

**CITY OF COLUMBIA
WORK SESSION MINUTES
JANUARY 7, 2009 – 11:00 AM
CITY HALL - 1737 MAIN STREET**



The Columbia City Council conducted a Work Session on Wednesday, January 7, 2009 at City Hall, 1737 Main Street, Columbia, South Carolina. The Honorable Mayor Robert D. Coble called the meeting to order at 11:17 a.m. The following members of Council were present: The Honorable E.W. Cromartie, II, The Honorable Sam Davis, The Honorable Tameika Isaac Devine, The Honorable Kirkman Finlay III and The Honorable Belinda F. Gergel. The Honorable Daniel J. Rickenmann was absent due to a family emergency. Also present were Mr. Charles P. Austin, Sr., City Manager and Ms. Erika D. Salley, City Clerk.

EXECUTIVE SESSION

Upon motion by Mayor Coble, seconded by Mr. Cromartie, Council voted unanimously to go into Executive Session at 11:17 a.m. for the discussion of the employment of an employee, which is the continuation of the City Manager's Annual Evaluation from December 4, 2008, December 10, 2008 and December 19, 2008.

- **Council adjourned the Executive Session at 1:49 p.m. to break prior to convening the Work Session.**

CITY COUNCIL DISCUSSION / ACTION

- **Council convened the Work Session at 2:09 p.m.**
- **Mayor Coble was not present at this time. The Honorable Tameika Isaac Devine is now presiding.**

A. Proposed Health Care Plans – Ms. Jo Stewart, Principal / Towers Perrin

Ms. Jo Stewart, Principal / Towers Perrin stated that this is a follow-up to the meeting on December 17, 2008. Today, she is seeking direction from the City Council regarding how to move forward with the recommendations for health care plan changes for active employees. The recommendations include offering two (2) plan choices for employees; requiring some additional cost sharing through the plan design; increasing the lifetime maximum to provide additional catastrophic coverage; improving the wellness benefit; adding contributions for single employee coverage, because today there is no cost for individual coverage; modifying some of the tier ratios or what we charge per employee plus spouse, child or family to more accurately reflect the risk and cost for those groups; setting contributions so that the city is cost-neutral to the enrollment decision that the employee makes or if an employee opts to buy a higher value plan, that employee will pay the cost difference; and to implement design changes on July 1, 2009, but to ultimately move to a calendar year plan basis, thus starting another plan year on January 1, 2010.

Councilor Cromartie said that they discussed skewing the payments of the plan in accordance to the income levels of the various employees. In other words, those employees who make less money would have less of a contribution and those who are at the higher end of the economic scale would pay more to offset that, because they do in fact make more. He said that the proposed plans do not reflect the cost differential that will be paid. He would like to see a proposal based on income levels in an effort to make it fair for everybody.

Mr. Charles P. Austin, Sr., City Manager said that there are some issues that need to be discussed as it relates to Mr. Cromartie's recommendation. How do you balance it out when there is a single employee making \$35,000 and an employee with five (5) dependents making \$60,000?

Councilor Cromartie said that it would need to be a level playing field. He asked if Ms. Stewart has experience with other cities and towns that have done this.

Ms. Jo Stewart, Principal / Towers Perrin said that she doesn't know of any cities and towns that have taken that approach, but there are some organizations that have taken a salary based approach; it is a more limited group of employers that choose to do this for a variety of reasons. The goal is to reallocate or redistribute the cost sharing, but it will not result in cost savings.

Councilor Cromartie said that it would be based on the number of dependents that an employee has.

▪ **Mayor Coble joined the meeting at 2:15 p.m. and is now presiding.**

Mr. Charles P. Austin, Sr., City Manager said that staff is still focused on making that happen in conjunction with working with the planner so that all of the information is consistent.

Councilor Cromartie said that he expects staff to work with the planner, since she already has the statistical data in her possession. He said that we are moving from a plan where people did not have to pay anything and he is fundamentally concerned about helping those with lower pay. He wants to compare apples to apples and oranges to oranges.

Councilor Devine believes that it would be an administrative nightmare and she's not sure if we should be looking at salary as an indicator. She asked Ms. Stewart to provide the pros and cons of doing this and then let the Council decide, but she doesn't like the idea.

Mr. Charles P. Austin, Sr., City Manager said that ultimately what we bring back to the Council will be in concert with what the consultant recommends.

Councilor Cromartie said that health, age and current conditions should not be factored. It should be based on the number of dependents. We do not exempt pre-existing conditions.

Councilor Davis said that the determinants are marital status and dependents. He would like to see if comparable sized cities have salary based benefits and he wants to know why they do or why they don't.

Mr. Charles P. Austin, Sr., City Manager asked the Council to help staff define where we want to go, because Ms. Stewart needs to know the direction in which we want to go.

Ms. Jo Stewart, Principal / Towers Perrin said that she would like to have an agreement on the proposed plan designs and an agreement around contribution percentages, even if we don't agree on the exact contribution amount.

Councilor Devine asked for the comments made by the employee focus groups. She recommended that they discuss those comments.

Ms. Jo Stewart, Principal / Towers Perrin said that a summary was provided, but not the actual comments made by employees.

Councilor Cromartie is also interested in knowing what the employees said.

Mr. Jacques Gilliam, Director of Human Resources said that they would provide a more detailed report on what the employees said during the focus groups, which consisted of thirty (30) wage employees and supervisors.

Ms. Jo Stewart, Principal / Towers Perrin said that the employees' comments were summarized on pages 20 and 21 in the December 17, 2008 document.

Councilor Cromartie said that he read those comments and they were not as conclusive and extensive as he would like to see.

Councilor Finlay said that if we don't make some decisions fairly quickly, we won't be able to implement the changes by July 1, 2009. If we don't implement some dramatic savings, we will have to come up with \$3 to \$6 million in fiscal year 2009/2010.

Mr. Charles P. Austin, Sr., City Manager said that is correct.

Mr. Bill Ellis, Deputy Finance Director said that Mr. Finlay is correct, the city would have to come up with \$3 to \$6 million, which is derived from the projections being provided by the administrative provider of our claims and it is based on how much generated funds we have versus the cost of claims. It is a shortfall.

Councilor Finlay said we need to start making some decisions fairly quickly or we're going to miss the window to implement a new plan on July 1, 2009, which will mean that we cannot implement it until January 1, 2010. The penalty for that would be potentially \$1.5 to \$3 million or the cost.

Mr. Charles P. Austin, Sr., City Manager said that all of this is time sensitive.

Councilor Cromartie asked Ms. Stewart if the Council approves the plan changes by the end of this month, will she have enough time to implement the changes by July 1, 2009.

Ms. Jo Stewart, Principal / Towers Perrin said that would be a very aggressive timeline, obviously the sooner we can get a decision, the sooner we can move forward. She referred to page 3 of today's handout stating that it outlines all of the activities that must occur in advance of the plan changing. There are both external and internal requirements for the change to include coordinating with the city's health plan administrator in terms of making those changes; there are internal systems changes that will need to be made as the city moves toward two (2) plan choices; and there's also communication and I would not in any way minimize the need for you to communicate with your employees about these changes. She said that there's work that needs to be done before the communication can be rolled out. If the Council is comfortable with the plan designs, they can begin to do the contributions and get approval of that too.

Councilor Davis said that he doesn't have a problem with the plans as designed or the schedule, because it makes sense to implement it by July 1, 2009 and then come back with the second date. He asked if they are recommending that we stay with the same carrier.

Ms. Jo Stewart, Principal / Towers Perrin said that they are not making any recommendations regarding that.

Councilor Davis stated that depending on the carrier that we go with, are we getting the best bang for our dollar on this.

Mr. Charles P. Austin, Sr., City Manager said that decision will need to be made once we put this back out for Request for Proposals (RFP). This is highly time sensitive and from my standpoint particularly as the person that will be held accountable for making sure we meet this deadline, I would just urge you to act on this, unless there is some compelling reason not to.

Councilor Cromartie asked about the deductibles for the proposed plans.

Ms. Jo Stewart, Principal / Towers Perrin said that today's deductibles are \$200 for an individual and \$400 for a family and they are recommending that the deductible for Option A increase to \$500 for an individual and \$1,500 for a family and the deductible for Option B (the buy up plan) goes to \$250 and \$750. She said that for Option A they tried to design a plan that is comparable to a peer group of organizations and Option B is a higher value plan that is midway between the new plan and where the city is today, thus allowing people to get close to the plan they have today as a buy up option.

Councilor Cromartie asked how the options compare to the benefits that employees have today. How will Option A relate to the current plan?

Ms. Jo Stewart, Principal / Towers Perrin explained that the relative value of the proposed plan is 15% less than the current plan. The buy up plan or Option B is 8% less in relative value than the current plan.

Councilor Cromartie said that people are concerned about going to get medical treatment. When they walk into a hospital, because they are in need of medical treatment, do they pay the \$200 deductible in order to get treated?

Mr. Jacques Gilliam, Director of Human Resources said no and explained that the \$200 is the deductible. Right now it pays 95% so if you hit that \$200 deductible then it starts to pay that. If you have not met that \$200 deductible, you will get billed for it by the doctor.

Councilor Cromartie said that another concern is what employees pay for an ordinary doctor's visit.

Ms. Jo Stewart, Principal / Towers Perrin explained that today employees pay \$15, but the proposed plan for Option A increases that co-pay to \$20 for primary care and \$30 for specialists recognizing that there is a difference in the cost between a primary care physician and a specialist. For Option B the co-pay stays at \$15 for primary care and its \$25 for a specialist.

Councilor Cromartie said that employees are also concerned about their prescription bills.

Ms. Jo Stewart, Principal / Towers Perrin explained that drug store purchases are subject to the deductible and then the employee pays 20% and the plan pays 80%. If an employee uses mail order, there is a difference between generic and brand. She recommended a slightly different approach to pharmacy purchases so that the city is moving to a three (3) tier pharmacy plan as follows: \$5 for generic; \$25 for preferred brand; and \$40 for a non-preferred brand. The drug plan remains the same for both options. She added that some people may perceive the proposed drug plan as an enhancement and if the cost of the drug is less, then the employee pays less.

Councilor Cromartie said that currently employees pay \$50 for emergency room visits.

Ms. Jo Stewart, Principal / Towers Perrin proposed that the amount be increased to \$150 under both plan options.

Councilor Cromartie inquired about the amount of the employee contribution.

Ms. Jo Stewart, Principal / Towers Perrin said that the proposed employee contribution for Option A is 10% or \$33.18 and for Option B its \$63.17 assuming that Option A is the plan that the city bases its contribution on. There are alternative contributions if the city wanted to set its contribution based on Option B and then have people buy down to Option A. The savings from the alternative are not as significant. If the city goes with the initial recommendation there would be \$1.5 million in savings for the final six (6) months in 2009 and approximately \$3 million for 2010.

Councilor Devine asked which plan saves more money.

Ms. Jo Stewart, Principal / Towers Perrin said that the plan they originally recommended saves the most money.

Councilor Devine asked which alternate plan saves the most money.

Ms. Jo Stewart, Principal / Towers Perrin said that Alternate 2 saves the same amount, but it also makes Option B the current plan and increases the contributions significantly for employees. You are generating the same dollar savings, but employees are paying the difference to keep the current plan design.

Councilor Cromartie asked how much would a retiree and spouse pay for Option B.

Ms. Jo Stewart, Principal / Towers Perrin said that we are talking about active employees today.

Councilor Cromartie asked how much would an active employee and spouse pay.

Ms. Jo Stewart, Principal / Towers Perrin explained that under Alternative 2 an employee and a spouse would pay \$310, noting that Alternative 2 keeps the current plan design as the high plan (Option B). She said that the contributions become pretty high at this point and a lot of people may not participate in this plan.

Councilor Gergel asked Ms. Stewart to summarize the key points of both plans.

Ms. Jo Stewart, Principal / Towers Perrin explained that the recommendation is for the city to offer two (2) plan choices for employees as outlined on page 13. Option A is about 15% less in value than the current plan and Option B is a choice for employees which is about 8% less in value than the current plan. The recommendations for contributions are outlined on page 16 and the recommendation is for employees to pay 10% of the cost of Option A; dependents pay 30% of the cost of Option A; Option B costs are set as a buy-up to Option A; therefore employees will pay the value difference between the two (2) options to include 10% plus the value difference or the 30% plus the value difference. Those were the initial recommendations that would generate \$1.5 million in savings for the last six months of 2009 and \$3 million in savings for 2010. She said that they provided alternatives in case the Council thought the contributions under the initial scenario were higher than what they would want to pass on to the employees. We provided that as information and those are the alternatives.

Councilor Finlay said that under Option A, an individual family would contribute 25% of the cost. He noted that the percentage rate would not change based on the number of dependents. He asked if the budgeted rates are guaranteed for the 18-month period from July 1, 2009 through December 31, 2010 or are these estimates.

Ms. Jo Stewart, Principal / Towers Perrin stated that the City of Columbia is self funded and pay claims as they come through. They made a projection based on what they thought the costs were going to be during that time period and then set those budget rates to reflect their projections of that cost.

Councilor Finlay asked what Ms. Stewart thought the deviation would be. from the estimates. Would it be 5%? Do you ever go back and assess your accuracy?

Ms. Jo Stewart, Principal / Towers Perrin replied we do. She said that the city has stop loss insurance to protect against those very catastrophic claims, we feel comfortable that we're within a range of accuracy for a group of this size.

Councilor Finlay asked if that number was 5% or 10%. He feels that this is an important number for us to get a grasp on. Do you feel like this plan is big enough that numerous providers would be willing to bid on the stop loss, etcetera?

Ms. Jo Stewart, Principal / Towers Perrin said that she absolutely believes that the City of Columbia would be an attractive account for health plan administrators.

Councilor Finlay wants to ensure that the plan isn't designed as such that it only attracts two (2) bidders.

Ms. Jo Stewart, Principal / Towers Perrin said that they set the design based on both competitive data and cost savings. We would ask an administrator to administer this plan for you.

Councilor Finlay reiterated the fact that he doesn't want the city to design a plan that only one (1) group would be willing to administer.

Ms. Jo Stewart, Principal / Towers Perrin said that this is not a non-standard plan design.

Councilor Finlay asked if the plans allow for health savings accounts.

Ms. Jo Stewart, Principal / Towers Perrin replied no. We talked a little about that on December 17, 2008 based on the feedback received in the focus group meetings and given the level of change that this represents, we did not think that now was the time to move to an account based health plan approach. That can be added later.

Councilor Finlay said that it does seem like some employees prefer Option 2, which is the health savings account high deductible plan, because they would know how much had to be paid instead of computing 5%, 10%, 20%, etcetera. If we have employees that are showing interest in a health savings account on the front end, then we need to move towards that quickly. People are willing to take charge of their own healthcare and we should be rewarding them and not preventing it.

Councilor Cromartie said that the only way we would be in a position to provide less of a payment (for employees) would be for the city to make up the difference and pay more. As it relates to the administration of the plan, is the administrator paid a percentage?

Ms. Jo Stewart, Principal / Towers Perrin said that administrators are typically paid a flat fee per employee.

Councilor Cromartie asked if the type of plan makes a difference to the administrator.

Ms. Jo Stewart, Principal / Towers Perrin said that they want to ensure that the plan design is not so off the wall that it's difficult to administrator and it's not; it's a standard plan.

Councilor Davis said that he is fine with the recommendations; this is the best we can do given where everybody else is now when you look at healthcare costs and availability. Comparably, I think it's a good plan.

Councilor Devine inquired about the buy-up plan that is being recommended.

Ms. Jo Stewart, Principal / Towers Perrin said that they are still recommending the buy-up plan, because they believe it is in line with the city's peer group and it's a very good plan in the market. They offered the alternative to show what the contributions could look like if the city chose to make a higher contribution.

Councilor Devine said that she is unclear why the option on page 4 might be cost prohibitive, because it looks like the single employees are paying a little more, but once a dependent is added, it looks like they would pay less. It seems like that would be more attractive to staff.

Ms. Jo Stewart, Principal / Towers Perrin said that it does, but it would not generate the same dollar savings. The plan designs are the same, but the difference is how much the city contributes to the plan.

Councilor Devine inquired about the savings the city would incur from the alternative plans.

Ms. Jo Stewart, Principal / Towers Perrin explained that the savings through 2009 for Alternative A would be \$1 million, which is \$500,000 less than the initial recommendation. Over a year, there would be a \$1 million difference.

Councilor Gergel asked for clarification on the options and alternatives.

Ms. Jo Stewart, Principal / Towers Perrin explained that Alternative One is the very same plan designs; the same two (2) plan designs in the initial recommendations are the same plan designs in Alternative One. The only difference in Alternative One is how contributions are set and the level of contributions.

Councilor Davis said that we are positioning ourselves so that we don't have to make those drastic cuts and we're still able to provide some level of benefits. We will be realizing some savings for taxpayers as well.

Ms. Jo Stewart, Principal / Towers Perrin reiterated the fact that the plan design was developed on competitive contribution data and we believe that our initial recommendation is competitive in the market.

Councilor Davis said that we can always come back and tweak this, because there are still options here.

Ms. Jo Stewart, Principal / Towers Perrin said that if the Council could finalize the plan designs today, they could finalize the contributions at a later date if they want to look at the alternatives.

Councilor Finlay said that we are struggling with whether to ration quality or quantity or in some way both. He said that we can't do both. The issue is that we need to come up with \$1.5 million during the second half of 2009 or \$3 million for fiscal year 2009/2010. He asked the City Manager if that is a correct assessment.

Mr. Charles P. Austin, Sr., City Manager said that is a correct assessment.

Councilor Finlay said that if we don't, we will need to be prepared to find that \$1 million by cutting other places in the budget or by raising taxes.

Mr. Charles P. Austin, Sr., City Manager said that is correct.

Councilor Finlay suggested that the Council approve the plan design and then focus on how to get those numbers to work going forward. We know what the savings has to be.

Councilor Cromartie said that the problem is who's going to bare the burden; we are balancing the budget on the back of our employees and unfortunately this is what it has come down to. That is the reality. If we went with Alternate One, we would be short of our budget requirements.

Mr. Bill Ellis, Deputy Finance Director said that we are recommending this for your consideration. We are not actually telling you what to do.

Councilor Davis said that if went out into the market now into other forms of government, you wouldn't be able to find anybody getting these kinds of benefits and not paying anything. This is something we all inherited.

Councilor Devine said that we are talking about employees paying for benefits that they never paid for before and we're talking about what benefits they are receiving. She said that Option B is more similar to what employees are currently getting. She tends to agree with Councilman Cromartie and urged her peers to consider all options.

Councilor Finlay said that he understands the points being made, but decided to look at this from a historical perspective. He recalled that the city had a millage rate of 79 in 2005/2006 and now we are at 101, which is a 25-28% increase in three (3) years. For the last three (3) years we have balanced a budget on the backs of taxpayers. Going forward the amount of millage increase that will be allowed by the State is three (3) mils or \$900,000. That money has already been promised to the Police Department in essence for retention. We made a commitment last year to grow funding for the Police and Fire Departments by \$900,000 per year. We need to understand that unless revenues are increasing somewhere that we haven't heard about, we cannot direct the Finance Department to come up with a million dollars without recommending the cuts. He asked if he was correct on his math.

Mr. Bill Ellis, Deputy Finance Director said yes sir. He added that they are trying to maintain employee coverage and to cover our health cost. The only way we could figure it out was to keep it cost neutral to the city. We will still contribute the same amount to healthcare as we are in the current budget. We will not diminish that whatsoever. We are trying to keep it cost neutral to the city and maintain benefits with Option B. With Option A, we are trying to give the employees a little bit less coverage and pass less cost onto them. They would get the savings for not having as much coverage and that's what we are proposing.

Councilor Devine said they are still getting that if they are able to buy down.

Councilor Cromartie said that the other problem is the difference in the amount that the plans cost, noting that employees would pay an additional \$1,000 each year for the recommended plan. We are saving them on one hand, but we are in the process of taxing our employees to the tune of \$1,000 per year that they would not have to pay. We also have 350 Police Officers that have to pay an additional \$1,000 per year in order to get the top insurance policy that they should have, which is similar to what we already have. Are we going to bite the bullet? I think that's what we should do.

Councilor Finlay said that 2,000 employees times \$1,000 equals \$2 million and that's the problem.

Mayor Coble doesn't think there are any good options. Everybody's having to pay more and the matter is how much are we willing to put on the backs of our employees and how much are we going to go back and try to fine tune, cut and look at options in our budget. The strength of our city has been the employees and the benefits they get. We need to look at every option knowing full well that the City Manager will have to come back with budget cuts if we don't make it up from the employees. These are the financial times we live in.

Mr. Charles P. Austin, Sr., City Manager said that Ms. Stewart is looking for some direction today then we at least have a starting point from which to work. Where do we go from here?

Ms. Jo Stewart, Principal / Towers Perrin said that they need a decision on plan design. Are you comfortable with the two (2) choices? Are you comfortable that you will offer choices? Are these two (2) plan designs the right plans to offer? If we could get that level of agreement, we can look at the contributions for each alternative and the budget issues then come back with a recommendation that looks at all of these options.

Councilor Davis said that the options allow us to move forward. The longer we take to move forward the more it will cost us.

Ms. Jo Stewart, Principal / Towers Perrin said that the city could lose \$1 to \$1.5 million.

Councilor Davis believes that we are doing the right thing, but he doesn't want to see us penalize the employees even more by not sticking with the schedule.

Councilor Cromartie asked if the Council is in a position to ask staff to put forth both plans and try to make recommendations on contributions so the city can get the benefit of Option B at a better rate.

Ms. Jo Stewart, Principal / Towers Perrin explained that they are recommending certain plan designs that drive the contributions on both page 16 and page 4. If we can agree on those plan designs and that you want your single employees to make some contribution then we can begin moving forward.

Councilor Cromartie said that he is in agreement with being in a position to have options available, but at the same time the differences in the real plan are in Option B, which is most identical to what we currently have. Most of our employees have dependent coverage.

Ms. Jo Stewart, Principal / Towers Perrin said no, most of your employees have single coverage. She reminded the Council that the plan designs are the same, but the contribution levels differ.

Councilor Finlay asked if there was any reason we cannot strive to offer a health savings account by January 2010.

Ms. Jo Stewart, Principal / Towers Perrin said that it is their recommendation that this change becomes effective July 1, 2009 and remain in place for the 18-month period in order to maintain consistency. She would recommend waiting until 2011.

Councilor Finlay said that no one would be forced take the healthcare savings account and that it would affect only a small portion of employees. Are there any federal or state laws that would prohibit it or is it just the ease of implementation?

Ms. Jo Stewart, Principal / Towers Perrin said that it's administration and education.

Councilor Devine and Councilor Cromartie asked if we offer it now.

Ms. Jo Stewart, Principal / Towers Perrin said no.

Mr. Charles P. Austin, Sr., City Manager proposed that the idea of offering healthcare savings accounts be put on the table as an option to be factored in with the other options. There doesn't seem to be anything compelling that would keep us from doing that and it should be factored into the equation.

Ms. Jo Stewart, Principal / Towers Perrin said that she is a member and a fan of health savings accounts. She is speaking from a level of professional and personal experience and when you offer this you want to make sure your employees understand what it is. You want more than 3-4% of employees enrolling in this.

Councilor Devine said that we already have something similar to this. She asked Mr. Gilliam to explain what it is.

Mr. Jacques Gilliam, Director of Human Resources said that we currently offer a flexible spending account wherein you either use the money within a calendar year or lose it. The health savings account is basically owned by the employee.

Councilor Finlay added that it is cumulative account.

Councilor Devine said that we need to make sure we are working within all of the things that we offer. If an employee is unable to do one thing then they need an option for something else that would ultimately get them to that goal.

Ms. Jo Stewart, Principal / Towers Perrin noted that a flexible spending account does provide that alternative. It's not the same vehicle as the health savings account, but it does give you that ability.

Councilor Finlay asked if the discussion should be opened for public comment.

Mayor Coble stated that the matter was not advertised as a public hearing.

Upon motion by Mr. Cromartie, seconded by Mr. Davis, Council voted unanimously to move forward with the proposed health care benefit plan with a two (2) tier structure for active employees with the idea that we will look at Option B, which is comparable to the current plan we have and come up with a contribution level that is acceptable to the members of City Council.

- **Council recessed at 3:26 p.m.**
- **Council reconvened at 3:31 p.m.**

B. Audit Update – Mr. Bill Ellis, Deputy Finance Director

Mr. Bill Ellis, Deputy Finance Director provided an overview of the findings of the June 30, 2007 Management Letter. He said that the layman's definition of audit findings is determining or evaluating the health of your accounting system. There are three (3) levels of health: symptoms that indicate that you might have a problem; diseases which indicate that you definitely have a problem and you better fix it in a hurry; and the other is like a headache that you need to have evaluated to see if you have a tumor or not. The findings that we have that are the easiest to fix are procedural items. We had findings that involve the lack of timesheets being signed; a formal year-end closing schedule; receiving reports being initiated; and invoices not being paid. He said those are procedural events, which determine that you have a potential problem. They are not actually deficiencies of accounting data; they just say that you are not looking at this as you should. However, there are other kinds of problems to include grant invoicing; grant reporting; sub recipient monitoring; and bank reconciliations. These are serious audit conditions. These are deficiencies within the financial records that must be addressed and corrected immediately. Procedural events are things that you can take your time with, if you have to, but the serious findings must be addressed. He continued his report with matters that management considers to be serious findings. He said the Mr. Addison as the external auditor can indicate to Council whether he agrees with the assessment or not.

Councilor Finlay said that the Management Letter is generated by the Auditor and asked that the next draft Management Letter be provided to the members of Council before being reviewed by staff, because if he remembers correctly, the Auditor works for Council. He is concerned that there is a perception of a problem when it doesn't go through the proper channel. When it goes to management before going to the client, there is a question of whom the Auditor reports.

Mr. Charles P. Austin, Sr., City Manager said that we will note this for future reference.

Mr. Bill Ellis, Deputy Finance Director explained that **Finding 1. Timely Invoicing of Grant Expenditures** came about because we had Federal grants that were unrecorded in our financial system. The situation that occurred is that federal grants were recorded on a non-regiment schedule if at all. The time period was not determined by accounting staff, but by circumstances meaning that if a grantor agency said that funds were being lapsed or if the funds were underutilized, that would initiate some reaction from the accounting staff. Since last month, we have initiated a formal policy for the way grants will be recorded and this should significantly resolve the problem by fiscal year 2009, but not 2008, because it was not written until December.

Councilor Devine asked if someone is being hired internally to handle this as their primary function.

Mr. Bill Ellis, Deputy Finance Director said that the individual has already been hired. He said that the A-133 for 2006 was recently completed; the 2007 A-133 has two (2) additional areas of concern and then we will be finalized; and we will be able to move into the 2008 A-133, which is basically the reporting of federal grants. That will get us on a timelier schedule. We are initiating procedures that will get us current by the 2009 fiscal year, but a lot of things have to happen on that. He discussed **Finding 8. Sub Recipient Monitoring**, which is a situation where we give out grant funds and are not adequately reviewing whether the sub recipient is complying with the grant requirements or not. The analysis of the sub recipient monitoring are such that the City of Columbia, in his opinion, was doing the sub recipient monitoring, but we were not adequately documenting that we had done so. In the audit world, if you don't document it, you didn't do it. That is a procedural change that we initiated and should satisfy these requirements for the 2009 fiscal year.

Councilor Cromartie asked if this is referring to the Development Corporations.

Mr. Bill Ellis, Deputy Finance Director said that it could be any federal grant that we give to a sub recipient; it could be a loan fund; or it could be something else.

Councilor Finlay asked if a sub recipient was spending the money incorrectly, would we incur a liability or a penalty.

Mr. Bill Ellis, Deputy Finance Director said that we would incur a finding from the feds that would jeopardize the receipt of future grants and we would possibly have to pay the funds back if the sub recipient did not pay the funds back.

Councilor Finlay asked if we have this matter controlled at this point.

Mr. Bill Ellis, Deputy Finance Director responded that the determination he made subject to independent verification in 2008, is that the sub recipient monitoring process was actually taking place and is in fact very good, but it was not documented. It is a legitimate finding for the 2007 audit.

Councilor Finlay asked if this finding will show up again in 2008.

Mr. Bill Ellis, Deputy Finance Director responded that it would have to. It will show that we addressed the problem in 2008, but it still existed in 2008.

Councilor Finlay asked if we have any liabilities.

Mr. Bill Ellis, Deputy Finance Director said that none have been detected and that we had two (2) HUD reviews and they both said that we were in fine shape. He added that the External Auditor even went out to sub recipients; did some subsequent work; and there was nothing found at that point and there's nothing to indicate that we're not actually complying with our federal grant regulations. The documentation is considerably better and should stand an audit test now. He continued with **Finding 10. Regular Reconciliation of Bank Statements**, which has been a problem that Council is aware of. The June 30, 2008 bank reconciliation was finalized in the month of December. He added that July, August and September 2008 are in progress and nearing completion.

Councilor Finlay said that is not what we are talking about under this Management Letter.

Mr. Bill Ellis, Deputy Finance Director said that it is correct, those time periods will be covered in the next Management Letter, but even a June 30, 2008 reconciliation done in December 2008 is 6-months behind and that's still not timely.

Councilor Finlay told the City Manager that Council was given financial statements that were produced at points based off of checking accounts that were not reconciled. We know that previous bank balances were not reconciled until dramatically after the 2005/2006 year ended. He said that one (1) month out of twelve (12) months in 2006/2007 was reconciled.

Mr. Bill Ellis, Deputy Finance Director clarified that the one (1) month was twelve (12) months.

Councilor Devine stated that they were all done at one time.

Councilor Finlay asked if they reconciled it all in June.

Mr. Bill Ellis, Deputy Finance Director said that is correct.

Councilor Finlay asked how some of those numbers were produced without the reconciliations. I don't understand how you produce draft financial statements for distribution without reconciled numbers. At one point we were 16 to 18 months behind.

Mr. Bill Ellis, Deputy Finance Director explained that he has avoided providing the Council with balance sheet financial statements until January. We are anticipating meeting that goal.

Councilor Finlay asked if Mr. Ellis would have been able to produce accurate balance sheet statements for the Council one year ago without the bank reconciliations.

Mr. Bill Ellis, Deputy Finance Director said no sir; no way.

Councilor Finlay asked Mr. Ellis how he would describe the statements that were presented to the Council.

Mr. Bill Ellis, Deputy Finance Director said bad.

Councilor Devine said that she would not put Mr. Ellis on the spot.

Councilor Finlay reiterated his point by saying that statements were handed to this Council that we then based budgets off of and could not verify them if you had to.

Mr. Bill Ellis, Deputy Finance Director urged the Council to deal with moving forward rather than past issues. He said that he could not prepare a financial statement for the Council unless he felt that the balance sheets were fairly represented.

Councilor Finlay commented that he understands Mr. Ellis' point, which is that things are getting better quickly and he is appreciative of that, but to not understand where we were doesn't give us the look into the abyss that we need to understand exactly what we skated up against. We should look forward and commit to ourselves that we will never be here again.

Councilor Devine said that Mr. Finlay is saying that he doesn't expect Mr. Ellis to present balance statements to the Council that he is not willing to stand behind and that Mr. Ellis is saying to the Council that he would not present that, so she believes that we are okay. She asked if the Council will start receiving balance sheet statements this month.

Mr. Bill Ellis, Deputy Finance Director said that the Council will start receiving balance sheet statements that he feels is essentially and materially correct and he will have basis to stand upon that assertion. He added that the External Auditor will verify to the Council whether he is doing so or not. He noted that to date they have only given the Council revenues and expenditures, because those are current data which could be verified. We promised to get you balance sheet information at the end of January and we are still on target for that delivery date. He continued with **Finding 11. Control Over Cash Disbursements**, which is difficult to deny when you've paid your External Auditor twice.

Councilor Devine asked if we have sought to get any of the funds returned and how often has this happened.

Mr. Bill Ellis, Deputy Finance Director said that it has happened more times than you would like to think about. There are many conditions in place to try to alleviate this problem to include the implementation of a tremendous amount of review on the receiving reports that are prepared by IFAS so that you can only pay an invoice on a receiving report once; and the Information Technology Department has been helpful with initiating purchase order stops so no additional payments will be allowed once a purchase order has reached its extent.

Councilor Finlay asked Mr. Ellis to explain how the bill payment process works.

Mr. Bill Ellis, Deputy Finance Director said that an invoice goes to an accounts receivable individual after it has been sorted alphabetically; the individual that handles that part of the alphabet, receives the invoice; the invoice is then matched to a purchase order that is outstanding in the receiving report; if it has not been received on, it then goes to a clearing individual on my staff; that clearing individual takes the invoice, calls the department head and asks why the item has not been received; once it is cleared it goes back to the accounts receivable employee for payment and processing.

Councilor Cromartie asked how long it takes.

Mr. Bill Ellis, Deputy Finance Director said that it's a very fast process now.

Councilor Cromartie asked what does that mean.

Mr. Bill Ellis, Deputy Finance Director said two (2) days.

Councilor Finlay asked Mr. Ellis if he meant that the process was slow and incorrect in the past.

Mr. Bill Ellis, Deputy Finance Director said that he didn't say that.

Councilor Davis asked if the glitches that were identified have been technically fixed.

Mr. Bill Ellis, Deputy Finance Director said that we have implemented procedures and now is the time for evaluating whether those procedures have been successful or not.

Councilor Davis asked if staff will come back to Council to let them know if a procedure is fixed.

Mr. Bill Ellis, Deputy Finance Director said that it is an internal process and he would probably report it to the City Manager and it would get back to the Council. He noted that they have significantly cut down on the number of repeat payments over the last four (4) months, but they are still occurring. We will continue to refine the process until they are virtually eliminated.

Councilor Finlay asked for the value of the invoices that have been paid twice and how much do we think we'll get back.

Councilor Devine asked what the recovery process is.

Mr. Bill Ellis, Deputy Finance Director said that most of the time we deal with the same vendors repetitively and most people are relatively honest and we get credit for it. That's how we've been catching it. There is no recorded amount that is out there and we've only been addressing them as they come up.

Councilor Finlay asked if there were any duplicate payments that we are not aware of. Are you sure that no one caught on to the deficiency and took advantage of us.

Mr. Bill Ellis, Deputy Finance Director said that an analysis was done and all that could be found was corrected. He admitted that a few slipped through the cracks, but it's now minimal. This was an internal process problem that has been corrected. He applauded his staff for working diligently to correct this.

Councilor Gergel asked if this problem was addressed for 2009.

Mr. Bill Ellis, Deputy Finance Director said yes; it was addressed four (4) months ago.

Councilor Devine asked staff to assume that she was a contractor that was paid twice and then decided to send in a third invoice to see if she would get paid.

Mr. Bill Ellis, Deputy Finance Director said that the processes are in place now to catch that and to stop it. We're evaluating whether we are catching them now. Most cases were a result of invoices that were not paid in a timely manner. No instances have occurred in the last thirty (30) days.

Councilor Finlay recalled a former accounting clerk at the city who was submitting her own invoices. We had to prosecute somebody 1½ year ago for submitting fraudulent invoices.

Councilor Devine inquired about the recovery portion. Were we able to recover it after we discovered it?

Mr. Bill Ellis, Deputy Finance Director said that most instances involved repeat vendors and we have been credited against the next invoice.

Councilor Devine asked what if it's not a repeat vendor.

Mr. Bill Ellis, Deputy Finance Director said that staff has sent out letters and most vendors have responded. He continued with **Finding 12. Investment Policy**, which came up because in the past investments were made and subject to market fluctuations; we basically bought high and sold low. All of those investments have now matured and we now have a solid investment foothold. He noted that the city received an interest swap item and that those swaps are in place. They are very good financing instruments that protect the city's financial benefits, because the way our swaps are arranged, management did not feel that we wanted to obligate ourselves to future cost escalating with long-term commitments. At the time of financing, the market was variable interest rate securities and the way you protect yourself is to get them underwritten by another entity that holds that security paper and protects you from fluctuations. We sacrificed some base points so we could get a ceiling on our costs. Over the 17-year period our cost can't rise over 4.3%, but if we have a reduction in that variable rate we do not recognize those savings to the fullest extent because we sacrificed a 1.1 base point. I want my costs from escalating beyond my control.

Councilor Cromartie asked for the value of the investments.

Mr. Bill Ellis, Deputy Finance Director referred to pages 64 and 65 of the CAFR.

Mayor Coble asked for the balance of the General Fund.

Mr. Bill Ellis, Deputy Finance Director said that it was \$23,725,099 as outlined on page 24 of the CAFR.

Mayor Coble said that in today's world, cities have asked for bailout money from Washington, DC, because they don't have a Rainy Day Fund. How much of the \$23 million is the Rainy Day Fund?

Councilor Finlay responded \$10.5 million.

Mr. Bill Ellis, Deputy Finance Director said it's a lot of money, but let me caution Council that 2008 hasn't finished yet. We have Internal Service Funds for the healthcare program that's going to reduce that some, but I don't know exactly how much. I would prefer you not think of \$23 million.

Mayor Coble said that we are not going to spend it; I was just pointing out that it included the Rainy Day Fund.

- **Mayor Coble left the meeting at 4:14 p.m.**

Mr. Bill Ellis, Deputy Finance Director said that in his opinion they have just about gotten to the terminal issues and the rest are procedural type items, which most of them have already been addressed. He commended his staff for being cooperative in initiating these changes. He reported that there were no impediments.

Councilor Finlay inquired about the million dollars the city lost because of its investment policy; how does that flow through to our balance sheet. How do we prevent these decisions from being made again?

Mr. Bill Ellis, Deputy Finance Director said that we don't have any investments of that type left; they've been weeded out of the city's financial system. There are none of which I am aware.

Councilor Finlay asked if that sale would have been under the guidance of Council or not.

Mr. Bill Ellis, Deputy Finance Director said that he can't answer that, because it transpired before he got here.

Councilor Finlay asked if the asset existed, would there be a policy in place today to require the approval of Council.

Mr. Bill Ellis, Deputy Finance Director no sir, we do not have that policy.

Councilor Finlay said that it would be a good thing to have an investment policy.

Mr. Charles P. Austin, Sr., City Manager said that it is recommended.

Councilor Cromartie said that Council did in fact pass an investment policy as it relates to securities and our long-term investments some years ago. At that time, no securities could be sold without the consent of the majority of Council. He noted that the City Manager doesn't have authority over \$10,000. You can't sell the securities of a public entity without a vote of Council. If we did otherwise, there is something critically wrong with that.

Mr. Charles P. Austin, Sr., City Manager said that we would be more than happy to continue researching, but to date we have not found it.

Councilor Cromartie asked Mr. Ellis if he said that the City doesn't have any long-term investments.

Mr. Bill Ellis, Deputy Finance Director responded that he did not say that, he said that we don't have any long-term investments of that type.

Councilor Cromartie asked what type.

Mr. Bill Ellis, Deputy Finance Director said the type where you would have to retire them at a loss. We have investments that will have an unrealized loss because of the market fluctuations that have occurred and it will show up in the fiscal year 2007/2008 financial statement. Those long-term investments are to be held long-term and that unrealized loss will show up over a period of seventeen (17) years or so.

Councilor Finlay asked if it is market to market.

Mr. Bill Ellis, Deputy Finance Director said that it is market to market. Those are structured in such a way that we could not retire them now.

Councilor Cromartie asked for the value of those investments.

Mr. Bill Ellis, Deputy Finance Director said that he could provide a copy of the investment portfolio to the members of Council.

Councilor Finlay asked if we redeemed bonds early and then had to pay a penalty.

Mr. Bill Ellis, Deputy Finance Director said yes.

Councilor Finlay said that in essence we didn't have to do that. We redeemed them early, which meant that we paid a penalty to terminate an interest rate.

Mr. Bill Ellis, Deputy Finance Director said that we bought a long-term investment at a premium and when the market went down we sold it at a discount.

Councilor Cromartie asked when did this happen.

Mr. Bill Ellis, Deputy Finance Director said that it happened in 2007. It was a situation that occurred before I got here. It was reported.

Councilor Cromartie stated that unequivocally no decision like that should be made for any public entity without a vote of the body.

Mr. Charles P. Austin, Sr., City Manager suggested that they go back and research the matter to determine what happened and under what circumstances. We are going to cloud the issue and there will be some things printed that were not intended. He will bring the accurate information back to Council by Monday.

Mr. Bill Ellis, Deputy Finance Director said that he would like for the Council to realize that we've had significant problems of which you are aware and management is addressing them as rapidly as possible. He said that Ms. Caughman should be commended for her yeoman's effort of dealing with these problems. I appreciate the assistance we've had from Council, but it's not a quick fix.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers provided clarification on the interest rate swap that was being discussed. The intent was not to say that the city had a problem in this area; this is the type of thing that the Audit Committee should be focusing on and investigating on a regular basis. The risk with an interest rate swap is with the counterparty; if the counterparty files bankruptcy then that side of the leg goes away and the problem becomes the city's problem. The interest rate swaps are either a hedging transaction where you attempt to fix the debt service payments.

Councilor Cromartie asked how long we have been using swaps.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers replied recently and recently to me is 2007. It is a relatively new financing, especially for municipalities. They have a purpose and they can serve a useful purposeful, but they do have risks. The other point of clarification that I would like from this body stems from a comment that Mr. Finlay made earlier in that you are expecting the external audit firms to report to Council first or at least simultaneously with management, any type findings without giving Management the opportunity to do research and come back to you with the intelligent and accurate

response that you deserve. If you hear it from me first, Mr. Austin won't have time to do the research and give you a proper answer. The Management Letter which is now referred to as the Statement on Auditing Standards (SAS) No. 112, is customarily shared with management first, because they make the day-to-day decisions; however, if Council wants the information brought to them first, we'll be happy to comply with them.

Councilor Finlay recalled that the previous Auditor slowly morphed from the role of Auditor to slowly bringing problems to management's attention. Occasionally management would ask the Auditor for advice and trying to be a nice person the Auditor made a response and all of a sudden our Auditor moved to in essence a hired Chief Financial Officer or problem solver. Our previous audit firm left because the city could not close its books without their input. Since we have been down this road before I think those contacts should be equal if that's okay with my colleagues and the City Manager. We understand that staff needs time to respond, otherwise, it gives the appearance that problems are being brought to management's attention perhaps to fix before we are aware of them. To what point does that go from being an occasional thing to a habit.

Mr. Charles P. Austin, Sr., City Manager said that in the spirit of transparency he certainly doesn't have a problem with it.

Councilor Davis said that the Auditor does answer to Council, but if there are some systemic issues that are not allowing you to perform your functions then we want to know about that. Those are the kinds of things we're talking about. I wouldn't expect you to give management a jump on us. We need to know when there are problems with the system.

Councilor Cromartie feels that the Auditor has an obligation to provide the Council with information and to bring it to their attention along with the City Manager. You have an obligation to notify the Mayor and Council when these things come to your attention so that we can be in a position to sit down and talk with you.

Councilor Finlay suggested that Mr. Addison be invited to attend the first or second meeting of each month to provide an audit update, because if you are not moving at the schedule as promised, then the person that signs your check can be provided some spirited encouragement. The second thing I would like to understand is when one year worth of checks were not reconciled, at what point was that entire year turned over to you after being reconciled.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers said that they started testing the bank reconciliations in February 2008. He asked that he be allowed to go over some other things that will include addressing this matter as well. He pointed out that on page 24 of the CAFR this is the revenue and expenses of the governmental funds to include everything but water, sewer, parking and other business type activities. He said that the negative \$54,000 in the far right hand column tells you that from the governmental side the city would have appeared to have broken about even during the year; however, if you go over to the middle column to the Columbia Parking Facilities Corporation that has a \$4.7 million surplus factored into that \$54,000. The Columbia Parking Facilities Corporation was set up to hold the debt and finance the parking garage for USC. This is a multi-year project and at the end of the day it will break even and the city realizes no cash that is available for current operations from this particular entity. He suggested that the negative \$54,000 is closer to a \$4.7 million deficiency.

Councilor Finlay said that we're seeing the distortion of an operating budget that has a capital expenditures budget put into it, because as you point out that is a single purpose vehicle that's designed to carry these assets off our balance sheet. An asset is making us look like we're cash flow positive when we're not. Is that a fair assessment?

Mr. Bud Addison, Audit Senior Manager / Webster Rogers replied you may be cash flow positive at the end of this year, but eventually that entity is going to in theory, consume \$4.7 million in cash in 2007 and it will probably show a deficiency.

Councilor Finlay said that if we netted it out it would look like we were \$54,000 negative plus \$4.784 million negative.

Councilor Cromartie asked if the \$54,000 is included in the \$4.784 million.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers responded yes. He said that on either side of the column there is a deficiency, more expenditures than revenues, which the General Fund will be responsible for eventually. The Columbia Parking Facilities Corporation is mainly the debt. He added that Richland County contributed some money.

Councilor Cromartie asked if this is the same debt that we met time and time again with the University about, because we said that we would not take a loss on that and that any losses would be paid for by the University.

Mr. Steve Gantt, Senior Assistant City Manager for Operations replied no sir. There were two garages: Garage A and Garage B. He reported that Garage A was paid for with General Obligation Bonds; one half of which the City of Columbia took responsibility for and the other half Richland County took responsibility for. He further reported that Garage B was a swap that we talked about earlier, where we borrowed that money from BB&T and the University is responsible for the payback of the principal and interest on that debt, but the City of Columbia and Richland County jointly funded Garage A through GO Bonds and I am assuming this is the debt that has been incurred.

Councilor Cromartie asked didn't we have concerns as to whether or not that parking garage would cash flow.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that we had concerns about both of those garages cash flowing.

Councilor Cromartie asked if the balance was negative because they have not cash flowed.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said no sir.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers asked the Council to ignore that column, because it will break even and it will cash flow; that's not the issue. The issue is in the columns to the left and the right of it. Those negative numbers are city funds and the city is responsible for that. Don't focus entirely on the General Fund, because with that deficit you are looking at potential issues in 2008. Some way or another those deficits will have to be addressed.

Councilor Cromartie asked Mr. Gantt if the deficit has grown out of the deal with the University. We made a conscience decision to be supportive of the InnoVista project.

Mr. Steve Gantt, Senior Assistant City Manager for Operations responded that the revenues from Garages A and B were supposed to be used to offset the cost of Garage B, which is an \$18 million debt. What you are seeing here is the General Obligation responsibility that the city does have for their half of the construction costs of Garage A. It has nothing to do with operations.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers moved to page 28 of the CAFR, noting that the Governmental Internal Service Fund, which funds litigation claims and health insurance, was negative \$20.7 before an approximate \$17 million transfer in from the General Fund. The deficit was then \$3.8 million. If this trend continues for 2008 you would wipe out the fund balance in the Internal Service Fund.

Councilor Devine asked if the \$17 million transfer came from the Risk Management Fund.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers said it is primarily from the General Fund.

Mr. Don Mobley, Certified Public Accountant / Scott McElveen, L.L.P. thinks that \$7 million came from the General Fund; \$6 million from the Water and Sewer Fund and the remainder came from other funds.

Councilor Finlay asked Mr. McElveen what the number looks like now that we have finished the 2007/2008 books.

Mr. Don Mobley, Certified Public Accountant / Scott McElveen, L.L.P. said that he is not as involved in this now and that he doesn't think anyone knows the fund balance at this point.

Councilor Finlay asked for the total net assets and the ending net assets of governmental activities in the Internal Service Fund. It started July 1, 2007 with a net balance of \$2.9 million. Since its 6-months after year end, I would imagine that you would be able to tell us what that balance is today or as of June 30, 2008.

Ms. Wanda Charping, C.P.A. said that the fund balance in the Internal Service Fund should merely represent the assets of the Internal Service Fund. All expenditures should flow through to an operating fund. The problem with this is the \$16.9 million transfer in that should be represented as expenditures in the other funds.

Councilor Finlay said that the real issue is that we transferred \$16.9 million, but we really needed to transfer \$27 million. It says that we had an income loss of \$20.7 million. For it to be a net zero we would need to transfer an additional \$3.8 million from other sources into the Internal Services Fund. I think we are trying to address that \$3.8 million deficit that we are currently running.

Ms. Wanda Charping, C.P.A. and Mr. Bud Addison, Audit Senior Manager / Webster Rogers both agreed.

Councilor Cromartie asked how the deficit impacts the General Fund. What is the fund balance of the General Fund?

Mr. Bud Addison, Audit Senior Manager / Webster Rogers said that the balance is significant, but eventually these deficits in the other funds (\$3.8 million in the Internal Service Fund; \$3.7 million in the cumulative Other Governmental Funds; and the \$1.6 million in the County Services Fund) will either have to be funded by revenues of that

fund or transfers in from the General Fund. Most of this would be the General Fund; the Water and Sewer Fund should not be a funding source for the other governmental funds. Councilor Finlay asked if the city ran an approximate \$6 million operating deficit in 2006/2007 or maybe more.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers said that is affirmative. The change in net assets was skewed by the \$4.7 million with the Columbia Parking Facilities Corporation. That money made it look a little better, but even if the cash is there the city cannot buy gas or electricity with it.

Councilor Cromartie asked if the cumulative other governmental funds would come from the General Fund.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers said that it has the potential.

Councilor Finlay said that if the trend continues we could expect the reserves to be hit at \$8 million per year.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers agreed with Mr. Finlay and stated that if he was sitting in the Council's seat he would be concerned about that.

Councilor Finlay said that in June 2008 the deficit could be \$16 million.

Mr. Bill Ellis, Deputy Finance Director requested two (2) weeks to prepare a stab CAFR for the Council. He noted that it will be subject to significant audit changes. We haven't done the first blush of a fund balance yet. I don't know what the fund balance is today.

Councilor Finlay suggested that Mr. Ellis provide the stab CAFR by the first meeting in February. We are looking back now. Is a month significant time to prepare this?

Mr. Charles P. Austin, Sr., City Manager said that the first meeting in February would be fine.

Councilor Davis applauded Mr. Ellis' initiative. We're not on the same wave length and we just talked about moving forward and having the most accurate information.

Councilor Finlay suggested that they invite Mr. Addison as well. Let's have a two (2) hour interrupted budget session at that time.

Mr. Charles P. Austin, Sr., City Manager suggested that the meeting be held on the second Wednesday in February.

Councilor Devine said that the Council wants to make sure that Mr. Addison communicates with them; that the Council is communicating with Mr. Addison; and that Mr. Addison is getting what he needs to complete the audits in a timely manner. Are we in agreement that you will send your communications to staff and to the members of Council as well? We recognize that staff will need to respond, but we would like to see that communication.

Mr. Charles P. Austin, Sr., City Manager said that he would be responsible for making sure that the information is communicated from Mr. Addison to him and then to the Council.

Councilor Finlay suggested that they make Mr. Addison aware of the need to copy the members of Council on all communication to the City Manager.

Mr. Charles P. Austin, Sr., City Manager said absolutely.

Councilor Gergel asked Mr. Addison if he has begun the 2007/2008 audit.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers said no ma'am.

Councilor Gergel asked Mr. Addison when he anticipates doing that.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers reported that it is scheduled to start next week.

Mr. Charles P. Austin, Sr., City Manager said that he has to be brutally frank about this. I am going to expect a different level of participation from Webster Rogers this time around. We became one of several clients and I think that may have in some way affected us, but we have an assurance that we will have more of their staff available to us that we might get this done in a timelier manner. We certainly believe that staff of course has prepared the information and can transfer that in a timely manner so we should have this audit completed. I will get with Mr. Addison, because I want a date specific that we can anticipate having this audit turned over to us.

Councilor Finlay requested a draft timeline with their first communication. It would be beneficial if you gave us one that the Council and the staff can commit to then we can push you and the City Manager harder than anyone else can.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers welcomed the suggestion, because if you go back and look at the original timeline that was set up you will see some gaping issues that hopefully have been resolved.

Councilor Devine said that the Council will make sure communication is key and as the Auditor you need to communicate any issues to us. There are no excuses as to why the audit cannot be completed in a timely manner.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers said that at this time he knows of no reason why that would not be a legitimate request.

Councilor Davis reiterated the fact that the Council needed to be informed of systemic problems and infrastructure issues. If you know you can't deliver then we need to know that too.

Mr. Bud Addison, Audit Senior Manager / Webster Rogers said that this group and the City Manager received an e-mail in December 2007 that said that statements would be ready by January 2008 and they would in effect turn the records over. After those records were turned over, the Municipal Association came in and made approximately 200 journal entries after the books were assured to be closed. I don't anticipate that to happen this time, but this gives you an idea of where you were as of January 2008.

Councilor Gergel asked if they would be receiving a timeline in the very near future.

Mr. Charles P. Austin, Sr., City Manager said yes ma'am; we meet again on January 28, 2009, but I would anticipate something long before that.

EXECUTIVE SESSION

Upon motion by Mr. Davis, seconded by Mr. Finlay, Council voted unanimously to go into Executive Session at 4:52 p.m. for the discussion of matters as outlined below.

- C. Discussion of negotiations incident to proposed contractual arrangements
 - Capital Project #104901; Restoration of Martha's Glen Road
This item was discussed in Executive Session. No action was taken.
 - Cello d/b/a Verizon Wireless
This item was discussed in Executive Session. No action was taken.
- D. Receipt of legal advice which relates to a matter covered by attorney-client privilege
 - Ordinance No.: 2008-108 - Amending the 1998 Code of Ordinances of the City of Columbia, South Carolina, Chapter 8, Environmental Health and Sanitation, Article IV, Pollution Control, Division 5, Regulations and Requirements Relating to Smoking of Tobacco Products, Sec. 8-218 to add (8); and to delete Sec. 8-219 and renumber subsequent section
This item was not discussed in Executive Session.
- E. Discussion of employment of an employee
This item was discussed in Executive Session. No action was taken.
- **Council adjourned the Work Session at 5:00 p.m.**

Respectfully submitted by:

Erika D. Salley
City Clerk