

TO: Mayor Brown and Board of Aldermen
FROM: Lee Galloway, Town Manager
DATE: February 12, 2008
SUBJECT: Status Report of Various Programs

FIRE STATION:

The contract with Construction Logic for the construction of the new fire station is supposed to run through March 30, 2008. During the first several months of this project, there was continual progress and erection of the building moved well. The winter months have not been so kind, with a number of days of rain, snow and extremely cold during December, January and February. This has put the project a little behind and some of the work that remains will not be accomplished by March 30.

One of the biggest problems the contractor has had is with the doors for the bays of the station. These doors were ordered for delivery on November 25, 2007, but the company handling the order has put the contractor off a number of times. Finally, a letter was given the supplier with a deadline of today, February 12, and there was no delivery. I understand that the contract on the doors has now been cancelled and an order has been placed with another provider that has promised to put Waynesville at the head of the line with a 5 to 6 week delivery time.

Without the doors, the interior temperatures have been lower than what is needed and desirable to perform some of the work in a quality manner. A great deal of internal work has been done with the ceiling grid, floor and wall tile and painting, and this will be a fine looking structure when it is completed.

One of the biggest problems with the rain, snow and freezing and thawing has been the inability to do much grading and preparing the driveways and parking areas for concrete and asphalt. The contractor wanted to get this done by March 30; however, I told him I would much rather wait a bit to have a good paving job that will not rut out for the next 10 years until we get disgusted and dig it up and redo the entire job. I would rather take the time to wait for the right conditions now.

We are fortunate to have a location in which we can remain for another few months. If all goes well with the bidding on the new police-development office, we will not go to the Local Government Commission until early May. Construction on the new facility could not start until around May 8th, and it is not likely that it will begin until at least the middle of May. So if they need to, the fire department is able to remain at their present facility until mid-May, given Construction Logic the time to finish the job in a satisfactorily manner. We are all anxious, but we all want the job done properly.



POLICE DEPARTMENT/DEVELOPMENT OFFICE:

New Facility:

We held our last conference with the architects on January 16, and they are drawing the final plans for the new facility to hold police, development offices, the Town Meeting Space and DWA offices.

Bids on the site work and demolition of the old house east of Wall Street is now being bid with an opening scheduled for Thursday, February 21. We are hoping to have a recommendation to present to the Town Board at its meeting on February 26.

Bids on the building construction should be advertised later this month with an opening the last week of March. It may be possible that a special meeting will need to be held around April 1 for approval of the award. That approval will then be submitted to the Local Government Commission along with the application for loans on the structure. All materials are supposed to be submitted to the LGC 28 days before their meeting, so we probably cannot wait until April 8 to seek your approval to make the May 6 meeting.

The application to the Rural Development branch of the U. S. Department of Agriculture is nearly completed and should be submitted to the regional office later this week. We are asking for a \$2,000,000, 40 year loan from Rural Development and have plans to seek a \$1,000,000, 20 year loan from a financial institution.

With the recent drop in the interest rates, Waynesville would likely receive a very favorable interest rate quote from the financial institutions for the 20 year loan term. If the Board passes the resolution directing him to do so, Eddie will be asking for proposals from financial institutions on this facility. With the opportunity for lower rate quotes, Eddie will be seeking a variety of proposals, and one will be for a financial institution to handle the entire \$3,000,000 for a 20 year period. Rates may be low enough so that it is favorable to go with a 20 year term with a lower interest rate as opposed to a 40 year term with Rural Development at a higher interest rate. We simply want to see what all our options are before we make a recommendation to the Town Board.



If the LGC approves this in May and we commence construction during the middle of that month, it is estimated that construction would take 12 to 14 months. If that is the case, it would be around July 1, 2009 that we would be able to occupy the facility.

During the next two months, there will be a number of issues that will need to be dealt with if we are to get this project under construction in May. Fortunately, as noted at the Board Retreat, we have the financial capabilities to undertake this project and we feel that this project will move through the LGC process smoothly. We also feel that with the economy in somewhat of a lull, the bids on this work will be coming at a favorable time, and we hope there will be some savings as result.

Temporary Quarters

This past week, the Police Department made its move to the temporary quarters on North Main Street in the offices once used by Dr. Boyd Owen. Extra personnel, families of employees and Hazelwood Correctional Center inmates were working on this project. The dispatching center made its move over the weekend, and on Sunday evening, the department was pretty much at full operation at the temporary location. Because there is limited storage in the basement of the temporary location, we are renting some storage buildings to place items for which we simply do not have room.

There are a lot of people that must be thanked for their involvement in this work. Naturally, the police department gets much credit for handling the move itself and lining up the inmates to get some of the work done. But several other departments have been involved, and thanks goes to the streets and sanitation and electric departments for the roles they played. The building inspections section was of great assistance, and a tip of the cap to Jason Rogers for his work on the building's utility system. Former town employee Ron Collier and Police Sergeant Kenny Aldridge were instrumental in the renovation work, and they had help from other employees. Finally, a tremendous thanks to Alison Melnikova and Julie Grasty for coordinating the renovation work and trying to make sure everything went smoothly. This was a true Team effort. It goes back to my comments many times about being pleased to be part of this Team. It is a great one!

There are some inconveniences to being in this location, even for a short period, but we will keep our eyes on the complete renovation and expansion of the existing facility and to what lies ahead for the department in the latter half of 2009.

ELECTRIC MATTERS

Fuel Adjustment Charges

We are continuing to monitor the situation with electric rates as we have reported to you in recent months. There was some heavy use during the month of January and the fuel adjustment charges from Progress Energy were pretty significant. Fortunately, the utility gave us a credit adjustment for the November charge, so the fuel adjustment charge was not as significant as it could have been. For the current fiscal year, we are still running a deficit of \$149,088 against the base year of 2003-2004. During January, 2008, the Town purchased 9,912,252 kilowatts of electricity from Progress Energy. That compares to 8,826,497 kilowatts purchased in December, 2007. In January, 2004, during the base year of comparison, we purchased 9,154,079 kilowatts from Progress Energy.

Colder Weather Leads To Record Use



During January, the Town set some new peaks in terms of demand upon the system, with an all time record peak demand set on January 3, 2008 of 19.894 megawatts. Our substation on Smathers Street is rated at 20.00 megawatts so we were very nearly at full capacity that morning. There was another very cold morning on Monday, January 21, and we hit the second highest peak we have recorded at 19.855 megawatts. The previous peak was set on January 24, 2005, at 19.414 megawatts.



Substation

Following the Board meeting of February 12, a purchase order was authorized for the steel and construction materials for the new electrical substation. Eddie Caldwell, Alison Melnikova and I had a conference telephone call with the Finance Director of the Town of Smithfield which built a new substation in 2006-2007. We received good input from him on how to approach the Local Government Commission in terms of the financing and loan package on the substation. We did not want to have two major items on the agenda of the Local Government Commission (Police Station and Substation), so our plan now seems to be having the Police Station on the May agenda and the substation on the June agenda.



PROGRESS ENERGY – COMMUNITY ENERGY ADVISORY COUNCIL

I continue to serve on the Community Energy Advisory Council which is working with Progress Energy (PE) on finding ways to meet future energy demand. On Friday, February 8, the Council held a day long seminar in Asheville and heard more on the future projections of energy needs and energy supply in the Western Region for Progress Energy. Previously I advised that energy demand set record peaks for Progress in the western region which includes Buncombe, Haywood, Madison counties and some counties northeast of Buncombe. The gap between the demand on the system and the supply PE has available is shrinking, and Progress must find new energy sources or encourage people to conserve to reduce their consumption. The role of the Council is to make recommendations to Progress on energy conservation measures that might assist in meeting this gap. During the Retreat, the Council discussed a number of possibilities for energy conservation measures which might be implemented by Progress Energy, and the group voted and set a priority order on the suggestions. Progress Energy will take these suggestions and consider which may bear fruit and be of benefit.

Since Progress is seeing between 25,000 and 30,000 new homes and businesses added to their system annually, they decided to submit an application to the Nuclear Regulatory Commission for two possible new reactors at the Harris Nuclear Plant southwest of Raleigh. Existing demand and continual system growth means new energy production must be considered, and one option would be expanding their nuclear power capability. Progress will be evaluating that over the next year and hopes to make a decision on which way to proceed in late 2009. The process is long and tedious and detailed, but Progress feels it needs to take the first step by completing the application. When we negotiated a new wholesale contract with Progress Energy in 2006 for the 2010 to 2015 period, it was indicated that if the company chose the nuclear power plant route, the facility would not likely be ready until after 2016.

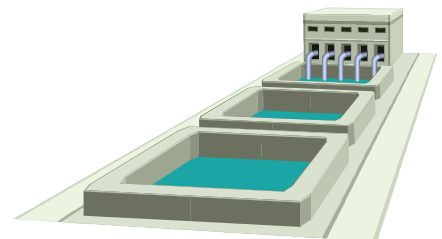
I have learned a great deal in serving on the Advisory Council. I have met some people who are very knowledgeable of energy efficiency measures, and some of these contacts will be useful in looking at solar power possibilities for our facilities. I have also had the opportunity to work with elected officials from other communities as well as manufacturers, developers and what I would term community “activists”. There is a great deal of balance on this Council and a considerable amount of debate about the needs and the possibilities to meet those needs.

BUDGET PREPARATION BEGINS

Department heads and supervisors received work sheets for their Capital Improvement Budgets and Operations Budgets. The Capital Improvements Budget Updates and Requests were submitted February 15 and Operational Budget Requests are due March 1. In 1995, the Town started developing a five year Capital Improvements Program, and that document is updated and revised each year. In submitting budget requests for capital outlay, departments give a priority order to the items requested. While we cannot normally fund every capital need identified, we do try to follow the priority order submitted by the departments. Over the years, we have been blessed with department heads and supervisors who operated conservatively, being good stewards of the public's funds. As we approach the end of each fiscal year, if a department spent less than what was allocated, we would often return to the priority list and recommend to the Board that they be allowed to make additional capital purchases.

During March, Finance Director Eddie Caldwell will be meeting with department heads to review their budget requests. At the same time, he will be analyzing the revenue picture for the current fiscal year and project what we might expect for the coming year. We are concerned about the talk of a recession and the impact a financial downturn may have on the community. Our sales tax is off slightly for the first five months of the fiscal year, and we do not yet have the sales taxes for December, normally a solid month. We will be monitoring this revenue source closely as we develop the budget for 2008-2009.

In April, Eddie, Alison Melnikova and I will get down to the details of developing the budget to present to the Town Board. In late April, I will begin writing the budget message and Eddie will begin compiling the data that makes up such an important part of the budget package, and our goal will be to present the document to the Board in early May. As we work toward the completion of the document, we will deal with some major issues: opening of the new fire station, construction of the new police station/development office and construction of a new electric substation. We will strive to meet the need for additional personnel in human resources and in information technology, to pay for gas and oil, and to continue to provide adequate compensation, health insurance and fringe benefits for our current employees. We have some big challenges ahead!



WATER PLANT UPDATE

As we were nearing the end of the project expanding the lab at the water plant, Superintendent Kyle Cook wanted to repair some leaks in the roof of this structure. When the roofing firm attempted to repair the membrane roofing, they discovered that the concrete panels which make up the roof had deteriorated and were in the process of collapsing. The chlorine likely deteriorated the rebar in the panels over time and these panels will have to be replaced. This is perhaps a similar situation to what occurred in the YMCA in Canton a number of years ago when the chlorine from the pool affected the floor above.

The structural engineer on the rest of the project has been asked to quickly come up with bid specifications on the repairs to the roof panels. We have two firms working for us at present which could provide bids for this work which we consider to be an emergency.

BOARD RETREAT – PART 2

It is not too early to begin thinking about the agenda for the second part of the Town Board Planning Retreat scheduled for Friday, April 11, at Lake Logan. Items which have already been placed on the agenda for discussion include:

Personnel Issues:

Study of Pay and Fringe Benefits

New positions which might be needed

Performance Measurements

Staggered terms for elected officials

Skate Park

Survey results and Next Steps

Building Code Issues

Status of Code Enforcement Program

Civil Penalties for Code Violations

Planning and Zoning Issues

Budget Issues to consider in advance of work sessions on the 2008-2009 budget



If you have topics related to operations which you would like to see placed on the agenda, please let Alison or me know as soon as possible.

EDUCATIONAL OPPORTUNITIES

On March 5, 6 and 7, Alderman LeRoy Roberson will be in Asheville to attend the Newly Elected Officials Session which is sponsored by the School of Government and the North Carolina League of Municipalities. On Wednesday, the 5th, Alderman Feichter and I will be attending the session on Building Regional Relationships, held at the same location. On Thursday and Friday, we will be joining Alderman Roberson for the Newly Elected Officials session and the Regional League Meeting at lunchtime on Friday, the 7th.

GREEN GOVERNMENT

On Thursday, February 28, Alison Melnikova and I will be attending a seminar at the Arboretum in Asheville on “Paying for Green Government: Financing and Implementing Sustainability Initiatives”. The agenda for this meeting mentions green buildings, fuel efficiency, waste reduction and other sustainability initiatives. The architects attempted to design in a number of green building features on the police station and development office, but there are other buildings and other programs where energy efficiency in a variety of ways is a real possibility.

For example, some very preliminary work was done last year on solar panels to heat the water at the recreation center pool. We are hoping to incorporate a more detailed study of that in the 2008-2009 budget, and perhaps even fund the construction. If the community decides that a skateboard park is not needed or not the best decision, perhaps the money set aside for that work could be used for solar heating at the recreation center. Please understand that is not a proposal, just a suggestion of the possibilities.

OTHER HAPPENINGS

Watershed

In the 2007-2008 budget, funds were allocated to be used to assist with the purchase of some additional water monitoring equipment for the streams in the Allens Creek Watershed. You will recall that the Town and Western Carolina applied for funding from the Pigeon River Fund in 2007, but our project of the solar monitors was denied. We did have funds to help with one monitor and Western Carolina University supplied the balance of the funds. In working with Dr. Jerry Miller of Western, he advised that there a smaller device that can be used for monitoring the water quality and it is battery rather than solar powered. Rather than reapply for the funding, we are using the \$15,000 in funds appropriated to purchase five water quality monitors for placement in other streams in the watershed. These are now on order and will be in place this spring.

Christmas Decorations



Also in the 2007-2008 budget, there was an appropriation of \$15,000 to begin replacing the Christmas decorations outside of the downtown area. The trees have been in place for a number of years and we have upgraded and replaced them from time to time. The last major addition came in the mid-1990s when we purchased a large quantity to be placed in Hazelwood after the two towns merged. Fred Baker and Alison Melnikova have been working on this project and a search for volunteers for a Christmas Decorations Committee resulted

in a number of merchants and business operators stepping forward to assist in the selection process. This group will be meeting next Tuesday to begin reviewing what is available and what might be suitable for Waynesville. There will be representatives from Hazelwood, Frog Level and the DWA as well as some others who have expressed interests.

The \$15,000 will probably replace 30 to 35% of the decorations, so this will likely be a phased program over a three to four year period. We will be requesting the allocation of funds in the next few budgets to fund the full replacement of the decorations.

School Continues for Assistant to the Manager

For the past several months, Alison Melnikova has been attending the Municipal Administration Course at the School of Government in Chapel Hill. This requires one week on campus about every six weeks, a significant commitment of time on the part of the students who are accepted into this competitive educational program. Alison will have one last full week March 3-7 and then a final three day session on April 22-24 with graduation that last day.

I understand that Alison has been a very good and dedicated student in the Municipal Administration Class and she has had the opportunity to meet and get to know many professors at the School of Government who will be very valuable to her in her career. Often, we will be dealing with a particular issue, and while Alison is in Chapel Hill at the course, she will find out the answers or seek out advice or guidance from the instructors. We have a very valuable asset in this young lady and she has been key to many positive events for the Town.

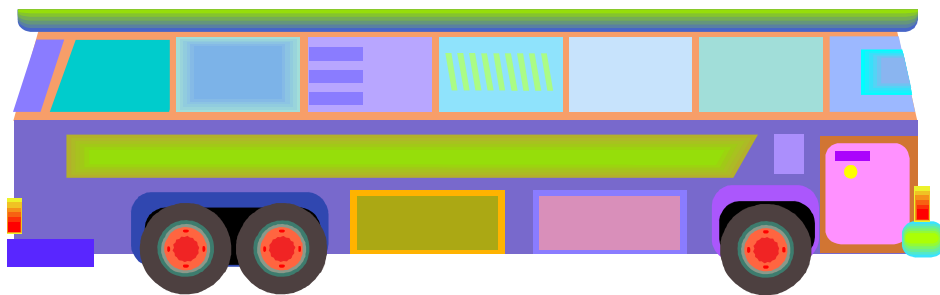
Managers' Conference

On January 29-February 1, Alison and I attended the Mid-year conference of the City and County Managers' Association at the Research Triangle Park in Chapel Hill. The year 2008 is very important in local government in North Carolina and in general. It is amazing to me the events that occurred one-hundred years ago in 1908 and how they all happened in the same year. There must have been a great deal of pressure for change that year and for a more professional and progressive means of doing business. In 1908, in Staunton, Virginia, the first City Manager was hired, so in 2008, we were celebrating the centennial of our profession.

But the year 2008 is important in other ways. In 1908, the North Carolina League of Municipalities was formed in Charlotte, and in October of this year, League members will be returning to Charlotte to celebrate the centennial of this organization. Also in 1908, the North Carolina Association of County Commissioners was formed, and our associates in county government are celebrating the centennial of their organization this year.



In June, the North Carolina City and County Managers will be meeting in Asheville for the summer conference. I continue to serve on the Program Committee for this organization as I have for the past 14 years. In planning this year's conference, we decided to try something a little different, offering field trips to managers and their families to see some of the Main Street Communities in our area. We are beginning to work on our plans for this, but Waynesville and possibly Black Mountain or Hendersonville will likely be on the list for visits, with attendees bused from town to town. I will be working with the Downtown Waynesville Association on this portion of the program. The conference will be held in Asheville on June 19-21.



MANAGER'S TRAVELS

On March 4, there will be a meeting in Raleigh of the Technical Advisory Committee to the League's Finance and Administration Committee. You will recall that I serve as Chairman of the Advisory Committee and as a representative to the Finance and Administration Committee of which Alderman Feichter is also a member. I will leave Waynesville the afternoon of Monday, March 3rd so that I can be in Raleigh for our meeting at 10:00 a.m. I should be back to Waynesville by 7 p.m. that evening when the Watershed Committee is scheduled to meet.

On Wednesday, March 12, I will drive to Point Clear, Alabama, to attend the Southeastern Regional Meeting of the City/County Management Association. There will be a seminar on the Jim Collins book "Good to Great" and the follow up of that book which attempts to apply the concepts to local government organizations. The seminar will be held on Thursday and Friday, March 13 and 14. Following the seminar, I will make the 4 hour drive to Tallahassee to visit my son, Zach, and his fiancée for the weekend and will likely drive back to the Atlanta area on Sunday and then return to Waynesville on Monday. Jim Collins spoke at the ICMA conference in San Antonio in September, 2006, and was very impressive. I am looking forward to this seminar.

On March 27-29, the Land Trust Alliance will be holding the Southeast Land Trust Conference in Montreat, North Carolina, and I have been asked to participate as a presenter and panelist. The session in which I will participate discusses the collaboration effort involving a wide range of partners to preserve a critical watershed. This session stresses the relationship between local governments and conservation trusts in the development of conservation easements. Representatives from the Conservation Trust of North Carolina and the Southern Appalachian Highlands Conservancy have been asked to participate as well. I am told that Dr. Pete Bates and Mr. Rusty Painter will also be members of the panel. Waynesville is recognized as a leader in building relationships with these conservation groups and in working toward developing such easements in active watersheds.

