

TO: Mayor Brown and Board of Aldermen
FROM: Lee Galloway, Town Manager
DATE: June 10, 2008
SUBJECT: Status Report of Various Programs

FIRE STATION

I am pleased to report that on Monday, May 19, the much anticipated move to the new fire station occurred. Fire trucks formed a convoy leaving what has been the home to the fire department since 1975 and traveled to the new home on North Main Street. Over the past three weeks, there has been a good deal of additional work done on the site, and this past week, the guest parking lot was paved and lined and additional sidewalk was poured by town crews. With that work done and the work completed on the stormwater detention ponds, Mountainview Nursery was able to continue the extensive landscaping of the site. Most of the trees and shrubs are now in and during the coming week, the site will be raked and seeded. We are nearing the total completion of the facility.

So many people have asked me if we would have an open house to allow the citizens to tour the facility. We wanted to finish the parking lot and get the landscaping in place before we held this event, and we are hoping to schedule it for later this month or during the early part of July.

Fire personnel have expressed their pleasure at being housed in this fine facility, and we believe the Board and the community will be impressed to see that the interior is just as stunning as the exterior. Representatives of the Rural Development section of the U. S. Department of Agriculture recently met in Waynesville. That agency is providing a loan of \$2,000,000 on the building. They toured the facility while they were in town and agreed that it was the finest fire station in which their agency had ever been involved. We felt this was a very high compliment from an agency which has funded hundreds of fire stations.

At this point, we are planning to have the loan closing with Rural Development in August. Between now and then, our Purchasing Department is working with the fire personnel to make sure that all equipment needed for the building is secured and a part of the project loan. While the Rural Development loan was planned for \$2,000,000, we were able to keep the total project cost around \$200,000 to \$250,000 below budget, so the loan will be less than the \$2,000,000 offered.



WE'VE COME A LONG WAY IN A YEAR!

POLICE DEPARTMENT/DEVELOPMENT OFFICE

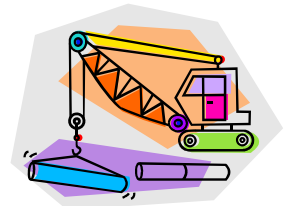
To the rear of the former location of the police and fire departments, a new parking area is being constructed where a house once stood. WNC Paving has also constructed a new parking area along the eastern border of Wall Street just behind the building. Charlie Boyd's firm, WNC Landscaping, has been busy installing the trees and shrubs on that site. No one should say that the Town of Waynesville scrimps on landscaping, for both the fire department and area surrounding the Police Station and Development Office will be exceptional.

The Notice to Proceed on the construction of this project has been issued with a start date of June 16, so we expect to see some activity taking place in and around the building by the end of the month. There is a 390 day contract period, until July 16, 2009, so we anticipate that the building should be ready for occupancy during the late summer of 2009.

ELECTRIC SUBSTATION PROJECT

While on the subject of construction projects, let me cover the substation. Finance Director Eddie Caldwell has submitted the loan package to the North Carolina Local Government Commission for consideration at their meeting of July 1. The estimated cost of this project is \$3,605,000, and the amount of the loan should be \$3,000,000. Last week, Public Works crews poured a concrete pad for the electric transformer which will fire this substation. We are anxious to get construction of the substation underway so that it might be available just as soon as possible. If the electrical demand for the winter of 2009 approaches what we registered for the winter of 2008, our capacity will be tested; consequently, we would like to see the new substation on line before the end of the coming winter.

EAGLE NEST WATER PROJECT



The Town has completed the paperwork thus far presented by the North Carolina Division of Water Quality, and we have been given authority to hire the engineering firm of Hayes, Seay, Mattern and Mattern (HSMM) to design this water project. A contract has been signed with HSMM and they are already at work on this project.

Assistant to the Manager, Alison Melnikova, has drafted a letter which we will mail to every property owner who could connect to the new water system which will be installed with the combination grant and loan which totals \$1.3 million. After the letter is mailed, Town Staff will be meeting with the homeowners to explain the project and answer questions they have. In addition, when we meet with the homeowners, our Town Attorney, Woody Griffin, will have easements ready for signatures to provide the Town with the right-of-way to construct the water line and extend connections to the area behind the paved surface so that every lot which wishes a connection will have one.

This project involves the installation of over 13,000 feet of water line, two pump stations and two water tanks. I do not know how long the design will take, and while some construction may begin later this year, winter will arrive before the work is done. We do not expect the project to be completed until mid-2009.

ELECTRICAL RATES – Ours and Theirs



OUR RATES

Recently, we were contacted by Linda Mann, our account representative from Progress Energy Corporation (PEC). The Town has a contract to purchase electricity at a wholesale rate from PEC, and our base rates will remain the same until January 1, 2010; however, the contract allows PEC to pass along any fuel cost increases it experiences. As with the cost of gasoline we pay at the pump, PEC has experienced dramatic increases in the price of energy it must purchase to produce power. In recent months, the price of coal has increased from around \$50 per ton to between \$90 and \$110 per ton. As a result, we have begun to see the fuel adjustment charges edge upward on the monthly bills the Town receives from PEC. Under the terms of our contract, PEC may adjust the fuel adjustment charges to the Town on a monthly basis. For the customers served directly by PEC, the rates only change in the fall of the year. Ms. Mann asked for a meeting with us to advise that the fuel adjustment charges were going to escalate significantly this summer, and that we needed to be prepared to adjust our own rates to avoid the situation the Town experienced in 2003-2004. At that time, rates rose rapidly and we did not react in time, and for the year, the position of the Electric Fund dropped \$400,000.

Ms. Mann provided us with the projected fuel adjustment charges for the next several months. Where we are now paying 1.3 cents per kilowatt hour, PEC will increase the charge to 1.47 cents per kilowatt hour in June and to 2.1 cents per kilowatt hour in July. With this new information, we have no choice but to adjust our own rates upward, passing along the higher rates we are assessed by PEC.

THEIR RATES

In a press release last week, Progress Energy Corporation (PEC) announced that due to higher fuel costs, it will request approval from the State Utilities Commission for an increase of approximately 16.2%. That rate increase will not directly impact the Town, for as explained above, PEC assesses fuel adjustment charges on power rates to the Town on a monthly basis. But the Town will certainly be impacted by the 16.2% increase PEC will be proposing.

Several Town electrical accounts are on the Progress Energy system, the largest being the wastewater treatment plant. Other major accounts are the Water Treatment Plant, the Hazelwood Branch Office and water pumping stations on Eagle Nest Mountain. At the Wastewater Treatment Plant, the electric bill for 2007-2008 will be around \$160,000, and an increase of 16.2% will mean an additional \$26,000 cost. We will have to make adjustments and reductions in other accounts in all of our funds to accommodate the higher electrical costs.

From the Progress Energy press release, if approved by the Utilities Commission, it would mean that the bill for 1,000 kilowatts on the Progress System would increase from \$96.86 to \$112.57 per month. Progress Energy has a two tiered billing system, with a lower rate, the \$96.86 mentioned above, from November to June, and a higher rate from July to October, currently around \$106.60 monthly. For comparative purposes, on the Town's system at the present time, a residential customer using 1,000 kilowatts would be billed \$98.81 for all months. But our monthly rates are going to rise as well, as we pass along the monthly fuel adjustment charges we receive from Progress Energy, so it is difficult to make a comparison.

When Finance Director Eddie Caldwell and I were presenting the 2008-2009 Fiscal Year budget, we noted that we were not particularly comfortable with the document because of all the uncertainties which lie ahead. We were primarily referring to the cost of gasoline and diesel fuel as well as the products such as PVC pipe and asphalt which are heavily dependent upon petroleum in their production. While we have been trying to adjust our own electric rates in response to the fuel adjustment charges from PEC, we did not anticipate this great a rise in the retail/commercial electric rates. These charges, as well as the continuing increases in fuel costs, will require close attention to the budget expenditures during the year ahead. It is quite likely that at various points during the year, we will have to make budget adjustments to handle these increases. We will be depending upon our department heads and employees more than ever before to make a difficult and challenging situation work.

OTHER ENERGY ISSUES

North Carolina Green Power



Progress Energy has indicated that one of the reasons for the increase in their electric rates is the cost of paying for renewable energy sources. By having these renewable energy sources, it reduces the need for more nuclear or coal-fired power plants or the purchase of natural gas and coal used to generate power plants. Through this effort, the impacts upon global warming should decline. You have an opportunity to contribute to the development of these renewable energy sources through contributions to North Carolina Green Power. And doing so is as simple as authorizing a monthly deduction on your utility bill. For as little as \$4.00 per month, citizens may purchase one block or 100 kilowatts of renewable or “green” energy, but you may purchase more if you wish. Donations may be tax deductible, but you would have to check with your tax advisor to be certain. For more information, you may look on www.ncgreenpower.org. If you wish to participate, please contact Alison Melnikova at Town Hall (456-2002) or townmanagerassistant@townofwaynesville.org.

H. E. A. T.

In our area, electric bills are generally higher in the winter time. But with the heat of recent weeks and increases in fuel adjustments on the bills, they will likely be up this month as more fans and air conditioners try to keep homes cooler. A few years ago, the Town started a program called the Heat and Energy Assistance Team intended to help citizens of Waynesville and Haywood County in meeting their electric bills. Those interested may make contributions or have a set amount added to their utility bill each month. The Town does not attempt to disburse these contributions to parties needing assistance, but we divide the revenues, giving one-half to the Salvation Army and one-half to the Haywood Christian Ministries for the use of those two organizations in assisting people with their utility bill payments. This is a great way to help your fellow citizens in meeting one of our basic needs – electricity. The costs are rising fast for so many of them, and they do not have a lot of options. Donations may be tax deductible, but you would have to check with your tax advisor to be certain. If you are interested in contributing, please contact our Finance Department at 456-3515.

WAYNESVILLE WATERSHED

At the Town Board meeting of April 8, 2008, Dr. Pete Bates presented the preliminary Forestry Management Plan for the watershed property. This was to fulfill the requirements of the Conservation Easement, and the Town contracted with Western Carolina University to have Dr. Bates complete the Plan.

Alison Melnikova and I met with Dr. Bates recently to discuss the process to follow, and we agreed that some special forums should be scheduled for the citizens to come by the Town Hall to review the Plan and the ask any questions they might have. We have tentatively agreed to have on forum one Wednesday, June 25 at 3:00 p.m. and a second forum on Tuesday, July 15 at 5:30 p.m. The Plan remains posted on the Town's Website for public review. That site is www.townofwaynesville.org. When accessing this site, there is a column on the left side of the screen, and under "Main Menu" there is a subheading entitled "Watershed Information". By clicking on that name, the entire Forestry Management Plan is accessible.

The Watershed Advisory Committee will next meet on Monday, June 16, at which time the forums and the procedures will be discussed. After these two forums are conducted, Dr. Bates could make any needed revisions to the Plan based upon the input from the public. By mid-August, this should be completed, and we felt that the Watershed Advisory Committee and the Town Board should meet jointly to discuss the Plan and to determine if any further changes need to be made.

On Saturday, May 3, the Watershed Appreciation Day was held and celebrated with a hike led by Dr. Pete Bates. Others, including Don Hendershot and Blair Ogburn participated in leading the hike or in providing information about plants and animals in the watershed. Although 46 people signed up for the hike, there was a little bit of rain, and only 30 hikers appeared. But that was really a better number to deal with than the 46 who originally signed up. I have received very positive feedback from several of those who attended. Thanks to Alison Melnikova for coordinating this event.

STREET DEPARTMENT ISSUES

Pigeon Street

For those who drive on Pigeon Street on a regular basis, you know that the condition of the street between Main Street and Shelton Street. This street received major repairs about ten years ago, but it appears that the subsurface was not adequately prepared for the new street surface. Soon after the original work was done, sinking spots appeared, and after a year or so, the State had additional work performed on the road.

In the past year, the road has begun to deteriorate again, with a number of sinking spots showing up once again. The State has advised us that they intend to have this road repaired this year, making improvements which will eliminate the dips in the road surface. We do not have a date for the repairs, but it appears that it will happen in 2008.



There have been some Letters to the Editor encouraging the Town to repair this road. Perhaps citizens do not understand that there are a number of roads within the Town which are maintained by the State Department of Transportation and not the Town. These include roads such as U. S. Routes 23/74, Route 276 and Route 19, as well as streets such as Howell Mill Road, Crymes Cove Road, Camp Branch Road, Lickstone Road, Allens Creek Road, Hyatt Creek Road, Plott Creek Road, Will Hyatt Road, portions of Eagle Nest Road, Little Mountain Road, Knollwood Drive, Sylvan Street and Phillips Road. There may be others I have overlooked, but those are the streets within the Town for which the State is responsible.

South Main Street Trees

At the meeting of May 13, the Town Board discussed the deteriorated condition of the trees located along South Main Street between the Way Inn and Bogarts Restaurant. There was a question about ownership of the trees, and some research by the Town Attorney revealed that the deed for the adjacent property showed that the property began at the edge of pavement. As a result, we contacted the lady who owns the property, explaining the situation and sending her the same pictures and report that Jonathan Yates presented to the Board at the meeting. The owner quickly returned signed approval of our recommendation that the trees be removed.

The Electric and Street Departments worked with Jonathan Yates on the removal of these trees. We actually closed the street during three mornings last week while the limbs were removed from the trees, and then the trees were taken down. These were seriously deteriorated and needed to be removed, and we appreciate the involvement of the Electric and Streets personnel in undertaking this work.

RECREATION NEWS

The Parks and Recreation Department has released their summer brochure announcing the amazing schedule of programs and activities they will be offering this summer. It seems that not a day goes by that a new email doesn't appear announcing another new program that will be starting up. I guess that is why the numbers at the Recreation Center in terms of attendance as well as revenues have both been setting new records.



The Center tracks attendance and revenues on a monthly basis and makes comparisons with the same months for all eight years the center has been opened. During the first five months of this calendar year, the attendance for January, February, March, April and May of 2008, has exceeded the attendance for the same months in any prior year. The 65,610 who have visited the center in 2008 compares to 53,659 in 2007. As far as the revenues go, for the period of July, 2007 through May, 2008, seven of the eleven months have seen the highest revenues ever, and two more months were the second highest ever. The department is likely on course to have the highest revenues of any fiscal year. We salute Recreation Director Rhett Langston and all the recreation staff for the enthusiasm that is being generated at the center and for the extra effort they put forth to make the facility and the park area look so clean and inviting to the general public. The buildings and grounds continue to be well maintained, and from looking at the facility, you would never guess it is 8 years old.

When Mayor Brown and I were in Raleigh last week to attend Town Hall Day, we spoke with Pete Connet, currently the Town Manager of Smithfield. The Town of Smithfield and Johnston County Schools formed a partnership and are completing a 70,000 square foot recreation center at a cost of over \$13 million. Several representatives of their community visited our recreation facility and secured a great deal of information about our facility before undertaking the construction of theirs. It was somewhat of a high to know that Smithfield was copying Waynesville to some degree in providing recreation services.

ADMINISTRATIVE MATTERS

Town Hall Day

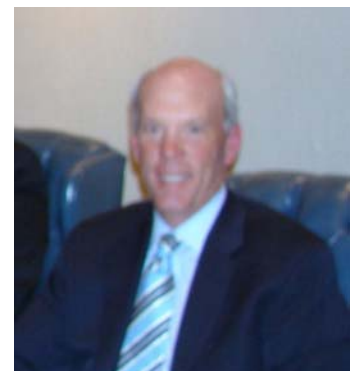
On Wednesday, June 4, Mayor Gavin Brown and I traveled to Raleigh to participate in Town Hall Day. Our session began in the early afternoon and included a briefing on the hot topics for municipal governments that are being discussed by the General Assembly. Certainly one of the key issues is annexation, and there is some support for placing a moratorium on any annexations, regardless of whether they are voluntary or involuntary. As we noted to our legislative delegation, the Town of Waynesville has done very few involuntary annexations, the most recent in 2006 and the ones prior to that in 1991. Some cities are very aggressive about annexations, but Waynesville does not fall into that group.

Other issues of major concern are bills that would mandate collective bargaining, provide some additional retirement benefits to certain employee groups, repeal the Powell Bill funding, among others. There has been some discussions about regulating water, providing the State with the right to require the transfer the water from one river basin to another. That is a matter of particular concern when you have fast growing neighbors in adjacent counties that do not have any growth controls or zoning.

We had a chance to talk with Representatives Haire and Rapp and Senators Queen and Snow. The House was in session during the afternoon debating the budget bill which passed by a substantial margin. We were appreciative of the time they spent with us, hearing our issues and concerns, and I am grateful to Mayor Brown for taking two days out of his schedule to go to Raleigh and participate in this event.

Mayor Brown

As Mayor Pro-Tem Gary Caldwell noted at the Board meeting this week, we are all concerned about the health and well-being of our Mayor, Gavin Brown. We do not know any more than what appeared in the newspaper this week indicating that the heart cauterization seemed to go well and that he will be returning to Waynesville on Wednesday. Our thoughts and prayers remain with Mayor and Ms. Brown and for his speedy recovery.



Graduation Day



During the past year, Assistant to the Manager, Alison Melnikova, has been attending the Municipal Administration Course at the School of Government in Chapel Hill. The course involves six weeks spread over a period from September to April, and it is a significant commitment of time on the part of those attending. On Thursday, April 25, Alison and the other students attending, graduated from the 2007-2008 session, and we commend her for this achievement. While she was attending classes in Chapel Hill, she was in regular contact with the office and frequently quizzing her instructors about issues we were facing in Waynesville. I have seen some very positive results of the time Alison spent in the course, and I suspect that our town government will reap benefits from this session for some time.

Managers to Invade Western North Carolina

On June 19-21, the North Carolina City and County Managers' Association will be holding its summer conference at the Crowne Plaza Hotel in Asheville. The conference officially begins with a reception on Thursday evening and then runs all day on Friday and to early afternoon on Saturday. On Thursday afternoon, there have typically been educational sessions offered, and this year, we decided to offer a field trip as well. The field trip selected is a bus trip to downtown Waynesville where managers and their spouses will learn about the history of the Downtown Waynesville Association and the revival of the downtown shopping area. We are planning a brief presentation at Town Hall followed by a walking tour of the downtown, but those who wish will be able to break off from the group and shop in the stores. A number of merchants have offered items to go in a gift bag for the 44 who have signed up for the bus trip and tour. The group should be in Waynesville from 1:45 until 3:30 p.m.

On Friday and Saturday, Alison and I will be attending the educational programs offered by the Association. This year's emphasis is on the importance of building a team and team work, and the final speaker on Saturday afternoon will be Jerry Moore, head coach of the highly successful Appalachian State Mountaineers. Managers graduating from UNC and NC State will be particularly interested in hearing from a coach who has consistently achieved a winning record, something quite unusual at other larger schools in the state.



Manager's Anniversary

On July 9, I will complete 35 years in the field of municipal government. I began my career in 1973, serving 3 ½ years in the Finance Department in Dunn, North Carolina, as City Clerk and Tax Collector, and then, my final year there I spent as Assistant City Manager. Since January, 1977, I have served as a Town or City Manager in five communities, and more than 14 of those 31 years have been spent as Town Manager of Waynesville. I can say without a doubt that overall, these have been the most meaningful and professionally rewarding years of my career. I attribute that to the elected officials and the town staff and employees with whom I have had the privilege to serve. Our community has been blessed with a wonderful group of elected officials, and I have often said that the town employees are the best of any I have encountered in my 35 years. I want to express my gratitude for the cooperation and support of the board members and my fellow employees. We have accomplished much as a team, and I will always be grateful for having the opportunity to have served Waynesville.

In September, at the Annual Conference of the International City/County Management Association in Richmond, Virginia, I will receive my 35 year service award. In the late 1960s, when I was in high school, I decided that I wanted to be a Town Manager. There have been bumps in the road along the way, but I never felt that my choice was a mistake, and I am proud of the profession I chose. I believed that as a town manager, I would have the opportunity to make a positive difference in the community in which I served, and I believe I have done that. Over the next few years, I hope to continue to fulfill that goal. As a team, we have been able to accomplish some wonderful things in Waynesville, but there are still things that need to be done. I look forward to working with the elected officials and employees to fulfill the goals established by the Town Board. Thank you for the opportunity to serve this community!



VACATION TIME

For most of my career, I have waited until after the end of the fiscal year before taking a vacation to get away from it all. This year, in late July and early August, Nancy and I are planning a trip to Maine. We have rented a cabin for a week on a lake outside of Millinocket, Maine, which is near Baxter State Park. I can visualize some hiking, canoeing, fishing and sitting on the porch reading, taking in sunrises and sunsets, watching moose and listening to loons and enjoying nature. More than anything, there will be time for relaxing, and considering the job situation of the past several months with budget, fire station, police station, substation, Eagle Nest water and a host of other items, it has been a tense time. So Nancy really needs some time away (ha ha). Fortunately, she has agreed to allow me to go with her.

After a week on the lake, we will drive three hours to the coast of Maine to the town of Jonesport and Beals Island, which is about 50 miles from the border with Canada. My mother's side of the family comes from this area and my grandfather was born there. I still have a number of distant cousins residing in this area, many of whom earn their living from the sea, running lobster traps, clamming, crabbing or doing other types of fishing.

We plan to leave Waynesville on July 24 and will return on August 8, hopefully taking our time and staying off the interstates as much as possible and taking the less traveled routes. As always, we will leave a means of contacting us at all times. For much of this time, we will have internet access and be able to check email messages, and we are told that cell phones operate about half the time in this area. I will check in at the office from time to time.

I have learned that one of the greatest advantages of having really exceptional people working with you is that you can be away and things run just as smoothly as if you were there. Sometimes they even run better, but that follows my management philosophy about hiring good people, giving them the tools to work with and then getting out of their way.

