAT
March 27, 2015

THE WAYNESVILLE BOARD OF ALDERMEN held a special called meeting on Friday, March 27, 2015 beginning at 8:30 a.m. in the Wells Event Center, 296 North Main Street, Waynesville, NC.

A. CALL TO ORDER

Mayor Brown called the meeting to order at 8:35 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
David Foster, Public Services Director
Bill Hollingsed, Police Chief
Joey Webb, Fire Chief
Eddie Caldwell, Finance Director
Jeff Stines, Water/Sewer Superintendent
Kyle Cook, Water Treatment Superintendent
James Rhinehart, Electric System Superintendent

The following media representatives were present:

Mary Ann Enloe, the Mountaineer
Becky Johnson, Smoky Mountain News

Welcome /Introductions/Agenda Review

Mayor Gavin Brown welcomed everyone to the meeting and began by recapping some of the priorities from last year's retreat such as hiring a Development Services Director (in process) and attracting new business. One example of such forward momentum is the Development Services Advisory Group which is meeting to provide feedback on how to make Waynesville more business and development friendly.

Mayor Brown added that this retreat is focusing on what we do and who we are. He highlighted the various informational topics that would be shared during the retreat. Mayor Brown commented that what retreats like these are designed to do is to make sure that as elected officials, we do what is for the benefit of the citizens. With well over 250 years of experience in the community, the focus is on the citizens; and the citizens of Waynesville appreciate that we live, work and play here.

Mayor Brown asked if the board members had any opening comments. There being none, he asked Manager Onieal to introduce the first topic of the day – the Watershed.

A. WATERSHED-RELATED ISSUES

Manager Onieal thanked the board and guests for their time and for committing an entire day to the process. She explained that there were many topics for their thoughtful consideration and deliberation and that a number of action items are proposed. Manager Onieal added that it was the board's prerogative whether or not to take action on any of the items being presented today, but that any action taken would be critical to the development of the Manager's FY16 proposed budget. She said that most of the day's presentations involved pre-budgetary planning for new initiatives scheduled to kick off with the beginning of the new fiscal year, so any approvals granted by the board today should be considered pre-budgetary authorization for items that will appear in the manager's proposed budget beginning July 1.

Manager Onieal provided some background regarding the watershed and the existing conservation easement. She noted that it had been several years since there had been any formal presentations by the conservation and watershed management partners to the Board of Aldermen, but that there has always been good communication and interaction among the town and partner agencies via regular written and oral communications and reports. Manager Onieal commended the wealth of expertise of all of the partners and the management of the watershed. She concluded by noting the wonderful resource and valuable asset the Town has in the watershed and noted that the timing of today's workshop was prompted not only by an interest in just catching up on what's going on at the watershed, but also the fact that we have reached a stumbling block in pursuing the next steps in the adopted Forest Management Plan related to access to the Rocky Branch section of the Watershed which is not currently under conservation easement, which will be explained in further detail by the presenters. She then introduced the guest presenters who were invited to make presentations regarding progress on the Town's adopted Forest Management Plan, water quality monitoring efforts and future access and use issues related to the watershed and existing conservation agreements.

Forest Management

Peter Bates, Associate Professor, Department of Geosciences and Natural Resources at Western Carolina University (WCU) and Rob Lamb, Executive Director, Forest Stewards provided presentations about the current forest management strategies within the conservation easement, the recently completed white pine harvest in the conservation area of the watershed, and the proposed 55-acre timber harvest, on Town-owned property in the Rocky Branch section of the watershed adjacent to the conservation area.

Alderman Roberson questioned whether or not there would be replanting of trees following the proposed harvest. Mr. Lamb noted that there would be natural regeneration following the harvest with no supplemental plantings planned.

One issue that arises from the proposed foresting activity is how best to access Rocky Branch, as currently, the only access to the Rocky Branch section is by road through the conservation area. Because the current conservation agreements do not allow for commercial timbering activity to occur the Town's current conservation agreement would not allow access through the Watershed to the Rocky Branch section for the purpose of timber harvesting. (Further discussion of this issue occurred following the presentation regarding water quality).

Water Quality

Jerry Miller, Whitmire Professor of Environmental Sciences, Department of Geosciences and Natural Resources, WCU provided information regarding the current water quality monitoring program of the watershed and its tributaries. He noted that Waynesville's water is excellent and that the watershed is currently the most monitored water system in southern Appalachia. Mr. Miller added that the forest management program has not adversely impacted the water quality and he applauded the foresting methods used.

Mayor Brown asked what future plans would be related to the monitoring of water quality. Mr. Miller noted that the plan is to continue to monitor downstream from treatments (i.e. timber harvesting sites) to ensure that there is no change in water quality and to install additional monitoring sites further downstream.

Alderman Roberson clarified that the timber harvesting had not impacted the water quality. Mr. Miller confirmed. Alderman Roberson asked if there was any expected change to the water quality if timber harvest occurs in the Rocky Branch section. Mr. Miller explained that there were no expected changes and noted that the water features on that property did not advance to the watershed or reservoir, and therefore have no impact whatsoever on the water supply for the town. It was noted, however, that even though Rocky Branch did not empty into the the same basin, we would insist upon the same environmentally sensitive methods of timber harvest in the Rocky Branch area that were employed in the conservation area, if and when any timber harvest moves forward in that area.

Conservation Easement

Rusty Painter, Conservation Trust for North Carolina, first commended all collaborators who were involved in the initial conservation easement and the commitment to providing the community with great water quality. Mr. Painter provided a map that outlined the existing watershed conservation easement highlighting the areas that are considered forever wild and cannot be touched.

Mr. Painter explained that the Rocky Branch property was excluded from the original easement. As was discussed by Mr. Lamb, the proposed white pine harvest in Rocky Branch would require crossing the existing conservation easement. Mr. Painter asked how to proceed with the forest management in that area and how it may impact the easement. He provided a memo including recommendations to the board regarding possible options including:

- a. Expansion of the conservation easement to include the Rocky Branch property making the entirety of the area protected under the easement and allowing for continued forest management in the same manner as previously utilized. Expansion could be done in a timely manner as the language would be permissible to the additional property, with minimal transaction cost and due diligence required.
- b. Seeking access from adjacent properties to the north; noting that there is steep terrain along the boundaries of Rocky Branch, which severely limits vehicular access, particularly for large trucks and logging machinery.
- c. Forego any income producing activity (tree harvesting and timber sale) on the property until alternate access is achieved.

Alderman Roberson noted that recreational access is another option for Rocky Branch and inquired whether the Rocky Branch area could be accessed via the existing road. Mr. Painter noted that vehicular access is limited. Alderman Roberson asked if individuals could walk or mountain bike in to the property. Manager Onieal explained that if used for recreation, there would need to be a different

access point rather than through the water treatment facility for security purposes, and that efforts would need to be made to separate the conservation area from the Rocky Branch tract to keep recreational users, especially bicyclists or any type of vehicular traffic out of the conservation area. She noted that there was potential access via Big Cove Road and properties could be purchased for access. This is not quick and easy, but was doable.

Mr. Painter interjected that as the easement is currently written, no mountain bikes are allowed and active recreation cannot occur on the watershed. He added that if the easement area was expanded to include Rocky Branch, individuals could hike the area and that an educational center was permitted. Mr. Painter alluded to the fact that amending the easement in the current conservation area for mountain biking would be a lengthy process.

Manager Onieal noted that the Rocky Branch property is not one that easily lends itself to commercial development due to the terrain, and is important to the Parkway as an undisturbed viewshed. It has been and continues to be a valuable asset for the town as additional protection to the Town's watershed, and while the collaborative groups are certainly interested in adding Rocky Branch to the larger conservation easement, she wants to make sure the Board understands all the options available to the Town with regard to potential uses and value of the property.

Mayor Brown asked if there were alternatives so that the timber could still be harvested. For example: gaining access via condemnation, cart way access or purchase of property. These are possibilities but would take time and may take financial resources.

Manager Onieal explained that roads would need to be built to allow for access and that the forest management plan is currently halted due to lack of access. She noted that it was doubtful that there is enough value in the timber to warrant the Town acquiring access and constructing and maintaining roads specifically for this purpose, and clarified that the discussion was not meant to steer the board in any direction, but to provide options. Mayor Brown added that Rocky Branch will be there indefinitely and that continued research is necessary before the Board needs to make any decision.

Mr. Lamb explained that the current road through the watershed provides the best access to the Rocky Branch section, with no stream crossing and could ensure protecting the water quality if timber harvest is the Town's objective. Road maintenance and stream crossings would have to be reviewed if new access was sought. Alderman Roberson inquired whether the Forest Management Plan had already identified other areas within the existing conservation easement that we could move on to before dealing with the Rocky Branch area. Mr. Lamb answered that Rocky Branch was the last identified area of the current plan, but that an addendum to the plan would be possible and would be required before moving on to manage other areas within the watershed.

Manager Onieal asked for direction regarding moving forward. Mayor Brown noted that at this point, the board would like to wait and see and explore all the options related to access and future use before making a decision on Rocky Branch timber harvest. Aldermen Caldwell and Freeman noted that they would like to see the area and the surrounding potential access points.

Mayor Brown expressed appreciation for the contributions of everyone involved in the maintenance and monitoring of the watershed and its resources.

B. PUBLIC SERVICES DEPARTMENT PRE-BUDGET REPORTS & PROPOSALS

Commercial Sanitation Study & Proposal to Reduce Monthly Collection Fees for Commercial Containers by 25%

Public Services Director David Foster provided a report regarding commercial waste container service and potential fee adjustments. Based on a 2015 analysis of existing market fees for commercial customers, and the potential for gaining and retaining commercial customers, staff recommended the adoption of commercial collection fees 25% below their current rates effective with the April 2015 billing cycle. Although this reduction in fees will result in an initial loss of approximately \$53,000 per year in revenue for the town, we believe this amount will be recouped with the addition of just 27 new or returning customers. This reduction in revenue will be monitored for one year and revisited if there is not an increase in commercial customers to the Town's sanitation services. Mr. Foster added that the higher level of customer service that is provided by the Town will also be a draw for customers.

Alderman Greeley asked about a typical container contract offered by private haulers. Mr. Foster explained that most offer an initial two-year contract based on capacity (weight); however, there is no standard rate and some commercial customers who changed to an outside provider have seen wild fluctuations in their billing after the initial contract period expired.

Mr. Foster outlined the plan to provide flyers to existing and former customers as well as to all businesses to make them aware of the changes to the fee structure and to begin to re-build the customer base. Mr. Foster noted that the break-even point for commercial collection at the new rate is the addition of 27 customers.

Alderman Caldwell made a motion, seconded by Alderman Roberson, to adopt the new commercial collection service fees at 25% below current rates, effective with the next billing cycle, as presented. The motion carried unanimously.

Water-Sewer Capital Construction Pre-budget Proposal

Mr. Foster indicated that this is a pre-budget budget request to gain the input of the board and potentially move forward with the concept as there are several steps that would be required prior to the beginning of the upcoming budget year. Mr. Foster explained that currently the Town averages \$629,000 annually in capital expenditures for water and sewer maintenance. Mr. Foster proposed that an internal capital construction crew be utilized in an effort to complete most of this maintenance, and be cross trained to assist in other areas when between capital projects. While there would be initial expense with the addition of staff members, the overall cost savings would be \$259,000 based on annualized estimates and change in the business model. Mr. Foster included the following graphic to illustrate the potential cost-savings.

Type	Cost
Labor (4 new FTE's)	\$109,000
Fringe (assume 40%)	\$43,000
Equipment (4 new pieces)	\$66,000 (debt payment per year)
Ancillary costs (supplies, tools, etc.)	\$12,000
New expense (Streets patching work)	-\$39,000
Materials	100,000
Water and Sewer Capital Budgets	-\$550,000 (leaves \$75,000 in each)
Approximate savings to Water/Sewer Funds	\$259,000/year

Mr. Foster highlighted the pros and cons for such an addition and noted that larger jobs that required statutory bidding would still be handled by outside contractors. He concluded by explaining that this process of adding the crew would take about six months and the process of acquiring necessary equipment would begin in this fiscal year, if approved.

Alderman Caldwell commented that he agreed with this concept and liked the fact that jobs could be done more quickly with greater quality control and accountability and no mark up for materials. It also provides for opportunities for our own employees and creates good new jobs. Mr. Foster noted that this type of process is one he would like to see institutionalized and that similar process changes and a capital construction crew will be implemented in the streets division simply through restructuring existing job duties and use of vacant positions, without having to add new positions to the division.

Manager Onieal added that board approval is required to add four new full-time positions, and that equipment will need to be ordered soon to ensure delivery by July 1. She noted that if the Board approved of the plan it was granting pre-budgetary authorization for the manager to move forward with both the staffing and equipment purchase and that these would appear in the proposed FY16 budget that would be adopted in June.

Mr. Foster explained that all savings would stay in the water and sewer division but that this crew would work in conjunction with the streets division on projects to ensure that there is minimal disruption for citizens related to major repairs and installations. Mr. Foster has worked with Finance Director Eddie Caldwell to project the cost savings and analysis of this organizational restructuring. Mr. Caldwell confirmed that the scenario is justifiable and that he is comfortable with the numbers and supports the plan.

Mayor Brown commended the managers and staff for their process re-engineering plan, adding that this new crew working with streets and sanitation to sculpt out which projects can be jointly handled will be of great benefit to the Town and citizens.

Alderman Greeley made a motion, seconded by Alderman Freeman, to approve the creation of an in-house capital construction crew, adding four additional fulltime employees in FY 2016, and to

authorize staff to move forward accordingly with FY 2016 planning and budgeting, and to acquire associated equipment for the program prior to June 30, 2015. The motion carried unanimously.

C. FUTURE FACILITY NEEDS CONSIDERATIONS

Background

Manager Onieal introduced the topic of existing facility needs, some of which have been long-standing, and some of which are just beginning to be of concern. She explained that the recent publicity around the concept of co-locating the outside economic development agencies in the Municipal Building had been taken out of context and blown out of proportion in terms of importance and priority, since it was actually other Town needs of higher priority that had generated the opportunity to discuss co-location in the first place. Today's discussion is being brought forward because there are some immediate minor renovation requests for Town Hall and Municipal Building which will appear in the FY16 recommended budget. Additionally, there are some very significant major facility needs associated with Public Services, Fire and Recreation Departments that require multi-year planning effort in order for design work, financing and construction to all fall into place.

Manager Onieal briefly reviewed the Town's Facilities Needs Assessment Study, conducted in 2002, Some of the facility needs identified by that study were well addressed by the construction of Fire Station #1, the renovation of Police Station/Town Hall and the renovation/relocation of Finance Office to Hazelwood. Other significant needs identified by the study (or in some cases deficiencies) associated with the Public Services Operations Center and Fire Station #2, have simply remained unaddressed over the years. In addition, while that study was accurate and adequate at the time, now growth in services and programs, changes in the way the Town does business and with changing environment, equipment, staffing levels and operations, facility needs have changed in the 13 years since those needs were first examined. She explained that there would be no new major construction planned for FY16, but that the proposed budget would include funding for minor remodeling, repair, code and ADA related issues, and for planning & design funds for future larger projects.

Manager Onieal noted that the timing of the agency co-location discussion arose as a result of staff having identified problems with current utilization of space town-wide (insufficient office, break, storage space and too much inflexible medium-size meeting space that is largely underutilized), ongoing unmet space needs, and outside opportunities arising simultaneously.

With the potential annexation of Lake Junaluska and the need to relocate Fire Station #2, there had been considerable conversation regarding the opportunity to place a new fire station on land provided by Lake Junaluska as a payment in lieu of taxes, which would free up the Hazelwood facility for relocation of Development Services to Hazelwood and create a one stop shop for business and development services, permitting and code enforcement, with additional parking . The main focus was combining complementary services, creating greater operational efficiencies, offering better customer service and access and more optimum utilization of space. Manager Onieal continued noting that if Development Services were moved, then the Administrative Services offices could be housed in that vacated suite. This would essentially leave the municipal building available for co-location of the outside agencies.

Manager Onieal commented that the municipal building was well situated for all entities involved as it provides better visibility, access and parking in a downtown location where all four entities are

already located; it fully utilizes an underutilized public facility; the building's four-corner suite design lends itself to the staffing levels of the four agencies without need for significant renovation; the co-location would allow for better communication, coordination of activity, marketing and efficiency of operations for four agencies with highly complementary missions; it would allow for the infusion of outside funding to help pay for the minor renovations that the municipal building needs anyway; and it allows the Town to contribute significantly toward economic development in the community without having to spend public funds by saving the economic development agencies overhead operating costs. The idea is one that gained traction very fast among the boards and executives of the Chamber of Commerce, Economic Development Council, Tourism Development Authority and Downtown Waynesville Association (which is already housed in Town Hall at the Town's expense).

Mayor Brown reminded the board that economic development was identified as the board's number one priority at last year's board retreat and was expressed as an important interest when the manager was hired. While there was never an intent for this conversation to get ahead of where the board's interests were, the reason he and the manager pursued this opportunity with the agencies and brought it to a board meeting and are discussing it today is to explore all the possibilities and see how the board feels about this item as it relates in importance to all the Town's facility needs.

Manager Onieal added that today's session is to address primarily our own internal challenges first , but that it's important to discuss opportunities in context of both present and future possibilities, because a decision we make today about facilities sets the course for a long time to come. Once we make certain facility decisions, that will either open or shut doors for other options down the road, and we don't want to spend money to do something today that we have to spend money to un-do just a few years down the road.

Parks and Recreation Needs

Manager Onieal reported that the Parks and Recreation facility needs would be addressed by the Recreation Master Planning Process, noting that debt on the Rec Center falls off in 2018.

Public Services Operation Center

Mr. Foster presented concept plans for renovations to the Public Services Building on Legion Drive. With the cost savings from the proposals presented earlier today and additional process changes, there should be resources from within the public services/utilities budgets to finance the bulk of the renovations without putting too much pressure on the annual operating budget. Manager Onieal noted that the FY16 recommended budget will include funds for construction drawings and although the concept design is significantly different from the plan anticipated by the 2002 study, it incorporates all the original needs identified, just in a more cost and operationally efficient design plan. Ms. Onieal noted that a new addition will be constructed to replace the current overhang in front of the building, which will then be re-purposed to provide a shed at the town mulch yard.

Mayor Brown explained that the Public Services building was the last component in the earlier study, but the Town was not able to fund this renovation with the addition of the fire station and police station. This is still a priority that needs to be done. Manager Onieal noted that Public Services is the largest town department, with most employees, yet the current facility offers no place for training, meeting, no break room, dressing room, lockers or kitchen, workers have to eat in their vehicles or outside. Office and storage space is inadequate. Manager Onieal added that this project would not take long for construction drawings to be completed and would certainly be completed in time for construction to be bid for the next fiscal year.

Alderman Freeman added that the renovations are important and timely to promote a pleasant work environment. She commented that improved facilities could lead to improved productivity and positive staff morale. Manager Onieal commented that she asked Mr. Foster to bring this forward now due to having identified potential savings within all of his divisions operational budgets, which would allow us to move forward with this project perhaps even earlier than waiting until the next budget year.

Police Department

Chief Hollingsed explained that the current facility was designed with adequate evidence storage. However, there is an issue with regard to evidence processing space. Due to the backlog with the state crime lab, the SBI is forcing evidence processing back to local areas. Chief Hollingsed added that Sergeant VanderDay has been trained as a Latent Fingerprint Examiner and equipment has been acquired to allow for initial identifications in-house. Chief Hollingsed presented three potential options available for the processing area, including an estimate for renovating within the current space at an estimated cost of \$25,000.

Another issue that Chief Hollingsed noted was the full impound lot behind fire station 2 with no room for expansion. It is a fenced lot, but more has to be done about security as it has been broken into several times. Some vehicles have been there for multiple years due to the backlog in the court system. Chief Hollingsed noted that the department needs at least 12,000 square feet of secured space.

Manager Onieal noted that the evidence processing area is the priority for the Police Department and will be included as a request in the FY16 recommended budget.

Fire Department/Station #2

Fire Chief Joey Webb provided a map outlining the ISO inspection area noting the necessity to have a fire station in West/South Waynesville that will maintain the 5-mile response radius, but that there are serious deficiencies with the current facility. Chief Webb provided pictures of the existing space and outlined the various constrictions of the building and lack of area to expand, our inability to fully staff, the facility or provide with appropriate overnight, shower, office, kitchen facilities for staff or provide gender separation or ADA-compliance. Currently the building equipment bays will not house all the equipment that must be housed at the facility; there is no drive-through access; clearances in the garage are not designed to accommodate modern fire-fighting equipment, as evidenced by the two-inch clearance provided with the current engine that must be carefully backed into the bay.

Manager Onieal suggested that the Board take a tour of the current facility to truly gauge the closeness of the fire vehicles in the building, the lack of usable space and to view the impound lot concerns brought by Chief Hollingsed. Chief Webb noted that he has been investigating potential properties in the Hazelwood area that could accommodate both a fire station and an expanded impound lot.

Municipal Building/Development Services/Co-location proposal

Manager Onieal revisited the proposed co-location of outside agencies and provided conceptual plans for layout and explained that the needed renovations include ADA-compliant bathroom on first floor, a small kitchenette/service area in the indentation of board room, fire wall to segregate back stairwell and leak repairs. Manager Onieal noted that these renovations will be needed regardless of the decision on co-location. She added that all four agencies are happy with the plan, if the board considers co-location.

Manager Onieal distributed a co-location proposal, explaining that the Town would bear no direct costs associated with the proposal and that all of the agencies would experience lower overhead, resulting in as much as almost \$100,000 savings for all agencies, depending on whether the Town wanted to recoup current costs, or just continue to carry all current costs and allow the subsidy to transfer to the agencies. She indicated that the Haywood Advancement Foundation would be approached for a low interest loan for proposed renovations. Manager Onieal added that the building is always going to be the Town's building and that the Town already bears the expenses for owning and maintaining it. The Town would retain the electric vehicle parking space; records storage space in the basement and use of board room space except on the agencies' regular board meeting days.

Manager Onieal explained that if the board wished to continue with this proposal, then it would be necessary to move the Development Services staff to Hazelwood (converting the existing meeting room for that purpose until the Fire Station were relocated) and Administration to the Town Hall building. She noted that the Chamber and TDA each have lease agreements that expire within the year, and will need to know soon whether to renew their leases or plan to relocate.

Mayor Brown asked to break for lunch and continue this discussion at the end of the meeting.

The meeting was recessed at 12:50 p.m. for lunch.

The meeting was reconvened at 1:30 p.m.

D. ELECTRIC SYSTEM ISSUES

Budget Amendment

Finance Director Eddie Caldwell requested a budget amendment to allow the sewer fund to repay the electric fund for transfers that were previously made by the electric fund to support two sewer projects. Mr. Caldwell noted that the current fund balance in the electric fund was \$1.1 million; however, with the current year's transfer to the General Fund, the balance would drop below \$500K. The proposed repayment will allow for more confidence in this fund balance, as there are still debt payments on the substation of \$300,000 annually.

Manager Onieal added that now that the sewer fund is back up and projects completed, the fund can afford to pay back the electric fund. Since the original transfer from the electric fund to the sewer fund was never formally established as a loan from one fund to the other, there is not a requirement that the funds be repaid, but that repayment is the right thing to do. Now that the Local Government Commission has enacted stricter guidelines about making transfers between funds, Mr. Caldwell noted that they may send the Town a cautionary letter, but he is confident that there would be no question regarding the transfer since the original transfer was intended as a loan and this is simply the process of paying back the original loan.

The \$555,000 transfer from the sewer fund back to the electric fund reduces the fund balance appropriation in the Electric fund by \$295,000 and appropriates \$260,000 to professional services in the Electric Fund for consulting services associated with contract negotiations for wholesale electric

supplier; interim management support; and a series of projects designed to boost operational capacity, safety and standards.

Alderman Roberson made a motion, seconded by Alderman Caldwell, to approve the budget amendment as presented. The motion carried unanimously.

Power Supply Analysis and Recommendation

Manager Onieal explained that Utility Technology Engineers Consultants (UTEC) have been working with the Town for several months since the retirement of Fred Baker. They will present two different reports – one being the recommendation related to selecting a wholesale power supply provider and the other regarding organizational capacity and operational processes within the electric division.

Ted Orell and Louis Davis presented background information on UTEC and their personal professional experience related to working with utility providers and suppliers. The presentation began with a graphic depiction of how deregulated energy services can be provided by suppliers from any geographic location from within the state or outside the state and how transmission of energy is achieved to supply wholesale power to the Waynesville distribution system. This was followed with a detailed power point presentation by Louis Davis.

Mr. Davis recapped the RFP process and schedule, which was originally initiated by NOVA Consulting, and the various companies whose proposals were considered. Mr. Davis highlighted the requirements of the proposals including load, ten (10) year term, transmission costs, delivery point, demand measurement, diversity of energy sources and rates. The recommendation from UTEC was to select Santee Cooper as the Town's next wholesale power supplier, beginning January 1, 2016, upon expiration of the current contract with Duke Energy Progress at midnight, December 31, 2015..

Mr. Davis justified the recommendation by citing Santee Cooper:

- was the lowest cost provider,
- offered fixed demand rates rather than variable rates,
- offered an energy price option out – this allows for termination of the contract should the energy rate exceed a stated threshold.

Santee Cooper's proposal also allows for the installation of load side generation by the Town to receive additional savings, should the Town decide to pursue that opportunity at some point in the future. Mr. Caldwell asked how the proposed rates compare to the current costs. Mr. Orell noted that the wholesale costs should decrease over Duke Energy's projected rates; however, he recommends a cost of service study done as soon as possible to see what, if any impact the change will have on the Town's customer rates.

Manager Onieal noted that once the board approves a provider, a utility attorney will need to be hired to work with UTEC to finalize the drafting of a contract, which will come back before the Board for approval before the formal expiration of the current contract with Duke Energy. Simultaneously, a transmission contract with Duke Energy will be negotiated. Mr. Davis noted that transfers are usually smooth since the utilities and engineers will work out what, if any physical modifications are required. Customers should not see any blackout or brownout during the transition, which should be as simple as flipping a switch.

Mr. Davis explained that in assessing the town's system, the contract costs are determined by the peak hour in each month. This is the hour with the highest energy consumption for the supplier and will be determined at the same time in the Town.

Mayor Brown clarified for all that there is a one-year out clause if energy cost is at the ceiling. Capacity costs are fixed and Santee Cooper will pay the transmission costs. He added that timing is critical to make a decision.

Alderman Roberson made a motion, seconded by Alderman Freeman, to authorize the Town Manager and UTEC consulting team to enter immediately into contract negotiations with Santee Cooper for the purpose of executing a purchase power agreement on behalf of the Town of Waynesville, effective January 1, 2016. The motion carried unanimously.

Electric Systems Operations Assessment

Both Mr. Orell and Mr. Davis explained that UTEC is a full service company including detailed process and delivery design and engineering services. They spent considerable time with Mr. Baker, Mr. Foster, and Mr. Rhinehart over several weeks and examined the Town's electric facilities and operations to determine the strengths and weaknesses of the current electric system. Mr. Davis noted that electric services is a profitable, but somewhat risky business with inherent dangers.

Following review of existing processes and programs, UTEC offered the following as key areas to address related to Electric Services and a proposed timeline for doing so:

- **Construction Standards** – suggest diagrams on how the lines are built. Choose a standard – adopt it and then review existing lines meet the standard. This will be a great deal of work upfront to get all current, but easily maintained with new or replacement equipment.
- **Safety programs** – a specific training program required - while there are safety standards in place already, the suggestion is to develop a formal safety training program; mandatory and documented and monthly safety meetings
- **System mapping** – the current GIS mapping is lacking- suggest update of GIS for distribution system (electric, water and sewer) and a program to maintain and update the maps in the system.
- **Tracking Operations and Performance** – suggest a tracking program for certain indicators that could be benchmarked.
- **Substation maintenance** – there was an agreement with Duke for routine substation maintenance. The recommendation is to develop specs and approach Duke Energy about possibly renewing the maintenance agreement.
- **Electric Services study** – Cost of Services study – recommendation that this be done soon to consider commercial and industrial rates.
- **Customer Programs** – currently there are no customer programs such as Energy Efficient or Time of Use Rates - consider implementation.
- **Protective Coordination Study** – this is an analysis of electric system during fault conditions – the last study that was done was when there was only one substation; the town now has two. This would be for the entire distribution system.
- **Switching Procedures** – formalize switching or transferring load procedures.
- **Meter Testing** – no formal meter testing program; recommend development of program and tracking of information.

- **Engineer and Electric System Manager** – suggestions are to hire an engineer (in process) and an electric systems manager with distribution experience and ensure that staff is supported and well trained. Transfer the meter readers from Finance Department to Public Services.

Mayor Brown inquired how the Town would go about implementing these recommendations. Mr. Orell noted that UTEC is prepared to help with implementing these programs. Mayor Brown clarified that such assistance would be on a contract basis. Manager Onieal added that the funds provided by the budget amendment just adopted would cover the costs of the various projects that need to be initiated and that most can be accomplished within the next 12-18 months.

Mr. Davis noted that, anecdotally, the citizens are happy with the town's electric services. This review has identified some areas that could strengthen operations and make things better and safer. The system itself is performing well, but standards, processes and procedures need to be more formalized and routinized. Getting standards in place is a top priority as is having the Cost of Service Study completed prior to January 1, 2016. Mr. Davis explained that a series of formal reports will be forwarded to Manager Onieal regarding how to move forward with each of these recommendations.

Manager Onieal reminded members that the Electric Services division only has six (6) employees and that electric accounts for 34% of the Town's total revenue. While the system is small, it has the potential to continue improving to meet the standards of a changing industry and remain a viable revenue stream for the town. The Town's primary objectives, besides providing a reliable power supply and outstanding service to our customers, are ensuring the safety of our employees and the public, providing our employees the training and support they need to run a topnotch system, and reducing the Town's exposure to liability that is inherent in operating an electric system.

Mayor Brown thanked Mr. Davis and Mr. Orell for their presentation and recommendations. The consultants thanked the board and management team for their confidence and reiterated that they looked forward to assisting the Town throughout the coming months as the Town transitions to Santee Cooper.

E. LEGISLATIVE CONSIDERATIONS

Senate Bill 369- Sales Tax Fairness Bill Update

Manager Onieal explained that SB 369 could impact the Town of Waynesville by approximately \$550,000 (5.5 cents on the tax rate) over three years if passed as written. What the bill proposes is to take local sales tax and convert it into a state sales tax that would be distributed to counties and cities on a per capita basis. Manager Onieal added that Haywood County stands to gain marginally, while all Haywood municipalities would lose. The fear is that this bill will pit cities against counties, rural areas against urban areas, and strip resort towns of their ability to fund services and infrastructure on a statewide basis. Manager Onieal provided information from both the NC Association of County Commissioners and the NC League of Municipalities, including reports outlining the gains and losses projected by jurisdiction.

Manager Onieal added that at this time she is not asking for a resolution from the board opposing the bill at this time, but all of the municipal managers in Haywood County have discussed trying to develop a response. Mayor Brown added that continuing to monitor the situation is the best course of action; however, in the future, the board may want to express its frustration/ opposition.

Senate Bill 141 – Junaluska Annexation Update

Manager Onieal reported that the bill is currently in the Rules and Operations Committee. Support has been received from all five local governments, and four economic development-related agencies (Chamber, TDA, DWA and EDC), as well as the Lake Junaluska board of directors. Manager Onieal explained that Chip Killian and Chris McClure are actively watching the bill on behalf of the town and Lake Junaluska. Manager Onieal added that staff is working with Haywood County Board of Elections and GIS to ensure that all areas are included that may vote on this referendum. Manager Onieal has contacted McGill and Associates to update the information in the 2013 Annexation Study to reflect changes since the initial plans were presented.

Mayor Brown noted that there will be a definitive education campaign conducted in cooperation with Lake Junaluska which will be shared with all. He added that he wanted to ensure that numbers are there, open and available and accurate to the public. Mayor Brown noted that everyone appears to be more comfortable with the proposed referendum occurring in their own community, rather than decisions being made in Raleigh.

F. BOARD MEMBER CONCERNS/OTHER ITEMS OF INTEREST

Facility Needs

Mayor Brown re-opened the discussion regarding the Town's facility needs, noting that funds are not currently available to build a new fire department, but he asked if this was something to acknowledge would be a future priority. Mayor Brown also asked about the Public Services building and whether or not to move forward with those renovations.

Alderman Caldwell interjected that he did not feel that Development Services should be moved unless they were moved to the Municipal Building. He voiced his opinion that the Municipal Building would be a good area for their offices due to the available space. Alderman Caldwell added that TDA and EDC were county functions and that if the county had not attempted to provide space for them, why should the town? Alderman Caldwell concluded by asking if anyone had spoken with the contractors and builders to see what they thought about moving the development office.

Manager Onieal answered that the Town had received a fair number of complaints regarding access by builders/contractors to the Development Office in its present location due to lack of convenient parking, and inability to get in and get out quickly, and the need of business owners having to visit multiple locations to secure business licenses and building permits. She explained that the proposed move of Development Services to just the meeting room area of Hazelwood would only be temporary until such time as the Fire Department moved to a new facility. She added that if the Board were not willing to commit to a new Fire Station then the proposed site in Hazelwood would be too small for a permanent location for Development Services.

Alderman Freeman weighed in that renovations to the Public Services building has to be done for improved working conditions. She noted the need for privacy when dealing with cemetery issues and that changes to the facility would allow for more efficient operation. Alderman Greeley agreed that the Public Services renovations would be beneficial and that had originally been recommended over a decade ago with no action ever having been taken.

Alderman Roberson added that Chief Webb had made the case for the fire department, and the board should go down and look at it first hand. If the goal is to move the fire department, then identifying space to locate it should be researched and then if moving forward, then consider moving other departments as necessary. Manager Onieal clarified that the fire department would be a long-term project.

Alderman Freeman reminded members that employees are the number one priority and that if the facilities are not conducive to productive work or may be less than standard, they need to be addressed sooner rather than later. She agreed that Manager Onieal should begin researching potential sites for a future fire department in Hazelwood.

Mayor Brown addressed the proposed co-location and suggested that no decision be made until the Development Services Advisory Committee can provide their feedback. Alderman Caldwell indicated again that he did not wish for the Development Services staff to be moved to Hazelwood.

Manager Onieal explained that there are many options and ideas available for the municipal building. In terms of spending money, that building has not been highest priority. Manager Onieal asked the board to provide her with direction and clarification as to their priorities.

Following further discussion, ***by consensus, the board determined that the two priorities noted were planning for the Fire Department and Public Services building renovations. The co-location of outside agencies is now the third priority.*** The mayor noted that co-location of the outside agencies has not been closed out, but will not take precedent over the Town addressing the other two priority needs first.

Manager Onieal thanked the members for their direction and added that she wanted to spend her time doing what the board felt was most important. If the annexation occurs and voted positively then there could be other priorities forthcoming in the near future. Mayor Brown noted that other issues such as the electric contract and annexation have to be considered as well.

Other Items of Interest – Lake Junaluska Annexation

Alderman Caldwell asked the media for their help in getting accurate information out to the citizens regarding Lake Junaluska. He has been approached by some asking what costs would be incurred for taking on the lake itself. Mayor Brown added that in order to be sure that all concerns are addressed, education will be key. He explained that the Lake Junaluska Assembly will keep the lake and the dam. If the dam breaks, it is not the responsibility of the Town to repair or replace it.

Alderman Greeley commented that when looking at the assets of Haywood County, the lake is definitely near the top. The town is fortunate that it is the logical choice to work together. He added that if the vote goes through then the town will be an advocate to continue to build the asset.

Alderman Roberson noted that proximity to Waynesville and the available services and staff can only help Lake Junaluska. The goal is to build it up as a potential economic engine for the county.

G. ADJOURN

Mayor Brown thanked Manager Onieal, staff and the media representatives and the board for their time and attention. He noted that the retreat had been well planned and well executed.

There being no further business to discuss, Alderman Freeman made a motion, seconded by Alderman Greeley, to adjourn the meeting at 4:21 p.m. The motion carried unanimously.

ATTEST:

Gavin A. Brown, Mayor

Marcia D. Onieal, Town Manager

Amanda W. Owens, Town Clerk