



Columbia City Council Meeting Recap
Council Chamber, Columbia City Hall
9:00 AM
Monday, August 13, 2018

CALL TO ORDER
(All members present.)

City Manager Overview

[Full FY 2019 Council Budget Work Session Presentation](#)

(Action: The City Manager outlined the process for the day and referred to the agenda. Department directors will help present material today. Testimony from the public was not solicited during this worksession.)

The city indicated that we have reached a tipping point in terms of city finances, and that the city will have difficulty providing a full range of services during the coming year according to budget and revenue projections. The estimated expenses contained in the current version of the FY 2019 budget is \$453,661,274 (which is a 1.9% decrease from last year). Estimated revenues are \$431,962,365 (1.1% less than last year). The City Manager indicated that estimates are based on numbers provided by the Department of Revenue. Pitzer asked why our next year estimates show lower numbers when the first 6 months of this year show a 1% increase in revenue. The City Manager indicated that the Department of Revenue changed software and that resulted in them remitting an additional payment to the city of \$3.5 million. That is an anomaly. Taxable sales are generally flat, but with some growth we do see more sales, but not more sales per capita. So far this year we are down 2.7% over last year in terms of revenue.

The city manager indicated that there is a built-in lag time in posting revenues due to reporting times, processing and partial payments over time. It is difficult to estimate based on that floating receipts target. The staff does study the numbers monthly. Pitzer put together his own chart and it showed that gross sales do not match actual tax receipts. It makes projections seem less reliable if they are based on gross sales. Staff indicated that sometimes protested sales tax and make-goods on delinquent taxes could affect the number on a month-to-month basis. Pitzer further indicated that based on the projections, we would need to realize a 9% decline in sales in the three summer months to meet the conservative projection. Statewide numbers do not show that trend. Springfield, St. Louis and Jeff City have all budgeted for increases in sales tax revenue next year. Why are we projecting downward sales tax revenues? I am concerned that we are being over-cautious. Staff indicated that year over year, each month has shown a decline in tax revenues from last year.

The City Manager indicated that sometimes our revenues actually work out better than what we project, but that we are typically within a percent or two of our estimates. Sometimes we are on the high side. Sometimes we are on the low side. This is our best tool to make predictions. Pitzer wondered why other cities in the state are budgeting up and we are budgeting down? The Mayor suggested that we try to arrive a consensus revenue estimate before we budget our spending. He asked if we were ahead or behind in terms of spending from last year's budget. Staff indicated that we are about on target in terms of spending. We can get numbers based on industry code. Last year, we licensed a lot of motor vehicles (FY2017). This year, we have not seen that same trend. Restaurants and bars are also down as are sales of petroleum products.

The Mayor asked Pitzer if he was suggesting that we should be more optimistic in terms of budget projections? Pitzer said it seems like we are not matching what other cities are doing. Skala said if we want to look at this, we need to look at reliability over the past years. Why is this year different? We haven't changed our process and we have hit the target pretty well in the past. So, what is the problem this time? The city manager indicated that we do hedge, but we cannot predict unexpected spikes or payments. The budget is basically a spending limit – and that is how we make conservative budgets that protect us. The sales tax is the most volatile type of tax, and this year we need to cover some increases in expenses that have accrued over the past few years.

Thomas asked if we collect more than we budget, then we can re-allocate funds at the end of the year, correct? The City Manager indicated that that was correct. Thomas said he does not think our process for reallocation is always fair or planned. It is not really a surplus – it was simply not accurately predicted. Skala thought it is better to budget conservatively and believed that most funds go into reserve funds if they are not ultimately spent. Staff indicated that reserves are 20% of budgeted expenditures as a minimum. Some departments have more funds in reserve, including Water & Light.

The Mayor indicated that half of any savings are reserved to the departments and the other half become discretionary by the council. He asked what if we reduced our sales tax decline prediction by 1%? Staff indicated that we would realize additional budget authority. Thomas and Pitzer kind of agreed. Thomas suggested that we may be being overly conservative. Skala disagreed and indicated that he would like to see what the actual numbers are and then allocate them later. Trapp indicated that we have reserves to be able to fall back on and we also have built in safe-guards. I do not want to downgrade our assumptions at this time. I don't want to get into the habit of spending down our reserves. We should not build this budget on hope. Peters noted that if we have cash revenues over the 20% why don't we use those funds for equipment and use other general funds and apply that toward salaries. She also thought the incentive savings program of the city is perverse and does not work in the best interests of the city employees.

The Mayor agreed with that and noted that we need to increase salaries for line workers, police and fire, sanitation. We should be rosier in our projections and if we are wrong, go back to excess reserves. Skala disagreed. He wants the budget to represent the actual revenue generated whether we do that at the beginning or the end of the budget process. The Mayor wanted to focus on employees who are below the mid-point pay range.

Staff indicated that if we cut the budget deficit assumptions, we will have to make adjustments in the budget overall. Right now, we are projecting a negative overall outcome, even though we have found ways to make the proposed budget balance. Staff indicated that if we adjusted the estimate by 1% we would generate an additional \$450,000 in the general fund. That would take care of some of our deficits

that we project, and we would still need to find some additional funds to cover shortfalls or needs. A \$0.25 hourly across the board wage increase is included in this budget. The city manager indicated that some additional salary adjustments could occur, but mostly when people are new hires or a job changes responsibilities. Classified jobs have a different process for increases. Unclassified employees have a pay scale that they have to follow, but if they come in with a lot of experience, they can negotiate toward the higher end of the scale. On a classified job you come in at the lowest part of the pay scale. Existing employees can negotiate for higher salaries, but there is a cap on any raise on a per year basis.

The Mayor asked if Boone County is expecting an increase or decrease in sales tax revenues. Staff indicated that Boone county is projecting a ¼ % sales tax INCREASE, not a DECREASE. Peters asked where we are in getting a new use tax in place. Staff indicated that it depends on the state taking action and that is up in the air. Staff indicated that we will be aggressive in trying to get authority to impose such a use tax. The fundamental change would be shifting responsibility for remittance to the seller, rather than the buyer. Thomas asked if we had to go back to voters to ask for a use tax. Under current law, we would still have to have local authority and a vote. If we adopt the federal streamlined tax proposal, it could be different since the remittance comes from the seller not the consumer. It is probable that we would have a use tax election.

In creating the new budget, the city has imposed four goals on itself that guide the budget process. They are:

- Balance the General Fund budget
- Avoid laying off any permanent employees
- Provide employees with some kind of increase in compensation
- Make progress on the City Council's Strategic Plan goals

Challenges in crafting a new, comprehensive budget include the continual erosion of sales tax revenues that has been occurring on a percentage basis since 2011; diminishing revenues from gross receipts taxes from the phone company as people move from landlines to cell phones; and the lack of a sufficient property tax base that would offset revenue loss on the sales tax side. A lawsuit involving CenturyLink is pending. Overall, the city anticipates that it will see a \$931,910 decrease in revenue, with a large part of that decrease attributable to the inability to capture sales tax revenues from online shopping. Tax and fee sources make up most of the money in the General Fund, which is one part of the overall city budget. In the 2019 budget proposal, the General Fund is calculated to be \$84,913,286. To ensure that the budget is managed and restricted, the city is proposing that invest in no new fleet replacement (which is the 4th year in a row for such a restriction to be imposed); continuing a 45-day hiring delay for vacant positions; and specific departmental budget cuts totaling \$218,303.

On the utility side of the budget, the city maintains a strong bond rating, and expects that overall, average utility customers will see a \$2.68 per month increase in utility costs. Those increases are necessary to keep the city's reserves at a level required by our bonded indebtedness.

Suggested Council Allocation of FY2017 General Fund Savings

(Action: Each year the city asks individual departments to achieve savings in the allocated budget for that fiscal year. When savings are achieved, half of the money stays with the department that achieved the savings, and that money may be reallocated within a department. The other half of the "saved" funds goes back to the General Fund, and the City Council is given the option to spend it on any projects they see fit to fund. This year, the city has **\$1,454,983 that the city can allocate. If it is not spent by council, it goes to reserves.**

Suggested uses for those funds are as follows:

\$50,000	Creation of the next Strategic Plan
\$36,000	Continue Supplier Diversity Program
\$35,000	Continue Focused Job Coaching Program

Other identified funding suggestions received as of August 9 include:

\$2,500,000	Future fire station
\$750,000	Citywide performance audit
\$486,000 - \$648,000	Police take-home car program (<i>\$54,000 per vehicle (9-12 vehicles)</i>)
\$500,000	House down payment program for Police and Fire
\$50,000	Dignity in Work Program
\$50,000	Peer to peer Naloxone program
\$20,000	Flex transit ride system to and from Council meetings

Thomas asked about the Job Coaching program. That money pays the coaches. It is a new program, so it is hard to say how successful it has been. This is our start-up year. It is like the CARE program we run for youth.

Trapp suggested changing part of the proposed allocations. Why not buy 4 houses and provide a take home car in the four policing areas? Combine the car take-home program funds and the down payment program and spend \$200,000 for a home and car in four areas. (about \$800,000 total). He also thought they could eliminate the peer-to-peer Naloxone program because there are other new programs now in play. That would save \$50,000 and he was the one who originally proposed funding this. The Mayor asked why not provide car allowance or housing allowances rather than down payment assistance. Pitzer thought by combining the programs and funding, it would make both stronger. The city would also own the homes outright. It is similar with what we do with some apartment complexes. Ultimately, it does not go with the officer, it stays with the city and the police can maintain a presence even if an officer leaves. The officer would live there with free or reduced rent.

Thomas asked if we should donate those homes to the Community Land Trust. The City Attorney indicated that the city cannot just give away property to a private organization, even if it is the Community Land Trust. This suggested approach has been done in other areas successfully. The police chief indicated that a similar program had been in place in another city he had worked in and it was successful. In fact, there was a waiting list for this kind of program. You can work out who is responsible for improvements, repairs, insurance, etc. Ruffin thought this was more of a retention and placement incentive rather than a hiring incentive.

From a budget point of view, Thomas said the city would buy a house and a car in each instance, and they would start with 4 locations. All current officers would be eligible. Skala thought it was worth looking into. The city manager indicated that this might have to be a part of negotiations with the police, but we do not have to figure that out today.

Peters indicated she could support the new strategic plan, the supplier diversity program and the job coaching program. Skala agreed, but wants to find some money to increase city worker salaries. He is more worried about boosting wages than even new hires. Trapp said that last year we did use one-time funds to give across the board payments to all city workers. I think we should consider that again. Thomas said if we don't do that people will think they are getting a pay cut. The Mayor challenged

everyone to work together to get all workers to the mid-point. We know the fiscal note cost of that. Let's focus on the lowest wage earners first. The Mayor thinks the first three items on the discretionary list should be funded out of the regular budget, not out of the discretionary fund budget.

A 25 cent across the board raise equals about \$525 per year per employee. A \$1,000 one-time payment to each employee would equal a 46 cent an hour raise. This may or may not offset increases in health insurance that are coming this year. Skala thought the \$1,000 across the board payment should be restricted to employees who are below the mid-point pay range. The Mayor thinks the line workers, refuse workers and firefighter salaries are important. We ought to be able to move money into those budgets now to bring all workers to the midpoint.

The Mayor brought up the idea of a performance audit. He understands that there is some sticker shock regarding this item. He thinks that this is worth the \$750,000 cost even if it takes two or three years to complete. Over time, it will pay off. Skala admitted that a performance audit is a good idea, but maybe we should target this audit. He is not willing to spend this much money on an overall audit, because he does not think all aspects of city government warrant it. Maybe Water & Light. We do not need this across the board. Ruffin understood that this is an estimated cost. The city manager indicated that it was, but that it could go up. Pitzer indicated that in this case there has been no fraud or waste alleged, so what will we be looking for? Where else has this been done? The Mayor indicated that every city is unique, and we have never had one of these types of audits in this community. He did not know exactly what we will find out until we do it.

Thomas suggested that we lose money when we grow. Can this be a topic in a performance audit? The Mayor did not address that question directly. Skala agreed with the concept about subsidizing development and thought we might find out something about that in an audit, but he still does not think we need to do this city-wide. Trapp stated that if we want to put this on the list, that would be fine, then we vote all projects up or down. Thomas said we should refer this to the Finance and Audit committee, let them do the research and find out how this type of audit has been used in other cities.

Ruffin changed the subject and asked if instead of using extra one-time funds for a one-time payment, couldn't we put part of that in a fund that would boost permanent raises over time? The city manager indicated that these are one-time funds and there is no guarantee that they would recur. Ruffin just wants to establish a fund with part of this money. The city manager was a little resistant to the idea because there is no guarantee of any other future monies.

Peters indicated that all of the money we are talking about is money we did not use. That's people we did not pay or equipment that we did not use. So, just leave it in the budget and use it for meaningful, timely projects.

The Mayor suggested that the city transfer the money over to the council so they can look at specific areas of the budget outside of the auspices of the city manager. There is about \$94,000 in the Finance Department that deals with city audit personnel. That money should be transferred to the council. That position is unfilled, and that money should be used. The internal auditor position has been empty for 8 months. We can't hire that person directly, but we could contract to use that person as we saw fit. Skala said that position is a financial auditor, not a performance auditor. The Mayor further indicated that we could also move \$100,000 that we use for an annual external financial audit to make this whole thing more robust. It is a three-year contract that can be renewed or rebid. External auditors typically do their own independent audit procedures. The Mayor indicated that the Finance and Audit Committee only

gets the results of the audit on the back end. He suggested that they be more involved and we can improve that aspect of our work as well. Skala thought moving some of the money over to gain more independence and we could make this a hybrid approach to performance and financial audits. This might be a good idea. Thomas did not think we should rush into this. Maybe we can put some money into this performance audit right now. The external auditor will be working with the FACC and we will keep the council informed.

Pitzer asked for direction on how to structure this, but put some money into a fund now and appropriate it, even if we cannot work out the details now. Thomas wants more proof first. The Mayor asked if Thomas would agree that we need to fill the internal audit job. Thomas said he was not sure about that. Should we leave the \$97,000 in the budget for an internal auditor? Yes. Skala said the independence should serve both the FACC and the council. We also need more input from other boards and commissions and city staff. When we receive information from a lot of sources, it informs the decisions of the council. Peters thought the discussion today had left the impression that the city Finance Department does not know what they are doing. She thinks they are good at their jobs and wanted that stated.

Thomas indicated that he supports the strategic plan money in the discretionary list. He wants to know about the fire station money that shows up here in the discretionary budget. He asked if one station was already funded. The city manager indicated that one was funded from Public Improvement and CIP funds and staffing is included. Thomas supports the first fire station. He opposed the second fire station and wants to roll that into a bigger issue financed with new property taxes. He also wants the city finance and audit committee to examine development fees. He supports the home and take-home car program as discussed earlier in the meeting. He asked Trapp about the Dignity in Work Program. Trapp described it and believes the funds would be well-used. Thomas indicated he could support that pilot program. He supports withdrawing the Naloxone program and the subsidized rides to council meetings. He agreed that he could support that and noted it would probably shift responsibility to Paratransit.

He added two new items to the list. First, he wants \$75,000 to do a cost of growth study. He also wants \$25,000 to ask for another study that is an elasticity study that examines how we charge for parking at the airport and if that would affect ridership. The Mayor said he would support the first study if it were put into a regular departmental budget, but not out of discretionary funds. Skala reminded the council that we have looked at development costs before and that voters turned down impact fees and development fees. We do not need to reinvent the wheel. I would rather spend money on salaries than on studies. Thomas agreed that he supports the move to a midpoint in salaries. He also reminded Skala that the last study only focused on roads. He wants a study that covers all service lines including roads, sewers, police, etc.

The Mayor answered an earlier question about places that had used performance audits. He mentioned that the state auditor had recently completed a performance audit on the city of Bethany. They found that the city had problems in setting sewer rates, TIF financing, transparency, etc. It was noted that Bethany has a population of approximately 3,500 people.

Pitzer switched to the issue of the new fire station. He showed a new presentation. He believes that there are four potential sources for funding for that southwest station. It could even be a light duty station initially. Excess fund balances, unspent prior year spending, excess general fund reserves and other unspent general revenue funds could all be used. Cash on hand and targeted reserves shows \$1.9 million potentially available. Additional unspent funds from prior years could also be reallocated. If it

wasn't spent, it may not have really been needed. That's another \$910,000 and does not touch 2017 savings. All of this is tax money that has provided no service to taxpayers. Unrestricted general fund cash is approximately \$4.5 million over and above the 20% reserve target. There is another \$148,000 in Job Point funds. He thinks any or all of these funds, as a percentage, could be used to pay for a fire station. Overall, he thinks he could find \$2.5 million. The City Manager indicated that this was an interesting concept and he will take this back to department heads and see what they say then provide a report. Thomas asked why this need was not foreseen five years ago? The City Manager indicated that one station was foreseen but they never realized enough sales tax to pay for it. More growth in the southwest has led to this additional need, even though the first one was never built. We are trying to co-locate services. Thomas asked if it wasn't a no-brainer to charge a development fee to pay for a new fire station? Skala said he did agree and thought there could be a need for even a third station. He described the Henderson Branch project as a potential development gold rush and thought it would necessitate the construction of even another fire station and other infrastructure.

**LUNCH BREAK
(11:50 AM)**

**RECONVENE
(1:20 PM)**

Transit

(Action: Fiscal Year 2017 ended with cash reserves \$58,541 BELOW the budgeted cash reserve target. FY2018 is not complete so final numbers for this year are not yet available, but revenue from fares has been down. Higher employee costs including overtime, turnover, training and health insurance costs have increased expenses during the past year. Also, when the electric buses are out of commission due to the unavailability of parts, diesel bus replacements are more expensive to run because of fuel and maintenance costs.

To address this issue, \$411,405 was reallocated from the CIP project list to operations for FY 2018. This budget proposes to re-allocate \$283,689 from CIP to operations to cover costs unless the system is changed. Thomas asked if those funds were matched by federal dollars and the staff indicated that was correct. For FY 2020, if no changes are made, it is estimated that the bus system will have negative cash of \$499,801.

Some changes that could save money include:

- End bus service at 7PM on weekdays and Saturdays (This should only affect about 15 regular riders per month and would take effect on October 1, 2018.)
 - The system would still be below the cash reserve position and would be upside down by 2020
- Implement Olsson Study (Re-use Wabash Station and cut more routes) (Effective 6/3/2019)
 - This would impact 600 rides per month. Still below cash target. Out of money in 2022.
 - (This option would serve high ridership areas, eliminate some routes, reduce the number of buses from 12 to 6, transfer at Wabash, run routes in only 1 direction, and result in longer times for buses to complete a single route.)
 - Tried a pilot Flex system but there have been no requests for service on that route since July 11. This would allow us to cut one driver position if we eliminate that.
- Increase Paratransit fees from \$2.00 per ride to \$3.00

- This would affect 52,000 rides per year. Actual cost to provide a ride is \$26.73, so this is still a bargain. If this were also implemented cash would still be below target, but system would not run out of money until 2023. This would also reduce the Paratransit routes to the ¾ mile rule.
- End Saturday service and support for special events
 - If this additional savings measure were adopted, the system would not run out of cash in the next five years, but would still be short of reserves. This would affect approximately 650 Saturday riders, 500 football game weekend riders and less than 200 riders for Roots and Blues and True False. These special events do not currently pay for bus service during these events. Football game riders do pay \$1.50 per ride each way.

Overall, the city subsidizes the current bus system with \$2.52 million in each fiscal year. Those funds come from the Transportation Sales Tax.

Thomas suggested that these plans do not implement the entire Olsson study, only the cutting parts of the study. It completely cuts several residential routes without options for replacement rides. Trapp asked about potentials for privatization. Staff indicated that no study had been done on that idea. Staff indicated that the headway time on routes would be 45 minutes from end to end with a five-minute transfer time at the Wabash Station. Pitzer asked how many Paratransit customer the city has. Staff indicated that the customer base is about 750 people and some use the service only occasionally.

Thomas indicated that these projections are based on future sales tax revenues but that subsidies would remain flat. If we reduce subsidies on our end, that doubles the impact because these funds are matched by federal dollars, and those would be lost. Skala wanted more information about the level of subsidies over the years. Staff indicated that those numbers are included in the main budget document.

Peters asked about running football game routes and charging for those. Staff indicated that if we cut Saturday service, we could not run ancillary services without putting the route out for bid by a private company. The University does not participate in large measure in subsidizing the bus system city wide. She found that to be disappointing. Thomas thought if these cuts are adopted it will decimate the existing service. It will also cut Paratransit routes and about 165 people would be cut out. Staff indicated that only about 10 or 15 of those 165 people use the service regularly. We used to use the city limits as the service area, now we are cutting that back to a ¾ mile proximity rule. We expanded this service in 2014 but had very little usage even by some of the people who requested the service run to their general area.

Thomas thought that rebuilding the transit system will take a lot of money, new zoning, denser, taller buildings, less parking requirements and flex service to encourage more initial use of the service. We are doing all the cutting and none of the investment. This will cause hardship to existing riders. Many other college communities have made this work. Skala said he didn't disagree, but other financial pressures make this less of a priority at this time of tight budgets. He supports keeping the core system in place, then try to rebuild it later.

No specific proposal was agreed to at this time.

Utilities

(Action: Proposed budget action will result in an average utility increase of \$2.68 per month. This does NOT include the increase in water rates that will occur as a result of the passage of the Water Bond Issue on August 7. The following chart provides a basic overview of the proposed rate increases:

FY 2019 Utility Rate Changes

Average Monthly Customer Impact

Water (1% Operating Rate Increase) <i>The average customer uses 5ccfs. The rate increase applies to usage over 8ccfs (to promote conservation)</i>	
Electric (2.5% Operating Rate Increase)	\$2.02
Sewer (1% Ballot Increase)	\$0.24
Solid Waste - no residential increase <i>(landfill fee increases)</i>	
Storm Water (25% Ballot Increase)	\$0.42
Total Average Monthly Customer Impact	\$2.68

FY 2018 average monthly customer impact was \$3.24

Here are specific Utility increase breakdowns.

Water

- 1% operating rate increase *(Last year 4% operating rate increase)*
- Effective 10/01/2018
- *Average monthly customer impact \$0.00 for low average volume users. (Last year was \$0.90) The average customer uses 5 ccfs per month and the FY 2019 rate increase is for usage over 8ccfs (to promote conservation). Later in the conversation it was revealed that there will be SUBSTANTIAL RATE INCREASES FOR LARGER RESIDENTIAL USERS AND COMMERCIAL PROPERTIES.)*
- *This does not include the recently passed water bond issue increase in rates. (Apparently, those rate increases will also only be levied on residential users above 8Ccf's per month and commercial users.)*
- Operational water rates are expected to increase by 1% to 2% in each of the next five years
- Operational costs are being reduced by eliminating new fleet purchases; hiring no new personnel; reducing mowing and ground maintenance; and reducing lime softening hauling

This scenario presumes that low water usage customers will see no operational rate adjustment this year. However, if you use more than 5 CCFs of water, irrigate your lawn, or are a large user, your rates could change significantly. Here is a basic overview of the proposed rate structure:

- Summer water usage (two tiers) – Residential & Commercial
 - Usage of 3-8 Ccf's\$3.91
 - Usage exceeding 8 Ccf's.....\$4.89
 - Lawn irrigation
 - Non-Summer.....\$2.79
 - Summer.....\$4.89

Depending upon circumstance, these represent increases of water rates from 0% to 25%, depending on how users migrate from one class to another, with the higher end increases being assigned to the larger water user classes. It was not clear from the initial presentation how this will affect multiple users on a single meter, or if there will be a differential for irrigation if metered separately.

A cost of service study is not yet complete. The mayor asked about lower volume users getting lower rates and higher rates on large users or commercial. Will we go there? Staff did not know if there would be a change in policy in the future, but did not believe that base rates would be reduced for anyone.

There are ten different criteria that go into such a decision and there is not consensus on how to balance all of those needs at this time, so the basic approach has not yet changed. This proposal reflects affordability, conservation, true cost of service and general acceptance. The true cost of service study will be done by the end of the week. The study does not evaluate electric connection fees, just water. The line extension policy for electric was done by a different consultant earlier. Thomas asked about connection fees for water. Staff indicated that the current system makes developers bring the service to them, so no change in rate structure was being suggested, and no new development charges were contemplated. Skala asked about irrigation users. Is that in this water rate structure? Staff indicated that the cost of service consultant suggested the creation of a third tier for irrigation users. This proposal allows people to have more discretionary water use up to 8 Ccf, but over that it is a significant rate increase. This does not include the new bond issue impact on rates. Staff will have to bring forward a budget amendment to account for the new bond issue funds and project authority.

Pitzer asked why we have not adopted a rate structure that takes into account high average use for a large family. This only differentiates between summer and winter usage, but not high base usage. Staff indicated that this is easier to explain but still protects some levels of affordability, so they took this approach. Pitzer felt that the tiers seem arbitrary. We should have waited for the final cost of service study before we rolled this proposal out. Staff indicated that all the new revenue should come from users in the higher usage third tier. The third-tier users will also be the ones who fund the bond issue. That will push real rates for higher users going from \$4.89 to \$7.91 (a number that does not appear in the earlier chart). That makes the current chart incorrect in terms of real impact. In future years, the rate increases will not be across the board, they will also go to the higher end users. The department head said actually some of that will be spread across all users, but this year it will all be on the third-tier, higher-end users.

Thomas asked if there had been an elasticity study? Staff indicated that the consultant did apply those factors, then applied the new rate factors to the new usage pattern created by a change in both rates and usage. Pitzer noted that the water department had had a good year. They are \$2 million ahead in cash reserves. It would appear that with the 1% increase, you will be even further over the requirement, so why impose this increase? Staff indicated that 1% will be need to meet debt coverage AND cash reserves, which are two different metrics. Water is volatile, and we do not want to risk the debt service position. Pitzer is uncomfortable with this due to all the different variables. The mayor asked if all the bond instruments had a separate bond reserve account? Staff indicated that past bonds are secured by the rate increases approved at the time of the past bond votes. Pitzer asked when the bonds will be sold for the current issue. Staff indicated that they would probably sell in April.

The Mayor asked what is included in the "Other" category under general administrative. Staff indicated that is the PILOT transfer account in the amount of \$1.4 million. Interest and depreciation are also included in this line item in the total budget report. Thomas asked how many people will be affected by the third-tier approach and how much that would cost a typical user. Staff indicated that they will bring back an answer on that question.

The Mayor asked if there were any unclassified salary increases anticipated in this department this year. The answer was no.

Electric

This is the largest of all utilities with an annual budget of more than \$140 million per year. This year's proposed operating increase is 2.5%, which estimates indicate will increase average monthly customer bills by \$2.02. Average use is considered to be 718 kWh per month. There was no electric rate increase last year, but future rate increases are predicted to be an additional 3% in 2020, 2% in 2021 and 1% in subsequent years. This year's increase was necessitated by the council not approving a smaller increase last year.

The rationale for the proposed increase is to maintain a debt coverage ratio and cash reserve level at council specified levels. Without the increase, the cash reserve will fall \$3 million below the required level. This increase will also allow for operational cost increases.

Summer and non-summer rates are broken out. Pitzer noted that the debt coverage number keeps going up over the 1.1 coverage ratio. Staff pointed out that that is because when they build up cash reserves it changes the debt coverage number, but right now the cash reserve number is still millions below target. The Mayor indicated that if we added \$39,000 to Water we could move all eligible employees to mid-point. On the Electric side, we need \$489,000 to move line workers up 15% and an additional \$100,000 to move eligible general electric workers to the midpoint. How will you address those needs? The city manager indicated that we could guarantee those salaries if we approved a slightly higher rate increase. He also noted that there are other factors that enter into competition for those salary dollars. The Mayor asked if we could rely more on in-house staff for some functions. In some cases, that could work, but not always.

The Mayor continued by noting that Water & Light spends about \$150,000 on advertising each year. \$279,000 was budgeted. Since we are a monopoly, couldn't we pay our people more money if we cut our advertising budget? Do we have an ROI study on our advertising? Staff indicated that this is used to make people aware of new services, energy savings programs, etc. There is a cost benefit study that was done before and a new one will be completed in 2020. Staff believed that outreach was an important aspect of operation of the utility.

Pitzer noted that last year we didn't approve an increase because of customer service issues, new software glitches and a lack of confidence. Staff indicated that a report on the operation of the new software and general customer satisfaction is being created. Skala mention that moving salaries to the midpoint range was important and would like to make additional rate adjustments in the electric rate to cover those costs. The city manager suggested that they could come back with a quick scenario/plan and present that at the next meeting. The Mayor asked if they anticipated any increases in salary for unclassified positions. The answer was No. We have heard from people who have worked there for 12 years and the Mayor thinks it is insulting to give new people more money than people who have worked there for a longer time. The Mayor intends to ask this question for each department. Peters asked if we have a written compensation policy. Staff indicated that we do, and it is embodied in Chapter 19 of the code. The city manager indicated that this is where we find the equity concepts that we struggle with. The Director of HR provided Peters with a copy of the pay policy immediately. Additional rules related to that policy will be emailed.

Sewer

The overall sewer budget expects expenditures of more than \$32 million next year, with at least \$26 million in budgeted revenues. The increase in rates requested this year is a 1% voter approved increase.

On average, that will result in a \$0.24 increase in an average bill. The sewer rate increase last year was a 1% voter approved increase along with a 5% operational increase in rates. No additional rate increases are planned within the next five years.

*This increase does not take into account the possible implementation of the IMP.

Thomas asked for reports on sewer connection fees from the past ten years. He believes it has helped pay for expansion. The Mayor asked if they anticipated any pay increases for unclassified personnel in this department? The answer was No. Peters asked if we were making progress on I and I. Staff indicated that we are doing well and since 2013 we have rehabilitated 5 to 6 miles of the system. The total system size is 715 miles, but some of that is newer systems and we have seen a reduction in overflows and backflows.

Solid Waste

Overall expenditures for Solid Waste are expected to be slightly more than \$26 million next year. This is an increase in budgeted expenditures of \$10.6%, or about \$2.5 million. Revenues are expected to be 4% higher than last year. The current average monthly bill is \$16.04 per month for residential users. There is expected to be NO monthly increase in average rates for either residential or commercial customers under the proposed budget, however, landfill fees will increase by 5.77%. No future rate increases have been projected because a new cost of service study is planned for completion in FY 2020. At that time, Solid Waste rates will be adjusted accordingly, by the council, presumably without a direct popular vote.

Our rates are comparable or better than most other similar kinds of cities. How high do we need to raise the rates to pay for and attract new employees to provide a better service? The city manager indicated that they will bring that study forward. Trapp believes that we do not have the proper list of comparables. We provide a lot of other services that other cities don't. Check that out to get a better comparable.

Trapp is suggesting that we may need to increase the base pay by \$2 to \$4 dollars per month to make this work out. That may result in an additional rate increase. Over the past three years, according to our consultant, we should have raised base pay rates by 6.55%. Right now, no base rate increase is reflected in this budget, except for a landfill charge to cover the cost of operation of that facility.

Stormwater

Voters approved a multi-year increase in stormwater fee increases. Last year saw a 25% increase. This year an additional 25% increase is proposed. The change in a typical bill is expected to be \$0.42 per month. This is our smallest utility. This helps us make up ground from past years.

*This increase does not take into account the possible implementation of the IMP.

Need for Additional Fire Stations

(Action: This was discussed earlier in the Discretionary Fund section of the agenda. This is a slightly more in-depth discussion of the issue. The city has indicated that due to growth, more and more areas of the city fall outside of a 4-minute response time zone. Due to recent legislation, negotiations and the lack of operating agreements with other fire districts, the city is required to provide fire service to all parts of the city without reliance on The Boone or Southern Boone Fire Districts. If current resources are redeployed, service to the entire city will suffer. Two specific areas of the city have the most exposure: Eastern Columbia near Old Hawthorn and Southwest Columbia near Thornbrook.

It is suggested that there is currently funding available to build a new Station #10 in the East Columbia area and that construction funding is already available if a site can be acquired. Staffing and equipment can also be handled by the current fire operation in the city. Acquiring a site would be a top priority for 2019.

Another station (Station #11) is also proposed. Funding for land acquisition and the construction of Municipal Service Center and salt storage area was approved in the last CIP budget in the amount of \$2,740,000 (for use by 2023). An additional \$1 million will also be available in 2022 for an additional fire station. NO funding is in place, however, for \$3 million in actual construction costs; additional funds for fire apparatus; \$250,000 per year for three new firefighter positions; and \$50,000 per year for ongoing operational costs. The city manager indicated that if we can accelerate this schedule we will, and we do have the ability to borrow from ourselves. It is also possible that this station could start out as a quick response station that would initially be cheaper to operate.

According to the Fire Chief, we didn't plan for some new stations in the old CIP because we did not want to build stations that we couldn't staff. If we wait to hire people to build a station, that day may never come. This will help us utilize resources on an incremental basis. Thomas asserted that we should charge the cost of growth to new development. Trapp asked if there were limitations in Missouri law about imposing such charges. Legal staff indicated it would depend on how the fees were constructed. Such a plan would help pay for the bricks and mortar and free up funds for operations and staffing. This should apply across all growth-related needs according to Thomas.

A proposal to let the city's property tax float to a level of \$0.433 per hundred thousand of assessed value was voted down by the city council at the last meeting. Because this additional revenue will not be realized, it is suggested that the second fire station (Station #11) be changed to Unfunded status and transfers of funds to the Capital Projects budget be eliminated for this purpose. Alternatively, the council could adopt suggestions from Pitzer.

Thomas asked about a fire station location for station #10. The location appears to be outside of the city. The chief indicated that the green dot was arbitrary, and they will try to locate close to that area. Currently, there is no agreement with the county fire department to discuss coverage areas.

The chief indicated that the use of lighter vehicles adds cost because you have to operate two units depending on the type of call. Staffing is the hardest cost to deal with. Taking the burden off the rest of the system helps us deal with this. The Mayor asked why we don't need four or three people to man a station? How do you get by with just two? The chief indicated that you can do it, it's just not as efficient. To get to the 4 level of staffing, you would have to increase your budget by about 1/3, which would be similar to adding an entire new shift. That would be about \$3 to \$4 million per year. That would cover the new stations, but it would be an annual recurring expense. The city manager indicated we have funding to build Station 10, but that there could be cost increases related to the steel tariff's etc.

Council Budget Amendments

(Action: To date, the following budget amendments have been suggested to the budget submitted by the city manager:

- Reduce property tax revenue back to \$0.41 rate; eliminate transfer to capital projects fund for building up of funds for Fire Station #11; change Fire Station #11 funding sources to Unfunded

- G&A Fee revenue in the general fund was based on the \$0.4329 property tax rate. Since the property tax rate will stay at \$0.41, FY 2019 general fund revenues will be reduced by \$25,985. General fund expenditure cuts of \$25,985 will need to be identified in order to keep the general fund budget balanced. (If we make an assumption about higher sales tax revenues, this may be taken care of.)
- \$91,000 in Council Reserves are available to allocate through budget amendments before the budget is adopted in September or during the fiscal year. This is in addition to the allocation of savings considered earlier in this worksession.

Additional amendments were suggested at the meeting today:

- We will incorporate the funds from the new bond issue into this year's budget.
- Council members want to enhance the city's projection regarding sales tax revenue.
- Council members want to find multiple ways to increase salaries of current employees to the mid-point level. Some council members only want to move some part of those employees to that level each year.
- Pitzer wants to reallocate funds to Fire Station #11.
- Thomas wants to fund a development cost study and an elasticity study for parking at the airport.

Skala indicated that the City Manager indicated earlier that we may have to prioritize some budget items over others. He thinks we need to start thinking about that and how it will impact us 1 year from now and 2 years from now. I want to ask the city manager to make such a list this year. The city manager indicated that he can do that on a limited basis. He referred to an agenda item dealing with Priority Based Budgeting. Skala then asked if the city manager could come up with a plan that would allow us to increase salaries with no other cuts and do it this year. The city manager did not think he could do that. It takes six months to create a Priority Budgeting plan, but there are ways to do SOME of these things as long as we don't go crazy on our assumptions. That could take us through fiscal 2019. The Mayor thinks it is worth delaying the Priority Budgeting approach and by January we can begin to make this take shape. We will look at this past year in October and November, then we can start moving forward on the next year.

- The Mayor asked the city manager to come back with a new income assumption then give us a few scenarios for pay increases for sub- midpoint employees pay increases. The Mayor believes that we will know by spring break 2019 if the legislature is going to pass a sales/use tax deal. He also indicated that he still wants an independent performance audit and he wants to figure out hoe to pay for that. He does not want to do it all out of fee increases.
- Trapp wants a cost of service justification for each line item in department budgets. We need to work on increasing our sales tax revenue and not simply artificially increase our budget assumptions on the revenue side. We need to get a handle on the spending side. I don't think it is just transparency or mismanagement. I think it is the reality of economic impacts and trends.

The City Manager will bring some of this back to the council in October and we will start in on the Priority Budgeting process. Branson, MO has done a pretty good job of this.

Remaining Departmental Budgets

(Action: The following are allocations suggested for all other departments in the FY 2019 budget:

Police Department	\$23,153,941
Employee Benefit Fund	\$19,364,190
Fire Department	\$17,879,163
Transportation Sales Tax Fund	\$13,769,881
Regional Airport Fund	\$12,659,081
Streets and Engineering	\$9,118,191
Information Technology Fund	\$8,885,814
Recreation Services Fund	\$8,879,061
Fleet Operations Fund	\$8,410,928
Public Health and Human Services	\$7,399,200
Self-Insurance Reserve Fund	\$6,926,171
Parks and Recreation - General Fund Operations	\$5,777,155
Capital Improvement Sales Tax Fund	\$5,719,585
Parks Sales Tax Fund	\$5,668,494
Parking Facilities Fund	\$4,868,504
Finance	\$4,668,718
Debt Service Funds	\$4,343,733
Community Development	\$4,310,806
Other Gen Govt Capital Projects	\$4,210,000
City General	\$3,398,247
Public Safety Capital Projects	\$3,169,772
Streets and Sidewalks Capital Projects	\$3,148,000
Utility Customer Services Fund	\$3,022,574
Convention and Tourism Fund	\$2,942,472
Community Relations Fund	\$2,860,098
Law	\$1,976,254
Public Improvement Fund	\$1,941,441
Custodial and Building Maint Fund	\$1,760,097
Parks Capital Projects	\$1,740,000

City Manager	\$1,439,463
Parking Enforcement and Traffic	\$1,282,461
Human Resources	\$1,205,260
Railroad Fund	\$1,087,422
Stadium TDD Fund	\$983,476
Municipal Court	\$871,488
Economic Development	\$537,576
Cultural Affairs	\$525,773
City Clerk	\$432,538
Office of Sustainability	\$417,137
CDBG Fund	\$378,923
Transload Facility Fund	\$314,652
City Council	\$284,957
Public Works Administration	\$234,958
Non-Motorized Grant Fund	\$210,238
Mid Mo Solid Waste Mgmt District Fund	\$165,258
Contributions Fund	\$44,730

Comments from division heads were invited and the following departments made short presentations before the meeting was adjourned for the day:

Municipal Court

The Municipal Judge indicated that they have been innovative, and they can make cuts in year 1, but after that, they will have to cut people, including part time positions. We do not want to do that and do not think we should balance the budget on the backs of workers through a process of economic cannibalization.

Police Department

The vacancy rate is currently 7 employees. We should be able to fill 3 of those fairly soon. 1 is a frozen spot for the rest of this year. Moving to mid-point salaries, 56 are eligible out of 209. To move all of our people to the midpoint it will cost \$450,000, and most of those people have been there for more than 5 years.

We have 26 people who could retire within the next 3 years. The Mayor asked how many detectives we have had historically. We have added two in the past three years. Do you have unspent personnel dollars for this year? Yes, about \$100,000 that we moved into capital equipment to improve our fleet. We get to mid-year and then we move money to buy fleet. The Mayor indicated that if we have unspent

personnel funds why don't we use those funds for personnel and move everyone to midpoint? The chief indicated that it is a permanent commitment and that if we spend those funds we could lose permanent funding for additional officers. Staff also indicated that when people retire, we take some funds from those higher paid officers' budget and try to hire additional civilian personnel for support. Each hire takes an enormous amount of training. It's about a year between the time a position comes open and a person is trained to take the street. Pitzer believes that over the last 4 years we have underspent that appropriated budget by as much as \$750,000 per year. The transfer of unspent health care dollars also has to be transferred back to the health fund and those appear as unspent funds. The chief also pointed out that it depends on the type of applicant you have.

Pitzer pointed out that there are more unspent funds each year than spent funds on personnel increases. The city manager pointed out that if you use those funds to move people to the midpoint, now you create a permanent gap. This year we have 56 employees who would be moved up. Next year there would be 48. After that there will be 19 people. The Mayor indicated that we are currently using personnel money to buy cars. The chief indicated that that's because we had those supplemental funds and new cars are really important to our operation. Skala understood that if you use all the money to permanently use unspent funds on moving to the midpoint, you lose the ability to expand the department in terms of number of actual officers. He does not want to change policy to the extent that we can't recover officers in terms of total numbers.

The city manager indicated that on the 24th of this month there will be a report on community policing. It will be a draft report. We also have a report due on August 23 regarding traffic stop data.

Trapp indicated that he does not want to make odious cuts to departments just to move everyone to midpoint. I would like to move 25 to 30% of people to midpoint this year, but we probably can't handle doing everyone all at once. Thomas indicated that if the police reports need more time, he would be glad to grant that.

Skala noted that there has been a lot of tension downtown during the past few weeks. He wondered if we could talk with business owners about their needs for surveillance downtown. Do we have any programs of assistance to the business community for downtown improvements? The city manager indicated that they want to create a database of private cameras that can help monitor the entire downtown area. Other cities have limited parking in the downtown area to limit tailgating at night. In Missouri, we cannot constrain public intoxication and people have the right to carry guns in Missouri. We have put more officers downtown the past two weekends. We will have more officers downtown through mandatory overtime the next few weekends. There are no funded incentive programs for private cameras downtown. Businesses are not worried about the cost. They want safety on the street and they can handle the cameras. Peters asked about the pilot lighting program. The city manager indicated that they had borrowed fire department equipment. It did not necessarily deter people, it just lit them up more. The project is funded, we just don't have the poles yet. They should show up later this week. Then we can install them. This is a pilot program. We have \$300,000 available. If we do 59 to 100, we could get better pricing. Poles cost \$4,000 each. We will be installing 6 between Hitt and Waugh soon.

Peters also asked about the cheap drink policy. Have we changed any of that? The current problem we have downtown did not involve people buying alcohol in bars. It came from tailgating. One concept we are working on is no parking downtown after 2 AM. We are having a tactical meeting to discuss this this week and all parties will be involved.

The Mayor asked about the status of the new precinct station up north. He thinks we should name the new facility after Molly Bowden.

Employee Benefit Plan

Health benefit changes have addressed some increased costs. The department is small, but if it is necessary to move two employees to the midpoint they can eliminate transcription services for some hearings and make a few other internal cuts, at least in the first year.

Fire Department

145 FTE total. 120 are under midpoint. 18 would be eligible for midpoint this year at a cost of \$118,000, but there will be significantly more in outlying years due to large classes being hired earlier. We can eliminate some janitorial services and some landscaping things like lawn care. We will just do that in-house. We can reduce overtime, but that would be a difficult situation because we use those funds, but I suppose we could give that up. The only other thing we can do is keep jobs open longer. We do not anticipate pay increases for any unclassified workers. Our potential savings will not make up the entire cost of moving all employees to mid-point.

Transportation Sales Tax Fund

This funds streets, the airport and transit. This fund shows negative cash in years '20 through '23. Most of these shortfalls are attributable to airport improvements but we may bring forward some budget amendments. If you improve your sales tax outlook, this will make this fund look better. The construction schedule for the new airport terminal will be completed at the end of 2021. There is a holding account for matching funds, but it only contains monies needed for a current fiscal year.

Public Works

128 employees. 38 eligible for move to midpoint pay. We could take money from contractual workers and we could shift those funds. CIP funds this department in many regards and we can charge back through those projects for engineering, personnel, etc. Includes streets, fleet, street lighting, some public facilities, general facilities, etc. The Mayor asked how much unspent payroll money they had. Staff indicated that they had 13 unfilled positions. Attributes that to competition for jobs and even internal job switches like operators going to a better pay rate.

Priority Based Budgeting

(Action: Because the city budget is tight this year, a new approach to budgeting known as Priority-Based Budgeting is being proposed and considered. Briefly, this approach is described as follows:

For Every Service the City Provides:

- Identify the costs (and positions) involved in providing that service
- Is the service required by federal, state, county, or city mandate?
- Can the service be provided by anyone else in the community?
- Is the service linked to a strategic priority?
- How much of the costs of this service are recovered through fees?

Rank All of the Services from Highest to Lowest Priority

Identify the services that need to be eliminated or reduced in order to meet the five-year amount needed to fund classification plan, keep the general fund balanced, fund fleet replacements, etc.

The City Manager indicated that there is a computer tool/software that has been adopted by other cities and that helps with this prioritization. It takes into account what services are mandated, what are related to policy, what are affordable, what services are desired, what can be recovered by fees, are those fees high enough, etc. It is an objective way to rank different items. Then you create a budget around this for a five-year period. This moves more funds to core services, but cutting is always painful. This provides a rational basis for analysis. However, you have to vet the work, then get buy in from the Council, and I think we could begin to talk about this now, but it won't be ready before the end of this budget cycle.

If, however, we would spend the time we need to get the sales tax issue straightened out, we could avoid this pain, and our time this year should be spent in that effort as much as anything else. It would allow us to add officers, service lines, etc. if we could recapture sales tax lost to the Internet.

ALL OTHER ITEMS THE COUNCIL MAY WISH TO DISCUSS

(Action: The City Manager recapped the day and indicated that he will come back with scenarios of how to move employees to the midpoint using best information available. We will change our sales tax assumptions to help with this process. We can monitor our progress throughout the year. We have three more public hearings to discuss this all in public. We will come back with additional scenarios for your consideration.

ADJOURNMENT
(Time: 4:43 PM)

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