

MARCH 25, 2021

A Budget Workshop was held at the M.S. Bailey Center at 6:00 PM with Mayor Bob McLean presiding with Councilmembers Cook, Jenkins, Kuykendall, Neal, Roth and Walsh. The Interim City Manager was present. No local news media was present. Notice was emailed to the local press on March 24, 2021. The Council meeting was open to Council, City staff and the press. Citizens could view the meeting via the City's Facebook.

INVOCATION The invocation was given by Councilmember Kuykendall.

PLEDGE ALLEGIANCE Mayor McLean asked Council and the audience to stand and recite the Pledge of Allegiance.

**POPE FLYNN
BOND ISSUANCE** Mayor McLean stated that the next item on the agenda is a presentation from Lawrence Flynn, Bond Attorney, regarding the Bond Issuance. Mayor McLean recognized Mr. Flynn. Mr. Flynn stated that he would review the Bond Issuance with Council. Mr. Flynn stated that Council has approved the first reading of the Bond Issuance in January 2021. Mr. Flynn stated that the second reading would be on the April agenda, which gives Pope Flynn time to get the necessary documents ready. Mr. Flynn stated that the City could not go to the Bond Market until Council defined the projects for the Bond Issuance but the City is operating in a fluid interest rate and the rates have increased since the last time Council discussed the Bond Projects. Mr. Flynn stated that the interest rates in December 7, 2020 were 2.79% and the interest rates on March 22, 2021 were 3.26%, which increased the interest expense to \$576,708. Mr. Flynn stated that the General Fund loan is a thirty-year loan and the Recreation Complex is a twenty-year loan. Mr. Flynn stated that this is where the City would enter the market. Mr. Flynn stated that every Councilmember needed to be comfortable with moving forward with these projects. Mr. Danburn, Financial Adviser, stated that the interest rates have spiked over the last several months but before the City sells the bonds, the City would know the interest rate. Mr. Danburn stated that by approving the second reading of the Bond Issuance would not lock Council in to the process but the City would have time to stop the process if the interest rates go too high. Mr. Flynn stated that the Recreation Complex is supported by the Hospitality Taxes and the General Fund is supporting the General Fund projects. Mr. Flynn stated that originally the City agreed to supply \$3.5 million toward the Recreation Complex but has decided to include \$3 million toward this project. Mr. Flynn stated that the City has enough revenue from the Hospitality Taxes to cover this additional cost.

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Ms. Morrow, Finance Director, stated that the City reserved the \$500,000 from the Recreation Complex in order to have funds to staff a department for the Recreation Complex and to purchase needed equipment. Ms. Morrow stated that she researched other City's Recreation Complex budgets in order to get an idea of what type of budget the City would need. Mr. Flynn stated that due to the increase in interest rates the General Fund surplus is less after the Debt Service is paid every year. Mr. Flynn stated that the Bond Issuance for \$6.5 million would cover the renovation for the Fire Department, Police Department and the M.S. Bailey Center. Mr. Flynn stated that the three main sources of revenue to pay the Debt Service are \$150,000 from the General Fund, \$52,000 from Revenue from paid Debt Service and \$180,000 from the LOST Funds. Mr. Flynn stated that the Debt Service would be tight but these revenue sources may increase over the years and the payment would be easier to make. Mr. Flynn stated that the City may have to raise taxes in order to make the payments. Mayor McLean stated that State Law restricts the City in how much the City could raise taxes per year. Mayor McLean stated that the City could only raise taxes by \$16,000 per year and that would be a small portion of the payment. Mayor McLean asked if the City has budgeted the LOST Funds to buy the Police and Fire Department equipment in the past and Ms. Morrow stated yes. Ms. Morrow stated that 29% of the LOST funds was used to support the Police and Fire Departments. Ms. Morrow stated that the budget reflects the use of the Depreciation Fund to purchase equipment in place of using the LOST Funds. Mayor McLean stated that the City would be unable to use the LOST Funds for the Police and Fire for many years to come. Ms. Morrow stated that the City anticipates growing the Depreciation Fund to use for these types of purchases. Ms. Morrow stated that when a Department purchases equipment from the Depreciation Fund the Department has to budget funds to pay back the Depreciation Fund. Councilmember Walsh asked why the Debt Service amount changes every year. Mr. Flynn stated that when the City sells the bonds in the open market they are selling to several banks and not just one. Mr. Flynn stated that the City borrows for thirty years and each year the bonds have a maturity date. Mr. Flynn stated that \$100,000 of the Bond Issuance is sold in 2024 and then another \$100,000 is sold in 2025 and each maturity would have a separate interest rate. Mr. Flynn stated that the Bond Issuance would sold at a fixed rate and the City would know what it owes each year. Mr. Flynn stated that the City is not committed to the Bond Issuance until the bonds are sold on the market. Mr. Flynn stated that Pope Flynn would be ready to move on the Bond Issuance by the end of April or early May.

Councilmember Roth stated that Council received a letter several months ago stating that property taxes would not be increased because of the Bond Issuance. Councilmember Roth stated that he would like to see the letter updated and Mr. Flynn agreed. Mayor McLean stated that over the course of the Bond payment the City could no guarantee that Property Taxes would not be increased. Mayor McLean stated that the letter only states the City could make the payment in the first year without raising taxes and Mr. Flynn agreed. Mr. Flynn stated that the way the Installment Purchase Agreement works is the payments are not considered debt under State Law. Mr. Flynn stated that the Debt Service payment is budgeted every year and if the City decides to default and not make the payments then the buildings would go through foreclosure. Mr. Flynn stated that is why banks purchase the Bond Issuance because they know the City would make the payments and not risk losing City Hall or the Fire Department. Councilmember Cook stated that by using the Installment Purchase Agreement the City still retains their full borrowing capacity and Mr. Flynn agreed. Mr. Flynn stated that Council has about \$900,000 it could borrow as a General Obligation Bond and Council could use this borrowing capacity in the future toward the Debt Service payments. Councilmember Cook stated that the City could use the GO Bond as a nest egg in case the City needs to help with the Debt Service payment or purchase a large piece of equipment and Mr. Flynn agreed. Councilmember Roth stated that he wants the public to know the City is not depending on raising taxes to fund these projects. Mayor McLean stated that a property tax increase would net the City about \$12,000 and the public needs to know State Law limits the City on property tax increases. Councilmember Kuykendall stated that in ten years, the City has a banner year could the City take extra funds and pay down the Debt Service payment. Mr. Flynn stated that the Installment Purchase Agreement is not structured that way. Mr. Flynn stated that if the City has extra cash then the City could put the funds in a restricted fund and use the money to make the Debt Service payment. Mr. Danburn stated that Council entering into the Bond Market now is good since the interest rates are low.

BUDGET WORKSHOP

Mayor McLean stated that the next item on the agenda is the Budget Workshop. Mayor McLean recognized Mr. Higgs, Interim City Manager.

**GENERAL FUND
OVERVIEW**

Mr. Higgs stated that Council will review the General Fund and recognized Ms. Morrow to present the budget. Ms. Morrow stated that City staff uses the City's Strategic Plan as a guideline for the budget.

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Ms. Morrow stated that the Strategic Plan is Exceptional Infrastructure, Grow the Economy, Develop and Maintain Sustainable Revenue Sources, Provide for a First Class City of our residents and Promote Community Development. Ms. Morrow stated that the budget is comprised of two accounts, General Fund and Utility Fund and these two funds are separate. Ms. Morrow stated that the proposed General Fund budget has increased by 1.91% and the proposed Utility Fund increased by .11%. Ms. Morrow stated that the total budget increase is .52%. Mayor McLean stated that since 2018 the General Fund has increased by \$631,000 and the Utility Fund increased by \$896,000 over a three year period. Mayor McLean asked what leads to these increases. Ms. Morrow stated that the cost of operating the City increases every year such as health insurance, retirement, fuel costs, equipment and salaries. Mayor McLean stated that he has been on Council since 2009 and every year the budget goes up. Councilmember Cook stated he would like to see the type of grants the City has received over the last three years. Councilmember Cook stated that the grants allowed the City to increase the budget. Mr. Higgs stated that it would be helpful to know how the grants have helped the City and to have a grant schedule moving forward. Ms. Morrow stated that the General Fund receives revenue from many sources such as Property Taxes, Fees and Licenses and Inspections. Mayor McLean stated that at one time the City budgeted \$100,000 for Fines and now the City budgets \$50,000, which is in line with what the City receives. Ms. Morrow stated that the City determines the revenue based on trends and history of the revenue stream. Councilmember Walsh asked what would constitute a Contribution and Transfer. Ms. Morrow stated that the Utility System funds the General Fund through an overhead allocation, which is a payment for the General Fund providing services such as payroll and accounts payable. Ms. Morrow stated that this amount is calculated by a percentage of the salaries of the General Fund employees who provide a service to the Utility Fund. Ms. Morrow stated that the Contribution from the Utility Fund is in place of a Franchise Fee and Taxes and this figure is calculated by a percentage of the Utility Fund's assets. Councilmember Cook stated that the Cemetery Revenue has only \$500 but he could not find the expenses for the cemetery. Councilmember Cook stated that he would like to see an analysis of the Cemetery in order to see the true cost of maintaining that property. Mr. Higgs stated that City staff has looked at the cost of maintaining the Cemetery and how to handle the property moving forward. Mayor McLean stated that most of the lots at Rosemont Cemetery are sold and a cemetery is perpetual care and no one would wish to purchase it. Mayor McLean stated that the fence is falling down and the roads need paving.

Mayor McLean stated that one option is to expand the cemetery, sell the plots at the market rate and place the maintenance funds in an endowment account. Mayor McLean stated that the City has thirty-four acres that would enable the City to expand the cemetery. Councilmember Roth asked what does the Rental Income consist of and Ms. Morrow stated the School District and the Community Building with the majority of that revenue stream coming from the School District. Ms. Morrow stated that the Property Tax Millage Rate would increase to 113.78 mills and that is based on what the State law allows. Ms. Morrow stated that the City uses the CPI of 1.23% to determine the Property Tax increase. Ms. Morrow stated that if the City's population increase then the City could add that percentage to the increase also but the City does not foresee that happening. Ms. Morrow stated that the Property Taxes were not increased last year due to the COVID-19. Ms. Morrow stated that the LOST Revenues and the Business License Funds have increased based on trends. Ms. Morrow stated that the Inspection and Planning Fees have not increased and the Fines and Forfeitures Revenues have decreased based on the previous year's trends. Ms. Morrow stated that the Overhead Allocation and Contributions to the General Fund are calculated under the direction of the Bond Attorney consultants. Ms. Morrow stated that all other General Fund Revenues lines are based on previous year trends. Councilmember Jenkins asked why the State Shared Revenues increased. Ms. Morrow stated that the City is starting to receive the full amount from the State where as in previous years the State cut the amount the City received. Ms. Morrow stated that the Police Department and the Fire Department are the highest General Fund expenditures. Ms. Morrow stated that the General Fund total budget is \$7,331,969 and it is a balanced budget. Ms. Morrow stated that the Salaries in the Mayor and Council budget increased by \$16,759 and the Travel Expense decreased by \$2,000. Ms. Morrow stated that the Mayor and Council budget increased by \$14,923. Mayor McLean asked what is in the budget for travel and Ms. Morrow stated \$5,000. Mayor McLean stated that when he came on Council the amount was \$36,000. Ms. Morrow stated that the Salaries in the Office of the City Manager was reduced by \$90,722 because of reductions of positions within the Department and Operations was reduced by \$18,750 because the Car Allowance Expense of \$6,000 was removed. Ms. Morrow stated that the majority of the Bond Issuance debt is reflected in the City Manager's Budget. Councilmember Walsh asked Ms. Morrow to explain the Depreciation Fund. Ms. Morrow stated that City staff created the Depreciation Fund to pay for equipment and to decrease the City's use of Lease Purchase Agreements.

MAYOR & COUNCIL

CITY MANAGER

Ms. Morrow stated that when a Department makes an equipment purchase then the Department makes payments back to the Depreciation Fund until the equipment is paid. Ms. Morrow stated that the Department pays back the loan to the City. Ms. Morrow stated that it allows the City to purchase equipment without increasing the City's General Obligation Debt. Ms. Morrow stated that the City used the Depreciation Fund in the proposed budget to pay for equipment. Councilmember Walsh asked if Ms. Morrow could provide Council with a spreadsheet showing what has been purchased from the Depreciation fund and which Department made the purchase and Ms. Morrow stated yes. Mayor McLean stated that does not Council vote on purchases from the Depreciation Fund and Ms. Morrow stated no. Ms. Morrow stated that the purchases are part of the budget, which is approved by Council. Councilmember Jenkins asked what personnel positions are in the Office of the City Manager. Ms. Morrow stated that the proposed budget does not have any additional personnel but a position was reduced in the Office of the City Manager. Councilmember Jenkins asked how would hiring a City Manager effect the salaries since funds are not budgeted for this and Ms. Morrow stated that the matter would be discussed and the budget could be amended. Councilmember Kuykendall asked where does the funds go from the sale of timber and Ms. Morrow stated that those type of funds are considered a Miscellaneous Revenue. Ms. Morrow stated that the City budgets about \$50,000 for this Revenue Stream but it is hard to determine the amount. Ms. Morrow stated that if the City clears timber and Hospitality Funds were used to purchase the property then the timber sale would go back into the Hospitality Funds. Ms. Morrow stated sales from scrap metal and vehicles goes back into the Depreciation Fund. Ms. Morrow stated that there are no significant changes in the Finance Department and the total budget decreased by \$1,033. Mayor McLean stated that the Building & Grounds Expense Account has \$16,000 budgeted. Mayor McLean asked if these funds covered all of the City's maintenance and Ms. Morrow stated no. Ms. Morrow stated that each Department carries a Building & Grounds Expense Account. Mayor McLean asked if \$16,000 was enough to maintain the M.S. Bailey Center. Mayor McLean stated that the City needs a Facilities Manager to maintain the City's property. Mayor McLean stated that the City does not have one person in charge of the grounds and building maintenance. Mr. Higgs stated that the City relies on the Trustees to maintain the buildings. Mr. Higgs stated that each department shares the cost of maintenance for the City. Mr. Higgs stated that Council would need to decide whether to put maintenance and other costs such as the telephone in one budget or have each Department share in the cost.

FINANCE

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POLICE DEPARTMENT

Mr. Higgs stated that the City would have to create a new position for a Facilities Manager or the City could contract the maintenance. Ms. Morrow stated that one reason the City breaks out maintenance costs is to make sure that the Utilities are self-sufficient and reflect their costs to operate. Councilmember Cook stated that the City needs to stay with Cost Accounting but the City could look at each cost such as the telephone and make sure the City is not spending too much for the service. Councilmember Cook stated that Council needs to see a cost analysis of the City's major costs such as insurance and retirement. Councilmember Cook stated that the City does need to consider a Facilities Manager in the future. Ms. Morrow stated that currently the City relies on several personnel for building and grounds maintenance. Ms. Morrow stated that the Police Department's Salaries increased by \$80,205 but this increase is offset by an \$180,000 grant from the SC Department of Education and \$90,000 paid from School District 56 for School Resource Officers. Mayor McLean asked if the grant was on going and Ms. Morrow stated yes. Mr. Higgs stated that the entry-level salaries were increased in order to make the Police Department competitive with other agencies. Councilmember Walsh asked if the Police Department was adding a position and Mr. Higgs stated no. Mr. Higgs stated that the increase deals with an entry level position. Mayor McLean stated that one time the City used Reserve Officers who were trained and filled in. Mayor McLean stated that the Police Department may wish to look into that program. Ms. Morrow stated that there are no significant changes to Operations, which increased by \$6,386. Ms. Morrow stated that the Police Department does not have any capital expenses and all of the Police vehicles would be purchased through the Depreciation Fund. Ms. Morrow stated that the total budget increase for the Police Department is \$33,591. Councilmember Roth asked how many Police vehicles are rotated each year. Mr. Higgs stated that last year Council approved two new vehicles and the City was able to buy Federal turn-in vehicles at a reduced price and the Police Department was able to buy six road ready vehicles last year. Mr. Higgs stated that the vehicle rotation needs to be placed on a schedule. Mr. Higgs stated that the Police Department would have to take into consideration the age and mileage the vehicles have when deciding to rotate the vehicles. Mayor McLean stated that the City budgets \$29,100 for Animal Control and that is the one area he receives the most complaints. Mayor McLean stated that most of the citizens do not know whom to call when faced with an animal issue. Mr. Higgs stated that the contract the City has with Laurens County does not fulfill many of the issues.

FIRE DEPARTMENT

Mr. Higgs stated that the City needs to evaluate the Laurens County contract. Mr. Higgs stated that a cat is picked up and neutered and then re-released. Councilmember Kuykendall stated that the City has a Tethering Ordinance, which needs to be enforced. Ms. Morrow stated that the total budget increase for the Police Department is \$33,591. Councilmember Cook stated that he would like to challenge City staff to include two new positions in the Police Department and the Fire Department and Mr. Higgs stated that Council would have to determine the funding for the new positions. Councilmember Cook stated that these two departments are important because they protect citizens. Councilmember Walsh asked if it is the pay scale that prevents the Police Department from being fully staffed and Mr. Higgs stated that it is not easy to find personnel. Mr. Higgs stated that last year the Fire Department increased the Part-Time Fire Fighters pay in order to encourage them to respond. Ms. Morrow stated that salaries in the Fire Department increased by \$44,276 and there are no significant changes to Operations. Ms. Morrow stated that the Capital would be funded by the Depreciation Fund. Ms. Morrow stated that the total budget increase for the Fire Department is \$79,373. Mayor McLean stated that the Fire Department's Operations accounts increased by 56% from last year. Councilmember Roth asked if the City was still paying for a Fire Truck and Ms. Morrow stated the Fire Truck has been paid.

STREET DEPARTMENT

Councilmember Roth asked if the City has any major vehicle payments and Ms. Morrow stated no, not in the General Fund. Councilmember Kuykendall asked how City staff determined the cost for fuel and Ms. Morrow stated that the figure is based on trends. Ms. Morrow stated that the Salaries in the Street Department increased by \$32,722 and there are no notable changes to Operations. Ms. Morrow stated that \$165,000 has been budgeted for paving and sidewalk repairs. Mr. Higgs stated that the City was able to decrease the Paving & Sidewalk Expense because the funds would come from the Capital Sales Tax. Councilmember Walsh asked if streets was a high priority on our project list submitted to Laurens County and Mr. Higgs stated yes. Councilmember Kuykendall asked if the Street Department includes any improvements on South Broad Street and Mr. Higgs stated that would be part of the Capital Sales Tax Projects. Ms. Morrow stated that the total budget decrease for the Street Department is \$14,311. Ms. Morrow stated that there are no

PARKS&RECREATION

notable changes to the Parks, Recreation, Library and Cemetery Department. Ms. Morrow stated that \$420,000 has been budgeted for the Recreation Facility. Ms. Morrow stated that the total budget increase for Parks & Recreation is an increase of \$21,550. Councilmember Walsh asked when a Recreation Department would be included in the budget and Ms. Morrow stated next year.

COURT

**ECONOMIC
DEVELOPMENT**

MUSEUM

PLANNING&INSPECTION

Mayor McLean asked if the City was still maintaining the Gilliam Center. Mr. Higgs stated that he would discuss the matter with Mr. Wham, City Attorney, and give Council an update. Councilmember Jenkins asked if the City budgeted the funds for the Martha Dendy Community Center in Parks and Recreation and Ms. Morrow stated yes. Ms. Morrow stated that there are no notable changes to Municipal Court and the total budget increase for Municipal Court is \$2,159. Ms. Morrow stated that there are no notable changes to the Community & Economic Development budget and this budget increased by \$813. Mayor McLean asked who Salaries are paid out of this budget and Ms. Morrow stated two. Mayor McLean asked if there is a reason for this budget to carry overtime and Ms. Morrow stated that the positions are not salary. Mayor McLean asked if the City could limit their hours so that they do not earn overtime. Mr. Higgs stated that he would look in to the matter. Ms. Morrow stated that the Museum Department increased by \$3,031. Ms. Morrow stated that the increase is in the Salaries because the City would house a Museum in the M.S. Center and personnel would be needed to run the Museum. Mr. Higgs stated that City staff is still working with the Laurens County Museum and the project would be brought before Council before moving forward. Ms. Morrow stated that there are no notable changes in the Planning Commission Department. Ms. Morrow stated that Capital was decreased by \$30,000 because the Planning and Inspection Department has already purchased a vehicle. Ms. Morrow stated that the total budget decrease for the Planning & Inspection Department is \$22,497. Mayor McLean asked why the Museum Department is including Salaries when the Museum is not open. Mr. Higgs stated that the City is place holding that position until City staff formulates a plan for the Museum. Mr. Higgs stated that the City hired personnel to catalog and store the Museum items so the City could move the items when the time comes. Councilmember Kuykendall asked how many personnel are in the Community & Economic Development Department and Ms. Morrow stated two. Mr. Higgs stated that he would like to reframe from using employee's name since this is a personnel matter. Councilmember Jenkins asked if the proposed budget includes taking down abandoned houses and Ms. Morrow stated that those funds are in the Planning and Inspections budget. Mayor McLean stated that in the last budget he said he would vote against the budget if the City included an Assistant for the Human Resource Director. Mayor McLean asked if the City employed an Assistant for the Human Resource Director and Mr. Higgs stated yes. Mr. Higgs stated that if Council has questions about this position then he would discuss the matter in executive session since this is a personnel matter. Mayor McLean stated that the previous City Manager assured him that the position would not be filled.

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Mr. Higgs stated that the position was included in last year's budget and Council approved the budget.

**EXECUTIVE
SESSION**

Motion was made by Councilmember Kuykendall to enter into an executive session to discuss one contractual matter relating to a Project Manager and return to open session on the call of the chair and seconded by Councilmember Cook. The vote was unanimous.

**OPEN SESSION
stated that**

Mayor McLean declared Council back in open session. Mayor McLean Council discussed one contractual matter and action was taken.

**PROJECT
MANAGER**

Councilmember Walsh made a motion for City Council to authorize the Interim City Manager to enter a contract for Project Management of City owned properties and seconded by Councilmember Cook. The vote was unanimous.

ADJOURN

With there being no further business before Council motion was made by Councilmember Walsh to adjourn and seconded by Councilmember Cook. The vote was unanimous.

CITY CLERK

MAYOR