

**CITY OF COLUMBIA
SPECIAL CALLED MEETING MINUTES
WEDNESDAY, FEBRUARY 25, 2009 – 1:00 PM
CITY HALL - 1737 MAIN STREET – 2ND FLOOR**



The Columbia City Council met for a Special Called Meeting on Wednesday, February 25, 2009 at City Hall, 1737 Main Street, Columbia, South Carolina. The Honorable Mayor Robert D. Coble called the meeting to order at 1:09 p.m. The following members of Council were present: The Honorable Sam Davis, The Honorable Tameika Isaac Devine, The Honorable Daniel J. Rickenmann, The Honorable Kirkman Finlay III and The Honorable Belinda F. Gergel. The Honorable E.W. Cromartie, II arrived at 1:14 p.m. Also present were Mr. Steven A. Gantt, Interim City Manager and Ms. Erika D. Salley, City Clerk.

CITY COUNCIL DISCUSSION / ACTION

1. **South Carolina High School Championships - The Honorable Mayor Robert D. Coble and Mr. Ric Luber, President and Chief Executive Officer for the Midlands Authority for Conventions Sports and Tourism

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism reported that in this coming year we have an opportunity to bid on two (2) events to bring them into the City of Columbia; it's the State Championships for football in 2009 and basketball in 2010. This year we are hosting the basketball tournament at the Colonial Life Arena. The South Carolina High School League puts out the bids to all facilities throughout the State and then they determine where to take the event. We have an advantage because of our central location, but they have to look at the best financial proposal for the organization. An average expenditure for a visitor is \$105 per day and \$175 per day for a convention delegate.

Councilor Gergel asked when the events are.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that the football championships are December 4-5, 2009 and the basketball tournaments are March 4-5, 2010.

Councilor Devine said that we hope to win the bid, but what happens if you don't. What is your request?

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that it is a part of the proposal and they want to have funds as part of the bid. This support pays for the expenses; we have the stadium and the Colonial Life Arena at no charge, but there are expenses that go along with it to include operating expenses, security, maintenance and clean-up; all the expenses that the High School Athletics Association has to pay.

Councilor Rickenmann asked if this money would come from the Accommodations Tax Fund.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism clarified that the money will come out of the Hospitality Tax Fund.

Councilor Rickenmann asked if it would be the money from the Pioneer Bowl that's been canceled.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said correct; it did not happen this past December. We do not know if it will happen this year.

Councilor Rickenmann said that we won't have any extra funding. If we appropriate this we realize that we will not be able to appropriate any funding for the Pioneer Bowl if they come this year.

- **Mr. Cromartie arrived at 1:14 p.m.**

Councilor Devine asked why the Pioneer Bowl didn't come. Are there plans for the Pioneer Bowl in 2009?

Ms. Libby Gober, Liaison to City Council reported that the Pioneer Bowl was canceled this year and they sent our check back in the amount of \$30,000. If they are going to do a Pioneer Bowl in December 2009 that would be another funding year and they will put in another application for 2009/2010. They are here now because this money has to be secured now; they can't wait until 2009/2010.

Councilor Devine said that Council voted for a three (3) year funding commitment for the Pioneer Bowl.

Ms. Libby Gober, Liaison to City Council said that it was a one (1) year commitment.

Councilor Rickenmann said that with the outlook of the Hospitality Tax Fund, we need to understand that there's a possibility that there won't be a funding source there for that. They originally said that it was a three (3) year deal. They will have to go in the pot like everybody else and hope for the best.

Councilor Finlay asked if we are going to have enough in the Hospitality Tax Fund this year to cover our existing commitments and still have a positive fund balance as of June 30th. We need all collections to come in.

Mr. Bill Ellis, Deputy Finance Director said that if we hit budget we will be okay. We all know what's happening to hospitality revenue.

Councilor Finlay asked Mr. Luber for the date that this is needed, because we can't run a deficit in the Hospitality Tax Fund this year.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that we have to send our response to the bid by Friday.

Councilor Devine said that they are asking for the commitment, but wouldn't need the money unless they won the bid and that would be for something that happens in the next budget year.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said correct.

Councilor Cromartie asked when the money has to be spent.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said in December 2009 and March 2010.

Councilor Gergel asked why we are getting the request so late.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that the proposals just went out in January.

Councilor Gergel asked Mr. Luber if he planned for this.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that they were looking everywhere for sponsorship funds.

Councilor Davis said that you are asking us to commit this years funding for next year rather than coming back next year when the proposals are considered. I am trying to separate the fiscal periods.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that we need to be able to say that we will provide money to a school and the date we will do that.

Councilor Devine has a concern about allocating money that hasn't come in yet. You just need a commitment of money regardless of where it will come from. This could be included in the 2009/2010 budget that we are currently doing, because that's when he would need the money. It depends on what we are more comfortable with and if we are inclined to allocate this money. We don't want to depend on money that may come in short this year. We can take it off the top of next year's budget.

Councilor Gergel asked Mr. Luber if he tried to get corporate sponsors for this.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said we have some things that we are working on and hopefully we will know by today or tomorrow.

Councilor Finlay urged his peers to consider that for 2009/2010 the regulations for Hospitality Tax and Accommodations Tax are changing to require that 50% of the revenue collected is spent on advertising. If that bill passes, it could cut our revenue in half. We need to think long and hard about this. If that comes to fruition our disposable income would fall to \$2 million, because \$2 million of our \$8 million revenue is bonded already.

Councilor Cromartie asked Mr. Ellis what is the amortization of bonded funds.

Mr. Bill Ellis, Deputy Finance Director said that it's \$2.4 million per year, diminishing.

Councilor Cromartie asked for the total projected amount of Hospitality Taxes collected in the past.

Mr. Bill Ellis, Deputy Finance Director reported that they transferred out \$2.63 million last year.

Councilor Cromartie asked how much do we pay on debt.

Mr. Bill Ellis, Deputy Finance Director said \$1.56 million.

Councilor Cromartie asked when the first payment was made.

Councilor Rickenmann said that the bond was done in 2004, but the City didn't start paying until 2007.

Councilor Devine said that we receive almost \$8 million per year.

Councilor Cromartie asked what the other encumbrances are.

Councilor Rickenmann said that \$800,000 goes for Park Rangers and the allocations for the Columbia Museum of Art, the Historic Columbia Foundation and EdVenture.

Councilor Devine noted that those aren't encumbrances; we vote on those every year.

Councilor Cromartie asked do we as a City Council think it's important for the South Carolina High School Athletic Association to have this large event in Columbia as opposed to other cities. If this is a priority then we need to budget for it accordingly.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism explained that Clemson raised \$50,000 last year and they put that toward expenses; our expenses will be approximately \$64,000 for football and \$60,000 for basketball. We are trying to offset those expenses as best we can.

Councilor Davis asked how much of your existing budget are you putting towards this event.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that the total budget for the Sports Council is \$250,000; there is no funding in this budget to be able to do that.

Councilor Davis asked what the projected economic impact is.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that they did not run the numbers, but the average spending per attendee is \$105.

Councilor Gergel asked do you anticipate that there will be anything else that you will be bringing to Council that fits into this category.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism replied that we go after what we can; we did not want to pass this up.

Councilor Devine said that there will always be proposals and that's why we have lobbyists to watch those things. She said that 50% of what we spend now is given to other groups for marketing.

Councilor Finlay said that he knows very little about the proposal except that the control of the money goes from the individual Councils to an outside hospitality committee. I heard that some of the hospitality groups feel like they are collecting a tax that isn't being used to drive business to their venues; they want to use the money to advertise. We may not have \$8 million next year, because the amount we have to spend may be cut by the legislature and the amount of collections may be reduced. If we choose to make this a priority that may mean that there's less money for others next year.

Councilor Devine said that it's good to be on top of things, but we don't have enough information for that to be indicative of a decision today. I think this is a good opportunity. This money is supposed to be spent to generate additional revenue. There will be opportunities like this in the future and you won't always have a long timeframe to raise money. She encouraged Mr. Luber to look at his budget and set aside funds in future budgets for such instances.

Councilor Rickenmann said that the only way I would consider this is if we use the money that has already been allocated for the Pioneer Bowl, but did not get used in this past budget. I am not willing to commit money off the top of next year's budget, because we don't know what we are going to face. We have committed to officers for the hospitality district that we haven't budgeted for. We need to know what the impact is, because some investments don't bring a return to the City.

Councilor Davis is concerned that people will say they are denied funding, but when certain entities walk through the door somehow we always tend to come up with the money. This is an excellent event to go after, but from my vantage point there are local groups in the same business and they deserve the opportunity to put cultural amenities on display and help to put some of the economic infrastructure in place so they can benefit from the funding.

Councilor Gergel asked about the collections for Hospitality Tax through January.

Mr. Bill Ellis, Deputy Finance Director said that he doesn't remember the exact figure.

Councilor Gergel said that in January we voted not to tap into that reserve and to take another look at it in the spring. I am very sensitive to the great need that our local organizations have for funding that allows them to bring tourists in to spend the night and to eat in our restaurants. I am going to support this, because it presents an important opportunity with a captive audience. I do support taking the funds from the Pioneer Bowl and looking at additional funds from the existing hospitality taxes.

Councilor Cromartie said I too support it. It is important for it to be in the capital of this City. He asked Mr. Gantt to allow Mr. Ellis to bring a laptop to the Council Meetings to access up-to-date information in response to inquiries from City Council. The way he is doing it is antiquated.

Mr. Steve Gantt, Interim City Manager said that the Council receives monthly financials; I don't know if I can give you real-time numbers on every account.

Councilor Finlay said that total revenue for the Hospitality Tax Fund was budgeted to be north of \$8 million; as of January we were half way through the year; if revenues are off by 10% in the 2nd half of the year that leaves me to believe that we would have a \$400,000 decrease in the 2nd half of the year. If that trend holds true, we would wipe out our entire \$250,000 reserve and be \$150,000 in the hole by June. Then there would be no reason to believe that it would magically become better in July. My only point is that we have to be very careful; our balance is going to be close.

Councilor Davis said that he won't argue Mr. Finlay's point. I understand the sentiments in terms of bringing folks in. The restriction would be that it's coming from this year's pot with no guarantees out of next year's pot. If you are not successful in your bid, then the dollars revert back to the City.

Councilor Devine asked Mr. Luber to restate the amount he's requesting.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that they requested three (3) sums: \$15,000 for football and the expenses at Williams Brice Stadium; \$5,000 for football and the expenses at Charlie Johnson Stadium; and \$15,000 for the basketball games at the Colonial Life Arena in March 2010; for a total of \$35,000.

Councilor Devine clarified that \$30,000 was budgeted for the Pioneer Bowl.

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that they will adjust the allocation.

Upon motion by Ms. Devine, seconded by Mr. Cromartie, Council voted six (6) to one (1) to approve funding for the Columbia Regional Sports Council in the amount of \$30,000 from the Hospitality Tax Fund to be disbursed if the Columbia Regional Sports Council is successful in their bid to host the South Carolina High School Championships to include football and basketball. The funding will come from the \$30,000 returned from the organizers of the Pioneer Bowl since it has been canceled. The funding will remain with the City if the bid is unsuccessful. Voting aye were Mr. Cromartie, Mr. Davis, Ms. Devine, Mr. Rickenmann, Dr. Gergel and Mayor Coble. Mr. Finlay voted nay.

Councilor Gergel said that she and Mr. Luber had a conversation last week about the "Famously Hot" slogan. I enjoyed seeing the publication you provided me. How is the City using this brand? Are we incorporating this? What do we need to do if that's where we want to go?

Mr. Ric Luber, President and Chief Executive Officer of the Midlands Authority for Conventions Sports and Tourism said that people in the community are waiting for Council to identify us as a southern hotspot and to adopt the use of "Columbia, South Carolina Famously Hot".

Councilor Rickenmann suggested that any organization that receives Hospitality Tax and Accommodations Tax funds for marketing must include this logo on their marketing materials.

Councilor Gergel suggested that they not do reprints, but instead incorporate the logo into future prints.

Upon motion by Mayor Coble, seconded by Dr. Gergel, Council voted unanimously to endorse the "Famously Hot" marketing slogan and logo as the City of Columbia marketing and advertising slogan and logo. All organizations that receive hospitality tax and accommodations tax funding from the City are asked to incorporate this slogan and logo into future marketing and advertising materials.

Councilor Devine reminded Mr. Gantt of her request from last year to receive the Hospitality Tax information since its inception. What groups received money? What was our return on investment? We need to look at where we are investing our money. It has been indicated that there will be a decrease in collections, but the number of groups requesting funding has increased. We will have to make tough decisions with some groups that are very near and dear to our hearts, but we need to make sure we are investing this money and getting a return on our investment so that it can go further. She requested that they schedule a full discussion before allocating any money next year.

Councilor Gergel asked to receive written documentation from these organizations about the impact this money had on their organizations; their ability to plan strategically; to address long-term goals; and what else this money has enabled them to do as we look at building and strengthening economic development.

Councilor Rickenmann added that there should be more than a summary from the organization; it should be some kind of back up to that showing the impact. Has it drawn tourists? Advertising within the City isn't bringing people into the City; we need to get people from outside the City.

Councilor Davis asked that the packets include whatever surveys the organizations have taken in terms of feedback from visitors and a mechanism for feedback from the local citizens on whether or not it has met the terms of their expectations. The local communities are fundamental supporters.

2. **Homeownership / Foreclosure Conference - The Honorable Mayor Robert D. Coble

Mayor Coble explained that this is a last minute request he received on yesterday when Congressman Clyburn's Office called and indicated that he was sponsoring a Neighborhood Assistance Corporation of America (NACA) "Save the Dream" Conference to help homeowners that are struggling to pay their mortgages by restructuring their loans. They are looking for \$25,000 to help pay for expenses. I want us to consider that it comes from Congressman Clyburn; it would qualify for hospitality taxes; and what better cause to consider.

Councilor Rickenmann asked what costs we are covering. Can we negotiate the cost of the Coliseum? Can money come from the Community Development Department?

Mayor Coble said that he is assuming that Congressman Clyburn has gotten the expenses waived that could be waived. It is the cost of putting on the event and having that number of people come in and we can get a better listing of that. I don't know if there's money from prior years.

There was a consensus of Council to defer voting on this matter until staff determines the appropriate funding source for the request while the Council is in Executive Session.

Councilor Davis said that he doesn't have a problem with the request. We should ask staff to explore all options.

Councilor Gergel is also supportive of this; we should do everything possible to get the word out.

**Councilor Gergel inquired about an article in the newspaper, which talked about the City's failure to withhold deductions. When we learned a few weeks ago that this had happened we were informed by the City Manager that there would be an investigation and the responsible parties would be held accountable. Do you know anything more about where that is at this point?

Mr. Steve Gantt, Interim City Manager suggested that Mr. Ellis respond to Dr. Gergel since he has been intimately involved with the situation.

Mr. Bill Ellis, Interim Finance Director said that everyone that had anything to do with this has long since gone. I am prepared to tell you exactly what happened and how it happened.

When the deductions within payroll were set up, the 401, 457 and other tax sheltered items were exempted from social security calculations. Councilor Devine asked Mr. Ellis what he is referring to when he says “when the payroll was set up”.

Mr. Bill Ellis, Interim Finance Director said that it's as far back as he can go. When payroll was set up it was set up according to a deduction schedule that outlined the pre-tax items that are all taken off of the gross income and then you calculate the social security payments.

Councilor Cromartie said that the premise was incorrect and erroneous from the very beginning.

Mr. Bill Ellis, Interim Finance Director said that's correct.

Councilor Devine said that she is trying to determine when the beginning was; when was it set up.

Mr. Bill Ellis, Interim Finance Director said that we are going back to 2002, but it predates that.

Councilor Cromartie said that you are telling us theoretically that this has gone on in an erroneous manner in excess of ten (10) years.

Mr. Bill Ellis, Interim Finance Director said that he can only go back to 2001; after that, I don't know.

Mayor Coble asked Mr. Ellis to explain exactly what the issue is.

Mr. Bill Ellis, Interim Finance Director said that the problem is that it was incorrect; you have to pay social security on your gross, not on the net.

Councilor Finlay said that nobody tested the premise; we built an assumption; it was never audited; and for ten (10) years, everybody assumed that it was great.

Mr. Bill Ellis, Interim Finance Director explained that his personal procedure is to take one (1) person's W-2 and make sure that it calculates correctly while being done manually. I have never had a situation wherein that manual calculation didn't work. It didn't this time so I turned it over to staff to research.

Councilor Cromartie asked if the City of Columbia has an operational manual that will tell any employee what we are supposed to do in all aspects of the Finance Department.

Mr. Bill Ellis, Interim Finance Director said that we wrote a policy for reconciling W-2's.

Councilor Cromartie asked about the different actions in the Finance Department that should have a written policy in terms of operations.

Mr. Bill Ellis, Interim Finance Director said that does not exist, but it will, as fast as we can write it.

Councilor Cromartie asked Mr. Ellis if it's his objective to have a financial operating policy on everything that goes through the Finance Department so that a new employee with the requisite skills and training will know how we do business in the City of Columbia.

Mr. Bill Ellis, Interim Finance Director said yes sir. We are writing those on day-to-day activities now.

Councilor Cromartie asked how long it would take to get this done. He requested that the Council review the manual upon completion.

Mr. Bill Ellis, Interim Finance Director said that it could take a long time and he is not prepared to make an estimate on the timeframe. Can I get the audit and other things done first? The problem with the old manuals is that the accounting systems no longer exist.

Councilor Davis said that as we fix policies we should generate policies that become the development of the financial manual. It's going to take a while, because each has to be written and developed as the problems are developed and fixed. It will be ongoing.

Councilor Devine asked why this issue was not discovered while someone was having their taxes done.

Mr. Bill Ellis, Interim Finance Director explained that this is social security and not federal withholding tax. Your tax return has nothing to do with social security. There is no way to discover this process unless you actually check the computer logic behind the calculations. It's hard to realize that computers are not completely infallible.

Councilor Cromartie asked what the dollar amount of this is. Do you have any idea?

Mr. Bill Ellis, Interim Finance Director replied no sir. I don't think it's in the millions, but every single individual has to be recalculated. We've actually turned it back over to the Information Technology Department twice, because our manual calculations did not work with their attempts to correct this problem. We are doing everything we can do, but it has been an interesting process to try and get the numbers to come back the way they should.

Councilor Cromartie said that nobody would have known this unless the item was tested.

Mr. Bill Ellis, Interim Finance Director said that you could do a payroll test and completely miss it. I don't know many non-accountants that can calculate what the number should be.

Councilor Gergel clarified that no one that made this error is currently on staff.

Mr. Bill Ellis, Interim Finance Director said to the best of his knowledge and ability no one currently employed had anything to do with this event.

Councilor Gergel said that the paper also indicated that a decision had been made about our employees not paying back anything that was owed from this error.

Mr. Bill Ellis, Interim Finance Director said that you don't believe everything that you read in the paper; that's not what I said.

Councilor Gergel asked that they understand all of the possible alternatives in looking at the recovery of this money that would be relative painless for our employees.

Councilor Finlay applauded Mr. Ellis and said thank you because you have done an inordinate days work for us. I know it is no fun running the belt line for somebody else. You didn't break this and I just wanted to say thank you; we appreciate it.

Mayor Coble concurred. He said that we appreciate the current group that you lead.

EXECUTIVE SESSION

Upon motion by Mr. Rickenmann, seconded by Ms. Devine, Council voted unanimously to go into Executive Session at 2:24 p.m. for the discussion of **Items 3.** and **4.** as outlined.

3. Discussion of negotiations incident to proposed contractual arrangements - *This item was discussed in Executive Session. No action was taken.*
4. Receipt of legal advice which relates to a matter covered by attorney-client privilege - *This item was discussed in Executive Session. No action was taken.*
 - **Mr. Finlay left the meeting at 3:30 p.m.**
 - **Mr. Cromartie left the meeting at 4:28 p.m.**
 - **Dr. Gergel left the meeting at 4:48 p.m.**
 - **Council adjourned the meeting at 4:50 p.m.**

Respectfully submitted by:

Erika D. Salley
City Clerk