



City of Columbia, Missouri

Meeting Minutes

City Council

Monday, June 10, 2019
9:00 AM

Budget Work Session

Council Chamber
Columbia City Hall
701 E. Broadway

Coffee and light breakfast will be served in Conference Room 1A/1B from 8:00 to 9:00.

I. CALL TO ORDER

The meeting was called to order at approximately 9:02 AM.

Present: 7 - Ruffin, Trapp, Thomas, Peters, Treece, Skala, and Pitzer

All supporting documentation for City Council Budget Work Session

Attachments: [Operational Excellence, Unappropriated Funds & GF Savings Balances](#)
[Additional Pay Plan Information](#)
[2006 - 2019 Historical Pay and Health Insurance Chart](#)
[Compensation philosophy - PR 194-13](#)
[CVB Transfers to Other Funds](#)
[Planning and Zoning Commission Comments on FY 2020 CIP](#)

1. Operational Excellence
 - a. Council Comfort Level Using General Fund Reserves
 - i. FY2019 Budget Projections
 - ii. FY2020 Budget staff analysis
 - b. Compensation Strategy
 - c. Pay Band Changes
 - d. Staff Recommendations on Compensation
 - e. New Positions Discussion

Councilwoman Peters asked if Mr. Glascock could provide his opinion on which compensation plan is best, so they could enter into the discussion as more of a framework. Mr. Glascock said he wasn't able to walk Council through the numbers currently, because Council had to weigh in on whether they would use any reserves and, if so, how much they would be comfortable with providing. He said they were still negotiating with the labor unions and providing such information may suggest to the unions that the City has made its' mind up regarding pay - they haven't. He said staff would walk Council through the different proposals and answer any questions they have, but that staff needed Council to decide how much funding they'd be willing to take from reserves. He said they were about 13 million above the 20% line in the General Fund.

Mr. Glascock provided an update on FY19. Laura Peveler stated there had been

revenues and transfers about \$3.6 million over the expenditures. This is about \$1.7 million less than at the same time last year. The City is generally revenues over expenses at this point of the year as the City receives property taxes before this point in the year. She said there were 31 revenue categories that were lower in FY19 than FY18 at six months. Some of these were anticipated to be lower, such as sales tax or weather-related revenues. There were several revenue categories that had predicted increases which actually were trending lower. She noted that building permits and other growth-related revenues tended to be cyclical.

Ms. Peveler added that things were still fluid, and that Finance staff and the City Manager would be having budget meetings with each department. Staff estimated that about \$400,000 to be added to cash reserves at the end of FY19 at this point. This would result in about \$13.9 million in excess General Fund reserves at the end of FY19. Currently, there is about a \$737,000 gap between revenues and expenses. While this should shrink, there will likely be a gap - this is before any new positions are added or any compensation changes occur. Staff wants Council to provide feedback on using some General Fund reserves to help cover the gap.

Councilman Pitzer asked about the breakdown in expenses being below budget.

Ms. Peveler said this was primarily in personnel. The estimate is lower because the City budgets for having a full staff with zero vacancies, however there is quite a bit of turnover. This results in expenses being below budget.

Councilman Trapp stated that the downside to using reserves would be that the problem may compound and it would be more expensive each year after. He didn't want it to become a pattern and he was conflicted on it.

Councilman Skala stressed caution in spending down reserve funds.

Ms. Peveler continued the presentation. She stated that sales taxes are down about 1.76% through May. The sales taxes are currently estimated to be slightly above the budget. Several revenues sources are predicted to be lower in FY20, including sales tax, gross receipt taxes, and general and administrative fees. There was some good news with FY20 expenditures. The General Pension Rate and the Police Pension Rate dropped slightly, though there was a slight increase in the Fire Pension Rate. This means the rate the City pays for each employee in their pension fund. At present, it is not likely there will be a health insurance increase. There currently isn't money budgeted for General Fund fleet replacement; this is concerning because there hasn't been money budgeted for this in four years. Mr. Glascock clarified that many of these vehicles are police cars. The City would need \$1.5 - \$2 million per year to keep fleet replacement on track. Departments would prioritize fleet replacement if they had any savings, for example from personnel. There is about \$1.6 million in fleet replacement needs for FY20 that needs a funding source. Margrace Buckler discussed the City's Current Compensation Study. In October 2013, the City Council adopted a compensation philosophy. The goal is to have a system that recognizes all the work that each position does, that those responsibilities are described correctly, and that the City is competitive in terms of

compensation (pay and benefits). The four pieces of the Compensation Philosophy include: market adjustments, move-to-midpoint, across the board increases, and performance pay. Every year the compensation consultant reviews the market for the classifications and reports to staff. Pay ranges were adjusted in FY15 and FY16, but it has not been done so since. This means the City is significantly behind, in terms of pay. In FY15 and FY16, employees eligible for a move-to-midpoint were only moved 20% of the difference between their current pay and their midpoint. This was not done at all in FY17 or FY18. In FY19 there was a full move-to-midpoint for all eligible employees.

Mayor Treece asked if there was inequity in all the paygrades, uniformly. Ms. Buckler said there were some differences among the various job groups. There are recommendations to move about 48 different classifications to different pay grades, and adjust all pay grades. The consultant did a market research study. There was an executive survey done in April, leading to some adjustments.

For across the board pay increases, nothing was done in FY14 or FY18. A 2% increase was applied in FY15 and FY16, and an increase of \$0.25 and \$0.45 was done in FY17 and FY19, respectively. For lower paid employees, the percent increase across the board is less than the 25 or 45 cent increase.

Performance pay has not been funded in FY09. This piece of the compensation philosophy has never been implemented. This was designed to help people get beyond the midpoint. This was a piece of the annual performance review. There is currently no method to award performance pay.

Employee turnover reflects employees who have resigned, retired, or been terminated, not movement in or between departments. The City's turnover is increasing. As of May 15th, 101 positions, or about 8%, have turned over in the current fiscal year. This turnover is not driven by baby boomers aging out. While there is some turnover for employees with over ten years with the City, the 1-5 year is the highest (about 38%). Many of these employees note that they are leaving to go to a higher paying job. Unemployment rates are low as well. Due to this, the City is competing more with other employers for qualified candidates. Mr. Glascock added that this leads to more mistakes. He noted that people come out of retirement to help train new employees. If those employees leave soon after being trained, then the process starts over again.

Councilman Thomas noted that it was a buyer's market, with candidates being able to weigh their options more. He asked why nothing seemed to happen in FY14. Ms. Buckler said that was when the pay plan was adopted, but that the City didn't fund it. Mr. Glascock added that this in turn led to employees not feeling valued.

The City contracted with Paypoint HR for the new classification and compensation study. The study included the 31 job titles in pay band E - these are unclassified positions - City Council approved these changes in April, 44 Electric positions, 21 job titles in public safety, Economic Development, and Parks & Recreation, and looked at the balance of employees across the City. They also did a market analysis

and looked at salaries for places similar to Columbia, as well as an internal equity review for like positions across the City. They found that classifications that were 10% or more below market should be moved to higher pay grades and all pay ranges should be adjusted. The City also looked at what local agencies were doing. The University is reallocating their budget for performance and promotion pay, but not across the board raises; Columbia Public Schools is increasing pay by 4.8%; Boone County gave a 1% across the board raise and reduced employee contributions to their pension by 2%; the State of Missouri will provide all employees a 3% increase on January 1, 2020.

There are two approaches to the pay plan, but these aren't the only approaches. The first approach involves moving all the classifications and moving them all to their new pay ranges before applying the move to minimum adjustment for any that fall out of the bottom, which will happen. Then move eligible employees to their midpoint. An incremental move-to-midpoint could be used to address the 1-5 year turnover problem. After this, apply an across the board increase. The other approach is to apply the across the board increase first, then do the move-to-midpoint where needed. After this, apply the move to minimum adjustment for anyone who is below their new classification.

For the first approach, employees who receive more than one element will receive the largest total increase - 37% of employees would be eligible, or 46% if there is an incremental move to midpoint. About 63% of employees are only eligible for the across the board increase unless the incremental move to midpoint is implemented. This would cost the City more than the second approach. The second approach spreads dollars out more among all employees and it provides a larger increase for employees who would only getting the across the board increase. This approach also helps with salary compression. This would also be a greater benefit for employees who have been with the City longer than five years.

The incremental move-to-midpoint would give an employee who has been with the City for 3 years a 40% move towards their midpoint, followed by 30% moves in their following two years. Councilman Skala asked if one of these two approaches to midpoint would be better suited for the employees with 1-5 years of experience. Ms. Buckler said she had professional opinions on what should be addressed, highlighting compression as it contributes to turnover. She said she did not have an opinion today on how to best address this. Mr. Glascock said that waiting five years to move to midpoint is a long time; he personally felt it should be more incremental. He added that there needed to be something that helps employees get to the top of their pay scales. Ms. Buckler added that these things help with turnover, compression, and recruitment. Compression has been an issue. When employee pay is stagnant, then it limits what the City can offer new employees in terms of pay - a new employee can't come in making more than an employee who has been on the job for ten years unless they have advanced skills that are immediately transferrable. An incremental move-to-midpoint would get

the compression moving. Councilman Pitzer asked if it would help if the City was more consistent with annual raises. Ms. Buckler said it would help, but the rates of pay would still need to be updated to remain competitive. The pay scales haven't been moved in three years.

Another strategy would be to move employees who have been in their positions for more than five years to a 3/4 point move. For example, if an employee has been at their job for more than ten years, they could be moved to 75% of their pay range. This helps people who have been with the City longer and provides another incremental move.

Ms. Peveler discussed the costs of the various options presented. Included were across the board raises of 1%, \$0.50/hour, and 2%. The cost to the City to fund one of these proposals ranged from \$2.9 million to \$4.4 million. Mayor Treece asked how different these numbers would be due to turnover. Ms. Buckler said they run the numbers on eligible candidates on March 1st. Ms. Peveler said the Finance staff has been looking into live payroll versus budgeted payroll to try and check these estimates.

The second approach, which would be cheaper for the City, applied an across the board raise of 3%, then moved employees to new ranges and midpoints. These plans ranged from \$2.4 million to \$4.27 million. As there are about 63% of employees that would only be eligible for an across the board raise, it does help spread the money to more people. These numbers had not been shared with employees until the present moment. Mayor Treece asked if they had a sense of how much money was being lost to turnover. Ms. Buckler said it would take an analysis by each department, but noted that the City was losing productivity, time spent training, advertising costs. Ms. Peveler noted that there are salaried employees were working a lot more hours to make up for the turnover. This is true especially in administrative areas, but it leads to increased contracts for employees working in operations. Councilman Thomas added that the extra working hours likely contributes to turnover as well.

Ms. Peveler went through the questions staff prepared for Council to answer, including the dollar amount of pay package in the general fund for FY20; amount of excess General Fund reserves used to fund FY20 pay package; whether Council would support a rate increase to cover FY20 pay package if needed; and whether Council would support using excess reserves in supporting activity departments to fund FY20 pay package. Mr. Glascock added that the Council also had to consider whether they would put a use tax on the next ballot or a public safety tax. He said he didn't think the status quo would last much longer.

Mayor Treece said that, of all the options, he liked 8C in the document which included a 3% across the board, move positions into new ranges and adjusted the new minimum, and implemented an incremental move to midpoint. It touches more employees and is just under \$3 million. He wanted to hear from staff to see if they felt it was equitable. This plan gives employees who have been with the City

less than five years hope and it would address some of the compression issues. Mr. Skala agreed that compression is a real issue, but wanted to make sure employees would be happy with it. Mr. Pitzer asked if staff considered just looking at performance pay. Mr. Buckler said she was updating the performance evaluation process so that a performance pay process would be possible for FY21. The evaluations for FY19 are almost over. It would take at least a year to implement a new performance evaluation procedure and to train supervisors on it. Mr. Skala asked if the school district offered higher raises due to their revenue stream. Mr. Glascock said that the school district was funded through property tax, so their revenue was fairly stable, whereas the City is mostly sales tax which is volatile. Mr. Ruffin asked whether an employee who has been with the City for more than five years, was there a policy to guarantee pay increases other than across the board. Ms. Buckler said in the pay philosophy performance pay would result in pay raises, but that it hadn't been funded. The element is there, but the funding has not been. Mayor Treece felt performance pay can be subjective. Ms. Buckler agreed that it could be. Mr. Skala asked about performance driven incentives, to which Ms. Buckler pointed out that the City was not able to provide bonuses. Mr. Glascock asked if a move to 3/4 point be more applicable than performance pay. Mr. Skala said he felt the discussion was a good one to have. Mr. Pitzer added that there are advantages and disadvantages to each proposed pay plan. He did not think performance pay should be eliminated. Mr. Trapp agreed that the performance evaluations needed to be improved for performance pay, with trained staff giving the evaluations to reduce the subjectivity of the evaluations. He added that he felt the \$3 million was reasonable to fund through reserves, but that he was nervous - he worried a day or reckoning would come and would lead to layoffs. He thought they should make long term changes to improve the trend lines.

Mr. Glascock said it was about expenses as well as revenue. If the citizens of Columbia feel that the City has enough money, then they would need to make cuts. Ms. Peters said the Council should consider asking the citizens to consider a use tax, which also looking at what can be cut if the revenue continues to stay flat. The City should consider places where things can get cut. Mr. Thomas added that the City also needs to consider development fees. Mr. Pitzer said he wasn't comfortable only using excess reserves to fund the pay package.

Ms. Peveler said that there were 29.5 requested full time (FTE) positions: 24 from police, 3 from fire, 1.5 from the health department, and 1 for sustainability. She added that the Fire Department applied for a grant to help cover these positions, but they wouldn't know if they received it until October. Chief White said the grant was a three year performance period, covering 75% of the cost of the employee for the first year, 70% for the second year, and 30% for the third year. This allows the department to ease into the additional personnel. The employee for sustainability would to be if the re-organization is approved, and the health department would be for tobacco enforcement.

Chief Jones said three of the 24 requested new positions would be for traffic enforcement, seven officer positions, two school resource officers (SRO), two sergeants, six community service aides, two civilian crime scene investigators, one civilian investigator, and one custodian. The school district requested two SROs, but he was not sure if it would be possible. One SRO would be at Battle High School and the second would be for the middle schools. There currently is only one officer covering all six middle schools. SROs spend about 75% or 80% at the schools and the school district pays 50% of each SROs salary. He said he has asked for the school's contribution to be increased, but was told that 50% was as much as they could provide. Mayor Treece noted that the school district had significant revenue increases and thought the Council should asked the school to reconsider. The Council agreed to send a letter to the school district. Chief Jones said the current contract from SROs was up for negotiation. Chief Jones said there were seven open positions currently. It was progress, but there was still work to do. He said there were 12 employees out on some type of leave and with a patrol staff of 80-90 officers it was a significant hit. Chief Jones said he was hopeful that recruitment would improve, noting that two officers who left recently returned. Mr. Skala asked if the accreditation would help recruitment or grants. Chief Jones said that it would help with grants, but maybe not recruitment. Mayor Treece said the police department typically had unspent salary reserves due to the openings and asked if the Chief had an opinion on which pay plan would help with recruitment. Chief Jones said he wasn't sure, but perhaps a representative from CPOA would be better at answering. He said that more employees would help with morale because it would allow staff to have more flexibility in taking leave. Mayor Treece asked for the effects of the 24 new positions requested. Chief Jones said increased presence in the community was important. He said he felt like the eight beats should be subdivided into sixteen beats. He said sergeants should be empowered to take responsibility for their shifts. He said he wanted to make a philosophy shift before asking for more officers. Mr. Pitzer asked if the community service aides would be on traffic. Chief Jones said they are shifting the community service aides are taking reports from citizens now, in addition to their traffic related responsibilities. This is also part of the succession planning, ensuring that the community service aides could become patrol officers.

Traffic is often one of the biggest concerns. DWI and traffic officers are now under one sergeant, and there are four officers currently. The proposal would move the department into the direction of fully staffing subdivided beats, but it would not get them there. Chief Jones is working on a five year plan. Mr. Pitzer said that traffic was very visible and that citizens liked to see it. Mr. Ruffin asked about a strategy for staffing these new positions. Chief Jones said several applicants were undergoing background checks currently. He said he didn't have numbers, but that he felt things were improving quickly. Mayor Treece asked how long the vacancies had been open. Chief Jones said it was rolling. When he started as interim there

was about 12.

2. Unappropriated Money, Savings Money

Ms. Peveler said the City needed about \$1.6 million to keep up with fleet needs. She added that using reserves for this would be good, as they are one-time expenses. She discussed the Other General Government Balances and noted the staff recommendations for several of them. Many of them were a portion of specific projects. The recommendations in red could be appropriated to those projects, if Council does not want the money to sit in the General Fund. Mayor Treece stated he felt they should be appropriated to its project. She noted that Public Works wanted to use all the funding for the Annual Sidewalks Major Maintenance to go toward funding the ADA Curb Ramps Installments, totally \$88,344.68 currently plus the proposed additional funding of \$96,200 in FY20. By FY25 there will be \$3.5 million in the Annual Sidewalks balance and this funding is planned to fund sidewalk master plan projects as the balance increases. There are currently four projects identified for FY20 for Annual Traffic Calming. There are several accounts waiting to build up funds for upcoming projects; Mr. Glascock noted that there could be another way to save these funds as there were several "buckets" for annual street repairs. This is just how the City had done this in the past.

Ms. Peters asked about the Providence Broadway turnway, she asked if it was funded or unfunded. Mr. Glascock said it went with the park and was currently unfunded. Mr. Pitzer asked if the \$750,000 was surplus from a previous project. Ms. Peveler said it was from the Capital Improvement Sales Tax and it builds up each year for specific projects. The money was in the pooled cash account and it is drawing interest. Mr. Pitzer said they needed to save the full amount of the project before starting, and asked how it would start out. Mr. Glascock said the put in money for Council priorities, but by putting the money into annual funds it is slowly drawn down, and that having little buckets of money changes the way it can be used. Mr. Ruffin asked if there was anywhere to request funds for pedestrian islands at 4th and Broadway. Mr. Glascock said it could come from several different funds, including annual sidewalks. He added that he thought it was originally supposed to be part of the gateway on the original design.

Ms. Peveler said there were two public safety projects and they planned to add \$1 million in FY20. Mr. Pitzer asked if the account for the apparatus was earmarked. Chief White said when an apparatus was sold, the money went into that fund; the Fire Department uses the sale funds from a previous truck to upgrade the equipment on the new truck.

Mr. Glascock said there was about \$4 million in General Fund Savings. He said the Charter said it needed to roll over to the next budget if it isn't spent. It gives the public and the Council a chance to decide where it goes. Mayor Treece said he would rather see that money roll into pay plan or public safety project needs. Mr. Skala said he thought the community at large was looking for structural changes.

Mr. Glascock said he felt staff needed to bring the savings back to Council to re-appropriate. Mr. Pitzer said the one-time needs was the place to start, and that hopefully by de-emphasizing the need to generate savings will give a better result. Mr. Glascock said he wanted to forego the process of transferring money from Convention and Visitor's Bureau (CVB) to different accounts and then writing a check. Mr. Trapp said it made sense to him, especially if staff thought it was better. Mayor Treece said it was more transparent. Mr. Thomas clarified that the funds were from the lodging tax which went to CVB, who then transferred the money into other accounts. Mr. Glascock said it was. They would still be funding the same items, but the money wouldn't inflate various budgets.

3. Public Transit

Mr. Thomas asked if they could discuss transit before lunch. He said he wanted an increase in the transit operating budget in FY20. He said there had been a lot of hardship from the cuts. He said they should balance the budget for transit. He said they needed to increase revenues because he didn't feel they could cut anymore. He is happy paratransit is still available for the city, and added he felt they needed a transit service for residents who don't live in service areas, such as on-call transit. He said this was in line with the Climate Action & Adaptation Plan. He said these couldn't all be addressed in one budget cycle, and they were long term ideas. He said there were additional revenue sources available in the short term. One of those would be transferring some of the transportation sales tax revenue from the airport to transit. He added they should start a pay and display parking program at the airport. He said this could be quickly implemented and required little infrastructure. He said parking utility could help support roads, so that some of roads funding could go to transit. He added that parking and transit should be combined and operating under a single philosophy with the City's goals in mind. Mr. Skala said he generally agreed with Mr. Thomas, but added the roads were a high priority for the community. As the transportation sales tax was split between transit, airport, and roads as 25%, 25%, 50% he felt roads could take less and provide more to transit. Mr. Glascock said staff is trying to stabilize a budget this year. Mr. Skala said he felt the paratransit size vehicles seemed to make the most sense and he wanted to tie this discussion of funding in with different vehicles. Mr. Glascock said the smaller vehicles require more maintenance than larger buses, especially when they are in service often. Mr. Thomas asked for a report on the different operating cost per mile between a paratransit vehicle and a 30 ft. bus. Mayor Treece said he wasn't inclined to take funds away from the airport. He said he was interested in looking into transit on demand, he thought it would be more seamless for the riders. Mr. Pitzer said it made sense to have a comprehensive parking solution as part of the new terminal.

LUNCH BREAK

Mayor Treece invited the public to submit written comments on what they've discussed, as there was no public comment period.

The Council broke for lunch at 11:19AM and regrouped at 12:20PM.

4. Utility Financial Presentations

- a. FY2019 Budget Projections
- b. FY2019 Mid-Year Assessment

Sarah Talbert presented the FY19 Budget Projects for Water. She noted that summer is when the bulk of revenues come in, so the numbers are estimated. FY18 actuals, the Water Fund was \$3.6 million below the cash reserve target - it was originally estimated to be \$6.9 million below. This is due to a 2.5% increase in water usage due to a drier season and a discovered \$2 million in enterprise revenue that had previously been restricted. In FY19, the Water fund is estimated to be \$4.19 above cash reserve target - this is due to the 3% rate increase, though this will primarily take effect in the summer. Other savings comes from personnel vacancies and a contingency fund. Since 2007, water connection fees were restricted but Utilities and Finance staff agreed to restrict them.

Mayor Treece asked if the cash reserve would increase due to the rate increase. Ms. Talbert said it depended on the summer, as it is usage driven. Mayor Treece said Sec. 102 of the City Charter, which stated that remainder of surplus funds would be put into the General Fund for municipal purposes. He asked if excess revenues were ever put into the General Fund. Mr. Glascock said he didn't believe it had happened since he'd been employed and that he would look into it.

Mr. Skala asked who decided to move the funds from restricted to unrestricted. Ms. Talbert said staff could not find any information on why the funds were being restricted. Mr. Glascock said he approved the change. Mr. Pitzer asked why the CIP funding went from \$3.6 million to \$350,000; he also asked if the current funding was sustainable for the capital needs of the utility. Ms. Talbert said the projects that had been identified were to be funded by a ballot and she did not believe it would be sufficient funding. Staff is discussing funding more projects through enterprise fund revenue and not have so many projects ballot-driven.

The Electric Fund is about \$1.3 million above the cash reserve target due to about a 3.3% increase usage in electric service. She said September 2018 was a very warm month and generated significant revenue for that reason. FY2019 is currently estimated to be \$4.4 million above the target cash reserve; this is due to the 2% rate increase and record cold months that lead to increased usage.

The Sewer Fund was \$10 million above in FY18 while it was budgeted at \$7.1 million. This is due to a journal entry that was being done for bond funding to reduce restricted cash, but it overstated it. It has since been corrected. There were also a few large developments that paid connection fees before the rates went up. In FY19, staff is estimated to be \$1.5 million above the cash reserve target - this was originally budgeted at \$4.4 million. Staff is proposing to take \$6.4 million dollars to appropriate unrestricted cash for some capital projects instead of selling more bonds as the City has the cash on hand.

Solid Waste was budgeted to be \$1.3 million above cash reserve, but ended up

being \$6.1 in FY18. This is due to coal combustion residuals and lower overall expenses mainly due to personnel vacancies. In FY19, it is estimated to be \$5.3 million above the cash reserve target. It was budgeted at \$950,000. This is due to how FY18 ended, and only 94% of operating budget is expected to be used. This is due to capital projects coming in under budget, savings of vehicle replacements, and vacancies. Mr. Pitzer asked if funds to close a landfill were set aside. Dave Sorrell said each year a portion of funds to close a landfill is put into a restricted account. Staff is currently developing a plan for a new landfill and it will be approximately \$8-\$10 million. This would likely come from cash reserves. Mr. Skala asked who was eligible to purchase municipal bonds. Janet Fraizer said the City wasn't involved in the selling of municipal bonds, but she could look into it. Mr. Glascock said they were normally bought by one entity.

Storm Water is about \$184,000 above the cash reserve target for FY18 and projected to be about half a million above the target cash for FY19. The last rate increase of 20% will be coming up and there are no current plans for more rate increases. Ms. Peters asked if more projects for sewer and Storm Water could get started as both funds are above their cash reserve target. Mr. Sorrell said the cash was building up because several expensive Storm Water projects were coming up in the next few years. There are a few capital projects for sewer for which they plan on using the funds.

5. Utility Rate Timeline Change

Staff is proposing that utility rate changes no longer be discussed as part of the annual budget, but examined after the fiscal year is complete. This will allow staff to have a better financial picture of how the utilities fared to determine whether an increase is necessary. Future proposed utility rate changes would be presented to Council in January. Council discussed the advantages and disadvantages of this change. Mayor Treece said he was concerned with counting money before it is approved. He was concerned about appropriating money to projects in September depending on a possible rate increase in January. Ms. Peters suggested approving the budget assuming no rate increase. Mr. Skala said they could use a budget amendment if needed. Mr. Glascock said he would bring a process forward for more discussion.

6. Utility Priorities for FY2020 Budget

- a. Vacancy Issues
- b. Fleet Replacement
- c. Integrated Management Plan Update
 - i. FY2019 Debt Service Rate Increase

Ms. Talbert noted that vacancies were a real issue in Utilities. She presented a chart with critical positions that were vacant. In Water, there are 6 Equipment Operator vacancies or about 45% of those budgeted positions. In Electric, there were currently 10 vacancies for line workers, or 34% of those budgeted positions. In Storm Water, there were 4 openings for Equipment Operators, or 80% of those

budgeted positions. Ms. Peters asked if this was due to a lack of qualified workers or due to low City wages. Mr. Sorrell said it was likely a combination. The low unemployment rate meant there was a lot of competitions for workers and often a new employee would be trained then leave for a higher paying job elsewhere. Mr. Pitzer asked if there was historical data for vacancies in these positions. Mr. Sorrell said he wasn't sure, but added 10 years ago there weren't many vacancies at all. The City hired contract agencies to help out with the refuse collectors, but the other areas with high vacancies were just doing less. Ryan Williams said to work in the Water Utility, operators required a DS-3 license and journeymen line workers had a four year apprentice program. Mayor Treece asked about the presented pay plans and if they would help fill the vacancies. Mr. Sorrell said he would look into it and provide a report. Mr. Williams said that line workers move to the midpoint currently, and that it was not competitive with other agencies. The band would need to change.

Mr. Williams presented historical data on contract line crew expenses. He provided that data since 2003, noting the payments to contract crews had been fairly steady for the past ten years. This means they were getting less and less maintenance done. They also evaluated a pole replacement project done to compare in house versus contract crew costs. The total cost of a single day of the project for contract crews was just under \$4,400 while it would have been just under \$3,200. Mr. Pitzer asked if there had been a similar number of vacancies a decade ago. Mr. Williams said they did not. The majority of the contract crews are responsible for maintenance. The amount spent has not increased because they have capped what they can spend on contractual labor.

Mr. Sorrell presented on the cost of temp agencies for Solid Waste. Mr. Trapp asked if the pay raise for solid waste workers approved last year helped. Mr. Sorrell said they had 12 vacancies at that time and there were 10 vacancies now. He said that the longer serving workers typically went into commercial collecting which was much less physically demanding. It was more automated. Mr. Trapp said it was clear they City needed to make some changes in the long term. It was a dangerous, demanding job. The easy choices were falling off the table. Mr. Pitzer asked if staff was concerned about the temp agencies ability to provide employees. Mr. Sorrell said there was one temp agency that refused to provide employees due to injuries and their worker's compensation costs. If that happened again, it would be difficult to pick up all curbside recycling.

In Water and Electric no fleet was replaced in FY19. This is not a sustainable option. In the coming years, staff plans on making fleet replacement a priority. Mr. Skala asked if it was deferred maintenance cost. Ms. Talbert said it was, but it was also larger vehicles and equipment to be replaced. Fleet replacement is incorporated in the cost of service studies. Mayor Treece asked if the water rate increase also considered fleet replacement as part of the rate increase. Mr. Williams said they had estimated only being about \$200,000 above the cash reserve and this included

not doing fleet replacement for FY19. In order to keep the rate increase to the minimum, it included postponing fleet replacement.

Mr. Sorrell provided an update on the Integrated Management Plan. The MODNR plans on using the City's timeline for the plan. The City needs to begin to think about how to best implement the Plan. The majority of the items in the Plan are accounted for in the CIP and operating budget, however there are three items that are not included in either of those. For the items that are not accounted for in the CIP or operating budget, the Plan recommends spending \$2.7 million per year to rehabilitate the sewer system. This would rehabilitate approximately 1% of the sewer system each year during the five year plan. The Plan also recommended spending \$640,000 per year to replace to Private Common Collector Elimination sewers each year of the five year plan. Finally, the Plan recommends a Collections System Model - this would be a one-time cost of approximately \$600,000 and staff recommends funding this through retained earnings. The other two items would need annual revenues to increase by \$3.34 million. He explained that the Collection System Model was a hydraulic model of the City collection systems, it would involve putting flow meters in the current collection system to determine which sections of the system are undersized or hydraulically overloaded. It was done in the early 2000s. Best practice recommends that the model be kept up to date, this would involve every few years putting flow meters in and re-calibrating where necessary.

To fund these projects, staff recommended bringing an ordinance to Council to appropriate the cash from reserves - this would defer the sale of bonds until needed. The 1% rate increase in FY19 was to cover the cost of the bonds; however this could be changed to a rate increase for operating costs. The money generated from the 1% increase could be diverted to cover a part of the cost of these projects. Utilities staff has identified \$600,000 in sustainable budget cuts, and staff proposes to take half of this to put towards the identified projects. To make up the rest of the cost, staff proposes a 12% increase in sewer rates starting in 2021. This 4% increase would generate a total of \$1.4 million. This would change the average bill from \$25.12/month to \$28.27/month over the next five years. Mayor Treece asked what the total sewer rate as a percentage of the median household income in the City. Mr. Sorrell said it was well below 2%. Mr. Trapp asked if the Plan projects were better accounted for in enterprise revenue than bond revenue. Mr. Sorrell said projects such as this were better funded through rate increases, but for big capital projects then bond sales would be better because it is not an ongoing project. He added that the rehabilitation work is contracted out. Ms. Peters asked if the City would be able to find contract agencies to do the work, noting the St. Louis and Kansas City were having issues. Mr. Sorrell said they have been successful so far. Mr. Pitzer asked if there were any voter approved rate increases with the sale of bonds, and whether any of the proposed work under the Plan covered any of the projects that would have been done with the bond funding. Mr. Sorrell said there

was a 1% increase, but that it could be transferred to operating expenses. He said that the proposed projects were in addition to what was proposed with the bonds. Mr. Pitzer asked if there was an amount that could be absorbed within the system renewal work. Mr. Sorrell said, if the budget was approved, that Storm Water, Sewer, and Solid Waste would undergo a cost of service study at the beginning of the fiscal year. There may be some changes to the proposed increases based on the results from the study. The study would include the Integrated Management Plan work. Mr. Thomas asked if increasing the sewer connection fee was responsible for any surplus cash. Mr. Sorrell said the biggest piece of it was changing the restricted cash to unrestricted. Mayor Treece asked if using the sewer enterprise funds for bond projects maintain fidelity with voters. Mr. Sorrell said he believed it did, provided the projects were completed. Mayor Treece said he'd like to get the projects, particularly in residential areas, jump started.

II. ALL OTHER ITEMS THE COUNCIL MAY WISH TO DISCUSS

Mayor Treece said he'd be inclined to sweep half of Water & Light's cash reserves into general revenue and use it for compensation changes and \$1.82 million in public safety. He added that this was an available option in the City Charter. Mr. Glascock said he would check with the Law Department to see how the Hancock Amendment would impact that. Mr. Pitzer said he wanted to see a reoccurring way of paying for those, rather than using one-time funds. Mayor Treece said he felt they should follow the Charter or change it. Mr. Skala added that if they were looking into amending the Charter, then perhaps moving the Internal Auditor under the Council rather than the City Manager. Mr. Trapp added that if they would change the Charter then they should consider raising the Council stipends. This would allow lower income residents to consider running. He added that a four-year term for Mayor would be beneficial. He added that he wanted to scale back what one-time funded would be used for, noting that he thought fleet replacement would be a good use for the funds. Mr. Thomas stated he approved of reviewing Council compensation. He said he was basically a full-time job and thought there should be a livable wage. He added that he did not think it would be possible to use excess utility funds for general revenue. He asked about the allocating all remaining balances to be returned to the General Fund balance at the end of FY19, including funding for the Growth Impact Study and Vision Zero. Mr. Glascock said that some of the items that were not priorities for Council then they would be moved back to the General Fund. Mr. Skala stated that there were some items that would be spent, such as the social and racial training. Mr. Glascock said the City would do an RFP to see if anyone wanted to take on Columbia Access Television. Mr. Thomas stated that Council received a letter from an organization that wanted to take on CATV. He wanted Council to consider this. Mr. Skala said they needed to follow the process to see if they would be eligible for annual funding. He stated that he had mixed feelings on increasing Council compensation. He felt the current

stipend was not sufficient to attract a variety of applicants. Ms. Peters said this would conflict with residents who already have a fulltime job. Mr. Thomas said he felt like it would be full-time and newly elected Council members would give up their current full-time job to do this. Mayor Treece said he did not feel that it was something the Council should originate. If they do look into changing the Charter, then there should be a committee who considers this. Mr. Pitzer said a more focused approach on a Charter change would be more likely to pass.

III. ADJOURNMENT

The meeting adjourned at approximately 1:41 PM.