

Wilmington City Council met in special session on Monday, August 18, 2014, at 6:00 p.m. with President Cindy Peterson presiding.

Call to Order

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

Chief Weyand was also present.

Pledge of Allegiance

Council gave the Pledge of Allegiance to the flag.

Moment of Silence observed

President of Council - President Peterson – We are going to have a review of the water rates. There will be a public comment session and general discussion. We will end promptly at 7:00

Mayor - Mayor Riley – I think everyone has had the opportunity to see the RCAP report that we had done. We have known for some time that our water rates need to be adjusted. They have not been adjusted for a little over ten years. Like any business, we need to keep current with the times and keep prices set so the price of the product will more than allow us to keep producing product. There are long-term goals that we know about. There are predictive and preventative maintenance. Preventative maintenance items are those on-going things that we have to do to keep producing water. Predictive maintenance are things like water tower maintenance. I've looked at the numbers that have been suggested by RCAP. His primary recommendation is immediately to increase our water rates. We need to implement a \$10 minimum charge to all customers. That would raise about \$626,000 a year, which is a start in the right direction. That is about half of what we will need in the long-term to keep our water operation viable. People have suggested that we could take money away from the sewer bill and make that balance out. That is a bad idea. Right now, Harry McVey is running the wastewater treatment plant well. He has extra money when something happens. He is able to meet his preventative and predictive maintenance needs, and he has positioned himself for a long-term by knowing that some point in the future we are going to need to rebuild, modify or change our existing wastewater treatment plant. He is setting money aside for that. That is exactly what we want Jerry to do with the Water Department. If we take money away from Harry and give it to Jerry, it would be robbing Peter to pay Paul. That is not a good idea. We need to look at the product produced, water, and we need to look at the cost of it. The cost of a gallon of water from your tap is less than a penny a gallon. In fact, I think it is about 0.06 cents per gallon. It is very, very inexpensive. Compare that to buying water at Kroger or even by the five or ten gallon tubs at Kroger, it is a huge difference. Water is a bargain for us now. We need to position Jerry and position the Enterprise Fund in such a way that they can be producing clean, fresh potable water for this community for a long time to come. I've looked at these numbers and have tried to find a way to avoid charging \$10/month as a minimum to a very low water user. I've gotten calls from a couple of citizens. They described themselves as fixed income, widow, they have very little money, and this extra \$10/month will be a huge burden to them. I tried to look at way to do a bell jar type of scenario where the lesser users would be charged a little bit less, the larger users would be charged a little bit less because they are using hundreds of thousands of gallons, and that would put most of the charges at the top of the bell jar, which is the average users, and that didn't strike me as being fair either. We need to spread it out. We need to pay what it costs for fresh water. Not being able to turn on your tap and get fresh clean water is unimaginable. We need these funds to allow Jerry and his department to continue providing the excellent service they have provided us for the many, many years. Looking through all of this, it strikes me that the recommendation from RCAP is the recommendation we should follow, which would be immediately, as soon as is practical, we would implement a \$10/month – it would almost be considered a tap charge – because it doesn't really relate to usage, it relates to people who are tied into our system. That is the recommendation that was made to us by experts

who have examined the numbers and crunched the numbers and frankly know a whole lot more about water the right price for water than I do. I think we need to follow their recommendation of \$10/month as a water tap fee.

Councilman McKay – We have, for a number of years, been approaching the inability to cover our debt service coverage, which is the ratio we have to keep to keep our bondholder bank happy. We have been forewarned by the Auditor and Deputy Auditor that if we don't get this increase in place, we are definitely not going to meet our debt coverage this year. Even if we do get it in place rapidly, it is still going to be a difficult thing to do. They have been having to basically juggle those numbers for several years to make that debt coverage. It is very important that we do this. The bank can make those changes in rates for us if we don't change them.

Mayor Riley – It's more than just making them happy. They have the authority to protect their bonds. They have the authority to mandate that we do a rate increase, bearing in mind that in ten years, there has not been a one cent increase at all. I challenge anybody to show me any fluid that they are using on a daily basis that has not gone up in price in the last ten years – milk, gasoline, water from the grocery. For us not to have raised our prices until now...shame on us for not addressing it earlier.

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

Paul Hunter – 200 Randolph Street - We have 5000 sewer and water customers, and we sell them 557,000,000 gallons a year, which is 557,000 one thousand gallon cost units, priced at a per thousand basis. I am using two samples, a senior citizen or a small family customer using 4000 per month, and a commercial customer using 100,000 per month.

My suggested options are:

- 1) Although a \$10 surcharge would raise \$600,000 in new revenue, it would increase the small sample customer's bill by the equivalent of \$2.50 per thousand gallons. The water bill would go from the current \$24.76 to \$34.76 – a 30% increase. The same surcharge would cost a large, 100,000 gallon/month customer ten cents/1000 gallons. That bill would go from \$ 666.20 to \$676.20. This is a 3% increase. We have 30 for the little guy and 3 for the big guy. The unintended effect of the surcharge would result in the small and often low-income customer subsidizing the commercial use. This option is the most regressive and unfair means of raising the desired new revenue.
- 2) Apply a water rate increase to all of our users of \$1.00 per thousand gallons. This would generate \$557,000 in new annual revenue for the water fund. This option would result in the small use customer's bill increasing by \$4.00 or 14% and the commercial customer's bill would increase by \$122.45 or 13%. This option is more equitable, but it does cause a significant dollar increase to the commercial customers.
- 3) In order to keep all customer's combined water-sewer bill as low as possible and generate around \$500,000 in new water fund revenue, use the annual sewer fund surplus to offset some the increase. The sewer fund is sitting around \$2.6 million right now. The \$2 million should take care of any contingency that many come up. If we are going to build or expand a new plant, we are going to go bond it like we always have done. We are never going to amass \$26,000,000 to build a new plant. It is going to have to be bonded out. Assuming no unusual situations occur, the surplus funds should increase by \$374,000, if this year is like last year. We passed this sewer bill to do things that were never done. That is why the surplus is piling up. We paid for Textron, we paid for Nelson Avenue, and the surplus is piling up because of the raises in rates. Decreasing the sewer rate by the gain in sewer fund surplus (or 67 cents per thousand), would result in a 90% increase in water rates in order to generate \$500,000 new water revenues. The 4000 gallon/month user would have a monthly water charge of \$28.35 and a decreased sewer charge of \$20.65.

Due to the past sewer rate increases, that fund runs a large surplus. In the past, this surplus was used to A) Pay off all debt, B) Purchase the Textron property on Nelson Avenue, C) Pay the city's share of the Nelson Avenue replacement project. Even after

these considerable off-mission expenses, the Sewer Fund had, at the end of 2013, a \$2.6 million surplus. If and when the city grows enough to require a new increased-capacity wastewater facility, the normal method of financing the construction would be via grants and bonds. Last year, the facility treated 2.4 million gallons per day, the same amount that was treated in 2002, so there is no rush. I just think it is so unfair to do that charge on the little old lady in tennis shoes.

Paul Fear – 527 Randolph Street – I’m a retired Vietnam veteran. I was 30 years a commercial loan officer at a bank. My wife and I are both retired and living on a fixed income, and I have a part-time job to supplement my income. My wife and I are empty-nesters, so we are low water users. I average 2700 gallons a month. Prior to 2009, we spent thousands of dollars remodeling both of our bathrooms in our house to install low water toilets, shower faucets and sink faucets and a hot water heater. My water bill is between \$16 and \$18. My sewer bill is between \$20 and \$24. If you tack a \$10-charge on that, that’s is 60%. That is criminal to increase to the low-income, retired person a 60% increase. Now I appreciate the dissertation that the mayor gave that we should raise our rates. Mike Wallace as chair of the Water Committee 12 years ago said that we should start raising rates, because the last time we raised our rates, it was May 26, 2002. That affected the rates through 2004. Jerry Rowlands has been given a deficit every year since 2007 or 2008. He has gone from the surpluses he had of \$2.5 dollars to whatever he is at now, \$600,000. We’ve known about it. It’s not like it came as a surprise, but everybody was afraid to increase the rates to the low-income person. I know three of you campaigned “no rate increases” and that is why people voted you in. Now, you are trying to tack onto me, a low user, a 60% increase by throwing \$10 onto my bill. Let’s look at the expenses in the Water Department. We have \$1 million worth of debt service every year. The Water Department income last year was \$2.5 million. That’s 40% of his income goes to debt service. Unfortunately, that’s something we put back into place when we expected to grow. I understand that situation. We are able to refinance one of those bonds, which is now 3.75%. We are able to refinance that in 2015. Now, that’s only going to save us around \$50,000 at 2%. The other bond is at 4% and we can’t refinance that in 2017, but we can save money along those lines. I understand and appreciate that Jerry has not been able to do any capital expenditures, so he needs the money. We have 5200 customers. I agree with the Mayor, we haven’t done anything since 2004, so let’s look at the increase. If you don’t put the ten dollars on and you would increase the bills 20%, which is to everybody, that would raise about \$560,000. It affects everybody who is a user. It doesn’t affect me 60%. It kicks me up 20%. Then you need to put an annual increase of at least the cost-of-living increase, which the government puts out every year. So we know when it is going to increase and decrease. I don’t want to rob Peter to pay Paul. We don’t have any bond in the Sewer Department. We paid that off in 2012. It dropped his surplus down to \$2 million. When you get the month-end report for July, you are going to see the sewer fund is in excess of \$3,000,000. It went up a profit of \$500,000 last year and another \$400,000 in seven months this year. I don’t want to take it from them, because they need the money. When you look at your water bill, we pay per thousand. We also have a tap fee, I pay \$1.40 for a 5/8 inch line in my house, along with the cost of \$5.84 per thousand. The sewer department collects \$7.72 as their fee. That’s why my sewer bills is two or three bucks more than my water bill. I don’t want to take it from them because they need it for their improvements. I think we need to look at a blended situation – five bucks maybe and then go 10-12 percent. Wayne did his report saying that if we don’t raise the usage rates, then usage is going to increase. We could change the rates we charge for commercial customers. If you look at it now, it is lower, the higher the usage. You could bill a commercial customer differently. When we are able to refinance our bonds next year, the one bond that we could do has \$3 million bucks. Let’s do a loan from the Sewer Department to the Water Department, the same way we did from the General Fund to the Waste Fund. There are so many things that we can do and change. I don’t want to take from the Sewer Fund because he needs to get involved with major improvements and stuff and spend his money. He needs \$600,000 to break even. He has been working in a deficit for years. Jerry does a report every month. He can show you how much his usage excess has declined. Jerry needs the money. I would like to see a \$5 and a 10-15% increase. When you do it to everybody, at least it’s fair to everybody. My bill would go up 60% with the 10 dollar increase. Everybody said that we don’t want to hurt the low income person. You don’t want to hit them with 60% now.

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

Councilman Stuckert – We have to get money into the Water Department. We are long overdue in doing that. We have to try to accomplish at least a piece of a bunch of different things. I like the concept of the blended – a little bit on usage and small fee. I believe \$10 really is not tenable. There are several things we need to do on an ongoing basis. We have to be assured as council and administration that we are on top of the Enterprise Funds and that this is something that won't happen again in the future. We need systems in place. We have to open both funds and look at them on a comprehensive basis. We don't want to put Harry on a bad path, but on the same token, I don't think we have vetted the whole picture of the wastewater system to see if we can mitigate this increase with some sort of reduction in wastewater sewer. I don't believe this is robbing Peter to pay Paul. I think they are both Paul. The people who pay this bill, that's the same person. We cannot avoid adjusting the water. We owe it to the bottom line payer to see if there is anything we can do with all three of these items to see if we can mitigate the bottom line. I would urge council and the administration to include that in our work on this. If we just raise the water rate and go on, we will not have done our job. We have to open this up comprehensively. I think we have to come up with some money for Jerry. I lean toward some on usage and a \$5 flat rate. I think everyone should have to pay a certain amount to get the water to your house. It takes a certain amount of money to deliver products and maintain that delivery. We have to start bumping that up. We can't correct it overnight and go to \$10. Increase the tap fee and increase the usage fee and make a commitment to look at wastewater sewer and look at this in a comprehensive manner.

President Peterson asked Councilwoman Milburn to add a review of the rates to the Wastewater Committee agenda and report back to council. During that, if you want to have a special committee meeting so everyone can speak during the meeting, let us know.

Councilman Spicer – I agree with Loren wholeheartedly. I think we need to lower it. I am really frustrated. I've been with the city many, many years. I still see us making the same mistake. I feel like I'm here now having to legislate what the administration should have been doing years ago. We are administrating by legislating, and I detested that when I was fire chief. Just look at the numbers. In 2009, our operating account was \$2.1. In 2010, it had dropped to \$1.9 million. That should have perked up someone's ears up right then. I understand in some years you have fluctuations. Then we go to the next year, and now we're down to \$1.6 million. At that time, there should have been action taken. It should have been legislated back then, but the administration has to push and say, this is pattern now. This is not a one-time thing. I know we were under hard economic times. People lost their jobs and didn't have extra money. Nobody wanted to tackle it. Unfortunately, we are politicians and we have to do unpopular things. I ran to represent the people and that is what I intend to do. I am also a realist, and the city has to have money to operate. Unfortunately, during this time, everything else went up as well. The \$10 should have been put on years and years ago, we can't change that, but it is so unfair to put the whole tap fee now in place because we messed up 20 or 30 years ago.

President Peterson – I am hearing a suggestion in the legislation that we look at escalators.

Councilman Spicer – Once we need to get things in place and get thing moving fairly for everybody, I know the city's got to win in this, but so do the citizens. I sat back here when I was running and I heard people talk about water increases. But we wanted to be good politicians. We want a pat on the back. We can offset it with the Sewer Fund. Now, I'm getting a different story. I don't call it robbing Peter to pay Paul. I call it allocating resources. I certainly don't want to deplete the Sewer Fund, but on the other hand, I think the Sewer Fund is doing very well. The city had no problem using that Sewer Fund money when they wanted to buy Nelson Avenue Randall Company or when they wanted to do other projects. If we have a pet project, we always find the money, but if the department head has something they need, "Oh, we don't have the money and we can't

do it.” Let a pet project come along, we always find the money. So who did we rob when we bought the building on Nelson Avenue?

President Peterson – Once this goes back to the Sewer Committee, I am confident that they will be able to flush out those issues and come back to us.

Councilman Spicer – I’m just asking for a little offset it a little bit from the Sewer Fund.

President Peterson asked for other comments.

Councilman Mead – My vote tonight would be to go for a \$5 tap increase and a small increase in the gallon usage rate. I agree with those that said it is unfair. If you figure the percentages, it is unfair on the bottom end. If you do it the other way entirely, it may be unfair at the other end. It’s a problem. We do need to compromise. Nobody denies that we need more money in the Water Department. It’s just a question of how we do it. I’m against the \$10 flat increase.

Councilwoman Miller – I am also against the \$10. We do have a decision to make because we have to run it as a business. Sometimes we just have to make decisions about what is best for the citizens. So, in theory, maybe a flat rate is the best business decision, but it doesn’t feel like it’s the best business and citizen decision. There are plenty of things that we do that cost us money, but we do it because it’s the right thing to do and it’s the expectation of service as a city. I feel that a \$5 tap increase is fair. I wish we would have a huge company come in and turn the faucet on and walk away and leave it running. The fairest thing, I think, is the \$5 tap and a small increase on the usage. It might not be enough, but it is what I am able to compromise on. I know we need to start getting money quickly, but I would hate to overcorrect the fund or not act for the sake of being stubborn. I do not support \$10, but I would agree on \$5 with a small rate increase.

Councilwoman Milburn – I think \$10 is entirely too much. I agree with the \$5. It makes me nervous about increasing too much, especially commercial, because I am business-friendly and I don’t want to punish them either. By the same token, I keep hearing about the wastewater sewer rates. They are doing as well. It’s been a good program. I do want to look at those rates, and if we can allocate anything, sure, but I’m not going to hurt them either. It sounds like we’re all on the same page. A \$10 increase would be astronomical and detrimental to the citizens.

Councilman Jaehnig – While I agree with much of what Councilman Spicer had to say, the decisions that were made by council and administration, all of the council members and administration were fully aware of the funding issues with water. Jerry has made it very, very clear on multiple occasions every single year. It was a conscious decision by council and the administration not to go forward with increasing the water fund – right or wrong, it was a conscious decision. It was decided that with everything everyone was going through, we could not, in good conscience, raise the water rates. Was it the right decision? I don’t know. At the time, it seemed like the right decision. But we are where we are now, and it does need to be fixed. I apologize for missing committee meetings. It sounds like a compromise is the best option. I have problems with Mr. Fear’s use of a percentage, because 60% sounds like a huge increase, but we still are talking about \$10. When you throw that in comparison of what of corporation is paying, it does seem unfair to those who are in single-family residential situations. We should have fixed the \$1.54 tap fee a long time ago. The simple fact is, everyone is underpaying for the right to have water. Many of these very low users or non-users are homes that are owned by the banks or they are owned by real estate speculators who are taking advantage of the situation and are paying almost nothing to have that home hooked up with water. If council is leaning toward a \$5 fee and increasing the water rate, I am perfectly fine in moving in that direction. I want to make sure it is a significant increase in funds. I want to make sure the offset is going to generate the needed revenue.

Councilwoman Miller – I believe Mary Kay had said that the \$5 wouldn’t be enough to meet our debt-to-income ratio requirements, so there will have to be a usage increase.

Councilman Jaehnig – My recommendation would be a dollar increase with the \$5 access fee.

Councilman McKay – Jerry, the amount of money we were looking at was somewhere in excess of \$600,000. If we went with the \$10 rate increase, would that be adequate?

Jerry Rowlands – We would break even. We wouldn't be putting money back for anything.

Councilman McKay – I am fine with the \$5 increase, but we need to work backwards from the number he needs and find out what the water rate increase per thousand gallon would be. It's a moving target because people can vary that to decrease their usage. It's going to be a guess to a certain extent, if we go with the blended scenario. The hope was if we increase by a certain flat amount that we know is going to get us enough, there is no way that it is change and we know we are going to hit the target. It's not going to be pretty if we don't meet the debt coverage.

Councilwoman Milburn – The \$5 would just meet it or it would not meet it?

Councilman McKay – No. He needs \$600,000.

Councilwoman Milburn – But with the other portion that we had talked about it? Would that meet it?

Councilman McKay – We would have to back into that figure by taking the \$5 increase, which would be in the \$300,000 range, and then figure out perhaps what a 1000 gallon rate should be.

Councilman Stuckert – A \$1 increase in usage, a \$5 rate, and assuming no significant decrease in usage, would generate \$857,000.

Councilwoman Miller – What is fair about having that variable, it also gives the end-user some control over their bill if it doesn't fit their budget.

President Peterson - \$10 is \$10. \$5 plus an amount can change if you use high efficiency plumbing. I'm hearing that that is the desire of council.

Councilman McKay – It appears all of council is favorable of a blended rate. We just need to figure out what the x factor is so we can hit the mark.

Councilwoman Miller – I appreciate you ringing the bell and telling us it is on fire.

Councilman Stuckert – Jerry runs the Water Department fine. This administration is not responsible for a big portion of this problem. We toss the word administration out, but this administration is late to the game as well.

Paul Hunter – The Sewer Fund is where it is because we were going to build a full-equalizing.

Mayor Riley – That still may be necessary.

Paul Hunter – We were told we were going to build that and that we were going to run a lateral from Parkside South, which we thought we were going to need. Neither one of those developed, but the rate stayed in. That's been accumulating and has given us the money to do some of the things that we are doing. The last thing, \$1 will do the same a \$10 surcharge. I don't see why you have to blend. All users pay the same per gallon. Just do \$1 per gallon.

Paul Fear – We approved a budget last year with a deficit in the water department of \$600,000. We need to make \$600,000 to break even. If we have 5200 accounts, at \$5 that is \$260,000. His revenue is \$2,570,000 and you increase it 10%, that is another \$260,000, so you don't get him to break even by doing the 10% and \$5. You need to go

to \$15 to break even. Then, institute a cost-of-living increase of 2-3% and then review the sewer next year. Right now, the sewer has gone up and he needs to do some major stuff. You could look at the sewer next year if you want to give the citizens a break in their tap fee.

President Peterson – I would ask that you would take a look at how this will affect our business customers. I heard the term tonight “business-friendly” and we want to remain that way. I think it would be of interest of everyone on council to look at that.

Councilwoman Miller – Any increase takes us over the state average.

Councilman McKay – We need to call a Water Committee meeting for next week. We will wrestle with the numbers and how everything is going to affect rates. This can always change, no matter what we decide. If we would get a large water user in two months, next year, we are going to take another look at this and try to make things fair to everyone.

Jerry Rowlands – I’ve heard that for six years – we are going to get a big water user in – it’s never happened. That is why we haven’t had a water rate increase, because we have been waiting for a big water user to come in. They’re not coming in yet. I’ve been crunching numbers for years and now you’re going to ask me to go back and crunch more numbers. I’m tired of crunching numbers. I’ve given you guys more than enough information. We hired to do a rate study. You read it. You don’t like it, there are enough numbers there. I’m tired of crunching numbers for everybody. Let’s do something and get it done. I’m running out of time. It’s already August.

Mayor Riley – One of the points that was made in the water study that I want to re-emphasize. If you haven’t read the study thoroughly, then read it thoroughly. This \$10 recommendation from RCAP is just the beginning. They said we need to do an immediate \$10 charge for the tap fee and the next year a \$5 charge and the year after that another \$5 charge. The \$10 tap fee that was recommended is only to raise half of what Jerry’s needs. This is just a start. After that, they are strongly recommending that we look at a 2.25% increase every year starting in 2017. One of the things that Joe said that caught my attention, you are a little bit aggravated about having to administrate by legislation. Trust me, Joe, if I could have changed these prices without you, I would have. But, the mayor cannot change these prices without taking it to council. There is a council committee set up to look at these things.

Councilman Spicer – My anger is not at anyone. It has been going on for years. It’s not a new problem.

Mayor Riley – We need to legislate an increase. In 2002, at the last increase, someone should have built into that an automatic increase that could be based on a cost-of-living adjustment that is a federal rate for southwest Ohio or the consumer price index for southwest Ohio. We should have looked at an automatic accelerator. RCAP is recommending that starting in 2017, a 2.5% increase. We need to look at that.

Councilman Spicer – We are going to fix the problem, but we can’t do it all at once. It’s not fair to the people for us to do that. We are going to address this problem.

Mayor Riley – This is not fixing it all at once. This is half fixing it. If we look at a \$5 increase now with an increase to the use, that would get us closer. But bottom line, we need \$600,000 just to get us afloat. We are going to have to look at this next year also.

Councilwoman Miller – Some of what he had as a financial obligation, would we not usually bond those out? He had \$26,000,000.

President Peterson – I hear the sense of urgency. In my opinion, we need to come back to the next council meeting with some legislation that can be passed. Then, to everybody’s point, go right back to the drawing board and continue to work on it. We have to get something. We all feel the sense of urgency and we have a lot of agreement on the blended. I personally agree that it is not enough, but we need to do something. We

are not laying it to rest. That does work for everyone. Can you get something on this week's council agenda?

Councilman McKay – I think we need more time.

[Discussion of meeting schedules]

Councilman McKay – I would hope we could get legislation by the first week in September.

It was decided that the issue be finalized at the next Water Committee meeting, which would be scheduled for the following week.

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

A motion was made by Miller and seconded by Milburn to adjourn.
President of Council declared the meeting adjourned.
Council adjourned.

ATTEST:

President of Council

Clerk