

TO: Mayor and Board of Aldermen
FROM: Lee Galloway, Town Manager
DATE: January 4, 2005
SUBJECT: Status Report for Period Ending December 31, 2004

I always approach this time of the year with mixed emotions. The holidays and the special things about the holiday season are past. The extra days off were very much appreciated, and visits with family and friends are always welcomed. And the quiet of the later half of December was very enjoyable. We feel rested and refreshed, unless we partied too much or traveled too much and used up all our energies.

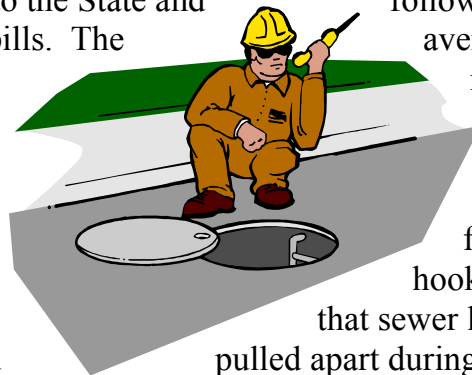
But now a new year is here and the projects and issues which have been laying dormant for weeks or months are calling for attention. The list of “to do” items is rather lengthy and seems to have grown. It was pretty easy the past few months to say – oh, we will deal with that after the first of the year, and now the first of the year has arrived.

THE BEST LAID PLANS,,,,,,,,,often go awry,,,,,,,,,

I often brag about the town employees, for I think they are among the best that can be found. It has always been my impression that top notch employees are able to shift gears and go in another direction when they need to do so, fulfilling the new goals but not forgetting about the other work still to be accomplished. Our employees do just that.

Some of our plans made for the fall season were put on hold as we tried to assist our neighboring communities in the aftermath of the floods. We also had to spend time trying to deal with our own problems resulting from the rains and winds associated with Hurricanes Frances, Ivan and Jeanne. Some of the damage caused by those storms still remains to be done, with replacing the large rip rap along the banks of Richland Creek and removal of fallen trees blocking some roads in the watershed yet to be performed.

As a result of the storms and the unusually heavy amount of rainfall in 2004, the water table is apparently high. We have experienced a number of sewer overflows and had to make several reports to the State and follow the public notice procedure following these spills. The average daily volume of flow at the wastewater plant remains well above average as the groundwater remains high and seeps into our aging sewer lines. Our water and sewer maintenance crews have done a good deal of line smoking in an attempt to find leaks, gutter connections or yard drains hooked into the sewer system. There is also the possibility that sewer lines along or under creeks may have been damaged and pulled apart during the vicious flows following the September storms, and the creek water could be flowing directly into our sewer lines. We are trying to find and fix the problems, and we are also sending out notices to residents who have their gutters or yard drains connected to our sewer lines.



There are also problems with higher sewer volumes coming to us from the Junaluska Sanitary District, which includes the Town of Clyde, and from Lake Junaluska, and we are encouraging these systems to work to reduce inflow and infiltration (I & I). This leads back to the problems we have noted a number of times regarding the aging, deteriorated sewer system we have and the need to make repairs to that system.

We had a number of street plans for September which had to be placed in a holding pattern. Work on Wall Street and on the fountain at the foot of Wall Street was delayed as our personnel dealt with various issues related to flooding and in collecting the limbs and brush that was generated from the storms. It was our intention to do some of the street work in the downtown area in September, when business is usually slower, and we did not want to be “in the way” during the busiest months of October, November and December. Our leaf season will be ending in two weeks and brush piles are greatly reduced in the winter, so perhaps we can get back to the construction work we planned.

Our Electric personnel have been doing some line clearing work and installing some new lines and goal of replacing 90 reducing the number substation to ten per of September, when subsequent months, November and 6 in outages in 2003 averaged 18.8 per month, and even with September’s problems, the average in 2004 dropped to 15.2 monthly. The crews will continue to address tree trimming along the lines in an effort to reduce the electrical outages that are recorded at the substation.



poles in an effort to maintain that power poles per year. The goal of of electrical outages recorded at the month was challenged by the storms there were 50; however, during the we did well, with 11 in October, 9 in December. The substation recorded

WATER AND SEWER ISSUES

In a previous report, I noted that the Town has been working with Denny Martin of McGill Associates in submitting a grant request to the Rural Development Center of North Carolina. This grant is intended to assist the Town in evaluating the water and sewer system and determining a priority list of needed improvements to the system. In your meeting in December, some final documents had to be approved regarding capital improvements in the future, and our amended grant application was submitted at the end of December. The Rural Center announces grant awards in the early spring. I will be writing Representative Ray Rapp to seek his assistance on this application.

On Wednesday, January 5, we experienced a significant water outage in the Auburn Park/Hendricks Park areas when there was a break on the 14 inch water line running through Auburn Park. This line was installed in the middle 1920s and extended from a reservoir off the end of Brad Street to what was a new reservoir at the end of Reservoir Drive off of East Street. There were few valves installed on those lines and many no longer work well. The outage was for a period of about six to seven hours.

AWARDS

Speaking of the electric personnel, I would note that in December, ElectriCities hosted a special luncheon for the crew to recognize them for another year in which there were no lost workday injuries. In fact, the last year that the electric department had an injury that resulted in lost time from work was in 1988. In fact, since 1986, there have only been three work days lost for an injury on the job in this department. To further realize the significance of that achievement, I calculated the hours worked since 1986. For most of that time, we had five employees in the electric department, with that being raised to six and then to seven employees over the past 7 years. When you deduct for holidays and vacations, I would roughly estimate that these employees have worked more than 200,000 hours since 1986, with only 24 hours lost to work related injuries in 1988. That is a very impressive record and I hope that this does not jinx them by this bragging! Congratulations, electric crew!! Please keep up the good, safe work!!

At the annual Employee Appreciation Dinner, I announced that five employees retired during the 2004 calendar year, Butch Cutshaw, Fred Rathbone, Don Swanger, Hank Ruff and Kevin Suggs. As the year drew to a close, Police Investigator Iris Davis joined that number, retiring from Town employment in December. There was a very nice article about Iris in the newspaper as well as information about her replacement, Tamara Vander Molen. It is so nice to see pleasant, supportive articles about the men and women of the Waynesville Police Department and town employees in general.

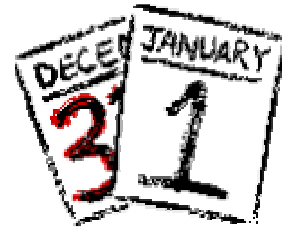
In addition to the others, Michael Norris, one of our long term employees at the wastewater treatment plant, has had to apply for a disability retirement. Michael has been with the Town for over 15 years, since July, 1989. He has been a very good employee, and we will miss his dedication and positive attitude.

SPEAKING OF THE APPRECIATION LUNCHEON



At the 2004 Employee Appreciation Luncheon, we had more than 200 people in attendance, and nearly one half of those present won door prizes ranging from boxes of assorted candy to cameras to gift certificates from BiLo's to the grand prize, a 20 inch, flat screen color television set won by Fred Baker. It seemed that everyone had a good time and it is wonderful to be able to thank our employees as well as recognize and show appreciation for the members of the various Boards and Commissions that put so much time into the betterment of the community.

It was a special joy to be able to recognize and commend the hard work of Gladys Messer and Chris Snyder, the dual winners of the Employee of the Year honors. That is one more difficult task, for we have many employees who are deserving of this honor. As indicated at the luncheon, if someone wants to find a role model in this organization, all they would need to do is to look at those who have been recognized as the Employees of the Year in the past. Those are some fine examples to follow.



AHEAD IN 2005,,,,,,,,,,,,,,,,,,,,,

DEVELOPMENT ISSUES

During Christmas week, members of Town Staff had a chance to meet with a representative of the company interested in developing retail operations on the site formerly occupied by Dayco. There was extensive discussion about the Land Use Plan and the Land Development Standards, and it was evident that the rules and regulations in Waynesville are quite different than what this developer was used to working with in other communities. The individual with whom we met has been involved in developing more traditional, strip shopping centers with outlying parcels for restaurants or other establishments. The gentleman indicated that after the holidays, he would go to the Town's web site and review our requirements and then be back in touch with us with questions or to seek further information.

FACILITIES STUDY

Following our meeting with Jim Powell and Keith Carlyon of ADW Architectures on December 7, 2004, they began assessing the best approach to the schematic design to the present Police/Fire Building to convert it for the sole use of the Police Department. I have talked with Mr. Powell, and he will have a proposal in our hands this week. We are still driving toward having this matter up for discussion at the Board Retreat in the spring.

Fire Chief Bill Fowler and I have been researching available land and potential sites for temporary and permanent locations for a new fire station. You will recall from the meeting of December 7, it was the Board's feeling that any work on a new station and renovations of the existing structure for the police should take place concurrently. So we need to find a place to which the fire department may relocate while awaiting the new station. In addition, we are considering the options for the Police Department, with a possibility of relocating during the period while renovations are underway on the facility.

In the meantime, Fire Department personnel have taken a town map and platted the location of all the fire calls from 2000 to 2004. This will be very helpful information in determining the best location for the new fire station.

STAFFING STUDY/PAY AND CLASSIFICATION STUDY

The firm of MGT has pretty well completed the Staffing Study which they were commissioned to perform for the Town. They were gathering information the week after Christmas to answer questions they had about the Police Department, but they expect to have a report back to us in late January.

MGT was also hired to perform the Pay and Classification Study for the Town, and they have begun their work on that element. Department heads and supervisors have been reviewing the current job descriptions to determine if there are changes needed, and MGT has begun making contacts with other governmental entities in this region as well as private employers to have an idea about the wage levels in our area or for similar jobs. This work will run into the spring with hopes of having the results back in time to be considered with the 2005-2006 budget.

INSURANCE ISSUES

We are approaching the third anniversary of the insurance policies on health, property, automotive, general liability and worker's compensation. In the past, we have tried to put these out to bids every three years, and that is something that Human Resources Director Margaret Langston has normally handled. In view of the present staffing study and the pay and classification study, with Margaret at the main contact, it seems an especially heavy load for her to also be bidding insurance at the same time. The insurance market is very tight at present, and we understand that few companies are actually out soliciting business.

to bid only the health insurance for automotive, property, general compensation. Our insurance the League of Municipalities, that are returned to the members member of the program. It has been suggested that we wait a year or two before bidding out the other coverage and thus reap the benefits of the extra rewards from membership.



For that reason, we have decided this year and not bid the insurance liability and worker's for this type coverage is through and the "dividends" or "rebates" grow for each year you remain a member of the program. It has been suggested that we wait a year or two before bidding out the other coverage and thus reap the benefits of the extra rewards from membership.

PERSONNEL

With the holidays past, we will soon begin advertising for a horticulturist, a position which the Board approved in the 2004-2005 budget. Extension Office Director Bill Skelton has offered to assist us in reviewing applicants for this position, and we are most grateful for his help.

We have also begun advertising for vacancies that exist at the Police Department, with the retirement of Iris Davis, and at the Wastewater Plant, with the retirement of Michael Norris. Our turnover rate remains fairly low overall, though we have been hit with a higher number than normal due to several retirements the past eight months.

COLUMBARIUM DESIGN

The Cemetery Committee met on October 14, with Daniel Hyatt, of John Broadbooks and Associates, to review the draft design for the columbarium area at Green Hill Cemetery. At that time, the Committee also reviewed the proposed rules and regulations pertaining to the columbarium area, making some minor changes to the document which will eventually be presented to the Town Board for its approval. A trip is planned to Elberton, Georgia, to again meet with a firm which specializes in the granite columbarium units. There were questions at the committee meeting which can be answered by the firm, and the committee members would like to again view the units and the colors of granite available prior to making a recommendation to the Board. We are hopeful of having the site prepared and the columbarium units added by late spring.

COMMUNICATIONS

The fourth edition of the Quarterly Waynesville Newsletter was completed and distributed to citizens and business owners during the week before Christmas. Thanks to Town Clerk Phyllis McClure for her work on this informative publication.



We also commend Phyllis for her work with CGI services in the redesign and development of the Town's web page. There have been some unanticipated delays with the Town and with CGI on completion of the web page. CGI has seen their business grow faster than expected, and they have had more work than they could get done. That is certainly a good thing and simply further evidence of the growing importance of web sites by business and governments. Phyllis met with a representative of CGI earlier this week to plan the schedule for bringing the web site up in the coming months.

COMMUNITY CLEAN UP

One issue that has received less attention that we wanted has been appearance issues in the community. I will not make excuses for why there have been delays other than to acknowledge that there have been and to pledge a reemphasis on this matter. Code Enforcement Officer Jason Rogers has been working with Town Attorney Woody Griffin on some residential and commercial properties which are in dire need of attention, and at least one law suit has been filed and another is in the process to address large accumulations of junk and debris and safety issues. We will be attempting to give this as much attention as possible in the new year.

WILLIAMSON HOUSE ON WALNUT STREET

I believe that the Board has been provided a copy of the letter from the Tim Welch Construction Company in which they advised of their decision to pull out of the project to renovate the Williamson house on Walnut Street. You will recall that when this matter came before the Board of Aldermen, there were safety issues involved, and the Code Enforcement Officer was working toward demolition. The Williamson Heirs hired Mr. Welch and work began on renovations to the structure; however, due to an illness for one of the three heirs to the property, work came to a halt. Negotiations were later underway to resume the work, but we were informed that the three heirs could not reach agreement and did not follow through on the negotiations. Mr. Welch felt he had no alternative except to withdraw from the project.

From his inspection of the house, our Code Enforcement Officer feels that the concerns about the safety issues on the structure have been addressed. As such, it makes it more difficult for the Town to pursue the matter of the appearance. We will work with the Town Attorney in attempting to find a means of pushing this issue toward resolution.



FINANCIAL ISSUES

During the coming year, the Town Board and Staff will have to deal with a number of critical financial issues, and there will be a number of very difficult decisions to be made. These fall into all of our operating areas.

In the Electrical Fund, we are beginning to see the results of the increased costs of fuels as they apply to the production of electricity by Progress Energy. During the budget work sessions and in the budget document, we had mentioned the rising cost of coal and natural gas, both of which are used by Progress Energy to produce electricity. The utility company has raised the charges under the fuel adjustment clause for residential and commercial customers, and the costs they assess to the Town have risen as well. In the past few years, the Town has absorbed these increases, but we are at the point where it is having a real impact upon our margin, and we are actually seeing our fund balance drop as these “profits” decline. We have reached the point where some consideration will have to be passing along the increased fuel costs we are paying to our electric customers.

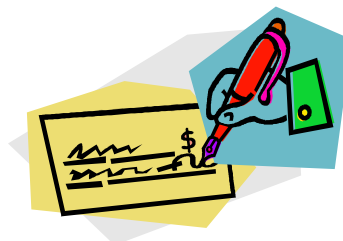
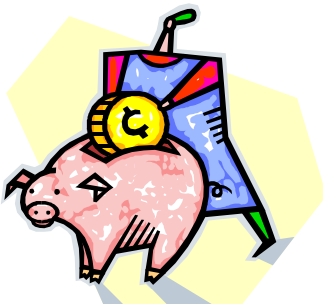
We have recently purchased a 7.7 acre tract of land off Howell Mill Road for the construction of a second substation. This substation is critical to meeting the growth on our electric system and will cost between \$1.5 and \$2 million dollars. In order to pay for this expense, the proceeds from the Electric Fund, much of which is now transferred to the General Fund, will need to remain with the Electric Fund to pay for construction.

The General Fund has shown the most prosperity of any fund in recent years, and there is presently space within the fund to absorb some reduction in transfers from the Electric Fund. At present, the Electric Fund provides \$371,000 for the Recreation Center debt payment and \$227,000 for the Parking Deck debt payment. It is possible that the General Fund can now take on the Parking Deck payment, or at least that is something we will look closely at during the budget preparation period.

But the General Fund has some new potential costs on the horizon as well. The Board has been involved in the Facilities Study, and there seems to be support for the construction of a new fire station and the renovation of the existing facility housing the police and fire departments into a structure solely for the police. The cost of these two projects would be in the range of \$5 million, and there is also a need for renovations and redesign of the Town Hall and the Public Works facility. The total package could have a cost approaching \$7.5 million, and the annual cost to pay that debt would be more than \$700,000. To fund that would require a substantial increase in the property taxes.

We have often spoken of the deteriorated and antiquated water and sewer system and the critical need to correct some long standing problems. Earlier, I mentioned the grant we are seeking from the Rural Center to help us develop a list of priorities and the costs for making improvements. The floods of September and the excessive ground water have put a strain on our sewer system, with a number of overflows resulting. There will be increasing pressure from the State on the Town to address these environmental problems. We earlier spoke of a “pay as you go” plan, with higher rates on utility bills that would put new revenues in the water and sewer funds to pay for these improvements. At this point, with the new problems we are experiencing, we will hope for the patience of the State as we attempt to address these issues with spills and overflows.

These will be challenging and difficult times, and the present Board will be asked to make decisions that will have a long term impact upon the Town’s financial stability as well as the infrastructure of the community. As public servants, we have a responsibility to be good stewards of the public’s assets and to protect those assets. This will require some considerable expenditures in the immediate future. There will be many sidewalk quarterbacks on these issues, people who will generate opinions and express them publicly without the facts and lacking the information that you have available to you. We will need a solid public education campaign so that the citizens will have the opportunity to understand what the needs are, why they have to be addressed and what the costs are.



MANAGER'S TRAVELS AND MEETINGS

The North Carolina League of Municipalities held its annual conference on October 24-26 in Raleigh. Alderman Libba Feichter and Alderman Gary Caldwell and I attended the conference. During the business meeting at the Conference, new members were elected to the Board of Directors. I have served on the Board for the past three years and am now in my fourth and final year on the League Board as the representative of the municipal managers in the western third of the state. Alderman Feichter has been reappointed to the Vice-Chairmanship on the League's Transportation, Communications and Public Safety Committee, a group on which she has served for several years. She has been a very effective, dedicated member, and we appreciate her willingness to make all those trips to Raleigh to represent Waynesville's interests and the League's positions.

On November 11, the League held its orientation meeting for new Board members, and on November 12, the returning members joined the meetings for the first of what will likely be five Board meetings during the 2004-2005 year. This meeting was in Winston-Salem, home of newly elected League President Joycelyn Johnson. The First Vice President is Mayor Charles Worley of Asheville, and he is scheduled to step into the League President's slot at the annual conference which will be held next October 16-18 in Hickory.

On November 30 to December 2, I participated in an Assessment Panel at the request of the City of Morganton, in reviewing the finalists for the position of Public Safety Director for that municipality. Morganton is one of the few cities that have retained the combined police and fire department concept in North Carolina, and the local elected and appointed officials there seem pleased with the program. I will have to say that I think the quality of the candidates may have been affected by having that type program. Morganton is a fine city located in a very attractive area, and I would have anticipated more applicants and more qualified applicants for the vacant position. Cities like Durham and Monroe and New Bern, I believe, which once had the public safety concept have reverted to the separate Police and Fire Departments. It was an interesting process, though, and I do not envy the City Manager the task before her.

Just before Christmas, I met with Maggie Valley's Interim Town Manager Bob Shepherd to discuss the annexation agreement between Maggie Valley and Waynesville and a number of other issues. The Town Board in Maggie Valley is interested in continuing discussions about the boundary area between the two municipalities, an issue that was placed on hold some time back. Mr. Shepherd and I agreed to resume work on this matter after the holidays.

On February 1-4, I will be attending the Winter Seminar for the North Carolina City and County Managers' Association. This year's sessions will be held at the Sheraton Hotel near the Raleigh-Durham Airport. There are several special training sessions offered at the seminar this year, and it was difficult for me to select the session which would be the most beneficial. I have signed up for one session entitled "Effective Strategies for Connecting with your Community" and another on "Improving Timeliness and Customer Service". In addition, there are a number of various other educational sessions which are available during other portions of the seminar. I will be leaving Waynesville on Tuesday, February 1 and returning on the evening of Friday, February 4, but those in the office will have a means of contacting me at all times.