

Aiken City Council MinutesWORK SESSION

April 26, 2016

Present: Mayor Osbon, Councilmembers Dewar, Diggs, Homoki, Merry, and Price.

Absent: Councilmember Ebner.

Others Present: John Klimm, Stuart Bedenbaugh, Gary Smith, Sara Ridout, John McMichael, Gary Allington, and Dan Brown of the Aiken Standard.

Mayor Osbon called the work session to order at 5:00 P.M.

BUDGETFY 2016-17

City Manager John Klimm stated there were two items on the agenda. He stated he and Finance Director Kim Abney wanted to discuss what has been going on over the past few months and some concepts leading up to the budget presentation. He would like to have a longer Worksession on the budget next week. That Worksession will focus on several areas. There will be a more formal presentation on the Roads Program and a staff recommendation on how to fund that program. There will also be a presentation on the efforts to seriously begin to address infrastructure and staff recommendations on how to fund it as well.

He stated tonight there is a budget presentation that represents a 4% cut in the General Fund budget. He stated he will be presenting a budget to Council that has \$1 million worth of cuts from last year's budget. There will be some very significant reforms. He stated he has begun an operational audit program and is finishing up a full operational audit on the Public Safety Department. He stated there are recommendations that are designed to save money and there are recommendations that are ultimately going to cost the City money. An example is the condition of the Headquarters Station. He said we are in the process of evaluating whether or not we can rehabilitate that building or whether we should be looking at a new facility. The operational audit of Public Safety has almost 100 recommendations. He pointed out that he was pleased with the response from the employees of the Department. They are not in a defensive mood, but have handled this positively in a way that suggests that there is room for improvement in all of our operations.

He stated also that Phase I has been completed of the operational audit of the Public Services Department. When he became City Manager he felt the City was very manpower heavy in terms of our operation. He pointed out there were three employees on each garbage truck. There is newer technology, and he has brought in a firm that is finalizing recommendations. He said we know what the recommendations are and if we transition over a period of time to new technology there are cost savings. He stated another thing that was odd to him was that every day every one of the garbage trucks go to the landfill. The annualized cost of that in terms of wear and tear on the trucks and also the cost of the employees to and from the landfill are hugely significant. He said he knows that the robotic trucks which other jurisdictions around the country started using 15 years ago are more expensive to buy, but they are operated by one person. He feels if the City could make more efficient use of the trash operation then we could divert some of the employees into the other areas where we have received a lot of complaints. By the summer we should know if there is any cost efficiency in building a transfer station facility. He feels every operation should be audited with the belief that everyone can make their operations more efficient. He stated the areas of Finance and Human Resources need to be looked at in the next year. He stated we have a one person Human Resources Department because we decentralized other functions. He stated if there is an operational audit performed on every department every six to eight years you will probably receive a review that has substantive reforms and suggestions. He feels in

round one with Public Safety Department and Public Services Department the City will see that the amount of money spent in having the audits done will be realized back in terms of reforms.

Mr. Klimm stated the other item that struck him was the budget format the City had been using since 1956. He stated there have been several worksessions with City Council to find out what they liked and disliked and what information was helpful and what else needed to be included. He stated the majority of Council picked the Anderson model and staff has designed our budget after that model. He stated they also have a document from the Government Finance Officers Association. He stated they issue guidelines and have a model budget. We took the GFOA standards and compared them to our present budget. The budget only met 6% of the requirements of what is considered a model budget. He stated with all the work that staff has put into this, it will significantly move the needle in the right direction. It would be unrealistic to think we could have a model budget in one year, but the City will be much closer.

Ms. Abney stated the team has consisted of herself, John Klimm, Stuart Bedenbaugh, Sara Ridout, Lex Kirkland, a USCA intern – Carl Elliott, and Erica Sanders, as a writer to help with the cohesiveness of the document to make it more pleasing to read. She stated we have a template that Lisa and Daryl from Wildan, the consultants, helped develop. She had a copy of a draft of the budget. She stated the draft is an example of what the departmental sections will look like. There are no numbers in this example because there are no numbers yet, but Wildan is working on the template to bring the numbers that will be generated out of the City's system into the document. They will be summarized and will look like the pie charts. Mr. Klimm stated we broke the budget down to its most fundamental components because it is almost impossible to understand what is happening in the budget from "year in" to "year out" when capital is mixed with operating. He stated they spent a lot of time breaking it down to its most fundamental component and we may have gone too far in that regard because there may be aspects of the budget that Council liked. The focus is on the operating budget, not an annual capital request.

Ms. Abney stated the example she has for Council to pass around is the Finance page. It will talk about Finance and will have a very succinct summary of what the Finance Department is costing. Mr. Klimm stated the old budget is not void of detail, but it doesn't show what the money is really spent on.

Ms. Abney stated the City of Aiken's budget will not be a replica of Anderson's budget, but is the format and guide we started with for our template. The criteria is broken down into mandatory and optional, so the City's focus, as we have been going through it, is to focus primarily on the mandatory in an effort to try and achieve the criteria for the award. We are going to do the best we can and see how it turns out, but know that it is a work in progress. Mr. Klimm stated as we look at the overall budget we know that in terms of reform and moving in a different direction, there are issues like the pension. We have in next year's budget a request for an appropriation to do a review. The City has a very generous plan. There will be an evaluation of the pension plan so that Council knows for the next twenty years that we have a competitive plan. He pointed out our pension plan does not require any match by employees, except in the Public Safety Department. He said that is not competitive and not what you will find in the private sector or anywhere in the public sector. He said you don't need a study to make that change. He said he was not talking about making changes that would impact present employees, but only impact new employees. He stated the other issue is health care. He stated if the City is going to start committing to shifting our resources to doing things like infrastructure and things that have not been done in the past then we have to look at the "budget busters" to see if there can be long term cost savings.

Councilwoman Price stated the proposed document was interesting. There are performance measures for every department.

Ms. Abney stated her presentation will talk about numbers as of March 31, 2016, through nine months of the year. A lot of it will look familiar. It will be what Council would usually hear in Horizons. Ms. Abney handed out the quarterly financial statements. She

asked Council if they believed the City could save money by sending them electronically. Mr. Klimm asked Council if it was information that they use. They stated it is not. Ms. Abney stated the reports are posted online every month. Finance's goal is to close by the 20th of the following month. We could send City Council a link as a reminder. Councilman Dewar stated it would be good to post the financial reports online for people in the City who want to look at it. Ms. Abney assured him they are online.

Councilman Dewar asked what Wildan's opinion was on how often City Council should receive financial statements. Mr. Klimm stated they are in favor of as much transparency as possible so the question isn't whether the City should make them available, but how we should make them available. Councilman Dewar stated the only thing he thinks they might want to know is how the budget is going. If Council approved the budget, and it is going fine all year, he is not sure why we need to waste staff time with the reports. Mr. Klimm stated that is why Ms. Abney is asking Council what they need to fulfill their responsibility. He stated Council wants to have access to information, but staff needs to better understand what information Council wants to see. Councilman Homoki stated Council needs to know money in and money out. If there is a department that has a variance of some percentage, then Council needs to know. Ms. Abney stated she places the 20% variance in the Issues and Updates memo in the City Council agenda.

Councilwoman Price stated she likes the idea of having the minutes online instead of printing them out. Councilman Merry stated he likes the idea of having an Ipad or something like that for the agenda. Mr. Klimm stated that many communities transition to Ipads and very quickly figure out it is cheaper to buy every Councilmember an Ipad to make sure they have access. He said Council has to be comfortable accessing information through electronic technology. Council liked the idea of receiving the financial statements electronically.

Ms. Abney stated there were two changes to the presentation that was sent out by Ms. Ridout. She stated she was going to start with the General Fund and look at 75% of the year. Ms. Abney reviewed the General Fund. She pointed out a few things to Council such as the fact that it appears that in the License & Permit category the City is not doing well, but if Council remembers the insurance money that comes from the Municipal Association, which is \$3.4 million, does not come in until the end of June. That is why it looks low at this time. She stated in the Intergovernmental Fund the large amount from last year was \$1 million from FEMA. This year the current budget included almost \$430,000 in E911 funds for a Public Safety project. Instead of spending the money and getting reimbursed from Aiken County, we decided to go ahead and buy the equipment for Public Safety. She stated for the first time in years, the interest rate has exceeded 1/2 of a percent. Since January it has been greater than .56%. She stated the Recreation rents have also exceeded the budget as well as sale of property, such as the Govdeals sales and things like that. Councilman Merry asked how much the City takes in on resalable property. Ms. Abney stated she believes the budget was about \$50,000, and this year the City is at about \$80,000 so far.

Ms. Abney reviewed a nine month comparison of selected revenues. These included property taxes collected, business licenses, vehicle taxes, cable franchise fees, building permit fees, police fines, and fire protection fees. She stated real property taxes are slightly below budget but ahead of the prior year collections. Business licenses have been met and will exceed budget due to the audit by Segal Company. Vehicle taxes will exceed budget and the prior year due to enforcement efforts and new vehicle values. Revenues for cable franchise fees will exceed budget because the City is receiving AT&T U-verse as well as Atlantic Broadband. Revenues related to new growth are slightly higher than last year and should meet or exceed budget. Revenues for fire fees will meet budget and for those on our water system, the fee is collected through the water bill, however, uncollectibles are about 3% for those not on our water system.

Ms. Abney reviewed General Fund Expenditures. She stated looking at 75% of the year they could expect to be about 75% up the chart she has presented. Most of the departments are a little bit less than that. They are trying to hold the line and not spend in case they need a repair in the next few months. They are right where they should be. She

stated the graph for the Non- Departmental Expenses looks high and the change there is that the pension contribution is made in January and is not contributed to monthly. She stated there was not an Economic Reinvestment Transfer last year so that is why it is a single graph. Councilman Homoki asked what would be included in that fund. Ms. Abney stated it is the set amount every month that is transferred from the General Fund to the Economic Reinvestment Fund and is then spent as Council designates for development of projects.

Ms. Abney reviewed the history of General Fund revenues. She stated there is a very slight increase in property taxes based on the values, annexations, and growth the City has had. The License & Permit Revenue and the Property Tax are two-thirds of the General Fund budget. Intergovernmental Revenue is money received from the State or County. Charges for Services will see a decrease next year because of the solid waste going into the Enterprise Fund.

Ms. Abney reviewed the History of General Fund budgets. She stated the graph included capital. She stated the City's salaries are basically the same as they were in 2009. She stated if you add the Benefits and Personnel together, that counts as the people. She stated this graph shows the trends of the budget and also shows that the City has stayed very stable or come down in some areas.

Ms. Abney stated the next page of the presentation was a look at next year's budget. She stated it is a very big picture of the General Fund. Mr. Klimm stated this is a summary of what Council will be receiving to begin with, which is a base budget that has a 4% cut, or a \$1 million cut. The City Manager's Department is the only department that appears to have an increase, but that is deceptive because we took the Economic Fund and Business Vitality Manager salary, etc. out of their existing locations and put them into the General Fund budget. This gives an indication of where we will start. He stated he is recommending cuts that may not be acceptable to Council. Councilwoman Gail Diggs asked if the cuts would impact services. Mr. Klimm stated in some cases they could. Mr. Klimm stated he asked his department heads to come up with three budgets. One was a level funded budget from last year, an optimistic budget which would have new programs that they want to institute, and a 5% cut. He stated there are also things missing such as cost of living increases and merit increases. He doesn't know what the policy of Council for next year will be in that regard. He stated when we take this budget in combination with what Council will get at the next work session, there will be two or three areas of concentration. He said we have talked and talked about infrastructure, but improvements to the infrastructure will not happen if it is not funded. He said he will be proposing new funding sources for infrastructure. He stated he is trying to set priorities and have a streamlined budget with cuts to save tax dollars. He said we will be talking about some very new concepts. He stated he will be giving Council options. Mr. Klimm stated he did not like to talk about things forever, such as the Eustis Park building, the Northside Park or some of the other projects such as dealing with traffic on Whiskey Road. He said he wants to get things done. He said Council will get a roads program and a proposal to fund it. He said if we are going to get infrastructure repairs done we have to have suggestions on how to fund the repairs. He said we want to get the projects that we have been talking about for a long time done. He said we want to do more than talk about things. He said when he presents the Roads package and the Infrastructure package, and Council can't get to a point where it is funded that is okay, but then we stop talking about it and move to something else. He said he would be presenting some new revenue proposals. He said he had attempted in the proposed budget to make cuts so the taxpayer can see that we have tried to tighten the belt.

Councilwoman Lessie Price stated Mr. Klimm started the budget session with comments regarding changes for the better. She stated that what he is proposing is changes for the better, but he also talked about reviewing departments and seeing what is good and needs to be maintained and what needs to be added or not done. She feels they will be creating some new positions. For example, she does not know how Public Safety is staffed with identify theft, but that is a growing problem in some areas, but she doesn't know if we have that problem here and how much of a problem it is. She knows in other towns the staffing has had to be increased in that area. She stated there are issues with HR as well. She stated as Council looks at eliminating some positions, they may have to create some

other positions. Mr. Klimm stated that is correct. He stated when they see the budget they will see some positions proposed to be eliminated, but at the same time there will be new positions. He stated one is a procurement person. He stated when he became City Manager over 200 employees had credit cards, and he put a stop to that. He said credit cards are a very efficient point in terms of not having to have a procurement department, but it also can be a very dangerous situation. Purchasing needs to be centralized. The second one is a superintendent of Public Works. He stated we are getting into some really complex infrastructure projects.

Ms. Abney pointed out the largest number in the General Fund Summary under Operating Expense of \$727,080. She stated she attempted to take about 30 pages and combine them into one page. \$700,000 of the \$727,000 is the Economic Development transfer, it is not a benefit. The account numbers were close, and they were lumped together. She also pointed out a decrease in the pension that is allocated to the General Fund in total. She did not increase the pension contribution because we have had a good year as far as the investment income but the allocation between the General Fund, Solid Waste, Water & Sewer, and Stormwater is what resulted in a decrease in the General Fund.

Ms. Abney stated the next section she would talk about was Enterprise Funds. She reviewed the Enterprise Fund revenue. Revenues for water will meet budget, however, uncollectibles are about 3%. Sewer revenue will exceed budget slightly due to the rate increase to compensate for the Aiken County Public Service Authority fees. Revenues related to new growth area are already at or will exceed budget by June 30th. Solid waste fees should be within one percent of budget after uncollectibles. It appears that Stormwater is not, but Stormwater fees are coming in, and we have not needed to make the budgeted transfer of \$200,000 and that is a good thing.

The next topic was the Water & Sewer Revenue Comparison. She stated they have the April billing and will bill the May bills next week. We will then see the adjustments of the winter quarter average of this year and the increase in the sewer rates in the May bills. We do expect them to both be right at budget or slightly over at the end of the year. Ms. Abney explained the sewer average fee is the bills that come out in February, March, and April for the use in December, January, and February. She stated that develops the winter quarter average, and we take those three months and divide by three and that is what we bill the sewer rate at for all year long. When the sprinkler is turned on three times a week in April then the City is not charging the sewer fee on that water because for most of the customers the winter quarter is the lowest quarter. Councilman Homoki asked if there was a way to track it on a real time basis. Ms. Abney stated water is billed on actual use every month but the sewer doesn't have a meter on the outflow. Councilman Homoki stated basically the City is predicating the sewer on the water that is used in the winter. Councilman Dewar stated if they didn't do that, then in July and August they would be charging a super high sewer fee and not really be using it. Ms. Abney stated businesses do not have the benefit of a winter quarter average. They pay actual sewer.

Councilman Merry stated a couple of years ago the City raised the water rates because usage was down. He stated at the time he was given the impression that if the usage rate went up the City would lower the water rate again. He stated he feels the City is back up to the usage level and wonders if Council should lower the water rate. Ms. Abney stated the City is not making a profit. Councilman Merry stated he doesn't understand how it is working now. He pointed out that the numbers show that we are still losing 4 million gallons of water a year, but we are spending \$500,000 for people repairing water meters and leaks. He said we keep putting money into repairs, and we are not making any progress on lost water. Now we are selling more water at a higher rate. He felt there is something missing somewhere. He stated he needs to understand how this is working out. Ms. Abney stated in 2013-2014 the City actually made less, and we had a rate increase. When we had the rate increase to add the six people, it really only kept us even. Ms. Abney stated we are not at the point of having a surplus. Councilman Homoki agreed the water rate increase happened a couple of years ago during a time when the City was receiving a lot of rain. Councilman Dewar asked if the new meters were

bringing in more income. Ms. Abney stated we are seeing some increases, but some are hard to pinpoint.

Councilman Merry stated Council was told to hire these six people to fix leaks, and we would make incremental progress and within a year or two there would be a dramatic difference. He stated with the numbers he has at this meeting, we are 4 million off. They have not made a 1% incremental increase. Ms. Abney stated we will always have lost water. She stated we are replacing the meters and that is one piece. We will see a more accurate measurement of water. She stated George Grinton is doing his part on the leaks, but until the pipes are fixed, there will be a problem. Councilwoman Price stated that is a problem. She stated she called Assistant City Manager Stuart Bedenbaugh to talk to him about a leak.

Councilman Merry asked if it was safe to say that hiring the six people is not helping to reduce the 4 million cubic feet of lost water per year. Ms. Abney stated the six people were the leak teams. She stated she would defer to Mr. Grinton on leaks and the maintenance of his people. Referring to Councilman Homoki's comment, she stated when we talked about it raining and not selling water, it is true that when it's pretty weather or a little windy, it takes water off the ground and tops of pools and people need to add to it and want to sprinkle their yards, but the other thing is the technology in the water saving appliances. Everything you buy now is to save water. All of these are compounding. Councilman Homoki asked what the industry standard was. Ms. Abney stated about 15% lost water. Councilman Dewar stated the discussion needed to be had with George Grinton.

Ms. Abney reviewed the Enterprise Fund Expenses. She stated the brand new Solid Waste Fund through nine months, revenue minus expenditures equals \$6.00. They did a good job budgeting the fund and Tim Coakley has done a good job.

Ms. Abney stated she wanted to talk about the health insurance changes. She stated she presented a 10% increase for the City and a 20% increase to the employees. The employees are taking on twice as much as the City. It will impact the employees and retirees with a 20% increase, but they will be able to stay on the same plan if they so desire. The City is not adding or deleting any plans this year. Prescription drugs are approximately 20% of the City's cost. She stated the City is going to tick up the co-pay at the pharmacy but for a generic drug it will still be \$10. Each level will go up. The employees will pay \$175 for a Specialty Drug. The Specialty Drug can cost the plan up to \$6,000 a month, so the City is going to implement Step Therapy and 45 employees will be impacted by this. They have already received letters and know how they will have to respond to this. They will be required to start with a generic and if it works then they will be required to use generic. If generic doesn't work then they will take the next step to a preferred drug, and if it doesn't work then they will try to keep them on a lower cost drug. The City will talk to the employees about taking physical control of their health and their spending habits and see how they can help keep the costs down. Councilwoman Diggs stated the doctors need to be reminded as well. Ms. Abney stated the City is putting more on the employees' shoulders as far as health care and also giving them the education. She stated a plus for the employees is the City is adding a Teledoc, which is a telephone doctor. It will be a doctor in the state of South Carolina, and it will have a \$10 co-pay. Instead of going to Doctor's Care or your primary doctor for the sinus infection you get every year, you call the Teledoc. You have your history set up, and the doctor can pull it up and they can prescribe medication. They can also tell you that you need to go to the emergency room or wherever they see fit.

Councilman Dewar asked if every employee was going to stay in their own plan. Ms. Abney stated they had the choice to stay in their own plan. She stated the Med 100 will be eliminated the end of next fiscal year. Med 200 and Med 350 have already been eliminated. She stated we still have approximately 100 employees on the Med 100. Councilman Dewar stated Council needs to recognize this will be a pay cut for some employees. Mr. Klimm stated that is what it is. He said we need to keep this in mind when we start talking about cost of living increases or merit increases.

Mr. Klimm stated the next few worksessions will be tough. The next one will be to discuss the roads program and infrastructure with potential funding sources. Mayor Osbon asked when Mr. Klimm felt he thought he would be ready to come to Council with the budget letter. Mr. Bedenbaugh stated it would be May 9th and then wait 30 days. Mr. Klimm stated he would like to cover as much as possible informally in worksessions. He stated after the next Worksession, he would like to start with the departments and allow Council to go through them with a fine tooth comb with each department in an informal way with the department head there.

Mayor Osbon stated he recognizes the amount of work that Kim, Stuart, and the rest of the team put into this and wants to make sure that is conveyed to the rest of the team. He looks forward to engaging in a thought provoking process and engaging Council in this process.

The work session ended at 6:35 p.m.

EXECUTIVE SESSION

Hopeland Farms Lawsuit

Mayor Osbon stated Council needs to go into executive session pursuant to Section 30-4-70(a)(2) to receive legal advice where the legal advice relates to a pending, threatened, or potential claim or other matters covered by the attorney-client privilege, settlement of legal claims, or the position of the public agency in other adversary situations involving the assertion against the agency of a claim. Specifically, City Council will discuss the possible settlement of a lawsuit against the City of Aiken by the residents of the Hopeland Farms neighborhood.

Councilman Homoki moved, seconded by Councilwoman Price, that Council go into executive session to discuss the possible settlement of a lawsuit against the City of Aiken by the residents of the Hopeland Farms neighborhood.

Council went into executive session at 6:38 p.m.

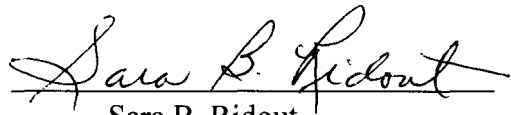
After discussion Council came out of executive session at 7:40 p.m. and returned to the Council Chambers.

Councilman Dewar moved, seconded by Councilman Homoki, that Council come out of executive session. The motion was unanimously approved.

Councilwoman Price stated that Council is out of executive session after discussing a legal matter. No decision was made in executive session.

ADJOURNMENT

There being no further business, the meeting adjourned at 7:41 P.M.


Sara B. Ridout
City Clerk