



Town of Waynesville

TO: Mayor Gavin Brown, Alderman Gary Caldwell, Alderman Julia Freeman, Alderman Wells Greeley and Alderman LeRoy Roberson
FROM: Marcia D. Onieal, Town Manager
A. Lee Galloway, Management Advisor
DATE: May 16, 2012
SUBJECT: Presentation of FY 2013 Budget for the Town of Waynesville

Presented herein is the proposed Town of Waynesville budget for FY2013. The document is divided into eight sections, and a Table of Contents follows, color coded to match each section. At present, Section VIII is empty, but when the work sessions are completed, the public hearing held and the Budget Ordinance adopted, we will provide you with Section VIII for your budget book. Although we are presenting the budget this evening, our work is by no means done. As you work through this document and move toward adoption, our role is to continue working with you until the budget becomes something you support.

Our Town and the nation have been through four years of recession, but it appears that we are seeing some signs of recovery and a growing economy. All who are associated with the Town – elected officials, management, department heads, supervisors and employees – have worked hard as a team to help carry this community through a very challenging period. We have all made some sacrifices as we struggled with something none of us has experienced previously, but it is with confidence that we say that ours is a stronger more resilient organization as a result. We have made some tough decisions and taken some different approaches to issues, and as we look at the Town's position today, we find that this organization is in a more solid financial position than at any time in the past.

In 2011, there was criticism of the amount of debt that the Town has taken on in recent years. I would contend that the Town Board made the hard decisions to provide the facilities in which our employees may do their jobs efficiently and safely. It costs money to provide buildings where the public may conduct their business and to receive the level of services they expect. It costs money to provide adequate recreational activities to both young and mature. It costs money to have substations and wires to receive and distribute electricity in abundant supply. It costs money to treat and deliver an adequate and high quality level of drinking water or collect and properly treat wastewater for discharge to surface waters without environmental damage. Employees must have reliable equipment and vehicles to deliver services, to fight fires, to respond to police calls, to collect solid waste, to operate and maintain utility systems – to make the city run.

So the Town must spend money and sometimes the Town must borrow money as well. But while the amount borrowed might grow at times, the debts being paid off deserve attention as well. During the 2012-2013 fiscal year, the Town will purchase and finance a new fire truck, a new rear loading garbage truck and a new bucket truck for the electric department. These should have a total cost in the range of \$760,500. We will finance the three units, but the first payments on the loans will not come due until the 2013-2014 fiscal year. In the meantime, the Town will be paying off debts of \$1,975,520 in the 2012-2013 fiscal year and another \$1,744,391 in the 2013-2014 fiscal year. So over the next two years, we anticipate adding \$760,500 in debt and paying off \$3,719,911 in debt, almost five times the amount of new debt. That speaks highly, we feel, of the financial strength for the Town in the years ahead.

The operation of local government is a big business, and the total budget for the FY 2013 fiscal year calls for expenditures of \$29,242,210 as follows:

General Fund	\$ 14,186,410
Water Fund	\$ 3,099,500
Sewer Fund	\$ 2,186,990
Electric Fund	<u>\$ 9,769,310</u>
 TOTAL	 \$ 29,242,210
 (Public Works \$ 259,930)	
(Garage Fund \$ 754,800)	

The Town budget for FY 2013 will increase significantly over FY 2012, going up a total of \$2,035,050 in all funds from the \$27,207,160 originally proposed in the current year. Of that increase, a good portion, \$1,307,090, is simply for the purchase of more power from Progress Energy to meet the demands of our customers, particularly our largest customer, Sonoco. That firm will be expanding its production capacity, investing \$12 million dollars and creating 35 new jobs for our community.

For more than a dozen years, the Town and a number of young people have worked toward having a skate park in Waynesville. After years of discussion and so many hours invested by citizens and elected officials, particularly Alderman Caldwell, the Board has authorized the construction of a skate park. The Town provides such a variety of recreational opportunities to the public, from ball sports, swimming, weight lifting and aerobics, it seems fitting to reach out to the skate boarders of the community and offer them a chance at a recreational facility that meets their needs. The investment in the skate park will be about \$400,000, but it is a facility that should serve the Town for many years to come.

Haywood County has decided to close the solid waste transfer station and only accept wastes from the towns at the White Oak Landfill. We spent many hours trying to understand the decision and trying to resolve the best way for the Town to respond to this action. It will cost more money, whether the garbage is from a commercial or a residential customer. While the County plans to share in the higher cost to residential customers, they offer no help with the higher costs to commercial customers. But in the study that was conducted by the Land of Sky Regional Council, we learned more about the true cost of providing sanitation service. We came to understand the extreme cost of the service the Town provides in the collection and disposal of yard waste, that it takes almost a third of the money spent in the Sanitation operations. If we charged each of the 5,387 households a break even fee for yard waste service, it would be just under \$7.00 monthly. Changes are needed in this program and should be at the top of the list for study in 2012-2013.

Our employees are the greatest asset we have. In the 2012-2013 budget, we are proposing a 3% cost of living adjustment for most employees. This will mean an increased cost for wages and fringe benefits of \$220,470. We know that the employees were grateful for the raise they received in 2011, their first in three years, but they have continued to face increasing costs at the grocery store, the gas pump and in home heating. They are a dedicated group of 160 full time and 60 part time employees, very loyal to the Town. It is important to assist them in meeting their needs by providing a decent wage as thanks for a job well done.

We reward them too by providing the most important fringe benefit they could receive, a dependable health insurance program. The FY 2013 budget calls for a change in the health insurance program by requiring higher co-pays on prescriptions, but it calls for the Town to front the money for the higher co-pays or to reimburse employees for the higher co-pays they make on those prescriptions. With this change, the Blue Cross-Blue Shield premiums will remain the same as in the current year, though the Town may have a higher cost of around \$70,000 for the reimbursement of the prescriptions. Employees will also be asked to foot a larger share of the premium for dependents in the coming year, but they will still be paying less than a quarter of the amount of the premiums.

In the coming year, we are recommending that the Town use a sizable amount from the reserves of the various funds. In the case of the General Fund, that appropriation is higher than in the past; however, at no time in the past have the General Fund reserves reached \$5,000,000. Some of this use of fund balance is related to the construction of the new skate park, a one-time expense that needs about \$200,000 in General Fund reserves. Were it not for that \$200,000, the use of reserves would be around \$860,000, and we are comfortable with this number in view of the higher than normal fund balance.

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As for the use of reserves from the three enterprise funds, we are comfortable with the amount recommended; however, we would suggest that the Electric Fund be closely tracked over the next year to determine if the additional electrical consumption by Sonoco does result in an increased profit in that fund. The Sewer Fund and Water Fund are gaining strength each year as debts are paid off reserves accumulate, providing more money to be dedicated to rehabilitation of the water distribution and sewer collection lines and treatment plants.

We are pleased to be able to recommend a budget that leaves the property tax at the current 40.82 cents per \$100 valuation rate. We do find it necessary to recommend an increase in the garbage fees to recover the cost of transporting garbage to the White Oak Landfill and to handle the ever increasing cost of yard waste. For 2012-2013, we are recommending that the Town add a charge to the Privilege License Fees to cover the Internet Sweepstakes Machines.

On the utility side, we recommend a 6% increase in both water and sewer rates, with a goodly portion of that increase going toward increasing the amount expended to address deteriorated water and sewer lines, improvements to the water treatment plant and repairs to the bridge leading to the wastewater treatment plant on Walnut Road. As for the electric rates, we are not recommending an increase at this time, but if Progress Energy continues to assess higher fuel costs as the year progresses, the Town may have no choice but to pass those higher costs on to its customers. The Town Board approved a rate increase in 2009, but when fuel rates declined at that time, we chose not to implement that increase, for the lower fuel costs offset the higher charge we paid for electricity. Now that fuel charges from Progress are rising again the Town may need to revisit this issue.

The financial position of the Town is stronger today than it has been at any time in the past. We had been carrying a heavier debt load than normal, but those debts are being paid off much more rapidly than new debt is being incurred. As the debts are paid off, it will provide the Town with adequate funds to undertake new projects, perhaps depending more on a "pay as you go" philosophy rather than upon financing agreements. There are opportunities to expand the level of services offered the citizens and business community. Over the past several years, the Town has been expending funds to provide better facilities for our employees and the public and better vehicles and equipment to improve service delivery. In the future, the emphasis may be more on the way we deliver services or changing our processes and procedures so that the Town is more responsive to the needs of those we serve. It is a changing time, particularly with information technology, and it is critical that the Town keep up with the changes in that area which affect the delivery and receipt of services.

During the 2011-2012 fiscal year, the Town went through an extensive process to find and hire a new town manager. When there is a change at the helm after more than 18 years, there will most certainly be changes in the way the job of manager is conducted. No two people are alike. The manager hired in 1994 came with certain skills and abilities that were needed at that time, and those seem to have served the community well. The manager hired in 2012 may have some of those same skills and abilities, but also has other and different skills and abilities, talents that are needed for 2012 and the years to come. As the outgoing manager, I have told many people that change is not a bad thing and that the organization is in need of certain changes and a change in focus and direction. The incoming manager will likely take what is good and expand upon it and address what needs to be changed and make this an even better organization. The outgoing manager leaves with confidence in the new manager and respect for the elected officials who have hired the new manager into the position. For now and in the future, I remain committed to this community and will be happy to assist the new manager and the elected officials in the years to come.

At the top of this memorandum, you will see the names of the incoming and outgoing manager, for both of us played a role in developing the budget. This document could not have been possible nor would it be of the same quality without the work of Finance Director Eddie Caldwell. He deserves a tremendous amount of credit for the work herein as well as the solid financial position of the Town of Waynesville. We are very fortunate to have Eddie Caldwell overseeing the funds of the Town, and it has been our pleasure to work with him on the development of the financial plan for the Town for 2012-2013. As I retire from this organization, I will miss him as great deal, not only as a fellow employee but as a close friend. As a private citizen of Waynesville, I will take great comfort in knowing that Eddie Caldwell is looking after the Town's finances.

We would also express appreciation to the staff of the Finance Department who assisted in gathering materials for the budget, to the Department Heads and Supervisors for their role in preparing budget requests and to Assistant Town Manager Alison Melnikova who has participated in meetings with department heads and in the meetings with Mr. Caldwell and us when the final document was discussed and placed into the form presented to you now. And I thank Town Clerk Phyllis McClure for her review of the budget narratives and catching all of those spelling errors I am prone to make.

As I bring my 39 year career to a close, I think back to the preparation of the various budgets in which I have been involved during that time. Of the 34 that I have had the responsibility to present, I know that none have been perfect. There is always room for improvement, ways to achieve a better and more accurate document. Certainly the budgets of the past 4 to 5 years have been the most challenging in my career, for in my work that began in July, 1973 and which will end in June, 2012, I have never experienced a recession like the one we have experienced between 2007 and 2012.

I know that the new manager and town staff will want to improve the budget documents in the future, so we solicit your input and suggestions on ways that this financial plan can be of greater value to you and to the public. If there are ways we can make changes to improve the process, we would be most appreciative of hearing your ideas.

As we evaluate, discuss and digest the budget for the upcoming fiscal year, Eddie, Alison, Marcy 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;
FEBRURY 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.

1	REVIEW OF TOWN BUDGET ALL FUNDS 2011 - 2012 FISCAL YEAR
2	REVIEW OF PROPOSED GENERAL FUND BUDGET 2012 - 2013 FISCAL YEAR
3	REVIEW OF PROPOSED ENTERPRISE FUND BUDGETS 2012 - 2013 FISCAL YEAR
4	REVIEW OF PROPOSED SERVICE FUND BUDGETS 2012 - 2013 FISCAL YEAR
5	PROPOSED LINE ITEM BUDGET ALL FUNDS 2012 - 2013 FISCAL YEAR
6	STATISTICAL INFORMATION AND EXHIBITS
7	MISCELLANEOUS ITEMS ADDITIONS AND INSERTS PERSONNEL INFORMATION
8	BUDGET ORDINANCE