

Wilmington City Council met on Thursday, June 7, 2012, with President Scott Kirchner presiding.

Roll Call: Jaehnig, present; Wells, present; Stuckert, present; Wallace, present; Mead, present; Siebenaller, present; McKay, present.

Assistant Chief Duane Weyand was also present.

President of Council asked cell phones to be set to silent mode.

Council gave the Pledge of Allegiance to the flag.

President of Council: President Kirchner asked for the approval of the May 10 council meeting minutes.

A motion was made by Wells and seconded by Stuckert to approve the minutes of the last special meeting, May 10, as received.

Motion passed.

Minutes approved as received.

President Kirchner asked for the approval of the May 17 council meeting minutes.

Councilman Wells offered the following correction: Page 15 of the May 17 minutes. The speaker Mr. Hockaday should read Mr. Hollingsworth.

A motion was made by Wells and seconded by Stuckert to amend the minutes of the regular meeting, May 17, as so indicated.

Motion passed.

Minutes amended.

A motion was made by Wells and seconded by Stuckert to approve the minutes of the last regular meeting, May 17, as amended.

Motion passed.

Minutes approved as amended.

President Kirchner introduced speaker Whitaker Wright of CDC of Ohio.

President Kirchner opened the public hearing for the 2012 CDBG Grant Program.

Whitaker Wright: Thank you, Mr. President, members of Council and members of the public. Tonight is our second public hearing on Wilmington's 2012 CDBG Small City Block Grant Program. This year, the City's allocation is \$47,000. The state is permitting direct cities to apply for two projects. They are limited because of the funding cuts this past year. The City has selected to carry out one demolition project at 142 N. Mulberry Street on the spot slum and blight. The property is structurally unstable. Earlier this year, the owner of the adjacent property contacted the City and indicated that the chimney was falling onto their home. The Fire Department had to be summoned to remove the chimney, and the City feels that it is probably time to try to remove the rest of the property before it collapses. The second project is installing security cameras at Prairie View and Quaker, the subsidized apartment complex on Prairie Avenue. Prairie View contacted the city back in January and reported that in the last couple of years they have had problems with burglaries, a couple of robberies and some drug crimes and asked if it would be possible to install security cameras at the entrances to the building and also on the upper floors and the elevators. The City worked with the Department of Development. We determined that it would be an eligible project. It is a building that is occupied by either elderly or disabled residents of Wilmington and the property manager carried out their due diligence and got two price solicitations. We are committing \$23,700 to help them install security cameras and some monitoring equipment in the offices of each building. In addition, the city has committed \$2300 to complete one of the mandatory fair housing programs that go along with the grant, and \$7100 for

administration of the grant. This evening we will be passing a resolution to apply and the applications are due Friday, June 22. I open the floor for comment.

President Kirchner asked if there was anyone in the audience who wished to comment on any of the CDBG items.

Seeing none, President Kirchner closed the public hearing.

Mayor – Mayor Riley said that he had several items to go over. He recognized members of the audience from ATSG and introduced Russ Smethwick, who works with ATSG and has been instrumental in getting the agreements ironed out between the Port Authority and ATSG over the development of the jump hangar.

Russ Smethwick: President of Council, members of the Council, and the members of the public, I thank you for your time. I have given you all a copy of this presentation for your consideration. It is meant as an overview, if you will, of our project and what it is we're trying to accomplish. It involves the cooperation of the City of Wilmington as well as the City Schools of Wilmington. They are the predominant parties involved as we move forward with this. If you look at page 1, the situation overview is that the company, ATSG, and the Port Authority are working together to construct a new hangar at the Wilmington Air Park next to existing hangar facilities. It is going to be a 100,000-square-foot hangar that we're proposing to build. The Port Authority would build and own the hangar and the company would lease the hangar from the Port Authority. To fund this project, the Port Authority and the Company have worked to receive from the State, the City of Wilmington, from the Wilmington Community Improvement Corporation, as well as Clinton County, significant funds towards this project. I would like to take this opportunity to thank the City of Wilmington for its contribution to the Port Authority towards this project. We estimate that the project, once the hangar is completed, will employ 259 full-time employees. That job requirement will be a commitment the Company will have to make to the State of Ohio in order to be eligible to receive the funding. Otherwise, they will be subject to other penalties or some other adverse situations. The 259 jobs are estimated to generate roughly 14 million annual payroll dollars, which is worth about \$140,000 of income taxes to the City of Wilmington. The cost of this hangar is roughly \$14.5 million. As I said before, the Company and the Port Authority have reached terms on the lease of this new facility as well as amendment of terms to the existing lease agreement that we have with the Port Authority. All of which would extend our presence at the airbase to a minimum of 23 years, which is what we would be required to maintain under the financing package offered by the State. We have worked with the Port Authority to coincide our existing lease, which is much shorter than that, with the termination of this new facility lease. The Company looks at this as we are providing some significant stability to the Air Park for a very long period of time. Flipping to page two, it is simply a diagram of what the new hangar facility footprint would look like. Really, in short, what it does is it adds additional capabilities to the company to be able to market its services to a broader range of customers. We are able to offer painting capabilities to customers that we currently do not have today in any significant way, as well as broadening the capabilities of the type of aircraft that we are able to maintain, that we qualify to maintain in our facilities. Moving to page three, this is just a summary of the financial incentives offered by the State of Ohio: \$1.6 million logistics and distribution loan. That loan can be forgivable if certain conditions are met. There will be a \$9 million bond offered by the State of Ohio, which will have a 23-year life. As it works out, the Company, through its lease, will have to coincide its lease payments to the Port Authority; that allows the Port Authority to pay back that bond. That is how we get the 23-year commitment in place. There is also a 166 Direct Loan. It is a \$4 million loan from the state. The method in which that loan is repaid is really what is of interest to the City Council as well as to the Wilmington City Schools. We'll talk about that in a moment, but it is called Tax Increment Financing or TIF. Also required by the State of Ohio is that ATSG must provide a guarantee to backstop all of the financing that is associated with this project. That includes the lease that a Company affiliate will have with the Port Authority, the amount of TIF service payments. Again, when you think of a TIF service payment, think about the amount of money that is used to pay off debt. So, the Company has to guarantee a minimum amount of money in TIF service payments enough to amortize a

piece of the debt obligation. Turning to page four, Tax Increment Financing: What is it? Well, it's a public financing method used to assist or facilitate redevelopment, infrastructure, or other types of community improvement projects. When a City Council approves a TIF ordinance, it exempts a piece of property whose value will be improved by this project from real property taxes. That money, instead of being applied to the taxes, that same amount of money and the timing of that payment will be used to service debt. So, the simplest way, you are redirecting the property taxes, or a portion of it, in the end to satisfy a financial obligation or to help the community improvement project. It is not an uncommon type of financing vehicle. It's used quite readily in the State of Ohio. As a matter of fact, there are over 1100 TIF's that are utilized today in the State of Ohio. For your reference, in the Ohio Revised Code, the specifics of this TIF can be found in 5709.41. The type of TIF we'll be looking for under this section is a 25-year term, and it would implicate 100% of the real property tax dollars. The provision of the code allows for 10-year up to 75% without receiving approval, but we are going beyond that so that is why we are here speaking with you tonight as well as our discussions with the school district. Page 5, unless there are any questions on the TIF.

President Kirchner: Russ, if I could, I did notice the length of the lease is 23 years. The amortization of the 166 Direct Loan is 23 years. Is that a typo on the 25 or is there a reason that we would extend that two years beyond without the debt service payments.

Russ: It's 25 years intentionally, and it's two-fold. The first is because of the timing of the property revenue tax cycle. By the time this project is fully up and running, it is going to be longer than 23 years before you get the full impact of those tax dollars – before that valuation is sufficient enough to be able to generate enough tax increment financing to service the debt. So, it is going to take more than 23 years. There's also a bit of a cushion in there, if you will, to get it to 25.

President Kirchner: Okay. But, the amortization schedule ends at 23 years, as I read your presentation.

Russ Smethwick: Yes.

President Kirchner: Thank you.

Russ Smethwick: Does that answer your question?

President Kirchner: Sort of, but we can get into the details later. I just noticed...

Russ Smethwick: Also, if I can defer to our attorney, Scott Ziance, who I would carefully state is a TIF expert. If you don't have objection, he can weigh in on any of your questions if I'm not answering them satisfactorily.

President Kirchner: That would be fine. Is there a purpose for that money once the amortization schedule is complete?

Scott Ziance: Council President Kirchner, Mayor Riley, thanks everybody for having us here. The answer to the question is... is it a 23-year amortization schedule with a 25-year TIF?...because the TIF goes into effect when the City council passes the TIF ordinance. So, let's just pick a day... September 1, let's say. The TIF ordinance goes into effect. The first tax year that there is going to be a TIF exemption is tax year 2013, which is the snapshot date of January 1, 2013. By that point in time, even if the company starts construction on September 1, 2012, the property is only going to be partially completed. So, that in first year of that 25-year TIF period, the TIF service payments are going to be like this. They are going to be very small. The TIF service payments are just a dollar for dollar substitute for increased property tax payments. So, that first year is not sufficient to amortize the debt. Hopefully, the plan is, by January 1, 2014, to have the construction be complete. Absolutely. If construction is complete, then we will have the full value and we will have a full 24 years to service that 23-year amortization, but if something slips, (again, there is no plan for anything to slip, but it is construction and we all need to be prudent), we build in that contingency. It technically works out to a 4% contingency by adding that extra year. If all things go well, it will only be 24 years, but

we need at least 24, and 24 is what the Company is proposing because we think it is prudent to build in slight contingency.

President Kirchner: Does the repayment of the 166 Direct Loan begin in 2013, January 1, 2013?

Scott Ziance: No, the repayment begins...

Sarah Williams: It's 2014. I'm Sarah Williams. I'm the Tax Director at ATSG.

Mayor Riley: Sarah Williams is the Tax Director at ATSG and Russ Smethwick is the Director of Strategic Planning. Scott Ziance is an attorney who I have been told is spooky smart when it comes to TIF's.

Sarah Williams: The long and the short of it is there is a delay in Ohio real estate. If you've ever bought a house in Ohio, you know how there's a line on their closing statement that says this is how much you owe the guy that had the house before. There is always an adjustment for it. So, there's a delay between when the construction is finished and when the assessed value of the new building starts to actually generate revenue. There is also a delay on the 166 Loan between when we start construction. It doesn't start to amortize until after the City gets that first payment of property taxes. It actually goes to the County and then it's forwarded on to the City for you to pay that and pay other people as Russ will finish his discussion. So, that's the timing of it. The first part of that TIF loan has no interest, and then after that it is at 1% interest rate. So, they give us the money up front, but there is a delay while they are waiting for the Ohio Real Estate Property Rules and the tax rules to kick in.

President Kirchner: And that's through the ODOD's agreement?

Sarah Williams: Correct.

President Kirchner: Okay. And I'm assuming we can get a copy of those agreements.

Russ Smethwick: The short answer is yes. We're finalizing the financing package term sheet with ODOD as we speak, as they're scheduled to obtain final approval from the State Controlling Board June 11. So, we are getting very close to finalizing the terms of that transaction. Obviously, the next step is to close it. In order to close it, we need to have the requirements to have the TIF in place.

President Kirchner: This being my first TIF, you will have to excuse me. I'm not a TIF spooky smart expert.

Russ Smethwick: Scott, the only person in this room who probably has had any experience with the TIF is Scott. You're not alone.

President Kirchner: At least one Scott is well-prepared for this conversation. The TIF would be on the building itself? Obviously, it would be city-owned property. The property exists now. My question is, does the TIF not enact until the building is complete or does it start on the ground while construction is going on?

Sarah Williams: [Inaudible over coughing] covers the cost of the ground, I don't think. It's only the incremental value.

Russ Smethwick: Once you start investing and improving the land.

Sarah Williams: Because you said the ground is there already.

Scott Ziance: As a practical matter, there are no revenues until building and improvements. As a technical matter, though, the TIF exemption begins with the first tax year. The statute says it begins whenever you enact the ordinance. So, again, use September 1, 2012, as an example date. But, in that first year... What tax increment financing is...it is whenever city council declares the increase in the assessed value of a

certain parcel or parcels of real property to be exempt from tax. Let's just say the value of blank acres is 100 dollars. That value of 100 dollars is going to continue to be subject to property tax. The property tax is going to be continued to be paid on that 100 dollars. Whenever you enact a TIF ordinance, that \$100 stays level, but as the value increases over time, that increment, instead of paying property tax on that increment, the property owners pay what is called TIF service payments, and they're paid at the same time and in the same manner as property tax payments. So, getting back to the question, for the tax year 2013, let's say the value of the parcel is \$10,000. I don't know what it is, but let's say it's \$10,000. By 1/1/2013, the value might be a \$1,000,000. Maybe they've done some site work, some construction. That increase in value from \$10,000 to \$1,000,000, or \$990,000, the property owner will pay what is called TIF service payments on that. Obviously that TIF service payment on about a million dollar increase is not going to be enough to service that debt, but by 1/1/2014, when the whole building is done, hopefully, then the incremental increase in value will be about \$14.5 million. That is what is projected. That \$14.5 million incremental increase in value will generate TIF service payments, which will be used to service the debt on the 166 Loan after a capitalized interest period. Again, we're struggling a bit because the terms haven't been finalized with the state. We're working through the details of a term sheet and we want to begin this discussion with City Council now. Hopefully in the next few weeks, we are going to be finalizing the terms of the terms sheet.

President Kirchner: Okay. One other question because, again, I'm not a County Auditor either. Would it be normal for the county to come out and assess an increased improvement value without a completed construction project? Or would they wait until the building was complete in order to be able to assess the improvement value?

Scott Ziance: In most counties, and there are 88 slightly different answers to that question, but in most counties, whenever a building permit is taken out, someone in the County Auditor's office will find about it, they have some type of methodology to find that out, and then that will trigger someone to go out and find out what was there as of January 1. So, I'm guessing that is what happens in Clinton County, but I'm not certain.

President Kirchner: Okay. Thank you. I'm sorry to derail this in the middle of the presentation. I'm just trying to understand the difference in 23 and 25.

Russ Smethwick: It's a complicated matter, and we want to work through it so we all understand and can make an informed decision. Okay. On page five, we covered most of this just a moment ago, but the proposed TIF that we're asking the City Council and the Wilmington City Schools to consider is 100% of that incremental value of that property that is taxed would be subjected to this TIF and it would be for a term of 25 years. In order for this to happen, the City Council as well as the Wilmington City Schools have to come to an agreement that we will move forward with this. So, the incremental value of this property, estimated to be \$14.5 million is going to be subjected to this tax increment financing. So, ordinarily, you would pay the property taxes on that incremental value. It would be about \$270,000. So that's the amount of money of the property taxes that would now be considered TIF service payment. And so of that amount, the first obligation that would have to met is to satisfy the amortization on the 166 Loan, which based on what we have seen from the State is roughly \$227,000 a year. So, the \$270,000 of TIF service payments, the \$227,000 comes right out of that because that goes towards satisfying the loan. Any remaining money after satisfying the \$227,000, would then be eligible to be paid to the Wilmington City Schools as well as the Joint Vocational School, Great Oaks. The reason for this, and this is where I may start to struggle, based upon the funding formula with the schools, if there is a piece of property that has value, that is factored into the state's funding formula for the amount of the money the school is eligible for. The reality is the property tax associated with this new building will not be eligible for the school, so using the formula, they could potentially be left in a position where they receive less funding. So, if there is leftover money from making the debt service payment out of the TIF service payments that have been withheld, the leftover money can then be paid to the school and the joint vocational school to make them whole, which means they will be in a position as though the TIF was not in place and yet the building was still built, if that makes sense. If there is a shortfall where there is not enough money left over out of the TIF service payments after

paying the 166 Loan debt obligation and the schools are not made whole, then any remaining obligation to make them whole would be funded through the incremental income taxes paid to the City of Wilmington. Was that clear? We'll go through examples?

President Kirchner: It's interesting. Just out of curiosity, let me understand something you said. The estimate of the made whole amount is based on the fact that the school could lose state funding amounts based on the increased value of the property.

Russ Smethwick: That's right.

President Kirchner: What would occur if they did not lose that?

Russ Smethwick: I don't know if that is a likely scenario. Based on the funding formula, granted that there is a bridging formula in place, but based on the way they are historically done, if there is value added and there are real property taxes available, that impacts the amount of money the school would be eligible for.

Paul Hunter: Not the way I understand it. The school formula system is not affected by TIF's, as a general statement. I don't know the details.

Russ Smethwick: That's correct. It's not affected by the TIF, but the school formula is affected by the real property value of taxes. What happens is...

Paul Hunter: What you're saying is if there wasn't a TIF, it would affect it.

Russ Smethwick: The end game of the TIF is to put the schools in a position as if there was not TIF, but yet they're receiving the benefit of this new property incremental value.

Paul Hunter: Do you have the dollar amount? There was 35% of the improvement times .052 gives you an estimated tax or a service charge, if you will. Do you have an idea of what that number is?

Russ Smethwick: I'm happy to answer your question. Let me finish going through the presentation. There's an example on the next page, which I will take the city council through in the hope that that will shed some more light on this. So, I left off, if there is a shortfall in the amount of money that is remaining to make the schools whole, then that makeup payment would come from the City of Wilmington, funded through the incremental income taxes that would have been generated by the new payroll, roughly \$140,000 once they're up to full speed. This would be available to be applied to any makeup payment. We'll get into what we think that makeup payment is going to be. But, it's also very important to understand that if under some unfortunate circumstances where the company or the Port Authority would end up in default or go out of business, what have you, that the city or the schools would have no financial recourse liability from any of these obligations, specifically the 166. The TIF pledged by the city would not – the city would not be obligated to pay anything more than what they had pledged to under the TIF ordinance. The makeup payments, as I said earlier will be limited to the amount of incremental income taxes that the city would enjoy by the additional payroll. So, quite simply, the way I look at this, in no way or in no situation do we find that the school will be put in an adverse situation under this scenario with the TIF and nor will the City of Wilmington. Our request is for the approval of the TIF in order to allow this program to proceed, but in no way shape or form do we ever envision there is a situation where this would have an adverse effect on the schools or the City of Wilmington. We look at this as there is a very good opportunity for the community and for the corporation by going forward with this. If we flip to page six, it is an illustration of what the proposed TIF would look like. So you see, you have a \$14 million estimated valuation on this new facility. That would be the incremental amount of property subjected to property taxes. If I apply the formula, 35% times this-that, the amount of incremental property taxes is \$264,000. Of that amount, \$227,000 is required to be used to pay to amortize the 166 Loan, so you have a remaining amount of \$37,500. Well, if you look at the property taxes that the school, the Joint Vocational School in the City of Wilmington would have been entitled to based on the tax rates, they would be entitled to

\$51,000 of the \$264,000. Well, there's only \$37,000 left after applying the loan payments. So, that means there's a \$13,700 shortfall. So where does that money come from to make up the shortfall. Well, that would be funded by the City of Wilmington through the incremental income taxes generated by the new payroll. \$14,000,000 of payroll, 1% income tax, is \$140,000 of new income tax revenue to the city. Which, after making that makeup payment to the schools, the city would still be left in a net-positive position of \$126,000. So, again, as we look at it, the school is not disadvantaged in any way, shape or form in the project. And the city, because we have \$14,000,000 in new payroll, even though the city is using part of that to support the schools, they are still in a net-positive position. So, I concluded on page 7. Again, thank you for the opportunity to speak with you and talk about this matter. We think it is a great opportunity, not only for the company. Sure, we're a for-profit organization. We wouldn't do things unless there was a benefit to the shareholders, but we have lots of opportunities we evaluate that are of benefit to our shareholders. What makes this opportunity very exciting for the company is that we have an opportunity to bring a significant amount of employment to a community that has...and we've experienced it firsthand since we're the ones who had to terminate the 6000, 7000, 8000 people. We find this to be a particularly sweet opportunity because we have some ability to bring back a fairly substantial amount of jobs. The company is prepared to take the commercial risk on this venture. Yes, we are asking the city and the schools to work with us on this, but at the end of the day, it is a commercial enterprise and there are certain risks and rewards. One of the risks with this is that we could lose a lot of money. That's not the plan; it never is. But, we bear the commercial risk of having to hire the employees to generate the revenue and turn that revenue into profit. That's a risk we're willing to bear. Without the approval of this TIF by the City of Wilmington and the City Schools, this project will not proceed. Simply, the economics that are required to make this project work for the Port Authority and the Company require the TIF. If we can't get the TIF passed, if we can't get the City and the Schools to come to an agreement with us, we will not have the 259 new jobs. As again, in the final analysis, we see that the City, even after making the makeup payments to the school, will still come out in a net-positive position of well over \$100,000 in income taxes, and that's not to speak of the income taxes generated by the construction workers that would be working here a full year before the full payroll is up and running of \$14,000,000, as well as a multiplier effect to the local economy by having the new payroll spent at the local stores. So, in conclusion, the company respectfully requests that the city will give consideration to our request and approve the proposed TIF ordinance, obviously upon further information and discussions about this. That is what we're seeking. I believe it is important to note that time is of the essence with this. It's not a tomorrow decision, but we would like to work expeditiously with the city and the schools. We have started this with the city schools already to bring this to resolution.

Councilman McKay: I pretty much understand the city side of it, but would not the property taxes to the county be deferred or am I missing something. Would the county be shorted the amount of taxes that they would have gotten?

Scott Ziance: Yes sir. I prefer not to put it that way. What the county will not get will be the increased taxes – the property taxes. The base value is going to remain the base value, and they'll get those taxes. But they will not get any of the incremental increase. Those all go in the form of TIF service payments. And I think council understands this, but obviously, I would respectfully submit that it is notable that they are not asking for a property tax abatement. In a lot of situations where companies are seeking commitments from the local authorities, what they ask for is property tax abatement. The county might feel like it is property tax abatement because they don't get the revenues, but what the company is doing is they are paying the same amount and at the same time. In fact, they are committing to a minimum amount, it is just that this is going to be used for debt service on that state loan.

Councilman McKay: They'll get some increased sales taxes.

Scott Ziance: And hopefully... Exactly.

Councilman McKay: We kind of have to look at – not just on the city side or the school side, but we want to evaluate the whole picture.

Councilman Jaehnig: A comment that you made that I just want to clarify on real quick. Based on the value of the project once it is completed, let's assume that the economy finally turns around and everything starts heading back the other direction, then in ten years when the property is reevaluated again, at that particular point, that difference value could go up at that point, and that shortfall to the schools may no longer exist at that particular point, based on the payments. Am I correct in that assumption?

Russ Smethwick: Yes. That would be the hope is this project drives more benefit than what we put on this paper and that there is real property valuation improvement and the city does not have to contribute to the makeup payments.

Scott Ziance: You have to run numbers under different scenarios, but if the values increase, it's a good thing for everybody because the TIF could end early if there's enough there for debt service.

Councilman Jaehnig: That was my followup question...

Scott Ziance: If that's the way it's structured. Right now, what we propose is that if the TIF service payments first go to debt service, second go to the school district up to the point where the school district is made whole on that basis, and that was what Russ was describing where normally school districts, if they get increased taxes, they might get increased taxes of \$100,000, but the state will take away \$70,000 and then that's \$30,000 and that's what we're trying to makeup. So, they'll get their net amount. Then, we are proposing to the extent the city had to dip into its pocket to do makeup payments in any year when there wasn't enough to make the school district whole, then the city would get reimbursed. Then, after that, more money could go to the school district or more money could go, for example, to debt service. Those are some details we need to work through with the city and the school district.

President Kirchner: A followup question I have there, and again, I'm not an expert on taxes. But, if the property value increases, would the schools also be entitled to additional monies if the value of the property went up.

Scott Ziance: Yes, exactly. Because the objective is to put them in the same position as if the property were constructed and not subject to TIF. So, I just said it, assume they got 100 in taxes and they got 70 taken away, then the debt would be 30 that we would be making up. Instead of assuming that they got 150 in taxes and 110 were taken away, then we'd have to make up 40. So that makeup, the overall payment to the school district could increase if values increased.

President Kirchner: Okay, and the followup, I wanted to make sure I made for Councilman Jaehnig, because the original indication was that if the value of the building went up then the city's obligation to the school system might go down, but actually, it could go up is what I'm hearing you describe.

Scott Ziance: It could, but again, to the extent there is more TIF service payments that are needed to make the school district whole. On the back end, higher value is good, because if it generates excess, it could get the city paid back for previous payments. So, there could be portions...it's hard to describe in the abstract. We could show you with numbers and obviously we would look forward to doing that.

President Kirchner: So, the school systems benefit from a higher value wouldn't necessarily be as big as the increase in the service payment.

Scott Ziance: Absolutely correct. Again, because the objective is to put the school district in the same position as if the property were fully taxable, accounting for the state's school funding formula. With respect to the state school funding formula, we are making reasonable assumptions. We've met with the school district. We are making reasonable assumptions about what that will be because we can't predict what the school funding is going to be 20 years from now or 15 years from now. We know that in the

past it has generally functioned in the same way and so as values increase, their portion will increase.

Sarah Williams: Does that happen automatically, Scott? My understanding is that there is an agreed amount that gets paid over time, and that amount doesn't necessarily change and then there is sort of a waterfall of how things get paid out later. But, it's also my understanding that whatever that number is, it can be negotiated between the school district and the city.

Scott Ziance: What Ms. Williams points out, with the general principle of that, you put them in the exact same position. If values increase, the amount needed to make to make the school district whole would increase, but there can be different details cut whenever we structure the ultimate TIF agreement and the compensation agreement with the school district. So, what the school district could agree to, for example, and the city could agree to, is that the school district is going to get "x," and after the school district gets "x" then the city gets an amount. Those are details to be worked out. We put something on the table to begin the discussion.

President Kirchner: Okay. The other question that I have. You just said something that caused me concern, because we're talking about a 25-year agreement, but yet, if the school funding formula changes during that period, would that change the potential obligation of the city or would that change the obligation of the Port? ATSG?

Scott Ziance: Good question. Because of the need to pay the debt service on the 166 Loan, we need to have an agreement that is based on a reasonable assumption that stays in place about what the school funding formula is going to be. In other words, we can't have it adjust for changes in the school funding formula. We can't have it adjust... Russ showed the numbers where we need \$226,000 or whatever as debt service. If we have an adjustable TIF agreement where all of sudden the school district gets \$100,000 and does not have to pay debt service. It can't be structured that way. We need to make reasonable assumptions so there's enough for the debt service on the 166 Loan and so both the school district and the city can have reasonable certainty about what they're going to get in terms of cash. Whether the school district might, in certain years, get more, it's possible that in some years the school district would get more than it would on a net basis. It is possible in some years the school district would get less. But, with debt service, we have to come to an agreement on the reasonable assumption and stick with it so everyone can plan their affairs accordingly.

President Kirchner: So, does that trump...? This goes back to my question of obligation on the city's part. I understand what you're saying: the deal has to be structured in such a way that everyone knows the amounts based on today's world, but if a change came up to where the schools would be entitled to a great deal more, would that obligate the city to make that amount whole is my concern. Would it change our obligation or does the agreement stay the same regardless of the funding system.

Scott Ziance: The agreement will stay the same, regardless of the funding system. Our proposal is to make it clear in the agreement that the formula is "x," so the formula that we put in the agreement is not going to account for potential future changes in the school funding formula. So, the city's obligation will be, within reasonable parameters based upon the value. The value can go up and down and that could change what the school district gets and that could change what the city has to pay. We could show you how it would break out at different numbers. But, within reasonable parameters, we're going to know what those payments are going to be, and a change in school funding formula will not change that. Again, I want to emphasize one thing that Russ said. The city will not have any risk as a part of this and neither will the school district. There is a possibility that everyone won't get as much as they project, and there is a possibility that they will get more than they project. But there will not be risk. The city's obligation will be to pledge the TIF service payments that it receives. If it does not receive a TIF service payment, it does not have to come out any other fund. Similarly, with respect to the school district, the city's obligation is going to be to pay up to the new income tax revenues and from this project to make the school district whole under the formula we agreed to. Again, the city, as we work through this, you'll see that there will be a band of

expectation. The city is not going to get zero out of this. Can we guarantee it's going to be \$126,000 plus or minus 1% every year? Absolutely not. It's going to be variable. Likewise, the school district is going to get at least...the Company is going to agree to a minimum value, so the school district will get [inaudible over coughing] after there is enough to make debt service payments on the 166 Loan. Can we guarantee that's going to be enough every single year to keep them whole on a net basis? No, because we don't know what the school funding formula will be. But in some years, it may make them more than whole on a net basis. In other words, in some years (and this happens in some TIF's) the school district may get more in TIF service payments than it would receive if it got taxes and then revenues were taken away from the state. So, the TIF values don't impact the school district, the school district funding formula – that's correct. The school districts would generally prefer to receive TIF service payments rather than tax payments because they don't impact what they get from the state.

Councilman Jaehnig: Working with that...if the school funding, by a miracle, is fixed by the state and the schools are finally made whole like they're supposed to, then they are really benefiting at that point because they are still going to receive these payments – because it's a set – this is going to happen. At that particular point, the schools are double winners. Now, on the other side of things, if the state decides to gut the school systems and really cut their payments, we're not sitting here having to all of the sudden fund the entire school system because of this TIF agreement and the drop because we're going to have a set formula that's going to be in place no matter what the state does to the school funding system.

Russ Smethwick: The maximum the city would have to contribute in a makeup payment would be limited to the amount of incremental income taxes collected by the city to lay to this project. As Scott has mentioned numerous times, there is an agreement that will have to be struck between the city, the schools and maybe the state – the various parties – as to how this works. As you know, in negotiations there are lots of things that are give and take, so there will be an agreed-upon formula, but each side will get to weigh in and figure out how to best manage and mitigate their risk. So, there are things to talk about.

Scott Ziance: Fundamentally, the state's school funding formula as it pertains to property taxes and how local property taxes work, it hasn't changed. I have been practicing 15 years and it hasn't changed in those 15 years. That was before DeRolph. After DeRolph, Voinovich, Taft, and Strickland. Right now, we are in this interim period where there is a so-called bridge formula that it being used. There really isn't a school funding formula during this two-year period where the Kasich administration figures out how it wants to approach this. But, through the years, what they have changed is how they determine the amount necessary to adequately educate children. That's what the state has changed over the years. They change how you figure out what each school district needs. But, in general, what the state has done it has said, "Look, you need \$6000 per student or whatever it is to adequately educate children, so we're going to make sure you have \$6000. The way we're going to do that is, we're going to assume you can make the local property taxes 2% or 2.3% times your taxable value and then we're going to give you the difference." Fundamentally, that formula has been in place for a really long time, because it makes a lot of sense. It really is sharing state and local responsibility. I highly doubt that is going to change. The details are going to change, but ultimately, I don't think anybody has a solution to make school funding anything other than a shared local and state responsibility.

President Kirchner: I would just like to clarify something that Russ said, because he said the maximum liability that the city could be up to is all of the incremental income tax created by these jobs. Is that correct?

Scott Ziance: That's the proposal. We're not making take it or leave it proposals, but what we put on the plate was that proposal. Under the most reasonable assumptions, as Russ went through, we're projecting that the makeup payment would only be I think \$42,000 or something really small in those early years. The way we put it out there was up to the whole amount.

President Kirchner: Which could end up being no net gain.

Scott Ziance: Correct.

Russ Smethwick: Like I said, it's an agreement between multiple parties, so some of these details will have to be worked out between school and city.

President Kirchner: I do have one other question... When you look at 100% abatement. Does that similarly abate all taxes for MRDD, Senior Services, health levies, libraries? We're looking at all of the tax monies that would impact the community being involved in this.

Scott Ziance: Correct.

President Kirchner: Okay. I've been studying 5709.40, 41, 42, 43. I'm not an attorney, so it was kind of murky for me to understand. There are probably more questions that I will have later, but obviously, we're going to have meetings associated with some of the details of this. I thank you for the answers I got.

Councilman Mead: I have a question. Two parts. One is, realistically, how long do you figure it will take to get the building and the number of employees to the maximum. However long that is, if the loan payment comes due during that time, how is that handled?

Russ Smethwick: We have three years, as is proposed by the state's financing package, to reach the 259 employment level. That is a defined term in our term sheet. It's a job commitment that we are obligated to make. We have three years to do it.

Councilman Jaehnig: From the completion of the building or from the start of the project?

Russ Smethwick: From the completion. We have to be able to get up and running.

Councilman Jaehnig: I'm just asking.

Councilman Mead: How long is your estimate until the building and manpower is there?

Russ Smethwick: This is my estimate, but our discussions have been that roughly it would take 12 to 14 months to complete the building. As I mentioned, time is of the essence for a number of reasons. One of those is we would like to avoid, as much as possible, some of the construction work happening during the winter months. That will drive up some of the costs. If we have a winter like last year, maybe not. But if we have a nasty winter, then that will have an adverse impact on the construction costs. I would say 14 months.

Councilman Jaehnig: The second part of Bob's question was, I believe, what happens if the TIF payment comes due prior to. Say we have a horrible winter or something happens, I think the second part of his question is what happens if the TIF payment comes up prior to any funds being generated?

Scott Ziance: The company will have to make it. The company is guaranteeing to make the minimum amount of the TIF payment in order to amortize the debt.

Councilman Stuckert: The 257 jobs – is that net new jobs? Otherwise, we're not losing some on one end and then...

Russ Smethwick: No, sir.

Sarah Williams: The state agreement actually requires us to keep the 380-400 jobs that are out there right now in addition to 259 new jobs.

Councilman Stuckert: They require you to do that?

Sarah Williams: That's a requirement of the department.

David Hockaday: If I may interject, the Port has stipulated the number of full-time jobs that have to be maintained – existing full-time jobs.

President Kirchner: If I could follow up on Councilman Mead's question. During that period where you haven't gotten up to full speed and the payment, obviously the income tax isn't occurring here, the city would then be obligated to use whatever income tax it got from any jobs that existed. But you're indicating that we would not be obligated for anything beyond the incremental income tax associated, or would we be required to make the make whole payments to the school system even though the income tax wasn't flowing yet?

Scott Ziance: You would only be obligated to make them to the extent you have incremental income taxes. Again, there would be no risk to the city in terms of its existing tax base.

Russ Smethwick: We'll have to look – I believe the amortization on the 166 is scheduled such that we have the value's in place. If the property is in place, that means the jobs ought to be there. So, there should be sufficient money available to service the debt. Again, there is a delay in the amortization. It is a year....

President Kirchner: I guess it also goes to the development of the new business as well. I guess you're only going to bring so many people on when you have contracts that you can execute on.

Russ Smethwick: That's why they give us three years.

Paul Hunter: Is it a \$270,000 a year estimated service payment?

Sarah Williams: No, the \$227,000 is the loan payment.

[Simultaneous Discussion of Figures]

Paul Hunter: What do you come up as the figure that this school would get out of that? It should be 55% because that's the take that you get out of the property tax.

Councilman Jaehnig: But then they lose state funding based off of that 55%.

Paul Hunter: That's all out of our real property taxes – 55% of 2.7 for the Oaks and about 52 for the school system. So, how would you come up with...what's half of that? It's more than what you stated, I think, that the school would get.

Russ Smethwick: \$51,000.

Paul Hunter: It's about \$130,000 or a \$150,000 that they normally would get from normal distribution of property taxes from that size of a tax base.

Russ Smethwick: I don't know if that's correct.

Paul Hunter: The city will lose...they'll gain income tax, but they're going to lose 16% of the property taxes from that.

Russ Smethwick: You're say the city is going to lose...someone's going to lose...nobody is going to lose anything with this.

Paul Hunter: Well, when you get the income tax, you have to subtract what you will lose in property taxes. It's a big plus for the city; I'm not knocking that.

Russ Smethwick: We try to steer away from the notion that somebody's going to lose...

Paul Hunter: Well, that's your position, you have to.

Councilman Jaehnig: You can't lose something you don't have.

Russ Smethwick: If you don't do it...that's right. As we like to say, you could get 100% of zero or a certain percentage of something. That's the simplest way to look at it.

Paul Hunter: Okay, back to the basic question. What's 55% of \$270,000. That is what the schools will need to be held harmless.

Sarah Williams: The schools have calculated the number that they're comfortable with, and they have gone through and figured out, with the State Treasurer's involvement, and the City and the schools need to negotiate what that number is, but it is lower than the number that you're giving me. I did not calculate it myself.

Paul Hunter: Well I have over the years, and the school's take is 52% for the city schools and about 3 % for Great Oaks. Those two together are 55% that they normally get in tax distribution. The Treasurer sends them a check for that amount every year, and that's what he'll have to do here. The city will direct the Treasurer to keep them whole, Right?

Russ Smethwick: Mr. Hunter, at the end of the day the school and the city will have to come to an agreement on what that is that makes them comfortable.

Paul Hunter: I just want to bring that before council.

Russ Smethwick: We appreciate that, but what the schools decide they need is what they decide they need.

Paul Hunter: Well, what they decide, yeah, if they want to take less than what they normally would have gotten, that is fine.

Curt Bone: I can answer that. The 55% is correct, but their hold-harmless number is 25% is that we have to have to keep the negotiations.

Paul Hunter: But that limits the 10-year term, if you use the 25%. It's sticky.

Bill Liermann: Paul, I'll tell you what's sticky is having to continually lay-off people and see our school system just get driven into the ground. It's been that way ever since I got back on the board, ever since 2007. All we do is cut jobs and eliminate people. I'm tired of it. It's got to come to an end.

Paul Hunter: So, hopefully you'll get to be held harmless.

Bill Liermann: That's all we're asking.

Paul Hunter: But I don't see with the numbers. Somebody needs to check.

Councilman Jaehnig: The other thing to take into consideration with the schools is they do have an income tax also and they will benefit from these jobs moving into the district.

Bill Liermann: The more jobs that come in, the better we'll be.

Councilman Jaehnig: As long as we can make it hold harmless on the property tax end of things, they will gain on the income tax.

Paul Hunter: That's hard to quantify. We don't know that. You have to use the figures he gave, and it's not 55%.

Russ Smethwick: Mr. Hunter, I hope we made this very clear. This not something the company is forcing. We can't do that because they're too many interested parties involved to make this transaction successful. It is going to have to be a meeting of the minds as to what everyone can live with. We have laid out the general guidelines of how this would work.

Paul Fear: Can I just try to summarize from my side, as the Treasurer and the tax side of it. My understanding, then, is the school is going to come up with a number that they're happy with, and we are going to hold them harmless to that number. That's correct, right?

Russ Smethwick: Yes.

Paul Fear: The county is going to be the plus side of the sales tax, whatever you guys charge for your work and your business, so there's going to be sales tax revenues for the county. The Air Park, my understanding is, the lease will be to them so that they can service the actual debt because they own the land and they own the building. Is it the triple net then that you are going to make them, you're going to pay the utilities...

Russ Smethwick: Yes. As we do today.

Paul Fear: You're going to take care of improvements and stuff like that, so they are going to be okay to it. What is the dollar buyout on the 25th year?

Russ Smethwick: We have no option to own the property at the air base.

Paul Fear: They did mention that we get to keep all of the income tax during the construction time for the construction workers that are out there. So, we are to the plus for the city for the income tax during the construction period of 14 months. You mentioned at one time there's a penalty if we don't maintain the 259 jobs, and that penalty is to the state? Right? That doesn't give anything back to us in the city. That is just a state hold harmless because of the agreement that you have.

Russ Smethwick: We might have to pay higher interest rates. There could be an acceleration clause on the financing. Those things have to be worked out with the state. But we do know this, if we don't meet our job commitment requirement, there is going to be some pain.

Paul Fear: The bottom line for the city is if we don't use \$140,000 or whatever number it is minus the \$14,000 or whatever we have to pay to them, we never dip into our pockets to make the city school districts whole if we haven't gotten it already back. But we could end up getting zero if the number of jobs aren't there because all of our money that we get may have to go to hold the city schools harmless. Is that correct? We could be at zero, but we'll never be at a negative. Everybody's to the good somewhere.

Scott Ziance: The estimated make hold payment, total, to both school districts at a \$14.5 million value, is \$51,300. So even if, theoretically, there was no excess TIF service payments, then obviously \$51,300 is a small portion of \$140,000. Obviously, it could be \$140,000, it could be \$150,000, it could be \$130,000, it could be...

Paul Hunter: But that is under 10 year/25, the \$51,000, right?

Scott Ziance: The \$51,000 is what is what we're talking about with the school district, and that's about what the number....

[Multiple people talking over each other]

Russ Smethwick: That number is for the Wilmington City Schools and the Joint Vocational Schools – the 51,000, is what we estimate to be the make whole amount to get the schools back in the revenue position as if the building...

Paul Hunter: ...if you do that, your TIF is ten-year limited as far as the schools go.

Russ Smethwick: That's why we have to work with the schools and the city council, because in order to go beyond the ten years, you have to get an agreement.

Paul Hunter: You can steamroll the school to 10/25.

Russ Smethwick: We would need approval.

Paul Hunter: But your \$51,000 is based on that approval. Not on...

Russ Smethwick: That's right. This is just calculations, that if we all came into agreement, this is what we think our estimates are. We openly share this information with the schools and the city council. If there is disagreement, then let's talk about it.

Paul Hunter: If the \$51,000 keeps the schools whole but the ten years elapses, then what do you do for the other 15 years?

Russ Smethwick: Well, this is a 25-year TIF. That number is on an annual basis. I may not be understanding your question...

Sarah Williams: There are a couple of things I think that are getting missed. First of all, it's between the school district and the city to negotiate the amount. The school district needs to feel comfortable with it. The city needs to feel comfortable with that payment. It has nothing to do with the Company, other than the fact that we're going to share...here's how much TIF service payment in lieu of tax we're going to pay. If the tax rate goes up, if the property valuation goes up, there will be more money. It is between the school district and the city to ultimately decide what happens to that more money. They can pay off the TIF sooner, send more money to the school district, they can keep more money. That is between the school district and the city.

Paul Hunter: But again, the \$51,000 is 25% of the....

Sarah Williams: But that is between them to negotiate. We're not really discussing the number here. We're just trying to get to a point where...this is the proposal, this is how it works, now people need to go back to their respective boards and figure how it to make this work between them. They need to come up with something between them that allows this community to have 259 new jobs that will spread throughout the community and generate more income and hopefully build the schools, the city and everything else here. We have to start somewhere.

Paul Hunter: So, if the schools agree that the 25% over ten years, but your estimate is assuming the 25%. That is what this \$51,000 is based on...the 25%. The school is supposed to be held harmless at 25% of what they've gotten.

Mayor Riley: That will be a conversation between city council and the schools.

Paul Hunter: Well, they're putting out the information...

[Simultaneous inaudible comments]

Sarah Williams: We're making an estimate of how it could work.

David Hockaday: I think that's what Mr. Smethwick did was to get the discussion going. He gave you an illustration of how the TIF is structured. The actual details will be done in the negotiation between the city and the schools. Page 6 is just an illustration of how things would work. The numbers are not concrete.

Mayor Riley: Does anybody else on council have any questions?

Brian Shidaker: Randy, I have a quick question. Scott, maybe you can answer this for me. It's regarding the estimated additional city income taxes. So, do you envision that there would be some type of compensation agreement between the schools and the city? Correct?

Scott Ziance: Correct.

Brian Shidaker: Will you let the city know what would happen if we could not reach an agreement with the schools and the city.

Scott Ziance: Sure. Thank you. Statutorily, if there is no agreement reached between the city and the school district with respect to any type of property tax abatement or TIF where the school district is going to be held harmless on the growth basis, which is what we are talking about here, the city is required to share up to half of...it's basically 50% of the new income tax revenues with the school district. There is typically an offset for some infrastructure, but again, assume 50% of the new income tax revenues. So, again, we're trying to set forth a structure for a win-win-win deal where everyone has positive benefits from it. Thank you for pointing that one point out.

Mayor Riley: Well, thank you very much. I certainly appreciate the input. I know that the Port Authority and ATSG have been negotiating extensively to get the JUMP hangar built and bring those jobs to the community and we certainly appreciate that. This is our first glance at TIF in a public session, so obviously there were a lot of questions. I so much appreciate you coming tonight and sharing them with us. Obviously, there are a lot of assumptions being made, a lot of details to iron out, but at the end of the day, I don't know how history will paint me in another 3 ½ years at the end my term as a mayor, but I will not be characterized as the mayor that stood in the way of jobs, that's for sure. I can think of a lot of reasons why this might make me a little bit nervous, but I can think of 259 good reasons why we need to work together to bring this about. So, I appreciate you being with us tonight and your input. Thank you.

Russ Smethwick: Mr. Mayor, thank you. Members of Council, thank you.

Mayor Riley: I have a few other items under my agenda. I received an email just today. This will cross you...boy, I'll tell you what. I got an email today from the City Manager of Latrobe, PA, challenging us on our claim for the home of the banana split. In fact, I'm sorry that Gary Hufferberger isn't here tonight, because the email is actually addressed to Mr. Hufferberger. Did you get a copy of this?

Andrea Chaffin: There was one on our Facebook page.

Mayor Riley: Well, it will have to come off now. They are challenging our contention that we are the home of the banana split. They say that just because we have a festival does not mean that we are the home of the banana split. And Alexander Graziana, the City Manager of Latrobe states in his email talking to Mr. Hufferberger, "Maybe you and your mayor, Randy Riley, and festival chairman Kevin Johnson would like to come to Latrobe and sample some of our history and banana split at Valley Dairy. Or possibly I could ship over some Valley Dairy ice cream with a case of bananas." He obviously does not realize that there's a whole lot more to a banana split than ice cream and bananas. You have chocolate syrup, strawberry topping, pineapple topping, whipped cream, nuts, and, of course, the cherry on top...a cherry on top. So, this guy does not know, and I hope this goes on YouTube, because although Alexander Graziani sounds like a very nice gentleman, he obviously does not know how to make a banana split. So, if he wants to learn, he is welcome to come to Wilmington, The Home of the Banana Split, to learn how to make one. We don't think that we invented the banana split because we have the festival here, we have the festival here because Ernest Hazard invented the banana split. So, I got that off my chest. Thank you very much.

[Applause]

Mayor Riley: The other thing that I do have. There was some concern in one of our council meetings in the past month or so about the Family Dollar sign on Locust Street – how tall it was. There was a suggestion that it be considerably lower. I stopped down and spoke to Chad McElwee, who was the contractor there, and he gave me his father's name, Doug McElwee, who is actually in charge of the building. I received an email just this week from Michelle Horner, who is in our Building and Zoning Department. She noted that she wanted to pass this along and I'll pass it along to council. She spoke to Doug who is building the Family Dollar store. He said that the mayor asked him to lower the sign on Locust Street about a month ago. Doug just got it all worked out with Family

Dollar, and the sign will be lowered. The pole will be about three feet out of the ground, and the five-foot sign will be on top of that, for a total height of eight feet, ten feet lower than it currently is. So, it's an eighteen-foot sign now, but it will be considerably lower than that. So, we got some concession from the Family Dollar people, which I certainly appreciate. Also, I would note in your packet there was an invitation to the Flag Day Ceremony at the Elks Lodge on Saturday morning at 9:00. Commissioner Pat Haley will be the speaker at that program. So, if you can make it, it certainly is a good program. One other thing...this morning, in fact, we received a call from one of our senior citizens who lives on the west side of town who was very upset because she had received a phone call from a young man who was crying and said that he was her grandson and he had just been locked up in Mexico. And somebody took the phone away and threatened that they were going to keep him locked up if she didn't send so much bail money down to them. This lady told the guy, she said, "I'm 98 years old, but I'm not stupid. I'm not sending any money to anybody." It just happens when I was home for about a half an hour this afternoon, on ABC national news, they were talking about just this type of scam. So please, if you know of anyone who is getting phone calls that seem to be suspicious, hang up, don't believe it. She actually called her grandson in Texas and he answered the phone on the very first ring just about and everything was fine. I heard that we had one other type of phone call like that. So, please be aware that that is happening, and for some reason, Wilmington is getting hit. I am glad to have Denny Gherman with us tonight. We received a thank you note from the City of Moscow – a very nice note thanking all of the people that came from all around southwest Ohio and helped them out. As you recall, we had, how many Denny?

Denny Gherman: 24.

Mayor Riley: Twenty-four of our employees took time and went to Moscow. I believe we had quite a few people there from the Water Department, Service Department, Landfill, Wastewater Treatment. A lot of our employees went down to help them out after that horrible, horrible tornado that they had. So, they sent us a thank you note, which I certainly appreciate. That's it, Scott.

President Kirchner: Thank you, Mr. Mayor. Before we get into committee reports, not to insert too much controversy, but based on what has come our way from Latrobe, Pennsylvania, I will consider a Department of Banana Split Defense potentially a new committee. We will have consultations with the mayor and see what will be necessary to defend our banana split ownership.

Mayor Riley: I think Rob likes that idea. You were going to report on Banana Split later. I think I stole some of your thunder.

Councilman Jaehnig: That's alright. Steal away.

Auditor –In the absence of Auditor David Hollingsworth, there was no report.

Asset, Acquisition and Use –Chairperson Bob Mead had no report.

President Kirchner: Thank you. I would indicate, Councilman Mead, that I believe as part of this TIF issue, there may be matters coming in the way of the Asset, Acquisition and Use Committee. So, I would ask that you be ready as we find out the details of what should move and when to hold a committee meeting. We will let you know as soon as we have the sequence of events and information we need. Thank you.

Finance Committee – Chairperson Bob Mead: There are two items on my agenda this evening, Mr. President. The first item is three readings on an ordinance making supplemental appropriations. You each have the individual appropriations on your included handout. This money is money that already exists. It does not have a negative effect on the General Fund. It is merely transferring it from a pot into the line item so it can be used by the various people.

A motion was made by Mead and seconded by McKay to give the first reading only on the ordinance Making Supplemental Appropriations.

Seeing none, President called for vote.

Motion passed

Director of Law read ordinance by title only.

A motion was made by Mead and seconded by McKay to suspend the rules and give the second and third reading on the ordinance by title only.

President of Council asked for discussion.

Seeing none, President called for roll call vote.

Roll call: Jaehnig, yes; Wells, yes; Stuckert, yes; Wallace, yes; Mead, yes; Siebenaller, yes; McKay, yes.

Director of Law read the ordinance by title only.

A motion was made by Mead and seconded by McKay to pass the ordinance as read.

Roll call: Wells, yes; Stuckert, yes; Wallace, yes; Mead, yes; Siebenaller, yes; McKay, yes; Jaehnig, yes.

Motion passed.

President of Council declared Ord. No. 5027 passed as read.

Councilman Mead: The second item this evening is the first reading on an ordinance making miscellaneous transfers. The same thing is involved. It does not have any negative effect on the general fund. We are moving money around.

A motion was made by Mead and seconded by McKay to give the first reading only on the ordinance Making Miscellaneous Transfers.

President of Council asked for discussion.

Seeing none, President of Council called for a vote.

Motion passed

Director of Law read ordinance by title only.

Mead requested that the second and third reading be on the Agenda for the next meeting.

Water Committee – Chairperson Mike Wallace had no report.

Streets Committee – Chairperson Mark McKay: Our first item, I would ask the President to convene a public hearing having to do with the abandonment of East Fulton Street.

President Kirchner opened the public hearing for the abandonment of East Fulton Street.

Councilman McKay: Basically, this is a requirement by the ORC whenever the city would consider abandoning property. This has been requested by the property owners of this area which is between their two properties. At this time, if there are any comments, they can be made.

President Kirchner: Is there anyone in the audience to speak on the matter this evening?

Service Director Reinsmith: I will say this. I think both parties probably wanted to be here to talk about it or at least be here, but I know at Planning Commission we told them at the next council meeting we would be setting a public hearing. Then, after that meeting, the Law Director had found the ordinance where ORC said that if both petitioners petitioned the vacation, then I think a public hearing wasn't necessary. So, I think that is probably why they didn't show up tonight. Because they were told that it would probably be a date later than tonight.

President Kirchner: And all members were in full support.

Service Director Reinsmith: Yes. They both signed the petition. That is why Brian said that they can waive the notice of public hearing.

Law Director Shidaker: Yes, they petitioned. As long as there is consent from all members, a public hearing is not necessary. But we put it on the agenda anyways just to be safe. Thank you.

Councilman Jaehnig: Since they're not here, to speak on both property owner's behalf, I think this is an excellent thing to do. Both sides have taken great care of that property over the years to make sure that it has not been rundown, blighted or grown up weeds. It really has been taken care of nicely. It obviously that we are never going to develop that into the alley or street that we had talked about. I appreciate all of the time that they have taken to take good loving care of that property.

Councilman Wallace: Mr. President, I agree that it's good for all parties, both the owners and the city.

Chief Duane Weyand: I would echo the same sentiment. I've been over there numerous times [inaudible for transcription], I guess my only concern is, as many times as I have been over there, the question I have for Larry or anyone who can answer it, what happens when Jim sells the property and moves on? That's a natural waterway and if somebody dams it up, it can cause flooding. Would there be any recourse?

Service Director Reinsmith: You can't alter a waterway. That's a state law.

Councilman Jaehnig: We have an easement going through there also, don't we Larry?

Service Director Reinsmith: For sanitary sewer.

President Kirchner asked if there were further comments.

Seeing none, President Kirchner closed the public hearing.

A motion was made by McKay and seconded by Wallace to give the first reading only on the ordinance To Vacate a Portion of East Fulton Street Right-of-Way between 466 and 508 North Walnut Street.

Motion passed

Director of Law read ordinance by title only.

McKay requested that the second and third reading be on the Agenda for the next meeting.

Councilman McKay: The next item is the first reading on an ordinance amending the traffic control map and the traffic control file. This has to do with parking on Gallup Street. We've had a discussion in council. We've had two committee meetings regarding this. The short version is that we would like to remove parking from the east side of that street to facilitate safety vehicles and snow removal during the winter. To help with that process, there has been a parking lot constructed in the rear of the homeless shelter, which generated quite a bit of parking on that side of the street. So, this has helped to make that process a little bit easier. I think it would be appropriate now to go ahead and ask if there are any further comments from the audience or council.

Councilman Siebenaller: There were questions whether or there is access off of Main Street or one of the back streets to the parking lot.

Councilman McKay: He is talking about the concern that a resident had about the easement to the parking lot.

Law Director Shidaker: She purchased the property with the easement already there on her property, so she knew it existed. It's for egress and ingress to the homeless shelter, so there's really nothing she can do about it other than be upset.

Councilman McKay: As I said, we have discussed this. Actually, this is the second time around for this. We have discussed it an awful lot.

A motion was made by McKay and seconded by Wallace to give the first reading only on the ordinance Amending the Traffic Control Map and the Traffic Control File.

President of Council asked for discussion.

Seeing none, President of Council called for a vote.

Motion passed
Director of Law read ordinance by title only.

McKay requested that the second and third reading be on the Agenda for the next meeting.

Solid Waste/Recycling Committee: Chairperson Don Wells: Mr. President, I have one item on the agenda, and I also have a recycling report that I laid at your places tonight. I would like to say that we have 1,474 bins out to the residents right now. We also have the city building on the recycle route, and the city park will soon have recycle barrels. So, that is going very well. We've delivered 52 bins since January, and we're now at a 36% residential participation, which is excellent. Even though we have improved, I think we can do better. We need to recycle; it's the right thing to do and to save our landfill. I laid a few copies over on the table in case anyone is interested in reading that. The second item I have is a first reading on a resolution authorizing the Director of Public Service to enter into a contract with Brechbuhler Scales, Inc. for the purchase of an above-ground truck scale for the Sanitation Department.

A motion was made by Wells and seconded by Mead to give the first reading only on the resolution Authorizing the Director of Public Service to Enter Into Contract with Brechbuhler Scales, Inc. for the Purchase of an Above-Ground Truck Scale for the Sanitation Department.

President of Council asked for discussion.

Seeing none, President of Council called for a vote.

Motion passed.

Wells requested that the second and third readings be on the Agenda for the next meeting.

Wastewater/Sewer Committee: Chairperson Loren Stuckert had no report.

Judiciary Committee: Chairperson Loren Stuckert: Mr. President, we have several items. First of all, we have a resolution that we want to move on. It has to do with the CDBG Formula Program. Whitaker has been before us a couple of times and in committee.

A motion was made by Stuckert and seconded by McKay to suspend the rules and give the second and third reading on the resolution Authorizing the Submittal of an Application for the FY 2012 Small Cities Community Development Block Grant (CDBG) Formula Program, and Declaring an Emergency.

President asked for discussion.

Seeing none, President called for vote.

Roll call: Stuckert, yes; Wallace, yes; Mead, yes; Siebenaller, yes; McKay, yes; Jaehnig, yes; Wells, yes.

Director of Law read the resolution by title only.

A motion was made by Stuckert and seconded by Jaehnig to pass the resolution as read.

Roll call: Jaehnig, yes; Wells, yes; Stuckert, yes; Wallace, yes; Mead, yes; Siebenaller, yes; McKay, yes.

Motion passed.

President of Council declared Res. No. 2287 passed as read.

Councilman Stuckert: Next, Mr. President, we have an ordinance that calls for rescinding the codified ordinance that we had on political signs that specified a period of time that the signs could be displayed. We have since discovered that there is a Supreme Court opinion that states that that would be unconstitutional.

A motion was made by Stuckert and seconded by Wells to give the first reading only on the ordinance Rescinding Codified Ordinance 1303.01 Regarding the Period of Display for Political Signs.

Motion passed.

Director of Law read ordinance by title only.

Stuckert requested that the second reading be on the Agenda for the next meeting.

Councilman Stuckert: We have a couple of our sign ordinances, one of which we took back to committee and reworked and the second one that came to us at our last committee meeting.

A motion was made by Stuckert and seconded by Siebenaller to give the first reading only on the ordinance Amending Chapter 1167.07 to the Codified Ordinances of the City of Wilmington Portable and Temporary Signs.

President asked for discussion.

Councilman Jaehnig: If I can ask Councilman Stuckert to please explain the ordinance so the audience understands what this new sign ordinance is.

Councilman Stuckert: You mean the one that we're reading now?

Councilman Jaehnig: Yes.

Councilman Stuckert: Well, we have an existing set of ordinances on signage, and they're divided by chapters. We're going through and revising those to more or less update them with regard to various aspect of signs to make them modern. We have assistance from Chris Schock and Steve Brown and some of the planning people. Rather than do the entire code, which is pretty lengthy, we are taking it a chapter at a time. That is where we are going with each one of these. This one has to do with temporary signs. Were you suggesting I go through and point out all of the things that have been changed?

Councilman Jaehnig: No. But, we have businessmen in the audience, and that's what they're particularly interested in is how these sign ordinances might affect their businesses.

Councilman McKay: Just an overview of what the ordinance is doing.

Councilman Jaehnig: Yes. Just an overview.

President Kirchner: Councilman Stuckert, if I may, as I recall when we addressed this, basically, currently all temporary signs by our code, the old code, are illegal. There are none that are allowed, although many are seen around town. The effort in this is to establish specific types of signs and permit types of signs to try to help our businesses be within code and be consistent across the areas.

Councilman Stuckert: That's exactly right. We didn't allow them at all. So, we have a whole long list of regulations on these temporary signs that we are now going to allow. I think it's awfully lengthy. If you want me to read all of the things we have added, I can do it.

Councilman Jaehnig: No, I just think it's important that those in the audience understand that in the past banners were excluded. We are now going to allow banners for your storefronts for up to 30 days without a permit. After 30 days in length, you'll need to have a permit to have it longer. That flags will now be allowable on your business and that we're going to approve sandwich board signs. At that particular point, you'll need to meet these new sign regulations. And if you're in the historic district, you will also need the regulations of the Design Review Board. But, what we have right now are a lot of signs that are put out in a desperate need to get business, but because we have banned all of them in the past. Thankfully, we were not enforcing the fact that they were banned and allowed them to be put out, but we have ended up with all kinds of different signs and there is no real cohesiveness to what is being put out there. This will allow and help businesses know what they can do and can't do in a reasonable manner, yet allow the city at that point to also enforce and bring some cohesiveness and a standard look to the city. That's really all I was looking for...for that basic understanding.

President Kirchner: Does that complete discussion?

Seeing no more discussion, President asked for a vote.
Motion passed
Director of Law read ordinance by title only.

Stuckert requested that the second reading be on the Agenda for the next meeting.

Councilman Stuckert: The last one again has to do with signage. These are chapters 1167.01 and 1167.04 and they have to do with wall and projecting signs. We have gone through and eliminated some of the code and then we have added certain language to parts of it also. We changed some of the language that has to do with permanent signs that are attached to walls. We also added language in regard to our yard arm signs. We defined it as a sign suspended from a ground-mounted pole or other similar support. We've added some height limitations. It cannot be over five feet and it can extend into the right-of-way. We have defined projecting signs as signs that would be attached to a building or suspended to a building or structure and extending away from the building or structure. Otherwise, the signs on the building and it extends out away from the building. That's the definition of projecting signs. Then we added new language that will permit those projecting signs to extend into the street right-of-way provided such sign extends no closer than one horizontal foot from the curb and does not exceed six feet from the face of the building. We added language regarding projecting arm signs that they have a maximum area of 68 square feet. We added language that requires that projecting signs should be a minimum of eight...

[TRANSCRIPTION INTERRUPTED – END OF TAPE]

Councilman Stuckert: ...and signs to be closer than 20 feet to an existing projecting sign and that they should be attached to a building wall, sign face at an angle of ninety degrees. In the H-1 and other historic districts, they should also should comply with any applicable rules and design rule processes. We have design rule processes in the Historic District. I think most of you are familiar with that. There shall be one yard arm sign permitted per frontage side on a public street per lot. That pretty much is the new language. I assume you want discussion.

A motion was made by Stuckert and seconded by Wells to give the first reading only on the ordinance Amending Chapters 1157.01 and 1157.04 to the Codified Ordinances of the City of Wilmington Wall and Projecting Signs.
President asked for discussion.

Councilman Jaehnig: Well, this is just the additional signs that again were prohibited before. The yard arm signs were illegal. Projecting signs were illegal, so these are the additional new signs that were not allowed to be used.

When we first started working with Judiciary Committee this year, one of the first things we said was that if we can't or don't enforce an ordinance, what's the point of having it. So, I like this because it's reducing restrictions on what businesses can do. Secondly, it also in a small way improved respect for law and should make our ordinances easier to enforce because they are going to be easier to follow.

Mayor Riley: I would also note, just as an aside, that a lot of the signs we have been discussing here, we went back and looked at some of the historical pictures of downtown Wilmington and there were yard arm signs and projecting signs and it looked quaint. It didn't look cluttered or bad. So, we're actually maintaining that historical look of the downtown area.

Councilman McKay: There were a bunch of people on the streets.

Mayor Riley: Wasn't that nice.

President asked for further discussion.
Seeing none, President called for a vote.
Motion passed

Director of Law read ordinance by title only.

Stuckert requested that the second reading be on the Agenda for the next meeting.

Councilman Stuckert: That's all I have.

President Kirchner: All right. Excellent work on updating our codes and helping our businesses understand and be able to legally advertise. I think it is great work.

Safety Committee- Chairperson Don Wells had no report, but he did point out that there was a typographical error in the truck scale ordinance and asked that it be corrected before the next reading. The word "of" needed to be omitted in the second Whereas.

Downtown Revitalization Committee - Convener Mark McKay: I don't have any legislation but I would like to say that we had a band last weekend and we would love to see that every Saturday and every day in between. We are working on it, aren't we, Mr. Brown?

Steve Brown: Yes sir.

Councilman McKay: Do you have any further comments? What do we have planned next?

Steve Brown: The first third Friday concert will be in two weeks, a week from tomorrow in the mural parking lot. Then the following week we will also be hosting GOBA downtown with a concert beginning at 8:00 in the evening. The public is invited to that also. As a matter of fact, the public is encouraged to interact with the bicyclists.

Dan Stewart: Brown Bag.

Steve Brown: Thank you, Dan. Every Thursday in July from 11:30 to 1:00 is free music at the Murphy Theatre on stage. Bring your own lunch and you can sit on stage and visit with the musicians and get a new perspective on the theatre. Air-conditioned. If you've never been on the stage, it is very cool to look out and see. So, everyone is invited to that in June and July on Thursdays.

Councilman McKay: These things don't just happen. The Main Street Group of which Steve is the Director is a big part of DWCIC. The events take a lot of planning. So, thank you for all you do. That's all I have, Mr. President.

President Kirchner: Thank you, Mark. Thank you, Steve, and thank you, Dan.

Parks and Recreation Committee - Convener Rob Jaehnig: We have no legislation. I just want to report that last weekend was Relay for Life, which went over very well out at the parks, culminating with a fireworks display by Rozzi's, which was a donation. They were actually looking to test some new fireworks and so just before the grand finale, there were five shots that went up that were a brand new firework called broken glass. If you didn't get to see them, they were absolutely stunning. Really takes fireworks to a new level, in my opinion. It was something to see. That was wonderful. This weekend out at the parks is Banana Split. So, make sure you get out there. My personal favorite is always the master's competition. Because we are the true home of the Banana Split.

President Kirchner: That's not happening this year. Before it gets out to the public...Chief Weyand.

Chief Weyand: I was responsible for the Master's Competition this year. I did everything in my power to twist every arm. I threatened. I told them they would not be able to drive on our streets if they did not compete, and I had only one taker. For whatever reason, I had numerous problems with people. There is just a lot of turnover in the restaurant industry in our county. I reached out to other places and made a lot of phone calls. Unfortunately, I was down to one person and I had to cancel.

Councilman Jaehnig: How about this...I'll throw out the challenge to my fellow councilmen. How about a council challenge for the Banana Split Master's Competition? Or is it too late?

Chief Weyand: How about we put an eating competition together. I know the mayor was disappointed that I had to cancel.

Mayor Riley: Who was the most disappointed person in Wilmington?

Chief Weyand: It was the mayor.

Mayor Riley: I was one of the judges. I got to sample all of these banana splits over the past several years, and I'm ticked.

Chief Weyand: I tried my best. I told them I would be the shortest reigning Chief of Police ever, so I did everything I could do.

Councilman Jaehnig: Well, make sure you make my favorite part of the entire banana split, the banana split evening contest. It's a great event. There's a great deal going on. There is a lot of music and a lot of things besides just the banana splits. So, make sure you visit it this weekend. Thank you, Mr. President.

President Kirchner: thank you, Rob. And I will echo the mayor's sentiment that we have just covered classified material not to be shared with Latrobe, Pennsylvania.

Income and Levy Tax Committee: Chairman Rob Jaehnig: Mr. President, we obviously have no legislation as of yet. We are continuing with discussions on the potential options that the mayor and council could have at their fingertips if it was determined that review of the taxes were needed. So, the discussion will continue on. We will have be having a second meeting, not next week, but the following week, and we will put notices out on that. I'm sorry...a third meeting. That is it.

Service Director- Service Director Larry Reinsmith had no report.

Safety Director – Safety Director Russ Burton had no report.

Mayor Riley: I would like to note on the safety side, and Duane, you can fill in. Last weekend, the Wilmington City Police cooperated with the Ohio State Patrol in a joint effort. You might give some detail. I was very proud of the guys for what they did. OSP is absolutely delighted with our work.

Chief Weyand: Yes. What we did is we kicked off our summer with one of the first roundups that I can think of that we have done as a Police Department for a drug roundup. It started with Scott Bacon being on our Task Force this year. We have really been hitting it hard. So, we had fifteen indictments that we served last Thursday for drug charges. All of them are high level felonies from heroin trafficking to crack cocaine. In addition to that, what we did is we had made what we call a high-intensity drug trafficking sweep and we spent two days (we were able to get some federal money to help offset the cost of the overtime), but we took two days and we did a lot of traffic stops and sat on some of the hotels and motels that weekend. It's common when they sell a lot of drugs, they do it out of the hotels, just because if you're going to do a search warrant there, there are no laws to the person who rents the place/owns the place. So, what it is, we sat on a couple of those and made some arrests from people that were trafficking heroin at the hotels, which was separate and above from the indictments that we served. We took the stuff from there, and then we went to some other places and was able to make some other arrests in different parts of town. So, it was kind of a great weekend for us. I think collectively we might have had close to 40 arrests in two days, and we did some traffic stops and we had our canine working out at the cars. We made other arrests for low-level drug offenses as well. So, it was a pretty good two days for us.

Mayor Riley: Good job. Thank you.

Reports:

A motion was made by Wells and seconded by Jaehnig to approve the Income Tax Report – May 2012, as received.

Motion passed.

Reports accepted as received.

President Kirchner: At this point, I would like to open the meeting up to the general public and/or members of council to address council while in session.

President Kirchner: Councilman Stuckert, I did fail to ask that the Judiciary Committee similarly be ready to consider the TIF matter. But, if you can check with your committee members, we'll working on getting new information before the committee. I will be talking about the Law Director about legal counsel for that matter.

Councilman McKay: Mr. President?

President Kirchner: Yes.

Councilman McKay: I did email you, and I don't think you responded, but I'm wondering on the TIF legislation, so we could give it the discussion necessary, if you would consider possibly a special meeting rather than doing it just in committee meetings.

President Kirchner: Actually, Mark, my understanding to the process is that initially the city council has to pass an indication that they are considering a TIF with a notification to the school systems. There is a period of time in there in which a public hearing has to be held, during which discussions would occur. Now the matters of discussion would formulate the agreement, which I will agree with you, I think would be necessary to come before the whole council for open discussion. But in the beginning, my understanding of the process is that the very first thing they would consider is the notification necessary, and that would actually initiated the process where discussions can begin. Which is the reason why I had not responded on that. As a matter of fact, we didn't know until this evening that they would be attending either, was the other part of that. Your point is well-taken, Councilman McKay. This will be a matter that will require all of council to be involved. As we begin that process, I encourage you all, even though you cannot participate in the discussions in committee, to attend and understand what the dates are and what the legislation process will be, and we will move from there.

President Kirchner again asked if anybody else from the public or the council wished to address council while in session.

Dan Stewart: 574 Hale Road. Wilmington, Ohio. I don't know if this is the proper group to address this to, but I figured I might as well start at the top and maybe it can trickle down. Since the News Journal moved out of their location, the area behind there has become a dump. I personally have removed two mattresses from there. Right now, there are four more there. There have been tires that have been dumped there. My real concern is one of the mattresses now has a spot on it about this big with burnt matches, and it is a burn hole in the mattress. I just want to make council aware of the situation, and hopefully it can be taken care of by whoever needs to take care of it.

Mayor Riley: Thank you, Dan.

Councilman Jaehnig: I wanted to thank you for all of the work you did in regards to the Cash Mob this weekend. We had a lot of fun and I would like to see that happen more often.

Dan Stewart: I would too. I would like to see that every weekend with some business in the county.

Councilman Jaehnig: I would do it every weekend. I'm cooking Mexican this weekend.

Dan Stewart: Just to elaborate on that. We had two employees in the store that would not have been there had we not had the Cash Mob at our store, so that is two employees that we have added. It's just a trickle, but we had over 100 sales more than we would have on an average Saturday. I think the Cash Mob is a wonderful thing. It benefited us and I would like to see it benefit other businesses.

Councilman Jaehnig: I think The Crave did quite well after the Cash Mob also.

Dan Stewart: Yes, The Crave did. We sent a lot of people down there.

President Kirchner: I would like to compliment you, once again, on your window display. I almost have to pull over and come in and try to put a ball through that thing every time I drive in.

Dan Stewart: That display is an entry for a contest for the Melissa and Doug Toy Company. They are going to select fifteen of what they select as the best entries, and then those will be put on Facebook for judging. It's international. Any company that handles Melissa and Doug products is entered into this. We're the only ones who are listed so far. They have 104 listed on their site so far. We're the only one who plugs in.

President Kirchner: Should you end up in that final voting, we would hope that you would come back to council and let us get the word out.

Dan Stewart: We will do the best we can.

Mayor Riley: Thank, Dan. That's exactly what I was going to say. I was going to comment on your window. If we get to the voting place, we will just encourage everyone to put that down in your list of favorites and vote on it every day.

[Banter]

President Kirchner: Chief, based on what he has described behind the News journal building, would it be possible to ask any cruisers moving through that area to perhaps head down that alley.

Chief Weyand: My suspicions are that there are some apartments back there and I think there's some turnover. I think it's just becoming a [inaudible for transcription]

Mayor Riley: Larry will get a hold of Donnie tomorrow and let him know about the mattresses. We can't leave that sitting back there.

President Kirchner: I myself am concerned from the fire standpoint. If there are, and I know our Sanitation Department does a great job on following up on those items, but in the event that there is something out there. Obviously, if I am not mistaken, we have had other little burning incidences with trash in that downtown area down there.

Dan Stewart: That would be awesome.

President Kirchner again asked if anybody else from the public or the council wished to address council while in session.

Councilman Mead: Mr. President, that happened in the back of Dan's store some time back. They tried to inadvertently burn the back end off his store. So, that can happen. I also have something to say. I was hoping there would be more people here tonight. I know, in looking out over the crowd, we're pretty much preaching to the choir. But, I had a contact with a friend of mine over the past week, and he's the kind of guy that always tells exactly what he thinks. And, I like to listen to him, and I'll listen to him for hours. When he was done, he told me he was going to have people up here. I told him, "that's the greatest thing in the world." I said, "To get people up here, I think that's great." If you can people from the public. I don't care if they want to come up here and they have complaints, if they want to rip us up, whatever they want to do. If you can just get people to come up and talk and take part in their government. Say something. You

have rights and you need to exercise them. We all need your input. Especially the people who aren't here are the ones who need to hear this, but I encourage anybody to... I don't care if it's against me. Whoever. Whatever they want to do. If they want to hit somebody...hopefully not with a missile...but if they want to come up and have their say, there's a time to do it. I don't mind it at all. I love it. Because it just says this is the greatest country in the world that we can exercise these rights and that the chief is not going to come and put us in jail.

[Banter]

Seeing no one else who wished to speak, President Kirchner asked for a motion to adjourn.

A motion was made by McKay and seconded by Wallace to adjourn.
Motion passed.
Council adjourned.

ATTEST:

President of Council

Clerk