

Walterboro City Council  
Work Session  
April 4, 2017

**MINUTES**

A Work Session on the Fiscal Year 2017-2018 Budget was held by Walterboro City Council at City Hall on Tuesday, April 4, 2017 at 4:00 P.M., with Mayor Bill Young presiding.

**PRESENT WERE:** Mayor Bill Young, Council Members: Jimmy Syfrett, Paul Siegel, Tom Lohr, Bobby Bonds, James Broderick and Judy Bridge. City Manager Jeff Molinari, City Clerk Betty Hudson and City Attorney George Cone along with Assistant Lindsey Peterson were also present. There were approximately 5 persons present in the audience. It was noted that Budget Committee Member Judy Bridge was present. Budget Committee Chairman Tom Lohr was absent at the beginning of meeting, but arrived a few minutes later.

There being a quorum present, Mayor Young called the meeting to order and entered into the budget committee work session.

The Mayor then recognized the City Manager Jeff Molinari. Mr. Molinari then gave the following highlights of the Fiscal Year 2017-2018 Budget. A budget summary sheet was provided to all Council Members.

The City Manager noted that this has been an especially challenging budget year. The City has had to deal with some unfunded mandates from the state - most notably with state retirement. There has been a lot of discussion about business license which would be at the very least a little disconcerting, given the proposed legislation. We have over a half million-dollar impact on our general fund. With that being said, all of our department managers did an excellent job of putting their budgets together. When we started out with this process over a month ago, we were about \$1.9 million out and we were able to get that down to a balanced budget. I especially want to recognize our Finance Director Amy Risher. Amy has done an outstanding job putting everything together, with numerous phone calls and questions from me.

Mr. Molinari then stated that he would start with the budget summary. He said, if Council has any questions, you can just stop and I will do my best to answer those questions. The City Manager then gave the following highlights of the 2017-2018 budget.

1. The total City Budget is \$11,417,611.
2. The General Fund Budget is \$7,303,511.
3. There will be no property tax increase, no business license rate increase and no water or sewer rate increases.
4. Health Insurance premiums on the employer's side will increase by 2.5%.
5. At the request of the auditors, the City has moved some things around in the budget and you will notice that retiree insurance used to be under the Reserve Accounts. That has been moved to each respective department that has a retiree.
6. There is an anticipated 2% increase in South Carolina State Retirement contributions. The budget that came out of the State House shows that the state will be picking up 1%. We are looking at significant increases in state retirement over the next 5 years, which we are going to have to absorb.
7. From the employees' standpoint, the employee's share of the state retirement system is going to be increasing by .34% and being capped at 9%. Then, the employee's share for the PORs (Police Officer Retirement System) will be increasing by .51% and being capped at 9.75%.

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8. Included in the budget is a proposed 1% cost of living adjustment for City employees.

The City Manager then gave the following details for each City department budget:

Mayor and City Council: Status quo.

City Manager: We have the addition of an Assistant City Manager position.

Finance: We will complete the renovations to 300 Hampton Street, as well as SC ORBET moving from the reserve account. If you will remember, SC ORBET is the trust that we are required to put money into each year to fund our liability for providing post retirement benefits.

Public Works: We are proposing to purchase a new grapple truck for yard debris collection. We are using a 2008 truck, and what we are going to be proposing is to do a lease purchase similar to what we had done with a sanitation vehicle that we purchased a couple of years ago and the fire pumper which we recently took delivery of.

Planning and Development: We will contract out our Building Inspection Services.

Police Department: We plan to purchase 2 new police vehicles - one patrol car and one admin vehicle. We are looking at having a certified police officer do Code Enforcement, which will actually save the City a position. If you will remember, when Angelo was doing Code Enforcement, he was also doing our building inspections. So, his time was split between both of those functions.

Judicial: Status quo.

Fire: New Air Purification Compressor (FEMA Grant). If you will remember, those of you who went to Washington, one of the things that we talked to the congressional staff about was a FEMA Grant that we have in place. Our air purification compressor for our self-contained breathing apparatus is 30 years old and is in dire need of replacement. Since we are applying for a grant, when you look at our revenues, we are actually showing that as revenues. We are trying to purchase it through a grant. If the grant doesn't work out, then we will have to explore another option.

Sanitation: Status quo.

Parks: We are looking at purchasing a tractor package. This is specifically for cutting the steeper areas along the interstate and mile outs. Also, the general obligation bonds for the park improvements, which were done a few years ago, used to be in a section named Non-Departmental. Our auditors have recommended doing away with that. So, you will see an increase in the Parks Department budget, and that's for the G.O. bonds.

Tourism: We make an annual contribution of \$6,000 to the Chamber of Commerce. That has been moved from Non-Departmental.

Water: We are looking at purchasing new radio read meters. We are also looking at making repairs to the waterfall.

Utility Support: As you are aware, we just signed the paperwork on the financing for the improvements to the Wastewater Treatment Plant.

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Sewer: Status quo.

Sewer Support: Sewer System investigation. One of the ongoing issues that we have had with our sewer lines is infiltration and aging infrastructure. One of the things we need to continue to do is to explore our lines. What this will pay for is the engineering to do that, and that will open the door for us to secure grant funds. Wayne Crosby and I met with Michelle Knight about a month ago to talk to her about securing grant fund sources to continue to update our sewer lines and engineering is one thing that is not provided for in the grants. That being said, that is something that the City can use as a City match for any grants that we apply for.

Mr. Molinari then asked if there were any questions on the budget summary sheet?

A question was raised by Council Member Bonds. He asked what is the significance of moving the Tourism budget from Non-Departmental? He said, when I look through this budget book, it looks like a lot of things may have gotten moved around in the budget this year, like electricity charges and some other things. What's up with the moving around of items?

City Manager Molinari responded, with the Non-Departmental, that was simply a result of a recommendation that we received from our auditor, discouraging the use of that designation, but there were a number of different things that we put under that. As far as the electricity cost, that's simply putting it under the department that is responsible for that expense. For example, we had certain facilities that weren't run by Public Works, but the electricity costs were under the Public Works budget, and it is simply a more accurate reflection of the expenses related to that particular operation.

The City Manager then gave a brief summary of the following funds. He stated, as we go down through each department's budget, you are going to see some increases on the expenditure side. The budgets are: City Council, City Manager, Finance, Public Works, Planning and Development, Police and Judicial, Fire, Parks, and Tourism. Also, you can see under the Non-Departmental and Reserve Accounts, we had both of those in the last budget, and as you can see those have been zeroed out.

**General Fund Balance**

We are looking at using some of our fund balance to pay for some of our capital needs. We have roughly \$74,000 in police vehicles, \$33,000 in a new tractor and \$25,000 to complete the renovations to 300 Hampton Street.

If you will recall from the last audit, our fund balance was right about 50%. If this budget were to be approved as submitted, it will take the fund balance down to about 48%. Also, I have asked Amy to run some revenue and expenditure projections through the end of this fiscal year and we are looking really good this year. In fact, there were a few items that were originally submitted in the budget that we are going to be able to do this year, if approved. A good example of that is on tonight's meeting agenda, and that is constructing a new lattice at the waterfall, which is in very bad condition.

Council Member Bridge then asked a question about repeatedly going into the fund balance to get department levels up to where it needs to be. She asked, do we have a master plan or master schedule from the department heads to know exactly

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what it takes to get them into a good operational status, so that we are planning ahead and don't have to keep going into the general fund balance?

The City Manager responded, that is a good question, and as a matter of fact, I am in the process of working on that right now to put it into a form that will be easily readable for me and the rest of City Council. A couple of weeks ago, Amy compiled all that information for me. That's exactly what we need to do in terms of our long term planning. So, yes we are working on that. We hope to have that done in the next couple of weeks.

Council Member Siegel then asked, what is the City's debt to equity ratio? I know it's now below 50%, but what was it several years ago. Was it much higher? Mayor Young responded, we have taken it down over the years for one thing or the other. You will remember, at one point, we were self-financing all of our equipment rather than borrowing money to purchase it. Several years ago, we changed from that to doing lease purchase type things.

City Manager Molinari then responded to Council Member Siegel's question. He said, in 2012-2013, our fund balance was 39%. In 2013-2014, it was 55%. In 2014-2015, it was 64%. For the last audit, 2015-2016, it was 50%.

Mayor Young then pointed out that we have also taken the salaries of people who work in the revenue generating departments so that their salaries actually come out of those revenue generating areas, instead of coming out of our regular budget. They used to come out of the City's general budget, and now we have adjusted that so that, like water and sewer, they pay the salaries, which gives us a way to utilize those funds without actually going in and taking funds from that to balance the budget.

**Utility Fund**

Mr. Molinari stated, if you will remember last year, we moved Sanitation over because the revenue from that comes from a user fee. You will see when we get into the details of revenue that our utility fund is in good shape. We are running a viable operation. As you are aware, we talked at length at our retreat about our short term and long term needs in both water and sewer. With that being said, as you are aware, we have among the lowest water and sewer rates in the state, and we are still able to operate a viable system.

**Enterprise Fund**

The Enterprise Fund has made a transfer to the City's General Fund probably from day one, and that is a common practice, but something that we have been very cognizant of, especially in light of a court case a few years ago with the City of Columbia. One of the best practice recommendations that they are making is to develop a transfer policy. Amy and I have been working on that policy and hope to bring that before Council in May. What that will do is protect the City in the event that someone was to challenge those transfers. We can document every penny that is being transferred from the Enterprise Fund to the General Fund, but what I wanted to show you here is a five -year history of budgeted Enterprise Fund transfers and actual transfers. You will see in 2013-2014, we budgeted almost \$1.3 million in transfers and we transferred that exact amount. The following year, we budgeted \$1.1 and we ended up only transferring \$1,050,000. The following year, we budgeted \$1,106,000 and the actual transfer was \$841,000. In 2016-2017, we budgeted \$954,207, and our projected transfer was \$700,000. In this budget, we are projecting an \$883,000 transfer. The reason why I share that with you is exactly what the Mayor had alluded to is what we are trying to do to the best of our ability is to reduce our dependency on that transfer. I am not sure we can ever wean ourselves off of that transfer, but that

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being said, you can see that we are making some real progress there. Also, what that shows is our general fund revenues have been pretty strong, and we haven't had to transfer as much as we had anticipated.

Mayor Young then asked if electric cities were able to transfer money from their electric revenues into their general fund balance and use it? Is that like a problem that we have with our utility? City Manager Molinari responded, it is perfectly legal, but like I said, it is definitely in our best interest to adopt a transfer policy. One of the things that we will have in there will be as detailed as personnel costs that are related to the utility. Say, for example, that 30% of my time is spent dealing with water and sewer, then 30% of my salary, fringe benefits - everything, we can count toward that. The same would go for Amy. There are a couple of different things that we can do, but with the numbers that Amy has run, we are very comfortable in that.

When questioned by Council Member Bridge about the breakdown for the time spent on water and sewer, Finance Director Amy Risher stated that this breakdown would be included in the budget when presented for First Reading in May. Mayor Young asked if this breakdown would be included for every employee who spends a portion of their time in one of those utilities? City Manager Molinari responded that this is just to protect ourselves.

Council Member Bonds asked that the job title for Public Safety Director be corrected. We do not have a Public Safety Director, but we do have a Police Chief.

The City Manager then gave the highlights of the revenue section of the budget as follows:

**Property Tax Revenue**

At this point, the City Manager stated that the property tax revenue has gone up incrementally. We are projecting at the end of the year, it would be at \$1.7 million and that's what we are recommending.

**Fines and Fees**

Under Fines and Fees, we are projecting \$200,000.

Mayor Young then asked, what does a mill generate for the City nowadays? Mr. Molinari responded, I would say depending on collections, between \$20,000 and \$25,000. Mayor Young responded, it has gone up some over the years. It's not a very big amount. A county mill generates a whole lot more.

Mr. Molinari responded, as you are aware, unfortunately the General Assembly has said how far you can raise property taxes. It's a combination of the CPI and your growth rate, which for us, makes it extremely difficult.

**State Shared Revenue**

This is \$116,000. As you are aware, the General Assembly has not totally funded the Local Government Funds since 2008. I don't see that ever changing. At this point if we can stay at \$116,000, I am happy. I would love to have that additional \$38,000, but I am not going to bank on that.

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**State A-Tax**

As you are aware, the state imposes a 2% accommodations tax, and pursuant to state law, the first \$25,000 goes to the General Fund and then another 5% also goes to the General Fund. We have seen those numbers creep up a bit as well. It has in fact, increased as a result of tourism activity.

**Business License Revenue**

We have some new businesses that are going to be coming on board next year - the Hampton Inn, the Cookout Restaurant, and Kentucky Fried Chicken. Provided the General Assembly doesn't do anything to us, we are looking really good.

**Franchise Fee Revenue**

This is the 5% that we get from SCE&G, Palmetto Telephone and Comcast for our cable service. That has been fairly level, and we are anticipating \$760,000.

**Permitting Fees**

We are anticipating \$40,000 in permits.

**Miscellaneous Revenue**

We are anticipating \$18,104 in miscellaneous revenue. This is primarily derived through interest and various fees that the Planning Department charges.

At this point Mayor Young asked if the Municipal Association collects some of the franchise revenue or is that somewhere else? Mr. Molinari responded that is listed under Business License.

**Solid Waste Collection Fees**

This will be reflected in the Enterprise Fund.

**Local Option Sales Tax Revenue**

We track that very closely. We get two checks every month from the Department of Revenue. Every month Amy provides me with a summary of our activity. From what I have seen in general is that we've seen an uptick in that, which is good. That is a direct reflection of what is going through our cash registers.

**Victim Assistance Fund**

This is paid for out of assessments on tickets. It is not a tremendous amount of money. It doesn't even cover our cost of having a Victims Advocate.

**Utility Fund**

Now, we have already talked about the transfer from the utility fund - the \$882,007.

**Grants**

Reimbursable Grants. I mentioned the FEMA grant for the self-contained breathing apparatus. We also have a grant application for some additional body cameras.

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**Local Hospitality Tax**

We have a transfer from our Local Hospitality Fund in the amount of \$155,000 and our Local Accommodations Tax of \$90,000. The Local Hospitality Tax, we have bumped that up \$65,000. We have sufficient capacity in there to make that transfer. We will be doing a transfer policy for that as well.

**Water and Sewer Revenue**

We are looking really good. You will see an incremental increase in both water sales and sewer sales. Our sanitation collection revenue has been very steady. We are not anticipating any major changes.

On the sewer side, we are looking at \$20,000 in additional revenue. We are looking at a total utility fund revenue of \$4,114,100.

The City Manager then gave a summary of each department's budget as follows:

**Mayor and City Council Budget**

There are no changes in positions funded. The only thing that I would point out to you, when you get into line items, is under Employee Christmas Bonus. That used to be in the reserve department and we have put that under the City Council Budget. The retirement insurance has been removed from the reserve department, and we have three former Council Members who are receiving post retirement benefits.

Council Member Bonds then asked about the Christmas Party line item. He asked why is the Christmas Party going up to \$6,850. They requested \$14,000. I don't understand that. Amy Risher added, this is for Christmas decorations. Council Member Bonds said, I am looking at the Christmas Reception. Ms. Risher said this is for the Christmas decorations with the tree and the decorations were always paid from that line item before, and we put it in the appropriate department by putting it under Tourism. Mayor Young then asked, so we have deducted the Christmas Tree decorations and all from the Christmas Reception. Ms. Risher responded, just that portion to put it in the right line item.

Mr. Bonds then asked about line item 55 under Mayor and Council. He asked why was \$8,000 requested and we got \$11,000 and we only budgeted \$5,000? City Manager Molinari responded, we didn't included election costs on first draft of the budget, so I asked Amy to put in an additional \$3,000. That's roughly what it is going to cost.

**City Manager's Budget**

We have a new position in here - the Assistant City Manager. Other than expenses related to that position, you will see an increase in training, traveling and membership dues.

**Finance Department Budget**

City Manager Molinari then said, during the summary, I mentioned the renovations to 300 Hampton Street. SCORBET - that is another liability that the City has to absorb. The good news is that over time, the number of former employees who are eligible for that benefit has gone down. When I first started with the City a little over 3 years ago, we had about 75 employees who were eligible. At last count, we are down to 40.

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**Public Works Budget**

I had mentioned to you that we had two significant capital items - the grapple loader and repairs to the waterfall plaza. Fortunately, the initial estimate that Michael Crosby had gotten for the repairs was \$66,300. I think the proposal that is going to go before you this evening is for only \$40,000. The debt service for the grapple truck won't kick in until the 2018-2019 budget.

Council Member Bonds asked why building maintenance was reduced by \$5,000. We budgeted \$25,000 last year and we are budgeting \$20,000 this year. I think that hallway looks terrible. City Manager Molinari stated that Mr. Crosby had gotten a quote to paint the interior. The front of the building was pressure washed this past weekend.

Council Member Broderick asked the City Manager if he had budgeted for the stairs in front of City Hall to be repainted. On a question raised by Council Member Bridge, the City Manager noted that the repairs to the water fall including the lattice will be completed this year; however, the actual waterfall work itself, which is fairly involved, will be in next year's budget. He said, I talked to Wayne Crosby about trying to get that work squeezed into this year's budget, but it is not possible.

Council Member Broderick told the City Manager that the Arts Council is interested in helping when we do the waterfall - to put something on the back of it. Maybe you can work with them. We can get a grant or something to help out.

**Planning and Development Budget**

Mr. Molinari then said that he was changing the title of this budget from Planning and Codes to Planning and Development. That has a more positive connotation. We have obviously made some changes there with the code enforcement part. We will still need to coordinate with this department, but it will be under police and then obviously we are going to look at contracting out our building inspections. I sent out an RFQ and proposals are due Monday, April 17. So, one of the first things I will have Hank working on is to go through those proposals and hopefully have something to you at the May Council Meeting as far as a recommendation on a private company to contract with for our building inspections. Things have been working out well with the County, but they only have two inspectors who are covering the entire county, and they have indicated to me that their resources are stretched.

Council Member Bonds then raised a concern on item No. 13, medical expense. He asked are we eliminating drug testing? Finance Director Risher responded, we had put it in there for this current year as far as pre-employment drug tests. Now, we are purchasing all the pre-employment under the Finance Dept. The only drug tests that we do now are the random ones for those driving city vehicles, etc.

Council Member Bridge then asked if there would be a Director of the Planning and Development Department? Mr. Molinari responded that one of the responsibilities of the Assistant City Manager will be to provide oversight and supervision to the Planning and Development Department. So, that function has essentially been merged into the Assistant City Manager position. Ms. Bridge then asked if the Code Enforcement Police Officer would be doing code enforcement on a part-time basis? City Manager Molinari responded, what the Chief and I have talked about is that it would be a certified officer, but who would be able to provide 40 hours a week of code enforcement. Previously, we had 5 dispatchers and as you are aware, we have a joint dispatch center with the Sheriff's office. Through discussions that Chief Marvin had with the Sheriff, it came to the determination that we really only needed to have 4 dispatchers. So, we were able to take that dispatcher position and turn it into a code enforcement/police officer. So, essentially we were able to save the City a position in this regard.



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On a question raised by Council Member Broderick, the City Manager explained that next year, the staff persons under Planning and Development will be Bonnie's position, which is being upgraded to a Planning Technician because that is more reflective of the work that she is doing, and then we just hired a new clerk and her name is Gloria and she will replace Bill Doctor, and the supervision for that department will be provided by the Assistant City Manager.

**Police Department Budget**

As you are aware, purchasing new police vehicles is a constant challenge. We need to continue to purchase new vehicles as our older vehicles cycle out. I have been working closely with Chief Marvin to try and bring his fleet current as we possibly can, but it is a challenge.

Getting back to what Council Member Bridge was talking about as far as our long term capital needs and planning and that is exactly why we need to do that. It is very tempting during the process and the easiest things to cut out are our capital items. You can do that for a year or for 2 years, but eventually it catches up with you. So, we do our best with the resources that we have.

Council Member Broderick then asked, what's our oldest police car that we have? Chief Marvin responded that the oldest car is a 2004. A brief discussion was held on police vehicles and what happens if we lose a vehicle in the budget year. City Manager Molinari pointed out that we usually have one reserve vehicle on hand.

Council Member Broderick asked Chief Marvin, what is the ideal change out time on police vehicles? Chief Marvin responded that a road patrol vehicle does about 24,000 miles on an average per year, and an admin car does around 12,000 miles. So, in rotation, a patrol car lasts about 7 years and an admin vehicle lasts about 11 years. So, if we were up to par, three cars per year would be sufficient on a rotation. We have 32 cars currently in the fleet with one spare. We really need 34 in the fleet with one admin spare and two spares for road patrol.

Mayor Young then asked if the admin cars were equipped like the patrol cars. Chief Marvin responded, no. It's about \$4,000 not counting the radio which we take out of one car and put in the other, and the patrol car has about \$22,000 worth of equipment.

Council Member Bonds asked why are the supplies budget so much higher? It was at \$10,000, and now it is \$21,900. City Manager Molinari explained that we have some additional body cameras to buy, plus the state mandated e-tickets and having to purchase the necessary equipment for that. City Manager Molinari pointed out that the City also applied for some grant funding to defray that cost.

**Judicial Budget**

This department is status quo.

**Fire Department Budget**

The City Manager stated that Fire Chief Lake has been very proactive in trying to secure grant funds for his department and hopefully our trip to Washington will pay some dividends in that regard. We should hear back from FEMA over the course of the year on all those grant applications. As you are aware, we got a grant for over \$90,000 for new self-contained breathing apparatus and we are applying for close to \$50,000 to replace our tank. If you have a chance, I would encourage you to go and check out our new pumper. It is an impressive piece of equipment.

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Similar to the Police Department, one of the challenges we will have in moving forward is that we went an extended period of time without purchasing a new apparatus for fire, and Chief Lake and I are working on a plan to get that done.

Chief Lake pointed out that we are working on trying to replace a pumper every five years. If we are able to do that, we won't have such antiquated equipment. We have had a lot of problems finding parts for our equipment.

**Parks Department Budget**

Here, we moved the debt service on the general obligation bond from Non-Departmental to Parks. Adam has completed his undergraduate degree and will be working on his Master's degree this year. He was taking 18 hours and working full time, so that is a credit to him.

We have money in here to take care of the tennis courts and upkeep for the Sanctuary. We have a continuing challenge. Hopefully, we won't have any hurricanes. One thing that we will be doing during the winter will be to focus on the entry ways and cleaning up those larger trees that have fallen down.

Also, Adam has requested a tractor package that would assist with cutting at the interchanges. As you are aware, we have gotten a lot of positive publicity for upkeep and appearance of our entry ways. It's a lot of work and a lot of man-hours.

Council Member Broderick then asked, where do we have the Board of Disabilities and Special Needs budgeted for the litter pickup. We talked about increasing that. Mr. Molinari responded that is under the Public Works Budget. He also said, we can hold tight on that and see what the County does. What they were specifically talking about was Robertson Boulevard. Part of that is inside the City and part is outside the City.

**Tourism Budget**

We have the same personnel. I have already mentioned the Chamber of Commerce's annual contribution has been moved from Non-Department.

**Non-Department Budget**

Those have all been zeroed out. We have talked about the specific line items.

**Water Department Budget**

We have already talked about revenues on the expenditure side. We are looking at the radio read meters and we've got two individuals for retiree insurance, and we have \$30,000 budgeted for repairs to the waterfall.

**Utility Support Budget**

The Mayor had mentioned at the beginning of the meeting, some of the things that we have done are to take positions that had traditionally been paid from the General Fund and put them under the Enterprise Fund. These are four positions that are heavily involved with the operation of our Water Utility.

**Sanitation Budget**

No changes there. Last year, we moved that to the Enterprise Fund. We will have to look at a new residential garbage truck probably in the next budget year.

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**Sewer Budget**

We have four positions paid out of this budget.

**Sewer Support Budget**

We moved both the Public Works Director and the Street Superintendent to this. The sewer system investigation, we are projecting that will cost \$107,000. I think that will be a good investment for the City, because that is something that we need to do to enable us to get some grant funding to pay for the rehabilitation of sewer lines.

**Debt Service**

The City Manager stated that the Finance Director Amy Risher has done a good job outlining all of our different obligations. As you can see, we did two general obligation bonds. One of those is going to go away in the 2018-2019 budget cycle and the other GO bond debt service will be retired in 2025-2026. The 800 megahertz radios will be paid off this budget year.

We are taking on debt service for the fire trucks. I thought there were some very competitive bids on the financing. We are showing the grapple truck at 2.5%, which is pretty conservative. I think we will do better than that. There has been some discussion that we will see a bit of an uptick in interest rates, but we should do better than 2.5%.

We have our sewer line rehab that was refinanced in 2011. That debt service will be satisfied in 2021-2022. Some additional rehab for the State Revolving Fund will be taken care of in 2025-2026. Then, we have a garbage truck that we purchased in 2015, which we are paying annual debt service of \$42,691. Then, we have the Wastewater Treatment Plant at \$1.48 million, which we will be paying for the next 20 years.

Mayor Young then asked about the repairs to the Ruffin Water lines. Are we paying for that out of our General Fund Balance?

Mr. Molinari responded, what we are going to do and I have already mentioned it to our congressional delegation when we were in Washington and I have asked Amy to look into it to see if there are any potential funding sources to pay for that. That's a big chunk to have to take at one time. But the entire \$203,000 will be absorbed in this year's budget. We are exploring some potential avenues to try and get some assistance with that.

Attorney George Cone then asked, do we know whether there is a defect in the water line or a defect in installation? Utilities Director Wayne Crosby responded, no, there is no way to recover the line. The line is 22 feet deep and approximately 50 feet from the edge of the right of way, so there is no way to recover it, without a great deal of expense. Attorney Cone then asked if a couple of hundred thousand dollars is not worth checking that. Mr. Crosby said, it would probably cost us \$100,000 to recover the line. Attorney Cone then said, I am talking about putting the camera down there. Mr. Crosby answered, the camera will only work if the line is empty, and because there is a hole in the line, the water from the swamp is literally filling the line. He added, as a matter of fact, we had free flowing water coming out of the line, when we cut it loose to tie the new line back in. So, I don't think there is any way the camera will work.

Mr. Crosby further stated, we have asked our engineering firm to look into this to see if there were any pipe defects, but I don't look for any information that is going to help us out.

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Mayor Young then asked, do you have any idea what caused the break? Mr. Crosby responded that there is no indication of any high pressure during that time. Our assumption is it's probably what they call a "weld" where they fuse the pipe together. It comes in 40 foot lengths and they literally heat it to 500 degrees, I think, to melt that pipe together. So, our assumption is that one of the welds went bad, but we don't know that. And if there was a pipe defect, we may be able to go back to the manufacturer, but if it was indeed the weld, then there is a one-year warranty on it. It's been there for 13 years.

Mayor Young suggested to Mr. Crosby, if you've got all the paperwork when it was installed, you might want to let George look it over. Mayor Young also asked, do we know if anybody else has had a break in their line similar to what we have had? Mr. Crosby stated that's what they are asking. I would imagine that is tough to track down 13 years later. Mayor Young then asked Council if anyone thought it would be worth it to have our City Attorney to look at the paperwork on that. Attorney Siegel said, there aren't any 13 year warranties I promise you that.

Attorney Cone then said, the only reason I mentioned it, is because I thought it was my duty to the City because \$200,000 is a considerable amount, and I imagine engineers could look, but I would be glad to look at the paperwork. Council Member Broderick said, I guess you could look to see if there have been any material defects noted, too.

**Special Funds**

City Manager Molinari explained that under Special Funds, the City has the Local Accommodations Tax, which is where the City charges the 1½% Local Accommodates Tax. We have seen that stream of revenue continue to increase over time. The new Hampton Inn should be a nice addition to that.

Our expenses have been fairly minimal. We paid for some lighting at the interchanges on I-95.

Local Hospitality Tax: The City imposes a 1% local hospitality tax. We've got a couple of major debt service items there. The tax increment bonds that paid for the design and engineering of the Loop Project and then the bond payments for the Veterans Victory House. But the good news is that both of those will go away in 2021-2022.

State Accommodations Tax: The first \$25,000 goes to the general fund and the next 5%. We are required by state law that 30% goes to advertising and promotion and those funds go through the Walterboro Tourism Commission. The other 65% goes through the Accommodations Tax Committee that makes the recommendations to City Council to allocate those funds.

Mayor Young then said, under Revenue when we talk about taking \$90,000 of A-tax, is that the 30% money? Mr. Molinari responded, no, there are two separate piles of money. The 30% money is state accommodations tax. Then, the transfer from local accommodations tax to the general fund - that is the local accommodation tax. That's the 1½% money. Mayor Young then asked if that money is bound by law as to how it has to be spent? Mr. Molinari answered, it is in fact. I have the state statute here. What it says is: "Revenue generated by local A-tax must be used exclusively for the following tourism related building, tourism related cultural recreational and historical facilities, beach access and renourishment (that one does not apply to us); highways, roads, streets and bridges, providing access to tourists destinations, advertising and promotions, water and sewer infrastructure. But what it also says is that the revenues 'can be used for the operation and maintenance of those items and also providing police, fire protection, emergency medical services, emergency preparedness . . . '

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Mayor Young then explained that the reason he asked the question is because he wanted to make sure the City is covered under this, because some people have gotten into trouble over using A-tax money inappropriately.

Council Member Broderick then asked a question on the street lighting portion of the loop project. He asked what difference have you noticed in the electricity bill? Mr. Molinari responded, as far as month to month cost, I would have to defer to Amy on that, but just in rough numbers for that, it's about \$10,000 a year. One of the things that we are going to do in the next phase of the Loop Project is to transition from HID to LED, with LED being most cost effective. We will use some of that sales tax money to pay for the infrastructure up front, which will reduce our ongoing operational expenses.

Council Member Syfrett then asked a question about the payroll. He said, with the 1% cost of living and everything else coming out of the employees' checks, are they going to see any increase in their take home pay, or will they see a decrease this year in take home pay? City Manager Molinari said, right off the bat for members of the South Carolina State Retirement System .34% is going to go to the state for state retirement and then for PORS (Police Officers Retirement System), you have almost half of that. In putting the budget together, I wanted to do as much as I possibly could, and I want to say almost all the department managers had some merit increases for high performing employees, and each one that was put in there, I put it in the budget. Mayor Young said, it's going to get harder and harder to give anybody a raise, because the state keeps taking more and more away. We are going to be under 21% or 22% in five years of paying retirement. This is 22% for each retiree.

Council Member Bonds reminded, we did not raise taxes last year and we are not raising taxes this coming year.

City Manager Molinari then said, well, here's the problem. You can raise taxes every year by the minuscule amount that the General Assembly let's you. The problem is, (you know the Mayor asked the question - how much does a mill generate - between \$20,000 and \$25,000); so if we were to raise taxes incrementally every year, we would be looking at a ballpark figure of an additional \$25,000 of revenue.

Mayor Young then asked, don't you have to use your tax increases within 3 years or you can't go back and recoup it - isn't there something in that law also. So, like we haven't had an increase in 2 years, so next year we could do one if we wanted to. The City Manager answered, yes, we could combine the 3 into one. I am glad you brought that up. Council Member Bonds then said, so they have changed it. I thought you had to use it or you would lose it.

Mr. Molinari said, you are absolutely correct, when putting together a budget, I always try to do it without any tax increases or any rate increases, but I am glad that you brought that up. Next year, we may need to look at tweaking some things, across the board just to be able to meet these unfunded mandates. Let's just cross our fingers that nothing happens with the business license - half a million dollars. Our department managers do an outstanding job managing the resources that we have and what I have said to them is we need to continue to look at ways that we can be creative to cut costs, and it's my job to see what we can do to increase those revenue streams. That probably would be a really good topic for our retreat next year.

Council Member Bridge then asked if health insurance premiums would be increasing for our employees? Finance Director Amy Risher explained that employees will see the increase of their deductions, but the 1% COLA that we put in place will pretty much wash that out. They (the employees) won't see any reduction in their checks. That's the reason for the 1% COLA. Mayor Young added, they won't see an increase either.

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Council Member Bridge pointed out that the retirement cost keeps going up. Finance Director Amy Risher said, once they go up this year, then that is it. They are capping it at 9%. The employee's retirement cost is going up .34%, which will bring it to 9% for the employees.

The Mayor then entertained a motion to adjourn the meeting. A motion to adjourn the meeting was made by Council Member Syfrett. Council Member Broderick seconded the motion that passed unanimously. The meeting adjourned at 5:40 P.M. Notice of this meeting was distributed to all local media and posted on the City's website and the City Hall bulletin board at least twenty-four hours prior to meeting time.

Respectfully,

Betty J. Hudson  
City Clerk

**APPROVED: June 6, 2017**