



**City Council Meeting
City Council Chambers
145 West Broad Street
Spartanburg, SC
Monday, June 10, 2013**

**(These minutes were approved at the
June 24, 2013, City Council meeting.)**

City Council met this date with the following members present: Mayor Junie White, Mayor pro tem Jerome Rice, Councilmembers Linda Dogan, Cate Ryba, W. Sterling Anderson II, Robert Reeder, and Jan Scalisi. City Manager Ed Memmott and City Attorney Cathy McCabe were also in attendance. Notice of the meeting was posted with the Media 24 hours in advance according to the Freedom of Information Act. All City Council meetings are recorded for a complete transcript.

I. Moment of Silence – observed.

II. Pledge of Allegiance – recited.

**III. Approval of Minutes of the May 28, 2013 City Council Meeting -
*Councilmember Anderson made a motion to approve the minutes as received.
Councilmember Reeder seconded the motion, which carried unanimously 7 to 0.***

**IV. Approval of Agenda of the June 10, 2013 City Council Meeting -
*Councilmember Dogan made a motion to approve the agenda as received. Councilmember
Anderson seconded the motion, which carried unanimously 7 to 0.***

V. Public Comment - None

**Citizen Appearance forms are available at the door and should be submitted to the City Clerk*

VI. Public Hearing

**A. Ordinance to Provide for the Adoption of a City Operating Budget, Its Execution and Effect, for the Fiscal Period July 1, 2013 Through June 30, 2014 (First Reading)
Presenter: Chris Story, Assistant City Manager**

James Kennedy, Budget and Accounting Director

Mr. Story presented the item to City Council as follows presenting staff's recommended Operating Budget for Fiscal Year 2014 which begins July 1, 2013:
"We believe our recommendation reflects a responsible effort to balance the many competing objectives of the City with a disciplined and sustainable approach. We look forward to any questions you may have and those amendments you may pursue to ensure

this plan accurately reflects your preferences.

In addition to our presentation, the upcoming meeting will also include a public hearing on the budget. The public hearing will be followed by first reading consideration.

Council may consider amendments during that discussion or at second reading which is scheduled for June 24. Should Council desire an additional opportunity to consider budget matters, a special meeting could be held on June 17. While this is a more compressed schedule than in other years, we believe there can and will be adequate opportunity to address any concerns or consider any alternative approaches.

In this memorandum I will summarize the major considerations reflected in our recommendation beginning with expenditure highlights which will be followed by discussion of revenue issues including property taxes.

Expenditures:

The recommendation includes a one percent (1%) cost-of-living compensation adjustment for city employees at a cost of approximately \$200,000. That is coupled with the SC Retirement System's mandated increase in employees' required contribution into the retirement system of one-half of one percent (0.5%). Together, as proposed, city employees would realize a net increase in take home pay of one-half of one percent (0.5%).

After successive negative variances within our Medical Insurance Fund, we find it necessary to budget an additional \$200,000 for employee health insurance. While the longer-term trajectory of a health benefit cost remains positive, this budget adjustment is necessary to ensure the stability of our financial approach to this important expense. Depending on the final results of the current fiscal year, we may also find it necessary to make modest inflationary adjustments to employee's insurance costs; however, those would not be implemented prior to January 1, 2014.

This budget relies upon the savings (approximately \$200,000) derived via the planned closure of the Swim Center this year. (The expected recurring annual savings of \$400,000 is offset in this initial year by the costs of operating the facility for one quarter of the year and the subsequent cost of demolishing the facility.)

We have identified approximately \$320,000 in salary cost associated with currently vacant positions which we plan to hold vacant for some or all of the fiscal year. There are no new positions recommended.

The recommendation contains a continuation of the previously endorsed plan to fund \$800,000 annually toward the city's legacy pension system.

Aside from our continuing efforts to strengthen our technology infrastructure and citizen communications programs, departmental operating expenditures remain flat.

In addition to including another annual contribution (\$100,000) to the sinking fund for the new Dr. T. K. Gregg Recreation Center, the recommended budget includes a capital project reserve of \$200,000 designated for future quality of life enhancements to be

identified at a later date.

Revenues:

The recommended agreement with the City of Spartanburg Commission of Public Works results in a reduction in revenue from that source of \$200,000 next year escalating to a \$400,000 differential in three years. We propose to close some of that gap via property taxes as described below.

A significant revenue consideration for FY14 is countywide reappraisal process currently underway. Mandated by state law to occur every five years, a reappraisal process seeks to improve the fairness of the property tax system by updating the taxable market value of all taxable real estate in the county to reflect the current market. From the property owner perspective, we should understand that properties that have appreciated more than average in recent years will have an increased relative property tax burden while the inverse will be true for properties that have depreciated. From a budgetary perspective, reappraisal somewhat complicates because the restated tax base may produce more or less for each mill of tax levied by the City. Therefore, instead of establishing budgetary expectations for property tax revenue by stating a millage rate as we do in conventional years, in a reappraisal year it is appropriate to provide an intended property tax revenue figure to the County Auditor who will then calculate and levy the necessary millage on the updated tax base.

Our recommendation includes a property tax revenue budget of \$13,850,000 in property tax revenue. That figure is 1.1% more than we budgeted for the current fiscal year and 3.1% more than it appears we will actually collect this year. Our current millage rate is 101 mills. Based on the best available information, we project that our recommended budget will result in a millage rate between 99.5 and 104 depending on the results of reappraisal. Although it may not ultimately appear this way, we think the most transparent and forthright way to describe the impact of this budget on taxes is to call it a rate increase of up to 3 mills or 2.9%.

Our recommendation includes an increase in funds transferred from the Hospitality Tax Fund into the General Fund. This increase is possible due to growth in food and beverage sales in establishments inside the city. Hospitality Tax funded discretionary grants remain unchanged.

We look forward to presenting our recommendation to you in greater detail and answering any questions you may have. We continue to take pride in the many creative improvement strategies city employees undertake daily to strengthen our community and provide great value to the citizens we serve. Their ingenuity and ability to do more with less are essential to our ability to present this balanced and responsible plan for next year.”

Mayor White opened the Public Hearing. He asked if there was anyone to speak against the proposed budget for FY13-14.

Wonder Ann, 803 Asheville Highway, Spartanburg, SC, came forward to speak against the proposed budget.

W. T. Lewis, 212 Sheffield Drive, Spartanburg, SC, came forward to speak against closing the swim center as a part of the budget.

Mayor White asked if there was anyone to speak in favor of the proposed budget.

Ned Barrett, 769 Palmetto Street, Spartanburg, SC, spoke in favor of the proposed budget asking for emphasis on health and wellness through pike and walking trails.

Councilmember Dogan made a motion to close the public hearing. Councilmember

Anderson seconded the motion, which carried unanimously 7 to 0.

Councilmember Ryba made a motion to approve the budget on first reading with the exception of the hospitality tax portion. She recused herself from voting on that portion as the organization she worked for benefited from those grants. Councilmember Anderson seconded the motion, which carried unanimously 7 to 0.

Councilmember Ryba left the room.

Councilmember Anderson made a motion to approve the hospitality tax portion of the budget on first reading. Councilmember Dogan seconded the motion, which carried unanimously 6 to 0.

Councilmember Ryba returned to Council Chambers.

VII. Ordinance

A. To Raise Revenues for the City of Spartanburg for the Fiscal Year 2013 – 2014 to Levy Taxes on All Real Estate and Personal Property, Except Such as is Exempted by Law, in the Corporate Limits of the City of Spartanburg for Corporate Purposes for the Fiscal year 2013 – 2014 Based on Estimated Assessment Values and to Provide Penalties for the Delinquent Payment of Taxes Levied and Provided For (First Reading)

Presenter: James Kennedy, Budget and Accounting Director

Mr. Kennedy presented the item to City Council as follows:

“The purpose of this Ordinance is to establish the property tax millage rate for the City of Spartanburg for FY 2013 – 2014. The current year’s millage is 101.0. Due to reassessment staff projects millage for FY 2013 – 2014 will be between 99.5 and 104.0. The total property taxes revenue estimate (current & delinquent) for next year is budgeted at \$13,850,000.

ACTION REQUESTED: Adoption of an Ordinance to approve the millage for fiscal year July 1, 2013 – June 30, 2014.

BUDGET AND FINANCE DATA: Staff projects a 1% increase compared to current year budget.”

Councilmember Dogan made a motion to approve the ordinance on first reading as presented. Councilmember Scalisi seconded the motion, which carried unanimously 7 to 0.

VIII. Resolutions

A. Authorizing the Inclusion of Certain Property in a Multi-County Industrial Park within the City Limits of the City Pursuant to Section 4-1-170 of the Code of Laws of South Carolina, 1976, as Amended

Presenter: Chris Story, Assistant City Manager

Mr. Story presented the item to City Council as follows:

“American Credit Acceptance, LLC is a rapidly growing auto finance company owned and headquartered in downtown Spartanburg. For some time, city staff along with our economic development partners at the County and Economic Futures Group (Chamber of Commerce) have been discussing with company officials ways to align our interests for the company to continue to grow its presence in the community. We have sought to ensure that ACA will choose Spartanburg as its home for the long term and continue to place the overwhelming majority of its growing workforce in our downtown. We think

this proposed retention and expansion agreement meets that objective. The attached resolution would provide the city’s consent to include the properties American Credit currently occupies into a multi-county industrial park and to an agreement which would provide some offset to future tax liabilities under certain conditions.

The agreement establishes tax year 2012 taxes as the base (\$550,000) and established credits against any a portion of any amounts in excess of that base amount with the percentage of credit tied to employee count as follows:

For years 2013 – 2017:	For years 2018 – 2022:
If ACA has 900 or more employees in Spartanburg, credits would equal 75% of amounts above base.	If ACA has 1100 or more employees in Spartanburg, credits would equal 75% of amounts above base.
If ACA has between 700 and 900 employees in Spartanburg, credits would equal 50% of amounts above base.	If ACA has between 900 and 1100 employees in Spartanburg, credits would equal 50% of amounts above base.

In addition, the agreement contains clawback provisions which would reimburse the respective taxing authorities should ACA leave our community prior to the end of the agreement.

We think this is a fair and appropriate incentive agreement for this large and growing downtown corporate enterprise. We recommend approval and welcome any questions you may have.”

Councilmember Dogan made a motion to approve the resolution as presented. Councilmember Reeder seconded the motion, which carried unanimously 7 to 0.

B. To Authorize the City to Execute an Economic Development Participation Agreement with the Commissioners of Public Works

Presenter: Ed Memmott, City Manager

Mr. Memmott presented the item to City Council as follows:

“Staff is requesting Council approval of a Resolution authorizing the execution of an Economic Development Participation Agreement (“Agreement”) between the City of Spartanburg and the City of Spartanburg Commission of Public Works. The proposed Agreement will provide for a payment to the City of \$1.2 million in FY14, \$1.1 million in FY15, and \$1.0 million in FY16. The payment will remain at \$1.0 through FY18. The annual payment will be adjusted by the Consumer Price Index (“CPI”) for FY19 up to a maximum of 2.5%. Thereafter the annual payment will be adjusted by CPI up to a maximum of 4.5% over any two year period.

During the term of the proposed Agreement, the City agrees that it will provide approval of CPW bonds. The proposed Agreement also includes a provision that the CPW will require new or expanded water services (subject to certain limitations) within 1 mile of City limits to enter into an annexation agreement with the City. This provision is expected to facilitate growth in tax revenues for the City.

Staff believes the proposed Agreement clearly sets forth the respective expectations and commitments of both entities and is recommending approval.

BUDGET AND FINANCE DATA: City will receive revenues as set forth in the proposed

Agreement and should generate additional revenues from annexation.”
Councilmember Dogan made a motion to approve the resolution as requested.
Councilmember Anderson seconded the motion, which carried unanimously 7 to 0.

IX. Other Business

A. FY 2012-2013 Fraud Risk Assessment Report

Presenter: James Kennedy, Budget and Accounting Director

Mr. Kennedy presented the item to City Council as follows:

“Tonight we will present the results of our annual fraud risk self-assessment. As you know, this practice is not made necessary by any particular problem or shortcoming of the City; it is simply one of our many routine efforts to ensure we are taking all reasonable steps to improve our management of City resources. The American Institute of Certified Public Accountants (AICPA) Statements on Auditing Standards (SAS) No. 99 and No. 112 require entities to conduct an annual fraud risk assessment and communicate the results with the governing body. Please be aware that these auditing standards require that the potential area of risk must high to the level of the possibility that our financial statements could be materially misstated.

In preparation of the City’s upcoming FY 2012 - 2013 audit, departments were asked to conduct an assessment of their department for potential risk areas. An assessment request was sent to all departments, including over fifty-three staff members. The goal is to identify fraud risks that have a more than remote likelihood of occurring, and a more than inconsequential impact on the City’s finances. These risks could be in loss of assets, lack of proper controls, or weaknesses. Generally Accepted Accounting Principles (GAAP) requires the City to maintain a system of internal controls to reduce the risk of fraud (misappropriation of assets). This assessment focuses on areas where there are no existing mitigating internal controls.

Our purpose is to understand where fraud is most likely to occur so that the risk of fraud can be effectively controlled. A fraud risk assessment and internal controls do not guarantee that will not occur.”

City Council received the report as information.

X. City Council Updates -

Councilmember Scalisi commended staff on the CPW negotiations. She stated that she was proud of the City’s transparency and pleased that so many citizens responded to the issue. She commented that she was honored to present a proclamation to Carroll Cox the previous Saturday at the celebration of his 80th birthday.

Councilmember Anderson thanked staff for the hard work on the CPW agreement. He stated that he was glad to have it behind council. He thanked CPW for coming to the table and that both groups had come to a result that was in the best interest for the City.

He shared with everyone that his wife’s new business, Herb and Renewal, would be opening that week and invited everyone to visit her there.

Councilmember Ryba also thanked staff for their hard work on the CPW agreement. She stated that she was excited to see all the good things happening in downtown.

Councilmember Reeder thanked staff for their hard work on the CPW agreement. He also thanked the citizens for their interest in the Swim Center, but stated that there was no money in the City's budget for the project. He welcomed any suggestions from them as to how to finance the continuation of the Swim Center.

Councilmember Rice thanked staff for their hard work on the CPW agreement. He thanked Director Tony Fisher for his many years of service as the events honoring his him upon his retirement began.

Councilmember Dogan thanked the fire and police departments for their quick response to her car accident and the kind way they took care of her during that time. She thanked staff for their hard work on the CPW agreement. She thanked Director Fisher for his friendship and leadership.

Mayor White thanked Director Fisher for what he had done for the Spartanburg community.

XI. Executive Session to Discuss a Personnel Matter –

Councilmember Anderson made a motion to adjourn to Executive Session for the stated reason. Councilmember Reeder seconded the motion, which carried unanimously 7 to 0, and Council adjourned to Executive Session at 6:40 p.m.

Council reconvened to regular session at 6:49 p.m. Mayor White stated that discussion was held with no decisions made.

XII. Adjournment -

Councilmember Dogan made a motion to adjourn the meeting. Councilmember Reeder seconded the motion, which carried unanimously 7 to 0 and the meeting adjourned at 6:50 p.m.



Connie S. McIntyre, City Clerk