

Wilmington City Council met in special session on Tuesday, July 5, 2011, with President Fred Ertel presiding.

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

A motion was made by McKay and seconded by Jaehnig to excuse the absent member. Motion passed.  
Absent member excused.

Councilman Jaehnig: Before we get into business, can I ask a question...just because I don't know the answer and I would like to. Why is this a special council meeting instead of a Finance Committee meeting?

Councilwoman Mongold: I can't answer that. I don't know.

Scott Kirchner: Can I offer the thoughts that I have? Once all of the members of council were named to the committee, you have a Committee of the Whole, which is actually the body. Therefore, it has to be a special council meeting because what you vote on here would be considered an action of council.

Mary Kay Vance: Even if it is not formal legislation?

Councilwoman Mongold: We are not passing formal legislation.

Scott Kirchner: The question is, if you vote to do something with it as a whole unit, does that mean it passed...?

Councilwoman Mongold: No, we're just voting to move it to council.

Mary Kay Vance: Because people pass things along and they vote 'no' afterwards.

Councilman McKay: That is correct.

Councilwoman Mongold: We're not making a motion to vote for it; we're making a motion to take it to the council floor.

Scott Kirchner: Has anyone asked the Law Director's legal opinion.

Andrea Tacoronte: Yes.

Scott Kirchner: And what does that opinion say about the action of this committee.

Andrea Tacoronte: We asked, but to my knowledge...

Councilwoman Mongold: We're just presenting it today and either Fred or I will ask for the motion to move it to council floor.

Councilman Jaehnig: I mean, I like the idea of all of us sitting down together with the fiscal issues and working this all out and everything. I was just trying to figure out the logistical aspects of it.

Councilman McKay: I thought it would just be a Finance Meeting with all of the members of Finance here, which happened to include everybody on council, but, obviously, we don't have that answered.

Andrea Tacoronte: I believe it was proposed to the Law Director, and if she was to disagree with it, she had the opportunity. She answered and said that she wasn't sure if she would be able to be here today. But, in what I saw, there was no disagreement with

the ruling that it should be addressed as a special council meeting. So, to my knowledge...

Councilwoman Mongold: Good question

Councilman McKay: Good question.

President of Council – Fred Ertel: Okay, any other comments or questions before we get into it? Auditor's report?

Auditor – Auditor David Hollingsworth: Is there anything as far as supplemental or transfers that you want to get out of the way?

Mary Kay Vance: We put that on agenda in case something came up between now and when the meeting was set. There will be supplemental and transfers for the next meeting but not this meeting.

Finance Committee – Chairperson Sandy Mongold: With that being said, we will schedule another meeting before the next council meeting.

Auditor David Hollingsworth: What I tried to do when I handed this out was try to break down...this is not all-inclusive...this does not include every fund that the City has under its jurisdiction. These are the ones that affect the General Fund the most, either through transfers or in some other fashion. Just to give you an idea of where we are at and some direction, hopefully, from you all on where we want to go from here. We've got the budget that is going to be coming up here shortly. I mean, I guess it's strictly up to this group as a collective group whether you want to address some of the issues now before the end of the year or address them during the budgetary process. I just want to throw out my ideas and my observations of where we are at. The revenues for the City, and I think Marque will concur with this as far as the income tax revenues, are going to be relatively flat. We are probably going to be close to what we budgeted as far as income tax dollars go. I think we budgeted, what \$4.1? We should be, I think, in line with that unless something dramatic would happen between now and the end of the year. But we're through probably the majority of the income tax collections that we are going to be...we're through the income tax season. We still have collections for withholding tax, probably a few business tax returns to be filed yet, but withholding taxes, probably, and estimates are going to be the biggest ones to come in between now and the end of the year. As always, between now and the end of the year, is going to be the biggest drain, probably on the General Fund. So, having said that, what I tried to do is condense down our chart of accounts, so to speak, so that it is not so cumbersome. Hopefully, you can kind of focus in on the big items. It has been said before and it needs to be said again, we're a service business. Eighty-five to eighty-six percent of what we spend goes for employees and benefits. So, if there are any cuts to be made, it is going to have to come in the form of...substantial cuts are going to have to come in the form of people. So, keep that thought in the back of your mind as we go through this. Does anybody have any questions? Assuming that you've had a chance to review this. Anything that pops out before I jump into this? The other thing that I have not factored in here either, now that Kasich...now that the budget has been passed...the full impact of that. I do believe we are going to lose the inheritance tax starting in 2013. We will have it through 2012, but that money will go away. I am not sure of the exact impact, if any, of the reduction to the local state monies, the shared monies, that filter down to us. But, again, that's going to be lost revenue. Anybody have any questions or any comments before I...

President Ertel: We had budgeted that at zero, correct?

Auditor David Hollingsworth: We always do. The inheritance tax, we always do, because we don't know who is going to die or what estates are going to be closed, so we always budget that at zero. If you look at the history on the big spreadsheet, that number has been fairly substantial in the last few years. I think the most we ever collected was around \$250,000, maybe. I am kind of guessing at that number, but I think it was in the mid-two fifties. I think last year we collected around \$140,000. I don't have those exact numbers in front of me. I didn't bring the big long spreadsheet, I brought the individual

sheets. The inheritance tax so far this year, we've collected almost \$122,000 through the end of May. So, starting in 2013, that money will be gone.

Councilman Jaehnig: What is the effect on the funds that we get from the state. The non-estate tax funds...the other funds. Did it pass that those that were \$500,000 were not affected?

Auditor David Hollingsworth: That is what I am not sure of. I mean, I haven't looked at that, so I don't know. I haven't looked at the final bill as it was passed, so I don't know. I was actually at the Ohio Society Annual Meeting and Kasich was the guest speaker at lunchtime. He kind of touched upon it, but it hadn't passed yet. So, I need to look at it. I'm just not sure. That's a possibility that we could receive reduced revenues there. I think we've got two scenarios. We need to take a look, again, either between now and the end of the year or going into the budgetary process for next year, if we are going to make any kind of cuts, we're going to have to take a look at each department, not just certain areas, and see if there is any possible cuts that could be made there. We're talking about a million and two deficit. We're not going to eliminate that by cutting out buying pens and pencils. To make an impact on that, we're going to have to look at each department and what cuts could possibly be made without really diminishing the services to the citizens. The other possibility, and we've touched upon this, everybody says it is the kiss of death during an election year. I honestly don't care; you know how I feel about politics. I hate politics for politics.

Councilman McKay: I do too.

Auditor David Hollingsworth: If we're wanting to maintain the level of service, we may be looking at a combination of cuts and possibly going to the voters for an income tax increase. We've never gone to the voters for an increase in the income tax in the 24 years that I have been City Auditor. You know, with a quarter of a percent increase, it pretty much eliminates the deficit unless we lose some major employers. I am not saying ask for a quarter percent increase, but I am saying that we may want to look at that...at least a partial increase. I know it's not popular with the recession that we've been in and people struggling. At the same time, it's either...at least you put it before the voters. You know, if you take a look at the transfers that are made out of the General Fund, we have \$2,000,000 going to Police, we've got almost another \$1,100,000 going to emergency, ambulance and fire, and that's on the second page of the General Fund. I mean, those are two big services that are funded...and rightfully so, they should be...I mean, income tax dollars should go for those services. If you look at the revenues inside of each one of those funds, a very small portion comes from levies to support those. We do have the contracts with the other townships for the fire, and that produces about a million dollars in revenues. As far as police...that is basically funded out of the General Fund. I am not picking on them. They're just the biggest chunk of what we transfer. We've got \$4.1 million dollars that we collect in Income Tax Revenue and probably half of that goes for emergency-type services. The other thing that could be done is there could be a levy for any one of those specific emergency services, whether it is fire, ambulance, police. Again, let the voters vote on it.

President Ertel: David, just one thing for clarification. The quarter of a percent that you are referring to is a quarter percent increase in income tax across the board.

Auditor David Hollingsworth: That is correct. I just threw out the levy if you wanted to have money earmarked specifically for a particular service, then you could go for that. The thing about the income tax if that is a decision collectively that is made to go forward with something like that, then it is a decision of whether you do it now or you wait until next year. If you wait until next year, I am not sure when it would go into effect if passed. So you are going to have a time lag from the time it is passed until we actually start collecting dollars. I don't have any specifics as far as saying "Cut this. Cut that." I guess we need some direction on what you would like us to look at. This is kind of an overview of where we are at and potential decisions that are going to have to be made.

Councilwoman Mongold: Well, to cut out a \$1,200,000 would almost paralyze the city, wouldn't it? We would have to look at it.

Auditor David Hollingsworth: You'd have to look at what you're cutting.

Councilwoman Mongold: Yes. Cut services.

Councilman McKay: There is one important person who is not here, and that is the mayor. That makes it real difficult to have...

Auditor David Hollingsworth: I went over it with the mayor as far as the content of these reports, so he has these and I have reviewed them with him.

Councilman McKay: Obviously, if we decide to move forward with something more dramatic at this time, it has to encompass everybody's input.

Councilwoman Mongold: Well, what I would suggest would be based on what you said that we work with the numbers and work with the mayor and then at our next meeting come back with more concrete figures.

Auditor David Hollingsworth: I can't tell you specific people or whatever to cut. I don't know that that is my responsibility.

Councilman McKay: I don't think that is what we're...

Auditor David Hollingsworth: But we have to do something...probably sooner.

Councilwoman Mongold: Something has to be done. Right.

Auditor David Hollingsworth: We knew we had enough money in reserve to carry us through this year if we didn't want to do anything. I know it is a tough decision when you're affecting people's lives. But...

Councilwoman Mongold: One way or another it is.

Auditor David Hollingsworth: We're going to have to...

Councilman McKay: I am fully in agreement with you, David, that obviously if we do anything to increase taxes, obviously it has to go to the voters, but I think this whole process needs to be open as much as it can be if we are going to be changing vital services from streets to wastewater to anything, fire and police. I think people need to have input...citizen input.

Councilwoman Mongold: I think that will be part of the discussion. Whether we do that or whether we take a levy or vote to...

Auditor David Hollingsworth: I think the first step is to take a look at each department and see what cuts can be made. My initial reaction is we can't cut a million-two out and not dramatically affect services.

Councilman McKay: But we need to know that. We need to weigh, "What would this look like?"

Auditor David Hollingsworth: We need to look at each department and how, if anything, can be trimmed by department. Maybe it's going to be a combination of things. I am not just saying haphazardly go for an income tax increase and not take a look at making cuts. I think it is going to be a combination.

Councilman Jaehnig: I think until we've looked at everything ...I think we need to look at everything before we take that step.

Councilwoman Mongold: We have to.

Councilman Jaehnig: Two questions. One is, are you stating then that we are on budget for that 1.2 over? Are we over that? Is it going to be worse than that, or is it coming in under, or are we right on the money?

Auditor David Hollingsworth: We've looked at a couple of items. I had Mary Kay take a look at the insurance and it looks like we could possibly be a little bit under, but being self-funded, if something major would happen, I think it could affect that a little bit, but it looks like we could possibly be a little bit under on that number.

Mary Kay Vance: Right. The budget is for, if you recall, when we were in the budget process, we got that worst-case scenario number, which was the only thing we could work with in the budget, and we were still in the negotiations. We came in below that, so there will be some savings in the insurance lines in every department.

Auditor David Hollingsworth: I think Liz assumed we were having 28% across the board increase. That was kind of a worst-case scenario. Then again, understanding that we bid...our insurance goes from roughly April 1 to March 30, so it is on a different fiscal year than what our budget is. As we are going through the budgetary process, we don't know our insurance really is going to be for next year until we get to April of next year.

Councilman Jaehnig: What I am a little confused on, though, is we know what our price is now?

Mary Kay Vance: Right.

Councilman Jaehnig: But with what you are saying, David, we don't know what our cost is.

Mary Kay Vance: We do, unless you have a major occurrence. We have an aggregate and we have insurance that covers, we only have to pay up to \$50,000 or \$55,000 if there is a major health occurrence for an employee. So, we do have...

Councilman Jaehnig: So, if we have somebody comes in with \$150,000 bill, then our costs would then go up.

Mary Kay Vance: Well, we'll have to cover it up to a certain point. Then, the other aggregate insurance kicks in.

Councilman Jaehnig: So, we're covering the first \$55,000. Is that what I am hearing?

Mary Kay Vance: I think so. Danny Mongold is the authority on this one...not me.

Auditor David Hollingsworth: I think the budgeted number is going to be a little higher than probably what our actual experience is going to be.

Councilman Jaehnig: What is a little?

Auditor David Hollingsworth: I don't know. I'll know at the end of the year.

Councilman Jaehnig: I mean, is it \$500 or is it...

Auditor David Hollingsworth: I have no clue.

Councilwoman Mongold: It all depends on occurrences.

Councilman Jaehnig: I understand that, but I assume we would know...

Auditor David Hollingsworth: We budgeted a 28% increase...

Councilman Jaehnig: And what did it come back as, an increase....

Mary Kay Vance: I can't tell you that number. I would have to find out.

Councilman Jaehnig: I would like to know what actually came back.

Auditor David Hollingsworth: I think salaries are pretty well aligned. Again, those are the big numbers...you're talking about 85% of the budget.

Councilman Jaehnig: The other question I had...you stated at the beginning...this is not all of the funds. What are we missing? What is not on there?

Auditor David Hollingsworth: I can't tell you off of the top of my head. None of the enterprise funds are in here.

Councilman Jaehnig: That I assumed.

Auditor David Hollingsworth: Case in point, we have an indigent...we have several funds over the Municipal Court that are funded by fines that are earmarked for those funds, so those are not included. I did include the bond funds, but those are kind of ins and outs. You've got probably 95% of the...

Councilman McKay: That's what I was going to say.

Councilman Jaehnig: For instance, we have an Economic Development Fund, don't we?

Mary Kay Vance: Yes. But, there is no revenue stream to that.

Councilman Jaehnig: But we have money in that account, correct?

Mary Kay Vance: But it is to be used specifically for...you can't take it and use it for salaries or for the General Fund.

Councilman Jaehnig: I understand that, but if we are paying for certain things right now that are economic development related and we are not using it out of that economic development fund, then it does affect the General Fund. i.e. Regional Planning. If Regional Planning, if they are representing the City in economic development, which they are, then we could pay the Regional Planning funds out of that Economic Development Fund while there is still. I understand that there is no revenue going in it, but there are funds there that have been sitting there.

Auditor David Hollingsworth: I don't know about the fund balance, but if there's money being paid out of the general fund, it is going to be in there.

Councilman Jaehnig: Right. What I am saying is we're paying Regional Planning right now out of the General Fund, but they are doing economic development work for us. They are our representative for economic development, yet we are not paying them out of the economic development fund. Hence, it affects General Fund. Am I wrong in my assumptions?

Auditor David Hollingsworth: How much are we talking?

Councilman Jaehnig: How much are we paying Regional Planning? It's by citizen.

Mary Kay Vance: It's less than \$15,000.

Andrea Tacoronte: It's 11,000 to 12,000.

Councilman Jaehnig: Okay, so if we have \$100,000 in economic development, there are ten years we don't have to pay out of the General Fund.

Mary Kay Vance: We have to go back to when we set up the funds, we identified it as a specific purpose. We would have to go back and research and make sure our, the city's,

obligation to Regional Planning qualifies to be paid out of the Economic Development fund.

Councilman Jaehnig: I'm just saying, if there is a fund like that...

Mary Kay Vance: At this point in time, that has never been paid from there, it has always been paid from the General Fund, so David would not have included it because it is not...

Councilman Jaehnig: My only point is, if there is that, are there others that might fall into that type of situation.

Mary Kay Vance: Not many.

Auditor David Hollingsworth: No. The expenditure side is going to be in there if it comes out of the General Fund, but no, you don't have any other funds that are sitting out there with big cash balances that...

Councilman Jaehnig: You're telling me. I don't know because I haven't seen them all. That is why I was asking about the other funds.

Auditor David Hollingsworth: You get a report every month that shows the cash balances. The Auditor-Treasurer's report will show every cash balance by fund. How much is in there? Is the Economic Development Fund on there?

[Discussion of location of Economic Development Fund location on spreadsheet]

Councilwoman Mongold: There is \$219, 000, \$220,000.

Mary Kay Vance: Some of that is pledged for...that's what I mean, you have to go back and look at what that has been pledged for...some of it was pledged toward the Port Authority. That money was pledged to assist the Port Authority. Specifically in this account, there may be some other strings attached.

Councilman Jaehnig: Well, that's entirely possible.

Mary Kay Vance: It is not outside the realm of possibility that you could use this to pay this \$12,000. Absolutely.

Auditor David Hollingsworth: What I included in these worksheets were beginning and ending cash balances so you can see if any of these funds actually have a big cash reserve in them, and they don't. Where we wouldn't have to transfer quite as much money out of the General Fund to cover their costs.

Councilwoman Mongold: I thought this was an excellent report.

Auditor David Hollingsworth: Well, it's a lot to try to consume. I tried to condense it down, but I guess from here somebody needs to be given the directive to take a look at departments and where we can possibly cut. Again, we can't go through next year. We could, but we don't want to, because we're going to be down to where we have earmarked our cash reserve to be...where we want to maintain it going forward. I don't think we really want to eat into that.

President Ertel: I think an excellent idea would be to have the council committees in concert with the administration take a look at each budget prior to the budgeting process to see if we can skinny some things down to take care of the 1.2 deficit and set ourselves up to a very good budgeting process. We already know...we will already be educated on where we're at, where we're going, who the players and so on and so forth. Does that make sense?

Councilwoman Mongold: They start that process next month, don't they?

Mary Kay Vance: You want them to take a look at the existing budget.

President Ertel: That is correct.

Mary Kay Vance: Not the new budget requests, because those will start in September.

President Ertel: That is correct. Our current budget and our current performance looked at through two eyes...our council committees and through the administration and the departments themselves.

Councilman McKay: I think what I am hearing is, and this is the best time to do this, of course, is early, is this committee and therefore this council has to arrive at a philosophy of do we want to eliminate this 1.2. Do we want to eliminate as much of it as possible or for some reason do we not want to try to do that at this time?

President Ertel: No. My personal opinion is to take a look at it and see what we can do with it right now, because there is no need for us to wait six months, two months, two days later and find out that we could have helped ourselves right now.

Councilman Jaehnig: Right. In the past few years, a budget came in, but by the end of the year we had cut the departments...the administration had cut the budget overflow by nearly 50% those first two years. We're not going to come close to that this year. So, I think we're halfway through the year. It's like, "okay." I agree with you, Fred. I don't think we can wait six more months to make a determination for next year.

President Ertel: That will get us online for being able to come up with a good budgetary process, plus if there is any low-hanging fruit, which is probably gone, but there may be some sitting out there. Two, it will allow us to, there could very well be some monies out there. There could be some dollars and cents out there in these departments.

Councilwoman Mongold: I think that has been the plan. The discussion.

Councilman McKay: It gives us plenty of time to get citizen input too.

President Ertel: Sure it does. So, let's start the process.

Auditor David Hollingsworth: This is kind of the same discussion I had with the mayor when I met with him and went over this as far as needing some direction on where we want to go from here and take a hard look at each department and what we can do. We're not on an island by ourselves. Every municipality in Ohio is going through this.

Councilwoman Mongold: We have been fortunate.

Councilman Wallace: With the calendar in mind, let's say, the final resolve we have to put this in front of the public. If we're thinking about next year's budget, then that looks to me to be a November election type thing. If you think about how long it takes to get something like this on the ballot, plus going through public opinion sessions, more than one probably, it seems like we need to get a pretty rigorous schedule in front of us to be able to do that. Here we are sitting in July already.

Councilwoman Mongold: We probably, if we're going to go to the ballot with any issue, it would probably have to be August to be finalized. Probably that August 3 date if I'm right.

[Discussion of deadlines of November ballot]

Councilman Jaehnig: There is no way we can do proper justice to this and make a decision to put something before the voters by August 3. There is no way in the world.

President Ertel: Yes. That would be an injustice to us and to the voters.

Councilman Jaehnig: March would be the soonest.



Councilman Wallace: Even with March, look at the date to get on in March, April or May. We still would have a fairly rigorous schedule in front of us to do what we want to do and get the public involved and go through that process. We are looking at two, three or four months here.

President Ertel: It may be one of the outcomes of our budgeting process at the end of the year that there is no way to get from here to there without that...without putting something in front of the voters. I agree with Rob that it is a little short to try to get something in August. I think we would be doing an injustice and I think we need not to think about that at this point.

Councilman Jaehnig: We really need to know what we're talking about when we start talking to the public.

Councilwoman Mongold: We need to have all of the figures in front of us to know which direction.

Auditor David Hollingsworth: I think the logical step, then, is to take a look at each department.

Councilman Jaehnig: I would make a motion that we request that every committee sets up a meeting in the month of July to start that process.

Councilwoman Mongold: Wouldn't proper protocol be to go back to the mayor since he is...

President Ertel: Not necessarily. We can have two groups going down the same path at the same time. I don't see why they are mutually exclusive.

Councilman Jaehnig: If we are just asking to meet and say "We're going to start looking at things and we would like to have this discussion sooner rather than later."

President Ertel: I don't think we would be stepping on an administration toes at that point, in my personal opinion.

Councilman Jaehnig: We need them to educate us to be able to...

President Ertel: We need to work together. That's the key.

Auditor David Hollingsworth: I think that is the logical first approach. If it looks like that cuts that have to be made are really going to dramatically affect services, I think then you make that known to the public. That is the education process I think of to the public. If consideration is given to an income tax increase would go on the budget.

Scott Kirchner: Sandy, I don't think that the move to set up those meetings excludes the administration either. You can invite the mayor at the same time. Budgetary review, control and approval is council's area of responsibility, so I don't think you're stepping on any toes necessarily, as long as you include the mayor in the scheduling.

President Ertel: So we have a motion?

Councilman McKay: Can you restate that?

A motion was made by Jaehnig and seconded by McKay to ask each of the Council Committees to set up meetings beginning in the month of July with City Department heads for the purpose of reviewing the 2011 budget and to discuss methods of improvement.

Motion carried.

Marque Jones: I presented to the Finance Committee and I wanted to know if you still feel that way. We talked about eliminating sending tax returns.

President Ertel: You mean go electronic?

Marque Jones: As much as possible.

Auditor David Hollingsworth: We wanted to go electronic, but that cost was...

Marque Jones: Too high for us. For folks to come online and e-file, we can't do that. More or less, other cities do it in order to cut. Incidentals and things like that are nothing compared to other departments. That would remove maybe around \$4500 or \$5000. The last time we talked about it, you said, "We better think about it a little bit more." The response that we are getting right now to sending the returns; we had nearly 1600 did not file. If we don't send them one...

Councilwoman Mongold: Are we going to up that figure?

Marque Jones: It was just a question. That is kind of the way I was thinking of just a way I could cut. That's the biggest thing now, other than on the salary side.

Councilwoman Mongold: But we would have to make sure we had some type of educational program to get the message out there that they understood because we don't want to double that 1600 figure. I think it's a great idea to look into.

Marque Jones: I'll keep looking into it.

Councilwoman Mongold: Yes.

Auditor David Hollingsworth: Does anyone else have anything they would like to look into. This is just what I thought would be easiest for anyone to be able to consume the information and see where we are coming from.

Councilman Jaehnig: I appreciate that.

Councilman McKay: You're the guy we go to for this type of information and I think you're doing a great job.

Councilman Jaehnig: Marque, I have a question. Did we find out the effective date of that gambling tax?

Marque Jones: It was 30 days from the day it was approved by council. I have it downstairs posted on the wall.

Andrea Tacoronte: It passed on June 20, correct?

Councilman Jaehnig: So on our tax forms, it will be any revenues after this date? Is that how it will read?

President Ertel: And the only way you will know that this occurs is through a 1099, correct?

Marque Jones: W-2 G.

President Ertel: W-2 G? Never having won, I don't know...

[Banter regarding gambling]

Scott Kirchner: So does that automatically get sent to the municipality?

Auditor David Hollingsworth: No. You'll have to request a copy from the taxpayer.

Councilman Jaehnig: The gambling boats are the easy one, it's the lottery winnings.

Marque Jones: No. It's the lottery that's the easy one because you get that information from the state. The gambling boats will be the problem because we don't ask for the 1040. It's always on the front of the 1040 where you receive the gambling winnings.

Auditor David Hollingsworth: If you do end up sending out the tax forms, you may want to include on there like you request the copy of the W-2, request the copy of the W-2 G.

President Ertel: Okay, are there any more questions on the Auditor's side of it? Finance Committee, Sandy?

Councilwoman Mongold: We have nothing else to report.

City Treasurer Paul Fear: I have a report. This is for the Finance Committee. We just went through to show the Finance Committee where our deposits are for your information purposes. These are all the funds rolled together and where we have the funds invested. These are all the funds. We have the money in National Bank & Trust and PNC. We used to have a lot of CD's, Certificates of Deposits, with Fifth Third when they were looking for funds a few years ago. Right now, the certificates of deposit are primarily split between National Bank & Trust & PNC. This Super Now Account is the money that is swept each night and day into our accounts that we need for operating expenses. The non-invested fund is the money that we have there that we have to keep in compensating balances. What our goals have been over the last couple of years through the treasurer is to reduce what is required in the non-investable funds because they use to be higher because of the deposits that run through. The largest group of deposits naturally is the water because we get the checks and everything from the people that it flows through on a regular basis. That is just giving you an idea of where our monies are right now from the treasurer side.

Councilman Jaehnig: You mean the utilities as a whole? The water and sewer and landfill?

Paul Fear: Yes. I just showed you the percentage of the portfolio there also. FYI, as everyone knows, deposit rates are considerably down. The money that is in the savings accounts are probably going to be earning us 0.20% or 0.225%. The money that is in the certificates of deposit vary anywhere from 0.25 to 0.52 of one percent. The original budget was to hit \$30,000 in interest. Right now we are at about \$6000. Because back when we were doing the budget, the interest rates were still around 0.40% and 0.50% but now they are down around 0.20% and 0.225%. I just wanted to give you an idea of deposit-wise where the money is.

President Ertel: Any thought of putting up a bond ladder.

Paul Fear: All of the CDs over the last couple of years we had laddered all of them, so we had anywhere from 250 to 500 coming due every payday. Marque and I have met over the last couple of months with people from different investment groups. Just to give you an idea, we met with Fifth Third, we met with National Bank & Trust, we met with PNC, their investment department. We met with a private bond fund guy and we met with guys from Morgan Stanley. They're all familiar with our investment policy. They all have given us a presentation on what we can do to try to stretch this stuff out. For example, if we have core deposit, and Dave and I just kind of briefly threw out a core number, let's say we have \$4 million as a core that we can invest. This isn't from the general operating fund, this is just from everything that we have available. Using that number, we have presented to the investment groups what they could do for us. That money would not be money that we need to operate on. Our investment policy says that we can invest up to five years. We're telling them let's see what we can look at with no more than two years in the thing. Some of them are Fannies and Freddie's and Federal Home Loan Bank and some of those other ones that might be longer but they might have callable dates. We have been playing with a lot of that information that we are getting from them. What we need to do, Dave, Mary Kay and Marque and I are sitting down and looking at what is possible. We can get over 1% if we want to do a two-year. It may have a callable date of a year that could increase our interest. That is something that we have been looking at. I think it is a decent idea to get some. I know everybody but this

private guy is free. They get their money from their front end where they create the [inaudible for transcription]. Morgan Stanley might have billions of dollars out there that they have and then they match you up with their own personal individual account that we need. Whereas, if we are looking at a PNC or National Bank & Trust, they are going to say, "Hey, we've got a million dollars, we're going to go ahead and invest it in a two-year bond," and they will get their money out of that and get a little bit of a spread or cut to us. The Morgan Stanley people are looking at real thin margins because they deal with it nationally, whereas some of the banks are going to get maybe ten basis points, and they may be looking at two to six basis points. That is something that we're trying to do to increase our interest yield because our policy talks about safety and liquidity and yield. That's just information for you. There is where the money is. It's not bringing us big bucks now, but hopefully it won't bog you down necessarily because of your budget issues, but maybe in the back door through Dave and Mary Kay and Marque and I, we can put something together for you in the next 60 days or so to take a look.

Marque Jones: Paul and I talked and, like I've told him, there are a lot of people out there who think when you start talking 1.2 deficit that we're completely broke. The City does not have that money. That is not the way it is. The General Fund is crunched. There is no doubt about that, but when you look at this sheet, that \$1.2 where it says non-investible funds, there was a time at National Bank where we paid zero to pay for the checks, the deposits and transfers and all that stuff. Times change. Their requirement was we got it down to 1.2, so that is money that was invested that is not invested. That is just so we don't get a bill every month. Looking at it, it's almost 10 million dollars. We don't want to get people out there panicked and say we don't, when really we have 9.8 million.

President Ertel: That's Gary's job.

Marque Jones: To let them know.

Paul Fear: In the General Fund, what is there, \$3.6 or \$3.7 is still there that is available.

President Ertel: Yes we do. That was one of the issues that the county ran into when they talked about their \$88,000. It was on one day, but the next day it was a much bigger number. We don't want the thought to get out to the public that we're out of money and we're in a deficit of \$.2. We're not. We want to keep it from happening.

Mary Kay: We can't be in a deficit. We have carryover that is part of that calculation. We just don't want to be in a position to have more expenses than revenues, but we have a balanced budget.

Paul Fear: We'll have this available for the council meeting on the 21<sup>st</sup> when the tax report is issued also. It will be available to the public then.

President Ertel asked if anybody else from the public or the council wished to address council while in session.

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

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

Motion passed.

Council adjourned.

ATTEST:

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President of Council

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Clerk