

Aiken City Council Minutes

December 13, 2004

WORK SESSION

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

Others Present: Roger LeDuc, Gary Smith, Bill Huggins, Anita Lilly, Larry Morris, Richard Pearce, Ed Evans, Glenn Parker, Sara Ridout, Philip Lord of the Aiken Standard, Josh Gelinas of the Augusta Chronicle, and about 3 citizens.

Mayor Cavanaugh called the meeting to order at 5:38 P.M. He stated Council had four items on the worksession to discuss; however, one had been withdrawn.

AUDIT

2003-2004

Fiscal Year 2003-04

Financial Statements

Auditors

Cherry, Bekaert, and Holland

Mr. LeDuc stated the city has received the results of the audit from the firm of Cherry, Bekaert, and Holland and Ms. Bonnie Cox and Mr. Ken Fields are present to present their findings. This is the last year this firm will conduct the city's audit. Mr. LeDuc thanked Ms. Cox for her help and work with the city in conducting the audits of city records. The City has received an unqualified opinion with no reportable findings or questionable costs. Council will have an opportunity to discuss and ask questions concerning the audit during this work session, and it has been placed on the agenda for first reading. Ms. Lilly, Finance Director, also thanked Mr. Fields and Ms. Cox for their work with the city over the years as they conducted the city's audit.

Mr. Ken Fields, of Cherry, Bekaert & Holland, distributed a Summary of the Highlights of Financial Data for the 2004 audit. Mr. Fields stated one of the initiatives undertaken this year was a Statement on Auditing Standards No. 99 – Consideration of Fraud in a Financial Statement Audit. He said this focused much more in depth on fraud and how it might occur in an organization and what can be done to detect it. He said he felt the SAS 99 had been helpful as auditors and for Council, as management of the city, to stop and think about fraud, how it might happen, and how it might be detected. He said a letter had been presented to Council outlining the auditor's responsibility, changes in accounting policies, audit adjustments and differences. He said this was the second year for the new GASB 34 format. Also, graphs were in the summary showing an historical perspective for several years. He briefly reviewed the graphs showing the general financial health of the City.

Ms. Bonnie Cox discussed the SAS 99, additional procedures to detect fraud. She said the procedure was beneficial, as it did help refine and change some procedures so a better way could be learned to prevent fraud and have a stronger control against fraud. Ms. Cox pointed out the color graphs in the audit report which show the government expenses and revenues. She answered questions for Council regarding the audit.

Mr. LeDuc pointed out that the audit would be on the agenda for Council's approval by ordinance.

BUSINESS LICENSE

State Legislature

Mr. LeDuc stated that at the November 8th meeting Council stated they wanted to discuss possible proposed changes to the state-wide business licensing regulations. He stated the City of Aiken had made some changes to the Business License Ordinance based on the

current state law. He said because of the law the city cannot develop procedures and regulations that Council may want because of the current state law. He said the city used to cap a business license if a business or industry located their headquarters inside the city. He pointed out that RCS at a previous meeting talked to Council about the business license. He stated Council may want to ask the legislators to consider a cap for a business license for corporations headquartered inside the city, if they choose. He said having a cap would not be mandatory for all cities, but optional. He said previously the city used \$1,500 as a cap for a license for a headquarters corporation.

Mr. LeDuc stated in the past the city had an incremental license for a new business where the city incrementally raised a business license up over a four year period, until the business was paying the full business license fee. He stated a new business sometimes struggles during the first one to two years. He stated Council may want to ask the legislators to consider laws whereby the cities could incrementally increase the license fee for new businesses over a four year period until they were paying the full license fee. Another item is adjusting the business license fees for work done out of state. He pointed out the example of RCS. He said by state law the city has to look at gross income. He stated some businesses, such as RCS, have a lot of business out of the state or out of the country. He said, however, the city has to still base the license as if everything is happening in Aiken. He said by making a change for work done out of the state or out of the country, the city would have the option of working with the business making adjustments. Implementing these changes would be at the option of each individual city. Also there may be other changes that Council would like to suggest. Once City Council decides on the proposed changes, we can then present them to the South Carolina Municipal Association and to our Legislative Delegation.

Mr. Tim Sides from RCS stated that Mr. Roy Bates, who was at the November meeting, informed RCS that there is a law in the business license code that any work performed outside South Carolina cannot be taxed. He said this comes under the Interstate Commerce Act. He also pointed out that any work performed on property deeded to the Federal Government is not taxed.

Councilman Cuning stated he wanted to be sure everyone knows what the rules are. He said he wanted the city to be proactive to help companies find out what the rules are. He said knowing these rules, there is not a real reason to go to the legislature. However, the city may want to work with the legislature on some other issues.

Council discussed the matter. One of the concerns of Council was businesses that want to move outside the city limits because of licenses and taxes.

Councilwoman Vaughters asked about the study to make the business license rates more equitable. She stated her concern and those who had talked to her was the rates some businesses are paying compared to others, and basing the fee on gross income. She pointed out that some businesses have more overhead than other businesses. Mr. LeDuc responded that Mr. Bates is looking at the NAICS system and looking at each category and adjusting rates so the city will still receive \$1.5 million revenue. He said the categories set in the NAICS are nationally recognized, and to set up different categories would be quite involved and would have to be interpreted by a court of laws as to how fair Council was in interpretation and changes.

Mr. Gary Smith, City Attorney, stated if Council set up different categories they would have to have findings of fact for each individual category as to why they chose to treat a particular category a particular way. He stated NAICS has already done that, and that system is legally recognized.

Councilwoman Clyburn stated she wanted to give businesses the feeling that the city wants them here, but pointed out that Council needs to be very careful in adjusting rates that they don't fix one thing and create another problem. She stated if Council adjusts rates they may have to give up something to fix the system as a reduction in revenue may occur.

Mayor Cavanaugh stated he would like to have something in writing summarizing the discussion regarding licenses on revenue out of state and on government property.

Councilman Cuning stated he would like for the city to be fair and get some relief for businesses. He said he would like for the city to be proactive and be sure we know the laws and regulations for licenses. He said he felt this was a fairness issue.

Councilwoman Vaughters stated she wanted to see the business licenses lowered. She said she felt if the licenses were lower it would be attractive to businesses. She said she had heard many comments about the business license.

After much discussion, the general consensus of Council at this time was to be sure staff knows the laws, and companies are informed of the regulations. Council also asked that nothing be done at the present time as far as the legislature until Council knows exactly what they want to do.

#### CLEAN UP

Williamsburg Street  
Barnwell Avenue  
Aiken Builder's Supply  
AllStar Rents  
Warehouse

Mr. LeDuc stated that this item concerned a matter that Council had discussed in the past on several occasions as to whether the city should offer an incentive or not to encourage new owners to come into the city and take an abandoned site and renew it. He reviewed several sites where incentives had been offered, including the theaters on Laurens Street, the old gas station at Park and Hayne, which will now be a residential unit, and the building adjacent to City Billiards, which will become residential units. He pointed out the city had been involved in some manner in helping to remove some of the debris. At one time, the city had a program called Aiken 2000, which offered an incentive for improvements to old buildings. Also, the City has the Aiken 200 Program where the city helps clean up sites.

Mr. LeDuc stated that Jack Franklin and Mike Fanning recently purchased the southeast property at Barnwell and Williamsburg, the former Aiken Builder's Supply. The new owners of AllStar Rents would like to use this area as their warehouse. This property has been vacant for several years, and has been a blight on the area and needs cleaning up. They are asking for the City's assistance in providing a rolloff container from mid-January through February. This dumpster would be loaded up by their employees and hauled to the landfill on a weekly basis by the City. They feel the trash removal assistance from the City would be invaluable in trying to improve the local neighborhood and community. The City has cleaned up several other long term vacant properties which have been returned to a productive state. In this particular case, not only will they be cleaning up junk from the site, but also removing some vegetation and structures. This removal would cost the city about \$3,000 to \$5,000. They also realize that through Christmas the City is extremely busy in hauling off large amounts of leaves from the fall neighborhood cleanup, and we can not help them until the January-February timeframe. Mr. Fanning is present to discuss this in greater detail, in hopes the City will be able to assist them in some manner.

Mayor Cavanaugh stated he understood Council had agreed to have a special session to talk about how to handle requests for assistance for demolitions and for requests to haul off debris from demolition of buildings. He said he felt Council should set a time to discuss the program and what they want to do with the program. He said he felt Council needed to set some standards for the program.

Councilman Cuning stated Council needs a line item in the budget for demolition assistance and also needs parameters or guidelines for how to handle requests for demolition assistance and how much the city would be willing to spend per request.

Councilwoman Vaughters stated she felt Council should discuss the matter and decide if this is a program Council wants to continue and the benefits of the program.

Mr. Mike Fanning stated he and Mr. Franklin would be owners of the property on Williamsburg Street. He said they planned to demolish some of the buildings. He pointed out one building on the Marlboro Street side was full of debris as well as other buildings on the property. He said they planned to demolish the buildings along Williamsburg Street. He said he felt they could make a big difference in that area of the city by cleaning up this lot. He said at this time he does not have the financial resources to haul off the quantity of debris on the lot. He said their intent was to open the old retail store by the end of the year as well as a show room next door. He said their major operation would be in the warehouse.

Councilwoman Clyburn stated she felt this is an area that needs improving. She said she felt it would be a good idea for the city to help facilitate the clean up of the lot. It is in an area that is being rehabilitated. She felt the area is a part of the northside redevelopment.

Councilman Cunning stated he did feel that Council needed to set parameters for requests. He did state that he felt it was important for the city to help in these projects. He said he thought that in every case where the city has provided assistance the tax base has gone up.

After discussion Council agreed that the city provide assistance to help with the hauling of debris for the old Builder's Supply property on Williamsburg Street with a maximum cost of \$5,000.

#### CENTER FOR THE ARTS

##### Aiken Center for the Arts

Mr. LeDuc stated that the Aiken Center for the Arts had made a written request asking for financial support from the City. In fiscal year 2001-2002 the State Accommodations Taxes awarded the Center for the Arts \$3,540.88 for operational expenses. In fiscal year 2002-2003 they approved \$9,724.80 and in fiscal year 2003-2004 \$13,800 was awarded. These funds were granted for any operational expenses at the Center.

This year they were awarded \$7,500 for the first six months, and intended to request an additional \$7,500 for the last six months of this calendar year. However, the State would only approve this funding if over 40% of those entering the building lived 50 miles or more outside of Aiken, including any Augusta visitors. Unfortunately, they cannot meet this requirement and therefore will not be eligible to receive this funding. This unforeseen elimination of operational money through the Accommodations Taxes comes at a very difficult time for the Aiken Center for the Arts.

They state that the capital campaign currently underway will not allow them to have classes in the upstairs area until after this summer session. Meanwhile, they will still have the added expenses for this area. They are therefore anticipating a \$15,000 shortfall for 2005 and 2006.

They were asking City Council to consider granting them \$15,000 for each of these years to help them through this anticipated operational shortfall. After further consideration, the Aiken Center for the Arts withdrew their request and plan to look for other means of funding. He pointed out that in the past City Council had not provided funds for operation of other facilities.

#### BOARDS AND COMMISSIONS

##### Appointments

##### Historic Preservation Commission

##### Law, McDonald

Mayor Cavanaugh stated he would like to recommend reappointment of McDonald Law to the Historic Preservation Commission and would like for the matter to be on the next agenda.