

City of West Columbia, SC

Council Preliminary Budget Work Session Minutes

April 21, 2014 at 4 p.m.

Members Present:

Joe Owens, Mayor
Boyd Jones,
Eric L. Fowler
Casey Jordan Hallman, Mayor Pro-Tem
L. Dale Harley
Temus C. "Tem" Miles, Jr.
Tommy Parler
B.J. Unthank, Chairperson
Teddy Wingard

Members Absent:

None

Others Present:

Jenny Cunningham, City Administrator	Rick Hodge, City Treasurer
Myron Corley, Deputy City Administrator	Stuart Jones, Building Official
Mardi Valentino, City Clerk/PIO	Justin Black, Staff Accountant
Donna Smith, Director of Economic Development	Brian Carter, Director of Planning and Zoning
Sid Varn, Director of Planning and Engineering	Charles Garren, Public Works Director
Wyatt Coleman, Fire Chief	Members of the Public and Press

Agenda Item I – Call to Order

Chairperson BJ Unthank called the work session to order at 4 p.m. and noted a quorum was present. *The State, Free Times, Lexington County Chronicle, Cayce-West Columbia News, The Columbia Star, COLADaily.com* and radio and television stations were notified of the meeting by e-mail on April 17, 2014.

Agenda Item II – Invocation

Council Member Parler gave the invocation.

Agenda Item II – Discussion of FY 2014-2015 Budget Plans for General Fund and Water and Sewer Fund

Chairperson Unthank recognized City Treasurer Rick Hodge who stated that the city was awarded the Government Finance Officers Association (GFOA) Certificate of Excellence for the city's Certified Annual Financial Report (CAFR) for fiscal year 2011-2012. This was the 22nd consecutive year the city received the GFOA award for its CAFR. Mr. Hodge stated the independent audit firm of Brittingham, Brown, Prince and Hancock, CPAs issued an unqualified opinion letter on the city's financial statements and internal controls, which stated financial information was fairly stated and there were no deficiencies.

Chairperson Unthank recognized Staff Accountant Justin Black who gave a presentation on the FY 2014-2015 budgets for both the General Fund and the Water and Sewer Fund. Expenses for the General Fund total \$12,898,000 and are balanced to the projected revenues of the same amount. The primary sources of revenues for the General Fund include property taxes, business licenses and fees, state rebates, hydrant fees, permit fees, transfers and grant funds. The General Fund budget is balanced at 55.279 in operating mills and 6.6 in debt service mills, the same as for FY 2013-2014. The 6.6 mills is collected and earmarked for the debt retirement of the 2010 ten-year general obligation debt to refinance the Bond Anticipation Note (BAN) for the State and Meeting streets property.

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Agenda Item II – Discussion of FY 2014-2015 Budget Plans for General Fund and Water and Sewer Fund

Mr. Black stated the Water/Sewer operating budget is balanced with a 15 percent increase to water and sewer service rates, but no increase to connection (tap) fees. A \$1 per month increase in hydrant availability (fire protection) is recommended. The projected FY 2014-2015 transfer to the General Fund from the Water/Sewer Fund is \$3,000,000, which is a 6.3 percent decrease from FY 2013-2014.

Mr. Black stated that the proposed budget plan includes funding for up to three percent (3%) merit pay increases for employees to be awarded on the employees' employment anniversary dates, subject to a satisfactory performance evaluation. Also included in the budget plan is a two percent (2%) across the board cost-of-living increase for all employees to be awarded July 1, 2014.

Mr. Black said that West Columbia joined the S.C. State Health Insurance Plan on July 1, 2011, which is in the Blue Cross/Blue Shield network. He provided a summary of the coverages under the State's standard plan as follows:

Annual Deductible:	\$420 Individual/ \$840 Family
In-network Co-insurance	80/20
Out of network Co-insurance	60/40
Per Occurrence Deductible	\$12 Office Visit
Network Retail Pharmacy	\$9 Generic/ \$36 Formulary/ \$60 Non-Formulary

Mr. Black explained that during the first three years of coverage under the State Health Plan, the city was not experienced rated, but paid the same rates as other comparably-sized entities. The next fiscal year's premiums under the State Health Plan will increase by four and a half percent (4.5%). Mr. Black recommended that the city, as in past years, continue to pay the employee's part of the monthly premium for health insurance, which is included in the preliminary budget.

Mr. Black stated that the cost of fleet insurance, property and tort liability insurance decreased by approximately \$100,000 and is provided through SC Municipal Insurance and Risk Financing Fund (SCMIRF). The South Carolina Municipal Insurance Trust (SCMIT) is the provider for the city's workers' compensation coverage. He explained the premium for workers' compensation insurance is based upon claims and safety experience and is indexed to salaries. The city's premium for workers compensation coverage will be approximately \$200,000 for FY 2014-2015.

Mr. Black referred to Page 64 of Schedule A-3 in the CAFR, which stated total actual revenues and expenditures for the current budget year. He said the actual deficiency of revenues under expenditures was \$2,184,447, but with the transfer of \$2,562,766 from the Water and Sewer Fund and the sale of capital assets of \$55,400 from police cars and other out-of-service vehicles, the excess of revenues and other financing sources over expenditures was \$433,719.

Mr. Black, referring to Note 8, Changes in Bonds, Loans and Other Long-Term Debt, discussed capital leases, the Tax Increment Financing (TIF) bond and the General Obligation (GO) bonds. He explained that refinancing the TIF bond in March 2013 from an interest rate of 3.5 percent to a lower rate of 1.426 percent provided a savings in debt service over the life of the loan of \$111,109 and resulted in a gain of \$107,310.

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Mr. Hodge discussed current lease-purchase financing, which is included the General Fund debt service schedule. The last payment of \$76,281 for the fire truck-pumper and Payment 8 of 10 in the amount of \$101,194 for the ladder truck will be made in FY 2014-2015.

Mr. Hodge discussed the Water and Sewer Fund, which is a fee-based fund to pay operating costs for providing water and sewer services. He stated that current total assets as of June 30, 2013 was \$9,813,239 compared to \$9,636,089 as of June 30, 2012. The total net position as of June 30, 2013 was \$21,633,173 compared to \$21,639,619 as of June 30, 2012. Cash on hand as of June 30, 2013 was \$4,419,002 including operating accounts and savings accounts at BB&T and Congaree State Bank. Mr. Hodge referred to Page 70 of the CAFR Fund and explained that in the Notes Receivable – Municipal Government under the Water and Sewer Proprietary Fund, the amount of \$797,613 was for the portion of debt service paid by the Joint Water and Sewer Commission and the Town of Lexington for the Lake Murray Water Treatment Plant. Of the total current assets, restricted cash and cash equivalents in the amount of \$2,637,232 were for the debt service payment. Continuing on Page 70, Mr. Hodge stated that under Capital Assets the construction in progress in the amount of \$7,763,697 was for water and sewer system improvements.

Council discussed the projected amount of revenue from water and sewer customers, particularly comparing last year with a very wet summer that resulted in lower actual revenues. City Administrator Jenny Cunningham noted that the months of October, November and December were normally lean in terms of cash flow because all tax revenue has come in and water revenues are down in winter months.

Mr. Black went over a list of fixed assets and equipment requested by departments. Department heads made some changes to requests in their budgets. A final list will be presented at the Budget Work Session in May.

Mrs. Cunningham said she was not recommending an increase in property tax millage, but the estimated revenue for the proposed budget included a 15 percent increase in water and sewer rates, a \$1 increase in hydrant availability fees and an increase in the South Carolina Electric and Gas Company (SCE&G) franchise fee from three percent to five percent. Mrs. Cunningham said the maximum amount for SCE&G's franchise fee is five percent of gross revenue. The amount of revenue generated from the two percent increase in the franchise fee is projected to be \$476,000. Mr. Hodge displayed a history of water and sewer revenues, which indicated that revenues have been flat for the past several years. He also displayed a rate comparison for other similar-sized municipalities across the state that showed that West Columbia's rates were among the lowest in the state. Mr. Hodge stated that a 15 percent increase in water and sewer rates would generate approximately \$1,009,340 in revenue. Combined with the \$476,000 increase in the franchise fee and \$180,000 from the increase in hydrant fees, the total projected increase in revenue would be \$1,665,340. Mr. Hodge noted that from 2008 to 2013 the Water and Sewer Fund transfer to the General Fund increased by \$2,000,000 from \$1,346,467 to \$3,353,204. Mrs. Cunningham said suggested changes in the proposed budget would be incorporated and presented at the Budget Work Session in May 2014.

The Preliminary Budget Work Session adjourned at 7:31 p.m.

Respectfully submitted,

Marta M. Valentino, CMC
City Clerk