

**CITY OF COLUMBIA
WORK SESSION MINUTES
MARCH 11, 2009 – 9:00AM
CITY HALL - 1737 MAIN STREET – 3RD Floor**



The Columbia City Council met for a Work Session on Wednesday, March 11, 2009 at City Hall, 1737 Main Street, Columbia, South Carolina. The Honorable Mayor Robert D. Coble called the meeting to order at 9:15 a.m. The following members of Council were present: The Honorable E.W. Cromartie, II, The Honorable Sam Davis, The Honorable Tameika Isaac Devine, The Honorable Daniel J. Rickenmann, The Honorable Kirkman Finlay III and The Honorable Belinda F. Gergel. Also present were Mr. Steve Gantt, Interim City Manager and Ms. Erika D. Salley, City Clerk.

CITY COUNCIL DISCUSSION / ACTION

1. **Special Introduction – The Honorable Mayor Robert D. Coble

Mayor Coble introduced Major General William C. Kirkland, Commanding General / 84th Training Command and announced a new Recruitment Agreement between the United States Army Reserve and the City of Columbia to explore mutually beneficial initiatives that support the missions of both organizations.

Major General William C. Kirkland, Commanding General / 84th Training Command said that this is a wonderful opportunity for the Army Reserve to have employment opportunities for its members and for the City to provide that employment. He presented Mayor Coble with a copy of the partnership agreement that was signed yesterday.

2. Employee Health Care Benefits and GASB 45 – Ms. Jo Stewart, Towers Perrin

Ms. Jo Stewart, Towers Perrin introduced Mr. Mike Jones as an actuary that can address questions on retirees. We are not the actuary for GASB so we can only address general questions about how it works and what other employers are doing to manage costs. We have addressed most issues around active employees. The only remaining issue on contributions is whether or not you will implement a flat level contribution so that all employees regardless of salary pay the same amount or salary based contributions using three (3) salary bands. We are recommending that you implement changes effective July 1, 2009, but have a second enrollment in January 2010 so that the plan will operate on a calendar year basis. We talked to City staff about the administrative implications of doing a salary based structure.

Ms. Hattie Hasley, Deputy Director of Human Resources reported that there are issues with setting up the contributions based on salary. We discussed the fact that the firefighters have higher salaries, because they have built in overtime hours.

Mr. Jacques Gilliam, Director of Human Resources said that the Firefighters are set up differently than the rest of City employees; they are based on 106 hours of pay and then 96 hours the next week. It's a lot different from the 40-hours per week employee; the pay structure is different; and it would be very difficult to set up the salary based contributions.

Councilor Davis asked why is it different; is it because of the scheduling?

Mr. Jacques Gilliam, Director of Human Resources said yes; they work 24-hours and then they have 48-hours off. That pay structure is set up differently in the system and it would be difficult to change.

Councilor Cromartie asked why it can't be based on the average salary.

Councilor Finlay said that it's staggering to him. He told the Interim City Manager that he would like some resolution on this. Every problem that touches the Information Technology Department seems to create more problems. I thought the point of modernization and computerization was to make it such that problems like payroll became easier. Somebody needs to define for me if IT is facilitating or inhibiting what we do. It is time for that excuse to go away and I don't care how it goes away. He asked Mr. Gantt if he understands the point being made; the role of IT is to facilitate and not create problems.

Mr. Steve Gantt, Interim City Manager replied perfectly.

Councilor Davis said that uniformity is the key word in terms of where we want to go with this. We will probably have the same problems down the road if everybody is not on the same schedule and if the system is not uniform in calculating benefits.

Councilor Gergel said that she knows the sentiment that is behind the desire to address the salary bands. She asked if it is a common practice to use salary bands.

Ms. Jo Stewart, Towers Perrin said that this is not a common practice. I want to remind you that in doing salary based contributions we were not attempting to in any way change the level of overall cost sharing between employees and the City. We were trying to shift it a little bit so that those with higher salaries paid a little bit more than those with lower salaries. She referred to Page 7 noting that employees earning between \$30,000 and \$50,000 are going to pay the same under both approaches and there are 1,121 employees in this salary band.

Councilor Cromartie said that we looked at that approach, because we have employees who make less than \$30,000 per year and they are the employees who would be greatly impacted, because they will pay a greater percentage of their total income as a result of the increase. He said that this Council takes a lot of flack and they are held responsible for what everybody on staff does as if we can hire and fire folks. I've advocated that there shouldn't be a reduction in force, but you must do your jobs according to the policy level of this Council.

Councilor Finlay inquired about the cost of each plan under the three (3) salary bands. He said that this isn't fair; it's equitable. The difference is that in after tax dollars people making more than \$50,000 are paying about \$85 more and those making less than \$30,000 are paying \$85 less. If this is an enormous source of concern for you as an employee at the City of Columbia then you better get ready. This is not even the appetizer of the pain that I think is coming from this budget. If this type of adjustment is what sends you over the edge then it's going to be a long four (4) months as we do this budget. I would like to agree wholeheartedly with what Mr. Cromartie said earlier; we do not hire or fire. That is solely within the authority of the Interim City Manager. It is important for staff to understand that Mr. Gantt, Mr. Baker and Ms. Brown are in charge of hiring and firing at this City.

Councilor Davis echoed that sentiment. He said that he is still trying to understand the problem in terms of individual contributions. There is nothing wrong with your ability to pay being based on your salary. If that's the most equitable way for us to get this in balance and make sure that everybody does in fact get the kind of coverage they need. There is a huge gap in salaries and you have to go out at night and watch the guys that are working behind the backhoes doing their jobs while everybody is sleeping and then you come back and look at their salaries; they deserve to get just as much protection and quality healthcare services as anybody else, although their salaries may not reflect that. If we can get them into a system wherein they can be treated the same, then that's what we should do. Also, I think

certain salaries are based on the fact that you're classified as a professional and there is a separation in a professional in our organization and non-professionals and that's where professionalism separates itself from overtime as well. All of that is a reflection on the argument we are having about these benefits. We are all in concert on this.

Councilor Devine said that if the Fire Department is the only issue then Chief Anderson and Chief Jenkins should meet with the Information Technology and Human Resources Departments to figure it out.

Mayor Coble said that the Fire Department is on a different system and nobody else is on a 24-hour work schedule and if there is a different system for a group of employees where overtime has to be calculated differently because of the nature of the job, then so be it.

Mr. Steve Gantt, Interim City Manager said that we will take care of this; you have made it clear that we will have a three (3) band system and it will work.

Councilor Rickenmann amended the motion to involve the union representatives of the Columbia Fire Department who are concerned about how this will flow and they have some very good ideas. I talked about looking at a third option where someone chooses to do a health savings plan; there is no reason why we can't have that option available.

Councilor Davis concurred.

Councilor Gergel clarified that this is not a new type of approach that's only been designed for the City of Columbia and secondly I think it's one that will truly get at some of the central issues that we've been attempting to address.

Upon motion by Mayor Coble, seconded by Ms. Devine, Council voted unanimously to authorize the City Manager to implement employee contribution levels as outlined in Alternative 2: Salary-Based with three (3) Salary Bands for both Plans A and B as outlined on page 8. Council further directed Fire Chief Bradley Anderson and Deputy Fire Chief Aubrey Jenkins to meet with the Human Resources Department and the Information Technology Department to determine how to implement the salary bands for the Fire Department personnel in accordance with their pay structure.

Councilor Finlay reiterated that staff needs to focus less on why we can't do things and whole lot more on what we are doing and how we're doing it; let's tighten our belts and move on.

Ms. Jo Stewart, Towers Perrin began to talk about the retirees; we have not made any decisions about what will happen to retirees on July 1st when the changes go into effect for active employees.

Councilor Cromartie asked what the different plans are for retirees. We have comments and thoughts around the Medicare-eligible employees and we need input from the employees. There is a way the City can pay less for certain types of plans.

Ms. Jo Stewart, Towers Perrin explained that she will address the Medicare-eligible retirees. We can talk about the funding options for them as to whether or not you buy an insured plan or do you continue to self fund that.

Councilor Rickenmann said that they have to understand the cost benefit of that, because buying an insured plan would save us a lot more money than what we are currently doing. He said that 50% of our healthcare costs are claims from retirees.

Ms. Jo Stewart, Towers Perrin explained that both budget concerns and the GASB 45 liability are complicating matters for the retirees to a great extent. There are open issues around the plan design. What plan design(s) will be offered to retirees as of July 1, 2009? Do you want to offer the same plan choices as active employees? Are you going to ask retirees to make contributions? The retiree dependents contribute today; the issue is not the dependent; it is the retiree. How will contributions for retiree dependents be set and at what level? How will this work for retirees under the salary-based approach? That doesn't typically work for retirees so we will need to decide how to treat the retirees and their contributions.

Councilor Cromartie said that active employees have a committee and we've received some feedback in terms of what they want to do. We haven't heard from the retirees. We have a retiree association so why aren't we receiving input from them.

Councilor Gergel concurred, noting that it is important to hear from all constituents and this is one of the most important groups that we need to hear from.

Ms. Jo Stewart, Towers Perrin reported that there are over 550 retirees, which is a significant percentage of the population that you cover. She suggested that the pre-65 retirees that aren't Medicare-eligible be offered the same plan design option as active employees; this is very typical.

Councilor Devine asked if Ms. Stewart addressed the pre-65 retirees that receive benefits from existing employment.

Mr. Mike Jones, Actuary for Towers Perrin said that this is not addressed in this model, but a lot of employers over the last few years have made changes in their plan provisions to allow pre-65 or pre-Medicare-eligible retirees to take another employer's coverage as an active employee where they might not have retiree medical coverage available to them once they do retire and then come back under that employers plan. It is common for the employers to require the retiree to show that they've had continuous coverage in a health plan. The objective is not to have them go away and not have healthcare coverage for ten (10) years and then come back under that employer's plan when they are real sick. That's one way you could do that.

Councilor Cromartie inquired about the result of a retiree carrying our plan with them if they continue to make the payments, because you can have a job with less coverage than you already have. Could they continue to make payments on our plan; pick up the new employer's plan; and then cooperate with both plans to be in a position to pay less money?

Mr. Mike Jones, Actuary for Towers Perrin said that most of the time a retiree would remain on your plan and they would waive coverage in the new employer's plan. Why pay for two (2) policies? Keep in mind that they only contribute 10% of the cost. Most employers will allow the retiree to opt out of the plan for a temporary period and then come back in later on.

Councilor Cromartie asked what if they don't want to opt out.

Mr. Mike Jones, Actuary for Towers Perrin said that the retiree can continue to pay their contributions. You would see a retiree do this more often in a plan that has higher contributions; in a lot of cases retirees contribute 25% to 50% of the cost.

Councilor Finlay asked what percentage of employers has a more generous program than we do.

Mr. Mike Jones, Actuary for Towers Perrin estimated that it is 10% to 20%.

Councilor Finlay said that our benefits are so generous that people aren't going to leave. Even when they go work somewhere else for fifteen (15) years before they are Medicare-eligible we will have to pay 90%. I realize that we have to make a decision quickly, because there are some savings that we must look at in order to control our budget, but let's be honest, we're going to be back here again. The math is too compelling against us to continue sitting where we are.

Councilor Cromartie asked what happens when a retiree doesn't maintain coverage and then they come back at age 65.

Mr. Mike Jones, Actuary for Towers Perrin said that it's going to be very expensive to cover that retiree. If they did not maintain coverage at all then they probably didn't have regular physicals either.

Ms. Jo Stewart, Towers Perrin said that the pre-65 retirees are more expensive than active employees and Medicare-eligible retirees. We set budget rates for this group at 180% of the cost for active employees.

Councilor Finlay said that the important thing to look at here is that it's a 2 to 1 ratio.

Councilor Gergel asked what numbers we are talking about in terms of pre-65 retirees.

Ms. Jo Stewart, Towers Perrin said that the City has 287 pre-65 retirees as outlined on page 10. We assumed that contributions for the pre-65 retirees would be the same as active employees, as done historically.

Councilor Finlay said that the retirees will cover 5% of the cost and as inflation grows unless we adjust that number we will be negative.

Ms. Jo Stewart, Towers Perrin explained that the City's cost sharing with active employees is 80/20; you pay 80% and they pay 20%. For pre-65 retirees with the same flat dollar amount contribution you are paying 88% of the cost of their coverage. Currently you don't charge retirees anything so we are least adding some contribution. For Medicare-eligible retirees, a choice of plan options is not critical for this group, because Medicare picks up a very significant piece of the overall cost and you are supplementing that medical component. The current Medicare coordination approach is generous and no longer standard for most employer groups.

Councilor Finlay asked if that means that we are paying more of our share than we should be.

Ms. Jo Stewart, Towers Perrin explained that for retirees who are Medicare-eligible, for the most part, except for the medical piece of it, they end up paying nothing.

Councilor Rickenmann said that part of that goes back to the discussion on being self-insured in this category; it kills us.

Mr. Mike Jones, Actuary for Towers Perrin explained that what tends to happen is an employee with a \$200 deductible and 80/20 coinsurance will pay their deductible and their 20%. With a Medicare-eligible retiree and the coordination of benefits (COB) a lot of times those retirees pay nothing, because the Medicare payment is sufficient enough to cover the deductible. There is an alternative way to coordinate that so the retiree pays the deductible and the coinsurance.

Councilor Finlay asked are we paying for it.

Mr. Mike Jones, Actuary for Towers Perrin said that you are not necessarily paying it, but with the way the plan and the program work the retirees medical cost is zero oftentimes.

Councilor Finlay asked if the additional cost that should be picked up by the individual being born by the federal government or the City of Columbia.

Mr. Mike Jones, Actuary for Towers Perrin said that the cost is being born by the City of Columbia.

Councilor Devine asked what happens if you are Medicare-eligible, but you have not retired; you still work here.

Mr. Mike Jones, Actuary for Towers Perrin said that the City's plan would pick up and Medicare pays nothing, because that person is still working.

Councilor Cromartie said that retirees would get their Medicare and the City of Columbia would then provide the contractual payment for Medicare Subsection B.

Mr. Mike Jones, Actuary for Towers Perrin said that you coordinate with Medicare on Subsections A and B; the benefit that your plan pays is calculated based on the assumption that the retiree is enrolled in A and B.

Councilor Cromartie asked if a retiree would have to enroll in Subsection B along with what they receive from the City.

Mr. Mike Jones, Actuary for Towers Perrin said yes, because if you don't buy Subsection B then you will have to pay more out-of-pocket because when the plan is calculated, it assumes that the retiree has brought B.

Councilor Cromartie thought that the additional insurance that the City provided as the secondary plan would prevent them from having to buy Subsection B.

Mr. Jacques Gilliam, Director of Human Resources explained that the City would be the primary insurance for post-65 retirees that are currently employed and Medicare is the primary insurance for post-65 retirees that aren't currently employed; the City of Columbia is secondary.

Councilor Cromartie said that if the City of Columbia is secondary does that mean that they will pay like Subsection B would have paid.

Councilor Finlay moved on to page 13.

Ms. Jo Stewart, Towers Perrin clarified that their changes do not assume a change in the Medicare coordination approach.

Councilor Finlay said that he is focused on the incremental change. If we accept the recommendations, we will save approximately \$320,000 from July 1, 2009 to December 31, 2009 on retirees. We will save \$645,000 in 2010. Mr. Gantt, if we do not make these changes will that increase or decrease our operating deficit?

Mr. Steve Gantt, Interim City Manager said that it will increase.

Councilor Devine recalled that at the Retreat earlier this year Mr. Ellis told the Council that this decision hinges on how this is booked. She reiterated the need to include those retirees

that are currently working elsewhere, because it affects our cost and how GASB is calculated. I would like to incorporate that in whatever plan we are looking at.

Councilor Cromartie said that he doesn't have a problem with whatever this Council decides to do, but he has a grave concern if we don't let the retirees understand before the fact instead of after the fact. We owe it to our employees that spent 25+ years working with the City.

A motion made by Mr. Finlay and seconded by Mr. Rickenmann to accept the proposed plan as outlined on page 13 and to acknowledge that in September 2009 or October 2009 we may need to come back and adjust this for 2010 from a flat fee to a percentage, was withdrawn.

Councilor Finlay warned his peers that if they are not careful and they let this go beyond two (2) weeks they will be making a decision by not making a decision.

Councilor Gergel requested information on how this plan parallels and differs from the State plan.

Ms. Jo Stewart, Towers Perrin clarified that they are recommending some plan design changes and additional contributions, but the COB is not included in that pricing and there are other considerations that are not included in those assumptions.

Councilor Davis asked the Interim City Manager if we are currently communicating with retirees. He asked what the communication vehicle is.

Mr. Steve Gantt, Interim City Manager said that we would have to pull the list and send out a letter or some kind of notification that we will be discussing this on March 25th and if they would like to attend to hear the discussion then they should be here.

Councilor Gergel asked if retirees had been notified of Council's discussions and considerations. I was assuming that we might have some meetings between our staff and retirees and let them know that we are planning on a vote, but I was not thinking that we would do a public hearing.

Mayor Coble asked Ms. Stewart to explain how retirees would be making the additional contribution as outlined on page 13.

Ms. Jo Stewart, Towers Perrin explained that the savings is a result of the contributions that they will make as well as the plan design changes.

Mayor Coble said but they are post-65, how do they make their contributions.

Ms. Jo Stewart, Towers Perrin said that there are two (2) ways to do it; one is you can invoice them or you can take it from their pension. Today, you take dependents from their pensions.

Mr. Jacques Gilliam, Director of Human Resources reported that post-65 retirees pay once per month through Blue Cross Blue Shield and then they write us a check.

Mr. Bill Ellis, Deputy Finance Director said that we are under the State Retirement System; we can't deduct from their checks; therefore, they have to mail us a check.

Councilor Cromartie said that retirees will now be paying an additional amount. He asked for the exact amount.

Ms. Jo Stewart, Towers Perrin said that it would be \$33.18 for employee only coverage; \$172.54 for employee and spouse; it would be the same as the active employees as outlined on page 8.

Councilor Cromartie asked if this amount is paid once or twice a month.

Ms. Jo Stewart, Towers Perrin said that it is paid once per month.

Councilor Finlay said that this is only one (1) of twenty (20) to thirty (30) contentious issues like this; if we do not figure out a way to move quickly, we will need to meet three (3) times per week / all day for the next four (4) months. The reality is that there must be decisions made, because the situation is getting worse.

Ms. Jo Stewart, Towers Perrin said that there are a number of issues that we haven't addressed: Coordination of Benefits; setting contributions at an equal cost share; higher contributions for pre-65 retirees; and other opportunities to manage costs long-term. She referred to page 14 and continued her report. She said that retiree medical is not an easy subject for most employers. You are talking about managing your budget and you are talking about managing what you pay out on an annual basis. But, with retirees you also have to reflect your liability. You have to reflect the value of the full benefit that you promised to these people; not just your current retirees. You have a liability that's accruing based on the promises that you've made to your active employees and to your retirees. Employers have to think about how they are going to manage their budgets and that long-term liability. She said that the GASB 45 liability must be considered when evaluating retiree medical program changes. We recommend that you adopt some plan design changes; change the current and future retiree contributions to be based on experience; you could set the contributions at 10% for the employee cost and 30% of the dependent cost; you should charge a contribution level that's consistent in terms of the percentage of pre-65 retiree cost versus the active cost; you could change the eligibility age for retiree coverage; implement a cap for future and current retirees to cap your cost at some percentage; and you could change the coordination of benefits approach from 100% to carve-out. These are the things that help you manage your liability.

Mayor Coble asked if we have calculated the impact that changing the age of eligibility for retirement coverage would have on GASB 45.

Mr. Steve Gantt, Interim City Manager said that we are in the process of obtaining this information by comparing what it would be if went back to January 2004 to set the number of years you had to work in order to retire and increase that to 25 for Police Officers and 28 for regular State retirement folks and then doing a comparison of what it would be if you did it January 1, 2009 with that same extension of years in service to see what that does to our GASB 45 situation. We will have that for you in a couple of weeks.

Councilor Finlay asked if the best way for us to control GASB 45 would be to do a percentage versus a flat fee to recoup cost; take the retirement age from 20 to 25 and 28; and then do a hard cap on insurance cost in the future.

Mr. Mike Jones, Actuary for Towers Perrin said yes; in the future that would essentially limit your cost to a certain dollar amount and completely take inflation out of the picture.

Councilor Finlay said that if we don't move expeditiously and firmly, 5% to 7% of our operating budget next year will go to GASB or that liability will sit on our balance sheet. You cannot control a liability that is growing at 8% when your revenues grow at 2%. It will consume the entire City budget if we are not careful in the out years.

Mayor Coble asked what other governmental entities are doing on GASB 45.

Mr. Mike Jones, Actuary for Towers Perrin said that they are looking at funding opportunities, because with funding the plan partially the actuary can't select more favorable assumptions that produce the expense you have to recognize on your books each year. They are at least looking at a partial funding scenario. In addition to that to help manage the compilation of that liability and the annual required contribution, they are looking at plan changes and contribution changes to help reduce the annual budget pressure.

Councilor Rickenmann said that he's not sure that we can book the entire amount at this stage, but we have to book some of it. We have talked about trust fund options and as soon as we can get solid numbers we have to understand that approach.

Mr. Bill Ellis, Deputy Finance Director informed the Council that it all has to be booked whether they fund it through an irrevocable trust or something else. The best way to approach the GASB 45 liability and I am not advocating this, but the best way is to cut future retiree benefits completely and put whatever you were going to put into an irrevocable trust based on an annual basis into an account and let the account grow to whatever it grows to and guarantee nothing then you have no GASB 45 liability.

Councilor Rickenmann said that he would like an explanation on alternative five, which is the change in coordination of benefits and the carve out.

Councilor Cromartie asked Ms. Stewart to finish explaining the process of funding.

Ms. Jo Stewart, Towers Perrin said that she wants to make sure when we talk about funding the GASB liability that that's different than self insured/self funded.

Mr. Mike Jones, Actuary for Towers Perrin said that many governmental entities have realized that this is a difficult problem with an annual expense of \$20 to \$30 million compared to an annual pay-as-you-go cost, which are essentially the claims minus the retiree contributions of \$5 million. We have been recognizing that \$5 million a year is going to \$20 to \$25 million a year, so now you are going to book \$20 to \$25 million per year. If you contribute \$5 million to pay-as-you-go cost you will have a liability of \$20 million and it will grow. Employers can't come up with the entire expense in money to fund, which will make your balance sheet zero. They are trying to find a little extra to start with in that trust.

Councilor Finlay said that the problem is to fund this as an income statement expense and since we are looking at an income statement for 2009/2010 that has a \$4 million deficit right now, any additional expense that we put to the trust fund right now would make us have a larger operational deficit for 2009/2010.

Mr. Bill Ellis, Deputy Finance Director said that you must include the expense for GASB, whatever your assumptions are. We're talking cash versus accrual. One way you have a cash outlay and the other way you have an accounting entry which can cause the fund balance to go negative; I am not advocating that, but it is at your discretion. You have to book it either way.

Councilor Finlay said that we are going to pay this bill at some point and that's going to come from cash.

Councilor Devine asked if the \$4 million potential for next year has been added in without any changes.

Mr. Bill Ellis, Deputy Finance Director said that is correct.

Mayor Coble said we know that we are going to make changes and suggested that they review what the potential changes would be. Potential change number one is to increase the retirement date up to 25 and 28 years for employees who've been here five (5) years or less. Will that have an impact on GASB 45?

Mr. Mike Jones, Actuary for Towers Perrin said yes and it depends on where you set the line. If you go back to 2004 there will be less of an impact than if you make the change today.

Mayor Coble said what if we say it's for new employees that are being hired today and going forward.

Mr. Mike Jones, Actuary for Towers Perrin said that it would have an impact over time, but it would have virtually no impact today, because those new employees are not in the plan.

Councilor Finlay said that after an extended period of time, the plan would in essence disappear.

Mayor Coble asked when the Council would have all of the various things to plug into GASB 45 to see how it reduces the liability.

Ms. Melisa Caughman, Budget Director said that we've asked our actuary to include those additional changes and it will take several weeks to get back to us.

Mayor Coble asked if we had any idea what the impact could be on what we discussed so far. He asked how the State of South Carolina is and other cities are handling this.

Mr. Mike Jones, Actuary for Towers Perrin said that they are all in the same situation; they are making changes to better manage cost; and they are looking at ways to find funds in the budget.

Mayor Coble said that the plan we are changing is richer than it should be and we are making the changes to get it in line with other cities. We will have that in some form or another by July 1st. At that point every jurisdiction will come up with a best way of handling GASB 45 and I think we should be a part of the experience. Our job is to have a healthcare plan that's in line with other governments and then look at what everybody else is doing with GASB 45 to determine how best to handle it. Is that an unreasonable approach?

Ms. Jo Stewart, Towers Perrin said that is a reasonable approach in terms of getting your plan design and contributions in line.

Mayor Coble predicts that the main issue for the City of Columbia will be with post-65 retirees; pre-65 retirees will pay what active employees are paying; most of them are active and still working; the post-65 retirees will be the biggest discussion in terms of what can they afford; it's also the least amount of money in terms of changes to the plan.

Councilor Finlay said that there will be variables. What I've heard this Council say through numerous discussions is that we realize that we must raise the retirement age. One of the most effective ways is to ask staff about the impact. For example, if you were to add 8 years to retirement on healthcare and two-thirds of employees have been hired in the last 7 years and for them we move that benefit out from 20 to 28 years; it would have a massive impact. If we pick that as a logical starting point, calculate the extension from 28 and 25 and then have staff bring back what it looks like after 3, 5, 7 and 10 years it would then make it an apples to apples comparison and we can move forward from there.

Mayor Coble said that since he's been with the City of Columbia it has changed from 10 to 15 to 20 years and the world didn't come to an end and the sun came up the next morning. For GASB 45 I don't want the public to think that we are the only ones out here dealing with this, because everyone is dealing with this. Our problem is that the cost of healthcare hasn't been calculated properly over the years in terms of budgeting and hopefully that's been corrected. We have a plan that should have been adjusted downward over the last few years to reflect what the State and others are doing and now we are doing that. Now we have to face a whole new issue of GASB 45 along with everybody else and we should rely on their experiences and what they're doing.

Councilor Davis concurred adding that we are at a point now where we are doing this for two reasons: the way we've done business over the years up to this point and the impact of GASB. Based on the input we are giving you; the options you brought back; and the fact that we are in the State system, we are at a point now where you could come back and give us an overlay. I don't know if we're that far off given the anticipated financial impact.

Ms. Jo Stewart, Towers Perrin said that they are not the actuary so they don't have the data to run the values.

Mr. Steve Gantt, Interim City Manager said that they hope to have the actuarial done by March 25th; they are working on that now.

Mr. Mike Jones, Actuary for Towers Perrin said that the Council's primary concerns are plan design, deductibles and contributions; he said that the GASB expense is what it is.

Mayor Coble asked Mr. Gantt to confirm the anticipated cost savings for implementing the recommendations presented thus far.

Councilor Finlay said that the savings would be \$1 million from July 1st through December 2009 and \$2 million for 2010.

Mayor Coble said that if we implement the recommendations for pre-65 retirees, the savings would be \$500,000 for 2010. He asked if that was included in the \$3 million for active employees. What's the total savings for active employees and pre-65 retirees? The cost savings for post-65 retirees is \$142,000 for 2010. We have reached the point where I think there is a consensus on \$3 million worth of savings, but we may be having discussions with people about \$142,000 of that. We are almost there in a healthcare plan that you've said is comparable and still one of the best healthcare plans anyone offers. It is comparable to the State benefits, but it cost less to the employee than what the State does. We are close to what we have to do and I don't want the public to think that because we are still wrestling with retirees that it means we haven't gotten to 90-95% of where we are. When we get to GASB 45 we have to make the tough decisions about where our benefits will start. You can criticize us on where we've been and why we didn't get here earlier, but in terms of where we are today, we have a healthcare plan that will be comparable to others, which is very good; we will address GASB 45 hopefully the way that everybody else does; and we are going to do that during the first part of April.

Councilor Finlay said that he agrees on some points, but the reality is that this plan is just going to get us back under the line for 2010. Here is the problem: the cost of medical is growing so quickly that it's going to bounce back. My point is that we are making a good down payment, but the payments are going to continue and we have to realize that we aren't going to be able to pay enough; we have to restructure the way we do it to make it attainable long-term. We will have to take another stab at it in September to get the trend line to a bearable point for us.

Mayor Coble said that with all of the negative history we've been dealing with for the last year, I do believe that if we get a plan that's comparable and fits in with the State and others then what you are talking about is absolutely correct, but it's also what everybody has to deal with.

Councilor Gergel asked that we build in an annual review of where we are and if we are reflecting best and current practices. I would like to hear from our staff or consultants so that we don't get behind.

Councilor Davis concurred, adding that we will have to come back within 6-months to a year to review the system and make adjustments based on some of the external factors that we have no control over such as healthcare costs.

Councilor Finlay said that he wants everybody to understand that we are not at the beginning of the end; we're not even at the beginning of the middle; on this issue we may be approaching the end of the beginning. Everybody is going to be very upset, but we are going to continue to cut; the pain is going to continue and we will have to focus. As long as we as a group realize where we are in the process and that's it's merely a down payment, I'm fine because we are making progress. Because of where we are, our ability to recover from operational mistakes in our budget is about gone. We're going to have to focus on this and the impacts not only in the short-term, but the long-term and our ability to operate. We are like a ship that has sailed too close to shore in shallow water; we have very little room to maneuver.

Councilor Devine agreed with Mr. Finlay and told the City Manager that we are at the end of the beginning and it's a good start, but we certainly need a better grasp on where we are with our healthcare costs and be on top of monitoring that. I would suggest that we review this bi-annually to figure out where we are; what kind of claims we are having; what are our risk factors; and what's driving our cost. Secondly, we had a good start this year with our Employee Wellness Program, but one of the things we talked about was trying to dangle carrots to get people involved. Other cities carry a hammer in order to make people participate in the wellness programs and that is something we must do. Where will we be if we are not willing to take the junk food out of vending machines? There are cities that mandate annual physicals and blood assessments. We have put incentives in place, but we haven't done a lot to encourage and somewhat force our employees to participate. We will have to do that, because we won't be able to control our healthcare cost, but we can control some of our claims if we encourage our employees to have healthy lifestyles.

Councilor Davis asked if we were doing well with OSHA in terms of compliance and work place safety. Those are the kinds of things that we have to continue to do, because that too has a bearing on our cost.

Mr. Steve Gantt, Interim City Manager said that we may have had one (1) violation this year.

Councilor Finlay added that he and the Police Chief have wrestled with the use of Tasers. He said that our lack of Tasers lead to a lot of healthcare issues, because when officers have to apprehend someone bodily, it's a good way to get hurt. I'd rather tackle a 300-pound drunk with a Taser than personally. We will need to make some capital budget decisions so that we can hope to see the medical flow through. How do we keep people from getting hurt on the job?

Mayor Coble said that if the Chief wants Tasers then we have the Byrnes Grant for that. He complimented Chief Carter on the increase in applications received and for vacancies being at the lowest during the Chief's tenure. I was able to meet the two classes of new recruits and I was most impressed with them; they were outstanding and will be good employees of

the City of Columbia. He clarified the motions that were on the table. Obviously, the post-65 retirees are the ones that are going to create the most issues and sympathy. It would be best to have a workshop with those individuals; receive their input; and bring that back to the Council as opposed to having a Public Hearing. We also need to focus on the fact that that is a discreet amount of money. We are going to vote on March 25, 2009 and we need GASB 45 discussion on the actuarial on April 1, 2009.

Upon motion by Dr. Gergel, seconded by Mr. Cromartie, Council voted unanimously to direct the Interim City Manager to schedule input sessions with all retirees prior to March 25, 2009; to report back to Council on the input received; and to schedule a vote on this matter on March 25, 2009. On April 1, 2009 the Council will discuss the completed actuarial.

**Councilor Finlay presented a check from the balance of his Council Contingency Account to the Police Chief to purchase vests for the Columbia Police Department. I don't think there are any issues with this, but I wanted to make Council aware of it.

- **Council recessed at 11:20 a.m.**
- **Council reconvened at 11:33 a.m.**

Mr. Steve Gantt, Interim City Manager reported that the three-tiered approach is not an issue with the Information Technology Department; that was resolved on yesterday.

3. Professional Grant Writing Services – Ms. Teresa Wilson Florence, Office of Governmental Affairs and Community Relations

Mr. Steve Gantt, Interim City Manager reported that this is in regard to the stimulus program and the contract will pay our grant writer \$29,700 through June 30, 2009 and some of it will be absorbed in Ms. Florence's budget. She also sent an e-mail to all departments that could possibly receive funds from the stimulus package and to date we've had at least three (3) departments that have offered to provide some funding for that grant writer through the end of the fiscal year. He asked the Council to approve the contract.

Councilor Davis said that he would like to see a point where the grant writers start to pay for themselves with administrative costs coming off the top. I know that is not a luxury now, but we should consider that. I don't see us doing what needs to be done with just one grant writer.

Mr. Steve Gantt, Interim City Manager said that he hopes to supplement costs through indirect costs.

Councilor Rickenmann stated that some measures should be on this contract. I want to know at the end of the day what grants we applied for and who is getting something. You need a performance contract. I don't want to see a permanent position; I want them to be on contract.

Mayor Coble asked if the grant writer will be working with the stimulus funds.

Councilor Devine said yes; we are working to get the appropriate authority to submit the grant application; she will submit for the stimulus grants; she will write and submit grants based on the data provided. She said that the Police Department had someone that worked on grants before.

Councilor Finlay said that Mr. Bill Ellis, Deputy Finance Director has been our most successful grant writer yet. Have we defined the sources for this year?

Mr. Steve Gantt, Interim City Manager replied no sir.

Councilor Finlay said that we are instructing the Interim City Manager to find this money as we are running a \$4.5million deficit. I agree that this is important, but we have to cut as we add things.

Ms. Teresa Wilson Florence, Director of Governmental Affairs said that she will shift funds around in her budget to help fund the grant writer.

Councilor Finlay said that all line items have to come to an equal mark and that we are not going to fix the deficit between now and June 30th.

Mayor Coble asked Mr. Finlay for an alternative.

Councilor Finlay said yes I think we need the grant writer, but we are going to have to take additional dramatic steps to close that \$4.5 million budgetary shortfall.

Councilor Cromartie said that we are willing to do this, but how. I expect the Interim City Manager to identify where he will cut and then be in a position to cut.

Councilor Rickenmann acknowledged the shortfall, adding that this expense will be to the long-term benefit.

Councilor Devine said that we have missed a ton of grant writing opportunities over the years. Looking past the stimulus we need to be proactive. There are still grant opportunities out there and I hope that we are not shortsighted and just cut things for the immediate cost savings benefit. I suggest that we all think long and hard about the possibilities in front of us. We need to capitalize on the opportunity to hire someone at \$29,000 to get millions of dollars in.

Upon motion by Mayor Coble, seconded by Mr. Rickenmann, Council voted unanimously to approve a Contract for Professional Grant Writing Services. Award to Chris M. Segars doing business as More Than Just Words in the amount of \$29,000 for an 18-week period through June 30, 2009.

4. Parks and Recreation Construction Projects – Mr. S. Allison Baker, Assistant City Manager for Neighborhood & Community Services

Mr. S. Allison Baker, Assistant City Manager for Neighborhood & Community Services stated that during a very tough economic time and a tough budget year for our City, I wanted to update you on several park improvement projects and construction projects to include the Parks and Recreation Administration Building, the Emily Douglas Amphitheatre, South Edisto/Rosewood Neighborhood Park and the Skate Park. He reported that funds have been derived from a number of accounts over the course of four or five years for these projects. The first project is the South Edisto/Rosewood Neighborhood Park; originally there was \$500,000 set aside over the course of several years from surplus funds. That project is now underway; construction is taking place; and we are expected to finish the project by June 2009. The Parks Administration Building is in the conceptual design phase and we will be coming to City Council during the first meeting in April to get approval of that concept and authorization for the Architect to go forward with the construction drawings. Another project is the Emily Douglas Amphitheater; as you may recall in October 2008, the Hand Foundation informed you that they raised their \$75,000 and we agreed to fund \$50,000 toward the construction of an amphitheater at Emily Douglas Park. They have completed their commitment. We are currently \$400,000 short in having all three (3) projects completed. I would like to ask you to allow us to transfer funds from prior year allocations of

Community Development Block Grant (CDBG) funds. We have gone back as far as 1997 and cleaned up all of our accounts; therefore, funds are available. We would like to put that \$400,000 towards the community and administration building at Earlewood Park and it's important to know that \$575,000 of cost for that administration building will go to a community use facility. The two (2) buildings will be connected to each other so that administrative staff can watch over the community portion of the building. The City previously committed \$300,000 to renovate the community center that's currently there. Again, we are asking to be allowed to transfer \$400,000 from CDBG prior year allocations to have the necessary \$2.6 million to complete those three (3) projects. As you may recall, at least five (5) years ago Parks and Recreation was given permission to move into the Naval Reserve Building at the corner of Pickens and Blossom Streets. At that time, USC expressed an interest in the facility and we negotiated a price for that building. It was not necessarily sold at the appraised value, but at a value that would give us an acceptable size facility. That is part of the funds that we have; again the Hand Foundation has contributed \$75,000 for Emily Douglas.

Mayor Coble asked for the total price tag on the Emily Douglas Amphitheater.

Mr. S. Allison Baker, Assistant City Manager for Neighborhood & Community Services said that the amphitheater alone is expected to cost \$125,000. Our commitment to that is \$50,000. The only facility that is totally supported by the General Fund is the South Edisto/Rosewood Neighborhood Park.

Councilor Finlay inquired about the South Edisto Park being funded from prior year surplus.

Mr. S. Allison Baker, Assistant City Manager for Neighborhood & Community Services said yes sir; the process started five (5) years ago.

Councilor Finlay said that there have been no surpluses.

Mr. S. Allison Baker, Assistant City Manager for Neighborhood & Community Services said that the money has been set aside in an account.

Councilor Finlay said that while the money may have been set aside, it's not operating surplus.

Mr. S. Allison Baker, Assistant City Manager for Neighborhood & Community Services said that we have an account set up and we are moving forward with construction.

Councilor Gergel said that this sounds acceptable and I move that we accept your request and complete these commitments that this Council has made.

Councilor Rickenmann said that there are some cost overruns at Rosewood and that may be offset by private donations. We are in discussions with some folks because that money was set aside and construction is three-quarters completed. I ran into Mr. Walker over the weekend and they talked about possibly donating the playground equipment and a sizable donation will be made to that park through an association. How much did we put in from the Naval Reserve Building?

Mr. S. Allison Baker, Assistant City Manager for Neighborhood & Community Services said \$2,030,000.

Councilor Rickenmann asked what we decided to do with the current administration building. Will it be put out on the market?

Mr. S. Allison Baker, Assistant City Manager for Neighborhood & Community Services said that we haven't made a decision on that.

Mr. Steve Gantt, Interim City Manager said that we have discussed that when the Bull Street property begins to develop, we feel like that the property on Calhoun Street will escalate in value substantially and we would like to hold on to that property until it's movement down there and then possibly put it back in the private sector.

Upon motion by Dr. Gergel, seconded by Mr. Davis, Council voted six (6) to one (1) to authorize the use of carry forward Community Development Block Grant (CDBG) funds in the amount of \$400,000 for the construction of the Community Center as part of the Administration Complex in Earlewood Park. Voting aye were Mr. Cromartie, Mr. Davis, Ms. Devine, Mr. Rickenmann, Dr. Gergel and Mayor Coble. Mr. Finlay voted nay.

Councilor Devine said that they talked about possible expansions to the Wellness Center. I know that we've talked about the cost of operating it and now it is a huge cost, but I would love to see a plan on looking at how it operates. It's not a community park and we need to look at it as a business and certainly there are some things that we can do. It gets a lot of use and we need to make sure we are keeping that on the forefront in some of the plans we have. We are possibly looking at a daycare, additional meeting space or expanding the gym space.

Mr. S. Allison Baker, Assistant City Manager for Neighborhood & Community Services said that they have developed a business plan for the Wellness Center.

Councilor Cromartie said that the Advisory Committee now looks at the operations, economics, membership and the equipment needs of the Wellness Center.

Councilor Rickenmann said that he has noticed that there wasn't an increase in revenue in the preliminary budget and I would like to make sure that we know what that number is. It is a business, it's not a City park and we need to be competitive to stay alive. It already cost us more than we anticipated and we have to help offset that, because there is no other money. I would like to see the true revenue stream and understand the basis we are working from.

Councilor Gergel said that Mr. Rickenmann is right on the mark when saying that we have to look at new partnerships with those that can help us support the wonderful activities that are taking place in many of our facilities. On yesterday, we met with a group of interested citizens who were concerned about the future of Maxcy Gregg Park and we talked about the great need to compose a group to help find new resources to support it while recognizing where we are now. It's important to look to partnerships whenever possible to help facilitate the growth and development of these facilities and parks. Also, I understand that Mr. Fred Easley is the new chair of the Parks Foundation; this is a very important group for us; and I would ask that we hear their plans in the near future.

Councilor Davis said that he is not hearing where we are with the plans for Hyatt Park.

Mr. S. Allison Baker, Assistant City Manager for Neighborhood & Community Services said that we are working with the neighborhood president and her committee to work through a visioning process to improve both Hyatt Park and Lorick Park. At this point no funding is available, but we are gathering ideas and putting an architect in place to help with that process. Hopefully, over the next few years there will be budget allocations or available grants to put the money in place.

Councilor Davis said that one of the things that are included in the stimulus package is funding for green space and I think parks would come under that. I would like to see us make the green space initiative in parks, which is the lifeline for neighborhoods, the focus of grants. We do need to look at overhauling a number of our parks without depending solely on the General Fund.

5. Council is asked to approve Project #SS7086; Sunset Drive Emergency Repairs, as requested by the Utilities and Engineering Department. Award to Trussell Brothers Construction as the lowest bidder in the amount of \$198,851.25. This firm is located in Columbia, SC. *Funding Source: SS7086-851600 – The CIP budgeted amount for this project is \$292,800.00. - Approved*

Upon motion by Mr. Cromartie, seconded by Ms. Devine, Council voted unanimously to approve Project #SS7086; Sunset Drive Emergency Repairs, as requested by the Utilities and Engineering Department. Award to Trussell Brothers Construction as the lowest bidder in the amount of \$198,851.25.

6. ****"Together We Can...Read" Education Initiative – The Honorable Tameika Isaac Devine**

The Honorable Tameika Isaac Devine announced the "Together We Can...Read" initiative with Richland School District One. This event will kick off with a Press Conference on Wednesday, March 18, 2009 at 4:00 p.m. at City Hall; Guest Readers will read "Charley's Columbia Backyard" to all third graders on Thursday, March 19, 2009 starting at 9:00 a.m.; and a family education fair entitled Charley's Adventure at EdVenture will be held at EdVenture Children's Museum on Friday, March 20, 2009 from 5:30 p.m. to 8:30 p.m. for Richland School District One third graders and their families.

Councilor Gergel said that we haven't had anything quite like this in the City. We are looking at what our City can do to create a culture of young readers.

Mayor Coble said that this is a very important part of the Together We Can initiative.

EXECUTIVE SESSION

Upon motion by Mr. Cromartie, seconded by Mr. Davis, Council voted unanimously to go into Executive Session at 12:27 p.m. for the discussion of **Items 7.** and **8.** as outlined.

7. Discussion of negotiations incident to proposed contractual arrangements
 - Leisure Fun
 - Richland School District One School Resource Officer (SRO) Contracts
 - City Manager's Retirement

These items were discussed in Executive Session. No action was taken.

 - Regional Transit Authority (RTA)

*This item was discussed in Executive Session. Please refer to **Item 7a.***
- **Council adjourned the Executive Session at 2:20 p.m. to reconvene the Work Session on the third floor.**

7a. **Regional Transit Authority Proposed Intergovernmental Agreement

Councilor Finlay said that in order to get this funding the City will have to make sacrifices and I think we must see the CMRTA run efficiently and effectively. I expect vast improvements, because if it isn't there's not going too much of a future.

Councilor Rickenmann said that one of the things we asked for and that we are going to pursue after this is that there is an agreement between the funding entities, the RTA's Executive Director, their staff and also the board so that there is accountability there. The staff and board are also required to run more efficiently. We should receive updated reports, because as a Council we have been left out of a lot of decisions. We also asked for an independent study and those findings need to be put into place. We agree that the Intergovernmental Agreement shouldn't have that put in it, but I am going to insist that we begin drafting that along with County representatives and the CMRTA Board of Directors.

Upon motion by Mayor Coble, seconded by Mr. Cromartie, Council voted unanimously to approve the Intergovernmental Agreement Relating to the Interim Financing for the Central Midlands Regional Transit Authority between Richland County, the City of Columbia and the Central Midlands Regional Transit Authority subject to the following:

- Section 4.01 Continuation of Existing Funding – The City shall transfer revenue in compliance with and as provided for in Section 4.02 in the agreement between the City of Columbia and the Central Midlands Regional Transit Authority dated October 16, 2002 in the amount of one million dollars (\$1,000,000) per fiscal year for 2009/2010 and 2010/2011.
 - Section 3.04 Undertakings by the County – Strike the first sentence of this section or apply the same provision to the City's obligation under Section 4.02.
 - **Council reconvened the Executive Session at 2:28 p.m.**
8. Receipt of legal advice which relates to matter covered by attorney-client privilege
- Columbia Action Council
- This item was discussed in Executive Session. No action was taken.*

CITY COUNCIL DISCUSSION / ACTION

9. Fiscal Year 2009 / 2010 Budget Review (General Fund) – Ms. Melisa Caughman, Budget Director - *Discussion of the Fiscal Year 2009/2010 Budget was deferred until March 18, 2009.*
- **Mr. Finlay left the meeting at 5:04 p.m.**
 - **Council adjourned the meeting at 5:20 p.m.**

Respectfully submitted by:

Erika D. Salley
City Clerk