

Wilmington City Council met in special session on Thursday, June 13, 2013, with President Scott Kirchner presiding.

Call to Order

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

A motion was made by Mead and seconded by Wallace to excuse the absent member. Motion passed. All yeas.
Absent member excused.

President Kirchner – The legislation under the Auditor will need to move under a committee to come onto the floor. Both pieces should be considered after the budget work session so the council members understand where we stand and whether they would like to move forward.

Councilman Mead – I propose we do the budget workshop first so we know just where we stand before we attack any of the other items. We should look at the supplemental appropriation at the end of the meeting and should plan the vote on the buy-back at the next regular meeting this month.

Auditor Hollingsworth asked if they wanted him to speak on the legislation.

President Kirchner stated that there was a motion on the floor.

Loren Stuckert seconded the motion.

President Kirchner asked if there was any discussion.

Auditor Hollingsworth – The bond anticipation note legislation had absolutely no effect on the General Fund. That appropriation has already been approved in the budget. The easiest way to explain it is Paul and I invest the city's money, whether it is in CDs or allowable securities. That is all we are doing with this issue. It was brought to our attention that we are actually allowed to invest in our own debt. What that does is allow us to maintain or keep the interest that we would usually pay to a third party. That is the only thing it is doing. We have money sitting in a savings account that is earning about 1% interest. If we go on the open market and sell these notes like we have in the past, we're going to pay a third party, someone outside of the city, somewhere probably close to 2%. By going ahead and taking our own cash – the money is not going out of the General Fund, it is just an investment inside the General Fund. If we need that cash, we can sell that note on the open market. That is what we're not doing by going this route. We're just keeping that security inside the city.

Councilman Jaehnig – So instead of 1% or 1.5% interest by investing it, we could make 2% on the bond interest?

Paul Fear – Right now, the \$902,500 is at 1.59, so anybody else, whether we take the whole \$902,500 or the \$702,500, which is this number, anybody else we are going to be pay in excess of 1.59, which is the 2% he is talking about. What he is saying is, with the money that we have in an overnight, we are going to buy that note ourselves and not pay that 2% to ourselves. It's not money that's invested; it's money that we're not paying out.

Auditor David Hollingsworth – Plus we don't have part of the issuance cost (what we would normally pay a bond underwriter to sell), which that cost is built into the interest rate along with the attorney's fees. The only costs that we would be incurring would be the attorney's fees, which we are going to incur anyway. In my mind, there's no need not to act on it tonight. We were just trying to avoid any possible conflicts. The notes come due on the 18th, which is our second scheduled meeting in July. With July 4, I know we rescheduled the meeting, but just in case there are not enough people here. Again, the

appropriations have already been approved. It is not that you're approving additional monies to be spent; it is already in the budget. The only thing that we are spending is the note currently is a little over \$900,000 and we're taking \$100,000 out of the landfill and \$100,000 out of permissive tax to pay that note down to about \$700,000. The remainder balance is what we would be investing in. Does that make sense?

Councilman Siebenaller – The bond appropriations that were in the budget was specifically to buy this note.

Auditor David Hollingsworth: We had to appropriate the money because we knew the note was coming due anyway. So, yeah, it's already in the budget.

Councilman Siebenaller – How long, assuming we needed this money then for General Fund purposes, how long does it take? Assuming we have a buyer, how long does it usually take to actually sell that?

Auditor David Hollingsworth – We've never done that, but it would be like any other security. There should be a market for it. It would be no different than selling the note right now on the open market.

President Kirchner – Is there a reason the note has to exist or can we just use the cash to eliminate the debt that we have been refinancing year after year after year?

Auditor David Hollingsworth – Well if you pay the cash out, you do affect the General Fund. I think the idea was, at least the portion that was the landfill, that the fees were structured as such so that could be paid off over a period of time. Also to fit in with the schedule of actually expanding the landfill – so all of that cash wasn't taken at one time to pay it down. It just kind of preserves the cash that we have available to work with. It is just sitting in a form of security rather than in cash. But it's no different than having the cash other than there would be an additional step of having to sell that if we needed to have the cash for that note.

Councilman Jaehnig – A portion of the particular bond was specifically for landfill.

Auditor David Hollingsworth – Correct. It is combination of Lowes Drive, Davids Drive and the landfill.

Councilman Jaehnig – So whatever portion was the landfill, we couldn't pay that with General Funds anyway, so that has to be paid...

Auditor David Hollingsworth – Well, you could. You can pay anything with General Fund monies. There is really no need to pay that off. We've been paying it off over time. I think that was the originally idea – to be able to spread that over a period of time. In this case, we are not incurring any interest costs theoretically, because we're paying ourselves.

Councilman Stuckert – So are we holding this for one year?

Auditor David Hollingsworth – Right. It would come up again next year for renewal and you can either sell it on the open market or we can do the same thing – whatever you decide to pay down on that obligation. I don't think the payment on that is set in stone – you guys determine how much you want to pay down based on how much permissive tax money is available and how much is in the landfill.

President Kirchner - Every year you would have the opportunity, as we have seen with this, to add projects to it and increase the amount you would go out for the one-year bond revenue anticipation bond.

Auditor David Hollingsworth – What we were trying to do was save some costs to the city and to the General Fund and also to the landfill.

Paul Hunter – To answer your question real quick – right now, there is a note outstanding for \$902,500 - \$400,000 of that is landfill vertical integration. The other \$502,500 is Lowes Drive and Davids Drive. So that is how that \$902,500 of bond anticipation note, which is the note that is set up. To answer Scott's question, yes we could take \$400,000 out of the \$656,000 that is in the Waste Fund now and reduce it down \$200,000. And we could take \$502,500 that is in the General Fund and pay it down and then not have any note at all. Yes. That is an option. Like he said, it would reduce your General Fund down and reduce the others down. Now six months from now, you could create a new note if you needed the money and then go to the market with that and do the same thing.

President Kirchner – I understand that the difference is, this note exists, but the bottom line is that the reason you can say it makes no effect to the General Fund is because you're using the General Fund to buy the note back into the General Fund and then just putting it in the place. The fact is, the debt still remains then. It is an instrument of debt that can be negotiated and sold, I understand. The concern for me is that as we have seen the markets begin to enter what I'll call a tentative period of fluctuation based on the Fed Chairman's indication, the quantitative easing is about to be reduced. We have seen interest rates rise. We have seen the interest rate environment become unstable. We've seen the Dow begin to reflect the instability that is sensed in the market. The bottom line is, by leaving this debt out here, we could end up in a situation if we don't pay it off while we have the cash, of having to go out into a market that has a much different interest environment. That is why, in my mind, looking at retiring the debt if we have the capability at this time with the situation the way it is, I think we are protecting the citizens to the best of ability. If the funds are available, I think it would be a prudent thing to do while we have the benefit of these low interest rates. I have understood why we weren't as concerned about being able to get the debt down while we were facing deficit budgets. The fact that we were able to balance the budget for this year and see a carryover amount that we could use to eliminate this debt, the idea being that you get down the temporary debt. This Lowes debt has been out there going on 10 years or better – long enough that we're about in a maintenance cycle on them. I just think this is a short-term instrument that has been used for a long-term purpose in a way. My thought would be that council ought to take a look at the benefit of balancing the budget and creating a carry-over balance that enables them to retire this debt, protecting the citizens in this environment. That was my thought and why you were going to look at it after you understood the carryover balances and the monies available. The question of whether or not you would take that money out of landfill – obviously you would have to take a look at the landfill budget specifically and whether or not.... I agree with the David, the fees were structured so they could pay that over time. The current environment would give you one more year. We could take a look at what would be available from that standpoint. Davids Drive has been open 5-6 years.

Service Director Reinsmith – What kind of money do we have in permissive tax? Because in years past, we have made payments.

Auditor David Hollingsworth – Well that is where the money is coming from to make this payment. It's not really coming out of the General Fund per se. That is the reason it has not been paid off. There is not enough money in permissive tax to do that all at one time. I don't think it is smart to take half million dollars if you are going to take it out of the General Fund. It's stable right now, but to take a half a million dollars to pay that note off, I don't think makes good sense.

President Kirchner – It may not be a half million dollars. Not knowing where we are at currently.

Auditor David Hollingsworth – I think that is what Paul just said.

President Kirchner – It would be a half million to pay the whole thing off. But we could take, say an extra \$300,000 and only have to roll \$200,000 out there in General Fund debt if that is what is available based on the budget analysis and what we have in carryover.

Paul Fear – We didn't want to take too big of a hit on the \$400,000 that is still owed on the landfill because there may be needs for equipment and that type of stuff. There is enough there, because it is at \$600,000. We could save – that total interest to be paid from there – and stay in the landfill account – is still \$280,000, even if you paid that \$400,000. But, if you're going to take just the permissive and reduce the other note by \$100,000, then we should still do some of it, which we don't pay any interest on because we are buying the note back ourselves.

Auditor David Hollingsworth – I'm not sure what the cost of the additional expansion that has to take place.

President Kirchner – The fees were set up so the money for the cost of each expansion was able to be paid before the next session came along. So, that debt should get to zero before the next expansion debt gets there. That was a 21.7% increase in fees as I recall. That was placed on the citizens specifically because we had to do it.

Paul Fear – You're right on the vertical expansion, but there still isn't any excess money that is being brought in necessarily for truck replacement and those types of things.

President Kirchner – that is not what I understood with the adjustments just made. I understood that the operational costs of the entire landfill facility would not only be covered, but the mayor had indicated that they were going to be able to build reserve funds for long-term capping and monitoring.

Paul Fear – But if we're only 15 days into that fund and in 30 days you need a new truck, then you haven't built reserve funds to cover it. I agree that if you don't need a truck for a year, then you're fine. But, you know yourself, with personal vehicles, it doesn't matter how you plan for it. I just don't think you should deplete it too far. We thought about paying off a couple of hundred thousand instead of just one. It will be okay, but that's a year from now – not 15 days into it.

President Kirchner – My question goes to the fact that there was supposed to be a schedule to how we paid that off anyway. It was supposed to get to zero about the time you would need to do another expansion.

Paul Fear – What I'm saying is if you take all the money, then that takes care of that, but what about trucks or other repairs. There are a couple of trash trucks that need to be replaced, and you wouldn't have the money for it.

President Kirchner – I'm not advocating taking all of that money. I'm advocating that council take a look at what funds are available. I know when we completed the balanced budget last year for this year, by reducing that budget the amounts we did and looking at the revenue where we were at, you actually had a carryover that was larger than the preferred minimum of 25%. Council would have the option of taking a look at using some of that money to retire some of that debt and protect the citizens from this interest rate environment that I, quite frankly, think could get a little dicey here in the short-term. What the Fed has done has never been done before and how they pull off that smooth landing has yet to be proved capable. It could be drastically different interest rate environment in a year depending on how that goes. That was what I was advocating – that council have an opportunity to see the budget reports, see where they are at year-to-date, see any changes in the budget. I know we have had some significant additional costs and some things that we pulled out, such as police cruisers, that we need to understand how to fund. We need to take a look at what money is left at that point, what that carryover will look like at the end of the year, if we are on for our projections for income and expenses this year, and go from that route.

Councilman Stuckert – I think it sounds like a good idea, but the only way we would be able to logically vote on this proposal as it was written would be if we were going to definitely take a hold of this note. I think it would be wise to do that. The auditor has indicated that they have a time-frame. We ought to move quickly on finding out what kind of money we have so we can get to a place where we can make a decision whether we are going to pay off any or all of it and answer all of these questions.

Councilman Jaehnig – Did I misunderstand you? We have a time limit in regards we have to do something by the 18th. If we do what is proposed, there is nothing that says that once we have done the full analysis two or three months down the road, we can't go back and do exactly what is being proposed.

President Kirchner – Well, once you roll the notes on the 18th, you're out buying back. There is nothing that says you can't do the full work at this time and get it right before you issue the notes again.

Auditor David Hollingsworth – The right thing to do is roll them. That is my opinion. You are talking about taking money out of the General Fund. We beat each other over the head at year-end in the budget trying to get it balanced. Now you want to take – whether it is the full amount or part – and pay down the note. To me, it doesn't make any sense. Because by buying the security ourselves, it cost us nothing. We will have an investment called "City of Wilmington."

Paul Fear – You ought to use the permissive tax money and pay it down by at least \$100,000, which is what you are proposing.

Auditor David Hollingsworth – Right.

Paul Fear – At the end of the meeting, you can decide how much of the other \$400,000 from the landfill you want to pay down. Thirdly, whether you want to use any General Fund.

Auditor David Hollingsworth – If you preserve the cash in the General Fund, if you want to add cruisers, you've got the cash to do it. If that is your mindset that you're going to now use that 25% as your benchmark. There was even controversy about that. Once that was set, there is a cushion there of probably six to eight hundred thousand dollars. Once you guys committed to the 25% and then found out there was a cushion there, then everybody kind of said, "Wait a minute, maybe we didn't really mean that, because now we've got excess reserve there." You know, you can do some of the other things by not taking the cash and paying the note down. You're taking a chance on the interest rates moving – they're going to move at some point. We had a lengthy meeting today with bond counsel. We were on the phone with Moody's to get a rating on the bonds that we are going to refinance. Scott Stubbins, our bond underwriter, said the long-term rates are moving up. The short-term rates, not so much. So, I'm comfortable with 12 months. At the end of 12 months, you can make a decision on what you want to do at that point. Whether you want to have the same discussion – whether you want to pay them off, which I still don't think you want to do – not until we have recovered the General Fund. We're just now to the point where we are seeing increased employment. We haven't felt the effect of those income tax dollars that we are going to be collecting yet. At least buy yourselves some time and know where we are at General Fund-wise, because there are some other things you probably want to do with that cash, other than pay these notes down. If we can buy them ourselves and not incur any interest costs.

Paul Fear – It is my understanding that if we buy the \$702,500 now, which you are proposing to do, we can buy any portion down any time you want to. Two months from now, if you want to reduce it by \$100,000 with the landfill money, you can.

Auditor David Hollingsworth – Yes, but I don't see any reason in doing that until they come due again in 12 months.

Paul Fear – Yeah, because we're just paying it to ourselves on that.

Auditor David Hollingsworth – And the interest rate that we have put in at the advice of our legal counsel is 0.24%. That is all we're paying ourselves. Some of that money would come from the landfill and come to the General Fund, since the General Fund would own the obligation. But it's peanuts, and the only thing we're out are just the legal fees. I think there is a supplemental for \$3750, which you would be incurring anyway. If you think this through...if we sold these notes on the open market, that cost would be

built into the interest rate that you would be paying. Now there is technically no note being sold on the market – we are buying it ourselves – so we would be paying that outright rather than rolling that into the interest rate like we normally do.

Councilman McKay – It kind of seems like we're talking in generalities here and don't have the real information to make the whole decision. I know we have a motion on the floor. Is there a way to table that motion until the end of our discussion?

Councilman Jaehnig – I think the motion was just to change the agenda.

President Kirchner – It's to move it to the back of the discussion – behind the budget discussion.

Councilman McKay – I suggest we vote on the motion.

President Kirchner called for a vote.
Motion carried. All yeas.

President Kirchner – We will move it to the end of the meeting. The supplemental appropriation ordinance also deals with costs associated with that item. Correct?

Auditor David Hollingsworth – Correct.

President Kirchner – So, finance committee?

Councilman Mead – There are two supplemental appropriations. Three readings on one of them is the \$750 for indigent burial.

President Kirchner – I think Councilman Jaehnig has a question.

Councilman Jaehnig – We just voted to put all of that at the end of the evening and move the budget review to the very front of the meeting. That was the proposal.

Councilman Mead – I thought he was talking about these items.

President Kirchner – I thought he only said the one. I'm sorry, I didn't catch that he suggested in that meeting to move the supplemental.

Councilman Jaehnig – I believe his statement was to move the budget review to the top of the meeting.

Councilman Mead – Yes. Just reverse it. I retract what I was doing.

President Kirchner – Okay then, going to the purpose of the meeting – Finance Committee, budget workshop. I will turn it over to you, Bob.

Councilman Mead – Since in the past you have run the budget workshop, I am going to turn it back over to you since the whole council is involved.

President Kirchner – I know David had indicated that he could have a report of the state of the city at the end of May. David, it looks like you brought copies.

Auditor David Hollingsworth – I brought copies for everyone. Like in the past, the legal size worksheets reflect just the General Fund. I had Mary Kay go in and just make a copy of our year-to-date revenue and expenditure report for all of the funds, which will include what you are looking at here, but this has some history to it. I'll go over the General Fund and then we can delve into any of the other departments you want to at that point.

Auditor David Hollingsworth – The very last column I tried to reflect, again qualifying this in that not every bit of revenue that we receive or every expenditure is an even amount every month. You might see some expenditures that are one-time payments that

are in here that you see an appropriation where we have spent 100% of what we appropriated. There is usually a reason for that – usually a one-time lump expenditure. The revenues – if you take a look – I’ve highlighted the inheritance tax. We have collected almost \$147,000 this year. I speculate this will probably be the last year unless there are some unusual circumstances where there is an estate that is held open longer than nine months. It is possible that we could receive inheritance tax beyond 2013, but it is a little doubtful. The other thing that is not on here that we just received – we actually got on the website – I don’t know if any of you have noticed in the paper, Worker’s Comp had been overcharging folks. We got on to see if there was any indication as to what kind of refund the city might be entitled to. It looks like we are going to get about \$101,000 from Worker’s Comp for being overcharged over whatever period of time. That will be split over all of the departments, but most of that will probably come back to the General Fund. Worker’s Comp is based on payroll and employees. Income Tax – you get an income tax report. On the last report, our income tax revenues were up about \$40,000 year-to-date. So, it looks like so far we are in line with what we projected. We thought we would be up \$50,000 over the year before, so we’re at \$42,000. Granted, the income tax revenues are going to fall off toward the end of the year because we receive the bulk of that during the first 4-5 months of the year. If you take a look at the second page, we should have received – everything was even keel every month – about 42% of our revenues, and we’re at 42.98%. Now, not every line item is that percentage, but as a whole, if you take a look at the total, we’re kind of right in line with what we budgeted for the total amount. I didn’t have a chance to talk to Mary Kay. There’s nothing in here yet about our Fire and Emergency ambulance contracts. We haven’t collected anything yet, and I think we normally get it quarterly. There is nothing reflected in here, so I have to find out what happened here, unless they paid before the end of the year. I’ll get that clarified from Mary Kay. Stop me if you have any questions. General Fund-wise, if you take a look at total expenditures to date, I think some of this has to do with supplemental appropriations we have made so far this year, we’ve collected about \$42,000 more than we’ve spent year-to-date. That number is on the next to the last page underneath the actual 5/31/13. We started out at the beginning of the year with a cash balance of \$2,757,000. At the end of May, we had a balance of \$2,799,000. Nothing stuck out to me when I looked at this. We are only through the month of May as far as the expenditures go. Nothing really looked like it was out of line. This is the first time you guys have had a chance to look at this. Just glance through it and let me know if you have any questions.

President Kirchner – I’m trying to compare this to formats we have had before. The line labeled Actual, 5/31/13. When we look at that number in that column, that is indicating what we have actual spent compared to the line item.

Auditor David Hollingsworth- That is correct.

President Kirchner – Budget 2013 reflects the original budget amount...

Auditor David Hollingsworth – Plus any supplemental appropriations and transfers.

President Kirchner – Okay. So that column would reflect any changes from the column labeled Actual 12/31/12, which was the approved budget at the end of the year last year for 2013.

Auditor David Hollingsworth – 12/31/12 is our actual revenue and expenditures from 2012. It really has nothing to do with the budget.

President Kirchner – So we don’t have the initial start. That would go back to what we approved.

Auditor David Hollingsworth – What you approved back in December 2012 at the end of the year is reflected in the budget 2013 column, plus any other supplementals or transfers that council approved so far this year.

President Kirchner – You indicated that we were looking at the potential of getting a refund through Worker’s Compensation. My question is one of the alterations that we

did to the budget this year as I understood it was we actually encountered that the Bureau of Worker's Compensation coverage that changed on us. I want to say it was like 13%.

Auditor David Hollingsworth – The rate did, but we didn't have that rate when we did the budget. That was determined after the budget was prepared. So there had been no supplementals to the Worker's Comp line item. That new rate was not available at the budget.

President Kirchner – Right. But I thought we did do a supplemental to address the deficiencies because we had...

Auditor David Hollingsworth – We may have.

President Kirchner – So that would be reflected....

Auditor David Hollingsworth – It will be in the budget column here.

President Kirchner – But these are only the General Fund accounts here.

Auditor David Hollingsworth – That is correct.

President Kirchner – We don't have the individual accounts...

Auditor David Hollingsworth – We do on the other worksheet. All of the funds are there.

President Kirchner – Which goes back to just matching up the numbers.

[Discussion of where numbers are located on worksheet]

Auditor David Hollingsworth – At the end of the year, we talked about the insurance fund, and that's basically what we used to get the budget balanced. We reduced the monthly contribution into the insurance fund. So far, that has worked out pretty well. As of today, we still had \$601,000 left in that insurance fund. I ran into Liz – she was going to run an actual claims report – which I don't have yet from her – from January through the end of April or the end of May, so we could take a look at what the actual claims were. The \$601,000 in that fund at the end of May will reflect what has actually been spent. But she was going to give me an indication of what claims may still be out there that have not been paid yet but would come out of that fund. We are still putting money into it but at a reduced amount than what we were in the previous year. So far, there have been no major claims that would have a negative impact on that fund.

President Kirchner – I know I wasn't able to be here at the meeting when Liz presented, but it was my understanding that we saw a savings on the overall insurance costs for the entire city in somewhere in the neighborhood of 2%, as I recall Duane saying, as compared to last year. Which means we had somewhere in the neighborhood, as I recall, we were seeing increases across the departments in the 20-25% range, so there should be several hundred thousand dollars that were in the budget, in fact maybe more than several hundred thousand dollars. I am trying to remember – it was 2.35 was last year's cost and we had somewhere in the neighborhood of 2.57 was the overall cost this year.

Auditor David Hollingsworth – As far as...

President Kirchner – The top liability potential. We had set up our budget to be able to cover that. Based on that liability being lower, it would seem to me that council would have the ability to do reverse appropriations from supplemented departments and move that money back into the General Fund and potentially do something like retire some of this debt.

Auditor David Hollingsworth – I don't think that you can do that, though, because the problem you have is you have employees' money in there too. I don't think you can just recoup that into the General Fund.

President Kirchner – I'm talking about the appropriated budget line item that we haven't spent out of yet, in the individual budgets that way. I understand what you're saying about the insurance fund itself – where employees are putting their money in with it. Every month, they contribute so much from their paychecks and the city contributes so much from our insurance line item. What I'm saying, back in those insurance line items, we have too much money in those, and we could actually go into those that we haven't already moved into that fund and pull those funds back.

Auditor David Hollingsworth – I'm not sure we can do that.

Councilman Jaehnig – I don't believe we can, because when Liz was explaining things, she was talking about that specific issue and also how it correlates with the funds that are already in that insurance revenue line item and what that could not be moved back into the General Fund. Also, once it is appropriated, I don't believe we can change it now.

President Kirchner – We can reverse appropriate at any time, if it is not spent or encumbered. These funds would be spent on a monthly basis to make the city's payment portion, which by the calculation we used in the budget, was higher. It would be like estimating our house payment to be a \$1000 and it actually came in at \$800. Well, you now have \$200 in your budget every month that you could move back in to use elsewhere. That is the concept of it.

Councilman Jaehnig – I understand the concept. I don't think legally we can do that.

President Kirchner – We over-budgeted for the line item, councilman. That's what we did, because we didn't have firm numbers at the time. We understand why. This is why the April 1 date is an issue – because you can't plan completely for that budget line item, so you have to overestimate and be sure you're safe – you play the budget safe and conservatively. You have too much money in that line item. We have too much money in all of those line items. It actually came in not with the increases that were projected, because I did the calculations on a line-by-line, department-by-department basis. We actually had a savings, as I understand it, of 2% over last year's cost. So, the increases that were put into the budget didn't need to be there. Actually some of the money...

Auditor David Hollingsworth – I'm not saying we haven't made adjustments. We reduced those amounts because we're paying a reduced amount in the insurance fund now.

Councilman Jaehnig – Isn't that how we balanced the budget – by reducing all of those items?

President Kirchner – No, we didn't have the information at that time. We didn't get the information until April 1. The budget was balanced...

Auditor David Hollingsworth – I'll get clarification on that, but I think we've already made some of those adjustments.

President Kirchner – We haven't done any reverse appropriating. Actually, with the supplements that come out of the General Fund, to supplement some of the Police Fund, Fire Fund, Street Fund.

Auditor David Hollingsworth – But I think if you will remember, when we did the appropriations to the budget, I went through and allocated the \$600,000 that was sitting in reserve and reduced the insurance cost to each department by that \$600,000.

President Kirchner – That is correct. But that is the additional \$600,000 from the year before. That is the money that had been in there since 2011.

Auditor David Hollingsworth – I think we need clarification on this. We could talk about it all night here, but I have the gut feeling that there's nothing that we can really use substantially with that.

President Kirchner – Do we know the overall cost of insurance this year?

Auditor David Hollingsworth – That is what I'm telling you that Liz was going to prepare for me, but I don't have it right now.

President Kirchner - My question would be, what was on the contract Mr. Mayor? Because it is a very simple number down at the bottom that lays out your liabilities.

Auditor David Hollingsworth – Correct.

President Kirchner – And that is the number that came in far below.

Auditor David Hollingsworth – What I'm telling you is, I don't have that number right now. We can go back and forth all night, but I can't give you an answer right now.

President Kirchner – Well it is potentially hundreds of thousands of dollars that we could use to benefit the taxpayer...

Auditor David Hollingsworth – Well that's fine. But what I'm telling you is I don't have that number right here.

President Kirchner – I'm not sure why five months into this, we would not have addressed and known those numbers. It's a mystery to me.

Mayor Riley – When do you expect to get them?

Auditor David Hollingsworth – I have to get them from Liz. I have to call her. I haven't talked with her other than in just passing the other day when she was in my office.

President Kirchner – Mr. Mayor, do you have a copy of the contract?

Mayor Riley – Not with me.

President Kirchner – In that office?

Mayor Riley - I'm sure we have it in the office, or it would be in Danny's office.

Andrea Tacoronte – It is in Human Resources. I don't have access to it.

President Kirchner – Is Danny here?

Mayor Riley – No.

Auditor David Hollingsworth – Is there a problem why we can't get that information and bring it back to you?

President Kirchner – Well, we have a July 18 deadline on the question of rolling the bonds. In my mind, that's a major source of revenue that was tied up in our budget simply because we protected ourselves from a financial standpoint to be sure we had enough in there to cover insurance costs. That was part of what I would think we would try to do here – is identify impacts to the budget because that came in lower than we expected. We know we have the additional unplanned expenditure of the phone system that came in. We know we had the additional revenues from the inheritance tax this year that we were not expecting. Looking at those impacts to the budget and the question of the things that we had to cut out to balance the budget, like the police cruisers, in my mind is what we need to be doing to really understand what we can accomplish. I know that the parks also has a list of deteriorating facilities that they are interested in potentially getting some funding for. Understanding where those dollars are and how we could better apply them now that we don't need them is exactly what I thought this session would be about.

Auditor David Hollingsworth – You called me; I didn't. If you had specific things you wanted to talk about, all you had to do was ask for it.

President Kirchner – It's just the actual cost of the insurance. I know what we planned in the budget on a line-item by line-item basis, I'm just asking what that actual difference is.

Auditor David Hollingsworth – What I am saying is I don't have that information off the top of my head, but we are more than happy to get it for you. I mean, if you want to buy two cruisers... You kept saying, the 25% that we projected, we are going to keep in reserve to cover our operating costs, but you think there is a cushion there. I mean, if you take with what we budgeted, there is a cushion of probably \$600,000 to \$800,000. If you want to buy two cruisers for \$65,000, take it out of that.

Councilman Stuckert – I think what we want to get at is we want to know what all the money is that we have – not bits and pieces. We want to know where is all of the money that we have so we can weigh that against. Because, obviously this is just like economics. We have unlimited wants and needs. We know we've got enough to do to spend it all. But the critical thing is we've got to know what we actually have, bottom line, everything. That is what we're trying to get at.

Auditor David Hollingsworth – Well, I don't think you will really know that until the end of the year. We can talk about – a budget is – and you mentioned that the other night, Scott. They're just projections. They are estimates.

Councilman Stuckert – But with that insurance thing, at the end of the year we will have to wait again for the renewal thing. We end up never knowing how much money we have the insurance.

President Kirchner – It actually was a projection back when we did the budget. It's a known now. That's the simple data I'm asking for. What the difference was between the projection and the known, because it does come out to hundreds of thousands of dollar that are in that budget that this council could do other things with.

Councilman Stuckert – And that would be in addition to the cushion that we are talking about.

Councilman Siebenaller – It would be above and beyond the 25%. We didn't budget for the inheritance tax. We knew the possibility of having more in the insurance fund and budgeting for more than we would actually need, so that additional is what we are talking about – not actually dipping into the 25%.

President Kirchner – I want to be clear about what I am talking about. We have an insurance fund – a single fund where employee payments and the city payments go into that. I'm not talking about that individual line item. I am talking about the individual departmental benefit line items that are in every department, because that is the appropriated money that was appropriated at that much higher level – that 20 to 30% over last year's cost – and that's the line item that still has unencumbered funds and should have significant unencumbered funds that could be reverse appropriated where we supplemented budgets from the General Fund. I worry because the "insurance fund" name gets thrown around. I'm talking about benefit line items on an individual basis. Those numbers should be known on a department-by-department basis compared to what we budgeted. There is significant money there. It could do a lot of good for some of our facilities – for the safety of our citizens. Andy, I don't know what your status is with equipment and whether or not you have come here tonight with any additional unexpected or unplanned-for needs that are necessities to the safety of the citizens.

Chief Mason – I'm still looking for people. We talked in December about taking the people out of the budget – the two that I lost last year that we wanted to replace. We cut them out to balance the budget. We talked about after the first of the year putting them back in – well you all talked about it. I still don't have that. That is why I am here – for people.

President Kirchner – And honestly that is systemic change. That is where we need the mayor and the auditor to identify how to operate other sections of the city cheaper so that the ongoing revenue can stay balanced. That's not a one-time cost. If you expend...

Councilman Jaehnig - That's not what we talked about at the end of last year.

President Kirchner –I have the floor, please. If you expend that money now on one person now or two and it takes up that money, there is no revenue in the next year to be able to take care of that. That's the budget that the mayor and the auditor brought forward to this council, was to remove those people from the budget in order to balance it. What we are talking about here are one-time funds that once you spend them, don't exist again. That is why we are talking about things like police cruisers and retirement of debt – because it's one-time expenditures that you don't have to keep funding every year. So, I'm with you. I would like to see us make some headway on lowering the administrative overhead and giving back to safety personnel. But I also know that we have the efficiency audits that are coming later this year. They are currently underway. I think they will allow us to establish that here is the balance we need. I'm optimistic that that will settle a lot of the questions about where should personnel be. Should they be in administration or should they be in safety? That is the hope.

Chief Mason – I'm just concerned that if they come back with this audit saying that we need more people, what would the plan be for that? Would it be to cut people to get me people? That seems odd.

President Kirchner – I think we need to look at the whole report, because the report may come back and say we need more safety people in the fire department. We need less people in another department. I'm not going to name one, because I don't know what they're going to say. But, I think ultimately they are going to analyze the entire organizational structure of the city and indicate whether or not we're operating efficiently in all areas. If they come back and say you're efficient everywhere and you're deficient in the fire department, then I think we take that information and go to the public and ask them what they want to do – how they want to handle because we need to increase. If that's what it is, then ultimately you need that comparison to really, I think, give the people the information they need to make this decision. That is why we contracted for this audit. That, of course, is another one-time expenditure that we're going to have next year is the \$85,000 for that audit. At this point, I haven't heard whether or not we have found any savings. Mr. Mayor, have they offered any savings?

Mayor Riley – The \$85,000 is supposed to be paid for out of savings. I haven't seen any preliminary audits yet. We're waiting on the audit information to see where our staffing levels are, where they should be, and recommendations based on looking at our peer communities. They have identified the best peer communities that they are looking at. To add or subtract staff among the department, I'm hoping we're not too far from getting those reports from the state auditor's office. Basically, I thought we were just waiting until we hear from the results of the LEAP program. I'm fine with waiting to hear what they have to say.

President Kirchner – Ultimately, Andy, I would concur with the mayor. We will have to wait to see what they say because we know that we don't currently have a revenue base that would support that beyond a one-time expenditure or carryover funds. There is the potential of hiring somebody for a year and then not being able to continue to employ them because we don't have the funds or the potential that later this year the report could come back and say we don't need one or both. Don't hear me wrong – I think safety is where you start and after that you scrimp where you can.

Chief Mason – To answer your question, I don't have any one-time expenditures of vehicles or anything right now. You know, if I was given a hundred thousand dollars to spend, I would spend it on personnel. That's the only thing I'm concerned about right now.

President Kirchner – Understood. I don't know if council has any additional questions. I was looking for the initial impact of all the changes to the revenue stream. We actually have had some positive ones, which are great from a budgetary standpoint. When we did the phone system, where did that line item impact go? Do you know, David? We did it as part of the 9-1-1 upgrade, but was it actually a police line item? We did it in conjunction with the update to the system.

Auditor David Hollingsworth – It was either appropriated under safety or inside the police, probably. What impact are you looking for? That was already appropriated for.

President Kirchner – Right, but compared to the beginning of the year where we had a balanced budget based on revenue projections and the budget, that was an additional expense that came into this year.

Auditor David Hollingsworth – That is in the very next page. You take a look at the budget – it shows a deficit of \$181,000, that reflects all the supplemental appropriations. On the next to the last page.

President Kirchner – So, \$181,633 is additional expenditure beyond the original project.

Auditor David Hollingsworth – That is correct.

President Kirchner – So the budget has already gone up by \$181,633.

Auditor David Hollingsworth – I don't recall off the top of my head. We weren't dollar for dollar breaking even on the original budget, but I think we were very close.

President Kirchner – I was trying to go through and see the revenue differences from the projection. As I recall, the carryover to the budget that was passed was somewhere in the neighborhood of 34%.

Auditor David Hollingsworth – That is correct.

President Kirchner – The budget that was passed was \$7.7 million. Is that right?

Councilman Stuckert – So, this 181, that's the money over and beyond that we've already supplemental appropriated?

Auditor David Hollingsworth – That is correct.

Councilman Stuckert – So there's nothing in there...in other words...we may have more.

Auditor David Hollingsworth – Or you could have less.

Councilman Stuckert – That includes all the ones you know of at this point. We haven't necessarily...

Auditor David Hollingsworth – We haven't spent that...no. That money has been appropriated.

Councilman McKay – Mr. President...I know the Park Director is here and they wanted to at least discuss those needs, so would this be an appropriate time to do that?

President Kirchner – Yes, I think it would. Obviously, we have some question about just how many funds we do have available and we will have to get back to...

Councilman McKay – I think what she has are predominately one-time needs, which you were trying to identify.

President Kirchner – Yes. Lori, are there any of yours that still continue to potentially have grants that have deadlines?

Lori Williams – Yes. There is one. [Lori Williams presented handout.] Just so you can see how we are doing from a Park Board standpoint – how we look at budget performance. This is what we had talked about before. This was presented to the Park Committee and it passed through the Park Committee. I wanted to give you an update on where we stood with those items that we identified early on. The one thing that I would like to point out on the spreadsheet that we have. What we do is look at it in terms of year over year, which makes sense to most people. What you will see is a summary on the front page and then the second page is the actual revenue, 2013 compared to 2012. Then the next page would be the expenses. I realize that it is premature to ask for any decisions, and I wouldn't want to do that, because I think it's reasonable to try to understand what the full amount available is. If you decide strategically you are going to use it on one-time, I get that. One thing that I would like to point out, if you don't remember anything else, is that from a Park Board standpoint, we are monitoring the budget very closely. We're looking at performance on a monthly basis. On the revenue page, this is a key thing for me. The commercial activity tax in 2012 was budgeted at \$45,875. We only were able to receive \$10,000 of that last year. We budgeted \$37,604 for this year and there is really no reason to believe that we are going to get all of that based on... we know it is a decreasing amount. I am very concerned that at some point in the year we are going to realize that there is no CAT tax coming in. For a small budget, that is nearly 10% of our budget. I would really like the security of knowing that if we don't get that CAT tax, that we will get some kind of help. Our budget is maintained very closely and we have been trying to do a lot of things out of the savings that we have generated for ourselves. When we went presented to the Park Committee, we had a lot of things that we had estimated. The bottom line was 68,700. That was what we thought we needed to fix everything that we had identified as broken. Those are primarily safety things or things that we knew if we did not fix them soon they would be much more costly. Those are really the things that we would like to focus on. So there were some assumptions. I listed a current status for those. So, you can see the things that we have made some progress on and the things that we have said, "Well, you know what, we are not going to be able to do that, so we'll do something else." Some of it was modified. Some of the things we felt like we had to do. When we had a large tournament coming, we went ahead and replaced expensive toilets because you can't have 60 girls teams in with toilets don't flush. So, there are just those kinds of things that we just bit the bullet and said, "You know what, even we don't see this in our cash flow right now, we were very hopeful." What happened to make it comfortable for us to do that is that with the banner program, we were able to net several thousand dollars. We paid for some of those things out of the banner program, which we knew was going to go back into youth sports. We considered facilities youth sports. So that is the status. To answer your question, the tennis courts are an example of that. We are still pursuing some funding for that. I honestly don't see that these things are going to be picked off with grants. The NatureWorks grants for the basketball courts, we are still pursuing that. We should know in September. I'm hopeful about that. Right now, \$37,000 is the number that we're looking at. I know that has not been passed through Park Committee. This is more really just for discussion at this point and to make you aware that we're trying to nibble around the edges of what we see as problems with our facilities and a lot of deferred maintenance that probably should have addressed before it got to this point – but here we are. Any questions?

President Kirchner – So are these in an order of priority or just listed as they occurred or did you just go through the list as they came up.

Lori Williams – They are not listed in a meaningful order.

President Kirchner - That's okay, Lori. I was just asking so I knew what information is here. It looks to me that you whittled down the need from \$68,700 to \$37,150. Does this reflect the Southeast Park or just...

Lori Williams – No. There is a note at the bottom. This excludes anything at Southeast Park. The grants that we've gotten for that and what we hope we can get with CDBG funding is only eligible to be used for Southeast. It's a low and moderate income residential area.

President Kirchner – And let me ask on that. I'm not clear. When you talked about that the other night at the council meeting, were you indicating that the original proposal for that was larger and you had scaled it back for Southeast Park – this specific application for Southeast Park.

Lori Williams – Yes.

President Kirchner – And we have additional items that we could work on there.

Lori Williams – Yes.

President Kirchner – And do you have a copy of the original plan and know what that number is?

Lori Williams – I probably have it in rough draft form somewhere.

President Kirchner – I don't know what the council would want to do, but I know as I have read about the potential of tearing down a building and not having a plan and having potential additional costs from the General Fund, it just seems to me like any pursuit of the CDBG funds for the purpose may be somewhat of a money pit. If you had a more effective use of that for the Southeast Park that we could implement something that would affect so many more lives, I think...

Mayor Riley – I think we're veering from the agenda of the meeting.

President Kirchner – We're talking about the budget.

Mayor Riley – We're talking about CDBG right now.

President Kirchner – And CDBG is part of the budget.

Mayor Riley – Go for it.

Councilman McKay – Well the commissioners have basically approved to move forward on the amount that was requested from the park to come from CDBG – the portion that the Park's Director had requested, so that becomes a moot point.

President Kirchner – Well we haven't made it to the end of that process yet to my understanding. I know there was indication from some members of the office that they were willing to put General Fund monies into an unknown cost project down at the corner of South and Sugartree. I think we really ought to have a plan. And with Lori having a plan, a budget, and an effective impact, and understanding of any potential downsides, it would seem to me like that might be a much more responsible to approach that part of our budget. Really, it just came off of understanding whether or not Southeast Park was in these numbers, and that is where the budget connection came from.

Lori Williams – It is not.

President Kirchner – It was trying to understand that and then understand other possible funding sources than General Fund that we could look at.

Lori Williams – Anything else for me?

President Kirchner - In the CAT tax shortfall, did the Auditor's office indicate, was it a matter that they just did not have the activity they expected, was the estimate too high? Did we not have the right numbers to begin with?

Lori Williams – No, I think we are using a standard schedule.

Auditor David Hollingsworth – That information comes from the state.

Lori Williams – They give you the best information.

Auditor David Hollingsworth – I’m not sure their collections are being what they expected.

Lori Williams – And it’s being phased out.

Auditor David Hollingsworth – It is. It was to soften the blow of the elimination of the personal property tax. Again, it is one of those budget cuts – they were giving you a little bit of time to look for other ways of replacing that revenue, but it was not in place for an indefinite period of time.

Councilman Jaehnig – This is the last year of the CAT tax?

Auditor David Hollingsworth – I think there is one year left possibly. We have the schedule and I would have to look at it. It is a declining schedule, so it is not the same amount of revenue every year.

Councilman Jaehnig – Considering the parks were shorted \$35,000 of what was estimated last year, my concern is that they could have a very similar thing with what they projected at \$37,000 this year. If we see a similar move of a 75% drop....

Lori Williams – We did think that would be carryover. Things were done differently last year thinking that we would have some carryover this year.

Councilman Stuckert – If it is being phased out, we have to look at moving forward – period.

Auditor David Hollingsworth – We had the same thing happen with the General Fund last year. We received substantially less than what they had certified to us.

President Kirchner – So \$37,150 is the General Denver amounts. The Southeast Park is not in these numbers, but it is in the rest of your budget at this point? What you are planning from a budgetary standpoint to support that one?

Lori Williams – No. There are virtually no costs associated with the Southeast Neighborhood Park Transformation Project. We have a grant that was given to the Friends of the Park, so it is being administered out of that fund. Anything else we are going to be doing is through additional grants and volunteer labor and donations. The total scope of that initially was \$76,500. That is what we had asked for from the Social Innovation Fund. But we got a little less than half of that and we started without them.

President Kirchner – Thank you, Lori. So, \$37,150 would take care of what is left on this list. Do we have current estimates on cruisers? Russ do we have estimates. There were originally two?

Safety Director Burton – It was \$64,000, wasn’t it?

President Kirchner - \$64,000 for both?

[Andrea Tacoronte passed out the original request from the police for cruisers.]

President Kirchner – Does that include all of the equipment?

Safety Director Burton – That’s what makes it high.

President Kirchner – Are there any unforeseen, unplanned needs from the Service Director’s office?

Service Director Reinsmith – Not really. I think we’re pretty much on line right now with our expenses so far. In the building department, which is out of the General Fund, I need to make some manner transfers – two to three thousand dollars here and there. For

instance, Inspection Fees, Plan Review Fees and the 3% that goes to the state. Last year at this time, we had collected like \$9400. I just checked with Michelle today, and we've already collected \$48,000. We're about \$40,000 ahead from last year. Last year we had 76 building permits. Today there were 140. So, our activity is way up. I knew when we budgeted that we budgeted low, but there has been a big kick in building – a lot of commercial stuff. I think we're still owed another \$12,000 on the hangar project. So, we're going to have a big year. But we need to transfer thousands of dollars to make up for the shortfall in some areas. We haven't spent anything major except for an unforeseen treatment of bugs for \$500. That is about it for building maintenance.

President Kirchner – You don't currently see any equipment that is of concern. Everything is going as planned in the budget.

Service Director Reinsmith – Everything is working. Now, Scott, how we are going to end up with the radio system for all of the other departments once they make this transfer with the radios for police and fire, I know they are still working on that. We don't know what that expense is going to be.

Mayor Riley – I think the biggest impact is going to be on Wilmington Transit, because they are going to be taken off the emergency radio station, as they should be. They will have to come up with a new communication system – radio dispatch system. We have some options that we can use that will keep the costs down.

Service Director Reinsmith – That is probably the biggest pressing issue right now – those radios.

President Kirchner – So that is the nonemergency radio system.

Service Director Reinsmith – I think we have 70-80 radios in those departments.

President Kirchner – When I look at that, we have 140 employees. That means half of our employees are in those radio systems.

Service Director Reinsmith – They are in vehicles. Like all of the cabs – there are 17 cabs that have radios in them. Base stations. All of the equipment. They all have installed radios in them.

President Kirchner – So every snow plow truck, every....

Service Director Reinsmith – Yes.

President Kirchner – I guess the question is, are we driving all of those vehicles at one time. It seems to me like your snow plows are parked until you get snow events.

Service Director Reinsmith – Well, during the summer you're hauling dirt or asphalt. We don't have a set for each season of trucks. It would be nice if we did.

President Kirchner – So, we have not currently planned for that replacement, and we don't have it in any budgets.

Service Director Reinsmith – We didn't really know anything about it until they decided to switch us off and go to the new communication system.

President Kirchner – Did Phil Floyd have anything in his budget, Mr. Mayor?

Mayor Riley – Well we didn't know because this was part of the county's conversion from the 800 MHz high band system to the MARCS system. That has just come about in the last six or seven months.

Safety Director Burton – And we've known about it for six weeks.

President Kirchner – Because this is the same reason we ended up having to replace phones here, right? Because we changed out the 9-1-1 system.

Service Director Reinsmith – We found out about the radios when they told us they were changing out the phone system.

President Kirchner – It just seems odd to me that we just keep getting surprised by expenses that are going to come along with this. It is like we didn't really look at the system or understand the impact to – is it possible to maintain the old radios and the old systems? That is the question. Or can we plan for it in next year?

Service Director Reinsmith – Those are the discussions that are going on now, Scott. We needed that radio tower out on Hoskins to communicate with our intake structure down at Caesars Creek. I know we've asked to remain on that tower because the county is taking everything off of it.

Mayor Riley – I'm not sure if the tower is going to even still be there. They are about decommissioning the tower and taking it apart because it is a liability to the county to just have that tower standing there. The tower is on Dwiggins Road. I have no idea what the future of that tower might hold, which is why Jerry is looking at alternative means of communicating with the intake structure. We might be able to do that with cellular or some other system. Or maybe we need to put a relay or something in.

President Kirchner – But we don't have any firm dates? It sounds like we're going to have to come up with an alternative radio system of some sort for the cab system anyway. I would ask with cellular technology the way it is, could we operate that system on some type of cellular system? Potentially we should investigate some options that would be cheaper, more mobile, more effective. We don't have an actual line item? We just know that those expenses could be out there next year?

Service Director Reinsmith – Randy, what is the drop-dead date on that? Is it next year? We've got a little time on it.

Mayor Riley – We've got time, but I can't tell you exactly how much. Duane was the lead on that. I'm not exactly sure.

Safety Director Burton – I'm thinking it was next year.

President Kirchner – Denny, how about your equipment down at streets? I know Larry gave an overall report, but...

Denny Gherman – The radios are the only things that I have.

President Kirchner – Have you done any checking into alternatives and the cost? We will have to look at the date to see if it will impact this year.

Denny Gherman – We are still waiting to see when this is going to happen and if we are going to be on that system. It is still up in the air.

President Kirchner – I would think that with the snow vehicles, there are reasons why those vehicles would have to be on an emergency band because providing clearance for emergency vehicles would be one of the critical things you guys would have to do in a snow event. So, it would seem to me that that would make sense.

Denny Gherman – We have them in all of the key vehicles, which when there is an accident and we have to block roads, we have to be able to communicate with them. We don't have them on mowing equipment or anything of that nature, but anything that could be used for emergency is.

Mayor Riley – We may convert to rather than having them in each vehicle to having them assigned to people – having the handheld ones. It would be less expensive. That would be one of the things we are looking at as a possibility.

Chief Mason – If I may, I was at a meeting Monday night at the Sheriff’s office about these radios. Duane still probably knows more about it than I do, but the drop-dead date is the end of 2014. The radios that are going to switch to the MARCS system will come from county money. The concern is the radios that are not switching – the cabs and stuff like that. As of Monday night, they were still unsure whether everyone could come together and keep the tower up on Dwiggin’s – maybe get five to ten more years out of it and the cabs and everyone who currently has it can stay on it – five years or so and then you would address. I’m just saying, it is still up in the air as far as I can tell the other night whether they are decommissioning that completely, whether they are going to keep it up, whether they are going to offer it out. Because you have Clinton Massie Schools on that system, some parks. There is quite a bit in the county that is non-emergency on it. I don’t know that they have made the final decision about what they are going to do yet.

President Kirchner – I heard you say that it will at least go through 2014.

Chief Mason – That is what I picked up the other night – the end of 2014.

President Kirchner – That gives us at least a year and half to get ready for it and understand all of the intricacies. At least we know that’s not an imminent cost that we could have cover right away. Any other comments that you are aware of unexpected or that have changed?

Auditor David Hollingsworth – Our office started inquiring about automating the payroll. We have looked at the cost of that. We talked to some companies. It would just be for my office – it would be city-wide for all of the departments. We do all of that stuff by hand now. With one less person, that’s a little overbearing at times.

[Andrea Tacoronte handed out an information sheet from the landfill]

Mayor Riley – Donnie notes that the gas prices are up significantly. Obviously we know that \$4 is impacting his fuel expenses. They are at 71% whereas now they should be at 41%.

Councilman Stuckert – On the landfill, with the adjusted rate schedule – everybody felt pretty optimistic about that generating extra money internally there. Is there any concrete plan in place to establish some sort of fund for expansion and all of the future costs.

Mayor Riley – Part of their enterprise fund operation is that they will pay for future needs with monies they are making along the way.

Councilman Stuckert – They have looked at that from the viewpoint of establishing something concrete. There isn’t any such thing right now? Have we accumulated money for capital improvements and expansion? I know you had mentioned that this would give us an opportunity to do some of that stuff. I was just wondering if they in turn had initiated any action to make that a reality in their budgeting process.

Mayor Riley – I’ll check with Donnie and Mary Kay to see what they have been working on.

Councilman Stuckert – Anything you could give us as an update on that will be appreciated.

President Kirchner – What is the current cost for a year of monitoring?

Service Director Reinsmith – It could be \$75,000 a year.

President Kirchner – Which would mean that we would need to be investing back in. Unless there is some great reduction in that cost once you cap it – and perhaps there is – with a cap do you not have as much moisture flowing through there....

Service Director Reinsmith – You are still monitoring and reporting.

President Kirchner – But it would seem that you would need to be putting \$75,000 plus a year into that – accruing that. So it looks to me that the positives at this point are \$147,000 from inheritance tax, \$101,000 from the bureau of Worker’s Comp. We haven’t really received that yet, so we can’t really count it. Is that correct?

Auditor David Hollingsworth – That is correct.

President Kirchner – So we can’t really count that. Income tax is up about \$42,000 compared to last year at this time. David you’re going to get the difference in what the actual costs on the department by department benefit line item compared to...and can you have that for Thursday’s meeting?

Auditor David Hollingsworth – Are you talking about just for the insurance?

President Kirchner – The benefit line item. The 5123 that is in all of the budgets.

Auditor David Hollingsworth – We can do that.

President Kirchner – Because that is the one that we saw significant increase in that I think there is a good bit of extra in there. We’ve seen an increase in our budget of \$181,633.

Auditor David Hollingsworth – The thing to keep in mind too with that number, the increases in revenues are not reflected in that budget that will offset that deficiency. That is only done – the budget commission meets once a quarter. We have to submit an amended certificate. Typically we don’t do that until the end of the year unless there is a specific need that requires us to go back and get our revenue sources recertified so we have that increase amount if we need to spend it on. Typically we don’t do that until the end of the year, so those increase in revenues and building permits you were talking about, you received more than what was originally budgeted that is not reflected in here.

President Kirchner – Okay. So additional incomes are not...

Auditor David Hollingsworth – They are not reflected in the budget.

Paul Fear – You don’t have the contracts in there. That’s a big number – Fire and EMS.

President Kirchner – So that number could reflect that we haven’t received what we budgeted to receive?

Auditor David Hollingsworth – No. What I’m saying is iflike the inheritance tax...we budgeted that at zero, but we received \$147,000. That will not be reflected in the budgeted cost. Nor will any other revenues that we have received over the amount that we budgeted. Those are not in there yet.

President Kirchner – The \$181,000 would just be appropriations beyond what we had originally appropriated.

Auditor David Hollingsworth – And specifically what those are, I can’t tell you off the top of my head.

Councilman Jaehnig – Have we rented more fire equipment?

Mayor Riley – Yes.

Chief Mason – The one apparatus is down south. We leased an engine to a department down toward Cincinnati. I think it was \$2000 a month until the end of the year, so maybe \$20,000.

President Kirchner – I don’t recall that coming through council. Do we have a contract with them on it? Do they maintain the insurance liability coverage on it and all of that?

Mayor Riley – Yes.

President Kirchner – That should have gone through Asset, Acquisition and Use to lease our equipment. Did I miss it in a meeting?

Councilman Jaehnig – I knew about it.

President Kirchner – We have an additional \$20,000 in the fire department there. Would that be General Fund revenue?

Auditor David Hollingsworth – I think it goes into fire.

Councilman Jaehnig – We received a large check from MVRMA at the beginning of the year too.

Auditor David Hollingsworth – But we talked about that before we passed the budget.

President Kirchner – Miscellaneous revenue went up significantly and that was one of the things.

Mayor Riley – On the revenue side, one of the reasons we our income tax is up are the 250-plus jobs we have posted on the front window that have been added this year. Plus the governor was in town a few weeks ago celebrating the job creation tax credits and expansion of industries that will bring 528 additional jobs not counting the 250. That does not include the 259 jobs that will be coming as a result building the JUMP hangar at the end of this year. You add those together and you're over a thousand new jobs that will be in the community by the end of the year. Now those taxes won't really have a cumulative effect until 2014, but that is going to be a big plus for next year. And there are others in the pipeline. There are other jobs in the pipeline that we are working on.

President Kirchner – Does council have other budget questions or items? I think we've covered all of the unexpected expenses that could be out there and potentials for council to consider. We don't know all of the information on revenue available yet.

Auditor David Hollingsworth – One other item, we have a situation. I know Mary Kay approached a Finance Committee meeting during tax season. We are going to have a finding in our audit report for the first time ever in my 28 years because of the lack of segregation of duties in my office because of the lack of employees. We will be coming to you with a proposal. We've taken a look at other departments. Initially we felt we might have a possibility with the income tax department. We really need somebody part-time full time, in that we need somebody part time but they are there all the time. We have some ideas that we will bring to finance.

President Kirchner – So we have the potential of personnel costs for the Auditor. At one point, I talked I think with each of you individually about the idea of perhaps that is an area where the HR Director could bring more value to the city in the payroll area. I don't know if we can find those synergies, we definitely need to. Because obviously with Andy down people and the question of where we are going to fund any of the ongoing expenses of new people. It becomes not a one-time cost, but an ongoing one. We don't budget hope. Right, Mr. Mayor?

Mayor Riley – We haven't yet.

President Kirchner – We have good news on the horizon, but we don't know the impact of the budget. At this point, you have all of the information to date. We can take a little time perhaps and take a look at this. This is a lot of information to digest in one meeting. You know the needs now that are out there. You've got the specifics here in the legislation about potentials in debt that could be retired and the options that the Auditor and the Treasurer have presented. Potentially we could buy our own debt and just pay ourselves for our own debt so to speak, maintain the paper in the account instead of ---in place of eliminating the debt. It is in place of paying it off. I know that legislation and

supplemental appropriation are out there. If council does not have any other questions on the budget at this point.

Auditor David Hollingsworth – If anybody has any questions or concerns. There are a lot of accounts here and a lot of different funds. If you have any questions or need additional information, we will get it for you.

President Kirchner – Chairman Mead, I think there are two additional items that we need to take a look at tonight.

Councilman Mead – I have one ordinance – it is three readings on a supplemental appropriations. One of the appropriations is \$750 for indigent burial. Is there anyone who wants to explain that?

Auditor David Hollingsworth – I can. We're really responsible. If someone is indigent and there is no next of kin that claims the body. It has been a long time since we've had one. Then we are responsible for providing the basic burial needs. We did have a bunch of cemetery plots.

Mayor Riley – We still have those.

Auditor David Hollingsworth – We have plots, it's just a matter of buying a container to bury them.

Mayor Riley – We actually have 42 plots at Sugar Grove that are ours. I think we did budget for one a year, and we have already used one this year.

Andrea Tacoronte – When I looked at the budget, there was not anything in the line. I think we used to put \$1000 in there.

Mayor Riley – This specific individual was definitely indigent. She does have family locally. They are also completely indigent, so they have no money for the mortuary services. So, when we pay for this, we use the least expensive mortuary services, which is cremation. The remains will be given to the family for their disposal. We won't be using one of our funeral plots. If we did, and we have had to do that in the past, then we also have to pay Sugar Grove for opening and closing fees for burying their remains. We don't have that in this instance.

Councilman Mead – That \$750 covers everything?

Mayor Riley – Yes.

Councilman Mead – The other item on there is \$3000 plus for Consultant Fees. Is that for Law Director or the Mayor?

Auditor David Hollingsworth – That is for the Mayor and that is for in relation to the notes that are coming. That is what are attorney projected to be her cost for drafting the legislation and giving the legal opinion on the notes that are coming due.

Councilman Mead – No matter what we do.

Auditor David Hollingsworth – Well, it depends on what you do. That cost could change. But that is what she expected her cost to be. If you decide to go out on the market and sell the note, then you will incur the underwriters cost as well. There could possibly be more.

Councilman Jaehnig – And this is based on the proposal that is being put forward.

Councilman Mead – And the total amount was \$3750.

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

President asked for discussion.

Councilman Jaehnig – I guess my question is why we do the supplemental since we don't know exactly yet what we are doing with the bond?

President Kirchner – You are going to have to involve the consultant in part of this unless...

Auditor David Hollingsworth – The only thing that would happen is if you guys decide to go on the open market and sell the note, then typically her cost would be billed into the interest rate. I can't see that as being an alternative.

Councilman Mead – It doesn't sound like it at this time.

President Kirchner – Just so I understand, were you talking about buying the entire \$700,000.

Auditor David Hollingsworth – That is correct.

President Kirchner – So we would pay off the \$200,000 that was planned in the budget this year, and you are talking about investing in the entire \$702,500. That is why you would not have buying in the open market.

Auditor David Hollingsworth – Correct. There is enough money now currently sitting in a money market account earning nothing.

Paul Fear – It basically goes from cash to investment. It's just a balance sheet transaction.

President Kirchner – Regardless of whether council decides that they want to pay some of that off and only invest in the rest of it, this transaction would be the same, you would just change the numbers on the form of what you would issue into our bank account as an investment vehicle.

Auditor David Hollingsworth – The other thing to keep in the back of your mind too when you talk about taking a chunk of money and paying this off, in our conversations with Moody's today in getting a bond rating, they look at how much money you have in the reserves. So, that's another thing to keep in the back of your mind. If you spend that money, it's going to deplete those fund balances somewhat.

Councilman Mead – Have you estimated what that might cost?

Auditor David Hollingsworth – I have no idea. That's up to the rating agency. We present our case. We were on the phone two hours today with Moody's going over everything from demographics to real estate valuation in the county, the economic climate, the actual financial picture of the city. It is amazing what people in Chicago know about Wilmington when you talk to them. It's not like you're going to pull anything over on them. They are very knowledgeable and know what they are doing.

Paul Fear – You can consider it a fund accounting mechanism, but basically there is a \$902,500 note out there. My understanding in the fund accounting situation, permissive tax will go to Fifth/Third Bank for \$100,000. The landfill will be reduced by \$100,000 and that goes to Fifth/Third. The rest is an internal transaction – the other \$702,500 goes from a cash item internally to an investment item internally, which stays up in our General Fund. It doesn't deplete that at all. It will deplete the 902 to 702, but the rest will just be ours internally.

President Kirchner – To the Auditor's point, when they are looking at cash reserves, last fall when we were doing the budget and the focus on the 25% was put into question – do you really need 25%? With us at 35% and potentially more based on income at this point and carryover based on the insurance. Actually the insurance changes would be a double benefit because you planned to expend that money so your budget is that much bigger,

which means that your carryover had to be that much bigger to cover that portion of your budget. If it is several thousand dollars that your budget reduces by and that reduces the amount of carryover necessary to achieve 25%, so you're still talking about being – the potential with the insurance changes and the reverse appropriations associated with that – you could be at a 40% or 45% carryover depending on how many hundreds of thousands of dollars that ends up being.

Paul Fear – If the landfill works profitably like you are saying also, that would increase... This \$702,000 is going to be \$300,000 from the landfill. So if it is profitable to that point. I think we ought to renew the \$702,500 and see the profitability there. If it does, then we could pay a couple of thousand dollars off from the landfill by the beginning of the year and reduce that number or take money out of our accounts. I don't think we want to touch it....

Auditor David Hollingsworth – Or use it for some of the other things that have been discussed here tonight.

President Kirchner – But you would still have some money available for some of those items. Obviously the police cruisers, I think is something we have to get because Duane has done a great job of having a maintenance program on those cruisers that have kept large capital investment years from occurring. Still, the point being, whether you take the \$702,000 in the account or you take \$402,000 or \$502,000 and pay off some of it, that expense is still going to be the same is the point about the consulting line item. As long as we take the debt into the account, your expense is going to be the same and so it won't change is the point on the item. Any other discussion?

Seeing none, President called for vote.

Motion passed. Jaehnig voted nay.

Director of Law read ordinance by title only.

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

Roll call: Jaehnig, no; Stuckert, yes; Wallace, yes; Mead, yes; Siebenaller, yes; McKay, yes.

Director of Law said that they did not have enough votes to suspend the rules and regulations to give the second and third reading.

President Kirchner – The motion to suspend the rules and regulations did not pass because it requires a super majority.

Andrea Tacoronte reminded council that one item on the supplemental had to do with an indigent burial.

Mayor Riley – Yes, we have a body lying in the morgue.

Law Director Shidaker – What about separating that part out?

President Kirchner – At this point we have done one reading as it. The attempt to suspend the rules and regulations failed. I will tell you that my Roberts Rules understanding at this point has reached its end. So, if you have a suggestion, Mr. Law Director, I would be happy to entertain it.

Law Director Shidaker – I would entertain a motion to reconsider and amend the ordinance to reflect that the consultant services be redacted and just go through with the indigent burial on a separate motion.

A motion was made by McKay for reconsideration, to remove the consultant services item from the ordinance and to consider the ordinance with only the supplemental appropriation for the indigent burial.

President Kirchner – Councilman Jaehnig, is it one or the other that you disagree with. Would you support this moving forward?

Councilman Jaehnig – I would support moving forward with the indigent burial.

Councilman Siebenaller – Just to be clear, the motion is to pull back what we just voted on and just consider the indigent burial and not the consultant services.

Law Director Shidaker – Yes, I would say the motion would be an ordinance making supplemental appropriations, as amended, and it to reflect that you would like to supplement from the General Fund to Other Professional Services – Indigent Burial the sum of \$750.00 only.

Councilman Siebenaller – If we were going to do anything with the consultant services, we would have to have a separate motion to move forward on that.

Councilman Mead – We could probably do that.

A motion was made by McKay and seconded by Wallace to reconsider the ordinance, remove subsection “a” appropriating money into the Consultant Services Line, and give the first reading only on the ordinance Making Supplemental Appropriations, As Amended.

Motion passed. All yeas.

Director of Law read ordinance by title only.

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

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

Director of Law read the ordinance by title only.

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

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

Motion passed.

President of Council declared Ord. No. 5091 passed as read.

Councilman Mead – Given the hour, I suggest that any remainder of the discussions or voting that we want to do be conducted at our next regular meeting on the 20th.

President Kirchner – Very good.

Councilman McKay – So at this point we don’t have a motion on the other aspect of the item. Is that what are intent is?

President Kirchner – So you would like that on the regular council agenda on the 20th for consideration.

Andrea Tacoronte – You are asking to have both the supplemental appropriation on the next council meeting plus the legislation for the bond anticipation notes? Is that what you are asking?

Councilman Mead – Yes.

President Kirchner – So the supplemental is to go along with it is separated out.

Andrea Tacoronte – Both pieces of legislation get moved to the next council meeting. Correct?

President Kirchner – Yes.

Andrea Tacoronte – Thank you.

President Kirchner – Minus the indigent burial.

Andrea Tacoronte – Minus the indigent burial.

Councilman McKay – What would the President’s intention be on the additional budget items we discussed tonight? When would we discuss those?

President Kirchner – Well, I am hopeful that we can get some of the information by Thursday. Do you think we can get the answers? That would give all of the members of council here and with Councilman Wells out, if I could take an extra copy of the reports, David, I could drop those off to him. You can review the budget this week, understand where we are at, and get that additional information. And then council could act perhaps on some of these items at the meeting that evening.

Councilman McKay – Should there be a Finance Meeting prior to that?

President Kirchner – We could do that.

Councilman McKay – It would seem a better forum to discuss those things.

President Kirchner – I would agree. Understanding from the Chief how quickly he can get quotes and things of that nature if cruisers are something council wants to consider. Would you like to take a look at your membership and see if you could get a meeting together ahead of that?

Councilman Mead – Ahead of our next regular meeting?

[Discussion of scheduling]

Councilman Mead – Based on my schedule, Monday or Wednesday works better for me.

Councilman McKay – Monday looks best for me.

Andrea Tacoronte – Wednesday doesn’t work if you’re planning on passing legislation.

President Kirchner – It sounds like Monday is the date.

Councilman Jaehnig – Brenda can almost never do a Monday.

President Kirchner – And you would not be available either?

Andrea Tacoronte –I will check and let you know tomorrow.

Mayor Riley – Monday the 17th, I have Brenda as still out.

President Kirchner – I believe that completes all of the items we have on the schedule this evening.

A motion was made by McKay to adjourn.

President declared meeting adjourned.

Council adjourned.

ATTEST:

President of Council

Clerk