

A special meeting of the Beaufort City Council was held on June 18, 2013 at 5:00 p.m. in the Beaufort Municipal Complex, 1901 Boundary Street. In attendance were Mayor Billy Keyserling, Council members Donnie Ann Beer, Mike Sutton, Mike McFee, and George O'Kelley, and City Manager Scott Dadson.

In accordance with the South Carolina Code of Laws, 1976, Section 30-4-80(d) as amended, all local media were duly notified of the time, date, place, and agenda of this meeting.

### **CALL TO ORDER**

The Mayor called the meeting to order at 5:00 p.m. Councilwoman Beer led the invocation and the mayor led the Pledge of Allegiance.

### **PUBLIC HEARING: PROPOSED REFUSE COLLECTION FEE INCREASE FOR FY 2014 BUDGET**

Mayor Keyserling said there had been changes on the revenue aspects of the budget. This is the first of those new items. The collection fee will go to \$16.20 per month from \$13.50. **Kathy Todd** said the charge to customers per the contract was \$13.50 and has never been adjusted. The third-party contractor who is doing the collection of the revenues has increased their contract rate, so the city's planned reserves for replacement of carts and to pay back the General Fund related to the carts that were purchased has shrunk over the years. Staff recommends increasing the fee to align the fee with the costs. **The mayor opened this public hearing. Frank Glover**, a former council member, said increasing the garbage fee may mean that council should consider those to whom this rate hike is more onerous. **Mayor Keyserling closed the public hearing.**

### **PUBLIC HEARING: PROPOSED TRANSPORTATION FEE FOR FY 2014 BUDGET**

**The mayor opened this public hearing.** Mayor Keyserling said the original proposal was \$40 per vehicle and has been reduced to \$25, to total \$180,000 in city revenue. **Eddie Rodgers** said this is "a regressive tax." Last year it was proposed at \$35 and council "didn't let it fly," she said. This "hurts the very people who use it the most," Ms. Rodgers said: those who have to use their vehicles to get to work, and "it seems unfair." Ms. Rodgers said she's aware that "the gas taxes are in designated pots for various things," but she wanted to point out that the actual projected income from vehicle property tax for 2013 is \$256,000 and proposed for 2014 is \$250,000. Added to the projected actual of \$256,000 and the county's \$10 paving fee, and "you're talking about some real money here." Ms. Rodgers encouraged council to stop taking streets out of the state's program and "to not dump them on the city taxpayers." She's reviewed the budget many hours, she said, and feels that "there is still lots of sharpening of knives that could be done."

**Edna Horne**, Langhorne Drive, Beaufort, asked what would be done about people who live in Beaufort for years and are driving cars with out-of-state tags. There are people on her street who do this and it's a concern to her. Mayor Keyserling asked if they were military, and she said no.

**Beth Huron**, 308 Frasier Drive, asked if the \$25 per vehicle fee would have any sort of cap if a household had numerous vehicles. She asked what would happen if someone paid property tax on a vehicle but it belonged to someone else who had moved out of state. She asked if she would still pay

this fee on that vehicle even though it isn't being driven here. Mayor Keyserling said if it's registered here, yes, but they could get tags in the other state. Ms. Huron asked, if she had issues with her street like potholes, if she's contributing to this fee, if she will then have the same right to call and state those issues to the city. Mayor Keyserling said she has the right, but the dollars are limited and will continue to be with this fee added on. 75% of the city's streets belong to the state, Mayor Keyserling said. If the street belongs to the city, "the city will generally hop right on it and fix it." If it belongs to the state, but the SCDOT can't get to it, the city will go in and at least patch it to try to help. A good bit of this fee also goes to maintaining the right-of-ways, he added. Ms. Huron asked if putting a cap on the number of vehicles at an address was an idea that could be considered, and Mayor Keyserling said yes.

Mr. Glover said that he's concerned that the fee amount will increase over time like the stormwater fee did. It starts off as "not that bad," but as they need more money, "now we're talking about real money." He agreed with Ms. Rodgers that the city should not take state roads. Everyone pays state and federal gas taxes and a tag fee for roads, Mr. Glover said. There are people who would really feel the impact of this fee, he feels, and council should "think long and hard before we embark on this trail."

Mayor Keyserling said what Mr. Glover read was "half the story"; "the commissioner came to us and said 'Would you consider (taking state roads) and we said, 'If you pay us to maintain them,'" and they would revert back to the state if they're not maintained. "It's really gone nowhere," Mayor Keyserling said. **Mayor Keyserling closed this public hearing.**

#### **FY 2014 BUDGET ORDINANCE**

**Councilwoman Beer made a motion, second by Councilman Sutton, to approve the budget ordinance on first reading.** Mayor Keyserling said he'd gone back through the budget and still doesn't understand: under each budget category, there's something called "operations." He sees salaries, capital and benefits and "that adds up to a whole lot of money that I don't quite understand." He asked Ms. Todd for a better explanation of what operations entails. He said it's gone up 34%. Ms. Todd said operations is "Everything that's not salaries, not capital, not benefits," e.g., consulting services, telephones, office supplies, equipment that's not "capitalizable," repairs and maintenance of facilities, vehicles and infrastructure, printing costs, travel expenses, and any other traditional operational costs.

Mayor Keyserling said city council is budgeted at \$127,000 for operations, and he asked if that includes the clerk. Ms. Todd said that's just the 5 council members and what's associated with their positions. Mayor Keyserling asked what the costs were on the operations side for council. Ms. Todd said it includes legal fees, which are the bulk (\$100,000) of that. The rest of it is publications and dues, \$10,000 for contractual services, office supplies, and travel and training. Ms. Todd said the interest on the Commerce Park is not included; it's in overall general obligation debt.

Mayor Keyserling said he'd noticed that some departments' operations expenses had gone down. Ms. Todd said staff had made a presentation to council about those departments that had significant increases in operations, such as solid waste, which has to do with an increase in the contract for solid waste collection, and parks, which is attributable to the contract for Waterfront Park now being in the

parks' budget, as TIF 1 ended. She went on to detail other increases in departmental operations budgets.

Councilman Sutton said the fire department "pulled a figure out of their budget for \$41,000." The operational piece of that was \$7,000. Ms. Todd said no, all \$41,000 was operations. Councilman Sutton said "dress uniforms are not part of fire department operations." Ms. Todd said they are. Councilman Sutton said "they shouldn't be." Ms. Todd said it's because it's not capital, salaries or benefits, so it falls under operations. She said uniforms were only a small piece of that \$41,000. Councilman Sutton said it's important to look at the details; "our firemen do not fight fires in dress uniforms." He feels this "transcends each department in a time when we're lean." He described what had been done with the contract for Waterfront Park and said that they had been able to negotiate what will hopefully be the same level of service for less money, but there might not be any more room to cut there.

Councilman Sutton said the fire department budget for 2014 is \$307,000 more than it was for projected actual for 2013 which was \$2,774,000. Ms. Todd said \$130,000 was what she addressed in the presentation earlier. Councilman O'Kelley said if it's uniforms and rolling stock, it would be nice if he knew what these things were other than just lumping it under "operations." He didn't know that the uniforms were dress uniforms. Ms. Todd said it was a component of the budget; there was also money for regular uniforms.

Mayor Keyserling said he doesn't intend to support the transportation fee for "philosophical reasons, not for revenue reasons." He feels that though here has been an ongoing one-sided conversation with the state, the city takes on streets a few blocks at a time, and if they had a dedicated account for doing that, then he might support it. Mayor Keyserling said the city manager has said repeatedly that the money can come out of contracts, but Mayor Keyserling feels it could come out of operations, though he's having trouble finding it because he hasn't fully understood it.

Mayor Keyserling said that they came into the budget knowing revenues would be uncertain, perhaps until August, and they also have the rollup which the city is prepared to do, but they don't know how much it will be. Also, there's the added expense of the TIF not being there. "The city couldn't look better," Mayor Keyserling said, and people ask him how the city does it. He doesn't want to give that up, but he's not convinced that they can't cut 1.2% of the total operations budget to equal \$180,000 in lieu of the fee. He feels now they are "just plugging holes," and going through the gross dollars on operations, he feels they "can come up with \$180,000 out of \$1 million plus."

Ms. Todd said they attempted to allow the department heads to tell them what it cost to operate their departments at a service level that the city has grown accustomed to. Staff allowed them to budget their own operations; salaries and benefits "is kind of set," and capital was tied to the capital budget and the capital improvement plan. Operations was in the control of the department heads. Fire, Public Works and the police department had significant increases and made presentations to council on what their needs were by their individual departments.

Councilman Sutton asked about the 2% COLA salary increase for \$166,000. The additional \$116,000 for benefits is the components that go in with a raise, "so there's \$282,000 in employee costs going up." Ms. Todd said there's no policy on salary increases. Councilman Sutton asked how the salary scale for city employees matched across the state for city employees of similar municipalities. Ms. Todd said she understood that there was a study done several years ago, and the (pay) grades were established; people were put in comparable classes statewide. Councilman Sutton said they should have a conversation about whether they can afford to give employees a 2% increase. He pays his people more than his average competitor to get their loyalty, he said, so he takes home less. Ms. Todd said Mr. Dadson could address this, but she felt "the adjustment was to maintain the quality of the team." Mr. Dadson said they don't do increases based on merit, just on longevity and COLA, and they have only done 3 of those in 8 years.

Councilman Sutton said "there are unknowns coming out of the county." He's learned that it does work itself out, and it does cost money to run a city, and they have to keep pace with the cost of service delivery. The city is lean, and they have to look at things like the COLA and dress uniforms for the fire department. There was not a restricted fund for rolling stock in the past. It hasn't been discussed because it's restricted, so they "don't have to beat that up every budget cycle." Councilman Sutton said he keeps thinking that there are 5 vehicles in the budget and other equipment such as a lawnmower and a bucket truck. Ms. Todd said if they don't buy rolling stock, they have to pay maintenance costs on that rolling stock which needs to be replaced to keep them running and that increases costs. By replacing the old rolling stock with something new "you're not throwing in the additional maintenance cost."

Councilman Sutton said on the transportation fee, there was not a lot of choice on some of the streets they took, and there are some benefits like developing new houses on a street that they had to take to get the development going; there will now be a tax base where before there was none. Each situation of owning streets "has its own peril." Beaufort is not even on the state's radar for streets, Councilman Sutton said. A lot of factors need to be weighed. Some issues have been made the city's issues because of the lack of response from the state. He said he wants to support the transportation fee because they have taken streets and need funding for them.

Mayor Keyserling said that there is money to take care of the streets the city owns. Councilman Sutton said he doesn't want anyone to be misled into thinking that because they now have \$180,000, 5000 homes city-wide will all have streets cleaned and trees trimmed when they haven't been before. There's more street and right-of-way cleanliness now, Councilman Sutton said, but none of it's funded, and they're trying to figure out how to fund it. He wants to know what staff would say that couldn't be done if they have to go back and cut more from the budget in lieu of this fee.

Councilman Sutton said that in the past he hadn't thought about the expiration of the TIF and the absence of a maintenance fund for Waterfront Park. Now, "we are there, and if you want the park to be beautiful, you will understand some of these increases that will be happening."

Councilman Sutton said he's inclined not to support the transportation fee in principle because he believes "that there's some more meat that can come off," and he'll believe that through second reading "until someone tells me 'I can't get in my driveway anymore unless you do that.'"

Councilman O'Kelley said he agrees with Councilman Sutton. When he was on council in 1979-83, each council person was given a department and met with the department head and went over the line items and hashed them out. Then when the city brought the budget in, the council person who'd worked on that committee could represent that department. He suggested that they should do this again for the next budget cycle.

Councilwoman Beer said that she has gone through this for 22 years and 22 budgets. She doesn't want to raise taxes, but she feels "we do have things we need to do, and we do have a responsibility to keep our city looking as beautiful as it is now. I don't want to regret." They're at a point where it's out of their control, Councilwoman Beer feels: "We don't know what the rollup's going to do, what the value of our property is going to be." She's concerned about the "unknowns," over which the city has no control. While she doesn't want to pay the transportation fee for her 3 vehicles, she doesn't want to continue "having to go back and fix something that shouldn't have gotten broken in the first place."

Mayor Keyserling said he agrees, "but we know we will roll up." They know there will be an increase of about 2 mills. The garbage fee is being raised. Mayor Keyserling said he understands the capital, as well, and said that whoever thought of the reserve fund balance for capital was "brilliant." But the transportation fee seems like "we're starting to do something without deciding to do it" in regard to the roads. As a policy matter, he said, he'd rather have a place to refer to where they decided to do it. The \$180,000 he believes can be found somewhere else without detracting from how the city looks "or deferring maintenance to the point where it costs more than operations and maintenance would have been." Mayor Keyserling said he'd reached his decision when Councilman Sutton had said the previous evening that "We're not going to take on any more roads," and Mayor Keyserling responded, "We never really decided to." He said the roads they took were taken for good reasons, and he gave examples. He said if they decide to do a transportation fee, they should set it up like a stormwater fee and have it used specifically for that. Ms. Todd said "the restriction isn't placed by state law. They would have to be used for streets; they can't be used for general operations."

Councilman McFee said he wasn't in favor of the transportation fee. He isn't opposed to finding other areas to cut and thinks "we have the caliber of staff to do the critique on the budget." If staff believes they can find additional cuts, he's in favor of looking at that further, he said. If they feel that there won't be "equivalent delivery of services" with the cuts, then he would be in favor of the transportation fee.

Councilman Sutton asked what council thinks about the COLA increasing, which he referred to as "a big chunk of money." He asked if "you guys are ready to give your employees a raise." Councilman McFee said they could give a 1% raise instead of 2%. Councilman O'Kelley said he'd brought that up before. Councilman Sutton said they won't be happy, but it's council's job to make that decision. He feels the

transportation fee will happen at some point, especially given state tax laws. Councilman McFee said that realistically, they are raising money so that the street department can deliver the level of service that the residents have become accustomed to, though only 26 lane miles in the city are the city's. Bottom line, Councilman McFee said, "we are all going to pay for it," in taxes – where their hands are tied because of Act 388 – and in their ability to raise taxes in an assessment year. As they move forward with the Civic Master Plan to redevelop and re-energize the city, the city will have needs, and fees "will probably be the only source of revenue we will have, and it will be tied to the costs associated with that maintenance."

Councilman Sutton said in regard to the first reading, if council doesn't support this, they'll do another meeting when they get a report back from staff once they do the numbers again. Mr. Dadson said if council directs staff to lower the revenue stream by \$180,000, by finding it in costs, on the second reading, they'll have a budget with the \$180,000 in cuts. He advised council to do its first reading. Also, if they want to direct particular cuts, they need to do that as a second amendment. He'd prefer that they just direct staff to find that. He'd prefer to "cut things that can be cut and not people." Operationally, he'd prefer they cut if they're not going to have a transportation fee "and not dip into the fund balance."

Councilman Sutton asked Mr. Dadson if they direct that staff make cuts if Mr. Dadson will come back to council with "things you cannot do because of cuts," and Mr. Dadson said yes. Councilman Sutton said staff "may have to push back and say 'This is not going to happen because we don't have the budget.'" He said there are a lot of things they talk about and want to do, but they take a long time to happen.

**Councilman O'Kelley made a motion to amend to the budget to eliminate city council's salaries and benefits. Councilman Sutton seconded the motion.** Mayor Keyserling said he opposed it not because of the \$6000 salary or reimbursement for expenses, which he hasn't taken, but because Councilman O'Kelley and Councilman Sutton have health benefits that the other council members don't have. Councilman O'Kelley called the question. **The motion failed 2-3, Mayor Keyserling, Councilwoman Beer, and Councilman McFee opposed.**

Mayor Keyserling passed the gavel to Councilwoman Beer. **Mayor Keyserling made a motion to amend the budget by reducing the budget by \$180,000 by eliminating the transportation fee, and directing staff to look at ways of covering that \$180,000. Councilman Sutton seconded. The motion passed unanimously.**

**On the budget as amended on first reading, the motion passed unanimously.**

#### **REFUSE COLLECTION FEE INCREASE FOR FY 2014 BUDGET ORDINANCE**

**Councilman McFee made a motion, second by Councilwoman Beer, to approve the fee increase on first reading. The motion passed unanimously.**

**TRANSPORTATION FEE FOR FY 2014 BUDGET ORDINANCE**

**Councilman Sutton made a motion, second by Councilman O’Kelley, to table the matter. The motion passed unanimously.**

Ms. Rodgers asked if council “was aware of the decreases in revenue for various things like the park and the carriage rides and the cart bin.” Parking fines also were down. The Waterfront Park’s projected income is down more than 30%, and she asked if they thought that was tied to the increased fees. She thinks people may not be coming downtown because of the parking, and that might account for the empty buildings downtown. She feels that council needs to take a look at these decreases and what’s causing them.

Ms. Rodgers went on to say that “everywhere there is a house built, it’s rare to find a right-of-way that’s not maintained by the property owner.” Councilman McFee said it’s rare in some neighborhoods but not in all neighborhoods. “There are far more streets in this city that aren’t maintained by property owners” beyond a sidewalk or break in the road, Councilman McFee said.

Councilman Sutton suggested that there’s higher occupancy on Bay Street than there has been in a long time. It’s good that fines are down, he added. The money that is made from fines is used for marketing downtown.

Ms. Rodgers said there was no income from leasing the City Hall building. Mayor Keyserling said that they are not leasing it out at this time; for four years they have offered lease space to the school board, county council, and magistrates’ court, and there’s been interest but no deal. They won’t go out and compete with the private sector. The space is being used, but not for rent, Mayor Keyserling said.

**EXECUTIVE SESSION**

**On motion of Councilwoman Beer, seconded by Councilman McFee, council voted to move into Executive Session pursuant to Title 30, Chapter 4, Section 70(a) (2) of the South Carolina Code of Laws for a discussion of proposed contractual arrangements. The motion was approved unanimously.**

**\_\_\_\_\_, seconded by \_\_\_\_\_, made a motion to come out of Executive Session and resume the special meeting. The motion was approved unanimously.**

**ADJOURNMENT**

There being no further business to come before City Council, \_\_\_\_\_ **made a motion to adjourn the work session, seconded by \_\_\_\_\_.** **The motion was approved unanimously,** and the meeting was adjourned at \_\_\_\_\_ p.m.

ATTEST: \_\_\_\_\_  
IVETTE BURGESS, CITY CLERK