

Aiken City Council MinutesNovember 11, 2019WORK SESSION

Present: Mayor Osbon, Councilmembers Dewar, Diggs, Girardeau, Gregory, Price, and Woltz.

Others Present: Stuart Bedenbaugh, Gary Smith, Sara Ridout, Kim Abney, Kym Wheat, Mike Przybylowicz, Tim O'Briant, Ryan Bland, Angela Hales, Charles Barranco, Lex Kirkland, Kay and Ed Brohl, Colin Demarest of the Aiken Standard, and 5 citizens.

CALL TO ORDER

Mayor Osbon called the work session of November 11, 2019, to order at 5:30 P.M. He stated there was one item on the agenda for the work session – presentation of audited financial statements for fiscal year 2018-19.

AUDITFY 2018-19Mauldin and Jenkins

City Manager Stuart Bedenbaugh stated Mr. Miller Edwards and Mr. Grant Davis, of Mauldin and Jenkins, were present to review with City Council the audited financial statements for fiscal year ended June 30, 2019.

Mr. Edwards stated he is out of the Macon office. Mr. Davis is formerly out of the Macon office, but is now in the Columbia office of Mauldin & Jenkins.

Mr. Edwards stated it was a pleasure to come to the City of Aiken. He said the City of Aiken is in great financial shape. Also, the City of Aiken has a great staff that does a great job. He noted that a lot of the local governments they go to are quite a task to audit, and they have to make a lot of audit adjustments, but that is not the case with the City of Aiken. He noted that even with the transition with different people in the Finance Department, they have done a great job in making the transition. He said when you have good governance at the top, it has a way of trickling down through management and Aiken has that situation here. He said Aiken has a good management team.

Mr. Edwards said Aiken has a good looking set of statements. He noted again that the City of Aiken is in good financial shape. This past year the City had about \$250 million in total assets, which includes infrastructure, facilities, and investments. There is about \$75 million in liabilities, including some long term liabilities—the revenue bonds, statement of loan funds, pension liability, OPEB, and note payable. This gives an equity of about \$175 million. He noted that of the \$75 million liabilities, a lot of them are long term. He said Aiken has a fair share of long term debt. He pointed out that this past year the Public Facilities Corporation was created, and it issued about \$8.8 million in debt on behalf of the city. Additionally, the City went back to the State Revolving Loan Fund and drew about \$3.5 million on that as well on additional debt. The long term liabilities have gone up on the debt side, but there was a plan and a reason for that. When you look at everything under the City of Aiken there was about \$66 million in revenue. There was about \$55 million in expenses. He said Aiken made \$12 million, but that was needed. He said the \$12 million coupled with the debt issued of about \$13 million adds up to \$25 million of resources available. He pointed out that the City spent about \$28.5 million on capital assets on the facilities. He said his point is that if the city is going to continue to invest in the community, and a really big job was done this past year, you have to have the ability to do so. If we are going to invest \$28.5 million in our infrastructure, facilities, equipment, etc. you have to have the ability to do so. The city's ability was a good bottom line and increasing the long term debt.

Mr. Edwards stated he had mentioned long term debt which includes the city pension. The city pension plan is about 91% funded which is down from a year ago of 94%

funded. The investments did not quite do what they had done in past years and this, coupled with paying out deductions to participants in the plan, caused the funding position to go from 94% to 91%. He said, however, that is still outstanding. He pointed out that they serve about 480 governments. Of that number about 200 have DB plans. He said he would put Aiken in the top 10 when it comes to percentage funding of the plan. He pointed out that a lot of the plans are around 78% to 82%. He pointed out that being at 91% funded on the single employer benefit plan is great.

Mr. Edwards stated the city is in the PORS, the state's plan. Unfortunately, the state's plan is about 62% funded. As talked about in the past, the city will probably see additional contributions being required of the city to fund that plan going forward. He said everybody will feel the problem over time. It will require additional contributions annually going forward. He said the city is already assuming some of the liability. He said he did not know what they could do to go further with that. He said the city will have to help make up the unfunded portion of the PORS plan. Council discussed briefly the rising cost of funding the PORS fund for Public Safety Officers.

Councilman Dewar stated with regard to pensions typically we have heard that the pension funds are based on an assumption of a return of 7% or 8%, but yet the pensions show a 3% and 4%. He wondered if there needed to be a change. Mr. Edwards responded that you have to look at the long term rate, not just the short term. He noted that there have been clients over the years who had 20% and suddenly they had a loss of 5%. The trick is to look at the long term performance. He pointed out that long term performance is presently in line with what had been long term. He did not feel there should be a change.

Councilman Dewar also asked if there was a limit of debt that the city could assume or a maximum debt that the auditor would say that the city is able to assume. Mr. Edwards responded he would not say that. He felt a lot of things are involved. One is whether it would be short term or long term debt. Councilman Dewar stated he was talking about 20 years. Mr. Edwards responded that he felt there is plenty of margin there and there are a lot of good things going on here.

Mayor Osbon stated we did not put our debt out for bonds per se, but we had identified revenue streams. He wondered if that would be counted as revenue bonds not affecting the General Obligation capacity. Mr. Edwards stated the City did not have any GO debt. He felt the city was fine. He said with no GO debt there is a huge opportunity if needed. He said he would not necessarily recommend that, but it depends on what things the City has going on. He said what the City is doing now is the things you would expect a community like Aiken to do, keep the place beautiful, keep it growing, and keep it working. He said Aiken is doing a fine job with that.

Mr. Edwards stated the General Fund is in very good shape. The General Fund has a fund balance just short of \$18 million. It is a very liquid \$18 million. He said the City of Aiken has \$18 million in fund balance and little more than \$18 million in cash. He said Aiken has a very liquid fund balance. He said that is a great place to be. That means that you are not having to wait on the revenue so much for the initiatives, but can be proactive with the initiatives and do the things you want to do without having to wait on the revenue stream. He said Aiken has the cash. He also said when you look at how that compares to the operating expenses that is another really good percentage. He said Aiken has about 8 months' worth of reserves in the cash fund. He said that means the City of Aiken could operate if it did not have revenue for 8 months. He said he was not recommending that. He said he was trying to put into perspective about how good a financial shape the City of Aiken is in. He noted another thing impressive about the General Fund is the budget process this past year. He pointed out that the City had revenues greater than budget by \$2 million and expenditures were less than budget by \$2.5 million. The combination of that is a \$4.5 million positive on the budget. Aiken came out doing a lot better on the budget actually than was budgeted and that is a great place to be. That is a lot better place to be than to have it the other way around. That means staff is monitoring the budget real tightly and not spending money just because it is budgeted but because it is needed.

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Mr. Edwards stated the Water & Sewer, Stormwater, Airport, and Solid Waste are the proprietary funds. He said all those funds generated positive cash flow this year. He said they took in revenue in cash. They had expenses paid out in cash and actually had a bottom line of positive cash. He noted that in most places the Stormwater and Solid Waste do not have positive cash flows. Aiken's cash flow for all four was not by much, but they were positive.

Mr. Edwards stated they did have to do a single audit which is the additional audit to be in compliance when federal money is received. He pointed out federal money spent was about \$1.6 million. He said they picked the Homeland Security Hazard Mitigation Grant which was about \$502,000 and did a special audit of it. That gave enough coverage on the \$1.6 million to meet all the standards. He said the City met all compliance requirements of the Federal Government with the grants the city had.

Mr. Edwards stated overall he was very pleased with where the City of Aiken is at this time. He said they had given the city an unmodified or "clean" audit opinion on the financial statements.

There was a question about the OPEB plan. It is about 12.5% funded. Mr. Edwards said he had noted that the pension plan is 91% funded, PORS is 52% funded, but the OPEB plan is only about 12.5% funded. He noted that is probably better than 95% of most of our governments. Most of our governments don't have any of it funded. Aiken has funded a small amount, but it is more than other places.

Mayor Osbon thanked Mr. Edwards for the report and thanked staff for their efforts in making the good report possible.

The worksession ended at 5:55 P.M.

#### EXECUTIVE SESSION

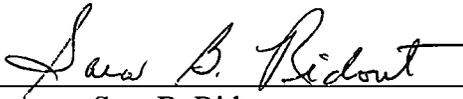
Mayor Osbon stated Council needs to go into executive session pursuant to Section 30-4-70(a)(2) to discuss negotiations incident to proposed contractual arrangements and proposed sale or purchase of real property and to receive legal advice where the legal advice relates to a pending, threatened, or potential claim or other matters covered by the attorney-client privilege, settlement of legal claims, or the position of the public agency in other adversary situations involving the assertion against the agency of a claim. Specifically, City Council will discuss a possible contractual arrangement regarding the possible sale of a building and property owned by the City of Aiken. City Council will receive a briefing from the City Attorney regarding the settlement of a potential claim against the City. City Council will discuss a proposed contractual arrangement with the Aiken Steeplechase Association. City Council will discuss a proposed contractual arrangement with the developer of real estate regarding a possible public-private partnership.

Councilwoman Diggs moved, seconded by Councilwoman Gregory, that Council go into executive session to discuss the items noted by Mayor Osbon. The motion was unanimously approved.

Council went into executive session at 6:00 p.m.

After discussion Councilwoman Price moved, seconded by Councilman Dewar, that Council come out of executive session to hold the regular Council meeting session. The motion was unanimously approved.

The Executive Session ended at 6:55 p.m.

  
Sara B. Ridout  
City Clerk