



CITY OF COLUMBIA
WORK SESSION MINUTES
TUESDAY, MARCH 15, 2016
CITY HALL – 1737 MAIN STREET
2nd FLOOR CONFERENCE ROOM

The Columbia City Council met on Tuesday, March 15, 2016 at City Hall, 1737 Main Street, Columbia, South Carolina. The Honorable Mayor Pro-Tempore Leona K. Plough called the meeting to order at 12:17 p.m. and the following members of Council were present: The Honorable Sam Davis, The Honorable Tameika Isaac Devine, and The Honorable Howard E. Duvall. The Honorable Mayor Stephen K. Benjamin arrived at 12:33 p.m. The Honorable Edward H. McDowell arrived at 12:38 p.m. The Honorable Moe Baddourah was present for the Work Session. Also present were Ms. Teresa Wilson, City Manager and Ms. Erika D. Moore, City Clerk. This meeting was advertised in accordance with the Freedom of Information Act.

BUDGET WORKSHOP

1. [Water & Sewer Rate Study Status Update and Overview](#)

Mr. Robert Chambers, Financial and Utility Management Consultant for Black and Veatch Management Consulting, LLC explained that they used a bottom up approach for the rate design that included a review of the revenue and cost components for operating and capital costs, rate revenues and miscellaneous revenues, forecasted revenue requirements, and the cost of service. He explained that budgeted operating expenses were used to determine how the City performed historically and to budget costs for the upcoming year.

Councilor Plough said the expenditure rate is 41% of the budget and we are 58% through the year; we may not expend all of the dollars in this year.

Mr. Jeff Palen, Assistant City Manager for Finance and Economic Services / Chief Financial Officer said we will look at actual expenditures during the year and extra cash will be rolled into the study next year. He noted that there may be encumbrances that extend beyond July 1st.

Councilor Plough asked if we issued water and sewer debt since the last rate increase.

Mr. Jeff Palen, Assistant City Manager for Finance and Economic Services / Chief Financial Officer said no, but we are issuing in June. He said it is important for us to update the rate increase each year.

Mr. Robert Chambers, Financial and Utility Management Consultant for Black and Veatch Management Consulting, LLC presented additional details about the rigorous and transparent process that was used to develop defensible rates. He outlined the following variables that were considered: ease of implementation, continuity, equity and sufficient revenues to meet the costs. He reviewed results from an annual trend study of over 400 water & sewer utilities. He explained that the City's financial forecast is based on maintaining the lowest possible rate increases; maintaining the 2.0 debt service coverage; and maintaining 130% of O&M expenses. He reviewed last year's rate study projections through 2020. He presented three financial plan scenarios based on the level of capital improvement projects planned for fiscal years 2017 through 2021. Scenario one is for \$120 million. He noted that the sewer expansion fee is not included in scenario 1a.

Ms. Melissa Gentry, P.E., Assistant City Manager for Operations explained that restaurants have complained about the sewer expansion fee and we wanted to analyze that information, but it is not a recommendation.

Councilor Plough asked why there isn't a scenario to decrease the CIP to \$110 million, because we are not encumbering those amounts.

Ms. Melissa Gentry, P.E., Assistant City Manager for Operations said we are doing better. There are strict deadlines with the Consent Decree and as we talk about water quality and AMI, we cannot reduce the budget.

Ms. Teresa Wilson, City Manager said a discussion also needs to be had about automated meter infrastructure during an upcoming budget workshop.

Mr. Robert Chambers, Financial and Utility Management Consultant for Black and Veatch Management Consulting, LLC explained that the second scenario increases the water and sewer budgets to \$140 million and scenario three increases to \$160 million due to AMI and water quality projects. He noted that scenarios 2a and 3a also do not include the sewer expansion fees. He explained that the expansion fees are a component of capacity; we are studying the user rates after they've paid that impact fee and they start to take water and sewer services. He reviewed the key assumptions for funding capital improvement projects from three sources: annual escalation; the target 2.0 debt service coverage ratio; no direct public safety transfer; and the \$10 million transfer in fiscal year 2016 and 2017 to water and sewer for flood related projects.

Ms. Melisa Caughman, Budget and Program Management Director said staff estimated that \$10 million is needed this year and next year for projected flood related projects and those costs must be tracked.

Ms. Melissa Gentry, P.E., Assistant City Manager for Operations said we will also receive 75% back from FEMA for flood related expenses. For tracking purposes, the money is being transferred to a separate account within the Water and Sewer Fund.

Councilor Devine asked if bond issuances are estimated at \$80 million annually.

Mr. Jeff Palen, Assistant City Manager for Finance and Economic Services / Chief Financial Officer said the amount being bonded depends on the amount of cash we have. We received more cash this year from intergovernmental revenues and that was used to offset debt. Going forward, we only project the operating cash for each year. We will provide you with the amount of annual debt. He noted that it is greater than \$70 million.

Councilor Devine asked if apartment tenants are charged a commercial or residential rate. There is a concern that these tenants are being charged a higher rate.

Ms. Melissa Gentry, P.E., Assistant City Manager for Operations said some complexes use one meter and some use a separate meter for each unit. She agreed to look at the classes.

Mr. Jeff Palen, Assistant City Manager for Finance and Economic Services / Chief Financial Officer clarified that the transfer from water and sewer will not reflect in our projections going forward.

The updated scenarios will be reviewed with City Council on April 5, 2016.

Councilor Devine introduced Mona as her intern. Mona is a trauma nurse and a doctoral student at the University of South Carolina. She is interested in how government policies are made.

2. [Health Care Strategies](#) – Impact on GASB 45 Liabilities Overview – Mr. D. Michael Jones, ASA, MAAA, Senior Consultant / Willis Towers Watson

Ms. Melisa Caughman, Budget and Program Management Director explained that we will review what has been done along with options for the firm to evaluate and bring back for budgetary considerations and an actuarial study for fiscal year 2015/2016.

Mr. D. Michael Jones, ASA, MAAA, Senior Consultant / Willis Towers Watson reviewed the results of the 2014 actuarial valuation. He noted that there was \$132 in actuarial liability for benefits payable from the plan two years ago. He reported that the annual Other Post-Employment Benefits (OPEB) cost is \$9.5 to \$10 million. The City contributes \$6 to \$ 7 million leaving a \$50 million liability on the balance sheet. At that time there were 87 employees who were eligible for retirement; 1,960 employees; and 739 pre/post-65 retirees and beneficiaries.

Mr. Jeff Palen, Assistant City Manager for Finance and Economic Services / Chief Financial Officer reported that the current OPEB account balance is \$52.3 million.

Mr. D. Michael Jones, ASA, MAAA, Senior Consultant / Willis Towers Watson recalled that changes to the Defined Dollar Benefit amount were effective on July 1, 2013 for pre/post-65 retirees.

Councilor Duvall questioned the benefit amount paid for single and married retirees.

Mayor Benjamin asked how much was budgeted for our Annual Required Contribution (ARC) this year.

Ms. Melisa Caughman, Budget and Program Management Director said approximately \$6.7 million.

Mr. D. Michael Jones, ASA, MAAA, Senior Consultant / Willis Towers Watson reviewed previous plan design changes that were being considered and the impact of those changes. He reviewed additional options for reducing the City's GASB expenses to include modifying the DDB; modifying plan designs for retirees; and contributing all or some of the assets to an irrevocable trust.

Ms. Melisa Caughman, Budget and Program Management Director explained that 3.5% of the total payroll is budgeted for GASB, which is currently \$2 million.

Mr. D. Michael Jones, ASA, MAAA, Senior Consultant / Willis Towers Watson explained that money in an irrevocable trust becomes an asset and reduces the ARC.

Mr. Jeff Palen, Assistant City Manager for Finance and Economic Services / Chief Financial Officer said rating agencies give us credit for having cash. He noted that the rating agency changes its criteria regularly.

Mayor Benjamin said the rating agencies are looking more closely at how we handle OPEBs. He said our priority has to be retirement readiness for our employees. He explored the concept of employee buy-outs.

Mr. D. Michael Jones, ASA, MAAA, Senior Consultant / Willis Towers Watson explained that a retirement modeling tool could help employees understand how to protect their future. He suggested that DDBs can be converted to Health Reimbursement Accounts (HRA) and retirees can be given money to look at other coverage options.

Councilor Devine asked about carrier changes.

Mr. D. Michael Jones, ASA, MAAA, Senior Consultant / Willis Towers Watson said having a slightly narrower network would reduce costs and you would have to consider if the potential savings is worth the potential disruption.

Mayor Benjamin expressed interest in a buy-up plan and ORBIT or another trust.

Councilor Duvall proposed that employees and retirees pay full coverage for dependents and spouses.

Ms. Melisa Caughman, Program and Budget Management Director said the City covers 90% of employee benefits and 70% for dependents.

Councilor Devine said this will not help families. She said it might be helpful to have the figures and to consider adjusting the amount.

Councilor Davis said the benefit package helps to attract the brightest; we will see an impact if this incentive isn't available.

Mayor Benjamin said he has no interest in taking dependents off our plan.

Councilor Plough asked that we look at an irrevocable trust. She suggested that retiree representatives be brought to the table if we are making changes to their benefits. She asked what we are trying to fix.

Ms. Melisa Caughman, Program and Budget Management Director said we are talking about the long-term liability and our claims costs. She said pre-65 retiree and dependent coverage accounts for a portion of our claims costs, because we are self-insured. Establishing a HRA would allow pre-65 retirees to shop for their own plan designs.

In closing, Mayor Benjamin asked if we need to cast a wide net asking others to bring solutions to the table. He asked where we are with GASB 67 and GASB 68.

Mr. Jeff Palen, Assistant City Manager for Finance and Economic Services / Chief Financial Officer said it is in our budget.

3. [Fiscal Year 2016 / 2017 Budget Preparation](#) – Ms. Melisa Caughman, Budget and Program Management Director
 - FY 16/17 General Fund Revenue Projections
 - FY 16/17 Hospitality Tax Projections
 - FY 16/17 Accommodations Tax Projections

Ms. Melisa Caughman, Budget and Program Management Director presented the fiscal year 2016/2017 revenue projections for the General Fund, Hospitality Tax Fund and the Accommodations Tax Fund. She said the water and sewer rate discussion and our GASB discussion has impact on our budget. She noted that the revenue projections are preliminary and they will change. Revenues for the General Fund are budgeted at \$120 million, which is 2.6% more than the current year. The two primary sources of revenues are property taxes and licenses and permits.

Councilor Plough asked why the budget for fiscal year 2015/2016 doesn't match the budget in the financial statements.

Ms. Melisa Caughman, Budget and Program Management Director explained that the financial report includes carry forward funds and a transfer-in for indirect costs. She continued to report that there is a 23% reduction in transfers-in totaling \$3.1 million. She reported that the final reassessment values resulted in a net reduction. She projected \$10.7 million in revenues for the Hospitality Tax Fund, which is 3.7% more than the current year and \$2.1 million in Accommodations Tax collections, which is 2% more

than prior year actuals. The proposed budgets for water and sewer, storm water, parking and the general fund will be presented at the next meeting. A summary and wrap up will be presented on April 19, 2016, which is the last meeting prior to advertisement of the budget public hearing for May 17, 2016; first reading will be on June 7, 2016 and second reading will be on June 21, 2016.

EXECUTIVE SESSION - Pursuant to S.C. Code §30-4-70(a)

Upon a motion made by Mr. Davis and seconded by Mr. McDowell, Council voted unanimously to enter into Executive Session at 2:34 p.m. for the discussion of **Items 4 and 5** as outlined.

4. Receipt of legal advice which relates to a pending, threatened, or potential claim or other matters covered by the attorney-client privilege – S.C. Code §30-4-70(a)(2)
 - *South Carolina Public Interest Foundation v. the City of Columbia*
 - *Bishop, et al. v. the City of Columbia*
 - *McLemore v. City of Columbia*
 - *Glassmeyer v. City of Columbia*
 - *Administrative Policies and Procedures*
 - *Hospitality Tax Funding*

5. Discussion of negotiations incident to proposed contractual arrangements
 - *Soda City*

Upon a motion made by Mr. Davis and seconded by Mr. Duvall, Council voted unanimously to adjourn the Executive Session at 4:37 p.m. and to convene the Work Session. Mr. Baddourah was present at this time.

FINANCIAL REPORT

6. [January 2016 Financial Report](#) – Ms. Jan Alonso, Finance Director

Councilor Plaugh inquired about the \$12,000 expenditure with Kimley Horn & Associates.

Mr. Gregory Tucker, Special Projects Administrator said it was for the City’s portion of the traffic study relative to the multi-use venue.

Councilor Plaugh said we are \$1.6 million over in terms of resources. She asked if Jason Freier is on the line for \$7 million.

Mr. Gregory Tucker, Special Projects Administrator said he has paid for certain elements as they occurred. The final billing will be received after the punch list is complete.

CITY COUNCIL DISCUSSION

7. Audit Review for Fiscal Year ended June 30, 2015 – Mr. Bud Addison, Audit Senior Manager, Webster Rogers, LLP

Mr. Bud Addison, Audit Senior Manager / Webster Rogers, LLP reviewed a comparative of the water and sewer fund from 2014 to 2015. There was an \$18 million decrease in net income, which is attributable to flat revenues and increased operating expenses. He reported that the net pension liability is estimated at \$160 million. This represents the City's proportionate share of the unfunded liability of the South Carolina State Retirement System. Absent a change in State law, the City will never have to write a check for that; you will have to hope for outstanding investment returns or higher contributions by the year. He continued to report that there was \$7.4 million in excess revenues over expenditures in the General Fund. He said this is slightly misleading, because the entire balance is made up of the unspent proceeds from the capital lease that will be spent in 2016 and the 2% franchise fee from SCANA. Absent these two items, the General Fund broke even for the year. He noted that up to 90% of the City's expenditures are for budgeted fixed costs. There is nothing discretionary in that fund. He reported that County services operated at a \$3 million deficit in 2015 for fire services. He suggested that the City be specific with the County about how shortfalls and overages are handled. The change in net position for the Water and Sewer Fund is \$4.5 million; \$3.8 million was for development contributions making it closer to break-even. The Parking Fund lost about \$500,000 and the others were solid. The cash provided by water and sewer was approximately \$54 million. The Internal Service Fund shows a \$10 million deficit, which is mostly Other Post-Employment Benefits (OPEB). The City may have to pay this at some point. There is an adequate amount of cash to cover it, but it could potentially increase over time. In closing, he referred to page 7 highlighting the certificate awarded to the Finance Department from the Government Finance Officers Association for excellence in financial reporting.

Councilor Baddourah inquired about the auditor's statement related to the flood.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers, LLP said a unique natural disaster occurred in the City. It may continue to significantly impact operations; it is a statement, but the ultimate impact was not known at the time that the statements were released.

Councilor Plaugh inquired about the Management Letter.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers, LLP explained that one finding on hospitality tax funds primarily deals with the reimbursement of potentially ineligible expenses for an organization. He said a clear definition of reimbursable expenses is needed.

Councilor Devine inquired about completed projects.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers, LLP said the issue is with determining when a project is closed. Other departments must realize that their actions have an impact on what the accounting staff does.

8. Administrative Policies and Procedures – The Honorable Leona K. Plough

There was a consensus of Council to meet for budget workshops on the second and fourth Tuesdays at 2:30 p.m. until 5:30 p.m. as needed during budget season and to add the policies and procedures to the April 5, 2016 Work Session agenda.

Upon a motion made by Mr. Duvall and seconded by Mr. Baddourah, Council voted unanimously to adjourn the Work Session at 5:30 p.m.

Respectfully submitted by:

Erika D. Moore
City Clerk