

Wilmington City Council met in special session on Thursday, August 30, 2012, with President Scott Kirchner presiding.

Call to Order

Roll Call: Jaehnig, present; Wells, present; Stuckert, present; Wallace, present; Mead, present; Siebenaller, absent (arrived at 7:16 p.m.); McKay, present.

A motion was made by Mead and seconded by Wells to excuse the absent member.

Motion passed.

Absent member excused.

Assistant Chief Weyand was also present.

President of Council - President Kirchner: With this being a special council meeting, we will dispense with the Pledge of Allegiance and move right into the only item on the agenda tonight, which is under the Finance Committee, a budget work session and focusing on the five items listed.

Finance Committee - Chairperson Mead: The first item on the agenda this evening is the 2012 budget review and update. I believe David Hollingsworth is going to present something to us.

Auditor David Hollingsworth: If you would, these are all paper-clipped together. They are in the order I want to discuss them, so don't take the paperclip off and start getting them out of order, if you would please. We made 20 copies, so Mary Kay has more if anyone else wants a copy. I'll go through the methodology we used to kind of give you an update of where we're at as of July 31. Now you can take your paperclip off. This is what I did in my leisure while my wife was in Boston. In the days and evenings. I wanted to do as thorough of a job and yet try to give you information that will be as concise as it can be so you don't get lost in all the detail. Okay? It's hard to do with as many funds as we're dealing with and with the interrelationship with a lot of the funds, but saying that. If you look at the General Fund, the very top worksheet, the very first column, and this will be the same with all of the worksheets, is the budget up through July 31 that would reflect the original budget plus any supplementals or transfers that council has passed up through July 31. The second column is what we have actually received the way of revenues and spent through July 31. The next column, I call that the "budget balance." That's the difference between what was budgeted, revenue and expenses, and what we've actually spent through July 31. So, in theory, that's what we should have left for the remaining five months of the year. Then I set up another column, what we think the estimated, with some revisions that we think may happen over the last five months of the year. You guys have not taken action on any of these. These are not on the books. This is just... Mary Kay and I got together and we worked through... what we did is we... approximately 85% of what we spend is employees and benefits. We took a look at what our year-to-date payroll was. We've got 11 pay periods. Our people are paid every two weeks, so there are 26 pay periods in the year. As of the end of July, there were 11 pay periods remaining. So I took everybody's base salary, divided it by 26 and multiplied it by 11. Now, qualifying that, that does not account for any possible overtime that might take place in any department. It's just their base salary. In my estimation, unless it's an emergency, in our circumstance there shouldn't be overtime, but that's really up to the department's scrutiny at this point. So, we took the salary for the remaining 11 pay periods and then off of that generated what our worker's comp, well actually we know what our actual worker's comp is because we paid our last premium. Anybody paying into Medicare, we generated their pension contribution based upon the city's portion of the pension, then we also took a look at our health insurance, which is not necessarily driven off of the payroll, but I'll explain what we did with that as we get into it. So, the last column is what we think the difference is going to be between what is remaining on the budget and what we think is going to happen over the next five months. Okay? The only thing, and one thing I'll mention because Mary Kay just got a letter from the Treasurer actually this evening. Everybody's been wondering about the inheritance tax. We know we've got money coming but didn't know the

amount. We just received this evening a letter from the treasurer telling us what that final settlement is going to be and it's going to be well over \$800,000 that we'll be getting probably over the next month. That's probably more inheritance tax than we have ever received in any one year. Saying that, that goes away after the end of 2012. It's possible we could still collect some inheritance tax in '13 if somebody dies in '12 and it's not settled until '13, so definitely after 2013, that inheritance tax will go away. In the interest in time, I'm not going to go line by line at this point. Let me point out the items that show a difference and why there's a difference. The revenues: you're not going to see much of anything other than inheritance tax that I just mentioned, which is not reflected on here. If you flip to page 2 of the General Fund, you'll notice there are some brackets around the differences under administrative salaries, administrative pension, worker's compensation and benefit insurance. Administrative salaries, that difference is basically a reflection of one or two employees that are no longer here and the difference. One was replaced, but the salary on the new employee is less than the old one, so that accounts basically for the reduction that you're looking at of \$54,000. As a result of that, the pension contribution for PERS is also going to go down, assuming these positions are not going to be replaced. And that's the assumption we're making. Benefit insurance, and this will apply across the board. I know there's been a lot of discussion about the reserve or the build-up that we have inside our insurance fund. It's probably over \$700,000 right now. People have asked, "Can we throw that back into the General Fund?" I've not gotten a legal opinion, but I don't think that we can because there is a comingling of several different – there's monies from enterprise funds. There are employees' monies...and trying to decide if you did want to do away with it...if you could do away with it, who gets what? In my mind, it's a cushion going forward in offsetting what our health insurance cost is going to be in the future. Because with our health insurance being self-funded, it's somewhat a roll of the dice. We've been fortunate; we had a good experience in 2011, which helped us to be able reduce our contribution to that insurance fund for 2012. Now that's not to say that we could have...somebody could get...or a handful of people could have some major medical problems and just the opposite could happen. So, in my mind, that's kind of insurance in and of itself in going forward for our health insurance. What we were able to do, because of the timing of the budget and when we renew our insurance contract, because we renew that in April for our health insurance, our premiums that we were paying into the fund were more than what we actual needed to pay in because of our good track record so far this year. So what we are going to be able to do is to reduce our contributions, rather than putting a monthly amount in for the next five months, we're probably only going to have to fund it for about two and a half months. For this report, I have factored-in paying for three months. So in essence, there could be some savings, barring any major medical claims over the next five months, there could be some additional savings in the health insurance line item – possibly half a month. Right now a little over \$200,000 a month goes into that insurance reserve fund. That's not just this line item, but that's spread among all the departments, both the enterprise and the special revenue funds as well as the General Fund. The medicare insurance is not that big of a reduction, but again, that's driven.

President Kirchner: Back on the benefit insurance. I want to make sure I understand. The 25,892 difference that you list there is representative of two months of premium...

Auditor David Hollingsworth: Three months.

President Kirchner: Three months of premium...three months still...

Auditor David Hollingsworth: We're only going to have to pay, rather than all five months at \$204,000, probably only two and a half months at \$204,000, but I actually factored in three. That's just in the General Fund...that's just in admin. We have other departments that have insurance line items. That's not everything. That's just the admin.

President Kirchner: The difference in the final column would represent the two months that we don't think we're going to have to pay.

Auditor David Hollingsworth: Correct.

President Kirchner: In the administration.

Auditor David Hollingsworth: That's just the admin employees. Correct.

President Kirchner: Is that based on just strictly the fact that our plan payments this year and our expected costs this year have continued to be down the same as last year or...?

Auditor David Hollingsworth: Two things. When we budgeted for the health insurance, if we continue to fund it at the \$204,000, we are probably going to be short based on what was budgeted. But there's not a requirement to pay that in. It's just excess money we would be paying into the fund that we don't need to self-insure ourselves over that last... Like I said, it's probably going to be two and half months, but I'd rather be conservative so I used three months rather than two and a half that we would be paying. Anything else on the insurance? The next reduction is direct deductions. Mary Kay and I talked about this. This is the deduction... whenever the county pays us real estate taxes, they always take an administrative fee for any kind of settlement we get from them, they take an administrative fee. For some reason, it's down substantially. We've only paid \$22,725. We budgeted \$60,000. I can't imagine that we're going to pay anymore than what we've paid in the last seven months, because we've collected just about everything we're going to collect from the county, with the exception of probably a little bit of real estate tax and then the inheritance check that will be coming through. That's the only item that I felt comfortable with adjusting downward. Property tax: we know that we're not going to pay any more the rest of the year. We budget \$32,800. We actually paid, because the final payment has already been made through the end of July, \$18,573. So that left \$14,227 that we're not going to pay. I think that's a result of some of the properties that we were paying tax on, now we've got clearance since their city property now being used for municipal purpose, we're no longer paying real estate tax on those. The next item, property casualty insurance shows a reduction of \$10,858. Mary Kay and I talked. The only reason I made the adjustment is I think we've paid what we're going to pay in the way of our premium into that group insurance fund. We have another insurance line item below that where we pay small claims out of that don't go through the insurance pool so it doesn't affect our premium. I assume we're going to spend the rest of that. That's the other thing, when we get down to the departments, I know they've not had a chance to look at this, but I would like for them to get a copy and take a look at their particular department because I can't tell, looking at some of these line items, especially when we get down to vehicle expense, repairs and maintenance, what you think you might spend for the remainder of the year. So, I want your input. I just assumed you're going to spend what was budgeted at this point for tonight, with the exception of what we felt comfortable in going ahead and changing. Turn to the next page. The transfer line items. You'll see this once you get into the individual fund that affected by the transfers. The very first one is the police fund. We're saying rather than needing a \$1.3 million to transfer, we only need \$830,000, so that would be a reduction in the transfer to the police fund of \$172,000. Part of that, I think, is a result of having two, maybe three officers that are no longer. Now, I did not factor in any replacements over the next five months. This is just assuming that we're not replacing those salaries that aren't on there now. So, if we hire somebody, then that number is going to come down as far as the \$172,000. Fire fund: we've got the same thing. We've got a couple of folks I think that have left. If they are replaced by the end of the year, this number will change. Right now we're saying we can reduce our transfer to the fire fund by \$72,721. Emergency Ambulance, \$9,329. Street maintenance and repair. Again, Denny is here. I was going to have Denny look because there are some repairs and maintenance on the streets that we haven't done yet. I don't know if he plans on doing that in the remainder of the year. I assumed he was, so I just left whatever he had budgeted in here. It looks like we're going to have to transfer a little less than \$76,000 to the street maintenance and repairs. Police Pension Fund and Fire Pension as well: those reductions are basically a result of reduction in staff. Again, if some of those people who have left are replaced, those numbers will change. But as of right now, with the staff that we currently have, this is what the cost would be for the pension plan. Jumping down to our office, we show a reduction in salary of in salaries of \$21,328. That's a result that we lost one of our employees about a month ago. As of this point, we are not... I explained, I believe, in open council, we are looking to hopefully maybe tap into somebody that is already here in the city and consolidate maybe some functions rather than hire somebody new. At

worst, we probably would need somebody maybe part time in our office. Mary Kay is doing two jobs now. Until we get to the first year when it's time to do the year-end close and we have state auditors coming in, it's going to be difficult. Her main function is doing payroll, and that's a pretty time-consuming task with as many employees as we have. That's neither here nor there. We're showing a reduction through the end of the year of \$21,328. I don't think we have anything coming from the state as far as when they reviewed our financials...I'm showing that our auditors have been in and gone and they've billed us. I'm assuming we're not going to pay anything else out for our audit fees. Income tax salaries: Again, I'm showing a reduction of about \$3800. If you flip to the next page, we jump to Municipal Court. You see a reduction in their pension, their worker's comp, their benefit insurance. They're still going to be a little short for whatever reason, by about \$2300, even by reducing their contribution by the two months. Then their Medicare. They have lost, I know, Jolene Hoggatt retired. I think, was there one other employee, Mary Kay, who is gone that they have not replaced? So, again, that's going to have an effect on their salary line item and all the corresponding benefits. There are also some additional – some of their salary line items are broken out – like the salary clerk, if you move down to the middle of the page. Those are the changes in the salary positions. There are a couple of them that are going to be a little short if you take their base pay and factor what it is going to be over the next 11 pay periods. If you get down to the Director of Law, their salary line item, we are showing a reduction of \$4,406. Their unemployment, we're through paying on the one employee who is no longer employed. I don't know if they found a job, but we're no longer paying unemployment compensation. So, we had allotted \$37,000 for the year. They have been paid \$12,273, which left \$24,757 in that fund. Now to Safety. This is basically Dispatch. One thing that Mary Kay and I were talking, that is probably the department that incurs the most overtime, which is not factored in here. This is just straight salary, so if there is overtime, that will not be reflected in here. But we're showing a reduction, based on the base salaries, of \$79,448 and then all the corresponding benefits associated with that payroll. So, all things considered, on the General Fund, if you take a look at what we're projecting the net difference to be, we are showing a reduction, or actually an increase that would be reflected in the fund balance, of about \$732,000.

Councilman McKay: In the budget balance of \$2,000,000?

Auditor David Hollingsworth: Right. Well, you kind have to flip back to the first page, because the very last line showed what the ending cash balance or carryover balance would be. In the budget, we were projecting a carryover balance. We started out, and I'll round these numbers off, with almost not quite \$2.6 million we started out with. Based on the budget, we were projecting a balance at the end of the year of about \$1.3 million. Up through the end of July, our fund balance, which is not really reflective of the budget because of the way our...and we talked about this...you know, we collect most of our revenues the first half of the year and then we spend an enormous amount of cash toward the end of the year, with very little revenue coming in. I looked at this...at this time last year, in 2011, where the cash balance was at and then where it was at the end of the, not noting anything extraordinary that was paid out, but we ended up using about \$1.2 or \$1.3 million worth of cash more than what we took in over that last five months for the year. The other thing...if the revisions that I just gave you would hold true, and they're not, these numbers are not exact. They're going to change. If you would add in what we are going to get in inheritance tax, we could possibly, based on these numbers, have a fund balance of \$2.8 million at the end of the year. Not saying that to think that we don't have some budget issues to address. We do. Because we know the \$800-some thousand we're going to get in inheritance tax is going to be gone. We're just fortunate that we're getting that. Down the road, that's something that we're not going to be able to...we've never factored in the inheritance tax when we do the budget. We always estimate that at zero. Again, not knowing what estates are pending out there and who is going to die. There's no way of knowing that, so we budget that at zero. So, whatever we get is just kind of a bonus. Are there any questions?

Councilman McKay: I appreciate your work on this, David.

Auditor David Hollingsworth: It's hard guys, to be quite honest. If you're not working with this every day and we've got so many funds and the interrelationship. That's

why...and if an apology is needed, I apologize...but I got a little bent out of shape when we started throwing numbers out in open council without knowing exactly where the numbers come from and how funding... Because there are several things in this budget that you'll notice are counted twice. If you look at our expenditures only. Some things are counted three times, when you get into our debt service. So, you have to factor those items that are duplicated out, because we're not spending the money twice. It's just the mechanics of the way fund accounting works and the way we have to show it. It's not that we're doing something on our own, it's kind of standard procedure for all governmental entities that that's the way you have to show the accounting and the movement of the funds from one to another. I can go through...you tell me how much detail. I don't want to be here all night, and I know you guys don't want to sit here all night. I want to give you whatever information you want. What I've done...this is every fund, with the exception of the special revenue funds, which would be the landfill, water, and sewer. And I'm working on those. This just took an enormous amount of time to put this together, but I wanted to do it to make sure that you guys had an understanding or at least something to refer to if you have questions. And if it's something you don't understand, please come and ask me. I'd be more than happy to sit down with you, or Mary Kay, either one or both of us, if that's what it takes. Let me just flip through the next series of funds to explain to you what they are. The G.O. Fire and Municipal Bond Payment Fund, that's the fund that the monies flow through that we pay our payment on this building. And we had consolidated when we did some refinancing...just some refunding of some old bonds...we consolidated a fire issue into this...I think one of the fire trucks that we bought, we consolidated that into the city building. This is where the payment flows through. So, really the money comes out of the General Fund. This is one of those quirky funds where it actually ends up showing...the expenditure shows up three times. It shows up as a transfer out of the General Fund. Then it goes into the Bond Retirement Fund and then it goes into another fund to be actually get transferred to the trustee. Again, ask any questions. Otherwise, if you don't ask questions, I'm just going to flip through these. Economic Development Fund: That fund is only affected, I guess if you guess decide you want to put money into it. There was money set aside, and I think.

Mary Kay Vance: It's the EDA fund...

Auditor David Hollingsworth: EDA...right. From the water line. That excess money went into this fund to be used for economic development. So really, there's no new money going into there. So all you're spending is whatever is there unless you supplement that fund. Street Maintenance and Repair: This is Denny's department. All these reductions you see here, you're going to see, they will be reflected in the reduction in the transfer line item back in the General Fund that we covered. Denny, you weren't here, but I mentioned I want all of the departments to take a copy of this and take a look at your specific department, the expenditures that are remaining for the rest of the year and see if anything needs to be changed. We just assumed whatever was budgeted was going to be spent.

Mayor Riley: David, on that area specifically, maintenance and repair, was that reduced significantly when there was a change in the licensure of the trucks that went to Indiana. Is that this area?

Auditor David Hollingsworth: I would have to go back to the year that that happened. That's been several years...that's been a few years ago. Basically, all we did, and I tied...anything that's paper-clipped together, even though they are separate funds, they are interrelated, like the Street Maintenance and Repair. I also had the State Highway fund attached to that and the Permissive Tax. Because all three of those funds have to do with our streets, basically. If you take a look, the permissive tax fund, the very last page, I'm showing a reduction in revenues. We get permissive tax from the county. We budgeted \$85,000 in the revenue and we're showing zero. Those monies we only get if we have a project that we're going to do. Okay? The money's not lost. If we don't use it, it's still ours, but it sits at the county. We don't get it until we make a request – until we have a project that we're going to work on. Even though I'm showing a reduction in revenues, it is but it isn't. I mean, the money is still sitting there, but it's not in our coffers. It's still sitting at the county. So if Denny would have a street that he would want to repave for \$85,000, we could request that and get it. Did I answer your question?

Mayor Riley: Yes you did.

Auditor David Hollingsworth: Any questions on those funds. Again, they're three separate funds, but they're interrelated, so I grouped them together. The Taxi Fund has been explained to you by Phil. It's kind of quirky. I didn't mess with any of their expenditures just because the funding mechanism. In order for them to get state and federal money, they have to show that we're going to spend "x" amount of dollars. I didn't reduce any of that except for the Worker's Comp it was going to come down and the benefit insurance. Those were the only two items that I adjusted, and they're very minor.

Councilman Jaehnig: So there potentially could still be savings that we're not aware of because of their funding mechanism.

Auditor David Hollingsworth: There could be. Street Lighting: That's what you just talked about in Finance. You're going to have a special assessment that you're going to vote on that the county will put on to fund this. In 2012, we budgeted \$199...just a little shy of \$200,000 to go into that fund. And we're projecting we're going to spend just a little over \$200,000 for lighting the streets, replacements of lights, and then any new lights that may be put on the streets. If there is a new development or an extension of a street – say Josephine Street that they're talking about extending. If they ever develop that back in there, we would probably be responsible for putting the lights on that street, and it would come out of this fund. The Insurance Fund: There are two funds on this one sheet. Again, they are interrelated. One is where we transfer the money into. And then we set up a separate checking account because as benefits are paid, they are taking directly out of the checking account. We did not want those coming out of our General Fund checking account. We wanted to segregate those monies so they could be drawn...so there's nothing but health insurance payments coming out. So that is why you see two funds set up here. Again, we're showing a reduction because we think we're not going to have to pay basically two months, two and a half months worth of health insurance payments into that fund. We're still showing a balance at the end of the year of possibly around \$900,000. Again, there are a lot of unknowns. We don't know what claims are out there pending. This is just based on information that we have and what was originally budgeted. So far this year, we've been adding to that fund, so we hope that's the case through the end of the year, but again, it's an unknown.

President Kirchner: David, if I could interrupt for a moment. Let the record reflect that Councilman Siebenaller has joined us. I'm sorry I didn't see when you came in. I was looking at the document. But he is now here for the record.

Councilman McKay: He has been here ten or fifteen minutes.

President Kirchner: I do have a question, David. This is calendar year balance, not plan year balance?

Auditor David Hollingsworth: That is correct.

President Kirchner: So, we still have a three-month portion of the contract...

Auditor David Hollingsworth: That will go into 2013...correct.

President Kirchner: Okay. And we will have to budget for that.

Auditor David Hollingsworth: That is correct. The next fund is Issue 2 money. These are monies that basically go in and out. This money, we don't actually get, but we have to account for it. The disbursements on these funds, these projects, are usually paid directly by the state, but we are required to account for them because they are our projects. So, the money doesn't go into our checking account, but we have to account for it. So, this is not money that is coming out of the General Fund. These are just grant monies to pay for street projects. Then we have a 3% Commercial Building Permit Fee Fund. That is just

simple the permit fees that go into that fund. It's a nominal amount. We only projected \$1000. So, unless you have a question, we'll go to the next one.

Councilman Jaehnig: This is not taking into consideration any building fees we would get...

Auditor David Hollingsworth: That's a different fund.

Councilman Jaehnig: Thank you.

Service Director Reinsmith: Rob, that fund is based purely on building permit fees. That 3% goes to the state and pays for the training and seminars.

Councilman Jaehnig: Then this is an in and out.

Service Director Reinsmith: Well, we do charge for them when they take out a building permit. We do charge the building permit fee plus 3%. So basically, it is in and out.

Auditor David Hollingsworth: The UDAG Fund: Again, this has no effect on the General Fund. There is a revolving loan fund set up many, many years ago that people in the city can apply for and receive low interest loans that they pay back to the city. As the money is paid back, it gets loaned back out. So... The next series of funds. These are basically the CDBG funds. The Sugartree Corridor Grant Fund, that's the one that you talked about earlier that we had a then and now at the Finance Committee meeting. Again, these are grant monies. There is no money that comes out unless one of them by chance would have some type of match associated with it. These are just basically monies that go in and out for various grants. I just lumped them all together on these two pages rather than put them on individual pages. Are there any questions? Then we get into the court. Underneath the General Fund, you'll find all the salaries for the court, including the judge. This next series of funds are basically special funds that are set up that various fines are earmarked for. The first one being the Municipal Court Computerization Fund. This happened a few years ago. Originally, that was set up to just replace computer hardware and software in the courts, but we also found that we are able...if there's someone who is designated hours to work on doing computer-type work in the court, we can actually apportion part of their salary, which helped to relieve some of the burden on the General Fund, because these monies come directly out of the Municipal Court Computerization Fund and not the General Fund. So we were able to reduce the salary that is being paid out of the General Fund and shift it to this fund. Along with some other lease agreements on computers, supplies associated with their computers, software, any incidentals related to the computers, furniture and equipment – you know, if there is a desk needed to hold a computer, it can be paid out of that fund. And then also computer hardware costs. Any questions on that? The rest of these funds, again, are just special funds. There's no money that comes out of the General Fund. The only thing that I will say, and we've had this brief discussion and it's something to kind of think about going into the budget process. I've not had any discussion with Judge Carey, some of these funds you will see carry pretty substantial balances. My question would be, is there any way to reduce the fines that are going into these funds and have them revert back to the General Fund. I don't know the answer to that question, but I think that's something that needs to be looked at. Because, even if you look at the total funds brought in from the fines consolidated, and that includes everything that goes into these special funds, there are times when we come up short in being able to cover the expenses of the court out of the General Fund. Even though he may be bringing in revenue than what he is spending overall, it's the fact that some of these fines get earmarked for special funds and can't be used for anything else. That creates somewhat of a strain at times on the General Fund. It's just something that I think needs to be looked at in the budget process. I'm not going to go through each one. You can look at these. There's a Municipal Probation Services Fund. There's a Municipal Court Magistrate Fund. That's where basically the magistrate is paid out of – his salary and benefits. There's a Municipal Court Community Service Fund, Enforcement and Education Fund, Drug Law Enforcement Fund, Indigent Driver Alcohol Treatment Fund, a SCRAM Fund (and please don't ask me what that is because I'm not sure), Courts Special Projects Fund, and a Community Corrections fund. There are some

salaries paid out of the Community Corrections Fund that are not being paid out of the General Fund. So, again, look at those at your leisure, but that is something to kind of keep in the back of your mind as we get into the budget process. I don't know if anything can be done with that as far as the structuring of the fines or not, but it doesn't hurt to ask. Next is the Hotel Lodging. That is basically an in and out. We do get an administrative fee that we retain, but again, that's just money that goes down to the Convention and Visitor's Bureau at this point. I guess you guys do have the authority, if you want to keep it you could, but it does go down to the Convention and Visitor's Bureau except for the administrative fee. There's a Bond Retirement Fund. Again, this has to do with some of our bond issues that are outstanding. The notes on Lowes Drive, Davids Drive flow through this fund. Then we flow to the Police Fund. Again, these salaries could change and probably will change. If there are additional officers added, then the reduction we're showing here will get smaller. You had asked earlier, Scott, this just happens to be the Police Fund. The real estate tax that was collected: we actually collected \$21,000 more year-to-date than what they certified to us. I don't know if that's a result of delinquent collections or what the reasoning is, but we've actually collected a little bit more and we could have more revenue coming in between now and the end of the year. Any questions? Also attached to this are some special funds. There's a federally forfeited property fund, an FOP Continuing Professional Training Fund, and a Police Evidence Fund. The Police Pension Fund is also attached to this. Again, the Pension Fund, we are showing a reduction of about \$46,000, but that's assuming there are no new officers going to be added for the remainder of the year. The next series of funds is the Fire Fund. Again, we've lost a couple of employees there and they are reflected in the salary and the benefits. Behind that is a USDA Loan Grant. I think that's on one of the fire trucks that we buy. And then the Fire Pension is attached to that. I might mention this two. Let's flip to the Emergency Ambulance Fund. We're showing a little bit of reduction in salaries there, but you won't see on here the revenue side. The revenues from the arrangements that we have with the various townships flows through General Fund. So, if you look at this and you don't see those contracts on here, in essence they end up here through the transfer, but it flows through the General Fund. They don't flow through this specific fund itself.

President Kirchner: Those are actually shown in a line item on the front in the General Fund.

Auditor David Hollingsworth: Correct.

President Kirchner: So, what goes in there generally goes through the transfers.

Auditor David Hollingsworth: The last one is the Recreation Fund. We're showing a reduction...of course, I guess they've made the decision to live within their own means, so what we've transferred year-to-date, \$24,000, we assume we are not going to have to supplement that for the remainder of the year. The only thing I was not able to pin down as far as salaries goes in Recreation, you know the five people who are out there basically full time and/or part-time, the only thing I didn't factor in is anything they pay out for part-time help, umpires. I don't know...I have no idea what that's going to be for the balance of the year. You would think that by the end of July most of the leagues are over with. There are a few fall soccer leagues, so I didn't factor any salaries for those, but they should be relatively nominal in comparison to the budget.

Councilman Jaehnig: This is basically an enterprise fund now, isn't it.

Auditor David Hollingsworth: Well, it...

Councilman Jaehnig: Not an enterprise fund, but self-sufficient.

Auditor David Hollingsworth: It should be. Yes. I would suggest you get a three-ring binder, punch these and put them in there. Otherwise,... Anybody have any questions? Now that I have this template set up – I'm not saying it's just a matter of a push of a button, but I could update it at the end of each month from here on out. Then again, I would like the department, Denny, Police, Fire, Emergency Ambulance, just take a look

at yours and see if anything needs to be changed on the expenditure side that you're aware of for the balance of the year that we probably did not change.

Councilman Wallace: Dave, so if these numbers were to hold true and we get to the end of the year, we're looking at carryover of around \$1.3 million?

Auditor David Hollingsworth: No, that's under the budget. What I'm saying is...

Councilman Wallace: Under the current budget – the \$1.3 million.

Auditor David Hollingsworth: Right. If these estimated budget numbers that I have presented, with the adjustments for the salaries, what few revenues that we adjusted, with the exception, the inheritance tax is not reflected in there, we would end up with a balance of about \$2.054 million at the end of the year.

Councilman Wallace: A little over \$2 million.

Auditor David Hollingsworth: Roughly. So, with what changes have taken place during the year...and again...it could change if we add police officers. But as of right now, if nothing changes, then that \$1.3 deficit that we were projecting will actually go down because we were thinking we were going to have a balance of \$1.291 million in the budget, but it's actually going to be \$2.054 million, then that deficit, that \$1.3 million we were projecting would go down by roughly \$750,000. Again, I qualify that – and I think we need to look beyond just 2013. The ultimate solution that I have said to our revenue problem is to get increased employment inside the city – whatever that takes to happen. Because you're going to reach a point where you can only make so many cuts. I think...I will commend the departments again. I think it's reflected. You know, we were originally projecting a \$1.3 million deficit. I think the departments have done a good job in trying to cut corners wherever they can. I'm not saying like our department, we're looking at trying to use existing employees if we can to fill our void in the payroll. Our office is a little different in that we have to have a certain segregation of duties, or we will have issues with the State Auditors. So, we can't have one person doing everything in our office. It's just not a good situation. So there have to be some checks and balances throughout the whole city – especially in our office. I'm not saying that...we're trying to do everything we can. The twenty-five years we've been in office, we've never added anybody. We don't need to add anybody. We're trying to do what we can internally to try to help alleviate the situation with the General Fund. But at some point, we have to take a strong look at the revenues and whatever we need to do. Because you can only cut so much and then you're going to really cut into the services of the city. And if that's what we have to do, we may not have any choice. Any questions? Does this kind of answer some of the questions you had as far as what you wanted to do.

President Kirchner: Yes. Understanding the current situation and what we see between now and the end of the year, understanding that these are estimates. I very much understand that they can change. I am curious, when you look at the amount that is affected by personnel that we have lost, I know we are in the middle of hiring two new firemen – is that correct?

Chief Mason: We have a test scheduled for the end of September. Yes.

President Kirchner: Would you not anticipate them coming on...?

Chief Mason: It would be November at the earliest before we could get anybody in here.

President Kirchner: Okay.

Chief Mason: We have interviews, testing and all that.

President Kirchner: So, those savings documented here could potentially be all captured this fall, but the line item will go right back up to where it was...fairly...new hires have a lower salary...I understand...a small incremental change...but we will be right back at the same spending level. Correct?

Chief Mason: Yes.

President Kirchner: Okay. And is Duane here?

[General comments that Chief Weyand had stepped out the room for a phone call]

President Kirchner: I believe we are also in the process of hiring two officer on the police force. Correct?

Safety Director Russ Burton: And a dispatcher.

President Kirchner: And the timing on those coming on?

Safety Director Russ Burton: Probably about the same time. Late October or early November.

President Kirchner: Okay. And the reason that's critical in my mind...while we may couch your savings in this year, we'll be back to the same expenditure level next year. So, those don't transfer into 2013. We're right back at the same level.

Safety Director Russ Burton: True.

President Kirchner: That answers the majority of the questions I know I have. As I read through more of these... I do appreciate very much the work on this, David. It's excellent work and I think helps lay it all out for very easy reading.

Auditor David Hollingsworth: That's all I have.

[General comments of thanks]

Councilman Mead: I know it's your job, but we do appreciate the time and effort that it does take to provide those kinds of figures. I know you and Mary Kay have put in a lot of time in doing that.

Auditor David Hollingsworth: Well, we try to make it easy. We know that you guys, number one, are not accountants by nature and you only look at this periodically. We are trying to make it as easy to understand as we can.

Councilman Mead: Easy to understand and then change it, right?

Councilman Jaehnig: Like the tax code...

Auditor David Hollingsworth: And a lot of the stuff, even to me, doesn't make sense that you are required to do in fund accounting, because it is totally different from what I do on a day to day basis. To me, it's not real logical, but it is what it is.

President Kirchner: The other question that I would ask, David, with the realization that some of these bodies are going to be coming back on at the end of the year, is it the advise that we don't do any reverse appropriation until you get to that point in the year?

Auditor David Hollingsworth: I think you need to decide, since we're at the start of the budget process, I think you need to factor that in probably for 2013. If they don't come on board until November or maybe even after that, I'm not sure I would be overly concerned about 2012. I think it's going forward into 2013. We'll give you information on what was actually spent, but as far as trying to project when they're going to come on. I think you're kind of rolling the dice. I think it would probably be a safe bet to say by January 1 you would have people in place, so I think it's probably more of a discussion for the 2013 budget than the 2012.

Councilman Jaehnig: With the amount of ex-employees that are on unemployment right now, do we have any... Danny, we have only one employee who is currently receiving unemployment right now? Really?

Auditor David Hollingsworth: And that's out of the recreation fund.

Councilman Jaehnig: Well, then that's a moot question.

Councilman Mead: The next item on our agenda is a general budget discussion. I will let President Kirchner start that off.

President Kirchner: Well, it kind of starts where that leads off. The question of, as we look at the savings that we have identified. Correct me if I'm wrong, but I'm guessing that the amounts that the mayor referred to that we have been able to add to the carryover likely came out of the savings that we've just gone over for the General Fund accounts.

Auditor David Hollingsworth: Can I clarify that...if I might interject...because I was in Boston at the last council meeting, and I understand. I just want to make sure there was no misunderstanding. I understand the County Auditor was here and spoke to the effect about money that we had asked for in the way of an advance. I may be totally wrong, but I had somebody who is not here tonight approach me. He got the impression that we asked for that money to pad the General Fund balance on what it was at the end of July. We always ask for an advance on our real estate taxes – twice a year. Because we don't wait until they have their final settlement. The request we made for an advance was not out of the ordinary. I mean, that's something we have done forever. I don't know if you saw in the paper, Clinton Massie, they actually ask for an advance every week on their real estate taxes. So, it's just a matter of not...and some of it is for cash flow purposes – rather than waiting for the real estate taxes that aren't paid until February, we normally ask for an advance early so that we have cash available to pay bills, basically. But it's nothing out of the ordinary. But he got the impression that it was kind of alluded to that we asked for that advance to kind of pad and that was the reason the General Fund balance was higher than what it was at the beginning of the year. That wasn't the reason for the advance. We always ask for an advance, and then we get a final settlement at the end of the year once they have collected all of the real estate taxes. I just wanted to clarify that in case there was a misunderstanding.

Paul Fear: David, that's correct. It's a February and July situation – the first of every February we ask for 300, and of course in July we ask for 300. They give us what our share is of what they have collected and then they settle once they've cleared their settlement. We're still waiting. What they did...it was so low this year when we asked for it, instead of getting 300, we only got like 127 for the first advance. So we decided to ask for a second one, and on that we got 356. So we got more of it from the two advances than we did from the 300 request. But it's been done that way every year, so there was no padding done. It is just that timing-wise, since we got such a small amount on the first amount, we asked for a second one. Now they will settle with us. It's probably going to be a month because they're doing a big computer changeover there, so the people in charge of it. But we still have a little bit coming out, maybe a hundred and a half or so. You're totally correct.

Councilman Jaehnig: Some of that has to do with what David was saying about cash flow, because the Parks money and taxes had a little bit to do with that request. Didn't it?

Paul Fear: Yes they needed some more. Since we only got 127 from the first advance, they were looking for more. That's kind of specifically why we asked for that second funding. We didn't need it out of the General Fund cash flow, but there are some of the other accounts that we got money in for.

President Kirchner: The account value we were looking at was the Auditor-Treasurer's report for the close of July. Right? Which showed a General Fund balance approximately 2-point...

Paul Fear: 2.891. That was July.

President Kirchner: So that's just a matter of cash flow when things come and when things go out. We actually, ...based on the fact that we do have some of these items that have not had expenditures for specific reasons, the funds still remain there. The identification of what they are is the critical part to understand where the 300,000 came from. Actually, if you look at these estimates for the year, the General Fund estimates end up in that 700,000 range. I understand they can change their estimates, but the question that becomes going into 2013, what of those are considered permanent from a budget standpoint? That's the reason the question about where the savings came from and whether or not they're permanent came up. Also, can they be reverse-appropriated? And to that question, without knowing what's going on when those employees will hit, do we just wait until that final meeting of the year when we reverse-appropriate, identify this now, understanding that it's only a one-time savings, or should we...

Auditor David Hollingsworth: That would be my suggestion, because you don't know when they're going to start.

Councilman Wallace: Mr. President, I just have a suggestion because I have felt for a long time that in some ways, we're not really doing our job up here. In this whole budget process, I think we would be smarter by us sitting down...as an example, for the last several years, we have dwindled down this carryover amount of money. Right? Certainly we can't get it to exactly where we want overnight. That wouldn't make sense. But, to me, if we would work with the mayor and work with our accountants and work with everybody involved who really knows and who can make some good educated guesses on where we're headed next year in 2013. If we could give some guidelines to our mayor and to all of our directors for what...let's just pluck a number out of the air. Okay? Let's just assume that we work on having a 3-month carryover. So, looking at what you gave me here, I'm saying, okay, let's pick \$2 million as a carryover for next year as an example. We say, okay, budgetarily then, let's make sure that whatever we come out with, the bottom line when we vote on this in December, that we're guaranteeing ourselves of having a \$2 million carryover, which is an increase of over the \$1.3 or whatever we had this year. Then we'll work on it as we go through this process – not worrying about anybody's budget. We're not talking about the street maintenance repair. Let the mayor take care of that and his directors. Let them work out a budget. We will still have our committee meetings and go through and answer our questions. Don't get me wrong, I think we want to have an idea of what is going on in each department like we do now, but I think we get too involved in how much money we pay for the gravel as council people, you see. Like right now, we're looking at the overall.... Dave did a great job of showing us just how complex this really is to start with and how hard it is for us to put really concrete numbers. And yet, as I have sat here, these guys are pretty on at the end of each year. I've been here. They've kind of given us a clue about where we're going to be. You've only passed a budget and they've been somewhere pretty close for all the flexibility you've got. So, I guess my recommendation for us sitting up here would be to somehow figure out what it is we thing would be a good number for the mayor and his group to start working on, so that when we come to our individual committee meetings and start talking about this, we can work toward that carryover number. If it's \$2 million. If it's \$2.5. If it's \$3. Whatever we think is really a reasonable number, so we can reverse what has been happening with the downfall and start increasing that back up to where we all want. I think that's the way to go.

President Kirchner: I won't disagree at all. Mike, the issue is, in order to do that you have to either increase revenues or decrease expenditures. The question of how much we should keep in reserve, I think is something in talking with the Auditor – and David, please, correct me if I'm wrong – the original place that it kind of got set at, three months/25% of your budget, grew out of advice from our bond counsel that it was an effective standard to use to demonstrate fiscal responsibility and security and keep our bond rating effective. Is that accurate, David? I don't mean to put words in your mouth.

Auditor David Hollingsworth: No. That's how it originated. Now, if we go below three months' worth of expenditures in the General Fund, is that going to affect our bond

rating? Probably not. There's nothing out there written in stone that says if you go below this limit, we're going to lower your bond rating. They are going to look at the city as a whole. But I think just as kind of a...everybody calls it a "rainy day" fund...somebody's got to define "rainy day" for me. If the situation we've been in is not rainy day, I don't know what it is. Logically we can't take it below zero. We can't. It's against the law; it's illegal. You've got to find a balance. The citizens pay their tax dollars to receive a service. They want police and fire protection. Again, they want the ambulance to show up if they are sick. I know we have been the benefactor. I've got a 93-year-old mother who has had to use the ambulance several times. We're not here to save tax dollars that come into the coffers. We're to use those to provide services to the citizens that pay the tax dollars. You know, if our revenues have fallen to a point that we cannot support the safety services, then some changes are going to have to be made. I mean, everybody is going to have to look at their budget – whether it's administrative. You're not going to be able to wipe out all of the administrative people and be able to just maintain all of the safety services. I mean, logically, you can't do that. You have to have certain departments to oversee the safety services. There is a cost associated with that. It's a matter of sitting down and taking a look. What level of services do you want to maintain for the citizens? What do they want? If you don't have enough revenues to support those services at the level that the citizens want, then I think you have to go and ask them. If that's a matter of asking for...we are in bad economic times, but at least you give the citizens a voice. I think that's part of what democracy is all about. If we don't have enough revenues, and the people expect to have a certain level of services, then you leave it up to them to vote as to what level of service you want to maintain. We have to be as good stewards of their dollars as possible and try to use the tax dollars as wisely as we can. But you're going to get to a point where you can't just keep cutting and you can't keep adding one, two and three jobs on individuals and expect them to do those jobs. I mean...Number one, they're going to burn out or they're going to leave. I think a lot of our employees have been here a long time. When you start losing people, sometimes it's hard to replace. I'll give you an example. Our office, our least tenured CPA has been there 25 years. Now to have somebody leave and try to replace them with somebody at entry level, it will be very difficult to do. I think that's the same with a lot of the departments we have here at the city. If you start losing people, then I think there's a cost associated with that. The cost of training new people. I think you can't just look only at making cuts.

Councilman Wallace: That's my whole thought.

Auditor David Hollingsworth: We've got to balance the budget. I'm not arguing with anybody. We can't spend \$1.3 million every year over what we're taking in. So, either you make cuts or you look for ways to raise revenues. The same way with the schools, I mean, I respect what you guys do, but the way you are funded is with tax dollars. I mean, there's no other choice. I mean, you guys don't sell anything. You provide a service. The same way with the city. Except for the enterprise funds, we don't sell anything. We provide a service to the citizens. I think you have to leave it up to the citizens to decide what level of services they want. You know, I don't know how many police officers you're short. Logically, if we're talking about adding employees, whether it's police department, fire department, that's additional cost to the city. Where are we going to come up with that money to pay for that? I know we don't want to cut safety services, and I'm not saying we do, I'm just saying you've got to find a way to support those levels of services that you want to provide to the citizens at the level that they want. You've got to at least include the citizens in that and give them a voice. I know they've elected us to do a job, but I think part of that job is listening to them. We can't force... And I'm not saying have an income tax increase, but I'm saying if we do, we can't force that on anybody. It's the voters that make that decision. We only had one opportunity to raise the income tax. It was 0.8 when I took office. We raised it 0.2 of a percent, and we could do that without taking it to the voters. We did that specifically to pay for the city building. Now, in ten years, when the city building is paid off, those revenues will be available for other things. But until that ten years, they are not available. We can't increase any tax without going to the voters. Again, if you don't give them a voice, you really don't know what they want. If we can show them we have done everything we can to either consolidate internally various functions that we feasibly can, or if we're going to have fewer officers on the street or fewer firefighters or fewer

EMTs, we've got to show them, this is what the cost is to maintain this level of service. This is what it's going to cost to do that and give them the voice – in my opinion.

Councilman Wallace: But I think we set the rules of engagement by saying, "This is what we want as a carryover." And I know I'm not smart enough to pluck a number out of the air, but I think we as a group, as a collective group, can come together and say, "This is what we want for carryover. So, this is it." Now we've set the rules for the budget because we know what we want to have December 31, 2013. Okay, and then, we can go from there. We can start working down. Now As the mayor goes through the process, he can say, "Wait a minute. I'm at a minimum and I need more money," then we can start looking at going to the people. Again, it's all setting the basic rules, I think. Step one and then go to step two.

Auditor David Hollingsworth: That's really what I'm saying. If you want to assume that we only have available revenues – if the income tax is \$4.1 million again – and I'm just throwing that number out – we know what we're going to have left. We just had certified to us what is going to be available as far as real estate taxes. The other miscellaneous revenues that come in, we have a pretty good idea what those are going to be. That's a starting point. If we're short, then we've got to look across the board. If it's a matter of cutting every department. I don't think it's fair to just look at one aspect of the city and say all of the cuts are going to come from there. You look at the revenues. The solution to the problem is increased employment in the city.

Councilman McKay: I think we've been given a unique opportunity with the inheritance tax that looks like it's coming our way, not that it should be part of our calculation, but it gives us an opportunity to take a little more time to possibly make some tough decisions. You and I may be going the same way, Rob. I agree with Mike, that we need a number, whether it's 2, 2.3, 2.5, whatever it is, and then you've got to whittle back and see how to get to that number. Now, if we indeed can't get to that number or we don't want to get to that number by cutting staff or cutting staff as deeply as we might need to, but then we still have time to take the opportunity look at additional sources of revenue, i.e. income tax. That could happen in the early stages of next year, but we have a little more time to consider.

Councilman Jaehnig: I just want to make sure I am understanding your concept correctly. If, based on David's number, we're at \$2.054 million at the end of the year and if we get approximately \$800,000 in estate tax, our spending, based on these numbers right now, into the carryover is approximately \$550,000 above what we bring in. Then, if we repeated the same spending in 2013, Mike's number would be then \$2.35 - \$2,350,000 would be the supposed number that council might say, "Mayor, this is what we want in the bank at the end of the year." Am I understanding what you are saying correctly?

Councilman Wallace: Yes, whatever that number is. I'm saying, let's tell the mayor, "Here's what we want left going into 2014. This is the carryover we want." Now, take that, and we have a rough estimations on what our income is going to be based on everybody's input and now let's start working the budget. You sit down with your people and come up with something. I don't know how it's going to play out. But that seems to be a whole lot better for us, because I have no idea how many firemen we need. I don't know how many trucks I need to have on the street or how much gravel we have to buy. Frankly, I am not educated enough for that. But I do know this, basically we've been screaming and yelling at each other for eight months now. We sort of have an idea of what we want to carry over into 2014 or we can come up with that number. To me, then, that's the rule for budget. This is what I want by the end of 2013. Now let's talk about budgeting 2013.

Councilman McKay: The part that I didn't get to say or forgot to say is not that I want an income tax imposed on anybody. But I want to know what services we might have to cut or provide the citizens the opportunity to make that decision. No one wants the income tax.

Auditor David Hollingsworth: I know this has been... I think our office... we're providers basically of information. We don't manage any of these departments. We can tell you what the effects are going to be of hiring or firing, but we don't make those decisions and we're not in a position to tell you, the same as Mike or Mark mentioned, how many police officers we need, firemen we need. I don't know. But I can tell you, if we have 20, 21, 22 police officers on the street, we can do the math and tell you what that's going to cost, but until we all sit down and kind of... I think we're all trying to go in the same direction, but it's just a matter of ... I mean we can't keep going back and forth, or you guys can't keep going back and forth in the way that we have. We're not going to accomplish anything. It's not fair to the citizens and quite frankly, it's not fair to anybody sitting up here, for that matter. We know we can't continue to spend more than we're bringing in. It's just a matter of determining how much money do we need to operate the city with the local services that we think the citizens want. We just need to all get on the same page. Because I think we're all working toward the same goal. It's just the way we're going about it that we're butting heads.

President Kirchner: The thought that I would offer... I agree that this council and administration all need to understand what our fiscal approach/plan/standard is. How much carryover? In my mind, it's a length of time in the budget. Do you carry one month? Do you carry two months? Do you carry three months in carryover? Because as David said, you can't hit January 1 at zero. You can't do it, so you've got to have some degree of time in expenses. If you think about our cash flow, we don't regular get paychecks ever week as a city. Our cash flows in chunks and it's based on calendar falling dates that every year change. When the withholding comes in from fourth quarter, when the revenue begins to flow from property taxes in February. So, the question is, how long of a period. The reason I say how long of a period is because that period makes a difference as to how big your budget can be to get the number for carryover. It's a percentage. Right now, 25% of our \$9.2 million budget is about \$2.5 million, which we entered this year with. Two million dollars would be three months, 25% of an \$8 million budget, which would mean we would have to cut \$1.2 out of what we currently spend. So, that's why I'm saying that this council and administration have to get to a point where we have a fiscal approach that carries over an amount that we feel is responsible. Of course, that carryover would also be there for any unknown, unexpected, unplanned emergencies potentially.

Councilman Wallace: I'm not bartering that number at all. I'm suggesting the concept, which I know we all think about that, because that's what we end up voting on in November or December anyway. But, it's the idea of what is that number? Let's come up with that number. Let's give it to the mayor and give it to our department heads and let them work on that and see how we can sort that out then. I know it's going to be a strain on everybody. But that's the beginning of the budget process.

President Kirchner: Well, and I personally feel that the 25% carryover that just covering three months of operational expenses is a fiscally responsible level. I don't feel it's excessive, but I think that this council and this administration have to come to an agreement on what they think fiscal responsibility is to carry over. And that's the discussion that you're suggesting to start with. Because once you start with that, you can then work backwards from where we are at and what we're spending and what we're expecting. David, in looking at 2013, my thought would be that we have not seen any major change in employment situations which would drive major changes in that earnings tax number. We will likely see revenue in the same level as we will this year, barring any major upsides or downsides.

Auditor David Hollingsworth: And I can't... That's a moving target. The Income Tax Department would be better to speak to that. You don't know what we're going to earn. You also have businesses in there. You know, you can have an uptick one year and lose money the next, which is going to have an effect on that income tax number.

Paul Fear: We just had a business bought out this past week. What are you going to do with 220 employees?

President Kirchner: It's a valid point. The risk on the downside is much more concerning because the smaller that carryover gets, the more that impact of a major downside, very quickly impacts the city.

Councilman Jaehnig: I think three months is a good place to start. As Mike was saying, you know, that's where we start and we build from there. I would agree that the three months should be the minimum that we start the discussion at, if that is the direction we want to go, and then continue to build it from there. Because, personally, I would like to see us get well beyond three months again. I don't know how long it's going to take, but if we could get that back up to a full year, I think that would be the responsible thing to do, God forbid we are ever in this situation again. I like Mike's concept. I think it will allow council to have a much more open and reasoned discussion.

President Kirchner: The question would be, would you all like to agree on that number at this point, the length of time, whatever it is, that council wants to do to work a budget around?

Councilman Wallace: I don't know if we know that number, but I think maybe Mary Kay and David and some people involved can kind of get their heads together and get back to us in due time with that number, and then we can agree on it at that point in time. I don't know what that number would be unless we want to work off of this year's budget.

Councilman McKay: We know what percentage we're shooting for.

Councilman Wallace: Yeah...25%...right. But what do we expect our revenue to be in 2013 and then we can go from there.

President Kirchner: You won't have actual revenue projections until what point?

Auditor David Hollingsworth: I would have to get the information. At the next council meeting, you're going to be acting on the real estate tax. We just got that from the county, so we know what those numbers are. Income tax, that would have to come from Marque's office.

Paul Fear: We got local government a couple of weeks ago, that 340,016, so we've got that. But we have asked for casino's money, which could be an additional. We have some monies maybe flowing in from the hangar on the fees. So, this...

President Kirchner: I'm trying to understand a date when we will have revenue projections for 2013. I would share with council, I have been working on the thought that a reasonable number to try and start with until we get to that ability is our current revenue projection. You'd love to believe that they're going to go up, but there is a potential that they could go down. If we start where we're at now, at 7.9 roughly estimated income for the year in the General Fund, it gives you a starting point. As we get toward the end of the year, we could find that there is upside or there is downside.

Councilman Wallace: I don't disagree there. That's a good starting point.

President Kirchner: But it seems to be like a place to start. If 25% of the budget is where you as a council are wanting to get, then we've got significant cutting that we'll have to do for 2013.

Councilman Jaehnig: It's a little more confusing than that because of the revenues that are coming in. If we're saying 25% and we're thinking a budget-to-revenue issue for 2013, we'll have potentially much more than that in the fund at the end of the year.

President Kirchner: Not...

Councilman Jaehnig: If our projected revenues for next year are \$7.9 million, 25% of that is a little less than \$2 million...

President Kirchner: Wait. It's your budget that you're talking about; not your revenue...

Councilman Jaehnig: Oh. Thank you.

President Kirchner: Your budget is \$9.2. If you did the same budget next year that you did this year, you would spend \$1.3 million more than you be taking in.

Councilman Jaehnig: You're correct. I had my numbers backwards.

President Kirchner: I didn't mean to cut you off, Rob.

Councilman Jaehnig: I don't know if I'm ready to go ahead with a number tonight. I think it's definitely a much more attainable number through council. I would be very interested in when we could have revenue projections and then immediately schedule a discussion.

President Kirchner: If I could offer to council, we're sitting on September 1, and that means you have four months left. You have a budget process that needs to begin now. We really do need to decide on that number at this point to set up the structure for what we're going to try to achieve in the budget process, because if we have the department heads go out without that total in mind, and the mayor doesn't have that guidance, they could go out and develop budgets that are away from that target of desired carryover. You have to give them, at this point, something to begin the process.

Councilman McKay: Don't we need projected revenues to do that?

President Kirchner: Well, you won't get projected revenue until later in the year. That is why I was suggesting you start with this year's projected revenue. We look like we're tracking closely to this year's projected revenue number, \$7.9. If you want to be safe, say it's a little lower. Or if you want to be optimistic, say it's a little more. But, it seems to me that \$7.9 is a reasonable number because we don't see currently any major impact coming in 2013. If council starts with that 25% number and the estimate of revenue is \$7.9, you can work backwards from these numbers and know what you've got to cut. The other thing that I would like to say – in the inheritance tax, do we have a period of time in which that can be challenged?

Paul Fear: Three years.

President Kirchner: So, we have a three-year window where technically that will be challenged and the income that we think we have time with can be pulled back.

Councilman McKay: But we have it right now.

President Kirchner: We don't have it yet.

Councilman McKay: Well, we will have it shortly.

President Kirchner: it was also my understanding, based on that, that was a raw number. A complete number, without any fees taken out of it by the Auditor's Office, and that there could be filings against it that exist now.

Paul Fear: The law says that they are supposed to provide the money to the state nine months after the death, so that is what they do, whoever is the executor, whoever the trustees are, they give the money and it flows through. Now the raw number that we have is the number the county has gotten. They will get their fees out of it. They get 3% of 100, and 2% of the next and on down. Then they will adjust it to the sheriff and everybody else who gets fees out of it. We will have the gross number right now. We'll have the net number in about three weeks. But then, for last year's, we got \$240,000 inheritance tax. In years before, it's a three-year floating window where the people are able to claim back against those things. You don't want to spend the whole \$800,000 this year, because if you get any claims against last year's 240 and the year before, whatever, that would have to come back, that would need to be spent, so we would could get

money against that for up to three years. There are other debts that happened this year. We still may get some next year. But, I wouldn't try to use the whole eight to balance your budget deficit.

President Kirchner: I would agree. I think when you look at the projections here, the \$2.8 carryover projection means that we added only \$300,000 to the carryover after getting \$800,000 in unexpected money, and we would need to keep that \$300,00 there. If we just keep \$300,000 of that unencumbered, you ended the year right where you started with \$800,000 more in revenue than you planned for because we planned for zero for the estate tax line item.

Auditor David Hollingsworth: I missed the \$300,000. What was the \$300,000.

President Kirchner: If we kept a portion of that \$800,000, say it was \$300,000 that you didn't want to spend, that would be the difference between \$2.5 million and \$2.8.

Paul Fear: He's just picking an imaginary number.

President Kirchner: I'm not saying that's the number. I'm just saying that basically, whatever it is that you reserve, if you use \$300,000, we're right back where we started.

Auditor David Hollingsworth: Why would you want to reserve? I'm just trying...?

Paul Fear: He's saying if we want to say we want to use \$2 million as the minimum budget and we got this \$800,000 in and you use some of it to balance the budget, he's saying you really then should be at \$2.3 million. He's said let's not spend all the eight because we may have claims against it, and that's the imaginary number that he's...

Auditor David Hollingsworth: I guess that's... What claims are you...?

Paul Fear: Heirs of the estate.

Auditor David Hollingsworth: Yes, but that would not affect the tax.

Paul Fear: No, but it would affect what we have to pay back.

Auditor David Hollingsworth: Well, no. I'm not sure how it would affect what the inheritance tax was. They might challenge the way the estate was distributed. The only claims that would affect that tax would be if there was maybe if there was an outside creditor that wasn't disclosed or if there was a claim that would reduce the taxable estate. An heir coming back against the estate is not going to have an effect on the tax. The probate of the estate is going to be the same. The only thing that they would be arguing is how the estate was disbursed, which has nothing to do with the inheritance tax. There is a three-year statute of limitations on where the state can come back and actually audit the return and change it. That could possibly affect the inheritance tax, but as far as an heir having a claim against the estate; that would not affect the amount of inheritance tax that we got. I don't think we've ever had a claim against the inheritance tax in the 25 years that I've have been in office.

Paul Fear: You can talk to the judge, but I think we have had one.

Auditor David Hollingsworth: I think that three-year statute is for the return to be audited. There is a nine-month filing period in which the estate has to be settled and the tax return has to be filed. You can't get an extension, but the court usually pushes it to be settled in nine months. So, there really shouldn't be anything, unless there is a reduction in the taxable value of the estate for whatever reason. An heir coming against the estate, that would be a matter of the courts redistributing what was left over after the tax was paid.

President Kirchner: I have asked the Law Director if he could give a legal opinion on the law associated with what could be challenged and see if he can identify for us what can be affected. That way, we can have a better idea of what could affect that number.

Councilman McKay: Mr. President. I want to say, we have had a really good meaningful discussion tonight – calm – and I appreciate that from everybody. You're question about making a decision on the carryover percentage, etc., I think I would like to have maybe a week or so to just kind of mull this over before I make a decision. The rest of council can certainly decide what they want, but I would rather not try to make a decision tonight.

Auditor David Hollingsworth: Here is what we can do – provide you with – it it's a concern about having enough carryover at the start of the year to be able to pay our bills basically. We could take a look at what revenues we collect in those first three months and what we pay based on 2012 to give you an idea of what kind of cash flow we need. Because, if we didn't collect all of our tax revenues until the end of the year, then there would be a big concern about having enough cash to carry us up to that point. We are a little fortunate in that most of our tax dollars come in during the first six months, so I don't know that cash carryover balance – it's important but I don't know if it's as important as maybe we're thinking in getting us through those first few months, because that's when we collect most of our revenues. We'll tie that down for you if you need that information to kind of get an idea of what you think...

Councilman McKay: I think you're very close to coming up with some working things that we have not been able to do in the past and put our arms around the big picture a lot better than we've been able to. I applaud everybody for their discussion on that. Yes, if we could have maybe a few days and then maybe we can pull together another special meeting or do something where we can maybe nail those numbers down that you're looking for. Would that make sense?

President Kirchner: I would offer the thought that with a regular council meeting next Thursday, a week from tonight, we could visit this issue in the regular council meeting as opposed to having to have another regular meeting for it. We could get it on the finance agenda and put forward options and let council discuss it and make a motion on whatever it is they would like to do. I do think that waiting much longer than that gets into budget season.

Councilman McKay: I just think we have made huge decisions tonight, and I'm happy for that.

President Kirchner: I know that one of the things that I think would also help us is to understand from those whose budgets were affected by lower costs this year, if you can identify, if any of those are permanent or semi-permanent going into 2013, you would expect to have the same reduction in your budget. If we can identify that, it would also give an indication of how much of a savings achieved this year could carry forward into the 2013 budget, because that will, again, affect the process. So, I think that covers a pretty good general discussion of the 2013 budget approach. I have taken the notes and have offered to type them up, we had, and I did not get to them. I was on a business trip this week, but we had talked with the auditor and I would like to circle back with him some to take a look at this budget schedule that we had tentatively laid out. The idea was looking for initial budget reviews with the departments for the 2013 budget in the last week of September through the first week and a half or so of October, just to get people in mind of when the meetings are going to be coming fast and furious and to give enough time. I will talk with David and the mayor tomorrow and see if we can solidify some around this schedule and then try to get it out again for council to look at in the next meeting. We obviously will have some work to do this fall, so... The next item, Mr. Chairman?

Councilman Mead: I have the presentation and analysis of proposals from the mayor based on his Blue Ribbon Panel report. Are you prepared to do that, Mr. Mayor?

Mayor Riley: Yes, I am. But I would actually rather not. What I would like to do... we're pushing two hours already. It's almost 9 o'clock. What I would rather do is talk to all of the councilmen... Don and I have already talked some today and in previous days about landfill and I've given him some more ideas about options with the landfill with some pros and cons – you know whether we're talking about landfill or we're talking

about safety services, EMS, fire, any of the departments. It makes sense that it would work better if I could just meet with each of the chairs of those committees with department managers and sit down and talk about some of the nuts and bolts and some of the options to figure out where council might like to go with these. There's some really radical things that have been suggested, and there are some radical things that we have talked about. Russ Burton and I met with a for-profit ambulance company a week and a half – two weeks ago – just to see what we can do with emergency medical services. We are just looking at options. I talked with Chief Mason this week about some of the options that we might have with emergency medical services and the Fire Department. Each one of those topics could literally take an hour-plus. I would rather spend an hour with the committee chairs at your convenience. It certainly doesn't have to be during business hours. I'm here at 9 o'clock at night already, so it could be at any time at your convenience where we could meet in my office or your office or wherever you want to meet with the department heads that would be affected by this. We could just sit down and brainstorm some of the ideas. Then, the next step would be to take it to your committee and to present some of these ideas. We'll have first glance, weed through some of these ideas, take it to the committees, have some discussions about some of the options. We almost did that today with some of the landfill. We got close to it. We really didn't get into some of the nuts and bolts of the ideas, but I would love to do that – take an hour or two or whatever Don thinks it would take to sit down and talk about the landfill or talk about the Water Department or Wastewater Treatment Plant and the other services and then bring that back to committee. Then we could make some presentations to council. It just makes more sense to do it that way than... I mean, literally, we could talk for an hour or so about each one of these topics, and I don't want to delay this anymore than we need to. That would be my recommendation.

President Kirchner: Would it be possible to get – I know we have a number of ideas here – to get some actual estimated savings or estimated revenues that we would see from the ideas as we move forward to kind of prioritize. I mean, there's a long list of items.

Mayor Riley: Some of the things...one of the things... I've been talking with so many people and meeting with so many people. One of the items that I believe is listed on there that has been discussed was when we do the utility billing, rather than putting a return envelope in, should we save money by not including a return envelope? The savings on that would be about \$1500 a year, a fairly minor amount, but who are we passing that expense on to? We're passing it directly back to the citizen. They would have to buy the envelope and mail that back in. In talking with Barb McVey, she said it's a very small amount and water, sewer and sanitation all pay a third of that since it's their bill. So, it's costing each of those departments \$500 per year and they're enterprise funds, so it wouldn't save the General Fund anything. So, I put that to bed. I don't think it's something we need to worry about. But again, I just spent five minutes talking about something I've already put to bed. I'd love to sit down and talk to council at any time at your convenience about some of these ideas. You all have that report. So, when you want to look through it, if you want to meet in my office or your office at any time, I'm available to start those discussions. I'm looking forward to it.

Councilman Mead: All right. I'll respect your concerns and opinions, Mr. Mayor.

Mayor Riley: I'm looking forward now... you guys to tell me when you want to meet. Or I'll call you. I will call you guys and set up an appointments if that's what you want to do. But just let me know how you want to handle it, because we need to get moving on this. By the way, since I've been amazingly quiet up here for the last two hours, I think 25% is a good idea. I think that is a standard. I think you need to be able to start the year with 25% of what you anticipate your budget to be in the particular year. That is just what fiscal management, and thank you Mike for bringing that up. I think it's a good idea. On the 800 or whatever it would be for the inheritance, I've no interest in spending that. In fact, when we talk about rainy day fund, I don't see the carryover as being a rainy day fund. I see carryover as being good fiscal management. That's what you do to start your year. You need to have that money set aside. The \$800,000 would be the pad in there that you might be able to do something that you had not anticipated doing. I would just propose for you all to think about this. We have dedicated employees of this city who have not had a dime raise in the past 4-5 years. I'm not proposing that we give

everyone a 2% or a 3%, but maybe a one-time wage adjustment with some of that money, just to let them all know how much we appreciate what they have done. I throw that out there for your consideration. But I think that would be a good use for possibly part of that. We can talk in finance and just let you noodle on that for a while, Bob. We can talk about that in Finance Committee coming up or at some point. But, I think we owe it to our most important resource, which is our staff and our employees, to thank them for being patient with us for the past 4 or 5 years while they have continued to work really hard and dedicated to the city without any increase. We owe it to them to do something. And then the budget reduction brainstorming, I think that's what we're going to do in those sessions.

Councilman Mead: One thing we can agree on, Mr. Mayor, our thrust, even those of us who voted and were not successful, our thrust has never been to eliminate a lot of our hourly employees, because we agree that they are valuable assets. We need them. And we're not trying to get rid of the services. We were working toward some adjustments in other areas, but...

Mayor Riley: Along those lines, Bob, honestly, I do not rule out the need for a reduction in forces. I do not rule that out. I think we need to have some really hard brainstorming about some of these other options. In fact, my conversation with Chief Mason earlier this week was an ambulance company could come into Wilmington, and we've already met with them and discussed with an ambulance company, they would be willing to come into Wilmington and take over our 9-1-1 EMS service at no cost to the city. They would do that strictly by patient billing so the users of the services are getting billed for the services. They can do that and make a profit. I challenged Andy to look into how we could do this and possibly increase our revenues. I would love to see the Fire Department become the equivalent of an enterprise fund and just whatever money they bring in, that's what they operate on. I challenged Andy to take a look at that.

Councilman Wells: I have one question. I worked at GM for over 30 years. When you give up a percentage to all of the employees where the higher dollar people get a bigger chunk of the money...sometimes they would do an across-the-board where it was just a dollar amount for everyone and not a percentage.

Mayor Riley: The other nice thing about that, Don, is that if you do... Let's say if we are able at the end of the this year or the beginning of next year to do a one-time wage adjustment for our employees, it would not change their base rate. It's not like a 2% or 3% increase. It's a one-time that, you're right, the percentage for the lower paid employees, if you look at like \$100, the percentage for the lower paid employees is going to be greater...it will have more impact on their budget than it would on some of the higher paid employees. I'm on board with doing that.

Auditor David Hollingsworth: Are we on brainstorming?

Councilman Mead: Yes we are.

Auditor David Hollingsworth: This is not really brainstorming, but I meant to mention earlier, we've had preliminary discussions with our bond underwriter about refinancing a couple of our debt issues. One is in sewer fund – it's talking about into a general obligation which would free up a reserve fund that is restricted and has about \$160-some thousand dollars in it. It would free that fund up to be able to be used for capital improvements. If there are improvements. But, the other one is the G.O. debt on the city building that we possibly could save \$120,000 a year under the current interest rate structure and about the same I think with the sewer debt. So, we're in preliminary discussions with them about possibly refinancing that. So, we'll keep you abreast of what is happening there. But it looks like we may have an opportunity. This will probably be a one-time opportunity. I don't think we'll have interest rates this low. We know they're not going to be down there forever.

Mayor Riley: There are some other things going on, Bob. I'm an optimistic, glass half-full kind of guy, but you don't budget on hope. You know, you work hard for positive outcomes, but you don't budget hope. There is some possibility, and I have been told by

a few people likelihood, that some of the money that we lost several years ago --- Larry, how long ago was it that we lost the money that supported the streets department?

Service Director Reinsmith: It's been four or five years.

Mayor Riley: Four or five years ago? How much was that?

Service Director Reinsmith: \$800,000.

Mayor Riley: It basically funded our streets department. There's a possibility that that may be back. I've had a couple of meetings with the Director of the Ohio Motor Vehicles Board and a few other people. The reason we lost that was because licensure was taking place in Indiana instead of Ohio. They have now upgraded their system, according to what I have heard from BMV. They are as efficient as the State of Indiana now. It's just a matter of luring some people back here. We are planning on doing that. There is a possibility of some more revenue coming in next year. Again, I'm not going to budget that because I don't know if it is going to happen, but God willing, we'll get a...

Councilman Stuckert: Mr. Mayor, have you looked into... I've heard about that somebody had said that we weren't supposed to be getting the money anyway. Have you looked into that part too?

Mayor Riley: Yes. I talked to those folks. They assured me that it is appropriate that we would get some of that.

President Kirchner: If I could offer, on the sewer, when you talk about freeing up that fund for capital improvements, is that inside the sewer?

Auditor David Hollingsworth: Yes. It wouldn't affect the General Fund.

President Kirchner: Okay. So, it's an enterprise fund. That's what I wanted to know. If we save money, we save money. If it's cheaper to refinance those bonds, I don't care if it's in...

Auditor David Hollingsworth: But right now, as an indenture, we have to have that reserve fund. By converting it to a G.O. obligation, it would remove that. The enterprise fund would still be the collateral, so to speak, to repay that debt, but it would now be a general obligation rather than a debt solely secured by the enterprise system itself.

President Kirchner: Well, and I guess that's what I want to understand. So you're saying that we could still use the revenues from sewer charges to pay the general obligation.

Auditor David Hollingsworth: It wouldn't come out of the General Fund. It would still come out of the revenues generated by the sewer fund.

President Kirchner: The difference is we wouldn't be encumbered by the 1.1 coverage level and...

Auditor David Hollingsworth: Correct. And he feels we have enough room to convert it to G.O. debt without really impacting future financing if we would have other general obligation debt we would want to issue. The key is, it would free up that...it would take off that debt reserve that right now with an indenture has to be maintained and it can't be used for anything. It just sits there. It doesn't mean we would have to use it, but if we did want to use it, it would free that money up and we could use it for the sewer system.

President Kirchner: I would offer one thought. I greatly appreciate the service that we get from all the employees of the city, but just so we're clear with that \$800,000, let's just call it \$800,000 in inheritance tax, we have already, with the savings that we have tonight that we've covered with David, we have already spent \$500,000 of it this year. Even with the savings that we have, there is already \$500,000 gone, so I don't want anyone thinking that there's \$800,000 just hanging around. We budgeted to spend more

than we were making. Even with the great work that our department heads have done, \$500,000 of that will already be spent before we ever see it – if all of the savings that we’ve covered tonight come true. And if they don’t, even more of it will be spent. So, I want to be sure council is aware. I like to be an optimistic guy too, and I do think we have fabulous employees, but we have to be realistic with the finances.

Councilman Mead: Who’s next?

Do you want me to indentify myself, Scott?

President Kirchner: Please do, David.

David Hockaday: 348 W. Main Street. Just an ordinary citizen. I would just like council know that this is not the first time or the first council that has had a look at that. If you look at Paul Fear’s revenue figures 2003, 2004, those councils were facing the same question that you guys are facing now. So, I can give you hope that you can find your way out of this difficulty. At that time, we either had three choices, and they were all enumerated tonight. You can cut, you can increase revenue, or you can get new employees. It took us about 18 months to two years to annex Airborne and we got the new employees and that gave you the new revenue. You can see it in Paul’s numbers. That new revenue was able to be preserved up until now. Now we’re back to the same historical problem of 2003. I’m sure we can find another way to resolve this issue. As I told you before, I’m not going to tell you how to do your job. I have been in your position before. All, I’m telling you, is we have been there before, we’ve solved the problems before, so whether you want to cut, whether you want to increase revenue, we don’t see the number of jobs that we incorporated when we annexed Airborne in, but I think there is a constructive power here that can get there. As David said, whether you have to raise your rates or not, it may not be palatable, but it may be the best thing to ask the public whether or not they’re willing to pay for that service that they expect every day. When I call the police officer, I want him to be there. When I call for the ambulance, I want it to be there. I pay my taxes, I expect certain levels of service. I think the people of this community have become accustomed to those levels of service and maybe you ought to ask them whether they want to pay for them. But again, I wish you well, but we’ve been there once before. Thank you.

President Kirchner: Thank you, David.

Councilman Mead: Thank you, David.

President Kirchner: So if anyone can identify another airport around with a lot of jobs that we could annex in...

Councilman Mead: You’ve always got something to say.

J.B. Stamper: I applaud all of you all, for, as Mr. McKay said, getting your arms around the situation. Our school district, as you well know, has a \$24 million a year budget. We now have a \$3.2 million carryover, and a million dollar shortfall as of next year and could be under fiscal watch and could possibly be another Little Miami. All of that said, five board members are struggling with numbers just like you all are because we’re in this economy together. So, at the end of the day, I applaud you for just looking it in the face and saying, “I’ve got a squirt gun in my hand and I’m marching right into hell with it, and I’m going to do whatever it takes to put the fire out.” I applaud you all.

Councilman Mead: Thanks, J.B. Anyone else have anything else they would like to add? Any ideas?

Councilman Jaehnig: I just have a question, Bob? Glenn, is Sapling Learning still hiring?

Glen Brewer: Yes, we certainly are. We’re an online educational software company dealing primarily with physics, economics and chemistry. We deal with universities and colleges throughout the company and we’re looking for account managers. Just see me after the meeting. I’ll give you a card. It’s a salaried position. We have an office in front

of the News Journal. We are requiring a four-year degree but we're rethinking that. Obviously, they have age discrimination. We even hire people like me. But, just see me afterward and I'll give you a card.

Councilman McKay: Bob, if I could interject. I think that, as Randy said, this brainstorming might go even better in the committee structure because we're just throwing things out here and hoping that something will stick. Once we determine what those numbers are that we are looking for, I think it will be even more effective in that structure.

Councilman Wallace: Mr. President, I do have one question. I've been asked several times on the street in the last couple of weeks why City Council is holding up this TIF project. I don't know what to tell them because nothing has crossed my desk.

President Kirchner: I got a whole lot of answers to the legal questions that I have posed to Law Director right here. Let me be clear with folks, because I think you read in the paper, if you read the paper this week, that Brett Dixon had raised concerns about it and raised the question whether or not politics are playing part in it. There is absolutely no way that I believe the mayor or I would play politics with potential new jobs. However, we are talking about a 25-year agreement that commits up to around \$7 million based on estimates, \$7 million of taxpayers taxes. And because it is a quarter of a century agreement and dealing with \$7 million of abated or paid from our new income tax, it is a complex agreement, 57 legal pages and at the same time that was provided to me, ATSG challenged the ability of two members of this council to even be involved in discussing, debating, reading, knowing or voting on any of it. So, there are portions of our community that are going to be without the same representation as others. I thought it was important to be sure that we got all legal questions identified before we put it into Council. The Law Director has done a great job of turning around the questions. I will say that the 57 pages of legal documents made my eyes cross more than once. I have investigated multiple sections of Ohio Revised Code to understand how they applied to the reference in the documentation. All of these documents refer back onto each other and into each other, so you have to go backwards and forwards through them. It has taken some time, but we have the answers and the anticipation is that if the Law Director has a little bit of time in the morning to meet with me and make sure I understand all of his answers, we should be able to get a notice out tomorrow. Just for the record and clarification, the survey document was signed on the 16th of this month. So, the documentation was not even ready.

Councilman Jaehnig: Well that's the second survey.

President Kirchner: It's the 16th. It's attached to the letter that I'm being asked to sign. So, it wasn't complete yet. So, we're talking about, with today being the 30th, we're talking about two weeks to make sure that our citizens are protected in a 25-year commitment that affects \$7 million of their tax money.

Councilman Wallace: I guess my biggest problem, Mr. Kirchner, is the fact that I don't see this document and you're speaking for me as a member of City Council. And because you're kind of dragging this thing out, you know what I mean? That kind of bothers me in a way. At least if I had it in front of me, I could voice my own opinion and my needs of answering questions as well.

President Kirchner: Well, let me be clear, Mike. I wasn't speaking for you or members of council. I was trying to get clarification to what the documents committed the city to so that when you guys got them, the language was clear.

Councilman Wallace: But my point is, you're one-eighth of the council here. You know what I mean at that point in time. That's the only thing that bothers me. I'm kind of being taken to the woodshed by some people out there that want to know what's going on and I can't answer them because it's never come in front of me at all. That's the only reason I asked.

President Kirchner: Well, I believe I'm being taken to the woodshed too.

Glen Brewer: I would like to ask a question on this. Mr. President, I thank you so much for allowing me to ask, but is this a notification letter for you? Is this a notification letter?

President Kirchner: The notification letter...

Glen Brewer: Is it possible as a citizen to get a copy of that? Am I understanding that it is requiring your signature that you are being notified of something.

President Kirchner: No. It's not me being notified. I had to send something from the legislative authority.

Glen Brewer: Is it possible for a citizen to get a copy of that letter so we could take a look at it as taxpayers.

President Kirchner: Yes. It's sitting in the mayor's office.

Glen Brewer: Good. Randy, could you get me a copy of that? Is it just your signature that's required that's holding it up?

President Kirchner: Yes.

Glen Brewer: Okay. Because I think they want to get that hangar built, sir.

Mayor Riley: Glen, if you want to hang around a little bit after the meeting...

J.B. Stamper: Since the TIF was brought up by Mike, if I may say a few words toward this TIF. Respectfully, I'm a Board Member of the Wilmington City Schools as well as a Board Member of the Great Oaks. With the Wilmington City Schools, we began meeting in early June, having discussions with various people that were bringing the TIF to us to explain. I'll be the first to say that the tax increment financing programs, although they've been around for 40-some years and a lot of communities understand them, we as a school board at Wilmington City Schools had to be educated. One of the meetings that we were in, I was in, Mayor Riley was in, Rob Jaehnig was in one of them. But then there was one that Cliff Rosenberger was in on by phone, Brett Dixon. They talked about time-line. We had to have this done by July 2, July 4, or the bond writing part of this won't get done in time, so therefore, it will hold up the process of that hangar being built, which I understand the funding is tied to a year 2016 at the maximum. We, as the School Board of Wilmington City Schools, were basically put under a timeline. At the end of the day, though, I don't see a timeline here anymore. But we were put under. I had a gentleman from the governor's office on the phone the day that I was there. Randy was there. He was saying you all got to vote on a resolution. You've got to have it. The city's got to get their resolution done, and we've got to get on with this because the people that deal in the bond market have to put all of this together, which there is a mechanism for that. And yet now, we're talking like, let's just do it whenever we get around to it. I'm missing something here, because our board was put under a time-line. Brett Dixon, Cliff Rosenberger and other said, "You've got to get this done, Wilmington City Schools, by this date and we did it." And we get back in our seats. Now I come here tonight, and we're still talking about it. It's August 28 or 29 or whatever it is. I just don't get it. How did we get under the gun and then it went back to "We'll just get around to reading documents again." I thought jobs were important to this community. I believe they are.

President Kirchner: I believe they are too.

J.B. Stamper: My board felt strong about, let's have special meetings. Let's get in there. I took time off like all of you do to learn about your respective jobs as a councilman, and when I went to that meeting that day, I was educated by Cliff, Brett Dixon, Randy Riley, and I said to my board, "Let's get this resolution going." Now tonight it's like "Well, we're reading it some more." Am I missing something here?

President Kirchner: If you like, J.B., I will explain it to you. The exact people who came to you and put you under the timeline, came to this council and put it under the same timeline and said they had to act by a certain time to get the bonds done. At the time of that meeting, our Law Director advised us they didn't even have the ability to apply for the TIF because...

J.B. Stamper: So were we hoodwinked into this?

President Kirchner: The question of the timeline and the questions that were put on, I can't tell you.

J.B. Stamper: You know some of the people.

President Kirchner: I wasn't the one putting them on, J.B. What I do know, this council was put under that timeline to pass a resolution of good faith of negotiation in order to make sure that the bond issuance could be planned for. That process initiated the conversations with the school system. Now, completing all of the surveys, the ordinances and the documentation, took up until (what was the date that we finally got together?)

Law Director Shidaker: Randy, do you know?

Mayor Riley: Three or four weeks ago.

J.B. Stamper: But Mr. President, you just had one of your own councilmen say they've never even seen the document. They've never even seen it in order to make any kind of determination.

President Kirchner: I'm trying to explain it to you. The documents didn't even come to go before council until just three and a half weeks ago.

J.B. Stamper: So what did we do on that timeline?

President Kirchner: Let me explain. They came at the same time with an indication that ATSG was challenging whether or not some of these representatives of the people could vote.

J.B. Stamper: Jobs are good for any community. That in itself was driven home at every meeting that I was in. Every meeting. Even the Governor's office. "Do you all want these jobs, Wilmington?" The gentleman said, "If you don't want it, we'll take that money we've appropriated and go somewhere else." That's almost his exact words, and Cliff Rosenberger was on the phone that day with us. Brett Dixon was on the phone. Now you all are telling me you all still haven't even seen these documents? Again, I feel hoodwinked. I feel our board was hoodwinked, because they kept saying, "Wilmington City Schools is holding up the process."

President Kirchner: And they move that forward to everybody they want to put pressure on and now it's on me. And I'm perfectly happy to handle this. But let me say this...

J.B. Stamper: I now understand what went on now.

President Kirchner: What I want to be sure that I do, because I'm sitting here working for the citizens...

J.B. Stamper: I understand. You've got your process, but I just want people to know that we were...

President Kirchner: ...to make sure that their tax dollars are not unnecessarily risked...

J.B. Stamper: ...at one point told, "You're holding up...Wilmington City School Board, you're holding up this process. Here's the deadline by which you need to do it or we're going to take our money and go elsewhere and it will be your fault."

President Kirchner: I wasn't part of that.

J.B. Stamper: Mr. Liermann was on the board too and he heard the same thing, and now here we all. Councilmen have not even read this document.

Councilman Jaehnig: I agree with the due diligence that you're doing, Mr. President, but I don't understand why that due diligence couldn't be done with the notification still going to Great Oaks. Because that notification, my understanding and I haven't seen the letter, that notification, all that does is notify that the TIF has started. It doesn't commit anybody to anything. Am I incorrect in that?

President Kirchner: It notifies them that this council is going to consider passing this TIF.

Councilman Wallace: We already said that on the other one...in good faith. We said we would negotiate in good faith.

President Kirchner: It's another part of the process that was unknown to me at the time. J.V.S.D., Joint Vocational School District, does not have a seat at the table in negotiations. They are not a party to these agreements. However, by law, they will get the same compensation agreement that the school system has negotiated. And they have to have a notification process which has to be done when the final documents are completed. That's when I found out that there needed to be a notification letter, but I also found out that two members of this council were going to be excluded. All of that hit at the same time with a 57-page document that commits a 25-year tax abatement. The questions that I have asked have related to language, understanding whether or not any additional revenues that the citizens are at risk by the agreements, reading carefully to be sure that we are not risking any existing revenues with them, and to understand the commitments we were making to be sure that, since not everyone was going to get to talk, we had all the legal clarification to what was being said.

Councilman Wallace: But we're ready to move forward on this? I guess that's the question.

President Kirchner: With these legal answers, yes. That's what I said in the News Journal Wednesday.

Councilman Wallace: I didn't see that. So...

President Kirchner: Well, this isn't the first time the question has been asked. And to J.B.'s point, the pressure now, "We've got to have this, we've got to have this, we've got to have this," has moved to this point. They've just done it all the way through the system. I get that.

Councilman Jaehnig: I look at it slightly differently.

Service Director Reinsmith: Another issue, there is urgency and time is always urgency. But I've talked with their architects, and their plan was...they asked if they could get early approval on just the foundations and footers of that hangar and they wanted to start that November 1 because they could get the foundations in and the footers in and they could work through the winter months doing all structural and stuff like that. If that gets delayed, they can't do their footer and foundation work and they'll have to wait until the spring. That will delay it four or five months more, and that will be four or five months more at the end that you don't have employees working.

Keri Jaehnig: 606 Oakridge Drive. And that also brings in tax dollars...correct? Which then also affects the school's budget? It's kind of a circle. What I'm hearing is you didn't even give your council people the opportunity to ask questions the same as you got. People are asking questions...

President Kirchner: Council will have a chance to ask. Council will have a chance to ask.

Keri Jaehnig: When?!

Councilman Jaehnig: But we'll have to go through the same process and it will delay it again.

President Kirchner: Not necessarily. You can have the Law Director in the meetings with you. In my case, the Law Director specifically asked for written communication and not verbal communication.

Keri Jaehnig: I have another question. Did your Law Director ever advise you not to go ahead? Did he inhibit the process in any moment?

President Kirchner: No. That would not be legal advice that he would give me. He would give me the advice to be sure that I understand the documents that were provided forward and understanding how people can or can't be limited to see them. Now, I will say also, had I been involved in the process when the mayor was going through the negotiations with ATSG and the school system, I probably could have gotten a lot of these questions answered then, but I wasn't, as I indicated in the article. And that wasn't my choice. But now that it's here on my desk, I'm just going to do what I think the people elected me to do as efficiently and effectively as I can and then we will move it forward, and right now, it's should be able to move forward.

Glen Brewer: When do you anticipate signing that letter, Mr. President?

President Kirchner: I've already talked to the clerk about coming up tomorrow and signing it as I indicated a few minutes ago.

Glen Brewer: Because concrete season running out fast.

President Kirchner: I won't disagree.

Glen Brewer: You can't pour when it's cold.

President Kirchner: I won't disagree.

Glen Brewer: So you'll probably have that signed tomorrow.

President Kirchner: That's exactly what I indicated.

Glen Brewer: All right. That's good to hear, Mr. President. Thank you.

President Kirchner: Thank you, Glen. Any other questions?

J.B. Stamper: Mr. President, I apologize if I sound like I'm coming at you.

President Kirchner: I had nothing to do with the message...

J.B. Stamper: I'm coming at the people who put us on a timeline, my board on a timeline. I find out now that all of that was smoke and mirrors. We did our part, and yet, it was presented to us, "If you don't do it now," and all of us in this room have had those kind of pressures, "If you don't do it now, we're taking our marbles and leaving." And that's the way it was presented to the Wilmington City Schools. I was there and heard it for myself and now it's like, "Whenever we get around to it, we're going to start this project out there called a JUMP hangar." I literally feel hoodwinked.

President Kirchner: Let me ask you a question. Where are you hearing, "Whenever we get around to it, we're going to start."

J.B. Stamper: By the process I'm seeing this evening. When Mike says, "I'd just like to look at the documents." I would have thought that every one of you gentlemen would have had at least a draft before now, when myself and my board were looking at being

told of what was going to be taking place as early as the first part of June. And Mike is saying he has never looked at a document yet. Yet that JUMP hangar, the ground should have already been busted out there based on some people's projections from Kasich's office.

President Kirchner: Actually, I believe they had planned on breaking ground last year, but that process got delayed too.

J.B. Stamper: Like I say...

President Kirchner: During the beginning of this process here, just for clarification, there was a...

J.B. Stamper: We were told too, we should come to the table. Yes, by law, when it came to the table part, we had a percentage in it. But, like the gentleman from Governor's Kasich's office, we want 100% backing from all of the entities. We don't want it any other way and that's why we began our process so quickly and spent the time we did to understand this TIF. For jobs, I think it's something that should be on a fast track, not something that should continue to be just in a meeting. Again, this could have been at the tail end. This TIF is too important and these jobs are too important to the community to put it on the tail end of a two-hour meeting. I will tell you that.

President Kirchner: It wasn't put on the end of a two-hour meeting. The legal opinions were just picked up tonight.

David Hockaday: Mr. President, the council should know that there's more than just the TIF agreement that will come before council. There are five other ordinances that will be coming on, the transfer of the property and other things, so the TIF is just one, the compensation agreement is another, transfer of the property in and out, so there is more than just the TIF agreement that will come to you when the President deems for it to come to you. I'm not belittling Scott, I'm just saying there is more than the TIF agreement for the council to look at.

President Kirchner: I know with the Wilmington City Schools, their compensation agreement negotiated with the city's was somewhere around 8 pages of the 57 involved, with a number of pieces of legislation. That's why...it got more complex, J.B.

J.B. Stamper: There's no doubt. Between you and Randy and the others, you are further ahead on a TIF than I'll ever be, but at the end of the day, it's all about jobs and we need to stay focus on that. It's all about the jobs.

Bill Liermann: See, they told us that they had to have it out of our hands by August 1 to get it forwarded to council. That's what we were told.

J.B. Stamper: We had to have to have it voted by the first week of July. I forget the exact date, but Randy was in the meeting with me. That's why we did what we did. But that being said, I apologize for anything that sounds like I'm directing it to you, Scott. It's just that we need jobs.

President Kirchner: I'm with you J.B.

Councilman McKay: Mr. President, I kind of think that everything has been talked about and resolved that can be talked about tonight. If you agree with me, I move we adjourn.

A motion was made by McKay and seconded by Jaehnig to adjourn.

Motion passed.

Council adjourned.

ATTEST:

President of Council

Clerk