

**MINUTES OF THE TOWN OF WAYNESVILLE BOARD OF ALDERMEN
SPECIAL CALLED MEETING
June 1, 2015**

THE WAYNESVILLE BOARD OF ALDERMEN held a special called meeting on Monday, June 1, 2015 at 6:30 p.m. in the board room of Town Hall, 9 South Main Street, Waynesville, NC.

A. CALL TO ORDER

Mayor Brown called the meeting to order at 6:30 p.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
Catherine Hughes, MPA Intern

The following members were not present:

Woodrow Griffin, Town Attorney

The following media representatives were present:

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

1. Welcome

Mayor Gavin Brown welcomed everyone to the meeting and noted that this was a special called meeting primarily for the purpose of receiving and discussing the Manager's proposed FY 2015-16 Budget.

A question was posed regarding any action regarding the Open Door and Frog Level Merchants Association raised at the last board meeting; Manager Onieal explained that this was not a topic advertised for discussion or business on the special called meeting agenda, but that future follow-up with all parties would occur and a report made to the board as appropriate. Mayor Brown added that all discussion would likely be after the budget process was completed in July, simply due to scheduling considerations.

2. Adoption of Minutes

Alderman Caldwell made a motion, seconded by Alderman Wells, to approve the minutes of the May 12, 2015 regular meeting as presented. The motion carried unanimously.

B. NEW BUSINESS

3. Lease Option and Agreement between Prime Tower and Town of Waynesville
(request of John Behnke, Site Acquisition Services on Behalf of Prime Tower)

Manager Onieal explained that per the request from Prime Tower, this agenda item was removed and the lease will be presented at a later date.

C. PRESENTATION

4. Proposed Budget Message for FY 2015-2016

Manager Onieal thanked the board members for their flexibility in changing their usual meeting date from last Tuesday to this Monday, noting that she and the mayor have had to be on-call for travel to Raleigh Tuesdays-Thursdays as Senate Bill 141 (Waynesville Annexation/Referendum Bill) has passed the Senate and is working its way through House Committees this month.

Manager Onieal noted that her intent was to present a brief, but complete, overview of the entire budget to the board, leaving members with the document for a week for more thorough individual review, before opening the public hearing at the Board's next regular meeting on June 9. She added that there would be a brief recap of her presentation at that meeting, in conjunction with the opening of the public hearing, and suggested that the board may wish to continue the public hearing to the June 23 regular meeting as well. Manager Onieal informed the board about the proposed budget while Finance Director Eddie Caldwell provided year-end projections for the year ending June 30, 2015.

Proposed Budget

Manager Onieal explained that the proposed budget was as close to a continuation budget as might possibly be imagined. This is a budget that represents minimal change from the previous year, holds the tax rate steady, maintains quality and levels of service as presently provided and provides for modest salary adjustments for employees. She added that the Board had already dealt with the most pressing budgetary issues as a result of the actions it took at the Board Retreat on March 27, and that the proposed budget was prepared taking into account those decisions which had already been made.

Manager Onieal highlighted information from the proposed budget including:

- The general fund at \$20,000 less is FY16 than FY15 and a total reduction in budget overall of 2.4%.
- No fee increases except the customary 5% increase in the water rate as recommended by the 2006 Asset Management Plan
- The rate for commercial solid waste collection was reduced to regain competitiveness which may result in a short-term loss of revenue, but hopefully a long-term gain in commercial customers, which will ultimately result in growth in revenue
- Appropriation required from fund balance to balance budget in FY16 is \$230,000 less than in FY 15.

From an economic standpoint, Waynesville is beginning to show signs of a rebound although there are still some economic uncertainties facing the town including:

1. when the Town of Waynesville will begin to realize significant gains in revenue after seven years of statewide economic decline
2. what impact the NC General Assembly's efforts towards tax reform and adjustments will have on municipalities
3. whether SB141 passes and the referendum is successful leading to the annexation of Lake Junaluska by the Town of Waynesville. Manager Onieal added that there would be no budgetary impacts from such action until FY 2017.

Manager Onieal continued by noting that in FY 2014, there was virtually no growth in revenues; however, in the current fiscal year, there has been a small increase in sales tax revenue and cost savings seen due to cautious spending and some stalled tax reform legislation.

Over the past 2 to 3 years, there has been a focus on doing more with less and on improving performance to deliver services more effectively, efficiently and use resources wisely. With declining state funding, there has been a paradigm shift in how municipalities are funded. Manager Onieal highlighted the loss of the business privilege license fees of approximately \$150,000 or 1.5 cents on the tax rate. She added that Waynesville has fared better than many peer municipalities due to the healthy utilities funds, outstanding staff management of resources, and vision by the board to proactively consider a modest adjustment in tax rate last year. Manager Onieal explained that there had been over \$1.2 million dollars in revenue losses since 2008 that have had to be absorbed by the Town, all while maintaining the quality of service that the citizens have come to expect from Waynesville.

Manager Onieal highlighted some of the Town's recent initiatives to improve efficiencies and make Waynesville viable into the future including economic investment in the community, improved technology applications, and energy & fuel efficiency measures implemented for both facilities and fleet.

The manager specifically noted the loss in business privilege fees in FY16 due to legislative action, but felt like sales tax revenue would grow just enough to make up for the loss. Despite the lack of growth in revenues overall, which is consequently driving the need for a flat budget, the manager noted that she has made it a priority to recommend a greater set aside for salary adjustments for employees, especially in light of the the lack of significant adjustments in compensation for employees in recent years due to the down economy. She noted that the proposed budget includes no new buildings or new construction projects, no major capital or equipment acquisitions, and is limited to what would be considered routine scheduled replacements, repair or renovation type activities.

Manager Onieal reminded the board of their multi-year high-priority goals, developed over the last two board retreats, which have intentionally been carried forward into the proposed FY 16 budget:

- No unnecessary increases in fees or property tax rate
- Continue pursuit of the Water/Sewer Asset Management Plan through responsible rate adjustment and stepped up maintenance activity
- Maintaining parity between Town Utility and Duke Energy Electric Rates while keeping Town Electric System profitable
- Planning for and implementing merrger with Lake Junaluska Assembly community
- Planning and implementing a comprehensive cutting-edge town-wide IT management program
- Supporting retail/business development
- Reaffirming a strong Economic Development focus for the town.

- Providing for employee development , focused on cross training, succession planning and skill & leadership development
- Maintaining employees' benefit levels while containing costs to town
- Focusing on internal organizational process improvements with an emphasis on providing improved external customer service and communication,
- Focusing on continuous improvement for greater efficiency, effectiveness, responsiveness, productivity, both internally and externally
- Begin planning for future facilities needs and improvements

Manager Onieal recapped the pre-budget retreat and noted that discussion had occurred surrounding operational and strategic topics which were incorporated into this proposed budget.

Manager Onieal provided a side-by-side comparison of FY 15 and proposed FY 16 budget recommendations by fund and highlighted the changes in each. She reviewed the revenue recommendations indicating that there was only one notable increase which was the 5% water rate and the addition of the business registration fee. The business registration fee is \$25.00 per business for a business registry to allow for continued zoning compliance review and routine fire inspections. This rate covers the cost of service but does not, and is not intended to replace the revenue lost by the elimination of business privilege license fees. The fee will generate approximately \$14,000 in revenue annually compared to the loss of approximately \$150,000 in revenue lost in business privilege licenses fees.

Manager Onieal noted that the proposed budget includes the following expenditure considerations, adding that from a budgetary standpoint, these items represented little change from FY15.

Few new capital projects – all projects are carry overs from FY 15 including flocculator installation and the maintenance of the water tank on Big Cove as well as the reimbursement to NC DOT for completion of the Howell Mill Road water/sewer relocation project.

Minor facility renovations – the Police department evidence room processing and updates to the Municipal Building restroom/break room to meet current code issues and design and plan work at the Public Services facility (approved at the Board Retreat) and the Parks and Recreation Master Plan.

New Equipment/Vehicle/Capital Replacement – all routine replacement of vehicles, purchase of scissor lift for Asset Services and replacement of weight equipment at the Fitness Center.

Public Parking Lot Improvements –funding for these improvements is not recommended until such time as a long-term lease, purchase agreement or cooperative improvement arrangement may be negotiated with the private property owners of these publicly used lots, as there is significant cost associated with bringing each up to current Land Development Standards.

Special Appropriations – all of those who have requested funding filled out applications. Alderman Caldwell shared with the board his personal funding recommendations for each of the agencies for their review and comment at the June 9 meeting. Manager Onieal and Mayor Brown thanked Alderman Caldwell for his assessment and suggested that the Board be prepared to discuss and hopefully come to consensus around the special appropriations recommendations on June 9.

Planning/Consulting – with the arrival of a newly appointed Development Services Director in July 2015, and the possible inclusion of Lake Junaluska through annexation, the much needed review of the 2020 Comprehensive Plan and initiation of a Recreation Master Plan have been intentionally delayed until spring, 2016, but funds to initiate both processes are included in the proposed budget.

Health Insurance -the Town does not anticipate any cost increases in for the health plan; this is due in part to a low exposure from the previous year. There is one change that will be effective January 1, 2016 which is a premium contribution of 10% from those individuals who continue to use tobacco products. Manager Onieal explained that this was announced over a year ago and employees have access to tobacco cessation programs at no cost through Blue Cross/Blue Shield and the Town's Wellness programs. If at July 1, 2016 an employee is still using tobacco and not enrolled in a cessation program, the premium increases to 20% with a final increase on January 1, 2017 to 25%. This program goes hand in hand with the town-wide tobacco use policy and ordinance. Also, this premium surcharge is common with BCBS and with surrounding local governments.

HR Salary & Benefits Adjustments- 4 full-time positions will be added in the Water division to create the Capital Construction Crew which was previously approved by the Board during the Board retreat in March; reorganization in the Streets and Sanitation division will create another construction crew with no additional employees required. Manager Onieal noted that a vacant meter reader position would be eliminated as this position has been vacant for well over a year as a result of the increasing use of automated radio-read meters. There is an allocation of 5% of wages and salaries set aside for employee compensation adjustments. The term life insurance benefit is increased to one times the annual salary with a minimum of \$25,000 provided for all employees. All other benefits will continue at existing levels.

Manager Onieal concluded by noting that the Public Hearing regarding the budget would be opened at the next regular meeting on June 9, but could be continued until June 23 at the Board's discretion. In the event that the budget is not adopted at the June 23 meeting, a special called meeting could be held on June 30 if necessary. Manager Onieal asked Mr. Caldwell to provide the year-end projections for the year ending June 30, 2015.

Current Fiscal Year to Date

Mr. Caldwell asked members to follow in section 2 of the budget notebook. He highlighted the following General Fund revenue and expenditure information:

- An increase in the real estate taxes for the current year; this is due to an increased collection rate. He added that you cannot project more than what is collected from the previous fiscal year per statute.
- Motor Vehicle Tax was collected at a higher rate as the new tax and tag regulations have made delinquent taxes more easily collectable.
- The one cent Local Option sales tax is up 8.21% or approximately \$72,000 which is back to 2008 standards.
- The appropriated fund balance has been well below the anticipated \$1.1 million; projections are that the Town will only use around \$245,500. The reasons for revenues coming in better include:
 - expenses are down due to cautious spending
 - positions not filled and has saved a great deal
 - career track was not ready for implementation so the set aside was not used.

- Insurance costs were almost breakeven – they had been budgeted at 15%.
- Fuel costs – the conversion of vehicles to propane has resulted in tremendous savings spread across all funds and all departments equaling approximately \$100,000 for the year.

Revenues and expenditures highlighted for the Water Fund on pages 10 and 11 included:

- Predicted \$51,400 in revenue from the increased rate (5% in accordance with the 2006 Asset Management Plan)
- More efficient and accurate radio read meters
- More residents in homes – not as many vacant homes
- Decreased amount of fund balance appropriation - budgeted \$300,000
- Water Treatment – delaying flocculator installation until next budget year - using from Fund Balance as a carry over

Mr. Caldwell asked members to view page 12 and 13 for the Sewer Fund revenues and expenditures. He noted that this fund was in great shape. As it has built up, it is holding its own which is the reason there is no proposed sewer rate increase in this budget. The Sewer Fund paid back the Electric fund via budget amendment in March a sum of \$555,000 which was borrowed 15 years ago. Even with this pay back, the fund continues to do well. He noted that this budget amendment is covering the cost of various projects approved by the Board based on the Electric System Operations Report presented by consultants at the Board retreat.

The Electric Fund revenues and expenditures beginning on page 14 illustrate that the revenue is not at the level budgeted due in part to a smaller utilization of power associated with an industrial expansion than originally estimated and minimal rate increases. Another area where there has been an anomaly is a \$175,000 true up for February due to the extreme cold weather and increased electric demand. While the fund is still stable, Manager Onieal reminded the board that one of UTEC's projects includes a cost of service study that will be completed before the new electric wholesale contract is completed. The results of that study will form the basis of any future recommendations that the Finance Director and Manager make going forward for any customer rate adjustments as the Town enters the new contract period.

Mr. Caldwell noted that the Asset Management fund was lower due to vacancies or capital improvement projects delayed. This is a cost center that is allocated back to all departments. This fund allows for more effective tracking of costs. He added that the Garage Operations are showing savings in fuel costs due to the conversion to propane.

Mr. Caldwell asked if there were any questions. There being none, Manager Onieal asked how the board wished to proceed and if there were any specific questions or if there were any particular topics that the Board would like presented in more detail for upcoming meetings. Manager Onieal encouraged members to contact her or Mr. Caldwell if there are specific questions before the next meeting.

Mayor Brown thanked Manager Onieal and Mr. Caldwell for putting this budget together, especially since the budget is constantly in state of flux. He commented about the constant monitoring of legislation, expenses, insurance, and fuel costs. The employees seem to like the current health plan and he appreciated keeping the benefit high and the ease of administration for employees.

Manager Onieal expressed her appreciation to Mr. Caldwell and the department directors and staff for their diligence and hard work throughout the budget process.

I. ADJOURN

There being no further business to discuss, Alderman Caldwell made a motion, seconded by Alderman Freeman, to adjourn the meeting at 7:39 p.m. The motion carried unanimously.

ATTEST

Gavin A. Brown, Mayor

Marcia D. Onieal, Town Manager

Amanda W. Owens, Town Clerk