

## **FINANCE COMMITTEE MINUTES**

### **JUNE 17, 2014**

The Finance Committee meeting was held on June 17, 2014 at North Royalton City Hall, 13834 Ridge Road. The meeting was called to order at 7:05: p.m.

**PRESENT:** Committee Members: Chairman Larry Antoskiewicz, Vice Chair Gary Petrusky, Paul Marnecheck; Council: Dan Kasaris, Dan Langshaw, Steve Muller, John Nickell; Administration: Mayor Robert Stefanik, Law Director Thomas Kelly, Asst. Law Director Donna Vozar, Finance Director Eric Dean, Safety Director Bruce Campbell, Community Development Director Thomas Jordan.

### **APPROVAL OF MINUTES**

Moved by Mr. Petrusky, seconded by Mr. Marnecheck to **approve the May 20, 2014 Finance Committee minutes**. Yeas: 3. Nays: 0. **Motion carried.**

### **UNFINISHED BUSINESS**

#### **1. Monthly Finance report including tax collections status**

Mr. Dean reviewed the documents presented to Council, copies of which are attached to these minutes. He said what is driving our decrease for this year compared to last year is mostly due to net profit taxes that have come in lower than expected. Mr. Nickell asked if this was a timing issue. Mr. Dean said no, net profit is due when it is earned. Companies can estimate what their net profits are going to be and pay taxes on it, with any reconciliation coming at the end of the year. Mr. Dean said he took the top 25 negative variances to try to see where the decrease is coming from. He said that in 2013 we collected \$441,000 and in 2014 we have collected only \$4,000. He said that the highest payers from last year have not paid anything this year. This could be due to a credit. We allow a 5 year carry forward of any loss of business. It could also be that they have not filed yet. He said that 11 of these 25 businesses have not paid anything yet in 2014. This could mean they have filed for an extension or there is no estimate yet. Mr. Petrusky said he is concerned that we are down over \$300,000 from last year and asked if we need to start making adjustments now. Mr. Dean said that we are far enough along to determine that we are not going to have as good a year as we did last year. Mr. Antoskiewicz said that our net profit taxes are down 28%, but the withholding and the individual taxes are close to where we need to be. Mr. Dean said that with all the taxes we collect, net profit is the smallest; most of our money comes from individual and withholding. As time goes on, it looks like we will hit those two numbers and the net profit will become less of an issue. Mr. Antoskiewicz asked if this hit is a onetime hit vs. a continuous problem. Mr. Dean said we had good numbers last year, so our numbers make us look worse this year. Mr. Kasaris said that Mrs. Fegan told us last year that those high numbers were going to catch up with us this year. Mr. Langshaw asked when we would have to make any major decisions regarding the budget. Mr. Dean said it is something we will need to monitor and if it gets worse, we would look at it then. There are some things we can do to help offset this by looking at other areas where we could make adjustments. Mayor Stefanik said that the good news is that we have a little bit of a carryover from last year, and we have already committed to the road programs for this year. He said that if this trend continues our worst case scenario will be that we will need to look at next year's budget and make cuts there. He said we do not want to go down the path we went down 4-5 years ago where we instituted furloughs and pay cuts because the money we saved was minimal vs. the problems that it created. He said that all departments are very careful of their expenditures and all expenditures are reviewed by him and the Finance Director. Mr. Kasaris said that this is nothing like the recession years. This is a reaction to what happened last May and it is correcting itself. He said we still had the second best May we've ever had. Mr. Dean said that they will continue to be proactive and will ensure that businesses are filing their taxes.

#### **2. Overtime**

Mr. Dean reviewed the Overtime Report, a copy of which is attached to these minutes. Mr. Petrusky asked what the items highlighted in blue represent. Mr. Dean said that those represent any percentage that is over the YTD total percentage. Mr. Marnecheck asked where the reimbursement money from the storm will be go. Mr. Dean said that it will be reimbursed to the appropriate departments. Mr.

Marnecheck said that some of the percentages listed in blue might very well come down. Mr. Dean said yes. He said that the application for reimbursement is going out Friday. Mr. Muller asked if there is an expected percentage of reimbursement. Mr. Dean said this is not a federal disaster but rather a state disaster and it will be a 75% reimbursement. Mayor Stefanik said that we must have all the overtime reported by June 30<sup>th</sup> as well as any other projects that we have contracted out through the NEORS and the county. Also, for any projects that won't be done by June 30<sup>th</sup> as long as we have an estimate of cost, we will receive 75% reimbursement when those projects are completed. He said that they are meeting with the county this week and are going to give them an additional 4 projects to do and they will provide cost estimates for this work. He said that we can't get straight time reimbursed for the storm, but we are allowed to itemize our equipment and vehicles that we used and we are getting the FEMA rate which is very favorable.

3. **Capital Improvements/City Hall Financing**

Mr. Dean said that we are looking at updates to the phones and the fiber in the city. He reviewed the report he prepared on this issue, a copy of which is attached to these minutes. He said that all these numbers are not yet finalized. The only numbers that are finalized are for the fiber, the contract for which is on the Council agenda this evening. Mr. Jordan said that they wanted to present Council with the entire IT budget and show the savings potential. He said the options for the telecom system are very high and that is due to in part because it is a lot more complicated than just buying phone sets. There are servers, switches and other equipment that are needed. Depending on the type of system that we buy, and/or if we network with the schools, this option number may come down. He said that for now we are not including the Police Department into this network but will look into that in the future. Regarding the potential financing of upfront costs, Mr. Petrusky asked why the interest rate is so high in year 4. He said the principal is going down, but the interest is going up. Mr. Dean said that these rates are for if we bond out the project. So next year if we decide to finance this, someone is going to give us \$25,000 that will get paid back in a year, so we would only give them a small percentage of interest. He based this off of our most recent financing where interest rates go up the longer that they are waiting for payback. He said that these are just estimates and he was being conservative. We can use the annual operating savings to help finance the project if we decided to bond this out, or we could just pay it out of the funds that we have set aside in the Future Capital Improvement Fund.

**NEW BUSINESS**

No new business.

**MISCELLANEOUS**

1. Mayor Stefanik reported that North Royalton, Strongsville, Olmsted Falls and Olmsted Township are going to receive \$1 million from the Turnpike to build sound barrier walls. He said we are going to be setting up a meeting with all of the Mayors involved to try and do the project together rather than separately. This way there is only one engineer, one architect, and we are not paying additional people to do the same work. Mr. Kasaris asked if this was a million total or a million for each community. Mayor Stefanik said that he doesn't yet have all the details since the call just came in late this afternoon.

**ADJOURNMENT**

Moved by Mr. Petrusky, seconded by Mr. Antoskiewicz **to adjourn the June 17, 2014 meeting.** Yeas: 3.  
Nays: 0. **Motion carried.**

Meeting adjourned at 7:37 p.m.