

TO: Mayor and Board of Aldermen

SUBJECT: Proposed 2010 - 2011 General Fund Budget

The proposed General Fund Budget for the 2010-2011 Fiscal Year is hereby submitted for your review. The document calls for expenditures of \$13,393,900, an increase of \$37,220 from the amended 2009-2010 budget of \$13,356,680. The 2009-2010 fiscal year started with a projected General Fund budget of \$13,034,800. That amount was increased when the Board created a Capital Projects Fund with unspent money left over from construction of the new fire station and police/development office/town hall. This left the final 2009-2010 General Fund budget of \$13,356,680.

We continue to deal with challenges from the economic recession which began in early 2008 and is now extending into a third fiscal year. We began the 2008-2009 fiscal year with a General Fund budget of \$13,396,910. With losses in several revenue sources, the Town had to reduce expenditures considerably and the proposed 2009-2010 budget was only .15% higher than the amended 2008-2009 budget. The proposed 2010-2011 budget of \$13,393,900 is almost exactly where we were two years ago, when we commenced the 2008-2009 fiscal year with a General Fund budget of \$13,396,910.

But many costs have continued to rise since 2008, and in the face of reduced revenues, the Town has had to make a number of adjustments to operations. We are a different organization than we were in 2008, and with the 2010-2011 budget, we will have reduced our workforce by nine full-time positions in that two year period.

In the second part of this section, there are sheets comparing the estimated revenues and expenditures for the current fiscal year with those proposed for the next fiscal year. With these sheets, there is a brief notation as to the major increases or decreases in various revenue sources or in the expenditures for each department. The budget narrative which follows will give more detail about these changes and attempts to explain any new programs or major differences in the 2009-2010 budget.

I. REVENUES

In the coming year, it is projected that **General Fund Revenues** will be \$11,243,800, and to meet the anticipated expenditures of \$13,393,900 will require the use of \$906,580 in General Fund reserves, \$129,470 in Powell Bill reserves and the transfer of \$1,293,000 from the Enterprise Funds. During the 2005-2006 fiscal year, we made large transfers from the General Fund reserves for the fire station project and our fund balance was reduced; however, those reserves grew again and we were able to commit over \$1.4 million from reserves to assist with the renovations and expansion of the police station, development office and town meeting space. Today, the fund balance in our General Fund has grown again, and we propose using \$906,580 to balance the General Fund. In addition, the fund balance in the Electric Fund has grown, and we recommend that an additional \$227,050 be transferred to the General Fund. This is the amount to cover the payment on the parking deck and is what was intended when the Town agreed to participate in that project. We also propose that the Water and Sewer Funds contribute a portion of their revenues to the General Fund.

In 2006, there was a property revaluation and the Town's tax base grew well. In the subsequent years, there has been significant growth in the tax base and a resulting increase in property tax revenues. Since 2008, there has been very limited growth in the Town's tax base. Fortunately, even in recession, property owners in Waynesville have been faithful in making property tax payments, so we have not seen a large drop in our tax collections. The new Waynesville Crossings Shopping Center is located in a Brownsfield Development Zone, and as such, tax valuations increase gradually over the first five years and are not at full value until the fifth year after completion of development. Our Tax Collector has been diligent in collecting back taxes left unpaid, and this has helped the Town's financial position.

Our other major source of revenue in the General Fund is the sales tax. The Town receives four different sales tax revenues. The first is a 1% tax and it is based upon sales in Haywood County. The second and third are two, one-half cent sales taxes, partly based upon sales on a statewide basis and partly based upon local sales. The last is a half-cent passed in 2004 as a compensation for various State-shared taxes which Governor Easley took from local governments when the budget for the State of North Carolina was extremely tight. But the State took back that 2004, half cent sales tax when it took over the Medicare payments for the counties. There was a compromise to replace the revenues that municipal governments would lose in that exchange, and we were promised a "hold-harmless" arrangement.

The recession has continued in North Carolina, and the Town's sales tax revenues have continued to lag behind our estimates. In 2008-2009, we estimated sales tax income of \$2,367,390, but it came in at \$2,104,998. For 2009-2010, we estimated sales tax revenue of \$2,172,740, but at this point, we are estimating the actual income will be \$1,931,420. That is down \$396,039 from what we actually received in 2007-2008. While the economy and high unemployment have contributed to this shortfall, the rock slide and the close of Interstate 40 for six months has been a major factor. Many of our businesses have suffered a decline in sales, and sales tax revenues have suffered as well. In anticipation of the reopening of I-40 and an improvement in the economy, we estimate that sales tax revenues will improve slightly in 2010-2011 to \$1,948,850.

For 2010-2011, major changes in revenue sources in the General Fund would be as follows: Increases are expected in Police Grants (\$36,510), Miscellaneous Grants (\$36,600), Building Permits (\$19,000), Residential Sanitation Fees (\$50,000), Various Recreation Revenues (\$20,000) and the Beer and Wine Tax (\$29,810) assuming that the State does not withhold a portion of that tax as it did in 2009-2010. There are several revenue sources which we expect to decline in the coming fiscal year, and these include: Property Taxes (-\$81,290), Penalties & Interest on Taxes (-\$16,300), Franchise Taxes (-\$10,800), Powell Bill (-\$14,960), Bridge Reimbursements (-\$84,080), FEMA reimbursements (-\$47,390) and Sale of Surplus Equipment (-\$39,600).

As the budget stands, the use of \$906,580 from the General Fund reserves would be necessary to balance the upcoming budget. In the 2009-2010 budget, we estimate using \$1,096,080 in reserve funds, but that includes transferring \$645,390 to establish a Capital Project Fund to help meet future capital construction needs. Last year, we proposed using \$160,140 in Powell Bill reserves, and we are using around \$107,620. In 2010-2011, we suggest using \$129,470 to meet proposed Powell Bill expenditures.

When the Town negotiated a new contract with Progress Energy in 2002, we were able to secure a savings of approximately \$250,000 annually. At that time, the Town Board decided to use those savings to make a contribution to Haywood County toward the debt on the downtown parking deck. Unfortunately, in 2004, fuel costs began to rise dramatically, and the Town saw the profits in the Electric Fund erode quickly. It appeared that over \$600,000 would be lost in the 2003-2004 fiscal year. To cut into that loss, it was agreed that the Electric Fund would retain the \$227,050 intended as a contribution toward the parking deck and that the General Fund would pick up that cost. In 2010, the situation is reversed, with the General Fund experiencing significant revenue losses and the Electric Fund quite healthy again. For this reason, we are recommending that the Electric Fund transfer to the General Fund be increased from the \$887,000 in 2009-2010 to \$1,114,050, which would be \$227,050 more, the amount of the contribution toward the parking deck. When the economic situation returns to normal and General Fund revenues begin to grow, perhaps it can again handle the parking deck debt contribution.

In 2010-2011, we are proposing that the General Fund receive \$97,250 from Water Fund and \$81,700 from Sewer Fund.

II. EXPENDITURES

In the coming year, it is projected that **General Fund Expenditures** will total \$13,393,900, exceeding our anticipated expenditures for 2009-2010 by \$37,220, an increase of .28%. This number and percentage figure are very misleading. In developing the 2010-2011 General Fund budget, we were faced with a number of cost increases, not to mention a number of declines in various revenues. To reach a figure of \$37,220, we had to deny many requests and make substantial cuts in various areas, particularly in Capital Outlay expenditures. In addition, we had to reduce our work force by another four positions, and that is on top of the five full time positions dropped in the 2009-2010 budget.

We have been advised that due to some exceptionally high medical claims, the Town's health insurance costs could increase by \$321,040 in 2010-2011, and \$234,110 of that amount would come from the General Fund. In addition, the State Retirement System had an actuarial study performed of its various retirement programs and found that after the investment losses of 2008-2009 and with so many "baby-boomers" reaching retirement age, the retirement systems needed an infusion of cash in order to remain sound. They have chosen to increase retirement contributions by 1.55% of payroll, meaning an increase of \$91,840 for all Town employees, and \$68,910 would come from the General Fund.

With these large increases in fringe benefit costs and our revenues down in several areas, we are unable to recommend a cost of living or merit pay adjustment for the employees for 2010-2011. There are simply inadequate funds to grant pay increases after absorbing both the higher costs of health insurance and retirement. But at least the Town is able to absorb these cost and they are not being passed along to our personnel.

While we eliminated 5 full time positions in 2009-2010 and proposed to eliminate 4 more full time positions in 2010-2011, we are pleased to report that all of these positions were eliminated by attrition or retirement. We have not yet had to lay off one employee.

There were two full time employees added during the fiscal year, the result of a Community Oriented Policing grant awarded to the Waynesville Police Department by the federal government. With 159 full time and approximately 60 part time employees, a goodly portion of the Town's budget is tied to personnel costs for wages and fringe benefits. Nearly 60% of the General Fund budget is tied to salaries, wages and fringe benefits costs, so even a modest pay increase can have a significant financial impact upon the budget. As we proceed through the fiscal year, if economic conditions improve and revenues are on the upswing, perhaps we can revisit this issue.

In Section 6 of the Budget, you will find comparisons for each of the six funds the Town operates. These show the actual amount of revenues and expenditures we are estimating for 2009-2010 compared with the amount we project for the 2010-2011 fiscal year. These charts may be helpful to the Board in understanding the origin of the money and how it is spent.

III. APPROPRIATION FROM RESERVES & INTERFUND TRANSFERS

The 2010-2011 General Fund Budget calls for a **Fund Balance appropriation** of \$1,036,050, with \$906,580 coming from undesignated reserves and \$129,470 coming from Powell Bill funds. The amount coming from Powell Bill reserve funds was built up over a few years to provide the Town's 20% share to replace the Hendrix Street Bridge, a project which will be completed during the next fiscal year. The \$906,580 coming from the undesignated reserves of the General Fund is higher than we typically suggest; however, by careful spending on the part of department heads, management and the Town Board, the fund balance has grown to a point that we feel comfortable recommending this amount.

We view the fund balance as a "rainy day fund", a resource to use when finances are tight. Rather than passing along our increased costs to the taxpayers, we are recommending that the fund balance be used to get the Town through the challenging economic situation in which we find ourselves. In the next few years, we hope to see the economy return to normal and our revenues growing again, making us less dependent upon reserves. Even with this appropriation, we believe the fund balance will remain over 25%. We make this recommendation with the emphasis that it is not something that can be repeated year after year, for our reserves are not adequate to support that.

In the 2004-2005 budget, we transferred \$1,227,050 from the Electric Fund to the General Fund and in 2005-2006 we dropped that number to \$1,000,000. In 2006-2007, there was a reduction to \$900,000, and in 2007-2008, we reduced that to \$875,000. The transfer to the General Fund was increased to \$887,000 in the 2009-2010 budget, but that was primarily a repayment of the expense of the electricity provided to facilities operated by the General Fund. We are recommending a sizable increase in the transfer to the General Fund from the Electric Fund, taking it to \$1,114,050. As noted, in 2002, when we negotiated a new contract with Progress Energy, we saved an estimated \$250,000. At that time, the Board decided to contribute \$2.5 million toward the expense of the new parking deck behind the Justice Center, paying Haywood County \$227,050 from the Electric Fund for 15 years to assist with the debt payment. When the Electric Fund found itself suffering from the rapid increase in fuel costs for wholesale power, General Fund absorbed the \$227,050 expense. We are now recommending that Electric Fund pick up that cost again.

When you consider the total transfer, you should realize that of the \$1,114,050, \$370,850 is the debt payment on the Waynesville Recreation Center and \$227,050 is the debt payment on the parking deck, so when those expenses are deducted from the \$1,114,050 to be transferred, the balance used solely to subsidize General Fund operating expenditures is \$516,150. That figure is close to what we were transferring to the General Fund in the late 1990s, prior to construction of the Recreation Center.

As you know, by subsidizing the General Fund, the Town has been able to keep the property tax rates lower than most municipalities. Based upon the projected tax base for 2010-2011, one cent on the tax rate produces around \$103,000; consequently, the transfer of \$1,114,050 is the equivalent of approximately 10.8 cents on the property tax rate. During 2009, the world economic crisis and slow down in foreign manufacturing led to a decline in the cost of natural gas and coal, so the fuel adjustment charges passed along by Progress Energy have declined. This follows a six year run when fuel costs were on the rise, and in the 2003-2005 period, the profits of the Electric Fund dropped by \$600,000. During the past year, with the drop in fuel costs, the Electric Fund has been able to regain some of those losses. And even with the increased cost under the new contract with Progress Energy that took effect on January 1, 2010, the Electric Fund has shown gains. We did not have to increase base rates to our customers and the Electric Fund has higher reserves to contribute to meet the needs of other funds.

IV. TAXES AND FEES FOR 2010-2011

In the 2010-2011 fiscal year budget, we are proposing that the property tax remain at its present level of 40 cents per \$100 valuation. Of that amount, roughly 4 cents per \$100 is used to pay the debt service on the new fire station and the new police station and development office and town hall. When those two projects were completed, we were able to keep the costs under budget and ended up with \$645,390 remaining in the Capital Projects Fund. The Town Board has approved the transfer of those remaining funds to create a permanent Capital Fund that we can look to for handling major building repair, renovation and maintenance costs. That fund will be used to pay the renovation cost of the Hazelwood Branch Office to which the Finance Department will relocate in summer, 2010.

In the 2010-2011 budget, we recommend that the residential sanitation charge be increased to \$6.50, up \$1.00 per month. The Sanitation Department is one of our most expensive operations, and I am not sure that I have ever seen a higher level of service in another municipality. The Town collects garbage and recyclables weekly and also collects yard waste, brush, limbs, leaves, old furniture, appliances and junk. We have seen a significant increase in the amount of blue bags placed at curbside by our customers, particularly since glass and plastic are now banned from landfills. In the 2006-2007 fiscal year, the Town collected 171.14 tons of recyclables in blue bags. During 2009-2010, that number will exceed 300 tons, an increase of 75%. It is becoming increasingly difficult to collect all recyclables during the five days of the work week.

Haywood County is considering some significant changes to its recycling program, and they are looking at some joint efforts with other county governments in our region. It is possible that there could be changes which allow us to speed the collection of recyclable material from our citizens. One option may include collecting recyclables in a rear loading garbage truck which would increase the volume we could collect and reduce the number of trips to the materials recovery center by the flat bed truck used at present.

We are seeing a dramatic increase in the volume of brush placed for our crews to remove. Some of this is the remnants of the severe winter storms, but we are also seeing more tree trimmers taking down trees and leaving the brush for the Town to remove. This is a violation of the Town ordinances, but it is difficult to enforce. We also catch people who haul limbs in from outside the town and leave the debris along the streets for the Town crews to remove.

In a separate section of this document, we will have a variety of suggestions for the Town to consider in terms of the operation of the Sanitation Department. In the 2009-2010 budget, Streets and Sanitation lost one position and we are proposing that two other spots be removed in 2010-2011. We have incorporated ways to work more efficiently, such as the purchase and implementation of the Pin-Point System which uses GIS technology, but we need to address the problem of those who are taking advantage of the services offered.

During 2008-2009, we converted from side-loading to front-loading dumpsters and worked with customers to adjust service levels and schedules. This system has worked very well and many of our customers have saved money by reducing the number of collections required. There has been a decrease in the tonnage of solid waste collected and transported to the landfill, and it is assumed that has to do with the economic slowdown with fewer restaurant meals and less purchasing underway. Haywood County has advised that the tipping fees will not increase in 2010-2011, but the landfill fee on tax bills for residential and commercial properties will rise. At this time, we are not recommending an increase in the fees charged for collecting commercial garbage.

Beginning in 2008, the State of North Carolina mandated a \$2.00 per ton fee on all solid wastes to cover the cost of remediating "orphan" landfills abandoned prior to the implementation of EPA closeout regulations. In 2008-2009, the Town had to pass along that charge to our customers, but at least we receive a very small portion of the fee collected back for use in our sanitation program. In 2010-2011, we estimate that fee will mean an income of \$6,850 to the Town. Hopefully we will be able to use those funds to improve our recycling efforts or allow our personnel to expand recyclables they may collect or perhaps to improve the collection of litter from our roadsides, a blight that severely impacts the appearance of our beautiful community.

In 2008-2009, after years of seeking a more equitable way of collecting charges for providing fire service, the Towns and Volunteer Fire Departments convinced Haywood County to place almost all property within the county into some fire district. Beginning in the 2009-2010 budget, the three fire tax districts to which our Fire Department was under contract were merged into the Waynesville Rural District, with all property in the district assessed a 6 cents per \$100 fire district tax. We have seen a significant increase in the revenues collected from this new method. There remain areas outside of the Town which are not in the Waynesville Rural District but which receive fire service from the Waynesville Fire Department. Some of these properties pay \$4.00 per month for this service and others pay nothing. We are still working through those issues with the County and hope to resolve them in the coming fiscal year.

We will be recommending an increase in the Fees for Building Inspections to put them more in line with other governmental units. Fees for Recreation services were increased in 2009-2010 and we are not recommending an increase in 2010-2011.

V. HIGHLIGHTS OF EXPENDITURES FOR 2010-2011

A. Cost of Living Adjustments and Retirement Contributions

With the continuing recession and the prolonged negative impact upon the Town's revenues, we are unable to recommend a cost of living raise or a merit increase for our employees in the 2010-2011 budget. Unfortunately, this is the second year that we have not had funds to grant increases. Last year, we were able to grant employees a larger Christmas bonus. If financial conditions improve during the fiscal year, perhaps we will be able to revisit the compensation issue.

Fortunately, all fringe benefits which our employees presently enjoy will continue without interruption or downgrade. As has been done for several years, funds are provided to make a 5% contribution to a **401(k) retirement account** for every full-time employee. Employees may invest that money as they chose and may contribute their own money into the 401(k) account. The funds in the 401(k) account are the property of the employee and goes with them when they retire or when they leave Town employment.

In addition to the 401(k), the Town contributes on behalf of every full time employee to either the **Local Government Employees' Retirement System** or to the **Local Law Enforcement Officers' Retirement System**. The Retirement Systems have been impacted by the economy as well, and the drop in the stock market affected the value of the retirement funds. In addition, with so many "baby-boomers" reaching retirement age, the Systems had an actuary study performed and it revealed that a higher level of funding was needed to meet future retirement payments. So the Town's contribution to the Retirement System will increase by approximately 1.55%, going from approximately 5% of payroll to approximately 6.55% of payroll. Employees have a mandatory 6% deducted from their paychecks for this retirement system, but the share employees contribute will not be increased this year. This is one of the finest benefits that are offered to our personnel.

As we have stated many times, and I know the Board is aware of this, the Town has some of the best employees that can be found in any organization. While we are unable to offer them higher compensation at this time, at least we are able to maintain the generous fringe benefits program as a reward for the excellent work they do.

B. Employment Levels

During 2008-2009, we had several positions which became vacant, and when we encountered some financial problems, we put a hiring freeze on most of those positions. When we developed the 2009-2010 budget, we recommended that five full time positions be eliminated. These included a building inspector, a sanitation worker, a cemetery worker, a sewer system maintenance employee and a full time position as administrative assistant in public works (we left the last as a part time position). During the current year, we have added two police officers, the result of a Community Oriented Policing Grant the Town received. But in the 2010-2011 budget, we are recommending the elimination of four positions. One is a customer service representative, made possible with the merger of the finance offices; the others are two maintenance workers from Streets and Sanitation and a Programmer with the Recreation Department. In the General Fund, this means the number of full time employees will drop from 122 to 118.

As noted in prior years, there remain some areas where we are in need of additional personnel, but with the Town's current financial situation, we did not feel we could add more positions at this time. There continues to be a need for an assistant in Human Resources to help Ms. Margaret Langston with her work load. In the future, the Town might look at hiring an employee to oversee Information Technology, but thus far, our investigation into this reveals that our broad contract with a computer maintenance firm is a better and more affordable option for the Town. In the Police Department, we have one employee who handles this type of work for IT, telephone and communication systems.

For many years, the finance department has served as a backup for administration, taking telephone calls when administrative personnel are out of the office or otherwise occupied. We are not sure how smoothly things will work in administration when finance personnel are all relocated to the Hazelwood Office. It may be necessary to add a part time employee from 1:00 to 5:00 p.m. daily to handle telephone calls, provide administrative support and to assist Ms. Langston in Human Resources.

C. Fringe Benefits Costs

The greatest fringe benefit provided our employees is health insurance. Over the years, the cost of health insurance has increased far in excess of the inflation rate, but for the past three years, our rates from Blue Cross-Blue Shield remained pretty stable. Our group experienced a few very high claims in 2009-2010, and as a result, the health insurance premiums could increase by up to 25% for 2010-2011. If that is true, the Town would be paying \$1,678,460 for health insurance for employees, dependents and retirees. We have talked with the agency which handles the Town's account, and they have provided a number of alternatives for ways to reduce our premiums. The employee's deductible could be increased from the present \$500 level to something higher - \$1,000, \$1,750, \$2,500 and even \$5,000. There is a program through which the deductibles could be raised but then the Town could fund the higher deductibles so the cost does not come directly from the employees. We could also agree to higher co-pays, where the employee would pay an additional \$5.00 for office visits to primary care physicians or specialists. These would have varying impacts upon the potential 25% increase.

The agency with our account is continuing to seek ways to reduce our premium, and they will be meeting with us in early May with the rates to maintain the health insurance programs we presently offer employees. In addition, they will have more precise information on alternatives to reduce the premiums more. The budget which is presented to you has an estimated 25% increase in the line item for health insurance premiums. When we have the final numbers, we suspect that line item can be reduced.

At present, there is no charge to employees for their own health insurance, only for that of their dependents. The Town also currently pays the full premium for ten years on a retiree with at least ten years of service. We have two different employee groups in the health insurance program – those employed prior to January 1, 2006 and those hired after January 1, 2006. Those hired prior to January 1, 2006, enjoy lower rates on health insurance costs for dependents and receive free retiree health insurance for ten years if they have at least 10 years of service. Those hired after January 1, 2006, pay a bit more for dependent coverage and will find that retiree health insurance benefits will require varying levels of financial participation if they have less than 25 years of service.

Our dental and life insurance coverage is provided through the North Carolina League of Municipalities which also provides our **Worker's Compensation, Property, Automotive and Liability Insurance**. Some of these policies will have slight increases and some will have slight decreases, so we do not anticipate much change overall. The Town will receive some credits due to our long term participation in these programs.

In addition to the 401(k) retirement program, the Town offers the opportunities for employees to participate in other retirement programs, to purchase extra life insurance for themselves or their dependents, to establish pre-tax health savings accounts, or special eye care accounts and to take part in a variety of other programs. I would note that the Town of Waynesville has always used a third party administrator to manage the pre-tax health savings account and has never had problems with misuse of funds in this program or with the abuse of these benefits.

The budget includes funds for **Longevity, Safety and Christmas Bonuses**, and as required by federal law, the Town contributes 7.65% of earnings for each employee to Social Security. Our Town employees enjoy a generous fringe benefits program.

D. Capital Outlay/Infrastructure Improvements Costs

For the 2010-2011 fiscal year, we are recommending that the capital outlay appropriation in the General Fund increase by \$87,270 over what we plan to spend in that category in 2009-2010. While we are trying to hold down expenditures as much as possible, there are simply vehicles and equipment that have reached the end of their useful life and cannot be maintained in a safe, functional operating condition without significant expenditures. When funds become limited, there is a tendency to reduce appropriations for capital outlay, but that has a tendency to backfire in terms of higher maintenance costs or finding it necessary to spend twice as much the following year.

I would note that the original requests for capital outlay totaled \$2,892,900, but that has been reduced to a total of \$443,400. In preparing their budgets, department heads have developed requests which they believe will maintain and even enhance the level of services offered the citizens. Obviously, we cannot fulfill every request. In Section VI of this document, you will find a list of all capital outlay items requested and the amount that is recommended for funding. Each department head is asked to prioritize their requests, and you will see these numbers next to the items in Section VI. We have tried to honor those priorities as much as possible, though that could not be done in every instance.

During my 16 years as Town Manager, I have found that Town Boards have always shown a concern for the safety of our employees and for seeing that they are provided with adequate vehicles and equipment to perform their work. They have been generous in support of capital outlay expenditures, for facilities as well as rolling stock. Overall, I believe our personnel take good care of the vehicles and equipment and that shop personnel do a good job of providing proper care and maintenance of the equipment. That treatment is often reflected in the prices that we receive when we place vehicles and equipment out for bid on the Gov-Deals website.

As is often the case when funds are limited, we have to be creative about meeting the needs of the departments. This may mean financing some items we would not typically finance or planning delivery dates so that the payments are delayed until a future budget when the revenue picture has improved somewhat. For instance, the new fire truck has been ordered and should be delivered in October or November, 2010. We plan to finance that truck, and the first payment would not be due until twelve months later, in the 2011-2012 fiscal year budget. The same idea has been applied to Streets and Sanitation which needs three new vehicles, a rear-loading garbage truck, a one ton dump truck and a brush truck, totaling \$240,000. We propose to order those in 2010-2011, but the first payment on the loan would not come due until 2011-2012. We are shifting an expense to a future fiscal year, but in doing so, we would note that we will be paying off some loans in 2010-2011 and in 2011-2012 that will give us some capacity to take on the new debt.

Since 1995, we have developed and maintained a **Capital Improvements Plan (CIP)**, and we expect department heads to pay attention to this planning tool each year when developing budget requests. Much time was spent by the departments in developing the list of items that they felt needed to be replaced over the next five years. As we develop the budget, we pay attention to the projections of the department heads, and we require that the CIP be reviewed and adjusted annually. Needs and conditions change and new circumstances arise that make us rethink early decisions and recommendations. The CIP should cause us to develop replacement schedules for major equipment, and help prevent a situation where all big-ticket items have to be replaced at the same time.

E. General Operating Expenditures

During the early stages of the recession, we anticipated a drop in the price of many products which the Town purchases. That did not occur, and the price on many items actually rose in 2008 and 2009, asphalt and concrete being just two examples. One of our largest purchases is in gasoline and diesel fuel to operate vehicles and equipment, and we purchase approximately 105,000 gallons annually. As you have noticed, the price of fuel has fluctuated significantly over the past two years, reaching over \$4.00 per gallon and then dropping close to \$2.00 per gallon before edging back up toward \$3.00 per gallon. Being tax exempt, the Town pays about 40 to 45 cents less than what you and I pay at a gas pump, but we still see the fluctuations in what we do pay. In 2009-2010, we budgeted \$2.50 for regular and \$2.70 for diesel fuel, and our costs have not exceeded that number. We are seeing the cost of fuel edging up and recommend \$2.60 for regular and \$2.70 for diesel fuel in 2010-2011, which will boost anticipated expenditures by \$24,100.

In the 2010-2011 budgets, many departments asked for increases in Materials and Supplies. We know they have work they want to accomplish. Regretfully, with the decline in revenues in several areas, it will again be necessary to delay some projects and make the funds available spread as far as possible. This will require a lot of close management on the part of department heads and management personnel, particularly if the economy begins to improve. In those situations, the inflation rate could begin to rise and the cost of materials and supplies used in municipal operations might start to increase as well.

Appropriations for travel and training are at or near the same level as in prior years. We want to assure that our work force receives the training in skills needed to perform their jobs. We are attempting to bring more training to our site rather than sending large numbers of personnel elsewhere for training. We found that the School of Government has been working to provide more training through Western Carolina University in this region or by Webinars on the computer, helping to hold down travel costs.

During 2010-2011, we will work on succession planning, meeting with department heads and supervisors to determine their plans for retirement and/or their desires for advancement. Our organization has many "baby boomers" approaching the age when they can retire. We will work on some estimated time frames for those retirements and plan on the transitions that will follow for our organization. We need to continue to emphasize additional training for our personnel to improve their job skills and increase their chances of advancement. We want to promote from within when we can and when our employees are capable. We must determine the goals and ambitions of our department heads, supervisors and line personnel to see where they wish to be in the future, whether they want to advance and to help them meet their goals. If they are not ready to advance but wish to do so, we have an obligation to try to help them become prepared.

F. Miscellaneous Costs

The **Professional and Contract Services** amount will remain about the same next year. We will complete several projects, such as the Hendrix Street Bridge and studies of the Land Development Standards and Historic Preservation. We propose a Pavement Condition Study and we have been awarded a matching grant to undertake a study of the South Main Street corridor. Legal fees should remain about the same next year, for we are anticipating some law suits filed in the past will reach the courtroom. With the cutbacks assessed to our departments, no pay increases and the loss of four more positions, we recommend that the Donations and Contributions to various organizations be reduced from \$130,000 to \$120,000. We support full funding of the Downtown Waynesville Association and the Economic Development Department, but feel allocations to the non-profit agencies should be reduced and that the Town should not make new contributions. As you know, Haywood County dropped funding to all non-profits and the Town may need to move in that direction over a given time frame. In a separate document, the Board is provided a list of the requests and letters received from various organizations.

The final category in the budget is for **Debt Service**. During 2009-2010, we paid off one loan, a debt on a bull dozer for the Town's landfill. There is one new debt added in the 2010-2011 budget for rolling stock from police, streets and sewer maintenance department. The following are debts which are funded in 2010-2011:

1. the twelfth of twenty years on the Waynesville Recreation Center (\$370,850),
2. the fourth of four payments on three trucks for sanitation (\$56,250),
3. the eighth of fifteen payments to Haywood County for a parking deck (\$227,050),
4. the third of five years on the telephone system for all town facilities (\$18,030),
5. the fourth of fifteen years on the BB&T loan for the fire station (\$96,200),
6. the second of forty years to Rural Development on the fire station (\$108,700),
7. the third of twenty years on the Wachovia loan on the police station (\$211,340),
8. the third of five years on the front loading garbage trucks (\$82,900),
9. the first of three years to Sun Trust Bank on police vehicles (\$61,870).

VI. NOTEWORTHY ITEMS

At a time when many local governments are laying off employees, having furloughs and unpaid days off and reducing the fringe benefits provided their personnel, I think it is particularly noteworthy that the Town of Waynesville has been able to continue operations without laying off anyone or taking any of the fringe benefits from our employees. While it has not been possible to provide cost of living adjustments or merit increases, the Town has been able to maintain the health, dental and life insurance programs and continued the contributions to the Local Government and Law Enforcement Officers retirement systems. We have continued to contribute 5% of each employee's earnings to a 401(k) account in that employee's name. I am somewhat amazed that we have been able to do all of this, particularly in light of the increases we anticipate in health insurance and retirement costs in the 2010-2011 fiscal year.

I am also amazed at being able to do what we have done with little growth and many declines in various revenues. The following chart is a comparison of some of our major revenue sources in the General Fund over a four year period, showing actual revenues for Fiscal Years 2008 and 2009 and anticipated revenues for Fiscal Years 2010 and 2011.

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
Real Estate Taxes	\$3,842,602	\$4,011,603	\$4,123,640	\$4,042,350
Motor Vehicle Taxes	\$ 266,962	\$ 266,366	\$ 240,810	\$ 244,800
Sales Taxes	\$2,327,459	\$2,104,998	\$1,931,420	\$1,948,850
Franchise Taxes	\$ 676,321	\$ 767,080	\$ 716,440	\$ 705,640
Powell Bill (Paving)	\$ 398,134	\$ 361,336	\$ 319,960	\$ 305,000
Building Permits	\$ 132,689	\$ 98,835	\$ 96,000	\$ 115,000
Commercial Garbage	\$ 368,631	\$ 379,725	\$ 356,230	\$ 356,230
Residential Garbage	\$ 247,285	\$ 275,631	\$ 294,000	\$ 344,000
Recreation Revenues	\$ 712,037	\$ 762,159	\$ 669,110	\$ 695,000
Investment Income	\$ 162,320	\$ 60,065	\$ 9,020	\$ 13,650
ABC Store Contribution	\$ 87,160	\$ 145,770	\$ 32,350	\$ 32,340
TOTALS	\$9,221,600	\$9,233,568	\$8,788,980	\$8,802,860

As you can see from this chart, most of our major revenue sources have declined over the past three years. Real Estate Taxes are up, but it is primarily because of growth in the tax base from new construction as well as increased efforts to collect unpaid back taxes. Residential garbage fees have been increased by \$1.50 over the four years, pushing revenues up \$97,000. But most of these eleven major revenues sources are smaller now than they were two or three years ago, and the revenues generated by these sources are estimated to be \$418,740 less in 2010-2011 than they were in 2007-2008. This chart is perhaps the best way to show the unusual challenges we have faced in developing budgets over the past few years and is definitely noteworthy.

It is noteworthy too that the Town has made many changes to operations to deal with the decline in revenues. We reduced employment by five full time positions in 2009-2010 and we propose to cut another four full time positions in 2010-2011. At the same time, we have attempted to maintain the level of services to which the citizens have become accustomed. This has been accomplished by working more efficiently in some cases, and the implementation of the Pin-Point Geo-Tech System in the Sanitation Department in 2009 was one effort in that regard. Another efficiency move in the Sanitation Department was the switch from side loading to front loading dumpsters. This change eliminated one full time position and sped the process of collecting garbage from commercial customers. Many customers have saved money by using a larger dumpster and reducing the number of times the Town must empty the dumpster.

Another efficiency move comes with ceasing to operate two separate Finance Offices. In a Town the size of Waynesville, there is no reason to have two finance offices about a mile apart. By closing the downtown office and locating all financial operations at the Hazelwood Office, we are able to eliminate one position and save approximately \$40,000 annually. In addition, closing the drive thru window at the Municipal Building will curtail many dangerous left hand turns from that building onto Main Street. We believe this will have a positive impact upon the traffic congestion on Main Street. And of course, the location of the Finance Department to the Hazelwood Office puts that facility to a much better use and shows a stronger commitment to the Hazelwood Community. Renovations to this building were needed as it is now over 30 years old, and we feel the improvements will be a boost to the surrounding area.

In 2003, the Town Board adopted the Land Development Standards. This was done after a considerable number of public meetings in which citizens had the opportunity to help establish the rules and regulations by which they wanted development to occur in their community. In the years that followed, amendments were made to the Standards, but it became evident that a thorough review of the Standards was needed. The Board provided funds for a consultant to work with an eight member panel and Town Staff in a complete review of the Standards. This work has been underway for nearly a year and will likely be completed during the upcoming summer. The proposed changes will then go to the Planning Board and then to the Town Board for public hearings.

The Waynesville Crossings Shopping Center has generated a great deal of interest in development along South Main Street adjacent to that shopping area. Traffic congestion has increased substantially, and the Town convinced the Department of Transportation to conduct a feasibility study for traffic improvements along South Main Street from the Downtown to Hyatt Creek Road and then to the Great Smoky Mountain Expressway. In addition, the Town has received tentative award of a grant to hire a consultant to conduct a corridor study of the South Main Street area. This should result in some suggestions for rules and regulations for development in the South Main Street area.

We have included a large appropriation from fund balance, but the Finance Director and I are comfortable with that number. We often pledge a portion of our reserves each year simply to balance the budget, but we do not typically use them. In 2009-2010, we believe we will use a portion of the reserves pledge, but the Town's fund balance remains very high. The reserves should be viewed as a "rainy day fund", a place we can go to when we need extra funds for operations.

The Town Board, management and employees have been good stewards of the funds entrusted to us by the public, and the reserve funds have been returned to the citizens in the form of facilities such as the recreation center, new fire station, new police station/development office or buying the Dayco site out of bankruptcy. Waynesville remains in a much stronger financial position than most local governments, and our fund balances have consistently been high. To allocate \$906,580 will likely pull the Town's fund balance down to 25 to 30% from approximately 42% at June 30, 2009. We are optimistic that the local economy will show improvement as 2010 progresses, especially with the reopening of I-40. We do not actually believe the Town will have to use all of the \$906,580, but it is there and available, and we are comfortable recommending its use. We cannot recommend that sum be allocated on a continual basis for we would become uncomfortable about a steady decline in the fund balance.

During the coming year, we will need to spend time considering our Streets and Sanitation Department. The work load in the Streets section is increasing and not all of the resources are keeping pace. Funds from the Powell Bill in 2010-2011 are estimated to be \$305,000, which is \$93,000 less than the \$398,134 received in 2007-2008. Furthermore, the \$305,000 is approximately the amount of money Waynesville received in Powell Bill funding for street maintenance during the mid-1990s, some fifteen years ago. At that time, we had many less miles of streets and sidewalks to maintain and the cost of critical items such as asphalt and concrete were less than half of what those products cost in 2010. Unless we find additional resources for the maintenance, repair and construction of our streets and sidewalks, it will be impossible to keep those items in the condition we desire.

In the Sanitation Department, we must continue to search for efficiency moves and ways in which we might need to alter our operations and procedures. The department is challenged to meet the demands of customers for the collection of yard wastes – limbs, brush, hedge clippings, leaves and grass cuttings. Residents hire tree trimmers and landscape companies to work on their property and many of these leave mountains of debris at the street for Town personnel to collect. Although this is a violation of the Town's ordinances, it is difficult to catch these people. When they are confronted, they will often leave the debris for the homeowner to dispose of, and that often leads to complaints from the homeowner to the Town. Some Towns set strict limits upon the volume to collect, with one providing a 90 gallon roll out container that is the maximum they will collect each week. During the year, we must work toward a solution to this problem.

VII. SUMMARY

Those of you who have known me for any length of time are aware that I appreciate old adages and will often use these old sayings to emphasize a point. It is a trait that I perhaps inherited from my mother who passed away in 2009, for she had an old saying for every circumstance and often applied them to something I was doing or not doing. I have come to respect and appreciate sayings attributed to the ancient Chinese philosopher, Confucius, and to more current personalities such as Vince Lombardi and Yogi Berra. One of the old sayings I have heard and enjoyed is **"May You Have an Interesting Life"** and I thought that came from Confucius. There seems to be no proof of that, though it does show up in my research as having Chinese origins, both as a blessing and as a curse. It goes without saying that the past two to three years have been "interesting", but sometimes seemingly more as a curse than a blessing.

I have always appreciated a good challenge, but I have to admit that the challenges of dealing with this economy and maintaining the level of services the Town provides citizens has become trying. At some point, I became frustrated in finding ways to cut back services to fit the Town's expenditures to the revenues available to provide those services. But then I came to the realization that the excitement is in the challenge of finding ways to maintain those services by taking a different approach to how we do things. In those moments, I refer back to another of my favorite sayings – **"If you always do what you have always done, you will always get what you always got"**. If we want different results, we have to find a different way of accomplishing the job at hand.

The other quotation that keeps coming into my mind, and I have used it a number of times, came from an article I read in early 2009 – **"Don't Waste a Good Crisis"**. Over the past 24 months, we have been forced to approach problems in a different manner, to ask different and better questions and to seek solutions that will allow us to perform as well or even better as a local government but in a different manner than in the past. That is certainly not a bad thing, for change is not a bad thing if it has purpose and meaning. It has been "interesting" getting to this point, and perhaps more of a blessing than a curse.

I know I am prejudiced, but I take pride in what the Town has accomplished the past few years. We have addressed facility needs, providing employees and community with excellent facilities in which employees may do their jobs and citizens may conduct their business. We provide modern and safe vehicles and equipment so employees may deliver a high level of services to citizens who expect that of their town government. And we have done these things in the face of tremendous economic challenges and without massive layoffs or reduction of the fringe benefits for the most valuable asset of this organization, the employees we work with on this team we call the Waynesville Town Government.

In the year ahead, we are optimistic the economic recovery will be felt in Haywood County. The re-opening of I-40 will help and the return of the tourists to our area will be a boost. On a larger scale, the world economy shows signs of an upturn. Manufacturing orders are up which will lead to workers returning to jobs. Jobs lead to bigger payrolls and people will have money to spend on a host of items. Since 2007, many purchases have been delayed, so it is even possible that when the economy does turn, it will be a dramatic upswing as people fulfill those pent up desires for goods and services. One can hope!

In the meantime, we must do our part to continue our efforts to make Waynesville an attraction for those who are tourists, those seeking a second home or perhaps a retirement home or to those businesses or industries seeking a location for their operation. We are not reducing our attention to maintaining one of the most attractive and vibrant downtowns in North Carolina. We are not curtailing expenditures on our horticultural programs, and we will continue to plant trees, flowers and shrubs to make our town one that others wish to emulate. We will adopt revised standards which we believe will enhance development in our community. We will attend to our streets and sidewalks and pursue our efforts to fix and repair our water, sewer and electric systems, poised for the growth and the development that will follow this recession. We will maintain a top notch police and fire department, with men and women who are highly trained and qualified in their fields, able to stand beside fellow public safety personnel from the largest departments in our state. We will become a stronger organization as we do these things.

We are anticipating that the fiscal year ahead will be another one of challenges, but of opportunities as well. If we are wise, we learn from our experiences, both the good and the bad experiences. When this is past, we will certainly be able to say that we did indeed have an "interesting life".

As you work your way through this budget document or as we hold budget work sessions over the next few months, Finance Director Eddie Caldwell, Assistant Manager Alison Melnikova and I welcome your questions and your input. If you find a need for additional information, please do not hesitate to ask. We are anxious to work with you in making this a better process and welcome any suggestions you might have.

Respectfully submitted,

A handwritten signature in black ink, reading "A. Lee Galloway". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

A. Lee Galloway
Town Manager

PART 2 - 2010-2011 - PROPOSED GENERAL FUND BUDGET

I. GENERAL FUND			
A. REVENUES	EST. ACTUAL 2009-2010	PROPOSED 2010-2011	DIFFERENCE
Real Estate Taxes - Town	4,123,640	4,042,350	(81,290)
Comment: During 2009-2010, the Tax Collector was particularly successful in collecting some older tax payments and bringing some foreclosures current. We do not anticipate that repeating itself. There has been very limited growth in the tax base otherwise and we actually lost the Wellco property from the books.			
Real Estate Taxes - Municipal Service District - Downtown Waynesville	110,230	98,620	(11,610)
Comment: The Tax Collector was successful in collecting some old taxes in the MSD this past year, but it is unlikely that will repeat itself in the coming year.			
Motor Vehicle Taxes	240,810	244,800	3,990
Comment: There was a drop in the purchase of new cars last year and values declined as well. We are hoping for moderate growth in 2010-2011.			
Motor Vehicle Taxes - Municipal Service District - Downtown Waynesville	120	0	(120)
Motor Vehicle Rental Tax	18,980	20,000	1,020
Comment: Vehicle rentals seemed to have reacted to the poor economy also.			
Tax Refunds and Discounts	(2,500)	(3,500)	(1,000)
Comment: Refunds are issued when people pay property taxes already paid by their mortgage company. The duplicate payments were less in 2009-2010 than we normally see and should be back to normal in 2010-2011.			
Penalties/Interest/Advertising	44,400	28,100	(16,300)
Comment: The collection of back taxes was good in 2009-2010, meaning higher penalties and interest. There should be fewer back taxes to collect in 2010-2011.			
Local Option Sales Tax - 1 %	772,260	783,850	11,590
Comment: We budgeted a decrease in the sales tax collections last year, but it was even greater than we estimated. We are hoping that the reopening of I-40 will lead to higher sales tax receipts again.			
Local Option Sales Tax - 1/2 %	796,100	801,940	5,840
Comment: Again, although we budgeted a decrease, sales tax collections have been worse than predicted. We hope for a slight increase in 2010-2011.			
Additional 1/2% Sales Tax to Replace Reimbursements	363,060	363,060	0
Comment: The State took this Sales Tax to offset Medicare Reimbursements by the County, but they promised to give municipalities a "hold harmless" provision. We do not expect any growth in this source in 2010-2011.			

PART 2 - 2010-2011 - PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACT.	PROPOSED	DIFFERENCE
Privilege License Tax	20,000	20,000	0
Cable Television Gross Receipts	146,530	149,470	2,940
Comment: Revenues from the State for cablevision and satellite service fell last year related to economic cut backs. We expect a slight increase next year.			
Beer and Wine Tax	14,900	44,710	29,810
Comment: The State withheld two thirds of our revenue in 2009-2010. We are hopeful that we will receive full funding in 2010-2011.			
Court Facilities Fees	2,800	2,800	0
Franchise Taxes			
Comment: These revenues sources used to grow steadily, but in recent years they have been unpredictable. Telecommunications and natural gas revenues should be flat next year. Electric revenues were high in 2009-2010 due to the cold winter but should fall in 2010-2011 if the winter is more typical.			
A. Telecommunications	303,140	303,140	0
B. Electric	398,460	387,660	(10,800)
C. Natural Gas	14,840	14,840	0
Powell Bill Revenue	319,960	305,000	(14,960)
Comment: After taking a dramatic drop in 2008-2009 with a much higher average cost per gallon on gasoline, revenues grew in 2009-2010. We have been advised that the poor economy will likely result in a drop in 2010-2011.			
80% Bridge Reimbursements	420,080	336,000	(84,080)
Comment: This is for the 80% reimbursement from the State for Hendrix Street bridge construction. Most of the work was done in 2009-2010, and the reimbursement should be less in 2010-2011.			
Solid Waste Tax	6,850	6,850	0
Comment: This is a new source of revenue which resulted from the \$2.00 per ton charge on everything disposed of at the landfill. Local governments are receiving a small amount from this new tax.			
Payments on Behalf of Firemen for Pensions	15,000	15,000	0
Federal Emergency Management Reimbursements (FEMA)	47,390	0	(47,390)
Note: Town received reimbursements from federal government for snow damage in 2009-2010. We are not expecting a recurrence in 2010-2011.			

PART 2 - 2010-2011 - PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACT.	PROPOSED	DIFFERENCE
Powell Bill Interest Earnings	2,340	3,530	1,190
Comment: We are optimistic that there may be a slight increase in interest rates and interest earnings in 2010-2011.			
Police Grant - Others	99,010	135,520	36,510
Comment: These are grant funds for the full year in the COPS Program which allowed us to hire two full time officers for the Police Department.			
Unauthorized Substance Funds	17,950	30,000	12,050
Comment: When funds are taken during a drug raid or in connection with drug deals/sales, the funds are distributed back to the department involved in the police actions. We hope to see these revenues return in 2010-2011.			
Richland Creek Grant	0	0	0
Comment: The initial phases of this project have been completed.			
Richland Creek Action Committee Grants	0	0	0
Comment: the initial phases of this project have been completed.			
Miscellaneous Grants	30,400	67,000	36,600
Comment: We completed the Pedestrian and Russ Avenue studies in 2009-2010 and hope to be funded for a South Main Street Corridor Study in 2010-2011.			
Sale of Fixed Assets - Powell Bill Items	0	0	0
Comment: When we sell capital equipment paid from Powell Bill Funds, we must return the money to Powell Bill reserves. We expect no sales next year.			
Building Permits	96,000	115,000	19,000
Comment: Construction was slow for most of 2009-2010, but with some projects planned and a proposed increase in fees, this revenue may rise in 2010-2011.			
Planning Fees	4,000	8,000	4,000
Comment: We expect to see more projects coming in during 2010-2011 and that would mean more fees for review by planning staff and Planning Board.			
Rezoning and Annexation Fees	1,000	1,500	500
Comment: We anticipate that these fees may increase as activity increases.			
Homeowners Recovery Fund	-200	-500	(300)
Comment: There is a fee charged for each new home to go to a State fund, and we are optimistic that more homes will be built in 2010-2011.			
Connection and Reconnection Fees	51,000	47,000	(4,000)
Comment: We expect fees to drop back to normal in 2010-2011.			

PART 2 - 2010-2011 - PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACT.	PROPOSED	DIFFERENCE
Late Payment Penalties	23,000	21,000	(2,000)
Comment: Unfortunately, these are indicative of the poor economy, but we are hopeful that the penalties will return to normal in 2010-2011.			
Charges to the Water Fund	180,860	200,000	19,140
Charges to the Sewer Fund	166,730	171,580	4,850
Charges to the Electric Fund	361,120	370,500	9,380
Police Contract Services	65,000	67,000	2,000
Comment: These are revenues for contract police services, including a large sum from the School System for the School Resource Officer at the middle school. Revenues may increase slightly as the fringe benefits will likely rise.			
Fire Protection Charges	225,680	234,200	8,520
Comment: The County expanded fire districts in 2009-2010, and we saw a nice increase in fire tax collections. We expect this number to be higher next year.			
Commercial Sanitation Fees	356,230	356,230	0
Comment: Revenues from commercial customers dropped in 2009-2010 due to a lower volume of garbage. We expect this number to remain flat next year.			
Residential Sanitation Fees	294,000	344,000	50,000
Comment: Revenues for residential service were above projections last year and we saw a large increase in the amount of brush and recyclables with which we deal. We are recommending a \$1 monthly increase in residential for 2010-2011.			
Solid Waste Containers - Sales	0	0	0
Comment: We have switched to a rental system and no longer sell dumpsters.			
Solid Waste Containers - Rental	46,000	46,000	0
Comment: We now rent dumpsters to customers and the Town is responsible for the maintenance and replacement. It has worked well thus far.			
Cemetery Lot Sales	20,000	20,000	0
Comment: Sales of cemetery lots and columbarium niches were up last year but the revenue fluctuates from year to year.			
Cemetery After Hours Call Out Fees	0	100	100
Comment: This is the charge for call outs on weekends and holidays.			
Columbarium Sales	0	1,200	1,200
Comment: We are seeing more interest in the columbarium niches now.			

PART 2 - 2010-2011 - PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACT.	PROPOSED	DIFFERENCE
Columbarium Openings	0	600	600
Comment: A fee is charged for opening columbarium and engraving doors.			
Recreation - Memberships	314,100	320,000	5,900
Comment: We saw a decline in most recreation revenues last year, perhaps due to the poor economy. We are hopeful these will pick up in 2010-2011.			
Recreation - Daily Passes	130,000	140,000	10,000
Comment: Daily attendance was down in 2009-2010 in the harsh winter months but we are hopeful that we will not experience such a hard winter in 2010-2011.			
Recreation - Rentals	40,000	42,000	2,000
Comment: Rental fees should return to a normal rental income in 2010-2011.			
Recreation - Department Services	52,000	60,000	8,000
Comment: Fees for department services appeared to drop in 2009-2010, but it may have been a matter of reporting since income from Adult and Children Programs were up quite a bit.			
Recreation - Contribution from Haywood County	0	0	0
Comment: Haywood County no longer supports recreation efforts of the Town.			
Recreation - Adult and Children Recreation Programs	107,000	100,000	(7,000)
Comment: Program income was up considerably in 2009-2010. We are in hopes that revenues will come close to matching that in 2010-2011.			
Recreation - Program Fees at Armory	8,000	7,000	(1,000)
Recreation - Rentals Collected at Armory	3,700	4,000	300
Recreation - Child Care	0	0	0
Recreation - Commissions on Vending Machines	7,030	7,000	(30)
Comment: The Town moved out of the vending machine business and collects a share of the profits from the machines placed here by others.			
Recreation - Proceeds from Concessions	2,280	2,200	(80)
Comment: We receive a small amount from the sale of items at the center.			
Recreation - Playground	5,000	13,000	8,000
Comment: This is the money left over from contributions toward the Community Playground and is used for annual maintenance on the playground. We appropriate all that is left in the fund, but we do not use all that money.			

PART 2 - 2010-2011 - PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACT.	PROPOSED	DIFFERENCE
Contributions/Donations - Police	2,500	0	(2,500)
Comment: Last year's donations were for the DARE car and will not be repeated.			
Contributions/Donations - Recreation	300	0	(300)
Community Foundation Donation	0	0	0
Comment: When the Recreation Center was started, a special fund was established to receive donations. This fund normally provides donations from interest earnings, but in most years there are little if any earnings. And the money now is less than when the fund was begun in the 1990s.			
Memorials	10,000	10,000	0
Comment: This was a new account in 2009-2010 where people donate toward the purchase of memorials for others. There was interest in memorials for items at new buildings, so we expect to see that interest decrease in 2010-2011.			
Public Art	18,380	22,500	4,120
Comment: These are donations made in support of the Public Art Program			
Public Art - Town of Waynesville	9,800	7,500	(2,300)
Comment: This is the Town's contribution to the Public Art Program.			
Public Art - Ticket Sales	1,820	0	(1,820)
Comment: This was a one time revenue resulting from the Public Art Program.			
Miscellaneous	5,000	5,000	0
Comment: This is an account where we place revenue that does not fit easily in other catagories.			
Rents	28,800	28,800	0
Comment: These are primarily the rents from cell tower locations.			
Sale of Materials & Fixed Assets	70,600	31,000	(39,600)
Comment: We sold some big ticket items in 2009-2010 but do not anticipate sales of that magnitude in 2010-2011.			
Parking Tickets	1,600	800	(800)
Comment: We do not anticipate the emphasis on parking enforcement next year.			
Noise Ordinance Violations	550	200	(350)
Comment: This was new in 2001-2002, and allows a process by which an officer can assess an immediate fine if a vehicle's radio is in violation of the noise ordinance. It has been very effective and we are hearing fewer loud devices.			

PART 2 - 2010-2011 - PROPOSED GENERAL FUND BUDGET

REVENUES	EST. ACT.	PROPOSED	DIFFERENCE
Cash - Over and Short	50	0	(50)
Bad Check Charges	800	600	(200)
Adopt a Trail - Recreation Department	0	0	0
Investment Earnings	9,020	13,650	4,630
Comment: We are hopeful interest earnings may rise in 2010-2011.			
ABC Store Sales Distribution	32,350	32,340	(10)
Comment: Representatives of the ABC Store indicate that sales have declined and profits have as well. If they build a new store, we expect further reductions.			
ABC Distribution - Law Enforcement	8,320	8,320	0
ABC Distribution - Rehabilitation	4,790	4,790	0
Transfer from Water Fund	91,950	97,250	5,300
Comment: We transfer a portion of the water revenues after fund balance is deducted to the General Fund.			
Transfer from Sewer Fund	83,070	81,700	(1,370)
Comment: We transfer a portion of the sewer revenues after fund balance is deducted to the General Fund.			
Transfer from Electric Fund	887,000	1,114,050	227,050
Comment: When we entered a new contract with Progress Energy in 2002, we planned to pay for the parking deck payment of \$227,050. The Electric Fund prospered in 2009-2010, and propose that it make that payment in 2010-2011.			
Fund Balance Appropriated-Powell Bill	107,620	129,470	21,850
Comment: Most of the money from Powell Bill reserves is for the local 20% share of the cost of the Hendrix Street Bridge.			
Fund Balance Appropriated	1,096,080	906,580	(189,500)
Comment: We are proposing a large sum from reserves to balance the fund in 2010-2011, but we will not be able to make so large a commitment every year.			
TOTAL GENERAL FUND REVENUES	13,356,680	13,393,900	37,220

PART 2 - 2010-2011 - PROPOSED GENERAL FUND BUDGET

B. EXPENDITURES	EST. ACT.	PROPOSED	DIFFERENCE
Governing Body	109,230	120,240	11,010
Comment: Hospitalization expense up \$6,860, Other Insurance up \$3,980,			
Administration	821,060	852,680	31,620
Comment: Hospital Insurance up \$17,220, Retirement up \$7,010, Part-time help up \$8,000, Automobile Expense down \$9,650, Legal up \$2,000, Materials and Supplies up \$1,000, Postage up \$1,000, Equipment Repair up \$1,000.			
Finance Department	791,260	814,260	23,000
Comment: Wages are down \$22,800 with the loss of one position; however, health insurance and retirement are up \$23,010. Capital outlay up \$24,100.			
Public Buildings	947,640	979,280	31,640
Comment: Wages & Fringe Benefits up \$6,860, Electricity up \$5,000, Building Maintenance down \$6,000, Contract services up \$11,370, Capital Improvements up \$16,500.			
Horticulturist (excludes wages & fringe which shows in Public Buildings)	39,750	40,600	850
Police Department	2,988,750	3,425,240	436,490
Comment: Wages and fringe benefit costs up \$222,430, with Retirement and Health Insurance accounting for \$131,850, Automotive expenses up \$31,220, Travel & Training up \$8,000, Equipment Rent up \$4,450, Capital up \$160,570.			
Miscellaneous Police Grants <i>\$261</i>	56,000	80,000	24,000
Comment: Grants through the State were not as plentiful this past year and the federal grants were focused on different purposes.			
Fire Department	819,720	867,230	47,510
Comment: Wages & Fringe Benefits up \$60,720, with Retirement and Health Insurance accounting for \$28,590, Automotive expenses down \$2,200, Capital Outlay for Equipment down \$8,000.			
A. Emergency Responders	11,260	12,540	1,280
Streets and Sanitation	2,269,290	2,347,610	78,320
Comment: Wages and fringe benefits up \$58,110, even though we have cut two positions, with Retirement and Health Insurance accounting for \$60,950, Professional Services up \$16,500, Dumpsters for resale up \$8,000, Automotive Expenses up \$4,070, Materials & Supplies down \$2,500, Electricity up \$8,000, Equipment Repair up \$6,600, Landfill costs up \$9,000, Tipping Fees up \$18,000, Capital outlay down \$40,000.			

PART 2 - 2010-2011 - PROPOSED GENERAL FUND BUDGET

B. EXPENDITURES	EST. ACT.	PROPOSED	DIFFERENCE
Powell Bill	850,000	774,000	(76,000)
Comment: Hendrix Street Bridge construction was planned in 2006-2007 budget but was delayed by State. Rights-of-way were secured and construction on this bridge has begun, but the cost in 2010-2011 should be less.			
Cemetery	106,280	114,890	8,610
Comment: Wages and fringe benefits up \$10,320, Capital outlay down \$2,500.			
Planning and Code Enforcement	291,850	304,540	12,690
Comment: Wages and Fringe Benefits up \$21,310, with Retirement and Health Insurance accounting for \$21,130, Professional Services up \$10,000, Capital Improvements down \$15,000, but S. Main Street Study included.			
A. Building Inspectors/Code Enforcement Officer	218,440	231,240	12,800
Comment: Retirement and Health Insurance costs up \$9,810, Unemployment up \$8,000, Automotive expense down \$7,770, Equipment up \$2,000.			
Special Appropriations	253,750	233,400	(20,350)
Comment: We propose a drop of \$10,000 in contributions to Non-Profits and the back taxes collected and paid to DWA should be less in 2010-2011.			
Parks and Recreation	2,112,510	2,138,150	25,640
Comment: Wages and fringe benefit costs down \$15,370 with one job eliminated but retirement and health insurance costs are still up \$31,530, Professional Services are down \$25,500, Materials & Supplies up \$4,000, Electricity up \$10,000, Natural Gas up \$12,400, Building Maintenance down \$36,500, Equipment Repair up \$11,510, Other Advertising up \$4,500, Capital Outlay up \$24,470 with a program to replace worn exercise equipment.			
Recreation - Special Projects	24,500	58,000	33,500
Comment: Playground Maintenance up \$8,000, Recreation Program costs up \$15,500, Richland Creek up by \$10,000.			
Operating Transfers to Other Funds			
A. Transfer to Capital Projects Fund - Fire & Police Projects	645,390	0	(645,390)
Comment: This was a one time transfer of funds which were left over from the Police/Fire Building Projects to establish a Capital Projects Fund. While an annual appropriation to this fund would be wise, it is unaffordable in 2010-2011.			
TOTAL GENERAL FUND EXPENDITURES	13,356,680	13,393,900	37,220

PART 2 - 2010-2011 - PROPOSED GENERAL FUND BUDGET

C. GENERAL FUND SUMMARY	EST. ACT.	PROPOSED	DIFFERENCE
REVENUES	13,356,680	13,393,900	37,220
EXPENDITURES	13,356,680	13,393,900	(37,220)
DIFFERENCE	0	0	0