

**CITY OF COLUMBIA CITY COUNCIL  
WORK SESSION MINUTES  
FEBRUARY 19, 2013 – 2:00 P.M.  
EAU CLAIRE TOWN HALL  
3905 ENSOR AVENUE**



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The Columbia City Council met for a Work Session on Tuesday, February 19, 2013 at the Eau Claire Town Hall located at 3905 Ensor Avenue, Columbia South Carolina. The Honorable Mayor Stephen K. Benjamin called the meeting to order at 2:12 p.m. The following members of Council were present: The Honorable Sam Davis, The Honorable Leona K. Plough, The Honorable Brian DeQuincey Newman and The Honorable Cameron A. Runyan. The Honorable Moe Baddourah arrived at 2:35 p.m. and The Honorable Tameika Isaac Devine arrived at 3:45 p.m. Also present were Ms. Teresa B. Wilson, City Manager and Ms. Erika D. Moore, City Clerk. This meeting was advertised in accordance with the Freedom of Information Act.

**EXECUTIVE SESSION**

Upon a motion made by Ms. Plough and seconded by Mr. Davis, Council voted unanimously to enter into Executive Session at 2:13 p.m. for the discussion of **Items 1 and 2** as outlined. Mr. Baddourah and Ms. Devine were not present for the vote.

1. 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.*
2. Discussion of negotiations incident to proposed contractual arrangements – *This item was discussed in Executive Session. No action was taken.*
- **Council adjourned the Executive Session at 4:00 p.m. and reconvened the Work Session at 4:16 p.m.**

**CITY COUNCIL DISCUSSION / ACTION**

3. [Monthly Financial Report](#) – Mr. Jeff Palen, Chief Financial Officer

Mr. Jeff Palen, Chief Financial Officer presented the monthly financial report in a new format, noting that it will evolve over time.

Councilor Plough inquired about the revenue for the Hydro Plant.

Mr. Jeff Palen, Chief Financial Officer noted that in the past it was shown at year end, but it can be provided monthly.

Mayor Benjamin asked about any trends that might cause concern.

Mr. Jeff Palen, Chief Financial Officer said there are a few items that are higher than expected; such as business license revenues, which is a result of payments that have come in earlier due to the new business license software.

Councilor Baddourah inquired about the reduction in the transfer from the Water & Sewer Fund.

Mr. Jeff Palen, Chief Financial Officer said that it will increase over time to \$4.5 million. It is divided into twelve (12) equal monthly payments.

Councilor Plaugh noted that the amounts for the prior year are no longer listed.

Mr. Jeff Palen, Chief Financial Officer agreed to add the numbers for the previous year. He noted that sometimes there will be variances due to items being charged to different accounts.

Councilor Plaugh requested that we have the Net Operating Income (NOI) on this report as a footnote; we need to show how the city's cash flows.

Mr. Jeff Palen, Chief Financial Officer agreed to add that as a footnote. He reviewed the bond issuances, noting that the last water and sewer bond issuance was done in 2011. He said we should've issued a bond in the past two (2) months. He said it's very important for Council to come to a conclusion on the water and sewer discussions, so they can issue a new bond for projects to move forward while the rates are low.

Mayor Benjamin said he has long advocated that city residents own the system and for expanding this system to the benefit of the entire region. He said that Council has concerns about how we move forward. He asked the Chief Financial Officer, City Manager and Assistant City Managers to look at the water and sewer transfers to determine what ought to be charged to the General Fund and the Water and Sewer Fund. He said we need to develop a plan that is reasonable to significantly reduce the city's reliance on the Water and Sewer Fund over the next several years. He requested a report back next month.

Councilor Baddourah agreed. He asked that they look at completely cutting off the transfer and other scenarios we might have. He asked about other budgetary implications if we did this next year or over the next five or ten years.

Ms. Teresa Wilson, City Manager asked if they wanted simultaneous recommendations on how to sustain the General Fund.

Mayor Benjamin said that he wants staff to have the latitude to make recommendations. He said we must grow our core; we must do smart and effective annexations; and we must focus on being the urban core of a dynamic region; we are building a private tax base that's more indicative of the tax structure we want to have.

Councilor Baddourah concurred, noting that the city's revenue has increased since last year.

Mayor Benjamin noted that our team has done a fantastic job; they are good stewards; and it's time to focus our efforts strategically on the proper strategy to allow the private sector to grow.

Councilor Baddourah asked about the hospitality bond.

Mr. Jeff Palen, Chief Financial Officer said it was issued in 2004 and the debt service is paid from the hospitality tax proceeds. He agreed to provide a list of the projects in the bond.

Councilor Baddourah asked if security cameras are included.

Mr. Jeff Palen, Chief Financial Officer said no; this bond was done ten (10) years ago. He concluded the report with a listing of the city's banking relationships.

4. [Water and Sewer Rates](#) – Ms. Melissa Gentry, P.E., Assistant City Manager

Ms. Melissa Gentry, P.E., Assistant City Manager recommended that Council reduce the base rates by 50%; only charge dual meter customers the base rate for the larger meter size in lieu of both meters; and implement a volumetric increase of 7.96% for 2013 as proposed in the rate study. She explained that dual meter customers will pay a sewer base rate based on the smaller meter size in lieu of the larger meter size.

Councilor Devine asked about actual customer billings.

Ms. Melissa Gentry, P.E., Assistant City Manager referred to Exhibit 11, which outlines typical in and out of city customers billing comparisons for each meter size.

Ms. Teresa Wilson, City Manager sought clarification on the difference in the 3/4" and 5/8".

Ms. Melissa Gentry, P.E., Assistant City Manager explained that a 3/4" meter is the same as a 5/8" meter.

Ms. Teresa Wilson, City Manager clarified that the numbers in Exhibit 11 include the recommendations.

Ms. Melissa Gentry, P.E., Assistant City Manager stated that the figures do not include the storm water fee, hydrant fee and some of the extra fees.

Councilor Baddourah requested a sample bill that shows all charges to a customer.

Ms. Melissa Gentry, P.E., Assistant City Manager explained that the bill for a 3/4" meter with typical usage of 1,400 cubic meters prior to July 1<sup>st</sup> was \$69.36; today it's \$74.60; and if we implement the changes the bill will be \$79.58.

Councilor Plough asked if that's a base rate increase.

Ms. Melissa Gentry, P.E., Assistant City Manager said that the proposed rate is a reduction in the base rate and an increase in the volumetric rate.

Mr. Daryll Parker, Utility Advisors Network clarified that for the standard residential meter size, there is no change in the base rate; the only change is in the volumetric rate.

Councilor Plough asked if the increase going into 2014 is only on volume.

Mr. Daryll Parker, Utility Advisors Network said yes.

Ms. Teresa Wilson, City Manager asked what flat rate or fees would be on top of that.

Ms. Melissa Gentry, P.E., Assistant City Manager said that the Storm Water fee is \$6.80 for in city customers only and only out of city customers are charged an \$8 hydrant fee.

Councilor Devine inquired about the changes that take effect on April 1<sup>st</sup>.

Ms. Teresa Wilson, City Manager recommend that Council implement both changes and decide if the changes are effective on April 1<sup>st</sup> or July 1<sup>st</sup>.

Councilor Devine recalled that the initial rate study called for an additional increase on July 1<sup>st</sup>. She asked if this would be the only change through the next fiscal year.

Ms. Teresa Wilson, City Manager said that's correct.

Ms. Melissa Gentry, P.E., Assistant City Manager said that the typical water customers uses 800 cu. ft. of water.

Councilor Plough asked where we are trying to go with our rates.

Mr. Daryll Parker, Utility Advisors Network explained that if the city's customer growth doesn't keep up with the city's expenditures, rates will have to go up to create revenue.

Councilor Plough asked why we are looking at an aggressive volumetric increase.

Mr. Daryll Parker, Utility Advisors Network explained that the goal is to set a rate to meet the city's financial needs.

Councilor Davis asked if the expenditures relate to pure maintenance.

Mr. Jeff Palen, Chief Financial Officer explained that we don't want to start a new project without a new source of funds and our past year's budget contemplated using \$20 million. He said we only have \$400,000 of funding that hasn't been encumbered. He stated that we don't know what the rates need to be down the road, but we do know what the projects are and we know how much cash we need. He said we will have a rolling five (5) year plan and our goal is to continue to update the plan based on actual expenditures.

Ms. Teresa Wilson, City Manager said there needs to be some kind of reconciliation as to what is reasonable; saying we can't do more doesn't put into perspective what we have done and what is reasonable to have expected to be done within the course of year. She said it is very important to have a true project management system citywide, because there's no realization as to what you have accomplished based on what Council has approved from one year to the next. She said it makes it very difficult to have discussions about what funding is needed for any given year to either finish what has been carried over or to begin something new. She said there's a shift in accounting for encumbrances versus when it shows up on the agenda and truly becomes a project; our process has been very confusing and convoluted. She said we are trying to work through that and it will help when we make statements about what we can't do. She said that we need to make a decision about issuing a bond. She noted that Council hasn't had a realistic view of the CIP.

Councilor Davis expressed interest in the CIP moving forward and revisiting the possible rate increases/reductions. He inquired about the likelihood of providing relief to the tax payers. He supports providing relief whenever the opportunity arises like it did with SCE&G.

Councilor Plough asked about the non-operational costs charged to the water and sewer fund.

Ms. Melissa Gentry, P.E., Assistant City Manager noted that those costs are available online and presented as part of the annual budget process.

Councilor Plough asked if the Economic Development activities supported by Council are included in the debt service.

Councilor Devine stated that those come out of the General Fund or other accounts that have funds available.

Melisa Caughman, Budget Director noted that some of those have been transferred to different accounts such as the Office of Business Opportunities and the Office of Economic Development.

Councilor Baddourah asked if stopping the transfer would make up for some of the revenue we would lose if we provide some relief to customers.

Ms. Melissa Gentry, P.E., Assistant City Manager said not all of it. She stated that we are not the only water/sewer entity that makes a transfer; that is a common practice.

Councilor Baddourah said we're behind and it's unfair to dump this, all at once on the water customers; some people are hurting from this.

Ms. Melissa Gentry, P.E., Assistant City Manager said we haven't failed our system; we have very high dollar maintenance costs with operating a system our size.

Councilor Devine added that this is an issue we have to take care of regardless; we are not dumping this on our citizens. She said we haven't kept up with periodic increases while operating costs have increased; there are multiple reasons why we have to address this; and we need to look at it all the time, not every few years.

Ms. Teresa Wilson, City Manager added there are many legitimate indirect costs that occur citywide. She recalled that the last study was done in 2007 and if a study was done it would probably substantiate the amount that is transferred out of the system and it may indicate that more should be transferred. She indicated that staff understands where we are. She stated that the transfer is very valid; it is not something the city is doing arbitrarily; and it is not an uncommon practice. She agreed to a holistic review to determine how to strategically reduce the transfer out.

Mayor Benjamin stated that our transfer percentage is by far dramatically lower than anybody in this region and it is important for us to have a policy with the latitude to adjust it accordingly to represent the interest and needs of our citizens and rate payers. He said we need to establish a percentage and we need to articulate that. He asked how much we can bond without potentially increasing rates. He recalled that the reason we are here is because of the discussions we had last year. He said the base rate change brought about the dramatic significant changes that affected a small amount of customers; it caused us great concern. He said we've been looking for other options to try to meet the needs of our residents and rate payers who are outside of the city; we must figure out which of these options will work. He stated that we are in a window where we must issue debt just as every responsible city and county across the country are doing now. He insisted that the long-term challenges are much more significant than short-term.

Councilor Plough asked about the audit; what is there to carry forward from the prior year CIP.

Ms. Melissa Gentry, P.E., Assistant City Manager said that we will carry forward \$43 million worth of projects into the next year and we are proposing \$96 million in projects for next year.

Councilor Plough doesn't recall spending \$100 million in a year; is that reasonable?

Ms. Melissa Gentry, P.E., Assistant City Manager said yes.

Mr. Jeff Palen, Chief Financial Officer said there's \$20 million.

Councilor Plough asked if \$30 million was brought forward in this year's CIP and how much money do we have in the CIP that was spent and carried forward from fiscal year 2011/2012.

Councilor Baddourah asked if the pay as you go account is up-to-date; is it a separate account that we put money into or is it funded from water and sewer.

Ms. Melissa Gentry, P.E., Assistant City Manager said money goes into the water and sewer account and then we use it as we award projects.

Mr. Jeff Palen, Chief Financial Officer clarified that it comes in as revenue.

Councilor Baddourah asked if we have the ability to take whatever we budgeted for out of the water and sewer fund.

Councilor Devine asked if the rate is built into the budget going forward.

Mr. Jeff Palen, Chief Financial Officer said yes.

Mr. Daryll Parker, Utility Advisors Network said it's an ongoing reduction and you never get that money back. He explained that the update is based on data from the original rate study and the same assumptions. He stated that next year, there will be actual numbers included in the update; if it's less than assumed then the rate adjustments may not need to be as much. He noted that it will also include customer growth assumptions.

Councilor Plough asked if the rate would have been higher if we had not deferred it for 8 months.

Mr. Daryll Parker, Utility Advisors Network stated that the update is based on data we had from the original rate study and these updated numbers are based off the same assumptions. He explained that in the model, an \$80 million bond issue assumed a 5% interest rate and if you issue that at 4% there will be a big difference in your actual debt service.

Councilor Plough asked how does the volumetric rate increase of 7.96% spread across the customer base.

Mr. Daryll Parker, Utility Advisors Network, Inc. referred to the handout.

Mayor Benjamin asked how this affects for-profit and non-profit organizations.

Ms. Melissa Gentry, P.E., Assistant City Manager explained that they would save \$170 per month with the proposed adjustments, but without the volumetric rates. She noted that rates are based on meter size and consumption.

Mayor Benjamin asked how this would compare to the previous rates.

Mr. Daryll Parker, Utility Advisors Network said rates will not decrease from what was in place originally.

Councilor Baddourah asked how much we increased the sewer rate.

Ms. Melissa Gentry, P.E., Assistant City Manager said that prior to the increase, the sewer rate was one base rate regardless of the meter size; the larger meters went up at a much larger percentage than the smaller meters. She referred to Exhibit 15 of the attachment.

Councilor Plough asked if they are making any changes in the sewer rates.

Ms. Melissa Gentry, P.E., Assistant City Manager replied only for dual meter customers. She referred to the last page of the attachment, which is the proposed ordinance. Councilor Plaugh inquired about the multi-year plan for a majority of our customers that will not see a base rate adjustment now, but they will see a volume rate increase of 7.96% on average.

Mr. Daryll Parker, Utility Advisors Network, Inc. said that you are going to pay less if you use less volume; the combined averages are less, because you are only changing one component.

Councilor Baddourah asked if the rates are the same for commercial and residential.

Mr. Daryll Parker, Utility Advisors Network, Inc. referred to the chart, noting that they are not the same.

Councilor Plaugh asked about the impact to an apartment complex.

Mr. Joey Jaco, Director of Utilities and Engineering said it would be based on the meter size. He said that a 6" meter in the city would go from a \$300 base rate to \$150 and the volumetric rate is added to that; it was \$146 prior to the rate increase.

Councilor Baddourah said that the rates are still high for small businesses.

Ms. Melissa Gentry, P.E., Assistant City Manager recommended to cut the base rate by 50% and change how we charge dual meter customers for water and sewer and adding the volumetric rates. She said we will advertise the public hearing, first reading and a public hearing will be held on March 19, 2013, and second reading and a public hearing will be on March 26, 2013 with the changes being effective May 1, 2013.

Mayor Benjamin suggested that we actively educate the public on rates and develop a people's budget that places this in layman's terms.

Councilor Plaugh stated that this in no way indicates that we're going to follow the projections laid out in the draft.

Upon a motion made by Ms. Devine and seconded by Mr. Runyan council voted unanimously to direct staff to proceed as recommended.

- **Council adjourned the Work Session at 6:01 p.m.**

Respectfully submitted by:

Erika D. Moore  
City Clerk