

CITY OF GREER, SOUTH CAROLINA

MINUTES of the MEETING of GREER CITY COUNCIL

SPECIAL CALLED SESSION – BUDGET WORKSHOP

January 19, 2010 - 6:30 PM

MEETING LOCATION:

301 East Poinsett Street, Greer, SC 29651

Greer City Council met in a Special Called Session with Mayor Rick Danner presiding.

Council members present: Jay Arrowood, Wayne Griffin, Lee Dumas, Wryley Bettis and Judy Albert

Council members absent: Sandra Anderson

Others present: Ed Driggers, City Administrator, Mike Sell, Assistant City Administrator, Tammela Duncan, Municipal Clerk, Steve Owens Communications Manager and various other staff and media.

Mayor Danner called the Special Called Session to order at 6:38 p.m. The Greenville News, The Greer Citizen and the Spartanburg Herald Journal were notified of the meeting by email on January 15, 2010.

INVOCATION

Invocation was given by Mayor Rick Danner.

2009-2010 Budget Analysis

Summary:

Ed Driggers, City Administrator - At the current rate of 92.8 mills, city property taxes pay for less than half of the services that city residents enjoy. If the city were to balance its budget strictly on property taxes, it would require 213 mills — while leaving no revenue to contribute to a reserve fund. Since the city's most recent millage increase during the 2001-02 fiscal year, residential, commercial, and industrial growth has provided sufficient revenue to supplement city expenses and to add to the reserve fund without another tax increase.

Growth has slowed dramatically during the extended national recession. Other revenue stream reductions, such as funding from the State of South Carolina, have also affected the city's budget. The severity and duration of the current recession has not only forced the city to substantially cut expenses, but also to draw more extensively than expected from the city's reserve fund to help balance the budget.

The reserve fund allows the city to deal with crises that require expending funds beyond what is budgeted. Natural disasters (ice storms, flooding); "acts of god" (roof collapse, property damage) or economic factors (recession, business closures) are all unexpected circumstances that must be addressed usually with substantial expenditures of funds.

The task of developing and executing the city's annual budget is similar to balancing a home budget on a much larger scale. The challenge is to balance revenue and expenses while building a savings account for difficult times. The loss of revenue has led to cuts in expenses and a decrease in the city's reserve fund — its savings account for difficult times.

After depleting its reserve fund in the 1990s, the city instituted sound fiscal management practices and began rebuilding that fund, while also budgeting for an increasing demand for services. Through the 2007-08 fiscal year, the reserve fund was built up using excess business license fees, construction permit fees, and other fees collected beyond what was budgeted.

Fiscally responsible practices dictate that a local government's reserve fund should equal 25% to 35% of the annual budget. Given the city's \$18 million budget that equates to between \$4.5 million and \$6.3 million.

Cutting expenses has been the *only* strategy employed to date. Recognizing the decline in revenues two years ago, the city implemented drastic measures to reduce expenses and lessen the impact to the reserve fund. That plan included cuts to services, including personnel. The city's operating budget has been reduced by more than \$2 million over the past two fiscal years and city departments have continued to work diligently to keep expenses under budget and to limit fund balance transfers. Departments tightened their belts and kept expenses nearly \$1 million under budget during the 2008-09 fiscal year — a move that helped avoid a potentially disastrous fund balance.

The city is a service industry. Additional cuts to the budget would mean even deeper cuts to programs and services. Since July 1, 2008, the city has reduced its workforce by 22 employees. That equates to a 10.75% cut to the city workforce and a loss of 44,000 annual service hours in the following areas:

<u>DEPARTMENT</u>	<u>% CHANGE IN FTE</u>
Administrative Services	- 20.58
Parks and Recreation	- 18.33
Municipal Court	- 13.33
Public Services	- 11.11
Police	- 9.09
Building and Development Standards	- 7.69
Fire	- 7.14

Some may argue that there is no difference between a user fee and a tax, however they are simply different tools that may be utilized to generate revenue. A fee is a tangible contribution toward a service that can be cost-measured, putting the responsibility for the service on those who use it. A tax spreads the cost over the entire population.

The city's financial situation is not due to debt or irresponsible spending. It has been caused entirely by a lack of revenue due to the national recession. It was impossible to predict that recession, particularly its severity and duration.

When the decision was made in 2006 to commence work on the new Greer City Hall, Greer City Park, and Police and Court Complex, the economy was strong and Greer was experiencing unprecedented residential and commercial growth. It was evident that new municipal facilities would be required to keep pace with that growth. If city leaders had the use of a crystal ball in 2006 that would have forecast the global economic downturn, they *may* have delayed construction. It's important to remember that construction rates were extremely low at that time — and the need for the facilities would not have disappeared with the dip in the economy.

When the economy recovers, the City of Greer will be well positioned to resume its role as one of South Carolina's fastest-growing cities and a vibrant hub in the Upstate. More importantly, the infrastructure will be in place to support that recovery. The municipal complex was constructed for the *future* of the City of Greer. Long after debt from the complex is retired, the facilities will continue serve the community.

Lengthy discussion followed.

Council and Department Heads discussed department budgets and staffing needs.

The Special Called Session – Budget Workshop adjourned at 9:19 p.m.

Richard W. Danner, Mayor

Tammela Duncan, Municipal Clerk