

CITY OF CAYCE
Public Hearing and Special Council Meeting
June 22, 2010

Public Hearing – Utility Rate Structure

A Public Hearing was held at 6:00 p.m. in Council Chambers to obtain public comment on the proposed Ordinance Prescribing Rates for the City of Cayce Utility Rate Structure for FY2010-2011. Those present included Mayor Elise Partin, Council members Steve Isom, James Jenkins, Kenneth Jumper and Rick Myers, Interim City Manager Tammy Barkley, Interim Municipal Clerk Mendy Corder, and Garry Huddle, Municipal Treasurer. Frank Robinson, Director of Utilities, Ken Knudsen, Director of Planning & Development and Chief Charles McNair, Director of Public Safety, were also in attendance. Mayor Partin advised that members of the press and the public were duly notified of the meeting in accordance with the FOIA.

Opening Statement

Mayor Partin stated the purpose of the Public Hearing was to obtain public comment regarding the proposed Ordinance Prescribing rates for the City of Cayce Utility Rate Structure for FY2010-2011.

Public Testimony

No public testimony was given.

Close Hearing

Mayor Partin closed the public hearing noting that no public comment was received.

Special Meeting

The Special June 2010 Council meeting was held this evening at 6:05 p.m. in Council Chambers. Those present included Mayor Elise Partin, Council members Steve Isom, James Jenkins, Kenneth Jumper and Rick Myers, Interim City Manager Tammy Barkley, Interim Municipal Clerk Mendy Corder, and Garry Huddle, Municipal Treasurer. Frank Robinson, Director of Utilities, Ken Knudsen, Director of Planning & Development and Chief Charles McNair, Director of Public Safety, were also in attendance. Mayor Partin advised that members of the press and the public were duly notified of the meeting in accordance with the FOIA.

Mayor Partin called the meeting to order. Mr. Jumper gave the invocation and Mayor Partin led everyone in the Pledge of Allegiance.

Other

A. Approval of Ordinance Prescribing Rates for the City of Cayce Utility Rate Structure for FY2010-2011 – Second Reading

The Interim City Manager stated the proposed rate table was attached to the Ordinance and was the same that was submitted to Council at the last meeting. She stated the increase would phase in over two fiscal years at a 10% increase on both years. She stated this increase was to help the City meet its debt service ratio of 115%. The Interim City Manager stated the City auditor Bob Milhous was in the audience if Council had any further questions.

Mr. Jenkins made a motion to approve the Ordinance Prescribing Rates for the City of Cayce Utility Rate Structure for FY2010-2011 on second and final reading. Mr. Jumper seconded the motion. Mr. Myers asked Mr. Milhous to explain how much over and above the 10% rate increase would be in meeting the 115% debt service ratio. Mr. Milhous stated there were two focuses on the analysis of rates that was discussed with city management. One being what was needed to meet the debt service coverage test of the 115% and the second item to the approach was to determine where the city needed to be with its rate structure in order to have a consistent revenue stream to cover the new debt service that is going to come in 2012.

Mr. Milhous stated with the budget numbers that were presented in June what is inclusive in the budget is \$660,000 worth of capital. He stated that while that capital is a cash outflow of dollars, the capital is not included in the mathematical calculations of the covenant of the 115%. He stated mathematically the city could not have a rate increase and squeak by the 115% based on the budget presented in June.

Mr. Milhous stated it was recommended to management to have a 10% increase in FY11-12 based on the completion of the new wastewater plant and the new debt service with the SRF loan that will start at the time the City gets the final draw and get the CO to operate. He said at that point the city would need a 20% increase so it was proposed to level that out by having a 10% increase in rates in FY2010/2011 budget and a 10% increase in the FY2011/2012 budget.

Mr. Milhous said there is some room in the O&M budget that from a covenant standpoint the city will still meet the 115%. He said there is some margin that a 10% increase would cover this budget plus some, but he stated the assumptions were very critical. He said the flow and the use of the system must stay the same as the previous year or increase and the flow and the usage of the system from Lexington and the Commission also must stay the same or increase.

After discussion, the Ordinance passed three to two with Mr. Jenkins, Mr. Jumper and Mayor Partin voting yes and Mr. Myers and Mr. Isom voting no.

B. Continued Discussion of FY2010-2011 Draft Budget

The Interim City Manager stated she had given council in their agenda packet's a memo with a general overview of what had changed in the budget since the last meeting and she went over those for the benefit of everyone in attendance at the Council meeting.

The Interim City Manager stated the General Fund as presented is balanced and proposed at \$8,134,866 which represents an increase of 0.31% over last year's budget. She stated the O&M Fund as presented is balanced and proposed at \$8,061,381 which represents an increase of 7.36% over last year's budget. She stated the city was recently notified that Lexington County had completed reassessment of personal property and that rollback millage calculations has taken place which has reduced the number of mills. She stated that while the number of mills reduced, the amount of property taxes collected has not changed.

The Interim City Manager stated there was a very small increase in the Business License revenues and the Indirect Reimbursement from O&M was further reduced. Mr. Myers asked what the indirect reimbursement was currently and she answered it was \$1,087,000. She stated some line items were further reduced. The Interim City Manager stated the budget now includes 5 months of P&I for the lease/purchase of a Fire Truck and that capital equipment in Parks and Sanitation Departments had been included. She stated the uniform line items for Sanitation and Parks had been increased and a new line item for the CMRTA contribution of \$5,000 was included. She stated the employee Christmas Party and employee Gift Cards have been deleted. She stated that overtime has not been reduced since holiday pay also comes out of this line item.

The Interim City Manager stated it was mentioned at the June Council meeting to put funds in the budget for the Columbia Homeless Shelter but she said at this point no funds had been included in the budget for this item.

The Interim City Manager stated in further explanation of the rollback millage that it does not actually affect the amount estimated in property tax revenues included in the draft budget and stated it essentially increased the value of the mill. She stated the proposed millage cap increase is now 1.16 instead of the 1.29 cap since the growth is applied to the rollback. She stated this millage only applies to properties in Lexington County since Richland County did not undergo reassessment this year. She stated Richland County's millage will remain 47.29 which included the 1.29 cap.

Mayor Partin inquired as to the last day millage could be set. Mr. Milhous stated he did not know the exact date but stated the auditor likes to have it in August so they can get the tax notices out by October. The Interim City Manager stated the County asked the city to send them the notice as soon as the FY2010-2011 budget was approved. Mayor Partin asked if the current draft budget included raising taxes. The

Interim City Manager said yes it did include raising taxes 1.16 mills or approximately \$4.00 on a \$100,000 home.

Mr. Jenkins asked what would be the benefit of putting off a decision regarding the millage until August. The Interim City Manager stated if Council decided to delay making a decision then the budget could not be approved and last year's budget would have to be used. Mr. Milhous stated Council would have to operate on an interim budget until the millage is approved.

Mr. Myers stated another option would be to amend the budget and remove the tax increase. Mayor Partin stated she thought Council should initially look at the potential revenue items in the draft budget revisions memo. She stated the indirect reimbursement from O&M, furloughs and/or reducing staff salaries, a local hospitality tax and raising taxes were all potential revenue items listed in the memo.

Mr. Myers asked how much money was involved if Council decided to not raise taxes. The Interim City Manager stated it was approximately \$45,000 - 50,000. Mr. Myers said the City's public relations firm and the funding of the CMRTA could be cut out of the budget and that would be \$35,000 cut from expenses in the draft budget.

Mayor Partin suggested rather than looking at what could be cut Council look at revenue sources. Mr. Isom asked Mayor Partin why she was only focused on those items. Mr. Myers stated Mayor Partin was looking at revenue sources versus items to cut but he said two of the items were tax increases and one was furloughing employees and he was not willing to do any of those things. Mr. Isom stated he felt Council should give their priorities to the Interim City Manager and he stated he felt their choices were being limited by only looking at the four revenue sources Mayor Partin mentioned.

Mr. Jenkins stated Council had an option to put revenue in the budget with the indirect reimbursement from O&M to the General Fund and he felt that all monies allowed should be put in the General Fund budget. The Interim City Manager asked Mr. Milhous what was the allowable amount for the indirect reimbursement. He stated the analysis supported a maximum of \$1,500,000. He stated that is the cost of the General Fund operating and managing the utility.

Mayor Partin said she was in favor of transferring the full amount from the O&M Fund to the General Fund. She said she was not in favor of raising taxes, employee furloughs, reducing salaries or looking at a local hospitality tax right now. Mr. Myers said to clarify what Mr. Milhous stated implementing is a franchise fee on the Cayce Utility department to raise the additional \$500,000. Mr. Milhous stated the American Waterworks Association (AWA) comes out with methodologies in allocating costs and one of those methodologies is including if you are a private utility, would that private utility have to incur a business license and the answer to that is yes.

Mr. Jenkins made a motion to transfer \$1,500,000 into the General Fund from the

O&M Fund and to not raise taxes. Mr. Jumper seconded the motion. The motion passed three to two with Mr. Jenkins, Mr. Jumper and Mayor Partin voting yes and Mr. Isom and Mr. Myers voting no. Mayor Partin stated that after looking at business licenses and the amount spent on attorney fees this year up to third quarter versus what is budgeted next year she thinks Council should let the extra funds from the indirect reimbursement sit and leave it as a contingency fund.

Mayor Partin stated she was appalled at the condition and age of the City's fire trucks. Mr. Jumper stated he agreed that some of the fire trucks need to be replaced. Mr. Myers asked Chief McNair to clarify what is in compliance compared to what is recommended and to expand on the fact the City has mutual aid with other municipalities. Chief McNair stated OSHA uses the NFPA standards as their recommendations. The NFPA recommends that fire trucks be placed on reserve status at 15 years old and be replaced or retired at 25 years.

Mr. Myers stated it is in the current draft budget for Public Safety to get a new fire truck and Public Safety currently has an 8 year old and a 10 year old truck so they will have three trucks under the age of 15 which is the age fire trucks are recommended to be placed on reserve status. Chief McNair stated he does not feel comfortable with the equipment the Fire Department currently has. Mr. Myers asked Chief McNair when he would feel comfortable. Chief McNair stated if the Fire Department is able to get the truck in the draft budget then in seven years a new truck will need to be purchased to replace older fire trucks in the fleet.

Mayor Partin stated the age of the bunker gear for Public Safety also concerns her. The Interim City Manager stated there were a few items that were very much needed including bunker gear that needs to be added to the budget and asked Council to review these items listed on her memo. The Interim City Manager stated currently the Parks Department is using one lawn mower to do the majority of the major cutting in the City. She stated the Sanitation Department needs roll carts for new residents since people are stealing them and/or taking the roll cart with them when they move out of the City.

The Interim City Manager stated new bunker gear was also needed so the old gear can be replaced and the Fire Department can be up to standard with their gear. She stated the Garage needs an additional staff member to help alleviate delays on diesel repairs and give the diesel mechanic more time to check equipment over and catch problems before they become major repair issues.

Mr. Myers made a motion to adjourn. Mr. Isom seconded the motion. Mr. Jenkins stated that he would like the Employee Christmas Party added back into the draft budget and would like a 1% bonus for all employees to be looked into as well. After discussion, the motion to adjourn passed with a vote of three to two. Mr. Isom, Mr. Jumper and Mr. Myers voted yes and Mr. Jenkins and Mayor Partin voted no.

There being no further business, the meeting adjourned at 7:30 p.m.

Elise Partin, Mayor

ATTEST:

Mendy C. Corder, Interim Municipal Clerk