

City's bad bookkeeping hasn't caused it to go broke -- yet

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WHILE Columbia's reputation and trust among taxpayers have been damaged and its finance department is broken, the city isn't broke financially.

Not yet. But if it doesn't get its bookkeeping -- and stewardship -- in line, shortfalls in various accounts could overtake the city and send it into an overall deficit that taxpayers will have to wipe out through higher levies.

Officials are working to fix ongoing financial woes, largely due to poor bookkeeping and a finance department in disarray. But until they do, a cloud lingers over the city's financial state. After all, city officials can't tell how much money is in the coffers today.

While some, such as Councilmen Daniel Rickenmann and Kirkman Finlay, suggest the city is in a deficit, others, including Mayor Bob Coble, say the city has the money to handle its obligations and is working to revamp the finance department.

Councilmen Finlay and Rickenmann are right to raise questions. Taxpayers deserve to know how their money is being spent and how much is available. Over the past two years, and perhaps longer, council members, let alone the public, haven't been privy to that information.

That said, anyone declaring the city bankrupt or in an overall deficit is exaggerating. But it does have serious problems that must be fixed. The city's reputation and financial future depend on it.

City officials recently learned -- belatedly because the books weren't closed on time -- that as of June 2007, its general fund, which pays for basic services such as police and fire, had a balance of \$24.8 million. Much of that is obligated, including \$11 million to cover the city's "rainy day" fund and millions more for deficits in various accounts. The city had \$9.8 million in deficits in 10 accounts at the end of June 2007.

While the deficits are a serious concern, Columbia also has a number of funds beyond the general fund that have surpluses. You don't want to make a habit of carrying deficits and depending on other surpluses to bail you out. Still, when you look at the city overall, it's far too early to send Chicken Little cackling down the middle of Main Street.

But there's no doubt that Columbia has suffered from poor budgeting based on bad information or incompetence. How else do you miss the mark on the real cost of services year after year? If officials don't know what services actually cost, they can't make a sound decision on how much to charge taxpayers. Whether they forecast too high or too low, taxpayers eventually will pay.

Or even worse, taxpayers could pay more than they need to, as has happened with the city's rising health insurance costs.

The city potentially has wasted millions of taxpayer dollars because the council didn't know what was going on with all accounts, making it difficult to determine budget shortfalls for health care. As it built budgets in recent years, the city didn't increase the amount of money needed to pay for health insurance and ended up paying more for the insurance than it budgeted. As a result, increased insurance costs were eating up tax dollars, and city leaders didn't notice. Officials didn't realize they had paid about \$18 million more for health insurance and other costs in the last three years than was budgeted. This year, officials set aside \$10 million for health care costs; they believe it will take at least \$17 million.

Mayor Coble and city manager Charles Austin have acknowledged that the city probably could have handled the insurance matter better had there been better accounting. Had the council had the information, it could have adjusted the city's insurance program to charge employees more and depended on taxpayers less. Instead, nothing was done,

and deficits resulted.

Mayor Coble said the city is fixing computer problems that plagued the finance department and instituting best practices and has hired a deputy finance director, who will hire two or three more account professionals. The city is also searching for a permanent chief finance officer, expected to be hired by January.

It's good that the city is taking those steps, although it seems a little odd to institute best practices, train workers and even hire a deputy director to hire even more people, with no finance director on board. Once the new finance director comes in, will he or she be able to change the staff or implement new best practices? If so, that's more upheaval in that office. At the same time, there's important work to be done now, and the city needs people to do it.

In an e-mail, the mayor said the financial problems have been embarrassing. "They have caused us to plan poorly and react slowly because of a lack of information. These problems are being addressed, and we look forward to having the best Finance Department possible using best practices," he wrote.

Mr. Coble and the council must work to make sure that the city's financial situation doesn't cause more than embarrassment from here on out.

It's nothing short of luck that's kept the city from slipping into a deficit. This is a city whose audits have been delayed, financial procedures haven't been followed, accurate financial reports haven't been delivered in a timely manner and budgets have been being built without firm numbers.

Taxpayers deserve better. They deserve better from those who cry that the sky is falling as well as from those who paint too rosy a picture. These sides must come together and meet in that place in the middle where the public's interest is better served.

And where the city is less likely to go broke.

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