Wilmington City Council met on Wednesday, July 3, 2013, (special meeting time, rescheduled from Thursday, July 4), with President Scott Kirchner presiding.

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

Chief Weyand was also present.

A motion was made by McKay and seconded by Wallace to excuse the absent members (Jaehnig and Siebenaller).
Motion passed. All yeas.
Absent members excused.

Pledge of Allegiance
Council gave the Pledge of Allegiance to the flag.

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

President of Council - President Kirchner asked for approval of the minutes.

Councilman Wells asked that the minutes from the June 13 meeting be amended to remove his name from the roll call vote on page 25, as he did not attend that meeting.

A motion was made by Wells and seconded by Stuckert to amend the minutes of the June 13 meeting as indicated.
Motion passed. All yeas.
Minutes amended.

A motion was made by McKay and seconded by Wells to approve the minutes of the June 13 meeting as amended.
Motion passed. All yeas.
Minutes approved as amended.

A motion was made by Wells and seconded by Stuckert to approve the minutes of the June 20 meeting as presented.
Motion passed. All yeas.
Minutes approved as presented.

President Kirchner presented the Notice to Legislative Authority for a new liquor license for La Bamba of Clinton County, LLC, dba Don Jalapeños at 961, 967, and 967 ½ S. South Street, Wilmington, Ohio. He asked if there would be a public hearing.

Clerk Brenda Woods – No.

President Kirchner asked if it would just sit in the office for public comment and asked how long it would be on file. Clerk Brenda Woods said she did not know. President Kirchner asked Laura Railing if she had input and she said she did not know. President Kirchner asked that the Law Director be consulted on the length of time.

President Kirchner said that in celebration of the birth of our nation tomorrow, July 4, he wished to read a quote from Calvin Coolidge, presented in 1926 in commemoration of the 150th anniversary of the Declaration of Independence.

> *We live in an age of science and of abounding accumulation of material things. These did not create our Declaration. Our Declaration created them. The things of the spirit come first. Unless we cling to that, all our material prosperity, overwhelming though it may appear, will turn to a barren scepter in our grasp. If we are to maintain the great heritage which has been bequeathed to us, we must be like-minded as the fathers who*

created it. We must cultivate the reverence which they had for the things that are holy. We must follow the spiritual and moral leadership which they showed.

President Kirchner - It was an honor leading the Pledge of Allegiance tonight, and I hope everyone will have a safe and happy holiday.

Mayor - Mayor Riley – I would like to encourage everyone to attend the 4th of July celebration at the park tomorrow. It's going to be a special evening, obviously for celebrating the birthday of the nation. We're going to have some special things going on tomorrow evening in recognition of all of our veterans. It starts at about 5 o'clock and goes until after the fireworks. Come together join together with all of us at the park as we as a community celebrate our 4th of July. Saturday of this week at noon, Gary Kersey of Kersey Real Estate will be having an auction of the Little Giant and the property on which it sits. That having been a Clinton County landmark for quite some time, I think it noteworthy. If you're interested in owning the Little Giant or if you're just interested in finding out firsthand who owns the Little Giant, I encourage you to stop by at noon on Saturday. At the Farmers Market on Saturday 8:00 to 12:00 in the morning, CMH is going to provide a community health screening of Body Mass Index, blood pressure, etc. So, that leaves me with the topic of bond anticipation notes. The Finance Committee has discussed it, but I want to turn it over to the Auditor for further discussions about what we are encouraging council to do with the notes.

Auditor - Auditor David Hollingsworth: We're going to do something a little bit different tonight because everybody wasn't available to be able to discuss this at a special Finance Committee meeting before this meeting. We made arrangements for our legal counsel for our bond and note issues and our bond underwriter to be available via conference call. They're both taking time out of their evenings. Scott Stubbins, who is our bond underwriter, is in Virginia on vacation. Margaret Comey, our bond counsel, is in Michigan, also on vacation. They have agreed to take time out to further explain the ramifications of what council is about to vote on in Finance under Item C. To give you a little overview so maybe the phone call will make sense, we have a note issue that is coming due the 18th of July that involves the construction of Lowes Drive, Davids Drive, and a vertical expansion out at the landfill. Those are three short-term bond anticipation notes that were taken out that run for 12 months. Then they are either paid down, paid off, or rolled over. We've been rolling them since 2003, as 2003 is when we took out the debt on Lowes Drive. We've been paying it down. There was permissive tax dollars pledge to pay down the roadways. Rates were put into place to pay for the vertical expansion at the landfill, plus some additional expansion to be done in the future. But there was a set plan a schedule put into place to pay that debt down over time. The reason we did short-term notes rather than bonds was because of the interest rate environment. The interest rate on short-term debt was a lot less than what it was on bonds. We didn't lock ourselves into a fixed interest rate, so we were able, over the last few years, to take advantage of the lower interest rates, which is less cost to the city in interest costs, and then pay the debt down as we choose. We can accelerate, if it happens that we don't have enough money in permissive tax or some other method of paying down – we could pay the interest only and continue to roll the notes. But, we have been fortunate to be able to pay the principal down as well as the interest. I think what has caused some confusion is we have an opportunity to buy our own debt. I will explain later after the phone call. Basically, that will allow us to not pay a third party the interest cost. In essence, we do not pay any interest at all; we just roll the principal. The other issue we have, and this is where this phone call is very important. Back in November, we had the opportunity, because of the interest rate environment, to save the save the General Fund hundreds of thousands of dollars by refunding bonds that are outstanding on this building and also some bonds that were outstanding on some fire equipment and some improvements done to the fire house. They are general obligation bonds. It's just like you going out and refinancing your house, when the interest rates drop. We were paying, I believe, somewhere around 4 to 4.5 average interest on those bonds. We can go out on the open market and possibly cut that in half, saving the city hundreds of thousands of dollars in interest costs. It is related to this note in a way that you will soon find out when we talk to our bond underwriter and our legal counsel. When we're through with that phone conversation, I will take as long as it takes to get you to understand why the notes were taken out, why there was permissive tax, why there was landfill money committed to pay that debt back, and then we'll kind of go from there.

Auditor David Hollingsworth invited council to sit around the table to hear the conference call.

Clerk Brenda Woods called Margaret Comey and Scott Stubbins on the phone.

Auditor David Hollingsworth expressed his appreciation to Margaret Comey and Scott Stubbins and explained that he had given a history of the note issue.

Scott Stubbins - I can walk through the steps of what it would mean in as far as the bond sale and future perception with investors if the General Fund is reduced at the levels that have been talked about. Margaret you can chime in whenever you see the opportunity. We were ready to price the general obligation issue to the city (we were actually looking it to price it yesterday) and were prepared to go into the market. Then after what we had heard was coming down as far as the note payoff, we had to put a stop to the sale, because the information that we had presented to both Moody's investors, which is the rating agency, and what we had included in the offering documents to investors, included what we had thought to be, and what was the original plan, was rolling the notes with the internal purchase of that. So, by kind of changing that plan, it set a couple of other things into motion, the first of which being, obviously, halting the bond sales. We were not able to lock in rates. Second of all, if the city decides to make a generous pay-down of the note and take it out of the General Fund now, we would have to go back to Moody's Investors Services, the rating agency, and have another conference call with them updating them of the situation. We received an A1 rating from the rating agency, which is a very good rating, but part of that rating was predicated on the city had a General Fund balance that afforded it the flexibility going forward and gave it some stability. If that were to be drawn down, certainly Moody's would want to be aware and they would possibly update their rating based on the drawdown of the General Fund. It is not outside of the possibility that the city's rating could be reduced. It was cited as a possible concern going forward. They had cited positives and negatives, and one of the negatives of going forward would be a reduction in the General Fund balance. So, it was something on their minds and if the city were to spend down that General Fund balance at a pretty significant rate, we would have to go back to Moody's and update them on the situation. There is a chance that they could change the rating. There is also a chance they could update the report, which would create a visibility problem with investors, because we already sent a report out to investors. So, changing that report would be kind of questionable to the market. Also, what we have out there, and Margaret can probably talk about this better than I, we have a preliminary offering document out to the investing public, which is a preliminary sales statement or kind of a prospectus document, that document includes balances from the city that were based on the anticipation that the notes would be rolled. It didn't take into account a significant General Fund pay down, so that document would be updated and then resent to investors. There is a chance you could just send out a notice that this page is no longer accurate and this is the change, but it would only go to highlight the situation that the General Fund balance had been reduced, which would highlight it for investors and then bring questions to mind about why exactly is the case. It is not the kind of attention that the city wants to draw. My biggest concern here is, it is kind of a reputational risk, with a cost of what I would call "market perception." When you go out into the market and you're getting ready to sell an issue and you have it change, particularly a draw-down in the balance instead of a credit positive, coming back and changing the situation, you highlight it to the investing public. It can cost you an interest rate, and in the issue we're talking about, it is a refunding issue so there was going to be savings. Any increase in the interest rate will be less savings per year coming to the city. Just to give you an indication, when we were talking Monday with investors before we stopped the issue, we had a regional bank buyer who was interested in me purchasing the whole issue, but with a situation coming along like this, that could easily scare off a buyer who is willing to go at risk for all of the bond, you know, given a changed circumstance. It would certainly cause him to come in at a level that is much higher than where we were before.

Margaret Comey – I would agree with Scott on all of the above. I think the issue of reputational risk in the market is a very large one. We did have to revise the preliminary offering statement that currently has an appendix in it that is a comparative summary of General Fund receipts and expenditures from 2008-2012, and then it shows the budget for fiscal year 2013. The numbers, obviously, at the end of 2013, the budgeted numbers have changed, and that is where this reduction or the issue of the General Fund balance would show up. I know that all of you have been working hard in the last five years to drive new economic development and tightening funds and creating some fund balances to give yourselves a cushion. All of that was recognized by Moody's in our rating call because city officials went through a PowerPoint and indicated why the drop-off had occurred when it did and what the city has done to bring those balances back. I guess the feeling is that your efforts have paid off, and all of our efforts as your finance team have paid off, because for a number of years there was a perception in the market that things weren't going well. Now we have turned that around, if you will. I would just hate to see a problem arise here in the middle of this bond issue that would then change your name in the market. I understand that there is an interest in paying down more on the notes. The notes are, at least in the current year, at a very, very low rate, plus the treasury benefit because you're going to buy the note yourself. There were a couple of years when we had trouble selling the notes, so we have come to a good place in the road, and I think that there's a great risk that we could derail some of this recovery in the eyes of the investment community. Where I come in is in the offering circular, which is the disclosure document that would have to be amended. If we did trigger a downgrade, we would also trigger notices that would have to go out on the electronic system to the MSRB because a rating downgrade trips these notices on continuing disclosure. I guess that's an additional thought we should add in here.

Auditor David Hollingsworth – Does anyone have any questions?

President Kirchner – I have a number of them. First of all, I want to thank you for taking time to meet with us tonight. I would like to ask a couple of questions. First of all, just to get a general understanding, Scott, I know it was last fall when we took the vote to reissue the general obligation debt at the lower interest rate. I'm curious as to why it's just coming to market. Why has that taken this long? I would have thought that we would have completed that prior to now.

Margaret Comey – Well, we have been working on that since November. At that point in time, it would have been considered an advance in funding, which means more than 90 days in advance of the redemption date for the outstanding debt. And there were cost savings generated, but also there is a cost associated with an advance refunding versus what we call a current refunding, which is within 90 days of the redemption date. It has to do with how you use the proceeds of the refunding bonds, the new bonds, and that you buy treasury investments that are essentially ladders to come due at the point in the time when the earliest potential call date – and the earliest potential call date was after May 15. So what we did was watch the market and we turned an advance refunding into a current refunding that still had significant cost savings for the city. That's kind of a technical response. If there's a follow-up, I'll try to respond to that.

President Kirchner – Well, in a way, it does. At that time, we understood it was going to be an advance refunding in which you would issue the bonds, ladder the investments, and then payoff at the appropriate time. But it sounds like somewhere along the lines, a decision was made to do a current refunding instead of an advance refunding.

Margaret Comey – Do you want to talk about negative arbitrage, Scott?

Scott Stubbins – Yes, I can talk about it a little. Part of the concern was investment rates right now, you were funding escrow, are very minimal. Basically, you got short treasury bonds, but in this case, the treasury bonds yield almost nothing. So, part of it was, if we could just pay cash and not have to invest it and when we issue the bonds, essentially pay off the old ones and not have to invest it over a period of time, that because of interest as a transaction to move forward. There were also some complications about getting data compiled from the County Auditor's office. It took a while to get some things documented and get the data into the offering documents that kind of delayed the issuance. So, it was kind of a combination of an opportunity to get rid of the negative arbitrage and pay off bonds all at once and just some delays in getting things accumulated to be put in the offering document because it takes a while to get all of that information and compile it. It's been a while since the city has done an issuance and it just took longer than anticipated to get it all together.

President Kirchner – So, two factors played into this – complications getting the data compiled by the County Auditor, and the fact that any investment vehicle for that short term once you issue them was not going to have much of a rate of return. The thought being that if you just paid in cash, you didn't have the cost of the transaction of the investments. Is that correct?

Scott Stubbins – Yes.

President Kirchner – But as we began going through the year, we potentially took on more risk with the actual interest rate market. Is that correct? The potential for the bond markets to move.

Margaret Comey – There have been no pronouncements by Bernanke until very recently. The guidance from the fed has been that the rates would be held down for quite a while. I can't remember exactly what the end-date was. It was at the end of 2014.

Scott Stubbins – So, the thing is, we were looking at the interest rates, which were really low, and we wanted to lock it in but there were a couple of reasons why we couldn't get it done exactly when we wanted. It's not as interest rate sensitive as others because it is only out to 2021. Our term, in our market, has a very short issue. Given where the Fed funds rate is and where the federal reserve rates have been, it doesn't expose us to a whole lot of interest rate risk relative to other issues that we sell on the market that may be 30 years, where we have seen interest rates significantly move back. So, yes, there is always a chance when you are working on an issue and you're trying to get it ready to go to market that the interest rates will move against you. And until you actually sell the bond, you never know quite what you're going to get. But, additionally, this issue was a little less interest rate sensitive than most issues you see in the market.

President Kirchner – Okay.

Margaret Comey – The big rate things that have been in the press of late relate to the third year bond rates because of the feeling that rates will move when the Feds move to 2 or three or whichever they land on at this point.

President Kirchner – I believe it's three. My next question would be, Scott, you talked about already having some documentation together regarding these bonds and that there was a plan that was put in there regarding the city planning to purchase these bond anticipation notes. I'm curious when that plan was determined.

Scott Stubbins – The plan was to roll the notes. When it became determined later on, the city, given the city's eligible investment rates and given what they would have obtained on these notes, the more advantageous idea was to just buy them internally. But the plan as it has been over the past number of years was to roll the notes, paying off a chunk like they have been in the past, and keep paying them off over time, but rolling a significant amount. So, that was what was communicated to the rating agencies and that is what is reflected in the preliminary official statement: the intention of rolling it, regardless of whether you sell it to the public or did it internally. It was a decision that I think later in the process was determined it was the best way to go.

Margaret Comey – I think we had a discussion about this at the time that I came up and attended a meeting of the Finance Committee and you also had another committee meeting that evening. In any event, the fact the outstanding GO notes are existing is something that has to be included in the disclosure document. By indicating the typical course of action, we thought that was a plus in the market. But what is reflected was "in 2013, the bond anticipation notes are expected to be paid in part and refunded in part, but the result at the July 18 date, will be expected to be impacted as follows:" That was the 702,500 number. I know you want to whittle that down somewhat. Part of that $702,500 is the landfill advancement. It has been my understanding all along that you have been using landfill fees to apply to that debt. The covenant to use income taxes with regard to the other component, although you have fees that you apply to that pay down as well. While that is a various purpose bond anticipation note, it does have those three components. It has been my understanding over time that the revenue stream that you kept dedicated to reduce those notes has been specific.

President Kirchner – Okay, in looking at that language that you just referred to. If we are looking at that fact that the first call option came 5/15, we would have had that document prepared ahead of that. Correct?

Margaret Comey – Yes. I've been working on OF to send in – it went from skeletal form to putting meat on the bones over time as we have been able to get information from the county.

President Kirchner – When did we complete the information from the county that we needed?

Margaret Comey – The POS had an official statement dated June 20, so it would probably would have been 10 days or so before that.

President Kirchner – Okay. So, around June 10.

Margaret Comey – The preliminary official statement is the city's document. It is what one would call a defensive document. There are various means of disclosure of what you have to tell the market and what type of information has to be included with that.

President Kirchner – So, that document went out on 6/20 is what I understand or went live on 6/20.

Margaret Comey – That is correct.

President Kirchner – So the preliminary operating document was available 6/20. I have a feeling that herein lies some of the difficulty because I don't know that council had been brought into this until that course of action was already somewhat locked in. David, I'm not sure when you brought this forward…

Auditor David Hollingsworth – What are you talking about? The buying of the note?

President Kirchner – The buying of…

Auditor David Hollingsworth – Let's not buy it. Let's just sell it back to the bank. We have that option. It's really no different. Am I correct, Scott? It's irrelevant. Because all we have to do is roll the note like we have the last ten years and sell it to a bank. You're going to pay a bank 2 or 2.5% , maybe more, interest. If we buy it ourselves, it costs us nothing.

Councilman McKay – The scenario was put in place when the budget was put in place.

Auditor David Hollingsworth – That is correct.

Councilman McKay – That's kind of what your question is.

President Kirchner – I wouldn't concur with that.

Auditor David Hollingsworth – Well, that's when the original…

President Kirchner – I don't think anything was determined what to do with the carryover balance that was additionally established beyond our historical 25%.

Auditor David Hollingsworth – Well, we can discuss that later. Let's get the questions answered and let them get back….They're on vacation.

Councilman Stuckert – My question is, when that pay-down is to reduce debt, wouldn't that mitigate the concerns that they would have. Because the city's debt would surely carry an equal weight with the fund balances, wouldn't it? We had situations in the past number of years where our fund balance was lower than where we are now as a percentage of the budget. So, my question is, because the pay-down we're talking about – if I had the total amount of the city correct, is approaching 20%, wouldn't that be a positive to the market?

Scott Stubbins – That is a great question. I was part of the group that went to the rating agencies. I can give you their credit feedback and what they thought about the city and how it is reflected upon your overall debt burden. The city's overall debt burden relative to your peers both in Ohio and around the country is not very high. You have a relatively low debt burden versus a lot of your peers. So with the chance of all of the cuts that are cutting from the state and with all of the things like the estate tax going away, Moody's and the investing public look at a General Fund balance as their insurance. I think the 25% of revenues is a great target, but they look at the General Fund balance as their insurance. They are viewing that as money set aside if something were to happen that was unexpected, like you had happen, you can get by during that time. Where they would get concerned is….I work with cities with slightly higher debt burdens and higher General Fund balances. What they would like some of those cities to do is maybe pay off some of the debt because they have a whole lot of debt and they have huge balances and they should use the monies. When you have a fairly low debt burden and your fund balances are kind of near where you want them, reducing the debt burden and reducing the flexibility of the city going forward and putting it (in Moody's eyes) at risk if something were to change or income tax revenues aren't as good, that flexibility that you have to adjust to those situations is reduced. That is what their big concern is. That was reflected in the rating report. When you saw what your strengths were – overall debt burden was modest and the risk going forward – a big reduction in work force or a reduction in the General Fund balance. I think that plays out. For a lot of folks, I think, taking a fund balance and reducing debt makes a lot of sense. But particularly if you have a huge General Fund balance – we have clients that have 70% fund balances to revenues – that might make sense. But if you're at the levels you're talking about and when the rating agency says essentially that they are kind of worried about that as a future risk, it gets to something that you wouldn't want to have happen.

Margaret Comey – I would agree. I look at the cash basis numbers through 2012 and 2013 and the ending balance in the General Fund is a little over $2.7 million in 2012 and about $2.65 million in 2013. There is not big difference, maybe $100,000. The fact is, in Ohio everyone in the investing world is certainly aware of the reduction in dollars flowing from the state to the city, and you need a cushion to get through the tough times. And that's what you've been working on building. Given the language in Moody's letter, if you have a significant reduction in that fund balance, you would end up with either a negative watch on your rating or worse. I just don't know why you would risk doing that. It would be very damaging to the city and the credit.

President Kirchner – I would say, having never seen the Moody's letter and having never had it presented to council, and having never had this opportunity to have this conversation with you and Scott prior to now, I don't think any council member thought they were risking anything by using additional General Fund carryovers to pay off debt. What I am hearing you saying is, for higher debt-level cities, it would be looked at as good for them to spend their cash payment down when they have a much higher debt burden, which would seem to lower their flexibility with higher debt coverage. I'm trying to understand.

Margaret Comey –That was Scott's point rather than mine, but I think he was referring to city's who have much larger fund balances.

Scott Stubbins – Yes.

President Kirchner – But as a percentage of their budget, it's a question mark in our mind, because 25% has historically been the goal. This year, with a balanced budget, a carryover in the neighborhood of 36% was achieved. It was simply a thought that you could eliminate the cost and the debt by paying off the portion that was bond anticipation associated with the Lowes Drive and Davids Drive construction. It was a little bit counterintuitive in this week to begin hearing that this was going to risk our reputation in the market.

Margaret Comey – It was our understanding, I know that the Auditor has relayed information to you all about the rating and the importance of it and the impact of change. I was up at a Finance Committee meeting at one point. I guess if you would have asked us then, we would have responded. We would have been willing to come up. I suppose that when you convene your Finance Committee, you need to invite us to intend. I'm trying to respond to the situation as we see it now and what we think could be problematic for you.

Scott Stubbins – It gets to the point of while the city was looking at the internal purchase as opposed to selling it to the bank. The city would be investing funds that it already was going to put to work, it could buy its own debt. What it does is it reduces the flexibility next year. Your investment rates are up, for whatever reason, the interest rates are up and you're able to sell the note again next year at a lower rate or at a rate that doesn't fluctuate as much, you preserve the ability to go resell that at the market and you don't use your General Fund balance, you keep it flexible. But this year, in this budgetary year, with this note rollover, you kind of get the best of both worlds where you're not paying the high interest rate to a bank or anyone else; you're kind of foregoing that and keeping that interest savings for yourselves. Essentially, you're doing the same thing. You're saving that money. You're not paying interest out to anyone else with that money at the high interest rate, but you've preserved the flexibility next year to reissue that debt and keep that fund balance in place. So essentially, you have the chance to replenish those funds, via the investment funds with the roll of the note. Next year, you might be in the same position where you roll it again, but you roll it at a smaller amount. You have the flexibility to make that decision year to year, as opposed to paying it off now and then let's say next year, for whatever reason, things get a little tighter, you don't have that flexibility to reissue it; you just paid it off. The way I'm viewing this, it's kind of the best of both worlds.

President Kirchner – Well, the budgetary side of this, which I know you guys don't see, is it also frees up an additional $100,000 a year from permissive tax to put into infrastructure, road repairs specifically, so it actually enables us to maintain the infrastructure better.

Auditor David Hollingsworth – But, no it doesn't. If you don't pay the cash out of the General Fund, you still have the cash. If you so choose to use that money to do repair work on the roads. You still have that cash. If you pay the cash out, what she is telling you… We'll talk about this later, but you're dead set on spending that $400,000 out of the General Fund and it really doesn't make sense. These guys, and I told you collectively, know more about the interest rate and bond market than any of us in this room. I rely on them. I let them do their job. I have an understanding of what they're talking about, but I let them do their job and I rely on that. If they're telling us that this puts our bond issue at risk, I get concerned. I get real concerned. Because if something does happen, then you all have to answer to these people out here. Not me. I don't have a vote. I just give you my recommendation. And we have talked about the rating being impacted at various meetings. Have we not, Bob? At Finance? Did I not make that a point?

Councilman Mead – You said it could be affected.

Councilman Stuckert – But a statement that it could be isn't a document.

Auditor David Hollingsworth – But we don't know until the event happens. I can't tell you what Moody's is thinking, no more than I can tell you what Mark McKay is thinking right now.

Councilman Stuckert – I understand that. What I'm saying is we have to have more than just a statement that it could be impacted.

Auditor David Hollingsworth – There is no definitive answer. But they are telling you, based on their experience and what has already been disclosed in our bond issue. And as far as that not being talked about – the buying of our own debt is really a moot point. This bond issue, this note issue, was in the original budget. The original budget allowed for $100,000 being paid down out of the landfill, $100,000 out of permissive tax. As I stated earlier before our phone conversation, a plan years ago was put into place to pay that debt down over time and give the city flexibility. Now we're running the chance, number one, affecting our bond rating, and we've worked really hard. As far as the timing of the document, Mary Kay has worked tirelessly, along with these folks, trying to get information out of the county, along with trying to get a year-end audit finished, along with doing payroll since we don't have an employee. She has worked her tail off getting the information together for this bond issue. The point is, and you can try to distract it with whatever you want to say, the point is, if you pay this General Fund balance down, you're running the chance of a negative impact on this bond issue that he is trying to sell. If that happens, you're going to have to answer to the citizens – not me.

Councilman Stuckert – I think we all, one way or another, have to answer to the citizens.

Auditor David Hollingsworth – Oh, we're all elected…

Councilman Stuckert – I would question your statement that we're trying to distract.

Auditor David Hollingsworth – I'm just saying, they're telling you what's going to happen…

Councilman Stuckert – I understand. I understand the finance end of it. What you need to understand is, we're looking out there and talking to people about streets right now, so we have to balance it….

Auditor David Hollingsworth – Well, we can talk about that later, but again, let's get these people off the phone so they're not listening to us…

President Kirchner – Margaret, you mentioned that if we had talked about this when you were here back in October, when we were looking at the general obligation bond refunding that Scott is working on, if we had mentioned this plan at that time, it would have been different, is my understanding. If we had gone forward with the idea that we were going to pay off those bonds. Is that correct?

Margaret Comey – My point was, I didn't know that you all were planning to do this back then, and we went with what the budgeted numbers were in the disclosure document. So, that would have changed…

Auditor David Hollingsworth – Can I just say one thing…

Margaret Comey – You're at the point where you're going to diminish your fund balances and Moody's just took you off of negative watch. And you will have money in your General Fund to do repairs. I feel like you're trying to trap me in that response…

President Kirchner – No. There was a specific question in there Margaret.

Margaret Comey – You can do what you want. I can do whatever you want me to do, but the points we make about Moody's will still come into play.

President Kirchner – I understand that. My question was going to be specific to that time. Because at that time, we got a budget that was a deficit budget spending the money that we're talking about right now. I think that is why I think council has a little bit of trouble understanding how balancing that budget and freeing up that cash and then using it to pay down debt is a difficulty, whereas the idea in October that had been presented by the Administration was to spend it in operations beyond our income.

Margaret Comey – I don't know about your budget discussion and what occurred in October in that regard.

President Kirchner – But that is what we are indicating set the plan in motion to purchase these or roll them as a whole.

Auditor David Hollingsworth – But that has been the plan for the last ten years.

Margaret Comey –The idea to buy them yourselves came into play later in the process. Other jurisdictions are doing this as well. You could be paying a bank and percent and a half or you could be paying yourselves between a quarter of a percent and half a percent and you would be making more on the money by buying your own paper. The opportunity cost of that is better than you having your General Fund balance invested in treasury. So, that is something that has been evolving and occurring over the last few months and so whether you roll the notes or sell them to the local bank or Fifth Third or publically sell them through Hilliard Lyons, which is Scott's firm, those are all options, as well as the option to buy them yourselves, which we refer to as manuscript debt. That's the new twist. That is one of things David was talking about. We thought it was a really good helpful solution for you.

Councilman McKay – Margaret, I have a question. If, we had talked about all of this last fall, the way you are describing, Scott, they would have had to sell a different scenario to Moody's this spring. Therefore, our bond rating could have been different based on that scenario.

Margaret Comey – Yes. That's right, which is why we don't think it's a good idea that you diminish your fund balance.

Councilman McKay – I just want to say you've all done a tremendous job to take our bond rating where you have and tell the positive aspects of this city. David Hollingsworth and Mary Kay have done a great job. I'm not one of the councilmembers who agrees with paying down the General Fund.

Margaret Comey – David and Mary Kay have done a great deal of work. David has been as active for as many years as we have, so he certainly aware of the parameters of the discussion we have had. And Mary Kay, oh my word, she is very knowledgeable, very diligent and very conscientious. She made our job easier. So, we understand there are challenges and issues to talk about. We're trying to be helpful and certainly not obstructionists.

Councilman McKay – What is the potential situation with the date of the sale? When do we have to have legislation?

Auditor David Hollingsworth- Notes come due on the 18th.

Margaret Comey – The bond anticipation note comes due on July 18. You need to make a determination about what you want to do with these bond anticipation notes very quickly. The plan in place was and the legislation you have provides that you would buy back your stuff; that the city treasury would buy those. If you wanted to change that to sell them to a bank, it would be difficult to get it done at this date, but we could probably…

Councilman McKay – I don't have any more questions.

Margaret Comey - …but you need to decide what you are going to do with these bond anticipation notes. We're at July 3 and those come due in two weeks.

Councilman McKay – Thank you.

President Kirchner – Margaret, I do think that councilmembers understand the value of the idea of the city purchase where it makes sense, such as with the landfill, which is what the Finance Committee had brought forward, protecting the landfill from the interest rate issues and lowering the cost to borrow. So, that wasn't the issue. The issue was understanding how this would negatively impact the bond rating. What you are saying is that a course of action was set into motion that council had the peripheral portion in of passing the budget last year. I will point out, that until December 31, the additional carryover didn't exist, but council didn't have any information in between December 31 and now to understand that the idea of using that additional carryover to pay down debt was a negative to this. It sounds like the timing has been a perfect storm of putting off the bond issue on the general obligation debt and putting out that deck that said one thing and then the potential here that council would consider doing another. I want to thank you guys for coming on today and explaining that it basically comes down to the fact that the POS, contained information that this was varied from, which is the first time that we have had the opportunity to hear that as the fact of the matter.

Margaret Comey – That's just one aspect. The other aspect is how Moody's uses fund balances. They can change a rating at any time they want, not just during a bond issue. They review issuers from time to time. They try to do it annually.

Auditor David Hollingsworth – Yes. I think we had a downgrade when DHL pulled out.

Scott Stubbins – If we were to sell the bond and they were to find out that a different fact pattern happened… The timing is not optimal given the fact that we are out there in the public with information; a different way of going would severely impact the view of this city, both in the rating public and the investing public.

President Kirchner – It is understood. This was a helpful call, I know at least for myself to understand the details of what had put us in the situation. I don't know if any other council members have any questions.

Councilman Stuckert – It's helped me. I really appreciate the information.

Scott Stubbins & Margaret Comey completed the phone call.

Paul Hunter – David, is this just about the landfill expansion?

Auditor David Hollingsworth – No, the notes are a combination of what debt remains on Lowes Drive, Davids Drive, and the landfill.

Paul Hunter – But the landfill has their own Enterprise Fund.

Auditor David Hollingsworth – Let me explain that. This is a process that started back in 2003 when we first did Lowes Drive. Then we added Davids Drive and the vertical expansion. To get economies of scale, rather than have individual note issues and pay cost to issue those notes each time in three separate issues, we combined them all into one. The landfill pays their portion and then the permissive tax pays their share, but to save the city costs, we combined the three notes together so we are only paying issuance costs once, rather than three separate times. Again, the plan was put into place back in 2003 as far as how that debt was to be paid. The General Fund was never even considered back then. Just for clarification, Mary Kay just handed me a note. The note issue payments that we are making has nothing to do with the 25% balance because it is paid out of permissive tax and out of the landfill. Also, let me clarify the 25%, because in a way I feel that is being used against me (not me personally) or to justify spending anything over and above that. It's not that it can't be spent. Every dollar that is in that General Fund belongs to you guys. I contributed part of that, you contribute part of it, you did, you did. The money is to be used for services to the citizens. It's our job and it's my job specifically as City Auditor to safeguard the assets of the city, to make sure and monitor that the money is used properly, efficiently, and effectively. The 25% came up years ago, back when we issued initial debt on the sewer plant. That is when I came into office. We were getting ready to go to New York to visit face-to-face with an underwriter and insurer. We met with them, but the idea was, they asked a question, "Well, what do you keep as a reserve?" We knew that going in that they would ask that question, and our bond underwriter at that time said as a general rule of thumb, we see 25% of our operation expenses, or three months, just as a general rule of thumb in case a catastrophe happens that you have cash in reserve to carry yourself for a short period of time until things recover, whether it's a short-term turn back in the income tax or something as dramatic as we have happen here two-fold with the recession with DHL. So, it's not that we keep 25% and we just spend everything over that. Whatever we spend, I think we have to take a look and make sure it is used, number one, as best as we can use it, and to benefit the citizens as greatly as it can. As Auditor, I have an issue (not that we can't – we can use the General Fund for anything), but the fact that we had a plan put into place and we have roadways that we are using permissive tax for. And permissive tax can only be used for road repair and for construction. It can't be used for any other expenditure in the city. It has to be used for those types of expenses related to the streets and the roads. We put into place a commitment to use the permissive tax to pay for Lowes Drive and Davids Drive. The vertical expansion again, and I know I'm repeating myself, we put rates into place to pay that debt down. I have a problem as Auditor, and this is my business side coming out, I use the same methodology in my public practice, if I see somebody that is taking cash that is normally used for operations and they are going to pay it for a long-term fixed asset and pay cash, I have issues with that. To me, it's not good cash management. There are some things, like your home, and you guys can probably relate to that. Most people aren't fortunate enough to have enough excess cash to pay cash up front for a house, so you take out a mortgage. It's an asset that has value that hopefully will appreciate over time, so it justified having debt on it. The same way with our roadways and our landfill. Believe it or not, we are required to show on our balance sheet the cost of our roadways. We have to capitalize those and show those as an asset on our books. They have value. It makes sense to pay for those over time. I think the other philosophy, which to me makes sense, is rather than paying cash up front for any fixed asset, it's something that's going to benefit citizens, it's going to benefit your children and your grandchildren, it makes some sense to have them share in that cost over time. That's the issue of the note that we're looking at right now. Again, the note was in the budget. The budget was to pay $100,000 out of the landfill and $100,000 out of permissive tax and then determine what we were going to do with the remainder when it came due – whether we were going to roll it or pay more down. If you look at the history, I had Mary Kay put this together. In 2004, we paid $175,000 and this was before the landfill came into play – this was just Lowes Drive and Davids Drive. We have paid up to $200,000 a year. Having the notes just gives us the flexibility. If we have a lot of permissive tax and not many road repairs or road construction that we're going to do, we can pay extra down, and it will be paid off over time. Right now, after this payment, we will have $400,000 left on Lowes and Davids Drive. There is $400,000 now on the landfill. Pay $100,000 and there will be $300,000 left on that note. So that's the note that is coming due here on the 18th. I know the idea of buying our own debt confuses a lot of people. I've thought about how to present this. We have money sitting in a money market now earning 0.1%. If you had the opportunity to earn 2%, which investment would you choose? It's not a trick question. Two percent, right? That's in essence what we would be doing if we bought our own debt, because we're not paying interest to an outside party and we're not depleting our fund balance. When the note rolls around again in a year, we can sell it on the market or we can keep it in our own portfolio. Right now, we have a little over ten million dollars on the last statement that you get every month. If you look at that statement, the Auditor-Treasurers report – there's over ten million dollars in there. That's not all sitting in a checking account. Most of that money is invested. Paul Fear does the majority of the investing. I'm part of it, but he does the majority of it. So, that money is not sitting in a checking account, it is sitting in short-term investments that we are allowed to invest in under the Ohio Revised Code, so that we have interest on it. All we were trying to do was avoid paying interest on this note to an outside party and keep the money ourselves.

Paul Hunter – The wastewater example is kind of counter to what you're saying. We paid it down to lower debt service, which then gave us more of a surplus in the wastewater fund. It's a little bit different than…

Auditor David Hollingsworth – Same basic concept. Then we throw in the bond issue and as far as the timing on that – back when we started this process with this official statement, we had a budget in place. We knew what the budgeted payments were and it was a matter of what we were going to do with the balance. It has never made sense to pay it all off. In my mind, it doesn't make sense paying it off out of the General Fund. We have a lot of things coming down the road, as I mentioned in Finance Committee. We have a lot of jobs coming on board – not as many as we did have when DHL was here, but we're slowly starting to recover. We don't know what that income tax number is going to be yet, so I don't see what the rush is to go out and spend $400,000 out of the General Fund when these notes are only being rolled for a year. Now that you know the impact, budget for that for 2014. That would be my suggestion. Why run the chance of impacting our bond rating and our reputation in the bond market by taking money out of the General Fund. I was trying to figure out what changed. I guess, Bob, I'll have to ask you the question. At the special council meeting, you had made the proposal that we go ahead with what was scheduled, pay $100,000 out of permissive tax, $100,000 out of the landfill and roll the rest, whether we buy it or sell it to an outside party. Between that Thursday and the next Thursday when we had the Finance Committee meeting, the initial response was "We're going to pay it all off."

Councilman Stuckert – That's a no-brainer. You brought up the point of buying the debt and you also said we could pay it off if we want to.

Auditor David Hollingsworth – Well you have that option at any time.

Councilman Stuckert – You said it, so…

Auditor David Hollingsworth - I didn't say "Pay it off."

Councilman Stuckert – I understand, but you said…

Auditor David Hollingsworth – That's why I'm asking you what changed your mind to go from paying $200,000 to paying it all off. I'm just asking the question.

Councilman Stuckert – I know what changed it for me. For me, anytime I can pay off a debt and free up money… For instance I had a purpose for the money, repairing streets. This is not related directly to bonds, but it's in the back of our heads. I'm going out and I'm banging my car around on some streets with holes now, including Lowes Drive. I'm saying, we're going to sit here for four more years and commit $100,000 in permissive tax money paying down the bond. We have enough money, as you said, sitting in an account not making an interest…use it to pay the bond off. At the beginning of next year, $100,000, $200,000, $300,000 – in four years we pay $400,000 towards repairing those roads. That is my logic. As far as the statement, let's roll them. Yes, that was in the budget. That is what we planned to do. Then we found out you had the idea of buying our debt. I've talked about this. It's taken a while for us to get our arms around that. I've asked…I've told a number of people out in the community about that proposal. Without fail, the answer that comes back is, if you could do that, why not pay it off? If you can buy your debt, why not pay your debt off? I understand.

Auditor David Hollingsworth – I guess what I have a hard time understanding is, what's the difference…I think it's better or gives you more flexibility if you maintain your cash and you've got that if you want to spend it for roads. If you take the cash and you pay off the debt, the cash is gone and your fund balance is depleted.

Councilman Stuckert – Of course it is if you are spending it on the roads.

Auditor David Hollingsworth – But that is what you are telling me, that you want to use it for roads. Why not maintain the cash. If it is appropriate to spend that money on the roads, spend it.

Councilman Stuckert – Any combination in there…there are all kinds of…

Auditor David Hollingsworth – The problem is, again, if we take that big chunk out of the General Fund right now, you're running a chance on affecting this bond issue that we're trying to sell that had to be pulled off the market yesterday. I understand where he is coming from. I had the same thing in the private sector. If I'm doing a set of financial statements for clients, if they have a December year-end and something material happens between December 31 and the time I issue the financial statements, I have to disclose that. It's called a subsequent event. It's the same with Moody's. If we have a material change in our fund balances, that's going to have to be disclosed to Moody's before that bond issue is ever sold, which again could affect our rating.

Councilman Stuckert – I think there's another problem, David, that you guys in the financial end don't get. There's a credibility problem with Moody's and all of the big players, because in all of their infinite wisdom, we find ourselves in a nation that has so much debt we can't even imagine. So, there is a credibility problem with that. We can go on about this forever, but I have a question I want to ask you.

Auditor David Hollingsworth – Okay.

Councilman Stuckert – Am I to understand that there is no money being used from the General Fund to pay down any of the debt that the city has.

Auditor David Hollingsworth – Well, the debt on this building is paid out of the General Fund but the two-tenths increase in the income tax was pledged to pay that…

Councilman Stuckert – Okay. Are there any others?

Auditor David Hollingsworth – …That was set up to pay that debt back over time. The provision was also in there that if it was too much, then that money could be used for the general operations of the city.

Councilman Stuckert – But I'm saying, we have a couple of million dollars of debt total…

Auditor David Hollingsworth – You have some debt on this building as a result of the Honeywell improvements…

Councilman Stuckert – And there is some fire equipment too?

Auditor David Hollingsworth – Fire equipment is basically, I guess in a round-a-bout way, could be paid from the General Fund, but should be paid by the Fire Department out of their real estate taxes and other collections.

Councilman Stuckert – But we end up subsidizing that a lot.

Auditor David Hollingsworth – Well, we can argue about this…

Councilman Stuckert – It's just that indirectly, that's being paid out of the General Fund.

Auditor David Hollingsworth – Here's the bottom line. I understand your concern and acknowledge it. Again, guys, I wouldn't challenge Scott Stubbins' opinion about what he feels Moody's….he's in this every day. He's dealing with Moody's every day. He knows how they react. I have to rely on him. I let him do his job. I rely on him. It's as simple as that. The bottom line is, guys, if you take $400,000 out of the General Fund, which I have been opposed to at every meeting we have had since this has come up, then you're going to take a chance of that impacting… Number one, when we get that Moody's rating, it cost us about $15,000 to get that rating. If we have to turn around and get re-rated, it's going to cost us another $15,000. To me, that's wasting citizens' money. Now that we know what your intentions are, if you want to pay that off to accelerate it, you can do that through the 2014 budget if that is what you want to do. The other thing that I just find I find interesting, when we passed the budget, it passed four to three. You guys can vote however you want. But I was looking through some clippings and it happened to be a clipping of a letter to the editor that you made that said we shouldn't spend any more than what we are taking in. Based on our budget, where our appropriations presently stand, if you would appropriate this $400,000 out of the General

Fund, you are deficit-spending. You're spending more than you're bringing in during the current year.

Councilman Stuckert – So the 36% or 35% carryover still doesn't take us up over what we're taking in revenue right now.

Auditor David Hollingsworth – I'm not sure that I…

Councilman Stuckert – Because this total overage that we have right now, it's greater than 25%. It's more like 35%.

Auditor David Hollingsworth – That is correct. I actually went back as far as my spreadsheet goes in 2008, and I think there was one year that it was 21%. It's been as high as 50% in '08 and '09 when we had all the DHL revenue coming in. The bottom line, it's not that you have an excess over 25%, it's what's the best use of that. I think at this time, the best use is not to take $400,000 and pay down debt that you've already got a plan in place to pay down.

Councilman Stuckert – What's your best recommendation right now? Just give us one.

Auditor David Hollingsworth – My best recommendation is pay what was appropriated, the $100,000 out of the landfill, $100,000 out of permissive tax, roll the balance. I would buy the debt, but that's up to you guys. It seems to be confusing people. What that does is keep us from paying interest to someone else.

Councilman Wells – I think what confused me, like you said, in the beginning we were going to pay $100,000 from the landfill, $100,000 from permissive, go with the note. That was the original plan. But when I heard you say we could buy our debt….

Auditor David Hollingsworth – I wish I had never mentioned it, honestly.

Councilman Wells – I want to say something. If I'm driving a car and I'm making payments on that car and I've got the cash to pay that car off and I call GMAC and I say I want to buy my car note and I make car payments to myself. This is confusing to me. I would pay the debt off and be done with it.

Auditor David Hollingsworth – I understand that. Here is what I would say, Don. Honestly, and I don't say this in a boastful way, but let me do my job. Part of my job…and I'm not say go blindly and approve things that we are proposing, but I go to these folks that we just had a conference call with tonight. That is really what prompted it. I'm not passing the blame… It wasn't my idea, but other municipalities are doing it. To me it made sense. We're not paying any interest is the bottom line.

Councilman Wells – Well, I've never heard of buying my own debt.

Auditor David Hollingsworth – Well, I hadn't either until it was proposed. Randy said the County is actually doing that or is proposing doing that with all of this hospital money. That's how they are paying for the sewer project they had. Basically they are borrowing from themselves. We don't have to do that. We can roll the note. You can sell it back to PNC bank. You will have to pay them $16,000 or $18,000. Or we can take money that we have earning nothing in a money market account. Do you want me to confuse you more? Basically by us owning our own debt, technically, it is paid off.

Councilman Stuckert – We don't ever have to pay it off. I'm just sitting here thinking that.

Auditor David Hollingsworth – Technically, it is paid off. When it comes due, you then have the option of either selling the notes back to a bank or paying a portion down and redoing and do the same thing over again.

Councilman McKay – Isn't this the way that the bond counsel has it structured.

Auditor David Hollingsworth – Right.

Councilman McKay – And didn't she say that could cause them some pain to redo it.

Auditor David Hollingsworth – Honestly, Margaret has been a trooper. She has been trying to come up with every scenario possible and have the legislation ready. Guys, we are paying her by the hour. There comes a point…I have absolutely no agenda other than doing a good job for the city. I hope you would have some trust in my office. Again, I don't want you to do blindly, but we weren't trying to do anything funny by doing this. We were just trying to save the city some money and trying to preserve our cash and let's move forward. Any questions?

Councilman Stuckert – I just want to make one observation. It's highly ironic that the bond market and Moody's would treat us differently if we paid off a debt literally, more if we pay off a debt and create a debt instrument that we are keeping on our books. That's just is really ironic.

Auditor David Hollingsworth – I don't know if you caught the comment that I made. I don't know if this is the way they are thinking, but if I'm looking at a city and I see a city that takes operating money and takes a big chunk of it, in light of our history, and they pay off a long-term debt that's on a fixed asset that is going to have a long life, I would question that.

Councilman Stuckert – It's irony.

Paul Hunter – So what is your final recommendation – to buy the debt?

Auditor David Hollingsworth – I just made it. I would buy the debt. If that is an issue, then roll it or sell it. I care, but if it is a deal breaker, then sell it to the bank. I'm kind of at that point. I'm getting exhausted, guys. I haven't slept a whole lot this week just trying to think of how I can convey what we are trying to do. Again, it's to the best interest of the citizens. There are other issues that we don't need to go into that we could have by taking the General Fund that could have a negative impact on the city. This is not the time or the place to go into those.

Councilman McKay – My question is, if we had the legislation that you proposed in front of us tonight, would council be willing….

Auditor David Hollingsworth – You don't have enough to pass it, so you're going to have to have a special council meeting.

President Kirchner –I think that every member of this council has the exact same interest for the citizens that you do. I will say that with this idea of buying our own debt and calling it an investment, I think had there been more transparency and more time given to this council to be able to ask the very questions they finally got to ask tonight, I think it would have been all right. But, if I'm not mistaken, it was June 10 or 11 when you asked this to be put on the agenda for three readings at the special council meeting on June 13, which was only to be a special council meeting for a budget work session.

Auditor David Hollingsworth – Then just sell it to the bank.

President Kirchner – I don't think that anybody has a problem with it, David, other than the fact that they didn't have time to ask the very questions they got to ask because it wasn't brought to finance before then. That's my point.

Auditor David Hollingsworth – I don't have the information about how long ago we talked about this. What was it, Bob? It's been two weeks or three weeks.

Councilman Mead – I'm not sure.

Auditor David Hollingsworth – And I have explained it or tried to explain it on four or five different occasions. I'm not picking on you, Bob, but even when I talked to you the other day and told you that this issue came up and we couldn't sell the bonds, I think you were still confused because you thought that if we bought our own debt, the money was going to be paid out…

Councilman Mead – Well, it is. The cash will go away and an asset will come in.

Auditor David Hollingsworth – You criticize the timing of it, but I'm not sure if there will ever be enough time to get everyone to understand, because it's not something that we deal with it on a daily basis. I'm sure you will have the same questions if it rolls around again a year from now, if you decide to go ahead and roll the note or buy it…whatever you decide to do. I'm sure that there will be questions a year from now, and I would expect it, because you guys don't work in it every day.

Councilman Mead – But you have to admit, if we buy the debt, the cash goes away and the investment comes in.

Auditor David Hollingsworth – But the way I explained that, though…

Councilman Mead – on paper it balances, but I'm just saying.

Auditor David Hollingsworth – It's no different than taking that cash and buying debt at the….

Councilman Mead – And then your cash is gone.

Auditor David Hollingsworth – But then you have an investment.

Councilman Mead – Not a positive investment – positive on your balance sheet. I do want to answer a question that you asked a moment ago. I remember that evening when I said if it was up to me, I would pay it off. But, it isn't up to me, so I'm going to recommend what was on the budget and we will put it out and go talk about it, which we did. There was a lot of discussion after that and that is why things changed. I don't just do what I feel like, I do what I think people are saying and what people are wanting to do.

Auditor David Hollingsworth – This is just what we have always done over the past ten years as far as paying just part of the note down and then rolling it. This was just a little different twist in that we could not…

Councilman Mead – You see, you muddy up my water when you gave me three choices. We went with one of those choices.

Auditor David Hollingsworth – Honestly, I'm just trying to do my job.

Councilman Mead – I know and so are we.

Mayor Riley – I appreciate all of the sleepless nights David has had. I know I have had a few myself worrying about this whole thing. It really strikes me as unsettling when I hear Scott Stubbins and Margaret Comey talking about our reputational risk because some of the changes that have been recommended. Reputation means a lot to a city, particularly when you are talking about your Moody's rating and that type of thing. I do appreciate everybody's time tonight. I know we've been into this for an hour and a half and we're still on item four. I think it is pretty evident that we can't get anything done tonight because we have only five of the seven councilmembers, so we can't suspend the rules and regulations.

Auditor David Hollingsworth – We just need to give Margaret direction on what we want to do so she can draft the legislation. Again, she is in Michigan right now. So, I guess, whether you actually vote on anything tonight or not, at least give some direction so we can have her start the process.

Mayor Riley – That would be my request is that we have Margaret put together the ordinance that we need to do exactly what David had discussed earlier and that we schedule a special meeting of council sometime next week.

Clerk Brenda Woods explained that she had the ordinance as it had been presented at previous meetings. Mayor Riley asked if the dates needed to be changed and she said no.

President Kirchner – Council has not had the chance to read…

Councilman Wells – That's not fair.

Clerk Brenda Woods – It's the same exact piece of legislation that you looked at the very beginning. It has been in the folder all of this time.

Councilman Wells – When say you have this ordinance, what are you talking about?

Clerk Brenda Woods – The $702,500. It was the very first one that you were presented. I've kept it all this time.

Councilman Wells – Is this the original one that paid the $200,000?

Clerk Brenda Woods – Yes. I didn't waste the paper to print it again today. I already kept it from the beginning.

Councilman Stuckert – Does that call for us to buy or does it call for us to put it out on the market?

Auditor David Hollingsworth – When she made the original recommendation, I think she put the language in there where we would buy the note. There is also the opportunity in here, that I might mention, that it could be paid off early. If down road before the 12 months is up you decide you want to do something differently. I just caution you, really think about what you are doing before you do it. Also, we've gone around with this two or three different times. I know she also prepared legislation based on what was discussed at the Finance Committee meetings, so there are probably two or three versions and this is probably the original one. That is the way that she had prepared it to give us that opportunity. I'm glad you kept that.

Mayor Riley – Whatever you guys want to do. If you want to do a first reading tonight, we're not going to be able to go any further than that. I would recommend that prior to the next meeting we can get this distributed to all of council members for their consideration. Then, we really do need to act on it with at least six members so we can suspend the rules and regulations because it would definitely be an emergency by next week.

Councilman Stuckert – I am going to assume that this is at least somewhat similar to the one we had in the packet tonight that had to do with the $300,000. I had a couple of questions. I think I have figured out the answer, but while I've got you here, I'll ask you.

Auditor David Hollingsworth – We may have to call Margaret, but we'll see.

Councilman Stuckert – I don't think so. It's in the language and I'm sure you've seen the language more than I. It talks about one place, "Whereas the City Auditor….etc… talks about the usefulness of the improvements in section 1 is at least five years." Are you saying Davids Drive is good for another five years?

Auditor David Hollingsworth – No. That is kind of standard language in bond anticipation note ordinances. Your financing improvements that have a useful life of longer than what is stated in there. In order for them to qualify as bond anticipation notes…what that does is it gives you the opportunity if you want them converted to bonds that you could do that.

Councilman Stuckert – Section one talks about the purpose is 30 years the maximum maturity notes in anticipation of the bonds. The anticipation is 240 months, which is 20 years. What is that saying?

Auditor David Hollingsworth – That's just general language. The intent was never to take 30 years to pay these off, but to pay them off over a shorter period. But again, have the flexibility… the interest rate environment was more attractive on the short-term notes at the time these were taken out, so you just roll them.

Councilman Stuckert – Section 2 talks about it shall bear interest at the now estimated rate of 5% a year.

Auditor David Hollingsworth – That, again, is a standard rate. That's for bonds, if you ever go to bonds. It will be whatever the market is when they are sold. Again, it's standard language. The intent is to never to have to go to bonds.

Councilman Stuckert – Are those in the ones that you….

Auditor David Hollingsworth – It should be standard. The only thing that will be different are the dollar amounts that you're talking about refinancing.

Councilman Stuckert – We're talking about $702,500 total.

Auditor David Hollingsworth – That is correct. That would be the balance that would be left.

President Kirchner – Did you ask about the percentage rate noted?

Auditor David Hollingsworth – That was actually recommended by Margaret. In essence, we're not paying any interest, so that was the minimum rate she felt could be used, probably, in the ordinance. The minimum market rate. We're paying ourselves, so it really doesn't make any difference. There has to be an interest rate, and that is what she suggested.

President Kirchner – But when you look at the next page, you go back "it shall bear interest at the rate of one-quarter percent per annum." It seems to me that saying that they will bear interest at a now estimated 5% and then…

Auditor David Hollingsworth – That's talking about bonds – if we would convert it to bonds.

President Kirchner – Part of the reason I talk about giving the council opportunity to review the legislation in committee, to have the questions answered, to have the access to Scott and Margaret. I completely agree with the mayor's statement about the concern about the reputation, but until tonight, this council was not able to get those answered.

Councilman McKay – So is council all right to keep the language in there in to buy back. Are we comfortable with that? Because that's the way they are talking about presenting it.

Councilman Wells – But we're not going to vote on that tonight, are we?

Councilman McKay – No. But they need to know how to create the legislation.

President Kirchner – Well, correct me if I'm wrong, David, but that was the original direction and that was the original legislation that was already created. As long as they don't change from that course of action, that already exists.

Auditor David Hollingsworth – That is correct. That is the way it was done originally.

Councilman McKay – I just want everyone to be clear about where they were going.

Mayor Riley – I would point out that Andrea is making copies of the ordinance that Brenda just handed out so you will have copies tonight. I think with that, I am done, and I can just turn it over to the Auditor now.

[Laughter]

Auditor David Hollingsworth – I have nothing…

Councilman Stuckert – Can I just ask one more question. If we own that, if we buy it and we hold the instrument, and the decision of what to do with that instrument is still something that is acted on by council?

Auditor David Hollingsworth – No. That is part of the investment portfolio. Technically, if Paul wanted to sell it or dispose of it, you could do that. Or, if we wanted to terminate it, we could wait the 12 months and reissue it, sell it to a bank. It's just part of our investment portfolio like any other investment we would have right now.

President Kirchner – If I understand your question, would it take an act of council to sell those notes or convert them in some way.

Auditor David Hollingsworth – I don't believe so, but that is something I would have to clarify with Margaret. I'm not sure of the answer of that.

Treasurer Paul Fear – There is a three-fold answer to that. The Ohio Revised Code, Section 731.56 and 733.29 dictates that the city is allowed to buy their own notes. These have been in place for a number of years. Under my Ohio Revised Code designation as the Treasurer, I do the investment of the money. So, what you guys want to do with the actual note is almost immaterial. It is written into every document if I want to buy it, then we'll have to buy it. Council can't stop us from buying it. So, whether the verbiage is in there or not is immaterial. So, we'll hold it. If we need it to cash, we can go ahead and sell it back to a bank and generate the cash. Right now, I have an investment portfolio of about $6.8 million in government bonds and CDs. We have a repo account that has a 1.4 million in it, which we will use to buy these bonds. They will go from a repo account earning 0.1% to an investment of earning 0.24. So, it's all a Treasurer's decision. What the Auditor has to recommend and understand is anything we put in investment, we have to commit that we are not going to be using for six months, so it's nothing that needs to be liquid for that period of time. So, the fact that it is confusing everybody or not, that is standard wording that we put into notes, and if the Treasurer decides to buy it, they can buy it. You can take the decision from there.

President Kirchner – Mr. Auditor, is there anything else?

Auditor David Hollingsworth – Nothing.

<u>Asset, Acquisition and Use.</u> - Chairperson Bob Mead had no report.

<u>Finance Committee</u> - Chairperson Mead introduced legislation making supplemental appropriations: General Fund to Income Tax Refunds the sum of $25,000 to pay tax refunds; Moving Federally Forfeited Fund to Program Expenses in the amount of $29,959,00 - no effect on the General Fund; General Fund to Public Records the amount of $2000, to be used for document shredding.

A motion was made by Mead and seconded by Stuckert to give the first reading only on the ordinance Making Supplemental Appropriations.
President asked for discussion.
Seeing none, President called for vote.
Motion passed. All yeas.
Laura Railing read ordinance by title only.

Mead requested that the second and third readings be placed on the agenda for the next meeting.

Water Committee - Chairperson Wallace had no report.

Streets Committee - Chairperson McKay had no report.

Solid Waste/Recycling - Chairperson Wells had no report.

Wastewater/Sewer Committee - Chairperson Stuckert had no report.

Judiciary Committee – In the absence of Chairperson Siebenaller, Councilman Stuckert introduced the third reading on an ordinance amending a section of Chapter 133, Employment Provisions and explained that it has to do with who has to be bonded.

A motion was made by Stuckert and seconded by Wells to give the first reading only on the ordinance Amending a Section of Chapter 133, Employment Provisions, of the Codified Ordinances of the City of Wilmington.
President asked for discussion.
Seeing none, President called for vote.
Motion passed. All yeas.
Director of Law read ordinance by title only.
A motion was made by Stuckert and seconded by Wells to pass the ordinance as read.
President called for a vote.
Motion passed. All yeas.
President of Council declared Ord. No. 5092 passed as read.

Councilman Stuckert introduced the second reading on an Ordinance Amending section 373.11, Riding on Sidewalks, of Chapter 373 of the Codified Ordinances and said it has to do with changing the direction that they can do that.

President Kirchner clarified that it readjusts the boundary to north side of Sugartree so the bike trail can come down and go across downtown.

A motion was made by Stuckert and seconded by Wells to give the first reading only on the ordinance Amending §373.11, Riding on Sidewalks, of the Chapter 373, Bicycles, Motorcycles and Skateboards, of the Codified Ordinances of the City of Wilmington.
President asked for discussion.
Seeing none, President called for vote.
Motion passed. All yeas.
Director of Law read ordinance by title only.

Stuckert requested that the third reading be on the Agenda for the next regular meeting of council.

Safety Committee - Chairperson Wells had no report.

Downtown Revitalization Committee - Chairperson McKay – Even though the mayor has already mentioned the impending auction of the Little Giant, it's important enough to maybe just bring up again. I do have the sale flyer from that. It is a part of history. This single lot is that is improved by a rare piece of Americana, an original valentine diner established in 1947. The original Little Giant establishment had 10 customer stools, a welcomed site for those seeking early and late night meals. Most recently, the City of Wilmington has restored the diner's exterior façade and wall safe, while the diner's vacant interior might well accommodate numerous uses. A most pleasing concrete expanse to the diner's front offers a good visual presentation. At present, electric service is connected to the diner while city water and sewer are available to the site. More parking spots are usable off the site alley running east and west. I urge everybody to think about this. If you have any idea at all that you might be interested in that wonderful little place. I happen to know that some of the original tables and umbrellas and possibly even chairs are available to the right person. It would be a really neat purchase for somebody even in this audience tonight. The sale is noon on Saturday.

Parks and Recreation Committee – In the absence of Chairperson Jaehnig, Councilman McKay had no report.

Income and Levy Tax Committee – In the absence of Chairperson Jaehnig, Councilman McKay had no report.

Service Director - Service Director Reinsmith had no report.

Safety Director – Safety Director Russ Burton had no report.

Reports
A motion was made by Wells and seconded by Stuckert that the Income Tax Report – June 2013, be accepted as presented.
Motion passed. All yeas.
Reports accepted as presented.

President Kirchner pointed out that we were down $91,000 from this time last year.

Paul Fear – It's on the business side of it. We were waiting for loss carry forward to be reported, and evidently people are taking advantage of that. Residents and withholding have been up.

President Kirchner said it looks like July last year was fairly significant. Auditor David Hollingsworth said July has a large influx of withholding tax.

President Kirchner opened the meeting up to the general public and/or members of council to address council while in session.

President Kirchner – Mary Kay and David, I understand that in order for council to be able to move forward with funding the new cruisers, we need to update the amended certificate. Can we make that amendment in this month?

Mary Kay – They meet on the 17th.

President Kirchner – Do you need any action from council in order to do that?

Mary Kay Vance – No. I just need to get the numbers from the mayor.

President Kirchner –Can Finance act on sending that to the agenda for the 18th or would it have to wait?

Mary Kay Vance – No. You could put it on the agenda for the 18th.

President Kirchner – Chief. Do you have the numbers available so that they can?

Assistant Chief – Yes.

Councilman Wallace – I guess my question on that idea is we have a list of items that were suggested. Has it already been determined that that is the top priority that we are going to spend that money on them?

President Kirchner – It was my understanding that it was one of the topics that would be debated tonight for council, but it had to be pulled off because you would have to make the amended certificate match the ability to spend. So, it couldn't come before council tonight for discussion.

Councilman Wallace – Well, it sounded like it was a done-deal. I'm just asking the question. Do we have a list of priorities that we want to talk about?

President Kirchner – Well, I think those cruisers have always been one of the items.

Councilman Wallace – I'm not disputing that. There were other things thrown out there too. I just want to make sure that whatever is supposed to be out there, we have out there on that list.

Julie Ann Schanda – 765 N. South Street. I come before you today as a citizen, a taxpayer and an employee of the City of Wilmington. I come on behalf of my coworkers. It has been since 2008 since we have even discussed the possibility of a raise, step increases, anything on the behalf of the employees. I think we've done a phenomenal job of understanding what happened to our community with DHL, the loss of income, and we have rode with that. But, I also know that in the General Fund there is money. I would ask the council, anyone of you members at this moment, do you know how much the percentage has gone up for the cost of living since 2008 until we stand here today? The exact number? It is 13.3% where we have stayed and the cost of living has risen. It has become difficult. We're at one-time at 168 employees. We're now down to 127. Where has that income or salaries gone? What use has that been put to? I have to say this is my first meeting in which I'm a little shocked. I love saying the Pledge of Allegiance, but I don't feel like I'm standing here in a united front. I don't feel like at this point we are now all on the same team, going for the same goal, which is what is best for the City of Wilmington. It was brought to my attention in the meeting last week, this topic has never been discussed because it has never been brought to your attention. It seems a little harsh, you know. We've all been down here in the past five years, still maintaining our job, doing what has been required of us. Some offices have lost employees and we have picked up the load and have not requested any additional monies. I'm hoping in this council meeting at some point in the very near future we will pull together a task committee and discuss what options we have.

Jerry Rowlands – I agree.

Mayor Riley – I appreciate that very much. In fact, I have already talked to Danny, Mary Kay, and a few others. It is way too early to start even estimating what budget numbers will be for 2014, but that will be an item that I'm pushing for in 2014.

Julie Schanda – I realize that we will be in a better bargaining position by the end of that year…

Mayor Riley – By the end of this year, I think we will be in a better position and Marque gives us estimates on what our income or earnings tax revenue will be. We should be looking at more hopefully as some of these new jobs come in, so we will have a better idea of where we will be in 2014. But that will definitely be on my agenda to bring up as a budget item in 2014. I have already mentioned that to Danny Mongold, Mary Kay and Brenda. That is something we're definitely going to look at.

Julie Schanda – Okay.

Mayor Riley – I appreciate you coming here. I appreciate you bringing it up. Even more than that, yourself and all of the other employees of the City of Wilmington who have hung tough for the last five years. You have been a hell of lot more patient than a lot of employees would be. You will never know how much I appreciate that.

Julie Schanda – Thank you, sir.

President Kirchner – I would also like to say that I think every member of council appreciates all of the work that all of the employees of the city have done and understand what they have dealt with. I also know that even tonight we hear that our income tax report this year is lower than last year. That is a concern. The first half of this year being lower than last year is a concern because we thought we had turned a corner. This council worked very hard to get to a balanced budget – the first one in four years – to try to get back to the point, I think, where they can take care of employees better and especially take care of the citizens you take care of with the resources they provide. It's just a matter of simple economics. If we are making less income as a city, I don't know where it comes from. While I know we have hope, Mr. Mayor, that the income tax numbers will improve with the jobs that are coming. As you have said many times before, we can't budget hope. We have to work with the actual numbers. I think that is what this council has tried hard to do, is to get back to a balanced budget to be sure as soon as we have an uptick in the income, they can do those things that will better serve our citizens and take care of our employees.

Julie Schanda – Well, I would have to say with what I have heard here this evening and some of the arguing, I'm not sure that everyone is on board and understands that. I certainly understood what Scott and Margaret from Moody's were saying. I certainly appreciate and value David Hollingsworth's opinion, but the General Fund is not a free-for-all.

Councilman Wells – I have a question. If we buy back this debt, that ties up that money that could be used for raises?

Julie Schanda – No, sir. That is not correct.

Auditor David Hollingsworth – It doesn't affect the General Fund.

Julie Schanda – That's not correct at all.

Councilman Wells – What I'm saying is, the money comes from the General Fund.

Auditor David Hollingsworth – Correct.

Councilman Wells – So, are we tying up money?

Auditor David Hollingsworth – By buying back the debt?

Councilman Wells – Yes.

Auditor David Hollingsworth – No.

Councilman Wells – So that would have no effect on raises.

Auditor David Hollingsworth – It's just like any other investment that the city has.

Jerry Rowlands – I would like to add something. I'm the manager of the Water Department. I have lost several good employees because they are leaving. There is no end to this so-called recession in the City of Wilmington and they're packing up and leaving. We spend three years training these operators. We don't get operators coming to Wilmington. We bring them in, we spend three years training them, and guess what they do. They go out the door because they are going to our neighbor cities that have not gone without a cost of living. All of the cities around us have gotten a cost of living. And they currently probably plan on getting it next year. The privates are doing even better than we are. Right now, the operators that I got, I've got one that has 33 years in. He can leave at any time. I beg him to stay. I have two others that age-wise they can leave at any time. I got two novice operators. They have threatened to leave. They've got licenses. They have went up and since the moratorium on our licenses, these guys have not gotten paid for each step that they deserve. Columbus is pulling them away from us, Xenia is pulling them away from us, Hillsboro pulled one away from us. It's up to you guys. I'm going to be retiring in probably five to eight years. There is going to be no one there to run it. You guys are going to have to look a little bit ahead and try to keep the people that we're training, because there is not going to be anyone here to run your water department.

President Kirchner – Jerry, I completely understand and we've talked about this in the water department. As soon as the administration would bring forward any kind of plan that would help address that issue…

Jerry Rowlands – Money. We need cost of living. It's not much of a plan. We have one coming to us that we have been waiting and waiting and waiting that they have been deferring. We have a 4% that we were supposed to get at the beginning of 2009 and we haven't seen it. It would be nice to get that. There shouldn't be any legislation or voting on that. You can give it to us and make it retroactive. These guys have been working their tails off. You know, eventually the city's not going to have anyone to fill in.

Mayor Riley – I agree with everything you said, Jerry. The exact same thing you said is true for the Wastewater Treatment Plant, Landfill, Police, Fire, everyone. My goal is to help everyone out – not just one department.

Jerry Rowlands – That's what we hope. You get a little money ahead and you want to pay off debt that doesn't really need to be paid off. You can distribute it among the employees who deserve it and have been working hard for you.

Councilman Stuckert – I would like to make a comment back to you on that point. The money that we're talking about here tonight is one-time money. True, if there is some way that we can keep the money, but we're talking about what we're going to do with the debt. Other than a one-time payment to you, that wouldn't be there next year. So, for you to have a salary increase, we have to deal strictly within the structure of the city itself. We can't operate out of the pots that include money that were unanticipated, that raised our…

Jerry Rowlands – But the employees have lost. There should be money in there to distribute among the ones that are making up the difference. I see it. I come up here, I see one person that used do the job of three. And they are at a lower rate. You have secretaries that are doing building department approvals and such like that and have never gotten a raise or any increase of any type. I just don't understand it.

President Kirchner – Jerry, it's simple economics. The money isn't there. I know this council tried last year to remove some of the overhead administrative costs and free up some of that regular income that could have been used for employee raises, but that was vetoed by the mayor.

Jerry Rowlands – What happens when these ones that are doing the jobs of three people are going to get offered…obviously somebody is going to see that they are a go-getter because they showed it around here. They are going to be attracted away. Then they are not going to have anyone. Then you guys are going to have to do it, I reckon. You guys are going to have come in and fill in for everybody. That's all I have to say.

Larry Fisher – I work at the Water Department also. Thank you for the opportunity to speak with you. We have surplus property we don't need. We have to maintain. Let's get rid of it and put it on the market. I know you have to auction it or something like that. It's costing us money to maintain his stuff. Some of it is adjacent to other stuff that is on the market in the regular real estate market and should be sold. Other stuff could be developed by, I don't care who, but right now, all it does is cost us more money. The water department and sewer department are revenue producers. If we market it and make the consumer pay for what it costs us, like any other business. You guys can do that. Politically you have to have the will to explain to the citizens that everything cost more. I'm sure they already realize that. But it cost more to produce a commodity. Okay? And it's not just the payroll and things like that. It's our chemicals. It's everything that goes into producing this. If everyone wants as much as they can use, they are going to have to start paying a little bit more because we're losing too much money on it. Thank you, again.

President Kirchner – Larry, I do know that council did act to get rid of some of the unnecessary parcels, especially the house associated with the old water department.

Larry Fisher – And we got nothing for it.

President Kirchner – And that's the market that it's in.

Larry Fisher – I know.

President Kirchner – I think this council is more than willing to act to let go of assets that don't benefit the citizens and have a cost to it. I do agree with that. I think the other thing that is important to note is we sell water and take the sewage obviously from everybody in the city. They're a captive audience. The marketing beyond that really comes down to the administration's effort to contact large users like Western Water, to contact local communities so we can set up water districts perhaps that we can supply to, and I know that they mayor has been approached about that. It's just a matter of something coming before council that makes sense to the citizens. I don't think any of us would turn away a large water customer at any point. In fact, I'm hopeful that some of the efforts in recruiting businesses are targeting that, large water users, because of our water supply situation. We have plenty of water. We do. But we also have the debt associated with it, which is part of the issue we find ourselves faced with. It has driven up the cost of our water and sewer bills. When you look at our rates comparatively across southwest Ohio – no fortunately, we have begun to come down, but for the longest time.

Jerry Rowlands – But you are comparing them to groundwater plants.

Larry Fisher – That's exactly right.

Jerry Rowlands – This survey that the utility office participates in, with the exception of Court House, the rest of them are groundwater. All they do is pump it out of the ground, pump chlorine into it and let it go out. They don't have a new plant. They don't have treatment. They don't soften. We have chemicals, we have lime, we have alum, we have carbon. Just a truckload of carbon is close to $30,000. Carbon dioxide – once we add lime to it, we have to bring the pH back down. It's a lot more expensive and a lot more technical plant that we've got, and that's why we have a certain amount, but we're still losing money. You guys are going to have to do something on the rates to…

President Kirchner – I have to ask a question, though. My understanding from the Service Director in an article from the News Journal earlier this year is we weren't losing money and we were doing fine. Is that incorrect, Mr. Service Director?

Service Director Reinsmith – I never made that statement.

President Kirchner – That the water plant was going to be okay.

Service Director Reinsmith – No.

President Kirchner – I believe…

Service Director Reinsmith – We're cost out every night, but the revenues have been declining over the past four years.

President Kirchner – and that is pretty much the story we have seen in not just water revenues.

Service Director Reinsmith – Over the last year and a half, we have had a big increase in chemicals, and the way gas is now, they throw a horrendous surcharge on all of the deliveries coming. It's not $20 a load, it's big bucks.

President Kirchner – The bottom line is, too, guys, you have to understand that we may, because of the setup that we have, with owning the water rights to Caesars Creek and pulling our water out of Caesars Creek, we may have a more complex water treatment system.

Jerry Rowlands – It's the same treatment we had for our reservoirs also. We've always had a surface water treatment plant.

President Kirchner – In the end though, Jerry, the cost of a gallon of water is relative to other communities around.

Jerry Rowlands – Groundwater – some of those are even higher than ours. But, the one we are participating they are not comparative. They do not take into account that each one of them has a minimum. We have no minimum besides $1.40 for a meter. All of them have $10 to $30 minimum. All this survey does is for 22,500 over a three-month period at a certain dollar amount per thousand, but it doesn't take into account all of the minimum charges that the water department gets. All the survey asks is for who is the highest on 22,000 gallons of water over a three-month period. It's not comparing apples to apples this survey that the city participates in every year.

Paul Fear – Why don't we have a minimum.

Jerry Rowlands – The city has never…

Paul Fear – We're the only ones who don't, right?

Service Director Reinsmith – Well, they talked about it in committee before.

Jerry Rowlands – Yes. We've brought it up. I don't ever get a positive reaction from it.

President Kirchner – Part of the concern is that the minimum would actually attach to the people that use the least.

Jerry Rowlands – Or no water. If the place is empty, at least there would be a minimum coming off it.

President Kirchner – But the flip side to people not using any water is that there is a sewer access charge. So, if you have that money shut off, you have to pay the additional access fee to the sewer. I've never understood the mechanism by which that was implemented, but it has been here back before my time.

Jerry Rowlands – I'm on Highland County Water, I pay a minimum. If I use no water at all, it's $19 a month.

President Kirchner – See, the concern was that it could negatively impact low income and moderate income families or specifically senior citizens as I recall the discussion. Money doesn't just grown on trees. It comes out of people's pockets. That's the concern.

Paul Fear – So, we should pay for it so others can get the free ride. Is that what you're saying. We pay for it so somebody can get the free ride.

President Kirchner – If they are not using water, I'm not sure how that is a free ride.

Paul Fear – If you build a plant, you have a general cost that should be spread across the whole population.

Jerry Rowlands – The whole city owns the water department; they should all bear the cost.

Paul Fear – We've been waiting for a water committee meeting for six months and have never talked about it.

Colleen Fear – 527 Randolph Street. I want to applaud, the wonderful work done by David Hollingsworth and Mary Kay Vance, for the wonderful opportunity that I have had this evening of listening to the professionals explain to all of who are novice what are happening with our Auditor and their control of the funds. I am a private business owner myself, so listening and hearing what they brought to me was very important. I do have a cushion. It's a business. I provide those need it for care that my business does as well as my employees. My employees never, never feel that they cannot unite with me in talking about their needs. I realize this as a human being that they need to be edified by bringing up the fact that they need some promises from you folks kept. If you don't understand what the financial business is; that is fine. But listen to the ones who totally know how to handle finances. Because if you don't trust them, you're up the creek without a paddle. I service my people the way that I know is best to make them happy. I do not give them lip service, because that is what I've heard. I want you to understand that these two people that we have in our community know more about the finances than you can ever study. I don't care if you're a business person, teacher, whatever, the fact remains that you have to find out more about what these people are doing for us. You talk about wanting to serve the people, the community? We elect you officials. Boy what comes around, you won't like, because you might be out of a job. I'm telling it to you right up front. If you can't be united in a proper way without having all of this horrible talks amongst yourselves and already having a decision made before you come into here, then go see them at their offices. Go talk to them. Do not give me any more lip service about so and so and so and so when you haven't done your homework either. I will go out and I will tell John Q. Public what these individuals have done and what you have not done. It's up to you. Now you made some promises, and these people are going to hold you to it. If you don't keep your promises, then you will find out what repercussions can happen. Believe me, I've worked in the judicial system, the juvenile system with kids. I made promises to them. I told them that I would help them. I would help them get further ahead – attend school and do all of these things. If they did honor those words, I would take them and do something special with them to boost up their morale – to boost up knowing that they are being cared for. And they did. That's why the program was successful, because I never made promises that I never kept. If I didn't understand situations, I would go find out what I could do to help myself and them. So, that is what I'm saying. Thank you, David. Thank you, Mary Kay. Thank you for the opportunity that I had to learn something here today and know that I have a cushion. Let me tell you, I just got so ticked off at my husband when he said, "Let's have a cushion." I didn't know why. Now I do. Because when that day comes along and you need that cushion, what are you going to do? Grab leaves off of a tree or are you going to have it ready for that rainy day? My hundred and nine year old grandfather was a shrewd businessman. I reap the benefits of his shrewdness, because he made every one of his employees happy. He never doubted the words of the professional. He was a professional, but he didn't learn how to calculate finances. So all I'm saying is, listen to them because they have something to tell you.

Mayor Riley – Colleen, I agree completely. They certainly do deserve our appreciation and thanks and a round of applause for all of the work they have done.

[Applause]

Councilman Stuckert – I don't know about the rest of council, but I kind of feel a little bit of heat coming up this way, so I would like to ask you, does it not look like we are going to take the advice of the Auditor and Mary Kay in the final analysis.

Colleen Fear – Well, I hope you do. I really hope you do.

Councilman Stuckert – Do you understand that the only place that we're allowed by law to talk about this stuff and ask our questions is in this place.

Colleen Fear – Certainly.

Councilman Stuckert – Okay. So, we work very, very hard to try to understand things on our own. I think what I keep hearing from various people in the crowd here, most of whom have an internal attachment to the city, is that the people in the city are doing this incredible job but we're not. I'm going to take umbrage with that. I'm going to come back at you because I think that we are trying to understand. That's why we have legislatures and we have administrators. Legislature is a part-time deal. You want to fire me? Fire me. I'll lose $315 a month. And you know what? I'll have a whole lot more time than you'll ever understand that I don't have to spend doing what I'm doing to try to do this job. I do a lot of work on this job. We've spent hours, along with the mayor and everyone else, in these meetings. And we are on the same page. Just because we ask questions, just because we come back with other ideas, does not mean that we're fighting and attacking. The only attacks that I seem to hear in this chamber are coming up this way at us. I'm not attacking anybody. I've told the Auditor that I do respect the Auditor and I do respect his advice. But it is what it is. It's advice. That's what it is supposed to be. It's supposed to be advice. If you want us just to take what the Auditor says and what Mary Kay says or what any of the "professionals" in this administration say to us, you want us to just take it and say, “Okay. You’re the professional. Let’s go with it,” then you know what? You don’t need a council. You don’t need a Finance Committee. You really don’t. All you need is to ask them their advice and do it. But we have a system in this country that allows for this kind of give and take. The problem that we have in Wilmington is that has not existed for a long time.

Colleen Fear – And why?

Councilman Stuckert – Because we have had people that simply wanted to trust the professionals.

Colleen Fear – No. No. I think that David Hollingsworth and Mary Kay Vance do a very good job or they would not have extended the opportunity for this phone call to come in. These were professional people who see the future of our city and they want the best for our city.

Councilman Stuckert – Is it lost on you that (and I’m not questioning Scott Stubbins’ honesty, his credibility, and all of that) he sells bonds.

Colleen Fear – Okay.

Councilman Stuckert – He has vested interest in this. So, you’ve got to understand how our system of government works. We’re supposed to be skeptical.

Colleen Fear – But do you think he’s pulling the wool over your eyes?

Councilman Stuckert – No. I didn’t say that.

Colleen Fear – Would he cheat you?

Councilman Stuckert – No. That’s why I asked the questions.

Colleen Fear – That’s what I’m saying. David heard the same things that we all did. We all understand. We do. We understood what was happening. What the phone call was saying to us and what David and Mary Kay have been trying to let you all know. It’s good.

Councilman Stuckert – So basically, I should not have had any questions.

Colleen Fear – No. That’s fine. Questions have to be asked. But the understanding of it is very important too. Do you understand about a cushion? Do you understand about taking x number of dollars, rather than depleting?

Councilman Stuckert – Absolutely.

Colleen Fear – Okay. That’s all I’m saying.

Councilman Stuckert – Let me ask you a question. Were you here last year when we were voting down budgets because there wasn’t enough cushion – that we were deficit spending – and we had taken the cushion? What was our cushion at the time DHL left? We had gone from a $5,000,000 cushion to what kind of cushion we have now.

Colleen Fear – But you were depending on one company. It was a large company and you were depending on them.

Councilman Stuckert – And they were gone.

Colleen Fear – And that is what the cushion is for. You don’t spend the cushion unless you have to. You save it for a rainy day.

Councilman Stuckert – And we’ve been arguing that ever since I’ve been on council. We had to argue for that.

Colleen Fear – I'm sure you have. I'm sure you have.

President Kirchner – If I could offer a couple of thoughts – Number one – up until this budget year, for four years you had over a million dollar deficit spending. They were chewing over a million dollars off of that cushion a year in the budget.

Colleen Fear – Okay.

President Kirchner – I don't recall you being up here talking to them about chewing into the cushion while they were spending it. The other that I will point out is last fall, Mr. Stubbins came to this Finance Committee and the Auditor as well. They recommended refinancing not just the general obligation debt, but the water debt. And because this council asked some questions, we saved, as the Auditor indicated tonight, hundreds of thousands of dollars of taxpayer's money in interest. I think that this council is here to ask questions on behalf of this public. I think those questions can sometimes save a lot of money. I think had the proper time been given and the proper respect for the process in taking it through committee, providing the legislation, providing the financial professionals to answer the questions, it would not have lasted until tonight before council could even ask their questions. To say that this council didn't understand before tonight would be correct because these questions couldn't be answered for council until we had the opportunity tonight. That should have been done a while ago. This dissention wasn't set up by this council. It was set up by not having the proper amount of time to pass this legislation through the process to provide the opportunity to answer the questions. I will defend this council for its right and obligation on the citizens' behalf to ask those questions. I will point out the benefit of it. This council's hard work got to a balanced budget – the first one in four years. The only reason that the cushion that you're talking about exists is because of the discipline of those seven individuals. That is the thing I think you have to keep in mind. They actually didn't just save the cushion; they increased the cushion. They made it bigger and simply wanted to do something to try to provide more long-term service to the roads and the infrastructure of this community. And, until they have the answers here, which they should have had the opportunity to get a month or two ago…

Auditor David Hollingsworth – In defense, Scott, overall, I don't think they said anything different to you tonight than what I said to you at the Finance Committee meeting prior. I'll leave it at that. We can argue here all night. I'm done arguing.

Colleen Fear – Thank you.

Mayor Riley – That's was my thought also.

[Multiple people arguing]

Councilman Stuckert – Well, if the public wants people who sit up here and come in and have the attitude, "whatever the experts say, that's what I'm going with," without doing what we do, then they can have that type of person. If they want someone who views this job as one to play the role of skeptic sometimes…to play the role of someone who is inquiring to get better answers and more answers, then they will want me. If they just want someone to say, "Okay, you're the expert." I mean, there's got to be something in between and that is what we're trying to get. I think there is a larger public out there than just the people who work for the city in one way or another who want what we provide. So, that's why I'm here. I'll be here until they vote me out or I decide to quit.

President Kirchner – You know, 237 years ago tomorrow, there was a group of individuals who said we're not going to take a dictatorial life under oppression. And that is where our country was born, because they stood up; because they were willing to challenge the system. Tomorrow I'm going to celebrate a little bit extra because I think that's exactly why everybody here serves, and I'm proud to do it.

Mary Kay – I'm sorry, but did this council give us direction of where we are going with the notes so we can answer to the people on Friday when come into work? I have yet to hear what your deal is.

President Kirchner – It was my understanding what came out of that – correct me if I'm wrong – it was the original legislation that Margaret Comey had written where the city will buy….

Auditor David Hollingsworth – That's what you copied wasn't it?

Andrea Tacoronte – It was. It was the $702,500…

Mary Kay Vance – And are we confident enough to let them know that it seems to be the direction this council is going to go?

President Kirchner – What I've heard tonight says the council probably will, but the truth is, until council votes, we don't know.

Mary Kay Vance – So when are we going to do that?

President Kirchner – The last thing that we have to do tonight it to talk about the potential for a special meeting next week. Tuesday and Thursday at 6 p.m. Please check your questions. Other members will need to be contacted. Does anyone know if they will not be available?

[Discussion of Scheduling]

President Kirchner said that it looked like the meeting would be held on Thursday and he would contact the other members.

President Kirchner asked if anyone else wished to address council while in session.

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

A motion was made by Councilman McKay to adjourn.
President declared the meeting adjourned.
Council adjourned.

ATTEST: ____________________________________
President of Council

____
Clerk