

Wilmington City Council met on Thursday, August 7, 2014, at 7:30 p.m. with President Cindy Peterson presiding.

Call to Order

Roll Call: Jaehnig, absent; Spicer, present; Stuckert, present; Mead, present; Miller, present; Milburn, absent; McKay, present.

Chief Detective Josh Riley was also present.

A motion was made by Miller and seconded by Mead to excuse the absent member (Jaehnig).

Motion passed.

Absent member excused.

Pledge of Allegiance

Council gave the Pledge of Allegiance to the flag.

Moment of Silence observed

President of Council

A motion was made by Stuckert and seconded by Spicer to approve the minutes of the last regular meeting, July 17, as presented.

Motion passed.

Minutes approved as presented.

Mayor – There will be a ceremonial ribbon cutting for the new kiosk on the 4-C Bicentennial Trail at the Lytle Creek preserve on Saturday, August 16 at 10 a.m. Ian Henson will be recognized for his efforts in this Eagle Scout project.

Mayor Riley introduced Tom Judy from Miami Valley Risk Management Association and Human Resources Director Danny Mongold.

Tom Judy – Executive Director, Miami Valley Risk Management Association (MVRMA). MVRMA recently celebrated the organizations 25th Anniversary. Mr. Judy provided a history of the MVRMA and an explanation of the insurance pool. The current membership is 20 cities. Loss control is a very important part of the organization. The members are very good at adopting best practices to minimize losses. When all of the claims have been paid and suits resolved, the board will close out the loss year. Any money remaining in the loss year fund is returned to the members, with interest. MVRMA returned 1.4 million dollars back to the members last year, for a total of over \$12 million dollars that has been returned to the members over the life of this organization. MVRMA has been a great success story through the cooperation of cities such as Wilmington. Wilmington has been here from the beginning and has been a big part of that success. We thank you for that and look forward to a long and continuing relationship. In the June meeting each year, the board recognizes its members that were very successful in controlling their losses in the prior loss year. Members whose insured losses are less than a factor of \$100 per employee achieve the Standard of Excellence award. For 2014, four cities achieved that award, Wilmington being one of those. Even better than that, Wilmington's loss ratio was the lowest in the pool last year. So, I'd like to recognize the City of Wilmington, its mayor, its council, and most importantly its employees for their commitment to risk management. He presented the 2013 Standard of Excellence Award Overall Winner.

Mayor Riley – This is truly an outstanding award. As Tom so rightly pointed out, this is not because of the administration. We were able to achieve this because of the diligent work of our employees. If anyone deserves special recognition, it would be Dan Mongold. He leads us through the MVRMA process. I so much appreciate Dan and the hard work that he does to keep everybody safe. This is just an acknowledgement of that.

[APPLAUSE]

Auditor - Auditor David Hollingsworth – As we approach budget season, I will be putting together a spreadsheet, like I have in the past, of where we are at year-to-date and where we think we will be by the end of the year. We can use that tool in the process of setting the budget for 2015.

Asset, Acquisition and Use. - Chairperson Mead had no report.

Water Committee - Chairperson McKay –We had a Water Committee meeting this week to discuss further the report that was done in regard to water rates. There are four or five points that I would like to remind everyone of, and then we can move forward with some discussion with council and see how much time we have left. First, this study was very thorough, very well done, and had lots of things that were detailed. I've never seen anything done that well. One of the points was we have decreased usage and customer accounts since 2009. Water rates have not increased since 2004. We have postponed capital long-term improvements in the amount close to \$11 million dollars that go out 5-30 years, but there are some we have to have on the radar. We have postponed predictive maintenance of \$417,000 a year, and preventative maintenance of \$66,000 a year. We have reduced our water staff by one full-time equivalent. One important thing is our debt coverage. We have been standing on pretty thin ice for several years and it's pretty well acknowledged that if we kept the same rates, and even if we don't, we may not be able to meet debt service coverage this year because we only have three months left in the year. Another point would be escrow items that we need to look at and the debt service. Escrow is about \$96,000 a year. Since 2009, our water fund has declined \$818,000. So, we need some type of water rate increase or we need to sell a whole bunch of water quickly. The latter probably is not going to happen as soon as we need it to, even though everyone in the city and outside the city have been working really hard to help make that happen. Once again, I want to reiterate, and David you can speak to this if you wish, Mary Kay spoke to us at the committee meeting and said the debt service is going to be very difficult.

Auditor David Hollingsworth – It's impossible to meet this year, just to give a quick background. When we built the water plant, particularly when you sell bonds on a structure like that, in order to keep the interest rate down, a debt coverage is built into the bond document itself to assure the bondholders, the people who are going to buy those bonds, that there is going to be enough income generated to receive repayment. So, the bond document itself kind of dictates when we are going to be required to raise water rates, whether we want to or not. In this situation, we have had such a decline in users and the lack of a water rate increase has caused us to be in a position where this year, if everything holds true until the end of the year, we are required to have a debt coverage of 1.1. That is determined by taking the gross revenues from the water department, less the non-capital and non-debt operating expenses. That net income number is a result of that calculation and has to be at least 1.1 times greater than the debt. So, this year we are going to be at about 0.63 if things hold true. So, whether you want to increase the rate voluntarily or not, the trustee that holds the bonds, they are going to require that you raise the rates in order to meet that coverage. The other impact it has is we run the chance of our rating being affected when it is found out that we were required to raise water rates because we didn't meet our debt coverage. That could affect any future bond issues.

President Peterson – We would rather act rather than be acted upon because the ramifications.

Auditor David Hollingsworth – If you don't act, you're going to be acted upon after the first of the year because there is no way between now and the end of the year that we are going to be able to meet the debt coverage. The other thing that is changing too, not that it should be any different, but National Bank is the Trustee and they are no longer going to be National Bank by the end of the year. It's going to be another bank that is going to be the trustee. They may not be as understanding.

President Peterson – The other thing that strikes me in the committee meeting, it is obvious that we have a lot of very talented people working at the Water Department that could be out doing some of the preventative maintenance, but they are cobbling together computers that are beyond antiquated.

Councilman McKay – Like buying things on ebay.

President Peterson – We have the debt service, but we also have old raggedy tools.

Councilman McKay – Wayne, in his report, after he analyzed everything, the proposal he made was to make a flat rate increase in water rates of \$10. That is not increasing the per thousand charge, but it does ensure us of somewhere in the neighborhood of \$600,000 per year. That would get us well on the way to solving this problem. What I would propose is the \$10 rate through the end of next year, obviously starting as soon as we can possibly do it. We did also have some discussion about how we could help the folks on the lower end of the strata with this ten dollar rate increase and we talked about the possibility of decreasing their fees for water usage up to that ten dollar rate. We did the math, and if we did a 2000-gallon allowance on a \$10 minimum, we would actually almost realize almost \$40,000 less than we are getting now. They worked a couple of other scenarios and council has all of this information. If we did a 1000-gallon allowance on the \$10 minimum, we would gain about \$352,000. If we did a \$5 minimum, it would generate just over \$300,000. I talked with Mary Kay today. I asked if it would be adequate if we considered one of these two scenarios. She said she did not think so. We are trying to look at this from all angles.

Mayor Riley – I think everyone who has been using Wilmington water had gotten a really good deal over the last ten years. It dawned on me that 2004 was the last increase that we had at all for water rates. In 2005, my wife Debbie and I drove all the way out to the west coast and back, and we never spent over \$2 on gas. Now it's not unusual to be up over \$4 a gallon on gas. Wayne pointed out in his study that the cost of living adjustments over the past ten years have gone up 41%. Water rates have not gone up at all. If we had kept up with the rate of inflation or if we had just tracked the consumer price index, we would be a lot healthier today and a whole lot better shape. It's evident, and I defer to the auditors, we have to do something. There is no choice. A thousand gallons of water is about \$5.84. So, if what we had thought about doing, the first 2000 gallons, make that a wash with the \$10, but 2000 gallons of water is \$11.68, so we would lose \$1.68 per customer if we did that. I think we need to follow the recommendations that were given to us. I know one of the things he said was to put on the \$10 minimum now for every water meter. Then, in January add another \$5 and the following January add another \$5. I do agree with Mark, there is an old Indian saying, don't test the depth of the water with both feet. I don't know if we want to jump right in with \$10 and then in January do another \$5. I like the idea of waiting. We might want to look at the price at water – the per thousand gallon price of water. One of the things the analyst strongly recommended is we start increasing that in a few years – that we start doing a consumer price index or a cost of living increase to the price of water every year so that we don't get into this hole again. I like the idea of \$10 now. Let's ride that out throughout next year and see where we are at. We may decide that it will be better to do a per gallon increase before we would add another \$5 minimum. I strongly encourage council to look at the increase minimum so we can start generating enough money to cover our debt service.

Councilman McKay – Just like we didn't do increases to our employee wages, etc. since 2008, we have been very cautious about putting heftier charges on citizens. I know that we are not tremendously better, but we are a little better, and we've just pretty much come to the end of the rope.

Councilman Spicer – I've been hearing that we knew this was coming. One of the things that frustrates me (and I've seen it over the years at the city), it seems like we're always governing by reaction instead of pro-action. It would have been really nice if we had had a one or two percent increase each year. We can't do anything about that now, but if we could move forward and look at these things, we need to stop this closing the gate after the horse gets out. I'm like a lot of other people, I'm on a fixed income too now and I'm

really seeing the crunch. The sewer fund, I guess, is overly inflated and they talked about offsetting that bill by what we increase the water bill. Is that still a possibility?

Councilman McKay – That’s not for me to talk about.

Mayor Riley – I’ve thought about that. My fear is if we did that, then we are going to put the Sewer Department in the very same situation that the Water Department is in now. The Sewer Department has funds to do predictive and preventative maintenance. They are able to cover their bond. They are building up money for when they need to do something major. If we do that, talk about putting blinders on, we would be putting our Sewer Department in the exact same situation in the future that our Water Department is in now. They have been very careful about staying more current and being more proactive, so this would really undercut their efforts.

Councilwoman Milburn – The last thing that I want to do is rob Peter to pay Paul.

President Peterson – Five or six years ago, as I recall, we were having these same conversations about sewer because we were in the same type of reactive...we had done almost identically what we has happened in water to sewer.

Councilman Mead – I just want to warn everybody. When I first went through this thing, I looked at it and thought it doesn’t look right. It can’t be right. Well, I was thinking that the cost of water is insignificant, but when you look at the number of gallons and the cost and how many months there are, the cost of the water itself is not insignificant. So, when we start losing 2000 or 1000 gallons of charges, that is a significant amount of money. So, I went completely from saying that I can’t see where all this raising rates is necessary to saying, “Yes. I agree now. I can see that it is necessary.” If we do the ten, as Randy has mentioned, we are not going to turn around and do it again right away. If we do the five, we will probably have to do that. If you want to look at the numbers and make something out of them, be careful. Calculate the number of gallons that we are not going to get paid for. He used an average of some sort for each group of what you lose, and it’s a significant amount of money.

Service Director Reinsmith – The first three groups that are using 2000 gallons or less, that is 1503 customers, which equates to 29% of all of our customer base. That first 180 customers, you are not going to get any money out of them. You can bill them and you can put it on their taxes, but it might be ten years before they sell that property and you ever get any money back, so you knock them out of the equation.

Councilman Stuckert – I am not addressing the study itself, but I have another quick question. We have to be proactive with more than just rates. I’m thinking specifically about some of the ideas that are out there that will help us sell more water. If we don’t sell more water, we are going to have problems forever. The regional water district, Mr. Mayor, that has been proposed out in the county and stuff, I know that we ran into somewhat of a roadblock at the County Commissioner level. What was the status of that? Were they considering just paying for a feasibility study?

Mayor Riley – Yes. We would be the provider of the water for the district. They would set up a board to analyze. One of the reasons the County Commissioners said no was they had some concerns about forming another organization that has another board that once it is formed, they have absolutely no control over. Their concerns right now are with the Port Authority. I heard them say, we do not want to create another board that we have no control over. This is completely different. We need the \$30,000 for the study. I volunteered that we would put about \$10,000 in economic development money into that if the commissioners would give us \$20,000. They were very hesitant. I took them to task for that, but it still didn’t produce a check. I have actually met with the mayor of Port William and the mayor of New Vienna. Both are desperate for water. We are looking at the possibility of still doing this district, particularly for the southeastern, but it may be the entire eastern half, of Clinton County. Obviously, we have more than enough water. We have more than enough production capability now to bring them on board. My goal is to have this meeting by the end of next month. Chris Schock is helping organize it. We are going to have another town hall type meeting and it will more than

likely be at Snow Hill or at the fire station in New Vienna at the last part of next month. In that meeting, Loren, we are going to invite all of the mayors of all of the villages that would be impacted, as well as the township trustees. This has a real impact on economic development within their townships. We have a company that has been wanting to move into Wilmington and start production, but they can't without an adequate water supply. We want to address that and be more proactive.

Councilman Stuckert – I would be interested in getting a council letter together in support of this.

Mayor Riley – In private discussion with the commissioners over the past month, I think they are changing their mind. I think they are seeing this a bit differently. I am pretty confident that we can go forward on this. My concern is the \$30,000 for engineering fees for a feasibility study.

Councilman Stuckert – The study should mention the economic impact of not doing it.

Mayor Riley – The mayor of New Vienna is very interested in explaining their situation.

Paul Hunter – I have a comment. From my calculation, a \$10 surcharge would cost a 7000-gallon user about a buck on a thousand gallon. A hundred thousand gallon user 10 cents per thousand gallons. There is something wrong with that.

Councilman McKay – What we are trying to do is get that bigger user to use more. If we start penalizing that bigger use by charging them more, we are going to discourage those people from coming in and using our water.

Councilwoman Miller – Can't we separate the cost per gallon for commercial versus residential and industrial?

Councilman McKay – We could.

Councilwoman Miller – And that would discourage the larger volume user. The \$10 increase is a much larger percentage increase for me in my water bill than somebody who has a much larger water consumption.

President Peterson – I would suggest you have another Water Committee meeting and have a public meeting. Because the last meeting was not a special council meeting, we really were not able to share as much as we wanted to. Maybe we could change the form of the meeting.

Councilman McKay – I propose another water meeting and then there would be the possibility of having legislation at the next council meeting if we can hammer things out.

Streets Committee - Chairperson McKay presented legislation authorizing the mayor to apply for Ohio Public Works Commission funding for \$766,000 to realign a connector in the area of Ahresty to give them a new entrance across the railroad.

Mayor Riley – There would be safety gates. There would also be a turn lane on 68 South and a 68 North as well that would be dedicated to Ahresty.

Councilman McKay – It would align with Praxair drive. Ahresty is behind us from the standpoint of safety. We are going to have three items fighting for some money here, but the committee wanted to go ahead with this.

Service Director Reinsmith – That roadway is going to come out on Cuba Road eventually, so I don't know about the upgrade of the crossing, but it is going to help them. The total plan is to bring it out to Cuba Road so they can leave that plant without making that unsafe crossing on the railroad.

Mayor Riley – That may be their main concern. If something happened at the crossing, they would need another entrance to their plant. This would go all the way across to Cuba Road so they would have two accesses.

Service Director Reinsmith – This is about \$1.5 million total and would accomplish this. Potentially it would meet up with Airborne Road.

Councilman Mead asked why we ask was for \$766,000 but the total cost of the job was stated at \$1.5 million. Where is the other money coming from?

Mayor Riley explained that there is a fund at ODOT's designed specifically to support street projects that promote economic development. This fits perfectly with their plans. That is where the extra funds would come from.

A motion was made by McKay and seconded by Mead to give the first reading only on a resolution Authorizing the Mayor to Apply to the Ohio Public Works Commission Funding for \$766,222.00 for the Airborne Connector Project and Declaring an Emergency.

Seeing no discussion, President called for vote.

Motion passed.

Director of Law read resolution by title only.

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

Roll call: Spicer, yes; Stuckert, yes; Mead, yes; Miller, yes; Milburn, yes; McKay, yes.

Director of Law read the resolution by title only.

A motion was made by McKay and seconded by Milburn to pass the resolution as read.

Roll call: Spicer, yes; Stuckert, yes; Mead, yes; Miller yes; Milburn, yes; McKay, yes.

Motion passed.

President of Council declared Res. No. 2368 passed as read.

Councilman McKay – I have noticed two things pertinent to our discussions in Streets meetings. One, we have gotten several signs up talking about truck traffic in the area of Vine Street and Prairie. We have also employed the automatic speed meter. As I was coming in 68 last night, I quickly applied my brakes and came down from 45 to 35. That thing is pretty effective.

Solid Waste/Recycling – In the absence of Chairperson Jaehnig, Councilwoman Miller had no report.

Wastewater/Sewer Committee - Chairperson Milburn had no report.

Judiciary Committee – In the absence of Chairperson Jaehnig, Councilwoman Milburn had no report.

Safety Committee - Chairperson Spicer had no report.

Finance Committee - Chairperson Miller introduced legislation making supplemental appropriations. Topics included monies to replace drivers on pumps in the water department, putting money in place for the recycling grant, and a comprehensive job audit.

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

Seeing no discussion, President called for vote.

Motion passed

Director of Law read ordinance by title only.

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

Roll call: Stuckert, yes; Mead, yes; Miller, yes; Milburn, yes; McKay, yes; Spicer, yes.

Director of Law read the ordinance by title only.

A motion was made by Miller and seconded by Stuckert to pass the ordinance as read.

Roll call: Mead, yes; Miller, yes; Milburn, yes; McKay, yes; Spicer, yes; Stuckert, yes.

Motion passed.

President of Council declared Ord. No. 5173 passed as read.

Councilwoman Miller introduced legislation making miscellaneous transfers for the landfill for vehicle expenses and for the taxi department.

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

Seeing no discussion, President called for vote.

Motion passed

Director of Law read ordinance by title only.

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

Roll call: Miller, yes; Milburn, yes; McKay, yes; Spicer, yes; Stuckert, yes; Mead, yes.

Director of Law read the ordinance by title only.

A motion was made by Miller and seconded by Stuckert to pass the ordinance as read.

Roll call: Milburn, yes; McKay, yes; Spicer, yes; Stuckert, yes; Mead, yes; Miller, yes.

Motion passed.

President of Council declared Ord. No. 5174 passed as read.

Councilwoman Miller introduced legislation to assess real estate taxes for street lighting. It is \$50,000 less than last year due to electric aggregation.

A motion was made by Miller and seconded by Stuckert to give the first reading only on the resolution Declaring it Necessary to Light the Streets, Lanes, Alleys, Lands, Squares, and Public Places in the City of Wilmington, Ohio, with Electric Lights, and for Special Assessments to be Levied to Pay the Cost Thereof for the Year 2015.

Seeing no discussion, President called for vote.

Motion passed

Director of Law read ordinance by title only.

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

Councilwoman Miller introduced legislation making special assessments on real estate taxes for property maintenance and utility delinquencies.

A motion was made by Miller and seconded by Milburn to give the first reading only on a resolution Approving Liens Pursuant to §§729.49, 743.04 of the Ohio Revised Code and §§923.09, 929.03 and 1729.03 of the Codified Ordinances of the City of Wilmington, and Declaring an Emergency (Utility delinquencies and mowing/debris removal fees).

Seeing no discussion, President called for vote.

Motion passed.

Director of Law read resolution by title only.

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

Councilwoman Miller asked Dan Mongold to begin the discussion of the LEAP Audit in regards to Insurance.

Dan Mongold – When I first heard of the LEAP, I thought it was going to be a great thing. I soon found out that it wasn't. The first day that they came to my office, they came in and had a seat. It was Max Uhl and his benefit person. They said, "Dan, I have a few questions for you." I said, "Great." One of the very first questions they asked me was, "Have you ever considered going self-insured to save money?" I said, "We are self-insured." I thought from that moment on that it was not going to go well. If they did not do the research enough to know that, then it was not going to go well. They spent 12 minutes for the meeting. In terms savings and efficiencies and that kind of stuff, I have a background in Rubbermaid and Irwin on how that works. We had none of that with LEAP. They did not mention anything about Worker's Comp, any of the costs savings

that we have for that, any programs that we have for Worker's Comp. They did not mention anything about severity rates, claims frequency rates, any of the things you would expect to be asked. They didn't mention anything about the safety programs we have. I am the safety compliance officer for the city as well. We have programs in place. We have city safety meetings. We have departmental safety meetings. Like Tom said, we were in tough competition with other cities, and we are the overall winner. That is because of the employees and trying to get the safety right. They didn't mention anything about PERRP reporting or OSHA reporting or Highland/Fayette/Clinton County. Never once did they mention our three unions and the contract language. Nothing was mentioned about risk management and property casualty. Our office handles that. They did not talk about event coverage. Nothing was mentioned about the labor relations in terms of day-to-day matters with our people. Honestly, they never mentioned anything about policies, procedures, plans, guidelines, anything that we might have to govern the city. They did talk a little bit about the sick leave policy, but that was quickly dismissed. No mention about the drug and alcohol programs. Our office does the drug and alcohol program for DOT and non-DOT. We do all the compliance reporting for that, which is federal, state and local. All of those things have a cost to them, and you would have thought that they would have brought those up. No mention or thoughts on the rules and regulations involving anything to do with civil service, any of the commission problems or issues that we have that go through civil service to meet their guidelines. No mention about the Ohio Revised Code and all the criteria we need to follow with them in order to stay in compliance. I just wanted to mention those few things that our office does that weren't even mentioned. I thought LEAP would be good, but it turns out that it was not good and served no purpose for us.

With all of those things I mentioned, I brought Liz Fortney with us, our insurance broker of record, to give us insight on how we are going to look next year with Obamacare kicking in in February.

Liz Fortney - It's interesting, of all of the things that were left out of the LEAP report, the one thing that was addressed was that the health insurance plan and the cost of the health insurance plan. The first thing that struck me was that the very first question that was asked was "Well, have you considered being self-funded?" We have been self-funded for six or seven years now. Let me read you the first sentence of the LEAP report analysis. "Because the city is self-insured, options to improve cost-effectiveness of its health insurance differ from local governments that purchase healthcare coverage through a third party. As a self-insured city, Wilmington is not afforded the opportunity to shop around for providers or negotiate lower premiums. It will set its own premiums in an attempt to collect appropriate funds shared by the employer and the employee to pay out the claims and can specify its own level of coverage, including deductibles, coinsurance and copayments." So, if their recommendation was to go self-funded, why is their first statement so totally negative about self-funding? Apart from the fact that it is negative, the only true statement in that whole paragraph is that the city is self-funded. The rest is completely false. The city has identical access to the ability to shop coverage every year and we do shop coverage every year. Not just among insurance companies, but the city also interviews other brokers every year. In 2012, we obtained eight different quotes from three different brokers plus me. The networks that are available through self-funded plans are identical to what is available through a fully funded plan. So, all this is wrong. I looked back to 2012 and I pulled back the best fully funded quote that the city obtained. They obtained several, but the best one, I broke down the cost month by month. In calendar year 2012, the best fully insured quote would have cost the city \$2,446,269. The self-funded plan for the same time period for the same benefits cost the city \$1,866,512 – a savings of \$579,757. So, for those of you who have reviewed the LEAP report and are thinking "Gee, this self-funding doesn't sound like a very good option." In 2012, it saved us almost \$600,000.

In addition to that, there are a number of issues I have with the methodology that was used in the LEAP report analysis, the first being that they used a per-employee/per-year average cost. The problem with that is that when you are looking at per-employee/per-year, it does not take into consideration the percentage of family employee coverage and single employee coverage. So, they compared the City of Wilmington to Bellefontaine, Dover, and Urbana. So, I called those three cities and talked to their HR Directors. Here

is what I found out. The City of Wilmington covered an average of 137 employees out of 138 – almost 100% in 2012. Of those, 82% have family coverage. The City of Bellefontaine only covers 95 of their 115 employees, which is 72%. Of those, 72% have family coverage as compared with 82% at the City of Wilmington. At Urbana, they cover 87 of their 95 employees – 91.5%, virtually 100% in the City of Wilmington. Only 82% have family coverage – similar to what we have here. So, when you look at the cost comparison per employee per year, naturally, the City of Wilmington is going to have a higher cost per employee because we have more people with family coverage. But that was not taken into consideration in their methodology. At the time I wrote the response to the LEAP audit, I had not obtained a copy of the 2012 SERB report. Since that time, I have. According to the LEAP audit, on page 16, the average cost for like-size cities, and they are quoting the 2012 SERB report, is \$11,700. When I obtained a copy of the SERB report, I discovered that for like-size cities, the actual cost listed in that report for 2012 is \$12,711. So, the number they used was not even an accurate number from the 2012 report. If you further break that down by type of plan, the average cost for like-size cities in the 2012 SERB report is \$12,711. The average cost for City of Wilmington is \$12,675. So, we are slightly below the average cost that is actually listed in the report that the quoted in error. I have a problem with that methodology as well.

Liz Fortney - The other thing that they didn't take into consideration was the type of plan. They are comparing us with people who have HSA's, people who have HMO's, people who have traditional health plans. We have a PPO here. PPO is kind of a middle-of-the-pack plan. It is not the cheapest. It is not the most expensive. But my point is, when you look at the real numbers, the City of Wilmington's numbers are not out of line and the methodology used in this report is flawed. So, from my perspective, I don't think that there is much value in this report as it is presented.

Councilwoman Miller – I definitely have a question about the large part that was skipped over. If it is inaccurate, because you did say the first paragraph is entirely inaccurate, second only to the part about self-insured, so the city can specify its own levels of coverage, including deductibles, coinsurance and copayments. You say that this is incorrect? We cannot establish our deductibles?

Liz Fortney – You can, but once they are established, they are what they are.

Councilwoman Miller – For how long?

Liz Fortney – For a one-year period.

Councilwoman Miller – I thought on the table on page 14, like you referenced, there is a large part that wasn't addressed on the deductibles. I was always under the assumption that the low deductible was kind of like a trade for the wage freeze. From the way it was presented, this was before I was on city council, there are money savings from increasing the deductibles.

Liz Fortney – There is money savings for increasing the deductibles.

Councilwoman Miller – Can you go over those numbers?

Liz Fortney – Absolutely. The initial SERB report stated that there would be \$298,000 savings should the city bring their plan into line with what they consider to be peer cities. The table on page 16 that you're referring to compares the deductibles, copayments and so forth in the City of Wilmington with those items in what they consider to be peer cities. The single deductible is \$500, the peer median is \$500. The family deductible for Wilmington is \$1000, and the peer median is also \$1000. The out-of-pocket maximum is lower for the City of Wilmington, although the way that this is stated here is inaccurate. The out-of-pocket maximum is stated as being \$500 and \$1000 for family in the City of Wilmington. The accurate description of the benefits is \$500 plus prescription drug copayments for single and family, \$1000 for family plus prescription drug copayments. So, someone who is taking three prescriptions per month, for example, would pay \$75 a month in copayments, \$900 in a year, and that would bring that out-of-pocket cost more in line with what the peer-stated amount is. Primary

care copayments at the City of Wilmington are \$15. The peer median is \$20. Urgent care is \$35 at the City of Wilmington. The peer median is \$75. The emergency room is \$100 at the City of Wilmington versus the peer median of \$200. I then took the actual experience of the City of Wilmington off of their key account package. At the end of the year I get a report that shows how many primary care visits, how many specialist visits, how many generic drug prescriptions and so on and so forth. I took that benefit differential along with a deductible report showing how much of the deductible had been met by each city employee with names removed. When I did that math, the actual savings was about \$133,000 – not \$298,000.

Councilwoman Miller – There is still \$133,000 available realistically.

Liz Fortney – If you made those benefit changes – yes.

Councilwoman Milburn – I just want to clarify what I heard on the SERB report, you didn't have the 2012 numbers. Did the Auditors have the 2012 numbers?

Liz Fortney – They have them and that is what they base their report on. I just didn't have them at that time.

Councilman Stuckert – This is a question that council has had in the past. Have we made any progress on the possibility of changing our renewal date so we have a budgeting idea of the coming year – this being one of the largest items on our budget, we only have concrete figures on the first quarter. Have you been working on that at all?

Liz Fortney – Honestly, we really have not been working on that. We have discussed it many times throughout the years. The reason we have not made that move is because the largest percentage of plans renew January 1. So, when you try to have a conversation with the underwriter to negotiate a renewal, you have very little ability to talk to an underwriter for a January 1 renewal. Last year I had one hour with my underwriter for all of my January renewals. When we worked on the renewal this year, I had four separate meetings with my underwriter, just on your account. So, it is more convenient from a budgeting perspective to have a January 1, but it not necessarily going to result in the best financial impact on the renewal.

Councilman Stuckert – If we could go three quarters, it would be better than what we have now from a budgeting standpoint.

Liz Fortney asked for clarification.

Councilman Stuckert – If the budget was concrete for three quarters, the renewal would not be at the end of the year, it would be maybe in September or October.

Liz Fortney – That is something we can look into. What would be involved in doing that, is we would either have to negotiate a longer contract or a shorter contract. My experience right now with trying to get contract extensions under the uncertainty of healthcare reform, underwriters are not as receptive to that right now as they have been in the past. The problem with going to a shorter contract is that under a self-funded contract you have different pieces of insurance – you have an umbrella over the whole city and then you have insurance on each different employee unit or contract. The problem when you start changing those around is trying to make sure that you don't lose the benefit of your accumulated claims toward the stop-loss contracts by changing your renewal date.

Councilman Stuckert – It makes sense. I'm just saying that we are at risk somewhere down the line of having appropriated money into the budget and then having the renewal date come up and have that not work at all. If it goes way up, that is what we are concerned about. It's a very problematic when you're trying to appropriate money for a budget item that is inarguably the largest item on the your budget. We are appropriating money but we have no idea if that appropriation is going to be appropriate or what is going to happen with that. We are trying to maintain 25% carryover. We have enough problems with our moving targets – that is one heck of a big moving target. Much of

what you have said about our experience is because we have had good experience. Well, I know that you would agree with me that experience could go south as well. You could have a couple of horrible years. The odds are, when you run in a streak of real good years, you're just closer to a bad year in the business. It increases our concern over our vulnerability.

Liz Fortney – That is a valid concern that you have. One thing that I will say is that we have budgeted towards the maximum liability so that we have built up a surplus in the insurance fund that have been good so that there is some money there to help offset the inevitable bad year that might occur. That gives you a certain cushion to work with. But, if you're more comfortable with a renewal that is later in the year, I wouldn't go January 1. January 1 really isn't going to help you any way. We have to have that budget done. If we have a January 1 renewal, you have to have your budget done before I have my renewal done.

Councilman Stuckert – It seems to me that our failure to act is based on the idea that we want a January 1. I think that something in between would work for us and should be workable on your end.

Councilwoman Miller – If the numbers are so off, then at the end of their financial implication of cost savings is almost exactly what you just said. So, if the numbers are off...

Liz Fortney – Because they revised their report to reflect my number. The initial report said \$298,000. The \$133,000 number was the one I came up with once I gave them the actual experience.

Councilwoman Miller – So, to be fair, the final report does reflect \$133,000.

Liz Fortney – The final report does. I was just giving you the history of how it came to be. The \$133,000 is what I came up with.

Mayor Riley – We met with the LEAP auditors numerous times. It was a long process. When the LEAP audit was presented to us, the first or second draft, I took exception to a lot of what was written. We had a meeting with the LEAP auditors – Max Uhl led the team – in the community room downstairs. We met with the department heads and the auditors and expressed our concerns about the accuracy of the recommendations and the validity of the recommendations. Very little of it was changed from that meeting to the final report. When the final report was presented to us, there were a few changes, but not of any great significance. I agree with Danny that I am very disappointed in the LEAP process and the audit. In fact, I asked Andrea Tacoronte, our administrative assistant, to go through all of the meeting minutes and discussions – I have asked her to type up all of the comments so that we can put those together and submit those back to the state auditor so that they can see the discussions – not just my response to the audit but the discussion that we have had. We have had various department heads speaking to it and also council has spoken to it. I would, for the record, like to note that my response to the LEAP audit, specifically the health insurance program.

In the previous city response, Dan Mongold, City Human Resources Director, addressed each item contained in Recommendation 8. In general, Mr. Mongold noted that almost every statement in the recommendation was false. After the comments from Mr. Mongold were read by the LEAP auditors, I assumed they were considered, I am disappointed to find that the LEAP report only modified a few of their observations. I would recommend a detailed review of Mr. Mongold's statement.

I find it interesting that Table 15 was changed significantly from the previous draft of the LEAP report. The percent difference when compared to like-size city dropped from 19.4% difference to only 8.3% difference. If Mr. Mongold's other recommendations were considered, the city plan

would have been even better when compared to the SERB information, which goes to what Liz has been saying.

In the second paragraph on Page 16, the LEAP report states “self-funding allows Wilmington to determine levels of coverage for its health insurance program. Comparisons to cities in Ohio and peer data indicate that Wilmington’s plan is generous and expensive.” What is not reported in the above paragraph is that the previous mayor of Wilmington, being very frustrated by not being able to give raises to the city, did not pass healthcare cost increases on to the city employees. Remember, employees had not received any raises and it was not projected that they would receive raises in the near future. Recommendation 8 states that we should improve the cost-effectiveness of the health insurance program. Further, recommendation 8 claims that we can save \$133,000 with this initiative. The LEAP recommendation is insulting in its statement as written in the last sentence of the last paragraph on page 17. “Increasing employee share of the contributions would result in a lower percentage share for the city, resulting in annual savings.”

Of course, that is absolutely correctly. However, you are recommending that the City of Wilmington pass \$133,000 of expenses onto a loyal group of employees who have not received a pay increase since 2009. Seriously. This is a horrible suggestion and I am shocked that it was even recommended by the LEAP auditors and endorsed by the State Auditor.

I am pleased that they published that.

Yes, we could save \$133,000 by increasing the employee share, increasing the deductible and lowering the benefit. Yes. That could be done. We have passed on increases of insurance to the employees since my administration. I didn’t want to do it, but we could not afford not to do it.

President Peterson – What percentage of the total cost do the employees share?

Liz Fortney – Ten percent. Just to get that on the record. According to the LEAP audit, the average statewide is 11.7. Again, not largely out of line with the rest of the state.

Mayor Riley – Since this is our last item, I would note for our record, I think that the LEAP auditors really could not find any improvements that we have not already implemented or at least considered and rejected. So, they brought forth ideas to privatize some services – we heard that with the tax department and with utility billing – ideas that we have already rejected. Rather than the LEAP auditors concluding and saying “Good job, Wilmington, we couldn’t find any significant savings,” they came up with \$433,000 worth of bad ideas.” As I’ve already stated then and in the last paragraph of my response in general, I reject the validity of this performance audit.

President Peterson – I felt all along that there was a flawed audit process, and it was validated tonight by Danny’s comments. Typically in an audit, the first thing you do is discuss what are your deliverables. What do you do? What are your outputs for this process? That literally is your first step and that is what you audit and what you measure against. They missed that entire first step, so it is very, very disappointing and a large waste of time. I think it could have been a healthy process and we were very excited about it.

Councilwoman Miller – I think we will review some of this. I don’t want to say that we need to put all of that financial burden on the employees, but it is a very, very generous insurance package, to the point that I’ve never seen one this generous in real life. I’m not saying they don’t deserve it, but can we afford it? If you are going to be thinking about creating a street levy and there is a \$130,000 that possibly could be saved. I don’t go to the ER for \$100 and I would like to think no one here could for a \$100. I think there are some realistic expectations that we could meet in the middle and look over in the sense of there isn’t a wage freeze anymore. You’re right. It would have been inappropriate

under a wage freeze. It would like pouring salt on a wound. But it would be something that I would like to just look into the possibility of looking into some of those numbers because they are – that is an incredible insurance plan. I mean, sign me up. That's not my reality.

President Peterson – I was surprised tonight, quite frankly, to find the benchmark on this is typical. I agree with you.

Councilwoman Miller – But, the no coinsurance isn't typical and the doctors' visits and the ER visits and urgent care aren't typical. I'm not saying that they don't deserve excellent insurance. No one wants bad insurance, but I think some of it could be reviewed and I would like that.

Liz Fortney – In a perfect world, would your objective be to bring the city's benefit package in line with like cities, or are you comparing it to the private sector?

Councilwoman Miller – Really, I don't have an opinion. I don't think you can compare it to private. I know you can't compare apples to oranges because private sector is a lot different, but no coinsurance is a lot different from like insurance as well. I would like to review the anomalies that are different from the like cities. Some of the areas that are not the norm, I would like to see if we can meet in the middle.

Liz Fortney – I would just like to clarify if you were comparing – if your benchmark was like cities or if your benchmark was corporate America.

Councilwoman Milburn – I agree, I would like to take a look at it, but at the same time, if we're not losing money on it, I think that with insurance, the only time you raise the rates or that you raise the deductible is if you just can't afford it anymore. It sounds like we can afford the plan that we currently have, so I am comfortable with where we are currently at.

President Peterson – I have a question about that. Would those savings go into the General Fund or would it go to our insurance fund?

Liz Fortney – What the process has been up until now, we have an insurance committee here in the City of Wilmington, which has been a very valuable tool from my perspective. Up until now, the position has been that we would retain that money – we would not use it to reduce premiums – we would not use it to pump up the General Fund. We would use it to maintain a reserve or build up a reserve for the inevitable bad year that Mr. Stuckert was referring to. We had a bad year – In 2010, Mary Kay was having heartburn every day over the health plan. We have had a bad year. We've been there. But, having lived through that once, the position has always been that we're going to use that money to build up a reserve in the event that we have a bad year.

Councilwoman Miller – But it does not have to stay there?

Liz Fortney – It does not have to stay there. That is correct. Now, having said that, each year, we are required to have an independent auditor look at the plan, determine how much reserve the city is required to keep, and last year, if memory serves me correctly, it was between three and four thousand dollars that the city needs to keep in that reserve account. We have to file that report with the state each year. We can't take all the money out, but we have some flexibility.

Councilwoman Miller - What Randi said, I agree. If we can afford it, that's fine. Again, they do deserve a nice insurance package. But, two meetings ago, a streets levy was discussed. I'm not willing to just watch a street levy go on when there is a \$130,000 in potential savings. If I am going to look at a streets levy, I'm going to look at changing insurance.

President Peterson – The street levy was just mentioned, nothing was decided. I have one quick question, do you want to review your intentions on the budget process?

Councilwoman Miller – Mr. Mayor has been very proactive. At our last Finance committee meeting, I requested that we move the budget process up one month. I think this week or next week is your meeting and he is getting with all of the team players and requesting numbers already.

Mayor Riley – Brenda and Mary Kay drive that process. We just have to get started.

Councilwoman Miller – The faster you get us the numbers, the faster we'll review them.

Downtown Revitalization Committee – Convener McKay – I attended the grand opening for the new performing arts location, where the Chamber of Commerce used to be. They have a nice new studio. They have rooms for performance, it's all on the ground floor. They have a nice facility there. Jeep Jam, in conjunction with the next mural event, will be a week from tomorrow. Pray that we don't have rain.

Parks and Recreation Committee – Convener Stuckert – Councilwoman Miller went to the meeting and we have a report. On August 15 is another skate night at the park. This time it is with the local police. There will be pizza.

Mayor Riley – They try to do it specifically around dinnertime because the police department provides them with pizza and soft drinks. It has been very, very well received. Duane has been there for all of those skating events. I love that every time I go to the Kroger, there will be kids skating there.

Councilman Stuckert – The Parks Department's praise for their help and involvement is high. Kudos to our Police Department for their involvement. A lot of progress has been made on the dog park. An area has been excavated. The dog park is working on fundraising. The next meeting is August 11 at the community building. The keyword here is fundraising. The parks have done a great job. I don't think our parks have ever looked better than they do right now. The parks have expanded. You feel like they are bigger. They have made amazing progress and they have done this without coming to the council for General Fund money. They have made the levy money they have work, along with a tremendous amount of volunteer and work on the part of community members and actual contributions. A lot of the stuff that gets done out there on a voluntary basis is worth a lot of money. I think we should be proud of the way the parks have pitched in and helped us through these very tough times. Actually, seeing the value of the parks and the usefulness of the parks expand without try to squeeze another dime out of the General Fund for those kinds of activities. Every chance I get, I sing their praises on that. They do need a golf cart.

Councilwoman Miller – They have a 20-some year old gator.

Councilman Stuckert – They are looking at several alternatives, including buying a used one. The point was made that there are a lot of people that have golf carts that they are no longer using. I would like to put out a plea of sorts to anybody who would like to make a tax-deductible contribution to the parks. They can do that with a good condition used golf cart. Thanks again to Marian for covering the parks.

Cemetery Committee – Chairperson Bob Mead had no report.

President Peterson asked if the transfer to the city is still pending.

Mayor Riley – I thought the city was going to be responsible for the cemetery. There have been some changes. The cemetery board has been in charge of the cemetery for decades. They may be reconsidering their request. It is up to them, actually.

Service Director - Service Director Reinsmith – I got a message from our CHIP representative, Amy Schocken. We are coming down to the end of another grant year. She has money still left over. We have a few more projects like replacing a roof or a furnace for homeowners. If you know anyone in your wards or precincts that need a little help, please have them contact the mayor's office or my office. We need to get this done by October of this year.

President Peterson asked if a flyer can be emailed.

Service Director Reinsmith – Bob, I sent a letter to the railroad about your crossing. I made some threats and they did contact the mayor. He sent a rep out. They inspected it and they told the mayor that they are like us, they have to move some money around, but they are going to repair that crossing soon.

Mayor Riley – The one at Sugartree is very soon. The one at Locust/Main Street, they were saying they would do some patching on that, but then we will come back in the spring next year.

Service Director Reinsmith – They didn't like me telling them that we were going to just shut the railroad down for a week and do the repairs.

Safety Director – Safety Director Russ Burton had no report.

Reports

A motion was made by McKay and seconded by Milburn that the Income Tax Report – July 2014 and the Treasurer's Office Statement of Earned Interest – 1st Six Months 2014, be accepted as presented.

Motion passed.

Reports accepted as presented.

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

Councilwoman Milburn- I attended an event at Main Street Yoga downtown this weekend, and they have a really nice studio. They have the Arcadia Learning Center in there and the "Make It and Take It" program. I think they're doing great.

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

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

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

Motion passed.

Council adjourned.

ATTEST:

President of Council

Clerk