

**MINUTES – SPECIAL SESSION****PORTSMOUTH CITY COUNCIL MEETING**

Saturday December 6, 2014

9:00 A.M.

The City Council of the City of Portsmouth, Ohio met in special session on Saturday December 6, 2014 at 9:00 a.m., in the Council Chambers of the Municipal Building.

Acting Mayor Jim Kalb called the meeting to order. A moment of silent prayer was observed followed by The Pledge of Allegiance to the Flag.

Roll Call showed the following members to be present:

Kevin W. Johnson	1 <sup>st</sup> Ward
Rich Saddler	2 <sup>nd</sup> Ward
Kevin E. Johnson	3 <sup>rd</sup> Ward
Jim Kalb	4 <sup>th</sup> Ward
Gene Meadows	5 <sup>th</sup> Ward ( <b>Absent</b> )
Jeff Kleha	6 <sup>th</sup> Ward

Also present was City Manager Derek Allen, City Solicitor John Haas, City Auditor M. Trent Williams and City Clerk Diana Ratliff.

Councilman Gene Meadow's absence was excused on a motion by Councilman Kevin W. Johnson, the motion carried viva voce: **VOTE: ayes 5 – nays 0**

Clerk's Report

1. During the November 24<sup>th</sup> regular meeting of Council, Presiding Councilman Kevin W. Johnson requested a special meeting be called for Saturday, December 6<sup>th</sup> at 9:00 a.m., in the Council Chamber of the Municipal building for the purpose of discussing the 2015 Budget.
2. Notice of meeting was delivered to all Members of Council, the City Manager, City Solicitor and City Auditor.
3. Receipt of the notice was received from all those being served.

The Clerk's report was accepted, filed and made part of the record on a motion by Councilman Kevin W. Johnson.

**STATEMENTS OR REMARKS FROM CITIZENS ON ITEMS ON THE AGENDA**

There was no one present who wished to address Council on items on the agenda.

Councilman Kevin W. Johnson asked the City Manager to review the budget. Manager Allen went over the analysis of each funds estimated resource versus budget expenses and where it was estimated that we would finish the year. There were some items in Council's budget that had to be adjusted as they were input incorrectly, the Municipal Court Budget was entered, the Health Department's budget was adjusted and the F.E.M.A. Grant monies were still being shown as a carryover, so that money was moved to the General Fund. In the General Fund Revenues portion of the budget there were some changes; Impound Fees were shown as \$130,000 and the recovery plan showed an increase in revenue of \$100,000, the mix up was that optimistically the Police Department thought we'd get \$130,000 out of it, but he wanted it to match the recovery plan at \$100,000; the medical insurance reimbursement was \$24,000 that represents people getting insurance and paying for it and its expensed out as an expense on the insurance and then shown as a revenue reimbursement; the BWC premium reimbursement was lowered by \$38,000 because we were not able to get the drug free workplace benefit; Special Revenue/Sale of Assets was lowered from \$100,000 to \$75,000 and the \$75,000 represents the sale of the Babcock Building and one railroad crossing, they were hoping for the sale of two crossings but there has been some local business opposition to one of the crossings and he'd become less confident that we'd get the other railroad crossing closed at 13<sup>th</sup> or 14<sup>th</sup> at Waller Street. If he were to receive a successful bid on the sale of the Babcock building, it doesn't have Council's approval. The carryover for 2014 to 2015 would be approximately \$104,000 and 2016 and 2017 are in the negative. Councilman Kleha asked about the local government funding. Mr. Allen stated that currently money was received from the State of Ohio through the Local Government assistance and in 2010 the Governor decided to cut that and over a bi-annual budget it was reduced by approximately 50%. By doing this the Governor expected the cities to share services and become more efficient, unfortunately this was geared more toward the bigger cities, like Columbus and Cincinnati where they have suburbs and can join more easily. In Portsmouth, there could be opportunities down the road if everyone were willing to participate, but to date he's not aware of anyone willing to combine services. If the Governor takes away the rest of the Local Government funding amounting to \$635,000 we are not prepared and that would be devastating to the city. He doesn't have any indication that it would happen but he'd heard talk that the Governor felt that libraries should be funded on the local level and receive no funding from the State at all, he's not saying

that it would happen but he wouldn't be surprised. The State wants us to come up with a plan that takes in to account the removal of the local government funding and not be reliant on it.

Mayor Kalb asked if we've received the BWC premium reimbursement in the past, Mr. Allen stated that he was unsure and Auditor Williams stated that it had been some years since we last received the reimbursement. Mr. Allen added that it wasn't too late if we could get all employees on board (with the exception of elected officials), they would all go into a random pool and would be randomly selected. Anyone that hurts themselves while on the job and would have to go to the emergency room or had an accident while operating a city vehicle would be drug tested, but it had to be 100% participation throughout the city employees. Councilman Kevin W. Johnson ask if someone test positive, what the downside would be and Mr. Allen replied that some of the labor agreement are different so each would have to be handled on a case by case basis. There are some contracts that say if the test is positive the city would enroll the employee into a program to address the problem. If you are working towards reducing work-placed injuries – he was interrupted by Judge Kegley who stated from the audience that it's Worker's Comp and once they find you have a risk, you have a risk and they're not going to ignore it. It's just like when you start having accidents, they start raising your premiums; they're not going to ignore this if you start testing dirty. Mr. Allen went on to say that currently the rates were horrendous and have the rating for the next four years. He had a report to bring out which shows \$1,300 court claims in 2013 and thus far this year there's been zero. Judge Mowery asked Mr. Allen if it was the Court that was holding up the process because they've only ever had one discussion with him and that was on October 27, 2014. Judge Kegley stated that during the meeting the Courts requested to know the protocol and they still haven't received a reply from the Manager. Judge Kegley said he'd spoken with his employees and they don't have a problem with complying, however he takes issue with it on their behalf. He believed in the promise of the constitution (there were some inaudible words), their employees were willing to participate once answers have been received. Mr. Allen asked for the Courts to give him their questions in writing in order to be able to answer them correctly. (There was a heated exchange that could not be understood). Mayor Kalb got the conversation back on track and Auditor Williams stated that he doesn't recall the last time it had been in the budget. Mayor Kalb asked why the 8<sup>th</sup> Street Viaduct was closed and the City Manager responded that homeless people had started a fire underneath it and it was set to be inspected by a bridge engineer. Councilman Kleha asked Mr. Allen a question about the Babcock building but in was inaudible. Mr. Allen's reply was that the building was currently being abated at a cost of \$4,800 and then a decision needed to be made if the city wanted to have it rebid. The only authorization he'd received was to bid it, not to sell it. The city advertised it as minimum bid \$50,000 AS IS, but received a bid for \$50,000 contingent that there was no asbestos, however it was tested and asbestos was found and the bid rejected. The asbestos will be abated because at some point and time it needs to be dealt with and if re-bid a decision of whether to request a minimum bid of \$50,000 or \$55,000. The expense thus far on this building was calculated at approximately \$2,700 with advertisement and appraisal, the asbestos was \$4,800 and now it will have to be re-bid. With all that being said the \$75,000 for Special Revenue/Sale of Assets was not very strong.

Councilman Kalb asked if there were changes in the Medical Insurance since the city is being saved \$700,000. Mr. Allen replied that everything will be the same, the out-of-pocket won't change, but there will now be a co-pay. The contribution will change, (coughing inaudible) \$200 single and \$400 family and if we're put in fiscal emergency, he predicts everyone will pay more for their insurance, but right now everything will be the same.

Councilman Kevin W. Johnson stated that in the past, Council had gone through the budget line by line because they'd never had so much information and he thanked the Manager for the detailed information. Mr. Allen stated that in the past the Department Heads had submitted their own budgets to the Mayor and the Mayor submitted the budget to Council and Council would go line by line making cuts, however he can answer any question about any department. The Department Head would start with payroll which was calculated on the prior three years, how much overtime they anticipated and all fringes were calculated out, once this was completed, payroll and all the fringes would have to be justified. If you brought Department Heads to Council you would hear every one of them say "they don't know how they're going to make it" because there isn't any discretionary money. We made some reductions in the Police and Fire training that they feel was not adequate but will learn to live within their budget.

There are 3 items that are discretionary: 1. \$5,000 River Days 2. \$5,000 Fireworks 3. \$5,000 Beauty Pageant, other than that there's nothing in there that was considered discretionary. Your discretionary items are in Capital Improvement Budget and he will be glad to answer any questions for any department. Councilman Kalb asked about SOPA and Mr. Allen stated that it was listed in the General Fund #119 Miscellaneous with the above 3 groups at \$5,000 each and \$25,000 to SOPA for a total of \$40,000 to community agencies. Listed in the budget there are some obvious differences that have taken place over the past 5 or 6 years because we're making sure expenses go in the accounts where they belong and in the General Fund you can find where there were variances. Councilman Kleha asked Mr. Allen where the budget was for the consultant to review Police and Fire staffing. Mr. Allen responded that the plan had been pushed off track due to the State Auditor requesting a plan showing the general fund in the black by the end of the year. He had asked them if the time could be extended because of the idea of having someone come in and evaluate the Police and Fire staffing which would give a clearer picture, however they were not willing to afford any more time. Councilman Kleha asked if that would be the plan next year and Mr. Allen replied that he would still like to do it but it was not budgeted in 2015. Councilman Kevin E. Johnson asked about the Municipal Courts budget as his copy still shows all zeros and Mr. Allen replied that they hadn't submitted it to the Auditor. Clerk of Courts Leroy Kegley spoke and said that they had never done a budget for 201-205 & 207 because those are grant monies that are paid by the court and at the first of the year money is appropriated into those funds once they see what the carryover is and what the estimated revenues will be; the court had never turned in a budget to City Council because they have no control over the courts budget. Auditor Williams stated City Council still makes the appropriation and historically he had put the numbers in but

is more comfortable with the Courts giving the numbers to insert so that it's more accurate. Mr. Kegley said that it was usually done in January once the carryover had been determined and was always given directly to the Auditor. Auditor Williams said that he had put numbers in the budget in the past based on historic numbers without a lot of discussion with the Courts, but the problem that exists is that the Courts may know something he does not about their budget. This will not pass until January but needs to be passed by January 19, 2015 in order to meet payroll, in the meantime the Courts can give an estimate as to what the funds will be for the rest of the year. Councilman Kalb asked about the projected revenue for the police impound and Mr. Allen replied that it can be found on the revenue sheet highlighted in yellow.

Judge Mowery asked to reply to Councilman Kevin E. Johnson's question regarding the courts budget and the absence of figures. His issue with Mr. Allen at this point is that there was no debate that the courts are part of the city financial structure. He believed Mr. Allen understood their questions during the October 27<sup>th</sup> meeting when they asked why a 202 fund was being created for the courts and also a subsidy fund for the Health Department. He asked the following:

1. Were subsidy funds created for the other departments?
2. Were all departments were being treated the same?
3. Are the Courts under the umbrella of the city that's entitled to meet and discuss with the City Manager our financial structure and our role in the city's finances?

We thought it was made clear when Mr. Allen joined us during our staff meeting and we had these questions regarding the drug free workplace and we were told that he'd get back with us with the answers. Judge Mowery said that he read in the paper where Mr. Allen worked 67 hours in one week but he hadn't seen him for one minute, and questioned that if the court is part of the city's financial structure, why did he not visit with the courts to see if they could provide assistance or if the courts could contribute and why a 202 fund was set up. Once the 202 fund was explained and if the courts would say they don't have suitable accommodations, then the city needs to fund it and again find more money. That's not the role that we want to take and not the way that we want to play, but we have to have communication. He knows that there have been meetings with the City Manager and other Department Heads and Union representatives so why can't he have a meeting with the court.

Mayor Kalb interjected and stated that this really isn't the forum for this and believed a meeting could be arranged regarding the issue. Judge Mowery said that was just one issue; the other issue is the finances of the court and what they can do to help. Possibly an increase in court cost to be directed to a certain fund, there are things that the court was willing to participate in and discuss but they need to have the opportunity.

Councilman Kevin W. Johnson asked the Judges that during their discussions, he hoped that they would discuss the option that was available to the court and the city to expand the area of which income is provided in the township. That's an opportunity that had not been dealt with and would help ease our budget issues and the courts as well. Judge Kegley stated that when the County started slipping into fiscal problems and started having the auditor come into their business, the prosecutor's office had someone over there trying to find things and they saved the courts several thousands of dollars that they should not have had to pay. There are some savings out there and part of them are those types of agreements with townships.

Mayor Kalb asked if this budget contained lay-offs and Mr. Allen replied "no" everyone is fully funded. Mayor Kalb stated that he believed that it was a concern of many of the employees that were present. Mr. Allen stated that he doesn't want anyone to lose their job and someone from the audience asked Mr. Allen if they had to worry about lay-offs and Mr. Allen replied that the budget showed all employees fully funded but mentioned that Council had to propose something to the state auditors as to how we are going to remedy the general fund and if we don't do something then he can't guarantee what's going to happen. Mr. Allen stated that the deficit in 2016 and 2017 are unacceptable with the State Auditor's and in 2015 there was no deficit but it was close to zero. There was concern and therefore the city must provide a 5 year recovery plan that shows the budget will be balanced and that was not accomplished in this budget.

Councilman Saddler stated that everything that can be done had been done to the budget and as much as everyone doesn't like it, we will probably have to submit an income tax increase to the citizens. Mr. Allen said that he was down 8 employees from January 6, 2014 and only have a few avenues left: 1. Increase revenues with an income tax increase 2. Reduce manpower or reduce wages because there's nothing left. He's not sure the community had thought out what level of service would be provided if manpower was cut and it would be a detriment to the community if at some point it started spiraling out of control because nothing would be maintained. There are things that happen like fires under the viaduct in which money had to be spent to evaluate the safety of the viaduct, buildings collapse which is because we don't have an adequate building department out inspecting. This is where the community will suffer. Portsmouth once had a population of 50,000 people and it is now 20,000 but still had all the infrastructure and was spread out; the city collects garbage from the far west side of town to the east side of Sciotoville. You have water lines running all over the county and obviously we are aware of the deficiencies in the sewer system, no manpower in the parks and the street departments is covering that area but if we have to cut back on the street department personnel, people will start to see the decline in the community. If an evaluation was completed on the Police and Fire and we reduced the fire department then people's homeowners insurance would increase. There are some difficult decisions to be made and he's never laid an employee off in his life and he doesn't want to lay people off, as it affects someone's livelihood and their families. Councilman Saddler said that people around town will tell you that the city's problem is that there are no jobs and the problem was that we have to be able to maintain the infrastructure and our government entity cannot force private companies to relocate and all we can do is make things available. If we can't provide basic services, that will keep those enterprises and companies from coming here and we have to get over the hurdle of being able to maintain and improve our services to provide to our community before businesses will even consider coming here. We have to take the

steps to improve our situation which unfortunately will probably be some kind of income tax and when that happens, hopefully we can encourage more businesses to relocate here. Mr. Allen said if he had to lay off people the parks won't be cut and streets won't be maintained, crime increases and that's how it spirals out of control. When he came here he had 3 items on his plan that were a must: 1. To get the finances in order so we know exactly where the problems are and address everything and going forward by developing a financial plan. 2. Get everyone working so that people will trust us with the finances and once they're in order they will realize that they are getting something for their tax dollars. 3. Keep the city as operational and efficient as possible so we can say that there wasn't any waste, the employees we have are working hard and you'll know that you can trust the city with the tax dollars. Those are the 3 components and when there is a hard decision, people will trust us to make the right decisions.

Mayor Kalb asked Mr. Allen about the State and the fiscal situation and if the timeline was a year with a balanced budget. Mr. Allen stated that we were in fiscal caution and have been moved to fiscal watch, now we're asked to address the issues in fiscal caution which he thought had already been done. The State will not leave until it is shown that we have a five year recovery plan and that's not a five year plan of where we don't have a deficit, but we have to have more than \$10,000 in the black. It's not realistic, if a building collapses and we have to pay it would push us into a deficit and you have to have a greater buffer than that and the figure he'd heard was 1/12<sup>th</sup> in reserve which in the general fund would be \$1.5 million. They've since told him that it's not a hard fast rule but they expect to have certain dollar amounts in reserve and that's the funds that we don't have. We should have all of our funds besides the streets fund and the general fund repaired by the end of 2015. In 2016 the street fund will receive the permissive tax and that will help that fund. There's nothing left because there's too much commitment to keep the 44/44 Police and Fire and Union labor contracts. The insurance fund has been rectified, all that's left is the general fund.

Councilman Kevin E. Johnson reiterated that he believed that we should work with the Courts and he wanted to make certain he understood that on the budget there were going to be no layoffs. Mr. Allen said "no" there were two separate issues; this proposed budget funds every employee, but it does not satisfy the State Auditor's request. You're passing a budget in which every one that was employed with the city remains employed but by the end of the year Council must tell the State Auditors how they propose to fix fiscal years 2016, 2017 & 2018 and if there is no proposed fix, he must propose an income tax increase or review the 44/44 Police and Fire. There would have to be cuts and it would mean every non-union employee would pay more for their insurance and Council would be forced to insist employees pick up a portion of their pension and the Labor Unions would need to negotiate and of all the unions AFSCME would have the least impact because they've already picked up a portion of their pension and already paying more than other city employees on their insurance. He anticipated that in January if we failed to present a plan, the State Auditor would put us in fiscal emergency for failing to present a plan. With the Labor and Charter agreements with the 44/44 Police and Fire, the current revenues would not meet their requirements. What they would do is there would be zero expenses incurred until Trent had authorized the funds and if the money was spent without authorization then you would incur those expenses personally. They would make sure that there was no deficit spending by putting controls on the city on how you spend the money. If there is a \$12.2 million general fund budget you will get 85% and that's all that would be allowed and when October comes and the money is gone, then people won't get paid. Councilman Kevin E. Johnson asked if a tax increase was the solution and Mr. Allen replied that he had given them a memo (City Clerk was not given said memo). Councilman Kevin W. Johnson stated that the HB #5 consolidation bill needed to be addressed as it will be of cost to the city. There will be a cost to the city and they refuse to nullify the bill based upon input from Municipal League and he's still unsure of how it will impact the city. Someone from the audience asked about switching the fire department to different shifts other than a 24 hour shift in order to save on overtime, the man continued by saying that by October 2014 one firefighter had made over \$40,000 in overtime and would be close to \$70,000 by the end of the year. Mayor Kalb stated that those are all things that will need to be looked at and changes would have to be made because in order to sell another income tax increase you have to assure the people that things will change and not continue the way they are and we should look at all the possibilities. Mr. Allen said all union contracts have to be negotiated and if there was a change in shifts it would have to be negotiated. Solicitor Haas stated that the city had a report due by the end of the year and putting an income tax increase on the ballot would not satisfy them and the immediate concern was the report and the recovery plan which are due in a couple of weeks. He again told Council that the budget would not satisfy the State and would like to know Council's plan that would satisfy the State. Mr. Allen stated that it was on his conference agenda for Monday evening. Someone from the audience asked about city dumpster's for businesses and if there was a way the city could enforce all businesses to be on a citywide pickup. Mayor Kalb expressed his gratitude to the audience for the different ideas because the city needs and appreciates all ideas.

The meeting adjourned at approximately 10:30 a.m. on a motion by Councilman Kevin W. Johnson.

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City Clerk

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Acting Mayor