

Wilmington City Council met in special session on Saturday, November 17, 2012, at 8:00 a.m. with President Scott Kirchner presiding.

Call to Order

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

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

President of Council - President Kirchner said that the only item on the agenda was the work session for the 2013 budget.

Finance Committee – President Kirchner announced that they would be starting with the Fire budget. He asked Chief Andy Mason to describe any savings they had in 2012 and move into the 2013 appropriation requests.

Chief Mason said that they had two people quit, but there would not be an actual savings because they plan to rehire and have just started the rehire process. The rehire will happen after the first of the year. He said there is an increase in the salary line item because the 2012 was 7% overtime budgeted and the 2013 was 10% overtime budgeted. That will hold unless they see a significant increase in manpower. He explained that he tracks it every two weeks and we are currently at between 10.6% and 10.8% overtime. He said the lowest he had seen it since he had been chief was about 4.5% when they had the most people. He said the highest he had seen it was 14%.

President Kirchner asked him if he had an idea of how much of the overtime was due to losing personnel and how much is due to the number of runs.

Chief Mason said that he did not have it broken down that way. He said they would hit about \$100,000 in overtime this year. He thought that about half of it was from lack of people and the half was increase in runs.

[Discussion of details of staffing]

Chief Mason said he hoped that overtime would be around 8% for next year with the new hires, but since many factors affect overtime requirements, an accurate prediction was impossible.

Chief Mason said other than that, there were not a lot of changes in his budget.

Auditor David Hollingsworth clarified that the new hires were factored into the budget including the cost of benefits.

Councilman Stuckert asked what the direct deductions line is.

Auditor David Hollingsworth said that was what the county withholds as far as administrative fees for collecting real estate taxes for levy monies.

[Discussion of real estate taxes]

Councilman Wells asked if we were renting the fire station on Rombach.

Mayor Riley said that in the past week they sent a lease proposal to the license examiner at OSP to continue the discussion about leasing it out. He said they are interested but we would have to see where it goes.

When asked by Councilman Wells if the money goes into General Fund or the Fire Fund, Mayor Riley said it would go into the General Fund.

President Kirchner asked if we knew what would happen with the property taxes if it changed from municipal use to a leased property. Mayor Riley, Mary Kay Vance and Auditor David Hollingsworth said they were not sure what the implications were since the OSP was also a government entity.

President Kirchner also asked what the property tax was on the building. Auditor David Hollingsworth said he did not know the number off the top of his head. Chief Mason said that they were only considering less than a third of the building going to OSP.

[Discussion of tax implications of property use]

When asked by Councilman Wells who would pay utilities on the property if leased, Mayor Riley responded that the lessee would pay a portion of the utilities.

President Kirchner asked if the percentage of increase in insurance costs was 23.5%. Mary Kay Vance said she did not calculate the insurance costs as a percentage increase; they used actual numbers. Councilman McKay asked if the increase was because of an increase in number of employees. President Kirchner said that the 2012 budget already had the new personnel in it. He said the increase was in the cost of the insurance. Auditor David Hollingsworth explained that the increase could also be due to differences in single versus family coverage as well.

Mary Kay Vance said the insurance calculation is different from year to year because of the anticipated difference in the cost that we have gotten from the broker – what she thinks could be the increase. She said that nine months of the budget has that factored into it. When President Kirchner asked if they built the first portion of the budget on the current known cost and then budgeted the last nine months on what the estimated increase might be, Mary Kay Vance verified that was correct.

Auditor David Hollingsworth said that the actual estimate for the premium for next year for insurance has about a 10% increase in the family plan. He said it goes from \$1725.87 to \$1886.75.

President Kirchner observed that the Transfer to Fire Fund line was down \$69,352 this year. He asked if that was because of EMS billing.

Councilman Jaehnig offered that there was \$25,000 of rental and leasing income that was not expected.

Mary Kay Vance explained the process of amending the certificate to the county as changes in revenue happen throughout the year.

Mayor Riley said that he had asked Chief Mason to stay aware of any potential lease opportunities in the future. He explained that sometimes within the county, the city lends equipment out as part of mutual aid agreements. He explained that we are able to rent out equipment to entities outside of the county at times, and because we have excess equipment, there is a potential for income through this.

[Discussion of potential leasing income in the future]

President Kirchner observed that there was an increase of \$114,000 in the Fire Budget, which was composed of increases in the salary line item, increased worker's compensation, increases in benefit insurance and Medicare, and transferring the Fire Department's portion of the liability insurance from the General Fund into the Fire Fund.

Councilman Wallace asked if all of the gasoline charges were in the 530 fund.

[Discussion of the fuel used by the Fire Department]

President Kirchner asked if the move to Fire Station I would decrease utility costs.

Chief Mason said he did not believe there would be a large decrease in the next year because of the terms of the leasing contract with OSP. He said that he thought they should wait for a year to see how utilities are actually affected before changing the budget line item for utilities.

President Kirchner said that it did not appear that the leasing income was placed in the budget for 2013. Mayor Riley confirmed that was correct, as the city does not budget hope, and the leasing contract had not been finalized.

[Discussion of the specifics of the potential leasing contracts]

Councilman Wells asked if the carbon monoxide system out on Rombach was working okay, and Chief Mason said that there was an issue with one drop, but the system was functioning fine.

Councilman Wells asked if the exercise equipment was still out at Station 2, and Chief Mason said that it was still in the back part of the building.

[Discussion of the possible locations of exercise equipment]

President Kirchner observed that the transfer from General Fund to Fire Fund would be \$123,000 more.

President Kirchner asked about how many years were left on the USDA loan for fire equipment. Chief Mason said that it was a 10-year loan and we were in year six or seven. He explained that it was for the 75-foot ladder truck. When President Kirchner asked if that money was transferred in from the General Fund, Mary Kay Vance said that it was transferred from the 535 Fund. David Hollingsworth explained that the money in the 535 Fund had been earmarked for capital equipment improvements.

[Council reviewed the 525 Fund – Fire Pension Fund]

President Kirchner asked where the transfer comes from on the Emergency Ambulance Fund – 530, and Auditor David Hollingsworth explained that it comes from the General Fund.

When Councilman Jaehnig asked how EMS billing is routed, Auditor David Hollingsworth said it flows through the General Fund.

President Kirchner said that noted that there is a drop-off in EMS billing. Chief Mason explained that the drop-off in billing is caused by a variety of factors. Even though the run volume goes up, they are not all transported. He added that there has been a significant increase in the number of people who are picked up that have no insurance, so no collections can be made. He further explained that Medicare gives a fixed amount that they will pay for runs. Mayor Riley added that raising the rates would have little impact on the revenues because of the case mix.

Councilman Wallace asked if the new healthcare laws would affect the billing. Chief Mason said he did not know.

[Discussion of EMS billing program and issues]

Councilman Wallace asked if the medical items that they used to be able to pick up in the emergency rooms now came out of the incidentals and noted how expensive those things could be. Chief Mason confirmed that they paid for those items out of incidentals.

Councilman Jaehnig asked where the money received from contracts with townships was located in the budget. Auditor David Hollingsworth said it was in the General Fund.

Councilman Jaehnig asked if we had an idea of where the Fire Budget was in terms of total revenues coming in versus expenses. Safety Director Burton said that the EMS billing and contracts were a little over \$1.4 million and that the Fire Budget was at

around \$980,000. Mary Kay Vance interjected that the payment for the bond that includes the Fire Station is paid out of the General Fund. She said that the last time she prepared an analysis for council, the Fire Department was short by about \$100,000. She said that the Fire Budget was probably in the same shape as it was then or may be a little shorter than it was before because of reduction in EMS billing.

Chief Mason said that when it is all said and done, the Fire Department probably costs between \$300,000 and \$400,000 additional to the General Fund. Mary Kay Vance said she did not think that it was high and said that they could run the scenario and get the numbers back to council.

Councilman Jaehnig said that he had not expected it to be revenue-neutral but just wondered how much the Fire Department costs.

[Discussion of township contracts line item]

President Kirchner noted that it looked like there would be increase in property tax and asked if that figure was correct. Mary Kay Vance said that is what the County Auditor certified to the City.

President Kirchner asked why the CAT tax was going down. Auditor David Hollingsworth said they get a schedule online on the State's website for those figures and that those numbers would be going away as of 2017 or 2018. He said it was being reduced on a graduated schedule. He explained that the idea was they were giving us time to replace those monies with other revenue sources.

President Kirchner noted that there would be a \$36,000 increase in funds transferred into the emergency ambulance fund. He asked Mary Kay to provide a report that would include an analysis of all monies related to the fire fund revenues and expenditures as he thinks the Fire Budget will continue to see challenges in terms of revenue stream.

President Kirchner asked Chief Mason to explain an increase in the salary lines for EMS of \$49,000. Chief Mason said that it had to do with going from 7% to 10% in overtime. He said it also had to do with buybacks of vacation and sick leave.

[Discussion of various aspects of emergency ambulance salaries]

President Kirchner and Councilman Jaehnig debated differences in the Emergency Ambulance Salaries line for 2012 versus 2013. Chief Mason explained that in order for him to explain the difference, he would need to pull all of the numbers from when he created the 2012 budget last year. President Kirchner said that was the information that he wanted.

Councilman Jaehnig said that his assumption is the 10% overtime figure was overly conservative and that would account for the shortfall that was occurring for this year. Auditor David Hollingsworth said that they could take the W-2s from 2012, back out the base salary, and then the difference would be the overtime and holiday pay and other things.

[Discussion of overtime and personnel issues]

President Kirchner said he thought it was important to understand if we were compensating enough or if we were overcompensating. He said he wants to make sure we are looking at the detail enough to understand how to plan for the budget. He wants to make sure we are using effective numbers based on actual service to make sure that we have a budget that works. Chief Mason said that he would get him more extensive numbers after the first of the week on how the overtime was figured.

When Councilman Jaehnig asked how overtime is issued, Chief Mason explained that a few years ago a seniority call list was established. It is a rotating list.

President Kirchner asked how the vehicle fuel line item was calculated. He asked for the cost per gallon. Chief Mason said that he did not calculate it on a cost per gallon. He said he used fuel bill history as a basis for cost estimation. President Kirchner asked if they used the city pumps, and Chief Mason answered that they did. President Kirchner then asked Larry if they could then split out the usage by the Fire Department. Larry said that the city has the ability to pull fuel quantity by department.

[Discussion of vehicle fueling procedures]

President Kirchner said it was important to understand how much fuel was being used so it could be better understood how price fluctuations would affect the fire department budget. Chief Mason said he could compile a fuel usage history report.

President Kirchner turned discussions to the Fire/Emergency Ambulance Fund -535. He noted that the property tax line was increased. Auditor David Hollingsworth said that the county provides that number and suggested it was perhaps due to collections of delinquent taxes.

President Kirchner asked what the lease payments were for in the fund. Chief Mason explained that it was for grass trucks that are being purchased over a 10-year period.

Councilman Stuckert asked about the reduction in the equipment maintenance line. Chief Mason explained the differences between expenditures that were needed in 2012 that are not anticipated in 2013.

President Kirchner asked if the city knows why we are paying \$427 in taxes in the Fire Budget. Mary Kay Vance said that it was property tax on one of the Fire Department properties. President Kirchner asked if it was for municipal use, why would be paying that line item. Mary Kay Vance said that it was the same answer as she had given before. All city properties have been analyzed for exemptions, but there were still items, such as the street lighting assessment, that the city is still responsible for paying.

President Kirchner reiterated that Chief Mason would be getting back with him for more detail on the 2012 overtime, holiday pay, and sick leave buyback so he could understand that number better. He also said that Chief Mason was to provide him with the gallon utilization so he could keep track of the commodity cost.

President Kirchner Harry to given an overview of the 2012 and 2013 Wastewater Department budget.

Harry McVey said that there were some changes in the 2012 budget. He said that it took so long to get approval to do the sewer maintenance contracts that he was not able to do the amount of work anticipated this year. He said they still were going to spend \$80,000 this year, but there would be money left in the line. He said there would also be money left over in sludge removal. He also pointed out that there would be money left in the utility line.

When President Kirchner asked if the money Total Baking Solutions pays for utilities goes into the General Fund or the Sewer Fund, Harry McVey answered that it was the Sewer Fund.

Councilman Jaehnig asked about savings realized with the installation of the solar panels. Harry McVey said that between \$5000 and \$6000 in energy was produced, which was close to the predicted amount.

[Discussion of solar panels]

President Kirchner asked if the reimbursement utility line covered all of the costs associated with the Total Baking Solutions building, and Harry McVey said that it would.

When Councilman Wallace asked if the purchase of the Textron building was all done through Sewer Fund and asked if that was the reason the utility and lease payments from Total Baking Solutions were all being routed through the Sewer Fund, Harry McVey said that it was.

[Discussion of the Textron building and Sewer Fund]

President Kirchner noted that the Sewer Fund collections were on target for this year.

Councilman Stuckert asked if there would be an impact on the fund if they raised the water rates. President Kirchner said that it would not impact the fund because it was a charge per amount of effluent that goes through the system. He said they would be having meetings to discuss both the water rates and the sewer rates.

Harry McVey said that the increases in the 2013 budgets included a rise in insurance rates. He said that they also have an administration cost in their budget that they have not had before. He clarified that he did not disagree with paying it, but this was the first time and it was \$50,000. He also said the liability insurance was a new item at \$103,922. He said the other item that stands out is an increase in capital equipment of \$61,500. The department needs to replace the camera van because their current one is a 1997 and is in pretty bad shape. They will buy a \$15,000 used van for that. The sewer crew leader truck has 144,000 miles and is a 1998; he would like to replace it with a utility bed truck because it would be more useful out on the job, the cost of which is estimated at \$45,000. He said the sewer eel is a 1974 and they can replace that for \$6500. He said they have had it repaired but it really needs to be replaced.

Councilman Jaehnig asked about the 50% increase in the benefit insurance.

Mary Kay Vance explained that in the budget process this time last year, Liz had given the city an increase number of about 28-29%. She explained that council had difficulty with the increase, so they asked that it be budgeted on the actual usage. So the budget line items for 2012 used a simple average from the previous year to come up with a number. She said that this added to the increase now because this year we used the numbers that Liz has given us, like we tried to do the year before. She said the increase in the insurance base was not truly a 22%. It's a 22% increase in the budget from last year to this year overall, but part of the calculation is the fact that we didn't use the numbers that Liz gave us last year because they were so high and council was unhappy with those at that time. She said the insurance fund has enough money in it that we are able to absorb the shortfall in the 2012 budget, but we budgeted in absolute what we know in 2013.

[Further discussion of insurance costs]

Councilman Jaehnig asked if the subject had been broached with Liz regarding going to an 18-month cycle to change the renewal date. Danny Mongold said that he liked the budget on the schedule it is on because it allows us to renew at a time when other don't, which makes it easier to get competitive quotes from carriers. President Kirchner argued that moving it to an October start date still leaves the city in a position where it can get in touch with people for the quotes, but it can have actual numbers in the budget instead of estimates. He said with the deficit situation and the increases in insurance that we have seen, it was important to bring this into a known entity going into the budget season. He further said that we would have to have a discussion on insurance because it is a very large expenditure for the city. He said he thought an 18-month contract was important to implement this year, so it would carry forward until October 2014.

Auditor David Hollingsworth explained that if we remain self-funded, no matter what we budget in, the actual amount spent will always be dependent on how good or bad the claims year is. He said the only way to really know what your insurance costs are going to be is if you go out and pay a premium. He said the downside is there is no way to recover that premium if you have a good claims year. He said unless we go to an insurance premium, there is no way really to know what amount is going to be; it will always be an estimate.

Councilman McKay reminded the council members that the insurance would be discussed at a later date.

Councilman Wells asked if the taxes in the Wastewater Department were high because of the taxes on the Randall building. Harry McVey said that right now it is reflecting everything but Brenda is working on getting that taken care of.

[Discussion of the taxes on the Textron building]

Councilman Siebenaller asked Harry McVey if anticipated any further expenses and asked how he figured his fuel estimate. Harry McVey said he figured it based off of past expenditures but he figured in an increase of about 10%.

Mayor Riley said that he did not see a problem with estimating the gasoline budget based upon past expenditures. He said if gas goes up 25 cents a gallon, you can anticipate an increase in budget. He said if it goes up to \$5.00, then we've all missed the estimation. He said budgets are just an estimate.

President Kirchner asked what kind of fuel the vehicles used.

[Discussion of types of fuel used in vehicles]

President Kirchner asked for the gallon usage so that as the gas price changes we can estimate what that will do with the budget. Harry McVey said he would get that for council.

Councilman Wallace asked if the Sewer Department charges other departments when they help them with projects. He asked if the fuel costs could be for use in other departments. Harry McVey said that he did not charge other departments and that the fuel used could sometimes be for work that his crews do for other departments.

[General discussion of sewer budget]

Councilman Jaehnig asked if there was a change in the mix of family versus single plans that could be affecting the increase in the insurance line. Auditor David Hollingsworth offered that for a family plan, the city pays between \$19,000 and \$20,000 into the insurance fund, and for a single, it pays about \$7800. Mary Kay Vance added that the majority of the employees in the Wastewater Department are on a family plan.

[General discussion of insurance]

Mary Kay Vance said that with all of the changes in the healthcare system, it is difficult to predict what will happen.

Councilman Wells asked if the Wastewater Department had to do any work on the lift stations.

Harry McVey said that they have to maintain them, but it doesn't take a lot of manpower. He said that they have to repair them but did not foresee replacing them.

Councilman Siebenaller said he noticed the Flood Maintenance line was \$10,000 lower. Harry McVey explained that they had to do a study for ODNR that was basically a one-time cost.

Councilman Wells asked about the Stormwater Program and whether there were changes with the EPA. Harry McVey said that so far the EPA was happy with the plan that was submitted. Councilman Wells said he heard that Oakwood has a charge on the citizens for it. Harry McVey confirmed that most jurisdictions do charge an extra fee to implement the program, but right now Wilmington is taking it out of the Sewer Fund. He said that when a study was done, Wilmington was the only one financing it in this way.

Most other communities have an assessment and either draw it out of a separate fund or out of their General Fund. He said it was between \$3 and \$6 per month charge.

[Discussion of assessments to pay for stormwater program]

Mayor Riley said that he was in a Tree Commission meeting and found out that many villages use their stormwater assessments to pay for Tree Commissions because the plantings that stabilize the soil. He went on to say that we do not fund our Tree Commission.

Councilman Wallace said that when you look at our utility rates as a whole and the services we provide, Wilmington looks pretty good.

Mayor Riley said he was proud of the fact a million dollars was cut from last year's budget to this year's budget and it has been done so far without talking about increasing fees to the citizens or the businesses. He said he did not think that was too bad for the first year. He said the administration would continue to look at ways to increase revenues and decrease expenses.

Harry McVey talked in detail about wastewater treatment processes in the future and how EPA regulations may increase treatment costs. He said that we have 72 miles of system and have done rehab on 4 miles. He said there are parts of the system that are very old and need work done.

[Discussion of the sewer system in the city]

President Kirchner asked if there was anything left to be paid on the Nelson Avenue project as he noticed that it had been zeroed out in the 2013 budget. Harry McVey said he thought it was done, but there is a possibility that we held 10% on the job and the contractor could request it in 2013. Mary Kay Vance said that it could be carried forward.

President Kirchner asked if the CORF was completed. Andrea Tacoronte said there was approximately \$300,000 left to spend to cover the CP costs involved in closing the project down. Mary Kay Vance further explained that those numbers came in after the worksheet was prepared, but it would not come out of Wastewater's operating fund. Anything paid for CORF expenses would be drawn from the state.

President Kirchner noted that there were \$350,000 planned expenditures in 2012 that we will not have in 2013, but there was only a reduction of \$259,000 in the budget. He noted that expenses have been moved from the General Fund to the Sewer Fund.

[Discussion of sewer repairs and maintenance scheduled for the upcoming year]

President Kirchner asked if the Wastewater Department could wait for a year or so to replace any of the capital items. Harry McVey said that he could, but they are in very bad shape and he will have to piece them together to make it run. He said if council says that he can't purchase them, he will make do, but he is concerned that he will reach a point where everything is breaking down and it will cost even more money to replace essential items because they will have to be all done at once.

President Kirchner said it was something to be considered when looking at rates. He said that the extra expenses being carried by the Sewer Fund could affect the rates.

President Kirchner said that he thought that they had gotten a first look at all of the outlying funds, with the exception of the Parks. He said the Parks is their own revenue, so they don't need to see that.

Councilman Jaehnig asked if they had anything from the Parks. Mary Kay Vance said that she had the Parks budget in the ordinance that will be reviewed. Councilman Jaehnig stated that there was no General Fund component, so council did not need to

look at it. Mary Kay Vance verified that the Parks Department was not requesting money from the General Fund. She said that the Parks Board had already approved their budget.

President Kirchner said the next major portion of the budget was the general administration, which would not include the courts. He said that first he thought there were a couple of things that needed to be discussed. They need to look at the approach moving forward to complete legislation for a budget. With just having an initial look at the numbers, they should give direction to the auditor's office on what was expected. He went on to say that he personally had shared with the Auditor's office that council might want to do a three-month budget. He said because of the carryover and the other issues, he did not know if we would have a budget with which everyone would be happy. He also said there were big numbers in the benefit line item that are in question. He said council needed to decide if they want to pass a 12-month budget or if they want to look at a 3-month budget, so they could continue to refine the process - especially as it concerns the insurance line item. He said that his thoughts for council were that until you get to the end of the year, you don't know your carryover, your reverse appropriated amounts, and your true General Fund balance. He said that 12-month budget was based on assumptions. He said one of the largest expenditures the city sees is benefit costs, which is a number that will not be known definitely until the renewal time for the employees' insurance.

Councilman Wallace said Council had a similar discussion last year when they talked about passing a 3-month budget. With respect with Mary Kay and David's situation, the council has found that when we get into March or April, they can't really answer any more questions at that time than they can now. He said that with a commitment to work on improving things, we get farther into the year start to get reports in during June and July that we are having success. He said that he thought council was just as well off saying that this is our annual budget and we're going to keep a close look at it and adjust as time goes on.

Councilman Jaehnig said that he agreed with Councilman Wallace. He said that in the budgetary process last year, the mayor stated that the budget at the beginning of the year was not what it would be at the end. He said that if we had gotten to the end of this year and had not seen great improvements, then he would agree. He said at this point, with the hard work of the department heads, the Auditor's office, and the administration, he believed out of respect we should continue to move forward with the 12-month budget. He said that they put together a budget that met the requirement that council had put on them and we should continue to look at the expenditures on a regular basis. Councilman Jaehnig stated that he was concerned that it was November 17 and this was the first time he had heard that council was considering a 3-month budget. He said that President Kirchner used the term "council may be interested." He said that council has not had a discussion about it at all. He said that maybe President Kirchner was interested, but council has not had that discussion. He reiterated that he was concerned that it was coming up at this point in the process. He also said again that the administration had done exactly what council had asked them to do when laying out a budget and had done what had been asked them throughout the year in terms of cutting costs. He said that he was not in favor of a three-month budget at all because we lose too much time and too much focus on doing the city business. He said it also does not help at all toward economic development.

Councilman Stuckert said he had had looked at a lot of city budgets and the three-month concept is not unusual. He said that we don't know what the carryover is going to be until after January 1. He said that there were certain things that were critical that they would know at the end of the quarter. He said he is not sure of what was major that they would not know. He said from his experience in the past year and a half, with everything as tight as it is, he still sees value in looking at a 3-month budget. He said that in his conversations with the President of Council, he had been advocating it all year long.

Councilman Jaehnig said that was fine, but council did not ask for a three-month budget. He said it's not as simple as dividing the total budget by four; it is much more complicated. He went on to say that if it was something that council wanted to consider, they should have mentioned it before the 17th of November.

President Kirchner responded that he asked those details from the Auditor. Councilman Jaehnig retorted that the President of Council had had no discussion with the council members.

President Kirchner said he told the Auditor's office take a look at any of the spending line items that are one-time costs that are in the first quarter. He said that last year there were a number of people who wanted a three-month budget and there had been mention of it. He said that in preparation for the opportunity to have the conversation, he had put the request out to the Auditor's office to look at the budget with that thought in mind. He went on to say that the objection to the November 17 was not valid.

Councilman Jaehnig said that he did not say it was too late, but he thought that the subject could have been broached with council at an earlier date. President Kirchner retorted that the budget could have been brought forward at an earlier date. He said that if we had the discussion two months ago, we would have had more time to work on the budget in the fall.

Auditor David Hollingsworth said that it is a catch-22 situation. He said the earlier you work on it, the less information you have as far as where you are going to end up in the current year. He said that he thought this was about the earliest they have ever been done in terms of providing figures. He went on to say that President Kirchner had absolutely no clue the amount of time it takes to put it together. He said he realizes he chose to run for the Office of Auditor, but you would not believe the number of hours he had logged in order to try to provide council with all of the information that they want to work with. He said there seems to always be something more. He said you go to all of the trouble to prepare the information, which, quite honestly, very few people even really understand, and you feel like it has been done in vain.

Councilman Mead said he would like to speak in favor of a three-month budget. He said the Auditor just explained that we don't have the numbers from the previous year until the end of the year. He said also the mayor indicated that what we have here is not what we will end up with. We will know more in the three months what things will be. He said that as far as not knowing that it was coming up, he thinks whenever it came up, it would be a surprise. He said that in terms of the effort to put it together, a lot of the work has already been done with the worksheets that were already prepared. He said he appreciated the information and the effort the Auditor had already put in. He added that maybe Randy will have more of his plans together by then. He also said that if we don't balance the budget to the income, we will have problems later. He said that we just need a plan; no one is explaining how they are going to get to the point of balancing expenditures to revenue and he would like to see that plan.

Councilman McKay suggested that Councilman Mead, as Chairman of Finance, get together with his committee and come up with a plan. Councilman Mead said his plan was to balance the budget this year.

Councilman McKay asked Councilman Mead to present a different budget if he was not happy with what was in front of him. Councilman Mead said he asked for a balanced budget. Councilman Jaehnig stated that what was asked for was a 25% carryover, which is what was presented.

Councilman Mead said that the mayor had explained to them many times that it was not council's prerogative to pick and choose who gets hired and fired, what job they do, how much they get paid. He said that is not the job of council. He said the job was to approve or disapprove what has been presented. He said it was not council's job to make the budget.

Councilman McKay said that he agreed with Councilman Jaehnig and Councilman Wallace that a great deal of thought had gone into the budget and that Auditor David Hollingsworth had done a yeoman's job. He said that it seemed like some members of council have a need to knock things down at the end of the year and not go forward in a

positive way. He said that council was sending out a signal that we are not together and it is disheartening.

Councilman Mead said that we are not together. He said it was obvious.

Councilman McKay said that he thought the administration had done an excellent job. He questioned Councilman Mead whether if the budget presented at the end of the first quarter was not balanced, then would that not be approved either. Councilman Mead said that he would feel more comfortable if they were given a plan of how they were going to get there.

Councilman Siebenaller said that was also his main concern. He said that he does not think that there was anyone questioning the effort that went into the budget and said that the million dollar reduction was outstanding and the 25% carryover that they asked for had been met. He said that he is extremely pleased with that and impressed that they were able to get to that mark. He went on to say that the \$800,000 that we had in the estate tax was what allowed the budget deficit to be \$600,000. If you take that away next year, it would be a \$1.4 million deficit. He said his main concern was a budget that was balanced to revenue next year and wondered how we were going to get there. He said if a three-month budget helps council plan with the insurance costs, then he would be in favor of it. He said his question is how to best manage everything so that we don't go from \$600,000 this year to \$1.4 million next year and be able to balance to revenue.

Councilman Wallace said as he understands the budgeting process, you can't divide it by one-fourth. He said also you might be in a deficit the first quarter and gain a million in the fourth quarter. He said that the budget in front of council was a reasonable budget and was what council had asked for. He said that if we want to go for a balanced budget, then council should put the task to the mayor to come up with a gradual scale of what the carryover should be. He said next year they should do a larger carryover and something to shoot for so we can head in the right direction. He reiterated that the three-month budget would be hard.

President Kirchner said that the three-month budget would be divided by four in many of line items. He said that it would allow council to know exactly what the carryover would be. He said the other discussion that council needs to have was whether or not the goal was to manage the carryover or was it to balance the budget. He said that when he ran his goal was to balance the budget to revenue. He said that he is committed to structural change. He said he was not at the meeting where the carryover was discussed, so he went back and read the minutes. He said that at that meeting, the minimum carryover that council wanted to see was 25%, not the only carryover. He said there was more analysis to do. He said that and refining the budget once they firm year-end numbers, get the benefit numbers and any other additional savings is how council should do the job of trying to balance the budget. He said that council has gotten too used to deficit spending and they needed to do something structurally to change the operating costs of the city. He said that everyone hopes for economic development, but a balance budget is what needs to be achieved.

Councilman Wallace said he did not agree with what President Kirchner was saying, the problem is it not realistic. He said if we go to a completely balanced budget, there is no way the city can do any capital improvement on anything in the city. He said you probably are going to do less than that. He said that the fact that we spent 20 years getting into this, you can't just reverse it in a couple of months. It takes time.

President Kirchner said that for the past four years, the council has been saying you can't do it overnight, let's take some time to fix it.

Councilman Wallace retorted that council has been working on it for the past years. He said two or three years ago, it was trimmed by a million dollars. He said it was trimmed by a million dollar last year. He said that we are getting there in a progressive fashion, but we would not get there overnight. He said, you might as well call everyone in and tell them that their budgets are scrap.

Mayor Riley said a budget is a target. He said he was given a target of \$9.3 million, and had said that would not be the budget that we would end with. He pointed out that the budget starting 2013 has been projected at \$8.3 million, so a million dollars had been cut out. He also point out that there was a 25% carryover, which is exactly what council approved unanimously. He went on to say that the budget that they start 2013 off with is not the budget they will end with. He says he does not know what is going to happen, but you don't budget hope. He said you also don't budget despair. He said the task he gave to his supervisors was to cut everything they can, and they have done a good job. He said that if next year the budget is \$7.8 million, he hopes to be closer to that next year than we are this year. He said he never stated to anyone while he was running for election that he would balance the budget to revenue in the first year, because he did not know what we would be able to do. He went on to say that he thought the city had done a really good job at containing the budget. He said he was proud of the employees who are still working years later without any raise at all. He said that the administration is talking about taking more money away from the employees by increasing their benefit costs. He said that he did not want to balance the budget on the backs of the employees or at the expense of depriving the citizens of vital services. He said they would continue to work the process over time. He said it comes down to a level of trust. He asked council if they trusted that he would work as hard as he could to continue to bring the budget in line and that we could work together to make that happen. He said he had been in conversations with people at the State Auditor's office to do performance audits of every position in the City of Wilmington. He said they would look at everything and give us best practices on how to manage the city. He said that he looked forward to having them come in. He went on to explain that the payments to pay for the program would not begin until after changes had been implemented and cost savings had started. He said he was working very hard to make things better, but he cannot guarantee anything because no one knows what is going to happen in the future.

Councilman Stuckert said that his desire for a 3-month budget had less to do with a lack of trust than it does with a sense of obligation as a councilmember to his constituency. He asked what the relationship of the \$800,000 in inheritance tax in the budget for this year. Auditor David Hollingsworth said the inheritance tax ends at the end of this year. Councilman Stuckert said that the \$800,000 added to this year's carryover. President Kirchner offered to answer the question. He said the \$800,000 that came in would be part of the 2013 beginning cash balance. He said if we had not gotten the \$843,000, that carryover number would be closer to \$2 million.

Councilman Stuckert said that there was also an excess of \$200,000 that had been moved from General Fund to the Enterprise Funds in liability insurance. President Kirchner said it lowers the General Fund balance. Auditor David Hollingsworth said that he wanted to get that issue straight. He explained that the city had talked about doing it for years. He said it makes just as much sense for the Enterprise Funds to pay for their liability insurance as it does for them to pay for their salaries.

Councilman Stuckert said that he was not criticizing transferring the liability to the Enterprise Funds; he was just trying to understand how it impacts the budget. He said that means that is \$200,000 that cannot be counted as a million dollars of reduction because we still have the costs.

Mayor Riley said that he thinks whenever you're working with a million dollar budget, there are always going to be unexpected revenues and expenses that come up during the year and you work within those demands. He said the point is to ask what is the end result. He went on to say that the end result this year is one million dollars less in anticipated budget for 2013 than we were looking at a year ago. He said his commitment is that we were not going to rest on \$8.3 million but are going to continue to carve away at the budget. He said that his commitment to Bob and the rest of the committee back in September was that he likes the 25% carryover and he finds it mandatory. He said we need to continue to work toward that. He said that everything that was done this year was done without layoffs and without firing anyone and without major changes to the services that the people of the community deserve. He said that was his goal.

Councilman Jaehnig announced that he had to leave the meeting because of a prior commitment. He apologized for leaving in the middle of a discussion.

Councilman McKay said that there were differences of opinion that were not going to be solved today.

President Kirchner said that it was important to notify the Auditor's office of what to prepare. He said wanted council to be at a consensus.

Councilman McKay asked if council needed to meet again.

President Kirchner said there was not nearly enough time to go through the general administration budget. He brought up the possibility of meeting on Saturday, December 1.

[Discussion of meeting times]

Service Director Reinsmith asked if a meeting could be held during the day during the week.

President Kirchner said that it was not tenable because there are two teachers on council and he works in Blue Ash.

Service Director Reinsmith said that he has sat in two Saturday mornings and has not been able to say one word and now is being asked to give up another Saturday morning. He suggested council come in during the day when all of the superintendents are available.

President Kirchner said that the reason they could not come in was because they were working individuals who do council on a part-time basis. He said the Service Director gets a full-time salary from the City to be there during the day. He said he gets a full-time salary to work for somebody else and needs to be there during the day.

Paul Fear pointed out that councilmembers also gets a salary.

Service Director Reinsmith said it was not about the money. Time is important and Saturdays are important.

Councilman McKay asked if it could be an evening and if it could be held to two hours.

A special council meeting was set for Thursday, November 29, 2012 at 6 p.m.

President Kirchner said that one of the major items that should be considered is the 22-38.5% increase in insurance costs. He said the one thing about having a 3-month budget and then updating the full-year budget is the actual number going into that line item. He said the idea of benefits and the cost of them are something that council is going to have to visit with the administration because that individual expenditure is the largest single item cost the city has besides salary.

Councilman McKay pointed out that the mayor had said he was already looking at that.

President Kirchner said there were many things about it to look at. He went on to say that the employees had been without raises for four years. He said until there was a balanced budget, there was no hope of being able to give raises or cost of living increases.

Andrea Tacoronte said that from an employee standpoint it sounded like council was shooting for a three-month budget simply because that is when the benefits are revisited. She said that it sounded like somewhere in the plan, whether it or not it was being spoken out loud or not, the council was thinking they could balance the budget on the backs of the employees by changing either how much is contributed to the benefit

package or something else with the insurance plan. She asked if that was what was happening and stated that she just wanted to know.

President Kirchner answered no and said that we have currently only have estimates of what the insurance costs.

Andrea Tacoronte said she understood that. She went on to say that council had to have something in mind that makes them think having insurance figures would get them to a place where they could balance the budget – that they could make up the \$700,000 deficit by changing the benefits. She asked if that was what they were saying.

President Kirchner said it was not what they were saying. He said that we currently have estimates between 22 and 38.5% increases in the benefit line item. He said when we get to the renewal point, we will have actual costs. He said that is what he said and that he didn't mention anything about that being a direction to change benefits.

Andrea Tacoronte asked how else they were planning to get to the \$700,000 that council wishes to cut out of next year's budget. She suggested that the council members had a plan in their minds and asked what it was about the three-month timeframe that will give council the ability to balance the budget.

Councilman Stuckert told Andrea that what she was looking for was what they were looking for – the plan. He said the plan was not to hurt employees. He said a day will come when we would not be able to have the debate because the cut will be made by state law. He said there would be a day in the not-so-distant future if everything continues as it is continuing now where the council will not be having this discussion. He said it would be only a discussion of what they would cut. He said there would be no carryover. He said council is trying to figure out what the plan is going to be, which would include everything in the city, employees included. He said the unspoken thing is that history tells us that if we wait until we hit that line, we won't be worrying about the backs of employees – they will be out of a job – period.

Andrea Tacoronte said that she just did not see how they were going to reach their goal by next year without changing employee benefits.

Councilman Stuckert said they are talking about an ongoing process. He said they cannot do anything as a council right now that is going to chop \$700,000. He said there is no plan and that council does not have a plan. He said they could pass something...

Andrea Tacoronte asked if by March they would be able to cut the \$700,000. Councilman Stuckert said no.

President Kirchner answered that they have an estimate that ranges between \$400,000 and \$700,000 in increases in insurance. He said they do not have real numbers, but the budget is built on estimates. He said they are talking about an estimated number that begins to approach the \$700,000 difference and they do not know what it is. He said in order to implement a new insurance program on April 1, council will have to have those final numbers and a contract available beginning in March or earlier. He asked Danny if that was correct.

Danny Mongold said they start negotiations in January and February.

President Kirchner said the idea was to understand what the number really is. He said he had not mentioned anything about cutting. He said one thing that needed to be understood is that if council actually sees the \$400,000 to \$700,000 increase in benefit costs when we are still in deficit spending, they have to ask questions about how they can better control the number. He said that she should not hear anything in there that is not there. He said there may be other options from an insurance standpoint that give better value while still providing effective benefits to the employees. He said that she was not hearing him say that employees would balance the budget completely out, but he said we would have to look at the cost-sharing agreement and understand if it is comparable to peer cities and other entities. He said the question would need to be asked

whether we pay more or less as employees and as a city than other entities. He suggested there could be buying pools for group insurance.

Andrea Tacoronte said that what she heard him saying was he wanted a three- month budget so that it can be revisited in March and that the budget needs to be a balanced budget. She asked if that was correct. She said the reason given for not passing a full- year budget was because the current budget does not have equal revenue to spending. She said that would indicate that in March, when the budget is redone, council plans on having equal revenue to spending.

President Kirchner said the goal is always to balance the budget; however, the question of whether or not it could be done in March is not one that they can answer until then. President Kirchner reiterated that council would not know what the actual carryover will be until December 31, 2012. President Kirchner said secondly we have estimates now on insurance costs that are between \$400,000 and \$700,000 more than the current year. He said by the end of February, we would have actual numbers and they would not be estimates. He said we would be able to look at the claims history and insurance companies could bid based on real numbers. He said that Liz does the best job she can on giving numbers, but she has to be conservative. He said there were major numbers that were needed to understand how close they were to a balanced budget and whether or not they could get closer to a balanced budget. He said he also thought council needed to see an evaluation of the costs. He said they had a number of things they needed to take a look at in terms of the reductions in the budget as they have been presented at a million dollars, and understand whether or not there are other things they can do to get it lower.

Andrea Tacoronte said she was just communicating to them concerns from an employee's standpoint. President Kirchner said that he appreciated that.

Councilman Siebenaller said that if everything goes as planned and they hit the 25% carryover and do a three- month budget, at the end of the three-month when they are looking at the final three-quarters of 2013, they would be working on hard numbers rather than estimates and it would give a clearer target on what they would need to do for the rest of the year to come up with a 2014 budget that is balanced.

Auditor David Hollingsworth said that the way the insurance is structured, it is always going to be an estimate, because we are self-insured and you do not know what claims you are going to have. He said they still will not have hard numbers.

President Kirchner said that by knowing maximum exposure to the city, you can put the amount in to cover the liability. He said that what is actually going to be can change based on the claims year.

Councilman Wallace said that he did not see a difference between today and March.

President Kirchner said the difference is we will have an actual number instead of an estimate.

Councilman Wallace pointed out that President Kirchner had just said it was an estimate, even if we have the maximum liability number.

President Kirchner said that we did not know what the maximum liability number would be. He said that the maximum liability number, though, was still an estimate.

Mary Kay Vance said if they passed a one-year budget and then wanted to micro- manage the insurance process, they could do that by making a negative supplemental to that line item and put it where you want. She said they seemed to be focused solely on the insurance and if they put a number in there today, they have the right to come back in and do a reverse appropriation in the line items to put it in line when the number comes in.

President Kirchner said we always have the ability to do a reverse appropriation. He said the difference is whether or not they budget with the best information available or not.

He said there was also an issue with the question of monies that have gone in with the employee portions and what can be reverse-appropriated. He said the question was do they want to get to the end of the year and know exactly what the carryover is and get into January and February and know what the maximum liability is or not.

Mary Kay Vance maintained that it accomplishes the same thing.

President Kirchner said then that the three-month budget accomplishes the same thing and asked if there was a problem with it.

Paul Fear said it was a waste of time.

President Kirchner said he did not think so from a council standpoint as long as they are in deficit spending.

Paul Fear said that he did not know how long the teachers have done budgets or how many budgets they had ever seen, but he had been doing budgets since 1982. He said he also knew what kind of time crunch the Auditor would be in during tax time, which would be the time that the three-month budget would need to be put together. He said that the Assistant Auditor would be also doing end-of-year numbers for the State at that time. He said the constraint that they would be putting those departments under is a waste of time. He said if they find out that the estimate now is different than the estimate in three months, you reverse-appropriate. He said he sympathized with Andrea. He asked if council finds that the number for insurance benefits is more than what was expected in March, are you going to ask the employees to pay more or are you going to cut some other department out to balance the budget. He asked what they would be accomplishing by knowing what your estimate is then. He said the other down side of it is the revenue stream. He said you can't know anything revenue-wise in three months. He said if they didn't like the fact that there was a \$700,000 deficit after the mayor had reduced the budget by \$1,000,000, then adjust it now to be happy with it. He said a budget is a budget, and you can always change it in three months. He said that they would not get anything in 90 days that they don't have now, and the time that you are going to commit the Auditor and the Deputy Auditor to in order to revisit the budget in 3 months is a waste of time.

Mayor Riley said that he could not agree more. He said that he had heard nothing in the discussions that they had had in the past three weeks that has led to changing anything about the budget in the way it was presented. He said it is just a guideline – a target. He said it would not be the budget they end up with by the end of the year. He said he agreed with Paul.

Paul Fear said that there are some cities with actual crisis problems because of the lack of inheritance tax. He said that we may get a few hundred thousand from people that have passed recently, we may get casino funds, we may get a change in our Local Government Funds budget because of the county, we may bring out of judiciary committee the fee for games of skill that has been sitting in committee for six months. Paul Fear asked if council thought there were going to be revenue issues in the next 90 days that are going to help balance the budget more. He said either approve or don't approve whatever the proposed budget is – but just do it now. Do not wait for 90 days.

Mayor Riley said that they prepared the budget on the very best information available. He said that if things change, they can change the budget. It is written on paper, it is not carved in stone.

President Kirchner said with the electronic nature of the document, he thinks that creating the three-month budget is just a matter of editing.

Councilman McKay made a motion to adjourn.

Councilman Mead asked to make a comment.

President Kirchner said he had a motion with a lack of second, so the motion to adjourn dies. Paul Fear said you don't need a second on a motion to adjourn.

Councilman Mead said he was going to say his piece anyway. He said that everyone has different views, but we are not that far apart. He said everyone is trying to do the best thing for the city. He said we should keep that in mind and that we should not get too worked up or angry about how things are going. He said we're not that far apart and we should all stick together to get things done.

President Kirchner declared the meeting adjourned.
Council adjourned.

ATTEST:

President of Council

Clerk