COLUMBIA CITY COUNCIL MEETING MINUTES
TUESDAY, MAY 10, 2022

The Columbia City Council conducted a Budget Workshop on Tuesday, May 10, 2022 at City Hall, 1737 Main Street, Columbia, SC 29201. The Honorable Daniel J. Rickenmann, Mayor called the meeting to order at 2:09 p.m. and the following members of Council were present: The Honorable Howard E. Duvall, Jr., The Honorable Edward H. McDowell, Jr., Mayor Pro-Tempore, The Honorable William Brennan, The Honorable Aditi Bussells, The Honorable Tina N. Herbert, and The Honorable Joe E. Taylor, Jr. Also present were Ms. Teresa Wilson, City Manager and Ms. Erika D. Moore Hammond, City Clerk. This meeting was advertised in accordance with the South Carolina Freedom of Information Act.

INVOCATION

The Honorable Edward H. McDowell, Jr., Mayor Pro-Tempore offered the invocation.

CITY COUNCIL DISCUSSION

1. Fiscal Year 2022/2023 Proposed Budget – *Received as information.*

Ms. Teresa Wilson, City Manager said we are about to embark on the last stretch of the budget process. It is important for us to bring you the information that you need to understand the budget. Today, we will focus primarily on water and sewer and possibly the enterprise funds. We will save the general fund for the upcoming budget workshops. I have met with every department head and our team. We have done the work and we are about as good as we are going to get with on some already lean budgets. It would be good for you to see how the sausage is made and give us collective feedback. I am presenting our best attempt because I heard you say what your strategic priorities are, where we can use contract labor, and where we can eliminate positions. We have done a good job with trying to do that. We have to advertise the budget with a bottom line number by May 23, 2022.

Ms. Missy Caughman, Budget, Program Management, and Grants Director said the budget does not include any rate or fee increases. Our goal is to meet City Council’s strategic priorities. We worked with departments starting from a zero based outcome in terms of looking at building their budgets from the ground up. A big impact on this year’s budget is staffing and hiring capacity. We adjusted our minimum wage to $14.50 per hour and you will see that in some of the departments’ budgets going forward. We have to remember any prior commitments for new operations and expanding services. We are facing increased costs related to goods and services. Supply chain issues impact the development of the budget. The proposed water and sewer fund budget is approximately $185 million, which is 1.35% higher than the current budget. Revenue projections reflect moderate growth and normal consumption levels.

a) Water and Sewer Rate Study

Mr. Jeff Palen, Assistant City Manager/Chief Financial Officer said we are looking at a $40 million CIP for 2023. Years two through five show growth back up to $120 million in the CIP. The projections for fiscal years 2024, 2025, 2026, and 2027 are for informational purposes. The projections are updated annually. The total expected revenue is based on last year's budget and the current year's expectations. We have a zero percent increase so we are not adding any additional revenues. The total adjustment to revenue includes return check fees, expansion fees, tap fees and interest earnings. Any remaining cash will go towards the $40 million CIP. The existing debt service is $45 million. We still have to issue the $89 million bond this fall. When we do that, our estimated interest cost for the year will be $2,948,000. The total debt service is $48,309,000. That leaves us with $16 million in operations that we will use to fund the $40 million CIP. We have other transfers and expenditures at $6.9 million out of the $185 million in revenue. We have other capital outlays paid directly out of water and sewer. We target a 2.0 debt service coverage ratio but in some years actuals are more and in some years, the actuals are less. That is the average for most double a rated agencies.

Councilor Taylor asked if we will ever reach a point where we are not borrowing this much money.

Mr. Clint Shealy, P.E., Assistant City Manager for Columbia Water said with the $120 million capital spend you are seeing the need to play catch up for decades of work that needs to be done to replace aging infrastructure. As long as we have the consent decree requirements, we will have an escalated spend. The $120 million may decrease when the consent decree is removed. Then we will need to step up the investment to replace aging infrastructure in the water system.

Councilor Taylor said a 7% rate increase is not sustainable.

Mr. Clint Shealy, P.E., Assistant City Manager for Columbia Water said we review our financials and the rate study every year. In general, the financial performance numbers tend to come back better than the projection.

Councilor Taylor said I would encourage you during this budget process to come back with a longer plan so we can get a feel of when we are out of the consent decree and can move away from projecting this type of rate increase.

Councilor Duvall said you will never get to a point where you don't need rate increases because of the increase of everything going into the system like the cost of pipes, people, and borrowing money.

Councilor Taylor said 7% is not sustainable. If we can grow our economy by getting new investments and growing our water usage then that will do it. When you are not growing your economy and you are having to raise the rates on the same people every year to cover maintenance cost, then you are correct.

Councilor Duvall said we are growing our utilities. We are visiting White Claw on Wednesday.

Councilor Taylor said we need to recruit more. Those rate increases are going to be problematic going forward.

Mr. Jeff Palen, Assistant City Manager/Chief Financial Officer said the projected flow of funds through the whole system for 2023 is $293 million. That is an estimate of where we will be at the end of this year. Coming out of that amount is $24 million for CIP and we will be adding back the $6.6 million that is coming out of operations. The ending balance is $275 million.

Ms. Missy Caughman, Budget, Program Management, and Grants Director said the water and sewer operating budget totals $104,113,138. That is an increase of $2.5 million over the current year. The operating budget priorities include continued provisions for essential services, regulatory compliance, improved customer service, appropriate staffing levels, and the use of private contractors to address potential service area gaps.

b) Capital Improvement Program

i. Water and Wastewater

Mr. Clint Shealy, P.E., Assistant City Manager for Columbia Water said the biggest expenditure out of the operating budget is utilities followed by debt service. Customer Care is also part of that budget. We recently ramped up hiring efforts and moved the staff to work when the majority of the calls are coming in. With the use of an after-hours answering service and the reallocation of resources, we hope there will be a reduction in customer calls. In engineering, we have collapsed five positions. Many of our graduate level engineers know how to do their own drafting so we do not need as many of those drafting positions. In utility operations, regulatory compliance with our consent decree is paramount, as well as making sure we maintain water quality for our customers. Thank you for letting us make some salary adjustments for field staff.

They are very appreciative of what you have done for them.

Ms. Teresa Wilson, City Manager said we have eliminated about 56 positions going into this budget process and we are looking at the use of more contractors.

Mr. Frank Eskridge, Utilities Director said in preparation for this year's budget we were looking for places to save money. We reviewed the organizational charts for water distribution, wastewater maintenance, and the wastewater treatment plant. We reviewed the vacant positions by what we think could be filled this year and what will probably remain vacant. By doing this, we were able to identify 24 positions in water distribution that will save about $1.3 million. It is hard for me to recommend permanent staff reductions when we have to turn back around and hire contractors for the work that we should be doing.

Mayor Rickenmann said we have to hire contractors because we are not able to get the work done in a timely manner. The charge was to focus on what we do best and fill in the gaps where we are not performing.

Ms. Teresa Wilson, City Manager said when we get to the budget next year, we will reevaluate if we were able to make strides without the contract labor and if we need to add some positions back to get there, but we have eliminated 56 positions from utilities.

Council had an in-depth discussion pertaining to contract labor versus in-house labor. Council asked staff to analyze the funding for using contractors instead of filling vacancies to determine the best cost savings for next fiscal year.

Mr. Clint Shealy, P.E., Assistant City Manager for Columbia Water said there are emergency services that we need to have a nucleus of folks to be of service for. We need more bodies but we recognize that we don't need as many as were on the books. If we can't fill the positions we will use the funds to hire more contractors. We are increasing the funding for our contractors in the budget as well. We are hoping we can add to our staff and supplement with contractors to keep working at our backlog. We will collect data on the cost of using contractors and the cost to pay for staff year round for the same work. There is also no rate increase for fiscal year 2022/2023.

Councilor Taylor asked how is personnel charged in the budget of the department.

Ms. Missy Caughman, Budget, Program Management, and Grants Director said every budget includes their base salary plus fringes and taxes; operating costs to include services and supplies; and where applicable it will include capital outlays for vehicles or equipment.

The stormwater budget is $16.1 million; a 3% increase over the current budget. There is no proposed rate increase. Staff is recommending suspension of the final year of the five-year rate plan to allow for a thorough analysis of cash and to evaluate the complete project schedule. City residents pay the stormwater fee, not all water customers. It funds the stormwater improvement program and stormwater operations.

ii. Storm Water Capital Improvement Program

Mr. Jeff Palen, Assistant City Manager/Chief Financial Officer said the cash balance as of March 31, 2022 is $33,337,228. We have outstanding encumbrances; most of them are capital improvement projects. The net cash for operating is $14.4 million. We issued a bond in 2018 and the remaining proceeds is $29,825,107. The total amount available is $44 million, which will help pay for part of the $11 million CIP in this year's budget.

Ms. Missy Caughman, Budget, Program Management, and Grants Director said the stormwater operating budget is made up of public works and engineering. Debt service is included at $2,489,600. The transfer out total is $5,780,835. This includes the cash portion of the capital improvement program of $5,100,835 and the general fund indirect cost allocation of $560,000.
Councilor Brennan asked if the county and the city are working together on the larger stormwater projects.

Mr. Clint Shealy, P.E., Assistant City Manager for Columbia Water said yes, we have worked together on Belvedere, Yorkshire, and other areas where the lines of responsibility are less clear. We have been working together to fund those improvements. If it is within the city, we take over for operations and maintenance. Inflation and our cost for chemicals has been a driver in terms of our budget. When we are treating water or waste, there are three big components to our cost: licensed or certified personnel 24/7 365 days; the power to run the equipment and pump the water; and the treating compounds. We have seen a 25% increase in the cost of chlorine, which is our primary disinfectant.

Mayor Rickenmann asked what percentage of the budget is for chemical treatment.

Mr. Clint Shealy, P.E., Assistant City Manager for Columbia Water said the chemicals are about 20-25% of the total operating budget.

Mr. Frank Eskridge, Utilities Director said the increase this year at the wastewater plant is going to be about $2 million just for chemicals. At the two water plants it is about $2 million. Chlorine from the first quarter of 2021 to now has doubled in price from $650 a ton to $1,300 a ton.

Mr. Clint Shealy, P.E., Assistant City Manager for Columbia Water said some of you may be pleasantly surprised with the zero rate increase. There are a couple of things that allowed us to be in the position to do that. We are in compliance with the consent decree but we are requesting more time from the EPA because of what COVID has done to us financially, staffing wise, and to the cost of things. We will be able to apply for infrastructure grants for water, sewer, and stormwater through the state’s allocation of the American Rescue Plan Act funds that will be administered by the Rural Infrastructure Authority. The awards will be about $10 million per project. We have built one project award into our $40 million CIP assuming that we get one project capped at $10 million. We are very hopeful and lobbying very hard to receive more than $10 million due to our population. The bill has not been finalized but it is another opportunity to add more funding into our capital spending plan. We also have a collection issue. If we can collect on some of this bad debt, then that brings more cash into the system and we can invest more. In general, one-third of the CIP funding is going towards drinking water and two-thirds towards wastewater. Our priorities are to stay in regulatory compliance, treat an adequate volume of water, and have excellent water quality. Water quality is 60% of our expenditures to address discolored water and water leaks from aging infrastructure. The Canal and Lake Murray Water Treatment Plant Filter Improvements is funded at $2.5 million due to cost escalations. The Rosewood Area Waterline Replacement is funded at $3 million for phase one. The cost of all materials has increased and we need extra funding. Water quality projects citywide is funded at $4 million. This is used to identify areas where we have continual leaks, discolored water complaints, and pressure problems. Our intention is to let small contractors execute that kind of work. Shandon water quality is not on here this year. We are completing the design and will be ready to move to construction next year. Minimizing sanitary sewer overflows and making sure we have capacity in our lines is also very important. We are stepping back in terms of our spend this year with a proposed wastewater CIP of $27 million to include the West Columbia Pump Station Improvements and Saluda River Force Main Extension. Our drivers in terms of capital projects are to try and address nuisance flooding and restore ditches or streams to make them work and look better. The total CIP for stormwater is $11 million.

c) Debt Service Schedule

Mr. Jeff Palen, Assistant City Manager/Chief Financial Officer said we are taking a look at all of our debt reflected in the general fund. It is broken out by principal, interest and the total amount. The capital lease repayment schedule is also included in the debt service. We use that mostly for our rolling stock for the general fund. The capital lease for this year is $9 million. The water and sewer debt service schedule is larger than the others. Our total outstanding principal is $675,975,000. That will be paid off between now and fiscal year 2052. For fiscal year 2023, the total amount is $45 million. There is also an additional amount from the study of $2 million that is not included yet. That is the bond that we still have to issue this fall. We issued a bond back in 2018 for approximately $43 million. That was the first part of the stormwater rate study. The parking debt service schedule for fiscal year 2023 is a total of $3 million. The hospitality tax debt service schedule includes the next five years. We do not have anything coming up.

d) Fiscal Year 2022/2023 Proposed Budget

Ms. Missy Caughman, Budget, Program Management, and Grants Director said the parking fund revenues for fiscal year 2022/2023 are projected at $9,238,702. It does not include the use of American Rescue Plan funds. The strongest revenues come from parking meters and garages. The Freed Street deck and the Sabal Street decks at Bull Street are opening in the coming fiscal year and revenues are projected for both garages. The parking study is underway.

Mr. Jeff Palen, Assistant City Manager/Chief Financial Officer said parking systems are hard to compare to other systems because they are run differently. Some are a general fund and some are an enterprise. We have not had a parking rate increase in the past 14 years I have been here. We had a penalty increase one time of about a $1. Once we meet with the people doing the rate study, we could come back and take a look at this differently based on the revenues. We do have a lot of improvement needs. The parking fund cash balance as of March 31, 2022 is $8,348,181. We have capital and operating encumbrances at $2,007,139, leaving the net cash at $6,341,042. There are no outstanding bond funds.

Ms. Missy Caughman, Budget, Program Management, and Grants Director said the parking fund operating budgets total is $5,236,688. It reflects both parking facilities and parking operations like Support Services staff, meter readers, garage attendants and parking operators. There is a debt service of $3,060,014 and a transfer to the general fund of $500,000. The hospitality tax budget for fiscal year 2022/2023 is $12,735,189. That is a 27% increase over the current year's budget and a 2% increase over the current year's projected and prior year's actual collections. It is more representative of pre-pandemic collections. We are not including any allocations from the American Rescue Plan in this budget or the current budget. We have a fund balance of $4.1 million beginning July 1, 2022. We are projecting to collect $12.1 million and have a budget of $13 million. We are projecting to add about $913,629 to the budget. We will be ending June 2022 with a fund balance of $3.2 million. The proposed budget available for allocation is $6.5 million. The proposed budget includes a transfer to general fund of $3.7 million and a debt service of $2.5 million based on existing debt service. In regards to allocations, we have the Hospitality Tax Committee that makes recommendations from the amount Council will allocate. We have received all the applications that will be reviewed by the Hospitality Tax Committee.

Mayor Rickenmann asked where did the line item requests come from.

Ms. Missy Caughman, Budget, Program Management, and Grants Director said what you see on the proposed budget is what has been requested from the organizations. City staff has not made any recommendations for allocations to the line item agencies or the committee. We also have allocations made directly by City Council to organizations or events. These may include multiyear commitments. This list may include organizations that have also received funding from the Committee, in which case the organization is listed in both places. We have in the past funded the Parks and Recreation Foundation for special events and the River Alliance. Today, we are looking at how much City Council would like to allocate to the committee. The City Council proposed hospitality tax funded programs include forming an Office of Cultural Affairs and Riverbanks Zoo to replace the city's portion of the property tax millage for Riverbanks Zoo.

Mayor Rickenmann said when it comes to the fund balance at the end of the year, we have to decide what we want to put in reserve and what we want to place into other projects that will benefit the community. We have to make a decision by the end of the month on what amount we want to give to the Hospitality Tax Committee. We can keep discussing the amount in the upcoming budget meeting.

Ms. Missy Caughman, Budget, Program Management, and Grants Director said the accommodation tax projected budget for fiscal year 2022/2023 is $2,660,000. Accommodations tax is allocated by state law; 90% of the budget has to be allocated to tourism and marketing related activities. Historically, Council has allocated those funds to two groups, Experience Columbia received 85% of the budget and Lake Murray Country Regional Tourism Board received 15%. We also have what is called the general purpose, which is 5% and can be used for general types of activities. In the past the funds have been allocated to One Columbia and Together We Can Read. We have not made any recommendation for allocations. By law, the Accommodations Tax Committee has to meet to make the decisions.

e) Fiscal Year 2022/2023 Budget Calendar

Ms. Missy Caughman, Budget, Program Management, and Grants Director said we will bring back additional budget discussions next week. To meet the public hearing requirements and deadlines for the June 7, 2022 public hearing and first reading, we have to send the advertisement by May 19, 2022. By state law, we have to advertise the general fund budget revenues and expenditures. We will have budget workshops on May 24, 2022 and March 31, 2022. The second reading will be June 21, 2022. The fiscal year starts July 1, 2022.

Mayor Rickenmann said we need to stay on the June 7, 2022 schedule as much as possible. The intent is to be able to reinvest within our departments and city. We are not looking to extract money and take it somewhere else. We want to invest in training, personnel, and contract work. We need to make sure we are proving excellent customer service to the public.

ADJOURNMENT

The meeting was adjourned at 5:00 p.m.

Respectfully submitted:

Erika D. Moore Hammond, CMC
City Clerk