

**CITY OF COLUMBIA
WORK SESSION MINUTES
FEBRUARY 11, 2009 – 9:00AM
CITY HALL - 1737 MAIN STREET – 3rd Floor**



The Columbia City Council conducted a Work Session on Wednesday, February 11, 2009 at City Hall, 1737 Main Street, Columbia, South Carolina. The Honorable Mayor Robert D. Coble called the meeting to order at 9:15 a.m. The following members of Council were present: The Honorable Sam Davis, The Honorable Tameika Isaac Devine, The Honorable Daniel J. Rickenmann and The Honorable Belinda F. Gergel. The Honorable Kirkman Finlay III arrived at 9:27 a.m. The Honorable E.W. Cromartie, II was absent. Also present were Mr. Charles P. Austin, Sr., City Manager and Ms. Erika D. Salley, City Clerk.

CITY COUNCIL DISCUSSION / ACTION

1. External / Internal Auditor Request for Qualifications

Mayor Coble distributed copies of the Request for Qualifications (RFQ) for an internal auditor that would come from an external firm. He suggested that the RFQ be issued for 30-days with all responses going to the City Attorney.

Councilor Rickenmann asked if 30-days is sufficient time.

Councilor Davis suggested that it be issued for 45-days.

Mr. Ken E. Gaines, City Attorney said that staff could issue the RFQ for 45-days and that it would also be advertised in accounting publications.

Councilor Rickenmann agreed to issue the RFQ for 30-days to see what we receive.

Upon motion by Mr. Rickenmann, seconded by Mr. Davis, Council voted unanimously to issue a Request for Qualifications for an External / Internal Auditor for 30-days.

2. Stimulus Bill Briefing – The Honorable Mayor Robert D. Coble

Mayor Coble explained that the Stimulus Bill passed the Senate yesterday and is going to the Conference Committee. He stated that there are differences in the House and Senate versions of the Stimulus Bill. He announced that Mr. Cromartie has scheduled a meeting for next Wednesday at 7:30 a.m. with a representative from the National League of Cities who is coordinating responses to the Stimulus Bill. We can receive a briefing from her in terms of process. Ms. Teresa Wilson Florence is working to prepare us for this. Also, EngenuitySC is working on the issues that are larger than the City and would involve the colleges and universities and we added people that are reflective of the community.

Councilor Rickenmann asked who is representing us.

Mayor Coble said that he and Ms. Devine are representing the City. We should expand beyond calling it a sustainability and green economy. It looks at alternative energy and taking advantage of the green economy. We need to hold weekly meetings with all representatives to ensure that the information is flowing.

Ms. Teresa Wilson Florence, Director of Governmental Affairs added that throughout this process she has been talking with Barbara McCall, the City's Federal Lobbyist and we have a good plan going forward. We need to understand how the funding will be allocated, whether it's directly or through an application process. The biggest concern I have is the professional grant writer. I am not frivolously asking for new staff; I seek your guidance in finding someone, because there will not be another opportunity for this. A grant writer would always be beneficial to the City of Columbia. We have talked about options of contracting with professional writers; Dr. Pastides has offered services from the University throughout this process; and I talked with Ms. Shirley Mills and we agreed that there would be collaborative work toward submitting one application in partnership. We also need staff to help do this.

Mayor Coble stated that we need to get this right; this is money that we know is coming in. The cost can be shared.

- **Mr. Finlay arrived at 9:28 a.m.**

Ms. Teresa Wilson Florence, Director of Governmental Affairs said that we need someone working directly for us; it can be a combination of having one person through cost sharing with Engenuity and using a staff person to supplement that position. We are concerned about our budget. My frustration has been that we are making decisions based on the here and now. If we don't fund the position now it will prevent us from leveraging the stimulus dollars long-term.

Councilor Davis agreed. His perception is that we need a grant writing unit in place long-term. We have done well with getting the dollars, but we haven't scratched the surface on what we could go after.

Councilor Rickenmann said that we talked about the collaborative effort with the University of South Carolina and Engenuity. We need to take advantage of Fast Forward, because Ms. Albritton does a lot of research on grants.

Ms. Teresa Wilson Florence, Director of Governmental Affairs stated that Ms. Albritton is a grants writer.

Councilor Gergel said that this is a once in a lifetime opportunity for us. We don't want to get bogged down by not having people in place. I want us to collaborate in every way. By the end of the week I need to know what staff arrangements you need in place, because there's no need in waiting on phone calls to confirm collaborations.

Ms. Teresa Wilson Florence, Director of Governmental Affairs said that she is seeking Council's input on three (3) options, noting that the collaborative effort is ongoing. The preference is to have one (1) to two (2) dedicated staff writers.

Councilor Gergel asked if it can be done through a contract or through a full-time employee.

Ms. Teresa Wilson Florence, Director of Governmental Affairs said that it would be the will of Council, but we would have to issue a Request for Qualifications for a contract.

Mr. Ken E. Gaines, City Attorney advised that there are provisions that might allow Council to consider this as an emergency procurement; hire a temporary employee; or issue a RFQ, but you would not have enough time to react.

Councilor Finlay said that he wants to be supportive, but if we don't make it through the short-term there will be no long-term. What we spend here would have to be cut elsewhere; we are running a \$4.5 million deficit for this year and even more for next year. A grants writer makes good sense, but they will have to quickly prove their worth because we have no room for mistakes.

Councilor Gergel asked if the person would report to Ms. Florence.

Ms. Teresa Wilson Florence, Director of Governmental Affairs answered yes.

Mayor Coble asked that staff take what was said today and figure out how to make this work. We need to be pulling together information from department heads so the grant writers will have it.

Ms. Teresa Wilson Florence, Director of Governmental Affairs added that we are still collaborating with staff on issues such as COPS and HOME funds where money is already on both sides.

Councilor Gergel asked if the applications are ready now.

Councilor Davis said that there should be some boilerplate applications like for the Community Development Block Grant (CDBG).

Mayor Coble said that department heads need to be aware of the new criteria.

Councilor Gergel said that she is supportive of bringing on a fulltime employee.

3. City Manager Search Request for Qualifications

Mr. Charles P. Austin, Sr., City Manager said that at the direction of City Council, he contacted the International City-County Management Association and obtained a roster of executive search firms. He noted that ICMA doesn't endorse any particular firm.

Mayor Coble stated that there are two (2) general approaches: one is to hire a search firm and have them bring us the candidates. It has been said that one (1) search firm may limit the pool of applicants. A better approach would be to use several search firms and we would pay the firm that brings forth the successful candidate. Some candidates would come from other sources as well.

Mr. Steve Gantt, Senior Assistant City Manager for Operations suggested that we send a package to all head hunter firms and advertise this like Human Resources did for the Chief Financial Officer search. We should have all of the resumes come into Human Resources and then they can forward them to Council. The package should include a letter from the Mayor, a candidate profile and a job description. It will be sent via mail and e-mail with a 60-day response time. Staff is to provide the applications to Council within one (1) week after the deadline; we will start background searches; and start bringing the candidates in.

Councilor Finlay said that there is no reason to limit ourselves in any way. A specific head hunter is going to look for a cut on any person that comes into the door so we should not use a single search firm.

Councilor Devine said that she is fine with that. We talked about having someone to manage the search for us. How will Human Resources handle the applications?

Councilor Rickenmann said that we need a mechanism for background checks. We need to really know who the person is.

Mr. Steve Gantt, Senior Assistant City Manager for Operations suggested that we use Chief Stewart's firm to do the background searches like we did during the Police Chief search. He said that there are minimum requirements for the City Manager position. We can show you all the applications, but we will segregate those that meet the qualifications and those that don't.

Mayor Coble suggested that staff scale the applications down to those that we want to seriously consider and then conduct background checks on the finalists.

Councilor Davis said that there still has to be a method to the screening, but he is not sure how we will go about doing that. He noted that the Council members are engaged earlier than they normally would be.

Mr. Steve Gantt, Senior Assistant City Manager for Operations added that this is a long-term and important decision about the leadership to this City.

Councilor Davis said that Council needs a method of participation. I am serious about wanting hard copies of the background checks from the consultant; I want to filter it out myself; I don't want to listen to a consultant; I want to decide for myself.

Councilor Gergel asked where the applications would go.

Mr. Steve Gantt, Senior Assistant City Manager for Operations replied that the applications would go to Human Resources and he will assist Mr. Gilliam with deciding on whether an applicant is qualified or not. You will see all applications; we gave you the job description today for you to edit and give back to us; we will incorporate the changes and then present the final packet to City Council prior to disbursement.

Councilor Finlay suggested that we schedule a Work Session to go over non-qualifying applications to determine if we want to qualify any of those then review all of the qualified applications. How many applications did we receive the last time around?

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that he didn't know, but he anticipates that there will be a high number of applications.

Councilor Finlay asked what percentage would be disqualified immediately.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that it depends on the qualifications we list.

Councilor Rickenmann suggested that they take the rest of the week to make changes and get those changes to Mr. Gilliam and Mr. Gantt to clean up and prepare.

Mayor Coble asked the City Attorney if they should issue a RFQ for others that do background checks or can they go ahead and talk with Chief Stewart.

Mr. Ken E. Gaines, City Attorney said that Council has the ability to sign a contract for professional services.

Mayor Coble asked if we can use Chief Stewart again.

Councilor Rickenmann concurred.

Mayor Coble asked that someone contact Chief Stewart and notify him that we are looking at using his firm to do background checks for the City Manager search process.

Upon motion by Mayor Coble, seconded by Mr. Davis, Council voted unanimously to review the Request For Qualifications (RFQ) packet; to provide comments to Mr. Gantt by Monday, February 16, 2009; any revisions should be incorporated by the Human Resources Department; the final version of the RFQ packet should be given to the members of Council; the RFQ packet should be publicized for 60-days; and the City Manager is to contact Mr. Robert Stewart to advise him of the Council's intent to contract with his firm to complete background checks on the finalists for the City Manager position.

4. Fiscal Year 2006 / 2007 Audit – Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP advised the Council that he is here to answer specific questions.

Councilor Finlay asked if there had been any meetings with management since the last discussion that the Council should to be informed of.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said yes sir.

Councilor Finlay asked at what point were the members of Council informed of this discussion.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP replied that it was after the fact.

Councilor Finlay asked if there have been anymore discussions since the e-mail communication with Council.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP replied no sir.

Councilor Finlay asked Mr. Addison if he is clear that the Council members are to be made aware of meetings.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP replied yes sir, we are clear.

Councilor Finlay stated that there is some question about the Tax Increment Financing (TIF) settlement and how the cost will hit in 2007/2008.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that the General Fund will bear the cost of that settlement unless City Council decides otherwise.

Councilor Finlay asked are there any other sub funds that make up the Internal Service Fund.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP reported that there are various Fleet Management sub funds, noting that Support Services may encompass some personnel and purchases to include central stores.

Councilor Finlay asked if that's the way we structured our financial statements over the years.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that it makes sense; they are not set in stone by the Generally Accepted Accounting Principles (GAAP); it's what would fairly present the operating cost.

Councilor Finlay said that Fleet Services kept the Internal Service Fund from having a greater liability than assets. What is the rationale for allowing us to offset current liabilities with assets?

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP referred to page 83 noting the list of the non-current assets.

Councilor Finlay asked if Fleet Services should be incorporated with the Internal Service Fund.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP replied yes, because they provide a variety of services.

Councilor Finlay said that Support Services and Risk Management have virtually non-current assets; there is no investment or rolling stock. Is this an apple to oranges comparison? Why not split Fleet Services out and have Support Services and Risk Management compose the Internal Service Fund.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP explained that capital assets don't drive the classification of a fund. If you move the capital assets out of Fleet Management you would still have a positive fund balance in Fleet Management.

Councilor Finlay said that you would not have a positive fund balance in the total for the Internal Service Fund, because the total capital assets are \$4.7 million; Fleet and all others total \$2.1 million; there is a negative \$438,000 in net assets in Support Services and Risk Management has a negative balance of \$3.5 million.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP asked Mr. Finlay to look at the total \$2.9 million of which \$5.1 million is invested in capital assets and that doesn't pay the bills. There is a \$2.2 million deficit in that Internal Service Fund that needs to be addressed and unless you sell the equipment it is not generated revenue.

Councilor Finlay said that we need to reach a point where cash equals assets.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that cash is king and liquidity is the key; even when City Council passes the 2009/2010 budget they budget the revenue, but that doesn't mean that cash is in the bank. Even if revenue projections come to fruition, you still have to monitor cash flow. It's what's in the bank that counts.

Councilor Devine said that we don't get money from the State. She inquired about the difficulties in resolving issues related to the component units.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that the information is coming in.

Councilor Devine asked for the timeframe on getting that portion.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP replied six (6) weeks.

Councilor Rickenmann asked where we are with the 2008 financials. We are stepping into a difficult budget and looking at the forecast this will be a 36-month issue. We need to know that we have a strong foundation to build on. Where are we today? Are there any issues causing us not to move forward?

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP reported that there are some issues. If City Council thinks that the records are completely closed and no adjustments are being made then that's incorrect.

Councilor Rickenmann asked what the anticipated completion date is. We have issues with invoicing. Do you have everything you need?

Councilor Devine asked where the audit process is.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that as of last Friday, capital assets to include construction in progress, notes receivables, federal programs (grants) and internal control questionnaires were distributed, but not returned.

Councilor Gergel asked what timeline was given. When will we have the information needed to develop next year's budget?

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that it will not be issued until mid-May.

Councilor Rickenmann said that we constantly say that we have budgeted for open positions, but I can't find that money.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that this audit will give you the higher level of detail that you are looking for; look at your budget to actual numbers.

Councilor Rickenmann said that if people aren't hired and you budget for it then the money should be there. Where is it in the audit?

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that the total is rolled up.

Councilor Rickenmann said that there should be a surplus. Where did the money go?

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said possibly into other areas that were not properly funded.

Councilor Rickenmann asked if Mr. Addison can account for those dollars. Do you know where the numbers shifted?

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that a lot of the budget deficit stems from healthcare and appropriately allocating to departments, but the amount charged to the departments didn't change.

Councilor Rickenmann asked if Mr. Addison is going to be able to tell us how that money was shifted. We have two hundred (200) vacancies that were budgeted, but not filled; this could be \$6 million dollars.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that the amount was affected by overtime and temporary employees.

Councilor Rickenmann said that we need a clear path of where that money has gone, because it has to be accounted for some how.

Councilor Finlay explained that in 2002 the City of Columbia had a \$23 million plus fund balance and total net assets in the Internal Service Fund of \$41.3 million. In June 2007, six (6) years later, we had \$2.9 million in the Internal Service Fund. We spent \$39 million out of the Internal Service Fund. At July 1, 2007, our fund balance was \$23.7 million; we spent all of the net assets in the Internal Service Fund; we still had \$23.7 million in the General Fund. As of June 30, 2008 the General Fund balance dropped to \$13 million and we were informed that we have a \$3 million to \$4 million deficit this year. We have spent \$50 million over the last seven (7) years and what we are discovering is that our operating budget was being subsidized by spending out of two (2) funds; there is no money; it's all spent.

Councilor Rickenmann said that he is trying to understand how it's being accounted for.

Councilor Devine said that part of it is the overtime, but how did we get so far into overtime and why. We need to look at the big picture. I understand the numbers presented by Mr. Finlay, but we need to understand why. We have to understand what the bigger problem is. Use law enforcement for example; are we able to decipher where funding for positions was shifted to overtime.

Councilor Rickenmann noted that what Mr. Finlay said is true; it is important to know what the current policies are; that's the only way we can budget for the future.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP referred the Council to page 70, which is a summary of individual general ledger accounts. I can furnish the actual amount spent on an individual line item versus the total.

Councilor Devine told Mr. Bill Ellis, Deputy Finance Director that the monthly reports are good, but we need to know what is included in each budget tier and a break out of overtime costs versus regular pay; we need to see this and be able to address departments that are out of whack.

Councilor Davis said that we are trying to decipher what happened and where the vacancies are. You may have to measure vacancies against whether or not revenues have come in. We have a problem with how we manage overtime. I don't see us moving forward with the budget, because a lot of the policies and procedures were problems in the auditor's findings.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP sated that it is the lack of adhering to policies and procedures.

Councilor Davis said that he has problems with the timeframe offered by Mr. Addison. We need to sit down and decide where we want to go budget wise and we need to know the true deficit.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP suggested that the audit report should confirm to Council what they already knew; if it comes as a surprise then you are in trouble. He added that financial statements should be prepared on a regular basis.

Councilor Davis said that the monthly reports were not as definitive as they should be.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that he is sure that city staff would comply with whatever the Council wanted.

Councilor Gergel asked what we can do to expedite the 2008 audit.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that he would like to think that it would have already been done. Frankly, I don't understand a lot of the things. We are trying to get the disposals for the capital assets; either you have the asset or you don't. It's something that Accounting has little control over and the department should report this information to the Accounting Division in a timely manner.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that this is the first he has heard of this.

Mayor Coble said that if there is something we need to do then let's get that done.

Councilor Devine suggested that they all meet and give the Council a status on the things Mr. Addison is waiting on. Let us know what the hold up is and set a date to get it done.

Mr. Steve Gantt, Senior Assistant City Manager for Operations reported that we made some changes in how we are doing business. There will be a weekly report from staff and the Municipal Association to include a timeline of what needs to go to the auditor, when and by whom.

Councilor Finlay said that one fundamental issue is that there has been no line item integrity of the budget; it's not detailed enough. The other is that from 2002 until 2007 we spent \$39 million more than we took in. I believe that for a significant period of time we have been running an operating deficit. Is that correct?

Mr. Steve Gantt, Senior Assistant City Manager for Operations replied yes sir.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP replied absolutely.

Councilor Finlay said that he is trying to drive home that the projections did not slow down from 2007 to 2008; it picked up speed; we burned \$10 million from the General Fund; it is accelerating and 2009/2010 will be difficult. We don't have a revenue problem; we have an ongoing spending problem. We will have to dig hard and it will be painful. We don't have the reserves to deal with this.

Councilor Rickenmann said that we are having the same reoccurring issues and we need to put a stop to it now. Last year we were told about surplus money and the debt is becoming greater as the year goes by. A lot of expenditures over \$10,000 were not approved by this Council. How can we vote on a budget when we don't have a closed book for 2008? All cylinders need to move forward to get this done before June.

Councilor Gergel reiterated that we have identified items that Mr. Addison must have and the sooner he gets that, the more likely he is to complete the audit earlier.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that in looking at property taxes there was a \$1.2 million receivable still on the books in the Debt Service Fund. It is imperative that the information be turned over and reviewed by staff. He added that the same thing happened with the Retainer Account.

Councilor Gergel said that this Council would like to be informed of what Mr. Addison needs on a weekly basis.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that we can make that happen.

Councilor Davis said that we know what the issues are with spending and shifting. Are we starting to work on fixing some of the processes and ensuring that the policies are being followed? If not, we will be in the same boat going forward.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP said that the City is making progress in some areas. Cash and investments are a critical area due to the nature of the assets.

Councilor Davis said that is exactly what I am talking about; we need to know if that has been fixed.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP referred to finding 207-9 *Communicating Internal Controls*: the issue is not integrity, but some things done by departments show that the message of integrity is not getting across. The culture of the City needs to be changed. In 2005/2006 bank reconciliations were an issue. If I was Council I would have asked the Accounting Division to bring the bank reconciliations to a meeting.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that we are making tremendous strides and are about to become current with the bank reconciliations.

Councilor Devine said that we have to fix these things regardless of what our bank records say; we need to move forward with the City Manager's schedule for our budget discussions; we are going to have to address a lot of things and we can't wait until we finish the audit to begin. We have been criticized for going outside the form of government. While knowing where we need to go, we also need to have the policy decisions about what needs to happen. We will have to come up with policy decisions and require that they be met. We need to have punishments in place for going over your budget.

Councilor Finlay said that we as a Council need to realize that there are seven (7) management letters outlining these issues year after year. I am all about staff doing the job correctly, but we have not read the letters and put them into play.

Councilor Devine said that we have taken responsibility on the need to move forward. We are not discussing concrete things on how to move forward, but we are instead spending hours discussing how we got here; those things can't be discounted.

Councilor Finlay pointed out that the Management Letters continued to outline the same problems, so it became incumbent upon us that the issue was not being addressed internally.

Councilor Devine insisted that Council tried to address that through staff changes.

Councilor Finlay argued that five (5) years of the same issues is too long. We won't get a clean shot until 2009/2010 and we have to force people to do it. There was a prior period adjustment to our General Fund ending balance from 2005/2006; we need to be more vigilant.

Councilor Rickenmann said that he read the Management Letters and until we hired Mr. Addison, we never had a concern about internal auditing. The information we've received has not been correct; we had one surprise after another; and the 2006 financial statements were not correct. We want to ensure that we get as much of this done as possible. We need to know what's slowing down the process and why. At the end of the day we don't need a bunch of adjustments.

Mayor Coble said that with the new structure it seems that we have to fix healthcare and we will have cost cutting measures.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that it would be helpful if Mr. Addison provided him with the list of the things he needed.

Councilor Gergel urged Mr. Addison to let the Council know on a weekly basis when communications take place.

Councilor Devine suggested that Mr. Addison carbon copy all Council members.

Councilor Davis agreed as long as they are kept in the loop. I don't see us moving forward until the correcting of the findings is parallel to where we are going. I want a point by point progress report.

Mr. Bud Addison, Senior Audit Manager / Webster Rogers, LLP explained that there are not a lot of insurmountable issues left. The capital assets listing in IFAS needs an individual assigned to it and that person needs to put their hand on that piece of equipment once per year and then send a note to the Accounting Division that says we still have these items. A lot of things were sold or worn out. All assets should be accounted for regardless of the disposition and this should be done on June 30th.

- **Council recessed at 11:11 a.m.**

- **Council reconvened at 11:24 a.m.**

5. Fiscal Year 2008 / 2009 Budget Reductions – Mr. Charles P. Austin, Sr., City Manager

Councilor Finlay stated that we all know that we are in tough financial times. He explained that a member of senior management realized that he was in a position to better absorb a furlough and he offered to take furlough days for others; that is caring about your fellow employee. I realize that there are a lot of people that consistently go above and beyond.

Mr. Steve Gantt, Senior Assistant City Manager for Operations explained that after we received the January statements we realized that we needed to change some things and it was necessary to immediately meet with department heads and identify where the problems were and work on solutions. He stated that overtime is out of control and it is imperative that they get a handle on overtime expenditures.

Councilor Devine asked if Mr. Gantt is getting the rationale on why overtime is being used, each time it is used.

Mr. Steve Gantt, Senior Assistant City Manager for Operations continued to explain that they told all department heads that overtime is an issue and we have monthly meetings to evaluate the steps to be taken to control overtime.

Mayor Coble suggested that the members of Council also take furlough days, but still come to work; that they take a lunch break instead of ordering food; and that they talk about the Council expense accounts to determine how we all can set an example and make changes to save money going forward.

6. Current Investment Policy – Mr. Jeff Palen, Treasurer

Mr. Jeff Palen, Treasurer explained that the current investment guidelines, which have been in place since 1994 were included in the Council's packets along with a draft proposed policy. He reported that bank reconciliations are a part of his responsibilities; they are currently working on November; they are drafting a policy; and he hopes to be caught up by the end of the month.

Councilor Devine asked Mr. Palen if all bank reconciliations are done in the Finance Department or do other departments have bank accounts that they reconcile themselves.

Mr. Jeff Palen, Treasurer said that everything comes through them, except the Development Corporations. He said that the current investment policy is in compliance with State law; however, as of June 30, 2007, the City owned \$47,700,760.31 in a Repurchase Agreement, which was collateralized by securities with maturities greater than seven (7) years. The funds have since been withdrawn with the final withdrawal occurring on January 2, 2008. This information was included in the Comprehensive Annual Financial Report (CAFR). He further reported that as of June 30, 2008, the City owned \$195,910 in Federal Home Loan Mortgage Corporation (FHLMC) securities with maturities beyond our current seven (7) year guideline. I have a meeting scheduled with First Citizens Bank next week to discuss this piece of the portfolio so that we can be in full compliance with the current guidelines. We had two (2) issues with collateral over the past year: Collateral with First Citizens, our primary bank, was not sufficient to cover our balances as of June 30, 2008. We look at our account balances on June 30th of each year and determine if there is enough collateral to secure those balances in excess of FDIC. As of June 30, 2008, there was a deficiency in the amount of \$9,843,598.83.

Councilor Finlay said that under the new FDIC isn't a non-interest bearing account covered to the full extent of the account.

Mr. Jeff Palen, Treasurer said that it is and an interest bearing account is covered plus \$250,000. We are following up with the banks to make sure that everything is collateralized at this moment.

Councilor Finlay asked if all of our accounts are interest bearing.

Mr. Jeff Palen, Treasurer said yes, in fact we have a lot of accounts in various money markets and we are working to bring those in to make the accounting easier along with other reasons.

Councilor Davis asked if we are receiving regular and timely reports on the level of efficiency of each account.

Mr. Jeff Palen, Treasurer said yes. He added that by July 3, 2008, First Citizens brought in additional collateral on their end. Going forward, I am checking by mid-month, so if there is something going on, I can let the bank know before they reach the end of the month. He further reported that the other issue is collateral which was not in existence for the Certificate of Deposit (CD) at BB&T. The dollar amount of the CD was \$7,132,762.13. This CD matured and was not renewed in October 2008. He said that both the City and the bank

made a mistake on this, but he's not sure how this could have happened. He added that we no longer own this CD.

Councilor Finlay said that we could have been exposed to the tune of \$6.9 million.

Mr. Jeff Palen, Treasurer agreed noting that most banks often have additional collateral in case something does occur.

Councilor Gergel asked what we are doing to make sure this doesn't happen again.

Mr. Jeff Palen, Treasurer explained that we are making sure the paperwork is completed; that we have statements coming from the bank to show where the collateral is, which is normally with another custodial bank; we receive monthly statements from them as well. In addition to that, I have access to see what collateral is out there. I don't foresee this as being a problem again. He said that the new investment policy contains guidelines from the current policy and guidance from the Government Finance Officers Association (GFOA). I am also researching and seeking advice from others. He stated that the current policy has the right idea, but we just did not report the transactions as we should have. Other items regarding investments include the BB&T Swap for Innovista. The valuation of the two (2) Swaps as of June 30, 2008 was \$798,205.11 and \$323,055.86. This is not a realized gain; this is an unrealized loss. He reported that the \$1 million loss as stated in the auditor's findings dated December 8, 2008 was due in part to the selling of investments on two (2) separate occasions. The City withdrew \$20 million in November 2006 and \$18 million in February 2007. As the portfolio managers were selling securities to cover the withdrawals they were forced to liquidate securities that were affected by the change in interest rates.

Councilor Finlay asked why we were taking the money out.

Councilor Rickenmann asked the same question.

Mr. Jeff Palen, Treasurer said that he doesn't know the rationale at this point, but we did withdraw funds at that point to go into an operating account.

Councilor Finlay said that it was a cash flow issue.

Mr. Jeff Palen, Treasurer said that it could have been, but he doesn't know for sure. He still has to do the research to determine if a memo was written.

Councilor Devine asked if the money was withdrawn and then deposited into our operating account.

Mr. Jeff Palen, Treasurer said that it was deposited to our operating account and at that point we were probably low. As part of our investment policy we will take a look at our cash flow needs to ensure that we are not stuck in that situation again.

Councilor Finlay asked if we paid a 2.5% penalty.

Mr. Jeff Palen, Treasurer said that the actual loss was \$578,819 from those withdrawals, but the combined net realized loss for the fiscal year was \$906,842.

Councilor Finlay asked if we would see a return at some point. We could be losing all of our interest revenue for one (1) year and I would like to see how that is working.

Mr. Jeff Palen, Treasurer reported that we gained more interest than we lost. He will draft a report that breaks out the whole year.

Councilor Rickenmann suggested that the Council insert as part of this guideline that there is a mechanism to notify Council that we are liquidating investments and we are going to have a loss, because that decision was made and I am not sure that anyone knew it was made at the time. He said that senior staff, the City Manager and Council should be notified at the same time.

Mr. Jeff Palen, Treasurer said that going forward, they will provide regular investment reports.

Mayor Coble thanked Mr. Palen for an excellent report.

Councilor Rickenmann said that the policy was fairly detailed and asked that staff include a mechanism for alerts.

Councilor Finlay said that an external/internal auditor may have experience in reviewing investment policies.

7. ****Proposed Bond Setting Policy – Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court**

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court explained that the law presumes that we are going to give a person a Personal Recognizance (PR) Bond, unless there are conditions that would justify imposing a bond or denying a bond. We consider flight risks, connections to the community, does the release pose a danger to the community and criminal history.

Mayor Coble asked can you use violations that occurred while someone is out on bond.

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court explained that it is a factor you would consider in setting another bond, but the information doesn't appear on rap sheets.

Mayor Coble asked why that information wouldn't be on a rap sheet.

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court said that charges that are pending are frequently on the rap sheet, but you won't know the bond information unless the defendant is honest with you; otherwise, it has to be provided by another source.

Councilor Davis asked is that the law or is it a systemic issue.

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court stated that it is a systemic issue, not a matter of legal discourse; you certainly take that information into consideration. I would love to have up-to-date information on previous court appearances and convictions, but rap sheets aren't always accurate.

Councilor Gergel asked why that information is not comprehensive.

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court said that it's the person's criminal history without a lot of detail; it lists the crimes and convictions, but sometimes it doesn't list the disposition. She said that timeliness is an issue as well; the information has to be reported to SLED.

Councilor Devine said that the community feels that bonds are set low when a person is indeed a danger to the community. How do the judges come to that conclusion?

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court said that she met with command staff and talked about ways to improve communication. The Columbia Police Department will still rely on the arresting officer to communicate that report. I have offered to be that conduit through any communication method so I can relay that information to the judge. She said that overtime is an issue with the Police Department; therefore, officers are often off-duty while Bond Court is in session. We have to set bonds within 24 hours and the arresting officer is responsible for ensuring that we get the information we need. The command staff is going to work with the Solicitor's Office and others to communicate information back and forth and they will work with the community as well.

Councilor Davis said that was a frustration for areas that are crime ridden; they have not been getting information in a timely manner. One way to make this more efficient is for command staff to be more flexible in scheduling officers so they can appear in court.

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court said that they have already started this and they have seen some improvement in the flow of information. We have a lot of new officers and will be reminding Sergeants about getting the correct information to the courts in time for Bond Court. We are exploring the idea of creating an e-mail box for judges to be checked by staff prior to Bond Court each day, but we need to secure it.

Councilor Devine said that it would be efficient for us to make sure that the courts and the Columbia Police Department systems work together.

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court said that they have talked about that. She added that a new system would improve our overall performance.

Councilor Devine said that we need to have a mind set that every crime has a victim even if a natural person wasn't involved. Work with the Victim's Advocate to notify affected neighborhoods.

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court said that the Richland County's Victim Advocate comes to Bond Court; the judges are certainly cognizant of the fact that every crime has a victim; and we are working to communicate better with our Victim Advocates. She said that all Victim Advocates and neighborhood representatives are welcome to come to Bond Court.

Councilor Davis asked if neighborhoods will be informed in advance when persons of interest are involved with crimes.

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court said that the regional Police Captains will communicate that to the appropriate neighborhood association. She said that she is happy to have one (1) continuance to accommodate neighborhood representatives.

Councilor Davis asked if Judge Turner will be monitoring this process.

Ms. Dana D. Turner, Chief Administrative Judge for Municipal Court said that she is currently monitoring Bond Court proceedings and addressing issues as they arise.

Councilor Davis requested a periodic update on this process.

EXECUTIVE SESSION

Upon motion by Mr. Davis, seconded by Mr. Finlay, Council voted unanimously to go into Executive Session at 1:00 p.m. for the discussion of the employment of an employee.

8. Discussion of the employment of an employee
This item was discussed in Executive Session. No action was taken.
 - 8a. Receipt of legal advice as it relates to a matter covered by attorney-client privilege
This item was discussed in Executive Session. No action was taken.
- **Council adjourned the Executive Session at 3:00 p.m. to reconvene the Work Session.**

CITY COUNCIL DISCUSSION / ACTION

9. ****Fiscal Year 2008 / 2009 Budget Reductions - *Continued***

Councilor Finlay asked if they will ever receive the numbers for the Parking Fund.

Councilor Davis said that department heads should have to justify their budget requests.

Councilor Gergel said that goals should have to be submitted with each department's budget.

Councilor Finlay said that departments submit highly inflated budgets; the City Manager line items the budget; and then you can't tell what the policy is.

Councilor Gergel told both Mr. Gantt and Mr. Baker that as we build next year's budget, each department has to have very clear goals tied to the money and if the Council can't understand it, then the department will have to go back and redo it.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that the Budget Director has to draft a simple spreadsheet format for each department to include the divisions under that department; the two (2) years prior actual expenditures; a projection for what we think 2008/2009 will be; a requested number for 2009/2010; and a written narrative to explain what each number involves.

Councilor Gergel said that she wants to be able to look at a budget and get a snapshot of the operation of that department; it should not be hard to understand what the goals of the department are.

Councilor Davis wants an explanation of how we fared this year as compared to the goals of last year and what the justification is for the amount of funding being requested.

Councilor Finlay said that there is going to be an enormous shock. We were \$10 million over on our revenue projections for 2006/2007 and \$12 million under expenses, but we still came out with a goose egg. That is a miss that we can't tolerate. The first thing that has to be conveyed is that the old way of fluffing the numbers everywhere, hiding money in line items, moving money around; all that stuff is gone. Everybody hid money and we knew there would be extra money.

Mr. Steve Gantt, Senior Assistant City Manager for Operations suggested that he provide the Council with three (3) examples of how the budget can be presented.

Councilor Rickenmann said that he went online last night and looked at Greenville's website. He was able to pull their budget schedule; all of their expenditures were graphed out; there was a red light - green light status for capital projects; it was easy to understand and easy to follow. I really think that we need employees to look at things differently and understand that we may be better off outsourcing some services such as lawn care. He said that the Parks and Recreation Department has \$450,000 allocated for summer lifeguards and we may be better off outsourcing that.

Mr. S. Allison Baker, Assistant City Manager for Public Services said that he doesn't believe that it's \$450,000.

Councilor Finlay said that he is concerned, because various departments may have not been untruthful, but they have done their best to obscure the whole picture. People need to realize that it's gong to be miserable if we catch them hiding funds.

Councilor Devine concurred with Mr. Finlay. She said that was part of her point today. I take full responsibility for what I may not have asked, but in the past we have been given information erroneously and how were we to know it.

Councilor Finlay said that it was not erroneous, it was intentional.

Councilor Devine said either way how was she to know that the information was incorrect. We have a responsibility, but staff has a responsibility as well. She said that Council was given a memo from the Budget Director on things that can be cut, but it was so negative; like the sky was falling and the city was going to shut down. I do think that things are bad; none of us are disillusioned. We have to be creative and I don't know if we are getting that. We are going to offer suggestions, but you all know the day-to-day operations so you have to tell us if our suggestions work. We have to be creative on what we can do and everyone can't be so protective of their budget.

Councilor Finlay said that the General Fund went to \$40 million in 2006/2007 and a quarter of our budget that was spent in 2006/2007 was lumped into one (1) account. He added that the account went from \$6 million to \$18 million to \$40 million.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that the figure needed to be broken out. He said that the Council is now getting good information even though it might not be the message they want; it's much better information than you have ever received before.

Councilor Davis said that because of the process, the information they received was accepted as reliable information until they had the opportunity to question line item shifts. We should get that on a regular basis, if not quarterly then monthly.

Mayor Coble said that the decrease in revenue for 2009/2010 is going to change based on the information received.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that the revenue projections are somewhat of a moving target now through the end of March.

Councilor Finlay said that if reassessment moves slower than that, we will need to be concerned about house prices falling.

Mayor Coble stated that the Stimulus has passed and within the next 30-days we will know how many additional officers or equipment we can get; if the CDBG made it; and some of that has to be factored into the budget.

Councilor Rickenmann said that will be difficult to include until we know when we might get it; what if it takes a year for that money to get here.

Mayor Coble said that it can't.

Councilor Rickenmann said that he would rather budget without including the stimulus funds and when the funds come we will be much better off.

Mayor Coble said that the budget should include what might come from the stimulus so we can be aware of it.

Mr. Steve Gantt, Senior Assistant City Manager for Operations noted that there are opportunities for efficiencies when you look at sworn officers and other personnel that are employees of the Police and Fire Departments. He said that if the Police Department has two (2) administrative assistants for every person on the command staff then they may have too many support folks and they need to look at that.

Mr. S. Allison Baker, Assistant City Manager for Public Services said that there are several indicators that can tell you where it is that we need to go in 2009/2010 from both the revenue and expenditure side. For the last two (2) or three (3) years we know how much revenue came in and how much we spent. One issue we have to determine with the expenditures is how much of that was waste. There are economic indicators that will determine what it will be during these rough economic times. He suggested that the Council can then direct us to bring back budgets that are 15% or 20% less than what we had during this fiscal year. Then as we make our presentations to you we can tell you what it is that we have to take out in order to meet that number. That is you operating from a broad policy perspective. We can start this process now, but if you wait for good revenue projections then we will be pushing June 30th with this process.

Councilor Finlay recalled that in October, this Council looked at staff and said that we need to go ahead and start cutting the budget right now, but everybody said no, we are going to be fine. My point is that in order for us to believe you all, you have to realize that some bad decisions from my perspective have been told to us in public. The people who are supposed to be measuring this looked at us in October and said no problems, but you open the newspaper and the State was down 10%. You all must be forth right and straight up and come to us with the problems, because when we ask we don't want to get caught where we've over cut by 5%, because people wanted to be conservative or under cut by 5%, because nobody wanted to take the hit.

Mr. S. Allison Baker, Assistant City Manager for Public Services insisted that a cultural change has to take place; it's the mindset.

Councilor Rickenmann concurred with Mr. Baker, but he wants to make sure that administration and staff is thinking outside the box. Traditionally when you talk about cuts, people try to do the easiest thing and that's not going to work.

Mr. S. Allison Baker, Assistant City Manager for Public Services said that if 85% of our budget is personnel, then I can't come to you with an easy answer.

Councilor Rickenmann argued that you would have to look at what you actually have; do you need a Bike Liaison; do we need to have four (4) Development Corporations. He said that everything is on the table and we need to figure out the best way to deliver what we are asked to deliver.

Mr. S. Allison Baker, Assistant City Manager for Public Services said that if I have a target then I can begin to take stuff out and present those things that come out to you and you say well no; I can do the right thing, but you may need to do something that's a little more political, but I need to come to you with what's right. I don't think 5% is it, but whatever we come back with if we get set with that and then our revenues come in better, the stimulus package comes in to where it can help us, then you can make those changes at the last minute, but you can't go the other way.

Councilor Finlay said that even if we had it a little bit better, there are a bunch of wells that we have drained dry. We have to get everybody in the mindset that this is not going to be a one (1) year process.

Councilor Rickenmann said that it's going to be three (3) years out.

Councilor Finlay asked if 75% of the City is personnel.

Mr. S. Allison Baker, Assistant City Manager for Public Services said probably 85% for personnel costs.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that some departments are 85% to 86% and some are less.

Councilor Finlay thinks we are going to see a 10% reduction in the number of employees and we will have to see a 15% reduction in payroll. What that means is that people are going to have to go; Reduction in Force (RIF), furlough and retirement; it's not going to be the \$26,000 employees standing in the ditch at 3:00 a.m., because you don't make the leverage up.

Councilor Rickenmann said that part of the whole process is re-evaluating. In the good times we hired extra people to do extra work and we made it easy, but now that the belt has tightened we must re-evaluate. When positions come open do we take those positions away? Do we hire out tree trimmers? There are other ways to address it, because we are not paying the extra. A huge part of this is how much it cost us; it's not just the salary.

Mr. S. Allison Baker, Assistant City Manager for Public Services said that he doesn't think that anybody in any department should be a sacred cow. I wonder how you spend a couple of million dollars in the Police Department in overtime and how you do the same in the Fire Department. I don't know how you do that. I can count the number of fires we have in a year on all of my fingers and toes. How do you get to spend that much overtime?

Councilor Finlay concurred stating that you don't know and I don't know. We need somebody who knows not only what the problem looks like, but also what the solution looks like. I promise you that 30% to 40% of it is stuff that you all could put into policy on Tuesday; it would be fixed on Wednesday; and the silliness would stop.

Mr. S. Allison Baker, Assistant City Manager for Public Services said that you talked about our integrity and I hate to be personal, because there are things that I have not done as a Department Head that we should have or could have done, but if you look at the 911 Center and where it was four (4) years ago and where it is now, we've made significant changes. We took a \$430,000 +/- overtime budget down to \$100,000 and they have an efficient operation down there. He explained that the Columbia Action Council has been in a house for fifteen (15) years and they are now out of that house as of November; that saves us \$25,000 in Parks and Recreation. I didn't have to do that, but what we were doing didn't make sense. We made space at Calhoun Street; I sit in a hallway when I go there, because I don't need an office there. Do we need an Economic Development Office? I don't know, but I don't think we do.

Councilor Devine insisted that the Council had asked that question when they reviewed the lease.

Mr. S. Allison Baker, Assistant City Manager for Public Services said that they asked if that was the best location for it.

Councilor Finlay said that when we have problems there is so much stuff that's hidden at points. It's just crazy when \$20 million of our budget is moving around like skittles on the floor.

Councilor Rickenmann said that this is what he wanted to hear. We need to re-evaluate everything.

Councilor Gergel said that we need to look at ways to streamline and cooperate with Richland County and the Sheriff's Department, wherever possible.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that as he talks with Mr. Baker, some of those are easier to do than others and it's going to take longer than we anticipated.

Mr. S. Allison Baker, Assistant City Manager for Public Services explained that we had a \$700,000 construction proposal for Valencia Park, but we only had \$300,000. It took us longer, but we did it with \$300,000. He stated that staff throughout Parks and Recreation and Public Works did some things to get it done rather than just accepting that we couldn't do it.

Councilor Finlay asked if either Mr. Gantt or Mr. Baker disagreed with his gut feeling on what the head count has to look like and what payroll has to be reduced by.

Mr. S. Allison Baker, Assistant City Manager for Public Services replied that there should be a 10% reduction.

Councilor Devine suggested that they look at where we are with the vacant positions and look at other ways to streamline the budget through attrition; our very last resort should be a Reduction in Force, because everyone is being hit by the economy.

Mr. Steve Gantt, Senior Assistant City Manager for Operations explained that there are some departments that can't take a 10% reduction.

Mayor Coble said that a 10% reduction due to the economy is a major hit and that may be what we have to do; we certainly need to plan for that.

Councilor Devine said that she understands that, but that should be the last resort. Go down the list and do the systematic things that Mr. Baker is talking about and if that doesn't get it then certainly there are things we are going to have to do.

Councilor Rickenmann suggested that we offer a reduced work week instead of eliminating jobs.

Councilor Devine suggested that this be done through attrition, because we have added staff. We also have a number of people that are at retirement or close to retirement and we can cut out positions that way. I don't want to lay people off or fire people at this point.

Mr. Steve Gantt, Senior Assistant City Manager for Operations said that would be the absolute last resort and the Council will have the call to make when the time comes.

Councilor Gergel hopes that we will use this opportunity to reassess the way we are organized and see where we can make cuts and/or reclassifications. This is an opportunity to really make a difference in getting a leaner government in place.

Councilor Finlay said that if we need a 10% reduction and we try to stagger the cuts, we will end up with a 5% reduction. One of the things we have to be careful of is we don't want to end up in the box that we are in today, which is because we didn't start in October or June, the last four (4) months of this year are going to be brutal. We will have to come out of the gates on top of it and not make any mistakes. We can't hope that it gets better at Christmas and then it gets worse, because we will have no reserves left.

Councilor Rickenmann said that even the State of California recognizes that the business community has been hit first and they are preparing to feel the brunt. He feels fortunate enough that we only have to talk about a small percentage in reductions unlike some of these other places that have to slash.

Councilor Davis said that we have to do what it takes to maintain a quality workforce. For the people who stay, we may have to say no Cost of Living Adjustments (COLA) or no merits.

Mr. Steve Gantt, Senior Assistant City Manager for Operations stated that we have already said that.

Councilor Davis thinks that people expect for Council to at least leave the table with a plan; we have a good road map on how to get through this year and what's going to take us through the next budget. This makes them feel better, because they know that if there's a plan then they will be in the mix with us helping to make decisions. We know what needs to be done; there are some things that can definitely wait.

Mr. Steve Gantt, Senior Assistant City Manager for Operations stated that there are things that he needs to tell Council about finances, the budget and personnel.

Councilor Devine advised the media that Council members will be taking a furlough day and we are looking at how we can cut our expense accounts. She said that the Mayor wants to consider not ordering lunch and we are looking at other things.

Upon motion by Mr. Finlay, seconded by Mr. Davis, Council voted unanimously to go into Executive Session at 3:43 p.m. for the discussion of the employment of an employee.

- **Council adjourned the meeting at 4:15 p.m.**

Respectfully submitted by:

Erika D. Salley
City Clerk