

**CITY OF CAYCE
Special Meeting
May 17, 2007**

A Special meeting of Cayce City Council was held today at 2:00 p.m. in the Conference Room. Those present included Mayor Avery B. Wilkerson, Jr., Councilmen James Jenkins, Kenneth Jumper, Robert Malpass, and Rick Myers, City Manager John C. Sharpe, Tammy Barkley, Municipal Clerk. Mr. Bob Milhous, City Auditor and Ms. April Lucas from the city's Bond Counsel's office were also in attendance. Mayor Wilkerson advised that members of the press and the public were duly notified of the meeting in accordance with the FOIA.

Mr. Jenkins opened the meeting with the invocation and Mayor Wilkerson led everyone in the Pledge of Allegiance.

Other

- A. Approval of Resolution Declaring the Intention of the City of Cayce to Reimburse Itself for Certain Expenditures with the Proceeds of Debt to be Incurred by the City of Cayce

Updated information on proposed Resolution was submitted to Council for review. Mr. Malpass inquired as to where the \$28 million figure came from. Ms. Lucas explained that the game plan recommended is that miscellaneous projects be bundled together and go forward with those now and also take a look at a refunding bond. She stated that when Council wanted to go forward with the upgrade and expansion of the Wastewater Treatment Plant, the bond for this project would not be cluttered with a lot of small projects. She stated that the current bond documents contain provisions that make it difficult to do as much debt as the city would like. She stated that the financial adviser did a cost benefit on the analysis and there would be a small savings by following this game plan. She stated that the Ordinance would provide for refunding \$12,830,000 and that the new money piece would be the balance of \$28,500,000. She stated that this amount provides a little cushion but it allows for the bonds to fund a reserve fund and pay for bond insurance.

In reference to the Resolution, Ms. Lucas advised that there are time limitations on being able to take advantage of the refunding piece and the requirements are set forth under the Federal tax code. She stated that the city has had in place a Reimbursement Resolution for

some time and there are some carry forward projects in the updated resolution which also includes the expansion of the plant and a list of projects which is attached. The City Manager inquired if by passing the resolution would it mean that the city is not saying it is going to reimburse or enter a bond issue, but that the City could do it if Council chose to do so. Ms. Lucas advised that was correct, but if Council does approve the proposed Ordinance, it will give the Mayor and City Manager the authority to go forward with the bonds up to \$8 million without raising rates. She stated that Mr. Milhous has run the additional bonds test and he advised that no increase would be needed up to the \$8 million figure.

Mr. Myers stated that he still had an issue in giving the Mayor and City Manager complete control of choosing the projects. He stated that it was not that specifically it is a problem with current individuals, but years down the road he's not sure the projects that this Council would agree upon could be changed. He stated that he felt that the issues should be brought before Council for approval and authority. Ms. Lucas stated that it would be perfectly prudent to have some type of prioritization of the list and reimbursement. Mr. Myers stated that he felt that a majority of vote from Council would be needed for approval on each projects. Ms. Lucas advised that she could provide revised language to this effect prior to the second reading of the ordinance that would give you some comfort on this issue.

Mr. Malpass made a motion to approve the Reimbursement Resolution. Mr. Myers seconded the motion which was unanimously approved.

B. Approval of Ordinance for Proposed Bond Issue for Refunding and Improvement Revenue Bonds – First Reading

Mr. Malpass made a motion to approve the Ordinance on first reading with the revision that the projects themselves would have to be approved by Council to authorize the Mayor and City Manager to move forward. Mr. Myers seconded the motion which was unanimously approved.

C. Review and Discussion – FY2007-2008 Draft Budget

The City Manager provided Council with an overview of the proposed FY2007-2008 draft budget for both the General Fund and Utility Funds.

Mr. Myers stated that if the City is going to absorb the cost of the NET officers positions since the grant is no longer in effect, that he was not in favor of having the officers work with the county. Mr. Myers pointed out that on the Public Safety Traffic line item budget, it states 57 positions and there were only 49 positions last year. He asked if funds were included in the draft budget for these additional positions. The City Manager advised that no funds are included for any additional personnel requested, except the two NET officers. Mayor Wilkerson inquired if Council wanted to continue funding the NET team officers if they are not working primarily in the City of Cayce. Mr. Myers stated that he was not sure the city could fund two new positions. Mayor Wilkerson stated that he felt these two positions should be taken out of the budget.

The City Manager provided Council with additional information on proposed health insurance coverage for 2007-2008 which suggests the inclusion of a Health Reimbursement Account (HRA.)

Mr. Myers stated that he would like to discuss a few items under the Utilities Department capital equipment requests. He stated that he did not feel that a \$70,000 truck should be purchased and used just to transfer equipment from one location to another. He stated that a used piece of equipment could be used for this purpose. Mayor Wilkerson inquired as to how many employees who drive city vehicles to and from work that live more than 15 miles from the city. The City Manager stated approximately 6 people. Mayor Wilkerson inquired if there was any way the use of vehicles for driving to and from home could be eliminated. The City Manager stated he would provide Council with a list of staff assigned vehicles for further review.

The City Manager advised that there were a few pending grants that have not been included in the budget as it is not sure whether those funds will be awarded and there was no use in tying up local funds in the budget until the time a grant is awarded.

Mr. Milhous advised that he has gone through and analyzed the city's utility rates and that the city is in good shape this year meaning that the city has met its compliance aspects. He stated that if the rates remain stable this year, the city could enter into a bond issue of approximately \$7-8 million and still meet the coverage test. However, he stated that the city would be capped out. He advised that Council needed to look at whether some type of rate adjustment needed to be made and then incorporate it into the budget. Otherwise, he stated that Council would need to amend the budget to approve a \$12 million bond. He stated that the indenture would require the city to adjust rates. He stated that in previous years, Council has approved a 5% across the board increase in order to meet the debt service coverage ratio. He stated that if Council wants to do future projects that are on the list, it would not be wise to do three issuances. He stated that when the City gets to the big issuance on the Wastewater Plant upgrade, the contracts with the Lexington County Joint Water & Sewer Commission and the Town of Lexington will need to be reviewed to ensure the city has the proper components covered such as cost of service, depreciation, repair and maintenance, etc. He stated that if Council decides to leave the rates as is, it may mean a larger percentage increase later on when other projects come up for issuance. Mr. Milhous stated that he could prepare numbers for Council to review at a 5% increase in rates. He advised that a 5% increase will generate approximately \$800,000 to the budget on a yearly basis. Mayor Wilkerson asked Mr. Milhous to come up with figures showing a 5% across the board increase in rates.

Mr. Myers inquired as to what point Council should review capacity fees. Mr. Milhous stated that for this budget year he did not think it would be prudent to change these fees, but it is definitely something that will be needed within the next few years. He advised that if the city can build the rate structure to where it has elements of these significant issues, it allows the city to then set aside savings that is collected bi-monthly to take care of future repairs and projects rather than going back to the bond market.

Council advised that Public Hearings on the proposed FY 2007-2008 budget and on Utility Rates be held June 4, 2007 at 4:00 p.m. prior to the Regular Meeting. For the next meeting, the City Manager was asked to remove the 2 NET staff positions in Public Safety, eliminate 2 vehicles, accessories, and insurance. It was also asked that the revised draft include a 5% increase in utility rates and that Council be provided with a list of staff members who use city vehicles to drive to and from home.

There being no further business, the meeting adjourned at 4:47 p.m.

Avery B. Wilkerson, Jr., Mayor

ATTEST:

Tammy P. Barkley, CMC, Municipal Clerk