

# **REPORT OF FINANCE & ADMINISTRATION COMMITTEE MEETING**

**February 4, 2015**

A meeting of the Finance & Administration Committee was held on Wednesday, February 4, 2015 at 10:00 A.M. at the Authority's Administrative Office in Conway, South Carolina. Present were Committee Chairman Lance Thompson and Committee Member Pam Creech. Committee Member James Cokley was absent due to illness. Also in attendance were Board Members Mike Campbell and Dan Gray, Executive Director Danny Knight, Assistant Executive Director Mike Bessant, Directors Jan Bitting, Bill Hilling, Esther Murphy, staff members Nannette Powell and Susie Wofford. There were no members of the media in attendance.

Mr. Thompson called the meeting to order and turned the meeting over to Mrs. Bitting.

## **Finance Department Update**

Mrs. Bitting gave a brief update on the following procedures:

- Online Bill Pay – In the process of going live with the SWA online bill pay March 1, 2015.
- Credit Card Payments – Effective February 1<sup>st</sup> the SWA started charging a convenience fee of \$2.50 for each debit/credit card transaction at the scaleshouse to offset the merchant fees.
- Electronic Statements – Continuing to sign up customers for SWA e-mail statements.

Mrs. Bitting stated that the Finance Department is researching various ideas on how to streamline the department's procedures. For example, the P-card program has diminished the number of checks being written along with the number of purchase orders processed. She stated the managers are doing a great job utilizing the program.

## **Budget Process**

Mrs. Bitting advised the Committee that the budget calendar is a tight schedule. Ms. Bitting indicated she wanted to review some numbers with the Board before she sends anything out to the County. Mrs. Bitting stated she needs to have preliminary figures to the County by March 17, 2015. She reminded the group that the Pre-Budget Workshop is scheduled for Wednesday, February 11<sup>th</sup> at 12:00 pm and the Budget Workshop is scheduled for March 11, 2015.

Mrs. Bitting gave an overview of where the staff is with the budget. She stated the Directors and Managers turned in their capital and small capital budgets last week and indicated she is in the process of reviewing them now. Mrs. Bitting advised the Committee Members that she sent out the operating budget figures to managers on

Monday, February 9<sup>th</sup>. The operating budgets are due back to Mrs. Bitting on February 19, 2015.

Mr. Thompson asked how the capital budget compares to last year or previous years. Mrs. Bitting stated she has not had a chance to look at it thoroughly. She did advise the Committee that staff looks closely at what they had previously budgeted, especially with regards to the Equipment Replacement Fund, which the SWA has a schedule for and it usually stays the same. Mr. Thompson inquired if there was a specific number that the Authority is looking for like depreciation that cannot exceed a certain amount. Mrs. Bitting advised that with the Equipment Replacement schedule the depreciation number is already set in place.

Mrs. Bitting advised the Committee that she has already looked at some preliminary revenue figures and that the SWA is looking at a deficit in the revenue as compared to last year. She stated that an addition \$230,000 in revenue was needed in order to match last year's revenue level. Mrs. Bitting commented that this amount does not include any increases in the operating budget which staff knows will increase. Mrs. Bitting stated that she knew retirement was increasing, along with health insurance and workers compensation. Mr. Thompson asked where the shortfalls were occurring. Mrs. Bitting responded that primarily it was in the recyclables sales revenue.

Mr. Bessant wanted to add that when the SWA is talking about a revenue shortfall of \$230,000, any new programs would add to that such as the food waste composting. He recommended that any additions to the budget would increase that deficit. He stated that it was going to be a balancing act to see where the SWA will get the money.

### **Financial Reports**

Mrs. Bitting asked the Committee if there was anything different they would like for her to focus on, or, if there was anything new or different anyone would like to see in the financial reports. Mrs. Bitting stated she would appreciate any feedback.

Mr. Thompson inquired about the percentage comparison, for example ½ year SWA should be at 50%. He stated that a target would be beneficial to know that SWA should be at 50% but the number is actually 48% and that translates to x amount of dollars.

Mr. Thompson asked Mrs. Bitting if she was aware of any trends that the SWA is seeing that the Committee or Board should be aware of. Mrs. Bitting stated the recyclables sales revenue was her biggest concern. She commented that the SWA has been operating in the black thus far; however, there are still five months left in this fiscal year and there could be drastic decreases in our revenue. Mrs. Bitting indicated the recyclables sales are not something staff can easily budget for and there is not a lot that staff can do to offset that. She said the SWA is still getting the same volume, therefore, cannot cut employees or stop equipment. Staff is looking at ways to generate revenue. Mrs. Bitting stated Mr. Faircloth is doing a great job looking at different ways to sell more materials to different markets and new vendors.

Mr. Bessant stated that another indicator is the SWA quarterly transfers. He said typically the SWA transfers money in the first and second quarters and in the third quarter the SWA usually has to take some of it back. Mr. Bessant advised the group that this year the SWA will have to take some back in the second quarter. Mr. Bessant said he and Mrs. Bitting have discussed how this will affect the SWA. He commented that the transfer for the first quarter was large, and if revenue continues to drop the SWA may have to go back and take all the money back that was transferred into the landfill construction account.

Mrs. Bitting stated that the transfers would have a big impact on next year as well; and commented that there might not be any funds to transfer next year because of the budget being so tight. She explained that when the staff looks at the financials each quarter, if the SWA does have money that can be transferred sometimes money is maintained in the undesignated fund so that managers can purchase equipment that is not funded through a designated fund. In addition, when the money is not available to transfer, it limits purchasing items that the managers might need.

Mr. Bessant stated that it is a new era for the SWA in the way it does business. He remarked that staff has tightened up on the budget, reduced employees, reduced overtime and is still at a deficit.

Mr. Thompson clarified that the level of activity at the MRF hasn't reduced, the revenue deficit is price driven. Mrs. Bitting affirmed his statement.

Mr. Thompson asked how close staff was to asking about tipping fee rates. Mr. Bessant stated that staff is doing everything they can do not to ask that question, but it may have to be asked. Mr. Bessant indicated Mr. Knight said that staff would have to find a way to live within the budget first.

Mr. Bessant stated staff was seeking direction from the Board as to what they want to see next year and ideas for the Pre-Budget Workshop on February 11<sup>th</sup>.

Mrs. Creech asked what was planned for incentives. Mr. Bessant stated that staff had discussed the incentives and what impact they had on the operation. He said staff believes the MSW incentive is important in that it maintains the amount of material coming to the MRF. She also asked about lowering the price on C&D and if by doing so could we get the material back and what difference that would make. Mr. Bessant advised that they had not discussed those numbers. He said staff didn't think cutting revenues was an option. Mrs. Creech asked for actual financial numbers on any new projects, i.e. food waste composting, and what it would cost to start and at what point the project would break even.

Mr. Bessant stated that the SWA has several programs that do not pay for themselves. He said these programs are in place because they save landfill space and because it is the right thing to do. Mr. Bessant commented this has been the mission for the Authority for

a long time and staff has not looked at changing that mission. He said staff has looked at reducing cost in those programs.

Mr. Knight commented staff will present a balanced budget to the Board at the end of this process.

There being no further business to come before the Committee, the meeting was adjourned at 10:35 A.M.