

2021 Budget Discussion

Monday, May 18, 2020

Staff Concerns

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

New Budgeting Philosophy

New Budgeting Philosophy

- Eliminating some of the “double budgeting” of intragovernmental charges
 - Moving two internal service fund operations into the General Fund (Facilities Management and Community Relations) will eliminate two internal service funds and their reserves, eliminating charges to General Fund departments, will cause reserves remaining at the end of FY 2020 to be moved into the General Fund
 - Moving Utility Customer Services into the various utility funds eliminates a separate fund, eliminates charges between these funds, and reserves remaining at the end of FY 2020 will be moved into the Utility Fund reserves (water, electric, sewer, solid waste, storm water)

New Budgeting Philosophy

- Simplifying the calculation of some of our Intragovernmental charges
 - Community Relations Fees - now based on the same model as our G&A Fees (% of total expenses shown in last year's financial statement instead of a much more complicated model in previous years)
 - Combining GIS fees into IT Fees (since they are in the same fund) and simplifying the model to be based partially on the percent of total expenses in last year's financial statement and partially on the basis of the number of network computers each department has

New Budgeting Philosophy

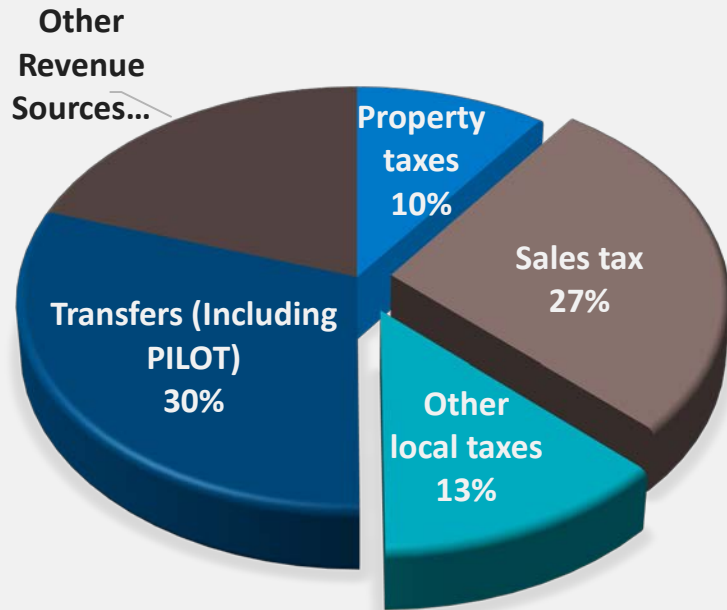
- Combining some transfers into existing Intragovernmental charges
 - Incorporating the transfer of funds from Parking to Streets for the maintenance of parking spaces and the transfer of funds from Airport to Police into the G&A Fee calculation (eliminates separate transfers)
- Consolidating operations
 - Moving Parking Enforcement under the Police Department will increase police presence downtown and will free up general funds as Parking Fund will pay for this service through G&A Fees

Revenue

Current Revenue Outlook

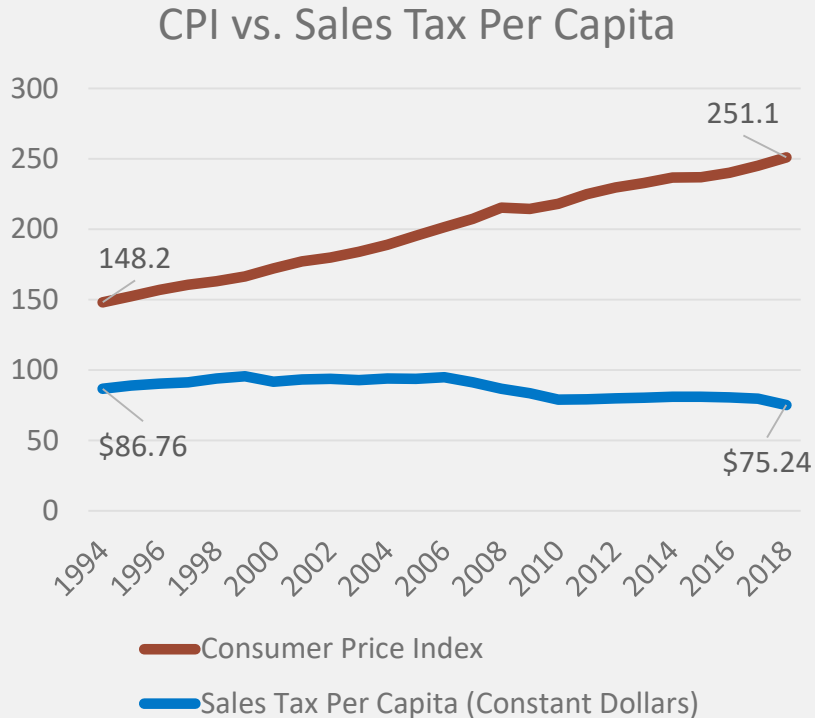
General Fund Revenue	FY19 Actual	FY20 Estimations*	As of 5/1/20
General property taxes*	8,546,077	8,990,000	9,157,302
Sales tax	23,184,765	20,866,289	10,338,351
Other local taxes	11,113,026	8,922,814	4,923,930
Licenses and permits	1,087,577	870,062	104,380
Fines	1,266,756	886,729	569,388
Fees and service charges	2,378,121	1,664,685	1,280,545
Intragovernmental revenue*	5,774,864	5,774,864	3,383,394
Revenue from other governmental units	3,429,636	3,429,636	1,756,329
Investment revenue	1,769,561	1,238,693	568,002
Miscellaneous	1,199,406	839,584	985,437
Transfers (Including PILOT)	25,871,229	25,871,229	13,600,218
Total	85,621,018	79,354,584	46,667,275

Revenue Breakdown



- Sales tax and Other Local taxes (Gross Receipts taxes) account for 40% of General Fund revenue
- Sales tax has grown 2.7% since 2014, but the population has grown 5%, and CPI 6% over that same time period
- Gross Receipts taxes have been on the decline since 2014 (down 15% in 2019)

Sales Tax Per Capita



- Over the past 25 years the CPI has increased 69%, but the Sales Tax Per Capita in constant dollars for the City has fallen 13%. This means that patrons within the City of Columbia paid just \$75.24 in sales tax on \$251 worth of goods, but 15 years ago paid \$86.76 in sales tax on that same basket of goods but at the lower price.

Alternative Revenue Options

- Administrative Transfer from Sewer, Solid Waste, and Parking funds
 - Recoup General Fund expenses such as CMO time, Legal, Public Relations, Police (enforcement), Public Works Admin, etc.
 - \$3 million estimated revenue increase
- Increase Business License fees
 - Fee structure has not been changed since 1964

Alternative Revenue Options

- Use Tax
 - The City receives zero dollars for the purchase of goods, by residents, from out-of-state vendors. Businesses like Amazon have agreed to collect state and local taxes, but only cities that have passed a local use tax can expect revenue from such businesses.
- Public Safety (Sales or Property tax)
 - Would help alleviate some of the constraints on the General Fund by creating a revenue source for Police and Fire
- Public Health Tax (Property tax)
 - Would help alleviate constraints on the General Fund, but also help to stabilize the City's volatile sales tax revenue

Transportation Sales Tax

- We are currently assuming a 10% decline in sales tax revenues for FY 2020 from FY 2019
 - Recommend reducing the operating transfers from this fund in FY 2020:
 - Reduce transfer to General Fund by amount department estimates coming in under budget
 - Transit Subsidy - as this will be offset by FTA CARES funding (still in application process)
 - Airport Subsidy as this will be offset by FAA CARES funding

Transportation Sales Tax

- Recommend eliminating operating transfer to Airport for FY 2021, FY 2022, FY 2023 as they will receive FAA CARES funding and using the sources to fund additional airport terminal phases instead of Designated Loan Funds

Personnel Changes

FY 2021 Pay Plan

What We Know So Far

- 2.1% CPI Increase reported for December, 2019 (we use December number each year)
- Consultant has recommended we change our pay grades by 2.1% - this would cause some employees to be below the new range and receive a move to minimum adjustment

FY 2021 Pay Plan

What We Know So Far

- Starting/ job specific pay guidelines/ordinances currently in place:
 - \$15 per hour minimum starting pay for all permanent positions (*25 classifications will have a new market minimum that is still below \$15*)
 - CDL Operator starting pay - \$16.50 per hour
 - Refuse Collector \$17 per hour /Senior Refuse Collector starting pay \$18.70 per hour

FY 2021 Pay Plan

What We Know So Far

- Starting/ job specific pay guidelines/ordinances currently in place for:
 - Apprentice/Journeyman Lineworker, Communication Tech, Substation Tech pay guideline
 - NERC Certified Balancing Authority Operator and NERC Compliance Officer pay guideline
 - Solid Waste incentive program - pay for full shift when routes completed in less than a full shift

FY 2021 Pay Plan

What We Know So Far

- Starting/ job specific pay guidelines/ordinances currently in place for:
 - Police field training officer - 5% above base
 - CDL state examiner/CDL state examiner coordinator - 2.5% and 5% above base
 - Fire certified paramedic - 2.5% above base

FY 2021 Pay Plan

What We Know So Far

- Starting/ job specific pay guidelines/ordinances currently in place for:
 - CDL hazardous materials license endorsement - \$0.50 per hour above base
 - Water Distribution CDL Operator with DS III certification - \$0.75 per hour above base

FY 2021 Pay Plan

What We Know So Far

- LAGERS rate changes
 - General - No change (stays at 13.6%)
 - Utility - Increase from 16.1% to 17.1%
- Police Pension rate change: Increase from 42.80% to 43.84%
- Fire Pension rate change: Increase from 63.81% to 65.31%
 - **\$212,445 General Fund Increase**

Health/Dental Insurance Rate Changes for FY 2021

Original Projection

- 2.6% contribution increase to the medical/prescription plan with no margin built in
 - Based on medical claim cost increase trend of 6.8%
 - Prescription claim cost increase trend of 7.1%
- Original health plan contribution increase for CY 2021 was 3.95%, which provides a 1.35% margin.

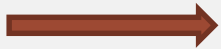
Health/Dental Insurance Rate Changes for FY 2021

New Information - after COVID 19

- 5/4/2020 plan review included COVID19 plan expense unknowns, two known large claims that have not hit the plan yet, and delayed medical care for conditions things other than COVID19 expected to impact 2021.
- Federal requirements to cover total cost of COVID19 treatment with no cost share (deductible or out of pocket requirements) for covered employees/dependents are anticipated.
- Current recommendation is to increase health plan contributions by 7.1%, with a 4.5% margin.
- Middle ground recommendation is to increase health plan contributions by 5.6%, with a 3% margin.

Health/Dental Insurance Rate Changes for FY 2021

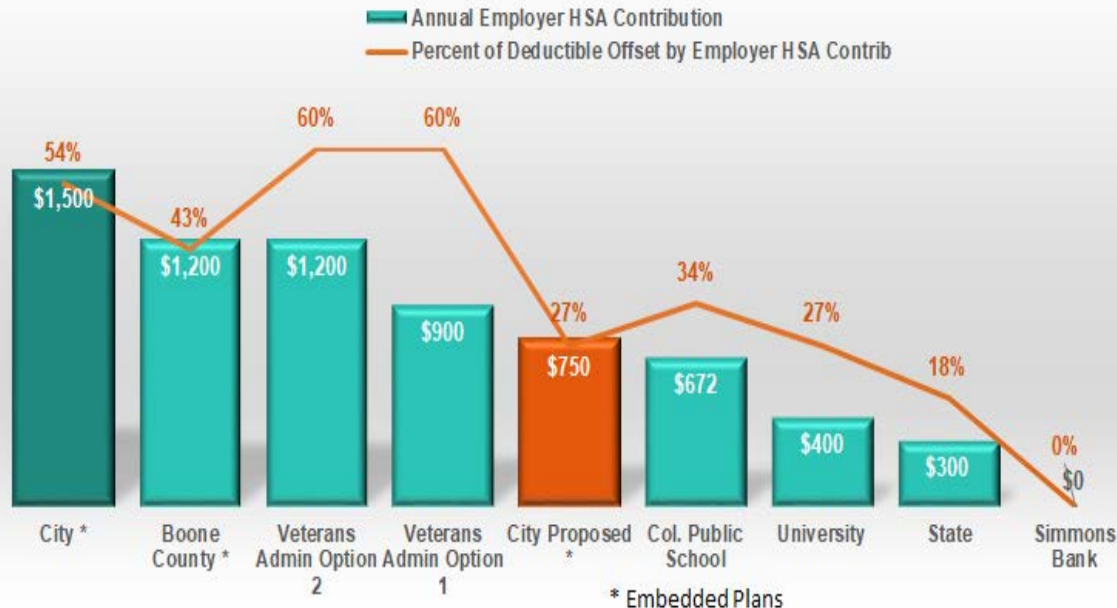
Increase to Health Plan Contributions	City's Annual Cost of Increase
3.95%	\$300,000
5.60%	\$430,000
7.10%	\$540,500



- Recommendation: Increase health plan city contributions and employee premium rate 5.6% for FY 2021 (beginning 01/01/21)
- Dental plan - fully insured plan - City cost for employee only coverage and premium rates for dependent coverage will increase 5% in FY 2021 (beginning 01/01/21)

City HSA Contributions for Employee Only Coverage in HDHP

Annual Employer HSA Contribution Employee Only Coverage



Current City HSA contribution percent of 54% is higher than most other employers

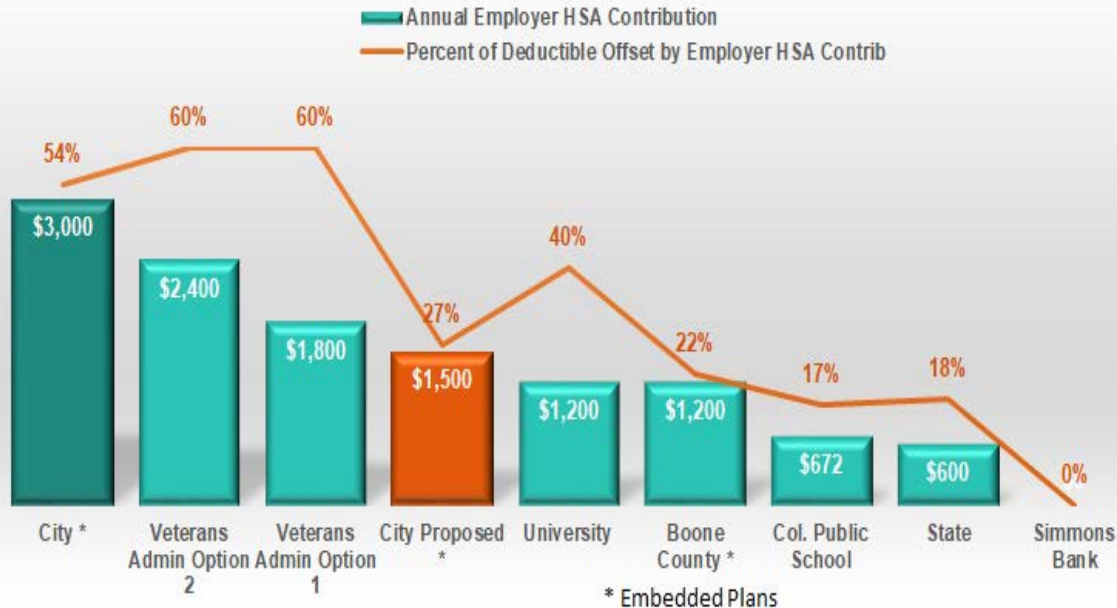
Average employer HSA contribution percent is 30%

Recommend changing from \$1,500 to \$750 per year

City HSA contribution percent would be 27%

City HSA Contributions for Employee Only Coverage in HDHP

Annual Employer HSA Contribution Full Family Coverage



Current City HSA contribution percent of 54% is higher than most other employers

Average employer HSA contribution percent is 30.5%

Recommend changing from \$3,000 to \$1,500 per year

City HSA contribution percent would be 27%

Proposed Changes to City HSA Contributions for FY 2021

- Reduce City's HSA Contribution for Employee Only from \$1500 to \$750
- Reduce City's HSA Contribution for Family coverage from \$3000 to \$1500
- City Savings = approximately \$380,000 in FY 2021 (nine months) and would nearly offset the City's cost of the 5.6% Health Insurance increase

	Pay Plan Adjustment Order						General Fund Cost	Other Funds Cost	Total Cost
	1	2	3	4	5	6			
Option 1	2.1% Market Adjustment to Ranges and Including Starting Pay Guideline	Move to New Minimum	--	--	--	--	\$192,295	\$124,285	\$316,580
Option 2		Move to New Minimum	2.1% Across the Board	1% Supervisor Adjustment	--	--	\$1,338,604	\$1,139,700	\$2,478,304
Option 3		2.1% Across the Board	Move to New Minimum	Move to Midpoint	Performance Pay	1% Supervisor Adjustment	\$2,346,129	\$1,602,694	\$3,948,823
Option 4		Move to New Minimum	2.1% Across the Board	Performance Pay	Move to Midpoint	1% Supervisor Adjustment	\$2,537,898	\$1,699,193	\$4,237,091
Option 5		Move to New Minimum	Move to Midpoint	2.1% Across the Board	Performance Pay	1% Supervisor Adjustment	\$3,005,994	\$1,903,434	\$4,909,428

City Utilities

Maintenance Items Moved from CIP to Operating Budget

WATER:

\$300,000 - Fire Hydrants & Valve Replacements

\$185,000 - Replacement of Service Lines

\$250,000 - Water Meter Replacements

\$100,000 - Deep Well Abandonment

\$835,000 TOTAL

Maintenance Items Moved from CIP to Operating Budget

ELECTRIC:

\$220,000- Replace Transformers and Capacitors

\$400,000 - 161 & 69 kV Transmission System Replacement

\$500,000 - 13.8 kV Underground System Replacement

\$750,000 - 13.8 kV Overhead System Replacement

\$350,000 - Replace 13.8 kV Switchgear at Substations

\$2,220,000 TOTAL

Potential Revenue Increases

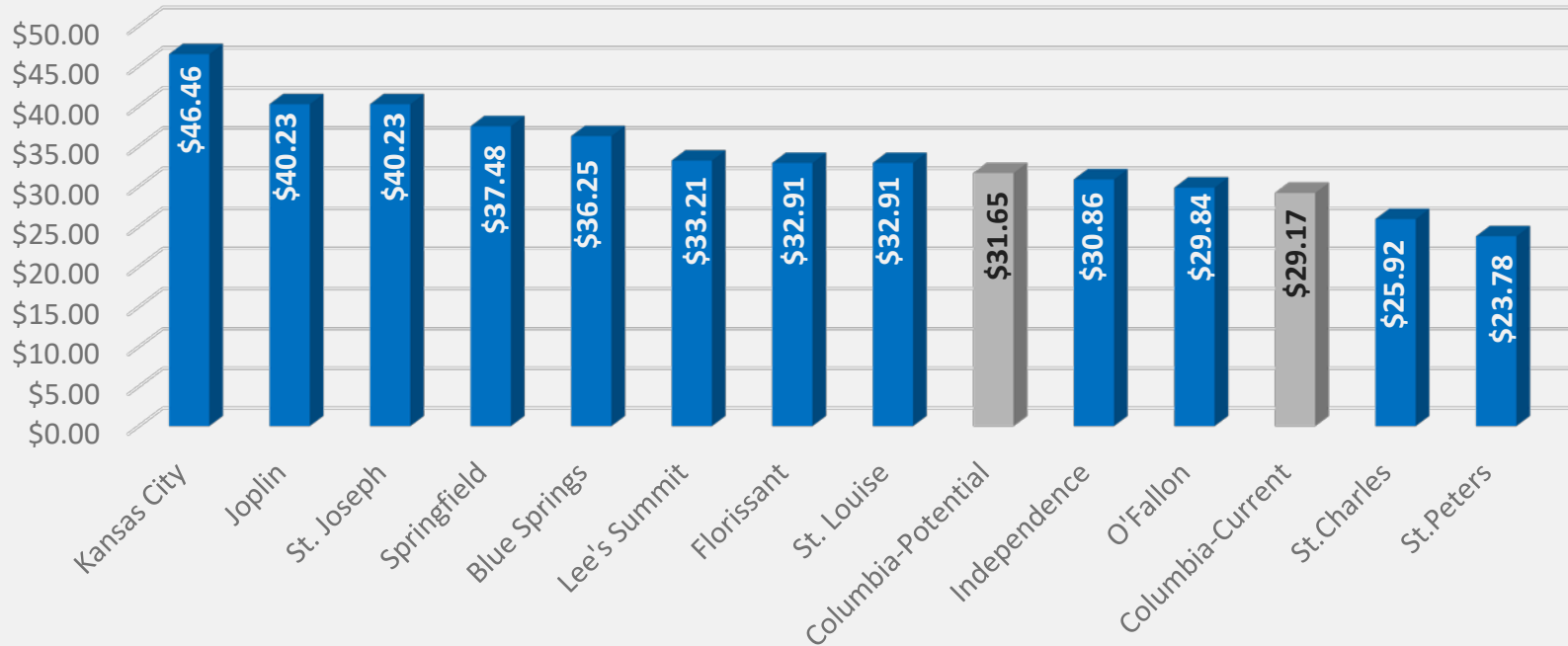
- Water:
 - 3% debt increase (3% debt increase implemented in January 2019, 11% in total)
 - The utility continues to pay P&I on the water bond issued in June 2019. Staff did not propose this 3% increase in February 2020 as originally planned
 - 5.5% operating & maintenance increase
 - Revenue increase would cover the \$835,000 moved from CIP to operating budget (slide #30)
 - Additional funding of \$400,000 for lime hauling from lagoons at the Water Treatment Plant
 - Additional funding of \$150,000 for well field maintenance
- 8.5% TOTAL

NOTE: these potential revenue increases will not be brought forward with the FY 2021 budget. Staff will evaluate the actual FY 2020 financials and bring forward any recommendations to Council in January/February 2021

Water Rate Comparison

FY21 Water Residential Rate Comparison

Based on 6.68 CCF (5,000gal) of water use. Cities are all Missouri Cities larger than 50,000 residents. (Per MPUA)



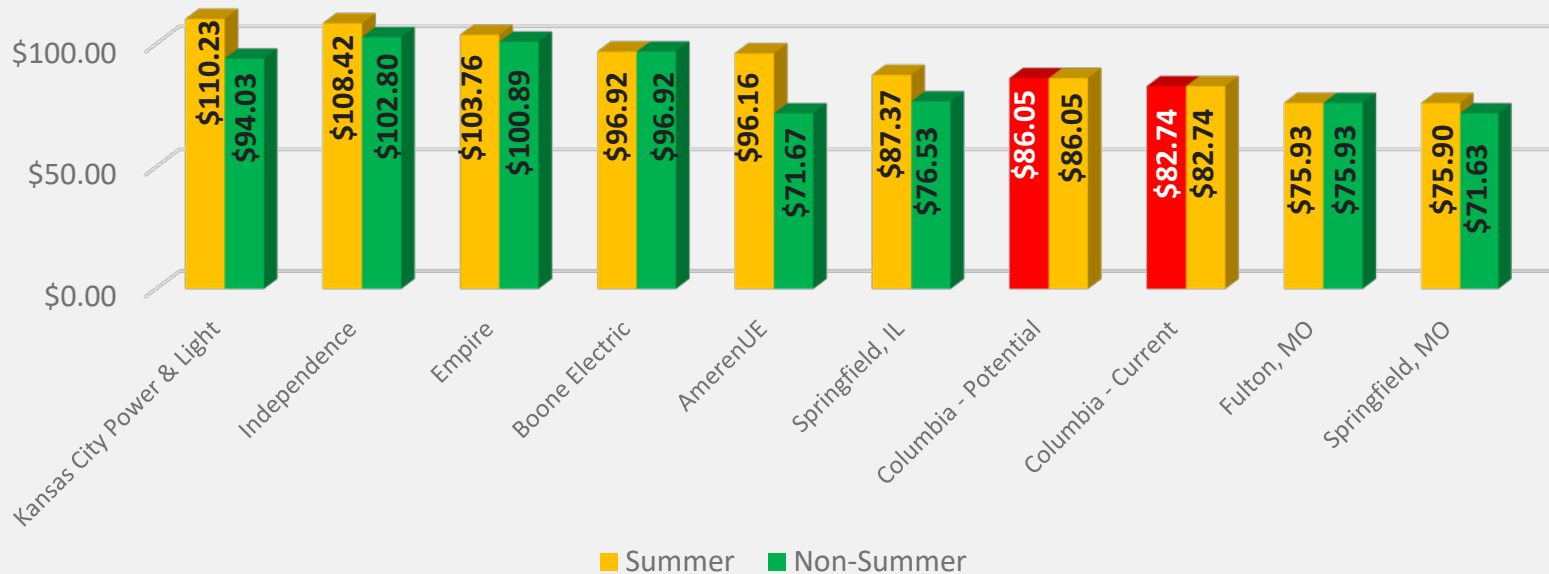
Potential Revenue Increases

- Electric:
 - 4% operating & maintenance revenue increase
 - Revenue increase would cover the \$2.2 million moved from CIP to operating budget (slide #31)

NOTE: these potential revenue increases will not be brought forward with the FY 2021 budget. Staff will evaluate the actual FY 2020 financials and bring forward any recommendations to Council in January/February 2021

Electric Rate Comparison

FY21 Electric Residential Rate Comparison
Based on 718 KWH of energy use



Potential Revenue Increases

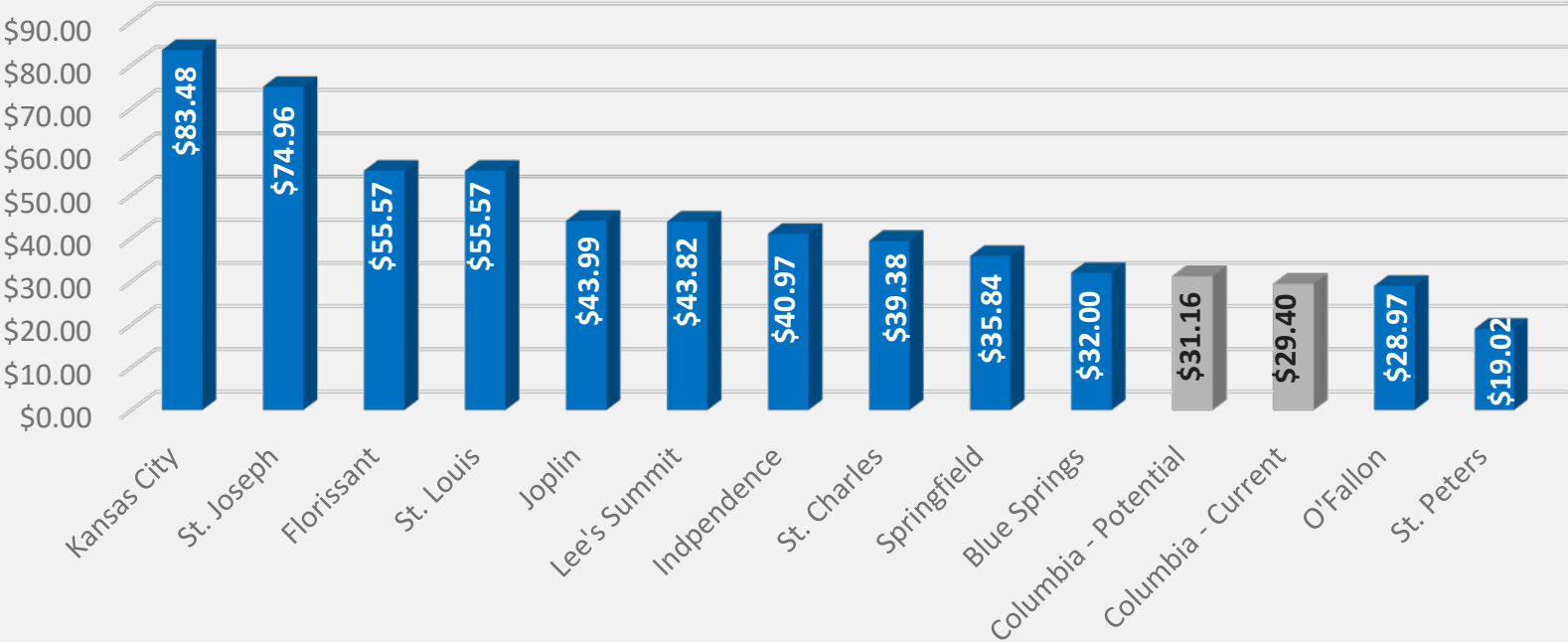
- Sewer:
 - 6% operating & maintenance revenue increase
 - 4% of revenue increase is for the Columbia Wastewater & Stormwater Integrated Management Plan
 - 2% of revenue increase would be for a portion of the Administrative transfer to the General Fund (if approved)

NOTE: these potential revenue increases will be brought forward with the FY 2021 budget.

Sewer Rate Comparison

FY21 Sewer Residential Rate Comparison

Based on 6.68 CCF (5,000 gal) of water use. Cities are all Missouri cities larger than 50,000 residents. Data provided by MPUA.



Potential Revenue Increases

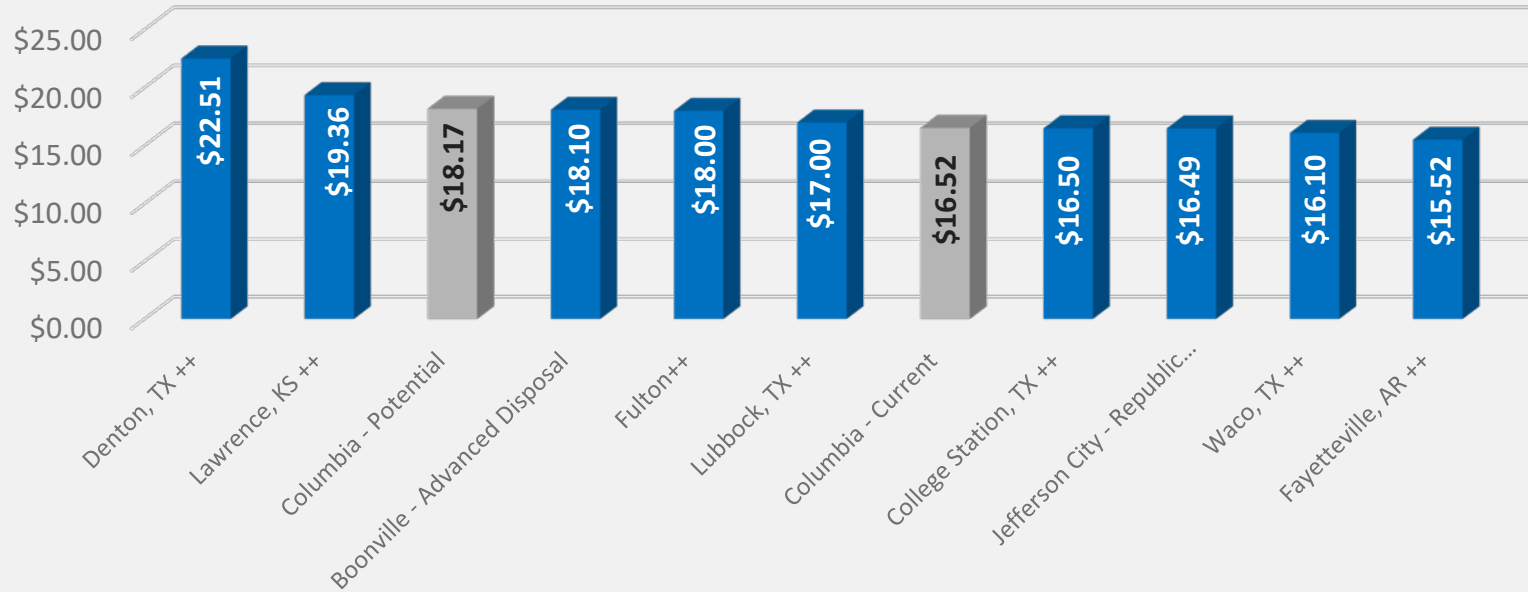
- Solid Waste:
 - 7% operating & maintenance revenue increase for Landfill
 - 10% operating & maintenance revenue increase for Commercial, Residential and CID
 - 7% of revenue increase would be for the Administrative transfer to the General Fund (if approved)
 - 3% of revenue increase if for normal operating expenses

NOTE: the potential 7% revenue increase for the Administrative transfer will come forward with the FY 2021 budget. The remaining 3% revenue increase will not be brought forward with the FY 2021 budget. Staff will evaluate the actual FY 2020 financials and bring forward any recommendations to Council in January/February 2021

Solid Waste Rate Comparison

FY21 Solid Waste Residential Rate Comparison

Based on weekly pick-up of residential refuse, recycling, and yard waste



Potential Revenue Increases

- Storm Water:
 - No operating revenue increases are being proposed
 - Implemented the last revenue increase passed by voters in FY 2020

Trash Collection Services Temp Agency Expenses

Fiscal Year	Amount Spent
2020 YTD *	\$291,368
2019	\$504,620
2018	\$229,006
2017	\$124,244
2016	\$14,057
TOTAL	\$1,163,295

* Based on year-to-date expenses we could potentially pay over \$600,000 in FY 2020

Covid-19 Spending and Reimbursement

Current Spending

- Total Spending
 - Personnel Cost \$2,107,674
 - Operating Supplies and Materials \$200,310
 - Service and Misc. Charges \$7,276
 - Total Cost \$2,315,260

CARES Act Funding

- Columbia Regional Airport - \$18.8 million FAA CARES Act Grant
- Transportation - \$6.5 million FTA Cares Act Grant
- Public Health and Public Safety - \$435,000 DOJ Cares Act Grant
- General fund - No Funding currently

Council Input Needed

- The need of the City to move toward stabilizing the volatility in the revenue base (balance between property tax and sales tax)
- The level of unrestricted reserves the City is comfortable using. Current reserves above the targeted amount are at \$16.5 million
- Challenges facing trash collection service given the continued vacancies and high cost of temps
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