



OFFICE OF THE  
TOWN MANAGER

## Town of Waynesville

16 South Main Street  
Waynesville, North Carolina 28786  
[www.waynesvillenc.gov](http://www.waynesvillenc.gov)

### **BUDGET MESSAGE FISCAL YEAR 2015-2016**

Presented by Marcy Onieal, Town Manager  
June 1, 2015

#### ***To the Honorable Mayor and Members of the Board:***

Gavin A. Brown, Mayor  
J. Wells Greeley, Mayor Pro Tem  
J. Gary Caldwell, Alderman  
Julia Boyd Freeman, Alderman  
LeRoy S. Roberson, Alderman

### **INTRODUCTION**

It is my privilege to present for your review and consideration the manager's recommended budget for the Town of Waynesville for Fiscal Year (FY) 2015-2016. This budget has been prepared in accordance with North Carolina General Statute §159 (the Local Government Budget and Fiscal Control Act) and is balanced with respect to revenues and expenditures.

#### ***Proposed Tax Rate***

The proposed budget maintains the ***property tax rate at \$0.4382/\$100 assessed valuation for FY16***. This rate is the second lowest tax rate among all local governments in Haywood County and remains unchanged from FY15.

#### ***Budget Overview***

The budget proposes no additional fee increases, except the customary annual 5% increase in water rates, as recommended by the 2006 Asset Management Plan, for much needed reinvestment in the Town's water infrastructure. We are foregoing an accompanying increase in the sewer fund in FY16 simply due to the robustness of the fund balance in the sewer fund, and have actually lowered the monthly collection fee for commercial solid waste containers in order to regain customers lost to private competitors over the last two years. All other fees remain unchanged town-wide in all funds from FY15 to FY16.

The proposed General Fund budget is actually down some \$20,000 from FY15 and all four funds (General, Water, Sewer, Electric) are reduced overall by 2.4% from FY15 to FY16, despite projections for slight growth in revenues in FY16. Although budgets are expected to remain tight for the foreseeable future, the glimmer of rebound in the economy will relieve some of the pressure to rely

so heavily on Fund Balance appropriations in order to balance budgets each year from this point forward. In fact, the FY16 proposed budget appropriates \$230,000 less in Fund Balance to balance the budget than was employed in FY15.

### ***Executive Summary***

This budget reflects the manager's very careful attempt to balance the Board's laudable and ambitious goals for significant investment in priority programs and projects with necessary caution in the face of ongoing economic uncertainties facing the town in the near future, more specifically our inability to forecast with precision: 1) when the Town of Waynesville will begin to realize significant gains in revenue after seven years of statewide economic decline; 2) what impact the N.C. General Assembly's efforts toward statewide budget and tax reform will have on local government budgets; and 3) whether the efforts toward passage of Senate Bill 141 will be successful during the 2015-2016 Session of General Assembly and ultimately lead toward annexation of Lake Junaluska by the Town of Waynesville.

As it turns out, the modest signs of economic recovery that began to manifest in larger urban areas in relation to new job creation, investment, and renewed development in early FY14, have just begun to show signs of life in Haywood County as well. Lagging behind our urban neighbors to the east, the Town realized virtually no growth in revenues in FY14, but we do expect to end the FY15 budget year a little better than originally anticipated, due in part to the improving economy, but also due to our own cautious spending, and to the fact that some of the more drastic tax reform measures originally proposed by the legislature for FY15 were stalled.

Although the state is beginning to see small signs of recovery from the economic downturn that began in 2007-08, not only did the Town *not* realize the natural growth in revenues over that period that traditionally would have supported the inevitable annual inflationary increases in cost of services, the Town's revenue streams have taken a full seven years just to get back to where they were in 2007, after the devastating drop-off early in the recession. So while I am hopeful about the direction the economy seems to be heading, we have had a lot of catching up to do. At the same time, the NC General Assembly has continued its very ambitious overhaul of the State Budget with a tax reform plan, which has created more uncertainty than ever around local government budgets for the immediate future.

Statewide, the loss to municipalities of business privilege license revenue this next year represents a fiscal cliff of more than \$62 million. In FY16, the Town of Waynesville will lose approximately \$150,000 in business privilege license fees (plus the annual growth thereafter). That amount represents the equivalent of nearly 1.5 cents on the property tax rate. It is not my intent to advocate for or against the business privilege license fee, but simply to call your attention to just how vulnerable local government budgets are to legislative action. With the only revenue streams (over which local boards have control) limited almost exclusively to property taxes, fees for service, and in some circumstances to borrowing, local options for funding essential programs and services are few.

Similarly, there are other legislative proposals currently on the table, intended to eliminate or change eligibility for economic incentives, tax credits and grant programs (such as Historic Tax Credits, JDIG, CDBG.), or change distribution formulas for state-shared revenues (such as sales tax). These proposals fail to identify replacement sources of revenue for local governments and therefore stand to further weaken the local government revenue picture statewide. In addition, Senate leadership

has advocated for a future in which individual and corporate income taxes are abolished altogether. If adopted, such a plan, of course, would necessitate a complete restructuring of how state government services are funded, which in turn would impact how local government services and infrastructure are funded. When state-distributed revenues to municipalities are reduced, then the only two obvious choices are to cut services or to raise taxes.

The third choice, of course, is to do exactly what we have been trying to do for the last three years – and that’s do more with less – to do what we do better, more efficiently, more creatively, more effectively, more productively – using the resources we have more wisely than we ever have before. As we discussed in the board retreat in March, several of our operational proposals are designed to do just that, but even creativity and efficiency have limits. Without being the harbinger of doom, I am simply trying to say, there is a paradigm shift ahead, and we need to be prepared, both politically and financially, to be thinking about what that means, not just for the Town of Waynesville, but for all municipalities in NC.

Towns are indeed creations of the State, so there is nothing inherently “wrong” about the State changing the way it forces Towns to fund local government programs and services. But over the last two legislative sessions, we have witnessed a sea change in the way in which the General Assembly is attempting to approach local governance and budgeting. Whether one agrees or disagrees with the changing dialogue is somewhat beside the point. I think it is simply important for the Board and public to understand that we are going to be forced to examine service delivery and the funding for service delivery in very different ways than has been the case for the last several decades, if this legislative trend continues. It is likely there will be increased pressure to maintain service levels locally with fewer dollars flowing to the local level from the state.

Recent surveys by the NC League of Municipalities and NC Association of County Commissioners have shown that virtually every local government in NC has experienced some detrimental budgetary impact as a result of either the recession or recent legislative action, and has been forced to take one or more of the following actions within the last 2-3 years: 1) raise taxes and/or fees, 2) delay property revaluations, 3) reduce or eliminate critical services or positions.

***Loss in GF Revenue since Recession Began***

Since the beginning of the Recession, Waynesville has had to make up for the following annual losses in revenue, plus what would have been subsequent years’ growth (figures are approximate and represent what the anticipated revenue would otherwise have been as of FY16):

County Reimbursement – Recreation	70,000
County Reimbursement – Solid Waste	80,000
ABC Distributions (unrestricted)	150,000
Sweepstakes Privilege License Fees	150,000
Business Privilege-Gross Receipts	150,000
Sales Tax Revenue (2012)	200,000
Investment Income (2007)	175,000
Franchise Fees (telecommunications)	60,000
Commercial Solid Waste Fees (competition)	120,000
Powell Bill	60,000
	<hr/>
	1,225,000

\$1.2 Million represents nearly twelve cents on the property tax rate for the Town of Waynesville and the ongoing loss of such an amount is a huge hit for any General Fund budget to absorb in less than a decade. Obviously, the Town did not experience that full loss at a single point in time and has made up some of those revenues in small increments through a variety of means, otherwise we would have been forced to reduce services and programs to the public just as many other cities have done in recent years.

Fortunately, the Board of Aldermen was wise to anticipate in early 2014 the ongoing economic and political uncertainties around the local government revenue picture statewide and call for a modest adjustment in the tax rate, in order to avoid any unnecessary or untimely reduction in service delivery to the public. That action, coupled with efficient and creative management of resources by town staff, refinancing of debt, judicious use of fund balance, deferral of new projects and maintenance scheduling where possible, and the healthy financial position of the utilities funds, has enabled the Town to weather the economic and legislative storm while still moving forward some very important board goals and projects without the type of devastating cuts in personnel or reductions in programs or services experienced in recent years by many of our peer agencies.

While I am more hopeful about the economic picture than I have been in a number of years, we have very intentionally taken a low-key, very measured and cautious approach to developing the FY16 proposed budget. The following proposal is one that I believe responsibly meets the Town's needs, maintains current levels of services, takes no unnecessary risks, takes on no new long-term obligations, programs or projects, maintains competitive benefits for our employees, and provides the opportunity to strengthen and stabilize the organization at a natural point of organizational and community transition.

The transition to which I refer is the convergence in 2015-16 municipal elections, a year in which a significant number of senior level staff have retired or are scheduled to retire, a year holding potential for the merger of Lake Junaluska and Waynesville, and a year during which it is clearly time to appreciate this Board's four years of accomplishments, while aiming for the next four years of the Town's future, without losing any ground in the process.

The FY16 budget proposal is essentially a continuation budget. *While still trying to be innovative and move forward with Board-directed initiatives, we have reduced the bottom line, while also managing to provide for the largest single-year (and long overdue) salary adjustment for employees in over a decade.* It should be clear however, that this budget contains no new projects, virtually no capital or equipment acquisition, no new construction beyond routine scheduled replacements or repair. Please understand that this is a frugal budget, which still reflects unmet needs and desires, if we are to completely fulfill the board's vision for sound fiscal policy that supports a healthy government, invests in its infrastructure and employees, and ensures the highest quality of service delivery possible for the citizens we serve.

## **DEMOGRAPHIC & ECONOMIC INDICATORS\***

**(\*Sources: Citydata.com; TheMarketEdge.com; NC Dept. of Commerce; Haywood County FY16 Proposed Budget; Haywood County Board of Realtors)**

Despite the difficulties of the last seven years, Waynesville is beginning to experience a modest recovery from the economic downturn, and the proposed budget anticipates just enough growth in revenue (primarily from sales and franchise tax revenues) from the upswing in the economy to offset the direct loss anticipated from the repeal of the business privilege license fees.

According to Citidata.com, the Town of Waynesville's unemployment rate for January, 2015 was 5.0%, down from 8.5% one year ago, while Haywood County is at 5.5%, compared to 8.8% one year ago. These rates compare favorably to the NC average unemployment rate as of January, 2015, which was 6.5%, to the average for the counties west of Haywood that make up the Region A Council of Governments at 7.2%, and even to the Asheville Metro Area, which is only slightly better at a 4.8% average.

Between January 2012 and December 2014, there was a 43% increase in residential building permits issued in Haywood County. In 2014, the average sales price of a home was \$187,585 up from \$179,896 the previous year, while the median price went up to \$160,000 in 2014, from \$151,000 in 2013.

Beginning in the spring of this year, Waynesville's Development Services Department began to see an uptick in development inquiries and requests for plan review, although that has yet to translate into an actual increase in permits for new construction of commercial development. We do, however, anticipate seeing movement in the near future on some commercial projects in FY16 that have been on hold for the last year or so.

## **BUDGETARY GOALS**

Although the Board of Aldermen has never developed a formal ongoing Strategic Goals Program, I have certainly been mindful of the extensive history of good planning that the Town undertook during the decade prior to my arrival as manager at the beginning of FY13.

On **March 28, 2014**, the Board of Aldermen and Manager participated together, for the first time, in a facilitator-led retreat designed to assess the Town's competitive position, to identify the most important issues, needs and opportunities facing the Town, and to identify and prioritize broad strategic long-range goals and plans, which will allow the Town of Waynesville to develop and maintain services and programs that are sustainable well into the future. Those broad priorities are included in this document (behind Tab 3).

That session also included a review of existing adopted plans and studies, which historically have provided guidance – and in the case of the 2020 Comprehensive Plan, a legal standard – for staff development of departmental work plans, development decisions, and operating budgets. It was noted, at the time, however, that many of these documents are quickly becoming outdated, with the changing of circumstances and public expectations.

### ***Adopted Plans***

2002	2020 Comprehensive Plan
2002	Pigeon River Watershed Action Plan
2004	Facilities Needs Assessment & Plan
2005	Staffing Analysis/Classification & Pay Plan (updated 2009)
2006	Water and Sewer Asset Management Plan
2007	Haywood County Comprehensive Parks & Recreation Master Plan
2008	Forest Stewardship Plan for the Waynesville Watershed
2009	Russ Avenue Corridor Plan
2009	Mountain Landscapes Initiative Plan (Region A)
2010	Comprehensive Pedestrian Plan for Town of Waynesville
2011	Municipal Solid Waste Management Study
2011	Haywood County Comprehensive Bicycle Plan
2011	Waynesville Land Development Standards
2012	Smoky Mountain Hazard Mitigation Plan
2012	South Main Street Corridor Plan
2013	North Main Street Complete Streets Plan
2013	IT Assessment & Master Plan
2013	Junaluska/Waynesville Merger Feasibility Plan
2014	Water and Sewer Asset Management Plan (updated from 2006)
2014	GroWNC: 5-County Regional Plan (Region B)
2014	OPT-In: 7-County Regional Vision (Region A)
Ongoing	5-year Capital Improvement Plan (Major Facilities & Equipment)

Each of these plans was originally developed with input from the public and elected officials, and with the guidance and technical assistance of town staff and outside professionals. While progress has been made in carrying out select strategies and programs outlined in some of the plans, many call for capital or operational improvements which have never been funded, or which have been only partially funded, or which rely on outside partners to be fully implemented. In some cases, the data used to develop the plans are no longer valid; in other cases, priorities have simply changed over the years.

Collectively, these adopted plans continue to represent the “official vision” for our community, but review and potential revision, particularly of the 2020 Comprehensive Plan, will be a top priority in FY16 for the Board of Aldermen and Manager, as the Town emerges from Municipal elections in November, 2015.

### ***2013-14 Planning Retreats***

Planning Retreats in 2013 and 2014 further identified multi-year goals that have continued to inform the proposed budget into FY16 including:

- No unnecessary increases in fees or property tax rate
- Continue pursuing Water/Sewer Asset Management Plan through responsible rate adjustments and stepped up maintenance activity
- Maintain parity between Town Utility and Duke Energy Electric Rates while keeping Town Electric System profitable

- Plan for and implement merger with Lake Junaluska Assembly community
- Plan and implement a comprehensive town-wide IT management program that provides cutting edge IT services, improves operational efficiency, and provides for improved analysis, record retention/retrieval/security, internal & external communication, improved network support and IT strategic planning
- Support retail/business development in partnership with Frog Level and Hazelwood merchants
- Provide for employee development, focused on cross training, succession planning and skill & leadership development; maintain HR benefit level while containing costs to town
- Focus on internal organizational improvements with an emphasis on improved customer service (greater efficiency, effectiveness, responsiveness, productivity)
- Begin planning for future facilities needs and improvements

### ***2015 Board Pre-Budget Retreat***

The Board of Aldermen also held a day-long retreat on **March 27, 2015**, with participation by the manager, staff and outside consultants, during which extensive discussions took place around specific operational and strategic topics, resulting in board consensus around budgetary goals which have been incorporated into the manager's recommended budget for the coming year as follows:

#### **1. Waynesville Watershed**

- Continued funding for forest management & water quality monitoring per plan in existing conservation area (but not Rocky Branch)

#### **2. Public Services Department - Operational Proposals**

- Solid Waste Collection Fees – monthly collection fees for commercial containers reduced by 25%
- Water-Sewer Capital Construction Crew – approved hiring of 4 FTEs and purchase of equipment at a savings of \$250K annually over contracted services
- Street-Sanitation Capital Construction Crew – reallocates existing resources to create in-house capital construction crew

#### **3. Facilities Needs**

- Provides for design work and bidding of Operations Center Renovation/Expansion project
- Provides for Renovation/Upgrade to Police Department Evidence Processing Lab
- Provides for Appraisal/Design for Planning for future Fire Station #2 relocation
- Provides for Minor Maintenance/Leak Repairs/Code Improvements to Municipal Bldg
- Provides for Parks & Recreation Master Planning Process

#### **4. Electric System**

- Fund Balance Transfer from Sewer to Electric in FY15 to repay earlier "loan" from Electric to Sewer; to cover project costs associated with standards development, GIS mapping project, transition management; SERC/NERC/FERC/REPS compliance requirements; staff development; safety program; substation maintenance; cost of electric service study; performance tracking; switching procedure; protective coordination; meter testing
- Assumes no overall change in electric rates or costs associated with new contract for wholesale power purchase with Santee Cooper & transmission contract with Duke Energy

With the above goals in mind, but with clear direction to avoid expansion of budgets during a period in which we are not realizing significant growth in revenues, I have proposed a budget in FY16, which very much attempts to hold the line while trying to address the Board’s stated priorities and the most pressing of human resource needs within the organization.

**BUDGET COMPARISONS – FY15 TO FY16**

**BUDGET RECOMMENDATIONS BY FUND**

	<b><u>FY16 BGT</u></b>	<b><u>FY15 BGT</u></b>	<b><u>CHANGE</u></b>
General Fund	13,785,300	13,805,890	(20,590)
Water Fund	3,561,950	3,128,340	433,610
Sewer Fund	2,365,630	3,167,410	(801,780)
Electric Fund	10,087,160	10,413,780	(326,620)
<b>TOTAL OPERATING FUNDS</b>	<b>29,800,040</b>	<b>30,515,420</b>	<b>(715,380)</b>
Asset Management Fund	2,055,900	2,038,070	17,830
Garage Operations Fund	629,090	691,920	(62,830)
<b>TOTAL INTERNAL SVC FUNDS</b>	<b>2,684,990</b>	<b>2,729,990</b>	<b>(45,000)</b>

*\*In FY16, overall budget is down 2.34% from FY15 budget (all funds)*

**FUND BALANCE APPROPRIATIONS BY FUND**

	<b><u>FY16 BGT</u></b>	<b><u>FY15 BGT</u></b>	<b><u>CHANGE</u></b>
General Fund	996,660	1,127,060	(130,400)
Powell Bill	110,270	123,780	(13,510)
Water Fund	579,050	307,840	271,210
Sewer Fund	157,930	952,010	(794,080)
Electric Fund	727,600	289,900	437,700
<b>TOTAL ALL FUNDS</b>	<b>2,571,510</b>	<b>2,800,590</b>	<b>(229,080)</b>

Fund Balances have been appropriated each year as a means of balancing the budget. Historically, however, only a portion of appropriated fund balance has actually been expended in each fund, and usually then for capital projects or non-recurring expenditures. In some years, fund balances have actually grown due to prudent budgetary restraint and/or higher than expected revenues. Unfortunately, lack of revenue growth and rising costs in recent years have put pressure on the budget, particularly on the General Fund, to an extent that more fund balance has actually been expended than is being generated. While this is not a problem in the short term, repeated use of Fund Balance to cover recurring expenditures, could eventually lead to the depletion of the Town’s “savings account”. FY16 Fund Balance appropriations are reduced in General Fund, Powell Bill and Sewer Fund from FY15 levels.

We are comfortable recommending appropriation of fund balance at a higher level in the Water Fund for FY16, as this is being driven by two short-term capital needs – the initial creation of an in-house capital construction crew, which ultimately will reduce annual costs in the water fund, and the reimbursement to the state for water line relocations/improvements out Howell Mill Road.

With regard to the Fund Balance appropriation in the Electric Fund, we have not yet completed final contract negotiations on the wholesale power supply contract which expires December 31, 2015, nor a comprehensive rate study, which will need to be completed in conjunction with the new contract. We are confident that the new contract will keep power rates lower than what we would have experienced had we stayed with Duke Energy Progress, however it is too early to tell whether we have succeeded in negotiating a wholesale deal that will help us avoid a rate hike altogether. Currently the Town's residential rates are slightly lower than Duke Progress residential rates.

Although the proposed budget does not yet account for an adjustment in electric rates, the Electric Fund cannot continue to sustain both the level of transfer to the General Fund and the level of Fund Balance appropriation proposed beyond this one year without a rate increase. We anticipate having a recommendation back from the Town's energy services consultant before the end of the summer and may return to the Board for a budget amendment in the Electric Fund if necessary.

As for the future, I expect to see some relief in our budgetary picture by FY17, with continued strengthening of the economy, addition of the Junaluska tax base, county-wide revaluation, and debt beginning to roll off in FY17 and FY18.

### REVENUE RECOMMENDATIONS

Property Tax Rate:	↔	remains unchanged at \$0.4382/\$100 valuation
MSD Tax Rate:	↔	remains unchanged at \$0.20/\$100 valuation
Solid Waste Fee (res):	↔	remains unchanged at \$9.00/HH/month (residential curbside)
Solid Waste Fee (com):	↔	remains unchanged at \$22.97/month (commercial curbside)
Solid Waste Fee (c-d):	↓	decrease 25% (all categories)

Water Rates:	↑	up 5% <i>(in keeping with recommendations of 2006 Asset Mgmt Plan)</i>
Sewer Rates:	↔	remain unchanged
Electric Rates:	↔	remain unchanged <i>(rate study to be completed Summer 2015)</i>
All other Fees:	↔	remain unchanged in FY15

Bus. Privilege License                      Goes Away altogether

Bus Registration Fee                      \$25/Business/year

***\* Even with recommended rate increases, Waynesville rates remain in the lowest quartile for water and sewer rates and at or below median for property tax rates in a variety of comparisons of peer municipalities (see pages 52-58, behind Tab 8).***

### EXPENDITURE CONSIDERATIONS:

The proposed budget maintains current levels of services and programs with very little change from FY15. The following items should be noted:

- **Few New Capital Projects** in any fund; the proposed budget maintains street/sidewalk maintenance, water and sewer line replacement at current year levels, but handles more of that work with the new in-house capital construction crews in Public Services, while saving costs (and reducing use of outside contracted services) ; carries over previously approved Water Treatment Plant project (flocculator flash mix replacement) not completed during FY15 and adds \$200K maintenance of the Big Cove 2MG water tank, and includes payment for completion of Howell Mill Road water/sewer relocation project.
- **Minor Facility Renovations** – include minor renovations to Town Hall and Municipal Building for PD Evidence Room processing and rest room/break room/code issues in Muni Building; other renovation work is related to design and plan work at Public Services Operations Center, Parks & Rec, Fire
- **New Equipment/Vehicle/Capital Replacement** is limited to necessary routine scheduled replacements in Public Services, Utilities and Police, primarily in Utilities Funds and totals only \$510,500 of all funds or (1.7% of total budget). These vehicles will be upfitted with propane tanks where appropriate; all will be financed, with first payments due in FY17, so there will be no impact on FY16 budget. Budget also includes purchase of a scissor lift for the Assets Services division for routine maintenance activities and complete replacement of Recreation Center weight equipment, which has long out-lived its original life expectancy and utility.
- **Parking Lot Improvements** – Budget requests for permanent improvements to three publicly-used, but privately-owned parking lots (Hazelwood/Forga; Armory/Coffey; Frog Level/Railroad) were submitted at a cost of over \$400,000, but the manager does not recommend funding these improvements in FY16; instead it is recommended that the Town continue to negotiate with private owners to obtain either long-term lease or purchase agreements and/or private financial participation in the cost of these facility upgrades before committing any public funds to permanent improvements of these facilities over which the Town has no long-term control or ownership. None of these lots currently meet the Town's land Development Standards and must be brought to full standard if the Town continues to be involved in further developing their use as public parking facilities. While each of these lots potentially represents an amenity of potential public use, the recommendation to defer capital expenditure on these lots is being made by virtue of the same reasoning and priority with which all capital and major project spending has been approached in the FY16 budget.
- **Operating costs** (All Funds) have decreased 2.4% overall, in part due to reduction in fuel costs. The town continues to promote use of alternative fuels where appropriate and has good success with both propane and electric hybrid models.

- **Special Appropriations** (General Fund) includes \$200,000 for assistance to area strategic partners, designated for capital contributions, operating assistance, utility subsidies and in-kind departmental support for specific related programs. Capital contributions, in the amounts of \$25,000 each, were made in FY15 to HART, Folkmoot, and Haywood Helps (conversion of prison to homeless shelter), and were anticipated to be multi-year requests/commitments at the time of the initial requests.
- **Assets Management Fund** shows increases in FY16 due to the centralization of a number of contracts which had formally been piecemealed across multiple departments. Services such as HVAC and other fleet and facilities maintenance contracts, IT and other service contracts, and other contracts, services and programs being managed on a town-wide cost-share basis are being budgeted centrally out of this fund and then cost-allocated back to departments.
- **Planning/Consulting** (General Fund) Funds to initiate 2020 Comprehensive Planning Process and Recreation Master Planning Process have been carried over to FY16 in anticipation of including Lake Junaluska and to coincide with arrival of new Development Services Director upon retirement of outgoing Planning Director in summer of 2016. Additionally the budget includes funding for consulting services associated with Annexation Planning should Senate Bill 141 and referendum authorizing Junaluska annexation be passed; and project consulting associated Electric System operations.
- **Health Insurance** (All Funds) – For the first time in many years, the Town does not anticipate any cost increases in Health Insurance for the FY16 budget year and plans to make no changes in the plan, except to begin charging employees who are tobacco users a portion of their monthly premium through biweekly payroll deduction, as announced over a year ago. Beginning Jan 1, 2016, tobacco users will be charged 10% of premium. As of July 1, 2016, the surcharge will rise to 20% of premium, and by Jan 1, 2017, the surcharge will rise to 25% of premium. Every effort will be made to assist employees and their dependents through tobacco-use cessation programs at no cost to the employee during the six months prior to the surcharge being imposed. This program goes hand in hand with the town-wide tobacco use policy and ordinance recently adopted by the Board, which goes into effect in late November, 2015.
- **HR Salary & Benefits adjustments** (All Funds) are included as follows (*See Tab 9 for details*):
  - 4 full-time positions will be added in Water to create Capital Construction Crew
  - Capital Construction Crew in Streets and Sanitation is created without adding new positions, but by reorganizing existing positions
  - 3 FT positions (conversion of PT) requested in Recreation; not funded at this time
  - 1 FT/2PT positions requested in Fire; not funded at this time
  - 1 FT position requested in Planning; not funded at this time

- 5% Salary Adjustment Set Aside for Market-based equity adjustments and initiation of Career Track progressions for those departments which are ready (to be allocated equitably across all departments as funding will allow based on pay study to be completed June, 2015)
- Term Life Insurance Benefit increased for all employees and elected officials to 1 times \$ annual salary (with \$25,000 minimum)
- Continuation of all other benefits at current level
- Manager's recommendation that the Board approve stipend adjustments for next elected Board, effective 1/1/16, in the amounts of \$7,500 per board member and \$12,500 for the mayor, with automatic COLA adjustments, as may apply to all employees across-the-board in future years
- 50% tuition reimbursement stipends, as approved by the manager
- Annual \$15,000 set-aside for three FT employees in succession track to attend Municipal-County Administration Course, Public Executive Leadership or Emerging Leaders Course, Leadership Haywood or Leadership NC

### **BOARD TERM IN REVIEW**

Over the last 2-3 years, the Town has been on an ambitious programmatic and budgetary path to keep the Town moving forward on a path of "Progress with Vision". Even in the face of the struggling economy and the uncertainty of the future, the Town has made great strides in addressing board goals, and despite the odds, has managed to absorb some significant new costs – inflationary cost increases such as materials and fuels costs and tremendous jumps in employee health benefits costs, as well as originally unanticipated costs for the Town's share of joint projects for things like annexation planning and NCDOT projects – in a responsible manner. In addition, the past few years have seen prudent investments in major priority projects such as important capital contributions to HART, Folkmoot, Haywood Pathways, Skate Park, Armory Parking, the IT, Assigned and Alternative Fuel Vehicle programs. These projects have variously supported economic or business development in the community or the capacity of the Town organization to serve the community more effectively.

Although natural revenue growth has been slow, by and large the Town has managed to absorb additional costs and make up for lost revenues by three means:

- 1) Increased efficiencies of operations (doing more with less; or doing the same at lower cost)**
- 2) Lapsed salary from vacant positions (intentionally holding positions open for increasingly lengthy periods)**
- 3) Increased use of appropriated fund balance and utility transfers**

During the past twelve months alone, we embarked on a renewal of extensive planning and preparation for a Lake Junaluska/Waynesville merger (in anticipation of a favorable vote in the

November, 2015 referendum), and initiated the Town's first ever Wellness Incentive program aimed at improving employee health and reducing health benefit costs. The first large wave of retirements at the leadership level began in 2014 and is continuing into FY16, which has created both challenges and opportunities for refocusing departmental leadership and organizational restructuring with a focus on operational efficiency, succession planning, leadership development, and improved employee training/mentoring/supervision. The first steps in developing a Career Track progression model for employee compensation and recognition have been initiated as means of encouraging employee development, internal succession and maximizing internal resources and flexibility as future staffing needs change.

Town Board and Staff participated extensively in the development of a number of regional and local land use, transportation and economic development planning efforts including the North Main and South Main Corridor Plans, OPT-IN and GroWNC regional plans. In FY16, we are moving forward with a countywide Greenway Plan and cooperating with outside agencies to take steps to promote multimodal transportation, complete streets development and encourage bicycle tourism in our area.

At the board's specific direction, we initiated a much needed project to improve technology infrastructure, capacity and utilization town-wide, which will continue into FY16, ultimately resulting in better service to the public through improved reliability, security, communications, efficiency, productivity and data analysis. Having already improved the network infrastructure and the tools at our disposal, we now are focusing on teaching employees how to use the tools at their disposal to better serve the public and provide better data for analysis and communication.

We also undertook a number of significant capital projects during the past two years. These projects included various improvements at Recreation Park (construction of the Waynesville Skatepark, renovations to the dog park and Recreation Center façade, resurfacing of the basketball and tennis courts, improvements to the greenway trails and demolition of multiple deteriorated structures). We also undertook three major projects at the Water Treatment Plant including basin reconstruction, pump and actuator valve replacements and forest management activities (white pine thinning) in the watershed. Major Public Services projects included extension of sewer line to the US19 Rest Area, rehabilitation of sidewalk trip hazards throughout the central business district, and utility relocation associated with NCDOT's Howell Mill Road project. In the area of public safety, we implemented an assigned vehicle program in the Police Department, while providing for the conversion of a significant portion of the Town's fleet to utilize propane in addition to gasoline, and put into service a new fire pumper and multi-purpose service vehicle in the Fire Department.

This list is not all-inclusive of our accomplishments for the year, but is a good sample of the types of one-time projects and activities the Town has undertaken, while continuing to provide high quality essential services on a routine basis throughout the year.

## **CONCLUSION**

There is no question that the economy is looking up. The FY16 proposed budget projects sales tax revenue that has the Town finally catching up to the levels we saw when the economy first took its nose dive in 2008. We're still appropriating nearly \$1 million from Fund Balance in the General Fund to balance the FY16 budget, but we used far less than that to get through FY15 and we trust the

same will hold true for this time next year. Your manager and finance director are more hopeful for the future than we have been in several years, but we continue to be cautious by taking care not to overextend in the face of an as yet unknown future.

There is no question that the merger of Lake Junaluska & Waynesville will create economies of scale flexibility of operations, and financial advantages to the residents of both communities, so we will continue to push for passage of Senate Bill 141 in the General Assembly and the right of the citizens of both communities to determine their own destinies in a manner that benefits the citizens of Waynesville and Haywood County. The Town of Waynesville stands ready to serve the Junaluska community with a full range of high quality services beginning July 1, 2016. Although the FY16 proposed budget does not directly reflect revenues or expenditures associated with annexation, our staff is fully aware and has planned for every contingency associated with the assumption of services for the Junaluska community immediately upon the proposed effective date beginning July 1, 2016.

### **PUBLIC HEARING & BUDGET ADOPTION**

The Board will review special appropriations requests from strategic partner (outside non-profit) agencies during the regular board meeting on **Tuesday, June 9 at 6:30 PM**, in the Board Room of Town Hall, 9 South Main Street, Waynesville. Additional discussion regarding departmental priorities and other topics of interest will be discussed at the discretion of the board at that meeting as well. The public hearing on the budget is scheduled for **Tuesday, June 9, 2015 at 6:30 PM**, in the Board Room of Town Hall, 9 South Main Street, Waynesville, to be continued to **Tuesday, June 23, 2015 at 6:30 PM** after which, the budget is expected to be adopted. If additional time is required to discuss the budget, or there is a need to continue the public hearing again, it will be continued to Tuesday, June 30 at 6:30 PM, with budget adoption immediately following.

As always, the staff and I are pleased to make ourselves available at the board's convenience and to provide whatever additional documentation may be needed for your review. We appreciate your thoughtful consideration and look forward to another year of serving our community in the spirit of dedication and excellence.

### **ACKNOWLEDGEMENTS**

I would like to express my appreciation to Finance Director Eddie Caldwell, Town Clerk/Project Specialist Amie Owens, and all the department directors and staff for their diligence and hard work throughout the budget process and for their assistance in preparing this document for your review. Copies of this document have been posted on the Town's website and are now available for public review in the clerk's office and public library.

Respectfully Submitted,



Marcy D. Onieal  
Town Manager