



Quality by the Numbers
Financial Report
Year End June 30, 2017



QUALITY

Services. Places. Community.

Mayor

A. Douglas Echols

Council

Ann Williamson

(Mayor Pro Tem)

John A. Black III

Sandra Oborokumo

Kathy Pender

Jim Reno

Kevin Sutton

City Management

David B. Vehaun

City Manager

Jimmy Bagley

Deputy City Manager

Steven Gibson

Assistant City
Manager



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City Staff

Mike Blackmon

Fire Chief

Phyllis Fautleroy

Human Resources

Director

Anne Harty

Chief Financial Officer

Cindi Howard

General Services

Director

Mike Jolly

Electric Director

Mark Kettlewell

Water/Sewer Director

Bill Meyer

Planning & Development

Director

Terrence Nealy

Public Works Director

John Taylor

Parks, Recreation &

Tourism Director

Stephen Turner

Economic & Urban

Development Director

Chris Watts

Police Chief

Jennifer Wilford

Housing & Neighborhood

Services Director

Rock Hill Residents,

We, here in the City, work to be “Always On” by providing Quality Services, Quality Places, and a Quality Community. Quality takes a lot of effort, time, and dedication. Quality also means being a responsible steward of the public dollar.

To facilitate accountability and transparency, we provide financial information in several formats for our customers. Every month, a financial report and a financial dashboard disclose our revenues and expenses. Annually, the City also produces a Comprehensive Annual Financial Report, or CAFR. The CAFR consists of a number of audited financial statements that provide the overall financial position of the City. The audit is required by state law and ensures that the City conforms with Generally Accepted Accounting Principles (GAAP).

This Quality by the Numbers Financial Report condenses information from the CAFR into an easy-to-understand report. Although this report does not include all funds, assets, liabilities, and component units, it does provide the highlights of the City’s finances over Fiscal Year 2017. For the full CAFR, please visit the City’s website at www.cityofrockhill.com/transparency.

In addition to the financial position of the City, this report also includes data from economic, demographic, and performance data sources. I hope that you find this report helpful and informative. Your input and involvement in our community is valued and appreciated.

Sincerely,
David B. Vehaun
City Manager



Should you have any questions about this report, please feel free to contact any of the following personnel:

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Chief Financial Officer
Anne Harty

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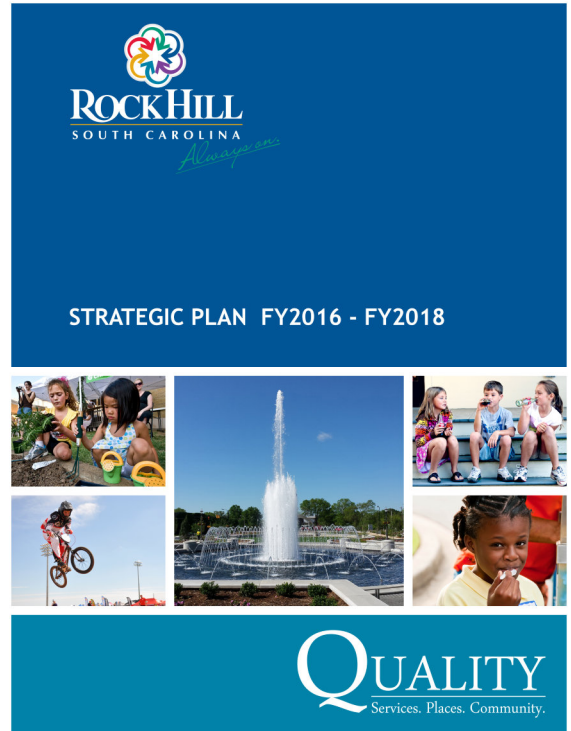
City Reports

There are a number of reports and documents that provide the public with valuable information about our plans, goals, and progress. Here is a brief description of some of these useful documents.

Strategic Plan

Our City’s strategic plan is a roadmap that moves our vision into reality. Our plan is separated into three major focus areas: Quality Services, Quality Places, and Quality Community. We use our plan to align limited financial resources with predetermined initiatives that tie to a broader vision. The goals and tasks included in this plan directly determine the City’s work plans.

Twice a year, the City’s elected officials review progress on existing tasks. This is found in the Year-End Report.



Strategic Plan FY2017 Year-End Report

At the end of each fiscal year, the City reviews its strategic goals and tasks to gauge our progress based on performance metrics. Each task is given a stoplight color that provides the reader an easy-to-read indication of our success. Additionally, the report provides detailed information about the degree to which we achieved our goals that provides further insight for the reader.

These reports are used to hold ourselves accountable to our customers, the City Council, and management. The year-end reports are typically available in August of each year.

QUALITY SERVICES

Goal: Provide high quality public works and stormwater services

Evaluate sidewalk and street infrastructure and address concerns in a methodical manner

<ul style="list-style-type: none"> •Conduct an inventory and conditions assessment of all City sidewalks by 6/30/2017 	●	<i>An inventory of all City streets + sidewalks are approximately 50% complete. Conditions assessment will be completed by 6/30/2018.</i>
<ul style="list-style-type: none"> •Increase funding by \$20,000 per year to repair/replace damaged sidewalks 	●	<i>Sidewalk funding for FY2018 was approved at \$120,000, an increase of \$20,000 over FY2017.</i>
<ul style="list-style-type: none"> •Upgrade at least 40 intersection ramps per year to comply with ADA regulations 	●	<i>48 intersection ramps were upgraded to comply with ADA requirements.</i>
<ul style="list-style-type: none"> •Update signage on all City owned streets to include the City logo by 6/30/2018 	●	<i>Staff has completed 86% of City owned street signs. The last sections remaining are south of downtown between Friedheim and Albright.</i>

City Manager’s Annual Report

Each fall, the City Manager’s Annual Report highlights the accomplishments of the City over the prior fiscal year. Organized around the Strategic Plan’s focus areas of Quality Services, Quality Places, and Quality Community, this report provides a broader perspective as to completed construction projects, internal focuses for employees, and community-wide celebrations.

The Annual Report also includes a complete listing of the awards and recognitions that the City has received. Fiscal Year 2017 saw a record number of awards from regional, state, and national partners.



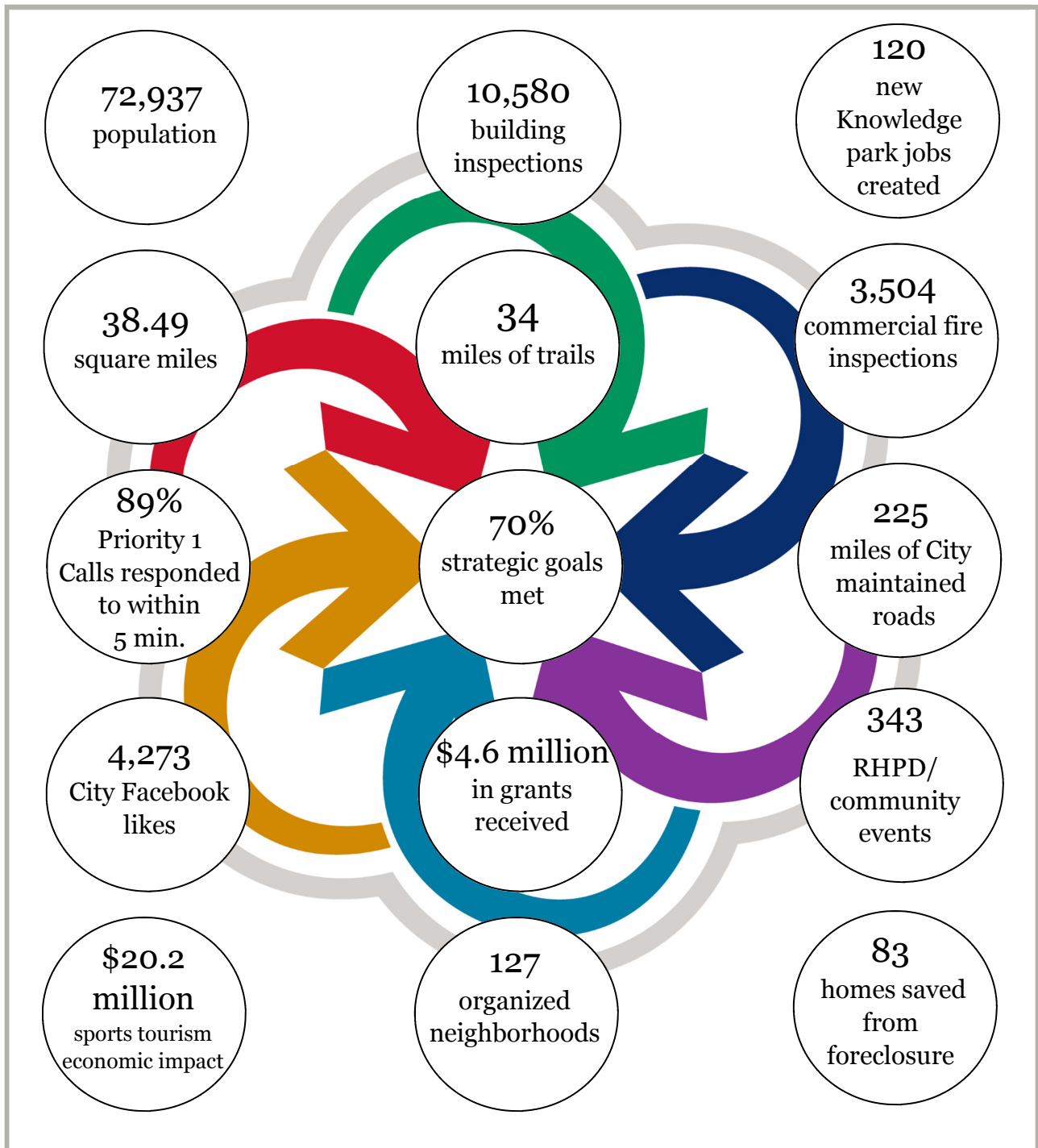
Comprehensive Annual Financial Report (CAFR)

The basis for this financial report is the Comprehensive Annual Financial Report. The CAFR is a series of financial statements that are audited by an external firm to confirm that the City fairly presented its financial statements. There are four main sections of our CAFR– an introductory, financial, statistical, and federal awards section. The financial information is based on generally accepted accounting principles (GAAP).

All of these reports are available on the City’s website:
<http://www.cityofrockhill.com/transparency>

Rock Hill 2017 by the Numbers

Though the financial numbers of revenues and expenses are very important to the City of Rock Hill, our performance is also very important. The metrics below highlight the outputs/outcomes of a variety of City functions and services.

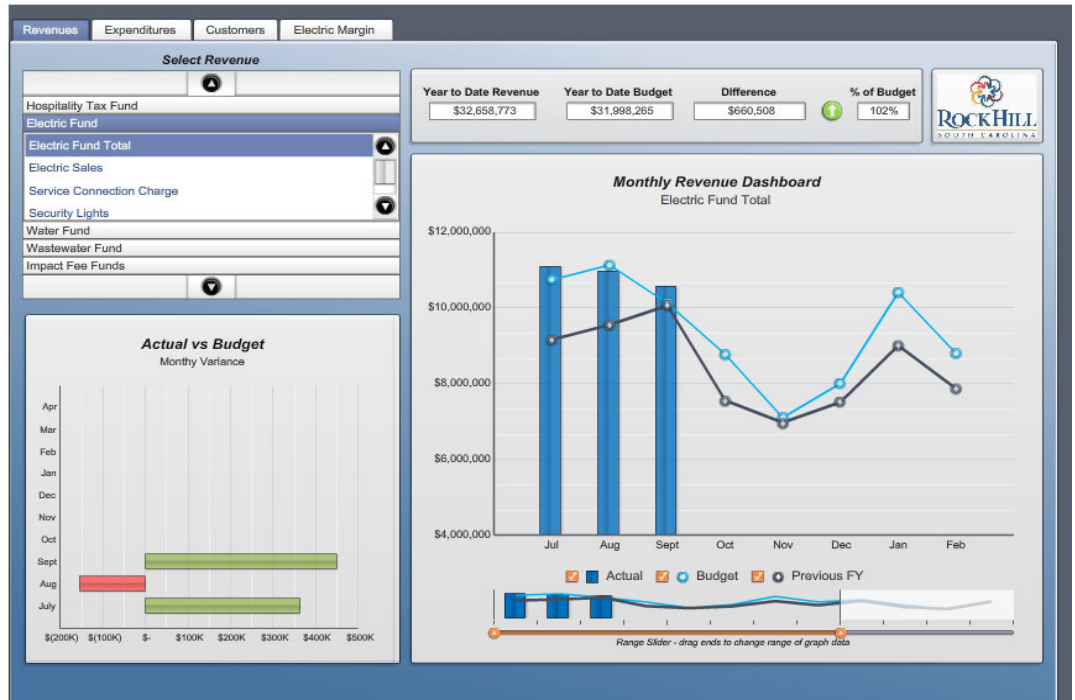


Transparent and Accountable

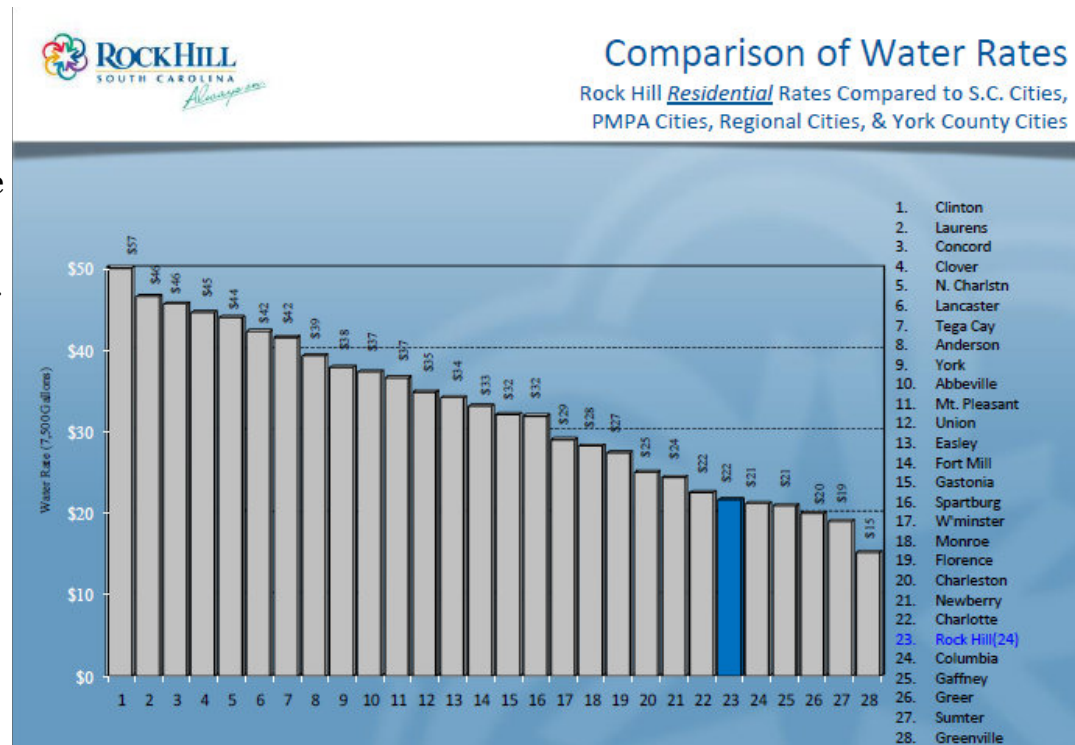
There are a number of funds, specific uses for certain funding sources, many different ways to borrow money, and different aspects within governmental accounting. For these reasons, the City offers a number of resources including financial dashboards and cost-to-serve comparisons.

On a monthly basis, there are accounts payable reports available on the City's website. These show the detail of all checks written. We also provide a monthly financial dashboard that shows the year-to-date budget to actual comparisons. As a graphic representation of the financial data, it is more user friendly than tables of numbers.

The City not only provides information on incoming revenues and expenses, but we also ensure that our rates for taxes and utility services are competitive with other communities. The City annually benchmarks the average cost of household expenses to 27 other cities. The result is a Cost to Serve schedule showing the City is competitive in its service delivery.



The City's Financial Dashboard - www.cityoffrockhill.com/transparency



The City's Cost to Serve Comparison - www.cityoffrockhill.com/transparency

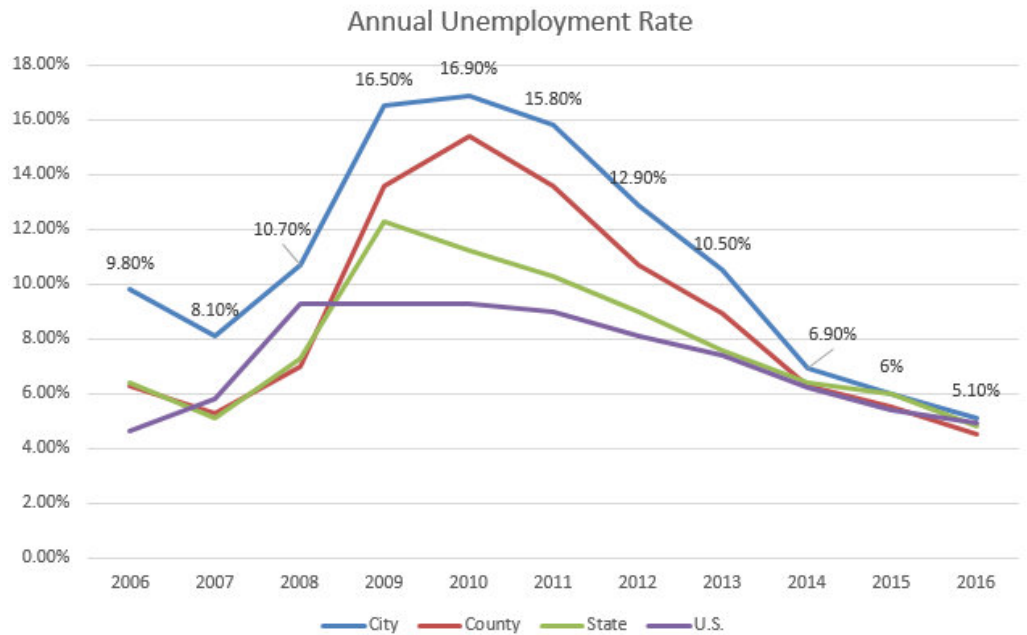
Major Trends

The preparation of the budget and the information provided in the financial statements are impacted by a few major trends. These trends include the local economy, long-term financial planning, and sports tourism.

Economic and Demographic Characteristics

Unemployment in the area has steadily decreased. From a high of almost 17% in 2010, the City saw unemployment rates in 2016 drop to 5.1%, a low not seen since well before the recession. Historically, the City’s unemployment rate has been above county, state, and national averages.

Per capita income is generally on the rise throughout the state. Over the last ten years, per capita income has increased 35% in York County from a low of \$29,766 in 2006 to \$39,778 in 2015.



Source: S.C Employment Security Commission

Rock Hill Area Top Employers		
Employer	Type of Business	Employees
Rock Hill School District #3	School District	2,483
Wells Fargo Mortgage	Home Mortgages	1,828
Lash Group	Health Care Consulting	1,800
Ross Distribution	Retail Distribution	1,790
Fort Mill School District #4	School District	1,624
Piedmont Medical Center	Hospital	1,600
LPL Financial	Financial Services	1,500
Schaeffler Group USA Inc.	Needle/Roller Manufacturer	1,270
Duke Energy Catawba Nuclear Station	Nuclear Energy Generation	1,228
Winthrop University	College	1,219

Source: York County Economic Development

Both trends are, in part, the result of a large number of new companies that are bringing new, higher paying jobs to our area. The majority of these new jobs are found in Tax Increment Financing (TIF) Districts of Riverwalk and the Textile Corridor. There are a number of various business types that contribute to the overall health of our community which makes the City not dependent on one, large business.

In addition to job growth, there is increased construction activity. FY2017 saw a 11% increase in the total number of permits issued (from 3,288 to 3,635) and a valuation increase of 43% (from \$201 million in FY2016 to \$288 million in FY2017).

Long-term financial planning



Residential development in Riverwalk

The City recognizes the value of multi-year planning. For the past few decades, the City annually prepares a ten year long-range plan. This allows City staff to balance two years of budgets at a time and then project funding gaps for the remaining three years. This

type of planning allows the City to proactively plan for expenditure changes and future additional revenue sources. For the electric, water, and sewer public utilities, the City also utilizes a ten year long-range plan to project future plant expansions, maintenance projects, and adjustments to rates. In an effort to meet the projections and needs of our customers, the City is currently working to expand the water plant to provide an additional 12 MGD of drinking water and expand the wastewater plant to provide an additional 10 MGD of sewage treatment.

Sports Tourism

Rock Hill is becoming internationally known for sports tourism, which provided a direct economic impact of over \$20.2 million in calendar year 2016. As we continue to expand our reputation as the amateur sports hub of the Carolinas, we also provide first-class venues for the people of our community to enjoy. The City hosted the BMX World Cup and the Carolina Nationals in FY2017. Additional events were held at other PRT facilities including the Rock Hill Criterium race, Collegiate Track Nationals, and a number of softball, baseball, soccer, lacrosse, and tennis tournaments. Altogether we hosted over 65 local/state/regional events and 6 national events. 15,814 hotel night stays were generated through these events—a 26% increase over FY2016.



Rock Hill's BMX racers were featured on the cover of the National Recreation and Parks Association magazine

Financial Basics

There are many different forms of revenue and expenses. The descriptions below will provide a broad overview. For the full details of this information, please visit the City’s website and review the CAFR.

REVENUE SOURCES

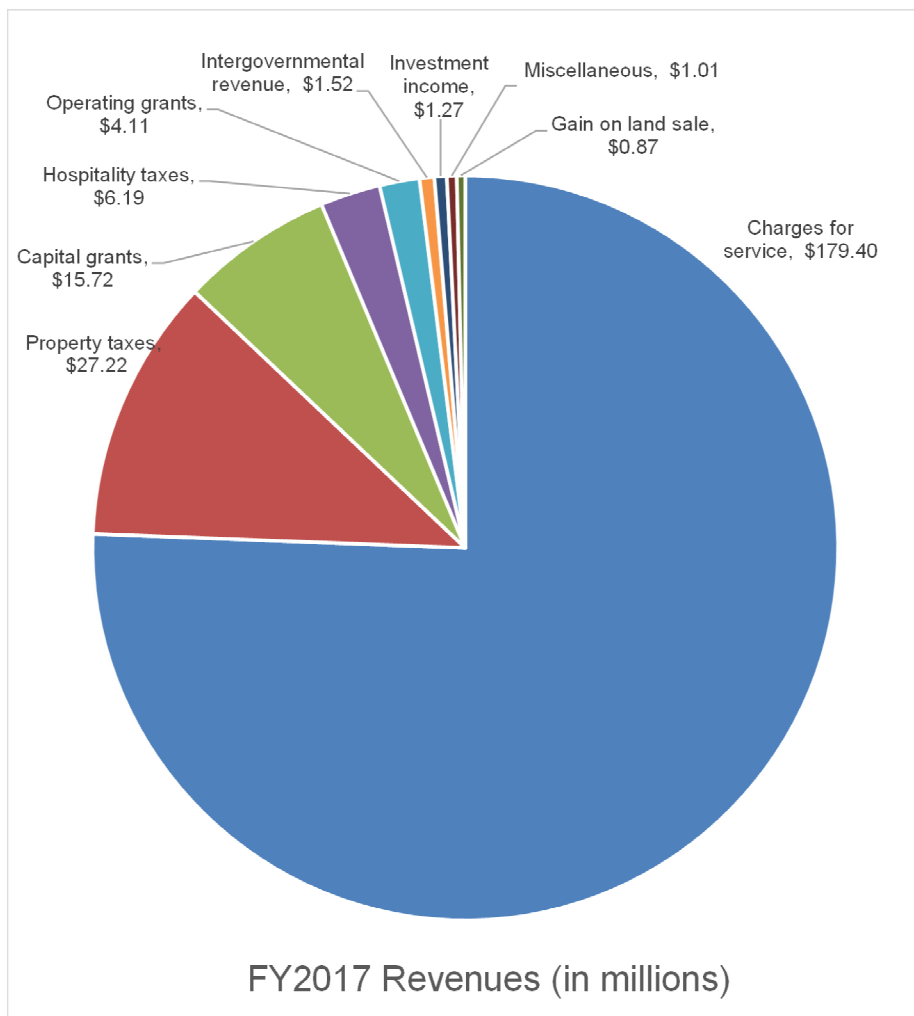
General Revenues– include property taxes, investment income, funding from other governments, and hospitality taxes (which is an additional fee on prepared food and beverages, etc.). Property taxes provide for the majority of General Fund expenditures, but only make up 12% of total City revenues. This percentage has remained unchanged from last year.

Program Revenues– revenues that are specifically tied to certain program expenses.

Charges for services– this is revenue received for things like business licenses, electric, water, and sewer bills, solid waste fees, etc. This makes up 76% of all City revenues.

Operating grants and contributions– usually grant funding received from the state or federal government that goes towards a specific program function—making up 2% of all revenues.

Capital grants and contributions– grant funding received from the state or federal government that goes towards a specific capital purchase—making up 7% of all revenues. This is an increase of 4% over the prior year due to large road projects for Celriver Road and the White Street Roundabout—as well as airport capital projects.



	Revenues (in millions)		
	FY2015	FY2016	FY2017
Charges for service	\$ 161.68	\$ 171.25	\$ 179.40
Property taxes	25.49	25.91	27.22
Capital grants	9.92	7.44	15.72
Hospitality taxes	5.28	5.91	6.19
Operating grants	5.37	5.79	4.11
Miscellaneous	1.12	1.62	1.01
Intergovernmental revenue	1.11	1.45	1.52
Investment income	1.14	0.80	1.26
Gain on land sale	-	-	0.87
TOTAL	\$ 211.11	\$ 220.17	\$ 237.30

PROGRAM EXPENSES

Program expenses are generally broken up by City departments. The Utility Funds in the City (Electric, Water, Wastewater, and Stormwater) are also accounted for individually. There are two expense categories that include multiple departments/divisions in the City:

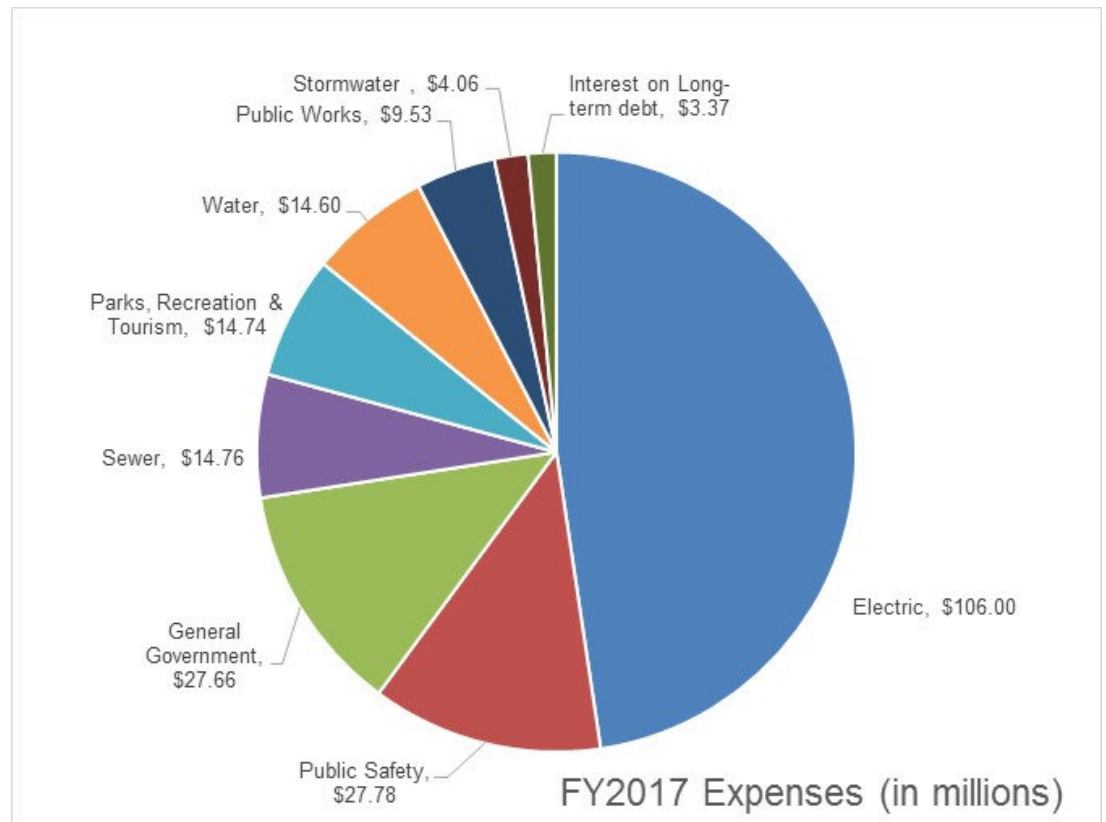
General Government– includes many of the support functions in City government like the City Manager’s Office, Finance, and Human Resources.

Public Safety– includes the Police, Fire, and Judicial Departments.

The City participates in a joint-ownership with Piedmont Municipal Power Authority (PMPA). PMPA is a wholesale electric provider for ten cities in South Carolina. As the City is the electric provider, the largest expense is the purchase of electricity to power

our community. This is also true on the revenue side and electricity sales accounts for half of the charges for services in the form of electric bills. Core governmental services in Public Safety are the next largest expense. This is mainly in the form of salaries and benefits for City personnel.

Expenses (in millions)			
	FY2015	FY2016	FY2017
Electric	\$ 98.93	\$ 103.86	\$ 106.00
Public Safety	24.92	26.25	27.78
General Government	22.57	23.25	27.66
Sewer	14.24	14.56	14.74
Parks, Recreation & Tourism	12.28	13.13	14.60
Water	11.94	12.20	14.76
Public Works	8.82	9.66	9.53
Stormwater	3.16	3.27	4.06
Interest on Long-term debt	3.04	3.12	3.36
TOTAL	\$ 199.90	\$ 209.30	\$ 222.49



Budget vs. Actual

Budget vs. Actual*

General Fund	Budget	Actual	Difference
Total Revenues	\$ 62,055,426	\$ 65,469,522	\$ 3,414,096
Total Expenditures	69,238,221	77,102,357	(7,864,136)
Revenues over Expenditures	(7,182,795)	(11,632,835)	(4,450,040)
Other Financing Sources	7,182,795	11,980,087	4,797,292
Total	-	347,252	347,252

Electric, Water, Sewer Funds	Budget	Actual	Difference
Total Revenues	\$151,519,176	\$152,884,704	\$ 1,365,528
Total Expenses	144,336,381	144,499,397	(163,016)
Revenues over Expenditures	7,182,795	8,385,307	1,202,512
Other Financing Sources	(7,182,795)	(7,309,495)	(126,700)
Total	-	1,075,812	1,075,812

Stormwater Fund	Budget	Actual	Difference
Total Revenues	\$ 3,979,119	\$ 4,163,357	\$ 184,238
Total Expenses	3,331,850	4,851,350	(1,519,500)
Revenues over Expenditures	647,269	(687,993)	(1,335,262)
Other Financing Sources	-	-	-
Total	647,269	(687,993)	(1,335,262)

**Does not include all funds*

Every year, the City adopts an annual operating budget based on priorities articulated in the strategic plan. There are two main different types of funds– governmental and enterprise funds. The general fund is financed primarily by property taxes and business licenses. The enterprise funds– electric, water, sewer, and stormwater– are mainly financed through user fees.

The FY2017 budget totaled \$225 million, a 5.5% increase over the FY2016 budget. This budget included a 1.5% electric rate increase over the prior year to cover electric system capital improvements. This budget also included rate restructuring for water and sewer rates, resulting in an average decrease of 4% for the average water residential customer and an average increase of 1.85% for wastewater residential customers. In a continual effort to be business friendly, the City continued to offer a 10% discount for on-time business license fee renewals. Since 2011, the property tax millage rate has remained flat at 93.5 mills.

In comparing budget to actual amounts, Fiscal Year 2017 was overall a favorable year for the City.

Debt Management

A large part of our long-term financial planning focuses on managing debt. The City uses fiscal prudence in the issuance and repayment of debt. Debt is typically issued for large-scale capital projects. These projects are included in the annual capital improvement plan and are reviewed by the management team on a quarterly basis.

Existing Debt

There are two different types of long-term debt the City issues—debt repaid with general revenues of the City (the full faith and credit of the City) and debt repaid with specific revenue sources. The City monitors these different debt types to ensure that there is adequate capability for repayment. State statute authorizes the City to issue without referendum general obligation debt not to exceed 8% of the total assessed value of property. General obligation debt is typically used to finance public safety capital projects like the building of a new fire station. Debt issued from specific revenue sources (such as the Utility system or Hospitality tax) do not have legal limits.

Currently, the City has existing obligations of approximately \$287 million. This is an increase from the prior year existing debt of \$199 million. The City issued \$2.1 million in state revolving fund loans for stormwater and water projects, \$3.1m in municipal improvement district bonds for new roads in Riverwalk, \$3.5 million in general obligation bonds for fire training facilities and a railroad quiet zone project, \$1.5 million in SC DHEC loans for renovating an old textile mill, and \$90 million in revenue bonds for a variety of utility projects. \$45 million of the utility revenue bond is being spent on upgrades and increased treatment capacity to 48 MGD at the water filter plant. This new work also includes new basins and filters, chemical feed facilities, pump station and SCADA improvements. Design and engineering for the expansions to the wastewater treatment plant are also being funded through this issuance. This bond is also being used for electric reliability improvements including overhead to underground conversions. These infrastructure investments are vitally important to the future success of our community.

FY2017 Total Outstanding Debt	
Tax increment	\$ 28,951,000
General obligation	\$ 17,995,000
Limited obligation	\$ 19,205,000
Municipal improvement district	\$ 4,625,000
HUD Section 108 loan	\$ 1,452,000
SC DHEC HUD loan	\$ 1,608,640
Cycling facilities bank loans	\$ 5,000,000
Utility revenue	\$ 193,410,000
State revolving fund	\$ 15,102,307
TOTAL	\$ 287,348,947



Kayak Launch at River Park

Credit Ratings

The City is evaluated for its overall credit worthiness and for specific debt issuances. For general obligation debt, the City has “AA-” from Standard and Poor’s and “Aa3” from Moody’s. This means the City is considered to have high credit quality. S&P describes the “AA-” rating as “very strong capacity to meet financial commitments.” For utility related debt, the City has “A” from Standard and Poor’s and “A3” from Moody’s. Moody’s describes “A3” as “upper-medium grade” and “subject to low credit risk.” This year’s annual review in October resulted in Moody’s affirming the City’s general obligation and hospitality tax fee bond ratings with our strengths lying in a “sizeable tax base” and “strong underlying growth in hospitality fee revenues”. Benchmark comparisons of the City’s credit ratings can be found at www.rankingrockhill.com.



Constitution Roundabout

Capital Assets

Capital assets include any property, equipment, or infrastructure (bridges, roads, sidewalks, etc.) that exceed \$5,000 and have an estimated useful life of at least two years. Over the course of time, capital assets are depreciated by a straight line method based on the type of asset. The City’s total capital investments at the end of June 2017 was \$352,637,084 (net of accumulated depreciation and related debt). This investment is a 3.58% increase over the prior fiscal year.

New Capital Assets

There are a number of construction projects going on throughout the City. All of these projects impact the City’s capital assets in a positive way.

Here are some of these projects:

- Major road realignment projects and focus on repaving subpar City roads
- W. Main/S. Cherry Road overhead to underground power lines
- Laurel Street Water Tank
- Freedom Walkway
- Railroad Quiet Zone at Main St. and White St.
- Economic Development Spec buildings at Legacy West



City crews repaving roads

Net Position

City of Rock Hill's Net Position				
	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Current and other assets	\$ 25,698,248	\$ 29,535,083	\$ 143,880,039	\$ 51,777,351
Capital assets	181,117,579	172,420,606	384,865,695	369,361,092
Total assets	206,815,827	201,955,689	528,745,734	421,138,443
Deferred outflows of resources	13,079,729	6,517,031	3,923,476	1,965,376
Long-term liabilities outstanding	154,957,666	142,618,360	237,815,985	141,124,260
Other liabilities	19,483,481	20,364,552	33,357,925	35,303,858
Total liabilities	174,441,147	162,982,912	271,173,910	176,428,118
Deferred inflows of resources	43,719	61,641	21,728	31,704
Net assets:				
Net Investment in capital assets	100,468,333	96,673,890	252,168,751	243,760,042
Restricted	4,788,603	6,590,310	-	-
Unrestricted	(59,846,246)	(57,836,033)	9,304,821	2,883,955
Total net assets	\$ 45,410,690	\$ 45,428,167	\$ 261,473,572	\$ 246,643,997

The statement of net position is a way to assess the balance of the City’s assets, or resources, minus the City’s liabilities, or financial obligations. This statement is organized by governmental and business-type activities. The governmental activities includes assets and liabilities related to the general functions of City government. Business-type activities include the enterprise fund assets and liabilities for electric, water, sewer, and stormwater. The City’s overall net position increased by 5% between FY2016 to FY2017. This increase was mainly due to contributions of capital assets received from developers and operating income from the electric, water, and sewer systems.

73% of the City’s assets are capital assets. These capital assets include buildings, land, machinery, and equipment less any related debt outstanding. This year, the Criterium track, East White Street, Celriver Road, Paragon and Riverwalk Parkway, Fire training facility and burn building were some of the larger, new construction projects. Almost \$18 million of expenditures were capitalized this year to add to the City’s overall net position invested in capital assets. The accrual of the City’s share of the South Carolina Retirement System and South Carolina Police Officers Retirement System pension liability and unused employee vacation, sick, and compensatory days has had a negative impact on the unrestricted net assets of the City. The recent Governmental Accounting Standard Boards Statement No. 68, required a restatement of Net Position, but had no impact on the City’s governmental fund financial statements.



Always working—providing quality services
 Always invested—developing quality places
 Always connected—fostering a quality community

QUALITY

Services. Places. Community.

www.cityofrockhill.com/transparency

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