

Aiken City Council MinutesREGULAR MEETING

February 10, 2014

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

Others Present: Richard Pearce, Gary Smith, Stuart Bedenbaugh, George Grinton, Kim Abney, Ed Evans, Charles Barranco, Glenn Parker, Alicia Davis, Sara Ridout, Maayan Schechter of the Aiken Standard, Andrew O'Byrne of the Aiken Leader, and about 20 citizens.

CALL TO ORDER

Mayor Cavanaugh called the meeting to order at 7:00 P.M. Mayor Cavanaugh led in prayer, which was followed by the pledge of allegiance to the flag.

GUIDELINES

Mayor Cavanaugh reviewed the guidelines for speaking at the Council meeting. He asked that those who would like to speak raise their hand and be recognized and limit their comments to five minutes. He pointed out that citizens could only speak on the items on the agenda.

MINUTES

The minutes of the work session and regular meeting of January 27, 2014, were considered for approval. Councilwoman Diggs moved, seconded by Councilman Merry, that Council approve the January 27, 2014, minutes as submitted.

Councilman Dewar stated at the regular meeting on January 27 he proposed four items. The fourth item was that we should deal with the Public Safety compensation as soon as the survey comes in. There was a motion made but the minutes don't reflect a vote. He said he did not know how to handle that. Mr. Pearce stated in the minutes we did not have that a vote was taken. Councilman Dewar stated that was his comment. He said the minutes reflect a motion, but not a vote so he wondered what to do about that.

Mayor Cavanaugh said then at some point in time Council may need to determine what we want to do on the matter.

Mr. Smith stated he did not recall if a vote was taken. It was pointed out a vote was not taken. There was just a motion made. Mr. Smith asked if there was a second to the motion. Councilman Dewar stated he did not think there was a second. Mr. Smith stated then parliamentary procedure would say if there was no second, there is no vote.

Mr. Pearce stated we do have the report. He said he was going to review it with staff. He said we anticipate having a presentation with Council in March.

Councilman Dewar stated the essence of that item was that we do it as soon as the report comes in. Mr. Pearce stated staff would like an opportunity to review the report. Councilman Dewar stated so would Council. He asked if Council is right behind staff. Councilman Dewar stated if a motion was made and there was no second, then that is fine.

Mayor Cavanaugh called for a vote on the motion to approve the minutes of January 27, 2014, as presented. The motion was unanimously approved.

PRESENTATIONS

Aiken County Public Library

Mary Jo Dawson

Mayor Cavanaugh stated Council has a presentation from Mary Jo Dawson from the Aiken, Barnwell, Bamberg, Edgefield Library.

Ms. Dawson, the Director of the Aiken, Barnwell, Bamberg, Edgefield Regional Library System, thanked Council for the opportunity to come before Council. She said with her is Elaine Kjellquist, President of the Aiken Friends of the Library group. She said the meeting is an off shoot from a chance meeting she had with Councilmember Lessie Price. They saw each other at the Atlanta Airport about a year ago. She took that opportunity to thank Councilmember Price for the annual gift that the Aiken County Public Library receives of \$12,000. She said Councilmember Price said Council would like to see her at a Council meeting to hear about what she has been doing with that funding. She said her purpose for being before Council is to say thank you to Council.

Ms. Dawson stated the gift that she came to thank Council for was established in the early 1990's at about the same time the library opened in its current location on Chesterfield Street. In the beginning years that gift was \$10,000. It was later increased to its current level of \$12,000. Each year the City of Aiken has made that gift available to the library system, 100% of it has been spent for library collection material. It has not gone for capital needs or any operating costs. All of it has been used to purchase books for the most part. She said she tried to do some calculations and by estimates since about the time the fund was established they have probably added about 17,000 items to the circulation collection. She said she was calculating it at 24 years and that about 17,000 items have been added to the library, and some may still be in circulation today. She said they appreciate the city's support of that gift. Without the gift the shelves would be barer. She said the city had enriched all the citizens' experience at the Aiken County Public Library, thanks to Council's generous support.

Ms. Dawson stated while they are here she and Ms. Kjellquist wanted to take the opportunity to recognize one City Councilmember who has played an especially supportive role for the library in recent years. She said that is City Councilmember Dick Dewar. She pointed out that shortly after moving to Aiken in October, 2003 Dick Dewar and his wife Mary Lou found their way to the Aiken County Public Library and into the Friends of the Library organization. She said in 2005 Mr. Dewar became the President of the Friends group. She said he took that on following a period of low activity and involvement on behalf of the Friends. They had raised the funds for the new building, and then kind of went into hibernation. She said Mr. Dewar became president. With his characteristic passion for planning and transparency, he spent the next five years working with officers and library staff to strengthen the membership, mission, and profile of the organization within the community. She said under his leadership the Friends set short and long term goals, and increased membership with better publicity materials and membership incentives. She said they are still using the brochure he worked on. A Friends of the Library website was created under Mr. Dewar's leadership. Mr. Dewar organized a biannual book sales and funded numerous programs, services and collections, including the establishment of Wi-Fi throughout the building. In 2005 she and Mr. Dewar were walking through the library and he asked her about a plaque that was hanging by the circulation desk. It was the Friends of the Library Best Friend Plaque. It was established to list individuals who had made significant contributions to the library mission. They noticed that a name had not been added to the plaque for many years. While he was President of the Friends he renewed the commitment to this, and Whit Gibbons name was added to the plaque. She said she felt it was fitting that tonight she announce that the most recent Best Friend of the Library is Dick Dewar 2014. She pointed out that the plaque will be hanging at the circulation desk.

Ms. Dawson thanked Council for their time and gift.

Councilwoman Price asked about the attendance level of the children coming to the library. Ms. Dawson stated she felt the library does very well in that area. There is great

circulation of children's materials, and they have a very dynamic children's librarian named Kimberly McSpadden. She has brought in a lot of energy and direction in the last year and a half. She pointed out there had been a record number of children who registered for the summer reading program in June and July who finished the program and completed their goal of books read. She said they are getting a lot of participation. She said a portion of the City's gift to the library is used for children's materials.

Councilman Dewar stated Ms. Dawson did catch him surprised and had accorded him more credit than he deserved. He said the Friends is a team effort to get those things done. He said he had a wonderful board to work with and great support from the library. He said he appreciated the honor and was surprised. He said the library is a very, very vital part of our community. He felt the contribution was a very wise investment on the part of the city all these years to help maintain a greater offering of books for the community. Ms. Dawson left library bags for the Councilmembers.

Councilwoman Diggs asked how much library cards cost these days. Ms. Dawson said there is no cost for a library card, but they do have fines for overdues. She said a card is freely available if you are a resident of one of the four counties, own property, or attend school.

Mayor Cavanaugh asked Ms. Dawson how long she had been with the library. Ms. Dawson stated she joined the library system in 1992 and became the director in 1996. Mayor Cavanaugh asked if Ms. Dawson had anything to do with the other libraries in the system. Ms. Dawson stated she does and understood that the Mayor visited the Barnwell County Library recently. Mayor Cavanaugh stated he was very impressed with the Barnwell County Library. He said the library is in an older building, but it is well arranged. Ms. Dawson stated the building was a former Heilig-Myers building. Mayor Cavanaugh stated Barwnell has many wonderful features there.

BOARDS AND COMMISSIONS

Appointments

Dr. David Steiner

Senior Commission

Mayor Cavanaugh stated Council needed to consider appointments to the various boards, commissions, and committees.

Mr. Pearce stated Council has 21 pending appointments to fill vacancies on different City boards, commissions, and committees. One appointment is presented for Council's consideration at this meeting.

Councilman Merry has recommended the reappointment of Dr. David Steiner to the Senior Commission. If reappointed Dr. Steiner's term would expire March 14, 2015.

Councilman Dewar moved, seconded by Councilman Ebner, that Council reappoint Dr. David Steiner to the Senior Commission with the term to expire March 14, 2015. The motion was unanimously approved.

Mayor Cavanaugh asked if there were any nominations for appointees for the next meeting.

Councilman Merry stated he would like to nominate Linda Purdy for the Arts Commission to fill the at large position of Scott Raines, who had resigned.

Mayor Cavanaugh stated the recommendation would be on the agenda at the next meeting.

PROCUREMENT – ORDINANCE 02102014Purchasing
Amendment
Professional Services

Mayor Cavanaugh stated this was the time advertised for second reading and public hearing on an ordinance to approve changes to the Procurement Code.

Mr. Pearce read the title of the ordinance.

AN ORDINANCE AMENDING THE PROCUREMENT CODE OF THE AIKEN CITY CODE.

Mr. Pearce stated at the last meeting in January, Councilmember Dewar expressed concern that his motion was to include under Section 2-348 the verbatim language that is contained in the North Augusta City Code regarding professional services. That was sent to the City Attorney, and he has included that wording.

Mr. Pearce stated staff would renew our request to Council that the amount not be \$10,000 to obtain RFQs for professional services but that the amount be \$25,000 to reflect the other proposed code changes that raised the amounts from \$10,000 to \$25,000. He said the concern is that keeping RFQ's for professional services at the \$10,000 level is that many engineering firms are not interested in doing a complete qualification individualized for bids of projects in that amount. He said the other concern is that the process does add up to seven weeks to the time the project can go to bid.

For Council consideration is second reading and public hearing on an ordinance to approve recommended changes to our City Procurement Code, with the further amendment modification for the \$10,000 level for RFQ for professional services with the wording from the North Augusta Code.

Councilman Dewar moved that Council approve the ordinance as presented at this meeting, which includes the requirement that RFQs be obtained for professional services for \$10,000 and above. The motion was seconded by Councilman Ebner.

Councilman Ebner stated he thought we had the discussion at Horizons as to how this came about. He asked that Mr. Grinton explain to Council about the process of sending an RFQ or RFP to an engineering firm.

Mr. Grinton stated staff has to get together with the appropriate staff and write up a request for qualifications detailing what the project is, depending on the work load that will take a certain amount of time. Then that is given to the Procurement Officer who prepares the documents to request the proposal. Typically the firms are given about a three week opportunity for the various contractors for professional services that would be interested in quoting. When the quotes are received a team typically of three individuals is formed to review the services. The team members read the qualifications and then gather in a meeting to assess each one, look at the merits, and make a recommendation to the City Manager and the Procurement Officer as to which firm they would recommend and why. At that point the recommendation would be awarded. He said he participated in the RFQ for the Traffic Consultant, and it took seven weeks from the time he got involved to completion and awarding of the bid. He said today if there was a project that Council requested that he look into and services were expected to be over \$10,000, he could start the project in about seven weeks. He said that is just getting the individual of professional services on board to start the work.

Councilman Ebner asked the threshold that professionals think it is valuable for them to do the work. He said we have local companies that have from 10 to 40 people.

Mr. Grinton stated he contacted two professional services that we have used frequently in the past. The larger company has said that a \$10,000 project creates so much overhead that they feel they would not be interested in putting something together. They feel a lot of work is involved to put a proposal together for that small a project. If you are talking

about a much smaller firm, he felt they may be more interested, but they would still have to go through all the process to provide a proposal. If they are small, it becomes more of a challenge to provide a proposal administratively. They are not keen on it either.

Councilman Ebner asked if there was another number that he or the team would be looking for as a level for a professional proposal. Mr. Grinton stated he felt the \$25,000 was a good level. He said his recommendation for procurement was \$50,000, not \$25,000. He said he was interested in trying to move projects faster and get things done. The higher the limit for procurement, the more flexibility he has. He said he understands Council wants to control that and \$25,000 is better than \$10,000. To keep a balance he would recommend \$25,000 whether it is a contract for a right to bid or a professional service. He said they both are in that area. When you get above \$25,000 you are talking bigger projects, and certainly it is worth defining the scope more thoroughly and putting it in writing and having more people to select from.

Councilman Dewar asked what the process would be if the level for professional services was \$25,000, and you had a project that cost \$20,000. Mr. Grinton stated in the process he would look at the various firms that the city has dealt with that we know have good reputations. He said if he knew the project had structural issues, he would look for the firm that had structural expertise. If the project had soil issues, he would look for firms with soil expertise. He said he would be narrowing his selection to those firms. He said people in professional services stop by and ask for appointments all the time so he keeps a vendor file. Part of the evaluation process is how busy the contractors are that you are working with. If they are already working on three projects for you, he said he would be looking for somebody else so he could make sure the project is also moving along rather than waiting for the people who are in that firm.

Councilman Dewar asked assuming the limit were \$25,000 how long would it take for a \$20,000 project. Mr. Grinton responded that he could do that within two weeks. He said he would call someone, have them come in and review the job, talk about it, and if they are acceptable he would request a quote from them. He pointed out that he had met with an engineering firm last week to talk about the stormwater downspout problem on the Chesterfield railroad bridge joint point. He said they met last week, and they had given him an estimated cost of services today. He said within two weeks he can start a project, as opposed to seven weeks.

Councilman Dewar stated the purpose of this to begin with was to make sure that these professional service contracts were available to all companies that are qualified to do the work. He said there is always a drawback with the time. He said he had heard Mr. Grinton say in the examples he had used that it is a five week delay to have to get a RFQ for professional services. He pointed out that the whole process was started by a local company that did not get a job that they should have. He said professional services is such a wide category. He said Mr. Grinton had talked about traffic management. He said he thought it was a professional service because we are talking about a professional traffic manager. Mr. Pearce responded they must be licensed to do that particular work. Mr. Grinton stated a surveyor would be another professional license. He said you want a professional surveyor to stamp the document that you are obtaining from them.

Councilman Dewar asked Mr. Grinton what he was looking for in the example that he mentioned for the contract for the Chesterfield Street drainage issue. Mr. Grinton responded that he was looking for someone who has stormwater experience and soil evaluation experience because in this situation we have a bridge and the concern is our downspout has basically rotted out. It is a project that we reviewed at Horizons. The firm needs to evaluate the soil, the bridge structure, and be able to construct an appropriately sized stormwater, plus he said he wanted to look at creative solutions. He wanted to know some of the things the firm can do. He said you could just replace the pipe, but are there other concepts to minimize the structural work by maybe catching the water further up.

Councilman Dewar asked Mr. Grinton what the engineer had given him as a product for Chesterfield Street. Mr. Grinton stated so far he had given him a quote for the conceptual cost. He said in project like this you want to evaluate different ways of approaching the

job because there are multiple ways to do the job. You want to look at the feasibility, risks, and costs. They will evaluate multiple methods and come up with a budget for doing a project like that. He said what he will get out of that is a preferred solution of the next step. The next step then will be to design the project. He said that will be more than \$10,000 or \$25,000 because it will become a more expensive project. It will be part of the design, build, implement.

Councilman Homoki asked how Mr. Grinton gets new companies to break into the cycle if he has a vendor file with their past performance, experience, etc. He asked how a new company gets into the cycle of being considered.

Mr. Pearce stated Mr. Bedenbaugh can register them with our intranet vendor list. He registers people all the time. That list is available to all the departments, not just one. Mr. Grinton stated he uses the list and calls Mr. Bedenbaugh to see who is on the list and who he would recommend. He said there is a lot of experience that we have. Mr. Grinton stated one of the things he is going to implement is a result of the discussions we have heard here from Council. He said when we complete a project where we have a contractor or a professional service, we really need to assess whether they were good, fair or poor and write something to the file so that information is available for future projects. If they are an exceptionally good contractor, he wants to know that too. He said we had a very good performance by a company named Chandler for our Southwood sewer line repair. Because of extenuating circumstances it became a different project, and they were very, very helpful at mitigating the problem that could have been a big citation from DHEC. They worked with staff for the fix. We only had a \$22,000 cost to not only do the repair, but do the larger project that we had which was presented to Council. He said that is the kind of company that he would like to give a big star to because he can count on them. He said if he does not write something to the file they are as good as the last company that might have done poorer or charged twice as much or given him more problems with the project. They were very much partnering with the city and helped us. He said he wants to put a good mark for them in the file. He said that is something he has asked the engineers to start putting in the file at the completion of a job.

Councilman Dewar asked Mr. Grinton if his was the only department that handles professional contracts within the city staff. Mr. Grinton stated his is not the only one, but he probably has the largest number of them. Councilman Dewar asked Mr. Grinton how many contracts we had last year with professionals. Mr. Pearce stated we could get that information.

Councilman Merry asked if the motion was \$10,000 or \$25,000 for professional services for an RFQ. Mr. Pearce stated the motion was for \$10,000. Staff had requested \$25,000 for the reasons Mr. Grinton stated. He also pointed out that throughout the rest of the Procurement Code you are raising the limit from \$10,000 to \$25,000 so staff was asking that it be consistent.

Mayor Cavanaugh called for a vote on the motion by Councilman Dewar that Council approve the ordinance as presented at this meeting which includes the requirement that RFQs be obtained for professional services for \$10,000 and above. The motion was seconded by Councilman Ebner. The motion was approved by a vote of 6 in favor and 1 opposed, with Councilman Merry opposing the motion.

ANNEXATION – ORDINANCE 02102014A

327 Springwood Drive
Gem Lakes
Grant Wiseman
Heather Wiseman
TPN 106-17-18-018

Mayor Cavanaugh stated this was the time advertised for second reading and public hearing of an ordinance to annex 327 Springwood Drive in Gem Lakes Estates and zone it Residential Single-Family (RS-15).

Mr. Pearce read the title of the ordinance.

AN ORDINANCE TO ANNEX TO THE CORPORATE LIMITS OF THE CITY OF AIKEN CERTAIN PROPERTY OWNED BY GRANT AND HEATHER WISEMAN AND LOCATED AT 327 SPRINGWOOD DRIVE AND TO ZONE THE SAME RESIDENTIAL SINGLE-FAMILY (RS-15).

Mr. Pearce stated the owners of 327 Springwood Drive, Reverend Grant and Heather Wiseman, have requested to annex their property within our city limits. It is contiguous to Aiken, and is in the Gem Lakes Estates Subdivision.

The Planning Commission met January 14, 2014, and unanimously approved this annexation request and recommended Residential Single-Family (RS-15) zoning.

Council approved this ordinance on first reading at the January 27, 2014, meeting. For Council consideration on second reading and public hearing is an ordinance to annex into the Aiken City limits, property located at 327 Springwood Drive belonging to Reverend Grant and Heather Wiseman and zone it Residential Single-Family (RS-15).

The public hearing was held and no one spoke.

Councilwoman Diggs moved, seconded by Councilman Merry, that Council pass on second and final reading an ordinance to annex 327 Springwood Drive and zone it Residential Single-Family (RS-15). The motion was unanimously approved.

LULU'S CAR WASH

Concept Plan

Shoppes at Richland

Color Scheme

Mayor Cavanaugh stated the next item was Council review of Richland Avenue Lulu's Car Wash.

Mr. Pearce stated this not an ordinance, it is just a matter for consideration by City Council. When Council approved the concept plan for the Shoppes at Richland back in May, 2006, you directed that outparcel lots have buildings on them that would be compatible with the existing building architecture. This is the location of Walmart. He pointed out that we have had several outparcel developments to come before Council. As part of the approval of the appearance of the buildings, Council assigned Mr. Evans, Planning Director, the responsibility of approving colors as compatible with other existing buildings in this development. We did provide copies of two Lulu's locations, the one at Shoppes at Richland and on East Pine Log Road. On East Pine Log Road they have alternating colored panels. That location was not under the restrictions that the Richland location is. For the Richland Avenue Lulu's Mr. Evans had approved all the panels as one color, that being brown to match the existing buildings. The actual installation shows alternating colors of brown and white. That is not what Mr. Evans had approved. He said Mr. Evans is present.

For Council consideration is the request from the owners of Lulu's Car Wash to allow the alternating colored panels. He said that is something Mr. Evans felt he was not comfortable approving because of the prior direction he received from Council.

Councilman Dewar asked if the East Pine Log facility is in the city. Mr. Pearce responded that it is, but it is not under the development restrictions as the Lulu's on Richland Avenue.

Mayor Cavanaugh asked that Mr. Evans explain about the panels being a certain color.

Mr. Evans, Planning Director, said that in 2006 when the concept plan for the Shoppes at Richland was approved, Council delegated to the Planning Director the authority to approve the design of the buildings on the outparcels, making sure they were compatible with the rest of the shopping center. He said in November, 2012, we went back and forth trying to settle on a design that he could approve administratively. He said they finally

settled on a design. He said the dividing line for him was all brown panels instead of the alternating brown and white panels. He said he approved all brown panels, but the car wash was built with alternating brown and white panels. Therefore, since it is not the way he approved it administratively, the project defers back to Council for Council's consideration.

Mr., Robert Black stated he owns and operates the Lulu's car washes in Aiken. He said he opened the first on East Pine Log in October, 2011. He said he had tried to be a good part of the community. He said the Lulu's on Richland was opened the first of the year. He said Mr. Evans is correct that they did have some ongoing discussions about the colors. He pointed out the rendering in the agenda packet that shows the rendering approved administratively. He said there was discussion back and forth about the color of the panels. He said he was present to ask for some forgiveness. He said that in his opinion they thought they were doing the alternating colors, but not back to back. He said they show on the drawing three brown and then three white panels. He said the building actually has a white and a brown panel together. There was a note from WRS that all colors would be brown. He said it was approved by him; he had seen the notes, and he does realize that is the way it is supposed to be. He said they operate five car washes in the area between Augusta and Aiken, and all of them have the alternating panels. He pointed out that they had made exceptions to most everything that Aiken had requested, and WRS to be able to get into the shopping center. He said they had altered the color to green for the sign. They put brick veneer and other things because they want to be in Aiken. The only thing they have that is an existing part of their original design is the brown panels. He said it was supposed to be black and white. He said they wanted brown and white. He said he felt they were not asking for much. He said they have brick veneer below. The original plan shows brown and white below. He said in his opinion it looks better. He felt the brown did not add anything to the character of the building in his opinion. He said he has the owner of the shopping center, WRS's blessing. He said before he came to the meeting he spoke with WRS. They could not be present on his behalf as the owner is out of town. He said they told him to tell Council that he had their blessing and that the building is an asset to the shopping center.

Councilman Dewar asked if he had to make the change of the panels to make them all brown, how much would it cost. Mr. Black said he does not have any estimates on that. He said the business is operating. The panels would have to be changed from the inside. He said if you have been through the car wash there is a lot going on in the building. He stated the building is state of the art. They did not cut any corners, and never do.

Councilwoman Diggs asked if the car wash would have to close to make the change of panels. Mr. Black stated they would have to close to make a change. Councilwoman Diggs stated personally she liked the alternating brown and white panels. Mr. Black stated everyone he has spoken with says that also. He said again, he is present begging for forgiveness on a small item. He said if you look at the rendering of all brown panels and the picture of the alternating brown and white panels, the all brown panels seem very busy. He said it had been toned down. There is no checker board pattern on the bottom. It is brick veneer with custom precast window sills. He felt the alternating panels add a touch of class.

Mayor Cavanaugh stated he has a problem any time we see something that goes through any commissions or departments and the matter is agreed on and then we find out it was done differently. He pointed out that Mr. Black had mentioned there being a lot of back and forth. He asked what was meant by that. He said there must have been a final discussion on what the color should be. Mr. Black responded that he is on site every day during construction as he is very hands on. He said he was in the discussions from the get go. He said his thoughts of how it was supposed to be is the brown and white alternating panels. He said he thought everybody agreed that they could put three brown panels together and three white panels together. He said evidently there is a note from WRS stating that all panels will be brown.

Mayor Cavanaugh stated he was having trouble understanding how he could have thought that if he was involved in all the discussion. Mr. Black stated he could not answer that. It was a mistake. He said he has to say Council has everything in front of

them. Mayor Cavanaugh stated all he wanted to know is if Mr. Black knew leaving the meeting that the panels should be a certain color. Mr. Black stated to his recollection the color was going to be brown and white. Mayor Cavanaugh asked if it was not made clear about the color of the panels. Mr. Black stated it was not clear to him.

Mr. Evans, Planning Director, stated the matter did not go to the Planning Commission. This was just a staff decision. He said there was a lot of back and forth discussion with Mr. Black and WRS. The bottom line was that the drawing accompanied by the memo from WRS say that all the panels will be brown and not alternating panels. Mr. Black stated he did not get the memo. Mr. Evans stated WRS was representing Mr. Black, and he was relying on what WRS was telling him. He said he got it in writing from WRS so he based his decision on that memo.

Mayor Cavanaugh asked Mr. Evans if he told them specifically what the colors should be. Mr. Evans said he thought he told Mr. Black directly. He said it went on the building permit. He said the building permit says the color has to be as approved administratively in November, 2012, which was all brown panels.

Mayor Cavanaugh stated it may seem like a very incidental, low value item, but to him it is important because we have the commissions and if we don't abide by what the commissions say or in this case Mr. Evans could make that decision, then we don't have a system. He was concerned that we may have others coming to Council saying a similar thing. He said that is what bothers him when this kind of thing happens.

Mr. Black said it was confusing. He said it was not clear. He said he guess he should not have somebody else speaking on his behalf. He said he was not here to make excuses.

Councilman Merry said apparently what happened is that Mr. Black turned in one drawing with brown and white and a third party, WRS, said it would all be brown. However, that was not something that Mr. Black had committed to. Mr. Black stated he did remember committing to putting three pieces of brown together just to make the deal work. He said if he had to make it all brown, he would, but he would rather not. He said it was confusing. It was not clear. He said he had his drawings approved as shown, but there is a small memo somewhere on the drawing, hand written which says must comply with something dated 2012. He said it was handwritten and small, and he did not catch it. It was confusing.

Councilman Merry asked Mr. Black what size investment the project represented including the land and building. Mr. Black responded that he had more than \$2,200,000 in the project. Councilman Merry asked Mr. Black what he spent at a single location for a water bill per month. Mr. Black said they spend anywhere from \$2,000 to \$3,000 per month depending on volume. He said he did not know what the Richland Avenue site would do. Councilman Merry asked Mr. Black if he paid an impact fee for water for the building. Mr. Black responded he paid \$22,000.

Councilman Merry stated to him this is an opportunity to demonstrate our appreciation for the investment that a local businessman has made in our community. He said he looked at the building. He said if we set a rule, certainly we should stick to the rule, but when it was clearly a circumstance of confusion as transpired in this case, the color of the panels is probably the least noticeable or significant of the things at the property. He pointed out there are vacuum hoses and signs. He said from that one spot you can see everything from Burger King to Walmart, to Ferrando's Pizza and the last thing that catches his eyes is the panels. He felt this is an opportunity to show some appreciation for the investment he has made in our town and what they do for our economy. He said he did not find it egregious.

Councilman Dewar stated neither did he find it egregious. He said he shares Councilman Merry's thoughts.

Councilman Ebner pointed out that someone had come before Council about the location of the sign for the business. He pointed out the building is down in a hole. He said he drove by to observe the building. He said you do have to look off to the right in the hole

to see the building because it is hidden. He said the color of the panels is a mistake, as Mr. Black admitted. He pointed out there had to be an exception for the sign for the reason that he is in a hole and you can't see the sign by the building. He said in looking around at the other things in the shopping center, he would have to have some forgiveness here. He said he would have to agree he did not follow the rules. There is no question about that. He said he was on the forgiveness side for the color of the panels. He said he did not think anyone would complain about the color of the panels.

Mayor Cavanaugh stated he understands everyone has their own thoughts. He asked Mr. Evans if there was a misunderstanding and if it was clear to him that the panels were to all be brown. Mr. Evans responded that it was clear to him. He said he relied on the memo from WRS, representing the developer, saying the panels would all be brown. He said he assumed that everybody understood they would all be brown. It was pointed out that now WRS is saying what they have is okay.

Mr. Black stated he has the blessing of WRS. He said they told him that the car wash is an asset to their shopping center.

Mayor Cavanaugh stated there is no doubt it is an asset and no doubt that we appreciate the business being here. He said that is not the question. He felt it would be a good business for Mr. Black as well. He said he would visit the car wash too. He said sometimes we have to stand up to what our policies are and that is what he is trying to get to and how clear it was. He said it sounds like it was not too clear, but who did not make it clear he does not know.

Mr. Black stated he did not get the memo, and he is here begging for forgiveness.

Councilwoman Price stated her opinion is that the Planning Department and Mr. Evans were very clear in terms of what they were trying to convey to the developer. She said she agrees with the Mayor without hesitation that if there are policies they have to be adhered to and if we consistently bend the rules, then we may have to bend them for the next person who comes in asking for exceptions. She said, however, it is not clear whether the information regarding the color of the panels was communicated to Mr. Black. She said Mr. Black was very clear as to what his group wanted. She pointed out Councilman Merry had asked questions about the investment. She pointed out that if it was clear that Mr. Black understood the color of the panels was to be all brown, even with the investment that he has made, she would say without hesitation that we need to follow the rules. She pointed out, however, given that there is not a certainty and there was confusion and Mr. Black did not understand about the color of the panels, she is more on the side of an exception with this request.

Mayor Cavanaugh stated it bothers him that it was not clear. He wonders how many other things might work the same way. He asked Mr. Black if he got the memo from WRS. Mr. Black stated he did not get the memo. Mayor Cavanaugh asked Mr. Evans if he knew anything about that. Mayor Cavanaugh stated there is a big blank in the middle. What happened to it?

Mr. Evans stated he did not know. He said he did not want to die on a hill of brown panels. That is not the issue really. He said he would not get hung up too much in the process. He said what it boils down to is whether Council thinks brown and white panels are okay or not. He said he made his decision based on brown panels because he thought it fit in better with the shopping center. Mayor Cavanaugh stated he thought WRS told him the panels would all be brown. Mr. Evans said they did. He said he could not approve brown and white panels when he said they all need to be brown. He said that is the reason the issue is before Council. He said Council needs to decide whether they are okay with brown and white panels or do they prefer all brown panels.

Councilwoman Price moved, seconded by Councilman Dewar, that Council approve the color scheme for the Lulu's Car Wash at the Shoppes at Richland as being alternating brown and white panels rather than all brown. The motion was unanimously approved.

Councilwoman Diggs stated there is a new business in the area called Very Berry, a yogurt shop. She said there is no sign for the business. She said she had talked to the owner just before it opened, and he said there was a problem with signage. She wondered if staff could check to see what the sign problem may be. She said the business is located just behind the Jiffy Lube at the Economy Lodge. Councilwoman Diggs stated the owner had said he had requested to be able to place a sign at the road so people could see it. Otherwise, people will not see it. Mr. Pearce stated staff could look into the matter. He said he had not had any calls about a problem for a sign. Mr. Evans stated the owner would probably need a variance for the sign. He said he would check on the matter.

GOALS

FY 2014-15

Horizons

Mayor Cavanaugh stated Council needed to consider adoption of the City Council goals for fiscal year 2014-15.

Mr. Pearce stated we have put together what we believe Council wanted to see as the short term and continuing goals. He pointed out that the short term goals have the notation as requested by Council for completion by January, 2015. The actual date would be the Horizons meeting that Council would hold at that time.

Mr. Pearce stated we don't have anything in the short term goals for next year regarding Channel 4. He said the reason for that is that we are in negotiations with Tootsuite. They have been helping us with work on Channel 4. He said we have been delayed. He said Atlantic Broadband was supposed to convert to entirely digital broadcasting by December, 2013. The latest word we have from Atlantic Broadband is that will take place in March, 2014. He said we are meeting with representatives of Atlantic Broadband and Tootsuite to make sure when we make the transition for Channel 4 we can go all digital and not have to take an intermediate step at additional expense. He said that is not listed in the goals, but it is something we are working on and anticipate having a resolution by the end of March, 2014.

Councilman Dewar stated if that contract is worked out would it affect our ability to televise Council proceedings. Mr. Pearce stated he could get that information. He thought that might be an additional expense.

Mayor Cavanaugh asked for a motion to approve the goals.

Councilwoman Price moved, seconded by Councilwoman Diggs, that Council approve the short term and continuing goals for Fiscal Year 2014-2015.

Council then discussed the goals and made some changes in wording for the goals.

Councilman Ebner stated in Goal 1 regarding the feasibility study of the first floor of City Hall, he felt we need to add the statement to explore commercial use of the Brinkley property. He felt the property has potential for commercial use and we need to check on it as a commercial venture.

Councilman Merry stated at Horizons he said something about the commercial use of the Brinkley property as well as the first floor of City Hall.

Councilman Ebner pointed out that the first part of the goal covers the suggestion to explore the use of the first floor of City Hall as possible public-private or commercial use, but the Brinkley property needs to be added as a commercial venture also.

Councilman Dewar asked if Council could get a copy of the plat of the property. He said he would like to see what it includes. Mr. Pearce stated the property goes basically from the sidewalk in The Alley to the fence line.

Councilman Ebner stated on 4 A. he did not know if we are ready for new construction until we get a study that was proposed to be done. He asked if the new construction referred to sidewalks or new houses. Mr. Pearce stated it could be both. He said we purposely kept that open based on the discussion at Horizons. We did not get into specifics. Councilman Ebner stated he wanted to be sure we don't start building any new houses.

Councilwoman Diggs stated she thought that with demolition there would be space for town homes or patio homes. Mr. Pearce stated potentially that could be. He said that is something we were going to work on this year.

Councilman Ebner stated ultimately that is what we are going to do. We need to get an urban planner to find out what you would do on Sommer Street to be sure whatever we start doing fits the neighborhood in the future.

Councilman Ebner stated the other question he had was whether No. 10 of the short term goals should roll into No. 5 of the continuing goals. He said that will be going on into the future.

Mr. Pearce stated that was the specific project that we had given Alicia Davis, our HR Director, as part of her work this year. He said that is why we wanted to have it on the short term goals. He said that is something she is already working on.

Councilman Ebner stated we took some duplications out, and he thought that one was a duplication of the same effort. Mr. Pearce stated it is not part of the continuing program as it is a next step for the program which was discussed at Horizons. Councilman Ebner stated he knew it had been discussed, but he thought it should be combined with one or the other. Mr. Pearce stated it would be helpful to staff if it could be a separate goal since Ms. Davis is working on it this calendar year as part of her professional goals. Councilman Ebner stated that would be okay.

Councilman Dewar stated he did not view No. 10 goal as anything especially meaningful. He said he obviously is not reading into it what Councilman Ebner was.

Councilman Merry stated on Goal 7 he likes what it says, but he had also specifically suggested beginning the process related to the Economic Development Element and Housing Element for the Comprehensive Plan, neither of which we have now, and they are both mandated. He asked if that could be included in short term Goal 7.

Mr. Pearce stated he did not know how much of that could be completed by January, 2015. Councilman Merry asked if we could identify a consultant so they could help with a draft as we did with the Natural Resources Element. Mr. Pearce stated we can do whatever Council would like. Councilman Merry stated he was probably right that we can't do a whole element by next year, but the point is to initiate a process. He asked if it could be a continuing goal if not a short term goal. Mr. Pearce stated it could be a new continuing Goal No. 12.

Councilman Merry stated the elements are mandated by state law. He said he was asking to initiate the development of an Economic Development Element and a Housing Element to be added to the Comprehensive Plan. He said Aiken does not have either one, but they are listed in the statute. He said they are basically both an assessment of the current status and a process for envisioning the future for housing, particularly for affordable housing as well as economic development as it relates to both and the city's future. Mr. Pearce stated he would add it as No. 12 under the continuing goals.

Councilman Merry asked if the goals require just one reading. Mr. Pearce stated typically we have done one reading. He said we can redraft the goals and bring the list back to the next meeting if Council would be more comfortable with that.

Councilwoman Diggs asked regarding Goal 4 on the Northside Redevelopment Initiative if there was any way we could include sidewalks on Hampton Avenue especially. She said there is not a night when she drives that way that she almost hits someone who is

walking or riding a bicycle. Mr. Pearce stated this would be a budget item, but it could be a goal under item 4. D by adding the word sidewalks to the sentence.

Councilman Dewar stated under Item 2 on continuing goals, he had been asked to add the SRS Citizens Advisory Board (CAB). He said the sentence would read to Invite DOE site leadership and SRS Citizens Advisory Board (CAB) to share their goals and initiatives at a public hearing. He said that is a group that met with Council before. He said Council should afford them the opportunity to give Council their views on issues affecting the site as well.

Councilwoman Price stated a group had been scheduled to come before Council on March 24. Mr. Pearce responded he does not have that confirmed on the schedule. He said that would be fine, but he needed confirmation of who would be coming.

Councilman Dewar stated at the last meeting Council approved three items having to do with the exit interview process, the grievance process, and employee survey.

Mr. Pearce pointed out that information had been provided in the agenda for Council's information. Councilman Dewar stated those will not be resolved tonight so he thought they should be in the short term goals.

Mr. Pearce stated staff is ready to go forward with the new exit interview form and with the employee survey. He said on the exit interview there were two questions that were in the other materials that were not included in our form so they were added to our form.

Mayor Cavanaugh called for a vote on the motion by Councilwoman Price, seconded by Councilwoman Diggs, that Council approve the short term and continuing goals for Fiscal Year 2014-2015 as amended by Council. The motion was unanimously approved.

Mr. Pearce stated he would have a copy of the revised version of the goals in the next agenda packet for Council's information.

The goals adopted were as follows:

SHORT-TERM AND CONTINUING GOALS FOR 2014-2015

Short-Term Goals (To be Completed by January 2015)

1. Expand the feasibility study of the City Hall first floor repurposing to explore possible public-private ventures to use this space and/or use of former Brinkley property for commercial ventures.
2. Identify a site for the Eustis Park and Northside Recreation Facility. As appropriate, begin design of a facility for each site.
3. Prioritize the next phases of our water, sewer, storm drain, and roadway projects.
4. Continue work on our Northside Redevelopment Initiative, to include:
 - A. Demolition, new construction, house sales, and infrastructure improvements in Crosland Park.
 - B. Finish a survey of buildable lots in Edgewood, complete an RFQ for new home construction, and address stormwater runoff.
 - C. Re-energize cooperative efforts with non-profit organizations and other volunteers on specific work and construction to be done as part of this initiative.
 - D. Facilitate designs for other Northside improvements, including recreational facilities and sidewalks.

5. Complete the connection of Dougherty Road to the Publix Shopping Center by developing a project concept drawing, informing stakeholders of the scope of this project, putting the project to bid after an appropriate design is developed, and completing construction.
6. Identify opportunities to make approval requests and license applications easier for customers. Also encourage shortened staff application review times.
7. Work with the business community, including the Greater Aiken Chamber of Commerce, on the next steps to improve our city business climate. Adopt appropriate suggestions for City action from the Blue Ribbon Commission about the 'Next Big Ideas' for Aiken.
8. Review City stormwater detention regulations to see what revisions could make them more cost-effective and business friendly.
9. Review utility company tree-pruning methods to determine where power lines could instead be undergrounded and how tree-pruning methods elsewhere could have less drastic visual impacts.
10. Review our Succession Management Program to encourage alumni in their professional aspirations. Determine best practices for transitioning new leaders/supervisors/directors toward seamless assumption of their new roles when veteran leaders retire or otherwise end their City careers.

Continuing Goals

1. As part of developing an overall strategy for abating Sand River storm water runoff problems in Hitchcock Woods, pursue the next phases for installation of bioretention, bioswale, rain garden, and other stormwater runoff containment measures. Also continue to study other projects that will work in tandem with these installations.
2. Support current and future missions at the Savannah River Site through annual visits to Washington; by receiving periodic updates on Site strategic plan goals, missions, and plans; and identifying opportunities to support them. Invite DOE site leadership and SRS Citizens Advisory Board (CAB) to share their goals and initiatives at a public hearing. Also include key site vendor leadership to give public presentations to City Council as well.
3. Support and strengthen our Character First program by encouraging employees to attend regularly scheduled meetings. Encourage our academic communities and local businesses to adopt and implement this program at their work places for their supervisors, employees, administrators, and other staff.
4. Expand our Wellness Initiative with appropriate public programming. Encourage city staff and our citizens toward better health.
5. Continue our Succession Management Program.
6. Preserve equestrian areas and other open spaces when opportunities arise to do so.
7. Expand existing city bike pathways and pedestrian walkways.
8. Work in cooperation with local academic campuses and groups such as the Aiken Young Professionals to promote the availability of City amenities and services. Support the efforts of the business incubator at The Mill and the Intelligent Cities research at the Urban Ecology Institute.
9. Identify and utilize opportunities for city equipment and our vehicle fleet to include alternative fuel and all-electric vehicles and equipment.

10. Develop opportunities to use more efficient lighting installations throughout our city, including at City facilities.
11. Identify opportunities to support improvement of our local schools and educational facilities.
12. Initiate drafting an Economic Development Element and a Housing Element to add to the existing City of Aiken Comprehensive Plan.

WATER AND SEWER RATES – ORDINANCE

Rates

Mayor Cavanaugh stated an ordinance had been prepared for Council's consideration to adjust water and sewer rates.

Mr. Pearce read the title of the ordinance.

AN ORDINANCE ESTABLISHING NEW CHARGES FOR WATER AND SEWER SERVICE.

Mr. Pearce stated Council received a full presentation from the Finance Department Director Kim Abney at the Horizons meeting. That was followed by a presentation by George Grinton, Engineering and Utilities Director. He noted that in the agenda package there was a list of some of the major projects that we are undertaking that include the Silver Bluff Water Plant, meter replacement and the radium filtration system at Shiloh Springs. In the next fiscal year 2014-15 we would plan to work on the Shaws Creek By-products disposal unit. He said he had provided Council with an updated memo and a revised sheet which shows the payback to the Water and Sewer Depreciation Account, and the Crosland Park loan. Council had extended the terms of the Crosland Park loan to December, 2014. There is an expected payment in next budget year which would be in December, 2014, of \$1,459,700. He pointed out in the memo that in the past utility rate adjustments have been made in an attempt to catch up revenues to cover past inflation. He said an additional chart had been provided by Councilman Ebner which shows a chart of anticipated inflation. He said we are aware of the current reports from the State Comptroller General which show that we can expect our costs to rise at least 2.3% each year due to inflation. He said if we don't raise rates not only do we have difficulty covering our operation expenses, but we will not be able to have money set aside for when the bills come due to pay for the water plant, to buy water meters for replacement which we need to do because they have aged out, and we won't be able to keep our utility running at current capacities or full capacity. Of course, we know that the meters are wearing out because they have moving parts so they become less accurate as the parts wear. We have scheduled borrowing interfund monies to finish the Shiloh Springs plant, to finish the Silver Bluff Plant, and for the treatment of by-products at the Shaws Creek Plant.

Mr. Pearce stated as heard from Ms. Abney the problem we have encountered is that with the very wet summers we have had that we anticipate a 10% shortfall in revenues in the water account.

Over the years, our "pay as we go" approach to utility projects, along with one-cent Capital Projects Sales Tax collections, have made it possible to save our taxpayers thousands of dollars. We have avoided costs of issuing bond anticipation notes or bond issues. These costs are as high as \$80,000 for each issue. This approach has also kept our rates to the second lowest in the state as compared against similarly sized cities.

For City Council approval is first reading of an ordinance to adjust our city water and sewer rates by 10%. He said it is becoming very obvious since we are not able to save as much money as we have budgeted in the past to pay for these bills, that we need to look at the inflation rate every budget year instead of every other year.

Councilman Dewar moved that Council waive the rules and allow discussion before a motion is made. The motion was seconded by Councilman Merry and unanimously approved.

Councilman Dewar asked what the 10% increase would do for us. He asked how much of the problem it would solve.

Mr. Pearce stated we did not increase rates in 2012 or 2013, and we experienced inflation over those two years. We know we are going to experience inflation going forward based on the publications we have seen. Goal two is to make sure we have money on hand. In the past we have had the process of borrowing money from ourselves, but the thing about that is that we have to pay it back. We need to be sure we will be able to pay back the interfund loans shown on the Projected Capital Expense and Debt Service chart. He pointed out the sheet shows Debt Service Expense and shows an amortization to pay that back over a five year period.

Councilman Dewar asked what we would be paying back. He said on the particular chart referenced, what are the new interfund loans under Debt Service and Balance of Debt. Mr. Pearce responded that the new interfund loans would cover the expenses for the Silver Bluff Water Treatment Plant and wells, replacement water meters, and the radium filter solution at Shiloh Springs. He pointed out we received a \$1 million forgivable loan from the State for the Shiloh Springs radium solution. However, the total cost of the project will be about \$1,400,000.

Councilman Dewar asked what the second item under Debt Service starting at \$48,000 and then \$800,000 for four years and ends the fifth year with \$587,000 is for. Mr. Pearce stated that pays back the money for the water plant. That is projected to be about \$4,227,000. Councilman Dewar asked if that row would pay the bottom row under Projected Capital Projects detail of \$3 million plus the \$1.2 million which is \$4.427 million. Mr. Pearce responded there is \$3 million plus \$1.227 for the water plant. Councilman Dewar stated that is a total of \$4.22 million and under Debt Service Expense that new interfund starts at \$48,000. He said that looks to him that will consume or pay for the \$4.27 million for the Silver Bluff Water Treatment Plant and the wells. Mr. Pearce pointed out yes, but the other expenses we are paying too are the replacement meters, the radium solution and the Shaws Creek by-products treatment.

Councilman Dewar pointed out on the chart there is another set of new interfund loans which is called Balance of Debt. Mr. Pearce stated that shows the balance after we make the payment listed on the Debt Service. Mr. Pearce pointed out that the balance of the loan decreases each year as we make payments. He said that just shows the remaining debt to pay off.

Councilman Dewar stated under Balance of Debt the first line is 2009 Revenue Bond and the second line New Interfund Loans. He said it starts next budget year with \$4 million. He asked what that interfund loan would pay for. Mr. Pearce said that would pay what he had just said, the Water Treatment Plant and wells. The \$1.2 million is to connect it and put it all on line. Councilman Dewar stated he thought that was being paid for under the Debt Service Expense.

Councilman Merry pointed out that as the \$888,000 is paid, it reduces the \$4 million to \$3.19 million, etc. Mr. Pearce stated it shows the balance owed goes down because a payment is made. Councilman Merry stated that shows the principal left on the loan after the payments are made each year.

Councilman Dewar asked where the interfund loan was from. Mr. Pearce responded the interfund loan would be from the General Fund. Councilman Dewar stated then the loan would be in the budget. Mr. Pearce responded that it would be in the budget. He said the sheet given to Council shows the major projects that we have undertaken and that Council has approved and how we propose to pay that debt back. Mr. Pearce stated the actual detail would be the budget that staff presents every year.

Councilman Dewar asked if we had the capability of spending \$1 million a year on meter replacements. Mr. Pearce responded that we do. Councilman Dewar stated he left Horizons with the idea that is a sizeable amount of meters to replace given our capabilities. Mr. Pearce pointed out that the system put in place had an issue. He said with the new hardware that we were going to put into the ground, when people activated their irrigation system, we would get a failure. We went back to the vendor and worked through that. We believe that we have the technology and equipment in place now that we won't have that occurrence. We are beginning in earnest now with the water meter replacements. He said that was discussed with staff this morning. He said we try to do a very conservative estimate. These are the funds we would need to get the meter replacement work done on that schedule.

Councilman Dewar stated \$600,000 from this budget year and \$1 million for the next budget years would do the meter replacement. Mr. Pearce said that is correct and that would be budgeted.

Councilman Ebner stated with his discussion this morning with Ms. Abney, Mr. Grinton, and Mr. Pearce, he felt Ms. Abney should give the buildup of the inflation rates for the last three years and what the 10% represents. He felt Council needed to know that and needed to know Mr. Grinton's best guess on water lines he can replace.

Ms. Abney stated for the buildup she took what we started with in our discussion at Horizons in talking about how our revenue is month by month. She said in this year's budget as Mr. Pearce had said, with the rain we are not meeting budget to the tune of \$700,000 or 10% of this year's budget for water. Ms. Abney stated she started looking at the revenue and if everything remains the same, we will be approximately \$700,000 short in this year's revenue. She said that is 10%, but you can't make up 10% in three billable months. She pointed out at the bottom of the Analysis of Water Revenue where she is saying the budget is \$7.550 million even if Council approved 10% and we were to bill that in the remaining three months of the 2013-14 budget which would be the April, May, and June bills, we will still be short approximately \$557,000 shown as shortfall. She pointed out red numbers indicate if we had a 10% rate increase, we would still be short for this current budget year. She said for the 10% she looks at an average as it is hoped that we won't have as much rain as we did in this fiscal year. She said she averaged it over the previous three years, including this year and two years back to come up with the final column which bring us to \$8.108 million for revenue. She said looking at the budget for this year which is \$7,550,000 we add 3.6% inflation. She said there is a lot of discussion about what is the right number for inflation. She said the numbers that she used were more of a national number, and they were 1.5% and 2.1% which added together is 3.6% for the past two years 2012 and 2013. She pointed out Councilman Ebner has different numbers that are more like 2.3% per year so that would be 4.6% which would actually be more than she had used. She said when you try to figure out what the inflation rate is and what it will be there are a lot of smart people who don't know what it will be for the next year. She said she would not pretend that she will tell Council what it will be, but we use about 2%. She said to recover the shortfall from system depreciation, with the shortfall being what we would end June 30, 2014, would take \$8,378,970 revenue. She said she subtracted \$200,000 because she and Mr. Pearce had had conversations about the \$1.2 system depreciation which we have not made in several years.

Mr. Pearce stated that system depreciation is the savings account we have for bills that we know are coming due. Ms. Abney stated that is money to have available to replace the system. When Mr. Grinton has these situations he needs money to fix them. The amount has been \$1.2 million in the budget for many years, but she was looking at reducing that to just \$1 million so it is reduced \$200,000. We would still need \$8,178,970. She pointed out her estimated figures of \$8,108,880 and stated a 10% increase would not bring us what she anticipated needing for the next year, but it would get a lot closer than where we are this year. She said we are looking at being able to fund the projects that we have through the interfund loan and to be able to pay that debt service and have money available for the projects that Mr. Grinton needs to complete and the renovations and repairs.

Councilman Dewar asked Ms. Abney if she would assume that if we were to go back to whatever normal rainfall is that at the end of 2014 we would still have to have another increase next year. He said he was hearing that because of inflation we will have to look at this every year.

Mr. Pearce stated we really need to. We have not in the past, and he felt that had helped feed the shortfall. Councilman Dewar questioned the idea of not giving an increase when we thought we should have. Mr. Pearce stated we should have. He said we looked at it in recent times about every other year. Councilman Dewar stated a 10% increase is tough. Councilman Homoki asked do we pray for a drought. Mr. Pearce stated we did not want to become like California.

Councilman Merry stated he knows that the water is part of a self-sustaining enterprise fund where it has to pay for itself. He asked if money could be used from any other source to help offset short falls in the water and sewer. Mr. Pearce said if it is a loan and that had been done as a loan. He said, however, you don't mix the funds. He said we keep the stormwater, the water and sewer separate from other funds. He said the enterprise funds we have are water and sewer, and stormwater.

Councilman Dewar pointed out that the city charges businesses more for water than residential. He asked why that is done. Ms. Abney stated she could not answer that as the rate schedules were established many, many years ago before her and Mr. Pearce. She said she could tell them what the rate schedule is, but did not know the philosophy. Councilman Dewar stated it was an interesting thought as water is water wherever it is being used. Ms. Abney pointed out the rate schedule is set up that the more the business uses the less the rate is. It actually comes back down for a business. She pointed out if a business uses over 100,000 cubic feet the rate is lower.

Councilman Merry asked if we had looked at any other ways that we can reduce our expenses or overhead costs. Mr. Pearce stated we do that consistently. He pointed out that Mr. Grinton's crew had found that they could do some work at the Shaws Creek plant in-house instead of hiring out and had saved tens of thousands of dollars. He said we could come up with a more complete list. He said the answer is that we consistently try to save money.

Councilman Merry asked if we raised the rates 8% two years ago. Mr. Pearce stated we did. That was when we were having the high incidence of water leaks. We knew we had inflation considerations back then. 2% was designated to inflation and the other 6% helped us hire three crews of two people, equipment, pay benefits, depreciate the equipment, etc.

Councilman Merry pointed out the rates were increased 8% two years ago, 10% is recommended for this year, and an increase next year. He said in a period of three or four years we are looking at 20% to 25% or more percent increase in water rates. He felt that was pretty dramatic.

Mr. Pearce pointed out that the shortfall is pretty dramatic. He felt the practice of the past with our utilities is something we have to get away from now. He said practice of the past is that we have not raised rates. We have waited to every other year. There were several years we did nothing to the rate. He felt that with the wet, wet summer it is now all coming to a head and what we are going to do going forward. He felt it is what you hear being said so many times. When you have an obligation, you either have to raise revenue or you have to cut expenditures. He said what we are looking at is having to not do projects that we know we need to do, projects which Mr. Grinton talked about at Horizons. He said if we don't do anything to the rates, then we can't do projects. We would have to postpone the projects. He said the problem of postponing projects is that they become more serious down the road.

Councilwoman Price stated she had two questions. She pointed out that Ms. Abney had mentioned in her memo to the City Manager that even a 36% rate increase would only help us to break even. She said if we were looking at a 36% increase what would that large number be. Ms. Abney responded that would be if we wanted to compensate and

get up to \$7.5 million this year because we only have three months remaining. She said obviously that is not feasible.

Councilman Ebner pointed out that what Ms. Abney said was only for three months.

Councilwoman Price pointed out that no one likes rate increases, but we have a choice here. If we don't increase the rates, then the alternative is what the City Manager indicated is to borrow the money for additional funds. She felt that would not look very good. It was pointed out we would have to pay back any funds that were borrowed. Councilwoman Price stated it is a tough decision that Council has to make, but it is a decision that Council needs to make. She said she did not know what the alternatives would be in terms of something else to get that budget where we are not having to struggle with this every other year in terms of our water rates.

Ms. Abney pointed out that growth helps and a drought helps. Ms. Abney pointed out that is what we had coming through the good times of the late 1990's and 2000. She thought the drought was in 2007-2008. She said because we were selling enough water we were able to have the revenue that we needed to do the work. She pointed out as Mr. Pearce stated, we have not done some things. She said when we need to get that work done it is a choice of do we have the money to do it or do we have to put it off and possibly make the problems worse.

Mr. Pearce pointed out the chart was in the Horizons book. It shows that even with the rate increase we would be significantly below the state average and amongst the lowest in the state.

Councilman Merry said he thought Ms. Abney had said there were some years that we did not fund depreciation. He asked why we did not fund depreciation in those years. Mr. Pearce said to balance the books. The money was not available. Councilman Merry said then it was the case of the issue of needing to raise the rates and we did not do it. We just did not fund depreciation. Mr. Pearce stated that is exactly what happened. We did not put money in the savings account to cover expenses to do work to the system. That was in 2009 and 2010. The City Manager then brought that to Council's attention and that is how it went forward. Then we have been in this terrible, terrible economy. In 2011 and 2012 we funded a little over \$1 million each year. In 2013 we were able to fund about \$580,000 of the savings account. He said that is money we know we are going to spend on the system.

Councilman Merry stated if Council does not vote in favor of the rate increase, would we be back to not funding depreciation or are there any other alternatives. Mr. Pearce stated we are in the situation where there is no money in the savings account to pay the bills that you know you are going to have to pay. He said it is a blessing that we can pay the bond off in December, 2014, because that frees up money. He said that will be a million dollars worth of payments that we will not be making to a bond company to pay the bond buyers, but it is real money you can use in your utility system.

Councilman Dewar said it should have only been budgeted until it was paid off. Mr. Pearce stated that is a budgeted expense that we won't have after the 2014-15 budget year as it will be paid off at the end of 2014. He said that is money that you have other spots to budget. He said what we are experiencing with the decreased purchase of water is that we don't have the revenue. Councilman Dewar asked if Council were to approve the 10% for this year, what Ms. Abney's best estimate would be of how much we would have to do again next year. Mr. Pearce stated at this point we would be looking at the inflationary pressure—the 2%. Councilman Dewar asked if we did 10% this year would that fully fund depreciation of \$1.2 million. Councilman Merry pointed out with a 10% increase there would be some decrease in consumption because of an increase in rates. People will be more mindful of how they use their water. They will run the sprinklers less, fill the pools less, run the shower less time and do less laundry. He felt as you raise rates, you will see a decrease in demand. He felt that would happen.

Ms. Abney stated she felt we had seen some of that with the last two rate increases and with the rain. She said people might have left their sprinklers on before, but now people

might be more mindful of being conservative. Ms. Abney stated she can't predict the weather.

Councilman Homoki stated we increased the rates last year predicated on getting the three crews to start fixing leaks. He asked what the industry standard is for what percentage leaks. He said, if, in fact, we get a 17% loss if we cut it in half, how would that be reflected in the revenues. He asked if it actually affects the revenues we collect or is that just a loss that goes on.

Mr. Grinton stated that would affect us. He said when you produce water that in effect does not get billed to somebody, you have paid for the production of the water that is just wasted. It goes in the ground so we have wasted the electricity pumping, or processing it through Shaws Creek, we have wasted the chlorine, fluoride, etc. He said revenue is independent. He said we can produce more water. He said we will always supply the demand. He said we have plenty of capacity to supply demand at this point in time. The leak rate just reduces our expenses that are wasted. Councilman Homoki asked if that was significant as he had said it reduces your expenses. Mr. Grinton said it reduces the variable expenses which are the electricity and the chemicals. He said our largest expense is the labor and the project work that we need to do. He said chemicals are significant, but not the major part. He said he could analyze that and let him know how much that would be, but it would be a fraction of the cost. Councilman Homoki stated if it was not significant, it was not worth spending his time on it.

Mr. Pearce pointed out that every system has a certain percentage that leaks. To get the different efficiencies there is a breakeven point of when the cost is justified versus when it is not. Mr. Grinton stated he would want to get the percentage of leaks under 10%. He said at that point he would say pursuing it harder would probably not yield enough benefit for the effort, but you would continue to monitor it to make sure that it does not go up and you have sprung a leak somewhere.

Mr. Pearce pointed out that is the reason we have the meter replacement program because that is the newest generation of measuring equipment which will be more accurate as opposed to what we have now with moving mechanical parts that wear out.

Councilman Merry stated he had a question just trying to understand the dynamics of all this. He asked if we expected when the previous Council raised rates by 8% for that to be adequate for our budget based on customary rainfall. He said the reason we are short this year in revenue is because of excessive rainfall, what happens when we go back to the customary rainfall. He asked if the 10% rate would generate some windfall profit. He said it seemed that it would if it went back to normal rain.

Mr. Pearce stated it would not because the shortfall is not just the rainfall; that is the issue. The issue is we have a water plant to build, water meters to replace, Shaws Creek work to do, and finishing the radium filter at Shiloh Springs. Councilman Merry asked if we were anticipating those in the 8% rate increase. Mr. Pearce stated the 8% rate increase was to put crews in place to fix water leaks that we were not addressing. Councilman Merry stated then we really never were budgeted correctly for finishing the Silver Bluff water plant. Mr. Pearce stated there was discussion about the water plant expense and about the meter replacement. We did not realize those costs because those projects did not begin in those years. The fact is that in order to complete these projects, pay for these projects and to have the savings account for the other projects we need to do based on Mr. Grinton's presentation at Horizons, we need this particular rate increase. It is the reduction in revenue that caused us to take a closer look at this. That is why you had Ms. Abney's presentation as well as Mr. Grinton's. If you just look at it strictly from an inflation rate of 2% to 2.3% a year over three years, there is 6.9% of the 10%. He said we just have not had a CPI adjustment to our water rates.

Councilman Merry said then what Mr. Pearce was saying is that despite the fluctuation in rain levels we would not have enough money to fund the projects anyway. Mr. Pearce stated with the inflationary pressures that is certainly what we are seeing.

Councilman Ebner stated what was just said is a true statement. He said that 8% did not cover the income to pay off the debt.

Councilwoman Price stated what we have tried to do is have an increase that would impact the citizens less. In trying to be conscious of spending and how we impact our citizens, we have not approved enough revenue to support our system for fear that we would get some hard questions and some repercussions from our voters regarding our rate increase. She said, therefore, we have been modest in increases we impose upon the citizens.

Mr. Grinton pointed out that this also creates pressure on wage increases. He said if you aren't getting revenue, you are not inclined to increase the wages because you can't. He said that has had an impact on the employees over the last several years.

Councilman Merry stated it sounded to him that we may have bitten off more than we can chew with projects.

Councilman Dewar stated we are behind the power curve for sure. He asked if we could look at some other cities to see if they charge businesses more than residential. He said the second question is whether we could look at a multi-year increase of 6% or 7% that we can give some stability to businesses and residences and say we are behind the power curve, but we are going to increase water rates for the next three years for a certain amount, less than 10%. He asked if over that period we would come out.

Mr. Pearce stated he was not certain that Council could commit future Council's to future debts. Councilman Ebner stated we had done that before because there was a split rate improvement. He thought we added 4% at one time and if that did not make it we would go to 8%. He said that was when he first came on Council in 2006.

Councilwoman Price stated she was thinking that we should take another look at this in 6 or 8 months. She said that would be her suggestion.

Mr. Pearce stated the 10% increase is what we are looking at through July 1, 2015. Mr. Pearce stated a question had come up while Mr. Smith was out of the room. He said the question is rather than a singular 10% increase, can Council vote for a 6% increase each year for three years instead. Mr. Pearce stated the practice in the past had been to adopt a rate for each year.

Mr. Smith stated the question is then is it possible. He said he suspected it is possible. He said are you addressing your current need. He said the number shows that we are not going to meet the budget for this year. Councilman Dewar stated the question was whether Council could commit a future Council. He said he did not think Council would be committing a future Council to do anything. He said if it was done for a three year period, this Council is together for the next two budgets. Beyond that there might be some different members. Mr. Smith said future Councils are not necessarily bound by what a previous Council did.

Councilman Dewar stated he makes that suggestion just as an effort to put stability because this is not a lot of fun to go two years with zero increase and then come in with 10% increase. He said 10% is a lot.

Councilman Homoki stated that in 2012 Council had a surplus in the fund of almost \$670,000. He asked what happens to that and if it gets spread over to the next year or stays in a lock box in the water and sewer department.

Mr. Pearce stated the System Depreciation is the savings account for future expenses. Councilman Homoki stated he thought we were not doing the depreciation. Mr. Pearce stated it was not taken in 2009 and 2010 because it was used to meet current expenses. In those years depreciation was not put in the bank.

Ms. Abney stated you are looking at one account which is water. There is also sewer. There are fees, impact, etc. She said since we could not fully fund the depreciation for 6/30/12 the fund as a whole did not have a surplus. Only one account did.

Councilman Merry stated he would like to know some alternatives. He asked if Finance, Engineering and the City Manager could sit down and ask what alternatives there are there to a 10% rate increase. He asked if there is an opportunity to defer or delay a project, look for efficiencies. He said deferring or delaying a project might give us time to get back into a drought.

Councilman Dewar pointed out there is not much we can delay in this particular area as we need the projects.

Mr. Pearce stated that the reason for the sheet he had distributed to Council is that it shows the present expenses we have. Councilman Merry stated he did not like having a gun held to his head to raise rates 10%. Mr. Pearce stated he was just trying to bring Council the facts of where we are. He said to move forward and replace meters, open up the water plant, and do the Shiloh radiation filter, we have to do those things. He said we are under a court order on the Shiloh radium solution. He said that is why staff is recommending the rate increase. He said they are recommending that over a 15 month period, which is through June, 2015, which gives us time for additional analysis to see what, if anything, beyond an inflationary increase we would need to build into the Utility Fund. He said we know right now we have these expenses, and we need this increase to cover those expenses because those bills are going to come in. He said we know we are going to spend \$3 million on the water plant this fiscal year. He said by June 30, 2014, we will spend \$3 million on the water plant.

Councilman Merry asked if it could be delayed or deferred. Mr. Pearce stated it could but there is an expense associated with that because you will shut down a project that is already underway. There would be penalty clauses. We would have to rebid it to start back up. Costs may go up.

Councilman Dewar asked if we were sure the enterprise fund has to include installation of the meters. He said he knew they were related to water. Mr. Pearce stated the employees in that fund do that work.

Councilman Ebner stated when we made the 8% increase there was a misunderstanding of how that division was to be done. He said some who supported that rate thought we were getting 5% of that dedicated to a fund to do leaks. He said that is not how it works, and he found that out in November, 2013. He said he had been studying this for four years. He said he put some different charts together other than what Ms. Abney had that actually show how the cash moves from month to month. He said his understanding is that 2% was for inflation in the last rate increase which was 2011. Then we have the inflation for 2012, 2013 and 2014 and the 10% increase. As of June 30, 2015, we will have inflation taken care of. Ms. Abney stated at June 30, 2015, we will look back at what the inflation was for calendar year 2014.

Councilman Ebner stated he was coming to that. He said he was going to help them out. He said nobody is going to like it, but he is going to help her out. He said the 10% would take us with inflation through June, 2015. He said that is not that far away. He said the other part is if you look at the statistics for the last 5 or 6 years we should be looking at the rate the first week in February every year, and we have not done that. He said if you look at January, February, March, and April, the rates are pretty straight from what we spent. We don't look at it every year. He said we really have not been talking about inflation every year. If we get to February, 2015, we should be able to tell whether we will make our budget or not because the next three months are spring months and they run within approximately \$25,000 of each other. The big months start in June, July, August, and September. He said we need to look at the revenue again in 12 months from now. Ms. Abney stated that is when we decide in her Horizons presentation and that has been done as long as she has been the director and also that is what Ms Lilly had done. She pointed out that at Horizons we are just over half way through the year.

Councilman Ebner stated, however, Council had not reacted to this. Council did not react to it last year, and we are talking about last year now. He said with what Ms. Abney said and what she showed we still will not make our System Depreciation amount to pay off the loans for the year. He said when we get to a year from now and look at the rates again, unless a miracle happens we will have to raise rates again at a minimum of whatever inflation is. He pointed out we buy a lot of electricity and chemicals. He said he thought that is where we are. He said the only thing that can be delayed would be not do the meters because whatever it costs is what we charge the customers we have by the meter readings we have. He said the rest of the projects we are committed to. He said the second thing that comes up in 2014-15 is the Shaws Creek chemical by-product for \$1.4 million. He said from what Mr. Grinton said to him that is probably going to be a consent order. He said we will have to spend the \$1.4 million whether we like it or not. He said we have \$3 million of command orders to do.

Councilwoman Price asked how close we are to completing the installation of the meters. Mr. Pearce responded that we are just getting started. Ms. Abney stated it was about 10 years ago when we replaced all the sending units in the city. They were called Orion. We had a contractor come in and they did it in about 7 months. We had about 15,000 meters at the time. Now we are over 20,000 meters, but all those that were replaced 10 years ago are at the end of their life. They had a 10 year guarantee for the battery. She pointed out that those that were installed in October, November and December have already given us more than 10 years. She pointed out every month we are concerned that will be the month that they all decide to die.

Councilwoman Price stated she thought we were just about at the end. Ms. Abney stated we are just beginning the installation. She said it is projected to install the new meters this fiscal year and three more years. The life expectancy of the new meters is 20 years. In response to a question, Ms. Abney said the current meters are failing because of the batteries, with approximately 50 failing a month. She said the Meter Technicians have to replace them because they are not reading, She said there are certain days in the month that the meter readers can change to new meters in addition to those that Mr. Grinton's personnel change. She said, regarding Mr. Grinton's comment about loss revenue, while this will not be significant, after we had changed to Orion that was probably some of the lowest loss water percentages we have had because every meter was new and the most accurate it could be. She pointed out we would not gain 8% or 10% , but we could gain a couple of percentages of the loss water.

Councilwoman Price asked the cost of a meter. Ms, Abney stated the residential size meters cost \$205 plus sales tax. Mr. Grinton stated there are certain locations where the city in previous years has installed backflow prevention devices on the city side. When we replace a meter that has a backflow prevention device we also have to replace that device which costs \$51.63 plus tax. Councilwoman Price asked if we had thought of asking our taxpayers to pay five cents a month towards paying the cost of a new meter at their home. Mr. Grinton asked if that was not the same as increasing the rate. Councilwoman Price said everybody gets a new meter, and over a period of time they pay for it. She said the amount could be more than five cents, perhaps 25 cents. Councilman Homoki stated Councilwoman Price was talking about a surtax on the water. He said the nice thing about a surtax is once all the new meters are installed you could actually reduce the rate as you would not have that same expense forever.

Mr. Grinton stated that is a method. He said that could be done for the water treatment plant and the Shiloh Springs radium filter also.

Mr. Pearce stated the proposed 10% rate increase based on a typical user is about \$4.50 per month which funds operations, but it also helps us have that money as we replace the meters. It would give us the ability to install the meters in real time.

Councilman Homoki asked if there was a get well point after we have replaced all the meters. He asked if we would have a lesser expense after all the meters are installed.

Mr. Pearce stated we would hope so, but it would depend on the inflation rate as to whether we would be in good shape or not.

Councilwoman Price stated when we did the stormwater we had specifically a stormwater fee that the taxpayers paid. She wondered why we could not have a special purpose fee.

Ms. Abney stated when the stormwater fee was enacted it was put in a separate enterprise fund. She said going through her mind was the comments on a surtax charge or an additional fee, which is kind of like what Councilman Ebner thought was going to happen with the 6% except we would make sure we were very, very clear that if you want say 5 cents every month on a customer, we would have to first make sure our software would support creating another type of revenue. Then we would have to keep track of that revenue separately. That would not go in with the water revenue.

Councilwoman Price stated the surtax would not go with the water revenue because the increase would be for a specific purpose.

Mr. Pearce stated staff could do the analysis, but we have to remember Mr. Grinton's point that changing water meters is actually a very small part of all the work that we have to do.

Mr. Grinton asked in this case would he charge the labor for the changout on top of the cost of the meter as well. He asked what he would include as the cost of the meter. Councilwoman Price stated she would think that labor cost should be included.

Councilman Merry pointed out that some people have backflow prevention devices and some people don't.

Councilman Dewar pointed out to be fair Mr. Grinton does not have people dedicated to water meter replacement as, if there is a leak, the employees have to fix the leak rather than change water meters. He said there is no commitment to the water meters.

Mr. Pearce pointed out that the last increase was for water leak repair crews.

Councilman Dewar stated it was hoped those crews would do some water meter changeouts, but obviously they have not done that many. He said he wanted to go back to the idea if it was possible to look at number crunching and look at whatever number, 5%, 6%, 6.5% for the next two or three years so we can give some stability to at least businesses as to what their water rates are going to be. He said he was with Councilman Merry that it is frustrating to be looking at a 10% rate increase.

Mayor Cavanaugh stated he agreed with that and possibly there could be a rate increase determined for a three year period. Then people could at least plan and know what is coming and the reasons why.

Mr. Grinton stated staff could analyze anything Council would like for them to analyze.

Mr. Pearce stated the reason for bringing this to Council is based on the Horizons discussion a couple of weeks ago. He said we know that we have a projected budget shortfall. We know that we have projects underway and other projects that we need to do because of aging infrastructure. He said if it would help Council we can schedule a work session and answer some of the questions and show what other alternatives are out there. He said we know immediately we have a 10% revenue shortfall based on the rains we have had. He said there needs to be two readings on an ordinance, but we could have a work session and get some additional information to Council and then come back for first reading.

Councilman Dewar stated that would make a lot of sense. He felt we need to make an effort to be less than 10%.

Mr. Pearce stated the questions tonight are helpful to staff. This gives staff something to research and an opportunity to prepare for the work session. He said staff knew we had to bring this to Council. He said we know we need to do something, and know we need to do something every first meeting in February because that is typically after the

Horizons meeting. We will have information prepared for Horizons and that is a great time to ask these kinds of questions so when we come to Council we can hopefully answer the concerns of Council. He said staff never wants to raise rates on anything, but we know that we are going to have a 2% increase every year regardless of what we do because things just cost more. He said if Council would like we could carry this matter over and schedule a work session and then go for meetings, hopefully in March.

Councilman Homoki stated perhaps he is not understanding, but if we are building a well on Silver Bluff that comes out of the budget for water and sewer, once it is constructed would that relieve approximately \$1.5 million away from the budget. He asked if there is a point where we have a paid point.

Mr. Pearce stated we pay for all that by fiscal year 2018-19 which is the point.

Mr. Grinton pointed out that the capital cost for that item would be eliminated, but you still have operational costs and inflation which continue.

Councilman Homoki stated his understanding is that we had some CPST money for such projects. Mr. Pearce stated there was CPST money for infrastructure repair, not for new construction.

Councilman Merry stated he would echo something that Ms. Abney said earlier that one way out of this type problem is growth. He said he would move that Council continue this ordinance and that a work session be scheduled as soon as possible. The motion was seconded by Councilwoman Price. The motion was unanimously approved.

Councilwoman Price stated she felt we need to let the citizens be convinced that Council discussed this matter fully and the matter is well thought out and that adjustments are necessary and we are looking at other options in terms of how we can get the necessary revenue to support the additional funds needed for the projects.

BUSINESS LICENSE ORDINANCE

NAICS Code

Base Rate

Mayor Cavanaugh stated an ordinance had been prepared for first reading to modify the Business License Ordinance.

Mr. Pearce read the title of the ordinance.

AN ORDINANCE AMENDING SECTION 12-52 OF THE CITY OF AIKEN LICENSE ORDINANCE.

Mr. Pearce stated in 2007 the City of Aiken converted its Business License fee schedule to the current North American Industry Classification System (NAICS). NAICS is set up by the Internal Revenue Service and they modify their rate schedule for business license fees on a regular basis. Since 2007 we have not modified our fee schedule under the NAICS code. It is time to do that. With the recommendation to review the NAICS system and the current IRS configuration of it, if we do nothing but update the NAICS codes for various businesses and the rate they pay, we face a budget shortfall of \$172,000. He said city staff had attended workshops that have been conducted by the Municipal Association of South Carolina. They have helped us in the review and provided opportunities for revenue neutral approaches in the upgrading of our system and the updating of it. Of the alternatives that we looked at, the one that appeared the most appealing to staff as far as fairness to everyone who participates in the business licensing of businesses in the City of Aiken, was to examine our base rate. The current base rate is set at \$30. That rate was set in 1966. If we had looked at the base rate and considered inflation that base rate would be \$200 per year today. Staff is not recommending going to \$200 for a base rate. Staff is recommending a base rate of \$80. Then in the higher classes it would be \$80 plus \$5, depending on the class of the business. This would be revenue neutral. That way we will not experience a \$172,000 revenue shortfall and everyone will participate in the revision of the system which will help us preserve the

revenue of the city and not cause us to experience a windfall. He said Nathan Campbell, the Business License Administrator, is present and can answer questions that Council may have.

For Council consideration is first reading of an ordinance to modify our Business License Ordinance to adopt the most recent NAICS code and to set the base rate at \$80 (the minimum rate) and increase higher classes \$5 each to remain consistent with our existing ordinance and current revenue.

Councilman Dewar moved to suspend the normal procedures and allow discussion before making a motion. The motion was seconded by Councilwoman Price and unanimously approved.

Councilman Dewar stated his definition of revenue neutral is different than that presented by staff. He said revenue neutral is that it would not impact existing business license holders. He pointed out that definition of revenue neutral here is that it would not impact the revenues that the city receives. He pointed out that increasing the base rate from \$30 to \$80 is well over 200%, and it would also increase some of the other classes. He said he could not determine how much of an increase we are asking the businesses in Aiken to absorb.

Mr. Pearce pointed out that information is in the agenda packet provided to Council. He said Exhibit B shows the minimum fee and based on the different classes it shows the increase. He said it would be a \$50 increase. In response to a question by Councilman Ebner, Mr. Pearce stated if we don't increase the minimum fee column as shown in Exhibit B the city will experience a \$172,000 shortfall. He said being revenue neutral the city would not lose revenue.

Councilman Ebner pointed out that the revenue neutral would not be for the businesses, but for the city. He said we would be charging the businesses another \$172,000.

Mr. Pearce stated that would be the impact for all businesses and the shares are shown on the rate schedule in Exhibit B.

Councilman Dewar stated Class 7 would go from \$60 to \$110 for the base rate. He asked if the \$1.70 rate per thousand or fraction would change. Mr. Pearce stated the rate per thousand is based on the NAICS classification. With the NAICS reclassification there are several classes that see a decrease for that additional rate per thousand.

Councilman Merry asked if the \$1.70 rate per thousand for Class 7 was the same before the change. Mr. Gary Smith stated the rate per thousand column did not change.

Councilman Dewar stated then for a business in Class 7, regardless of how much revenue they have, the only difference to them would be the \$50 increase in the base rate from \$60 to \$110.

Mr. Pearce stated that is correct. He pointed out the base rate was set in 1966. He said staff was trying to achieve parity, and not trying to increase the rate.

Councilman Dewar stated we are where we were with the water rates. We did not increase the base rate for 48 years, and now we want to increase the rate.

Councilman Merry stated we will be facing this on more and more things.

Mayor Cavanaugh asked when the information came out that the License Ordinance needed to be changed. Mr. Pearce stated the IRS adjusted the NAICS system. Typically you would look at this every five years, but we have not. It has been seven years since we adjusted the rates so it is time to look at it.

Councilman Homoki stated if a company in Class 7 makes \$3,000 that is \$1,000 over the \$2,000, so the business would pay \$110 base rate and then \$1.70 for the \$1,000 over the

\$2,000 rate. Mr. Pearce stated the fee would be \$111.70. He said the additional rate for income over \$2,000 did not change, just the base rate by \$50.

Councilman Ebner stated if he divided \$50 into the \$172,000 shortfall, that would mean we have about 3,400 or 3,500 business licenses. Mr. Campbell stated that is a close figure. Councilman Ebner stated he did not understand that if we don't raise the base rate by \$50 how we have a shortfall of \$172,000. He asked how we would lose that \$172,000.

Mr. Pearce stated it is because under the classification system by the IRS, businesses that were in a particular class might be in another class at a lower rate. Some may go up and some may go down depending on how they are classified under the system.

Councilman Dewar stated every vendor with a business license today pays the city a minimum of \$30 and will now give us a minimum of \$80 if they are in a Class 1. Mr. Pearce stated the base rate they pay is determined by the class. If a business is a Class 7, they have been paying the city \$60 but would now pay the city \$110, a \$50 increase in the base rate.

Councilman Dewar asked then if the vendors for the Chamber of Commerce Aiken's Makin' craft show would have to pay a minimum of \$80 rather than \$30. Mr. Campbell responded that the Chamber of Commerce buys a group license for the Aiken's Makin' event. Councilman Ebner stated then the Chamber would pay more for the license for Aiken's Makin. Mr. Campbell responded that they would. Mr. Pearce pointed out the Chamber would pay \$50 more for the license. Councilman Ebner asked if the Chamber knows that. He said if they are in a different classification their fee will be more as they sell a lot. It was pointed out the Chamber gets one license for the event for all the vendors. Their fee will go up \$50. It was stated that is the same for the Christmas Craft Show at the Weeks Center.

Councilman Dewar pointed out that outside the city vendors pay double the city rate. He wondered what the rate would be for a Class 1 outside the city. Mr. Campbell responded the fee would be double \$80 which is \$160.

Councilman Ebner asked what will happen if we don't raise the base rate. It was pointed out if the rate is not changed the City will lose \$172,000 in revenue. Mr. Pearce stated it is time for the city to go to the NAICS code because of the five year time period. He said if the fees were not increased we would have a NAICS code in effect that had been modified.

Councilman Merry asked if the city had to use the NAICS code, as he had long had a grievance with the way some businesses are classified. Mr. Pearce stated that was a discussion we had in 2007. The former code was the SIC code. Most South Carolina cities are on the NAICS code, not SIC. Councilman Merry asked if we can start with NAICS as a framework and deviate from it in any way or do we have to take it the way it is.

Mr. Smith stated that would be kind of like adopting the Building Codes. When you say you are going to adopt the Building Code, then people around the State of South Carolina know what a building code is and what it is supposed to look like. They frown on modifying the building code. In fact it is not allowed any more. The city used to do it, but they don't anymore.

Councilman Merry stated we know there are some things in the Building Code that are enforced and some things are not. He said enforcement varies from local to local. He said presumably the difference in the Rate Class 1 through 8 is a measure of maybe the profit margin in a particular business. Mr. Smith stated that is what Council was told earlier. Councilman Merry stated there are businesses that may be low margin businesses grouped in a rate class with other businesses that are high margin businesses. He felt it is inappropriate grouping. He did not know how IRS came up with the grouping.

Mr. Pearce stated the grouping is supposed to be set up on an ability to pay. Mr. Smith stated it recognizes that a particular type of business is much more profitable than another type of business, such as manufacturing versus retail, that sort of thing. He said the IRS has done their analysis of income tax returns that have been filed with them over the years and said based on the analysis that they performed it should be in a certain group.

Councilman Merry stated that is where his grievance lies, as there are some things where they are grouping certain businesses that might be low margin into a Rate Class 8 which is set aside for high margin businesses. When you measure it based on gross receipts it might be an unfair measurement. He said he would use home building, for instances. You can build a \$500,000 house at one margin or \$150,000 at one margin, and it makes a totally different number. He said the point is that he has a grievance with the classifications. He said he would like some consideration at some point to look at whether or not we agree uniformly with the NAICS classifications. If we don't, could we deviate at all from it. He said Mr. Smith had said it is not customary, but is there a law, rule or restriction from deviating.

Mr. Pearce stated we could look into that matter. Councilman Merry stated he could give some specific examples at a later time.

Councilman Dewar stated medical is another example. You could have a large medical clinic, and they would pay the same as a one doctor office. They are in the same category. He said his understanding of the business license is that there are two decisions that can be made. One is whether we will have a business license, and second what the rates are. He said we can change the minimum fee and the rate per \$1,000 fee.

Councilman Merry asked if we could change the classification. Councilman Dewar stated he felt we could not change the classification. He pointed out the Business License Handbook is on line, and it lays that out. He said we don't have a choice on the classification. He said either we have a business license program, or we can change the rates, but that is all. Councilman Merry asked if we are stuck with the NAICS class code. Councilman Dewar stated that was his understanding. Councilman Merry stated he would like to know that for sure.

Mr. Smith stated he did not know how Council could qualify itself as an expert in such a way that they could present an amended version of the NAICS code that would be more acceptable than what the national standards are. He felt that would be a real burden to overcome.

Councilman Ebner stated we are discussing something that is almost immaterial. He said it is kind of like the Building Code. If you don't do it, then somebody will come down from Columbia or Washington, DC and knock on your door.

Mr. Pearce stated that is what we would expect. Mr. Smith stated when you say you are relying on the NAICS code as the basis for your business license system, you have to keep up with the current version of it.

Councilman Ebner stated that is what he was saying. The discussion is good to make us feel good, but the bottom line is that we can't say no. He said it looks like the answer doesn't matter.

Councilman Merry stated we can't say no on the water rate increase, and we can't say no on the business license.

Councilman Dewar stated there are some inequities in the NAICS system as he pointed out one example as well as Councilman Merry. He said that is not really the issue here. He said the issue here that is causing a little concern is the increase cost to businesses. He asked how many business licenses are issued to outside the city businesses and how many to in-city businesses. Mr. Campbell stated he did not have that number with him, but could get that number. Councilman Dewar stated he was looking to determine the effect to businesses. He said he wished Council had had a chance to weigh in on this a little bit during Horizons, but they did not. He said he had had a lot of emails from

business people that are really concerned. He said you get their attention when you start talking about changing business license fees. He said this is a surprise to the business community and a surprise to Council. He said Council did not know about it until it came in the packet. He said this might be something where we need to slow down a little bit and let the businesses come in and weigh in on this and give their view and give them enough information so they will understand how it affects them. He said he did not know how it affects them.

Councilman Homoki stated as long as we are equitable, for example, if somebody falls in Class 8 and the rate per \$1,000 or fraction thereof is the same for all the businesses that fall in Class 8, he felt we are covered. He said if we start considering something a special Class 8 business and another is a different Class 8, then that is where we could get ourselves in trouble.

Councilman Dewar stated he felt Council should not get into that issue. He said we have to accept the fact that there are some inequities in the system, but this is the system that we have. He said the businesses need to weigh in. He said he was sure they will weigh in. He said some have already weighed in.

Mayor Cavanaugh stated unfortunately there is not much that can be done when they weigh in.

Mr. Pearce stated the NAICS is a national rate system, and the national rate system has changed.

Councilwoman Diggs asked if businesses had been made aware of the proposed change. Mr. Pearce stated the agenda had been published. Councilman Homoki stated the Chamber of Commerce should discuss it with their business members. He felt that is probably the best way if the businesses are not aware of the change. He said the NAICS has been in effect for about 15 to 20 years.

Councilman Dewar stated what is mandatory is the adoption of the NAICS code. He said he had no qualms about that. He said he did not know that it is mandatory that we have to change the rates. Councilman Merry stated it is not.

Mr. Pearce pointed out the code classifications had changed just as the Building Code changes. He said the city is faced with a potential revenue shortfall of \$172,000 because of the new national code system. He said there are different approaches. He said the approaches penalized certain participants in the business license. He said staff tried to look at something that everyone participates in the adjustment which is an adjustment of \$50 to the base rate which has not been changed since 1966.

Councilman Dewar asked if it is the city's choice or is it standard that if you have a business license outside the city you pay double. Mr. Smith stated that is pretty much standard throughout the state. Mr. Pearce stated staff can verify that.

Mayor Cavanaugh asked if other cities have the same rates that the City of Aiken have under the base minimum fee. Mr. Campbell stated he had examples of what various cities charge compared to what the City of Aiken charges. He said the base rates and the per \$1,000 rates vary from city to city. There is no set rate, but the rates are all similar.

Mayor Cavanaugh asked for Class 1 with the base rate going from \$30 to \$80, would other cities have the same thing necessarily. Mr. Campbell stated not necessarily. The rates vary from city to city. Those rates are set by Council. Mr. Pearce stated the rates presented are what staff is recommending. Councilman Homoki asked if 0 to \$2,000 was kind of standard for a business license fee. Mr. Campbell stated municipalities around the state charge a base rate for the first \$2,000 and then a rate per \$1,000 over the \$2,000.

Mayor Cavanaugh stated if Council approved what staff is recommending we would be saving \$172,000. If the base rate is not increased the city would lose \$172,000 in revenue. Mr. Pearce stated if the recommendation of staff is approved the city would not experience a windfall and would not received any more revenue. The revenue would stay

the same. Mayor Cavanaugh asked if the numbers recommended were based on the fact that this would cover the \$172,000.

Councilman Dewar stated the city would get the \$172,000 by charging the business licensees \$172,000. Councilman Homoki stated it was not really a shortfall. Mr. Pearce stated the revenue would not be more because businesses would experience different class rate classifications.

Councilman Merry pointed out for instance that if a real estate agent was in Class 7 prior to the change they would be paying a certain base rate and a certain rate per \$1,000. Under the proposed change they might drop to a Class 5 so they could conceivably even with the changes pay a lower base rate and a lower rate per \$1,000 which means that would be a net loss to the city in terms of revenue. That is where the \$172,000 loss would be.

Mayor Cavanaugh asked what would change that from a 7 rate to a 5 rate. Mr. Pearce responded because of a change in the classification system by the IRS nationally. He said some may go down in class and some may go up in class. Councilman Ebner asked if that was part of revenue neutral or can we figure that out. Mr. Pearce stated the practical outfall of businesses changing a class like Councilman Merry described is that we will have a budget shortfall of \$172,000.

Ms. Abney stated the way the codes work we did see a lot more businesses go to a lower rate, probably due in part to the economy. She said some people will pay less even raising the base rate because they are going to a different class. Mr. Pearce pointed out that others may pay more because of the base rate increase.

Councilman Ebner stated once we get past the \$2,000 will that be revenue neutral. Mr. Pearce pointed out there is no increase in the rate over \$2,000. Ms. Abney pointed out we would not be changing the rates for the amount over \$2,000, but a business may change category. Councilman Ebner pointed out if somebody changes down, somebody will change up. Mr. Campbell stated not necessarily. Councilman Merry stated that is why there would be a shortfall. Councilman Ebner stated then that is the shortfall we would get into after we get over the \$2,000 amount. Mr. Pearce stated they are paying a certain business license fee now. They may shift to a different class, so that may mean their bill would go down for that particular business so that is what spurred us to take a look at the base rate, which is a 1966 base rate.

Councilman Ebner stated the base rate would be neutral, but if for some reason more people went down in class than went up in class then we would have a shortfall after the \$2,000 because that won't make up the revenue. Mr. Pearce stated that is why staff looked at the base rate to have every member of every class on parity as far as what they pay as a base rate.

Councilman Homoki asked who determines the class. Mr. Pearce responded NAICS determines the class. Councilman Homoki asked if Mr. Campbell tells them what they are when they apply for a business license. Mr. Campbell stated he looks up the classification by the NAICS code. The NAICS code determines the class. Councilman Homoki stated there are probably 5 or 6 different services in a class in NAICS codes. Mr. Campbell stated he would use the United States Census.

Councilman Homoki stated we may have an electric utilities that is a class 8. Then there are repair and maintenance services, education services, etc., he asked who determines which category they fall into. Mr. Campbell responded that the NAICS code associated with each of the business sectors falls into a different class and that class is determined by a chart we get from the Municipal Association. Mr. Pearce asked if there was a description of each category. Mr. Campbell stated the classes are based on profit margins.

Councilman Homoki said for example there is telecommunications/wired, telecommunications/cellular, Cable Television, Other telecommunications, specialized services, internet service providers and data processing services. He asked who identifies

which category they fall into. Is it self-identification or does Mr. Campbell identify the category when they come in for their business license. Mr. Campbell stated those pointed out are special. He said the state actually collects telecommunications and electric utilities. Councilman Homoki pointed out, however, on the listing there is a 5175 which is a Rate Class 8 and a 5179 which is a Rate Class 3.

Ms. Abney stated if someone comes in and wants to open a business, they fill out an application. If it is not cut and dry, then Mr. Campbell or one of the Accounts Receivable Clerks will ask questions to determine in which category they will fall. She said the applicant may have to provide more information. Mr. Campbell stated if someone comes in to obtain a business license, he goes by the Rate Class Index to determine their Rate Class. He said for example a hobby store is listed under Rate Class 1. That person will be charged a Class 1 rate. He said most companies have to list on their income tax their NAICS code, but the city is not allowed to look at their income tax statement any more. Councilman Homoki stated then the Class is self-identified. Mr. Campbell stated they try to gather as much information as possible to classify them correctly.

Councilman Dewar stated for the last several years, as he recalls, we have collected more in business license fees than we thought. Last year it was \$861,924 of which \$681,382 was a one time shot from insurance companies which we should not expect. He said if you subtract that \$681,382 we collected about \$180,000 more than we thought we would. He said as he recalls it seems to him that generally we have collected higher each year because it is a difficult thing to estimate precisely. He said if we collected more than we expected last year, it would more than cover the shortfall of \$172,000 that we would incur from the NAICS change. He said the \$172,000 we are projected to receive if Council approves this comes from the increase of the base amounts of \$50 each. He asked what the effect would be if Council does not approve the change in the base rate and approves the NAICS code. Mr. Pearce stated we will know in August. Mr. Campbell stated based on last year's gross receipts reporting, staff projects that we would have a \$172,000 short fall.

Councilman Dewar stated last year we were over by \$861,000, and no one knew we were going to get the extra money from insurance. He said putting that aside we still had over \$200,000 that we collected.

Mayor Cavanaugh asked about the NAICS Numerical Index and asked if that listing could be applied to the Rate Class Index to see what Rate Class a business would fall under. He asked who set those charts up. Mr. Pearce stated the IRS sets the list as far as the class of the business by the NAICS code. Mayor Cavanaugh stated that is set so Council can't change that. He said the only thing Council could change is the base rate.

Mr. Pearce stated he did not want to create a false impression. He said there are two other approaches to what can be done recommended by the Municipal Association of SC. He said one alternative is to increase the burden on higher gross reporting businesses. Mr. Campbell said the other alternative was to adjust the rate charged per thousand over \$2,000 of gross receipts.

Mr. Pearce stated the gist of the other two approaches is that it would punish the profitability of the business. In other words you would charge a percentage higher so the more money the business makes, the more money they would have to pay. He said that is why staff looked at the base rate approach as something that would not punish business, but would achieve parity in what the city would expect as far as revenue.

Councilman Dewar pointed out the whole tax system is based on the more you make, the more you pay. He said he would feel more comfortable deferring this matter to get input from the business community because this is a surprise to everyone. He said he has no idea how this is going to affect a business. He said he thought it probably varied with the business. He said he could assure that when this proposal gets out to the business community that we are proposing to do this and the information is available for them to study, they will have some input. He said he would feel more comfortable giving the business community a chance to look at the effect on their particular business. He said a lot of them have already said they don't like it. He said nobody likes an increase,

especially in these economic times, but at least they would have a basis for saying what they say.

Councilwoman Price stated if we have questions among Council, just think of the public and the questions they will have. She said we need a special meeting to discuss this and invite the public for their input and education on the matter as well.

Mr. Pearce stated we can schedule a work session. He said staff wanted to give this to Council to let them know what the developments are on the national level and then translate what will be the best for the business community in Aiken. He said the discussion gives staff a good list of preliminary questions to research and have available when we have the joint meeting.

Councilman Homoki stated when we talk about income for the business, he wondered if it included tax when you sell a product, just the cost of the product or tax they pay as well. Mr. Pearce stated the income is gross receipts.

Councilman Dewar moved that Council continue the item to modify the Business License Ordinance. The motion was seconded by Councilwoman Price and unanimously approved.

Mayor Cavanaugh stated we do know that businesses in each category will pay more for the base rate. Instead of paying \$30 for the base rate, they would pay \$80 which is \$50 more per year and each class would pay \$50 more for the base rate.

Councilman Dewar stated based on the existing data that we should have in the system, staff should be able to tell Council how much that portion of the change would make in revenue, how many licenses are in the city and how many outside the city, and the class for businesses.

Councilwoman Price asked if it was possible to put a dollar value of the base rate by each item on the Rate Class Index rather than having to refer to the other sheet every time you want to look up the rate class amount.

PROCEDURE

Agenda

Councilman Ebner stated he had a procedure question. If an item is not on the agenda, can he ask about procedures at the Council meeting. He asked if that was a legal question to ask or would he have to put that on the agenda to ask the question.

Mr. Smith stated Councilman Ebner could ask a procedure question.

Councilman Ebner stated tonight there were a number, including a Councilman and citizens, from two areas that thought they were going to get a brief rundown on how the road repairs are going to be for their area. He said he sent the request in appropriately on Monday, but he does not know the item is not going to be on the agenda until Thursday. He said if it inadvertently gets left off the agenda, what procedure could a Councilman follow to get the item on the agenda for the next Monday. He said 24 hours notice is required for the legal distribution which would be the Aiken Standard and posting at City Hall for items on the agenda.

Mayor Cavanaugh stated he thought it was decided to put things on an agenda, it had to be done by the end of the day on Monday preceding the Council meeting. Councilman Ebner stated if the request does not make the agenda for some reason, inadvertently or some other reason, what happens.

Mr. Pearce stated for example he had a Monday, February 3, 2014, email from Councilman Ebner. He asked for two items to be on the agenda under Petitions and Requests. One was under request for discussion. No action at this meeting. Please have Kim present the best estimate of water and sewer rates. Item 2 under Request for Discussion. No action at this meeting. Budget needs to be refined or reflect a reasonable

budget versus what actually could be done. Mr. Pearce stated those were the two items he had.

Councilman Ebner stated he also sent an email on Monday asking to have a brief update on Ascot and on Gem Lakes. He said Mr. Pearce had answered him and said he had sent a letter to the Ascot residents saying what was to be done. Mr. Pearce responded that his understanding is the letter is what the Ascot residents wanted. He said there is a capital item for discussion at Tuesday night's Planning Commission meeting. Councilman Ebner stated below that he had said the residents would like to have that discussion at the City Council meeting.

Mr. Pearce stated if he had made a mistake that is fine. He said the email he referenced is what he had for the two items. Councilman Ebner stated there were two emails for the agenda. Mr. Pearce stated that is a misunderstanding. He said if it had been in an email like the other one, it would have been on the agenda.

Councilman Ebner stated suppose this does happen. He said the citizens come to the Council meeting, and the item was not on the agenda. He asked if there is some way to put the item on the agenda.

Mr. Smith responded that the item has to meet the 24 hour notice requirements for an amended agenda.

Councilman Dewar stated if it was posted at City Hall and the newspaper was notified on Friday that would be 24 hours notice. He asked if that would comply with the law. Mr. Smith responded that he thought it would.

Councilman Ebner stated if the City Manager is not in town, could a Councilmember do that posting or who would do it.

Mr. Pearce stated they don't want the City Manager to take a vacation.

Mr. Smith stated if we worked out how the agenda is put together and work that out in such a way that everybody is happy with it that would solve the issue.

Mr. Pearce stated the understanding in his office is that by the Monday before the Council meeting, we would have all the requests from Council as far as any petitions and requests for the Agenda.

Councilman Ebner stated he understands that part. Mr. Smith asked if they were emergency items. Councilman Ebner stated there was a miscommunication for the meeting tonight about having a two or three minute summary from Mr. Grinton on the status of Ascot Road and Gem Lakes. He said that was a mistake. He said he was not plain enough or they were not. He said he would have them on the agenda for next time.

WATER AND SEWER REVENUE RATES

Councilman Ebner stated one of the items he had on the agenda under Petitions and Requests was for review of the Water and Sewer Revenue Rates. He said he did that earlier today with Mr. Grinton, Ms. Abney, and Mr. Pearce. He said he thought there had been a lot of good discussion at this meeting tonight. He asked when we have the work session, the City Manager will put an agenda out on Thursday before the work session. He asked how the data will be distributed for the work session on water rates.

Mr. Pearce responded that it depends on when the work session is set up. For a Monday meeting we typically have the agenda by Thursday afternoon.

Councilman Ebner stated he felt there are some issues that Council needs to address. He said fixing water leaks to go down from a 17% loss rate, which is an estimate rate, to a 10% rate will be years unless we do something different from what we are doing now. He felt it would be good for Mr. Grinton at the work session to tell us what he is doing to bring this loss rate down. He said the loss rate has been incremental over time. He said

that is how this all started. Our leakage rate went up to over 1,000 leaks a year. He said we are still pushing 1,000 leaks a year on the average. He said last year was down slightly, but this year will be up a little.

Councilman Ebner stated he felt we could do some estimating on what rates are. Even if we just look at inflation for 2015 and 2016 that will be somewhere between 1.5% and 2.3%. He said those are real numbers. If we wait two or three years, and we are not gaining that money, then we have to add 10% to 15% two or three years later to make up the difference. He said he felt we are not explaining that as well as we should to the citizens. He felt Council probably understands it. He said the rate needs to be increased every year or we need to understand what has to happen every two years. He felt we need to make that very plain. He said inflation goes on. He said literally we know how much electricity and chemicals we use which are the two big uses in the system.

BUDGET

Councilman Ebner showed a chart of City of Aiken Revenues for FY 98-99 through FY 12-13. He said he was doing some blue sky thinking of Food for Thought when we look at the next budget. He said he was a budget and project related guy.

Councilman Ebner stated that Horizons caused him to put this together. He distributed a sheet entitled FY 2014/2015 Budget Process Food for Thought. He said during Horizons Mr. Grinton put together a real good list of things that need to be done, looking at our infrastructure and what needs to be done in the future. He said it is obvious to Mr. Grinton, Mr. Pearce and several others that obviously there is not enough money to do the projects in the next 10 years. He said for projects we have not started or not completed and in progress, we need to look at those and be sure there is a need, funding and scheduling. He felt that is what Councilman Merry was talking about when he talked about the water rates. He said when we get to the August budget variance approval City Council meeting, we need a budget that has the actual year end expenditures. He said the reason he is saying that is if you look at his comments the second items says: "The budget must reflect realistic expenditure projections. In the past four years, actual expenditures have been \$3,000,000 to \$5,000,000 below budgeted amount. He said the key example is the Silver Bluff Water Tank project. It was scheduled for four years in a row before we did the work. Instead of a \$52 million budget, we should have had a \$48 million budget. He said he did not think there was any way we could have spent \$4 million in a year even if we were doing it. He said he was looking at the big items. He said he was not going to deal with the day to day revenues because Mr. Grinton will have emergencies as well as others. He said on the big jobs he felt we need to look at those closer.

Councilman Ebner stated the other thing is the capital project pink sheets in the back of the budget. He said they are blue or pink sky thinking. The key there is that the pink sheets for the budget year that we are fixing to approve need to be looked at closely. He pointed out this past year we put in \$13 million for the pink sheets, and there was no way we could do that and some of the items listed. He said he was saying look at the items closer as budgets are getting tighter.

Councilman Ebner stated on Capital Projects Sales Tax Council passed an ordinance to say we would have a scope of work and a good estimate of what it was. He said another thing we have to be careful that Council remembers, and even residents, the Capital Projects Sales Tax is not part of the budget process. We do those in a separate authorization and schedule. He said we put them in the budget, but they are not part of the authorization of the budget. Mr. Pearce stated the CPST projects can appear on the capital projects pink sheets, but they are not funded by the General Fund, the Utilities Fund or other funds. Councilman Ebner stated you can't say they are in the budget book. They are not in the budget book. You have to be careful because if you intermingle the money, you are supposed to get an audit exception, and we don't want that. The auditor keeps this in two separate pockets.

Councilman Ebner stated the last item is under Parks and Recreation projects from the Capital Project Sales Tax. He said this had been discussed a number of times. He said

there are a lot of real sticky issues to deal with—everything from dealing with land use, DHEC, neighbors, etc. He said we have about \$10.5 million worth of work. He said he had mentioned this to Mr. Pearce before. He said Mr. Parker can do a lot of the projects, but a lot of the things take a lot of work beyond what he feels city staff can do. He said he felt we need to look at a dedicated team. He said we have \$10.5 million, and we need to spend it wisely. He said he was a little concerned that without having somebody to sheep herd this through the system, it won't be spent as wisely. His key example is the Northside Recreation Park on the city landfill. The first study was done in 2009. It was discussed at the 2010, 2012 and 2014 Horizons meetings. The conclusion is that we will look at the study we have. What was done in 2012 Mr. Parker did an excellent job with the different colors showing where we could not build. He said he uses that as an example. The money is in the bank, and we need to look at it. He said Eustis Park is another whole issue.

Councilman Ebner stated these comments are food for thought as we look at the budget to be sure we take a look at all of these.

Councilman Ebner asked that the chart be shown. He said this is food for thought. He does not need an answer from anybody or on anything he has said. He said, however, he will be asking the questions again. He said the chart was put together in 2012. The chart shows the General Fund revenue. He said he asked what the revenue was for the last 30 years. He pointed out that the red line that goes up is a 2% inflation rate. He pointed out where the blue line of revenues hits in 2008. He said if we plotted out the water and sewer fund it would fit this line. He said he knew it would because he did it. He felt this is something that we really need to look at because everything between the red line going up and the blue line is a deduction below the line. It is costing more to buy stuff. He pointed out the reassessment for taxes is done every five years typically. He said all indications in talking with the county that assessment will probably not go up very much, but could come down.

Councilman Dewar stated the Assessor's Office had interpreted the law as saying they can increase 15%. That is what they did the last time, except for those people who challenged it.

Councilman Ebner stated he was asking that we take a look at it. He said we have some tough years coming up. The projections made for 2014 at Horizons does not make this revenue line jump up 2.3%, 2%, or 4%. He said as Councilmembers go forward over the next few years, the longer that line is straight, the tighter the budget gets and some of the things fall off the sled because you can't spend more than you take in. He said he thought Mr. Pearce and all of the staff have cut back to get us where we are, but at some point how much can you cut back. He said he did not know what the number is. He said when we do the next budget or two this number is going to get important. He said that was his ten cents talking about when we do the next budget. It is for what it's worth category. He said he did not need an answer from anybody.

Councilman Merry stated this demonstrates visually what they both said at Horizons that there is a squeeze in the process, that our expenses continue to rise and our revenue has not. Therefore, it will create that inevitable squeeze. He said to echo what Ms. Abney said, it speaks to the water and sewer rates, to the business license fee, and it speaks to this, the solution is we either vote on a millage rate increase, water fee increases, business license increases or we can grow our way out of these problems. He said he did not know if we could grow fast enough. The point is that is the alternative to raising taxes and fees.

Councilman Ebner pointed out that anything we build like major infrastructure such as a water tank, etc. is for residents for the next 10 to 15 years to grow. You have to build something and use it. It is kind of like buying another garbage truck. When Public Services has always picked up garbage with three trucks, he has to buy a fourth truck, but the fourth truck is never fully utilized for a number of years. He said the information is something to think about as we go thru the budget.

Councilman Dewar asked if there was any kind of footprint for the Eustis Park Senior Center as to how much land we will need. He said he thought he recalled several years ago seeing a master plan. Mr. Pearce asked if he meant a footprint for a building. He said there was not one. Councilman Dewar asked how do we know how much land we need to buy. Mr. Pearce stated we looked at a facility over in Covington, Georgia. He pointed out we are limited by budget. We have \$3.5 million to build a facility. He said where the building would be would determine the footprint. If it is in the existing Eustis Park, the footprint needs to be much smaller than if there was another opportunity to build in another location.

Councilman Dewar stated then the footprint depends on the size of the building and parking needed. He said that is what he meant by footprint. Mr. Pearce stated we don't have that right now.

Councilman Homoki asked if we would save any money if we bought the spec building and built onto it. Mr. Pearce stated the money is designated for Eustis Park so that is the Toole Hill section. He said that is what the citizens voted on.

Councilman Dewar stated the Senior/Youth Center was put on Council's continuing goal. Mr. Pearce stated we did. He said the money available in the bank now is for site acquisition and design. It is actually for site acquisition. Councilman Dewar stated he was struck by the fact that if we don't know the size of the building how are we going to know the amount of land that we need.

Mr. Pearce stated that was the comment at Horizons, that we take this first quarter to answer those questions. He said that is what we are working on. Councilman Dewar asked if he would expect to have that in the budget for next year—some definition of what that facility might look like. Mr. Pearce stated that is what we are working on this spring.

Councilwoman Price pointed out we discussed this in Horizons and have a timeline as to when we are going to have this. Mr. Pearce stated the time was the first six months of this year.

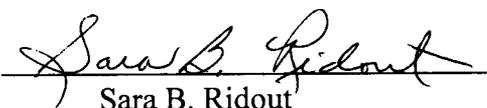
FEASIBILITY STUDY

Municipal Building

Mr. Pearce stated a feasibility study group meeting for the first floor of the Municipal Building is set for Thursday, February 13, at 11:30 a.m. He asked if Councilmembers plan to attend the meeting. The meeting will be at 11:30 a.m. in the Conference Center. Mr. Pearce stated the meeting is for the consultant to meet with stakeholders, the users of the facility. He said presently there will be about 10 from the community, which will include the Chamber of Commerce, Downtown Development Association, caterers, rental agencies, and folks who have rented the facility on more than one occasion. Councilman Ebner pointed out that the key for the meeting is to hear from other stakeholders before Council talks about the matter. Mr. Pearce pointed out the meeting is not a Council meeting, but is the consultants coming in to get information. It was pointed out that Council should do a lot of listening to hear what the real people say. Councilman Ebner stated he felt that was important because they are the ones paying the rent.

ADJOURNMENT

There being no further business, the meeting adjourned at 10:09 P.M.


 Sara B. Ridout
 City Clerk