CITY OF COLUMBIA CITY COUNCIL
WORK SESSION MINUTES
MAY 15, 2012 –12:00 P.M.
CITY HALL - 1737 MAIN STREET
2nd FLOOR – COUNCIL CHAMBERS

The Columbia City Council met for a Work Session on Tuesday, May 15, 2012 at City Hall, 1737 Main Street, Columbia, South Carolina. The Honorable Mayor Stephen K. Benjamin called the meeting to order at 12:12 p.m. and the following members of Council were present: The Honorable Sam Davis, The Honorable Tameika Isaac Devine, The Honorable Daniel J. Rickenmann, The Honorable Belinda F. Gergel, The Honorable Leona K. Plaugh and The Honorable Brian DeQuincey Newman. Also present were Mr. Steven A. Gantt, City Manager and Ms. Erika D. Moore, City Clerk. This meeting was advertised in accordance with the Freedom of Information Act.

CITY COUNCIL BUDGET WORKSHOP

1. Water and Sewer Rate Study – Mr. Daryll Parker, Utility Advisors Network

Mr. Daryll Parker, Utility Advisors Network, explained that the primary goals and objectives of the water and wastewater rate study include: full cost recovery for utility expenditures; cost-based rate structure; equity among customer classes; administrative efficiency; 5-year financial plan; and reduced reliance on inter-fund support from the water system to the sewer system. We've done some rate adjustments, which are more heavily weighted to the sewer system to reduce that reliance on the water system. It is a combined system, so it's not inappropriate. From a cost standpoint, we would prefer to see you cover your water system from water revenues and your sewer system from sewer revenues. Your current rate system is meter based and as your water connection increases, you pay a higher availability charge. That's the fixed rate component we talked about. He reviewed the existing rates for the water system, noting that the first 300 cubic feet of water is included in the base rate. He suggested that this structure be phased out, because you should keep your variable separate from your fixed rate. It is intended to help the lower use customer.

Councilor Rickenmann asked what the impact would have been if they looked at that first before looking at the rate charge on the others. How many customers would that impact?

Mr. Daryll Parker, Utility Advisors Network said that the City has 130,000 water customers. It would be a significant change. I would like to see you phase it out. Next year pump the 300 to 200 then the next year bump it down to 100. You will see how some of these customers will be impacted anyway.

Councilor Rickenmann said that it's $2.4 million. To me, that would have been the first place to look, put everyone on an even playing field and then go out for the rate increase.

Councilor Devine asked who those customers are.

Mr. Daryll Parker, Utility Advisors Network said that it's everybody. It's really your lower end user. We are also making changes to the base charge. Those customers feel it the most. It could be your retirees or maybe one person or two people per household. The typical household is 6,000 gallons (800 cubic feet).

Councilor Plaugh asked who the top five (5) commercial users are.

Mr. Daryll Parker, Utility Advisors Network said that they look at that when they do bond issues. We don't focus on individual customers when talking about a rate study. He reviewed the wastewater rate structure, noting that the structure is not meter based. We like to have a wastewater rate structure that's consistent with the water structure. We adjusted the base charge for sewer so that it's incremented by the size of the water meter. The bigger the water meter, the more impact it has on the sewer system. We talked about full cost recovery and the amount of revenue we need to generate. He presented the 2013 revenue requirements. We need to generate $117 million in revenue. The majority of costs are inherently fixed. You have more water customers than sewer customers. Your system is heavily weighted to outside city customers. We are anticipating some customer growth. He reviewed the proposed rate increases for 2013. We are looking at the same water rate structure. All we're doing is bumping up that base charge. We want to generate more fixed revenue to cover your fixed costs. The volumetric rates are going up. On the sewer side, we set wastewater rates that are meter based. We are proposing a 4-year phase-in approach on the increases to the monthly base charges. Ultimately, they get to a meter based structure that's consistent with the American Water Works Association equivalency standards.

Councilor Plaugh asked if the water and wastewater are percentage increases.

Mr. Daryll Parker, Utility Advisors Network said no. Some of it is structural. These are not across the board percentage adjustments.

Councilor Rickenmann said that if you put everybody on even keel, you are generating a lot of money without having to go up. The minute you turn it on you should pay for your usage.

Mr. Daryll Parker, Utility Advisors Network concurred. As your consultant, I focus a lot on revenue, but I also try to focus on sensitivity to the customers, too. The typical customer uses 800 cubic feet and their bill would increase by $3.20 per month.

Mayor Benjamin asked if there was a way to have normal users pay for their fair share, but also be sensitive to those who continue to be low users or on fixed income.

Mr. Daryll Parker, Utility Advisors Network said that you don't want your utility system to be set up to subsidize. That's doesn't mean that the general fund can't.

Mayor Benjamin asked again if customers that use more than 300 cubic feet of water pay for all water usage, but those using less than 300 cubic feet remain under the current rate structure.

Mr. Daryll Parker, Utility Advisors Network said that it can be done. I would have to think about it to ensure that we're not being unfair. It seems like it could be reasonable. I don't want to put you in a situation where you are legally challenged. Your rates are low, but they are not discriminatory and we want to make sure we stay that way.

Mayor Benjamin said that is a way to realize revenues in the absence of a hike and at the very same time being sensitive to the needs of people who may be on a fixed income with low usage and to reward them in some way as well.

Councilor Plaugh suggested that this could also be done for the small businesses.

Councilor Davis asked why he should have to pay if he's not using it. We are confusing sensitivity with low income. There's nothing that says a business wouldn't fall in that category. Why not let that be one of the fairness caveats in the system moving forward.

Mr. Daryll Parker, Utility Advisors Network said that he tries not to confuse low use with low income, because it's there's necessarily a correlation. Low use could mean high income. Even fixed income isn't necessarily low income. We are not talking big numbers. For combined water and sewer, your typical customer bill would be over $3 per month and we are on a projected path going forward. This proposed increase generates approximately $12 million. The utility capital funding needs are $100 million. This would be funded by revenues in the amount of $20 million and $80 million from the issuance of new bonds. Rate adjustments are required in 2013 to meet utility operating and capital funding needs. In closing, we believe that rate adjustments are necessary. Annual adjustments are anticipated due to funding the Capital Improvement Program, more stringent environmental regulations and rising operations and maintenance costs. The TIF option could also impact this going forward. We can also look at annual updates and other structural changes.

Mr. Steven A. Gantt, City Manager stated that the initial proposal was a 16% increase, but staff and the consultant worked to bring that number down to a little over 7%.

Councilor Gergel asked if this included the TIF.

Mr. Daryll Parker, Utility Advisors Network said that no TIFs are factored in right now. Depending on the amount of the TIFs, they may not impact your rates.

Ms. Melisa Caughman, Budget Director explained that the advertisement for rate increases outline the old rates and new rates.

Councilor Rickenmann said that rate increases can be done at a different time, because it's not directly tied to the budget. We are not under the trigger. We need to look at other alternatives.

Mr. Kenneth E. Gaines, City Attorney explained that the City has to give public notice to changes in the rate. The budget must be passed by June 30th, but you can change the rates at any time.

Mayor Benjamin said that we have to move forward with the rate increase. He asked Mr. Parker to respond to some of the ideas that he has heard. We may have the latitude of doing lesser increases in future years. Our commitment to reinvesting in the system needs to be very clear. The commitment to the revised rate as proposed by staff and our consultant as well the commitment to phasing out the 300 cubic feet or less over the next few years will give future Councils more latitude. We are also trying to encourage conservation.

Councilor-Elect Baddourah asked how many customers use 0 to 300 cubic feet of water.

Mr. Daryll Parker, Utility Advisors Network said that they can answer that question later. He suggested that Council consider annual rate analysis updates in order to adapt assumptions as funding requirements become more certain.

Councilor Davis wants citizens to understand that the proposed rate increase has decreased.

Councilor Plaugh stated that the transfer between Water and Sewer and the General Fund has been at the same level for a very long time and citizens are entitled to some level of a rate of return. Is there a way to compute what a reasonable rate of return might be?

Mr. Daryll Parker, Utility Advisors Network said that a private utility system would generate significant revenues and get their own rate of return plus the City would be charging them a franchise fee, property taxes and other fees that would be included in those rates. It is not inappropriate for the general fund to get a payment from the water and sewer fund in lieu of a franchise fee. It could easily be justified to be more, depending on what you are trying to accomplish. A private system would have a 10% rate of return. You have to set your rates to generate that level of revenues.

Councilor Devine said that our challenge has always been to figure that out. We want to be able to justify the current rate and whether or not it's reasonable. Can we survey the private sector?

Mr. Daryll Parker, Utility Advisors Network said that the annual reports for private utility systems are public information. We can come up with a range for the larger systems. You can do something that focuses on your internal operations. It can be 5% of gross revenue. That is better than transferring a constant figure with no real basis. It goes back to what you want to accomplish.

Upon a motion made by Mayor Benjamin and seconded by Ms. Devine, Council voted six (6) to one (1) to accept staff's recommendation to implement a water and sewer rate increase in the average amount of 7.62% and to request a report on the fiscal impact of the phase out of the 0 to 300 cubic feet volumetric base rate structure. This report is to be provided prior to the end of the current fiscal year. Voting aye were Mr. Newman, Ms. Plaugh, Dr. Gergel, Ms. Devine, Mr. Davis and Mayor Benjamin. Mr. Rickenmann voted nay.

2. Renaissance and Innovista Tax Increment Financing (TIF) Districts – The Honorable Tameika Isaac Devine

Councilor Devine recalled that in 2010, City Council approved two redevelopment plans: one for Renaissance and one for Innovista. The School District and the County opted out, but since then we've had informal conversations to see what it would take for them to participate. In January, the Mayor asked the other two entities to appoint a subcommittee that could work with our subcommittee. We have been meeting and the focus has been on the proposed amendments and the business points that need to be incorporated in the intergovernmental agreement (IGA) for them to participate. She asked that the IGA be discussed in Executive Session, because there are contractual matters being negotiated among the bodies. The IGA still needs to be approved by the entities and should not be discussed specifically. The projects have not changed in the Innovista Plan; however, since we are proposing that the TIF be for a shorter period, the dollar amount is being capped at $70 million for the 15-year increment.

Councilor Rickenmann inquired about the projects included in the Innovista Plan.

Mr. Eric Shytle, Esq., Haynesworth Sinkler Boyd, P.A. said that the numbers came from an economic consulting firm that looks at development potential and where growth would occur. We put tax values on those projections. There isn't a private developer committed to that now.

Councilor Rickenmann suggested that it would be best to take all of the vacant property that is already available with infrastructure, build it up and use that increment to do Greene Street and the other portions. There are a lot of vacant properties and infrastructure that we've already invested in within the Innovista. It is all subjective, because there are no contracts behind it. We should push what's available.

Councilor Devine presented examples of other TIFs in South Carolina. It would be great if we had other developers like the Bull Street developer. The point of the TIF is to put in the public

infrastructure that will bring in private investment in a blighted area. The Vista TIF was speculative as well. This is the process that enables us to have the ability to issue bonds.

Councilor Rickenmann said that the TIF structure as part of the Innovista is a great idea if you can get the private pieces together first. I want us to be real careful. This plan is already approved.

Councilor Davis said that we are short on incentives. We've talked about providing tax breaks, but it's not doable. This represents a large portion of the city, but nothing is happening in one or two areas. Developers have mentioned a TIF. They want to know what we bring to the table if they make an investment. The framework and groundwork is needed and we need caveats. As this is presented, you will see some assurances based on lessons learned from the Vista.

Councilor Devine stated that the only proposed amendments Innovista are: updating the assessed values and the other matters that are part of the Intergovernmental Agreement, such as shortening the time; the percentages being proposed; and limiting the bond issue from $160 million that was previously authorized. The Renaissance Plan is being amended in the same ways.

Councilor Rickenmann inquired about the updated property values.

Councilor Devine stated that the City's Treasurer is working to obtain that information from Richland County. We don't see much of a difference in Innovista except for the Aspire Building. In the Renaissance Plan, we may see a slight decline. She continued to report that the Renaissance Plan is the same with some slight modifications to the list of proposed projects and additional information on Bull Street. We have included a lot more information than what is required by law.

Councilor Rickenmann asked if the increment includes school or county bonding.

Mr. Eric Shytle, Esq., Haynesworth Sinkler Boyd, P.A. said it does.

Councilor Rickenmann asked what will happen if the school board needs more money.

Mr. Michael Seezen, Esq., McNair Law Firm said that the process is to freeze the assessed value.

Mr. Eric Shytle, Esq., Haynesworth Sinkler Boyd, P.A. said that this is one those areas where every county in the state is different. They report to the county the debt service figures for the next year and the county divides the debt service figure by the assessed value of properties subject to the assessment. The number that is used for the TIF is the initial equalized assessed value. When calculating the millage for school bonds, it doesn't include surplus increment within tax districts, but the millage is still imposed on property. It wouldn't be fair for the people in the TIF to pay less tax. That piece of money comes out in the school bond levy component of the TIF revenues. Sometimes a school district reports millage numbers and sometimes they report a budget number. As an example, the school district has $1 million worth of debt service that needs to be paid next year. They report that value to the county. The county has an assessed value to apply millage rates and generate that. The assessed value being used is all of the assessed value within the taxing jurisdiction, except within the TIF; it's the initial equalized assessed value. It's what was frozen when City Council established the TIF. That determines the millage that is applied to all property within the school districts taxing district. The money that represents all property outside the TIF and the initial value in the TIF goes to the school district to pay debt service. The increment goes into the special tax allocation.

Councilor Rickenmann asked if that creates an additional burden on the folks in the tax district. Somebody has to make up the difference.

Councilor Plaugh said that if the TIF is successful long-term, it will benefit everybody, but short-term the taxpayers will bear a larger burden. She asked if the TIF would be frozen when the bonds are issued.

Mr. Michael Seezen, Esq., McNair Law Firm said that when the redevelopment plan is adopted, the initial equalized assessed value will be set. Until the bonds are issued; taxes are levied, collected and directed to taxing districts in the normal course. When bonds are issued, that's when the amount that's collected above the amount levied for the initial equalized assessed value is put into the special tax allocation.

Mr. Eric Shytle, Esq., Haynesworth Sinkler Boyd, P.A. said that it is triggered by the issuance of debt. The increment is not captured until we issue debt. Until that happens, the money comes in and is cycled back out to the tax entities as if there were no TIF. It is done every year. There is no balance building up. There is no debit payable to the other people. It comes as part of the tax cycle and if there is no obligation it just goes back out.

Councilor Plaugh said that you are increasing taxes on everybody until the debt is issued, but once that debt is issued, everybody else is continuing to pay for the operations of the City.

Councilor Devine said that the increment is money the City would not have been getting. That extra money is going into a fund to pay for debt.

Mr. Michael Seezen, Esq., McNair Law Firm stated that since the proposal is for all of the taxing districts to participate at 75%; 25% of the increment that's generated is coming back to the City. That is intended to lessen the burden.

Councilor Rickenmann said that it would be less than 25%, because maintenance comes out of that.

Mr. Eric Shytle, Esq., Haynesworth Sinkler Boyd, P.A. explained that you can pay maintenance from the 25%, because it's City money. The IGA and the plan amendments also would allow, subject to approval by the oversight committee, maintenance can be paid from surplus. It comes out of the 75% first so that it should be payable by the city, county, school district taxes as well. If the oversight says no, then the City can pay it from the 25%.

Councilor Gergel asked if how many other areas have approved redevelopment plans since 2008 and at what level.

Councilor Devine agreed to provide that information.

Mr. Eric Shytle, Esq., Haynesworth Sinkler Boyd, P.A. clarified that approving a redevelopment plan doesn't create an obligation on the City. Should we ask if TIF obligations have been issued since 2008 or should we ask if redevelopment plans have been approved since 2008?

Councilor Gergel said both.

Councilor Plaugh asked if other municipalities have set up an oversight group.

Councilor Devine said that we were unique and it was done based on how the other TIF ended and to rebuild trust among the groups.

Mr. Eric Shytle, Esq., Haynesworth Sinkler Boyd, P.A. said that economic times are different and counties and school districts are more reluctant to participate in TIFs than they were 10-years ago. The Intergovernmental Agreement represents a visionary approach by City Council to encourage the County and School District to participate in this process in a way that gives a return to everyone involved.

Councilor Gergel asked if one committee is making decisions on both TIFs.

Councilor Devine said legally there are two distinct committees, but the committee make-up is the same. There are two distinct plans; two distinct approval processes; and two distinct committees. There was a fear that some would have a preference of one plan over the other and some communities would be left out if that was allowed to happen. The Intergovernmental Agreements are the same for both plans, with exception of the names.

Councilor Plaugh said that she will be concerned if we look at the details on who is taking the risks and who is making the decisions.

**Upon a motion made by Mr. Rickenmann and seconded by Ms. Plaugh, Council voted unanimously to go into Executive Session at 1:52 p.m. for the discussion of negotiations incident to proposed contractual arrangements.

- **Council reconvened the Work Session at 2:54 p.m.**

3. Fiscal Year 2012 / 2013 Budget Update – Ms. Melisa Caughman, Budget Director

Ms. Melisa Caughman, Budget Director reminded everyone that today is the last meeting prior to advertising the budget. A public input session will be held tonight and the Public Hearing will be held on June 5, 2012. She reported that the Hospitality Tax budget is still set at $9.3 million including $2.8 million for the committee. The various agencies are included with no change compared to their current year allocation. The transfer to the General Fund is $2.8 million. The projected revenues for the Accommodations Tax Fund are $1.25 million and we aren't using surplus funds in this year's budget. The Accommodations Tax Committee is recommending $1 million for the Conventions and Visitors Bureau and $150,000 for Lake Murray Tourism. She noted that due to revenues, there is an additional $12,500 that the committee may or may not allocate, because they weren't aware of it when they met.

Mr. Steven A. Gantt, City Manager stated that the City retain a percentage of the money for funding for outside groups.

Councilor Devine reminded Council of the commitment to offer additional funding to Capital City Lake Murray and the Conventions and Visitors Bureau if they worked harder to generate additional revenue. We know that Capital City Lake Murray has worked harder and we may want to see if they have an opportunity for an increase.

Ms. Melisa Caughman, Budget Director stated that they split the remaining balance at the end of the year.

Councilor Devine inquired about Together We Can.

Ms. Melisa Caughman, Budget Director said that $25,000 is included for Together We Can, but funding hasn't been allocated for Challenge Day.

Councilor Plaugh recalled that groups may bring interesting and new conventions to Columbia, but may not have the heads on beds ratio needed. We need to look at that if we want to cultivate a particular kind of industry to come.

Ms. Melisa Caughman, Budget Director reported on the Parking Fund. We are projecting $7.2 million in revenues and it does not include the $1 million transfer to the General Fund.

Councilor Rickenmann asked how the proposed fine increases were developed. I don't understand the rhyme or reason. Why aren't we collecting more money?

Mr. Kenneth E. Gaines, Esq., City Attorney said that they are bond amounts set by City Court. Mayor Benjamin said that folks would be more receptive to increases, if we are making advances in technology and modernizing.

Councilor Devine said the Environment and Infrastructure Committee will discuss the new parking meters at the next meeting.

Ms. Melisa Caughman, Budget Director continued to report on the Storm Water Fund. The budget is $8 million, which includes a $2 million increase generated from the $2 per Equivalent Residential Unit per month to include commercial properties. The $2 million was to our storm water projects, which total $3.3 million. She referenced a list of the capital improvement program and major maintenance projects.

Councilor Plaugh asked where the Main Street improvements would be made.

Mr. Joey Jaco, Director of Utilities and Engineering agreed to provide the information.

Ms. Melisa Caughman, Budget Director said that the total budget for water and sewer operating and the capital improvement program are $202 million of which $100 million is for major maintenance and capital improvement. The operating budget reflects a decrease due to budget adjustments that were made in order to drive down the proposed rate increase as well as significant reductions in debt service. She recalled that the initial proposal was to increase the water and sewer rates by 15.4%. She provided a list of the water and wastewater projects.

Mr. Steven A. Gantt, City Manager said that more money will be spent on the sewer system than the water system because of deferred maintenance.

Councilor Plaugh inquired about the major investment being made to the maintenance facility.

Mr. Steven A. Gantt, City Manager said that we've had the property for five years and a lot of planning has been done. We will have a place for our water and sewer maintenance vehicles and it will have a positive impact on the area. It has economic development potential along Beltline Boulevard. We will add space to move a lot of equipment and materials inside. This will also allow us to move people around, because they are crammed into the current facility. This is a 13-acre site. As soon as we get the bond issue done, we can move forward with the plans after July.

Councilor Plaugh inquired about the $4 million total allocation for North Main Street and the TIGER Grant application. Where is this money being spent?

Mr. Joey Jaco, Director of Utilities and Engineering said that it will go towards water and sewer projects along Anthony, Cook, Jackson Avenues and Cartwright Drive.

Ms. Melisa Caughman, Budget Director continued with the General Fund, which reflects a $5.6 million increase over the current fiscal year with a total budget of $120 million. The majority of the increase comes from a $4 proposed hydrant fee increase. The increase in revenues is an increase over the budget and is close to the actual collections for fiscal year 2010/2011.

Mr. Steven A. Gantt, City Manager said that our franchise fee is down from last year.

Councilor Plaugh asked if that decreases our support for the CMRTA.

Mr. Steven A. Gantt, City Manager said yes.

Ms. Melisa Caughman, Budget Director said that there is an increase in the Hospitality Tax. She distributed a list of related services.
Councilor Gergel asked who pays the hydrant fee.

Mr. Steven A. Gantt, City Manager said county residents and it hasn't been increased since 1977.

Ms. Melisa Caughman, Budget Director said that the only other change in transfers is the reduction from the Parking Fund. The transfer from the Water and Sewer Fund remains at $4.5 million and the Hydro Plant is $1.5 million. The General Obligation Bond for capital and technology replacements is included as revenue and it is transferred out. It is $6 million this year and it was over $6 million last year. She provided a list of items to include funding for vehicles for the Police Department and Fire Department and equipment for Parks and Recreation and the Information Technology Department.

Councilor Devine requested an update on the Police Department's plan for take home vehicles.

Councilor Plaugh requested that Council discuss the take home vehicle policy with the City Manager. It will provide extra incentives. I would be concerned about take home vehicles going outside the City.

Mr. Steven A. Gantt, City Manager said that there is an IRS ruling that may change some employees' mind about having a take home vehicle, because it will be considered as revenue.

Councilor Gergel asked if a large amount will be taken from the Hospitality Tax Fund next year.

Mr. Steven A. Gantt, City Manager said no. My hope is to reduce that number next year and that the $1 million transfer will be available from the Parking Fund.

Councilor Plaugh inquired about the $800,000 allocated for supplemental funding requests.

Ms. Melisa Caughman, Budget Director said it's for B-9's for supplemental requests. There is still a lot of dust settling on budget numbers depending on GASB and benefits.

Councilor Rickenmann said that money needs to be added for the City Manager search process and you need to budget for having someone on board for part of the year.

Ms. Melisa Caughman, Budget Director said that we have $1.7 for general CIP, which includes maintenance to City buildings.

Mayor Benjamin inquired about renovations to the Greenview Park Pool.

Mr. S. Allison Baker, Senior Assistant City Manager said that it won't occur this year and possibly not next year.

Ms. Melisa Caughman, Budget Director distributed information on alternatives for a 2% Cost of Living Adjustments. The proposal is for the traditional across the board adjustment. The alternative would be a flat dollar amount. The proposed increase is a Cost of Living Adjustment. It is meant to keep our pay scales close with the market. It's not meant to be a reward or compensation for exceptional service, performance or tenure.

Ms. Pamela Benjamin, Human Resources Director said that due to the new retirement legislation, employee contributions to retirement will increase in addition to increases in health insurance costs. A comparison was done that shows that more people would be negatively affected if the COLA is allocated at a flat rate. By doing a 2% increase, making it variable based on everybody's salary, you see that some people experience a negative amount, but that is limited to those on the very low end of a salary range. We can consider alternatives for those people. I am leery about varying rates across the board. She said that $32,500 is the median salary. She suggested that the alternative would be to add $650 to all base salaries.

Councilors Devine and Plaugh expressed concerns about employees at the end of the pay scales.

Mayor Benjamin said that the increase in health care costs is mitigated by the COLA. He is supportive of moving forward with a 2% COLA across the board. He asked for the number of employees that would have a negative net income after all changes.

Ms. Pamela Benjamin, Human Resources Director said that the cost of living adjustments keep people whole based on some of things coming down the pipe. We could do a more comprehensive compensation strategy to raise people up further. It looks like 80% of our staff is close to the end of the pay ranges. The midpoint represents the market value for a particular job.

Councilor Devine said that adjustments were made after the compensation and classification study was done. It showed us that we were in a good range as far as our salaries. I want to know where we fall now.

Councilor Rickenmann recalled that employees received the COLA and merit increases every year. It has to be balanced, because it put some people out of whack.

Councilor Devine said that the lowest paid employees are making a living wage, not minimum wage. Where are we now with the living wage?

Councilor Plaugh said that healthcare is 10% of the base salary, so people at the bottom of the pay range will feel the brunt. You have to take it in its whole context. We are not adjusting our healthcare premiums based on salary, but we are talking about doing that with the COLA.

Councilor-Elect Runyan asked if it would be legal to provide the lesser of $650 or 2% to those earning $32,500 or below. How would that increase our exposure?

Mr. Bill Ellis, Finance Director said that you can reclassify all of the positions earning $32,500 or less.

Ms. Pamela Benjamin, Human Resources Director added that you could make adjustments to certain pay grades.

Councilor Rickenmann said that another option is to give bonuses.

Mayor Benjamin suggested that they move forward with across the board increases and bring back recommendations to assist those that would have a negative net effect.

Councilor-Elect Baddourah suggested that all employees be given the option to take the one-time bonus check or the 2% salary increase.

Councilor Rickenmann said that it's not equitable, because the 2% increase is forever and the bonus is one time.

Ms. Pamela Benjamin, Human Resources Director said that they can look at those employees who have the family benefit plan and are at the lower echelon of the pay scale.

Councilor Gergel requested options on what can be done to help those at the low end.

Ms. Pamela Benjamin, Human Resources Director clarified that all employees will be impacted; certainly those on the lower end will be impacted more. We need to be very thoughtful and systematic about how we propose future increases and it will take more than $1.6 million allocated now, to do something impactful for staff.

Mayor Benjamin said that they will stick with the 2% for budgeting purposes and asked staff to provide additional thoughts on how to help those that they want to help out.

Ms. Melisa Caughman, Budget Director continued the fiscal year 2012/2013 budget report. She presented a list of funding requests from outside organizations.

Mr. Steven A. Gantt, City Manager said that they put everything on the list that has been received. Some of these are letters that were received from outside agencies; some are ongoing requests that have been funded in the past; and some of these were brought up by Council over the last several weeks. There is a pilot program we're running in concert with the University to provide a hydrogen bus during lunch time. It costs $40,000 annually to run five (5) days per week.

Ms. Melisa Gentry, Assistant City Manager said that it costs $40,000 annually to lease the buses and the drivers.

Mr. Steven A. Gantt, City Manager asked if there is money in the Accommodations Tax Fund.

Ms. Melisa Caughman, Budget Director said that there is $37,500 available out of the 5% provided. We funded $25,000 for Together We Can.

Mr. Steven A. Gantt, City Manager said that there is $1.7 million in the capital improvement budget and a portion can be used to fund these requests.

Councilor Rickenmann said that he is committed to making sure staff and city needs are taken care of first.

Ms. Melisa Caughman, Budget Director added that Leisure Fun is included in the amount of $13,500 and it's also in the Hospitality Tax Fund. It needs to be funded by one or the other.

Councilor Plaugh recalled that Council expressed an interest in four (4) corridor studies. How does that fit into these resources?

Mr. Steven A. Gantt, City Manager said that some of it can come out of the $1.7 million CIP once the expenditures are made for the Police and Fire Departments.

Councilor Rickenmann asked about the net effect of us spending money to change the zoning. He asked if one consultant could conduct the corridor studies and the zoning changes in one process.

Councilor Davis said that he supports the studies as agreed upon. In the interim, he is agreeable to increasing code enforcement on Farrow Road and drawing from the master plan.

A motion made by Ms. Plaugh and seconded by Dr. Gergel, to allocate $100,000 for the Devine Street corridor study from the $1.7 million set aside in the CIP, was withdrawn.

Councilor Davis asked the City Manager to consider funding to support cameras for corridors and neighborhoods.

There was a consensus of Council to schedule a discussion on the additional budget requests.

4. Monthly Financial Report – Mr. Bill Ellis, Finance Director

Mr. Bill Ellis, Finance Director presented the monthly financial report.

Councilor Plaugh asked that they show the percentage for the expenditures. She also requested a profit and loss statement.

Councilor Devine suggested that a simplified report be prepared for citizens.

Mr. Bill Ellis, Finance Director reported that the General Fund is at close range. He also reported that departmental healthcare costs exceeded the budget by $500,000. He stated that the franchise fee is lower than it was last year; however, revenues are on target, expenditures are holding and we will finish the year almost dead even.

Councilor Plaugh inquired about the Water and Sewer Fund.

Mr. Bill Ellis, Finance Director stated that the Water and Sewer Fund is the same way. He said that a rate increase is needed for additional projects. He reiterated that the Water and Sewer Fund is a full enterprise fund; it is full accrual.

Councilor Gergel asked if we will end the year with the budget in the black.

Mr. Steven A. Gantt, City Manager said that we will barely finish the year in the black.

Mr. Bill Ellis, Finance Director asked the members of Council not to give departments permission to carry forward funds into the next fiscal year. He said that this was done for the Police and Fire Departments.

CITY COUNCIL DISCUSSION / ACTION

5. Bicycle and Pedestrian Advisory Committee Update – Ms. Natalie Cappuccio Britt, Executive Director of Palmetto Conservation Foundation – *This item was deferred.*

6. Request for Proposals (RFP) for an Economic Impact Study of the Hospitality Tax – Mr. Steven A. Gantt, City Manager

Mr. Steven A. Gantt, City Manager recalled that Councilors Devine and Rickenmann requested that a Request for Proposal be issued for an economic impact study of all organizations that have received funding from the Hospitality Tax Fund over the last five (5) years to determine what has been generated.

Mayor Benjamin inquired about the parameters for the RFP; are we looking at organizations given $5,000 or $500,000. He expressed concerns about spending a large amount of money on a document that won't provide any direction.

Councilor Devine said that the intent is to determine if we are properly investing the money. She said that there are limited funds and we should focus and prioritize the allocations.

Mr. Steven A. Gantt, City Manager suggested that someone be hired to develop a formula on how organizations calculate their economic impact. He further suggested that the formula be a part of the application. He recommended that they invite someone to advise City Council on the questions that should be asked.

Councilor-Elect Baddourah asked if the recommendations of the study will be taken into consideration for future requests. He suggested that they discuss this with members of the committee.

Councilor Davis said that Council should consider their objectives. He insisted that hospitality tax funding should be used as seed money to help organizations get a start.

7. Resolution No.: R-2011-071- Establishing Employee Residency Requirements – *Disapproved.*

Councilor Plaugh explained that this recommendation is from the Administrative Policy Committee. She stated that the policy focuses on individuals employed at department head level positions and above. She outlined the implications for individuals promoted within the City and those hired outside of the City. She noted that this is how it's done in Charlotte, NC. She stated that the intent is to encourage the best and brightest to live within the City so that they become a part of the City's fabric.

Mayor Benjamin said that this is a bad idea and it's a move in the wrong direction.

Councilor Gergel said that these are very uncertain times and we can't realistically expect employees to sale their homes. She asked that we do everything possible to encourage and incentivize our employees to live inside the City, but it's not a good idea to make it a requirement.

Councilor Davis said that he doesn't have a problem taking the position that the policy might be restrictive. We can revisit this down the road.

Upon a motion made by Ms. Plaugh and seconded by Ms. Devine, Council voted five (5) to two (2) to deny the motion to approve Resolution No.: R-2011-071- Establishing Employee Residency Requirements. Voting aye were Ms. Plaugh and Ms. Devine. Voting nay were Mr. Newman, Dr. Gergel, Mr. Rickenmann, Mr. Davis and Mayor Benjamin.

8. Schedule for the Disparity Study Discussion – Ms. Teresa Wilson, Assistant City Manager

Ms. Teresa Wilson, Assistant City Manager reported that Mr. Franklin Lee, Esq. will come on June 26, 2012 to review the Disparity Study recommendations with City Council. He will also discuss policy options for small, minority and women owned businesses along with best practices.

9. Schedule for Discussions on Election Date Changes – The Honorable Leona K. Plaugh

Councilor Plaugh said that Council needs to decide whether or not they want to move elections to November of the odd or even numbered years. She noted that the City Attorney provided information on what other cities have done. She said that some terms will be held over for a period of time. She said that the objective is to determine where we are and if we want to outline a process going forward.

Mayor Benjamin said that the Attorney General's opinion on hold overs gave him no comfort.

Councilor Gergel recalled that Mayor Benjamin expressed concerns about staying on Council an additional 14 months. She asked the Mayor if he would be more comfortable if we put the question out for referendum.

Mayor Benjamin said that he supports odd numbered years. He urged them to be focused on getting more voters to turn out in April versus changing the date to November. He said that he would not support extending terms for 14 months without an advisory referendum. He suggested asking the Legislature to have elections at the same time, statewide. He said that we are looking at this as a panacea to voter engagement.

Mr. Kenneth E. Gaines, Esq., City Attorney said that he would draft a resolution, but it wouldn't bind the Council.

Councilor Davis said that he isn't in favor of extending terms. He asked if there is a solution to this.

There was a consensus of Council to entreat the Justice Department and prepare a resolution for an advisory referendum.

EXECUTIVE SESSION

Upon a motion made by Mr. Newman and seconded by Mr. Rickenmann, Council voted unanimously to go into Executive Session at 5:19 p.m. for the discussion of Items **10** and **11**.

10. Discussion of negotiations incident to proposed contractual arrangements – *This item was discussed in Executive Session. No action was taken.*

11. **Receipt of legal advice which relates to a matter covered by attorney-client privilege– *This item was discussed in Executive Session. No action was taken.*

- **Council adjourned the Executive Session at 6:00 p.m.**

Respectfully submitted by:

Erika D. Moore
City Clerk