

TO: Mayor and Board of Aldermen

SUBJECT: Review of 2011-2012 Budget

As we move toward the conclusion of the 2011-2012 fiscal year, we are able to make valid projections as to the revenues and expenditures for the full year. While the economy seems to be in recovery, it has been slow in coming; however, we are seeing some signs of growth again. We see new commercial construction underway and there are discussions about other projects being considered. The sales taxes are beginning to show some signs of growth as shoppers are spending, perhaps reacting to that pent up consumer demand that was absent the past three to four years while the recession raged. We had a mild winter, and the streets of Waynesville seemed busier than in any winter in memory.

During the 2011-2012 fiscal year, we found funds to provide Town employees a cost of living adjustment and to absorb a large share of the health insurance costs which have been steadily on the rise. As we have discussed many times, our employees are the most valuable asset we have, and it is imperative that we attempt to provide them with adequate compensation.

In order to provide better benefits to our personnel, the Town had to approach the budget differently than in the past. We felt going in that the budget would be much tighter than in the past with departments lacking the cushion they may have previously experienced. Costs were rising on some materials and supplies and gasoline and diesel fuel were leading the charge. To balance the 2011-2012 budget, we pledged a larger amount from fund balance than the norm. In doing so, I think most of us realized that it would be a year when we actually used a portion of the reserves we were pledging to achieve a balanced budget. In past years, though fund balance was pledged, we seldom dipped into reserves as the revenues normally exceeded expenditures. The General, Water, Sewer and Electric Funds remain strong, but we will be using a portion of the reserves to meet current expenditures in 2011-2012.

We are hopeful that the recession is indeed drawing to a close. Over the past four years, many local governments were forced to take drastic actions – eliminating jobs and furloughing personnel, reducing fringe benefits, curtailing services. Some local governments still face difficult decisions, and many will continue to be hard choices in the future. The Town of Waynesville was in a solid financial position when the recession commenced in 2007-2008, and as a result, we have been able to withstand the pressures better than some. We did eliminate nine positions, but we were fortunate to drop positions that were vacant so no one actually lost a job. We also maintained the pay levels and fringe benefits of our employees, and we were not forced to curtail programs or services.

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As we come to the close of the 2011-2012 fiscal year, the fund balances in the General Fund and Sewer Fund are at the highest level ever. The Water Fund has grown the past two years but still lags behind. The Sewer and Water Funds have been strengthened as we paid off debts for capital projects. We are now able to invest more money into the maintenance and repairs of the distribution and collection lines as well as the treatment plants. We have made headway addressing improvements identified in McGill's 2007 Study of the Water and Sewer Systems. At that time, there were needs totaling \$30 million by the year 2030, and we have approached that number with a mixture of low interest loans from the State and a "pay-as-you-go" basis.

The Electric Fund had rebounded from the financial difficulties of the 2003-2007 period and was doing well as we entered a new contract with Progress Energy in January, 2010. The Board had approved a 5.5% rate increase under the terms of the new contract, but that was never implemented as the higher rates were offset by lower fuel costs in late 2009. But then, fuel charges from Progress began eating away at the Town's profits, even as the price of coal and natural gas dropped. We are optimistic that when Sonoco places their new production facility on line, we will see electric sales and profits rise again. As the Board knows, the profits from the electric system are returned to the community in the form of capital improvements for public facilities and without the transfer from the Electric Fund to the General Fund, the property tax rate would have to be eleven cents higher. Still, we attempt to keep the electric rates to our customers very close to the rates charged by Progress Energy.

During the 2011-2012 fiscal year, revenues have grown in several areas. Fees related to development are on the rise and we are seeing construction taking place again. The percentage of property tax collections is up, and sales taxes are rising, not in dramatic fashion, but at least they are headed in the right direction again. Although water rates were raised last year, the revenues actually dropped for water, sewer and electric service, the latter probably related to the mild winter we had.

On the flip side, we have seen increases in the costs of materials and supplies, with the largest and the one with the most impact being fuel prices. When the cost of fuel rises one cent, it means an added \$1,000 in expenditures for the Town. When the cost rises \$1.00 per gallon as it has in the past year, the Town must pay an additional \$100,000. Other materials, such as pipe and concrete and chemicals have risen, and much of that increase is related to the higher fuel costs our suppliers must pay.

The Town is blessed to have an outstanding group of department heads and supervisors who spend the Town's money in a cautious and conservative manner. They have been good stewards of the public funds with which they have been entrusted, and the Town is in a great financial position because of the cooperation and dedication of the department heads and supervisors, Town Board and Town staff.

By no means should we say that the Town has been standing still during the past year! Considerable work has been carried out on installing new sidewalks, dealing with storm drainage issues, resurfacing streets and preventive maintenance of our road system to include asphalt crack pouring. Extensive renovations have been made to the interior and exterior of the Municipal Building. We have continued our work on replacing, rehabilitating and/or upgrading water and sewer lines and installing more radio-read meters. At Public Works, equipment sheds have been added and some paving done on the driveway surfaces at that facility. The Police Department has carried out an intense campaign against the abuse of prescription drugs and provided collection boxes for people to return unused prescriptions rather than falling into the wrong hands or being flushed to the wastewater treatment plant which might not be able to eliminate the effect of the drugs before discharge to the river.

Many hours have been spent by Town staff and with volunteers on plans and development of a skate park and other recreational facilities, in planning the South Main Street Corridor or on public art projects. Much time has gone into dealing with the changes that will occur when Haywood County closes the transfer station at Jones Cove Road and solid wastes must be hauled to the White Oak Landfill, a 34 mile round trip from our public works facility. We are dealing with a number of outside agencies on future activities, particularly with the Department of Transportation. There will be challenges with the improvements to Howell Mill Road and relocation of utility lines and the replacement of land the State will take from the Town for that project. We have begun working with representatives from Lake Junaluska as they weigh their future and the options available for them, one of which might be the merger with Waynesville and another being the transfer of their utility system to Waynesville. These issues will extend into future years and future budgets.

During the 2011-2012 fiscal year, an extensive process was carried out for the selection of a new Town Manager. The Town made significant attempts to involve the community, calling on the public for input on the direction for the Town in the years to come and the qualifications for the new manager. Following a highly competitive assessment process conducted under the direction of an outside consultant, the Town Board selected a new manager, Marcia Onieal, and she commenced work in late March. It will be a new era for the Town as a new manager will be in place for the first time in over eighteen years.

One of my goals has always been to leave a situation in better condition than the way in which it was found. As we bring the 2011-2012 year to a close, and as I complete my service as the Waynesville Town Manager, I feel that the Town is in much better shape than upon my arrival in March, 1994. Financially, the Town of Waynesville remains very strong, with the total of reserve funds higher than at any time during my eighteen years as the Manager of Waynesville and likely forever.

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The following pages show the anticipated results in each fund, comparing the revenues and expenditures budgeted for 2011-2012 with what we believe they will actually be when the year ends. In cases where there are significant differences, an explanation is provided. This will give you a good idea of what our financial results will be for the year and why.

As always, if there are any questions about this portion of the document, I would ask that you contact us so that we may answer those questions and provide whatever information you might need.

Respectfully submitted,

A handwritten signature in cursive script that reads "A. Lee Galloway". The signature is written in black ink and is positioned above the printed name.

**A. Lee Galloway
Management Advisor**

PART 1 - 2011 - 2012 ESTIMATED BUDGET

I. GENERAL FUND			
A. REVENUES	BUDGETED 2011-2012	EST. ACTUAL 2011-2012	DIFFERENCE
Real Estate Taxes - Town	4,187,350	4,257,680	70,330
Comment: Because it was a revaluation year, it was difficult to determine the actual property tax values and the tax revenues. Appeals and/or adjustments were less than expected and tax revenues from Waynesville Crossings Shopping Center continue to rise as the Brownsfield Adjustment is reduced each year.			
Real Estate Taxes - Municipal Service District - Downtown Waynesville	107,450	113,210	5,760
Comment: The revaluation also made estimates of the revenues from the Municipal Service District difficult to estimate. Growth in this area was higher than in other parts of the Town and County. Collections also ran well in the 2011-2012 year.			
Motor Vehicle Taxes	237,790	240,880	3,090
Comment: Collection percentages have increased in this area and with the economy on an upswing, the sale of new and used automobiles increased.			
Motor Vehicle Rental Tax	20,000	19,000	(1,000)
Tax Refunds and Discounts	(3,500)	(3,500)	0
Comment: Refunds are issued when people pay property taxes already paid by their mortgage company.			
Penalties/Interest/Advertising	29,100	43,600	14,500
Comment: Tax collections in 2010-2011 were lower than expected, and as people paid their back taxes in 2011-2012, the penalties and interest were higher.			
Local Option Sales Tax - 1 %	811,290	836,640	25,350
Comment: We are seeing an improvement here as the economy improves.			
Local Option Sales Taxes - 1/2 %	831,190	836,990	5,800
Comment: We are also seeing an improvement here as the economy improves.			
Additional 1/2% Sales Tax to Replace Reimbursements	380,180	408,820	28,640
Comment: This reimbursement has shown a higher growth rate than other taxes.			
Privilege License Tax	20,000	19,500	(500)
Cable Television Gross Receipts	134,610	138,110	3,500
Comment: Revenues for cablevision and satellite service grew slightly this year.			
Beer and Wine Tax	41,740	45,600	3,860
Comment: This revenue has been on a consistent decline for several years.			

PART 1 - 2011 - 2012 ESTIMATED BUDGET

REVENUES	BUDGET	EST. ACTUAL	DIFFERENCE
Court Facilities Fees	2,800	2,100	(700)
Franchise Taxes			
Comment: These revenue sources used to grow steadily, but in recent years they have been more unpredictable. More people are using their cell phones and even people have dropped their land lines, this revenue is up. The mild winter has meant lower electric and gas use and lower franchise taxes as a result.			
A. Telecommunications	270,210	287,310	17,100
B. Electric	390,080	359,790	(30,290)
C. Natural Gas	14,250	13,280	(970)
Powell Bill Revenue	318,820	342,480	23,660
Comment: Powell Bill revenues are tied to population and street mileage, neither of which grew last year. The higher price of gasoline has resulted in higher revenues for the State and that resulted in an increase for the Town in Powell Bill Funding.			
80% Bridge Reimbursements	0	4,850	4,850
Comment: Though the Hendrix Street Bridge is done, there was a last reimbursement.			
Solid Waste Tax	6,560	6,710	150
Comment: This was a new source of revenue in 2009-2010 and results from a \$2.00 per ton charge on everything disposed of at the landfill.			
Payments on Behalf of Firemen for Pensions	15,000	15,000	0
Federal Emergency Management Reimbursements (FEMA)	0	0	0
Powell Bill Interest Earnings	440	1,500	1,060
Comment: Powell Bill fund reserves remain low with little interest earnings.			
Police Grant - Others	141,820	110,010	(31,810)
Comment: Most of this is the grant funds for the full year in the COPS Program which allowed us to hire two full time officers for the Police Department. There were not as many grants available in 2011-2012 as in the past.			
Unauthorized Substance Funds	30,000	9,010	(20,990)
Comment: When funds are taken during drug raids or in connection with drug deals/sales, the funds are distributed back to the department involved in the police actions. Less funds were taken during the current fiscal year.			
Richland Creek Grant	0	0	0

PART 1 - 2011 - 2012 ESTIMATED BUDGET

REVENUES	BUDGET	EST. ACTUAL	DIFFERENCE
Richland Creek Action Committee Grants	0	0	0
Miscellaneous Grants	59,000	44,000	(15,000)
Comment: This is primarily the grant funds received through the Municipal Planning Organization for the South Main Street Study. Other grants were not forthcoming.			
Sale of Fixed Assets - Powell Bill Items	20,000	14,900	(5,100)
Comment: When items are purchased with Powell Bill Funds, the revenues for the sale of those items must be returned to the Powell Bill Account.			
Construction Classes	600	650	50
Comment: These are fees collected from individuals who take classes from Jason Rogers in the construction trades.			
Building Permits	115,000	121,000	6,000
Comment: Construction was slow in 2009-2011, but it starting to increase again. The biggest boost was from the permits for Belks/Michaels/Pet Smart and Sunoco.			
Planning Fees	8,000	1,500	(6,500)
Comment: There have been few requests for special permits or subdivisions review as development continues to be slow.			
Rezoning and Annexation Fees	2,000	0	(2,000)
Comment: With the LDS just adopted, we do not expect many fees for rezoning.			
Homeowners Recovery Fund	-500	-200	300
Comment: There is a fee charged for each new home to go to a State fund, and there simply were not many new homes or major additions this past year.			
Civil Penalties from Code Enforcement	0	360	360
Comment: This is a new item in the 2011-2012 budget with Code Enforcement now assessing civil penalties to try to encourage people to comply with the Town codes.			
Connection and Reconnection Fees	48,000	58,000	10,000
Comment: Unfortunately, these fees remained higher than normal due to the poor economy and the economic conditions for many of our citizens and customers.			
Late Payment Penalties	21,500	22,000	500
Comment: Although the economy is improving, there are still those who run late with payments and must pay late payment penalties.			
Charges to the Water Fund	218,610	218,610	0
Charges to the Sewer Fund	179,290	179,290	0

PART 1 - 2011 - 2012 ESTIMATED BUDGET

REVENUES	BUDGET	EST. ACTUAL	DIFFERENCE
Charges to the Electric Fund	378,190	378,190	0
Police Contract Services	66,000	60,000	(6,000)
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. There were few other programs which required police officers to be contracted.			
Fire Protection Charges	245,000	245,000	0
Comment: The County expanded fire districts in 2009-2010 and revenues rose. These remained stable in 2011-2012.			
Commercial Sanitation Fees	349,600	332,000	(17,600)
Comment: Revenues from commercial customers dropped in 2009-2011 and fell again in 2011-12. There were few new businesses and no increase in collections.			
Residential Sanitation Fees	349,000	349,000	0
Comment: The residential fees remained stable during the year.			
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	41,670	(4,330)
Comment: Revenue from dumpster rental dropped a little in 2010-2011, and took another drop in 2011-2012.			
Cemetery Lot Sales	20,000	13,000	(7,000)
Comment: In a poor economy, people do not typically buy lots until needed.			
Cemetery After Hours Call Out Fees	100	180	80
Comment: This is the charge for call outs on weekends and holidays.			
Columbarium Sales	1,200	1,350	150
Comment: We are seeing more interest in the columbarium niches now, and feel the sale of these niches will increase as cremation becomes more popular.			
Columbarium Openings	600	900	300
Comment: A fee is charged for opening columbarium and engraving doors.			
Cremation Lots	0	200	200
Comment: This is the charge for a space and to bury cremains at the cemetery.			

PART 1 - 2011 - 2012 ESTIMATED BUDGET

REVENUES	BUDGET	EST. ACTUAL	DIFFERENCE
Recreation - Memberships	320,000	325,000	5,000
Comment: We saw a decline in most recreation revenues last year, but believed the revenues for memberships would stabilize. Apparently it has.			
Recreation - Daily Passes	120,000	116,000	(4,000)
Comment: Daily attendance was down the past two years due perhaps to weather conditions and the economy. We had hoped it would return in 2011-2012.			
Recreation - Rentals	42,000	43,500	1,500
Comment: Rental fees showed a little growth in 2011-2012.			
Recreation - Department Services	40,000	23,500	(16,500)
Comment: Department services and fees for the same have continued to drop. There are fewer teams in various leagues but participation in other areas dropped also.			
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	95,000	95,500	500
Comment: This resource, mostly fees for programs, has remained stable.			
Recreation - Program Fees at Armory	7,500	6,400	(1,100)
Recreation - Rentals Collected at Armory	15,000	7,000	(8,000)
Comment: We lost a renter at the Armory and saw a drop in revenue as a result.			
Recreation - Child Care	0	10	10
Recreation - Commissions on Vending Machines	4,000	5,000	1,000
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	1,000	1,300	300
Comment: We receive a small amount from the sale of items at the center.			
Recreation - Playground	13,000	9,880	(3,120)
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.			
Contributions/Donations - Police	0	0	0
Contributions/Donations - Recreation	0	2,510	2,510

PART 1 - 2011 - 2012 ESTIMATED BUDGET

REVENUES	BUDGET	EST. ACTUAL	DIFFERENCE
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.			
Memorials	10,000	0	(10,000)
Comment: This was a new account in 2009-2010 where people donate toward the purchase of memorials for others for trees, benches, art work, etc.			
Public Art	14,800	6,000	(8,800)
Comment: These were donations made in support of the Public Art Program			
Public Art - Town of Waynesville	5,000	5,000	0
Comment: This is the Town's contribution to the Public Art Program.			
Public Art - Ticket Sales	0	0	0
Comment: This was a one time revenue resulting from the Public Art Program.			
Historic Pamphlet Sales	0	650	650
Comment: The booklet with historical homes remained popular.			
Miscellaneous	5,000	110,000	105,000
Comment: This is an account where we place revenue that does not fit easily in other categories. It can be erratic from year to year and hard to predict. The large sum this year is an insurance settlement on the bathroom building that burned.			
Rents	32,940	32,940	0
Comment: These are mostly the rents from two cell tower locations.			
Sale of Materials & Fixed Assets	31,000	24,000	(7,000)
Comment: We did not have as many items to sell in 2011-2012, so revenues were lower than in some other years.			
Parking Tickets	2,500	1,500	(1,000)
Comment: More and more second floor residents are parking on Main Street and we have increased parking enforcement to try and curtail some of that parking.			
Noise Ordinance Violations	200	100	(100)
Comment: This is a fine for excessive noise and may be paid much like a parking ticket. It has been helpful in reducing the loud radios on Main Street.			
Cash - Over and Short	0	50	50
Bad Check Charges	600	1,540	940

PART 1 - 2011 - 2012 ESTIMATED BUDGET

REVENUES	BUDGET	EST. ACTUAL	DIFFERENCE
Investment Earnings	1,500	0	(1,500)
Comment: Interest rates remain very low providing little investment income. We also deduct bank charges from interest earnings, meaning almost a wash in this account.			
ABC Store Sales Distribution	60,000	60,000	0
Comment: The ABC Store is only allowed to retain a certain percentage of their earnings and they had been exceeding that amount. They paid the backlog during 2010-2011, and this is a more typical revenue.			
ABC Distribution - Law Enforcement	8,320	6,740	(1,580)
ABC Distribution - Rehabilitation	4,790	4,210	(580)
Transfer from Water Fund	103,100	103,100	0
Comment: We transfer a portion of the water revenues after fund balance is deducted to the General Fund.			
Transfer from Sewer Fund	77,930	77,930	0
Comment: We transfer a portion of the sewer revenues after fund balance is deducted to the General Fund.			
Transfer from Electric Fund	1,275,600	1,275,600	0
Comment: In 2010-2011, the Electric Fund was in great health, and we recommended a larger transfer than normal. We may need to look more closely at that next year, but the Electric Fund retains almost \$1.5 million in reserves.			
Fund Balance Appropriated-Powell Bill	151,880	113,480	(38,400)
Comment: We proposed taking more from our Powell Bill Reserves to allow more asphalt work in 2011-2012 as we attempt to catch up with the damages from the two consecutive severe winters.			
Fund Balance Appropriated	812,410	474,440	(337,970)
Comment: We anticipated a large transfer from fund balance, but the actual transfer will be considerably less than expected.			
TOTAL GENERAL FUND REVENUES	13,369,440	13,123,050	(246,390)

PART 1 - 2011 - 2012 ESTIMATED BUDGET

B. EXPENDITURES	BUDGET	EST. ACTUAL	DIFFERENCE
Governing Body	159,330	152,540	(6,790)
Comment: The amount budgeted for Health Insurance was greater than needed as there was a delay in the certification of election results.			
Administration	949,320	928,140	(21,180)
Comment: Health insurance reimbursements were less than anticipated, legal fees were under budget, Workers' Compensation premiums were less than expected and postage costs were below estimates.			
Finance Department	849,690	785,640	(64,050)
Comment: Wages and Fringe were underspent due to several personnel changes in this department, accounting fees were below estimates and capital expenditures are being delayed with the switch to cloud computing.			
Public Buildings	976,400	966,860	(9,540)
Comment: Wages and fringe slightly less than expected. Electrical costs were under amount budgeted as was the contracted services for janitorial service.			
Horticulturist (excludes wages & fringe which shows in Public Buildings)	42,600	41,000	(1,600)
Police Department	3,445,450	3,389,660	(55,790)
Comment: Wages and fringe are close to what was anticipated, the cost of medical reimbursements below what was budgeted. Workers' compensation premiums fell below budgeted amount as did cost of various other insurances.			
Miscellaneous Police Grants	80,000	40,000	(40,000)
Comment: State and federal government grants were not as plentiful.			
Fire Department	929,330	930,290	960
Comment: Wages & Fringe benefits exceeded budget due to part time personnel filling in when we had vacancies. This was offset by lower costs for Workers' Compensation and other types of insurance and for electricity.			
A. Emergency Responders	12,240	8,920	(3,320)
Streets and Sanitation	2,308,030	2,316,550	8,520
Comment: Wages and fringe were less than what was budgeted, as was the cost of electricity. Cost of materials and supplies and equipment repair has exceeded what was expected which offset savings in other accounts.			
Powell Bill	490,700	477,210	(13,490)
Comment: Department spent extra in continuing to address roads which were left in poor condition after the severe winters of 2010 and 2011. Cost of materials and supplies exceeded budget but that was offset by deferring purchase of vehicles.			

PART 1 - 2011 - 2012 ESTIMATED BUDGET

B. EXPENDITURES	BUDGET	EST. ACTUAL	DIFFERENCE
Cemetery			
Comment: Costs very close to estimates.	119,000	118,120	(880)
Planning and Code Enforcement			
Comment: Wages and fringe are slightly higher than budget as was professional services in connection with the South Main Study.	289,860	290,470	610
A. Building Inspectors/Code Enforcement Officer			
Comment: Wages and Fringe higher than expected due to some new certifications and the need to hire some part time help for electrical inspections. Unemployment costs exceeded budget.	223,250	232,640	9,390
Special Appropriations			
Comment: Higher collections of property taxes in the Municipal Service District means a larger reimbursement to the Downtown Waynesville Association from this account.	223,890	228,590	4,700
Parks and Recreation			
Comment: Wages and Fringe were under what was budgeted, as were Workers' Compensation premiums and fees to referees and officials. Cost of electricity was much lower but all savings were offset by higher building maintenance costs and the expense of Capital Improvements.	2,212,350	2,187,920	(24,430)
Recreation - Special Projects			
Comment: We anticipated a grant for a project along the banks of Richland Creek, but it was not awarded. Expenses for recreation programs down with fewer participants.	58,000	28,500	(29,500)
Operating Transfers to Other Funds			
A. Transfer to Capital Projects Fund - Fire & Police Projects	0	0	0
TOTAL GENERAL FUND EXPENDITURES	13,369,440	13,123,050	(246,390)
C. GENERAL FUND SUMMARY	BUDGET	EST. ACTUAL	DIFFERENCE
REVENUES	1,369,440	13,123,050	246,390
EXPENDITURES	1,369,440	13,123,050	(246,390)
DIFFERENCE	0	0	0

PART 1 - 2011 - 2012 ESTIMATED BUDGET

II. WATER FUND			
A. REVENUES	BUDGET 2011-2012	EST. ACTUAL 2011-2012	DIFFERENCE
Water Charges	2,449,000	2,341,000	(108,000)
Comment: Although we increased water rates by 5 %, there has not been an actual 5% increase in revenues. The rate increase generated less than half of expected. This could be due to conservation or larger customers repairing leaks.			
Water Taps/Connection Fees	40,000	30,000	(10,000)
Comment: There have been some tap fees related to the commercial construction at the Waynesville Commons Shopping Center.			
Impact Fees - New Connections	12,000	8,000	(4,000)
Comment: The new construction generated some capacity fees for the system.			
Miscellaneous Revenues	1,500	1,800	300
Sale of Materials/Supplies/Fixed Assets	75,000	3,850	(71,150)
Comment: The plans to sell some white pine from the Watershed did not come about due in large part to the depressed market for any timber.			
Contributed Capital	0	0	0
Investment Earnings	100	0	(100)
Comment: Earnings are small and offset by banking service fees.			
Transfer from Electric Fund	103,100	103,100	0
Comment: The Electric Fund made a transfer to the Water Fund to assist it with meeting its obligations.			
Fund Balance Appropriated	178,870	104,930	(73,940)
Comment: Had the 5% rate increase delivered the revenues expected, it would not be necessary to use any fund balance; however, the water revenues did not come to pass and we will need to use a portion of the fund balance to meet budget.			
TOTAL WATER FUND REVENUES	2,859,570	2,592,680	(266,890)

PART 1 - 2011 - 2012 ESTIMATED BUDGET

B. EXPENDITURES	BUDGET	EST. ACTUAL	DIFFERENCE
Water Maintenance	1,364,490	1,295,220	(69,270)
Comment: Wages and fringe benefits less than expected due to several personnel changes and vacancies. Debt payments on the Dayton Drive Water Project were anticipated for 2011-2012, but will not have to be paid until 2013.			
Water Treatment	1,161,370	963,750	(197,620)
Comment: Wages & fringe benefits are lower than expected due to some personnel changes and vacancies. Treatment Chemicals purchase at less cost than expected. Contracted services underspent by \$75,000 since we did not award a contract to cut white pines in the watershed. We anticipated paying 20% of the cost of repairs to the concrete water basins, but the engineer does not have that project ready to construct.			
Administration and Finance	230,610	230,610	0
Debt Service	0	0	0
Contingency	0	0	0
Transfer to Other Funds:			
To General Fund	103,100	103,100	0
Comment: We transfer a portion of the water fund revenues after fund balance is deducted. We are covering this expense with a transfer to the Water Fund from the Electric Fund.			
TOTAL WATER FUND EXPENDITURES	2,859,570	2,592,680	(266,890)
C. WATER FUND SUMMARY	BUDGET	EST. ACTUAL	DIFFERENCE
REVENUES	2,859,570	2,592,680	(266,890)
EXPENDITURES	2,859,570	2,592,680	266,890
DIFFERENCE	0	0	0

PART 1 - 2011 - 2012 ESTIMATED BUDGET

III. SEWER FUND			
A. REVENUES	BUDGET 2011-2012	EST. ACTUAL 2011-2012	DIFFERENCE
Sewer Charges Comment: We did not increase sewer rates and yet revenues dropped. We suspect this is related to conservation and leak repairs on water systems.	1,904,720	1,843,680	(61,040)
Sewer Taps Comment: The sewer tap revenues are primarily the result of Waynesville Crossings and the new construction underway at that shopping center.	20,000	15,000	(5,000)
Industrial Discharge Permits	500	400	(100)
Impact Fees Comment: These were fees to connect along Route 19 and to the sewer line to the Maple Grove Church, and we share them equally with Haywood County. That 10 year agreement has ended and any fees collected remain with the Town.	0	0	0
Impact Fees - Flow Allowances - Other Systems Comment: These are Impact Fees the Board approved for new developments on the Junaluska Sanitary District and Clyde systems. They had slow growth too, and like Waynesville, had no capacity fees to collect.	2,000	0	(2,000)
Impact Fees - New Connections Comment: The Asset Management Study recommended capacity fees from new customers connecting to the system, and these are the capacity fees related to the Waynesville Crossings Shopping Center.	20,000	18,000	(2,000)
Miscellaneous Revenue	0	380	380
Sale of Materials/Supplies/Fixed Assets	500	5,550	5,050
Contributed Capital Comment: There are no grant funds received from outside sources.	0	0	0
Investment Earnings Comment: We do not expect more from investment earnings in 2011-2012.	320	0	(320)
Fund Balance Appropriated Comment: Expenses less than expected, so anticipated appropriation not needed.	140,760	43,230	(97,530)
TOTAL SEWER FUND REVENUES	2,088,800	1,926,240	(162,560)

PART 1 - 2011 - 2012 ESTIMATED BUDGET

B. EXPENDITURES	BUDGET	EST. ACTUAL	DIFFERENCE
Sewer Maintenance	726,590	654,930	(71,660)
Comment: Wages and Fringe Benefit Costs were significantly underspent due to several personnel changes and the lower earnings of new employees.			
Wastewater Treatment	1,090,640	999,740	(90,900)
Comment: Wages and fringe were slightly less than expected. The largest savings was in the cost of electricity and propane gas. Capital Improvement Costs were much less than had been anticipated.			
Administration and Finance	193,640	193,640	0
Contingency Appropriated	0	0	0
Transfer to Other Funds:			
To General Fund	77,930	77,930	0
Comment: We transfer a portion of the sewer fund revenues, after fund balance is deducted, to the General Fund.			
TOTAL SEWER FUND EXPENDITURES	2,088,800	1,926,240	(162,560)
C. SEWER FUND SUMMARY	BUDGET	EST. ACTUAL	DIFFERENCE
REVENUES	2,088,800	1,926,240	(162,560)
EXPENDITURES	2,088,800	1,926,240	(162,560)
DIFFERENCE	0	0	0

PART 1 - 2011 - 2012 ESTIMATED BUDGET

IV. ELECTRIC FUND			
A. REVENUES	BUDGET 2011-2012	EST. ACTUAL 2011-2012	DIFFERENCE
Electric Charges	7,964,260	7,343,290	(620,970)
Comment: Revenues from electric sales fell during 2011-2012 due to the especially mild winter that we experienced. There was not the severe cold and heavy snow we saw the past two winters.			
Security Lights	45,000	45,890	890
Comment: Rates will remain the same and revenues should as well.			
Street Lights	88,800	88,800	0
Comment: We charge other funds for street lighting and on Town property.			
Underground Service Installation	2,000	500	(1,500)
Comment: Construction is down and there were fewer requests for underground lines.			
Renewable Charge Revenue	47,580	42,560	(5,020)
Comment: This is the charge required under Senate Bill 3 and is paid to Progress Energy to assist them in meeting the 12.5% renewable energy level. We had to raise the rates during the year when Progress increased rates to us.			
Electric Pole Rental	13,700	13,700	0
Comment: These are charges made to other utilities for use of Town poles.			
Sales Tax Charges	204,270	190,000	(14,270)
Comment: As sales go up or down, so do the sales taxes that the Town must pay on the electricity sold. As sales dropped this year, the sales tax declined.			
Miscellaneous Revenues	3,000	3,000	0
Comment: There was very little revenue received that did not fit in another category.			
Sale of Fixed Assets	8,000	8,000	0
Comment: We expected to see the old pole truck sold, but it has been delayed.			
Investment Earnings	620	0	(620)
Comment: Earnings are low and are offset by banking fees.			
Fund Balance Appropriated	512,120	670,200	158,080
Comment: With revenues down and fuel costs up, we had to use more from reserves.			
TOTAL ELECTRIC FUND REVENUES	8,889,350	8,405,940	(483,410)

PART 1 - 2011 - 2012 ESTIMATED BUDGET

B. EXPENDITURES	BUDGET	EST. ACTUAL	DIFFERENCE
Electric Maintenance	1,231,290	1,247,900	16,610
Comment: Wages and fringe were down somewhat due to personnel changes and vacancies. We have experienced some high expenditures due to the expansion of Sonoco and the addition of two major transformers for that facility.			
Purchased Power	5,679,600	5,202,210	(477,390)
Comment: With the mild winter, the Town did not have to purchase as much electricity from Progress Energy.			
Renewables Energy Payment:	47,580	41,940	(5,640)
Comment: Under Senate Bill 3, every electric provider must achieve a 12.5% of electric generation from renewable sources by 2021. Waynesville is allowed to pay Progress Energy an amount to expend on that renewable energy. Our rate was increased in 2011-2012, but it may take several months to catch up.			
Sales Tax on Purchased Power	141,990	125,000	(16,990)
Comment: As sales fall, so too does the sales tax paid to the State.			
Bad Debt Expense	32,000	32,000	0
Administration and Finance	378,190	378,190	0
Comment: This is the charge to Electric Fund for the cost of services provided the Fund by General Fund personnel.			
Transfer to Water Fund	103,100	103,100	0
Comment: This is an amount paid to Water Fund to assist with meeting its needs.			
Transfer to General Fund	1,275,600	1,275,600	0
Comment: The Electric Fund has traditionally provided a subsidy or profit sharing to the General Fund. Without this transfer, replacing the amount of money in the General Fund would require a tax rate increase of eleven cents. We will need to watch this closely in 2012-2013 to see if Electric can provide this much money.			
TOTAL ELECTRIC FUND EXPENDITURES	8,889,350	8,405,940	(483,410)
C. ELECTRIC FUND SUMMARY			
REVENUES	8,889,350	8,405,940	(483,410)
EXPENDITURES	8,889,350	8,405,940	483,410
DIFFERENCE	0	0	0

PART 1 - 2011 - 2012 ESTIMATED BUDGET

V. PUBLIC WORKS OPERATION			
A. REVENUES	BUDGET 2011-2012	EST. ACTUAL 2011-2012	DIFFERENCE
Charges to Other Funds	267,860	250,470	(17,390)
Comment: Each department is charged a prorated share of the cost of this department based upon the square footage the department occupies at the public works facility. There will be a slight cost increase in 2011-2012.			
Miscellaneous Revenue	0	30	30
Investment Income	20	0	(20)
Fund Balance Appropriated:	65,000	65,000	0
Comment: With funds left over from prior year, Board allowed Public Works to use those funds for some additional storage sheds and for paving on drives of the facility.			
TOTAL PUBLIC WORKS REVENUES	332,880	315,500	(17,380)
B. EXPENDITURES	BUDGET	EST. ACTUAL	DIFFERENCE
Public Works Operations	332,880	315,500	(17,380)
Comment: Wages and fringe benefits are up to cover cost of living raise and higher contributions to the retirement system, but funding for a full time position has been cut to part-time to offset the increases. Other increases go to Maintenance and Repair of Building and of Equipment and for Capital.			
TOTAL PUBLIC WORKS EXPENDITURES	332,880	315,500	(17,380)
C. PUBLIC WORKS SUMMARY	BUDGET	EST. ACTUAL	DIFFERENCE
REVENUES	332,880	315,500	(17,380)
EXPENDITURES	332,880	315,500	17,380
DIFFERENCE	0	0	0

PART 1 - 2011 - 2012 ESTIMATED BUDGET

VI. GARAGE OPERATIONS			
A. REVENUES	BUDGET 2011-2012	EST. ACTUAL 2011-2012	DIFFERENCE
Charges to Other Funds	659,690	655,190	(4,500)
Comment: Each department is charged a prorated share of the cost of operating the Garage based upon the number of vehicles and equipment and the mileage placed on the vehicles. Costs will be up considerably in 2011-2012.			
All Other Revenue	0	600	600
Investment Income	0	0	0
TOTAL GARAGE REVENUES	659,690	655,790	(3,900)
B. EXPENDITURES	BUDGET	EST. ACTUAL	DIFFERENCE
Garage Operations	659,690	655,790	3,900
Comment: Wages and Fringe will be up slightly to cover cost of living increase and contribution to retirement system. Big increases are allowed for fuel, tires and materials and supplies and some for capital outlay.			
TOTAL GARAGE EXPENDITURES	659,690	655,790	3,900
C. GARAGE SUMMARY	BUDGET	EST. ACTUAL	DIFFERENCE
REVENUES	659,690	655,790	(3,900)
EXPENDITURES	659,690	655,790	3,900
DIFFERENCE	0	0	0