

Wilmington City Council met in special session on Thursday, November 29, 2012, with President Scott Kirchner presiding.

Call to Order

Roll Call: Jaehnig, absent; Wells, present; Stuckert, present; Wallace, present; Mead, present; Siebenaller, absent (arrived at 6:21 p.m.); McKay, present.

Chief Weyand was also present.

A motion was made by Mead and seconded by McKay to excuse the absent members. Motion passed.

Absent members excused.

President Kirchner said the only item on the agenda was the budget discussion and announced that Councilman Mead had asked him to facilitate the discussion.

Finance Committee – President Kirchner said that they would be talking about the general administration portion of the budget.

Mayor Riley read a prepared statement. He said first he would like to repeat some of the comments he made last year.

Any budget, whether it's a hospital budget, county budget or city budget, is merely a series of numbers on a piece of paper. Budget numbers are not carved into stone; they are written on paper. These numbers can change; they will change. The budget of any service-related organization is, by necessity, a fluid document, rising and falling, contracting and expanding. I know this because I have been responsible for the development, approval and implementation of these types of budgets for over 35 years. This is why I can assure you, just as I did last year, the budget we start with on January 1 is not the budget we will have at the end of the year. It has been said that we need a plan. This budget is a plan, but bear in mind with current recession and the local economic problems we have, our plan will change. Our plan will evolve as the year progresses. This is the commitment that I made in 2013 and it is the same commitment I made last year. I commit to work on this budget all year long. My goal this year will be to continue the work we started on January 1, 2012 – that is to reduce our expenses, increase our revenue, and to continue to work toward the goal of balancing our budget to our revenue. Not only do I know that we can do this, but I know we must do this. I have never promised when I would balance the budget to revenue, but I have promised that I would work tirelessly to achieve that goal. We have made tremendous progress toward that goal this year. The budget that our Auditor presented to council on November 1 was the result of hours and hours of hard work by the Auditor's office, this administration, and every department head and supervisor in the city. ...to arrive at the \$8.3 million 2013 budget. The carryover in the budget presented is 26.3%. When this budget was presented, every member of council thanked us for our hard work and complimented us on the cuts that we made and for achieving the 25% carryover that you unanimously requested on September 6. Since then, we have had several hours of discussion with various department heads about the 2013 budget. Now the president and some members of council want to start over and begin consideration of a three-month budget. I am adamantly opposed to this idea. There is no reason why we should kick the can down the road for another three months when we have a budget ready. I know that Mr. Stuckert has stated that he has numerous examples of where cities have passed three-month budgets. I have searched the literature and the internet and could not find those references. I have found examples where the city administration has proposed a three-month budget to city council, but never have I found an example where city council has proposed a short-term or three-month budget to themselves. The job of the mayor and the administration of a city is to

prepare and present a viable 12-month budget to council. We have done that. We have trimmed \$1 million off of the previous budget and maintained the 25% carryover requested by this council. That is our job. We have accomplished our job. The job of city council, as you are well aware, is not to prepare the budget. It is to approve and pass a budget. Certainly your approval should only come after careful consideration, discussion, questions, answers, and adjustments or modifications, but it is not council's job or responsibility to originate a budget or completely reinvent a budget. Just so there is no misunderstanding, my commitment, as I will work on this city budget all year long, my goal each year is to reduce expenses and increase revenue. However, I do not support a three-month interim budget. In fact, if this council develops and passes a three-month budget, I will veto it. I know there are questions about the year-end carryover. I know there are questions about costs of employee benefits. Those questions will never go away, but our job is to prepare and pass a city budget and have a viable working document to begin 2013. Again, I have committed to work with the budget throughout the year, to further increase our revenues and contain expenses. I am committed to doing that. But be advised, I am also committed to vetoing any three-month budget that is passed by this council.

Mayor Riley asked if they would like to start working on discussion.

President Kirchner asked if council would like to respond.

Councilman Stuckert said he kept hearing about a million dollars in cuts. He said that when he thinks of cuts, he thinks of something that was there, but now it is totally gone. He said in his examination of the budget it looks like the cuts are substantially made up of funds that have been moved out of the General Fund and into Enterprise Fund. He asked if that was being counted as cuts.

Mayor Riley said that the budget that was passed a year ago was \$9.3 million. The budget that David proposed on November 1 was \$8.3 million. He said that is a million dollars less in the General Fund than it was a year ago.

Councilman Stuckert asked where the million dollars went.

Mayor Riley said that it came from some significant cuts that we have made throughout the year in personnel, not rehiring, maintaining the salaries. He said in addition, they have done cost allocation, which is a proper thing to do and should have been done years ago. He said that this cuts amount of money required by the General Fund and it brings us to a 25% carryover as was requested by council.

Councilman Stuckert asked if the mayor could see the difference between cuts and reallocation of funds. Mayor Riley asked Councilman Stuckert if he could see the difference between \$9.3 million and \$8.3 million. Councilman Stuckert said absolutely, but he said it is not a million dollar cut if \$800,000 of it is a reallocation from the General Fund to other funds. He said he is concerned that reallocating money to enterprise funds will cause the city to raise water rates. He characterized it as a backdoor tax that the citizens cannot vote on. He said he wanted to know how much of the million dollars was costs that went away and how much was reallocation of funds. Mayor Riley said that cost allocation is standard practice throughout government.

[Discussion budget cut versus cost allocation]

Mayor Riley reiterated that the General Fund budget was a million dollars less than it was the year before. Councilman Stuckert said that was not good enough for at least four of the council members and added that it was not acceptable. He said he wanted to know how much was allocated and how much was cut.

Mary Kay Vance explained that the council members had all of the figures in front of them. She said that a cost allocation and a cut in the budget achieve the same goal. Councilman Stuckert said that it did not achieve the same goal because the goal was

revenue balanced with spending. Mary Kay Vance said the goal was to create a benchmark carryover in the General Fund. Councilman Stuckert said he agreed with that part of it but said he did not agree on putting pressure on the other funds to raise fees. Mary Kay Vance said there was no indication that that was going to happen.

Mayor Riley said a fee increase was not being requested by the city administration. He said that he had also not said anything about raising the earnings tax. He further explained that were able to do the budget work without passing on the expenses to the citizens of Wilmington.

Councilman Wallace said that they would be discussing bond issues at an upcoming Water Committee meeting. Councilman Stuckert asked if the bond coverage could cause the city to raise rates. Councilman Wallace said it is very close. He said he had a meeting with Mary Kay recently but does not have figures for planning yet. He said if we do fail the bond, nothing changes in 2013. It changes in 2014. He said that the numbers would be okay for 2013.

Councilman McKay asked if there was another way to balance the budget if we did not allocate funds.

[Councilman Siebenaller arrived at 6:21 p.m.]

Councilman Stuckert said that there could be an across-the-board cut. Councilman McKay asked Councilman Stuckert if he agreed with the allocation in principle. Councilman Stuckert said he was not sure. He said he was not ready to say if he agrees or not.

Mayor Riley said that after hours of meetings and fully a month after the budget was presented, out of the blue, in full blossom, came a discussion about a three-month budget. He asked where that came from.

Councilman Stuckert said that it came from 2011 when three council members asked for a three-month budget. He said the conditions are the same.

Mayor Riley asked him to clarify.

Councilman Stuckert said we are in deficit and we don't know how solid our figures are. He said that in addition we have the audit coming up. He said that council was not going to do a three-month budget; council wants the administration to do a three-month budget.

Mayor Riley said that he was not going to do that. He said that he had presented a one-year budget for consideration.

[Discussion of three-month budget]

Mayor Riley said that we were able to fund ourselves for a full year plus we have a carryover to keep us going. He said we are currently funded for 2013 and that we would be working on 2014 during the whole year.

Councilman Stuckert said that this was the fourth year that things have been promised. He said that he did not think that the administration and council were exhibiting the will to take care of the problem before it gets critical.

Mayor Riley said that he disagreed. He said that we had cut a million dollars out of the General Fund budget and were only about a half million dollars away from budgeting to revenue. He said that good progress was being made. He said his goal by 2014 was to budget to revenue and to continue the carryover. He said that passing a three-month budget does nothing to help the situation. He said that the Auditor was adamantly opposed to creating a three-month budget. He said that it was not going to happen.

President Kirchner said that he thought it was important for the mayor to remember that council passes the budget – not the mayor. He said he was very disappointed in the mayor’s complete lack of willingness to work with the council. He said that he sees no problem with the three-month budget. He said the million dollar cut statement was completely inaccurate. He stated that the mayor had moved hundreds of thousands of dollars out of the General Fund to the Enterprise Fund who draw income to the city from the public. He said the budget is about revenue generation in an un-voted manner. He said that calling the reallocations cuts was a complete falsehood.

Mayor Riley said he rejected the criticism completely and totally. He said he was proposing a budget that was one million dollars less from the General Fund than it was last year. He said that there was a 26% carryover. He said he did exactly what the council asked him to do. He said that he was committed to balancing to revenue in the following year and was committed to working with council to do that.

President Kirchner repeated that the reallocations were not cuts and it was putting a burden on funds that were funded through fees to the citizens. He repeated that it had not been done in the past.

Service Director Reinsmith said that it was common sense for the Enterprise Funds to pay for their own liability insurance. He said that it was a business expense and it should have been done years ago. He asked why the General Fund should pay for liability insurance for a backhoe being used by the Water Department. He said if we had done it a long time ago, the General Fund would not be in the condition it is today. He said those are expenses for those departments and they need to be paid by those departments. He said that he did not see any justification for the General Fund to pay for those departments since they generate revenues to exist.

President Kirchner asked how long Larry Reinsmith has been the Service Director. Service Director Reinsmith said he has been with the city a long time, but his job is not to pass the budget. President Kirchner said that Larry Reinsmith had been Service Director for a long time but this was the first time he had advocated for this change. Service Director Reinsmith explained that we were doing many things differently now than we had in the past.

President Kirchner said that the cost allocation drives rates and pulls money from households in the city. He said the budget raises the cost of running the enterprise funds significantly. Mayor Riley said that no one in the administration had suggested raising rates.

[Discussion of water rates]

Councilman Stuckert said that in the Water Budget presentation, it sounded like rates might have to be increased.

Mayor Riley again said that he had presented a budget that was within the parameters that council had asked for. Councilman Stuckert said that was not what they had asked for. He said council had asked for a budget that was balanced revenue to expenditures. Mayor Riley said that is not what they asked for.

Councilman McKay agreed that he had never asked specifically for that. He added that he wished to discuss the budget at hand.

President Kirchner said he had turned the discussion over to the mayor and the mayor was talking about vetoing a three-month budget.

Mayor Riley explained the reason for vetoing a three-month budget is because it would do no good for the citizens of the City of Wilmington. He said that they deserve to have a 12-month blueprint for a budget. He said that way we could move forward and start planning for next year. He said when the budget was presented to council on November 1, everyone congratulated him on it. He said then, unexpectedly, in the last meeting, a three-month budget was requested.

President Kirchner said that he had mentioned the three-month budget before to the mayor and that the mayor had told him that he would veto a balanced budget. Mayor Riley said that was nonsense.

President Kirchner said that before the mayor stopped meeting with him because he talked too much about cuts and a balanced budget. Mayor Riley said the reason that he stopped meeting with President Kirchner was because every time he came in, there was no agenda item. It would end up with President Kirchner telling him that he didn't trust him and he was no better than the previous mayor – insult after insult. He said that he did not find any reason to meet if there was no agenda.

President Kirchner said that was a complete mischaracterization and a disappointing one. Mayor Riley retorted that was exactly what had been said and he didn't need to start his Tuesdays off that way. He said that he told him at their last meeting that if there was a specific agenda item, he would be happy to meet with him. He said further that President Kirchner had not initiated a meeting for a specific purpose since that time.

[Discussion about meetings between President of Council and Mayor]

Councilman McKay asked for the discussions to be returned to the budget.

President Kirchner said the mayor has the floor to discuss the administration budget.

Mayor Riley said he was willing to answer any questions.

President Kirchner asked if there were any improvements the mayor wanted to point out.

Mayor Riley said he thought the numbers spoke for themselves.

President Kirchner pointed out that the benefit insurance line item did not increase.

Mary Kay Vance explained that employees had been lost in the General Fund and were not replaced, so the General Fund was not impacted as greatly by insurance increases. She explained that when the renewal numbers for the insurance were presented last year, council was not happy with using those numbers. They asked for a number based on what the actual usage was; therefore an amount was appropriated for each department that was an average of what had been used in the previous year. She said the previous council knew that the numbers were not even close to the suggested estimate given by the broker. Therefore, the appropriation number used for 2012 budget was underfunded to begin with. It was far less than what was recommended be put in line. She said that this year they were using the actual numbers that Liz has given us for 2013. She further explained that there is not a 22% or 25% increase between the insurance costs between 2012 and 2013. The difference is comprised of a combination of the appropriated number for 2012, which was knowingly underfunded by those doing the budget, plus the recommended number for 2013 provided by Liz.

[Discussion of insurance costs]

Service Director Reinsmith was asked about the increases in Engineering Contracts line. He explained that he no longer has an engineer, which saved \$80,000. He now has to contract his bridge inspection expenses through a contractor. It is also time to redo the zoning maps. He also explained that the building inspector costs are going up because of JUMP hangar construction and other items. He said that permit fees would also be increasing.

Brenda Woods explained that the legal advertising line was increasing slightly because we ran a little short this year. She also explained that the Regional Planning was originally budgeted at \$12,500, which was an error and the remaining had to be paid out of business development expenses. The full amount of \$24,000 is in the 2013 budget.

Mayor Riley pointed out that Downtown Wilmington had been reduced by \$1000 as we reduced the level of the membership with Heritage Ohio.

President Kirchner asked if the income tax refund line was based on a report of averages. Marque Jones said they have never done that in the past and does not think the information would be useful. He said that it would not help to predict what the refunds would be. President Kirchner said the idea was to give a more accurate number. Marque Jones said what he prepared based on what the refunds have been since 1995. He said that only if you could understand the reasons behind the numbers, would the report the President of Council was speaking about be useful. President Kirchner said that he thought they needed to have the most accurate number possible. He said he thought it would be better to get an average of all of the numbers so we had a better number.

President of Council asked what the consultant line services item was in the Treasurer's department. Marque Jones answered that if they could take the funds out of the prosecutor's line item, then they could take it down to zero. He said that it depends on who takes the cases when the Assistant Prosecutor is not there.

Councilman Stuckert asked if property casualty line and the liability insurance line were the same thing. Mary Kay Vance said that they were and when the final budget is put together, there would be one name.

President Kirchner asked about \$3500 under council incidentals. This year's budget has \$4738 in council incidentals. Mary Kay Vance indicated that there must have been open purchase orders from one year to the next. Brenda Woods explained that it was probably for minute and ordinance books which are purchase at the end of the year for the following year.

Brenda Woods explained that they had established a new line called Vehicle Fuel that was now funded for \$2000. She also explained that \$25,000 had been added to the Public Safety Software line. This was not funded initially because it was a Police item and she was not aware of it at the time the first budget was prepared.

Mary Kay Vance noted that the salary line is less than last year because they lost one full-time employee. David asked her to relay to council that they are looking at what they might be able to do to streamline the services in the Auditor's office. She said they were looking at outsourcing payroll or some other things. She said that they do not have anything concrete to add to the budget at this time, but they know they are going to have to address the issue in the office. She said that they will be noncompliant with the State audit because they do not have enough separation of duty as required by them. She said that after the first of the year the process of looking for solutions will continue, so the budget for the Auditor's Office will change.

Mayor Riley added that the person they lost in the Auditor's office was the payroll person. They current personnel will be stretched very thin at the beginning of the year when the office is very busy.

President Kirchner asked if they have an estimate of how much outsourcing payroll would cost. Mary Kay Vance said there is a very wide range and a lot of options, so she could not give a reasonable estimate. She said the goal was certainly to keep the number lower than the amount of a full-time person – in order to be fiscally responsible.

President Kirchner asked if they would know what they were going to do toward the first of the year. Mary Kay Vance said there were many factors involved and they need to study it closely to make the best decision for the city. She said they may not have an amount until the middle of the year. She could not guarantee the time-frame. She said also that the pension fund had also legislated some changes. She said that one of the changes they put in place was they always put paid in at a quarterly basis but now they have to pay police and fire pension every month. She said that not only will we have to pay for the fourth quarter like always, but we will also have to add in the new monthly payments. She also said that there was a program available to defer the transition over three years and they would be applying for that. She added it would be around \$30,000

for both for each of the three years, but she was preparing final numbers for council. She said we pay about \$90,000 per quarter for police and fire pensions.

[Discussion of changes in fire and police pension payment schedule]

Councilman Wells asked if this was the last year for the inheritance tax. President Kirchner said that 2012 was the last year for the inheritance tax, but we could see some residual funds in 2013.

Councilman Wells asked if the inheritance tax for 2012 was in the budget. Mary Kay Vance said it was.

President Kirchner asked about the IT Consultant line item. Chief Duane Weyand explained how the city was contracting with an IT firm now to give us better coverage. He explained that it was a flat monthly fee.

[Discussion of Law Director budget]

President Kirchner asked about the difference between the Law Director's original appropriation and the one shown on the Auditor's budget report. Mary Kay Vance explained that a transfer had been done at the beginning of the year from the salary line to the unemployment compensation line to cover a claim.

President Kirchner asked why the building department consultant line was going up. Service Director Reinsmith said that he had to move money a couple times in the past year, so he needed to fund it better in the upcoming year. He said that he had cut \$319,000 in the last four years out of his budget through cuts in personnel and pay cuts and reducing the facilities maintenance line. He said that was a 57% cut. He said that people had said that no one had done a thing to cut anything out of the budget. He added that he had cut his down to the quick and there was no more room to cut. He said the Engineer's Office, the Building Department and the Service Director's Office was comprised of him and two secretaries. He mentioned that the streets had been cut and the facilities maintenance. He said the city's largest asset is its streets and right-of-ways. He explained that the city has over 77 lane miles of streets and used to have a regular schedule of paving the streets. He stated this was the first year that they had not done any paving – and there is no money in the new budget for paving. He said the city needs to figure out how we are going to preserve the city's most valuable asset. He said we need to look down the road to see if there is anything we can do to generate money for street paving issues. President Kirchner said that is the point of getting to a balanced budget – so there would be money in the future for street repairs.

President Kirchner asked if there were any specific areas identified where facilities maintenance costs could be reduced. Service Director Reinsmith went through all of the different items that come out of the facilities maintenance line.

Councilman Stuckert noted over 80% of the premiums for the liability insurance come from sewer, water and solid waste. He asked why they were so high for those plants but not very high for the Police Department. Mary Kay Vance explained that those were large plants. President Kirchner asked if we had documentation on how the liability costs were divided. Mary Kay Vance said she did and explained that the cost allocation was based on a combination of the location of the facilities and the equipment. Danny Mongold said that we have an audit at the end of the year and we should be perform well.

Councilman Mead stated that council needs to keep in mind that there were some items that need to be put back into the budget in terms of capital items.

[Discussion of various items that may need to be purchased in the upcoming year]

Mayor Riley reminded council that there were some opportunities with the landfill that they were working on in terms of cost savings.

A motion was made by Wallace and seconded by McKay to adjourn.
Motion passed.
Council adjourned.

ATTEST:

President of Council

Clerk