

SPECIAL CALLED COUNCIL MEETING – COLUMBIA, TENNESSEE

June 29, 2010 – 5:30 p.m.

Mayor Dickey read the notice of the Special Called Meeting.

Council Member Martin moved to spread the Special Called Meeting upon the minutes. Council Member Stephenson seconded the motion. All Council Members present voted aye.

Mayor Dean Dickey called the Special Called Council Meeting to order, pursuant to proper notice having been given. City Recorder Betty Modrall called the roll. Present were Mayor Dean Dickey, Vice Mayor Wayne Kennedy, Council Members: Debbie Matthews, Christa Martin, Mike Greene and Susan Stephenson, City Manager Paul C. Boyer, Jr., City Attorney Tim Tisher, City Recorder Betty Modrall and Recording Secretary Liz Bermudez. Council Member Carl McCullen was absent.

Council Member Martin offered the invocation followed by the Pledge of Allegiance led by Council Member Greene.

Vice Mayor Kennedy advised that Council Member McCullen called him a little while ago to say he will not be present tonight.

RESOLUTIONS:

Item 4.1 – **RESOLUTION NO. 10-29 – AUTHORIZATION TO EXECUTE A CALCULATION FORM FOR THE 2010 CERTIFIED CITY TAX RATE – CITY RECORDER’S OFFICE.** Council Member Martin moved to approve Resolution No. 10-29. Council Member Greene seconded the motion. City Manager Boyer said under State Law after the reassessment is completed City Council is required to acknowledge that the assessment is a new assessment and what the certified tax rate has been set at by the State Board. City Manager Boyer advised that rate is the rate that would generate the same amount of revenue that would have been generated prior to the reassessment. City Manager Boyer said the point of this is to create a situation where there is formal acknowledgment of the rate and prohibits a tax increase that is not formally and openly acknowledged. City Manager Boyer advised under the current assessment, that has been presented by the County Assessor and approved by the State, it would take a tax rate of \$1.3358 at the new assessed value to create the same amount of revenues based on last year’s tax roll at a \$1.38. Vice Mayor Kennedy said

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at \$1.30 it generates the same amount of money the City had last year. City Manager Boyer advised \$1.3358 generates the same amount of revenue based on the new assessment as would have been generated by \$1.38. Vice Mayor Kennedy said the City is going from \$1.30 to \$1.33. City Attorney Tisher advised it is \$1.3485. City Manager Boyer apologized for being on the wrong form. City Manager Boyer said \$1.3458 would generate the same amount of revenue at the new assessed values that would have been generated last year at \$1.38. Vice Mayor Kennedy said he wants to talk about the budget regarding insurance for the employees. City Manager Boyer advised Vice Mayor to bring that matter up with the next item on the Agenda. All Council Members present voted aye.

ORDINANCES:

Item 5.1 - **3RD CONSIDERATION OF ORDINANCE NO. 3854 – AN ORDINANCE FIXING THE TAX RATE FOR THE CITY OF COLUMBIA FOR THE YEAR 2010 ON ALL TAXABLE PROPERTY AT THE RATE OF \$1.30 PER \$100 – CITY RECORDER’S OFFICE.** City Manager Boyer advised staff recommended a tax rate for first consideration and second consideration of \$1.30 based on the budget that was recommended; but after second consideration the County Assessor contacted City Recorder Betty Modrall to tell her the City may want to hold off on adopting the final tax rate because they are having more appeals than what was normal. City Manager Boyer said in his absence staff recommended Council defer this and hold a Special Called Meeting to allow Mr. Dooley to complete the process and set a tax rate needed to fund the budget. City Manager Boyer advised the assessed value, as a result of the appeals in the City, has decreased approximately \$10.8 million. City Manager Boyer said as a result staff needs to recommend to Council that they add a penny to the tax rate that has been discussed throughout the budget process to fund the budget as it currently sits. City Manager Boyer advised that results in a tax rate of \$1.31 which is still 3.85¢ lower than the certified tax rate, so it still amounts to a tax reduction of 3.85¢. City Manager Boyer said that tax rate will generate \$8,896,000, which is about \$27,000 more than \$1.30 would have raised at the previous assessed value; but it is as close as the City could get in round pennies to where the City stands with the budget after second consideration. City Manager Boyer said staff is recommending if Council wants to adopt the budget as

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recommended in Item 5.2 Council will need to make a motion to get the existing Ordinance on the floor of \$1.30 and staff is requesting that Council amend the rate to \$1.31 and then approve the Ordinance. City Manager Boyer said if Council wants to make changes to the budget, then another discussion will need to take place. Vice Mayor Kennedy asked when Council can discuss making changes to the budget. City Manager Boyer advised *Robert's Rules of Order* says that discussion would not be held now, but the problem is if Council wants to change the budget in its current state then the tax rate would have to change. Vice Mayor Kennedy spoke about adding 2¢ and still staying under \$1.33. City Manager Boyer advised technically it would be out of order but he does not know practically how Council would get that done if that was not done now. City Manager Boyer said it would be up to the Chairman. City Attorney Tisher advised Council that they have two options. City Attorney Tisher said Council can amend the rate and then do the Budget Ordinance or Council can defer this item to the end of the Agenda and discuss the Budget Ordinance and put it in place and come back to this Ordinance so Council will know what it needs to fund it. Vice Mayor Kennedy asked if Council can change it after they okay it and at the end of the budget go back to it. City Attorney Tisher advised the Tax Rate Ordinance can be deferred to the end of the Agenda so Council can go over the Budget Ordinance first, leaving the Tax Rate Ordinance for the last item on the Agenda. Council Member Matthews moved to defer Ordinance No. 3854 to the end of this Agenda. Vice Mayor Kennedy seconded the motion to defer the Ordinance to the end of the Agenda. All Council Members present voted aye. Ordinance No. 3854 was deferred to the end of the Agenda.

Item 5.2 - 3RD CONSIDERATION OF ORDINANCE NO. 3848 AS AMENDED – APPROPRIATION ORDINANCE FOR FISCAL YEAR JULY 1, 2010 THROUGH JUNE 30, 2011 – FINANCE DEPARTMENT. City Manager Boyer said the budget before Council is unchanged from the original proposed budget except for some technical corrections to move money to where it is supposed to be. City Manager Boyer advised he has not received a request from Council Members about any changes. Mayor Dickey moved to approve Ordinance No. 3848 on third consideration for the purpose of discussion. Council Member Martin seconded the motion. Finance Director Patti Baltzer requested that Council amend this Ordinance to include the three modifications listed on page three

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of the Agenda and adopt the Ordinance as amended. Council Member Greene moved to amend Ordinance No. 3848. Council Member Matthews seconded the motion. Council Member Stephenson said she is going to be voting no on this Ordinance because she does not agree to the first bullet point. Vice Mayor Kennedy said he has a question about bullet point number one. Vice Mayor Kennedy said the money from the Parks and Recreation Department was being used and it was for benefits and insurance. Finance Director Baltzer advised when the Assistant City Manager position was proposed a salary and benefit budget was created in February and when the position was budgeted it was budgeted at the minimum level, so if the person was hired anything above entry level it would create a deficit. Finance Director Baltzer advised they are trying to align the budget with the actual pay the person is receiving because it was budgeted at the bottom. Vice Mayor Kennedy asked what the budget increase covers. City Manager Boyer said the person that was hired came in above entry level. Vice Mayor Kennedy said he thought they had discussed this in the meeting and the money was there to take care of this. City Manager Boyer advised that is what he told Council. Council Member Stephenson asked Finance Director what the Assistant City Manager's salary rate is if it is not at the minimum, is it the maximum. Finance Director Baltzer advised it is less than mid-range. City Manager Boyer said it is the lowest of all the management staff and it is only a couple thousand dollars above the minimum. Council Member Stephenson asked that the figure be given to her when he is able to give that to her. Vice Mayor Kennedy advised he is not against this he just did not understand it. All Council Members present voted aye on the amendment with the exception of Council Member Stephenson who voted no. Council proceeded to vote on the Ordinance as amended. All Council Members present voted aye on Ordinance No. 3848 on third consideration as amended with the exception of Council Member Stephenson who voted no.

Item 5.3 - **3RD CONSIDERATION OF ORDINANCE NO. 3853 - AN ORDINANCE TO APPROVE THE CLASSIFICATION AND COMPENSATION PLAN FOR THE EMPLOYEES OF THE CITY OF COLUMBIA FOR THE 2010-2011 FISCAL YEAR – PERSONNEL DEPARTMENT.** Council Member Martin moved to approve Ordinance No. 3853 on third consideration. Council Member Matthews seconded the motion. Vice Mayor Kennedy advised he will be voting no on this

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Ordinance because he is not satisfied with some of the rates for some of the employees. All Council Members present voted aye with the exception of Vice Mayor Kennedy and Council Member Stephenson who voted no. Ordinance No. 3853 passed on third consideration.

Item 5.1 - 3RD CONSIDERATION OF ORDINANCE NO. 3854 – AN ORDINANCE FIXING THE TAX RATE FOR THE CITY OF COLUMBIA FOR THE YEAR 2010 ON ALL TAXABLE PROPERTY AT THE RATE OF \$1.30 PER \$100 – CITY RECORDER’S OFFICE.

Council Member Stephenson moved to approve Ordinance No. 3854 on third consideration as amended with a tax rate of \$1.31. Council Member Martin seconded the motion. Vice Mayor Kennedy advised he wanted this moved to the end of the Agenda because he thinks Council can take 2¢ and add it to the budget and still be below the \$1.33. Vice Mayor Kennedy spoke of taking care of the employees’ insurance. Vice Mayor Kennedy said he believes 2¢ will take care of the insurance and leave it like it was prior to raising the deductible and out-of-pocket money. Finance Director Baltzer said the 2¢ would cover the remainder of 19% increase that was not budgeted but employees that have the buy-up plan would still be paying the 19% increase. Council Member Matthews said she appreciates what Vice Mayor Kennedy is trying to do. Council Member Matthews said when there is an appraisal or rate adjustment even though the tax rate is being lowered people are paying higher taxes on their property because the value has been assessed. City Manager Boyer advised they would not because they would pay the same if the tax rate stayed at \$1.3485 but by lowering it they will pay less. Council Member Matthews said if they do what Vice Mayor Kennedy is proposing then they would be paying more than last year. City Manager Boyer advised with adding the 2¢ the City will still be below the Certified Tax Rate. Council Member Matthews said the City lowered the tax rate to bring in the same amount of revenue as last year. City Manager Boyer advised the Certified Tax Rate is \$1.3485. Council Member Matthews that is because they will be bringing in the same amount of money as last year by the lower rate, but if they add 2¢ citizens will be paying more. Finance Director Baltzer said the \$1.3485 is the old \$1.38. Council Member Matthews said her appraisal went up so she will be paying more money on her house on her taxes because her appraisal went up. Council Member Matthews said her taxes went up \$400. Council Member Matthews reiterated that her appraisal has gone up. City Manager Boyer

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advised until Council sets a tax rate and the County Commission sets a tax rate people do not know if their taxes went up or not. City Manager Boyer said on an individual basis it cannot be predicted because they are talking about citywide data on a macro level. City Manager Boyer advised with reappraisals there are those that have gone down and there are those that have gone up. City Manager Boyer said on a macro level Council is in the process of adopting a tax rate that should cause everyone's taxes to go down, the question is how much. Council Member Matthews told City Manager Boyer the issue she is having is that he told everyone the City is giving them a tax deduction before Council discussed this or before any insurance talk. Council Member Matthews said anything changing off that would be an increase in peoples' mind. Council Member Matthews said if the City stays at the \$1.34, they will bring in as much revenue and it will not increase anyone's taxes at all. City Manager Boyer advised he wants to be careful not to say that, without knowing what has happened with an individual parcel's appraisal he cannot say that for sure, he can say on the average if they stay below \$1.3485 taxes should go down, but he cannot say how much this parcel will go down etc. Council Member Matthews said \$1.34 brings in the same amount as last year. Council Member Matthews advised the City Manager has proposed a 3¢ drop, but now they have amended to a 2¢ drop because of the adjustments from Item 5.1. Finance Director Baltzer said it is still a 3¢ drop because it is going from \$1.3485 to \$1.31. City Manager Boyer advised originally \$1.30 was proposed and that was based on what they believed to be the certified rate of \$1.33, but that certified rate did not hold because of the success of the number of appeals. City Manager Boyer said staff is recommending adopting \$1.31 because it generates approximately the same amount of property tax revenue at the new approved assessed value. Council Member Matthews said Vice Mayor Kennedy is asking that this be amended to go to \$1.33. Council Member Matthew said that is still a tax deduction, but it will only cover the deductible amount for the employee. City Manager Boyer said in the base plan it would reduce the deductible from \$1,000 to \$500. City Manager Boyer advised those that pay premium because they either buy family coverage or they are in the buy-up plan would see a premium increase of 19%. Vice Mayor Kennedy said the figures that have been given on the buy-up is quite low, percentage wise. City Manager Boyer said employee perception is that it is not quite low and the only complaints that have been received at City Hall are from the employees that are in the buy-up plan.

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Council Member Matthews said there are employees that have stopped her in the street that are not on the buy-up plan that are making \$9.13 in the sewer department taking home \$436 every two weeks after they have paid their insurance. City Manager Boyer said he was in a meeting with a group of City Managers on Friday and Columbia is the only City in Middle Tennessee that has not laid people off, cut benefits, cut pay, or cut hours of its employees. City Manager Boyer said he committed to Council and employees two years ago that he would do everything he could to try to avoid that. City Manager Boyer advised he easily could have come in with a list of positions to eliminate and then this discussion would not have to have taken place. City Manager Boyer said he is not proposing to change the benefits just to change them; he is proposing changing the benefits to make the budget work within the guidance that Council has tended to give him informally over the last year. City Manager Boyer spoke about Council telling him about how they cannot expect citizens to pay more next year, there is 17% unemployment, citizens in wards that do not get paid holidays and citizens that only make minimum wage. City Manager Boyer said that is all true, he is not questioning that for a minute, but other cities like Brentwood, Murfreesboro, Franklin and Nashville have all laid people off, cut benefits, reduced hours and eliminated positions and services to make their budgets work. City Manager Boyer advised the City has tried not to contribute to the unemployment figure in the County. City Manager Boyer said the City has good employees who know what they are doing and working in local government is a specialty. City Manager Boyer said the City has tried to maintain a fairly thin workforce at the level that they maintained it so that at a time when the community was suffering from economic difficulty services could be maintained at the level they have been at. City Manager Boyer said to do that he has gotten to the point where he has to recommend the change in benefits. City Manager Boyer advised he and the Management Team are personally dealing with the insurance increase also. City Manager Boyer said the City is in an economic recession and the City is trying to maintain the workforce at the level it was at before the recession began. City Manager Boyer said the City has not been able to give raises and now a benefits reduction has to be made. City Manager Boyer advised it was not done lightly or without thought, it had to be done quickly and the ball may have been dropped with communicating to the employees.

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City Manager Boyer said that in the end he had to recommend this to make the budget work the way Council has told him to make it work. City Manager Boyer said he is not opposed to increasing the tax rate 2¢ and reducing the deductible, but those decisions were made in the context of the budget. City Manager Boyer advised it is not an us versus them thing. City Manager Boyer said the Management Team did stand up for the employees and said there has not been a raise for two years and now the City is going to increase the insurance deductible, but they understood they needed to find a way to make the budget work. City Manager Boyer said if the City wants to increase the tax rate and keep the deductible he does not know if at this point that can be changed, but the City is going to try to renew again January 1st. City Manager Boyer said he is not necessarily an advocate for reducing benefits, but he would rather increase the employees' deductible instead of laying off employees. City Manager Boyer advised most cities in the area have a \$1,000 deductible. City Manager Boyer said he does not oppose lowering the deductible, but it will cost money. City Manager Boyer said personnel expenses are 75-80% of the budget. Vice Mayor Kennedy said if Council does use the 2¢ they still will not create any layoffs. Vice Mayor Kennedy said the tax rate will still be lower if they add the 2¢. Vice Mayor Kennedy advised the budget would be met, there will still be a reduction in taxes and the employees will receive some help if the 2¢ is added to the tax rate. Council Member Martin asked for clarification with the comment about some employees being helped by the 2¢ and some not getting help. City Manager Boyer advised in the base insurance plan there is a \$500 deductible with what Council approved recently the deductible went up to \$1,000; the buy-up plan is more on the model of managed care and it involves a series of co-pays, but there is no deductible on most services with the plan for routine medical care and prescriptions. City Manager Boyer said in the base plan there is no coverage until the deductible is met. Council Member Martin asked how many employees are in the base plan and how many are in the buy-up plan because she is being asked to make a decision where some employees will be assisted and some will not. City Manager Boyer said if they go forward and use the money to lower the deductible at some future date, that is true, the money will not flow to the people in the buy-up plan. City Manager Boyer said he does not recall the number of employees that are in the buy-up plan, less than half, but it is a significant number. Finance Director Baltzer advised if the City decreases the deductible and increases the cost, the City will pay additional

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money and employees on the core plan not just the buy-up plan will have their premiums go up the 20% also, so they will be adversely affected one way or the other. Council Member Stephenson said the City does pay the premiums for the employees. City Manager Boyer advised the City pays 100% of the base plan premium for all City employees, but if you are a single employee and want to be in the buy-up plan then that employee will have to pay the up charge. City Manager Boyer said each employee has free health insurance available. Council Member Stephenson said the City is picking up the premium. Council Member Stephenson asked if in January employees on the buy-up plan will have the option to switch to the core plan. City Manager Boyer said December is the open enrollment season where an employee can move to a different plan. Council Member Stephenson asked if they switched in December would it take effect on January 1st. City Manager Boyer advised the enrollment has to be in by early December for the new benefits plan to take effect on January 1st. Vice Mayor Kennedy said he understood Roger Witherow to tell them that Council could do a change at any time with the insurance. City Manager Boyer said he knows that is what Mr. Witherow said but making changes to insurance is not that simple. City Manager Boyer advised the City is working on another renewal so the City can get on a January 1 plan date, which means what the employees are paying would change in December. Council Member Matthews said her problem is she feels like she has been “jerked around” because of the eagerness to announce what was going to be done with the tax rate before going into the budget. Council Member Matthews said there was no reason for Council not to have had the information on the insurance many months ago, so they are now making decisions at the last minute. Council Member Matthews advised she prefers to have had this information before they started the budget; she would prefer the City Manager discuss with the Council the ideas of what is coming budget wise when they are dealing with budget, instead of it coming out there. Council Member Matthews said now, tonight, if Council does increase the rate by 2¢ and it is a tax decrease, then it has been out there that there is a further tax decrease and everyone in the City needs help. Council Member Matthews said she would like to have seen what would have happened if the City would have raised the deductible a \$1,000 for the City as a copay, where it had been \$1,500 instead of \$2,000. Council Member Matthews said the City would cover \$1,000 as self-insured and \$500 on the deductible. Council Member Matthews said a personal friend of hers is an

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insurance agent for Athens, Alabama and she told her at anytime they can get a quote from Humana or Principal. Council Member Matthews advised she does not feel that the City is getting its dollars worth, she still wants three quotes. Council Member Matthews said she would be cautious to compare the Management Staff to the employees who are making \$9 an hour because they are making a lot more and this is not affecting them as bad. Council Member Matthews advised next year she wants them to get a hold of this because it is not organized and it does not look businesslike. Council Member Stephenson said Mr. Witherow requested two other quotes and those companies declined to quote. Finance Director advised Mr. Witherow presented five scenarios with Blue Cross and there were two declined quotes and he presented four or five different combinations of partially self-funded, self-insured options. Finance Director Baltzer said Mr. Witherow presented them with eight or nine options with two companies declining to give a quote. Council Member Matthews said that was after the fact. Finance Director advised it was during the process. Vice Mayor Kennedy said there are no other quotes from any other source than Mr. Witherow. City Manager Boyer advised Mr. Witherow is the City's Agent of Record and he is designated to get quotes for the City. Vice Mayor Kennedy moved to amend the tax rate to \$1.33. Council Member Matthews asked for clarification on what this would do. City Manager Boyer advised it would reduce the deductible from \$1,000 to \$500. Vice Mayor Kennedy asked if it would affect the out-of-pocket, which has been raised from \$1,000 to \$2,000. City Manager Boyer said he believed it would. Finance Director Baltzer advised it will also affect those that are in the core plan whose premiums have remained constant due to the restructuring of the deductible their premiums will go up 20%. Mayor Dickey advised there is a motion to amend, but a second is needed. Motion to amend the tax rate to \$1.33 failed due to a lack of a second. Council Member Martin said she has been trying to make sure that the employees take home pay is not modified so that they at least keep as close to the money they had last year this year. City Manager Boyer advised if Council goes forward with things the way they are, employees with the core plan will have their deductible increase but it will not cost them anything out of their paycheck. City Manager Boyer said the employees in the buy-up will have a 20% increase in the deduction from their pay but their benefit will not change. Council Member Stephenson said those in the buy-up plan can switch plans in five months. Mayor Dickey said there is nothing that says

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Blue Cross has to renew the plan with the City. Mayor Dickey spoke about the City's loss ratio, which is over 100%. Council Member Matthews asked if there is a program where employees can put money aside to cover the deductible. City Manager Boyer advised the City does have a Flexible Benefits Program, but it is not used very much and there was extra education about the program last year. Council Member Matthews said she is hearing from employees that are participating in the program that with the deductible having been raised they do not have enough money in the program. Council Member Matthew asked when those numbers will be adjusted for that program. City Manager Boyer said those numbers can only be adjusted once a year on a calendar year basis and that is an IRS regulation. City Manager Boyer advised that can happen on January 1st, but the enrollment for that will take place when the health insurance open enrollment is happening. Council Member Matthews asked about self-insuring slightly over what the City is planning to do for the next six months for the employees that have the 20% increase and/or not being a part of the flex plan. Council Member Matthews asked if the City could cover that if there is an expense out-of-pocket for the next six months on the self-insurers. City Manager Boyer advised he thinks the answer to that is no. City Manager Boyer said with the deductible there is a \$500 deductible and a \$500 HRA, they have arranged with Blue Cross that the third \$500 to come out of the HRA and then the employee picks up the fourth \$500 in the \$2,000 total in HRA and deductible. City Manager Boyer advised it was done this way to minimize the impact on employees as they went through this change. Council Member Matthews asked if the City could cover the last \$500 for six months if employees get there before they can adjust their program. City Manager Boyer advised he does not think there is a way for the City to cover that. Council Member Greene said there is no way the City can continue to raise taxes high enough to keep up with health insurance premiums. Council Member Greene advised in industries, and he knows the City is not an industry; there are many companies that do not carry employee health insurance anymore. Council Member Greene said they will not solve the problem by increasing taxes. Council proceeded to vote on the original motion, which was to approve Ordinance No. 3854 on third consideration as amended with a tax rate of \$1.31. All Council Members present voted aye with the exception of Vice Mayor Kennedy who voted no.

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Vice Mayor Kennedy moved to adjourn the Special Called Meeting.
Council Member Stephenson seconded the motion to adjourn.

There being no further business, the meeting adjourned at 6:40 p.m.

APPROVED:

DEAN DICKEY, MAYOR

ATTEST:

BETTY MODRALL, CITY RECORDER