

Aiken City Council MinutesWORK SESSION

October 14, 2015

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

Others Present: John Klimm, Stuart Bedenbaugh, Kim Abney, Alicia Davis, and Sara Ridout.

Mayor Cavanaugh called the work session to order at 3:04 P.M. He said there would be a work session, an executive session, and then a public meeting. He stated the first item is a budget format discussion. The second part of the meeting will be an executive session starting about 6:00 p.m. pursuant to Section 30-4-70(a)(2) to discuss negotiations incident to a proposed contractual arrangement. Specifically, Council will discuss the leasing of property owned by the City of Aiken near I-20 to an unidentified third party.

The second item to be discussed in executive session pursuant to Section 30-4-70(a)(2) is to receive legal advice from the City Attorney related to a pending, threatened, or potential claim or other matters covered by the attorney-client privilege. Specifically, Council will discuss a potential legal action regarding the Aiken Municipal Airport.

Mayor Cavanaugh stated there will then be a special meeting for Council to consider first reading of an ordinance authorizing the City of Aiken to enter into a option to lease real estate in the Verenes Industrial Park.

Mr. Klimm stated he wanted to say that in his five months having been here as the City Manager he had had many conversations with all of the Council members from time to time about our fiduciary responsibility and how it is the most sacred responsibility that we have to our citizens and taxpayers. There have been numerous comments that he has received about our budget presentation and the lack of clarity. He said he and Ms. Abney had been meeting weekly to address that as we begin to think about our budget process for the next fiscal year. He said we began to talk to consultants who have more of a national perspective in terms of what other communities do. He said he was struck by the fact that there are some 80,000 layers of government in this country at the local, county, state and federal levels. He said while he deeply believes that we need to review our budget as a communications document, he is also mindful that we don't necessarily have to reinvent the wheel. He said that is why he thought it made sense to reach out to folks that do this on a weekly basis. He said Lisa Vedder and Daryll Parker have a combination of over 50 years of experience in municipal finance. He said staff had had several meetings with them and he and Ms. Abney have been incredibly impressed at not only their knowledge of municipal finance and their experience in municipal budgeting, but also their talent in facilitation and an approach that he felt would be very helpful to us. He said his request is that we put any preconceived notions aside and that we allow Ms. Vedder and Mr. Parker to bring us through a process. He felt they would find it as rewarding as he had.

Ms. Lisa M. Vedder stated she was very excited to go through the work shop. She said the schedule is to have introductions and overview from 3:00 p.m. to 4:15 p.m. and then a 10 minute break. Then the work session will continue at 4:25 p.m. to 5:00 p.m. with budget review and primer. At 5:10 p.m. to 6:00 p.m. Council will build Aiken's own budget.

Ms. Vedder stated Willdan is the company that she and Daryll Parker work for. It is a 50+ year old company that was established in California. There are four operating units of Willdan. She said she and Mr. Parker work for Wildan Financial Services out of the Orlando, Florida Office. The other units work with engineering and infrastructure. She said they have a large group in energy efficiency and sustainability, and a group in national preparedness.

Ms. Vedder stated she had around 30 years experience in municipal finance and utility cost of service and rates, including electric, wet water, waste water, storm water, solid waste, and natural gas. She said she is an industrial engineer by undergrad. She said she does tend to approach things from the industrial engineering—boots on the ground, go out and look at the assets mindset. She said what they will get from her is kind of a nuts and bolts budget approach. She said she also has a Master in Public Administration from Harvard. She covers both bases and she concentrated in Methodological Areas of Concentration (MACS) at Harvard.

Mr. Daryll Parker stated he has more than 21 years' experience in municipal utility finance. He said his expertise is financial for the utility side. He said what he would bring to this project is the strategic planning aspect. He said his focus is typically on water and sewer utility systems, not just rates, but the overall financial plan, how to fund capital projects, and how to get from where we are now to where we want to be. He said that is part of what they are doing with the budget process. He said he has a Master in Business Administration. He also has a lot of clients in South Carolina so he brings a lot regional knowledge to the table.

Ms. Vedder stated she wanted all of Council to contribute and her goal was to get their ideas on the table. Ms. Vedder then reviewed the goals and objectives of the workshop. She said it is all about the budget. She said physically the current budget is a lot of paper. She said she would like for Council to discuss the pros and cons of the budget. Hopefully, by the end of the worksession they will all be on the same page that the budget needs to be revamped. For those who think it might not need to be revamped that will be put on the table as well. She pointed out there are no right or wrong answers. There are no preconceived notions. Everything is up for consideration. She said the group would talk about best practices and later in the workshop bring in some ideas and concepts for award winning budgets. She said they would talk about what Aiken wants its budget to be. She said Council will create Aiken's budget. She said she had selected three award winning budgets to demonstrate that one size does not fit all. There are multiple paths to a successful outcome. She said at the end of the discussion Council needs to give staff direction to move forward.

Ms. Vedder reviewed the rules of engagement. She said this is a safe space. There are no right or wrong answers. She said part of the job is to challenge preconceived notions and create a space where all ideas are okay. She said this is a creative space, not about right or wrong, but about what if. She said everyone in the room owns the outcome of whatever they come up with, for good or bad, but she and Mr. Parker own the process. She said they will make sure everyone gets heard; they honor time; they treat each other respectfully, and they capture what went on today.

Ms. Vedder asked that Council talk about the present budget format. She pointed out the current budget gets the job done. The city successfully files a budget every year. On some level it meets that criteria. It is organized by fund and by account which is very logical. It is color coded with colored paper. Each color means something. It includes performance goals and objectives which is a cutting edge practice. It may not be as effectively presented as it might be. The present budget has been very consistent over time. Through a slide presentation she pointed out some samples from the present budget. It starts with a Manager's letter which is very common. It has funds and account numbers all very logically laid out. She pointed out what the color coding means. She said it does a lot of things in a logical way. She pointed out a schedule in the budget and performance goals and objectives. She said this budget is constant over time. She pointed out a budget from 1955 and stated the budget from 1955 is very similar to the budget format today.

Ms. Vedder then reviewed things that have changed over time. She showed a picture of a telephone from the 1950's and a phone today. The phone today is a computer in your hand. She showed a computer in the 1950's which was huge, and today there is technology which fits in our pocket. She showed a television in the 1950's and a television in 2015. She pointed out that we have come a long way in this period of time.

She asked where should we go with the budget. She felt it is time for a change, and she felt that those being in the room today shows that they are open to change. She said she would like to have Council involved and for them to talk about what they like about the current budget.

The things Council named that they liked about the current budget were: it covers the entire city, comprehensive, the goals and objectives for each section of the budget, the detail and the color coding, and detail of the budget. Ms. Vedder stated it seems that all agree there is a lot that we can improve.

Ms. Vedder asked Council to list what they would like to change in the budget. Council listed the following: streamline, too many pages, not friendly, not interested in the sub-accounts, would like something easy to understand and monitor throughout the year, something meaningful to the public, provide data to those who need the data, money in and money out for certain areas to determine what it costs to run a certain area of the city, better way to monitor the progress of the budget through the budget year so Council can see what is happening and how well it is going, an executive format or general format to allow Council to see how the city is doing, and bar graphs to show us how we are doing financially.

Councilman Ebner expressed concern about balancing the budget with depreciation and holding funds. He felt those items carry a big weight in the budget. He said if the funds are plotted over the last few years, the expenditures are almost a straight line up slightly every year about 1% or 2%. However, the depreciation and holding funds go all over the page.

At this point Councilman Merry entered the meeting. Councilman Merry stated he had learned to work with what we have, but there should be something a little more user friendly. As far as what he likes about the current pages, he said he liked the colored pages, he does not like all the account numbers, he has gotten use to the columns giving last year's budget amount, the department request, the manager's recommendation, etc. He said he liked the capital projects section for five years. The current budget does not fit well on his bookshelf.

Mr. Klimm stated he does not have an original idea, but agrees with a lot of the comments he has heard. He said if Council is having difficulty with understanding the budget, then probably very few citizens can understand the budget.

Councilman Dewar pointed out that the City had received recognition for transparency. He said Aiken was one of the first cities in South Carolina that put a lot of our financial documents on line. He said, however, mostly they are very difficult for the public to understand. He said we don't get a lot of feedback from the public from those documents.

Ms. Abney stated we used to get a lot of calls from people asking for our financial statements or our budget. Since we have started posting them, we get very few calls requesting them because they can get them on line. Ms. Abney pointed out that some of the detail of accounts could be rolled up, for example, instead of all the different accounts for various telephone services, there could just be one account for telephones.

Councilman Dewar stated there are some details that would be meaningful. He pointed out that some citizens have asked how much the city paid for the Aspiration tour. He said you cannot see that in the budget, as it is in one of the codes and not broken out. Some of the detail is not there as far as how much we spent on a particular item.

Councilman Merry stated the budget process is difficult. He said it would be good if the new budget could facilitate the budget process. He said Council gets the budget book for review and then must vote on it in two weeks. He said there needs to be some format that could help Council review the budget process. Councilman Dewar stated that a few years ago Council's first involvement in the budget was a memo in April and a work session. Then Council had to vote on the budget for first reading in May. He said for the last

couple of years Council has been involved in the budget a little bit deeper. He said the question is how detailed should Council be on the budget and what is the proper role of Council in the budget. What should Council be concerned about and what should Council not be concerned about regarding the budget. He said he likes to get involved early in the process. Councilman Dewar stated he wanted to get involved early in the budget process to have a sense of the major decisions. He said some of the decisions are major such as building a new fire station, buying equipment, and major challenges in the infrastructure. He said he felt some of those items are Council decisions, but maybe they should be City Manager decisions and he sells the items to Council.

Councilman Homoki stated he felt the department heads should go to the City Manager with their budget and their needs. Council then kind of has to rely on the City Manager's judgement. The City Manager should give Council a synopsis of what the department requests are, the questionable items, the optional items and whether they can be handled. Then Council can make a decision. He said he agrees that to present the document to Council at a work session and then have first reading two weeks later does not give Council time to review the budget. Councilman Dewar stated that goes back to the format, but if it were a different format perhaps Council could look at it in April and get a sense of whether it is okay or not.

Councilwoman Diggs stated she would like the budget to be simplified and easier to understand. She suggested putting the budget in plain language. Perhaps a written version explaining the budget would help.

Councilwoman Price entered the work session. Ms. Vedder reviewed the previous discussion for Councilwoman Price regarding the budget and what Council likes and dislikes about the budget. She pointed out some of the things Council has already listed that they like about the current budget: it is detailed, color coding, accurate, presents goals and objectives, it gets the job done. Councilwoman Price stated she agrees with the list Council had listing what they like about the current budget. She stated she feels the current budget has too many pages.

Ms. Vedder stated a budget is a communication tool between the city and its citizens. She said Council was talking about ways we could possibly improve upon its utility for the average citizen and Council.

Ms. Vedder stated she does a lot of organizational assessments. She said she goes on site and interviews people of all levels of the organization. She said she asks them four questions. She said others in her field ask 35 questions. She said she has been doing this for almost 30 years, and she asks people four questions. The same four questions every time. 1. What does your organization, department, or area do really well? 2. What could you improve upon? 3. What are things that you think set your organization apart from everybody else? 4. If you were queen or king for a day, suspend reality, what would you do if you had infinite resources, infinite power, and the ability to wave your wand, what would you change about your organization?

She asked Council if they were queen or king for one day and they could wave their magic wand what would they change about the budget. Councilman Ebner stated he would want the numbers to be plotted out from year to year. He said he is looking for consistency over the years. Councilman Dewar stated he would bring in a consultant. He said he has no idea how other budgets look. Councilwoman Diggs stated she would make sure the city had a lot of money in reserves, none of the projects would be over budget, she would spread the money around to all parts of the city so that all of Aiken could be a place where everyone wanted to visit and live. She would like it to be so that we don't have poverty in certain parts of our city.. Councilman Merry stated he would convert the budget to a Quick Books format. He felt charts and graphs would be good for the budget. Mayor Cavanaugh stated he would get rid of the page from the 1950's. He said we have been talking about all the things that we all want. We want it to be better, quicker, and to be able to get to what we want for Council and the citizens as well. Councilman Homoki stated there is nothing wrong with the current document, but where he gets lost is when we start borrowing money from one account for another such as for

Capital Projects Sales Tax projects. He said he has difficulty figuring out the current status of all the accounts that we have borrowed from. Councilman Dewar pointed out that it is hard to see changes to the budget, the growth of the budget and performance of the budget during the year. It is hard to follow the money. Councilwoman Diggs stated she wanted the budget to be more user friendly. Councilwoman Price stated if we are trying to impress upon our citizens that our budget is sound, you give them the document and this is the proof. They will only read a few pages before they are confused at what they trying to follow. She said she did not know how we can keep the budget simple and concise, but that is what she would suggest. She said she would try to make the budget simple and concise not only for readers, but for Council as well. She said what you hear from us is that there is not enough information. In response to a question as to who will say there is not enough information, Councilwoman Price stated it depends on the Councilmembers and how much detail they want. She said based on what she is hearing there is a way of tracking expenditures and a way to be concise and get more detailed information; but in terms of the average person trying to use the budget, what will be recommended will be more user friendly.

Ms. Vedder stated we are trying now to create what Aiken wants its budget to be. We will look at best practices, look at some sample budgets. The sample budget will show that there is no one size that fits all. She said Council can pick and choose what they like, and it will be Aiken's budget. Hopefully, Aiken's budget will eliminate a lot of the things that are written on the board that are negative and leverage opportunity.

Councilman Homoki stated if our revenue stream is less than anticipated, he did not know how we adjust our budget. He said basically our budget is \$52 million. If we only collect \$51.2 million, when and how do we adjust the budget. He said he felt basically it is supposed to come back to Council and Council make a decision. Councilman Dewar stated that is why we want to have reserve accounts.

Ms. Vedder stated she had added "follow the money." She felt the discussion was that Council wants to see where the money is coming from, where it is going, and if the revenue projections are off, how is that handled, and at certain times if the budget is off it should go to Council depending on how the underage is handled.

Councilman Merry stated it is a matter of ordinance and procedures regarding how to process changes and modifications in the budget. He said to him the budget is all about presentation, and how easily he can find what he wants.

Councilman Dewar stated he would like to know how the City of Aiken's ordinance compares with the same ordinance in other municipalities in South Carolina. He said he raised the issue one year that our ordinance pretty well gives the City Manager carte blanche to almost do whatever he wants with whatever accounts he wants. He said we need to look at the wording of the ordinance. He said he did not know if it was a good ordinance, a standard ordinance in the state, or what.

Mr. Klimm stated other than the obvious trend about transparency, putting a document together that not only Council, but the general public can understand, this discussion will lead to a much bigger discussion. He said this is just about the budget and financial package. He said this is his third state, and he is pretty knowledgeable about what is going on nationally. He said things are done in Aiken that are unique. He said he had asked Ms. Abney many, many questions. He said there are double and triple bank shots. He said we need to break that down. He felt it may be like putting a car together piece by piece and over the years and decades, we just kept adding on to it. There was probably justification for everything that was done. He said borrowing practices, borrowing money from ourselves, shifting money into accounts, etc. really needs to be broken down, and we need to start afresh and ask why we do that. He said he is the City Manager, and he had to ask a lot of questions about why things were done a certain way. He said he did not understand why things were done. He said it is not just the budget book, but financial practices that are in place that we need to really question and see why we are doing certain things. Mr. Klimm stated he wanted to go through the budget. He said he did not want any word that can't be understood by a 10th grader. He said accounting terms can

be described in a very plain way. Councilman Ebner stated he felt it should be on a 5th grade level, but he had not convinced Mr. Klimm of that.

Ms. Vedder stated the group would take a 10 minute break. She said after the break the group will talk about best practices. We will talk about what a budget should be according to experts. We will actually go through three budgets which they selected to show. They have all won awards, but they are all very different.

Ms. Vedder stated they would review what types of budgets there are. Then we will look at some award winning budgets and see what they are doing. We will see what we like and what we don't like. Then we will see how Aiken's stacks up.

Ms. Vedder stated to get everyone on the same page using the KISS principle, there are basically three types of municipal budgets. There is an operating budget, a capital budget, and many times there are funds or programs that have their own budget. She stated that is really budgeting 101. The Operating budget is what you run your city on. It is how you pay your labor, utility expenses, supplies. It is revenue and expenses, and it is short term. Capital is infrastructure. It is long term infrastructure, big money items that cover multiple budgeting years. Then you can also have funds or program budgets. A lot of enterprise funds and utilities have enterprise fund budgets.

Councilman Dewar asked if this concept was separate documents or consolidated, or if it made a difference. Ms. Vedder stated it is a way of looking at it, but really it is an operating or capital budget. You are talking about a consolidated budget for most corporations, and you are looking at revenues and expenses and then you are rolling them up for different departments. Councilman Dewar stated he felt the City of Aiken probably has that type budget.

Ms. Vedder reviewed the history of budgeting. She said she would give a little background on the evolution of municipal budgeting. In the early 1900s we came up with the line item budget and the executive budget. The emphasis of those kind of budgeting tools was control. They wanted control and wanted to know what is in the budget and wanted to have control over it. In the 1950s we went to performance budgets. The emphasis was management and economy and efficiency. It was not enough anymore to see the revenues and expenses balance, but we wanted to know if it was efficient and if we had optimized what we were doing. Did we save money and did we manage the budget properly. We were looking at introducing performance metrics into budgeting. She said she is an industrial engineer and the mechanical and civil engineers that were in classes with her called industrial engineers imaginary engineers. She said she had to take psychology, finance classes, etc. She said her goal was to look at a process and make sure it is efficient and cost effective. What the other engineers back then were only caring about was does it work or not. It did not matter that they spent \$1 million on it. It matters that it works. In the 1950s we started to look at competition and it mattered that what you built was actually built in a cost effective manner. She said that is where performance budgeting started to emerge.

In the 1960s budgeting was looked at more for a planning and evaluation tool. It was looking down the road at what is coming. Does the budget anticipate what is coming in the future and how does that inform our operation. We came up with program budgets, planning programming budgeting systems. That was the innovation of the 1960s.

Ms. Vedder said then in 1970s and 1980s is where we heard zero based, target base, balanced-base budgets. Basically the concept was there is too much fluff. Once something gets enshrined in a budget, they are there forever so we will start every year from scratch. For zero budget you would justify every dollar that will be spent every year starting from zero. The emphasis in the 1970s and 1980s was planning, prioritization and removing the fat. We want to be a lean, mean, fighting machine. She said that was the big innovation of the 1970s and 1980s.

In the 1990s we came out with the new performance budget also known as entrepreneurial budgeting. She said this would be looking again at accountability,

efficiency and economy. She said that reflected the global market place. She said we look at our budgeting from a different perspective and be entrepreneurial. Even though we are a municipality, we are going to be treating our expenses as though we were running a business. That was the innovation of the 1990s.

What we have seen since the 1990s is really an emphasis on technological enhancements and the web. Now we can do so much more from a simple tablet that we could not do in the 1990s with a large computer. She said even though the budgeting focus has not really changed, how we are able to do things has. We see that in 2012 GFOA put out a Best Practices document on Operating Budgets and in 2014 they put out a Best Practices in Budget Presentation. They were recognizing that information is power and a communication tool. How we format something matters. She said when she was in engineering school format did not matter. As long as the numbers were right, it did not matter how ugly it was. She said we have come a long way. She pointed out the city's format worked in the 1950s, but we had all agreed that its time has come. There might be a good use for it, but we are not going to use it as a budget format.

Ms. Vedder then reviewed the basic approaches that municipalities use for budgeting. She reviewed the terms used in budgeting. Incremental budgeting is very common. We all do it to some extent in our own home budget. We look at what our bills were last year and we adjust for the increase. It is an incremental approach. It is very easy to implement. Aiken uses an incremental budgeting process. One of the challenges of incremental budgeting is that it can memorialize inefficiency. Once you have that \$1,000 expense that is really not needed any more, it just keeps getting compounded. In order for incremental budgeting to work effectively, you have to do a common sense review from time to time. That is usually the responsibility of the department heads.

The second type of budgeting is Performance-based. She said Aiken also uses performance-based budgeting. She said most of her clients do. It is saying how are we doing. We will keep track of what we spent. We will keep track of what we achieved for what we spent. We will actually set targets and goals. The characteristics of the Performance-based budget are that it allocates resources based on desired performance levels or outcome. It is very powerful when people have a target. She said we want to know how we are doing. It is a very basic concept. At the end of the year you want your supervisor to tell you how you did. You want to know what is expected of you, and you want to know if you met the expectations. If you did not, you want feedback that will help you succeed. She said that is what Performance-based budgeting does if it is done well. It can be difficult to measure certain performance targets, especially when you get into regulatory and environmental regulations. For example, with utility operations it is often very easy to set performance targets. However, when you are doing customer service or other activities that municipalities perform, it gets a little harder to accurately create meaningful metrics. A lot of things a city does are regulated to do so you really do not have a choice. Then performance-based budgeting can be inapplicable.

Ms. Vedder stated the emerging type of budgeting framework is the Participatory process. Austin, Texas, has an incredibly aggressive participatory budget practice. They have lots and lots of meetings with their constituents. It costs a lot of time and lot of money, but it involves the public in the budgeting process on a level like Cambridge, Massachusetts does. When it works well, it is great. She advocates that everyone should be more participatory. All of her clients, except for the municipal utility clients, are having to have more public hearings and stakeholder workshops to help educate their constituency on the budget. She said that is a great thing, but it is time consuming. Taken to extremes it can be really expensive and really onerous. It is not something you can do well if you have never been trained in how to have an effective stakeholder workshop. Managed poorly it can be a nightmare. However, because we live in an age where everyone is tweeting, and everyone has instant access to information on their phone, our consumers want instant access. The relationship between government and its constituents is changing. Their attention span is changing and minute. She pointed out the current budget and wondered how many pages of the budget people would read.

Ms. Vedder stated she had already talked a little about Zero-based budgeting. It is where you start from scratch every time, and you justify every single line item. It was popular for a while. She said she does not know of anybody that does absolute Zero-based budgeting because it is incredibly time consuming. It is excessively onerous. She pointed out again that a municipality is regulated and mandated to do a lot of things so you don't have a choice.

Ms. Vedder stated that in reality most places do a Hybrid form of budget. Usually it is Incremental and Performance-based with a little Participatory. She said that is the terms we will talk about.

Councilman Dewar asked if you could have a budget where every year you would do one department as Zero-based, and do the other departments another way. Ms. Vedder stated that is true. One of the good applications of Zero-based budgeting is projects that are going to expire, a pilot program, etc. There are unique cases where Zero-based budgeting works really well. Councilman Dewar stated we could do Public Safety every five years and another department every five years. Ms. Vedder pointed out though that for Public Safety, you would never go to Zero-based. You will never not have any public safety. He said you start with zero, but you don't end with zero. Ms. Vedder stated it would be more incremental. She said Zero-based means we will not have this department next year unless we can justify everything. She said there are programs that meet that criteria, but generally speaking you would be doing Incremental and Performance based.

Councilman Ebner stated his definition of Zero-based is a little different. He said you have certain functions that are required by law such as public safety, fire, water and sewer. If those are required, then you start with Zero-based budgeting to see how well you are doing for that particular function. Ms. Vedder said that is not Zero-based budgeting. Literally Zero-based means you start with zero with no money, you justify how much money you will get. It is like a kid asking for an allowance. Councilman Ebner stated they may be saying the same thing, but he is approaching it a little differently. Ms. Vedder stated you will always have some public safety.

Councilman Dewar stated he felt that just because you may do Zero-based budgeting does not mean that we are contemplating having zero. Ms. Vedder stated that would be incremental budgeting. Councilman Ebner stated we are from a different generation.

Mr. Klimm stated in a 100 person Public Safety Department, a true zero-based approach would break it down so you would need to justify each person. He said what Ms. Vedder is saying is that most people that do Zero-based budgeting understand that there is a floor at which there might be 30 men and women so you would not spend six months studying the particulars as there is no way you are going to get rid of them. Ms. Vedder stated that is really a version of Incremental. She said Zero is starting from scratch. You are building from scratch every year. Mr. Klimm stated it gets almost crazy with Zero-based. Ms. Vedder pointed out that especially for a municipality, they have to keep the lights on, you have to keep the sidewalks swept. She said there are so many other things to do, that Zero-based becomes like a full time job with no added value.

Ms. Vedder stated the reason for going though this was to clarify the terms that we will be talking about and how we are going to use those, answer any questions, and clarify any confusion.

Ms. Vedder stated that in February, 2014, the GFOA came out with a document of Best Practices to make the budget document easier to understand. She said she liked what the GFOA said was behind this. "Because of the time required to read and understand the entire budget document, a concise summary that captures these elements is essential." It is Best Practices. She said that is why we are here. She said the Best Practices covers the organization of the budget, the level of detail, the design, consistency, highlights, and format. She pointed out the list covers the things that Council had just discussed when talking about what they like and dislike about the budget. She said Council intuitively knows Best Practices. The first Best Practice is to how should the budget be organized. They are recommending that you sequence information logically. There needs to be a

beginning, middle and end. People need to know what is coming, and why it is where it is, how to find it if they need it. It reduces redundancy. It enhances the flow of information. Then they provide their recommended sequence. She said you do not have to follow the recommended sequence even to win an award, but this is a sequence that works well for many people. The recommended sequence is: introduction and overview, financial structure, policy and process, financial summaries, capital and debt, departmental information, document-wide criteria (glossary and statistical/supplemental section).

Ms. Vedder pointed out the Recommended level of detail slide which includes: avoid excess, limit the number of schedules, text and supplemental data, round dollars to thousands or millions, avoid decimals in staffing, and proof the content carefully. Ms. Vedder pointed out a page from the recent budget. She pointed out an expenditure of \$2,330,000, \$170,000 and \$35. She said that is too much detail in the budget. She said if a citizen wanted to look at this what would they want to know more about. She said the person would want to know more about the big numbers. She said there is no need to go that far in the budget. She said if for some reason someone needs that level of detail, it exists in the City in the Finance Department. That data is available, but it is not appropriate in the budget document. Councilwoman Price pointed out that is what she was saying earlier. There are people who want to know about the \$35.

Ms. Vedder stated "Less is More." She said that less is more is assuming that you are presenting information effectively and the right information. When you do a budget well, people don't need all that detail because they get the message. They understand what is going on. That is really the goal. It is a communications tool.

Ms. Vedder then talked about Design Recommendations. The document should be simple and easy to use and user friendly. Hard copies should incorporate an appealing cover, tabs and dividers. One of the things Council said they liked about the current budget is the color coding. In modern budgets that is achieved through tabs and dividers or visual separate documents. You don't need to slip in the color coded things. Electronic copies should incorporate bookmarks and hyperlinks. Color should be used and charts, pictures, tables, and graphs should be used. "Visually enhanced information is often easier to understand." She said in some of the budget samples that she will show, increasingly they are putting in actual pictures of projects. Pictures are worth 1,000 words.

Ms. Vedder reviewed consistency recommendations which include using standard formatting across departments. Use the same fonts, bullets, alignment, indentation, and spacing across the departments. Use the same format. Use figures, charts, graphs and tables. Make sure information is internally consistent across departments, and edit for a cohesive voice. Create a unified view of the city. She said as often happens in the budget process each department puts together their stuff, each has their own way of doing it, and then it all gets folded into the budget. She said the current budget did not suffer from that flaw.

Ms. Vedder reviewed recommended use of highlights. She said consider using a budget-in-brief and highlight major budget points in an executive summary. She pointed out that not everyone needs the whole budget. Having a real cool executive summary level budget in brief is almost more important than all the detail that goes into the full blown budget because more people will read that document. It would meet people's current attention span, and it gets the job done. If it is done well, it gets the job done. It is user-friendly device that reaches a broader audience than the full blown budget.

Ms. Vedder reviewed format recommendations. She said to use the same format on the web as used in the hard copy. Use consistent font size and page orientation. Page numbering should be sequential, avoid special characters, and synchronize between online and print versions of the budget. She said a format focuses attention.

Ms. Vedder stated in January, 2012, the GFOA office put out Best Practices for an Operating Budget. She pointed out earlier we had talked about three different types of

budgets—the Operating Budget, Capital Budget, and Fund or Program budgets. GFOA actually put out a Best Practices Primer for how departments should prepare an operating budget. She said it covers some of the things we just talked about in a little more detail. The recommendation covers: design – use graphics and be consistent; be brief, focused and concise; services--include a description of the services and functional responsibility and discuss changes. This is helpful when people need to contact the city regarding a pothole, etc. They might not know what department to contact. If there is an effective budget, it will tell them what department to contact. Usually that lines up with the website. One of the challenges in the current budget is that it is hard to know who did what for what money. She pointed out that changes need to be discussed—where we were last year and where we are this year, what changed and why. Include issues—discuss challenges, issues and opportunities. Revenues--discuss revenue trends. Account for all fees and receipts. Expenditures—analyze broadly. You don't need a \$35 item in the budget. Include staffing and FTEs. That is a very valuable bit of information. How many people are working in a department, what are they accomplishing with those people. It is important to know head counts and know what people are accomplishing and how it had changed over time. That includes what is authorized and what exists. Prioritization of goals and objectives—need to explain what is coming ahead, our priorities, why some things are not getting addressed, include timeframes. Measures—include metrics and trends.

Ms. Vedder stated she would review three budgets. She said Greenville County, South Carolina, Anderson, South Carolina, and Los Alamos, New Mexico, budgets had been selected. She said she wanted to show Council these three budgets and page through them so Council could see these budgets and the format.

She first reviewed Greenville County. They had a table of contents, a copy of the award they won for the budget, their vision and mission statement. A statement is a valuable marketing tool. The way the city is spending money and prioritizing should line up with the vision and mission statement. If you don't have a current vision and mission statement you need to do a strategic plan. She said you need to understand how you are deciding where to spend your limited resources. A readers' guide is a great way to tell people what is coming and what they will see, and how it is organized. They have a letter from the Manager. Long term goals and priorities. That is one of the criteria for an award winning budget. The question is how does the expenditures tie to short and long term goals and priorities. A history of Greenville County was included. She pointed out a map of the Council districts and a picture of the Council representative for each of the districts. The budget included the staff. Funds and types of funds are included. She pointed out a lot of pie charts and graphs which are helpful. She continued to show the various pages of the Greenville County budget. She pointed out that each of the budgets she will show presents the information slightly differently, but they have information that shows how they are doing.

Ms. Vedder then showed and reviewed the budget from Anderson, South Carolina. She pointed out it has the same information that Greenville presented, but in a different format. She pointed out an organization chart which needs to be included in a budget, a table of contents, letter from the City Manager, highlights of the budget, graphics, general information about Anderson with some pictures and highlights, a map, the Council districts, and the population, an economic profile, property values, major employers, strategic direction, mission and values, each department's goals, etc.

Councilman Ebner asked about a transfer from enterprise fund to the general fund. He said he thought the enterprise fund had to be separate. Mr. Parker pointed out that for an enterprise fund such as the water and sewer utilities typically the water and sewer systems transfer a payment to the general fund as a payment in lieu of taxes. Ms. Abney pointed out the City of Aiken does have a line item for the payment from the Water fund. It is called a franchise payment in lieu of a business license for the service. If a private utility provided the services, they would be charged a franchise fee or business license. The transfer of funds from the enterprise fund to the general fund acknowledges that money is money the general fund would get from a private company.

Ms. Vedder continued reviewing the pages of Anderson's budget.

Ms. Vedder then reviewed the budget for Los Alamos, New Mexico. They won an award for their budget. In the table of contents, they have something like a readers' guide. They have a letter from the Manager, including statistics from 2014 to 2024 projected. They have general budget information, what you can see, where you find information, the departments, requirements for changing the budget, an organization chart, elected and appointed officials, and services. She pointed out all the information blocks to get people's attention. She pointed out strategic planning, vision for the future, imagine Los Alamos in 20 years. She pointed out that they were only 20 pages into the document and yet they had learned a lot about Los Alamos. She pointed out a table of combined budget of revenue and expenditures from 2011 to 2014. She pointed out their budget is very graphic and they like multi-year information. Their budget shows the funds and all the different revenue in a table. She pointed out that further into the budget they show how everything is tied to their performance measures. The budget shows their capital projects. The budget presents each department, which fund it works from, and the page of the budget where you find it. A section explains their performance measures. They tell you what they mean and how they target it. For each department, they have a little dashboard. When they get to the performance measures they include dashboard results. She continued to review the pages of Los Alamos' budget.

Councilman Ebner pointed out that the City of Aiken has four sources of information which has good information, but it is in four places. He said we have the budget, the CAFR, audit, and an annual report. He said we have four pieces of voluminous information. He asked if Ms. Vedder and Mr. Parker had looked at those documents. Ms. Vedder responded that everybody has all those different documents. Ms. Abney responded that if we went to a different style of budget, Council would see a lot of similarities in the information such as the water customers, and employers, but it would be in the budget as well. Councilman Ebner stated the last 15 to 20 pages of the CAFR are the key to data. He said the other part is overwhelmed with numbers, but the last pages being combined with the other four reports would be valuable. He said what we saw in the three budgets reviewed is basically the last 15 to 20 pages in our CAFR report.

Ms. Vedder stated they had handed out the flash drives to Council. The flash drives contain the three budgets reviewed. She said they could also go to the GFOA website where there is a lot of information on budgets. She pointed out the three shown kind of capture some of the innovations that people are doing.

Ms. Vedder said to win the budget award there is criteria that has to be met. In 1984 GFOA established its distinguished budget presentation award. There are 27 criteria 14 of which are mandatory. She said there are four categories based on the budget as a policy document, based on the budget as a financial plan, as an operations guide, and as a communications device. It incorporates National Advisory Council budget guidelines and best practices.

She said at the request of the City Manager they reviewed Aiken's budget based on the criteria. The City of Aiken's score is less than 36% of the mandatory portions of the budget. On the additional criteria Aiken got 15% for an overall score of less than 20%. She said that numerically confirms what we talked about during the workshop. The budget is back in the 1950s and needs to be brought into 2020. She asked what Aiken's next generation budget should be. She said the goal is to get marching orders. Hopefully Council will tell Mr. Klimm and Ms. Abney what they want and come back to them for a proposal for a new and improved budget. She asked that all give input for that.

Ms. Vedder asked if Council had any ideas about organization. She asked if Council wanted to follow the GFOA organization or where they wanted to start. She asked if they want to start with a picture on the cover. She asked if they wanted to start with a table of contents or do some up front marketing. She asked how many wanted to have a budget in brief, a standalone high level executive summary document that brings out the highlights. Council agreed to a picture on the cover, and next marketing. Council agreed that they liked a district map with City Council members pictures.

Councilman Dewar asked if Council is going to come up with ideas they would like to see in the budget. He asked then if the city would contract with this company to do the budget. Mr. Klimm stated we might solicit assistance from them. He said the question now is to give marching orders to him and Ms. Abney. Councilman Dewar stated in reality, we can't make next year's budget an award winning budget. Ms. Vedder stated that is true. She said it is expected that it will take three years to have an award winning budget.

Councilman Ebner stated the budget that got his attention the most was Los Alamos. The first 15 to 20 pages of that budget were eye catchers and gave data. He said he did not see that in the other two budgets. He said their idea of a budget seemed to fit his idea of a budget better than others. Ms. Vedder asked if the other Council agree with Councilman Ebner's concept that maybe using Los Alamos and thinking about the first 15 to 20 pages as eye catchers with good information presented visually. It was the feeling of the majority of the Council members that a combination of Anderson and Los Alamos' budgets is what they would like to see for Aiken's budget.

Councilman Ebner stated the format and presentation of Los Alamos seemed to catch the eye better. Both were good, but Los Alamos stood out more. He said if the budget is available so people can thumb through it on an iPad we will get the younger generation involved. He said his generation would read the newspaper.

Ms. Vedder asked how Council felt about having the vision and mission in the budget once it is revisited. Councilman Dewar stated he felt Council wanted all that they were shown. He said there is a limit as to what we can provide, and there will be a transitory period for a few years. He said 2018 seems to be a reasonable time to get there.

Ms. Vedder asked if they liked financial summaries and performance metrics all presented on one page per department, putting in the FTEs or does Council want them separate with all the FTEs in an appendix. Councilmen Dewar and Ebner stated they wanted both because people want to see the total city employment. Then as you go to the departments they want to see the FTEs for the department. Councilman Ebner felt the total should all be in the first 15 to 20 pages.

Ms. Vedder stated she thought she heard everyone say they are for a trend over time, presenting at least a few years of data so people get an idea of where we came from and where we are going.

Ms. Vedder asked about a discussion of the services that each department provides and functions. The response was briefly, but a standardization so each department is consistent. Ms. Vedder said we would, unless Council says differently, adhere to the recommendations from GFOA about how to do something, such as be consistent, format similarly, make it user friendly, transparency, 5th grade language, prioritization—short and long term goals and how we get from here to there, and organization charts. In response to a question regarding the size of the paper, Ms. Vedder encouraged the use of 8 1/2 x 11 paper for the budget.

Ms. Vedder asked if Council was okay with not having the level of detail we have now. The budget would have an appropriate level of detail to get the information across, but not down to \$35 and no fractional employees. The rounding would be to an appropriate level. The Finance Director and City Manager can come with a proposal. It was pointed out that ending in zero is always good.

Ms. Vedder stated she was going to quickly go through the listings and circle the ones she felt were not part of the budget conversation. Some are part of the budget process, but not the format. She felt the items circled in green are items not part of the budget process, but should be captured in a different process. She said she would write them up and put them in a memo. She felt they are important. Hopefully as the budget improves the process of the budget will improve. She felt all the items are important, but the items circled in green tend to get more into the process such as having early interaction with

Council about the budget, providing interim updates. These items are outside the process we are working on today. The points should be talked about and should be put on a future agenda.

Councilman Dewar stated Ms. Vedder had used the word dashboard as she was talking about one of the budgets. He said at one of the Municipal Association meetings that he attended several years ago, there was a session on a city, which was Rock Hill, that developed a budget dashboard for their Council so it was presented once a month as a monthly budget report.

Ms. Vedder stated it could actually be the budget if Council wants that annual dashboard. If you want the dashboard to be part of the budget, and then update it monthly, she felt that is appropriate. Councilman Dewar stated the dashboard Ms. Vedder talked about then was an annual budget. Ms. Vedder stated that was a good point. Usually when you have a dashboard like that, then it can be presented quarterly or on a more frequent basis.

Ms. Vedder stated the next step was to set realistic expectations. She said she thought we had already jumped ahead to that. She said changing the format of the budget would not happen over night. There is a lot to be done. Bringing something from the 1950s to 2015 is not going to happen over night. There are improvements that can happen with the next budget—baby steps. What we hope to have is a game plan that gets Aiken from today's meeting to the future in maybe three years or so. She felt the next step would be to have Mr. Klimm and Ms. Abney come back with some sample formats for Council to look over and think about. She pointed out Council has the flashdrives that will give them an opportunity to look through some budgets, read some of the documents, and spend a little more time with it. She said she had just talked about the plan action. She said that is what she feels is the appropriate plan of action is.

Councilman Homoki stated it is his understanding that changing the format of the budget does not require changing the engine that drives the numbers, just the way the budget is presented. We would still use the same computer software and same information, except organize it in a different fashion. It was stated that is correct.

Mr. Klimm stated if we assume our goal is to be able to submit an annual budget in three years that has a realistic chance of success, then the beauty of the Government Finance Officers Association entity is that they are internationally recognized as the pre-eminent municipal budgeting entity. Their requirements are very objective. It is not subjective as an editorial thing. He said he would like to propose that he and Ms. Abney have an opportunity to work with Mr. Parker and Ms. Vedder in terms of a logical splitting of the entirety of the project into threes. He said his goal is to be able to submit a budget as obviously a different budget so that in year one it is obviously different. It will not be the full boat, but you will see obvious first steps. In working with Ms. Vedder and Mr. Parker he felt that in the near future, he can present something to Council and ask for Council's comment and criticism in the game plan. He said we have to get going on this year's budget. He asked if that is something Council approves.

Councilmembers felt the plan was great. Councilman Ebner stated he felt the key was that the first 15 to 20 pages which are summary pages be done first class and then work the rest of the format changes in. He said a lot of that is general information that we have already formatted differently. In that way when people see it this time, the first few pages they will see repeated for a couple of years and then read on down in it.

Mr. Klimm stated because of the time requirements Ms. Vedder had to very quickly review the three budgets. He asked that if Council has an opportunity in the next couple of weeks to please look at the budgets provided on the flash drive. He said if there are aspects they really like, he would ask that they let him and Ms. Abney know, and they would try to incorporate it into the new format.

Councilman Dewar thanked Mr. Klimm for having this workshop. He said we have needed this for a long time. He said it is a path forward, and he felt it is wonderful.

Ms. Vedder asked that if Council thinks of anything they forgot to say or wished they had said, please let them know by email.

EXECUTIVE SESSION

Leasing Property

Verenes Industrial Park

Aiken Municipal Airport

Mayor Cavanaugh called the meeting to order at 6 P.M.

Mayor Cavanaugh stated Council needed to consider going into executive session for two matters. The first one is pursuant to Section 30-4-70(a)(2) to discuss negotiations incident to a proposed contractual arrangement. Specifically, Council will discuss the leasing of property owned by the City of Aiken near I-20 to an unidentified third party.

Mayor Cavanaugh stated the second item was to go into executive session pursuant to Section 30-4-70(a)(2) to receive legal advice from the City Attorney related to a pending, threatened, or potential claim or other matters covered by the attorney-client privilege. Specifically, Council will discuss a potential legal action regarding the Aiken Municipal Airport.

Councilman Dewar moved, seconded by Councilwoman Price, that Council go into executive session to discuss two matters—one pertaining to the leasing of property owned by the City of Aiken near I-20 to an unidentified third party and the second item to receive legal advice from the city Attorney related to the Aiken Municipal Airport. The motion was unanimously approved.

Council went into executive session at 6:01 p.m. Council returned to the Council Chambers at 7:06 p.m.

Mayor Cavanaugh stated Council had returned to the Council Chambers from executive session where Council discussed two matters—one pertaining to the leasing of property near I-20 and the second item to receive legal advice regarding a potential legal action regarding the Aiken Municipal Airport. Mayor Cavanaugh stated no voting took place. He asked for a vote to come out of executive session.

Councilman Homoki moved, seconded by Councilman Merry, that Council come out of Executive Session. The motion was unanimously approved.

Aiken City Council MinutesSPECIAL MEETING

October 14, 2015

Present: Mayor Cavanaugh, Councilmembers Dewar, Diggs, Ebner, Homoki, and Merry.

Others Present: John Klimm, Stuart Bedenbaugh, Gary Smith, and Sara Ridout.

CALL TO ORDER

Mayor Cavanaugh called the special meeting to order at 7:08 P.M.

VERENES INDUSTRIAL PARK - ORDINANCELease OptionProject Texas WedgeI-20

Mayor Cavanaugh stated Council needed to consider first reading of an ordinance to lease property in the Verenes Industrial Park.

Mr. Gary Smith, City Attorney, read the title of the ordinance.

AN ORDINANCE AUTHORIZING THE CITY OF AIKEN TO ENTER INTO AN OPTION TO LEASE REAL ESTATE IN THE VERENES INDUSTRIAL PARK.

Mr. Smith stated the City of Aiken has been asked to enter into an option to lease some real estate that the city owns located in the Verenes Industrial Park. At this point we would like to present the ordinance for City Council consideration.

Councilman Dewar moved, seconded by Councilman Ebner, that Council approve on first reading an ordinance to lease some real estate owned by the City of Aiken located in the Verenes Industrial Park. The motion was unanimously approved.

ADJOURNMENT

There being no further business, the meeting adjourned at 7:09 p.m.



Sara B. Ridout
City Clerk