

CITY OF CAYCE
Special Meeting
September 21, 2005

A Special meeting of Cayce City Council was held at 9:00 a.m. in the Conference Room at City Hall. Those present included Mayor Avery B. Wilkerson, Jr., Councilmen James Jenkins, Kenneth Jumper, and Robert Malpass, City Manager John C. Sharpe, Tammy Barkley, Municipal Clerk and Garry Huddle, Municipal Treasurer. Councilman Rick Myers was not in attendance. Mayor Wilkerson advised that Mr. Myers was in Louisiana assisting with claims from Hurricane Katrina. Mayor Wilkerson advised that members of the press and the public were duly notified of the meeting in accordance with the FOIA.

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

Mr. Jumper made a motion to amend the agenda to include under the Executive Session, Item B. Receipt of legal advice regarding the Lloydwood Sewer System Receivership Agreement and Consent Order and to include consideration of a Resolution approving the purchase agreement with Midlands Utility after the Executive Session. Mr. Jenkins seconded the motion which was unanimously approved.

Presentations

- A. Presentation of FY2004-2005 Audit Report by Mr. Bob Milhous

Mr. Milhous appeared before Council to review the FY2004-2005 Comprehensive Annual Financial Report as prepared by Mr. Milhous and his associates. The City Manager advised that the financial part of the report is complete and in final form. The statistical section will be added as soon as this information has been received. He provided Council with copies of several charts of the revenue collections and expenses in the General Fund for FY 2004-2005 pointing out the various spikes during the year. He explained the significance of each graph. Mayor Wilkerson noted that in reference to the current issue of the Workers Comp assessment for the second injury fund, a significant increase will be realized which will also affect the bottom line.

Mr. Milhous stated the opinion is an unqualified opinion on the financial statements overall for the city (that is there are no exceptions and it is a clean report). He first discussed the Utilities Fund statements with Council. He stated that the balance sheet for the fund shows the assets, liabilities and equity of the utility fund and that primarily the fund has current assets and long term assets of \$65 million. He stated that a lot of this amount has to do with the capital assets. In reference to liabilities, he advised that the audit indicates nothing extraordinary. He stated that in dealing with operations, the city instituted a rate adjustment increase, and Council had agreed to reduce the amount of the indirect transfer to the General Fund. Bottom line, Mr. Milhous stated that the audit shows that the city has met its debt coverage ratio and the Utilities fund is in excellent shape for year ending 2005. He advised Council that the city has covered the deficit of the utilities fund by meeting the rate adjustments as required in the bond indenture. He stated that the coverage ratio is very positive and Council had to make some difficult decisions to get to that point.

In reference to the General Fund, Mr. Milhous reviewed a comparative of the General Fund balance sheet. In comparing the current year with the prior year, Mr. Milhous pointed out that the city has in excess of \$1 million in liabilities producing a negative balance. He stated that one of the reasons for this is that the city had to adjust the amount of the indirect transfer from the Utilities Fund. He stated that Council should now concentrate on the General Fund and research ways to eliminate the negative balance. He stated that the proper way of handling reserves for the fund balance is to ensure that a governmental entity has at least a 6 month reserve in order to operate until an influx of taxes are received. He stated that this situation is not new and has been discussed with Council over the past two years. He stated that the increase in insurance premiums, gas and diesel fuel prices, and maintenance costs, reduction of transfer from O&M, etc. over the past couple of years has caught up with the General Fund and the General Fund now needs attention. He suggested that Council and the City Manager review the FY2005-2006 budget dealing with fuel and maintenance costs versus the estimated revenue coming in from taxes and business licenses to see what adjustments can be made. He stated that now is the time, September and October, to take a look at the budget revenues and expenses to try and get it back into sync. Mr. Milhous stated that it is a good audit report. He stated that the Utilities Fund is stable and suggested that the General Fund be monitored very closely. The City Manager advised that Public Safety had already taken steps to curtail vehicle usage to help offset the costs associated with higher gasoline costs.

Executive Session

- A. Review and Discussion of Midlands Utility Proposed Purchase Agreement
- B. Receipt of Legal Advice – Lloydwood Sewer System Receivership Agreement and Consent Order

Mr. Malpass made a motion to move into Executive Session to discuss the matters above. Mr. Jumper seconded the motion which was unanimously approved.

Reconvene

After the Executive Session was concluded, the Regular meeting was reconvened. Mayor Wilkerson announced that no vote was taken in Executive Session other than to adjourn and resume the Regular meeting.

Other (as amended)

- A. Approval of Resolution Approving Purchase Agreement for Transferred Systems Between the City of Cayce and Midlands Utilities Inc.

Council considered for approval a Resolution approving the purchase agreement for the transferred systems between the City of Cayce and Midlands Utilities, Inc. Mr. Malpass made a motion to approve the resolution. Mr. Jumper seconded the motion which was unanimously approved.

There being no further business, the meeting adjourned at 10:20 a.m.

Avery B. Wilkerson, Jr., Mayor

ATTEST:

Tammy P. Barkley, CMC, Municipal Clerk