

Aiken City Council MinutesWORK SESSION

August 8, 2016

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

Others Present: John Klimm, Stuart Bedenbaugh, Gary Smith, Sara Ridout, Kim Abney, Warner Anthony, Jessica Campbell, Randy Wilson, George Grinton, Rick Toole, Joy Gillespie, Rich Decker, Gary Allington, and Dan Brown from the Aiken Standard.

CALL TO ORDER

Mayor Osbon called the work session to order at 4:35 P.M. Mayor Osbon stated the purpose of the meeting was to discuss six items, including the Eustis Park Center plans, Municipal Building expansion, update on City Pension Plan, Gem Lakes Road Repairs, Branding and Marketing of city and Hospitality Tax update.

EUSTIS PARKEustis Park Center PlansMorgan StreetEdgefield AvenueCam Scott

Mr. Scott, Architect, reviewed the plans for the proposed Eustis Park Center noting that when he discussed the Eustis Park plans with Council at an earlier work session it was not known whether the Council on Aging would be a partner in the project. It has now been determined that the Council on Aging will not be a part of the project so the plan has been rearranged. However, Helping Hands still wants to be included in the project, and he has worked with them on the space they will have. Mr. Scott pointed out that the site plan had been revised. At the last work session there were two concepts for the main entrance to the center with one being off Morgan Street and the other off Edgefield Avenue. After reviewing the area it was determined to use the existing entrance on Edgefield Avenue for the main entrance with a pedestrian entrance off Edgefield Avenue and the building located on an east-west axis with the front facing Edgefield Avenue. The parking area was also revised with parking around the perimeter of the property. There would be about 180 parking spaces. The parking would be done in two phases with one phase being done with a grant from the Federal Government.

Mr. Scott reviewed the proposed floor plan for the Eustis Park Center. He noted the main entrance faces Edgefield Avenue. There is a control lobby entrance, a covered car drop off, and a community lobby which leads to meeting rooms on each side. The main banquet hall will hold from about 350 persons with round tables and up to 400+ with rectangular tables. A stage is on one end of the banquet room. The banquet room can be divided into two or three separate rooms with the ability for the stage to be partitioned off to provide a fourth room. There is flexibility for several events to be held at the same time with the catering kitchen being able to serve several events. Restroom facilities are provided on each end of the building. The area for Helping Hands contains about 3,000 square feet. It was pointed out that the building was sited to leave room for future expansion on each end of the building.

Mr. Scott pointed out that the proposed building is about 16,000 square feet. He showed a picture of a proposed rendering of the outside of the building. Presently the proposed plan is for a covered drop off for a car at the front entrance.

Mr. Klimm pointed out that the charge to Mr. Scott was to design a plan within the budget and determine the best entrance and exit for the center which had been determined to be off Edgefield Avenue after contacting residents in the area and traffic consultants.

Council then discussed the proposed plans. There were questions regarding the flooring surface and the material to be used for the outside of the building. Comments were that it was felt materials should be chosen for durability and not necessarily to look like residential use. There were also questions as to what activities Helping Hands would conduct in the building. It was noted that Helping Hands will pay for their portion of the initial construction of the building. There will also be a Memorandum of Understanding regarding ongoing maintenance for their portion of the building. It was also noted that it is proposed that the city's portion of the building will be used for day to day operations and there needs to be a work session on the operation and what will be there. There was also concern as to whether another entrance or exit was needed for the site in case of an emergency.

There was a question as to the path forward on the project and when requests for bids would be sent out. Ms. Gillespie noted that we were not at that point yet. We are waiting on the work plan being approved by DHEC for the environmental cleanup. We are still waiting on the School Maintenance personnel to vacate the premises before we start any work, which should be the end of August.

MUNICIPAL BUILDING

Park Avenue

Newberry Street

City Hall

Mr. Klimm stated he wanted to present some proposed ideas and plans for renovations to the Municipal Building on Park Avenue and wanted some feedback from Council before going forward on the project. He pointed out there are three locations involved: 135 Laurens Street SW, 214 Park Avenue SW, and the lot on Newberry Street which was purchased several years ago. He felt this is not a good or efficient working situation for management nor the citizens of Aiken as they have to go to several buildings to conduct business. He noted there had been a plan several years ago which was to improve the building on Park Avenue and add a two or three story addition on Newberry Street and connect that to the rear of the Park Avenue building. He stated his feeling is that we should close the building on Laurens Street as the highest and best use of that property would be retail and housing. He noted that these three properties are off the tax rolls as they are owned by the City of Aiken.

Mr. Klimm stated he felt there was a lot of merit to the original plan for construction on the Newberry Street property (former Brinkley property), but he felt it should be done with a public-private partnership and that the first floor should be private and retail, a restaurant or other operations. He pointed out there are several ways that could be done, such as the private sector constructing, or the city constructing the building and leasing the first floor, etc. He also noted that with the new conference center at Eustis Park, he could not see the need for the present conference center on Park Avenue, but felt the area should be used for stores or a restaurant. Mr. Klimm stated Mr. Cam Scott, Architect, had prepared some drawings of ideas for having a City Hall. He said this would be for information for conversations at a later date.

Mr. Scott presented some proposed plans for development of the Newberry Street property (Brinkley property). The proposal is for about a 7,000 square foot footprint. He noted that he would not suggest that the proposed building be constructed as part of the present building on Park Avenue, but that some space be left between the buildings for an emergency generator, mechanical equipment, and space for drainage. It is proposed that the two buildings be connected on the second floor. When the fire stairway, elevator and lobby are considered that would leave about 6,500 square feet for retail space on the first floor. There could be entrances to the building on Newberry Street and from The Alley. The connection on the second floor could lead to the Council Chambers and other offices in the Park Avenue building. He also proposed a third floor in order to maximize the property which could be used for office space. Mr. Scott showed a rendering of the view for the proposed building on Newberry Street and on The Alley side. He said adjustments could be made on the location of doors depending on what the property will be used for. He felt the building should be at least three stories to take advantage of what

had been paid for the property and to maximize the potential for the property. Also, possibly something could be done on the roof of the building.

There was a question as to the square footage in the Laurens Street building. It was pointed out that the 26,000 sq. ft. in the Park Avenue building plus the 14,000 sq. ft. in the proposed two floors of a building on Newberry Street would be adequate for the entire operation. That would exclude the Conference Center in the Park Avenue building. In answer to a question regarding eliminating the Conference Center, Mr. Klimm stated we could since it would not be needed for office space. That would be a major decision for Council to make. Mr. Klimm asked that Council not make a decision until they have seen the business plan, as the numbers have to work. He stated that at a minimum we would need to privatize the first floor on Newberry Street and sell the Laurens Street building, and it may be necessary to privatize the Conference Center space.

Council then discussed the proposal regarding the Municipal Building expansion. It was noted that we have not got into the cost issue yet, but have talked about the space needs of the departments. Mr. Klimm stated he just wanted to present the proposal to Council to get some feedback from them before going further. He stated that staff is analyzing the number of people who come into the city offices from a customer perspective to understand who is coming into the building so offices can be arranged to be convenient for the citizens doing business at City Hall. It was felt that it would be great to have City Hall as a one stop shop for the convenience of our citizens.

PENSION PLAN

Employee Pension Plan

Retirement Plan

Warner Anthony

Mr. Klimm stated the next discussion has to do with inquiries received about the city's pension plan. He said this discussion is not to discuss the pension plan, but to receive an update on the plan, and Warner Anthony, Attorney for the Plan, is present to give an update and status on the existing plan.

Mr. Anthony first reviewed the status of public pension plans in general and the Aiken pension plan and how it compares to the universe of public pension plans. He said he was using the data base from the Center for Retirement Research at Boston College for public pension plans. That data base covers 160 total plans, of which 115 are state plans, and 45 local plans. The data base comprises 95% of the assets and members of public pension plans. Mr. Anthony stated he would analyze the actuarial and the investments. He said he had been unable to find any data on how many public plans do not have employee contributions. He noted that most public plans do have employee contributions, but he had been unable to find the number. He said he was comparing how the Aiken plan looks in its administration to the universe of public plans. He was looking at cost, actuarial funding, etc. He noted that Aiken has a small plan compared to other plans, but Aiken is at the 90%+ percentile of well-run plans.

Mr. Anthony pointed out that what you read about in the news is the problem plans, and not the plans that are doing well. He said from the universe of public plans that public plans are pretty much doing okay. He reviewed three myths and realities about state and local plans which he got from the Boston College website. One myth is that most state and local pensions are in crises. Another is that the high discount rate that plans use to value future benefits explains the shortfall. A third myth is that state and local pensions are busting government budgets. The reality is that in 2009 overall pension plans were 4.6% of total state and local revenues. He noted that the myths versus realities are quite different from what we read in the news.

Mr. Anthony pointed out that in 2000 and 2001, the funding percentage of the universe of pension plans was over 100%. What has happened since then is that all the plans were affected by the two financial crises—the .com bust and the 2008-09 stock market decline. Also, there was a significant decrease in contribution rates and some plans even took

contribution holidays and actuarial experiences were worse than expected. He said, however, the well run plans were doing pretty well as they have been properly managed.

Mr. Anthony stated that in 2012 the average funding status of public plans was 72%. The Aiken plan in 2012 was 77%. Since then the Aiken plan funding status has significantly increased compared to the funding status of the public plan base. In 2013 public plans funding status was 72%. The Aiken plan was 85%. In 2014 public plans was 73% with Aiken being 96%. In 2015 public plans average was 74% and Aiken was 95%. He pointed out that in talking about the Aiken plan and managing it, Aiken has done a good job and is in the 90% funding rate. He pointed out that in the 2007-08 recession Aiken's plan went down to funded in the high 60%, but since then with the increased contributions and watching the plan, the funding status is 95%. The universe of public plans after the stock market came down to 60%, but have come back up to 74%. He pointed out that experts consider an 80% funding ratio to be a good plan. A 90% funding ratio is an exceptional plan. He noted that the South Carolina State Retirement System funding ratio in 2015 was about 62%.

Mr. Anthony then reviewed the annual contribution as a percent of revenue. He said you read that the pension plans are busting the budget. Aiken's annual contribution as a percent of revenue is around 2%. Among the public plan universe the plan contribution as a percent of revenue is 4% to 5%. He pointed out that Aiken is able to manage its plan at basically half the cost of the other plans as a percent of revenue. Regarding asset allocation, the universe of public plans has about 52% equities and 16% alternative investments which is about 68% in equities, 24% in bonds and cash, and 8% in real estate. Aiken's asset allocation has about 75% in equities and 25% in bonds which is in the market with the universe of public pension plans. The State of South Carolina has 24% equities, 40% bonds, and 37% alternative investments.

Mr. Anthony then reviewed the annual contribution as a percent of payroll. For the last four years the Aiken plan as a percent of payroll has pretty much mirrored the universe of public pension plans as a percent of payroll. In 2012 public plans were 17.4% and Aiken was 19%. In 2013 public plans were 18% and Aiken was 18%. In 2014 public plans were 17.6% and Aiken was 16.4%. In 2015 public plans were 16.8% and Aiken was 14.2%. In looking at the contributions as a percent of revenue versus the funding, what Aiken has done is its contributions as a percent of compensation went up as a percent of compensation because of the drop in assets. However, as the assets have grown and funding has been hitting the 90% number, the contributions as a percent of compensation is starting to go down.

Mr. Anthony then reviewed the percentage of required contributions. Every year Aiken has made 100% of the required contributions. Public plans have generally made somewhere in the 80% to 90% of the required contributions as a universe. Aiken has put in the money they wanted to put in. When you compare the Aiken plan to the universe of public plans, Aiken is looking very good.

Mr. Anthony then answered questions from Council. In answer to a question regarding the investments, Mr. Anthony stated he had the investment return that he could review. On a 20 year average the Aiken plan return has been 8% and for the last five years the average has been a little over 9%, and the last three years have been 7.36%. Mr. Anthony pointed out that Aiken through careful management has managed to keep the plan at the funded level where the benefit in the Aiken plan is almost comparable to the benefit in the South Carolina plan. However, Aiken has been funded with only employer contributions which are close to the employer contributions in the State Plan, but the State Plan has an additional 6% or more employee contribution. The State probably has one-third more money going into their plan than the Aiken plan does per employee and Aiken has been able to manage its plan and keep it funded at a 95% level while the State is still at 62%.

It was noted that there was not a question about the viability of the plan, but the concern of Council is that employees pay zero to the plan and it is felt that is not fair to the taxpayers when there are many items that need to be funded. The challenge is not

criticism of the pension plan, but the challenge is where are we headed in the future. Another concern of Council was that no Councilmember is a member of the Pension Committee, but the Pension Committee consists of all city employees.

BRANDING AND MARKETING

Marketing Analysis

Branding and Marketing

Strategic Plan

Community Design Solutions

Randy L. Wilson

Mr. Klimm stated the next discussion item is a proposed Marketing Analysis and a Branding and Marketing proposal.

Mr. Randy Wilson, of Community Design Solutions, stated he had worked with the Main Street Program over the years. He pointed out the city had recently conducted a Community Visioning Session and had also done a base line assessment in association with the Main Street South Carolina. Council had also conducted a Strategic Plan session. Mr. Wilson presented a proposal for a Market Analysis and a Branding and Marketing proposal. He pointed out that the marketing team would provide creativity, expertise and experience necessary to provide effective long-range market-based economic development solutions for Aiken and create a branding system for Aiken. He said these two steps are part of the implementation of the vision of the Strategic Plan. The marketing analysis would address the downtown central business corridor area as well as the adjacent northside community. He pointed out that Aiken has a lot to offer and has multiple assets to offer and promote such as the equine industry, retirement market, history, etc. He proposed that they develop a complete wayfinding sign system as well as a signage plan, including a kiosk for orienting travelers in the downtown to shops, restaurants and lodging. Mr. Wilson noted the next proposal was for branding and marketing. The branding team will study Aiken and its environs to understand the assets and create graphic design elements to capture the assets through logos, taglines, web sites and marketing and work with additional entities such as the Chamber of Commerce, USC Aiken, Aiken Downtown Development, etc. to take a fresh look at their brands and suggest enhancements to coordinate with the overall brand system. Mr. Wilson stated he would also like to have illustrations, photo renderings and models that illustrate the kind of plans and desires that the people have communicated in the city and animate plans like the former Union Street plan and bring those things to life with renderings. He noted that Aiken's parkways are great assets and team members would like to consider designs for them. He said he would like to bring his skills and visualization for those efforts so we can respond to the public's desire to see the actual vision.

Councilman Dewar commented that he hoped Mr. Wilson would be able to provide some help with marketing the city to those who live in donut holes to encourage them to annex to the city.

Council then discussed the proposals and the need and reason for the Marketing Analysis and the Branding and Marketing of Aiken.

HOSPITALITY TAX

Request for Funds

Mr. Klimm stated he had been receiving requests for funds from various organizations for funds from the Hospitality Tax. He noted that presently \$750,000 is earmarked for a future parking garage, \$400,000 earmarked for future roads, and the rest of the money is targeted for marketing the city. That funding is in accordance with the state law which identifies the six areas where Hospitality Tax funds can be spent. He said the issue is that he is continually getting contacted by people in the community who want to know how they can get some funding from the Hospitality Tax. He noted that some people want the Hospitality Tax to be controlled by a committee like the Accommodations Tax Committee which recommends how the funds are to be spent. Mr. Klimm stated he wanted Council to think about whether they want us to make Hospitality Tax funds

available for local groups and if so would there be a cap. He was concerned that if we start giving the money away to worthwhile entities, we won't have money for the economic development, the parking garage, and road improvements. Another concern is that once we give money to one entity, how do we say no to others. He pointed out he had been approached by one entity that wants \$40,000, and he felt the request is justifiable. Mr. Klimm stated he wanted Council's guidance on requests for funds from the Hospitality Tax. He asked what the parameters should be for funding requests.

Council discussed the question of whether Council should grant Hospitality Tax funds to various entities. After discussion the general consensus of Council was that the city should not grant Hospitality Tax funds to various entities, but the money should be used for the various projects that Council had identified earlier and used for economic development and marketing the city.

GEM LAKES EXTENSION

Roads

Repair Roads

Mr. Klimm asked that George Grinton and Rick Toole summarize the status of Gem Lakes Extension road repairs as this is on the agenda for action by City Council.

Mr. Rick Toole, of Toole Engineers, stated that Mr. Grinton had let the project out for repair of the roads in Gem Lakes Extension after the last meeting. The project came back at \$265,000. He said he and Mr. Grinton visited the site where the contractor was doing some work called full depth reclamation. However, they both felt the work would not work for our project, and the bid was rejected. The project was let out for bid again and the bid came in at \$352,000. He said he and Mr. Grinton did some value engineering with the bidder and changed some of the parameters. Also, they found ways to utilize additional material. It was found that the Utilities Division could use some of the material that would be dug up and it would not have to be hauled for some distance, which was a large cost. He said through value engineering they got the bid down to \$285,253. The bid also includes repair of unstable material, but it is felt that might not be necessary. If it is necessary, the cost is included. It is felt possibly the work could be reduced another \$13,000 to \$14,000. The bid is being presented to Council at \$300,000 so there will be some cushion in case anything goes wrong. He said their recommendation is to accept the bid of the Miller Group for the work. It is hoped that the work can be started by the end of August.

EXECUTIVE SESSION

Mayor Osbon stated Council needs to go into executive session pursuant to Section 30-4-70(a)(2) to discuss negotiations incident to a proposed contractual arrangement and proposed sale or purchase of property and to receive legal advice where the legal advice relates to a pending, threatened, or potential claim or other matters covered by the attorney-client privilege, settlement of legal claims, or the position of the public agency in other adversary situations involving the assertion against the agency of a claim. Specifically, City Council will discuss the proposed acquisition of real estate to enhance an existing intersection in the City of Aiken. City Council will also discuss the possible purchase of real estate in the City of Aiken.

Councilwoman Diggs moved, seconded by Councilman Homoki, that Council go into executive session to discuss the items announced by Mayor Osbon. The motion was unanimously approved.


Council went into executive session at 6:35 p.m.

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

Council came out of executive session at 6:57 p.m.

ADJOURNMENT

The meeting adjourned at 6:57 p.m.


Sara B. Ridout
City Clerk