

Aiken City Council MinutesWORK SESSION

May 5, 2015

Present: Mayor Cavanaugh, and Councilmembers Dewar, Diggs, Merry, and Price.

Absent: Councilmembers Ebner and Homoki

Others Present: Roger LeDuc, John Klimm, Sara Ridout, Kim Abney, and Maayan Schechter of the Aiken Standard.

Mayor Fred Cavanaugh called the work session to order at 5:05 P.M. He stated the purpose of the meeting was discussion of the proposed budget for FY 2015-2016.

BUDGET

Interim City Manager Roger LeDuc stated the meeting was to recap the previous seven budget worksessions since last fall. Many of the meetings were on the FY 2014-2015 budget. He said a number of things were discussed and a number of changes were made. Probably the two major changes in the proposed budget concern the addition of the enterprise funds for Solid Waste and Storm Water. He said the enterprise funds include all the revenue for the budgets, expenditures, personnel, and fringe benefits. He said two standalone budgets are included in the FY 2015-2016 budget that are not in the current budget.

Mr. LeDuc stated the proposed budget is reduced from last year. Primarily we do have 5.5 less positions for a savings of about \$300,000 just in salaries alone in the proposed budget. He said he took a comparison before the recession hit of a couple of areas of where we are today versus where we were in 2007-2008. He said revenue from vehicle taxes in 2007-08 was \$100,000 higher than it is today. Building Permits were \$150,000 higher in 2007-08 than today. Local Government Distribution is the South Carolina fund that primarily goes to the County, but every city shares in the revenue. That has gone down about 25% or \$150,000 since 2007-08. Aiken County used to give the City funds for dual taxation for duplicate services. That revenue is \$230,000 less today versus 2007-08. It was pointed out that is zero from the County today.

Councilman Merry asked if there was an agreement between the City and the County for the dual taxation funds or were they doing that out of the goodness of their heart. Mr. LeDuc stated it is not required by law. We had an agreement with the County that was negotiated based on a lawsuit we had back in the 1980's. The County decided to no longer abide by the agreement. Councilman Merry asked if we talked to the County about that and the agreement with them. Mr. LeDuc responded at that time the County just reduced the amount and reduced the amount a little each year. Mr. LeDuc stated it was like the State does for sharing local funds. He said even though there is a State law that says the cities are supposed to get so much in Local Distribution, the State has been cutting back on the funds. Mr. LeDuc stated the City is getting more than \$500,000 less revenue from Interest on Funds than in FY 2007-08. The Administration from the Utility Fund has been reduced by \$200,000 so the General Fund is getting \$200,000 less from the Utility Fund. Altogether the reductions add up to about \$1.3 million. He pointed out conversely property taxes are up and some other revenues are up, but the particular areas pointed out show how the economy has changed.

Councilman Dewar pointed out the City also got an increase in Life Insurance receipts. Mr. LeDuc pointed out some things had gone up, but you can see, based on the economy now and what was going on back in 2007-08, a difference has occurred in our revenue. Mr. LeDuc stated in 2007-08 we did make some cuts. We reduced some manpower then. He pointed out in the 2015-16 budget there is no increase in manpower, and last year we

froze many positions. He said the department had asked for numerous positions when he came in June, but those were all cut back. In 2015-16 we actually cut positions out of the budget. He said he could not think when he was City Manager when we actually reduced the number of positions as we did for next year.

Councilman Dewar pointed out that Council had approved all the positions that were frozen that came before Council. Mr. LeDuc stated one position was added by Council, that being a Risk Manager. Councilman Dewar stated he misunderstood what was said. He said Council had tied the hands of the City Manager and needs to now untie the hands of the City Manager now that Mr. Klimm is here. Mr. LeDuc asked if Councilman Dewar was talking about Council unfreezing the positions when people retired or left employment of the city. Mr. LeDuc stated Council did approve unfreezing all the positions brought to them. Councilman Dewar stated Council needs to rescind the freezing of filling positions and give the City Manager the authority to hire people when positions become vacant. He said Council just wanted to monitor in the interim because they felt it needed to be monitored. It was pointed out that the Capital Sales Tax Project Manager position was added this past year by Council.

Councilman Merry pointed out that in the 2015-16 budget the Hospitality Tax is new and there will be a new position in that fund for Economic Re-Investment. Mr. LeDuc stated he was referring to the General Fund. Councilman Dewar stated the Economic Re-Investment would include a new person and Finance might want a new person for processing payments of the Hospitality Tax revenue. He said it is proposed to get over 250 payments each month. Mr. LeDuc stated Mr. Klimm is interviewing for Risk Manager, Parks, Recreation and Tourism Director, and Planning Director and those positions may be in place in the next 30 days. Once the Risk Manager is hired that will relieve the present Business License and Risk Manager of some of his duties, and he will be able to spend more time in collecting from the businesses that don't send their checks in for the Hospitality Tax. He said there will be some time involved in collecting the Hospitality Tax. Councilman Dewar pointed out that Risk Manager is a full time job and when the present person got the job the Risk Manager portion of the job went downhill and cost the City a lot of money. Councilman Merry stated a Risk Manager is a profession. He said if you get a professional Risk Manager, they will earn their salary and save the City money. He said he knows there is a certain salary range for the position, but he would be strongly in favor of finding the most professional capable person we can get to work for the City. He said a professional Risk Manager is worth their weight in gold. He said it would be good to have one person dedicated to the Risk Manager position even if the person is learning on the job. Mr. LeDuc stated that is what is in the budget. Councilman Dewar asked if we could bring back the person who has a record of doing it well in the City of Aiken. Mr. Klimm stated staff is in the process of interviewing for the job. Councilman Dewar stated we would expect the newly hired Risk Manager to bring the cost back to what it was a few years ago when the City had a good rating for liability insurance and Worker's Compensation. Mr. LeDuc pointed out the way the State rates our liability insurance, Worker's Compensation and other things they insure for us, an average city is given a rating of 1. If the City is not as good as the average, they would be over 1. If they are better than the average, then they are less than 1. At one time the city was down to about .52 on our Worker's Compensation and under a 1 on our liability. He pointed out that some of that was due to some things that happened. He said we had a couple of police officers that unfortunately got killed in the line of duty and other factors. He pointed out that presently we are over 1 on both the Worker's Comp and the liability insurance. If we get that down to where we were previously, we would save \$400,000 or \$500,000.

Mr. LeDuc stated a cost of living increase is included in the proposed budget as well as a merit increase. This would be the first merit increase in eight years for the employees. He felt the merit increase would go a long way as far as morale.

Mr. LeDuc stated he felt he had touched on everything that Council had asked to be in the budget. Mayor Cavanaugh stated he had a question regarding the elimination of a planner position in the Planning Department. He said he understood we are hiring several planners. Mr. LeDuc pointed out in the Planning Department there was Ed Evans, Planning Director, Susan French, Planner, Carla Delaney, Planner, and Sandra

Korbelik, Planner, and Tommy Paradise, Zoning Official. He pointed out that at present the Planning Department is down to Tommy Paradise. We have hired two new Planners, and will hire a Planning Director. That would leave one position that we were not going to fill. Mayor Cavanaugh asked if that would be enough staff to handle the Planning Department. Mr. LeDuc stated he felt it would be enough for now. It is hoped that in the next few years we will get a lot more development coming in, and then we can add another Planner.

Mayor Cavanaugh also asked how the merit increase would be administered. Mr. LeDuc responded that in the first full pay period in July the employees would get a 1.5% pay increase. Then later in the calendar year, probably December, once all the evaluations are completed and we are able to determine the mean, the employees could get anywhere from zero to a 3% merit increase. It will average about a 1.5% merit increase. That will be either through a bonus check, or it will be a pay raise. A bonus check would be given to those who are beyond the pay range. We are setting it at 70% this year with the idea that we will go down to 60%, 50%, and 40% eventually. The pay range is very wide at this time, and we plan to shrink the pay range. Mayor Cavanaugh asked how it will be determined how much an employee gets. Mr. LeDuc stated the merit percentage is all based on the evaluations by the Supervisor or Department Head. In Public Safety it would be on evaluations done by the Captains or Lieutenants. Then the Chief would evaluate all the Captains. It is a pecking order as to who is doing the evaluations.

Councilwoman Diggs asked about the elimination of four Public Safety Officers and whether that might jeopardize our public safety. Mr. LeDuc responded that it would not. He said one officer was a Lieutenant in our Fire Division. It was felt there was too much supervision there. Another officer was a Sergeant in our Administration Division. It seemed we were top heavy in that area. He said presently he could not remember where the other two were. He pointed out that we are eliminating two additional Public Safety Officers and making those positions civilians. One is in Animal Control. The person used to be a Public Safety Officer, but now is a civilian. Another one is Eddie George who was a certified officer, and he is being made a civilian. The people are still there, but they are in a civilian position. The difference is they don't have to go through certification, don't have a weapon, don't have to do a lot of training and keep up the certifications that are necessary to be a Public Safety Officer. There is value even though it does not show up in a major salary loss, but there is value in the fact that they are not certified any more. There are a couple more positions that, as the opportunities come along, those will also become non-certified employees. Mayor Cavanaugh asked if any of the employees were released. Mr. LeDuc stated no; we are eliminating four officers in Public Safety. As positions became vacant, he and Chief Barranco sat down and discussed whether to fill the positions again. He pointed out that was the value of going to Council with every position asking that the positions be unfrozen. He said with the request having to go to City Council, they first had to go through the City Manager to discuss and say why they needed to fill the position. Most of them were fine, but some were not brought to Council to fill.

Councilman Dewar stated sometime in the future if we go to zero based budgeting, we can look at them even more closely. Mayor Cavanaugh stated not if Council adds things. Councilman Dewar stated the review Council had was not zero based budgeting. He said both times it was not zero based budgeting.

Councilman Dewar stated there was something in the General Fund budget message about storage and emails and other documents. He said he thought we still have a pending issue with Councilmembers retaining emails. He said he was not sure how other Councilmembers were doing it. He said if we send something from one Councilmember to another you are supposed to copy the City Council email address so it gets in the city system. He said Mr. Gary Smith, City Attorney, was looking at rules as to how we should handle official data. He said the implication he had that was going to cost a lot of money for storage. Mr. LeDuc stated that is about \$50,000 in the FY 15-16 budget to get the software, servers, etc. Then it will be about another \$10,000 each year just to store the emails for five years. Councilman Dewar asked if Mr. Smith was going to give Council some guidelines on emails. Mr. LeDuc stated Mr. Smith has written a document that IT is looking at, and he is reviewing it with some others. Mr. LeDuc stated the

whole situation with emails is evolving. We called the State Archives and had a conference call with them about archiving and storing emails. He pointed this all came up with Rich Decker wanting to have all these emails on the Gem Lakes roads. Mr. Decker was surprised that we did not have a lot of emails back in 2007, 2008, 2009, and 2010. Mr. LeDuc stated when there are no problems on a project, we are not emailing each other asking questions. Since the issue about the roads in Gem Lakes Extension came up in 2011, there are over 4,000 emails just for the Gem Lakes Extension roads among all the different parties. He said he thought that IT had sat down with most of Council if they wanted to use a personal account as far as how to go ahead and work it so it comes into the City system. Councilman Dewar stated they had worked with him.

Councilman Merry stated his problem is that he prefers to use the City email account, but people still send him information on his home or business account. He said he was having trouble getting emails that come to his home and business account on to the city system. Mr. LeDuc suggested that he talk to IT about the issue. He said the intent is that we are saving emails up to five years. Up until we worked through this issue early this year, we essentially were not saving the emails. He said there are a lot of cities and counties that are not saving emails. Councilman Merry stated he felt that when any Councilmembers' emails are released or accessed for any reason, that Councilmember should be made aware of the release. He said whether it is internally done or a FOIA request as far as accessing or releasing Councilmembers' emails, he would like to know that it is happening and what is being accessed or released.

Councilman Dewar stated there needs to be a policy of Council as to how that will be handled. He said the emails are official city business so in a way almost anyone can have them. Councilman Merry stated that is true, and anyone can ask for anything he is doing on city business. He said he just wanted to know that they are getting it. He said if someone has an issue with something he has said, he wants to know so he can call them and talk about it.

Councilman Dewar stated the only way to have control is for Council to have iPads and use iPads for any City Council emails. He said he did not know if we could do that. He said if he had an iPad at home, he did not know if he could access the City website. He said he could access it, but could he send an email. He asked if he could send an email from Dick Dewar to cityofaikensc.gov from his home. Others responded that he could, and that they do that all the time. Councilman Dewar stated he has his emails automatically forwarded to his Gmail account. Councilman Merry stated he goes to the website and signs in. Then he can do anything and everything he needs to do. Councilman Dewar stated he had never done that. Mr. LeDuc stated he has done it from the lake over the weekend. Councilman Merry stated he had done it during this meeting.

Mr. LeDuc stated he and Mr. Klimm would talk to Gary Smith regarding the email policy.

Mayor Cavanaugh asked the status of body cameras for Public Safety Officers. Mr. LeDuc stated funds were in the budget. He said we want to see what the legislation is going to look like as to how they will be used and what data will be available. He said there is also talk about there being grants to get body cameras. He said we did not want to go ahead and spend \$50,000 for body cameras and then find out that we could have waited a few more months and got \$25,000 back on the purchase. He said the body cameras cost about \$1,000 each. He said the cost is not so much the cameras, but the storage of all the data. He said the question again is how long do you store it. What do you do with it? What do you have to release? What do you not have to release? He said it is a whole big new issue.

Councilman Dewar stated we need to be patient. He said we have wonderful relations in our community, and we need to take advantage of them. He said if we rush into getting camera, we may find that we could have gotten grants for the cameras. He said the State is so messed up now with their budget system. He said they are putting things in the budget where one will pay for it; one will grant it; one will not. Councilman Dewar stated we should not spend anything until we know exactly what the State is going to do.

Mr. LeDuc stated that he and Chief Barranco had talked about the body cameras earlier in the year, especially after the Aiken Standard came out with an article on North Augusta and their having cameras, and what is Aiken to do about cameras, etc. He said there was a big push. He said they talked about just slowing down. We will put funds in the budget; we will have money available, and we will wait and see what the legislatures come up with this year.

Mr. LeDuc stated another item in the highlights he wanted to make sure Council understands is where we are going with our health insurance. Mr. LeDuc stated Mr. Klimm is working on this. It is a major area. He said all of our employees are scheduled to be going to a health insurance meeting with our representative, John Phillips, who has worked with the city at least 25 years. He knows the city really well. Currently we have \$100, \$250, \$350, \$500, and \$1,000 deductible plans. If we stay with these basic plans, we will have to raise our rates at least 15% to 20% for everybody. He said the plan is to go with a \$1,500 deductible plan. Any new employee will go on the \$1,500 deductible plan. We will also give the employees the opportunity to move from \$100, \$250, \$350, \$500 or \$1,000 to the \$1,500 plan. In the past we have just raised rates across the board a certain percentage. Last year we had a 10% increase across the board no matter what plan they were on. According to the National Health Care Plan our \$100, \$250, \$350 and possibly the \$500 plans are going to be considered as a Cadillac plan and people will be taxed on those plans. In other words the employee will be getting a benefit from the employer and the employee will be taxed based on the plan. Staff is planning to discontinue those plans in 2017-2018. Presently we are telling the employees that they have two years to start looking at what plan they want to be on. We are looking at the \$100 deductible plan having a major increase. It might be a 30%, 40% or 50% increase. Ms. Abney responded that the increase would be more than 100% because the employee is paying about \$20, and the fee will be \$70 per pay period. We are trying to move people from the \$100 deductible plan to the \$500, \$1,000 or \$1,500 plan for their sake and for the city's sake.

Councilman Dewar pointed out that according to the figures he had most of the employees are on the \$100 plan, including some of the retirees. Mr. LeDuc stated we are down to about 40% of employees on the \$100 plan. Councilman Dewar asked if we could just move them. Mr. LeDuc stated we are trying to move them. He said we would eliminate the \$100 plan in two years. Councilman Dewar asked if we could just say they are going to the \$500 deductible. He said we have that authority don't we. Mr. LeDuc stated staff will be meeting with the administrator of the health plan. Later this year the administrator will get the data together, and we will look at a Health Savings Account. He said the HSA would be optional. He said that seems to be the tendency as to where people are going.

Councilwoman Diggs asked with the optional Health Savings Plan, whether the employees would be able to allow the city to take additional money out of their pay check to go toward the Health Savings Plan. She asked if the employees would be able to do that for health insurance and dental insurance. Ms. Abney stated staff had not talked about the dental plan.

Mr. Klimm stated the concern he has for the \$1,500 plan is that for new employees that are taking jobs at the lower end, they have to be here a year before they can participate in the flexible spending plan. If they start in January and they have two kids sent to the hospital, all of a sudden they are out \$4,500. He said that is a lot of money. He said after more research, he would ask Council about changing the prohibition for new employees to participate. He said that is a lot of money for someone making \$25,000 or \$30,000 a year. Another thing is a principle thing. He said he would ask that Council change his and his wife's health insurance. He said he did not like to be in a position where he has negotiated with Council one deal and then six days into the job we are talking about another plan. He said as a City Manager he did not want to ask his employees to accept something that he would not accept himself. He said he would be asking Council to change his plan as well.

Councilman Merry asked if the city pays for the employee and the payment for the dependents is deducted from the employee's check. Ms. Abney stated the employee contributes for their coverage also. She said many years ago, the city paid 100% for the employees, but now the employees contribute for their coverage also. If the employee is on the Med \$1,000 their contribution is approximately \$10 per pay check. If they are on the Med 100 their contribution is approximately \$20 per pay period. Councilman Merry asked what the employee contribution would be on the \$1,500 plan. Ms. Abney stated the proposal that we have would be that those on the \$1,500 would pay \$10 per pay period, the same thing they are paying on the Med \$1,000 now. However, the Med \$1,000 cost would go up, but she did not have that information with her. Councilman Merry pointed out that if the employees are paying \$10 per pay period for their insurance that would be \$260 a year.

Mr. LeDuc stated he did not want to get into the particulars on the insurance, but he just wanted to talk about the principle of where the city is going. It will be a major change for a number of employees. Councilwoman Price pointed out that it is no different than other companies. She pointed out that Mr. Klimm's comment regarding his concern about employees at the lower end of the scale not only those being hired, but also for those who have been in their jobs for a period of time, that is still quite a bit of money for them. Mr. Klimm pointed out that presently during the first year the employees are not able to participate in the flexible spending plan, and we are not putting money aside for them, so they could be looking at a \$4,500 bill in the first month of employment. If they are making \$25,000 a year that is a lot of money. He asked why not consider expanding the plan to allow the employees to start the flexible spending plan when they start to work rather than a year later. Councilman Dewar pointed out that they would not be able to put \$4,500 in the plan the first year. Councilman Dewar asked if the city would still provide flu shots and other things that the nurse does for the employees.

Councilwoman Price stated she had one more question about the employees' health insurance. She wanted to be sure that John Phillips will explain the insurance changes in lay terms so the employees can understand what is happening. Mr. LeDuc stated Mr. Phillips is good. He has been around the health industry all of his working career. He has been working with the city over 25 years. He will explain it at a meeting in May. Then the employees can make the change immediately, or they will have the full month of June before they have to make a change. Councilwoman Price pointed out this would be new to the employees. Mr. LeDuc pointed out that none of it is really new, it is with the health care nationally, so we just need to make some changes and explain why we need to make those changes. We don't want the employees, especially the low employees, to get a 1.5% increase and then lose the full increase by increasing the health insurance. They have a choice; they can stay at the \$100 plan and pay a lot more money or they can go to the \$1,500 plan, and it won't cost them any more. They will pay \$10 per pay period or \$260 a year. Councilman Merry stated they can do the math--\$260 per year for the \$1,500 plan versus \$500 a year and \$500 deductible in which case the maximum out of pocket might be \$1,500, while they still have that option they will do the math and take the lower deductible. He said there is still a financial incentive for them to take the lower deductible. Mr. LeDuc said it depends on the employee's age, and their health. Councilman Dewar stated most of them are willing to take a gamble. Councilman Merry pointed out all the employees on the \$1,500 plan would pay \$10 per pay period no matter their age or health. Ms. Abney said that is correct. Councilman Merry stated they could do the math and figure out they might be better off with the lower deductible. Mr. LeDuc pointed out that the lower deductible plan rates may double. If it is \$9.99 now, it may go up to \$20, \$30, or \$40 a pay period. Councilman Merry stated that is still cheaper than risking \$4,500. Ms. Abney stated what most of the employees look at is how much comes out of their pay check. A lot of them don't go through the calculation of higher math. All they want to know is how much they will have on pay day.

Councilwoman Price stated what they have to understand though is the importance of their health and being stuck with a bill. They may not pay less on the other side even though they want very little coming out of their check. Councilman Merry stated he supports what staff is trying to do on the health insurance, and it is the right way to go. It just might transition more slowly than we hope. Mr. LeDuc pointed out that in a couple

of years there is not going to be much choice. The choice will be that they will be taxed on the benefit.

Mr. LeDuc stated he would move on to the other funds. He said we have spent a lot of time at the last couple of meetings talking about the Hospitality Fund, the Economic Re-Investment Fund. We do have those two budgets in the full budget. He said right now Council would like to see all the money from the Hospitality Tax used for economic development, but in future years that it is up to Council and the City Manager how that money is going to be used. It is on a year by year basis as to how that is to be used.

Councilman Merry stated if the Hospitality Tax is passed he would like to see the strongest language we can to specify the intent of the tax.

Councilman Dewar stated if he is successful in getting the Hospitality Tax deferred, does the budget stand. He asked if there was something that could be taken out and not affect the budget. Mr. LeDuc stated if the Hospitality Tax does not pass, there would be numerous changes to the budget line items to reflect the fact that \$700,000 is being reduced in the General Fund by the Hospitality Tax and \$500,000 for the parking garage. The other \$700,000 is various line items in the General Fund.

Councilman Dewar stated that is collected separately. He said we are proposing to collect \$1.2 million. Mr. LeDuc stated that in turn is done by reducing various line items in Buildings and Grounds and Parks, Recreation and Tourism by \$700,000 total. Those numbers would have to be increased, as they would not be supported by the Hospitality Tax if it does not pass. Councilman Dewar asked what the net effect would be. Mr. LeDuc stated there would be \$1.2 million no longer in the General Fund budget. The General Fund would have to be balanced by itself not using the Hospitality Tax money. Councilman Dewar asked if that was doable if the Hospitality Tax is not passed. Mr. LeDuc stated anything is doable.

Ms. Abney stated anything is possible, but she said the thing in her mind is what would be the offsetting revenue to make up that \$1.2 million. Mr. LeDuc state there would be no economic development budget. That would be wiped out and the \$700,000 would not be supported.

Councilman Dewar stated he had talked about the "accounting" for the Hospitality Tax. He said we would collect \$1.2 million from the Hospitality Tax. There is a stipulation by law as to how that can be used. He stated he felt it was stretching the use of the money for a garage. He said we are taking \$700,000 out of the General Fund and putting it into the Hospitality Tax Fund. We are taking the \$700,000 we would collect from the Hospitality Tax Fund and putting it in other accounts in the city so we can do what the law does not allow us to do collecting the Hospitality Tax. Mr. LeDuc stated we are following the law as far as the Hospitality Tax. Councilman Dewar stated he guessed we would be, but he felt it was difficult to see. He said the law does not say you can use Hospitality Tax money to build a garage. Mayor Cavanaugh stated it does not say you can't. Councilman Dewar stated the law says that generally the money is used for tourism related items. He said if you want to assume that a garage is tourism, then it would be by law. Mr. LeDuc pointed out that a tourist is defined as anyone who lives outside the City of Aiken. He said if we build a garage that will be next to a hotel, most of the people who will stay at the hotel will be tourists. Then the majority of the other people who use the garage will be tourists. Councilman Dewar stated he hoped the majority of those would be residents.

Mr. LeDuc stated the article in the Aiken Standard said 91,000 people live within 10 miles of downtown Aiken. Only 30,000 live inside the city so two-thirds of them are tourists that come into the city. Councilwoman Price stated she would give an example. She said on May 16 and 17 about 40 people are coming to downtown from all over the country. They will be here from Saturday to Wednesday. They will stay at the Holiday Inn, but they will be dining downtown.

Councilman Dewar stated he did not know how many people come into town for business purposes, but he assumed we could get to that on Monday night at the Council meeting. He said he was not a fan of doing this right now. He said we don't know anything about the garage. We don't know anything about the deal between Neal Shah and the Marriott. We don't know what Marriott is going to say. We don't know how many spaces we would have in the garage. At one point someone talked about retail on the first floor. He said these are things Council has not decided. He said here we are going to enable collecting money for something that we have not fine-tuned. He said we will go through that on Monday night.

Councilman Merry stated by necessity the garage is a separate issue from the Hospitality Tax. Councilman Dewar stated it is not. He said the garage is one of the reasons for the Hospitality Tax. Councilman Merry stated it is not the whole reason he was doing it. It is a separate issue. There are details to work out on the garage. It is a perfect example of the type thing that the Hospitality Tax is intended to be used for. There are a lot more dollars that it can be used for down the road. This just happens to be the first thing. He said without the Hospitality Tax the garage cannot be built without going into debt. It is a distinctive and separate issue. He said that people marry the two together is premature. Councilman Dewar stated it is a marriage whether you admit it or not. We never talk about the Hospitality Tax without talking about the garage.

Councilwoman Price stated the Hospitality Tax is a choice. Councilman Dewar stated it is and six Councilmembers like it and one does not. Councilwoman Price stated it is a choice of the city and the citizens as well. Councilman Dewar stated it is Council's choice. He said if you want to make it a choice for the city, let's put it on the ballot and let everybody vote and see how people like it. Councilwoman Price stated as one or two people have said at the meetings, customers have told them they will not continue to do business in town because the Hospitality Tax may pass. It is a choice.

Councilman Dewar stated a couple of people had stated that they will not do business in the city, but those are comments in the wind. He said we had the same comments when we did the "no smoking" ordinance and all the bars were going to close because we were going to implement a "no smoking" ordinance. He said he had lived in California where they did it state-wide and in Massachusetts when they did it state-wide, and he knew it would not result in that. He said a lot of the folks will say they will not eat out, but they will change their mind. They will eat out.

Councilman Merry pointed out that people are paying the Hospitality Tax if they eat inside the corporate limits of a city nine times out of ten, except in Aiken. Aiken is the only place they are getting by and not paying the Hospitality Tax. He said that is not justification for us to impose the tax. He said but anyone who thinks they will save money by going to another city to buy their dinner is foolish. Councilman Dewar stated they could go out and eat in the County and not pay the tax. It was pointed out there are not many eating places in the County.

Mayor Cavanaugh asked that Council not lose sight that there are a myriad of other things that this money will be used for. It is not solely for a garage. Councilman Merry stated if we don't get the right agreement for the parking garage he would not vote for it. He said there is definitely some work that needs to be done regarding the garage. Councilman Dewar stated he would go back to the comment that he made at the beginning that he felt we could make a greater effort to find the money in the existing budget. If we are able to do a zero based budgeting we might be able to do that and maybe we could get rid of the Hospitality Tax.

Mr. LeDuc then discussed the Solid Waste Fund. He said he felt everyone understood what we are doing. There would not have to be any increase in Solid Waste. It is a standalone or enterprise fund. There are some other increases such as the fee for a second garbage can will go up to \$17, backyard collection would go up to \$17. That information will be an exhibit showing some other changes within the ordinance for the approval of the budget.

Mr. LeDuc stated we have talked about the Storm Water Fund. We have not had a rate increase for Storm Water in about 13 years. It has caught up with us. There are a number of capital items that need to be completed. In addition to that, there are some major new regulations that are in place from EPA and DHEC. We will have to do a number of things to meet regulations. He said he felt that storm water is going to be the big area that will have to be dealt with by Aiken and other cities throughout the United States because of liability issues. He said he would like to say that the proposed increase of \$2.20 per month would cover everything, but he would not be surprised that we will have more issues to deal with because of storm water.

Mayor Cavanaugh asked if Mr. Grinton has the right number of people with the right understanding of what needs to be done on this issue. He said he was wondering if he had people with the expertise to do what needs to be done. Mr. LeDuc stated the Assistant City Engineer Pearce Atkins has expertise in storm water. He pointed out that our City Engineer Ted Jones is retiring and leaving the end of December. We will be hiring someone and Mr. Grinton has the ability to hire someone who has more storm water or civil engineering background to deal with some of these issues. Mayor Cavanaugh asked if there were certain dates for certain things to be done as required by EPA and DHEC. Mr. LeDuc stated we are looking at the various basins we have and trying to determine where the outfalls going into those basins are so we could then start testing the storm water for any pollutants that might be there. Based on that we can trace it back to where the pollutants might be.

Councilman Merry asked the status of the lawsuit regarding storm water on the property over near Hopeland Farms. Mr. LeDuc stated we went back to Hopeland Farms in executive session a few months ago and said we were willing to make some changes to the detention pond and form more of a swale in their back yards to have the water be channeled through those areas. We have not received a response from the individuals who brought the lawsuit. Our attorney is going back to them. Councilman Merry stated he had heard from some of the people, and he felt they would be objecting to our idea of the swales in the formal response. Mr. LeDuc stated then we would have to look at the next thing.

Mr. LeDuc stated for the Storm Water Fund we do have a projected rate increase of \$2.20 per month.

Mr. LeDuc stated he had gone into some detail on some of the other funds to let Council know what is happening, and where our capital is being used in the Accommodations Tax, the Victim Services Fund, and various other accounts. He asked if there were any questions.

Mr. LeDuc stated with the rate increase last year, the Utilities Fund seems to be good shape. We are replacing water meters at an accelerated rate over what we had originally looked at. Originally we were looking at replacing 5,000 meters a year. We are probably 15% to 20% higher than that. He said Ms. Abney and the Finance Department staff are overseeing that project and doing a very good job. It is hoped that within the next year and a half to two years we will have completed putting in all the meters. The good news about that is as the meters get old they slow down, and as we put new meters in we are seeing an increase of about 7% in water usage.

Mr. LeDuc stated there was a question from a Councilmember asking about the value of a mill. He said a mill was valued at \$150,000, but it has now gone up to \$164,800. It is higher because Solid Waste is no longer in the General Fund budget. The General Fund taxes used to be about 35% of the budget. It is now up to 38% of the General Fund primarily because Solid Waste is no longer in the General Fund.

Mr. LeDuc stated that is all he has for the budget. He said in the past there has been some concern about the Depreciation Fund transfers and the Holding Fund. He distributed a listing of where the Depreciation and Holding Funds are being used in the various funds. He pointed out the chart on page iii of the Budget Message showing the actual numbers used from the Holding Funds and the Depreciation Funds in the budgets

for the years 2012-2013, 2013-14, 2014-15 and 2015-16. He said there had been questions as to how much money was being used from our Holding and Depreciation Funds. Last year about \$330,000 of the \$580,000 was used to balance the budget.

Councilman Merry stated then in the proposed budget, it is proposed to use \$301,000 from the Holding Funds which are non-committed funds to balance the budget. He said \$869,000 is being used from the Depreciation Fund to balance the budget. Mr. LeDuc stated the funds are being used to replace vehicles, equipment, buildings, etc. Mr. LeDuc stated the reason the Depreciation Fund is so much less is there may not have been as many requests to replace equipment, and also he turned down a lot of equipment requests from the departments. In reviewing some of the equipment, police vehicles, and other vehicles he asked why we were replacing equipment because it had only 60,000 to 75,000 miles on it. He said he would not replace his own vehicle if it just had 60,000 to 75,000 miles. He said vehicles and equipment were not being replaced just because they were depreciated out if they were still in good shape. He said eventually that equipment and vehicles need to be replaced, but the longer they are not replaced, we don't need to put more money in the Depreciation Fund to fund them.

Councilman Dewar asked if the vehicles we are getting in Public Safety would meet our program to make sure we are turning over the old vehicles. Mr. LeDuc stated he thought every vehicle we proposed to replace in next year's budget is a patrol vehicle.

Councilman Dewar asked if the Library was still funded. Mr. LeDuc responded that \$12,000 was funded for the Library. It was pointed out that the City has a playground at the library which is used a lot. Mr. LeDuc pointed out that the library is the ABBE Library. He said he has worked in five cities and every city he has worked in contributes a certain amount to the library.

Mr. LeDuc stated first reading of an ordinance to adopt a budget will be on the agenda for the May 11, 2015, meeting. He said there has to be fifteen days between readings of the ordinance for the budget. He said if any adjustments need to be made in the budget, we could do that between first and second reading.

Councilman Merry stated he felt Mr. LeDuc had done a good job in the budget summary in explaining the items in the budget. Mr. LeDuc stated he had taken away some of the verbiage and graphs and pointed out more highlights.

Mr. Klimm stated we need to remember the fundamental purpose of a budget document is to explain to our citizens where their money is going. He said he would have a few ideas in that regard.

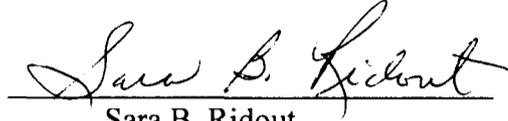
Mr. Klimm stated he would state the obvious in that Mr. LeDuc had been a Godsend. He said if he had not been available it could be a little difficult now. He said as the new Manager, Mr. LeDuc was deeply appreciated by him.

Councilman Merry pointed out the budget will not get final reading until June, he asked if Mr. LeDuc would be at the June meeting. Mr. LeDuc stated he would be at the June 8 Council meeting.

Councilman Dewar stated he felt it had been very profitable last year and this year for Council to get involved early in the budget process. Mr. LeDuc said he found it helpful also. He said the more information Council gives the Manager ahead of time as to what they want to try to fit into the budget, is very helpful. Councilman Dewar stated from the discussions the Manager can learn what Council wants and sometimes if it cannot be provided, then Council has to lower their expectations or revamp something. He said it is better to work out questions in January or February than at the first meeting in May.

ADJOURNMENT

Mayor Cavanaugh adjourned the meeting. The meeting adjourned at 6:10 P.M.



Sara B. Ridout
City Clerk

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