

REPORT OF FINANCE & ADMINISTRATION COMMITTEE MEETING

June 10, 2015

A meeting of the Finance & Administration Committee was held on Wednesday, June 10, 2015 at 2:00 P.M. at the Authority's Administrative Office in Conway, South Carolina. In accordance with the Freedom of Information Act, notices setting forth the date, time, and place of the meeting were mailed to the news media.

Present were Committee Chairman Lance Thompson and Committee Member Pam Creech. Committee Member James Cokley was absent. Also in attendance were Board Members Mike Campbell, Dan Gray, Norfleet Jones and John Long. Executive Director Danny Knight, Assistant Executive Director Mike Bessant, Directors Jan Bitting, Bill Hilling and Esther Murphy, Deputy Director Rodney Cannon and staff members Nannette Powell, Cecil Terry, Susie Wofford and David DeKleva of Smith, Sapp, Bookhout, Crumpler and Calliham, P.A. (Smith, Sapp) were present. Steve Gosnell, Director of Horry County Infrastructure and Regulation Division was also in attendance. Newly appointed Board Member Sam Graves was also in attendance. There were no members of the media in attendance.

Mr. Thompson called the meeting to order and rendered the invocation and led the group in the Pledge of Allegiance. Mr. Thompson asked if there were any additions to the agenda; however, none were stated.

Ms. Creech made a Motion to approve the agenda. Mr. Thompson seconded and the Motion was carried.

Mr. Thompson then turned the meeting over to Mrs. Bitting.

GASB Update

Mrs. Bitting introduced David DeKleva of Smith, Sapp the SWA's auditing firm. Mr. DeKleva stated that he was there to review the new updates mandated by Government Accounting Standards Board (GASB) 68 in reference to pension liability.

Mr. DeKleva stated the SWA participates in the State Retirement Plan which is a cost sharing multiple employer defined benefit pension plan. Mr. DeKleva emphasized that the new GASB requirements do not affect the SWA's funding requirements.

Mr. DeKleva explained GASB 68 requires the SWA start recognizing its portion of the State's net pension plan's liability and expense. Previously, Mr. DeKleva stated, the SWA only recognized as an expense the cash funded amount that was remitted to the State. Now with the new requirements the SWA will be required to annually recognize its portion of the State's plan. He indicated the SWA's share is .042585% of the State's plan and said the amount of liability for the State's total plan as of June 30, 2014 was \$17.2 billion dollars. Mr. DeKleva stated the SWA's portion of that amount will be \$7,331,725, and commented that this said liability amount

will be placed on the books and will be reflected as a noncurrent liability on the SWA's financial statements.

Mr. DeKleva went on to explain how the SWA will recognize the pension expense and how the financial statements will be impacted. He reviewed the handouts presented in the meeting package.

Ms. Creech asked Mr. DeKleva where he obtained the figures that he presented to the Committee. Mr. DeKleva responded that the numbers came directly from the state. Ms. Creech stated that it appeared that the retirement plan was not fund. Mr. DeKleva agreed and went on to explain that the seven million amount is the liability in excess of plan assets. Ms. Creech expressed concern that the SWA owes seven million dollars that the SWA does not have. Mr. DeKleva stated that the idea is complicated in that the plan is a separate entity and trust that is being funded by participating employers. The liability does belong to the plan; however, GASB is required that all participating employers show their portion of their liability.

Mr. Thompson inquired if the methodology is standard across all accounting procedures. Mr. DeKleva affirmed that statement.

Ms. Creech asked Mr. DeKleva if he would be checking the State's book. Mr. DeKleva stated that the State is currently being audited and he will rely on those audited numbers.

Mr. Thompson asked if there were any more questions. The Committee Members thanked Mr. DeKleva for his time and information.

Employment Benefits

Ms. Bitting informed the Committee Members that she had pulled the minutes from the last Committee meeting and reviewed what the Committee wanted the staff to look at.

Mrs. Bitting proceeded to review the attached worksheets that were included in the Committee packet.

Mr. Thompson asked about the breakdown of salaried employees and hourly employees. Mrs. Bitting advised him that the SWA has approximately 15 salaried employees, which consisted mostly of managers and the remaining employees are hourly. Mr. Thompson then inquired about the number of employees in the Landfill Division. Mrs. Bitting responded that the average was approximately twenty one (21) employees. Mr. Thompson also inquired about the number of employees in the Recycling Division. Mrs. Bitting stated that it was approximately 15 employees. She advised that was not a guaranteed number she would have to check to be sure.

Ms. Creech asked how many employees were in the Unincorporated Collection System (UCS). Mrs. Bitting responded that there are 60 employees and approximately 30 of those employees are part-time.

Mr. Thompson stated that based on the information that Mrs. Bitting presented, every time someone takes a vacation day the staff would have to hire someone. Mrs. Bitting clarified that

was normally not the case. She indicated the SWA has an ample number of employees working; however, when a division has two or three people off each day they are short staffed and have to pull employees from other divisions. She said if the Board decides employees will not be able to accrue leave and force them to take time off, the SWA will definitely need to hire additional people, especially in the Landfill Division and UCS to cover that time.

Mrs. Creech stated that she could not imagine why employees could not take off during the “off-season”. Mrs. Bitting explained that the SWA does not have a true “off-season”. Mr. Bessant stated that during the winter months the SWA typically does any special projects that are needed such as building roads, etc.

Mr. Thompson inquired if Mrs. Bitting had the information from the last fiscal year on the amount of vacation that was sold back. Mrs. Bitting said the amount of vacation buyback for the SWA was \$59,000 and for UCS was \$13,000. Discussion was held on vacation pay now versus when they leave employment.

Mr. Thompson stated it sounds as if the SWA is not appropriately staffed. He emphasized that he feels that employees that do not take vacation have higher burn out rates and will not be as productive. He believes given a choice an employee will take one week and get paid for the additional three weeks they have earned. Mrs. Bitting advised that typically the average SWA employee take two weeks a year. Mrs. Bitting explained that the vacation buyback program is a benefit to the SWA, and stated the SWA is paying the employee at today’s rate and removing the liability off the books so the SWA does not have to pay it a higher rate in the future. Mrs. Bitting stated that the vacation buyback program has never been abused. She assured the Committee that the majority of the employees keep the accrual on the books for emergency situations. Mr. Thompson responded that is the purpose of accrued sick leave time and short term and long term disability. Mrs. Bitting advised that the disability payments pay a smaller percentage of your salary. Mrs. Bitting indicated that the vacation accrual is a benefit for the SWA employees.

Mr. Thompson indicated that he would like to see a staffing model along the lines of having Column A, showing what is needed to run the SWA on an everyday basis allowing people to take the vacation that is earned versus a Column B, indicating what the SWA is currently doing.

Mrs. Bitting asked Mr. Thompson if he would like to see the SWA require employees to take their time off. Mr. Thompson stated he would and commented he believes that employees should take off the time that they earn and enjoy the time off they have earned. Ms. Bitting inquired as to how the SWA would come up with the \$700,000 to do that. Discussion was ongoing about the different costs and how the accrual benefit is used as a hiring tool and how the SWA compares with other municipalities.

Mrs. Creech advised that she thinks people are accruing more time than the employer can afford to pay. She stated that when an employee earns a certain amount of sick leave, personal days and vacation time the employees are getting months of time off. Ms. Creech said when the employer has over 100 employees that amount of time off can be a problem. She inquired as to where the funding would come from. She stated if the SWA is going to do something it must be

sustainable; whatever the SWA promises or chooses to do needs to be sustainable. Ms. Creech said if it isn't, the promises the SWA is making to employees is unfair.

Ms. Creech advised that she would like to see what the budget would be if employees took what the SWA is willing and allowing them to have and what the budget would be if the SWA would have to pay that out. Ms. Creech commented that as a Board Member she will have to ask the Executive Director to come up with the money. She said the Executive Director and the staff will be required to determine where the money is coming from because unlike the County, the SWA raise taxes.

Mr. Knight commented about the accrued time and stated that if it was not accrued there would be no pay out. Mr. Thompson stated that when an employee leaves, the SWA would be responsible for paying the tens of thousands of dollars that the employee has built up over time by not taking their vacation.

Mr. Thompson advised that a staffing model would be easy to put together and would let the Board know the amount of employees it would take to operate the SWA. Mr. Thompson stated he does not want to take benefits away from any employees; however, he would like to see them use the benefits they have earned.

Mr. Thompson stated it would be his recommendation to stop the four weeks vacation or the maximum amount that is being earned and make it a two weeks maximum and raise everyone's pay rate.

Mr. Hilling advised the Committee that the employees are the SWA's most important asset and said the SWA needs those employees to get the work done. He stated that benefits are huge when it comes to hiring people. Mr. Hilling stated the SWA's pay is steady; but, not on the high end. He also commented that it is a struggle to find qualified people. He indicated that the SWA needs qualified, dependable employees to meet the goals and standards that have been put in place at the SWA. Mr. Hilling acknowledged the mental standpoint of Mr. Thompson's recommendation; however, having several employees off every day would be tough.

Mr. Thompson again stated that the staffing model comparison he has requested would show the cost of the number of people required versus what we are spending on vacation buyback and accrual. He went on to say he understood if employees are going to take their vacation the SWA will be paying current employees more to cover the job or pay to have more employees.

Mr. Hilling advised that the employees are concerned about their benefits. He commented that employees watch the meetings and know what is happening and said the employees are concerned with staffing. Mr. Hilling stated the Landfill Division is stretched tight now and the landfill is being asked to do things such as the food waste composting with no extra personnel. Mr. Hilling stated that he hoped the Board and the staff could get to common ground that works for everyone.

Ms. Creech commented that some employees prefer getting paid for that extra vacation; that they need the additional money. Mr. Bessant advised that some employees like to reserve the accrued

time for tough times, such as sickness, etc. Mr. Bessant also made the Committee aware of the fact that the SWA recently hired two employees that came to us with lower wages than private industry because of the benefits that the SWA offers. He commented those employees looked at the vacation as a benefit and before the Board makes any change all these things need to be considered. Mr. Bessant said the SWA is having a difficult time trying to hire qualified individuals.

Mr. Knight stated that the amounts that are being discussed are a combination of both Fund 4 and Fund 6. He acknowledged that the staff has heard what the Committee wants next and they will put the information together and get back with the Committee.

Mr. Thompson inquired if the SWA has done a wage/compensation study. Staff replied that the SWA had one prepared in 2006/2007.

Mr. Thompson re-iterated that the Committee is not trying to take away any benefits from the employees. He only wanted to make sure the SWA is operating as efficiently as possible.

Mrs. Murphy stated when the vacation and sick policies were implemented it was mirrored after the County's policy. She indicated that the staff was aware of burn out. Mrs. Murphy acknowledged that the opportunity is there to buy vacation back but there are criteria that have to be met. Mrs. Murphy also acknowledged that managing the Recycling Division & UCS she has seen that having accrued time is beneficial. She indicated it is used more as it was intended as opposed to it being an open pot of money.

Mr. Thompson asked about sick time buy back. Mrs. Bitting referred to the sheet in the Committee packet and reviewed it with the Committee Members.

Mrs. Bitting advised that she and staff had looked at other cost savings, including the 5% cap on health insurance. She informed the Committee Members on the cost of that program and the cost savings of a recommended change.

Mr. Thompson inquired about the insurance rates. Mr. Bessant advised that the State mandates how much the employer pays versus the amount the employees pay. The SWA is on the State Health Plan. Mrs. Bitting commented that the SWA has not seen huge increases in the premium, but there has been an increase in deductibles, co-pays, etc. She said the increases have been placed more on the employees.

Ms. Creech indicated that at one time staff was going to investigate the SWA remaining on the State Plan or utilizing a different health insurance Mrs. Bitting replied that the SWA did attempt to obtain a separate plan under the State Health Plan; however, that application did not go through. She advised the Committee that the County is looking at going out on a different plan and said the SWA may do that as well. However, she stated with the SWA being so small we may stay with the County to get a better rate. Ms. Bitting said staff is looking at both options.

Ms. Creech inquired about overtime and holiday pay. Discussion was held on the SWA policy concerning holiday pay and how scheduling is handled on holidays.

Mrs. Bitting then discussed the last item in the packet, post-employment benefits.

Ms. Creech asked if staff was recommending any changes on new hire employees as far as the post employment benefits. Mrs. Bitting stated staff does not recommend cutting post-employment benefits for new hires as this is a benefit we can offer to obtain qualified employees. She stated these benefits are used as a tool for new hires. However, she said, whatever the Board recommends the staff understands and realizes it is a cost savings. Ms. Creech stated that whatever the Board decides to do must be sustainable and proven that the SWA can afford it.

Ms. Creech indicated that whatever the SWA does in the future she would like to have a balanced budget and does not want to do it with non-funded positions and transferring money. Ms. Creech stated she would like a true balanced budget without raising tipping fees.

There being no further business to come before the Committee, the meeting was adjourned at 3:10 P.M.