

Manager's Conference Minutes
Portsmouth City Council
July 14, 2014
7:20 p.m.

1. General Discussion

Councilman Kalb motioned to bring back the Reduction in Income Tax Credit, paying other municipalities income tax, it was mentioned that the City Solicitor has looked at this as one of the steps outlined to reduce our deficit. It failed the last time as a 3 to 3 vote and it could go either way. He proposes bringing that back again.

Councilman Kevin Johnson asked if there was a window of time to bring legislation back and the reply was that there was no time limit. It just takes 4 Council members to put it back on the Agenda.

Councilman Kalb reiterated his comments from the amendment to the minutes by stating that he didn't think it was fair that the tax payers within the city are bearing the brunt of all of our problems when we have people living in the city enjoying the same benefits and services and they're not paying anything. They're using our streets, using our services, but they're not paying any share at all and he believes that this would go a long way in showing the State Auditors that we are moving in the right direction. It won't cure our deficit but it would definitely help out.

City Manager Allen stated that it would generate between \$60,000-\$80,000. The State Auditors explained to him that they are following newspaper articles on what the City is doing. They were already aware that when it was brought forward the first time, it was voted down and they are also aware of the articles regarding the Courts move to the County Court House. "We're in fiscal watch and have no money but why are spending money", he didn't have an answer to that and if we had a magic bullet, someone would have shot it a long time ago. He will be proposes a whole lot of different little things that won't cure the problem but as a whole will move us forward. He believes that everyone realizes that thing that hasn't happened is that we have to get the cost of our insurance down. They also told him that he has to continue to try to get the cost of the insurance down or at least show them that he's trying. They recommended raising taxes and his reply was that it wouldn't pass and they said keep putting it on until it does because the City has to do something or it will go into fiscal emergency.

Councilman Saddler totally understands what Councilman Kalb and the City Manager are saying, in that we need every possible dime. The people may work out of Portsmouth but their life investment is in this town, this is where they live, this is where every dollar that they spend on their home from their mortgage, insurance, evenings out, schools and those are the people that are not having to pay and the people that work here in town and live here in town have to bear the entire brunt of it. His opinion is that it does need to come back to the Agenda and individual Council members need to reassess and research to see what has actually happened with that, this is something the Manager proposed and we as a Council agreed to hire this man to do the job and we need to support him 110% in every decision and every piece of legislation he puts forward because he's the one whose having to deal with it. He sees the day in and day out operation of the city and what the cost are, so if we do not get behind him and support him and believe in what he's submitted to us, then I hate to see what will happen to this town.

Councilman Kleha asked Councilman Kevin E. Johnson why he was opposed to the legislation.

Councilman Kevin E. Johnson stated that if you work in New Boston you are currently paying 2 ½% and if you're only going to get 50% then you will wind up paying 3 ½%. You will be paying more than your neighbor who works in Portsmouth and we're basically saying that we're going to charge you more because you work outside the city. He doesn't believe that we need to balance our budget on the backs of the working tax payers. This does not reflect on my support of the city manager as he supports him 110% too, but doesn't feel that this is a fair tax.

Solicitor Haas stated that the one take away from the meeting with the State Auditors is the City Managers grasp of the facts and he believes they have a lot of confidence in his understanding of where we're at financially much more so than prior meetings that he's attended. One of the things he feels is important to show the Auditor's office when this plan is put together, whatever ideas that Council adopts that comes from the City Manager we really need to implement those because that is one thing. If you put a plan together and you don't follow it, that's when they'll put us in fiscal emergency. Whether we will end up there or not he doesn't know, but obviously we didn't follow the plan that was put together last year, but he's hopeful that Council will show the Auditor's office that we are moving forward with our new form of Government and allow us to put together another plan and proceed on that. Council has done a great job so far as they've outlined the increase in the Sanitation fees and a couple of other things that have gone on this year. Those are steps in the right direction but we need to continue doing that and we are being watched.

Vice Mayor Johnson stated that Council doesn't get financial report per se, Council gets print outs and the last two have projected that we're gonna make it by the skin of our teeth and we may still end up in the black this year. We had a carry over this year but we will not have that carryover next year, so it's not so much this year he's worried about it will be next year. City Manager Allen replied that there was a carryover of \$500,000 in the General Fund and we have taken some baby steps and they are some things that we can do this year that he believes we will end the year with a General Fund that is not fixed. It's a false comfort, short time because we actually this year are deficit spending \$400,000 and you take next year there are no little quick fixes so then next year we will be in deficit. His conversation with them was that he believes that he can fix every deficit fund but the General Fund and they're wanting a 5 year plan that shows a deficit reduction and surplus and he told them he cannot reduce that, but it all hinges on our ability to negotiate with the Unions, change in our medical insurance and they're aware of that, but at the same time there are a lot of little things that we're trying to do. There's a caveat, he does believe that the way the budget is set that we do anticipate the General Fund in the positive at the end of the year. This caveat is that in 2013 there was a deficit in our insurance fund of about \$900,000 at the end of the year we finished at \$500,000, they relayed the fact that it appears that we took surpluses from all these funds and dumped them in the insurance fund to reduce the cost and when the Audit was being done, there was no rhyme or reason to that, they may order that the fund be reallocated and it's possible that the General Fund, there's an expense to the General Fund that he doesn't know about and haven't taken into consideration because there will be adjustments made. They had a long conversation about the allocations and they have reviewed his budget and they noted that there was thought to the allocations and they didn't have a problem with allocations so we don't anticipate a situation in 2015 where they audit us and tell us to go back and move money around. If we end the year with a positive balance in the General Fund it's only because we started the year with \$500,000 in there and we're doing some things to move some money around that won't be available to us next year. We will start the year with maybe \$100,000 in the General Fund and will have some money to move around and then we will be deficit spending again \$500,000 will go back ????. The funds that concern the auditors are the **General Fund** obviously, also mention that we discussed the fact that he's mandated 44 Police and 44 Fire right off the top and that's \$8,000,000 and we're at \$12,200,000. The Court, he has no control over the court, he believes they gave \$1,000 bonuses a month ago and our plan says no raises, they gave raises because he considers that a raise. He cannot tell the Judges to reduce manpower, don't give raises, don't spend this or that. The court is over \$1,000,000 and now I've at \$9,200,000. When you take out Council, City Manager, Auditor and Solicitor things that you're not going to cut at the end of the day there is no discretionary funding left, we cannot cut below what our revenues are and it goes back to the only thing that he can cut is negotiating our health insurance because we pay \$5,500,000, we need to get that down and he's been having conversations with Portsmouth Insurance about meeting with United Health Care and

tell us what next year can we do to reduce our money by \$1,000,000 and what does that look like, they replied “ they are struggling due to the increased cost in health care, you may not be able to reduce the cost”.

Health Insurance Fund starting the year **-\$500,000**, we partially funded the self insured part and he believes that we will finish the year at negative \$280,000 so we're a good year and by 2016 the insurance fund deficit will be erased. The Auditors were happy to hear that.

Sanitation/Trash Fund starting the year **-\$40,000**. Trash is projected to end the year at **-\$400,000**. Most of that is the cost of manpower, health insurance and the increase from \$265,000 to \$600,000 to haul the trash to the landfill. We erased the sanitation rate and they are aware of that and he's confident we've addressed that problem.

Wastewater Fund started the year at **-\$135,000** and project to end the year at **-\$400,000**. Sewer rates have to go up and it's something he has to address and the reason he hasn't addressed it yet is that there's an operational deficit and that operational deficit requires a rate increase for the City of Portsmouth, New Boston and people outside the city limits. **All their rates have to go up** in order to make whole the operation of waste water. On top of that we have the Administrative Consent Order that orders us to do Lawson Run improvements and other improvements. There will have to be a rate increase for the city of Portsmouth, he will not be charging those customers in New Boston because New Boston already raised their rates to pay for their EPA mandate, so it's only fair that they be paying for their mandated project. So he will have to calculate a rate increase for all of our customers whether they are in New Boston, Portsmouth or the County and then recalculate all of Portsmouth to pay the debt service on that on the Lawson Run project and that should resolve that issue.

So you have the General Fund, Insurance Fund, Trash Fund & Sewer Fund, those are our deficits so he told the state auditors that we're ??? and that's where we had the problem in the General Fund and that's where their main concern is.

Enterprise Fund as council you have the ability to raise rates, the authority and wherewithal on all business things. Nobody has the ability to fix the General Fund because it's based on property tax and income tax and both of those things require going to the voters and it's out of your hands but if you decide as a Council that you want to put it back on the ballot but it's out of your hands and it's in the voters hands, so all we have left is, cost containment and reduction cost and we are trying everything possible to save every penny for operational purposes and there's a limit. He's kind of a obsessive compulsive type person and a neat freak, he can't stand it if he drives down Chillicothe Street and sees weeds in the curb. He gets complaints about the parks don't look very nice, there's weeds in the fence, there's weeds in the tennis courts. He's never had a parks system that isn't well maintained, the problem is as he explained at the Parks & Recreation meeting, he has \$-0- money for parks and no one mowing the parks. If you see someone cutting a park it's only because he's pulled the street employees to mow and he doesn't know if the general public knows that but if the city's street employees are not fixing potholes they are mowing and they're not mowing every day

or every week, because the sad thing is that there is a schedule of events and that wherever the event is being held that is what gets mowed. He doesn't mean to sound flippant but if the citizens want that level of service than they need to vote for an income tax increase. As a community we've all decided that the level of service isn't where it needs to be but it's where it has to be.

It's the General Fund that has to be fixed, everything else will be fixed and will have a plan. He didn't mention the Street Fund

Street Fund apparently our guest escrow has gone down and we have right now a -\$80,000, he's not sure why so he ask Trent and Trent stated that he missed the revenues so we're off by about \$150,000, so that will be one that we have to address. We are going to be able to address all the issues except the General Fund, we need a year to be able to negotiate the cost of insurance. The Auditors suggested putting the income tax on the ballot and the Manager replied that it wouldn't pass, they told him to put it on there anyway.

Councilman Kalb agrees that if you propose an income tax increase: 1. He doesn't believe that it would pass 2. He doesn't think it would be fair to ask them to pay more when their neighbor working out of town isn't paying anything.

Solicitor Haas stated that the State is looking for us to do what we can if it is something within our control they want to see us do it and one of the things that's in our control is the reduction of income tax credit. They want to see if there is a need for an income tax increase they want to see us put it on the ballot. They wanted to discuss the list of items that we gave them, there were 10 of them as steps toward our recovery and we failed on 7 out of 9. They didn't say what they were going to do but he stated that it's not up to the folks that they met with to make the final decision. There is a concern that they're going to go ahead and place us on Fiscal Emergency based on our failure to comply with last years plan. The only things he believes go in our favor is the very positive comments they made and he hopes they make them to their superiors about the direction that we've been going, at least with the CM identifying goals and the steps that have been taken so far to give us more time. No one asked them for that but he's hoping that they will do us that privilege, given that he believes that they were dually impressed. Again they are looking at what we're doing and what we're not doing. Councilman Kalb ask for a definition of Fiscal Watch and Fiscal Emergency for the public.

Solicitor Haas stated that Fiscal Watch is that we submit a plan to get out of our situation and they monitor that plan to see if we're complying with that plan. Fiscal Emergency they appoint a committee that observes this plan and makes sure that were not going over that plan. He believes that they have to approve things or take a much more active roll.

Manager Allen said that when they ask them for a definition of Fiscal Emergency they said basically "Don't go into Fiscal Emergency." They were not specific with the details except that there is a committee that oversees everything.

Solicitor Haas stated that Fiscal Emergency DOES NOT SUSPEND LABOR AGREEMENTS and DOES NOT SUSPEND THE CITY CHARTER. We are still in the same position that we were in except we would have a committee watching over us. They gave an example of a city that presented an income tax increase 5 times and the 6th time it passed.

Councilman Saddler commented on what the CM had said before regarding the Parks. He stated that it is one emphasis that he has been trying to get out there and also some committee members on the Park & Rec is the adopt a park program. He's been talking with the newspaper and the radio and trying to get the word out there to the public that we want and need you to help. We need your equipment we need everything that's possibly available to go out and give our community nice parks system and nice green ways. To adopt a park there's not a whole lot to it, you go out and pick up litter, mow some grass, weed eat, pull weeds or you can also adopt what he calls a green way which is (example) 11th & 12th Street underneath Waller Street that's a green way. Every person that we can get out into these parks doing this stuff frees up money for our CM and Service Director and use those resources in other places and our employees could work on bigger problems within the city and not have to worry about the parks. These are things that ordinary citizens can do because we can't go out and fix a water break and we can't go fix a sewer line or fight a fire, but we can pull weeds, pick up trash and cut grass and keep community pride within ourselves and within our community. City Clerk Ratliff has helped quite a bit by putting the adopt a park application on the website so that if anyone wants to download that information they can, he recently about a month ago adopted Buckeye Park down by the Stadium. He didn't do that to say look at me but he's trying to lead by example as he's no better than anyone else in this town and he's going to go out there and cut the grass, pick up trash and do whatever it takes to keep our parks neat. He really appreciates the effort of those that have already adopted a park. Maybe 4 or 5 different groups could get together and take care of the bigger parks. He modified John F. Kennedy's quote by stating "Ask not what your city can do for you, ask what you can do for your city" and that goes a long way.

VOTE: 4 Ayes - 2 (KEJ, J. Kleha) Nays

2. Front Street - One Way

Just as a formality, Council took a vote on whether to turn Front Street into a One-Way street heading West from Washington Street on a motion from Kevin E. Johnson.

VOTE: 6 Ayes - 0 Nays

Councilman Saddler stated that he felt we should get a percentage of the gambling money that the County is getting. We make up 25% of the population of Scioto County and we get 0% from that and he doesn't believe that's fair. He told the Manager that he knows he has his hands full and he's not asking you to do that but if you think that that might be a

possibility to pursue to try to get some money, then he believes that we should move forward with it. Vice Mayor Johnson stated that it would take an amendment to the Ohio constitution in order to get that changed because our County is not going to volunteer to change it. Councilman Saddler stated that we do have another option and that would be a gentlemen's agreement as there should be some kind of discussion between the city and the county or for the county to fix something in the city, like pave some streets or repair something that the city doesn't have the money to fix etc. He brought up another issues being property taxes and that we have to pay the County a certain percentage of the property tax. He lives in this town and believes that 100% of the money should have to stay in the city and not be given to the County.

Motion to adjourn by Councilman Saddler was accepted and the meeting adjourn at 7:55 p.m.