

Aiken City Council Minutes

June 10, 2002

WORKSESSION

Present: Mayor Cavanaugh, Councilmembers Cuning, Price, Smith, Sprawls and Vaughters.

Absent: Councilwoman Clyburn

Others Present: Roger LeDuc, Bill Huggins, Gary Smith, Larry Morris, Anita Lilly, Richard Pearce, Sara Ridout, Karen Daily of the Aiken Standard, Josh Gelinas of the Augusta Chronicle, and 19 citizens.

Mayor Cavanaugh called the meeting to order at 6:35 P.M.

BUDGET

FY 2002-2003

Water Rates

Sewer Rates

Impact Fees

Water Impact Fee

Mr. LeDuc stated City Council has discussed on several occasions the proposed water and sewer budget. He said staff is recommending a minimum 6% overall increase, although a 12% or higher rate increase is justifiable and may be needed in the near future. This will primarily be dependent on water usage during the next several months and its effect on our utility revenues. To achieve the 6% rate increase we are recommending a combination of a water impact fee plus a general rate increase. The utility balance increased to over \$8 million by June, 2000. Most of this was due to the 12% rate increase we had in 1996 and 1997. The general balance has now decreased to just under the level that we had in June, 1997 of \$5.4 million which was when we had our last increase. In the next three years we anticipate the need for two new wells plus some utility line work to provide an adequate supply of water to all of our residents.

Our primary problem is not the average daily water usage by our industrial or commercial customers, but the peak demands our residential customers require in the summer, which amounts to three to four times their normal use. This requires the city to have larger pipes, pumps and more treatment capacity. Thus we are experiencing major increases during peak demand periods, while our total yearly consumption has shown no significant increase. This is an indication that residential irrigation is increasing, which affects our peak periods during the summer. As additional residential units are built, especially on the south side and more individuals are installing residential irrigation systems, we will need to continue adding new water supplies to our system. We have projected that over the next five years we will definitely need to enlarge and add some water and sewer lines to meet these needs. In addition, we will need to add two new well sources to our total capacity and possibly a new production facility somewhere on the south side. This production facility has been in our master plan for more than five years and may be needed within the next five years, depending on the system's overall growth. Including the production facility, our capital improvements associated with growth would be approximately \$5 million. Even without the new production facility, capital improvements over the next five years would justify an impact fee of over \$1,100. Information regarding water and sewer impact fees for several cities in South Carolina was given to Council as information. At least four cities have impact fees for water and sewer over \$1,500 up to as high as \$2,431 for Mount Pleasant. Therefore, a water impact fee of \$1,000 or higher is justifiable and would help to pay for the new facilities needed for the anticipated growth in Aiken. By law, these impact fees need to be assessed to all new construction, no matter where its location is within our utility system. Therefore, the down side of an impact fee is that it affects low to moderate price housing at a higher percentage than higher priced houses. In some cases the city may be able to overcome these higher costs by creating incentives for certain developments containing low to

moderate price housing. Mr. LeDuc pointed out that the higher the impact fee the lower the rate increase needed. For instance, an impact fee of \$850 for new residential units and a corresponding 2% rate increase would raise revenues of over \$2.1 million in 5 years. The 2% rate increase would only raise water and sewer rates on the average home in Aiken using 800 cubic feet by \$.57 per month, whereas a home occupied by one or two individuals using 400 cubic feet would have an increase of \$.39 a month. The proposed Utility Budget is based on an overall 6% increase, and we are recommending that Council approve a combination of impact fees and rate increases which total at least 6%. Eddie Burke, from Cherry, Bekaert and Holland, has prepared a report, which reviews our total utility system. He has projected our expenses and revenues for the next five years and is available to review this data.

Mr. LeDuc stated the overall increase needed is higher than 6%, and we will need to look at this in more detail after we review this summer's usage. Mr. LeDuc reviewed the reports and pointed out the proposed needs for water and sewer over the next 5 years, detailing the projected revenues from proposed impact fees and rate increases. He pointed out that almost \$5 million will be needed for new construction due to growth and about \$4.7 million would be needed for rehabilitation or upgrading the system over the next 5 years, for a total of \$9.6 million needed for capital improvements. He also pointed out that the report showed proposed revenues for rate increases ranging from 1% to 4% and also showed revenue for a combination of an impact fee and a rate increase. Mr. LeDuc pointed out that impact fees had to be charged throughout the city and not just for certain areas. He said, however, the city could offer incentives for development in certain areas. Mr. LeDuc stated he would suggest that Council impose an \$850 impact fee and a 2% water and sewer rate increase to increase revenues 6% for the proposed budget. He said it was difficult to project how long the city could go without further increases. He said he would suggest seeing how the revenues are after the summer usage, and then Council may have to consider another increase, depending on this usage.

Mr. LeDuc stated one idea the city had considered to reduce water usage for the city was to install wells for irrigation of the landscaped areas. He said the city had installed wells at Citizens Park and Schofield Park for irrigation.

Council discussed the proposed needed capital improvements and proposed revenues at length.

Councilwoman Price expressed concern about having to impose an impact fee on development throughout the city. She was concerned about how this might affect growth on the north side of Aiken. She said the city had been trying to encourage growth on the north side, and she felt this might discourage this growth. She was concerned about how this impact fee would affect low to moderate-income persons who might want to build a house. She felt the state law was not fair to require the same fee throughout the city.

Councilman Cuning expressed concern about a proposed bill, which has been in the legislature several times, which would limit the city's ability to charge a double fee for water for customers outside the city. He said presently the city charges double rates outside the city. He said if such a law passes this would affect the city's ability to increase rates in the future. There has also been some talk about a bill to restrict the ability of City Councils to raise rates outside the city without approval of the Public Service Authority or some other overseeing group. He also expressed some concern about the percentage of increase of an impact fee on construction. He said the percentage of increase on a lower cost house is more in proportion to the more costly homes. He said he understood that an increase in revenues is needed. He said the question is whether it will be a higher impact fee and a lower rate increase or vice versa.

Councilman Smith stated he felt the city wanted to encourage growth on the north side and that incentives could be used to offset the impact fees on the north side. He said he felt a higher rate increase would affect present users, especially on the northside where little growth is occurring, more than a higher impact fee.

Councilman Cuning stated incentives have to be considered carefully. Sometimes the developer gets the incentive rather than the homeowner. He said he leans more to a

higher rate increase and lower impact fee such as a 3% rate increase and a \$625 impact fee.

Councilwoman Vaughters stated, considering the services the city provides, she did not feel that an \$850 water impact fee would be out of line. She said she had some calls and letters from some residents, and they want to maintain the city's good water system. She said the residents want to see some impact fees rather than the rate increase, which would be on all residents.

Mr. LeDuc pointed out that even with a 6% increase in revenues, based on projections for the next 5 years, the city will continue to need additional revenues to keep up with the needs of the system. He said a 6% increase has been justified, but Council needs to decide how to raise the 6%.

Mayor Cavanaugh stated the city needed to plan ahead and be prepared for future needs. He said the city had been fortunate not to have an increase since 1996. He said the city had not had to ration water, but in order to ensure the residents would have water the city has to plan ahead, and to do so costs money. He said he preferred not to raise rates, but if the city is to have a good system and a dependable water supply then the city has to have more revenue to make the improvements.

SPECIAL WORK SESSION

Future Items

Mr. LeDuc stated the following items need to be reviewed and discussed by City Council in the near future. He said due to the number of items he would like to hold a special work session with City Council on Tuesday, June 18, 2002, to review four or five of the following items: (1) commercial delivery vehicles in residential zones i.e. Crosland Park, (2) contractual agreement to provide bulk sewer service in Gem Lakes, (3) Playhouse lease agreement, (4) Willow Run Business Park Agreement, (5) Playhouse Update, (6) Comprehensive Plan Review for the south side, (7) cell towers, (8) white house at 210 Barnwell and (9) commercial garbage rates. With this many items to be discussed he said he would suggest that Council review the Comprehensive Plan, Willow Run Business Park, commercial garbage rates, white house at 210 Barnwell and cell tower at the June 18, 2002, meeting and cover the other items at the Council meetings on June 24, 2002 and July 8, 2002.

After discussion it was the consensus of Council to meet at 7 A.M. on Tuesday, June 18, 2002. Councilman Smith asked that Council also have time on that date to discuss the Management Audit for the Washington Group Performing Arts Center Building.

REGULAR MEETING

June 10, 2002

Present: Mayor Cavanaugh, Councilmembers Cuning, Price, Smith, Sprawls and Vaughters.

Absent: Councilwoman Clyburn

Others Present: Roger LeDuc, Bill Huggins, Gary Smith, Anita Lilly, Richard Pearce, Glenn Parker, Pete Frommer, Sara Ridout, Karen Daily of the Aiken Standard, Josh Gelinas of the Augusta Chronicle, and 35 citizens.

Mayor Cavanaugh called the meeting to order at 7:35 P.M. Mayor Cavanaugh led in prayer, which was followed by the pledge of allegiance to the flag.

APPROVAL OF AGENDA

Mayor Cavanaugh stated Council needed to approve the agenda. Councilman Smith moved, seconded by Councilwoman Price and unanimously approved, that the agenda be approved as presented.