

A Ways & Means Committee meeting of the James Island Public Service District (JIPSD) Commission was held at 6:30 p.m. on February 12, 2024, at James Island Fire Station 1 located at 1108 Folly Road, James Island, South Carolina.

Present at the meeting were the following members: Marilyn Clifford, Chair, who presided; Inez BrownCrouch, Paul Cantrell, Susan Milliken, Brenda Grant, Ronald Ladson and Kathy Woolsey.

Also present were: Daryll Parker, Wildan Financial Services; Chip Bruorton, District Attorney; Tim Muller, District Attorney; Dave Schaeffer, District Manager; Tamara Robinson, Assistant District Manager; Joanne Tucker, Administration Manager; Ed Kilcullen, Director of Finance; Shawn Engleman, Deputy Fire Chief for Administration & JIPSD Safety; Tom Glick, Fire Chief; Brad Smiley, Deputy Fire Chief; Steve Aden, Director of Fleet Services; Walter Desmond, Director of Solid Waste Services; Joe Marcinkus, Director of Wastewater Services and Charleston County Officer Colburn.

Ms. Clifford called the meeting to order and led the pledge to the flag of the United States of America and invocation.

1. The Freedom of Information Act Report – In compliance with the Freedom of Information Act, notice of this meeting and its agenda were provided to all news media and persons requesting notification.
2. The roll was called.
3. FY25-FY29 Wastewater Utility Rate Study Update – Daryll Parker, Wildan Financial Services
 - A. Mr. Parker presented an updated wastewater utility rate study (attached). The study included goals and objectives for the full cost recovery of utility expenditures, cost-based rate structure, equity among customer classes, administrative efficiency, a 5-year financial plan, and consistency with common industry standards. Mr. Parker also spoke to rising operating costs, debt service coverage requirements, funding major capital expenditures and ongoing capital improvement needs. He concluded the need for ongoing capital improvement needs, rate adjustments to pay for increasing operating and wholesale treatment costs, satisfying new debt service obligations, meeting targeted financial metrics and increasing impact fees to help recover capital costs. Discussion followed.
4. FY25 Draft Budget Presentation – Ed Kilcullen, Director of Finance
 - A. Mr. Kilcullen presented the draft FY25 budget (attached). Discussion followed.
5. FY25 Draft Budget Narrative – Dave Schaeffer, District Manager
 - A. Mr. Schaeffer stated that the JIPSD District Administration is asking for 5 mills incorporated into the FY25 budget dedicated to increasing JIPSD salaries and benefits. He went on to stress the following:
 - The JIPSD District Administration is asking for 5 mills incorporated into the FY25 Budget dedicated to increasing JIPSD salaries and benefits.
 - Salaries and benefits expressed as a percentage of total general fund expenditures was 81.1% for FY23; that figure hasn't changed very much from FY20, FY21, or FY22. Simply put, an average of over 81 cents of every dollar collected in property taxes goes to paying the JIPSD employees' salaries and benefits. The JIPSD is a service organization and the JIPSD employees provide 100% of the services to the JIPSD residents. The JIPSD needs more ongoing revenue to offset the ongoing expenditures associated with increasing costs of paying the employees better. The JIPSD does not have a diverse revenue stream for the General Fund.

Historical trends with the JIPSD General Fund

| Statement of Revenue, Expenditures, and Changes in Fund Balance | | | | | | |
|---|------------|----------------|--------------------|---|------------------------|---------------------|
| General Fund | | | | | | |
| Year | Year Ended | Total Revenues | Total Expenditures | Excess (Deficiency) of Revenues Over Expenditures | Beginning Fund Balance | Ending Fund Balance |
| 1 | FY17 | \$6,929,596 | \$6,936,389 | (\$6,793) | \$3,664,559 | \$3,917,385 |
| 2 | FY18 | \$7,836,595 | \$8,567,327 | (\$730,732) | \$3,917,385 | \$5,341,001 |
| 3 | FY19 | \$8,032,412 | \$8,905,617 | (\$873,205) | \$5,341,001 | \$4,228,152 |
| 4 | FY20 | \$8,177,018 | \$8,483,569 | (\$306,551) | \$4,228,152 | \$4,851,801 |
| 5 | FY21 | \$9,307,796 | \$9,956,442 | (\$648,646) | \$4,851,801 | \$7,415,924 |
| 6 | FY22 | \$9,253,936 | \$8,414,347 | \$839,589 | \$7,415,924 | \$9,564,165 |
| 7 | FY23 | \$9,334,103 | \$8,903,281 | \$430,822 | \$9,564,165 | \$13,137,429 |
| Totals | | \$58,871,456 | \$60,166,972 | (\$1,295,516) | DIFF FY23 - FY17 | \$9,220,044 |

From FY17 - FY23, the District has collected \$58,871,456 in total general fund revenue but has expended \$60,166,972; Over the past 7 fiscal years, this represents a cumulative deficit spend of \$1,295,516. For example, FY17 - FY21 the 5 straight fiscal years of deficit spending totaled \$2,559,134; we have already course-corrected \$1,270,411 in the past two full fiscal years of FY22 - FY23.

In FY23 total general fund expenditures were slightly lower than FY19 total general fund expenditures; that's a testament to the sense of austerity implemented with District general fund spending; the JIPSD is controlling what it can control.

| Schedule of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual | | | | | | | |
|--|------------|-------------------------|-----------------------|-------------|-----------------------------|---------------------------|---------------|
| General Fund | | | | | | | |
| Year | Year Ended | Total Revenues Budgeted | Total Revenues Actual | Variance | Total Expenditures Budgeted | Total Expenditures Actual | Variance |
| 1 | FY17 | \$6,617,366 | \$6,929,596 | \$312,230 | \$827,565 | \$804,640 | \$22,925 |
| 2 | FY18 | \$6,835,183 | \$7,836,595 | \$1,001,412 | \$7,108,128 | \$8,567,327 | (\$1,459,199) |
| 3 | FY19 | \$7,134,845 | \$8,032,412 | \$897,567 | \$8,857,377 | \$8,905,617 | (\$48,240) |
| 4 | FY20 | \$7,898,214 | \$8,177,018 | \$278,804 | \$8,642,947 | \$8,483,569 | \$159,378 |
| 5 | FY21 | \$8,607,853 | \$9,307,796 | \$699,943 | \$9,781,068 | \$9,956,442 | (\$175,374) |
| 6 | FY22 | \$9,046,613 | \$9,253,936 | \$207,323 | \$8,703,692 | \$8,414,347 | \$289,345 |
| 7 | FY23 | \$9,361,700 | \$9,334,103 | (\$27,597) | \$9,971,640 | \$8,903,281 | \$1,068,359 |

FY23 general fund revenues slightly under projections and FY23 general fund expenditures \$1,068,359 under FY23 appropriations. We need to use general fund balance to facilitate the FY24 current year budget adjustment associated with \$500,000 towards the fire engine to be received in FY28; and for the #1 ranked priority associated with the replacement of the Signal Point fuel system (installation of new tank, pumps, and software).

I can't do much about what happened in the previous fiscal years before I got here, but with the help of the Leadership Team, we've successfully stopped the bleeding and have the District headed in the right direction financially.

For Example, FY17 - FY21, the 5 straight fiscal years of deficit spending totaled \$2,559,134; we have already course-corrected \$1,270,411 in the past two full fiscal years of FY22 - FY23.

FY23 total general fund expenditures were slightly lower than FY19 total general fund expenditures; that's a testament to the sense of austerity implemented with District spending.

That's a new commitment to maintaining cost controls even with 10% wage increases provided to the front-line employees and 4% across-the-board for Admin Employees in December of 2021 - that was in addition to the merit increases of 2% - 4%.

That's maintaining cost controls even with newly instituted 2% COLA Increases for All District Employees applied 1 July 2022 & 1 July 2023 IN ADDITION to maintaining the merit system of 2% - 4%.

These increases have been more generous than historically provided by JIPSD (merit-only), unfortunately, but have not been enough to keep JIPSD wages competitive with other surrounding municipalities that we are competing against for staffing resources.

In order to start addressing JIPSD wage disparities, we cannot simply increase ongoing expenditures without committing to increasing ongoing revenues; JIPSD does not have the luxury of diverse revenue streams.

JIPSD does not collect LOST Funds; Business Licenses; Cable Franchise Fees; or Hospitality Taxes; Unfortunately, I'm talking about dedicating millage increases in FY25 to making market adjustments to address wages in addition to keeping the merit system and COLAs.

Everyone is familiar with inflation and the skyrocketing Consumers Price Index; the JIPSD is not immune to inflation; The City of Charleston provided 12% increases to its Fire Department employees last year; The City of Charleston also dedicated \$3.75 million wage increases.

The City is trying to implement a "Market-Lead" Compensation Strategy and that forces the City of North Charleston and the Town of Mount Pleasant to provide increases as well to maintain their staffing resources.

The District is not even at the "Market-Match" Compensation Strategy. The District has historically been on the "Market-Lag" Compensation Strategy due to its issues with the singular/non-diverse revenue stream.

The District unsuccessfully completed a Compensation Study in 2018-2019 and the rationale and justification for the market adjustments were never fully explained to the employees - this was not a transparent process and shook the collective employees' confidence in the District's Administration – and significantly reduced trust from District employees in District Administration.

During FY25, I'm asking the Commission for 5 Mills in the operating levy dedicated to making market-wage-adjustments for District employees in addition to the ongoing Merit 2-4% as well as planning for another 2% COLA effective July 1, 2024.

The largest line item where members of the Commission will notice the increase is 01-102-504.01 Protective Services within the Fire Department – the proposed \$1,353,776 is an increase of \$212,876 to increase the wages of Firefighters and Engineers; the line above that is Professionals – that represents \$44,769 for Captains; and that represents \$51,143 for Battalion Chiefs and above – that's a collective \$308,788 for just wages – you can also see

the increases to retirement system contributions, worker's compensation premiums, and social security expenses that go along with increasing wages. This is not unique to just the Fire Department cost center in the proposed FY25 Budget, but it costs the most in the Fire Department because they have the most employees.

The employees provide 100% of the services to the JIPSD Residents – they are the JIPSD's most valuable resources, and we must continue to invest in the JIPSD employees; this is exactly what we're proposing to do in the FY25 budget. We want to continue to the positive financial momentum into FY25 and beyond. I need the help and support of the Commission to continue to move this organization forward and in a positive financial direction while identifying and addressing the wage disparities for District employees. Further discussion followed salaries and employee retention.

6. Ms. Clifford moved to approve the purchase of radios for the Solid Waste department, seconded by Ms. Grant. A roll call vote was taken, and the motion carried unanimously.
7. Ms. Clifford moved to adjourn, seconded by Ms. Milliken. A roll call vote was taken, and the motion carried unanimously.
8. Ms. Clifford adjourned the meeting at 8:21 p.m.



Ronald Ladson
Secretary
RL/TR