



Town of Waynesville

TO: Mayor Gavin Brown,
Alderman Gary Caldwell, Alderman Libba Feichter,
Alderman Wells Greeley and Alderman LeRoy Roberson
FROM: A. Lee Galloway, Town Manager *A. Lee Galloway*
DATE: April 27, 2010
SUBJECT: Presentation of 2010-2011 Budget for the Town of Waynesville

Presented herein is the proposed budget for the Town of Waynesville for 2010-2011. The document is divided into eight sections, and a Table of Contents follows, color coded to match each section. At present, Section VII is not complete and Section VIII is blank. During the next several weeks, as we continue budget work, we will be adding special reports and other data to Section VII. When the work sessions are complete and the budget is finalized, the Board will adopt a Budget Ordinance which will be inserted as Section VIII of the document.

The preparation of the 2010-2011 budget was certainly challenging, and we have as many or more uncertainties about the proposed document for the coming year than we have for most years. The recession and its impact upon the Town budget are certainly a concern; however, we have tried to take an optimistic view of the future, taking the approach that a turnaround is imminent and the Town's budget will experience an upturn as well.

We are beginning the year in cautious tones, wanting to play it safe in our revenue and expenditure estimates. As we enter the year, we are unable to make a recommendation for a cost of living or merit pay increases. Our health insurance carrier reports that due to high medical claims, the Town's premium could rise by up to 25%. We have been working with them on ways to reduce that increase, for it would mean an additional \$321,000 in costs. With a decrease in the value of their investments and with so many "Baby Boomers" approaching retirement age, the State Retirement System must have an increase in employer contributions, and that will cost the Town \$91,840 next year. So we began our budget work with over \$400,000 in new expenses in two items. By taking on these higher increases in fringe benefit costs for our employees, funds were unavailable for pay raises.

The level of revenues remains uncertain in 2010-2011. In the General Fund alone, in eleven of our largest revenue sources, the projected income for next year will be a combined \$418,000 less than what it was three years ago, in 2007-2008. When we are facing increases in expenditures and decreases in revenues, meeting the needs of the community are extremely difficult. We are forced to be more creative, take a few more risks and make changes we might prefer not to make as we attempt to do what we believe to be in the best interests of the community.

Regretfully, the message I convey to you is not unlike the one made as we presented the 2009-2010 budget – more expenses and less revenue. In working on next year’s budget, your town staff has been forced to seek out new ways to economize, to change operating methods, to delay vehicle, equipment and facility replacements or repairs one more year – to do what is necessary to hold down costs as much as possible. Unfortunately, some expenditures may not be delayed, and in some cases, it would be irresponsible to delay those. So we seek out ways to assure that the equipment is on hand to allow employees to do their work in meeting the expectations of the citizens. We must make changes in the way we do things, and it is paramount that we do a good job explaining to citizens why we must change some procedures. In my career of nearly 37 years, I have found that for the most part, citizens do understand when changes must be made.

The total budgets for the 2010-2011 fiscal year are shown below:

	<u>2010-2011</u>
General Fund	\$13,393,900
Water Fund	\$ 2,669,140
Sewer Fund	\$ 2,036,270
Electric Fund	<u>\$ 8,705,540</u>
	\$26,804,850

This is a large sum of money, though I would have to note that some of the transfers from one fund to another end up being counted twice, making the number seem slightly higher than it really is. Still, it is a significant amount of money and makes one realize the high cost to operate a municipal government.

Even with such a large total, you need to know that sizable reductions were made to reach these numbers. In the General Fund, for instance, there were Capital Outlay requests of \$2,892,900. We felt that funds were available to recommend \$443,400 in Capital Outlay for the Board’s approval. That is not to say that other requests for capital were frivolous, for many are needed; however, funds are limited and some purchases will simply have to wait.

During the good years, when there was more money and revenues exceeded expenditures, the Town was able to increase its fund balances. When things go the other way, and revenues do not reach the level of needed expenditures, those reserves are needed and available to fill the gap. We will be using them next year.

**Mayor and Board of Aldermen
Page Three**

The proposed 2010-2011 budgets in all four funds call for more significant appropriations from fund balance than we normally recommend. In some cases, the amount from reserves is more than we would prefer to see, but remain comfortable with the amount allocated. Over the next several weeks, the Town Board needs to carefully assess what has been proposed. You will need to determine if there are some reductions that can be made to expenditures that would trim the amounts we are proposing to allocate from the fund balances. Or perhaps you will see some expenditures that have been omitted or trimmed that you feel should be a part of the budget package, and in those cases, we will need to work together to find a way to make any increases work. At this stage, the budget is that of management and finance, and it needs to become the budget of the Mayor and Board of Aldermen.

During the past year, we have completed a state of the art police station/development office/town hall, a beautiful facility in the heart of downtown. We have begun the process to renovate the Hazelwood Office and will combine all of our financial operation under one roof. We were able to secure grants and built a partnership with the Eagle Nest Homeowners in developing a new water system in that neighborhood. We worked with our engineers to secure grants and loans totaling \$904,000 under the American Recovery and Reinvestment Act to replace three thousand feet of deteriorated and undersized water lines and install 1,000 new water meters. The Police Department secured a Community Oriented Policing Grant funding two officers for three years in our department which has the highest number of incident calls in the county. We secured a \$240,000 grant to assist Haywood Vocational Opportunities with the rehabilitation of the Wellco Building, a project predicted to add more than 50 new jobs in our community. In the midst of a difficult and challenging year financially, there was good news, and the Town made great strides in improving services to the community.

There will be many positive things in 2010-2011. We will accept delivery of a new fire truck, a new sewer cleaning truck, complete replacement of the Hendrix Street Bridge, install \$80,000 in new sidewalks, adopt the new Land Development Standards, undertake a study of the South Main corridor and continue our efforts to replace deteriorated water lines, sewer lines and manholes. In challenging economic times, we cannot and do not stand still or take steps backward – we determine how to continue making progress in spite of the challenges.

Fortunately, we have advantages others may lack as we face and conquer those challenges – dedicated employees, capable department heads and wise, ethical and conscientious elected officials. These ingredients are required to produce an outstanding team, one that works together to lead this organization to the better days that lay ahead. I am pleased and proud to be a part of this “Team”.

**Mayor and Board of Aldermen
Page Four**

While it is the Town Manager whose name appears at the head of this cover letter, I am quick to recognize and express appreciation for the tremendous part that Finance Director Eddie Caldwell plays in the preparation of this document. This is not a process that lasts six weeks, it is more like six months, a process that begins in January and continues until June. But any time of the year, you will find Eddie closely attuned to the revenue and expenditure picture, always following the trends and pointing out problem areas and issues of concern. The Town and the citizens are most fortunate to have Eddie Caldwell overseeing the funds for this community. It has been my great pleasure to work with him in the creation and development of 17 budgets from 1994-1995 until 2010-2011.

In addition, I am grateful to the staff in the Finance Department who assisted in gathering materials for the budget, to the Department Heads and Supervisors for their work in preparing budget requests and to Assistant Manager Alison Melnikova who has been fully involved in the budget process.

The weeks ahead will be difficult. Though we have invested many hours in the preparation of this document, there is always room for improvement. Your input and direction is needed and welcome, for it will lead to a better document, one that should be more valuable and responsive to community needs.

As we evaluate, discuss and digest the budget for the upcoming fiscal year, Eddie, Alison and I stand ready to provide whatever information you may need and to answer whatever questions you have. Please call upon us at any time.

**BUDGET PROCEDURES AS SET FORTH IN
THE LOCAL GOVERNMENT BUDGET AND FISCAL CONTROL ACT
NORTH CAROLINA GENERAL STATUTE 159**

CHAPTER 159-10 Budget Requests

Before **April 30** of each fiscal year, or an earlier date fixed by the budget officer, each department head shall transmit to the budget officer the budget requests and revenues estimates for his department for the budget year.

CHAPTER 159-11 PREPARATION AND SUBMISSION OF BUDGET MESSAGE

Upon receipt of the budget requests and revenue estimates and the financial information supplied by the finance officer and department heads, the budget officer shall prepare a budget for consideration by the governing board in such form and detail as may have been prescribed by the budget officer or the governing board. The budget, together with a budget message, shall be transmitted to the governing board not later than **June 1**.

CHAPTER 159-12 FILING AND PUBLICATION OF THE BUDGET; HEARINGS

On the same day that he submits the budget to the governing board, the budget officer shall file a copy of it in the office of the Clerk to the Board where it shall remain available for public inspection until the budget ordinance is adopted. The Clerk shall make a copy of the budget available to all news media in the county. She shall also publish a statement that the budget has been submitted to the governing board and is available for public inspection in the office of the Clerk to the Board. The statement shall also give notice of the time and place of the budget hearing required by subsection (b) of this section.

Before adopting the budget ordinance, the board shall hold a public hearing at which time any persons who wish to be heard on the budget may appear.

**CHAPTER 159-13 THE BUDGET ORDINANCE;
FORM, ADOPTION, LIMITATIONS, TAX LEVY, FILING**

Not earlier than 10 days after the day the budget is presented to the board, and not later than **July 1**, the governing board shall adopt a budget ordinance making appropriations and levying taxes for the budget year in such sums as the board may consider sufficient and proper.

The budget ordinance shall be entered in the minutes of the governing board and within five days after adoption, copies thereof shall be filed with the finance officer, the budget officer and the Clerk to the governing board.

CHAPTER 159-17 ORDINANCE PROCEDURES NOT APPLICABLE TO BUDGET OR PROJECT ORDINANCE ADOPTION

During the period beginning with the submission of the budget to the governing board and ending with the adoption of the budget ordinance, the governing board may hold any special meetings that may be necessary to complete its work on the budget ordinance. Except for the notice requirements of General Statute 143-318.12, which continue to apply, no provision of law concerning the call of special meetings applies during that period so long as: (1) each member of the board has actual notice of each special meeting called for the purpose of considering the budget, and, (2) no business other than consideration of the budget is taken up.

TYPICAL BUDGET SCHEDULE

JANUARY	Department Heads receive budget forms for preparing Regular and Capital Outlay Request;
FEBRUARY 15	Department Heads submit their Capital Outlay Requests;
FEBRUARY 15-28	Finance Director compiles requests and resolves any questions about costs; Finance Director makes preliminary revenue and expenditure estimates for current fiscal year;
MARCH 1	Department Heads submit operating budget requests;
MARCH 1-10	Finance Director compiles requests and resolves any questions about costs;
MARCH 10-15	Finance Director makes revenue estimates for next fiscal year;
MARCH 15-31	Finance Director meets with department heads to resolve issues and compiles all revenues estimates and expenditure requests into draft budget document;
APRIL 1-15	Finance Director and Town Manager meet to review departmental requests and revenue projections for next fiscal year;
APRIL 15-20	Finance Director and Town Manager finalize budget figures and reach agreement on presentation to Board;
APRIL 20-30	Town Manager prepares budget message; Finance Director prepares statistical information and supporting document for budget books;
MAY 1-31	Town Manager and Finance Director present budget to Board of Aldermen. Copies made available to news media and public for review. Work sessions scheduled by Board;
EARLY JUNE	After appropriate public notice, Town Board holds public hearing on proposed budget;
MID-JUNE	Additional work sessions held for adjustments if needed;
LATE JUNE	Board adopts proposed budget for next fiscal year.

Table of Contents

1	REVIEW OF TOWN BUDGET ALL FUNDS 2009 - 2010 FISCAL YEAR
2	REVIEW OF PROPOSED GENERAL FUND BUDGET 2010 - 2011 FISCAL YEAR
3	REVIEW OF PROPOSED ENTERPRISE FUND BUDGETS 2010 - 2011 FISCAL YEAR
4	REVIEW OF PROPOSED SERVICE FUNDS BUDGETS 2010 - 2011 FISCAL YEAR
5	PROPOSED LINE ITEM BUDGET ALL FUNDS 2010 - 2011 FISCAL YEAR
6	STATISTICAL INFORMATION AND EXHIBITS PERSONNEL INFORMATION
7	MISCELLANEOUS ITEMS ADDITIONS AND INSERTS
8	BUDGET ORDINANCE