

September 14th, 2011

Dear

As a person who is committed to the provision of effective local government operations as a profession and an adherent to the International City Manager Association, ICMA, Code of Ethics it is my duty to communicate with you the candidates for municipal office in the Town of Wendell. My separation from employment as your town manager is unfortunate, for both the Citizens of Wendell and myself, as the knowledge I have gleaned during my almost eight month tenure was obtained at their expense and will be lost. Many months will take place between now and when a new manager will have over come the learning curve and be able to lead and think strategically for Wendell.

Please consider this paper as an exit interview or at a minimum an attempt to share with you the strategies I was attempting to implement at the time of my separation and to enable you and any future manager some benefit from my tenure thus reducing the period of inaction in the manner of serving the needs of the taxpayers of Wendell.

### **Finance**

It will be important for me to communicate the differences between the annual budget and the finances of the Town of Wendell as the words are not synonymous. A budget can be for annual operational expenses, multi year projects or for the purchase of capital equipment. Without implying understatement we live in economic times which many have never experienced, without precedent for a generation perhaps. Local government is a business, the peoples business and it is incumbent upon the manager: to grasp operational costs; annual revenues that support them; the unencumbered capital available and then to advocate for an active use of the public's fiscal resources to develop a program of capital maintenance projects and equipment purchases that are necessary to add value to the taxpayer in the form of service and infrastructure stability.

### The Annual Budget

Early on and perhaps even during my interviews several Commissioners expressed the sense that the town staff was "gaming them". The sense was that revenues were underestimated and expenses inflated to make the town manager and department heads look good at the end of the year. In an attempt to develop a better understanding of how specific dollars were being used in each department and evolve relationship based on trust and not skepticism, a Zero Based

Budgeting Approach was employed. It was not easy for some Department Heads to grasp the concept even with extensive tutelage, half hearted attempts were returned in some cases several times, so used were they to simply applying what was budgeted in previous years and adding a percent. Your government was mired in the “muddle” and without critical analysis and clear understandings of the real vs. the illusion trust and commitment could not be nurtured.

The basic premise is that I wanted Department Heads to know with extreme clarity is where every operational dollar could be spent, not plan for every possible expense and tie dollars directly to program delivery thus enabling clear, understandable communication relating to the use of public funds for operation purposes. I give this year’s effort a “B” as an average for all departments and a low “C” as an effective means of communicating annual expenses to the Commissioners as we were unable to avoid going in depth into each line item and thus reducing valuable critical thinking time regarding vision. I would hope that the precepts of this mode of annual budgeting will continue as the hard work is done as we can now “plug and play” on the annual operational budget and also that more time could be spent on fulfilling, implementing the plans necessary for a better quality of life for the Taxpayers of Wendell.

The three themes for this year’s budget process: Show me the money; Stop the Leakage and What adds value to the Citizens of Wendell. Mr. Kay is your Finance Director and once he was on board with these concepts he took a leadership role in implantation and brought the budget process forward.

Show me the money – prior to this years budget ordinance land developers did not remit to the Town of Wendell any dollars to have access to your scare water and wastewater resources. Thus when a development was approved water and wastewater assets were allocated to that development but not paid for until a builder made application for a building permit. Wendell has allocated hundred of thousands of gallons of water and wastewater capacity to developments which have never been built but continue to remain on the “books” due to an extension of “vested rights” by the NC Legislature. No funds have been received from land developers to pay back the Citizens of Wendell who are paying the City of Raleigh for water and wastewater treatment capacity for projects that are just on paper or have failed outright. In summary, the Citizens of Wendell are carrying part of the costs related to a development through higher water and wastewater bills. In my humble opinion not good public business. (On my work computer exists a comprehensive listing of allocations).

Included in this year’s budget ordinance are the new rules of the road which require property developers to remit funds to the Town of Wendell upon project approval and not at building permit time. Mr. Kay is now quite versed in the implementation of this business plan for the town. In summary you are going to have to pay to play in Wendell in the future.

Stop the leakage – The historical based budgeting process lends, as practiced by managers in Wendell prior to this fiscal year, and lends itself to leakage. By leakage I mean the absence of absolute tracking of expenses related to programs and services rendered from which a more accurate cost benefit analysis can be derived. Leakage in the sense that Department Heads feel

that they must spend their respective budgets to insure similar dollars are made available to them next year based on previous year's historical spending levels. Please do not misunderstand each public dollar spent is securitized and approved by the Finance Director based on strong and traditional purchase order protocols and accounted for in a manner consistent with local government fiscal control standards. It was not the funds were not budgeted or went unaccounted for it was what was real and truly accomplished with the expenditure which brings us to the next theme.

What adds value to the Citizens of Wendell – Early on in my tenure it was made patently clear to me by the Commissioners that Wendell was known for having the highest tax rate in Wake County. A simple review would also indicate that Wendell also has the low median house valuation, lowest median household income – extrapolate that taxable personal property, auto, trucks, RV, boats would also reflect a function of the amount of disposable income available to the Wendell household. While I have not researched this question I believe that Wendell has a substantive percentage of residents who are eligible for the Homestead Exemption. Suffice to say that the current \$0.49/\$100 valuation on a home in Wendell generates far less property tax than a comparable tax rate in say Cary where median home valuations are approximately twice that of Wendell's. To put into context one penny on the tax rate in Cary generates more income than all the property tax revenues collected in the entire Town of Wendell.

Summary - Please remember that Wendell has gone through quite a series of Managers in the last six years, no doubt each with their own respective budget practicum. As for me and my attempt the budget process has several repetitive themes: Show me the money; Stop the Leakage and what adds value to the Citizens of Wendell will be needed to accomplish the paradigm shift. I must stress that your Department Heads are very dedicated to providing the best possible in service delivery and are very dedicated to their respective missions but need the leadership of someone who can remind them that their department does not operate on an island but apart of a whole. I did not use the word austerity this year, reserving the term for fiscal year 2012-13 if necessary. For sure those responsible to manage the fiscal resources for the Town of Wendell must not only acknowledge the micro economic conditions but also the macro economic trends that given these uncertain times, we must accomplish the mission for less.

#### The Capital Reserve Fund

This year the Commissioners passed a resolution establishing a Capital Reserve Account which removed from the Fund Balance which was around \$4.0 million, some \$1.2 million to be appropriated for projects and purchases separate and apart from the annual operating budget, the 70 Fund. Unfortunately while the resolution was approved and a program for the use of these resources was laid before the Commissioners they deferred to the annual appropriation process. Note that the resolution creating the Capital Reserve Fund determines that only the Commissioners can allocate dollars. Wendell has money in the bank with no plan to use it. These funds were derived from taxes of various kinds, note that property taxes account only some 50% of operating revenues, and in my opinion should be used to work for the people or given back to them.

One of my frustrations as your manager for eight months was the absence of action in this area. Wendell has spent tens of thousands of dollars, perhaps hundreds of thousands of dollars, on plans, and studies. There is a shelf full of them all with merit but none implemented. While I am fiscally conservative and somewhat hyper vigilant with the management of public funds to defer maintenance, delay the purchase of capital equipment by kicking the can down the road will always cost more in the long term and not to implement projects with acknowledged potential improvements in the quality of life for the taxpayer is not to adhere to our duty. Without a doubt Wendell is in this mode. Please recall that you have had budgets complied by many different managers in the preceding five or six years and while the day to day goes on the lack of continuity in process, which will no doubt be exacerbated by the discharge of another town manager, will preclude critical long term thinking and the again postpone the ultimate implementation of solutions. If only for this fact alone I must again apologize for failing the taxpayers, my stockholders, that live in Wendell and counted on me to be effective.

The absence of a clear equipment replacement program was painfully thrust upon us when tasked with debris removal from Irene aged equipment failed over and over. The net result of the delay in the replacement of worn out equipment was that yard debris remained in taxpayers yards and on the streets of Wendell for several weeks and we had to let other weekly tasks slide as employees were tasked with patching equipment to place back into service. During the bulk of my career I have functioned not only as a manager but also Director of Public Works and Utilities and when necessary put boots on participate the labor necessary to keep systems going and Citizens served. Wendell is in a hole and during my eight months I was not able to pull the operation into the light.

The Capital Reserve fund is designed to allow you the elected officials to utilize scare public dollars to make the purchases and implement the programs that you acknowledge need to be accomplished without the shadow of establishing annual tax rate, associated with the annual budgeting process, clouding best decisions among studied alternatives.

#### Merger Agreement

As a subtopic under the Finance category I must touch the Merger Agreement which transferred all of the water and wastewater assets owned by the Town of Wendell to the City of Raleigh for operations. Let me say that in no uncertain terms that without the City of Raleigh, Wendell would have neither potable water nor the ability to treat wastewater to meet current demand nor for future development. The history of the Agreement is interesting and would require many pages to provide you with a comprehensive understanding, this issue along with Wendell Falls were the first on my plate aside from coming brand hammer new to an organization stressed to the limits by lack of consistent leadership.

The Merger Agreement consists of two thrusts often referred to as the Performa. The first, expansion projects, to include water and wastewater capacity, which the Commissioners at the time 2006, purchased over \$25 millions worth and water and wastewater system expansion projects. In general the idea was to provide water and wastewater lines and related treatment capacity throughout the “urban service area” of the Town of Wendell. Please recall the context

of the times, which of course have changed. This list of projects also included the S. Buffalo Creek outfall which began with approximately a \$3.0 price tag and ended up costs \$7.0 million for which the Town of Wendell borrowed the money and is reflected as a debt owed by the town as a corporation.

With the second being the improvements the City deemed necessary to bring existing water and wastewater systems into a condition similar to those it operates in all other localities. The total cost of the Performa was in excess of \$50 million an amount today that seems otherworldly but given the growth projected for Wendell, slated to be some 40,000 persons by 2030, at the time the numbers worked out.

The world changed course and Wendell did not step back and adapt its strategic plan to match the times. When I was hired as your town manager in January the prevailing view was that these dollars provided by the Citizens of Raleigh to the Citizens of Wendell came to us at no cost. Money has time value in any market-place, however, it took me several months to bring this reality home in fact the net present value – the discount rate, at which Wendell in essence borrowed these dollars from Raleigh is 5.5% per annum. Just the interest alone on the \$25 million for water and wastewater treatment capacity at this rate is \$6,700 per day.

While most of this indebtedness does not show up on the Town of Wendell's balance sheet nor on the town's annual audit, those persons living in the "urban service area" of Wendell will be responsible for payment to the Citizens of Raleigh both interest and principal and until the debt is paid and will be subject to annual increases in water and wastewater rates of between 7% and 12% for to generate the necessary revenue to pay back this debt. Should the Town Board of Commissioners determine not to pass on to its Citizens requested rate increases on an annual bases then the City can impose a monthly surcharge on each account to make up the difference.

Historically, deferred maintenance to the water and wastewater systems in Wendell contribute mightily to the overall Performa Costs. Water meters, hydrants, pumps and pipes to provide a general list. You will soon see your streets dug up to rehab the wastewater collection system in many older parts of town slated to cost in excess of \$3.0 million. In summary the Performa Costs are not the costs of the corporate entity that is Wendell but rather will be borne by its Citizenry, thus a cost of living in Wendell.

This year I recommended a reduction in the monthly solid waste charges applied to each residential water/wastewater bill from \$22/month to \$17/month. The \$5.00/month reduction in solid waste charges would have offset the 7% in water/wastewater rates for a household using the average monthly consumption of approximately 4,500 gallons per month. The Commissioners approved a \$3.00/month reduction to \$19.00/month for solid waste collection and disposal costs. This fee contains a fixed amount of some \$14.50/month for each residential customer to be paid to Waste Management to remove household garbage and recycling. The remainder is used to offset costs associated with yard waste collection and bulky trash items that cannot be placed in the Waste Management container. A comprehensive review of how Wendell provides this service and its true costs was in the works at the time of my discharge.

### Wendell Falls Development Agreement

In February I was tasked by the Commissioners to accomplish four tenets on their behalf in meetings with representatives of Wells Fargo as a precondition to approving an Amendment to the original Developers Agreement. The first, pave Richardson Road, second provide for more Open Space in manner more consistent with the UDO, thirdly resolve the water and wastewater allocation issue and fourth expand Phase II Storm water Regulations to the development of Wendell Falls. These items were ultimately resolved to the satisfaction of a majority of the Commissioners.

During the months of debate on these issues my explanations became construed as advocating for the approval of the Amendment by several Commissioners, thus in opposition of their respective position. Please know that I acutely aware that political positions were being staked out on the issue of the Amendment and that I was riding the edge of a knife blade in my efforts to resolve particular issues of concern. It was unfortunate for me as the relationship with at least one Commissioner never recovered, so it goes.

A brief statement regarding the prepayment of some \$1,000,000 to the Town of Wendell for the "Allocation Fees" related to water and wastewater capacity for the first 412 homes at Wendell Falls. Receipt of these dollars is a result of the Amendment to the Development Agreement that allows Wendell Falls to be transferred to Wells Fargo and provides for a new development schedule. Again this issue has fair degrees of complexity and unfortunately my relationship to this issue is not paralleled by other staff members. Mr. Kay has the intellect to decipher the business piece I hope. The \$1 million has been booked as a liability because, and I paraphrase the Merger Agreement, "all money generated from the sale of water and sewer assets belongs to the City of Raleigh" collected by the Town to pay down the Performa debt.

Over the next several months it was my intent to gain a much better understanding as to where the money goes when Wendell sends a check to the City. It is not that the funds remitted to the City are not accounted for but we do not know how they are applied and what for if you will. In short to be a more active manager of our town's investments we made with the City on behalf of the Citizens of Wendell. For instance if the money borrowed to rehab the wastewater collection system had a discount rate on the bond of 5.5% and we are earning 1.0% it could behoove us to find a mechanism to buy down the more expensive money and reduce our citizens exposure to a higher interest rate. Another tack was to use the million dollars or portion thereof to keep w/ww usage charges from increasing next year. At any rate belong to the City of Raleigh, how we give it to them could provide us with any opportunity to be creative.

Please do not hesitate to call me if your questions are not answered to your satisfaction as my commitment to a better Wendell will not stop because my employment has ended. The dynamics that surround the development, or not, of Wendell Falls has many facets, In my opinion the tactics the Commissioners employ, if and or, when a new developer brings the project to fruition will provide for challenges and create opportunities for creative problem solving for a manager with the skill sets required to be effective for the folks that live in Wendell now and to those that will.

### **Economic Development**

The Commissioners determined to fund the role of Economic Development Coordinator beginning with FY 2010-11. The thirty hour a week position was filled in December of 2010 with the person hired having her work space in what had been the room with where the soda and candy machines were located at the Community Building. For background purposes town employees did not receive any increase in wages for fy 2010-11. This new position was funded with a budget for the Economic Development Department being in excess of \$150,000. There was measurable resentment toward the Commissioners and Ms. O'Neill, hired as Economic Development Coordinator, and she came to work into a somewhat a disingenuous environment.

In addition to the physical challenges faced by Ms. O'Neill, having her work space at the Park and not downtown, the Commissioners and the Chamber of Commerce were not in sync but rather at odds. Wendell is a small rural town on the edge of a very urban environment seemingly disconnected from where it fits into Wake County and I am not talking about geography. With all respect until the leadership in Wendell becomes comfortable with the town's place in the broader whole and in the context of the town's niche, economic development initiatives will not gel into a coherent plan of work.

Upon the resignation of Ms. O'Neill in July, acting in accordance with my responsibilities as your town manager, I opted not to seek a replacement for the position at that time. My reasons were simple again as your town manager I could not grasp how to best utilize the role of an Economic Development Coordinator in a town the size of and with the resources of Wendell. There were never any indications that the Commissioners had a clear way forward with several indicating to me that working with the County was a waste of time. It seemed prudent not to hire a person into a situation where the way forward was not defined and objectives identified.

In my opinion, the strategy that needs to evolve should be consistent with: Wake County's economic development efforts, nurture the emergence of the Wendell Chamber as the leader of special events in the downtown and a point of contact for business and to continue to provide local inventories of real estate and buildings on the town web site and to the greater economic development community at the State and County levels. An additional suggestion is that when Wendell Falls is purchased by a development group from Wells Fargo work with their marketing experts to coordinate efforts and move the Wendell Brand forward.

### **Street Infrastructure**

The only use of an outside engineering firm for which I asked for funds, \$7,500, was to provide a comprehensive analysis of pavement conditions through a contract involving the Institute for Transportation Research and Education which is a component of NC State University. If you knew me you would know that I do not use the word comprehensive often but this study provides block by block analysis of pavement conditions, suggested remedies and estimated costs.

The Commissioners received a presentation by Mr. Darryl Hales, Administrative Assistant and Mr. Alton Bryant, Public Works Director describing the Study. These gentlemen applied the details provided by the Study, related data and developed a program of work integrating locations where wastewater line rehab was to take place. In short, to review roads that need priority resurfacing but will soon be dug up to replace sewer lines and high priority roads that are outside the sewer system rehab project.

Either one of these guys can tell you more than you want to know, however, they need a leader to take Wendell's road system repair and resurfacing program to the next level. The Commissioners while acknowledging the condition of the roadways in Wendell did not authorize any expenditures and my fear is that this knowledge will wane as the way forward is not championed either by a Commissioner or a manager.

Meanwhile road systems continue to deteriorate in a fashion, well .... Take a close look for yourselves.

### **Parks, Open Space and Recreation**

All of the Town of Wendell's parks and recreation facilities and programs take place at our Community Center and Park located on W. 3rd Street. Several studies exist the "Comprehensive Parks, Open Space and Recreation Master Plan" was completed in March of 2011 and provides many insights into our current programming and deficits, current town owned or public open space and deficits and suggestions for ways forward.

Attempts to bring about additional land purchase, appraisals have been accomplished, were deferred as were specific recommendations for program activities. The Parks and Recreation staff heard, through me, that the Commissioners desired new recreation programming "outside of ball" and continues to strive to offer new programs given the physical constraints of the facilities we have.

Approximately 70% of the participants in Town of Wendell sponsored athletic programs do not live in the town limits. The Commissioners have been advised of this and have acknowledged that one of the only reasons to come to Wendell is to participate in the athletic activities at the park. The catch 22 is that as the numbers of athletic participants increase so does the demand for Wendell tax dollars. How best to serve the taxpayers that support these programs with their dollars and not diminish tax dollars available to pay for athletic programs for non residents is a age old question and one that is very evident in Wendell.

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The town and the county have several contractual relationships which allow for the P & R Department to provide programs on fields owned by the Wake County School system. Most of our costs, both direct and indirect, relates to field maintenance. In an effort to reduce operating costs we have increased programming activities taking place at town owned facilities and eliminated agreements with the school systems which saved some \$40,000 in this year.

Wendell is blessed to have a land and an almost paid for Community Building but at present there is no commitment from the Commissioners that is necessary to take the Department and the services it can provide to the next level. In short for less that \$100,000 we can: purchase new exercise machines that are responsive to the needs of our Citizens, (almost all of the exercise equipment at the Community Building as donated. The last piece of equipment the town purchased was in 2004, it was a treadmill and is still in use); build a lease less dog park; establish exercise stations on the walking trails at the park. Your P & R staff are attempting to "think outside the ball" but new facilities and machines cost money which has not been made available.

### **The Organization**

In my two decades of being responsible for the operations, of now six units of government, Wendell, posed have some of the most interesting organizational challenges. A review of the increase in population of Wendell over the last twenty years coupled with the projections for the town to have some 40,000 by 2030 and the prognostications that Wake County will continue to be one of the fastest growing counties in the nation is truly enough to spin your perspective. My observation is in preparation for the future, with respect for the past, that considerations regarding the present have become skewed.

Departmental structures and employee expectations began to evolve during the middle of the last decade in an effort to get "ready for the growth". When the approved developments did not happen Wendell did not adjust physically or mentally. In short it was my intent to flatten the hierarchical levels that had evolved over the last several years, "right size" operational missions and bring all employees closer to the Citizens that are the rea-

son for their employment.

This paradigm shift, dealing with the present realities, generated consternation from the Commissioners and resistance from employees. As I do not believe in “the Calvary coming to the rescue” or “magic bullets”, the natural human resistance to change, the giving up of some of the illusions associated with growth projections that are unrealized and lack of support from the Commissioners doomed my efforts to prepare Wendell for a brighter future in uncertain times as I believe the capital both fiscal and human exist.

As town manager and armed with a knowledge that the economic realities had yet to be accepted and implemented into operations my belief is still that systemic change is needed to marry to the times. Placing the organization into perpetual chaos by replacing managers every several years creates a dynamic that yields to the structural phenomenon akin to circling the wagons. Pretty soon no forward motion can be hoped for and the circle continues to ever get smaller.

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During one of my interviews with the Commissioners I conducted a survey. As we went through the exercise in an approved closed session I shall not make specific references to the results. The results from the Commissioners answers led me to believe that my style of leadership was acknowledged, respected and needed in Wendell. As you look to hire the next town manager for the Town of Wendell I beseech you: 1) to be clear in what characteristics, what role you want this person to play that would make you effective elected officials, 2) communicate in an open and honest fashion individually; and 3) establish clear measureable tasks to be accomplished.

Please refrain from the use the open session as a means for expressing your personal or collective dissatisfaction with his/her performance. To consistently erode the creditability of the manager in the public forum denigrates importance of the role of the manager in the Council Manger form of government. The result is as I experienced the publicly acknowledge absence of support of the manager foments, encourages employees to curry favor with elected officials. The result is a leaderless, hapless unit of government unable to respond to changing events as critical thinking becomes risky as information given to decision makers will be tainted as the subordinate communicates what they believe the decision makers want to hear.

In short do you want your manager to grin at you or tell you the truth?