



City of Columbia, Missouri

Meeting Minutes

City Council

Monday, May 18, 2020
5:00 PM

Pre-Council

Council Chamber
Columbia City Hall
701 E. Broadway

(One or more council
members may
participate via
videoconference.)

I. CALL TO ORDER

The meeting was called to order at approximately 5:02 p.m.

Present: 6 - Trapp, Thomas, Peters, Treece, Skala, and Pltzer

Absent: 1 - Ruffin

Budget Work Session

Attachments: [Budget Powerpoint Presentation](#)

[Handout - March 2020 - GF Major Revenue Reports](#)

[Handout - 2020-05-06 Sales Taxes Received in May for March sales](#)

City Manager John Glascock stated that there is very limited data to work with when making projections. We are uncertain on the amount of revenue we will have coming in moving forward. Mr. Glascock stated that he is recommending holding off on salary increases until at least April so we have data to work from that we don't have now. The labor groups have been notified of this.

Mr. Glascock noted staff concerns including the need of the City to move toward stabilizing the volatility in the revenue base (balance between property tax and sales tax). The level of unrestricted reserves the City is comfortable using. He noted that current reserves above the targeted amount are at \$16.5 million. Ms. Peveler added that the City usually carries reserves at 20% above expenditures. There are still challenges facing trash collection service given the continued vacancies and high cost of temps. There is a need to move away from bonding for maintenance in the utility funds, and begin funding maintenance with the day to day operations. This is being discussed with the Water and Light Advisory Board. And Capital project funding with lower sales taxes - so there is a question of pushing projects out a year or reduce the scope of projects.

Finance Director Matthew Lue stated that there is a new budget philosophy. Ms. Peveler explained that this will eliminate some of the "double budgeting" of intra governmental charges. They plan to move two internal service fund operations into the General Fund (Facilities Management and Community Relations) which will eliminate two internal service funds and their reserves, eliminating charges to General Fund departments, will cause reserves remaining at the end of FY 2020 to be moved into the General Fund. Additionally, they plan to move Utility Customer Services into the various utility funds eliminates a separate fund, eliminates charges between these funds, and reserves

remaining at the end of FY 2020 will be moved into the Utility Fund reserves (water, electric, sewer, solid waste, storm water). Community Relations Fees are currently based on the same model as our G&A Fees (% of total expenses shown in last year's financial statement instead of a much more complicated model in previous years). They also plan to combine GIS fees into IT Fees (since they are in the same fund) and simplify the model to be based partially on the percent of total expenses in last year's financial statement and partially on the basis of the number of network computers each department has. They plan to incorporate the transfer of funds from Parking to Streets for the maintenance of parking spaces and the transfer of funds from Airport to Police into the G&A Fee calculation (eliminates separate transfers) and consolidate operations by moving Parking Enforcement under the Police Department which will increase police presence downtown and will free up general funds as Parking Fund will pay for this service through G&A Fees.

Mr. Lue reviewed the current revenue outlook which included numbers entered in the system as of May 1st. Finance updated the FMIS numbers Friday, so some information has since been updated. Mr. Lue provided handouts with the new information. Mr. Lue reviewed the handout labeled "Fiscal Year 2020 General Revenue Sources" which is through March 31st and is compared against FY18 and FY19. The second sheet shows General Fund Sales Tax Receipts received through the month of March. The difference between the two documents are the sales tax number versus the number in the FMIS is the timing of the March payment - meaning, there is one payment missing in the first document. There is an increase in sales tax revenue but there is also a decrease in other revenue funds. Mr. Lue reviewed the revenue breakdown noting that sales tax and Other Local taxes (Gross Receipts taxes) account for 40% of General Fund revenue. Sales tax has grown 2.7% since 2014, but the population has grown 5%, and CPI 6% over that same time period. Gross Receipts taxes have been on the decline since 2014 (down 15% in 2019). Over the past 25 years the CPI has increased 69%, but the Sales Tax Per Capita in constant dollars for the City has fallen 13%. This means that patrons within the City of Columbia paid just \$75.24 in sales tax on \$251 worth of goods, but 15 years ago paid \$86.76 in sales tax on that same basket of goods but at the lower price.

Mr. Lue presented to alternative revenue options including an Administrative Transfer from Sewer, Solid Waste, and Parking funds. This would recoup General Fund expenses such as CMO time, Legal, Public Relations, Police (enforcement), Public Works Admin, etc. and is an estimated \$3 million revenue increase. He also suggested an increase in Business License fees which has not changed since 1964. Mr. Lue suggested a Use Tax, stating that the City receives zero dollars for the purchase of goods, by residents, from out-of-state vendors. Businesses like Amazon have agreed to collect state and local taxes, but only cities that have passed a local use tax can expect revenue from such businesses.

Mayor Treece stated he would still like to have a performance audit conducted on how we budget, how we use the general fund, cash reserves, utilities, etc. He would like to have that in place before considering a fee or tax increase. He added that in regard to a Use Tax, there is a framework in place for the future with some of the decision makers in Jefferson City. He feels optimistic that there is support in the Senate and this may move to the House. This would involve phasing in a Use Tax and phase out the declining Cable Tax. Once it is determined that we need more revenue, this should be a top priority.

He explained that there could be a Public Safety tax (Sales or Property tax) which would help alleviate some of the constraints on the General Fund by creating a revenue source for Police and Fire. He suggested a Public Health Tax (Property tax) which would help alleviate constraints on the General Fund, but also help to stabilize the City's volatile

sales tax revenue. Mr. Lue stated in regard to Transportation Sales Tax, that we are currently assuming a 10% decline in sales tax revenues for FY 2020 from FY 2019. He recommended reducing the operating transfers from this fund in FY 2020 to reduce the transfer to General Fund by amount department estimates coming in under budget. He recommended eliminating operating transfer to Airport for FY 2021, FY 2022, FY 2023 as they will receive FAA CARES funding and using the sources to fund additional airport terminal phases instead of Designated Loan Funds.

Human Resource Director Margrace Buckler stated that there is a 2.1% CPI Increase reported for December, 2019 (we use December number each year). The consultant has recommended we change our pay grades by 2.1% - this would cause some employees to be below the new range and receive a move to minimum adjustment. She reviewed starting, job specific pay guidelines and ordinances currently in place. Ms. Peveler reviewed LAGERS rate changes and Police and Fire Pension rate changes noting that the Fire Pension rate increase will be an increase to the General Fund of \$212,445. Ms. Buckler reviewed health and dental rate changes for FY21 noting that a 5/4/20 plan review included COVID19 plan expense unknowns, two large claims that have not hit yet, and delayed medical care for conditions other than COVID19. She added that it is a Federal requirement to cover total cost of COVID19 treatment with no cost share (deductible or out of pocket requirements) for covered employees/dependents are anticipated. The current recommendation is to increase health plan contributions by 7.1%, with a 4.5% margin. Ms. Buckler recommended a middle ground approach to increase health plan contributions by 5.6%, with a 3% margin. The dental plan is fully insured and will increase 5% in FY21. She reviewed the City HSA contributions and recommended changes to City contributions to reduce the City's HSA Contribution for Employee Only from \$1500 to \$750; Reduce City's HSA Contribution for Family coverage from \$3000 to \$1500. The City savings would be approximately \$380,000 in FY 2021 (nine months) and would nearly offset the City's cost of the 5.6% Health Insurance increase.

Utilities Director Dave Sorrell stated that they plan to move maintenance items from the CIP to the Operating budget. He reviewed those changes in Water (totaling \$835,000) and Electric (totaling \$2,220,000). The Council discussed these proposed changes. The status of the Cost of Growth Study RFP was discussed. Mr. Glascock stated that the cost of growth RFP was on hold due to COVID and information on a Performance Audit will be coming to Council for review in the near future. Mr. Sorrell reviewed potential revenue increases in Water including a 3% debt increase and 5.5% operating and maintenance increase. He noted that these potential revenue increases will not be brought forward with the FY 2021 budget. Staff will evaluate the actual FY 2020 financials and bring forward any recommendations to Council in January/February 2021. Council discussed these proposed changes. Mr. Sorrell reviewed the water rates compared to other Missouri cities. He reviewed a potential electric revenue increase including a 4% operating and maintenance revenue increase. He noted that these potential revenue increases will not be brought forward with the FY 2021 budget. Staff will evaluate the actual FY 2020 financials and bring forward any recommendations to Council in January/February 2021. Mr. Sorrell reviewed the electric rates compared to other Missouri cities. Council discussed these proposed changes. He stated there is a potential sewer revenue increase of 6% operating and maintenance; also to be brought forth with the FY21 budget. He reviewed comparable rates. Council discussed these proposed changes. Solid Waste potential revenue increases included 7% operating and maintenance for the Landfill, and 10% for Commercial, Residential and CID. He reviewed comparable rates. Council discussed these proposed changes. He stated that Storm Water had no potential revenue increases proposed. He reviewed trash collection service costs associated with temp agency expenses which total \$1,163,295. The Council discussed potential changes to solid waste service and options moving forward.

Budget Officer Kyle Rieman stated that total current spending related to COVID-19 is \$2,315,260. This breaks down to approximately \$2,107,674 in personnel, \$200,310 in operating supplies and materials, and \$7,276 in service and misc. charges. They are still working to be sure costs have been coded properly. He reviewed dedicated CARES Act funding including: Columbia Regional Airport - \$18.8 million FAA CARES Act Grant, Transportation - \$6.5 million FTA Cares Act Grant; Public Health and Public Safety - \$435,000 DOJ Cares Act Grant, and General fund - No Funding currently.

Mr. Lue stated that Council input is needed on the following: The need of the City to move toward stabilizing the volatility in the revenue base (balance between property tax and sales tax). The level of unrestricted reserves the City is comfortable using. Current reserves above the targeted amount are at \$16.5 million. Challenges facing trash collection service given the continued vacancies and high cost of temps. The need to move away from bonding for maintenance in the utility funds, and begin funding maintenance with the day to day operations (being discussed with Water and Light Advisory Board). Capital project funding with lower sales taxes -push projects out a year or reduce the scope of projects.

Mr. Glascock stated that he has asked all department heads to prepare for a 10% reduction to their budgets for FY21. Personnel reductions will be needed to accomplish that. Higher education is looking at hybrid models meaning there may be fewer students here and less revenue coming in. Sales tax has been declining for a number of years, but may be a bigger decline this year. Services may suffer and reserves will need to be used.

Ms. Peters suggested a Use Tax ballot, but that wouldn't occur before 2021 and reserves could be used in the meantime. Mr. Skala is open to considering about 20% of the reserves and he likes the suggestion to move away from bonding for maintenance in utility funds. He felt that the capital project issue should be considered on a project by project basis.

Mr. Thomas felt that most of these challenges would be substantially addressed if we charged correctly for the expansion of public infrastructure, sold bonds for that process, and recovered the bonds through amortized payments from new development, and set utility rates to cover costs of service, operations and maintenance and repairs. He asked to hear from each Councilperson on the philosophy.

Mr. Trapp felt that we should move towards a property tax increase and a Use Tax should be taken off the table, which provides some added value even without action from the state. He felt that it would be a smart move to do some polling to see what the electorate is willing to pay and elected political leaders need to stand up and campaign. He was supportive of moving away from bonding for maintenance of utility funds. He understood that the situation is not going to get better, so we should be realistic and do what we can with the resources we have.

Mayor Treece stated he would like to postpone the discussion of a sales or property tax until at least 2021 and give the legislature time to pass a Use Tax. He felt that a pandemic is a good time to use the cash reserves. If cash reserves are tapped, it should be balanced with cuts so that we are not fully using reserves. He feels it is appropriate to move away from bonding for utility maintenance, but if we are charging consumers for voter approved debt that paid for that maintenance, then we need to phase that out and phase up the new rate - or consumers need to be protected from being double charged. The Water & Light Advisory Board needs to have data to review in real time in order to fulfill their role to Council, to review the documents. He would like input from that Board

on how we do this and at what cost. He felt that capital projects may be pushed out a year or so, but just as sales tax is down, constructions costs may be too. Given our rate of growth he did not feel reducing the scope of the projects would be a good idea. He was also supportive of Mr. Thomas's request for the Cost of Growth study so we are recovering our true costs.

Mr. Pitzer felt the Wayfair fix is the best option to pursue first and if polling were done, that would probably be a popular option. He was not sure of an exact number to use on dipping into reserves, but this is the time to consider significant use of those funds. He stated that there is a lot of work to do on the utilities before he would be comfortable with some of the budgeting and financial work with those funds. He would like the Water & Light Advisory Board to discuss this issue before we get too far down the road on this. The utilities have reserves as well and utility costs are significant costs for people. This is not a good time to discuss increases, especially with utilities being so far above reserves. Short-term rebates could be provided to assist people and be covered out of the reserves. He agreed with pushing out capital projects a year if needed, before reducing the scope.

Mr. Skala felt that we should work toward recovering costs for service, however once we get the RFP and costs are known, they should not be passed on immediately and should be done incrementally. There are some areas in the budget where we don't recover 100% of the cost and subsidies are considered. In regard to property and sales tax, there was an aggressive attempt at a property tax for public safety during the last administration which failed. But a conversation for sales or property tax should be had again in the next year.

Mr. Thomas could support a property tax increase, but not a sales tax increase. He is also comfortable dipping into reserves as much as 50%. He did not have a stance on the capital projects.

II. ALL OTHER ITEMS THE COUNCIL MAY WISH TO DISCUSS

No other items were discussed.

III. ADJOURNMENT

The meeting adjourned at approximately 6:54 p.m.