

**City of Cayce
Special Council Meeting
June 23, 2009**

A Special Council Meeting was held at 5:10 p.m. in Council Chambers. Those present included Mayor Elise Partin, Councilmen Steve Isom, James Jenkins, Kenneth Jumper, Rick Myers, City Manager John Sharpe, Municipal Clerk, Tammy Barkley, and Municipal Treasurer, Garry Huddle. Frank Robinson, Director of Utilities, City Attorney, Danny Crowe, City Auditors, Robert Milhous and Jamie Michaelson, and Chief Charles McNair were also in attendance. Mayor Partin advised that members of the press and the public were duly notified of the meeting in accordance with the FOIA.

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

Presentation

A. Presentation by Mr. Bob Milhous, City Auditor, Re Utility Rate Structure

Mr. Milhous appeared before Council to discuss the City's Utility rate structure for FY 2009-2010. He stated that the study is a normal annual occurrence that his firm has performed for the city during the budget process in regards to the Utility Fund. He stated that study is done in order to implement the city's operation and maintenance of the utilities and to meet the mandate of the city's bond requirement to ensure the bond covenant is met. He stated that his objective for this period was to take a more prospective look because of the pending contract that Cayce has with the building of the new wastewater treatment plant. He stated that the firm looked at the proposed aspect of that plant coming on line in FY 2012, what rates and charges under that contract would be, demographics, historical trends, where the city will be going and then provide recommendations for this current budget year.

Mr. Michaelson provided Council with a brief presentation regarding certain events that have recently taken place regarding the City's utility operation, customer trend, sewer growth, trend in operating costs including actual costs for years 2005-2008 and projected costs for future years, debt service trend, O&M plus debt service trend, trend in average bills based on 11,000 gallons bi-monthly, proposed increase in rates for 2009 through 2012, and comparison of inside and outside city water and sewer bills for residential customers in Cayce, Lexington Joint Water & Sewer Commission, Town of Lexington and City of West Columbia. Mr. Michaelson provided Council with a handout which included the city's current rates, proposed 2009 rates, and pro forma schedule of receipts and expenses for fiscal year ending June 30, 2010.

Mr. Myers inquired about the repayment schedule for the current bonds, state revolving fund loan (SRF) and additional private bond market. The City Manager advised that the SRF payments will not start until the money is spent by 2012. In reference to the 2009 issuance, he stated that those would begin after the first year the money is borrowed. The City Manager reviewed the current rates with the proposed 2009 rates with Council. He stated that the rates include minimal increases based on the base rates on the table. Mayor Partin inquired if other entities do bi-monthly billing. Mr. Michaelson stated that two of the entities bill monthly. Mayor Partin asked if there was any advantage to billing monthly. The City Manager stated that the billing period was changed 20 years ago as it is more efficient, less mailing costs, etc. Mayor Partin inquired if in 2012 the city would be looking at downward rates. Mr. Michaelson stated that in the past several years, Council has approved a 5-7% increase to accommodate inflation. He stated that one thing to keep in mind, is when there is increased maintenance and a flat customer growth, the rates have to go up to cover the maintenance costs. He stated that as long as the customer base stays constant, the way to get the new revenue is by rate adjustments. Discussion took place regarding the city's plan to develop water and sewer infrastructure evaluation, rating, and replacement program. Mr. Robinson stated that the city's engineer, American Engineering, is currently working on an evaluation program to recommend to Council.

The City Manager stated that with the review of the auditor's presentation tonight, the City would be ready to go forward with a public hearing and first reading of an ordinance at the July 7, 2009 meeting and then second reading to be held on July 14, 2009.

Mr. Myers inquired that if Council is considering immediately raising rates, would the monies that will be coming in would be banked to offset the debt service that stated that would not begin until 2012 except for the private bond issue. He inquired if beyond 2012, and not considering the inflation increases, would the rates at that point in time be sustainable to cover the debt moving forward. Mr. Michaelson stated that if the city had no inflation or additional expenses, the city's peak in debt service will be in 2012-2014 and the city would have a steady or decreasing debt service load. Mr. Myers inquired if the increase in rates could be lower and carry the increases through 2014 or 2015. Mr. Michaelson stated that can be done, however, the indenture wants Council to enact rates to ensure the debt service can and will be maintained. Mr. Milhous stated that inflation factors have been built into the proposed rates. Mayor Partin thanked Mr. Milhous and Mr. Michaelson for their presentation.

Ordinances

- A. Continued Discussion of FY 2009-2010 Draft Budget and Approval of Ordinance to Adopt FY 2009-2010 Budget to Provide Revenue for the City of Cayce for FY 09-10 – Second Reading

Council considered for second and final reading an Ordinance to adopt the FY 2009-2010 budget to provide revenue for the City of Cayce for FY 2009-2010. The City Manager advised that he has provided Council with updates. He stated there were a few minor changes made in the General Fund, including the loss of funding for some of the crossing guards through Lexington County. He stated that the budget as proposed now is now 1.8% above the current budget. He stated it was a very tight budget, and does not include a millage increase; COLA increases in the General Fund and O&M Fund and does not include capital in the General Fund. The General Fund Budget for FY 2009-2010 is \$8,109,674 and the O&M Fund Budget is \$7,508,976. He stated that the budget could be reviewed at mid-year to see if any adjustments can be made. He stated that the O&M budget is based on the City Auditor's pro forma schedule provided to Council earlier in the meeting. Mr. Jumper made a motion to approve the FY2009-2010 budget as proposed on second and final reading and that the budget be reviewed at mid-year for possible adjustments. Mr. Isom seconded the motion.

The City Manager stated that the city has not received the final assessments from the County and if those assessments come in as an increased amount, that could be brought back to council to review along with the business license revenue. Mayor Partin inquired if the City received information on the flexible spending program. The City Manager stated that he reviewed this issue with Planned Benefits and this option was not feasible. Mr. Myers asked what the cost would be for a 1% COLA. The City Manager advised the cost would be approximately \$70,000. Mayor Partin asked of the capital expenses requested for this year, is there anything on the list that is not included in the budget that will cause the City concern. The City Manager stated that the request for the air pack system was needed. He stated that the current system is not compatible with other municipalities, but does meet code and is safe for our personnel to use. However, he stated this needs to be considered for a mid-year budget adjustment. Mayor Partin asked how safe the city is with the current system. Chief McNair stated that the current system is safe and it is not a crisis at this time. Mayor Partin suggested that the budget be reviewed in September when the City should receive grant funds from the COPS Program. After discussion, the motion was unanimously approved.

Other

- A. Approval to Engage the Services of Pope Zeigler, LLC as Bond Counsel For \$9 million Waterworks and Sewer System Revenue Bond, Series 2009

The City Manager advised that the City will also be securing additional financing for the new Wastewater Treatment Plant. He stated in addition since BB&T will not be renewing the letters of credit for the 2004 and 2007 Revenue Bond issues for the Debt Service Reserve Funds, the City will have to fund each reserve with cash. He stated that today the City received a letter from BB&T notifying that the Letters of Credit would not be renewed. He recommended that Margaret Pope act as the City's bond counsel

in this regard and in order to do so, Council will need to approve the engagement of Pope Zeigler. Mr. Isom made a motion to approve the engagement of Pope Zeigler, LLC as Bond Counsel for the \$9 million waterworks and sewer system revenue bond, series 2009. Mr. Jumper seconded the motion. Mr. Myers inquired as to the fees quoted by Pope Zeigler for their services. The City Manager advised that the fees are actually based on all the size of the bond and the projected amount of time that will be spent on the issue. After discussion, the motion was unanimously approved.

There being no further business, the meeting was adjourned at 6:40 p.m.

Elise Partin, Mayor

ATTEST:

Tammy Barkley, CMC, Municipal Clerk