

Thank you Council President, Members of City Council, city officials and citizens of Napoleon. I am honored to have the opportunity to serve our great city, and I truly appreciate the support I have received over the past year. I think that we have made some great headway in tackling the challenges that face the city, but much more work lies ahead.

From the moment I took office, I have publicly voiced the reality of the challenges that face our city – the mounting debt, higher utility rates, unfunded mandates, shrinking wages in the private sector, a poor economy and higher inflation. In my last address, I shared the concerns that had been brought to me by citizens and business owners alike – concerns that the costs of residing in Napoleon are too great, and that more rate increases and tax increases would force them to leave the City. In March, I had the opportunity to share these concerns with a Congressional Subcommittee, thanks in part to the support we have received from Congressman Bob Latta. I explained to Congress the difficulties we are having with the EPA's "Findings and Orders," and the short period of time we have been given to complete their unfunded mandates. I am hopeful that our nation's leaders heard your concerns, and that we will receive an extension that will allow us to complete our mandated projects without having to increase rates due to increasing debt.

In January of 2012, I presented Council with a list of policy changes that I thought could significantly help address the challenges we are facing. My hope was that we would implement all of them in one year, but I had forgotten how slowly the wheels of government can move. I want to thank the council, the City Manager, City Finance Director and City Law Director for their efforts and accomplishments so far, but we need to do more this year. The modest fiscal improvements we have made are outweighed by the staggering fiscal challenges that we face. Business as usual must end. For the good of our citizens and our City, it is time to boldly and aggressively implement solutions.

Last year I recommended creating legislation that would place a cap or spending freeze on the General Fund. A cap would allow additional funds to be placed in a rainy day fund and applied to debt or put towards capital improvement projects. This is one way I believe that we can stabilize our utility rates. This recommendation never made it out of committee last year. I urge my fellow council members – living within a budget and spending less than you bring in is something that all of the folks who pay taxes to the city do – bring this issue back to committee, and let's get it passed. It just makes sense.

Another issue I raised last year is that I believe that the City's Park and Recreation Department should work to operate off of the .2% income tax levy that was approved by the tax payers in order to stop pulling money from the General Fund to subsidize their operations. I would like to commend our Parks and Rec Board members for taking on the challenge and looking for ways to improve. We weren't successful in reaching that goal for the 2013 budget, but we are definitely heading in the right direction and it has created a dialogue that is forcing people to take a hard look at ways to improve. However, it will ultimately take action from Council to make this a reality.

Equally as important as paying for needed city projects and operations is not adding unnecessary projects and expenses. That is why this council reviewed our annexation policy and declined to annex land into the city which would have forced us to install a pumping station. This decision alone helped save the taxpayers nearly half a million dollars.

The most important recommendation I made is one that this body has embraced, and just recently accomplished. In June of this past year, Council hired the State Auditor's office to provide a Performance Audit of the city operations. I believed that many of my recommendations would ultimately be backed up by the results of the audit. It wasn't an easy road to travel, but ultimately Council made the decision to spend \$75,800 to have the audit done, and I believe the results were well worth it. The Auditor's recommendations could potentially provide the City with an annual savings of \$647,800 which is an 854 percent return on investment, or \$8.54 in annual savings for every taxpayer dollar invested. I am hopeful that this body will be able to achieve this type of annual savings. Even if the savings achieved is closer to the \$400,000 to \$500,000 range, after 5 years that adds up to a savings of 2 to 2.5 million dollars.

I want to make clear that while the savings is fairly high, it isn't a reflection of poor management or negligence by our city employees. In fact, there were many areas of operations where the Auditors made no recommendations, including staffing for police, fire, water, wastewater, streets and maintenance and sanitation. During a meeting with the team of auditors, one of them mentioned that there was "no low hanging fruit to be found" and that the city functions "very well".

What the audit does do is provide ideas from a fresh-perspective, and I believe that these ideas need to be implemented. The Auditors have offered recommendations based on what other cities in Ohio are currently doing. In many cases, implementing these recommendations won't be easy and Council will be forced to make some difficult decisions in the near future. But as I said before, we must be bold in addressing our challenges. The problems that our City was facing at the beginning of last year have not changed, and they will not change in the foreseeable future. We must take action to streamline our operations and apply any savings to one of our many unfunded mandates.

The suggestion with the most potential savings would be to outsource dispatch to Henry County. Doing so according to the Auditors could potentially save the City \$335,000 a year. I do believe that by working with Sheriff Bodenbender and the County Commissioners, we can come to a mutually beneficial agreement. I spoke with the Sheriff recently to discuss this recommendation and he is definitely open to the idea. So, I would encourage Council to pursue this recommendation as our top priority.

The Auditors focused their attention on the Parks and Rec operations and have made several recommendations that if implemented, could save over \$150,000 and eliminate the need to draw from the General Fund. The other benefit is that it would also leave Parks and Rec with a small surplus that would allow them to continue to offer programs for our youth at no additional cost. The largest change they are suggesting is that the City closes the golf course. I understand that closing the golf course will not be a popular decision with many of our citizens, but I have a solution. Put it up for auction with the bids beginning at \$1. Golf courses should be operated by the free market, not subsidized by taxpayers, so let's allow the free market to choose what is best to do with that land. Therefore, I strongly suggest that Council follow the Auditor's recommendation by putting the golf course up for auction, outsourcing the pool operations, and reducing the Parks and Rec staffing levels by 2, effective this year.

I would also urge Council to review all additional recommendations carefully to determine if they are feasible and to implement these and every other cost saving measure that we can. Doing nothing isn't an option. Allow me to remind everyone why it is so important that we look for ways to improve our operations and reduce cost by reading a section of my testimony to the Congressional Subcommittee: *"Using a ten year comparison of US Census data, the City of Napoleon has lost nearly 600 residents over the past decade,-and the median household income,*

is roughly \$2000 lower than 10 years ago. The median household income for a resident of our community is \$35,762. This is significantly lower than the Ohio average of \$47,318.

Our City is facing other challenges in that we are under "Findings and Orders" for our SSO's (Sanitary Sewer Overflows) and CSO's (Combined Sewer Overflows). In 2004, the City came to an agreement with the EPA for a 20 year plan, which requires the City to remove all SSO's from our system and reduce the CSO's to one. The plan was estimated to cost our City \$35 million to complete and contained 62 individual projects.

As of 2012, the City of Napoleon is on schedule and we have completed 22 of the 62 projects. So far, we have spent more than \$19.5 million. Our City Engineer estimates that the total cost of all 62 projects for the 20 year period will cost closer to \$100 million. In addition, we now have to spend another \$15 million to upgrade our water treatment plant to meet current and near future EPA standards. So the total bill our community of 8,749 residents will receive due to the EPA is approximately \$115 million.

The City of Napoleon has made efforts to pay for the projects by raising the sewer and water rates. These increases have been added every year, but one, since 2003. This has doubled the water and sewer bill for our residents and businesses.

Of the \$19.5 million spent on this project so far, the City of Napoleon has issued debt for \$19.4 million. Even though we have doubled our water rates, we are still only able to service the debt and pay for normal water and sewer operations.

Over the next two years, our City Council has authorized two additional rate increases, totaling 20 percent as suggested by an independent consultant. In three years, when it is time to upgrade the water plant, it has been recommended that the City must raise the water rates by an additional 50-60%.

That statement was from March of last year and as I have mentioned, not much has changed since. Our citizens are still dealing with rising inflation, higher utility rates, a poor economy, shrinking wages in the private sector and debt.

I have said quite a bit tonight about being bold in addressing the issues that we face. Do we have our challenges? Yes. Do we have obstacles to overcome? Yes. Are we taking them head-on? Absolutely! What we are facing is not much different than every other surrounding community in Northwest Ohio, but how we handle our situation today will determine the destination of our City for the future. The citizens of this great city elected us to be leaders. Leadership requires wisdom to make good decisions, courage to do what is best and dedication to see that the job gets done. Oh, and one other thing, common sense. Gentlemen, the time to lead is now. I look forward to tackling our City's challenges with you. May God bless our efforts and may he bless our City, our State and our beloved country.

Thank you,

Ronald A. Behm
Mayor, City of Napoleon