

**City of Cayce
Special Council Meeting
March 21, 2011**

A Special Council Meeting was held this afternoon at 1:00 p.m. in Council Chambers. Those present included Mayor Elise Partin, Councilmen Steve Isom, James Jenkins, Kenneth Jumper, Tim James, City Manager Rebecca Rhodes, Municipal Clerk, Tammy Barkley, and Municipal Treasurer, Garry Huddle. Mayor Partin advised that members of the press and the public were duly notified of the meeting in accordance with the FOIA.

Mayor Partin opened the meeting and Councilmember Jumper gave the invocation. Mayor Partin led everyone in the Pledge of Allegiance.

Executive Session

- A. Discussion of negotiations incident to proposed agreement

Councilmember Jenkins made a motion to move into Executive Session to discuss the above matter. Councilmember James seconded the motion which was unanimously approved by roll call vote.

Reconvene

After the Executive Session was concluded, Councilmember James made a motion to reconvene the Regular meeting. Councilmember Jumper seconded the motion which was unanimously approved by roll call vote. Mayor Partin announced that no vote was taken in Executive Session other than to adjourn and resume the Regular meeting.

Possible Actions by Council in Follow Up to Executive Session

No action by Council was taken in follow up to the Executive Session.

Other

- A. Presentation by VC3 – Results of IT Assessment

The City Manager stated that she had created an IT Committee of herself, Tammy Barkley, Garry Huddle, Gary Hubbard and Jamie Beckham to discuss the problems the city has experienced and to review the assessment. She thanked the member of the Committee for their efforts in this regard.

Mr. Larry Mattox and Sandy Reeser of VC3 presented the results of their IT Assessment to Council which also included a review of the City's phone system. Their recommendation is that the City consider moving to a cloud environment and that the current Avaya telephone system be replaced with Voice Advantage. They provided Council with details of the equipment and fixed and recurring costs. After answering questions from Council, the presentation concluded. Mayor Partin asked that Council be provided with a more detailed cost comparison on what the city currently has and what has been provided by VC3 in their recommendation. She also asked that staff research salaries of fulltime IT personnel in other municipalities.

B. FY11-12 Budget Discussion

1. Where Are We Now?

Ms. Rhodes stated that Cayce is a full service city which means that it provides everything—residential and commercial pick up, sometimes two to three times a week, bulk pick up and yard trash pick up, and the City disposes it. She stated it costs to pick it up and to dispose of it. She stated the City provides full service Public Safety—police, fire, and dispatch. She stated that most cities use the County for dispatch or they partner with other municipalities. She stated the city provides full animal services with two animal services officers. She stated there are a lot of municipalities who use non profit organizations or private organizations to handle their animal services. The city has a fantastic park system run by and maintained by city staff. The City has a city-run Museum. In most municipalities, Museums are either a non-profit or a County-run museum. She stated that Cayce also offers full water and sewer services and owns the plants. The City has its own IT person. She stated the City is a full service city and that is advantageous because the city has control of its own destiny. She stated that also means the city has to pay to perform all those city services and that the city is responsible to its citizens to provide good quality service that can be done efficiently and effectively. She stated the city employs very good employees who are running things on paper clips and rubber bands and do a very good job every day because they care about what they do, but it important for Council, the City Manager and Department Heads to provide them with the resources they need to do their job. And, if we are not willing to provide those resources, then we need to think about how we can get creative with the services we provide, how we can partner with others, or discontinue providing certain services. She stated that now is the time to get creative.

She stated that she has asked Mr. Huddle go through a couple of points in the audit. Mr. Huddle stated that in reference to the General Fund the City is actually cash poor. He stated at year end there was a negative \$211,655 cash balance. He stated he has not yet been able to pay this amount back to O&M. He stated it was not just because of recent retirement payouts, but the negative balance was due to several other factors. He reviewed each department's line items noting several places where the amounts spent where over and above what was budgeted. In referring to page 11 at the bottom of the first column, he pointed out a negative \$493,000. He stated that

this line item depicts how much the city has in non restricted cash which means the city does not have any non-restricted cash. He stated that all cities need to have a positive balance. He advised that the city does have \$200,000 in a cash flow account that is maintained in case of an emergency. Ms. Rhodes stated the numbers Mr. Huddle is mentioning is the city's unrestricted fund balance which is not encumbered by any debt, or anything the city has to pledge as part of a bond. She stated that the city does not have any funds in the non-restricted account and that is what she wants to impart to everyone. She stated that if something bad were to happen, the City has money in the utility fund that could be tapped to take care of things, but in order for the General Fund to be a healthy fund, GASB recommends that 3-6 months of operating expenditures be in the bank. She stated that three months worth for the city would be \$2,261,000. She stated that is why she wanted Mr. Huddle to go through some of this with Council in detail because during budget preparation and discussion, not only does the city have a number of capital needs, it has some financial health needs that need to be kept in mind. She stated that these issues will not be fixed by cutting a travel budget or overtime budget here and there but that these are bigger needs that are going to have to be fixed by looking at all of the services the city provides.

Mayor Partin inquired if the city had any funds set aside for retirement payouts of annual/sick leave. Mr. Huddle advised that no funds have been set aside for this liability, but should be. Ms. Rhodes stated that this was an unfunded liability that if the city wants to fund in another account somewhere, then it needs to be done. Mr. Huddle stated that there is no one nearing retirement that has the amount of annual or sick leave built up as the previous retirees. Councilmember James stated that the city would have to tackle this issue again because there are officers in Public Safety who have quite a bit of time built up. Mr. Huddle stated that there were approximately 10 or 11 people who have a good amount of time built up and there is a lot who have already retired. Ms. Rhodes stated that the key is that there is now a cap on the amount of days that can be carried over each year and those who retired previously were under a grandfathered policy. Councilmember Jenkins inquired if the City is required to offer the TERI plan. Mr. Huddle advised that the city must offer it because it is a participant of the State Retirement Plan. Councilmember James stated that TERI does not apply to Public Safety as they have a different plan. Ms. Rhodes stated that the retirement/rehiring policy would need to be discussed with Department Heads to get their input as well and while this may help to offset \$100,000 a year it will not solve the bigger problem.

Mr. Huddle referred Council to page 59 and beyond of the audit. He stated that these pages contain the budgets and actual expenses of each department. He pointed out the differences between the budgeted versus actual amounts. Ms. Rhodes stated when the budget goes through the cutting process, there are things that are easy to cut because they are big chunks of money. She stated that if a car breaks down and the engine needs to be replaced, a decision to make is either replace the engine or lose a car off the street. She stated the money is still going to get spent if it is needed whether the line item is cut or not.

1. Projected Revenues for FY11-12

Mr. Huddle then went through the financial reports that are placed on the city's web site each month. In reference to the General Fund revenue, he stated that the revenues for property taxes is a little low but does not necessarily mean the money will not be collected. He stated he checked with the County and they have noticed the same trend and it appears people are slowing paying their taxes because of hard economic times. In reference to business licenses and permits, the revenues are way down which was anticipated, but it is lower than expected. Ms. Rhodes stated that licenses are due April 15 and would have a better handle on these revenues at that time. Also in reference to property taxes, Ms. Rhodes advised that one good thing that has been discovered is that the FILOT check the city receives in April will include a full year of SCANA's property and will increase by \$395,473. She stated that will increase the city's revenues a little and something the city will get every year. Mr. Huddle stated that on the expenditure side, the department heads have been doing a good job keeping their expenditures in line with their budgets.

Mr. Huddle expressed his concerns with the O&M Fund. He stated that the Gross Revenue Fund pays for bonds and operation. He pointed out that water sales and tap fees are low on revenue on these line items, sewer service sales are a little low and sewer tap fees are very low. He stated the reconnections fees are up which is a sign of difficult economic times. In reference to capacity revenue, he stated that we are only at 20% but stated that hopefully Amazon will be coming on in this fiscal year. He advised that their capacity is estimated at approximately \$700,000.

Councilmember James inquired if it is routine that cut offs are scheduled on Fridays. Mr. Huddle stated a lot of the time the cut offs fall on a Friday, Saturday or Sunday. He stated if it is on Saturday or Sunday, the cut off date is moved to Monday. Councilmember James stated that he could respect and understand the policy, but as a good gesture to our constituents he would like to suggest that Friday cut offs be moved to Monday. He stated by cutting off the water on Friday, additional overtime is required if crew members have to come in on a weekend to cut water back on. Mayor Partin stated she would like staff to look at the deposit policy as well. Mr. Huddle stated that he and the City manager have been discussing the issue of going from deposits to a non-refundable connection fee. Mayor Partin stated that then the money would not be restricted. Mr. Huddle advised that currently the city has a \$400,000 liability and those are deposits paid to the city. Council agreed that the policy should be changed so that water/sewer is not cut off on Fridays and that the cut off date that falls on Friday be moved to Monday.

Mayor Partin provided the following thoughts regarding the discussions today. She stated that the information provided to Council is very good, but for her purposes it does not do her a whole lot of good without a goal. In other words, what are the goals we're trying to reach or what's the best practice we're trying to live. Ms. Rhodes stated

that the departments do have five year capital plans and those can be provided to Council. She stated that the department heads could probably tell Council what their goals are in reference to a capital request, but did not know if they could provide percentages for return on investment. She stated that the department heads have included very specific reasons in the justifications and that she has asked the department heads to share detailed information with Council during their presentation. Mayor Partin stated that she would like to see the city move toward operating on a goal and best practices basis. Councilmember James stated that there will be a certain pool of money and when people come before Council asking for a piece of the pie his question is going to be what will be the return on the investment, and unless Council understands that, a logical and educated decision on the request cannot be made. Ms. Rhodes stated that is why she wanted the Department Heads to come before Council and share their needs so they could hear it from them and set priorities. She stated she is in charge of the budget and staff as the City Manager, but Council sets the priorities and it is her job to try to meet those priorities. Councilmember James stated that he recognizes that it boils down to either changing the mission, or services offered, raising taxes, or eliminating what the majority of the expense is which is personnel. Mayor Partin stated she would like to hear Ms. Rhodes' ideas on how to obtain additional resources.

Ms. Rhodes stated these are different things that different cities do for cost savings. There are several things that can be done with trash that can save money such as eliminating commercial trash service. She stated if that service is discontinued you discontinue that revenue so you can either discontinue the service or raise the fees. She stated that staff has heard from a number of commercial businesses that they would rather the rates be raised because they feel they get better service from the city. She stated they do get better service, but they are not paying enough for that service. Mayor Partin stated that if you raise rates versus discontinue the service, the city would maintain control of what is happening.

Ms. Rhodes stated the city could discontinue the twice a week residential garbage pick up service. She stated this service costs the city approximately \$10,000 a month for three months, causes a lot of wear and tear on the aging equipment, and we have to hire contract labor to help. Councilmember Jumper stated that residents have advised him that they do not need two pick ups a week. She stated with gas prices going up and down, that this June, July, and August is going to cost the city more than last year. She stated alternatives would be to outsource residential trash services, or raise the fee from \$1.50 a month. She stated that she has a list of what other municipalities are charging and other than Simpsonville, charges for this service is anywhere from \$7 - \$19 a month for trash service.

She stated that discussions have been held about doing a comprehensive fleet analysis regarding the take home cars we have and stopping some of that car usage. She stated that the problem is that some of the Department Heads received a take home car in lieu of raises. Whether that will save a whole lot of money she was not

sure, but if you take away a car from a department head because you think they do not need it then you probably need to compensate them on the salary side. Mayor Partin stated she would much rather compensate the person. Councilmember Jenkins stated if you compensate one department head, you need to compensate all. Councilmember James inquired as to how many people that would entail. Ms. Barkley advised it is the department heads (six) with the exception of JoAn Roland, Leo Redmond, and herself. Councilmember James stated he would be interested in hearing the department heads' opinion on this issue.

Council asked for additional information on eliminating the twice a week garbage pick up service, raising commercial trash fees, and the comprehensive fleet analysis.

For the Utility Department, Ms. Rhodes provided the following suggestions. She stated that the first is for the utility customers to pay the convenience fee to pay their bill on line. She stated that the city is currently paying that at a cost of \$30,000 a year. She advised that right now the fee is \$1.50 per payment.

Ms. Rhodes suggested that the city change the deposit fee policy to a non-refundable connect fee so that we can access to that money and would not be a liability on the books. She stated that it would be a little bit tedious to go back through to apply the deposits to the bills, but it can be done.

Ms. Rhodes suggested that the city look into lease/purchasing vehicles rather than buying them outright. She stated that Ford, Chevy and BB&T will lease/purchase vehicles for up to 5 years and with Ford and Chevy those come with a 5-year/100,000 warranty for Chevy and a 5-year/60,000 mile warranty for Ford. She stated that after 5 years, the city would own the vehicle. She stated that by using the lease/purchase option, the city can obtain more cars.

In reference to the Animal Services issue, she stated the first problem is that if the city continues the services, it will have to move from the current building when SCDOT begins construction on the current property. She stated that plans for the new building are included in the capital justification packet. She stated she has checked on an option to have the County provide these services. She stated that the city has 225 calls a month and the concept of the County being able to handle that is not favorable. She stated that for them to handle the services, the city would need to adopt the County's animal ordinance and their animal control officer would pick up those dogs. They will not accept animals from our animal control officers. Ms. Rhodes advised that she has communicated with the City Administrator of West Columbia regarding the move of the shelter and the costs involved. She stated they currently pay the city \$20,000 to house animals their animal control officer picks up. She stated that Lexington County put in \$1.3 million to help build the adoption center for Palmetto Lifeline on Harbison. By doing so, that gives the county the opportunity to place 1,000 dogs a year from the Lexington County animal shelter to the new facility. She stated her question to the County was that our citizens are county citizens also, and can we

not get in on that deal where at least the adoptable pets can be taken to Palmetto Lifeline. She stated she was told no because the \$1.3 million gave the county the opportunity to transfer 1,000 of the 8,000 dogs they pick up from their shelter to this new location and if the city is interested in partnering with Palmetto Lifeline, we should get in touch with them.

Ms. Rhodes stated that in reference to revenue enhancement, an option would be to raise residential and commercial trash fees. She stated that people may say that West Columbia does not charge, but their millage is in the 60s and Cayce's is 41.25. She stated they are charging enough mills to cover their expenses. She stated that as of now the city is not covering its expenses. Mr. Huddle stated he does a full cost disclosure report every year for DHEC on trash services the city provides and the city is losing \$720,000 a year on residential and commercial service. Ms. Rhodes stated that Council could raise taxes to cover the expense. She stated it is up to Council on whether they want to raise taxes or raise the collection fee. However, because of the millage cap, she stated that Council may have to raise fees to cover the expenses. Mr. Huddle stated that on the commercial side, the city almost breaks even, revenue versus expenses. Councilmember James stated it would be important that the city communicate and inform its citizens on any changes. Mayor Partin stated that the city has held one business forum and could schedule another to discuss this issue with our businesses.

Ms. Rhodes stated that it has been suggested that the city charge for electricity, rental of pavilions, and clean up to help cover Parks staff costs and other expenses.

Ms. Rhodes stated that Council may want to consider raising franchise fees with SCE&G from 3% to 5% and can do this rather quickly. However this gets passed on directly to the citizens.

Ms. Rhodes suggested that the City charge a 1% hospitality tax, but noted that the revenue has to be used for specific projects. She stated she was surprised that the County does not have a local option sales tax as the tax relief it provides citizens is huge.

She suggested that a nominal fee be added to the in-city water and sewer customers' bills for the animal shelter. There was discussion on the city not being able to take donations. Ms. Rhodes suggested that this type of program could be taken on by the Public Safety Foundation and is in fact on their list of projects.

Ms. Rhodes stated that Council would see a request in their packet regarding the repair and/or replacement of roofs on City Hall/Public Safety buildings. She stated that all buildings have flat roofs and no matter how often they are repaired, they do leak and is the nature of this type of roof. She stated that she has some friends in the architecture business and they have offered to come by and give us a simple quote on changing the current type of roofs. She stated she has discussed the TIF funds with

Margaret Pope and those funds can be used for public facilities as it benefits the TIF district. Mr. Huddle stated that currently there is \$800,000 in a segregated TIF account. He stated that is the money that the city has collected over and above to pay the bond and that money is going to keep coming in and going out with a little extra left in the account which can build up over the years. He stated that a portion of these funds are on hold for the Brickworks project.

Mayor Partin asked Council to review their calendars for the next workshop. Council scheduled a budget workshop on April 11, 2011 at 3:00 p.m. for the presentation of City department budgets and review of additional information requested by Council.

Councilmember Jumper made a motion to adjourn. Councilmember James seconded the motion which was unanimously approved by roll call vote. The meeting adjourned at 5:10 p.m.

Elise Partin, Mayor

ATTEST:

Tammy P. Barkley, CMC, Municipal Clerk