



Mayor  
Elise Partin

Mayor Pro-Tem  
Tim James

Council Members  
Phil Carter  
Hunter Sox  
Byron Thomas

City Manager  
Tracy Hegler

Deputy City Manager  
Jim Crosland  
Assistant City Manager  
Michael Conley

**City of Cayce**  
**Public Hearing and Regular Council Meeting**  
**Wednesday, June 26, 2024**

A Public Hearing was held this evening at 5:00 p.m. in Council Chambers. Those present included Mayor Elise Partin, Mayor Pro Tem Tim James and Council Members Phil Carter, Hunter Sox and Byron Thomas. City Manager Tracy Hegler, Deputy City Manager Jim Crosland, Assistant City Manager Michael Conley, Municipal Clerk Mendy Corder, Police Chief Chris Cowan, Fire Chief Steven Bullard, Finance Director Kelly McMullen, City Attorney Danny Crowe and City Bond Attorney Lawrence Flynn were also in attendance.

Mayor Partin asked if members of the press and the public were duly notified of the Public Hearing in accordance with the FOIA. Ms. Corder confirmed they were notified.

I. Opening Statement

Mayor Partin stated that Pursuant to Section 6-1-80 and Section 6-1-330 of the South Carolina Code of Laws, public notice was hereby given that the City of Cayce City Council would hold a Public Hearing on the proposed budget and establishment of fee amounts to be adopted as part of the Budget Ordinance including general fund and utility that was in the agenda packet and was also detailed in the flyers that citizens received on their roll carts. She stated that Council looked forward to hearing from the public. She stated that one did not have to sign up to speak at the public hearing and it was an opportunity for members of the public to present to the Council, their thoughts and comments on the budget. She stated that if one was there to speak, Council was glad they were there. Mayor Partin stated that she hoped the public knew all of the ways they could communicate with Council. She stated that the City had awesome customer service focused staff, many of whom were there and they always loved to hear from residents and customers. She stated that council was happy to attend neighborhood meetings and she held a monthly Meet with the Mayor. She stated that the City had multiple boards and commissions, such as the Planning Commission, that heard citizen's concerns and thoughts on items that were before the City. Mayor Partin stated that any speaking opportunities before the Council were not question and answer periods between the speaker and the Council, or the speaker and City staff. She stated that public comment should not be derogatory towards any specific individual or individuals. She asked the assembly to please remember that the meetings were recorded and were live online. She stated that public comment should be five (5) minutes or less per person. She stated that there were a lot of people who wanted to speak and Council was glad about that so they asked everyone to keep their comments concise. She stated that if someone had already said what one wanted to say to feel free to reference that without repeating it for the sake of time. She stated that the City Clerk would let each speaker know if their time got close and would let them know when

there was one (1) minute left and when there was 30 seconds left and at the five (5) minute mark, the microphone would be silenced. Mayor Partin stated at this time, anyone who would like to speak to please come forward.

## II. Public Testimony

Ms. Joan Hoffman – Ms. Hoffman stated that she had been a resident with the City for over 20 years. She stated that first she wanted to thank the City for its transparency. She stated that the online meetings had been extremely helpful since she had not been able to attend a lot of meetings lately but was able to watch them. She stated that the recent flyer posted on the resident's roll carts continued to be informative. She stated that the term millage did not mean a lot to her without having to look it up so she appreciated staff including the actual dollar amounts. She stated that she wished she had the opportunity to attend the public budget work sessions since they were very informative as a citizen and that was the perfect time for council members to really work on the budget, look at it in real time, ask hard questions and adapt it and change it so they fully understood exactly what those implications meant. Ms. Hoffman stated that any increase in cost could be incredibly difficult however, she also recognized the consequences of not addressing those necessary increases, which could lead to service cuts as well as higher costs in the long run. She stated that for example, South Carolina's roads had suffered greatly because the State legislators delayed approving a gasoline tax for over a decade, the roads once considered the best in the nation were now the worst and the cost to repair them was exorbitant because the State legislators did not have the courage to make incremental increases over time that would have addressed that issue, and instead passed that responsibility on to later members of the legislature, which was unfair to them and unfair to the citizens. Ms. Hoffman stated that Cayce was currently recognized for its excellent service in sewage and water and its strong credit rating so she was surprised when she observed at the last Council Meeting that the recommended 25% increase in the sewage cost was not taken seriously by council and even more concerning was the suggestion to use the reserve fund. She stated that the reserve fund was set aside for one-time costs and using those funds for recurring costs was just not good business. She asked Council not to pass the buck to future councils, nor allow the services to erode within the City. She stated that she had been very proud to live in the City of Cayce and appreciated the services the City had. She stated that she knew Council had to make some tough decisions and appreciated the fact that they would take the courage to consider those incremental increases.

Tre Bray – Mr. Bray stated that he was there not just as a resident, but as a concerned citizen who wanted the best for Cayce. He stated that he wanted to address a few things with the proposed budget and urge a different approach, one focused on fiscal responsibility and transparency. He stated that at the end of FY23, the City's general fund reserve was at 55.86% and based off budget projections this year, that percent was going to continue to grow. He stated that GFOA and MASC both

recommended a range of 16 to 30%. He asked that Council, in the coming year, establish a formula fund balance policy outlining the factors in order to educate citizens and provide continuity for staff and Council. He stated that that Ordinance that Council could pass should define appropriate reserve levels, when to utilize them and how any surplus funds should be used. He stated that it was time for a clear roadmap, not just arbitrary and sometimes political decisions. He stated that for years, residents had been told everything was fine, only to be faced with what they called an emergency and demanding tax hike. Mr. Bray stated that the recent budget process was riddled with inconsistencies. He stated that the public notice stated 58.10 mills, which was the City's current mills, and that the budget would be \$17.9 million but then at first reading it was \$20 million and 66 mills. He stated that the notice had several other mistakes to include what the cost of a mill should be on the bottom line. He stated that the agenda packet was not designed for the average citizen to feel comfortable nor educated. Mr. Bray stated that the budget flyers that were taped to resident's roll carts came out after the first reading and presented an incomplete picture. He stated that there was no calculation anywhere explaining what the average millage was, for this year or the look back years. He stated that there was no policy or Ordinance explaining why the City used the six (6) month fund balance policy. He stated that the City's median income was \$34,568 which was significantly lower than what the City's average staff salaries were and less than a fifth of some of the highest salaries. He stated that the City could not keep raising taxes while the residents struggled. Mr. Bray stated that many residents, including him, were disheartened by the recent media portrayal of 33 City employees being let go. He stated that he and several other people spoke to Council at a prior Council Meeting and asked them to stop going to the media to fight the City's battles. He stated that his last two (2) points were the lack of tax increases last year being a politically motivated decision that led to the current situation, or that suddenly the City needed a big dire look back. He stated that responsible budgeting required long term vision, not election cycles and asked Council to break that pattern and commit to sustainable financial practices. He stated that the proposed increases were coming out of the resident's pocket and asked Council to plan a transition of the sanitation fees and millage. He stated that Cayce deserved an administration and council committed to responsible budgeting, clear communication, and prioritizing the needs of its residents. .

Tracie Broom – Ms. Broom stated that she had been a Cayce resident and homeowner since 2011. She thanked the media for being there because media coverage yielded accountability and made it possible for more residents to understand what was going on at City Hall. She stated that she was a business owner and regularly had to dive way too deep into profit and loss statements, balance sheets and statements of cash flow. She stated that at her company, they thought a lot about how much the business needed to operate in a given month or year and how much they needed to keep in the bank in their rainy day fund as per the rules of sound financial management. She stated that she knew Council was dealing with some important priorities, some of which were at odds with one another. Ms. Broom stated that Cayce was a municipality, but it was run on the principles of sound business stewardship and

Council as the City's Board of Directors had to work with the Chief Executive, City Manager Tracy Hegler, and her executive team. She stated that Council's role was to work with the City's skilled executives, to be protectors of the long term financial health of the City. Ms. Broom stated that she did not want to see taxes go up at all, but the cost of doing business had increased for everyone, and the City had to keep up. She stated that with compassion, Council had to think about people on a fixed income. She stated that Council was probably not hearing from many constituents in favor of making increases because the budget process was hard to understand. She stated that it was Council's job to take that complex material, and work with City staff and maintain the City's long term fiscal health. She stated that if utility fees did not go up by at least 25%, the City's bond coverage was at risk and also risk potentially losing the Utility into private ownership, which no one wanted, because then prices would really go up. She stated that if utility fees and service fees did not go up, the City might have to lay off staff, which was catastrophic in a small city like Cayce. She stated that she had been assured that there was a way around this but questioned if that was true. She stated that the residents needed to know that City staff could keep their jobs, get their raises, get their PTO and get their cost of living increases just like any other employee at any other business or entity and it had to work with the budget. She stated that she had heard talk of dipping into the City's rainy day fund to balance the budget and \$9 million sounded like a lot of money when your annual budget was \$17 million but was only six (6) month's worth of operating expenses. Ms. Broom stated that she ran a small national association with 50 members and their goal was to always have six (6) to 12 months of operating expenses in the bank. She stated that if Council used savings to pay regular recurring expenses, the City's credit rating was going to go down and that was catastrophic. She asked Council to not take the City back to where it had a bad credit rating. She asked them to increase taxes and stated that it would be painful in the short term, but in the long term, it was the right decision fiscally for the health of the community.

Marie Brown – Ms. Brown stated she grew up in Cayce and was concerned. She stated that millage was new to her but she was researching it to understand it. She stated that she had learned that the City had a sanitation fee and she heard Mr. Bray talk about moving the fee to millage. She stated that if someone in her neighborhood made \$150,000 versus someone who made \$34,000 they were both paying that same fee. She stated that there were a lot of people in her neighborhood that lived on a fixed income and \$160 a year might not seem like a lot for some people, but there were people that might have to decide if they were going to buy their medication, possibly even food. She stated that some people in the community had asked her to say that some of the roads and streets were not being repaired. She stated that some residents did not receive a budget flyer on their roll cart. Ms. Brown asked why instead of an across the board salary increase why there could not be a cap put on it. She stated for example, why not just the people who made under \$40,000. She stated that she was at the Woman's Club when Mayor Partin spoke during the Mayoral campaign and Mayor Partin boasted how proud she was of how low Cayce taxes were and how she was

working to keep them low and now six (6) months later, taxes were going up. She stated that Mayor Partin gave an example of how low the taxes were and she was shocked because her small home she lived in that was built in the 1950's she paid a lot more in taxes. She stated that she did not see where it should be so high.

Jeannie Breeden – Ms. Breeden stated that she had lived in Cayce since 2017 and had lived several other places where she never had services as excellent as what she had in Cayce. She stated that her neighborhood had been having a problem with Lumos and she called the City and found out who to speak to in Code Enforcement and received a written answer that she could share with her neighborhood's Facebook group from Mr. Jarrett Epperson so she wanted to praise him. She stated that she also wanted to praise Mr. Thomas White, the City's Sanitation Manager. She stated that when her husband was hospitalized and she could not get the roll carts to the street Mr. White was always there and always there quickly. She stated that when she was out of town and asked the police to watch their home that was done. She stated that it was amazing service that the residents received in Cayce and she did not want to see them lose any of the services. She stated that she was afraid that if the taxes were not raised, and the number of City employees was cut, or salaries were cut, the City would not be competitive in hiring, then they would lose staff and Cayce was a wonderful place to live.

Ann Bailey Robinson – Ms. Robinson stated that she thought the whole budget was a disaster. She stated that she felt that was because of the way the City was going about it, it seemed like it was a big emergency and she thought that was terrible. She stated that she understood budgeting in a sense but also understood there were a lot of budgeting things going on as far as increases. She stated that Lexington County had a big increase in their millage so the City had to be careful of how much they increased. She stated that they should consider that the budgeting from the last time might not have been correct and it seemed some mistakes were made somewhere. Ms. Robinson stated that transparency was an issue. She stated that the residents had a budget flyer on their roll carts but not a hearing notice and it was hard to find it on the City's website. She stated that increases were needed in order to survive in the City but the high cost of things should be cut as well. She stated that there were high positions that made \$100,000 and maybe those should be cut as well and that would help.

Sylinda Dantzler – Ms. Dantzler stated that she was a longtime resident and she was not sure if she understood all the pros and the cons and the ins and outs to the proposed increase. She stated that she used to brag about how Cayce was one of the least expensive cities to live in and she still thought that because she saw businesses booming, residency increasing and there was construction going on all the time. She stated that made her wonder if an increase was feasible or could it be delayed. She stated that she did not want anyone to lose their job and the City of Cayce employees were hardworking employees and she had enjoyed all the services the City offered. Ms. Dantzler stated that Hemlock and Julius Felder had not been paved in a couple of

years, but other roads were being paved all the time, and even getting speed bumps and she knew the taxpayers were paying for that. She asked if the increase could be delayed or perhaps make it merit increases or performance increases. She stated that there were a lot of people that had been with the City longer than some so maybe it could be done by seniority. She stated that when it came to the paving of the roads, she would like for someone to pay attention to Hemlock and Julius Felder Streets since they were not looking good.

Danny Creamer – Mr. Creamer stated that Council had a lot of decisions to make that were going to affect each and every person in Cayce. He stated that some were on a fixed income and some were not. He stated that he was not blaming the City for the roads not being paved. He stated that Lexington County Council voted for a \$30 per car increase to all residents of Lexington County, because the citizens did not vote in a one cent sales tax and they were holding the citizens hostage. He stated that the residents had heard for years that the City had the lowest rates in water and sewer and garbage and he hoped this was not a budget to try to keep up with the Jones'. He stated that the City's expense expenditures needed to be looked at very closely. He stated that he was not one for reaching into the reserve but he was asking Council to look at the budget very closely. Mr. Creamer stated that if that meant going back to the table, then go back to the table. He asked that they be a little bit more transparent and stated that he did not understand millage and asked that Council use dollar amounts. He stated that residents put their trust not only in God but in Council.

Chip Salek – Mr. Salek stated that he had been a resident of Moss Creek for 30 years. He stated that starting at the first budget meeting and all the other information the residents had until that night, had been about raising and increasing and nothing had been talked about cutting or tightening our belts. He stated that the budget flyer that was given to each resident had information that was correct, and accurate and he was assuming that someone had been doing a good job of watching the City's money and taking care of it. He stated that if they had been doing such a good job and the City had been able to do these kinds of things without an increase, then he was not sure now was the time to do an increase until they had exhausted all efforts to try and cut costs and save expenses. He stated that everyone knew it was tough times and he read where the City's expenses had gone up with gas and water treatment chemicals but so had bread and eggs and everything else since 2019. Mr. Salek stated that not only was the municipality suffering from increases, but so were the people in the assembly and in the community. He stated that it seemed that if the \$9 or \$7 million was reevaluated and the percentage based on the budget was reevaluated, some of that money could be used for capital expenses and not for operating expenses. He stated that a reassessment was being done in 2025 so with that in mind, why would increasing millage be talked about now, instead of waiting to see what was going to happen in 2025. He stated that City cars with 100,000 miles on them were discussed and recommended that they be replaced but he did know that because the vehicle reached 100,000 miles did not mean it was not worthy anymore. He stated that they

wanted the Fire Department and Police Department to have the right kind of vehicles but if they were taken care of and the oil was changed you could get a lot more than 100,000 miles. Mr. Salek stated that it was recommended to hire an Economic Development person but if one went down 321 from the Fish Hatchery entrance into the City, or 302 into the City, that was not appealing for someone who wanted to have economic development in the City. He stated that those were the two (2) big gateways in the community and they were terrible looking. He stated he had been in the City for 30 years, and it had not changed except to get worse. He stated that all the money had been put in the area of the City over Blossom Street and State Street. He stated that the area that was annexed into the City on Bluff Road he did not know how that taxed the City's resources and if it brought any income. He stated that he did not think Council had enough information to make an educated yes vote on anything that had been proposed so far.

Charlene Frye – Ms. Frye stated that she lived at the corner of Indigo Avenue and Ninth Street and the \$10 million grant the City got for drainage improvements was not going to take care of her lot and was only going up to BC High School. She stated that she was a commercial real estate appraiser so she looked at taxes all the time and the City did have some of the lowest taxes. She stated that one of her biggest concerns was the fact that South Carolina was one of the most rapidly growing states in the country so she was concerned about how taking care of things down the road was being looked at. She stated that they could not keep kicking the can down the road with some of the things that really needed to be dealt with. She stated that she was also concerned because she heard here all the time that the City did not have any money but Washington DC was printing trillions of dollars and Columbia had hundreds of millions of dollars that suddenly appeared and no one knew who it belonged to. She stated that if the City did not have money now, how was it going to be in the future. Ms. Frye stated that Council did a great job but she wished they would take a long term look at everything and think about how it was going to be when there was even more people coming in. She stated that she would also like to request that a separate hearing be held to talk about the drainage. She stated that there were quite a few people, including herself that were absolutely shocked that they had waited more than 30 years and did not have any money. She stated that she knew Council squeezed every possible penny they could out of \$1 but sometimes they might have to say we need to spend a little bit more and take care of people and do it right.

Mike Pazery – Mr. Pazery stated that in one section of the proposed budget it stated that a property tax to cover from the first of July 2024 to the 13th of June 2025 the millage rate was 66.1 on all real estate and personal property of every description and additionally, the City would impose a 10% increase on water and sewer for all customers inside and outside of Cayce and also charge \$3.59 per household utilizing more than 7,750 gallons bimonthly. He stated that the City was also going to increase the hospitality tax which originally was supposed to be implemented to take care of the cost of the Riverwalk and the Cayce Museum. He stated that he also understood that

the proposed budget included cost of living increases for utility employees. Mr. Pazery stated that he was sure that these employees deserved every raise they could get but many elderly residents of Cayce were on fixed incomes and the squeeze kept coming financially. He stated that it was his understanding that the City currently had an overfunded fund balance of upwards of \$9 million so how could they ask the taxpayers to give more money. He stated that it did not make sense for the taxpayers to receive an increase in millage from the City of Cayce, and then to receive another millage increase when the Lexington County tax reassessment took place in 2025. He stated that elections have consequences.

### III. Close Hearing

The Council Meeting immediately followed the Public Hearing at 5:47 p.m. Those present included Mayor Elise Partin, Mayor Pro Tem Tim James and Council Members Phil Carter, Hunter Sox and Byron Thomas. City Manager Tracy Hegler, Deputy City Manager Jim Crosland, Assistant City Manager Michael Conley, Municipal Clerk Mendy Corder, Police Chief Chris Cowan, Fire Chief Steven Bullard, Finance Director Kelly McMullen, City Attorney Danny Crowe and City Bond Attorney Lawrence Flynn were also in attendance.

Mayor Partin asked if members of the press and the public were duly notified of the meeting in accordance with the FOIA. Ms. Corder confirmed they were notified.

Mayor Partin called the meeting to order and Council Member Thomas gave the invocation. Mayor Partin led the assembly in the Pledge of Allegiance.

### **Public Comment Regarding Items on the Agenda**

Kay Hutchinson, Item III. A. – Ms. Hutchinson stated that she knew that her boss and friend Betsy Catchings, had intended on speaking to Council that night. She stated that she was no Betsy but would try to make her proud. She stated that she could give Council a perspective from staff. She stated that she knew Betsy would want staff's support and never their pity. She stated that Betsy put her heart and soul into this budget preparation. She stated that she started her preparation before she even took her position. Ms. Hutchinson stated that they did not take any increase lightly. She stated that she and her staff in the Water Department were the first to hear from residents and they shielded Council from the residents. She stated that they tried to not let anything get to Council. She stated that she was a longtime Cayce resident and loved Cayce. She stated that she lived in Cayce for 50 years and her current home was serviced by the City. She stated that the proposed budget affected outside city customers even more than inside city customers, and she was one of those customers. She stated that the City had a lot of employees that lived in Cayce and within the service area that would be impacted but they were willing to take that bite out of it that they needed to. Ms. Hutchinson stated that Betsy had family and friends impacted by



the decision to raise rates. She stated that as a result of an article in the State Newspaper, there had been a buzz around the City. She stated that people were scared about losing their jobs. She stated that some staff who could retire were considering it now that would not have considered it before. She stated that others were looking at job postings. She stated that the State Newspaper article stated that Council only knew about the need for increases for three (3) months and that was a little bit misleading. She stated that Betsy laid the foundation and had an excellent presentation in last year's budget meeting. Ms. Hutchinson stated that due to schedule conflicts, not every Council Member was able to make last year's and this year's budget meeting. She stated that those meetings were something that the managers looked forward to every year to present before Council. She stated that if there were schedule conflicts in the future, it would be great if the budget work session could be rescheduled it that was going to happen. Ms. Hutchinson stated that before Betsy became the City's Utilities Director, the budget was already cut before Administration ever saw it so obviously, Council did not see it either. She stated that the Utility departments did not have fluff or extra padding in their budgets. She stated that everyone from customer service staff on the front lines, to the field crew and meter techs that were customer forward and had an excellent ability to repair things without having expensive equipment. She stated that they were the MacGyvers that were out there for the plants and support staff, that kept the system safe, drinking water safe and the wastewater clean. Ms. Hutchinson stated that she looked back at recent rates and there were times when Council had to make hard decisions and raised rates 40% after a series of five (5) years of not having rates raised before. She stated that Betsy was selfless and did not like attention. She stated that Betsy cut herself first from the budget when she realized she had to make cuts. She asked Council to not let that happen. She stated that Betsy was not replaceable. She asked Council to consider at least at a minimum option B of a 25% increase.

Mark James, Item, III. C. – Mr. James stated that he was speaking on the rezoning request for 800 Lexington Avenue which was the former Cayce Grammar School. He stated that his firm, Cyprus Development Partners, was the owner of this property that they purchased in 2018 and they were proposing a single family residential development on the property. He stated that through a variety of reasons, they never were able to see the right vision for the property and get to a place where they had something they could work on that they felt had a high probability of success and would also meet the desires of the community and the City. He stated that they had reached an agreement with the City to purchase the adjoining property. Mr. James stated that the City runs a very hard bargain and he wished that his property was worth as much as the City's on a per square foot basis. He stated that their intention was to build 12 houses that would be single family for sale. He stated that the lot sizes that they intended to build would be 50 feet wide and roughly 120 feet in depth. Mr. James stated that the proposal was going to be in compliance with all the City's existing requirements regarding architectural requirements. He stated that the homes would be hard sided with raised floor elevations, front porches and some brick accents. He

stated that the purchase price would be dictated by the market but their hope was the homes would sell for \$400,000. Mr. James stated that they were currently planning an alley between Third Avenue and Eighth Avenue that would be where the access points were to the houses and the parking would be off that alley. He stated that the development would be managed and controlled through an HOA on the property. He stated that it was a great opportunity to create and expand the tax base and do an infill development that takes use of existing infrastructure and did not put a burden on extending lines or paving new roads that then had to be maintained afterwards. He stated that he wanted to compliment Ms. Hegler, Mr. Conley and Mr. Crosland for being so good to work with and so helpful in the process.

### **Ordinances and Resolution**

#### **A. Discussion and Approval of Ordinance 2024-06 to Adopt an Annual Budget, Levy a Property Tax, and Provide Revenue for the City of Cayce for the Fiscal Year Ending June 30, 2025, and To Adopt and Establish Certain New Fees and Charges with Amounts – Second Reading**

Ms. Hegler stated that what was before Council was a result of their first reading action on June 4, 2024. She stated that there had been four (4) work sessions leading up to first reading starting in February and many offline conversations about the budget and how they got to where they were. She stated that there was a utility and a general fund budget and a master fee and charge schedule and Council was being asked to adopt an Ordinance on those that was sort of the umbrella over them. She stated that \$19,669,557 was how the general fund budget was currently balanced and that came out of Council's actions at first reading and in doing so would require increasing the City's mils to eight (8) mils. She stated that staff did remove the sanitation fee increase that was being proposed as an action Council took during the first reading. She stated that there was a transfer from the utility fund to the general fund for indirect costs of \$2.1 million and a hospitality tax revenue transfer of \$1.1 million. Ms. Hegler stated that there was not an increase in the hospitality tax since that could not be done. She stated that it was just noting what staff was expecting to generate in the coming year and transfer over to the City.

Ms. Hegler stated that what did happen in Council's action was to continue to approve things that would then come from the City's reserve or unassigned reserve account so what was before them was \$388,000 of one time purchases and \$379,859 had transferred to recurring purchases again based on Council's last action. She stated that staff did reduce the number of vehicles they asked for from eight (8) to five (5). She stated that would require staff to purchase three (3) new replacement patrol vehicles that were well over 100,000 miles and were not operating well and two (2) replacement Fire Department vehicles and staff was proposing to fund them on a lease basis. She stated that staff proposed using some hospitality tax funding for the Museum to do some exhibit upgrades. She stated that there was in this current budget as of the last

reading two (2) new FTEs, an economic development director had been mentioned, and a new driver for the sanitation department. Ms. Hegler stated that it was requested by Council that a cost of living increase be given to all the general fund employees so staff had proposed a flat rate of \$2,550 for every employee and that averaged about 1.5% to 8% based on their actual income. She stated that staff asked Council to approve removing the City's two (2) lowest pay bands that would make the minimum starting salary for a City employee \$35,600 which had a recurring cost attached to it. She stated that there were a number of operational increases staff felt was needed in the upcoming year and the City was covering staff's insurance which had a 11% increase and then the municipal financing, and risk insurance increased by 19%.

Ms. Hegler stated that if Council wanted to talk about how staff might reduce some of the City's recurring funds coming from fund balance, there were options listed in the white paper. She stated that on the utility fund side, it was out of balance at \$2.1 million with revenues being \$40,816,365 that was assuming the increase that Council proposed at the first reading. She stated that expenses as they stand and were presented to Council then were \$43,004,761 and again, that included the rate increase that Council proposed in first reading, which effectively equaled \$3.59 a month for an average in-city user. She stated that it included many of the same expenses as the general fund and staff would want to give the utility fund employees the cost of living as well as the general fund if Council should approve that. She stated that the proposed budget did cover a 15% debt coverage, the City's bond payments and all capital that staff was requesting this year was being proposed out of reserves. She stated that would be a one-time transfer from reserves that would not be affected by any rate increase that they had been talking about unless they went way higher. She stated that the proposed budget included the insurance increases including SCMIRF and health insurance. Ms. Hegler stated that the utility fund budget was out of balance and administration was asking for guidance on how Council wished to balance that. She stated that in the agenda packet was some cost impacts to the citizens and the master fee schedule and charges that reflected everything Council adopted last time so no changes were proposed there. She stated that moving forward Council needed to take an action of the Ordinance, a second reading and then they could discuss any amendments they might want to make to it at that point.

Council Member Sox stated that he was going to split his motion in two to address the general and utility funds separately. He made a motion to approve the original presented balanced budget of \$17,904,632 presented at the general fund work session on May 15, 2024, which included current staff and salaries, increases for insurance and other fringe benefits, current level operating costs and a \$2.15 million transfer from the utility fund and to include a two mil increase to promote employees and the bottom two pay grades to \$35,600 and to authorize the City Manager to use \$236,800 from the unexpended general fund revenue for fiscal year 23-24 for a retention bonus for all general fund employees. Council Member Carter seconded the motion. Mayor Partin asked Council Member Sox to clarify his motion. Council Member

Sox stated that essentially his motion went back to the balanced budget that was presented to Council at the general fund work session with zero increases and then from there added a two (2) mil increase that would cover the promotion of the lowest two (2) pay bands, capped at \$35,600 with the promotion, which would cost approximately \$109,000. He stated that it also took from the projected funds that would not have been used by June 30<sup>th</sup> and allowed for \$236,800 to be given to general fund employees for a retention bonus. Mayor Partin stated that Council Member Sox referred to the general fund budget workshop but Council had four (4) budget workshops so which one was he referring to. Council Member Sox stated that he was referring to the May 15, 2024 budget work session. Mayor Partin asked that he was not referring to the budget that passed on first reading. Council Member Sox stated that was correct.

City Attorney Danny Crowe stated that to the extent he functioned as the parliamentarian, he would propose that the motion was out of order. He stated that first, the budget Ordinance needed to be on the floor so a motion to approve the Ordinance was needed and then motions could be made once that motion was made and seconded, then motions could be made to amend the Ordinance or the budget attachments. Council Member Sox made a motion to approve second reading and then made a motion to amend second reading of the 24-25 general fund budget. Council Member Carter seconded the motion. Mayor Partin asked if someone could clarify for her what that meant. She asked if that was an unbalanced budget. City Manager Hegler stated that currently, yes, it was unbalanced. She stated that Council needed to be talking from an Ordinance perspective and could make whatever amendments they wanted to once you had an Ordinance and could open discussion on the floor and then they could make future amendments like the ones Council Member Sox suggested so the motion needed to be for second reading of the Ordinance.

City Manager Hegler stated that once the Ordinance was approved Council could have all the discussion they wanted in terms of how they amended it and then they would be adopting an amended Ordinance after any changes that they had made at that point. She stated that Council Member Sox had only talked about the general fund so far and what she noted earlier was the utility budget. Mayor Partin stated that if they approved it on second reading that would mean that the budget was unbalanced. City Manager Hegler stated that in that moment it would be unbalanced.

Council Member Sox made a motion to amend second reading of the fiscal year 24-25 general fund and utility budgets to approve the originally presented balanced budget of \$17,904,632 that was presented at the general fund work session on May 15, 2024, which included current staff and salaries, increases for insurance and other fringe benefits, current level operating costs and a \$2.5 million transfer from utility fund and to include a two (2) mil increase to promote all employees from the bottom two (2) pay grades to \$35,600 and to authorize the City Manager to use \$236,800 from unexpended

general fund revenue from fiscal year 23-24 for a retention bonus for all general fund employees. Council Member Carter seconded the amended motion.

Council Member Sox stated that Council heard from a lot of residents that night and appreciated them coming to the meeting. He stated that he heard many times that times were dire and neighbors were struggling. He stated that they were talking about adding a lot of new stuff to this budget, that he thought they could forego. He stated that he was a big proponent of the economic development director position but he saw that right now that should not be a priority. He stated that coupled with the fact that Council was not briefed on any budget issues until about three (3) months ago and last year, they only increased sanitation fees by \$2. He stated that he thought the City could do more with what they already had and included the minimum millage increase to take care of those lowest pay bands. He stated that many residents spoke on the fund balance and Council had reviewed it a good bit and currently the City had enough fund balance to operate for six months. Council Member Sox stated that the City's Attorney indicated 17 to 20% was the recommended minimum and the City was higher than that. He stated that he thought they could forego a little bit of that fund balance this year, not on recurring costs, such as some proposed in the amended budget and items presented to Council that night, understanding that fund balance was used for cash flow purposes. He stated that he did not want to spend all of it but would like to utilize it to take care of City employees with the retention bonus instead of throwing it back into the funds that were not expended in this year's fiscal budget which had allowed it to grow so much. Council Member Sox stated that he would like to see that used to give retention bonuses this year and with the two (2) mils, it would be enough to increase those pay bands, and bring the salaries up to \$35,600, which was covered by those mils with a little excess of that. He stated that if the two (2) mils were not used this year then the City would lose them this year and the \$236,800 of unexpended funds would give everyone covered by the general fund budget an increase of \$1,600, which is what some of the last conversations with staff were about.

Council Member Sox stated he would like to see the mils used as they were originally proposed at the budget work session, to take care of those on the lower end of the salaries. He stated that there was staff salaries on the lower end at \$35,000 and then there was staff making over \$100,000 and he would love to see those however, the City Manager would like to divvy those up, whether they be equal or whether they be regressive, or however that happened. He stated that he hoped that they honored what Council intended whenever they did that and he did not see a need for any increases above that. He stated that he did not know how they could ask residents to add recurring items like the Economic Development Director position. He stated that he would love to have a new full time Sanitation employee so there was someone to drive around the new streetsweeper but he would like to forego that position as well. He stated that maybe Council could reassess this in a couple of months and maybe projections on the general side would allow for a \$58,000 full time employee.

Council Member Carter stated that he served eight (8) years on the school board and over eight (8) years on Council and that night was the first time anyone ever spoke at a budget public hearing. He stated that the resident's engagement was appreciated and it moved his heart to see the citizens of the City so engaged. He stated that the City had a good situation with the fund balance currently. He stated that in 2014, the City had just short of \$1.1 million in the unrestricted, unassigned fund balance and that was not enough for staff to carry costs through December and January until the tax monies came in. He stated that in the last audit, which ended in fiscal year 23, there was \$9.3 million in fund balance. He stated that the numbers for this past year looking at the monthly numbers it looked like there might be a touch of surplus. He asked what number should the fund balance be. He stated that it was a matter of opinion, some said anywhere from 18 to 20%, to where the City was at 47 - 50%. Council Member Carter stated that he was going to challenge Council and charge staff that by mid-January that Council would have come up with a policy as to how to handle surplus. He stated that they had to be careful with recurring costs, but it was not unprecedented to put little chunks in recurring goals. He stated that it was not a great idea but was not unprecedented. Council Member Carter stated that the City needed a policy. He stated that in 2006-2007 the fund balance was in the negative and that was turned around from good staff, good city management, good upper level management, good decisions by Council, they turned a minus \$14,000 into a \$9.5 million fund balance. He stated that in a perfect world, one would spend the same amount of money every day but no one did that. He stated that the City never ran short on money but sometimes had a cash flow crunch in December and January before the tax monies came in. He stated that the City had a good situation on the fund balance and Council needed to make the necessary adjustments. He stated that he concurred with Councilman Sox that someone's wants and wishes would have to be sacrificed since the City did not have the resources to do it.

Council Member Carter stated that the situation the City was in did not shock him. He stated that he had been reaching for lack of a better term for several years. He stated that many years ago before three (3) of the Council Members were on Council, they had a council workshop and the former administration gave Council long term 10 year projections and that chart basically showed that the City's revenues were going to flatline. He stated that expenditures were certainly not going to flatline. He stated that he had been asking Council to look into the thing for years and it had fallen on deaf ears and here they were today. He stated with that being said, the fact that this Council, did not plan properly for the future that was mentioned, he was not going to burden the taxpayers with exorbitant increases right off the bat. He stated that they would incrementally do some things to get where they needed to be.

Mayor Pro Tem James thanked everyone for being there. He stated that he appreciated the phone calls and the talks that he had with many of the people sitting in the room over the last couple of weeks. He stated that one common denominator was that no one had the answer and the other common denominator that he wanted to focus

on, was the history of the City of Cayce, the history of this council, and how it has always taken care of its citizens and its employees. He stated not to focus on the fear that might have been spread out about what could come out of that night's meeting, but to focus on history because history was where the proof was. He stated that the City had always taken good care of their employees and done the right thing and that would not stop that night. Mayor Pro Tem James stated that not everyone was going to love it but Council was going to try to do the right thing. He stated that he had heard so much about the fund balance and how it could negatively impact the City's rating on bonds. He stated that was just one contributing factor, many that Council could not control. He stated that the City's attorneys were in attendance and one could ask them the question in case he was off track but the fact remained that there were many other contributing factors that affected bond ratings, versus just that of using a portion thereof, of the fund balance. He stated that the other thing he heard someone say that night was that fund balance should be for an emergency and if you walked the streets like he did over the past couple of weeks and talked to people, \$100 to them was an emergency. He stated that if Council could utilize some of those funds to help them through to where everything did not come down in one year on a citizen, then he was happy to do that. Mayor Pro Tem James stated that it was important to him that Council serve all citizens of the City of Cayce and not just those who could easily afford it. He stated that there were many students in local schools that did not even have funding for lunch. He stated that there was a lady that he spoke to on her front porch that was drinking water out of a cup and went back inside to get more water where he was used to a bottle of water. He stated that the May 15 balanced budget did take in employing all current staff and asked Council Member Sox if he was saying the two mil increase would be able to cover increases to staff as well as take out the bottom two pay grades which were pretty close to poverty. Council Member Sox stated that the two mils at \$67,000 would cover the \$109,000 needed to do that that was presented to Council. He stated that the unexpended revenues from the general fund based on the monthly expense reports Council received about a week and a half ago and based on conversations he had any other unexpected costs that one would not see in there would remain enough money to cover the \$236,800 from unexpended items in this year's budget. He stated that a good chunk was carried over last year as well and put back into that unassigned balance.

Mayor Pro Tem James stated that Council Member Sox referred to a retention bonus versus COLA. Council Member Sox stated that a COLA would need to be indexed as a cost of living increase and he thought based on some of the decisions Council was having to make it was a good compromise this year to be able to take care of staff with a retention bonus rather than a salary increase other than the two (2) that will be covered by the millage increase.

Council Member Thomas thanked everyone for attending the meeting. He stated that he always loved seeing a beautiful, packed house and it was their house. He also thanked everyone that had called or texted him in regard to the budget and stated that he wanted to be a councilman that people knew that when they contacted him, he would

call them back because transparency meant the most to him and communication. He stated that he supported his fellow council members regarding the small millage increase they were proposing, which he did believe was fair. He stated that in regard to the utilities increase, at this time, it was not needed so he would be voting no. He stated that hopefully in the future, they could find ways to separate the two. He stated that he received so many calls and texts from constituents who were living paycheck to paycheck or on fixed incomes. Council Member Thomas stated that constituents had told him District Two had been left behind and neglected. He stated that Mayor Pro Tem James saw it firsthand when he walked with him and spoke with constituents in his district. He thanked Mayor Pro Tem James for going with him. He stated that for years, the City's rhetoric had bragged about the City's cost of living being one of the lowest in Lexington County. He stated that Cayce was not the lowest in Lexington County regarding its poverty rate, which was currently 17.9%. He stated that Lexington County's poverty rate was 11% and the state of South Carolina's poverty rate was 14%. Council Member Thomas stated that must change and Council should not be in a position of having to make massive increases. He stated not being proactive and making incremental increases along the way had put them in this position and therefore they should not burden the taxpayers with a massive increase. He stated that he believed they should do whatever it took to do the minimum increases on their citizens and stay transparent with where they were headed. He stated that he would rather work harder to figure out solutions so his constituents could have a fighting chance.

City Manager Hegler stated she had some questions for clarification. She stated that if Council was making a motion on potential leftover monies from this fiscal year that would not be trued up until the City received final invoices in September and October and then of course the audit was after that. She stated that those potential increases would not happen until the City trued up its books this year or they should not in her opinion. Council Member Sox asked if she was saying that the retention bonus would come through whenever the books were freed up after October after taxes. City Manager Hegler stated that was what she would recommend. City Manager Hegler asked if Council Member Sox wanted to apply the two (2) mils to removing the lowest pay grades and did have that as being \$109,000. She stated that she thought that number was high. Council Member Sox asked what were the mils the City would lose this year. City Manager Hegler stated that if he was referring to the look back it was 137. Council Member Sox asked Council if they wanted to go with the two. Mayor Pro Tem James stated that he did not want to assume he understood what City Manager Hegler's question was but he thought she was just being frank and honest in letting Council Member Sox know that the 109 that he suggested was a good bit more than probably what it would cost. He stated that he thought it was nice to be able to have some extra funding in that.

Mayor Partin stated that she was still confused. She stated that she knew transparency was an important word but Council had four (4) budget workshops and most municipalities did not even have one (1). She stated that the fourth budget



workshop was for Council to do what they were trying to do on the fly right then, without giving staff or even apparently, the rest of our council members, the transparency, the camaraderie, and the ability to make sure they were are doing the right thing for you. She stated that this was not what good governance looked like. She stated that good governance did not come up with an answer in the ninth hour. She stated that at that fourth budget workshop, she literally had to pull answers out of Council. She stated that the City's Director of Finance had a really helpful app where she could toggle and show the impact of each decision. She stated that to try to look at it now when that was not even what was passed on first reading. She asked if that meant that they even had a balanced budget because May 15th was not a balanced budget. City Manager Hegler stated that she relayed to Council that even though there was no action staff could balance without any increases in the general fund. She stated that the utility fund was unbalanced. Mayor Partin stated that she thought at first reading there was an increase of eight (8) mils. City Manager Hegler stated that was correct. Mayor Partin stated that now they were discussing an increase of two (2) mils. Mayor Pro Tem James stated that the motion was two (2) mils. He stated that if he was understanding Council Member Sox correctly, he was going back to the May 15 presentation, which was a balanced budget with the exception of certain things but he was going to utilize some surplus to put those things in that they knew were a priority for staff.

Council Member Sox stated that was correct. He stated that Council was presented a balanced budget with no increases across the board that could operate as a bare bones budget and they were starting back there because it was not until about a week and a half ago that Council received the expenditure report on monthly expenditures for the past year to review. He stated that Council did not get any sort of description of a millage or fee increase until they received the white paper for first reading. Council Member Sox stated that they did have a couple of work sessions – one was a utility work session where they heard from Raftelis, one was a work session for the general fund, one for the utility fund and a separate one. He stated they had one other one starting back in February that was the original rate study work session. Council Member Sox stated that a lot of City Councils had work sessions every month. He stated that he appreciated staff taking the time to set the third meeting for Council for the past couple of months. He stated that based on these new figures and digging into the City's costs and the fact that they were not even fully utilizing what they had and asking for more on the general fund side, he did not see a need to increase to eight (8) mils this year. He stated that he did not feel like they should based on a lot of the things they had heard from residents that had reached out and how dire the economic climate was in Cayce currently.

City Manager Hegler stated that the City had not closed out its books for this year and still received invoices until October so she did not want to be misleading that staff had not spent certain things since they would spend more money than what Council saw in the reports. Council Member Sox stated that what City Manager Helger was saying then is that money that would have come in in July would have been used, just

like it was used this past year, next year, as well so they were adding one (1) more month so that would mean that last year's budget as well would have had that same situation where you have more money, a few things staff had to close out. He stated that he believed there were a couple of different items that needed to be closed out and about \$800,000 in Axon payment they needed to make that were the biggest payments that needed to be made outside of regular expenses. Mayor Partin asked if that made the budget balanced. City Manager Hegler stated it only balanced the general fund. Mayor Partin stated that if they were not increasing to the eight (8) mils, then something was being cut. Council Member Sox stated that nothing was getting cut, the bottom pay bands were getting increased and staff would get a one-time retention bonus. Mayor Partin stated that there had to be something in six mils since staff did not make that up.

City Manager Hegler stated that within the white papers, everything that the eight (8) mils would have funded was detailed. She stated that her understanding from Council Member Sox's motion was that he was going back to May where staff presented a bare bones budget with no increases. She stated that there were no additional operation costs and there was no capital. She stated that she had not heard an answer on capital, but the cost of living was lower and it was now a retention bonus of whatever staff could make work out of what was left over from this year. Mayor Partin asked if there would be much left over from this year. City Manager Helger stated that she thought staff could get pretty close. Mayor Partin stated that there was not much left for staff at all. City Manager Hegler stated that they had a couple months to figure that out. She stated that they discussed a lot of increases in the May meeting and even discussed those increases at the last Council Meeting and that was what led to the eight (8) mils proposal. She stated that they were going back to a bare bones budget and only adding, as she was understanding it, the reduction or the elimination of the two lowest pay bands and then \$230,000 worth of retention bonuses.

Council Member Sox stated that was correct. He stated that of as the end of May, the general fund budget had 85% of its budgeted to use expended based on the average monthly amount that had been expended for each line item taking out the \$800,000 for Axon and the general fund. He stated that based on his calculations, there would potentially be over \$600,000 remaining and based on that estimate, he felt that there would be enough for retention bonuses from this fund and if it was not, then Council could go back and address it. He stated that he felt confident that they could address it and pull it back out of the fund that it was going into. He stated that money where staff had been over on these funds had just been going into that unassigned fund so he would rather see that money go ahead and be used instead of going back into that fund that had been built up. Council Member Sox stated that he knew that a lot of that was built up from the fact that the City was able to use ARPA funds to make capital purchases. He stated that that there had been hundreds of thousands of dollars from some of these budgets every year that had just rolled over into that unassigned balance so he would like to see the City utilize those funds this year since it was such a tough and tight year instead of doing an across the board COLA doing a retention bonus.

City Manager Hegler stated that if Council looked at the white paper, what was being removed from first reading were the two (2) new full time employees, and Council Member Sox, acknowledged that there was additional operational expenses of \$121,325 for supplies, uniforms, travel, \$10,000 additional in the facade grant program, \$15,000 additional in the demolition program so all of these items were being removed and that was how Council Member Sox was balancing the removal of six (6) mills. Council Member Sox stated that he thought that whatever the overage was, now that City Manager Hegler had indicated, they were going to have to use as much money to bring up the two pay bands, he thought as the CEO, she could figure out how she wanted to divvy that up based on some of these items since it seemed that a few could be purchased with that. He stated that they would leave that to her discretion.

Mayor Partin stated that there would be no management training for two employees, who were probably managers and no increase in auto operating expenses for the police and fire. She asked what that meant. City Manager Hegler stated that was the increases in operating the City vehicles. She asked Mr. Bill Clark, the City's Fleet Manager, to address that. Mr. Clark stated that the new Tahoe's front brake job was about \$450 and the brakes were only lasting about 10,000 miles. He stated that it was a known problem with the Tahoe SUVs, but there was no fix for it yet. City Manager Hegler stated that the \$10,000 in the proposed budget was for that. Mayor Partin stated so they would not be able to fix those brakes. Council Member Sox stated that the \$10,000 could be covered at the City Manager's discretion based on the leftover money, which sounded like it was almost double and would be almost one full mil leftover. He stated that back to the employee trainings, it looked like there was \$3,800 for employee trainings in last year's budget and as of May only 44% of it had been used so however City Manager Hegler thought as the CEO would be best, he trusted her judgment. Mayor Partin asked what supplies and uniform increases and additional travel and training for the police department meant. City Manager Hegler stated that the uniform increase for the police of \$7,000 and additional training for the School Resource Officers was \$11,000. Mayor Partin stated that the School Resource Officers would not get training that they needed and some officers would be without uniforms. She asked what service contract increases in medical supplies for the Fire Department covered. Fire Chief Bullard stated that currently the Fire Department borrowed equipment from Lexington County EMS and the Cayce Fire Department was trying to become a more certified agency so they could provide better care to the community and that entailed getting a certification through DEHC becoming a BLS agency and that required certain medical equipment that the department had to have to get that. City Manager Hegler stated that cost was \$20,350.

Mayor Partin asked what the Planning Department's training entailed. City Manager Hegler stated additional training for staff. Mayor Partin stated she was assuming that they were receiving training to help them make zoning decisions and those kinds of things. She asked what the additional auto operating expenses and equipment repairs were for the Sanitation Department. City Manager Hegler stated that

was related to additional training on the street sweeper and that was just for travel since the training was free. Council Member Sox asked if it was additional training for the one (1) employee that was certified to drive it. City Manager Hegler stated that the training was for working on the street sweeper. Mayor Partin stated that without a regular driver and then without the training, the cyclists were not going to be able to have a clean road to ride on. Council Member Sox asked if staff had the data on or the amount of days the street sweeper was in operation. Mayor Partin asked what the additional tree removal funds and special supplies for the Parks Department entailed. City Manager Hegler stated that staff was having to remove more and more trees every time there was a weather event so \$5,000 was built in for that. Mayor Partin stated that the Facade Grant Program was a program for small businesses to make their street fronts attractive and to bring business in and additional funding would not be budgeted for that. She stated that the demolition program was a code enforcement issue. She stated years ago, there was a house that was dilapidated and someone got murdered in it but there would not be funding for doing some of that. Mayor Partin asked if that covered the things that were not going to happen. City Manager Hegler stated that she believed so based on the motion. Mayor Partin stated that Council was proposing using recurring funds for the lower band salary increases

Mayor Partin stated that she wanted to address some of the things that were said during the public hearing comments because they were somewhat germane to the conversation. She stated that regarding the comment that only some people got budget flyers on their roll carts, the City's sanitation team, the employees that residents raved to Council all the time about how awesome they were, they were the ones who put those budget flyers on all the roll carts. She stated that the sanitation team was amazing and they went above and beyond in doing that every single year. She stated that it was a really creative and inexpensive way to make sure that citizens knew the budget information. She stated that while the sanitation team could not control the wind, they took pride in being a part of that extra communication that the City offered citizens and they would never do anything but their best to make sure that every household received a budget flyer. Mayor Partin stated that at the top of the budget flyer it said the public hearing and second reading of the budget was at five o'clock and listed the details of the meeting. She stated that it was said earlier that it was not on the budget flyer, but it absolutely was. She stated that there was a comment about the cost of living raise included for staff but that cost of living raise did not include the City Manager. She stated that employee recruitment and retention was something that the entire council had said was incredibly important to them and making sure to retain the City's phenomenal employees was critical. She stated that the City Manager suggested that that cost of living increase not include anyone with a salary above \$70,000 this year, but some council members wanted to make sure that included everyone. She stated that the City Manager was still not included in that increase.

Mayor Partin stated that cuts had been suggested by many people, and even by Council. She stated that there were many staff members in attendance, much more

than normal. She stated that earlier they heard Miss Hutchison speak and many people might not know that she was a City employee. She stated that Ms. Hutchinson was not being histrionic when she said that employees might not stay after this. She stated that she was not making up that some who would have stayed with the City for several more years were going to look at retirement earlier. She stated that the actions by Council in the 11th hour, without having sat down with staff and without taken advantage of the great app the Finance Director put together. She stated that someone said during public comment that she said she would not increase rates. Mayor Partin stated that those words never came out of her mouth because no sane businessperson would ever say that and that was what Council was doing, running a business. She stated that no sane businessperson ever said they would never increase fees because if they did, they would be out of business. She stated that she never said that. She stated if there was confusion about a tax bill, it was because someone might have looked at the entire tax bill since the City was the smallest part of the property tax so that small number she gave during that citizen involvement was in fact true. She stated that the School District was planning to increase its mils by 21 mils this year. She asked if there was an emergency or something going on that all of a sudden, they needed 21 mils. She stated no there was not an emergency but the increase in 21 mils affected everyone and affected renters the worst.

Mayor Partin stated that during the public hearing comments people talked about the roads and streets. She stated that the City always wanted to make sure that people had all the facts. She stated that the City did not have any jurisdiction over any roads or streets and they were maintained by the County or the State. She stated that staff would look up the street for anyone and let them know if it was maintained by the County or State. She stated that staff would also call the County or the State for a resident but the City had been told by the State that if a resident called they were required to respond and fix that road faster for the resident than for the City. She stated that Council talked about if there was anything they could do to not be in this position and there was. She stated that staff asked Council to raise the rates. She stated that it was not staff's fault that they were in this position and it was not a surprise that they were in this position. Mayor Partin stated that citizens could be proud of the fact that the City had some of the lowest taxes and fees in the entire region with the highest quality of service. She stated that Council had done an amazing job of really being careful about threading that needle, to make sure that if we need to raise they do it so they can take care of City employees.

Mayor Partin stated that the City had the best employees and she was watching them hang their head when Council said certain things. She stated that Council had to make the tough decisions sometimes. She stated that residents stood before Council that night and said how thankful they were for the City's team and how thankful they were for the City's customer service. She stated that maybe the City could get by without the eight (8) mils but what were they impacting in the meantime. She stated that staff did not just make that recommendation and it was not as though staff did not

know how to look at the monthly reports. She stated that Council implied that staff was padding the numbers a little bit and there was not a single staff member who padded anything in the budget and Council knew it. Mayor Partin stated that Council got together for budget workshops where they were focused solely on this budget and had extra work shops this year because they were careful, thoughtful, and prepared. She stated that anyone on Council who said they were not prepared was lying. She stated that they had rate experts and all kinds of attorneys there and amazing staff who went out of their way with pride to provide excellent service to citizens. She stated that it brought them joy and they could make more money in the private sector, but they loved the City and the culture that had been created there.

Mayor Partin stated that Council was asked to raise last year and did not. She stated that if they got by with two (2) mils this year, what were they going to do next year. She stated that two (2) years ago, she brought an idea to Council that came from national experts, at no cost to the City. She stated that the advice was an opportunity to bring in more business, more revenue, more jobs to the City, so it was not on the backs of taxpayers. She stated that it was an opportunity for building owners to do something fun and creative, make money for themselves, bring more small businesses that everyone could enjoy. She stated that Council voted that down and that was certainly their prerogative but in two (2) years what ideas had they come up with.

Council Member Carter stated that if he was reading this white paper correctly, all the items together were approximately \$121,000. City Manager Hegler stated that was correct. Council Member Carter stated if they went from two (2) mils to four (4) mils, two (2) mils was worth about \$135,000 and that would cover the nine (9) bullet points listed on the white paper. City Manager Hegler stated she thought that was correct. Council Member Carter stated that it looked to him that four (4) mils would cost a homeowner that had a \$250,000 assessed value on their home \$3.33 a month. He stated that was based on assessed value, not what they could sell their house for. He stated that there was going to be a reassessment in a year and a half but he would be willing to go to four (4) mils to cover the nine bullet points. Council Member Sox asked how many of the nine (9) items could be pulled from fund balance. He stated that it looked like classes were not recurring and the additional funding for the demolition program and facade program. He asked if those were recurring expenses or were they looking for that to be a recurring expense. He asked if they could make it work with three (3) and fund things like service contract increases for medical supplies that would need to stay the same and the operating auto operating equipment repairs for sanitation or were of the items in the 121 able to be funded through the balance. City Manager Hegler stated that they could because they were not necessarily rollover salaries so they would be presented to Council as itemized items next year that Council could choose not to fund. She stated that it was likely things like the cost of service contracts and repairs would continue, but they would be itemized in future years. She stated that it was not a rollover of salaries or benefits that continue on, so they could not be taken away but Council could choose not to do these in the future.

Council Member Sox asked how many hours the street sweeper had on it and how many applications did staff process for the facade grant program in the past year. Assistant City Manager Conley stated that staff processed one or two applications. City Manager Hegler stated that used all the money for the program because it was a small fund and the goal was to do more of them. Council Member Sox asked if the proposed \$10,000 would be recurring. He stated that he would like to make the 121 work with three (3) mils and then what could be pulled for the fund balance. City Manager Hegler stated that three (3) mils would net \$203,742 and the value of one mil was \$67,000. Council Member Sox asked City Manager Hegler if she would be willing to come back to Council with one time capital expenditures and tell Council what she thought based on what was an absolute need. He stated maybe not just in this, but with others. He stated that he thought it deserved a little bit more eyes if they were going to consider any of them together and on both budgets based on what they passed that night. City Manager Hegler stated that she would certainly do what was Council's will. Council Member Sox asked if they could be approved at any time. City Manager Hegler stated that was correct and she would have done that because there were some capital expenditures that had always been proposed for out of fund balance that she would still want to bring forward. She stated that some repairs were needed to the firehouse and the kitchen there and these were things that if Council did not approve them that night, she was going to bring them back to Council at a subsequent meeting as a one-time purchase anyway. She stated that there were some items Council needed to consider because they were capital and staff could bring that back at a later date if it was not being funded that night.

Council Member Sox stated that he was there to look out for the citizens of Cayce and then staff and he believed the proposal he put forward that they had adjusted a little bit. He stated that he guessed he had not made the motion yet so he rephrased that to adjust anything if they could make three (3) work. He stated that was a conservative budget that he was confident they could make work. Mayor Pro Tem James asked if he was willing to amend his motion. Council Member Sox stated that he was willing to consider three (3) mils if it covered the items that were reoccurring that Council Member Carter would like to see covered. Mayor Pro Tem James stated that he would like to see Council move forward with that if Council agreed and hoped that even newly elected Council Member Thomas saw fit in a small increase with the millage.

Mayor Partin asked if she could get some more guidance from staff on the impact of two (2) mils on the general fund. She stated that she regretted that a council member had not bothered to sit down with staff and ask if their information was correct to make sure they were understanding the monthly reports. City Manager Hegler asked if she was asking about the predictability of the closeout for the current fiscal year. Mayor Partin stated yes and where did that leave the fund balance. City Manager Hegler stated that CFO McMullen could give Council a snapshot of percentages spent but most of the departments were at 96%, which was where they should be at this point. Mayor

Partin stated that she did not want to put staff on the spot since they had not had time to look through the information and that was what the budget workshops were for. City Manager Hegler stated that she could not refute Council Member Sox's total estimate that the City was at 85% of the total. She stated that the City received a lot of bills in the last few months of the fiscal year so she was certainly happy to have Ms. McMullen go department by department with Council. She stated that she did not know which particular line item Council Member Sox had looked at and added up to 230. Council Member Sox stated it was 236 and he added all of them up and averaged all the months out and he took out items that he contacted staff about to see where major items would come out, which led him to realize that they had \$800,000 in Axon, which was quadruple what they paid for with ARPA funds but it was coming out. He stated that when you took that out and took all of the averages and put them together, you were left with more than half a million dollars in the green. He stated that based on these calculations, and he noted that he had the sheet for under a week and a half, but at the moment, based on through May, they had expended 85% of the budget which would leave \$2.99 million remaining. He stated that there were big chunks that had to come out of that but based on what he was looking at, and the fact that they had so much in similar fashion last year, one could presume that \$236,000 would be remaining to be able to fund a retention bonus for all general fund employees based on the numbers. City Manager Hegler asked CFO McMullen where the City currently stood.

Ms. McMullen stated that first she wanted to caution Council about using a budget to actual. She stated that when the budget was processed in 2024 it was based on the anticipation of several grants, many of which the City did not get. She stated that budget to actual was just what staff thought was going to happen in a moment in time and comparing it to what actually did happen. She stated that she would recommend Council look at more of a revenue and expense line item detail. She stated that if one was looking at the City's currently, the revenues versus the expenditures on the general fund side, it was \$50,000 away from zero. Council Member Sox stated that today compared to a week and a half ago where it was 16. He stated that he understood Ms. McMullen's spreadsheet was probably a lot more accurate and taking in items since the end of May but there was \$3 million extra sitting there less than 26 days ago. Ms. McMullen asked if he was referring to the budget to actual. Council Member Sox stated that he was referring to what the City Manager sent Council and he converted it into an Excel spreadsheet. City Manager Hegler stated that he was looking at expense actuals at that time. Ms. McMullen stated that should have been based on anticipated grant revenues of around \$2.3 million which many of them the City did not get. Council Member Sox stated that staff would have hung on to the match that was set aside at that point. Ms. McMullen stated that they would not have spent the money because they did not receive the grant. Council Member Sox stated so essentially, without the grant money they did not expend, there was more money that was not expended, because they did not get the grant.



Ms. McMullen stated that was correct and that was why it was important to look at revenues and expense, as opposed to a budget versus an actual because the budget was going to change year to year. She stated that anticipated grants for this year were not even close to as high as last year so it was going to cause that to go up and down and be very fluid but the income statement was always going to be on par with where the City was sitting as far as health in the moment. City Manager Hegler stated that the annual actuals were always in the budgets too from the prior year that was last audited, so that was always a helpful figure too. Council Member Sox stated that he would amend the motion whenever they did it to pull whatever they were able to at the max from what was not expended and this year's unexpended general fund and then the rest of the retention bonus could come from the nine plus million dollar fund balance unassigned fund balance. He stated that he would amend that to that and then do that whenever they adjusted for a millage. He asked Council Members Cater and James if they would consider three (3) mils if it was able to cover the 121 items that would be recurring and then take the items out that would not be recurring from the 92.

Council Member Thomas stated that during public comment, a lot of people stated that they did not understand what a millage was and asked City Manager Hegler to breakdown 3% and 4% on a monthly basis on how much that would be for a \$100,000 house. City Manager Hegler stated that four (4) mils on a \$100,000 home was \$16 a year. She stated that they hoped to see what three mils was two thirds of three fourths and they were talking dollars a month on a \$100,000 home for each mil increment. Council Member Thomas asked if they did four (4) would that get them to the finish line where they were trying to get to. City Manager Hegler stated that her finish line was eight (8). She stated that Council Member Sox made the comment that if you wish to fund these operational expenses, and just articulate them as one time, you may choose to pull them out of fund balance and not change your mill. She stated that then staff would just come to Council next year as actual different items they could do. She stated that there might be a reason they did not have to fund some of them next year. She stated that one (1) mil would only fund about half of everything that was on the list as operational expenses and they had not talked anything about capital. She stated that it was Council's call how many mils they wanted to do. She stated that she understood two (2) mils was for eliminating the bottom two pay band grades. City Manager Hegler stated that if Council wished to fund \$121,000 of the operating expenses that were good things for staff and things that were needed for the departments, they could choose to do that via a mil or could take it from the fund balance and it would come back to them next year as a single purpose item. She stated that again, she would reiterate that there were capital items in there that she would still wish to pursue if Council wanted to entertain that then or at a later date.

Council Member Sox stated that three (3) mils would leave about \$138,000 with the new lowest starting salary numbers that was indicated that were about \$64,000. Council Member Carter stated that at the top of page two on the white paper there was \$132,300 for software purchase utilizing income earned from ARPA interest so that was

not the \$800,000 for Axon. City Manager Hegler stated that the \$800,000 was the cost of that contract and always had been. She stated that they funded one year of a multi-year contract out of ARPA and the City received a grant to fund the rest, but staff held it on the books because it was income in and then it came out. She stated that it was not a payment and Council was not deceived in any way. She stated that staff was proposing to purchase software for the Finance Department with pure interest at no cost to the City since interest on ARPA had been sitting in the bank. Council Member Carter asked if it was just a one shot \$130,000 or was it in perpetuity. City Manager Hegler stated that it was a one shot purchase but there would be additional maintenance fees throughout the years that would be mobilized in future budgets.

Mayor Partin asked Ms. McMullen if she had any other information she wanted to share with Council. Ms. McMullen stated that there might be additional information that could be related to the reassessment next year that was brought up. She stated that they heard from citizens that the City should just wait for next year for reassessment and she wanted to clarify just a little bit of information for Council as well as the citizens themselves. She stated that the reassessment year would be tax year 2025 and would fall in the City's fiscal year 26, which was next year. She stated that when a reassessment was done they looked at everyone's market value of their homes, and they redefine those assessment values. She stated that however, if that did increase, the City was not allowed to have a windfall created from reassessment and that was where the rollback millage came into place, which was a State mandate that the City was required to follow. She stated that the mandate dictated that the tax income, the tax revenues that the City received in the upcoming year that Council was currently budgeting for, the City could not receive any more than that next year based on new values. She stated that in order to combat the raise assessments, the City would have to decrease its millage to even them out so she would not rely on anticipated assessment increases in the next year.

Mayor Partin called the question on the two (2) mil increase. City Manager Hegler asked if it was two (2) or three (3). Mayor Partin stated that the motion on the floor was two (2). Council Member Carter stated that it was four (4) because of the potential surplus being less. Mayor Partin called the question. Mayor Pro Tem James, Council Members Carter and Thomas voted yes. Council Member Sox voted no. Council Member Carter asked if Council Member Sox was going to amend his motion then shouldn't he have amended it. Mayor Pro Tem James asked City Attorney Crowe if he could give Council a little direction. City Attorney Crowe stated that Council Member Sox could voluntarily amend his own motion. Mayor Partin stated that the maker of the motion could amend the motion so he was allowed to change his motion, but he already voted against this motion. Council Member Sox stated that in lieu of conversations he made a motion to approve the originally presented balanced budget of \$17,904,632 presented at the general fund work session on May 15, 2024, which included current staff and salaries, increases for insurance and other fringe benefits, current level operating costs and a \$2.5 million transfer from the utility fund and to

include a four (4) mil increase to promote all employees from the bottom two (2) pay grades, and allow the City Manager to use the excess to fund recurring items presented at her discretion and to use all remaining unexpended general fund revenue from the fiscal year 2023-2024, and whatever was needed from the unassigned fund balance to give \$236,800 to a retention bonus program for general fund employees. Council Member Carter seconded the motion. Mayor Partin called the question which was unanimously approved by roll call vote.

Mayor Partin stated that she still needed to take action on the rest of the Ordinance which was the other half of the budget. Council Member Sox made a motion to approve the utility fund budget with a 10% utility rate increase and authorize the City Manager to use any remaining unexpended utility fund revenue and fund balance. He asked Council to disregard that since that rewrite was based on some of the projections. He then made a motion to approve the utility fund budget with a 10% utility rate increase and authorize the City Manager to use unexpended utility fund revenue from the fiscal year 2023-2024 and any funds needed to make up \$126,400 from the reserve fund to create a retention bonus program for utility fund employees. Council Member Carter seconded the motion. Mayor Partin stated that she believed that meant they did not have a funded, balanced budget. City Manager Hegler stated that she would say it was still unbalanced but would have to do the math. Mayor Partin asked for some guidance on what happened with an unbalanced budget.

City Attorney Crowe stated that if Council intentionally passed a budget that included an unbalanced utility enterprise fund budget, then the City was subjected to potential legal challenge and legal risks because it jeopardized among other things, the City's debt coverage covenants in the bonds. He stated that the City had obligations under the covenants or promises of the bond, that they would maintain certain debt coverages. City Bond Attorney Flynn stated that the Constitution actually required that Council adopt a budget that had properly balanced revenues and expenses. He stated that it did not say those revenues and expenses had to come from the same source but they could not have a budget that was not in balance, it violated the terms of the Constitution. He stated that with respect to coverage, the City did have minimum coverage requirements under its master bond Ordinance and as they had talked about before, that was 1.1 times net earnings over debt service and was obviously a number before the transfers over to the general fund were made. City Attorney Flynn stated that the issue with budgeting versus actuals, was the coverage was calculated on the basis of actuals so it could only be ran on the basis of the numbers that were finalized.

City Attorney Flynn stated that they would not know whether the City was in coverage compliance for fiscal year 24, until the audit financial statements for fiscal year 24 were finalized. He stated that the projections were showing that the City was going to be underfunded with respect to coverage and would not meet the mandatory minimum coverage ratio and that was the reason the rate consultants had proposed doing a 40% rate increase to be able to make sure that the system sustained itself in

compliance with coverage requirements. He stated that they would not know for another six (6) to 10 months how it was going to turn out. He stated that the revenues that they were planning to put in place through the budget amendment would not be known until the end of fiscal year 25 because they would not take effect until this year. He stated that if the City failed coverage compliance, it was an event of default under their bond documents, in which case, the trustee would then come in and step in and in order to protect bondholders the trustee would increase the City's rates up to a level sufficient to be able to make sure that the City could run and operate the system on an efficient basis and continue to make debt service. He stated that it was a double edged sword, because the City had a constitutional requirement to pass a balanced budget, after proper notice, but Article 10, Section 7 of the Constitution required a properly balanced budget, that did not require the City to have a budget where revenues explicitly met expenditures. He stated that Council could move money from fund balance but that was not a great budget practice and that would typically violate the terms of what they would say is best to have a balanced budget, but it might not be a fiscally sustainable budget.

Council Member Sox asked Attorney Flynn if he was saying they would not know the full impact of 10%, or any percent increase for over another year. Attorney Flynn stated that there were projections that had been done by the City's independent rate consultants that were projecting that in the absence of the 40% rate increase that was originally proposed, Council was at risk of violating the City's bond covenants. Council Member Sox asked if the primary driver of the downward credit pressure was a reduction in debt service coverage, due to the fund transfer that the City was making. City Attorney Flynn stated that it was a variety of factors and the City's credit pressures were not due solely, and they were not solely attributable to the issues associated with coverage. He stated that the demographics of the community, the size of the system, the fact that the City had major capital needs that were upcoming, the fact that Council had not put a rate increase in place in five (5) years, the fact that they were dealing with 20% inflationary costs on insurance costs, that the City had seen across the board increases in chemical costs, declining trends on fund balance and reducing trends on debt to equity ratios. He stated that all of those things were part of the package that they were going to look to.

City Attorney Flynn stated that the business operation of running a water and sewer system and then also the demographic and financial information associated with running that system in the City of Cayce and the surrounding areas that the City served and all of those things became part of the greater package of taking a look to say, are we in a position that your credit rating would be sustained. He stated that the credit rating was really, as a bond counsel, it was irrelevant to where the City stood currently because they were not actually in the market of issuing debt. He stated that the credit rating affected the City's ability to borrow money in the future and that was certainly things that needed to be thought through as Council started looking through the City's dynamics for improvements that were needed to be made to the system. He stated

that it was going to increase the City's borrowing costs, if they needed to make expansions to the treatment plant or the wastewater treatment plant. He stated that the real boots on the ground, important criteria that they were trying to reach and the reason for the cost of services analysis, and the rate study that was otherwise performed by Raftelis was taking an aggregate look at the City's system, recognizing that the City did have declining trends on coverage and trying to address those declining trends through rate adjustments. He stated that there was only two (2) ways to increase coverage, since the debt service was fixed, either raise revenues or reduce expenses. He stated that in the absence of being able to reduce expenses and recognizing that the City had lots of open positions in the utility department, the only way to cover that was through making incremental rate adjustments, and they were big rate adjustments, and they certainly recognized that. He stated that 10% was not sufficient to be able to sustain coverage into next year.

Ms. Mihaela Coopersmith, a Consultant with Raftelis, stated that a 10% increase was about a \$760,000 increase in revenues because the increase did not apply across the board. She stated that it only applied to the retail water and sewer rates. She stated that the wholesale sewer rates were separate. Council Member Sox asked if the \$12 million that was generated from that year, if Ms. Coopersmith was then taking out the cost to treat the waters to get to seven. Ms. Coopersmith stated that they were only focusing on the on the \$7 million that the City received from retail customers. She stated that the \$5 million that were from the City's wholesale partners were calculated separately and was a contractually based rate. Council Member Sox asked if the Industrial Park was separate. Ms. Coopersmith stated that the Industrial Park would be within the sewer inside or outside and the wholesale had to do with the Town of Lexington and the Joint Municipal Sewer and Water Commission. Council Member Sox asked what was the exact dollar figure on the 7. Ms. Coopersmith stated \$758,289 based on their projections. Council Member Sox stated that he appreciated them walking through this with him and asked if the money in the account this year to cover all of this with the rate that was not going to change was that how short it was looking for this year or were they saying three to five years down the line. Ms. Coopersmith stated that they were looking at being short for fiscal 2025. She stated that her understanding from staff was urgency in understanding this year and making sure to find all the proposed expenses for fiscal year 25. She stated that the options Raftelis provided to Council was the 40% increase which would then ensure that the City had enough revenues to go to what they called annual maintenance rate increases after that, which used to be 2 to 3% but currently inflation was more like 4 to 5%. She stated that a 25% increase would be the bare bones minimum followed by a 20% and a 10% increase to get the City to those inflationary increases. She stated again, those applied to the City's water and sewer rates, not to all of the revenue line items.

Council Member Sox asked City Manager Hegler about the first utility budget that was presented to Council which was 41.7, then the last one was 42.9 and now this was 43. She stated that she did not know which version he was referencing. He stated the

515. She stated that when Council and staff met on May 15, staff was presenting Council options, what percentage increases they would entertain so those numbers would change depending on what percentage increase they were talking about. She stated that night's white paper referred to the 10% action from Council the prior week with no changes to expenses. She stated that to Ms. Coopersmith's point any incremental increases of 10% was about \$760,000 incrementally so based on the motion Council Member Sox just made he funded certain items for staff but did not close the deficit that was before Council. Mayor Pro Tem James asked City Attorney Flynn for clarification on some items. He stated that Mr. Flynn commented on the tail wagging the dog, expectations versus expenses but then followed up with balanced, but yet maybe not even a physically sustainable budget and then Ms. Coopersmith was talking about staff giving direction in reference to expenses and getting prepared for future expenses, which he thought was a keen idea however, all of that and taken into consideration that the best predictor for the expenses of next year would be the expenses of last year and the City was coming in under budget. He asked Mr. Flynn to help him understand why. He stated that the thought that increases could go sky high, needed to be balanced on the back of the taxpayers before it did go up. He stated that he was asking Mr. Flynn to think way outside the box. He asked was there not something Council could do to tell residents that they held off until the expenses did go up and they put something in place versus telling residents they raised rates thinking maybe they had to go up because that was the position Council was in.

Mr. Flynn stated that he was a bond lawyer so he dealt in actual numbers, not projection numbers, so he was going to back to Ms. Coopersmith to be able to fill in the gaps on why the numbers were necessary for fiscal 25. He stated that Mayor Pro Tem James asked how they could potentially make certain adjustments, so that it was not a static percentage. He stated that in the electric utility rate context, there was somewhat of an analogue, but he thought the City could potentially extrapolate into their rate structuring but it would take some time and would certainly be a lot of work on staff. He stated that one potential option was to establish an upper end threshold for where the rate should otherwise be because at the end of the day, you could not assign the discretion to make rate determinations to any other body except yourself but if they put a cap in place and gave the authorization to staff to give up to 40% rate increase through this budget and then look at the rates or look at the pro forma, or actual revenues and expenses as they come in month over month. He stated that they could put on the 10% rate increase effective July 1 and then do a month over month look through the fiscal year to make a determination as to whether or not rate increases were indeed necessary based on actuals in the current year, so they were at least making incremental or instantaneous adjustments, as they saw potential losses coming into effect. Mr. Flynn stated that what he needed as Bond Counsel was to be able to say, are you living within the parameters of the covenants of your bond documents that would allow you to make sure that you meet those coverage thresholds because that was the concern that he ultimately had as Bond Counsel, was whether or not the City

had sufficient revenues to be able to meet that coverage ratio because of that default risk.

Mr. Flynn stated that as long as the City was doing something where they were proactively adjusting, or potentially making those adjustments on a forward looking or on an instantaneous basis, up to some threshold that Council identified as the cap, that certainly could be an option. He stated that it would need to be worked out with the rate consultants to figure out exactly how to implement that. He stated that it could result in some fluctuation on bills in order to get to a place where it stabilized, but it would at least get the City to a place where they could make that adjustment and then make incremental adjustments through the fiscal year as needed to be able to capture those calls. He stated that the issue they would run into when you run a water and sewer system was there were bigger revenues in the summertime because people were watering their lawns and you see all that offsetting increase on the sewer as well and in the winter months people used less water so there was a little bit of fluctuation on the revenues. Mayor Pro Tem James thanked Mr. Flynn for his non-traditional thought process because everyone just thought the best thing to do was just put it on the back of the taxpayers and get the money. He stated that Council could set a threshold, and as the City leadership recognized, was meeting that threshold, or meeting somewhere between what they approved of that threshold, and they were able to move to that, but only when the expense negates it or expects it. He asked Mr. Flynn as an attorney, did he support something like that. Mr. Flynn stated that he liked black and white, if one knew what the rates were going to be, it was much easier to otherwise identify that. He stated that there was software that could certainly allow staff to make immediate changes but that might put a lot of pressure on staff to be able to figure out how to make those financial adjustments. He stated that they would have to apply those adjustments as they otherwise needed to, to be able to make the initial 10% increase that was currently on the table. He stated that it was one of those things that needed open dialogue and in depth transparency on how revenues were coming in visa vie expenses, that was the only way something like that would work.

Mayor Pro Tem James asked Ms. Coopersmith if a program could be put into place that would suffice. Ms. Coopersmith stated that Mr. Flynn said up to 40% and that would be what Council would need to allow staff to raise the rates to the expenses needed. She stated that would be a very difficult challenge on both the billing and financial staff. Mayor Pro Tem James stated that he had heard that three times but the City had a very competent staff who was very good and did not mind working for the citizens. He stated that if it saved money he thought they would be willing to do that. Ms. Coopersmith stated that ultimately, that was Council's decision. She stated that she wanted to point out that the last time Council did a rate increase in the water and sewer rates was 2019 and since 2021 to the 2024 budget, the City's expenses had gone up about 50%. She stated that it was not just the water and sewer utility fund, everyone's budget had gone up, and that was part of what was driving the need for the rate increase from their last look at the City's current year to date. She stated that it

looked like the City would be close to meeting budget this year and they did not see a significant chance of being under budget and they thought that the 2025 budget that staff provided was conservative but tight and there was not a lot of room there for adjustments.

Mayor Pro Tem James stated that he would like for Council to give some type of consideration if they were to ask staff to come back to them with the incremental plan. He asked if they needed to defer. Mayor Partin stated that Council was not legally allowed to defer. She stated that by law, and Council knew this, because they had been around long enough to know they had to have a balanced budget by July 1. She stated that the City was not like the State or Federal government, the City had to provide a balanced budget by the end of the fiscal year, which was in four days. She stated that Council should know their job.

Mayor Pro Tem James stated that he would like for Council to explore what Mr. Flynn spoke of again, since he was thinking not traditional. Mayor Partin asked City Manager Hegler if she could help Council with what that motion might look like. City Manager Hegler stated that staff actually discussed that earlier with Mr. Flynn as an option. She told Mayor Pro Tem James he could make a motion that night to do what he just described and an incremental increase would be the action. She stated that was incredibly staff intensive and they would have to figure out how to do that. Mayor Partin asked Mr. Flynn if he would like to offer that possible potential motion. Mr. Flynn stated that he moved that Council amend the utility fund budget to authorize a maximum cumulative 40% rate increase to be implemented throughout fiscal year 2025 where upon water and sewer rates would be initially increased by 10% on July 1, and incrementally thereafter based on actual expenses. He stated however, to the extent the City was determined to be generating water and sewer revenue in excess of those required under the City's utility bond covenants based on actual revenues and expenses for the prior month as confirmed by the City's Finance Department. He stated that implementation of each plan rate increase should be deferred by staff until the following month, or until such time as the accumulated excess water and sewer revenues were exhausted.

Council Member Sox made a motion to amend the utility fund budget to authorize a maximum cumulative 40% rate increase to be implemented throughout fiscal-year 2025 whereupon water and sewer rates would be initially increased 10% on July 1 and incrementally thereafter based on actual expenses. He stated however, to the extent the City was determined to be generating water and sewer revenue in excess of those required under the City's utility bond covenants, based on actual revenues and expenses from the prior month as confirmed by the City's Finance Department, implementation of each planned rate increase shall be deferred by staff until the following month, or until such time as the accumulated excess water and sewer revenues were exhausted and authorize the City Manager to utilize remaining unexpended utility fund revenue from the fiscal year 2023-2024 and any necessary



funds from the utility fund balance to create a retention bonus program for utility fund employees not to exceed \$126,400. Mayor Pro Tem James seconded the motion. Mayor Partin stated that she believed Council Member Carter had the second. She asked him if he was good with that. Council Member Carter stated that he needed some clarification. He asked if that meant potentially in the next 12 months, the increase could get to the 40% which was Option A and what Raffelis told them a couple of months ago and which was the larger increase up front and in the long term was a little less so Council Member Sox's motion was potentially 40% over a 12 month period. Council Member Sox stated that was correct, to generate what was needed to be able to meet those financials. Mayor Partin asked Council Member Carter if he would second the motion since he was the original second. He stated that he would second the motion. Mayor Partin asked if there was any discussion. Mayor Pro Tem James asked if they needed to grow the increase to 25% or 40%. He asked if Mr. Flynn really thought it was going to grow to 40% within a year or was 25% going to be where it grew and if it went further than that did Council have an option at that time to come back to the table and grow it.

Mr. Flynn stated that Council was the independent rate purveyors for the City and that would allow them to basically do it on a dynamic basis up to that 40%, which was the number that had been proposed by the City's independent consultants. He stated that if they did not go all the way to the 40% in fiscal year 25, he felt staff was going to come back to Council again and make another request for an increase in fiscal year 26. He stated that gave Council the flexibility to do it on a dynamic basis so that if the City's expenses really did come in as proposed or as projected, they could move very quickly so they were not putting the utility at risk. Mayor Pro Tem James stated that Council met twice a month so they could react pretty quickly. Mayor Partin stated that she thought that would require a public hearing notice, just like they did today, if they were going to increase rates again. Mr. Flynn stated that Council had put the cumulative rate authorization at 40% but if they dropped it to 25% but then needed to get to 40%, they would need to go through the full blown rate adjustment process which required public notice and two readings. Mayor Partin stated that the motion meant if rates only needed to be increased by 25% then it was only going to 25%. City Manager Hegler reminded Council that the reason for the difference percentage options from the beginning was that 25% was what had been determined to keep O & M going if those basic thresholds were met and the additional helped staff to start rebuilding reserves and work on capital items that had been deferred so that was the difference between the two. City Manager Hegler stated that one option got them there faster and the City could start to rebuild reserves and work on routine maintenance issues and the other was keeping steady and keeping pace. She stated that Mr. Flynn was right, that in every scenario proposed, 25% was not the final need for the full capital of the system. She stated that the other thing she would note was the City billed bi-monthly so that would be a little bit of a trick of how staff could deal with that motion but she thought they could figure that out.

Mayor Pro Tem James asked Mr. Flynn if Council started with the 10% increase and staff came back and said it was time to increase it was that a full council vote. Mr. Flynn stated that no, it would be done by staff since Council had delegated that function to staff and established the threshold cap. He stated that he did not think staff would make a rate increase in implementation without informing Council but that was the discretion that was being done. He stated otherwise, if Council put the 10% in place, then they would have to go through the full process, and they did not have the dynamic ability to make the adjustment on a regular billing cycle, because they would have to hold a public hearing and have two readings. Mayor Pro Tem James asked if they would still have to do that even though they had given that range. Mr. Flynn stated that if they gave the range and could maintain that discretion than any subsequent increase would be done by resolution. Mayor Pro Tem James stated that he did not know that he fully understand that or either he was just uncomfortable with it. Mayor Partin stated that what she was understanding is if Council went this route it was similar, because it was just raising 10% now but if they went with what Mr. Flynn was saying, that meant the City's credit rating would not drop because they had sent a message that Council was serious, and whatever their expenses were, they would handle that and it protected the credit rating. Mr. Flynn stated that was correct because they were effectively doing dynamic billing, as they saw costs and expenses that were necessary to be adjusted, they were striving to maintain those coverage requirements.

Council Member Thomas stated that it would be in staffs hands and asked if they raised it, how many days would the public be notified before that. Mr. Flynn stated that was an internal question that was not addressed in the motion. City Manager Hegler stated that none of it was going to move as fast as it sounded. She stated that it was just a promise to get where you need to get because the City billed bi-monthly and Council was asking staff to review actuals, predict expenses, and then raise where they needed to. She stated that it could be in billing statements but otherwise, staff would be bringing it back to Council every single time, which was the reason staff proposed options A, B and C from the beginning. She stated that she would have to think through how staff could build in notification and it was not going to be as fluid as it sounded. She stated that she thought it was fine for the purposes of that night if Council needed to balance a budget, but Council would have to work with her to figure out how to do that best. She stated that they were probably going to have to go up in the next month again, that was the point of the study and the numbers they had been talking about.

Council member Thomas stated that currently the 10% increase was \$3.59 and asked if it jumped to the 40%, how much more would that be on top of that because their constituents needed to know that. City Manager Hegler stated that staff put that out before but she thought the difference was \$3.50. Mayor Partin stated that knowing that the room was actually fuller with employees than with citizens because staff cared about what happened in the budget and she was sure Council recognized how many of staff was there. She stated that Ms. Coopersmith just said since 2021 costs had gone up 50% and Council was told that back then. She stated that the City's budget was the

same as any business. She stated that they did not have a choice to pay for chlorine in any amount other than what they were being charged for chlorine. She stated that they knew if a business did not cover its expenses, it did not stay open. She stated that Cayce was a full service city and that was something they should take immense pride in. She stated that making the right decision that night meant that they got to do what they had done for so many years, which was to have some of the lowest rates and fees in the entire region while having the highest quality of life. She stated that the Joint Municipal Water and Sewer Commission charged double what the City's rates were and they raised them every single year. She stated that they could not let that independence be taken away. She stated that national corporations and even nearby political jurisdictions would start licking their chops based on this vote by council if they did not do the right thing, because they knew, it meant that City employees were no longer valued. She stated that in fact, those other entities started doing that as soon as Council signaled that the City was unserious or even half-hearted about controlling their own water and sewer. Mayor Partin stated that if someone was told that there was a way to keep your cost low, without losing quality, then they were lied to. She stated that if someone was told that there was a way for the City to keep using its savings, to pay salaries, and that we could continue to do that year after year, then they were lied to. She stated that she believed that the City's savings would run out in two years. She stated that if someone was told that the City could not raise rates, and it would be better for the citizens, then they were lied to. She stated that she implored Council to do something that made the City whole or otherwise, resident's costs were going to be increased astronomically and their service would be lowered. Mayor Partin stated that Council was told clearly by the Director of Utilities last year and before that, that adjustments were needed. She stated that it was in the Council Meeting minutes. She stated that Council had been working on the budget with staff since February and if some people missed those meetings that was on them. She stated that for five months, Council had the opportunity to work hard for citizens and staff, to delve into this budget and to learn just as our citizens had because everything that they did was open to the public.

Mayor Partin stated that there was not fluff in this budget and it was disingenuous for anyone to say that. She stated that the City's Director of Utilities was not sitting on funds that she could be paying her people more with or buy the equipment that was needed. She stated that if Council stayed with what passed on first reading, which was only a 10% increase, after five months of Council being told what that minimum increase was and that minimum increase was 25%. She stated that somewhere out of a hat came 10% and if that 10% went through, instead of what made the City whole, then that meant general fund employees, which were paid out of property taxes, would get a cost of living raise but the utility fund employees who were paid out of water and sewer fees would not. She stated that if the City lost employees because Council could not put their heads together with staff to come up with an answer to make sure that they were not missing something with a last minute drastic change, they would never get

those employees back. She stated that would be on Council and it would not be administration's fault.

Mayor Partin stated that regardless of what Council did, the City still had some of the lowest taxes and fees in the entire region and they could all be proud of that because it really took everyone to make that happen. She stated that citizens told Council how great staff was and how much they loved the City's utilities, sanitation team, fire fighters and police officers and how amazing they were. She stated that meant Council had to pay them and give them the budget to do their job and to get the equipment to do the things Council was asking them to do. Mayor Partin stated that when she was first elected, over half of the public safety fleet of cars had over 100,000 miles or more. She stated that they literally had officers on the way to a call and one would break down on the way. She stated that the sanitation team did not have rain gear and the fire team did not have a hose dryer. She stated that Council fixed all of that and that was something they should be proud of. She stated that no one wanted to raise the rates on people. She stated that not one staff member said let me ask for more than I actually need. Mayor Partin stated that the citizens in attendance were probably surrounded by employees and should talk to them before they left. She stated that if they did not know them already, they would be enamored. She stated that the City had a team that cared and they had created a culture that made a positive difference.

Mayor Partin asked if there was any further discussion. Council Member Sox asked City Attorney Crow if he wanted to amend his motion did the original Council Member who seconded it need to second the amended motion. Mr. Crowe stated yes, if he wanted to amend his substituted motion, he could just say that. Council Member Sox asked if he needed to read the whole motion or could he move to change part of the motion. Mr. Crowe stated that he could change part of it as long as everybody understood the motion. Mayor Pro Tem James stated that he would like for it to be read if there was going to be a change. Council Member Sox stated that he thought they needed to change the increase to the 25% and that would keep the City in line with what was needed and it was a little bit easier to swallow than the 40% on the backs of the taxpayers. He stated that 25% was where they needed to be and if it maxed out at that, that was what it maxed out at instead of 40.

Mayor Pro Tem James stated that there was not anything that said he could not come back if more was needed. Council Member Sox stated that he would take it on an as needed basis. Council Member Carter stated that Council Member Sox's original motion was 10%. He asked if that was off the table. Council Member Sox stated that was correct. He stated that there would be a 10% increase starting July 1 with a 25% cap and Council could address it anytime pending the reading, posting the notice, a public hearing and two readings. Mayor Partin stated staff was careful so could they not leave it at the 40% knowing that if they did not need to go there, staff would not. Council Member Sox stated that 25% would get them there and that was what was in

the budget. Mayor Partin stated that 25% was more palatable for the citizens but cost them more in the long run. She stated that if staff did not need to get to 40%, then they would not. Council Member Sox stated that the way he understood the motion it was just for fiscal year 2025. Ms. Coopersmith stated that 25% was the bare minimum needed if implemented July 1 and if they implemented that throughout the year the City would lose revenue, because that was actually the bare minimum proposed before the City got the latest increases from its State mandated insurance and a few other pieces they were waiting on from Finance. She stated that it was more like 27 ½% now. Council Member Carter asked if she was saying that option C was really not an option anymore. City Manager Hegler stated that 25% would work with underfunding of certain things. Council Member Carter asked if 25% on an incremental basis would work. City Manager Hegler stated that would not work. She stated that 25% was the bare minimum needed to get through the year and she did not see how if they did that on July 1 how they could make the money projected they would need by the end of the year. She stated that it was a compounded thing so if Council wanted to implement an increment, it would need to be greater than 25% by the end of the year.

Ms. Coopersmith stated that was the same reason why the 40% this year would be equivalent to 25% this year and 20% next year. She stated that they could not just do 20% then 20% because they would lose the cumulative. City Manager Hegler stated that if Council did an incremental increase and only ended at 25% there was still the threat of having a problem because it had not started on day one of accumulating that much revenue. Council Member Thomas asked what was the likelihood that it would get to 40%. City Manager Hegler stated there was not a likelihood. She stated that if they started July 1 with a 25% increase their experts had told them that they would meet all of the minimum operating they needed, expenses, debt coverage and paying the City's bonds. She stated that the 40% increase allowed the City to put money back. She stated they were putting nothing in reserves and in fact the motion takes any overage from the current year and uses it. She stated that the City had minimal reserves so 40% allowed the City to purchase capital and build more money into the reserves. She stated that Ms. Coopersmith was saying is if Council was incrementing their way up to 25% being the answer at the end of the year, they would be short.

City Manager Hegler stated that if Council chose the 40% increase the City would hit higher than 25% and would have to throughout the year to have 25% by the end of the year. She stated that somewhere there had to be trust in that number because it was a matter of projecting expenses and then basing your revenues on meeting that expense. She stated that there could be a business that comes into the City that staff did not anticipate that made up some difference but 25% today was not the same thing as 10, 10, 10 and 5. She stated that it did not add up that way so there was not a likelihood of meeting 40%. She stated that if they went with 40% that day they would be doing everything they needed to do plus some. She stated that they would be putting money in reserves, saving more for a rainy day and taking care of more deferred maintenance. She stated that if Council wanted to go with the minimum

to make sure the City was meeting its coverage and all the things that had to be funded next year, it had to start on July 1 at 25%. She stated that the motion to go up to 40 just built in that lag to get to what the City needed by the end of the year and staff would be calibrating that as they went.

Mayor Pro Tem James asked if they had taken using any fund balance off the table completely. City Manager Hegler stated that the motion had some in there and any capital that was funded would be out of fund balance. Council Member Sox asked if that depended on Council and any potential carryover. City Manager Hegler stated that there was not any capital in a 25% increase and it was all reserve, one time, so they would be depleting that even further. She stated that was why the 40% was a more ideal number from a budgetary perspective. Ms. Coopersmith stated the 40% that they were recommending, they would still be using some of the City's reserves to fund capital. She stated that it did not 100% cover everything.

Mayor Partin asked if there was any other discussion. Council Member Sox stated that he had not formally amended his motion and the one on the table currently was 40% and they were discussing 25%. Mayor Pro Tem James asked what part of having to have a public hearing again caused a problem. He asked why would they not stand on being transparent and allow the people knowledge of why they were raising it. He stated that they would embrace it versus the rates just going up throughout the year, because they had given that latitude to staff. City Manager Hegler stated that she did not have a problem with public hearings. Mayor Partin stated that she was not sure she understood Mayor Pro Tem James question. He stated that he had no problem with coming before the community just like they did that night, if they had to move from 25 to 40 and having a public hearing to make sure that the public understood why they were moving from 25 to 40. Mayor Partin asked if he was saying go ahead and do the flat 25% increase. Mayor Pro Tem James stated that he was not saying go with the flat 25. He stated that was not the motion on the floor and he was asking for alternatives.

Mayor Partin asked if she was correct that to protect the City's credit rating, so they did not hurt the citizens further. Mayor Pro Tem James stated that was not the only thing that could affect credit rating. He wanted to make sure everyone understood that. Mayor Partin stated that for the City to be able to bear loans their options to do that would be the flat 25% or flat 40% increase which was a little bit more now but cost the citizens less in the long run, or the motion that was on the table right now. She asked if that was correct. She stated that there was not an option to go incrementally to 25%. Council Member Sox stated that he had a few questions for clarification. He stated that the City must have 25% to be able to make the bond payment or to be able to put aside money to keep the credit rating up but as he understood it the credit rating would not change until they went to the market and he did not think they were planning to go to the market anytime soon. Mr. Flynn stated that the credit rating was a factor for when the City went out and was selling new debt. He stated that the independent credit rating agencies assigned a credit rating based on some indicative criteria that said the

City was currently a double A or an A plus and they could benchmark that against said similar situated utilities across the country. He stated that outside of that there were some annual covenants in the City's master bond resolution, which was the master document that controlled the issuance of debt and the City had made covenants to its bondholders. He stated that the City had five series of current outstanding revenue bonds and had told them that they would maintain rates at a level so that the revenues of the system, less the expenses that they would have to pay, adding back in depreciation, which was non-cash, to come up with basically a net profit number for the system. Mr. Flynn stated that the net profit number had to be at least 1.1 times the annual debt service and the City's annual debt service in its bonds was about \$4.5 million a year and in order to meet that number, they had to make sure they had at a minimum net profit of about \$4.8 million. He stated that was the threshold that they were solving and the math that Raftelis had run to come up with those rate criteria and those rates. He stated that if the City did not meet those numbers and failed its coverage was a technical default under its bonds and the trustee who was the third party fiduciary that acted on behalf of bondholders can mandamus the court which basically was bringing an action in the courts to make the trustee raise the rates, independent of any action that Council was taking. He stated they thought that the City still had enough money to generate money to pay debt service, because the City still made that transfer to the general fund. He stated that the City had enough money to pay debt service but would fail its coverage ratio. Mr. Flynn stated that coverage ratio was a legal requirement and the City's bond documents made sure they were creating enough fund balance surplus revenues to pay on the system as they moved forward. He stated that the minimum legal requirements was a 1.1 times coverage requirement so net profit over debt service had to be at least 1.1 times at all times otherwise it was in default.

Council Member Sox stated that currently the City's was 1.18 going by what had been sent to Council. Mr. Flynn stated that was correct and incrementally if it dropped by \$200,000 the City would fall below that threshold. Council Member Sox asked if the City could use any of the ARPA funds that were expended or hold on to them. Mr. Flynn stated that was not possible and whatever the City generated from selling water and sewer and tap fees, any of those things were treated as year-end revenues, actual cash in the year of collections is what was otherwise permissible. Mayor Pro Tem James stated that talking in percentages was scarier than talking in dollar amounts and asked that they discuss what a 25% really meant to a household. City Manager Hegler stated that within city limits, the average home used 3,750 gallons per month and that was \$75.50 bi-monthly and an additional 25% would be \$8.97 per month and the City continued even at 25% to be the second lowest provider. Ms. Coopersmith stated that the City continued to be the second lowest in the region based on everyone's current rates and they knew that everyone was likely to implement July 1 rate increases.

City Manager Hegler stated that at the 40% increase the difference was \$14.35 and the difference between 25% to 40% was about \$5. Council Member Thomas stated

that it sounded like the 25% increase was out and they were handcuffed to the 40%. Ms. Coopersmith stated that the 25% on July 1 would be what Raftelis recommended so the City could make sure to meet its minimum requirements, not the progressive increase. Council Member Thomas asked so they would not have to make any recommendations or increases throughout the year if it was capped at 25%. Ms. Coopersmith stated that was correct unless there was some sort of major emergency that was not planned for. She stated that meant Council would have to have this discussion again with her next year. Council Member Thomas stated that he thought next year was the 20% increase. She stated that was correct and it was not going to be the 5% increase. Council Member Thomas stated that he had constituents that were living day by day so he was very sensitive to making sure that they could survive.

Mayor Partin stated that they would not be doing their citizens a service if they let them have unclean water. She stated that staff was already doing a lot with a little and maybe there was an opportunity for Council Member Thomas' boss Congressman Joe Wilson to work at the Federal government level to get some more assistance for Medicaid and advocate to the School District to see if a 21 mils increase was really needed. She stated that the cuts did not necessarily need to happen on the local level since they were the lowest taxing entity. Council Member Sox asked at what point would Council have to do another rate study. Ms. Coopersmith stated that they typically recommended an annual update. She stated that the initial study was the big engagement to try to get everything together and doing an annual update was just Raftelis checking in with staff, updating the City's revenues and making sure their projections still made sense and validating the rate increases they recommended still made sense, or making adjustments as needed. She stated that they typically always recommended a small annual increase since it was better to do a small annual increase than not to do one at all.

Mayor Pro Tem James asked what the current motion was. Council Member Sox stated that he appreciated everyone being there to give Council all of this information and be able to talk through everything. He stated that he knew they came and presented to Council at earlier council meetings but at that point in time, they were months out from having to do this and a lot of the questions had not started to salivate. He stated that he would rather see the 25% increase starting July 1 than doing a 10% increase July 1 and having to jump to 40% pretty quickly so he would like to take his motion off the table. Mayor Partin asked if Council Member Sox needed to do anything more than just the 25% increase for utility fund. City Manager Hegler stated that she did not think so since he was working on doing some staff increases, those would be built into the 25%. Council Member Sox asked if they could make sure those were identical to what the general fund was getting. City Manager Hegler stated that it would even help because it was probably going to be less than what was built into it since staff was trying to make a \$2,550 per person bonus work but since they were going to do less than that, it was going to be fine.



City Manager Hegler stated that capital was also on the table and it was not included in the \$25 increase so Council was either approving the capital out of reserves as presented or would be cutting something if they did not want it for some reason. Council Member Sox stated that City Manager Hegler indicated in the general fund discussions that she was going to have to come back to Council with one time capital purchases. He asked if they could do capital items for both funds at the same time so they were not going line item by line item not knowing which one costs which. City Manager Hegler stated that it would affect what they did with the purchasers on the sewer plant because it was a circular budget. She stated that the City, through its purchasers agreement with the Town of Lexington and the Joint Municipal, charged them for their share of the expenses and had to give them those numbers by July 1. Council Member Sox asked if the motion needed to be to approve the utility fund budget as proposed at first reading with a 25% increase. City Manager Hegler stated that effectively doing that would make the revenues match the expenses. Council Member Sox stated that his first reading motion was the 2024-2025 utility fund budget was currently balanced at \$42,904,761 which included a 25% rate increase for water and sewer customers inside and outside of the city. He stated that he could amend the cost of living to state just to match what they were giving general fund employees, 15% debt coverage for the City's utility fund debt, the bond payments for all bonds and then that would also include the FTE's with the 25%. City Manager Hegler stated no, she thought the FTE's were taken out.

Council Member Sox stated so he would just make the motion that did not include the FTE's and the cost of living increase of \$2,550 and the language would just be to not exceed a certain dollar figure. He stated that they could say the match because he thought that was \$1,600, which was what was starting to be floated around, and he had a dollar amount for that and if it was not that \$1,600 average, the discretion was City Manager Hegler's to give however she saw fit, based on their conversations at the budget work session. City Manager Hegler stated that he also had to include capital, to be funded out of reserves. He stated and to include approving the capital items. He asked if he needed to say all capital purchase funded out of reserves for a total of \$2,280,515. He asked if City Manager Hegler wanted to refrain from taking so much from reserves. She stated that she did not want to but these were items that Utilities Director Catchings felt they absolutely had to have. Mayor Pro Tem James asked what the total was. City Manager Hegler stated that total capital was \$2.28 million, \$600,000 of that would come from the wastewater renewal and replacement reserve fund, \$784,000 of that would come from a capital equipment reserve fund and \$895,000 of that would come from the water sewer capacity reserve fund. Mayor Pro Tem James asked if the City came under budget this year, would the excess money go back into fund balance. City Manager Hegler stated that was correct. She stated that they would not need to make any motion to address any overages, which she did not think there was going to be many, but they would go into those accounts appropriately.

Council Member Sox made a motion to approve the 2024-2025 utility budget balance at \$42,904,761, including a 25% rate increase for water and sewer for all customers inside and outside of the city. Mayor Partin asked if 42 was the right number and did that need to be said as part of the motion because she did not want that to throw things off. Council Member Sox stated that was the number presented to Council with a 25% increase. City Manager Hegler stated that he could just say the 25% increase and that would make the expenses match the revenues. Council Member Sox made a motion to approve the 2024-2025 utility fund budget to be balanced and to include a 25% rate increase for water and sewer for all customers inside and outside the city, a retention bonus to match the general fund employee retention bonus, 15% debt coverage for the city's utility fund debt, bond payments for all bonds and all capital purchases funded out of reserves proposed by staff. City Attorney Crowe asked Council Member Carter if he accepted the substitute motion. Council Member Carter stated yes, he seconded the motion. Mayor Partin called the question. Mayor Pro Tem James and Council Members Carter and Sox voted yes. Mayor Partin and Council Member Thomas voted no.

City Manager Hegler stated that the master fee schedule would be updated to include all of the actions that were just taken so when Council approved the Ordinances it would capture all of those things. Mayor Pro Tem James made a motion to approve Ordinance 2024-06 to adopt an annual budget, levy a property tax and provide revenue for the City of Cayce for the fiscal year ending June 30, 2025 and to adopt and establish certain new fees and charges as discussed with the prior two motions. Council Member Sox seconded the motion. Mayor Pro Tem James and Council Members Carter and Sox voted yes. Mayor Partin and Council Member Thomas voted no.

**B. Discussion and Approval of Ordinance 2024-08 Amending Article 6 District Regulations to Add Language to Create the RS-4A Single-Family Zoning District Along with Accompanying Regulations – First Reading**

Council Member Sox apologized for interrupting but asked if Council needed to approve the master fee schedule as well. City Manager Hegler stated no, the master fee schedule and the budget were all under the Ordinance umbrella so the master fee schedule would get updated based on all the motions Council just made unless there was something else he wanted to address. Council Member Sox stated that he did want to address something there and asked if it could be done at the next council meeting. City Manager Hegler stated a public hearing was necessary to amend a fee and asked if there was something he wanted to amend within what they just did. Mayor Partin stated that they were on a separate item now.

Mayor Partin stated that Council had before them a recommendation from the Planning Commission. She stated that they unanimously voted to recommend that Council approve the first reading of an Ordinance amending Article Six district regulations to create the new RS-4A zoning district with the following revisions to staffs

draft document - remove duplexes from allowed uses which was a unanimous vote from the Planning Commission, remove accessory apartments and accessory dwelling units from allowed uses which four voted in favor and two against. She stated that the majority of the Planning Commission agreed that accessory apartment accessory dwelling units should not be allowed in the RS-4A district because of the higher density lots and because that use was not permitted in any other single family zoning district.

City Manager Hegler stated that staff proposed a text amendment to create this new zoning district which was a single family zoning district but they were calling it RS-4A single family, small lots, urban did have associated regulations with it. The proposed amendment would create a zoning district that was similar to the existing RS-4 zoning district with the only noticeable difference being that their setbacks requirement for the front and back on the RS-4A would be somewhat smaller. She stated that it was also being proposed that it would allow an accessory dwelling unit and the Planning Commission had a lot of discussion about that. She stated that single family detached homes with front yard setbacks of 25 or 30 feet made up the majority of the stock in Cayce and currently ADU accessory dwelling units were not allowed. She stated that RS-4 was looking at that as a need for some additional style of housing and development that the City currently did not allow for and would allow for that slightly higher density housing while retaining the single family residential uses and would not be exempt from other land development regulations such as sidewalks, streets, trees, requirements for open spaces and would also be subject to the City's infill Ordinance if it applied for that.

City Manager Hegler stated that the proposed text amendment to add this single family zoning district was in compliance with the comprehensive plan since the goals of the comprehensive plan related to housing were to meet the future housing needs of the City and to review and update the zoning Ordinance as needed to ensure the availability of diverse housing types which staff thought this would do. She stated that the Planning Commission met and voted to amend Article Six which was the action to create this new RS-4A zoning district. She stated that several members of the public were in the audience but no one spoke for or against it. She stated that the Planning Commission did discuss making some amendments to it and they wished to remove the duplexes from the allowed uses which were still single family but were just attached and that was a unanimous vote of the Planning Commission and then in a vote of four to two they also wanted to remove those accessory dwelling units because that was a use the City currently did not have and they were often found within those types of zoning districts. She stated that after that change, the Planning Commission had a split vote on whether or not to recommend the new district to Council so it was three to three with those changes to approve it. She stated that Council did not have a recommendation from the Planning Commission but staff supported and believed that it was in line with the City's comprehensive plan and future growth needs.

Mayor Pro Tem James made a motion to support staff's recommendation. Council Member Sox seconded the motion. City Attorney Crowe stated that the Planning Commission recommended to not permit accessory apartments and duplexes. Mayor Pro Tem James stated that was why his motion was to go with staff's recommendation. Mr. Crowe stated so they would allow duplex accessory apartments. Mayor Pro Tem James stated that the City Manager and Assistant City Manager were excellent in zoning so he was going with their recommendation. Mayor Partin called the question which was unanimously approved by roll call vote.

C. Discussion and Approval of Ordinance 2024-09 Amending the Zoning Map and Rezoning Properties Located at 800 Lexington Avenue (Tax Map Number 05769-04-001 and Tax Map Number 005769-04-004) from RS-3 to RS-4A – First Reading

City Manager Hegler stated that based on the development of this new zoning district there was an applicant that was interested in applying for it and also went before the Planning Commission at the same meeting. She stated that she was referring to 800 Lexington Avenue and the property owners were requesting a map amendment that would then rezone the property to RS-4A. She stated that it did not outright comply with the comprehensive plan because the comprehensive plan did not have RS-4A in it but it did discuss transitional areas that staff would suggest did comply with the plan. She stated therefore staff's opinion was that RS-4A was a compatible zoning district for this site within the area that it is located. She stated that when the Planning Commission met there were several members of the public there and one spoke against the map amendment. She stated that he stated that he felt the proposed regulations did not make sense for the area because there was no houses in the area with small setbacks. City Manager Hegler apologized and stated that she misspoke earlier: She stated that the Planning Commission had a split vote and did not come to a decision on a recommendation for this change by a vote of three in favor of the change of the zoning and three against. She stated that the motion to recommend approval of the map amendment failed. She stated that those in favor of the map amendment stated that they believed the proposed development at 800 Lexington Avenue would be an enhancement to the neighborhood and stated that the property had been in the same state for decades. She stated that those against the map amendment stated they were concerned about the setback requirements and not happy with the density of proposed development and were not comfortable with voting on the map amendment before Council made the decision on the RS-4A zoning district.

Council Member Thomas made a motion to approve rezoning the property from RS-3 to RS-4A at 800 Lexington Avenue. Mayor Pro Tem James seconded the motion which was unanimously approved by roll call vote.

**D. Consideration and Approval of Resolution Providing Certifications of Abandoned Buildings and Abandoned Building Sites at 800 Lexington Avenue Pursuant to the South Carolina Abandoned Buildings Revitalization Act**

City Manager Hegler stated that this item was just a formality and it was a coincidence that it was the site they were just talking about. She stated that it was the intent of the owner of 800 Lexington Avenue to utilize an incentive for the rehabilitation, renovation and redevelopment of abandoned buildings under the South Carolina Abandoned Buildings Revitalization Act. She stated that for that purpose they needed from the City certification that this building had been abandoned for not less than five years. She stated that it was a formality anyone could ask for and it had to be done via a Resolution. She stated that staff confirmed that those buildings had been abandoned so they would recommend City Council approve the Resolution, which provided certification that the building at 800 Lexington Avenue has been abandoned for more than five years.

Council Member Carter made a motion to approve the Resolution providing certifications of abandoned buildings and building sites at 800 Lexington Avenue. Council Member Thomas seconded the motion which was unanimously approved by roll call vote.

**Items for Discussion and Possible Approval**

**A. Discussion and Approval to Enter into an Agreement for Fire Dispatch Consolidation with Lexington County**

City Manager Hegler stated that currently the Fire Department was dispatched by the City's dispatch center, which was also responsible for dispatching police. She stated that since 2020, the Fire Department's call volume had increased by 89.6% and the Police Department's calls had increased 15%. She stated that the transition that staff was proposing would allow the dispatcher to focus more on police procedures and not have to worry about also juggling that with fire operations. She stated that consolidating dispatch centers with the County would increase the Fire Department's level of service and efficiency by truly being part of automatic aid instead of mutual aid. She stated that automatic aid allowed for the closest unit to be dispatched along with other supporting units in the area automatically whereas mutual aid required phone calls and coordination between the units and dispatch centers costing time and resources.

City Manager Hegler stated that the City was trying to get to a point of automated versus mutual by having this shared dispatch center with Lexington County. She stated that there was an agreement that had been recently approved by Lexington County Council. She stated that Lexington County communications was funded through the Lexington County general fund and all agencies dispatched with County Communications were not required to contribute funding or pay for the services of the

communication department. She stated that each agency was however required to maintain their own equipment within their agency in order to receive and transmit effectively with the 911 dispatch center and the City already had everything needed to do this. City Manager Hegler stated that there was no request for funding and the agreement contained a five (5) day termination clause that could be exercised by either party. She stated that staff believed that consolidation would improve the City's ISO rating.

Mayor Pro Tem James made a motion to approve the request to enter into an agreement with Lexington County Communications for the purposes of dispatching the Fire Department. Council Member Sox seconded the motion. Mayor Pro Tem James stated that he liked the fact that the City could pull out at any time if they decided to do so. Mayor Partin stated that the ISO rating was part of what helped residents to have a lower insurance rate for their home. She stated that the City made sure they were paying their employees, giving them the equipment they needed to do the job that they were asking them to do but also doing unique things like this, it helped to create the best ISO rating. She stated that was a really cool thing Council did to help control costs that were not theirs. She stated that she did not have a whole lot of comfort with County Council and most municipalities in the county did not right now because of what they had been doing with the roads but she was fully supportive. She asked for an update in three months on how it was going. She called the question which was unanimously approved by roll call vote.

**B. Consideration and Approval of Addendum for South Carolina Public Employee Benefit Authority (PEBA)**

City Manager Hegler stated that PEBA currently required that council members be considered full time eligible city employees for the purposes of participation in the medical insurance program and they were now offering to participating counties and municipalities an amendment to exercise a one-time irrevocable option to exclude council members from that definition of employee for insurance participation purposes. She stated that this election to exercise the option to exclude council members would apply to all members of the council and was irrevocable for the duration of the City's coverage in the state insurance program. She stated that councils of current participating municipalities would need to vote to remain eligible in the state insurance program or to be excluded, so an action had to be taken either way. She stated that this did not affect council members participation in the retirement system. City Manager Hegler stated that if Council elected to exclude council members from coverage currently enrolled council members would lose all coverage under the state insurance benefits program on the effective date of the addendum and any loss of coverage due to the selection was not a qualifying event under COBRA. She stated that those council members who lose coverage would not be offered or eligible to enroll in the COBRA program. She stated that the City actually had an Ordinance that addressed this. She stated that Section 2-121 stated that council members shall reimburse the city on a

monthly basis for their participation in that program so she thought the City had a good process in place for how to deal with what had probably been a problem for other municipalities.

City Manager Hegler stated that Council's options were to make that change and continue to use the coverage or make a change, meaning that council members would no longer be considered employees for the purposes of medical insurance with PEBA. She stated that action would actually require an Ordinance and then follow up requirements for going into effect after the next election in two (2) readings. She stated that staff really did not have a recommendation but it was probably smoothest for Council to make no change as long as the City had an Ordinance that addressed any concerns about salaries. Council Member Carter recused himself from this issue since he currently utilized some of the PEBA coverage (his recusal form is attached).

Mayor Pro Tem James made a motion that Council make no change. Council Member Sox seconded the motion. Mayor Pro Tem James stated that he thought it was important to make sure that the community understood this was revenue neutral and cost the City nothing. He stated that anything that was a benefit to the council member that may be in it was paid for by that council member. Mayor Partin stated that there was a time when council members got that benefit on the taxpayers dime and so they did change that. She called the question which was unanimously approved by roll call vote.

### **City Manager's Report**

Ms. Hegler stated that she did not have any comments.

### **Council Comments**

Council Member Thomas asked everyone to continue to pray for Betsy and her family. City Manager Hegler stated there had to be six (6) days between a first and second reading so any items moving forward as a second reading from that night would violate it. Mayor Pro Tem James made a motion to cancel the July 2, 2024 Council Meeting and stated that the next Council Meeting would be July 17, 2024. Council Member Carter seconded the motion which was unanimously approved by roll call vote.

Mayor Pro Tem James thanked staff and the community that was there. He stated that what they saw was Council working through something that was very tough in a very transparent way. He stated that at the end of the day, focus on the past, and it always proved what the future was going to be. He stated that he thought it came out as well as possibly could be expected and it was a good balance for the citizens, as well as for the City.

Mayor Partin stated that staff had not just held four (4) budget workshops and met with Council but administration had answered 17,000 phone calls and sent 15,000 emails and this was the most well informed council that probably existed. She stated that she would like to ask Council that they not do this again and that out of respect for staff that they work together and figure this out ahead of time next year, and not wait till the 11th and a half hour.

### **Executive Session**

- A. Receipt of legal advice relating to claims and potential claims by and against the City and other matters covered by the attorney-client privilege

There were no items to discuss in Executive Session.

### **Adjourn**

Mayor Pro Tem James made a motion to adjourn the meeting. Council Member Sox seconded the motion which was unanimously approved by roll call vote. There being no further business, the meeting adjourned at 9:24 p.m.

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Elise Partin, Mayor

ATTEST:

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Mendy Corder, CMC, Municipal Clerk



**IF YOU WOULD LIKE TO SPEAK ON A MATTER APPEARING ON THE MEETING AGENDA, PLEASE COMPLETE THE INFORMATION BELOW PRIOR TO THE START OF THE MEETING.\* THANK YOU.**

## COUNCIL MEETING SPEAKERS' LIST

Date of Meeting      June 26, 2024

Name	Address	Agenda Item
<del>Becky</del>		
Kay Hutchinson Mark James	1774 Hammerwood 3101 Devine St.	III A III C

**\*Appearance of citizens at Council meetings - City of Cayce Code of Ordinances, Sec. 2-71.** Any citizen of the municipality may speak at a regular meeting of the council on a matter pertaining to municipal services and operation, with the exception of personnel matters, by notifying the office of the city manager at least five working days prior to the meeting and stating the subject and purpose for speaking. Additionally, during the **public comment period** as specified on the agenda of a regular meeting of the council, a member of the public may speak on a matter appearing on the meeting agenda, with the exception of personnel matters by signing a speakers list maintained by the city clerk prior to the start of the public comment period. The number of speakers at a council meeting may be limited in the discretion of the mayor or presiding officer, the length of time for any speaker's presentation is limited to a maximum of five minutes, and a presentation may be curtailed if determined to be uncivil, contentious, or disruptive in the discretion of the mayor or presiding officer or by majority of vote of council.

RECUSAL STATEMENT

Member Name: PHILLIP CARTER

Meeting Date: JUNE 26, 2024

Agenda Item:  Section B Number \_\_\_\_\_

Topic: CONSIDERATION AND APPROVAL OF ADDENDUM FOR SOUTH CAROLINA PUBLIC EMPLOYEE BENEFIT AUTHORITY (PEBA)

*The Ethics Act, SC Code §8-13-700, provides that no public official may knowingly use his office to obtain an economic interest for himself, a family member of his immediate family, an individual with whom he is associated, or a business with which he is associated. No public official may make, participate in making, or influence a governmental decision in which he or any such person or business has an economic interest. Failure to recuse oneself from an issue in which there is or may be conflict of interest is the sole responsibility of the council member (1991 Op. Atty. Gen. No. 91-37). A written statement describing the matter requiring action and the nature of the potential conflict of interest is required.*

Justification to Recuse:

Professionally employed by or under contract with principal

Owns or has vested interest in principal or property

Other: PERSONAL PARTICIPATION IN HEALTH INSURANCE BENEFIT PROGRAM

6-26-24 Phillip Carter  
Date Member Signature

Approved by Parliamentarian:

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