

CITY OF WEST LAFAYETTE
COMMON COUNCIL
SPECIAL MEETING MINUTES

September 28, 2006

The Common Council of the City of West Lafayette, Indiana met in the Council Chambers at City Hall on September 28, 2006, at the hour of 4:30 p.m.

Mayor Mills called the meeting to order and presided.

Present: Griffin, Hunt, Keen, O'Callaghan, Plomin, Satterly, Truitt

Also present were City Attorney Associate Flanery, Clerk-Treasurer Rhodes, Director of Development Andrew, City Engineer Buck, Fire Chief Drew [who arrived at 4:47 p.m.], Police Chief Marvin, and Parks Superintendent Payne.

The Pledge of Allegiance was repeated.

BUSINESS:

Ordinance No. 21-06 An Ordinance To Set The Biweekly Salaries Of The Elected Officials, City of West Lafayette, Indiana, For The Year 2007 (Prepared by the Clerk-Treasurer) Councilor Griffin read Ordinance No. 21-06 by title and moved that it be passed on second and final reading, and that the vote be by roll call. The motion was seconded by Councilor Satterly.

Mayor Mills said as we have discussed, this salary ordinance contains a 2% salary increase for all of our employees. Is there any discussion, or any questions?

Councilor Hunt said may I make one comment, please?

Mayor Mills said Councilor Hunt.

Councilor Hunt said all employees but the Council doesn't accept or approve any raise for us.

Mayor Mills said thank you. I should have pointed that out, that the Council did not have a pay increase. Any other comments? Questions? Councilor Plomin.

Councilor Plomin said yes, thank you. Do we have an update on the status of a performance evaluation system?

Mayor Mills said not anything that's changed from when we've discussed it—

Councilor Plomin said two years ago?

Mayor Mills said in the last month.

Councilor Plomin said okay.

Councilor Hunt said well, we do have a new employee manual, and that's somewhat of a step toward evaluations.

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Mayor Mills said we talked about that last month, the changes that we had made this year in working towards a performance review. Nothing since then.

Councilor O'Callaghan said it's not nothing since last year, it's nothing since last month.

Mayor Mills said it's nothing since last month.

Councilor Plomin said what's happened since last year? Do we have a system in place?

Councilor O'Callaghan said we did discuss that last month.

Councilor Plomin said do we have the framework for a system in place? Do we have a plan to put a framework—?

Mayor Mills said yes, Councilor Plomin, we do have a plan to put a framework, and we discussed this last month, but I'll repeat it again. We rewrote the personnel manual this year, we tried to consolidate descriptions, so that we don't have discrepancies across different departments, and Diane Foster our HR Director is working on doing the same thing to our leave and vacation policy, which still needs to be addressed. She is in the process of beginning to look at job descriptions for each department, and that all has to be done before we can actually do performance appraisal. We have made progress, and I'll remind you that we have one HR person for 190 employees. She is responsible for all the claims, all the health insurance work, and we've done a lot of that this year, trying to go to self-insurance with the County and Lafayette. We are moving that direction as quickly as we can. It's not as quickly as any of us would like to see it happen, but as quickly as we can.

Councilor Truitt said speaking of the self-insurance, is there any update in that regard?

Mayor Mills said we can talk about insurance when we get to the budget, because we've put money in this budget, you'll see an amended budget for insurance. I can only tell you that, unfortunately, the County has chosen not to pool with the two cities this year. We are working with Henriott Financial Services to look at purchasing, pooling insurance for the two cities, and we will have numbers from them next week. We have put in this budget what we know we will need to pay if we stay with our HMO that we currently have, looking at the new plans that are possible. We think we have been generous in what we put in there, and we are hoping the dollar number will be less than that, once we find out more next week. We will need to amend the budget when we get the final numbers, when a final decision is made about insurance, but we are putting money in it today for insurance, so you can see what that does to the budget.

Councilor Satterly said what HMO is the City with?

Mayor Mills said Arnett.

Councilor Satterly said well, you know, Arnett is selling their plan to United.

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Mayor Mills said yes, it's sold. We will have, we hope, final figures next week. Henriott worked very hard in putting the information together for the self-insurance and pooled idea, and so now we're kind of having to back pedal and look down another avenue, since that is not going to happen this year. But we will know soon what the real dollar numbers will be.

Councilor Truitt said what was the rationale that the County gave?

Mayor Mills said I can't—

Councilor Truitt said you don't know?

Mayor Mills said I can't say. I know what [Tippecanoe County Commissioner] KD Benson said in the paper, so— We have not all sat down to talk about it since she made that announcement, so I really can't say any more than what you saw in the paper.

Councilor Truitt said because you don't know, I mean, there's nothing—

Mayor Mills said I don't know more, yes. I don't know more.

Councilor Truitt said okay.

Mayor Mills said exactly. Anything else on the salary ordinance?

There was no further discussion.

Ordinance No. 21-06 passed 7-0 on final reading.

Ordinance No. 22-06 (Amended) An Ordinance Appropriating Monies For The Purpose Of Defraying The Expenses Of The City Of West Lafayette, Indiana, For The Fiscal Year Beginning January 1, 2007, And Ending December 31, 2007, Including All Outstanding Claims And Obligations, And Fixing A Time When The Same Shall Take Effect (Submitted by the Mayor) Councilor Griffin read Ordinance No. 22-06 by title and moved that it be passed on second and final reading, and that the vote be by roll call. The motion was seconded by Councilor Satterly.

Mayor Mills said I want to make some comments about the budget in general, but first I would like you to look at your amended budget, so that you can see where the changes are in the budget. You will notice in the Clerk-Treasurer's budget, which is where we put our insurance costs, that we have made a change from \$1,423,610 to \$1,524,690, which causes the total of that, of course, to go up. And you will look at the Police Department and the Personnel Services also have increased. Again, that is for insurance coverage. [to Clerk-Treasurer Rhodes] It is not for insurance coverage?

Clerk-Treasurer Rhodes said that was the prior amendment.

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Mayor Mills said that was the prior amendment, all right, thank you.

Clerk-Treasurer Rhodes said I just apologize. This is a composite ordinance, showing a sequence of amendments. If you remember, we amended it on August 7, where you saw the change, for example, in the Police Department. Today, on the 28th, there are additional amendments, as the Mayor is reviewing with you in the Clerk-Treasurer budget, in the Sanitation budget, that will change the General Fund total, and then, moving on to the MVH budget and finally the Grand Total. Those are the new changes that are here today that are reflected in all the amendments to the budget made to date.

Mayor Mills said thank you. We did this very late this afternoon, hoping to have more insurance numbers, but I can tell you, if you look at the Clerk-Treasurer's budget, there was an increase of \$47,230 for Personnel Insurance, \$53,850 for Dependent Insurance, and then the same type of situation is true in Sanitation—an increase of \$2,410 for Personnel Insurance, \$2,720 for Dependent. So the total increase in the General Fund is \$106,210. In Motor Vehicle Highway, we also cover insurance costs, and it goes up \$2,880 in Personnel, \$4,070 for Dependent, for a total of \$6,950. Overall, the budget change is \$113,160. Those are with the additions of the Personnel Insurance today. Thank you, Judy [Clerk-Treasurer Rhodes].

Councilor Keen said Madam Mayor.

Mayor Mills said yes, Councilor Keen.

Councilor Keen said thank you. On the CCD—

Clerk-Treasurer Rhodes said that was the prior amendment that was made, also—

Mayor Mills said before the last hearing.

Clerk-Treasurer Rhodes said on August 7.

Councilor Keen said okay.

Clerk-Treasurer Rhodes said so that you have here a document that shows all the strikeouts that have occurred since the original budget was filed.

Mayor Mills said so, again, the changes today are insurance—Clerk-Treasurer, Sanitation, and Motor Vehicle Highway.

Councilor O'Callaghan said and these are the new budget sheets for our books?

Clerk-Treasurer Rhodes said yes.

Councilor O'Callaghan said and could we get them punched to put in the book?

Clerk-Treasurer Rhodes said yes.

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Mayor Mills said we just printed them out, because we just decided the totals.

Clerk-Treasurer Rhodes said I'll bring in the punch.

Councilor O'Callaghan said thank you.

Mayor Mills said okay, so let me stop here, and I want to make a few comments, and then I want you all to have the opportunity to comment. I just returned—Judy [Clerk-Treasurer Rhodes] and I both, actually just returned—from the Indiana Association of Cities and Towns annual meeting, and I think budget issues and property tax levies were certainly the main topic of conversation this year for the annual meeting. It's interesting just having the opportunity to sit with other cities and towns and hear their budgetary concerns. Some cities have, I think, ample property tax levies and are in good shape, but are worried about the future, because they know with the 2% Circuit Breaker, that could certainly change. Then after the Governor spoke to us on Monday and relayed the fact that he thought the Legislature was going to be rather immovable on the 2% Circuit Breaker, I think more people were concerned than were concerned before Monday's breakfast. So I just want to start by relaying that conversation or that series of conversations that happened at the annual meeting. Not to make excuses for our budget, but to say we're not alone in our concerns of the budgets for this year and for the future. There are cities certainly in better condition than we are, there are cities certainly in worse condition than we are. But I think we're all concerned that, as the Legislature moves away from property tax, we have to have something to replace that property tax revenue with. I'll just remind you, as a little plug, before I start here, that on Wednesday night, next Wednesday the 4th, we will be hosting a regional meeting with support staff from IACT on Hometown Matters and what that proposal is and how we think it can help cities and towns. So I hope that all of you can certainly attend. I hope that the media will attend. I certainly hope that citizens who are interested will attend, because we, as a State, are moving away from property tax, and we have to have alternative revenue sources from that, if we are moving away. I'm going to continue by saying I think this budget and probably every recent budget in the last half-dozen years have been a challenge, because we do have inadequate revenue from property tax to just continue to provide our basic services. In a large part, I think that's due to the fact that the Legislature has done a few things in the last 25 years, the first in 1973, when they froze the levy. At that time, West Lafayette's tax rate, levy rate, was very low, and we've never been able to rebound. We are certainly not the only city that found ourselves in that situation. LaPorte, which is a city of about our size, actually, has a structural deficit now, and they were in the same situation. Their property tax levy was frozen at a time when they think they were very low. They actually are above us, believe it or not, but they face a similar situation, a worse situation, than we do. I think we've done an excellent job of keeping our City strong. More recently, you know, the Legislature has capped the property tax levy. Where traditionally it was a 5% cap and that changed, and in more recent years, it's been 3.8%, 3.9% this year; for 2007, 4% cap. What that means is, over the last, you know, seven years we have had an average of less than \$300,000 of new property tax levy in a year. So it's limiting for us. You all are very aware that we've had increasing pre-1977 pension obligations that really will peak this next year and in 2008. We were fortunate last year to

get the extra COIT revenues and really offset a lot of that obligation and put ourselves in very good stead to face the next several years of pensions. We have other revenues besides property tax that we depend on—MVH, LRS, EDIT, COIT. MVH and LRS have declined somewhat. They certainly haven't kept pace with inflation, and the EDIT and COIT fluctuate from year to year, based on income in the community. So everything kind of works together to put us in the situation where we are. We've been very lucky, we've been prosperous, we've grown, because we had ample reserves. We managed when times were better and we could take that 5% maximum levy to keep money, put money aside, to keep money to keep those fund balances strong and that's helped us very much in the last several years. But we've also been successful because, again, we've been very frugal. You know, both in expenditures, we always have reversions, we're very careful to not spend everything we budget every year, and in personnel, we're still very lean in the number of personnel we have for the size of city that we serve. And then the final reason is we've had TIF Districts that have grown healthily, and we've been able to use those TIF dollars in place of General Fund dollars for projects that have allowed the City to grow and be prosperous. I provided you earlier last month with a list of grants and efficiencies that the City has done over the last 10 or 12 years, and that's another reason that we've been successful in having a growing, vibrant City, even though our property tax revenues have not kept pace with that. I think you also know that in the last couple years we have had a very stagnant or low increase in our assessed valuation and, of course, that plays into this whole formula of property tax and revenue that we as a City enjoy. We need, for the future, to expand our property tax base. We need to increase our assessed valuation. We've done that this year with our annexation. We'll have almost 1,200 acres for residential growth and, perhaps, more importantly, for the growth of the third phase of the Research Park, which has done extremely well in the last half-dozen years, and continues to be our real industrial property tax base in the City. I believe that the small investment we're going to make in 2007 in new personnel to serve, not only that annexed area, but all of the citizens in the City. It's going to serve us well, and it's going to pay big dividends in the very near future. We're managing to add those new people, the three firefighters, the three police officers by keeping the increases in other areas of the budget this year very minimal. We have increases for capital projects in LOHUT, in Major Moves dollars that haven't been in our budget before. We're going to spend about \$1.5 million in infrastructure that I think, again, will keep our City growing and vibrant. That will bring those new businesses to the Research Park. But outside of the new personnel and the infrastructure improvements, the budget is very, very lean, and we've been very—I think the department heads have done an excellent job to keep the budget very lean, so that we can annex this year. We are still managing to provide a 2% salary increase for our employees. I think that's very important, because they work hard to provide great service, and we need to keep the good people that we have. We are experiencing, as all of us are individually, expenses out of our control—health insurance, fuel costs, utility costs—and, of course, those costs eat up that little bit of property tax increase we get each year. I'm going to just give you some numbers, to give you a feel for, I think, the difficulty we face in trying to stretch those budget dollars. In 1997, so 10 years ago, we spent \$55 per person from the levy for fire and \$84 per person for police. In 2007, we'll spend \$92 for fire and \$144 for police, so, again, remember that 80% of our General Fund costs are personnel. 80%, and that is an important fact to remember when we talk about increasing budget and declining reserves. 80% of the General Fund is personnel costs. Again, I think we have

made many changes over the last 6, 8, 10 years even, to keep quality services, to continue to grow the City, including moving salaries out of the General Fund into the Parks NRO to try to relieve pressure on the General Fund, moving salaries out of the General Fund into Economic Development Income Tax, having salaries in MVH, moving more salaries into Wastewater. You know when we added an Assistant City Engineer, that person is paid partially out of Wastewater. We worry about the General Fund, the property tax dollars every year, and we try to work with other funds to protect those General Fund dollars, to keep the property tax dollars for operations, and we've moved a lot of people into other funds to protect it. We've also moved capital expenditures into, again, Economic Development, cum funds like CCD, Cum Fire, CCI. We are using more and more of those cumulative capital funds for capital purchases, along with the TIFs, of course, to relieve pressure on the General Fund. We continue to evaluate our fees and fines. We did some last year, we've done more this year. We will look at fees in several departments next year. We've initiated energy conservation programs, not only in all of our City facilities, but now with the renovation of the Wastewater Plant and the digesters, we are looking at real energy-efficient changes for those digesters that are going to save us a great deal of money. We continue, as a City, all the department heads do a great job of actively seeking grant money. We've been very successful to supplement our revenues, and it's made a great deal of difference. I've had several people in the last month tell me, a couple of these at actual "Meet with the Mayor" days that I've done, that they either have just retired or are ready to retire and always imagined they would move away, move closer to family or move to the east or west coast, and they've decided to stay here, because this community provides the quality of life that they want with a low cost of living, the great parks and trails, the great cultural events, it's a wonderfully safe community, and so they've made a decision to stay here. And I think that says a great deal about what we're doing as a City, that we're moving the City in the direction people appreciate, and that's why they've chosen to stay here. We can't do that, we can't continue to keep people here, if we don't make an investment this year in growing the City, in growing more jobs, in keeping the community prosperous. We have to make that investment to keep the community vibrant. So, again, I think our philosophy has been, my philosophy has been, to live within our means. We are borrowing money from our cash reserves this year, and I've made the analogy of my new kitchen, or think of it as a new roof for your house. I doubt if many people can afford to just pay cash for a new roof. I certainly couldn't do that. I borrowed money when I replaced my roof. But we're borrowing money to make an investment in the City for the future. And as soon as those new tax dollars start coming in, we will be replacing those monies in the reserves, so that we will again have a strong reserve balance for the future. But we need to invest this year in growing the City and keeping the City strong. I'll remind you—I meant to bring them back in here tonight and I forgot—of the graphs that you were given that show how the AV of the City will increase and how the property tax rate, after an initial year of increase with the annexation levy appeal, will come down and will continue to stay down, because we'll have larger assessed valuation and new property taxpayers in our City. Again, I think the 2007 budget is lean, and the dollars we are spending are an investment in the future of our City. I'll stop rambling, and we'll open it up to other comment and discussion.

Councilor Keen said Madam Mayor.

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Mayor Mills said Councilor Keen.

Councilor Keen said can you, with the addition of the health insurance premiums and that to the General Fund, can you comment on how that will impact our reserves?

Mayor Mills said well, I think you can see from your previous budget form, which you no doubt still have in front of you and what Judy [Clerk-Treasurer Rhodes] handed out today, I think we've gotten both there—what you had received previously suggested that we would have an operating balance at the end of '07 of \$418,697. What you got today suggests that we will have an operating balance of \$279,915. But I will remind you that we always have reversions, we will have reversions. We still have an opportunity to cut budgets before the end of the year, and we will do that wherever we can, so the balance that we end up at the end of December '06 will be larger than what you're seeing projected here. We are always very conservative in our projections for this year and for the coming year.

Councilor Keen said but even with that, we're still going to draw down the reserves by probably close to \$100,000, which will drop us in our reserves about a full percentage point for next year's budget, which would put us about 8% of our reserves, if my calculations are anywhere close.

Mayor Mills said that's accurate.

Councilor Keen said and that is one of my concerns.

Mayor Mills said it's one of my concerns, too.

Councilor Keen said the other thing that I'm concerned about, if I can find it here, you've mentioned several times in the past, and even just a little bit ago, about investing in the future for annexation and that sort of thing. The thing that really concerns me, if I can find my graph here, is the trend of the decline in our cash reserves and how that started several years ago, actually, and I don't know that it's really fair to keep attributing all of this decline in our reserves to the annexation when, in fact, in 2006, we had absolutely no cost of annexation in that budget, but yet our reserves had dropped significantly from 2003—

Mayor Mills said Mr. [Councilor] Keen, if I could interrupt, I'm not attributing that decline in reserves to annexation.

Councilor Keen said well, that's what I'm hearing you say.

Mayor Mills said well, how I started tonight was telling you that I think a great deal of what we're facing in lack of reserves as a City as accumulated over the last 10 years, as the Legislature has made changes to municipal finance that have impacted all of us. They've frozen the levy, they have capped the levy for a while at 5% and then, more recently, the levy was capped at 3.8%, 3.9%, 4.0%. Those are the long-term impacts that have caused our cash reserves to go down. We've had pension obligations, which I pointed out, and

the compilation of the changes of the levy and the increasing costs of doing business—inflation from year to year—is why those reserves are being whittled away. So please don't misunderstand and think that I'm suggesting that the lack of reserves is coming from annexation. I am not. I'm saying we're spending down more of the reserve this year, to invest in the annexation, to try to stabilize our AV and stabilize and lower our property tax rate.

Councilor Plomin said but the caps were in place during [Mayor] Margerum's years.

Mayor Mills said often at 5%, that's correct. Only in the last few years have the caps been lower than 5%, and, you know, during the 5% years, even though it was capped, there was an ability to take that maximum levy and obviously put some dollars aside as we did, and fortunately we did. It's more and more difficult when the cap is 3.8%, and you're talking about \$260,000 or \$235,000 of new money for a year that's got to cover health insurance increases or fuel costs or just the inflationary rate of doing business. I mean, that was my point when I presented the efficiencies and grants to you, that the combination of factors we face as a City has made it very difficult to continue to provide the services. At this point, we've done a great job. We haven't cut staff positions, we haven't discontinued or decreased any great services. Now, will we have to in the future? I don't know. That's a decision that will have to be made on the budget in 2007 for 2008. I hope not. I hope the revenues will rebound and we'll continue to provide all the service we provide. Other cities have laid off people, as you know. We certainly are not the only city that's using reserves. There was an article last week in the *Star*, Indianapolis is spending reserves this year to add police officers. They've had what some people consider a little crime escalation in the last few months, and they are adding a large number of police officers to the force, and they're spending reserves to do that, because they find themselves in the same situation that many of us do, we don't have enough new revenue dollars to make those additional changes. Councilor Griffin.

Councilor Griffin said I think all of us would feel great if these reserves were significantly larger—

Mayor Mills said absolutely.

Councilor Griffin said but I think the very, very practical facts of it are, with each passing year, there is not sufficient increase in the revenues at this point to allow that to happen. When we look at this budget, what we need to look at is are we going to support the personnel costs that it takes to run the City, or are we going to say that these costs are excessive and therefore they have to be controlled in a different way, and make the more difficult decisions. I think it's a lean budget, I think it's a good budget. I think that it's a budget that we should move forward with, and we may have to make more difficult personnel decisions next year. And we could make that decision now, but I think that it's premature to make those decisions now. I think that we will look back and we will say, "We had tough decisions to make, but by not laying people off, cutting back on personnel at this point, we made the right decision." And I think that we should.

Mayor Mills said other comments?

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Councilor Hunt said a couple other events, I don't know if they're historic, but they're close to historic. One thing is that because of the transfer of pension services from the pre-1977 or whatever firemen, we have the DROP to consider, and that's pensions which will get a little easier after we pay that large bolus of pensions for those firemen that are going to retire. In addition, the annexation is going to cost a little more, but hopefully, the end result is leveling out or decrease of personal property tax. The health insurance increase, I think, has been discussed nationally for the elections for several years. I just read on the web what Medicare is going to go up next year. Medicare will go up to \$93 a month, at least for me, and I've just calculated, that's about a 5% increase. And, of course, health insurance is skyrocketing, as is health promotion, and the cost of healthcare. In addition, fuel costs, I think, are historic. They're leveling off a bit, which is encouraging, but whether that's because it's an election year, no one seems to know.

Mayor Mills said yes, whether it lasts.

Councilor Hunt said but those are big things that are hitting us at the same time personal property taxes are being cut. I'm eager to go to that forum next Wednesday. I hope I'll learn a little more about how the State cuts things and passes part of the costs on to us at a local level.

Mayor Mills said other comments? Councilor Keen.

Councilor Keen said I don't doubt that we've had some expenses that we've had to take care of, but when I look at this graph and look at the trend in just three short years, it's very disturbing to me. I mean, back in 2004, we had reserves of almost 28%, if not 28%. Now from this year to next year, with the addition of the health insurance and that sort of thing, our reserves are going to drop more than 10% in one year, and putting us at 8% with next year's budget. And that's, in three years, we've gone from 28% to 8%. That's a 20% drop in just a couple of years. That, to me, is—we're just not doing something right here, because we can't continue that and expect that we can have a healthy government and continue to do that.

Mayor Mills said no, you're right. We absolutely can't continue that. And, again, we have managed—that is why we are investing in this annexation, but if we find next year that we don't have increased revenues, we will be looking at a leaner number of personnel. We will use more economic development dollars for operating expenses. We will postpone projects. We will do what's necessary to bring those cash reserves back to a reasonable level. But keeping 28% there, in lieu of providing growth in services, I don't think is what we want to be doing as a City, either. We are not a bank, we want to have absolutely the most cash reserves we can. I couldn't agree with you more. But we also owe it to the citizens who pay taxes to continue to provide as much service as we can, as leanly as possible, and to continue to invest, infrastructure-wise, in the City. I think you have to find the balance there between keeping cash reserves that protect you, and providing the service that is our job as government to do. It's going to continue to be a tough job for the next who knows how many years, to find that balance, to keep enough cash that protects the City for bond purposes or emergency purposes, and yet allows us to continue to grow

and to provide service. Again, we are continuing to do projects. We are managing well, and next year we may not do any projects. We may have to stop, we may have to use those dollars for operation. We'll do that if we have to. I personally don't think we're to that point yet. I think it's important to continue to grow the City and bring that new business to the community. We're done it very well in the last two years in the Research Park. We've grown a great number of jobs out there. Look at the Parkway and the new development on the Parkway. That's resulted, I think, partially from the investment of TIF dollars we made on the Parkway. We have new businesses, we have the announcement of new development going in the K-Mart building, finally. Those are the investments that are growing us as a City. So, again, I think it's finding that tough balance between protecting ourselves with reserves and continuing to grow, so that this is a location people want to move to. Councilor O'Callaghan.

Councilor O'Callaghan said Mayor, I actually got a little bit emotional when I was thinking about this, so I jotted some things down, but we have talked a lot about the numbers, but I guess I think the thing that the citizens should remember about this budget is that it calls for a property tax increase of about \$0.02 per \$100 of assessed valuation, from about \$0.74 to \$0.76 of \$100 of AV, and that's in the next ordinance that we're going to address. We're not raising property taxes that much. The increase in property taxes for an owner of \$150,000 AV home will be \$31.00. With Homestead Credit and exemptions, that amount could be closer to \$11.00 increase. This budget does increase spending, but, as we said before, it is a strategic investment of resources that will allow the City to grow and thrive. The major increase in spending is for annexation. We talked about three firefighters, three police officers, a police car—about \$317,000 for annexation. And for roads, those projects that we've talked about, \$1.5 million mostly from dedicated road funds. That's what we need to use that fund for, and I'm glad you addressed some of those exciting things that are going on, that I talked about at my development report last month. We have businesses going up all over the City. We have retail, restaurant, medical and health-related. On Sagamore Parkway, in the Village, Wabash Landing, in the Research Park. And these businesses don't just come, willy-nilly. They come, they decide to come to a place because they can see the City investing in resources, in infrastructure, in trails and other amenities, using TIF dollars wisely and using the road money for projects. Last Sunday was the dedication of the Sonya Margerum Fountain, and it was a true testament to what vision and investment can bring. We had an abandoned Sears building and a parking lot. We could have a port-a-potty rental location, but because of vision and investment, which some people did not support at that time, because they couldn't see what it could be, and they didn't want to risk the investment, we now have a thriving area which connects the Lafayette downtown and does indeed serve as a West Lafayette downtown, a great gathering place, recreational area, art festival space, and plenty of retail and restaurants, which has added many times over in private investment to that which the City originally made. I see this budget in those same terms. Sure, I worry about spending balances down, but those balances are like money in the bank. It's great to have there for emergencies and making some interest, but sometimes, it's a better part of wisdom to use some of it for a strategic investment in something that will give you a better long-term return. I believe Mayor Mills has a vision for the City that is growing and thriving, where people want to live and raise their families, and, yes, even retire here. We want the businesses to come. We want the trails and the number one

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university research park in the nation. We want activity from Wabash Landing to the new annexed area in the north. But we have to be willing to make an investment. I'm putting my money, and I believe my constituents want to put their money, on vision and investment.

Mayor Mills said thank you. Other comments? Councilor Plomin.

Councilor Plomin said I don't have a calculator, and so I can't do the math here, but I think it's a little less than 6% of 2% as an operating balance at the end of the year, rather than 8%. What is the plan for the City if we have expenses that we don't expect, like this additional last item that came today, \$113,000 for health insurance. That's nearly half of the operating balance we project at the end of the year.

Mayor Mills said that wasn't unexpected, but I understand your question.

Councilor Plomin said well, it wasn't in the budget until today, so—

Mayor Mills said well, no, because we were waiting for the—

Councilor Griffin said what we would have to do is, as a Council, is we would have to decide what other projects we weren't going to happen, or if that's all in your purview—

Mayor Mills said right.

Councilor Griffin said that's what you would do.

Mayor Mills said absolutely. Again, we would use Economic Development Income Tax dollars that we'd typically use for economic development. We would put projects on hold, we would not build things that we want to build, and we would use those dollars for operation.

Councilor Griffin said I would call the question.

Councilor Plomin said I don't think that's appropriate right now.

Councilor Griffin said okay.

Councilor Plomin said a couple other things about this. Everybody's concerned, I think the whole Council, about not spending down the balances to a point where it's uncomfortable, where we don't have the kind of money we would need to prepare for things that may be unexpected. I think that there's a resolution that's been proposed that's going to be seen for first reading on Monday that will address that going forward. I think that's a great step in the right direction. But this annexation is a big gamble, because we could not see it build out as quickly as we expect, and we could end up really losing our hat with the whole thing. I voted against the annexation, because I didn't believe that it's a good long-term investment in the City. Right now, the City needs to hire three additional firefighters, three additional police officers, but I believe a year ago, or two

years ago, we had a request for three firefighters for the existing portion of the City, and I don't think we've hired the third one yet—

Councilor O'Callaghan said yes, we have.

Councilor Plomin said we have? We hired—

Councilor O'Callaghan said in August.

Councilor Plomin said okay. Then we're going to need three firefighters to cover an area that's equal to about half the size of the City.

Mayor Mills said a third.

Councilor Plomin said it doesn't make much sense that we can have three firefighters—when we finally got up to adequate staff for the City proper, in the annexed zone, we're going to hire three new guys and we're going to have one guy working every shift. Is that how we're going to do it, or how does this work?

Mayor Mills said I think you can address those questions to—

Councilor Griffin said I remember that being addressed—

Councilor O'Callaghan said and we have talked about those.

Councilor Griffin said I remember that being addressed.

Councilor O'Callaghan said yes.

Mayor Mills said Chief, do you want to just come and give a brief answer to Mr. [Councilor] Plomin?

Councilor O'Callaghan said again. Since they are in the minutes—

Councilor Satterly said there's only one truck out there.

Councilor O'Callaghan said we've done it before, but go ahead.

Fire Chief Drew said the three additional firefighters that we've hired approximately a year ago, or within the last year or so, yes, they strengthened our capabilities that we have right now. The three that we're hiring for annexation will help us—as we stretch ourselves out, we are definitely going to be stretched thin, and it would be better to hire more firefighters than three, but given all the budget considerations, three is what is affordable in this year, and then the annexation plan calls for an additional three before too long. That would depend on how the budget goes here in the next couple of years. So, yes, there's definitely a need to hire additional firefighters, but three will give us a very minimal amount that will allow us to stretch ourselves between three stations.

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Councilor Plomin said I think all of us—

Fire Chief Drew said so we will have, in the new annexation area, we will actually have three or four firefighters, generally three firefighters, at that station per day.

Councilor Plomin said okay. I can tell you've got a little cold like me.

Fire Chief Drew said yes, I do.

Councilor Plomin said I think we're all a little under the weather. Something's been going around. My question is, though, you made a very convincing argument in previous budget cycles, that we needed to hire more guys, we were understaffed for the City, based on national standards for response time, national standards for capabilities for covering things like vacations and sick leave, and we were told then and convinced and I believed it's the truth, that it was a precarious situation we were in regarding fire coverage and getting adequate response time. Now that we're up to full strength, the suggestion is to go back to a weaker system and then spread them across the City at maybe— Now we're at 100%, we go down to 80%?

Fire Chief Drew said well, we've not reached 100%, I wouldn't say that. According to the national standards, we still have some more room to improve there. But we're doing it within what is affordable in the overall budget picture here. Right now, with the two stations, if we have a large fire, both stations will go to that call. So everybody who's on duty will be responding to that fire.

Councilor Plomin said okay.

Fire Chief Drew said the same thing will happen when Station #3 is built. Everybody who is on duty will be going to a large fire—

Councilor Plomin said all three stations?

Fire Chief Drew said so we will actually increase our number of personnel at the fire scene. Where we will be weak is if we have multiple calls at the same time.

Councilor Plomin said what would you say is the mix of fire to medical calls that we get?

Fire Chief Drew said approximately 75% of our calls are medical.

Councilor Plomin said okay. So we get multiple medical calls at one time is a likely situation?

Fire Chief Drew said it's more likely than multiple fire calls, correct.

Councilor Plomin said okay.

COUNCIL MEETING MINUTES, SEPTEMBER 28, 2006, CONTINUED

Fire Chief Drew said or we could run into the situation where we're on a fire scene and we have a medical call during that fire.

Councilor Plomin said I wonder if this annexation's going to cost us a lot more than we anticipate in the out years. This seems to me, and I know in rainforest countries like Brazil, the farmers burn the rainforests to find the short-term solution to get more land for their crops, but that land goes dry. It seems to me like we're annexing this area to the north, in order to get a spike of money for an excessive appeal next year only to not see that growth materialize, and it'll dry up for us.

Mayor Mills said Councilor Griffin.

Councilor Griffin said you know, I think just as with the votes that happened several years ago, prior to my tenure here, when the [Wabash] Landing was the issue, and we can either vote today, based on a sense that we mustn't mess with the status quo, that we've got to be careful, and I think that we can end up with a city that's got crumbling curbs and is not a place that people want to live, or we can continue to grow and have a dynamic city that people are proud of. Is it possible that in ten years we'll say that annexation was a mistake? Of course, it's possible. Do I think that's going to happen? No, I absolutely do not think that that's going to happen.

Mayor Mills said all right. Other comments before we vote?

Councilor Plomin said I don't think there's an argument as to whether or not we want a good city. We all want a good city, we all want people who want to live here, and we all want people to be attracted to our community, businesses, and jobs, and we want the citizens to do well, which is why it's great when new businesses move in when we develop the K-Mart building and somebody agrees to move in there. I mean, all of these things are terrific, because they make the quality of life for the individual better. It doesn't do a lot for the City budget, especially when it's capped at 3.0% or 3.5% or I'm not sure what the cap is this year.

Mayor Mills said 4%.

Councilor Plomin said 4%. Is it the right time? Is now the time to annex undeveloped farmland in the north of the City? I don't think so.

Mayor Mills said well, and I appreciate the discussion—

Councilor Griffin said that's not really what we're arguing tonight—

Mayor Mills said but that decision was made several months ago by this Council, so at this point it's a moot point.

Councilor Griffin said that's a decision made.

Councilor Plomin said but you say that's why we're spending down our cash, through.

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Mayor Mills said no, I said—

Councilor Plomin said yes, you did, you said strategic use of cash reserves to support annexation. That's exactly what was on the PowerPoint two months ago.

Mayor Mills said right.

Councilor Plomin said that's exactly what you said earlier today.

Mayor Mills said it is using some cash reserves this year, that's absolutely correct, for annexation, for those new people.

Councilor Plomin said so we have a list of excuses. We have this year it's annexation. Last year it was we were funding pensions, the year before it was something else. And we see the trend of spending more than we take in every year. It goes down further and further and further, and now we've dropped below the sane level of 10% to 2.5% or 6.0%, depending on which number you use. And I don't think that that's a wise budget.

Mayor Mills said I appreciate your comments. Councilor Griffin, do you have anything else?

[Councilor Griffin nodded "no."]

Mayor Mills said any other comments?

Clerk-Treasurer Rhodes said is this a vote on the amendment, Madam Mayor? The amendment has not been—

Mayor Mills said you're right—

Clerk-Treasurer Rhodes said there's been no motion yet to—

Mayor Mills said you're right. We need to first make an amendment to the budget that includes the changes you represented today.

Councilor Griffin said so move, Mayor. Motion was seconded by Councilor Satterly, and the amendment to the budget was passed by voice vote.

Mayor Mills said now we have the amended 2007 City budget.

There was no further discussion.

The roll call vote:

AYE
Griffin

NAY
Keen

COUNCIL MEETING MINUTES, SEPTEMBER 28, 2006, CONTINUED

Hunt Plomin
O'Callaghan Truitt
Satterly

Ordinance No. 22-06 (Amended) passed on final reading, 4-3.

Clerk-Treasurer Rhodes said I would remind the Council members that you will be signing a budget form this evening.

Mayor Mills said this evening, please.

Clerk-Treasurer Rhodes said thank you.

Mayor Mills said thank you.

Councilor Satterly said could I ask the Clerk-Treasurer a question?

Mayor Mills said certainly.

Clerk-Treasurer Rhodes said yes.

Councilor Satterly said if we had four NO votes on the budget, what would happen?

Clerk-Treasurer Rhodes said if the budget was not adopted, we would simply—well, actually, we have one more day. Monday is the deadline for filing. We could have a special meeting, but most likely, what would happen is we would begin next year with the current year's budget, and then we would shape it through additional appropriations and budget reductions, as desired.

Councilor Satterly said okay, thank you.

Councilor O'Callaghan said sort of like the federal government, on continuing resolutions, because they don't have the budget done.

Councilor Hunt said I have a question.

Mayor Mills said it's not a situation that would be good to be in.

Councilor Hunt said Clerk-Treasurer, do you know off the top of your head or could you tell me by Monday what the insurance went up this year? I mean, tell me by Monday would be fine.

Mayor Mills said well, that's a little bit premature—
Councilor Hunt said we're not sure. Okay.

Mayor Mills said just because we don't have the final numbers.

COUNCIL MEETING MINUTES, SEPTEMBER 28, 2006, CONTINUED

Councilor Hunt said okay. What is it?

Mayor Mills said I mean, what you heard today was an increase of \$113,160, because what the previous budget had in it was still there, of course. This is the increase.

Clerk-Treasurer Rhodes said the increase here, I want you to understand, is done simply as an attempt to earmark and recognize an obligation that will exist for the City next year. The 2007 budget, of course, is larger, because we're going to increase our headcount, and therefore we'll have more individuals who are going to be carried on our policy. In addition, some estimate was made, based on premium increases and cost sharing between the City and employees, but simply done to provide a very conservative range, because the numbers won't come in most likely until next week. The alternative would have been to do nothing further, and then recognize that obligation through an additional appropriation in January of '07.

Councilor Hunt said okay.

Clerk-Treasurer Rhodes said or live with the budget that was adopted.

Councilor Hunt said thank you.

There was no further discussion

Ordinance No. 23-06 An Ordinance Setting The Tax Levy On Property And Tax Rate For The 2007 City Budget (Prepared by the Clerk-Treasurer) Councilor Griffin read Ordinance No. 23-06 by title and moved that it be passed on second and final reading, and that the vote be by roll call. The motion was seconded by Councilor Satterly.

Mayor Mills said this is as was presented before, so no change in the tax levy or tax rate.

Clerk-Treasurer Rhodes said I simply wanted to make one comment. All of you have probably received your reassessment notices. Therefore you have deduced that it's very likely the assessed valuation of the City will increase more than 1%, if I'm an example of what happened with trending.

Mayor Mills said I'm an example, too.

Councilor Griffin said mine went down 20.

Councilor Hunt said mine when up 19.

Clerk-Treasurer Rhodes said we could have Truth and Consequences here, but I just want to go on to say that the estimate that we made, of course, of the tax rate was made in a normal year and with a very minimal increase in AV. Clearly the AV's going to be considerably higher. The tax rate will most likely fall. However, the amount that taxpayers will pay will still be pretty well estimated by the original estimate we made, because the proportionate share will probably remain about the way it is now. So, given that we have

COUNCIL MEETING MINUTES, SEPTEMBER 28, 2006, CONTINUED

very little inventory tax coming off the AV, the County Auditor says he will be getting those numbers as soon as he can start working on the computations. But he expects that there will be numerous appeals.

Councilor Plomin said Judy [Clerk-Treasurer Rhodes], could I ask a question?

Clerk-Treasurer Rhodes said sure.

Councilor Plomin said when they reassessed the City and the County, when they did away with the inventory tax, what happened? Can you just walk us through what happened with that? I'm not clear.

Clerk-Treasurer Rhodes said you've got a couple of changes that occurred maybe lumped together. What happened first was there was a change in the State from assessing based on a formula that was that was meant to value the cost of replacing a structure to an approach that was meant to give closer to market value. The attempt was to make the true tax value close to the market value. And then the additional wrinkle this year is this was the first time trending has been done since the reassessment, so it reflects several years of market forces. From now on, the trending will occur every year. That was one change. The inventory tax deduction was not really related to the conversion to market value nor to trending. It was a separate initiative to stimulate economic development in the State. However, it is effective for the first time '06 pay '07.

Councilor Plomin said okay. And so what happened then? When they did away with the inventory tax, then the burden in the community—

Clerk-Treasurer Rhodes said right. What happened is they reduced the amount of personal property, basically, that was on the tax rolls, therefore that portion had to be picked up by all the other property that was on the tax rolls, real and personal. And we saw, earlier this year, an estimate made on the impact in certain districts in terms of raising the tax rate. In West Lafayette, the inventory tax deduction has a negligible effect, while it had a very pronounced effect, particularly in two taxing districts in Lafayette.

Councilor Plomin said let me see if I can complete the whole word for you.

Clerk-Treasurer Rhodes said but, on top of it all, the Legislature, recognizing several factors, including I may add, an election year, increased the Homestead for residences that people—it's their primary residence—by another \$10,000. What will happen this next year is going to be a mish-mash. It'll be hard for people to really feel the effect of all the changes that have occurred, because you've had Homestead exemptions changing, inventory tax coming off, we've had a supplement now in our County with the Local Option Income Tax, EDIT has gone up 0.10%—on top of trending. So I really think it will be difficult for most taxpayers to understand exactly what has been the strongest influence on their tax bill in '07.

Mayor Mills said okay. Are there questions about the tax levy or the tax rate for the 2007 budget? Any discussion?

COUNCIL MEETING MINUTES, SEPTEMBER 28, 2006, CONTINUED

There was no further discussion.

The roll call vote:

<u>AYE</u>	<u>NAY</u>
Griffin	Keen
Hunt	Plomin
O'Callaghan	Truitt
Satterly	

Ordinance No. 23-06 passed on final reading, 4-3.

ADJOURNMENT:

There being no further business at this time, Councilor Griffin moved for adjournment. Motion was seconded by Councilor Truitt and passed by voice vote, the time being 5:35 p.m.

Respectfully submitted,

Judith C. Rhodes, Clerk-Treasurer
Secretary of the Common Council