

**FINANCE COMMITTEE MINUTES
SEPTEMBER 15, 2020**

The Finance Committee meeting was held on September 15, 2020 at North Royalton City Hall, 14600 State Road. The meeting was called to order at 6:51 p.m.

PRESENT: Committee Members: Chair Paul Marnecheck, Vice Chair Linda Barath, Mike Wos; **Council**: Jeremy Dietrich, Vincent Weimer, Jessica Fenos, Joanne Krejci Administration: Mayor Larry Antoskiewicz, Law Director Thomas Kelly, Fire Chief Robert Chegan, Police Chief Ken Bilinovich, Finance Director Eric Dean; **Other**: Marty Toukonen; Dawn Carbone McDonald, Michael McDonald

Approval of July 21, 2020 Finance Committee minutes. Moved by Ms. Barath, seconded by Mr. Wos Yeas: **3**. Nays: **0**. **Motion carried.**

UNFINISHED BUSINESS

1. Monthly Finance report including tax collections status

Mr. Dean states coming out of this COVID recession here, we are in pretty good shape. The snapshots would be at the end of August we ended the month with \$25,000,000.00 in the bank compared to August of last year, we are up almost a million by \$190,000.00, that is good to see. Part of that is due to the payments, assigning payments and other things.

Mr. Marnecheck states the delay in income tax payments?

Mr. Dean states that is right. We did get that later in the year. Going into the income tax which I did provide a little bit more information on. We did come back with our income tax, so for the last 2 months we have been coming back with better numbers so we had compared to last year, we had an increase of \$62,000.00 for August compared to last year. But we are still down \$474,000.00 for the year which last year was our record year in collections. We kind of expected that and just to go in a little detail. Because we have been monitoring our tax collections, I did provide, a lot of information, I felt like it was worth it. To kind of break it down between individual withholdings and net profit and what we are expecting to get for the year. If you look at the big picture, we get about half of our money between individuals' withholdings. Individual taxes have been down and they are still down about 7%, almost 8, but our withholding which is the employees who work in the City has been up 10%, so that is great news so that means the businesses in the City are still working, they are still paying taxes, they are growing, it is good to see. The net profit is the smaller portion is up 2.7%, a little more unpredictable. Overall, I think if you look at the unemployment number it is not surprising to see the individual down.

Ms. Barath states do you foresee being able to recoup some of that before the end of the year?

Mr. Dean states I hope so, it is encouraging to see the last month to keep increasing, over the prior year, but there always seems to be a lull like the last couple months of payments, so we will see, it is hard to predict. I know that next year, a lot of the income that people made this year they made estimated payments on, but if they didn't adjust those estimates we could be looking at lower payments but on the other hand a lot of people are working here and they could be claiming their income as North Royalton income which we get all and not .75%. It will be interesting to see I think we are going to get some numbers from RITA to help us with next year's estimate.

Mr. Wos states with regard to that last thing you just mentioned. I am just curious if you have heard anything about, I know there was a lawsuit in Ohio, I think it was the Buckeye Institute v. Columbus with regard to that whole thing about collecting local taxes, any insight on that or where that is at right now. I would imagine with all the people working from home in North Royalton right now that would probably be a good thing for us but not necessarily for cities like Cleveland or others.

Mr. Dean states yes it just recently came out that Cleveland is expecting about a 40 to 50-million-dollar potential hit to their tax collections because of that. Basically, the state said that companies don't have to withhold for the cities that their employees are working in, they can still withhold for the city that they are in. It is up to the individuals to claim a refund, they have a right to do, and RITA has a form for any residents that want to claim their income and not pay two and a half to Cleveland, they want to pay two to North Royalton, there is a way to do that. Basically, their employee has to sign it, just to say that, like it proves that they did work from home, but it would be a good thing to get out to our residents that have been working from home. They are going to save some money, and they are actually making some money for the City of North Royalton. I think it is on shaky ground for them to say that your employer city would get your tax money when you are not working there. All the law says is that earned, your tax is where it is earned. So, if you are not working in that city you are not earning it in that city. We will see how that goes. Hopefully, they will make a ruling soon.

Mr. Wos states I didn't know about that RITA form, and I am going to look into that.

Mr. Dean states yes, I can provide it for you.

Ms. Barath states if you can email it to us.

Mr. Dean states sure.

Mr. Marnecheck states they should still check with their tax planner, right?

Mr. Dean states they should. They could do that, but there is just a little bit of documentation that says I work from home, and it just requires your employer which really has nothing to do with it, to sign that off. There are some agreements, I am sure that businesses have made on withholding taxes for agreements. That is another thing that comes into play. I think that is driving a lot of the desire for them to not report that income to that city because they have agreements that they are going to have x amount of jobs, but we will see. I think Mr. Jordan told me that a lot of those agreements are not going to be held to the dollar maybe for a year, kind of extended. But all of that is up in the air still. I will be happy to provide that form and maybe get that out there.

2. **Overtime**

Mr. Dean states so overtime has been pretty steady this year. It is about 50% of our budget that has been used and we are at 69% of the year completed. I think some of that was the (inaudible) activity for some of the COVID stuff that we have seen, but no complaints in overtime everyone has managed it pretty well. We have a little bit of probably storm and maintenance, that is probably going to be two areas that we are going to see an increase from the storms that we had.

Mr. Marnecheck states does the CARES Act come into play with any of this at all? Overtime?

Mr. Dean states on overtime, they would have to qualify, I don't think so. I think it is just going to be we can use actual wages for that CARES Act money. Anything dedicated to COVID is basically saying that it is eligible.

Mr. Marnecheck states you don't think we are going to see an adjustment on this based upon us coming out of the CARE Act money?

Mr. Dean states no it will be the regular wages, we are going to be able to move to that fund, and it will help the bottom line.

Mayor states if I can expand on that, the only way that the overtime will work is if we had individuals that were off because of the COVID, they were positive. They were off because of it, and then we had to work people overtime to cover that, then it would be a COVID expense, as long as it is COVID related. The good news is that we really haven't had that problem in the City, I hope that continues. But that would be the way overtime would be applied if we had people off because of the COVID.

3. Jail Task Force Update

Mayor states I think that we met three times, you have another meeting coming up. I am going to hand it over to you because I basically after the first meeting kind of let you guys go about doing your business right now and see where we wind up. I know I have given you some directions of where we want to go and what we are trying to accomplish, I kind of allow you guys to do your investigating and inquiring and getting your information.

Ms. Barath states we are just getting a lot of information and processing through it. Some interesting things came up at the last one, but I really don't want to discuss them right now, I think we need to kind of quantify them.

Mr. Toukonen states I think the biggest thing we are trying to do with the commission, like the Mayor has said we are trying to compare apples to apples and if we compare ourselves to a holding facility with a different city, it is not a good comparison. We are getting our databases together so we can have an effort to be able to compare and see what the good and bad is and what corrective measures we can locate, but our next meeting coming up will be this Monday. I know I just attended a meeting recently with Strongsville, they are going to be increasing their rates and they are going from up to \$150 a day plus they have piggy backs where they have a certain type of prisoner, it is going to be an extra \$30 to \$40 a day in addition to their à la carte where they have video arraignments where it is going to \$40, bookings, and this and that. A lot of cities were not very pleased with the increases so that could come to our advantage. Right now, we are still in the research phase. The next meeting coming up is going to be Monday.

Mr. Weimer states Linda or one of you guys can answer, I am curious with budgeting will be coming up soon, what are the chances that we are going to get some type of decent idea of where we might be heading with this information before we have to start budgeting in dollars for next year?

Mr. Toukonen states that is a million-dollar question. Right now, we are trying to get to that to be able to provide a reasonable answer.

Ms. Barath states I hope by November.

Mr. Dietrich states with that question and with other cities too, they are going to be budgeting, are we going to increase those rates.

Mr. Toukonen states effective September 1, our rates did increase to \$125, so any of those outside agencies that we do have a contract with they are already going to be paying the \$125. Hopefully that will make a difference. Keeping in mind though, we are in the middle of COVID stuff so most of the people are doing what they are supposed to be do doing, so we don't get as much activity so to speak on the jail side of it. I spoke with Berea Court yesterday, and I am assuming that Berea Court like a lot of other courts are really kicking the ball down the field and not addressing a lot of the trials and what not so we are not seeing an increased number as far as the people that are being sentenced. That could potentially bring us additional revenue because they don't want to go downtown, they would rather stay with us, and that will increase our revenue. For right now, all the court sentences and all the trials and everything else are being kicked down the road, and we are kind of standing by waiting, ready to take the ball whenever we have that chance.

Mr. Marnecheck states I think, maybe to kind of piggy back on that, Mayor you still think we are going to be able to start looking at the 2021 budget November/December like we did 2018?

Mayor states the goal is still to have an approved budget by January 1, I am encouraged with what they are doing, we will have sufficient guidelines, I think to start pursuing where we need to be with the budget and with the jail. I think by then, to be able to do that, like I said I think they are doing a good job of getting information inquiring, I know that will be coming out probably at some point later in year with some new rates and some new recommendations on how we should be doing some things, and how we can generate more revenue and keep things going.

Mr. Toukonen states in the meantime, while we are trying to figure that stuff out, we are taking corrective action now as far as we are controlling what we are able to control. We realigned our staffing so that we are in an effort to try to save some money. Even though we might not see the revenue necessarily coming in we are correcting what we can on our side of it to save as much as we can for the City.

Mr. Dietrich states Marty, I stopped up at the jail on my own last week, and just talked to somebody one of the officers there. They thought your guys numbers were down, you weren't anywhere near what you normally are.

Mr. Toukonen states that is correct. I think last year, it might be included in the report that I gave you guys as far as the comparisons of what we have in North Royalton arrests and in addition to what the outside agencies what they are bringing in. I am thinking we are down about 400 people roughly as far as who should have come based on last year was kind of tailored down what we are normally used to because we are close to 1700 to 1800 a year and we will probably be lucky to break 1400/1500 if you want to assume. All of the arrests are down, and that is also impacting the other cities as well because they are not dealing with people. They are trying to kick the can down the road, if they can. They are trying not to house people unless it is for circumstances where they have no choice and they have to. So, everybody has kind of adjusted and the result is having to adjust right now.

Mr. Weimer states Mr. Chair is there any way we can get, maybe this is a question for Eric, I don't know who handles this, is there a way we can get more of a monthly update, a clear cut update on where we are at with jail numbers, as far as prisoners that we had in, what the costs was that month, how many people we got revenue from just so that we can start. Marty, I am all for, I just want to make sure that we can make this jail work, but I also know that we are going to have pressures budgeting comes up to make sure that there is a clear picture of where we are going for the future and the more information we as Council can have because visibility into the steps that you are taking and how they impact things and the fact that we are down and people. I think all those numbers that we can have at our fingertips puts us at a better place.

Mr. Toukonen states included in that email that you all should have got a copy of is our comparison of where we are at this time last year and if you want a better picture, we can go back two years, so if you want to we can say here we were in 2018, here is where we were in 2019, and here is where we were in 2017, you may have a two or three year window to look at. But, in the email, I couldn't tell you that would be something for Eric, I couldn't say how much it was per month as far as operational side, but I can tell you exactly how many people we had, how many outside agency people, how many were self pays, etc.

Mayor states I think one of the things that you have to lay caution to the wind and I think Marty brought it up a little bit, is this year being anomaly with the pandemic, even despite everything our numbers immediately in March that we talked about, they were going to try not to limit the amount of people in there because of the risk and everything else that was involved. I know that other communities were doing the same thing with their bond schedules with their Courts. They were just doing a lot of courts not in courts. They were trying to do things over the phone. Just be cautious with your 2020 numbers because I am not sure they will be a true picture of the jail and their asset. I think what Marty has said you have to look back a couple of years. That is

probably one of the things that we will look at when we start looking at the budget a little bit, because 2020 is not going to be a fair, a total comparison of what the jail has done over the years.

Mr. Toukonen states the Fire Department has more runs this year probably because of COVID than they did last year. To use 2020 as the gauge going forward every year, I couldn't say that would be a legitimate claim. This is kind of off the chart.

Mayor states we will talk about that and take all of that in consideration looking at it, but I think we have to be a little bit cautious about 2020.

Mr. Dietrich states one more question for Marty. So, we are at \$125, I think we were at \$80 before so we had those numbers wrong in the original report that we got. So, we are planning on staying there because we brought up budgeting and these other cities when they are budgeting, obviously we had 19 other municipalities using our facilities. I don't know what it is now, are we sticking to that? Obviously, we can't change that midway through their budget year since they have already budgeted for that amount. Is there a plan to increase that again?

Mr. Toukonen states that is part of the thing that the commission is looking at to say what is our magic number going to be.

Ms. Barath states I think this was the halfway point. I think this was the concession so it was not to raise it up higher because everyone is in the middle of their budget year. I believe that is what we talked about. The intent, I think, I don't want to talk over anybody, but we will probably raise it again for the new budget years.

Mr. Dietrich states I know that it is going to go up again, I get that. I am asking is it going to go up again before cities start budgeting, obviously you can't do that in the middle of the year.

Mr. Toukonen states I think by the time we get our plan of action, so to speak we will be able to get that and let them know so that they have time to prepare, just like we have to have time to prepare.

Ms. Barath states so they have time to write it in their budget.

Mr. Dietrich states so there is still a potential chance that it goes up even more?

Mr. Toukonen states yes.

Mr. Dietrich states just so that they have time, they are not angry with us.

4. COVID Relief Funds

Mr. Marnecheck states Mayor and Finance Director is there anything that we haven't already covered about the COVID relief funds?

Mayor states I think we went over most of it in Safety, as you saw the first two rounds of money that are there, what we have, we believe we will be able to cover all of that and use that money under the CARES Act to help us out. There is anticipated another round coming, but until we actually get that one, and they say yes, the Senate passed a bill, but it is in the House, and I am not really sure at this point when the House is going to reconvene. I just got another email today that they are saying well maybe next week the House will meet, but there is no guarantee. Until the House meets and goes over it, we don't have that money. You can say that it is anticipated.

Mr. Toukonen states if it does go through, it is a smaller number too.

Mayor states no it is not actually. The first round they did it through the local government funding, the percentages and then the controlling board gave us another amount which was about half of what the first amount was. That is the lower amount. This next round, if it were passed under the Senate's approval, which they have already approved, if it was passed under that with no changes from the House, we will probably be getting approximately another million dollars. Again, it hasn't gone through the house. You don't know if they are going to approve that way, if they will come back with amendments that they will know now take to the Senate. We don't know. We are not counting that money yet because we don't have it. But they decided to do this appropriation the last 650 million more geared towards population versus the local government. So, we would definitely be in line for more money than we have gotten in the first two rounds. All we can do is wait and see, and hopefully they don't take too long because they keep putting deadlines for us to use the money. Under the new Senate bill, instead of October 6 is when we had to or the 15th, they were going to take it all the way to November 20 where you had to have the money encumbered for. That would be for all three rounds not just the last one. If the House continues to hold it up, the longer it waits, they longer they wait, that is why when Eric put down some tentative, we already have and have sat down, as the Chief said two or three times a week, continuing to look up under the thing of what else we can use it for and that is where you see that bottom line, another possibly \$600,000.00. We also said that we believe we can come up with, if we get that new round of money. We are already looking for some ways. We are already trying to stay on top of it, so if they say you only got to this time to spend it, we are going to be ready with these other items that we believe we can spend it one to use that money. We are not waiting until we get it.

Mr. Dietrich states hopefully there is less restrictions.

Mayor states there has been so much talk about it, I just don't see, based on everything that I have heard, the U.S. Treasury changing their mind. I think they are going to stick to their guns as far as the restrictions on the CARES Act and that is it. If you don't spend it by the end of December, you have until a certain time to appropriate, if it is not spent by December 31, you have to return it to U.S. Treasury. Being ready now, so if they give us another round, we got other appropriations that we want to use it on and I believe that we will be ready to go.

ADJOURNMENT

Moved by Mr. Marnecheck, seconded by Mr. Wos to **adjourn the September 15, 2020 Finance Committee meeting**. Yeas: 3. Nays: 0. **Motion carried.**

Meeting adjourned at 7:17 p.m.