

**MINUTES**

A Special Called Meeting of Walterboro City Council was held at City Hall on Tuesday, April 26, 2016 at 4:00 P.M., with Mayor Bill Young presiding.

**PRESENT WERE:** Mayor Bill Young, Council Members: Jimmy Syfrett, Paul Siegel, Tom Lohr, Bobby Bonds, James Broderick and Judy Bridge. City Manager Jeff Molinari, City Clerk Betty Hudson and City Attorney George Cone were also present. There were approximately 9 persons present in the audience.

There being a quorum present, Mayor Young called the meeting to order and welcomed everyone to the meeting. Council Member Syfrett gave the invocation and led the pledge of allegiance to our flag.

**PUBLIC INPUT ON AGENDA ITEMS:**

There were no public comments or questions on agenda items.

**BUDGET COMMITTEE WORK SESSION:**

The Mayor then recognized the City Manager Jeff Molinari. Mr. Molinari then gave the following highlights of the Fiscal Year 2016-2017 Budget. A budget summary sheet was provided to all Council Members. The highlights presented were as follows:

1. The total City Budget is \$10,765,358.
2. The General Fund Budget is \$6,743,207.
3. There will be no property tax increase, no business license increase and no water or sewer rate increases.
4. Health Insurance premiums (on the city side) will decrease 4.9%. That's because of our experience. So, we are doing really well in that regard.
5. There will be no projected increases in South Carolina Retirement System or Police Officers Retirement System.
6. Mr. Molinari stated that one of the things that we did this year is really just a wash, but we shifted the Sanitation Department to the Enterprise Fund. When we send out our water and sewer bills, we have 3 parts to that bill - water service, sewer service, as well as sanitation fees. We are just going to put all that into one.
7. There is a proposed 1.5% cost of living adjustment for City employees.

The City Manager then gave the following details for each City department budget:

Mayor and City Council: Status quo.

City Manager: Status quo.

Finance: Renovations to be made to 300 Hampton Street building, which we purchased last year.

Public Works: Status quo.

Planning and Codes: Status quo.

Police: Status quo.

Judicial: We will upgrade one part-time clerk/cashier to full-time.

Fire

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We plan to purchase a Fire Pumper with equipment.

Sanitation: Status quo.

Parks: We will purchase new plaques/brick bases for the five (5) renovated parks and tennis facility.

Tourism: Status quo.

Water: We plan to purchase new radio read meters.

Utility Support: We will secure a Clean Water State Revolving Fund loan to finance improvements to the Wastewater Treatment Plant.

Sewer: Status quo.

Sewer Support: Status quo.

Mr. Molinari then gave some general thoughts about the budget. He said that this is a particularly challenging budget year, especially when you look at the difference we had in the General Fund between what was requested and available revenue. Initially, we had about a \$1.8 million gap, but after my initial meetings with department managers, we were able to bring that gap down to about \$700,000. Then, over the past few weeks with Amy's help and the different department managers, we have been chipping away at that figure. One good thing we had going for us this year is that we have had a good budget year so far. The department managers have done a good job keeping their expenditures in line, and on the revenue side, we are projecting revenue higher than budgeted. So, what that has meant to us is that on some items initially budgeted for, I was able to take those out of next year's budget and pay for them this year. There are some items that we just can't do without. For example, in the Parks Department, Adam was in dire need of a new mower. We are using equipment that is more than ten years old. This equipment gets a tremendous amount of use.

We have a balanced budget for you, and what I am going to do is the same thing that I have done the last couple of years is to run through each department's budget in as much detail as you like. I have Amy here, as well as the other department managers. If there is a specific item or question that I can't answer in enough detail, the department managers can assist.

The City Manager then went through the copy of the 2016-2017 budget book with Council, explaining in detail each department's complete budget.

A question was raised by Mayor Young regarding the Finance Department's personnel request. He pointed out that there is a huge difference between the request and the fiscal year 2015-2016. I was just wondering what caused that, he said.

City Manager Molinari responded, before we started the budget process, one of the things that I talked to Amy about was shifting some positions, specifically Amy's position from Finance to Utility Support. The reason why I did that, and this is something I have done the last couple of years, is that we make a transfer every year from our Enterprise Fund to our General Fund. Our Enterprise Fund subsidizes the General Fund. The majority of that is Amy's position. When I looked at the first draft of the budget, I said that this makes no sense to have a Finance Department and have the Finance Director under Utility Support. So, that's why that number is so low. There were a couple of positions that were transferred from Finance to Utility Support.

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You will see as we get into revenues that the Enterprise Fund transfer is down to \$950,000. Last year, we budgeted \$1.1 million. So, we are very dependent on that transfer. However, one of the things that concern me is a recent Supreme Court case with the City of Columbia, where they were subsidizing their General Fund from their Water and Sewer Utility to the tune of about \$4.5 million a year. The court came back and said that you can only do that if it is dealing with surplus revenue. What they define as surplus revenue is your debt service, your depreciation, and your cost of service. That has tasked us a little bit. It is much more stringent, so what I am trying to do to the best of my ability is to wean us off that transfer. It's just going to take some time. We are no different from a lot of other municipalities, but it's something that I am cognizant of, and something that we are going to have to do.

The Mayor asked if this would also apply to electric cities? City Manager Molinari pointed out the City of Rock Hill has lived well off of transfers from their electric utility. The way I have read this, is that it means all types of transfers. One of the things that Amy and I have been talking about is to come up with a policy for Enterprise Fund transfers, but we are working to minimize that.

Council Member Bonds then asked the City Manager to explain the maximum and minimum for each job title. The City Manager responded that he could not remember the last time the City had a classification and compensation study done. What they say is that this is the market that this position is worth for a municipality of our size in South Carolina. Mr. Molinari also pointed out that there is a series of steps for each job classification grade. That's just the way we track our personnel costs. He further pointed out that this is a guide for recruitment purposes and it gives us some direction when we bring in new employees as to where we start them off in salary, depending on how much experience they have.

The City Manager then gave the highlights of the revenue section of the budget, as follows:

**Property Tax**

We are currently levying 88 mills, of which 81.14 of that is our general millage. We also have 4 mills for capital improvements, which is directed toward the renovation of the City Parks and 2.86 mills go to the purchase of radios. The amount that we have budgeted for property taxes is \$1.65 million.

Mayor Young then asked if the 2.86 mills for radios were included in the 88 mills? Mr. Molinari responded that it is included in the 88 mills.

Mr. Molinari further stated that the City's property tax revenues are strong. We are projecting at year-end that this will be \$1.7 million.

**Fines and Fees**

This is down \$25,000 from last year and is simply a reflection of where we are this year.

**State Shared Revenue**

As you are aware, since 2008 the General Assembly has not fully funded the Local Government Fund. The \$116,000 is where we are currently.

**Business License Revenue**

We are projecting \$1.5 million.

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**Franchise Fee Revenue**

We are projecting \$755,000, and this is revenue that we get from our largest franchise, SCE&G, and we also have Coastal Electric and PRTC.

**Permitting Fees**

The projected revenue here is \$40,000 which is very modest.

**Miscellaneous Revenue**

The largest contributor to this revenue is our State Accommodations Tax. The State dictates that the first \$25,000 collected in A-Tax goes into the General Fund, and the remaining 5% also goes back into the General Fund.

**Solid Waste Collection Fees**

This has been shifted to the Enterprise Fund.

**Local Option Sales Tax Revenue**

This has been strong. We received two checks from the Department of Revenue. Every month, Amy tracks this revenue, and we have seen a nice upward trend in both the property tax fund, as well as the local. That is a good indicator of the economy and Walterboro right now.

**Victim Assistance Fund**

This fund is modest at \$23,000. This comes from assessments that are put on municipal tickets.

**Utility Fund**

As I had mentioned to you before, the transfer from the Utility Fund has come down to \$954,000.

**Grants**

We don't have any current grants that we are expecting to be reimbursed for next year. We have a transfer of \$90,000 from the Local Hospitality Fund, as well as the Local A-Tax Fund.

**Enterprise Funds**

Our water sales are strong. We had budgeted for this current year less than \$2.1 million and we are projecting \$2,160,000 at the end of this year.

Mayor Young then asked if the City's revenue is down from 2015-2016? City Manager responded affirmatively. He explained that in the General Fund, there is a combination of reducing the transfer from the Utility Fund, as well as moving Sanitation to the Enterprise Fund.

**Water Sales**

Water Sales are strong.

**Sewer**

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Mr. Molinari stated that the City is just about where we were last year. We have included the revenue that we get from Sanitation and we are projecting that to be \$422,000.

Councilman Bonds then asked the City Manager to explain again the transfer of funds from the Utility Fund to the General Fund. He asked the City Manager to refresh us on this.

The City Manager stated that over time, we have made a transfer from the Utility Fund to the General Fund. What that transfer has done, is to make up for a shortfall that we have in the General Fund. That is a very common budgeting practice for local governments. What it does is to make things whole in the General Fund. City Manager Molinari further explained that we are moving less this year than last year. I have taken some specific positions where their job responsibilities deal primarily with the Enterprise Fund and are paying them out of the Enterprise Fund, instead of the General Fund.

Mayor Young pointed out that the City has been trying to work this out for a long time.

Council Member Bonds then asked. What are you doing about Sanitation? Are you moving it somewhere? Mr. Molinari responded that what we did with the auditors in terms of our bottom line, has no impact. It's really just a wash, but we are moving it over to the Enterprise Fund because the revenue that we get from water, sewer and sanitation are all a user fee. So, those dollars are accounted for a little differently. It is accounted for more like we are operating a business. We just thought it would be cleaner to include Sanitation in the Enterprise Fund, because it is on that same bill. In terms of the bottom line for the City, it has no impact either way. It's a wash.

Mayor Young then stated, the people you have moved to the Enterprise Fund are people who are necessary to operate that fund. The City Manager agreed that this was correct.

Council Member Bridge asked why there is \$422,000 under the garbage column, but at the end of the column there are zeros? City Manager Molinari explained that the reason we have zeros there is because in previous years, it has always been in the General Fund.

Council Member Bridge then asked why the grants showed zeros all the way across? City Manager Molinari stated that this is because in those particular fiscal years, we were not anticipating any grants. He further explained that the reimbursement grants primarily dealt with USDA money, and there is a delay on that. So, the City fronts that money for a purchase and then we get reimbursed by USDA on the back end.

**Mayor and City Council Budget**

The City Manager stated that the only increase here is under travel. It has been increased by \$2,500 just to reflect what we have had for the past couple of years. Other than travel, it's a status quo budget.

The City Manager also asked Council to review the Personnel Operating Budget under the Mayor and City Council budget. He stated that you will see under "other pay," there is a 27<sup>th</sup> payroll. One of the challenges that we had for this coming budget year is in the way the calendar falls, which gives us 27 pay periods. When we had

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initially done the budget, we were accruing all of that in 2016-2017. That had an aggregate impact on the budget for about \$150,000. So, Amy went back and did an 8/6 split, where we would accrue 8 of those days in the 2016 budget and then 6 days to the next year's budget. So, what that meant to us, is that it saved us about \$75,000 to \$80,000. That helped us to free up some capacity in the General Fund.

Mayor Young then asked how often would this occur when we would get an extra payroll cycle? Finance Director Amy Risher answered that this occurs every 11 years.

**City Manager's Budget**

The City Manager stated that this budget is status quo with no significant line items.

On a question raised by Council Member Syfrett, Mayor Young explained that the City Manager is not recommending himself for a raise, and so what we have normally done about that is that the budget committee would meet and talk about whether or not they wanted to give him a raise, and then the committee would usually take some action on that, which I think would be more appropriate for the budget to do. Then, it would come to Council for approval. We would then have to work that into the budget. The Mayor further stated that the City Manager is not even being included in the cost of living raise at this point. So, Mr. Chairman, your committee needs to take a look at that if you are so inclined.

**Finance Department Budget**

City Manager Molinari reminded that he is transferring two positions in this department - a Payroll Clerk/Cashier and another Clerk/Cashier to Utilities Support. We have also put the renovations for 300 Hampton Street in the budget as well. We are getting close to having a set of plans that we can present to City Council. The last obstacle that we have to deal with is the entrance off of Lucas Street, which leads into the basement. You have to go down about five or six steps, so in order to meet ADA requirements, we would have to put in either an elevator or some type of lift. The good news is that Angelo has been in communication with a couple of companies that do this type work. From what he has indicated to me is that they may be able to do this just with some type of lift as opposed to having an elevator.

Another thing, we have contacted USDA and there is a potential that we could get some grant funding to defray the costs to help with our handicapped accessibility (for 300 Hampton Street). Once we get the ADA component of that taken care of, then we would like to present the plans to City Council in a workshop. The good news is that the improvements to the building are largely cosmetic. We have to move a few walls here and there, and we also have to put in some handicapped accessible restroom facilities. Once I have that, I will bring it before you.

Mayor Young then brought attention back to the City Manager's budget. He said, as Councilman Syfrett has indicated, the City Manager has not included himself in the salary increases. Then Council, as a whole would talk it over and deal with it. We could send him out of the room and talk about it. We could do that either way. Finance Committee Chairman Tom Lohr then told Council that he had planned to contact Council Members Syfrett, Broderick and Bridge, who are the members of the budget committee. Mayor Young then said, either way you want to do it, we are all going to end up talking about it anyway.

**Public Works Budget**

The City Manager pointed out that in this budget, there will be an electricity cost for the street lights installed as part of the South Jefferies Streetscape Project, phases

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1C and 1D. As you are aware, we entered into a contract with SCE&G and we are bearing the cost for not only the lights but also the electricity. Moving forward, we plan to purchase the lights up front and just pay for the electricity.

**Planning and Codes Budget**

There is really nothing here to single out. This is a status quo budget.

**Police Department Budget**

The Police Department's budget is status quo. One thing to mention here is that in Chief Marvin's initial budget request, he had three (3) police vehicles. Wade has been able to work some things out in his budget. A little while ago, I informed you that we were the recipient of a grant in our police department to purchase a vehicle for our Victims Advocate, and it is an 80/20 match. In fact, this particular matter is going to come before you at our City Council Meeting next Tuesday. Chief Marvin has also been able to look at purchasing an additional patrol car from this year's budget. He's got roughly \$100,000 less than his projected expenditures. He also had a line item in there for uniforms. The uniforms they are currently wearing are extremely hot, not particularly comfortable, and for about \$14,000 he can outfit his entire department with new uniforms. He has been able to solicit input from his officers and I think they have a uniform that works well for everyone in the department. Chief Marvin added that it is a different material. Its poly wool, so it will be cooler in the summer and actually warmer in the winter. It's just a more modern uniform with a more professional look, and we are going back to the badge instead of something sewn on it, with a brass nameplate. I think it is more professional when you are dealing with the public.

Council Member Bridge asked, who will be responsible for the maintenance and upkeep of the uniforms. City Manager Molinari answered that it depends on the department. He then asked Chief Marvin, don't we contract out some cleaning? Utilities Director Wayne Crosby responded that the cleaning of uniforms for Utilities, Parks and the Public Works Departments are contracted out.

**Judicial Budget**

Mr. Molinari stated that he had already mentioned upgrading a part-time position to Clerk/Cashier to full time.

**Fire Department Budget**

City Manager Molinari stated that last year we were able to add three new firefighters. As you are aware, our equipment is aging and in need of replacement. I think our oldest pumper is a 1989, which is almost thirty years. The Fire Chief has projected a new pumper to cost \$380,000 and what we are looking at financing the new pumper over a five-year period. Again, interest rates are very favorable.

City Manager Molinari also pointed out that Chief Lake has been very proactive in trying to secure grants for the Fire Department. Specifically, he is trying to take advantage of our Promise Zone status. We have an election in November, and this was an initiative of the current President, who knows what is going to happen with the Promise Zone. Chief Lake has put in grant applications for two new trucks, as well as new breathing apparatus. Certainly, this is not something that we are going to bank on, but from our perspective, it is worth our time and energy to put together the grant applications. If we are fortunate enough to be funded, it would have a very positive impact on our bottom line.

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The other item I wanted to mention is that Wayne Lake has also put in for a SAFER Grant, where in the future we would have to add additional fire personnel. What the SAFER Grant would enable us to do, if funded, would be to bring on 3 additional firefighters and their entire salary and fringe benefits would be paid for two years in full. This would give us an opportunity to absorb those costs over time as opposed to having to deal with it immediately. These grants are extremely competitive, and we used the Council of Governments to assist us with the grant applications. I think we have put our best foot forward, and we will see what happens in that regard.

Council Member Bridge then asked about the personnel page; she asked is that where you show the added personnel you are talking about, under the engineer's classification? Mr. Molinari responded that the reason you see that is because the initial draft of Wayne's budget had 3 additional fire fighters who were taken out early in the process. So, what Chief Lake was proposing in the initial budget was to shift around and classify some positions. Chief Lake then added that the firefighters would start off in the firefighter level and through education and incentive raises, they would earn the position of engineer, which is now reclassified as Driver Operator. They are qualified to drive a Pumper Apparatus. So, that's a red qualification.

**Parks Department Budget**

Mr. Molinari then stated that he wanted to highlight a couple of things. On line item 112 under City Park Maintenance, we have added signage of parks. That figure has gone from \$13,000 to \$18,000. We also created a new line item. We had not been segmenting out the maintenance costs for the Wildlife Sanctuary. We dedicate resources to maintaining the sanctuary.

**Tourism Budget**

There is a vehicle allowance for the Tourism Director. She does a lot of traveling in her personal vehicle, and basically what we had been doing was to reimburse her for business travel. She does not have a City vehicle, unlike most all the other department managers. So, I included a modest vehicle allowance for her.

**Non-Department Budget**

We annually contribute \$6,000 to the Chamber of Commerce. That's unchanged and we also have our debt for the 2011 obligation bond in the amount of \$205,657.00.

**Reserved Budget**

Here, you are going to see an increase in Retiree Insurance. That's simply because we added a new retiree this past year, which gives us 10 former employees that we are currently providing retiree health insurance. You will see that our contribution to SC ORBET has gone down from \$243,000 to \$214,000. This is a direct reflection of a reduction in the number of employees who are eligible to receive both retirement benefits. It has gone from 75 to 52 employees which is good for us. That saved us about \$30,000.

**Water Department Budget**

You will see an increase in electricity costs. That is simply a reflection of what we are actually paying. The number in the previous year was not accurate.

Mr. Molinari stated that the first radio read meters that the City purchased were back in 2002 or 2003. We are having to purchase new meters and update the software. The radio read meters enable us to read water meters much more efficiently



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than manually. About 1/3 of our meters is radio read. That's something out Utilities Director Wayne Crosby is continuously working on to help our operations to be more efficient.

**Utility Support Budget**

We have two clerks/cashiers that we are shifting over to the Utility Support Budget. Under Rural Infrastructure Authority Wastewater Treatment Upgrades, you will see debt service of \$89,364. This is directly related to the upgrades to the Wastewater Treatment Plant.

**Sanitation Budget**

On line item 97, you will see an increase in commercial disposal. That is something that Colleton County has increased and we do not have any control over that.

**Sewer Budget**

Sludge disposal costs are a little bit lower than what we previously budgeted. That is more of a reflection of our actual costs.

Under the capital request items, one of the items that Wayne Crosby had in his budget was a new dump truck. This is a dump truck that will transport the sludge to the landfill in Dorchester. We are currently doing a combination of things, either borrowing a truck from Public Works or using the truck that is in extreme poor shape, and we are in need of a new vehicle. Wayne has some capacity in his budget this year to purchase a new dump truck and he is currently securing quotes right now. So, that is something that will go before City Council before the end of this fiscal year.

**Sewer Support Budget**

This department was actually created a couple of years ago and this was done to help lessen the burden on the General Fund. Really, nothing is remarkable here to point out.

**Debt Service Budget**

Finance Director Amy Risher has done a good job in outlining all our debt service. The good news is that some of this debt is going to go away in the next couple of years. A portion of the 2011 General Obligation Bond will be done in 2018-2019. The radios will be paid for in 2017-2018. We also have a schedule here for the new fire truck. Because there is such a long lead time on the fire truck, that is not going to impact us until we get to the 2017-2018 budget.

Debt Service for the Enterprise Fund, the good news is that we were able to absorb all these costs this year, without any kind of increase.

**Special Funds Budget**

This is our local A-Tax, Local Hospitality Tax and State Accommodations Tax. Amy has done a good job here of breaking all that down.

The City Manager then told Council that he had prepared a memo as it relates to this particular section of the budget. He said, as you are aware, we have been working for some time on a Discovery Center for the Wildlife Sanctuary at 100 South Jefferies. What I wanted to do for City Council is to give you an idea on where we stand from a financial standpoint.

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He said, when Rob Montgomery made his presentation to Council this month, he indicated that those improvements would cost the City approximately \$1.5 million. What I did was to look at what our revenue and expenditures are on the Local A-Tax side with what the revenues and expenditures are on the Hospitality Tax side and asked how much would we have left over in both of those. Keep in mind that both the Local Hospitality Tax and Local A-Tax funds can be used for the construction of tourism related facilities. So, we contacted BB&T and they gave us a rate if we were to finance this over a 15-year period at 2.67% interest. The cost would be about \$121,000. Right now, you have a capacity of \$141,000 here. I am not suggesting that you need to spend \$1.5 million, but the bottom line is you've got some resources there. Also, keep in mind that Tourism Director Michelle Strickland has been able to secure a \$50,000 grant, which will defray some of those costs. There is also a grant opportunity for us through SCPRT, which will be available in the fall that could further defray these costs. The good news is that you have some resources there.

Also, the debt service that we have with both the tax increment bond issue, as well as the hospitality tax, goes toward paying off the debt at the Veterans Victory House. That debt will go off in 2021, which is going to free up hundreds of thousands of dollars for you. So, there would be a potential we could not only finance this, but potentially pay it off early.

Both our local A-Tax, Hospitality Tax and State Accommodations Tax, are all turning upwards as we continue to promote the City.

Concluding his presentation of the budget, City Manager Molinari explained that since the budget calendar was approved before Council moved its meetings to once a month, we will need to call a Special Meeting at the end of May to give First Reading to the budget and then we can have Second and Final Reading on June 7<sup>th</sup>. Mayor Young then asked if there were any questions.

Council Member Syfrett asked what is the time line for getting the new fire truck in. He said, I know that is something that takes a long time to get. So, where are we with that?

City Manager Molinari responded, what I am going to suggest to Fire Chief Lake is that after First Reading of the budget that we start getting all the materials together, because we are looking at about a 10-month lead time, and we need to get on that as soon as possible.

Mayor Young told the City Manager that he did a good job on the budget. Mr. Molinari then said, I want to commend all the department managers for all their work and patience in this, especially Amy Risher and her staff. We have gone through so many different variations of the budget this past month, but Amy is incredibly detailed oriented and makes my job easier.

**EXECUTIVE SESSION:**

The Mayor then entertained a motion to enter into an Executive Session. Council Member Lohr So Moved and Council Member Broderick seconded the motion. All in favor. None opposed. Motion carried. The Mayor announced that the meeting will convene into an Executive Session for a discussion of Negotiations Incident to Proposed Contractual Arrangements - Improvements to Wastewater Treatment Plant.

The meeting then entered into an Executive Session. At approximately 5:40 p.m., a motion was made by Council Member Lohr to exit Executive Session and return to Open Session. Council Member Siegel seconded the motion. All in favor. None opposed. Motion carried.

Walterboro City Council  
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The meeting returned to Open Session and no action was taken as a result of the Executive Session.

There being no further business to consider, a motion to adjourn the meeting was made by Council Member Bonds, seconded by Council Member Bridge and passed unanimously. The meeting adjourned at 5:40 P.M. Notice of this meeting was distributed to all local media and posted on the City's website and the City Hall bulletin board at least twenty-four hours prior to meeting time.

Respectfully,

Betty J. Hudson  
City Clerk

**APPROVED: July 12, 2016**