

**FINANCE COMMITTEE MINUTES
SEPTEMBER 20, 2022**

The Finance Committee meeting was held on September 20, 2022, at North Royalton City Hall, 14600 State Road. The meeting was called to order at 6:32 p.m.

PRESENT: Committee Members: Chair Paul Marnecheck, Vice Chair Mike Vos, Linda Barath; Council: John Nickell, Dawn Carbone-McDonald, Joanne Krejci, Jeremy Dietrich; Administration: Mayor Larry Antoskiewicz, Finance Director Jenny Esarey, Law Director Tom Kelly, Fire Chief Robert Chegan, Police Chief Keith Tarase, Marty Toukonen; Other: Joel Spatz, Michael McDonald.

Mr. Marnecheck moved to excuse Ms. Barath from voting on the July 19, 2022 Finance Committee meeting minutes, seconded by Mr. Vos. Vote: Yeas: 2 Nays: 0 **Motion carried.**

Approval of July 19, 2022 Finance Committee minutes. Moved by Mr. Marnecheck, seconded by Mr. Vos. Vote: Yeas: 2 Nays: 0 **Motion carried.**

UNFINISHED BUSINESS

1. Monthly Finance report including tax collections status

See report.

Ms. Esarey discussed the month-end close report for August 31st. We are operating within budget and our year to date for revenues is \$14.6M. Expenses plus encumbrances is \$13.9M; it is important to include those. The General Fund is operating at a surplus at \$667,000. Everything was presented for the bank reconciliation.

Pertaining to income tax for September, we were 12% higher than we were September of 2021; totaling 14% over what we were January to September of last year. A good portion of that is the withholding, which is higher than anticipated. The General Fund is at 93% of budget. She will be presenting some amendments later in the year as well, that we can see where we are budgetarily.

Ms. Esarey explained that Mr. Marnecheck had contacted her regarding a good article that was in the Plain Dealer. A lot of cities are seeing the effects of working from home, and it did say that the City of North Royalton was up 38.9%. She contacted RITA, because she felt that it is not quite the full story when you are looking at 2019 to now. One of the items is, when residents are working from home, we are not seeing the individual tax with the reciprocity; because we cap our income tax credit at 1.25% of the 2%. If they are working from home, she is very happy with that, because we are getting the 2%; however, we are not seeing that .75% of individual tax. Therefore, there was a reduction of individual taxes when you are comparing 2022 to 2019, that was down about 7%. Overall, our income tax from 2022 to 2019 was up 31%; more good news.

She reminded everyone that when normal cost of living happens for increases, as we look at 2019 to 2022, part of that 31% increase are those normal cost of living increases. She pointed out that 2022 has shown that in order to attract and attain individuals, someone that is making perhaps \$12.00 at a factory, is now making \$20.00 or \$25.00. This was good news. We are seeing the withholding, however, that is also increasing what we are seeing in the withholding taxes.

Mr. Nickell asked for further clarification about our percentage. Ms. Esarey recapped that we are a 2% city, therefore, if you were living in North Royalton and are working in Strongsville for example, you would have to file your individual taxes; you do not get 100% reciprocity. Our tax credit is only at 1.25%. She went on to say that usually an individual would pay .75% as part of their individual taxes. For example, when someone moved from working at Strongsville to working from home, we count that as North Royalton to North Royalton, therefore it is all withholding for us; there is no more .75%, overall, we are making more. Mr. Marnecheck asked that the minutes include the article mentioned, as well as at the Finance Director's analysis.

2. Overtime

See report.

3. Jail Task Force Update

Mayor Antoskiewicz indicated that the report distributed provides a good synopsis of where we are, as far as the jail; some of the costs and expenses. He noted that there would be legislation tonight that talks about the rates and the increase being proposed.

Mr. Marnecheck moved to add Ordinance 22-154 to tonight's agenda. Seconded by Mr. Wos. Yeas: 3. Nays: 0. Motion carried.

Mayor Antoskiewicz has been in discussions with the Chief and Mr. Toukonen. He pointed out that we currently charge \$135.00 per day for the jail. Anyone under our annual contract is paying \$156.00 per day. We are proposing that we raise our annual contracts to \$175.00 per day; which leads to the amount \$63,875 per year. Any additional person that is brought in would also be at the \$175.00 cost. Anyone else that would be under per diem contracts, which would be anybody not under our annual contracts, we are proposing to raise that fee to \$200 per day. We feel that based on much of our cost, a lot of things have gone up. The Mayor would need to get the agreements out to those that we have contracts with, because budget season is near. Mr. Toukonen added that he already had a city ask about 2023. Mayor Antoskiewicz agreed that we are wanting to prepare.

Mr. Toukonen explained that we are currently at \$293,154 as billable revenue that we have. He went over some of the report. Last year, our total was \$298,000; we are basically at where we were at the end of 2021. The rate increases will help substantially. Mayor Antoskiewicz stated that we are in a position now where we must put on more full-time staff, and part timers are becoming more difficult to get and maintain; which is an expense as well.

Mr. Wos commented about the November ballot, in which there is Ohio Issue 1. He believes they are trying to correct it in making changes to the bail schedules; perhaps trying to get a little stricter again. He went on to say that if it passes, we could see more people going into the jail possibly. Mr. Kelly indicated that this is a struggle between the Republican Legislature and the Republican Supreme Court. The fixing of bail for criminal defendants in the State of Ohio has always fallen under the purview of the Supreme Court of Ohio. Unfortunately, the legislature has taken the position that they do not like what the Supreme Court has done in terms of efforts to open up the bail process and relieve some of the burden on the criminal defendants who are charged; but not yet convicted. He concurred that they are restricting the ability of the trial's courts, or the lower courts, to give people bail and to afford them the opportunity to take into consideration other issues; beyond those that the Supreme Court has previously dictated.

Mr. Toukonen commented that even if they are able to change that, he did not feel that it would make a substantial change in what is going on in jail operations. Most of the time, at least 30-40% of those in jail were warrants for content; fail to comply with the court order. He went on to say that all of that is off of the table now, because the judge put something in place, as they failed to do something the first time. Most of the other defendants involve things that they are not going to be releasing for anyway, such as violent offenses. They are still going to require a bond or at least a court appearance. He did not anticipate that being any type of a change for us in moving forward; we are still going to be quite busy.

Ms. Barath asked to clarify the rate increases. Mayor Antoskiewicz reiterated that for anyone who would sign up for our annual contract, it would cost \$175.00 per day. Currently we are at \$135.00 per diem. Anyone who is not under our annual contract would be per diem amount of \$200.00 per day. Ms. Barath wanted to know if there was a reason that we did not address private pay. Mayor Antoskiewicz indicated that is included. Mr. Toukonen concurred. Mr. Marnecheck added that a city that signs a contract receives a \$25.00 discount, verses

having to pay us per day. Mayor agreed. He clarified that whether they bring us a prisoner or not, we are paid. As discussion ensued, Mr. Nickell agreed that costs are up 30% or more.

Mayor Antoskiewicz expressed that he would like to get this information out to all of our people early enough and not too late. Mr. Dietrich asked for a recap on which cities we have. Mr. Toukonen clarified that Broadview Heights, Parma Heights, Brecksville, and Berea currently have bed space contracts. Mr. Dietrich questioned if we are able to add more cities. Mr. Toukonen indicated that we are exploring that, as discussed last month. Mayor Antoskiewicz noted that personnel can be an issue, but we have discussed it and believe there may be some room. However, as we approach this, we will first deal with the four that we currently have, and hope they will return. We may still look to do something more. Mr. Dietrich suggested that a third option could be a multi-year contract; with a possible discount price. Mr. Toukonen mentioned that if you are doing a multi-year, and you are trying to have a lower rate to start off with, that puts us behind financially; we have a lot of catching up to do. Mayor Antoskiewicz shared that if we would do a multi-year, we would probably do a general increase yearly because we already know the cost of business and rates are going up.

Ms. Krejci asked about this piece of legislation, whereas it also states that one would not have to come to Council to get the approval to add more in or out financially. She wanted to know if other Council members feel okay with doing that. Her concern is that she likes the fact of knowing and being able to vote; and stay on top of everything with the jail. Mayor Antoskiewicz explained that, it is not that he could not tell Council that we received another contract. He continued that the key for this whole thing is that Council is setting the rates. Those are the rates that he would be plugging into those contracts; they are the same contracts.

Mr. Kelly shared that the Administration has to come to Council for the expenditure of funds. We have to come to set the rates. He pointed out that we do not have to come to Council to sign contracts that are consistent with the rates that you set. He put the language there as a courtesy, to let all know that the experimental phase of this experience is coming to an end. The effort that we have engaged in with Berea and Broadview Heights was designed to give Council the opportunity to recognize where this was headed. Once you fix the rates for an annual period, it is up to the Administration and the Mayor to then execute that; he does so by entering into agreements with these other communities. Mr. Kelly stated that the Mayor does not need your authority to sign these contracts. If you set the rates, he can sign them. He reiterated that he put that in the language as a matter of courtesy.

Mr. Nickell pointed out this is a contract where we are bringing in money, same with contracts that go out to a certain amount. He agreed that the Mayor has authority to spend what we approve. He cannot sign a contract that is less than that because we set the rate. Mr. Kelly added there are other experiences in government here where Council sets rates and fees, the Administration collects those fees and charges those fees; that is all this is. He continued that it appears bigger because the numbers are a little larger, and it is sensitive because we are dealing with the jail; which has been a sensitive issue. However, the process is essentially no different than what we do every day.

Mr. Marnecheck wanted to know if all of the agreements that we currently have are the same; it just changes who the lease is. Mr. Kelly stated that those agreements are changing. He asked if Berea has a different agreement than Broadview Heights, for example; they are uniform in that regard. Mr. Toukonen agreed.

Resident Mr. McDonald, of 14599 Bennett Road, commented that he is okay as long as the contract is uniform across all four cities. One of the cities may want to change a word or two that could change the meaning of the contract. He believed a little differently than Mr. Kelly, however, he felt that the public elected all of the Council members to review contracts and vote accordingly if they agree with the contracts.

Mr. Toukonen stated that regardless of what may be decided, he puts the reports out every month and can continue to do so whether the jail task force remains on the agenda or not, in moving forward. He agreed that he can go ahead and forward those to Council as well, if it helps to track progress. Mr. Marnecheck wanted to keep something on the agenda with regards to the jail. He appreciated the continued reports.

Mr. Dietrich shared his opinion that when he and the Mayor were elected in the same year, the Mayor appointed people that he wanted to have as Directors; then Council has to approve those people. He expressed that Mr. Kelly was one of those people and he is the expert. He reiterated that he always says to leave it to the experts. Directors were appointed by Council. If you do not agree with that, you have the opportunity to vote no when that happens. He feels very confident in all of our directors. Also, he also would like to point out that he thinks it is fair the way that the legislation is currently written. He has no issues with it; we set the fee. He concluded that we should let the legal stuff go with the Legal Department, in which he is confident in that person.

Mr. Nickell agreed, stating that the annual rate is there along with the other important information and perimeters. Mayor Antoskiewicz indicated that anyone who signs the annual contract is going to pay that rate. He reiterated that anybody on a per diem will pay that rate. Ms. Barath pointed out that she agreed Mr. Dietrich. She stated that she is not here to micromanage the Administration and she was not voted in to look at every single contract. She felt comfortable with us voting for the fee and the Administration administering it appropriately. Ms. Carbone-McDonald felt it was a positive and that we do need to up our jail fees. She agreed 100% and did not disagree with the process.

Mr. Marnecheck moved to recommend Ordinance 22-154 to Council for approval. Seconded by Mr. Wos. Yeas: 3. Nays: 0. **Motion carried.**

4. RITA: Non-Filing Delinquency Program

Ms. Esarey reported that this is still on track. The letter should go out next month and the subpoenas to follow. As soon she hears anything with the exact dates, she will let Mayor and Council know; just in case any calls come in.

6. American Recovery Act Funds

Ms. Esarey recapped that Council approved an ordinance last meeting for how we were going to allocate the funds. She brought up the Budget Amendment No. 8, which is part of the Council agenda this evening, where you will see how we are allocating with the Police and Fire for the funds; also, a small increase in the ARPA fund itself. She continued that we received about \$12,000 more than what we thought we were going to receive. That has been discussed for a while. A couple of communities decided not to have their funds and therefore, it was reallocated for the percentages accordingly. That is all taken care of with the Budget Amendment.

7. Buckeye Institute's lawsuit – Kilgore case

No update.

8. Opioid Settlement

Ms. Esarey advised that Council approved ordinances last meeting for this, whereas she did create a new fund. Different accounts had to be created so that we received the additional settlements that we are supposed to get. We are up to date with everything that we are supposed to do.

Mr. Kelly announced that just within the last two days, a legal challenge is being brought against the Attorney General's Office and the OneOhio Organization; which was formed for the purpose of collection and distribution of these moneys. The argument is being made that it was a public body, and it was therefore subject to the Open Meetings Act, in which none of the meetings were held in public and none of the decisions were made in public; the entire effort has to be reversed. We have to wait and see what happens. There is a fundamental concern because it was in fact, a public body, because it was created by the representative of the State of Ohio and various counties and municipal organizations; therefore, it should have been subject to the Open Meetings Act. There

is at least that possibility that the opioid settlements may be overturned. Ms. Esarey noted that we had received \$4,000. Mr. Kelly added that we are supposed to receive that every year for the next eighteen years.

Mr. Marnecheck inquired whether we would need to hold that \$4,000 in escrow or reserve it until this is resolved. Mr. Kelly explained that we would not. It is arguably possible that the Supreme Court will ignore the law and simply affirm the experience for the benefit of all concerned, and chastise the Attorney General for failing to see that he needs to follow the law that he promotes daily. Ms. Esarey commented that the good news is, we created the fund and you approved it. If we had to, we would do a budget amendment and it would be fine. It is in a fund that it is supposed to be in at this time; keeping it there is not a problem.

NEW BUSINESS

1. Ordinance 22-139: Assistant Finance Director (full time)

Ms. Esarey reported that earlier in the year, we came to Council for an assistant Finance Director position; part time. We did post and repost, and did not have a lot of applicants. One applicant that we were interested in rejected the offer and obtained full time employment. Since then, we have not had any candidates that met the qualifications. Since she has been here longer now, she has spoken to the Law Department and Human Resources, in which there is a definite need for a full-time person. In terms of the efficiency of the department, she felt it would be important to have someone full time. She is reviewing and doing backup for accounts payable and purchasing, also for payroll back up. There are a lot of items that she would like to do for the Finance Department and bring it forward for more efficiency, however, there is not the time or the staff to do that at this time. To have a full-time person to take a lot of that oversight and work with the audit and different items, such as 1099's, fixed assets, etc., it would really help to have that other person.

Mr. Marnecheck asked if other cities that are similar in size have this type of position. Ms. Esarey clarified yes, most cities have a full time Assistant Finance Director. Mayor Antoskiewicz stated that we only have a three-person Finance Department; one does all of the purchase orders, in which this person has time off soon. When these things happen, it falls on Ms. Esarey. He went on to say that she has to work some evenings to play catch up. We were able to bridge the gap that we had for a very short period of time, however he did not know what we would do if something happened; and things often do. He mentioned that in Aurora, they lost their Finance Director months ago, and still have yet to find someone. He was unsure as to what we would do without someone as an assistant that is trained; to take over if we run into issues. We really need to have that person that can be here when needed, to fill in and continue to keep things running efficiently.

Mr. Dietrich asked about the pay range. Mr. Marnecheck wanted to know as well. Ms. Esarey clarified that right now if we were to hire for 2022, there is no budget amendment required, because that has already been allocated. The salary range would be up to \$86,000 per year. Mr. Dietrich asked what it would be with a benefit package. Ms. Esarey indicated that it would be an additional \$20,000 roughly. Mr. Dietrich mentioned that Mr. Jordan typically gets grants. He was wondering if she would be freed up at all to be able to do that as well; find money. He wanted to know how this would balance and felt that the salary is a big move. Ms. Esarey explained the grants was not something she had thought of yet, but we could visit that topic. Mr. Marnecheck made mention that due to the increased number of grants that cities have been receiving, there is a higher burden on Finance Departments to keep track of those. Ms. Esarey agreed; between everything she had to do with ARPA, and also the audit. The number of items they have now looked at because of the grants, have increased a lot. Those types of things have taken more time. She went on to say that she is the main contact for such things. Examples would be all funds, the balances, different banks with investments, the reconciliation of that every month, certain items have to be moved around with different funds due to the type of money that has been received. Also, the fixed assets have to be tracked in a certain way.

Mr. Dietrich really just wanted to know about trying to get some grants. He suggested that perhaps it could give Ms. Esarey more opportunity to work with Mr. Jordan in trying to obtain more grants for the City. Mr. Dietrich continued that when he first came on Council, he sat down with Mr. Jordan about the Industrial Park, where

40% of our revenue comes from. He had wanted to know why we were not developing all the available acreage, in which it was conveyed to him that it needed millions of dollars of infrastructure. He had suggested investing in it. If your return is \$50M, because of all the tax revenue you are going to get from the employees, it is worth it. If we hire someone else, he was curious to know if she would be available to try and get grants.

Mr. Kelly expressed that Ms. Esarey is doing an excellent job. He went on to say that when she had used the phrase “free me up”, she meant to free her up to do what she is supposed to do; and not have to stay here 75 hours a week. He brought up how much time she is putting in and how she is subject to a burn out. The backup issue is critical; where there is currently none. If she were to go down ill, we would be in serious trouble. You cannot expect the payables people to do what she does, and you cannot expect payroll people to do what she does. He felt that we need someone full time to help with load that she should not have to carry. Mr. Marnecheck noted that she was here on a weekend when he stopped in before.

Mr. Wos agreed with Mr. Kelly. When we lost our Finance Director and needed someone, we had this experience and we were lucky to get someone as fast as we did. That was not a good situation to be in without back up. It makes sense to him.

Resident Mr. McDonald, of 14459 Bennett Road, stated that he has a lot of experience in Finance; a lot with small companies and big companies. He expressed the Finance Department is always the last department in any organization to ever ask for help. He explained why he was in favor of having another person added for the Finance Department.

Mr. Marnecheck moved to recommend Ordinance 22-139 to Council for approval. Seconded by Ms. Barath. Vote: Yeas: 3 Nays: 0 **Motion carried.**

2. 2021 Audit - Audit Release Notification - 06A94CUYA-FI121

Ms. Esarey reported that the audit was officially released on September 6th. It is available on the auditor’s state website; it was a really great audit. There were things they recommended, as indicated on the legislation. These are audit recommendations to clean things up. They come up with items usually every year. Her goal is to try to clean up things as best as possible, as long as the benefits outweigh the cost; which normally that is the case. She is working on one other item with Mr. Kelly that should be included at the October meeting.

Mr. Marnecheck asked about their recommendations on balance, if they were minor. Ms. Esarey agreed. Her opinion of the audit was favorable and she was very pleased with it. We had the Auditor of State perform the 2021 Audit. We use James Zupka’s Office for the audit because we are in a contract with them. She went on to say that every five years the Auditor of State’s Office will decide if the Auditor of State will perform the audit or if they will go through the bid process to have a third party perform the audit; similar to the current contract with James Zupka’s office.

3. Proposed Legislation: Update of City Credit Card Policy

Ms. Esarey indicated that this was an audit recommendation. They did look at the credit card policy, in which they suggested that we include procedures for issuing, cancelling, or reissuing a credit card. Basically Ordinance 22-149 is repealing Ordinance 18-119, and the credit card policy stated the exact same things; with a couple small exceptions. She added the section that they were saying should be included for issuing, cancelling or re issuing; that way we are in compliance for the credit card policy.

Resident Mr. McDonald asked about the language. He brought up the phrase under the third ‘whereas’ which says HB 312 has established new requirements and guidelines to help eliminate fraud and minimize abuse of credit card usage. He felt that the wording is not great and suggested changing it. He wanted to know if anyone was aware of any fraud or abuse.

Ms. Esarey clarified that she had no record of fraud or abuse. She feels the point of House Bill 312 was that many municipalities were using a credit card, and there was no policy in place. The thought was, if they put this in place, the whole point is that you have a policy in place that has different guidelines that will help reduce that risk of any abuse or fraud.

Mr. McDonald wanted to suggest something on the wording; instead of saying help eliminate fraud, to change that to prevent fraud, and take out the word minimize; to read prevent fraud and abuse of credit card usage. He felt that wording is better and does not leave anything ambiguous for the public to come back and say anything about giving an impression that fraud has happened.

Mr. Nickell had questions about the credit card policy. Ms. Esarey explained that the credit cards are retained in the Finance office, whereas a purchase order has to be obtained and approved. Once that is done, they have to sign out the credit card. Once they return the card, they have to turn in receipts. There is a policy and it is followed.

Ms. Krejci asked about the maintaining of the credit cards and whether people had their own individual card. Ms. Esarey indicated that they do not. We have a regular credit card, which is Fifth Third, a Home Depot card, and a Lowe's card. Those are all maintained within the Finance Department. We have the same purchase order rules and sign out rules. To clarify, Ms. Krejci stated if anyone needs anything, either they have to do a purchase order or they have to sign out the credit card to purchase things. Ms. Esarey clarified that they still need a P.O. in order to do that.

Ms. Carbone-McDonald questioned what the credit cards are used for. Ms. Esarey explained mostly for travel. However, there are many instances where it is a one-time order. We do not want to go through the process of becoming a customer, and they are usually very small purchases or someone is traveling; lodging or flight expenses. She went on to say that the meals are reimbursable; those are put on their personal credit card. We also have an Amazon account, in which departments often find things cheaper on Amazon.

Mr. Marnecheck moved to recommend Ordinance 22-149 to Council for approval. Seconded by Ms. Barath. Yeas: 3. Nays: 0. **Motion carried.**

4. Proposed Legislation: Establishing a Depreciable Threshold

Ms. Esarey advised that this was also an audit recommendation. Right now, with our fixed asset policy, we are depreciating anything for \$1,000 or over; which is too small of a value. She is doing \$10,000 because she is not changing the policy of tagging internally, so we will still track items internally for tags; however, this is only for depreciation for fixed assets on the financial statements. Basically, anything that we are looking at for \$10,000 is a real asset that we should be tracking for depreciation on the financial statements.

Mr. Marnecheck brought up question about items when it comes to calculating depreciation. Ms. Esarey explained that it would involve a fixed asset, such as if we are buying a car, a tractor, etc. The auditors conveyed to Ms. Esarey that they had been communicating with Mr. Dean for a while, and this should have been updated. Ms. Esarey agreed with the auditors that this amount was too low.

Mr. Marnecheck moved to recommend Ordinance 22-152 to Council for approval. Seconded by Mr. Wos. Yeas: 3. Nays: 0. **Motion carried.**

4. Proposed Legislation: Establishing a Salvage Value

Ms. Esarey noted that this is another audit recommendation, in which she worked with the auditors this year. When you have a depreciation, you should have a salvage value or a remaining value on items. A lot of items that are still in service, still in use, are sitting there because they have been depreciated over the 3 to 5 years; whatever that time limit is. They are sitting there with a zero value which is not correct accounting. The part of

the salvage value is that we are going to keep up to 5% for salvage value, so if we are using an asset, it has some value on the depreciation schedule; on the financial statements. That way when you get rid of it, by the time you are doing the expense and you sell it, it nets out to around that amount. This is something new that has not been done; we will be restating some of the assets. She felt this was important to have a salvage value added to our depreciation.

Mr. Marnecheck moved to recommend Ordinance 22-153 to Council for approval. Seconded by Ms. Barath. Yeas: 3. Nays: 0. **Motion carried.**

6. Proposed Legislation: Correction of deposits to account/fund

Ms. Esarey advised that this ordinance is very minor however, it is important when she discovers things that we make them correct. During the 2021 audit, she was going through some items for the single audit, which is where we have to do a special, separate schedule for any type of Federal expenditures over \$750,000. She came across three deposits that were deposited in the incorrect account. They should be for the Fire and EMS fees, however, since the year has been closed, we are unable to move those deposits, even though it is an error from a different fund. She is doing this so that the Fire and EMS get the three deposits they should have received back in 2021.

Mr. Marnecheck moved to recommend Ordinance 22-151 to Council for approval. Seconded by Mr. Wos. Yeas: 3. Nays: 0. **Motion carried.**

7. Proposed Legislation: Amend 12-149 Advance to Transfer (General Fund/York Road Sewer Improvement Fund)

Ms. Esarey explained that this was also a prior year audit recommendation, and part of the 2021 Management Letter discussed, that a transfer was made in 2012 for \$30,000 from the General Fund into the York Road Sewer Improvement Fund #448. The problem is that fund only has \$46.00 in it, therefore, we are unable to repay that advance back to the General Fund. We are not going to move money, but rather clarify that instead of this being included as an advance, as it was originally included, it is actually going to be a transfer; because the General Fund can transfer moneys to other funds. In short, this is just reclassifying this from an advance to a transfer, only because that fund is unable to pay the General Fund back.

Mr. Marnecheck moved to recommend Ordinance 22-150 to Council for approval. Seconded by Mr. Wos. Yeas: 3. Nays: 0. **Motion carried.**

Ms. Krejci raised question if Ordinances 22-143, 22-144, and 22-145 are just changes based on the audit. Ms. Esarey indicated that 22-143 and 22-144 are part of the Tax Incentive Review Council that occurs. She explained that first we have a meeting, and that Tax Incentive Review Council then has to agree that the companies have met all the requirements and they approve that these continue; because they are getting property tax abatements. However, Council reviews what was approved by the Tax Incentive Review Council, and then Council takes that legislation for approval; that is the final step for the annual approval. She concluded that Ordinance 22-145 is just the normal budget amendment.

ADJOURNMENT

Moved by Mr. Marnecheck, seconded by Mr. Wos to **adjourn the September 20, 2022 Finance Committee meeting.** Yeas: 3. Nays: 0. **Motion carried.**

Meeting adjourned at 7:40 p.m.

North Royalton Jail Financial Analysis

This analysis examines the costs to the City of North Royalton of operating the current city jail and identifies alternatives for lowering costs to the city.

Background. The North Royalton city Jail has a total of 18 beds in 12 cells. The Ohio Department of Rehabilitation and Correction has rated the facility's capacity at 12 beds, based on available square footage in the cells. The jail, however, utilizes all 18 beds, with 3 reserved for short-term inmates (housed less than 8 hours) and the remaining 15 beds available for longer-term housing. The average daily population housed at the jail has remained close to 10 inmates, but dropped to 6.6 inmates in 2020 due to COVID. Based on first quarter experience, the jail is averaging 8.5 inmates per day in 2022.

North Royalton Jail Average Daily Population, 2019 - 2022

	2019	2020	2021	2022 Projected
Average Daily Population	10.5	6.6	9.8	8.5

Over the last three years, about 32 percent of the jail's population is committed by North Royalton. Self-pays, those inmates required to pay for their incarceration, made up 19 percent of bed-days. Parma Heights and Broadview Heights were also significant users of the jail during this period, with remaining municipalities showing much lower levels of use.

Jail Bed Days by Municipality, 2019-2021

	2019-2021 Average Utilization	% of Jail Bed Days
Berea	28	0.9%
Brecksville	99	3.0%
Broadview Heights	347	10.6%
Brook Park	96	2.9%
Brooklyn Heights	79	2.4%
Cuyahoga County	38	1.2%
Cuyahoga Heights	26	0.8%
Highland Hills	1	0.0%
Lakewood	98	3.0%
Linndale	5	0.2%
Metro Parks	16	0.5%
Middleburg Heights	58	1.8%

	2019-2021 Average Utilization	% of Jail Bed Days
Newburgh Heights	139	4.2%
North Olmsted	6	0.2%
Olmsted Township	11	0.3%
Olmsted Falls	2	0.1%
Parma Heights	510	15.5%
Seven Hills	29	0.9%
Strongsville	11	0.3%
Valley View	9	0.3%
Walton Hills	0	0.0%
Self Pays	621	18.9%
North Royalton	1,049	32.0%
Total Jail Bed Days	3,280	

Operating Budget. The FY 2022 budget for the North Royalton Jail is \$1,059,385, of which \$985,000, or 93 percent, supports staff salaries and benefits. Current staffing for the Jail includes 7 full-time officers, 6 part-timer officers, and one jail administrator. The facility operates with three shifts. Each shift requires two officers to provide security coverage, plus required relief staffing to cover days off and staff absences. Staffing requirements and associated costs are essentially fixed, given normal population levels. Marginal costs, which vary in direct proportion to the inmate population, primarily consist of food and medical services. The budget for these marginal costs totals \$51,000, or approximately 5 percent of the budget. The remaining balance of the facility budget largely supports cleaning supplies, materials to maintain the facility, and other operating costs.

Jail spending has been very stable over the past three years, reflecting the fixed nature of jail staffing costs. Annual spending averaged \$994,264 from 2019 -2021. The daily cost of housing an inmate in the jail however, or the per diem cost, has fluctuated significantly, driven by changes in the number of jail bed days experienced. For 2021, the per diem cost for housing an inmate in the jail projects to \$274.71 per day. This is very high relative to the cost of most jail facilities. The last survey of jail costs conducted by the US Census Bureau in 2017, showed a national average per diem cost of \$92.94 for housing a jail inmate. The high operating cost of the North Royalton jail is entirely attributable to its small size and largely fixed operating costs, making it impossible to achieve economies of scale available to larger facilities. Very small jails are inherently inefficient to operate.

North Royalton reduces the effective cost of the jail for its own use by housing inmates from other municipalities for a fixed contract fee plus reimbursement for medical services. The per

diem rate was \$80 per day, or \$50 per day for a stay of less than 8 hours, in 2019. The fee increased to \$125 in 2020 and remained at that level in 2021.

The actual cost to North Royalton for housing its own city inmates in the jail, net of the revenues generated by contracts with other municipalities, has averaged \$759,930 over the last three years. The per diem cost per inmate at these net cost levels reached a high of \$989.43 per day in 2020, falling to \$555.29 in 2021. This is an extraordinarily high cost for housing a small number of inmates, but again is unavoidable given the fixed operating costs of the jail and the low number of inmates housed there. For the 2019 – 2021 period, the amount of expenditures per North Royalton inmate averaged \$723.25 per inmate per day. Fees from contract municipalities and self-pays averaged \$95.77 per inmate per day over the same period.

North Royalton Jail Spending and Per Diem Costs

	2019	2020	2021	2019-2021 Average
Total Jail Spending	\$993,946	\$943,288	\$980,438	\$994,264
Total Per Diem Cost	\$258.17	\$389.63	\$274.71	\$316.34
Contract Fee Revenues	\$207,779	\$137,896	\$295,207	\$213,627
North Royalton Net Jail Cost	\$786,167	\$805,392	\$685,231	\$758,930
North Royalton Net Per Diem Cost	\$714.70	\$989.43	\$555.29	\$723.25
Average Contract/Self-Pay Per Diem Payment	\$75.56	\$85.81	\$126.43	\$95.77

This analysis seeks to identify different fee and/or governance structures that may reduce the cost to North Royalton of operating its local jail. Key assumptions in this analysis include:

- Fixed Jail Costs.* The operating cost of the jail is essentially fixed by the expense of the staff required to provide security coverage. For the purposes of this analysis, the current 2022 operating budget, which totals \$1,059,385, will serve as the baseline. Current staffing appears to be the minimum level required to operate the jail with all but very negligible population levels. As a result, the only realistic means to reduce North Royalton’s cost is to shift responsibility for these fixed costs to other jail users.
- Market Competition.* Excluding the Cuyahoga County Jail, the total capacity of municipal jails in Cuyahoga County is 996 beds, with a utilization rate of less than 50 percent. These beds are spread among 30 full-service municipal jails and 34 temporary holding facilities. The large number of facilities and available beds throughout the County make it difficult to increase rates above prevailing market levels.
- Utilization.* Although the average daily population at the jail has remained relatively stable (except for 2020 due to COVID) the pattern of use among specific municipalities

has varied. North Royalton has been consistent in averaging slightly over 1,000 jail-bed days per year. To smooth out variations in the rate of utilization, this analysis will use a three-year average of bed-days used by each municipality, including self-stays, to project the impact of changes in fee structure. We assume this historical rate of utilization will carry forward into the future. This means that in any scenario, North Royalton will require a guarantee of 3 available beds on a daily basis to meet its jail housing needs.

Scenario #1 – Status Quo. The current 2022 fee structure is a hybrid, with three municipalities (Broadview Heights, Berea, and Parma Heights) each paying or scheduled to pay \$153 per day for a guarantee of one bed each through the year (365 bed-days per municipality). On an annual basis, this will generate \$167,535 in contract fee revenues. Any utilization above the 365 bed-days guaranteed, will be charged the \$135 per diem fee currently paid by all other municipalities and self-pays. If the other municipalities and self-pays continue to experience their historical rate of utilization, their current rate of \$135 per day will generate \$201,150. Revenues under this scenario total \$368,685, which based on the 2022 budget, results in a net cost to North Royalton of \$690,700. Based on projected utilization, this results in a cost to North Royalton of \$658.23 per inmate per day.

Jail Annual Operating Costs	\$1,059,385
Guaranteed Bed Contract Revenues@\$153	\$167,535
Daily Charge Revenues@\$135	\$201,150
Total Revenue	\$368,685
Net North Royalton Cost	\$690,700
Net North Royalton Per Diem	\$658.23

Scenario #2 – Increase Daily Rates. This approach retains the current guaranteed bed contracts with Broadview Heights, Berea, and Parma Heights, but increases the daily charge for all other municipal users to \$175 per day. This increases the attractiveness of the guaranteed bed contracts for those municipalities which face increasing need for North Royalton capacity and shifts costs to the more intermittent users. Under this scenario, revenues from non-guaranteed bed users would increase by 61 percent to \$324,625. This in turn would lower North Royalton costs to \$567,225. However, these impacts assume that that the higher per diem rate does not affect patterns of utilization and that the municipalities simply absorb the increase in their costs created by the increase in the rate to \$175 per day.

Jail Annual Operating Costs	\$1,059,385
Guaranteed Bed Contract Revenues@\$153	\$167,535
Daily Charge Revenues@\$175	\$324,625
Total Revenue	\$492,160
Net North Royalton Cost	\$567,225
Net North Royalton Per Diem	\$540.56

Scenario #3 – Shared Governance. Assuming interest exists among potential partner municipalities in sharing overall governance of the North Royalton jail, costs could be more equitably allocated among jail users. In this scenario, the primary users of the jail (North Royalton, Parma Heights, Broadview Heights, and Berea) would form a governing council that would provide administrative oversight of the jail and set policy on contracts and utilization. Appendix A contains a sample of an inter-jurisdictional authority of this type. The Governing Council would approve a budget for the jail and approve contracts for municipalities using the facility. A \$135 per diem rate, consistent with current levels, would generate an estimated \$201,150 assuming current municipal users and historical levels of utilization.

The difference between these projected revenues and the enacted budget for the facility would represent the net operating cost of the facility to be allocated among the members of the Governing Council, based on their historical share of bed days used at the jail. Using the average percentage use of total jail bed-days for the three years preceding the budget year provides a basis for the allocation. Using this allocation methodology results in a significant reduction in North Royalton costs and a corresponding increase in costs for Parma Heights and Broadview Heights. The scenario requires a willingness on the part of North Royalton to cede operational control of the jail, and for Parma Heights and Broadview Heights to consider shared control of the facility worth the increased costs they would incur.

Jail Annual Operating Costs	\$1,059,385
Daily Charge Revenues@\$135	\$201,150
Costs to be Allocated	\$858,235
Allocation based on % of jail bed days used:	
Berea-1.5%	\$12,567
Broadview Heights-18.0%	\$154,054
Parma Heights-26.4%	\$226,201
Royalton Heights-54.2%	\$465,413
North Royalton Per Diem	\$443.53

The following table summarizes the North Royalton projected costs under each scenario.

	Net Cost	Per Diem Cost
Scenario #1 - Status Quo	\$690,700	\$658.23
Scenario #2 - Increase Daily Rates	\$567,225	\$540.56
Scenario #3 - Shared Governance	\$465,413	\$443.53

Appendix A: Shared Governance Agreement, Northern Virginia Juvenile Detention Center

FOR 2022 13

	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
<hr/> 101 General Fund <hr/>							
000 Revenue <hr/>							
31 Taxes <hr/>							
1013 31201 Income Tax	-14,000,000	0	-14,000,000	-13,019,553.35	.00	-980,446.65	93.0%*
TOTAL Taxes	-14,000,000	0	-14,000,000	-13,019,553.35	.00	-980,446.65	93.0%
TOTAL Revenue	-14,000,000	0	-14,000,000	-13,019,553.35	.00	-980,446.65	93.0%
TOTAL General Fund	-14,000,000	0	-14,000,000	-13,019,553.35	.00	-980,446.65	93.0%
TOTAL REVENUES	-14,000,000	0	-14,000,000	-13,019,553.35	.00	-980,446.65	
<hr/> 207 Police Facility Operating Fund <hr/>							
000 Revenue <hr/>							
31 Taxes <hr/>							
2073 31201 Income Tax	-200,000	0	-200,000	-150,000.03	.00	-49,999.97	75.0%*
TOTAL Taxes	-200,000	0	-200,000	-150,000.03	.00	-49,999.97	75.0%
TOTAL Revenue	-200,000	0	-200,000	-150,000.03	.00	-49,999.97	75.0%
TOTAL Police Facility Operating Fund	-200,000	0	-200,000	-150,000.03	.00	-49,999.97	75.0%
TOTAL REVENUES	-200,000	0	-200,000	-150,000.03	.00	-49,999.97	
<hr/> 211 SCMR Fund <hr/>							
000 Revenue <hr/>							
31 Taxes <hr/>							
2113 31201 Income Tax	-2,400,000	0	-2,400,000	-2,265,315.82	.00	-134,684.18	94.4%*

FOR 2022 13

211	SCMR Fund	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
	TOTAL Taxes	-2,400,000	0	-2,400,000	-2,265,315.82	.00	-134,684.18	94.4%
	TOTAL Revenue	-2,400,000	0	-2,400,000	-2,265,315.82	.00	-134,684.18	94.4%
	TOTAL SCMR Fund	-2,400,000	0	-2,400,000	-2,265,315.82	.00	-134,684.18	94.4%
	TOTAL REVENUES	-2,400,000	0	-2,400,000	-2,265,315.82	.00	-134,684.18	
<hr/>								
213 City Income Tax Fund								
<hr/>								
000 Revenue								
<hr/>								
31 Taxes								
<hr/>								
	2133 31201 Income Tax	-800,000	0	-800,000	-816,431.36	.00	16,431.36	102.1%
	TOTAL Taxes	-800,000	0	-800,000	-816,431.36	.00	16,431.36	102.1%
	TOTAL Revenue	-800,000	0	-800,000	-816,431.36	.00	16,431.36	102.1%
	TOTAL City Income Tax Fund	-800,000	0	-800,000	-816,431.36	.00	16,431.36	102.1%
	TOTAL REVENUES	-800,000	0	-800,000	-816,431.36	.00	16,431.36	
<hr/>								
219 Office on Aging Fund								
<hr/>								
000 Revenue								
<hr/>								
31 Taxes								
<hr/>								
	2193 31201 Income Tax	-175,000	0	-175,000	-131,249.97	.00	-43,750.03	75.0%*
	TOTAL Taxes	-175,000	0	-175,000	-131,249.97	.00	-43,750.03	75.0%
	TOTAL Revenue	-175,000	0	-175,000	-131,249.97	.00	-43,750.03	75.0%
	TOTAL Office on Aging Fund	-175,000	0	-175,000	-131,249.97	.00	-43,750.03	75.0%
	TOTAL REVENUES	-175,000	0	-175,000	-131,249.97	.00	-43,750.03	

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City of North Royalton
YEAR-TO-DATE BUDGET REPORT

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FOR 2022 13

433	Storm Sewer & Drainage Fund	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
433 Storm Sewer & Drainage Fund								
000 Revenue								
31 Taxes								
<u>4333</u>	<u>31201</u>	<u>Income Tax</u>	-62,000	0	-62,000	-8,467.66	.00	-53,532.34 13.7%*
	TOTAL	Taxes	-62,000	0	-62,000	-8,467.66	.00	-53,532.34 13.7%
	TOTAL	Revenue	-62,000	0	-62,000	-8,467.66	.00	-53,532.34 13.7%
	TOTAL	Storm Sewer & Drainage Fund	-62,000	0	-62,000	-8,467.66	.00	-53,532.34 13.7%
	TOTAL REVENUES		-62,000	0	-62,000	-8,467.66	.00	-53,532.34
	GRAND TOTAL		-17,637,000	0	-17,637,000	-16,391,018.19	.00	-1,245,981.81 92.9%

** END OF REPORT - Generated by Jenny Esarey **

REPORT OPTIONS

Sequence	Field #	Total	Page Break
Sequence 1	1	Y	N
Sequence 2	4	Y	N
Sequence 3	10	Y	N
Sequence 4	0	N	N

Report title:
YEAR-TO-DATE BUDGET REPORT

Includes accounts exceeding 0% of budget.

Print totals only: N

Print Full or Short description: F

Print full GL account: N

Format type: 1

Double space: N

Suppress zero bal accts: Y

Include requisition amount: N

Print Revenues-Version headings: N

Print revenue as credit: Y

Print revenue budgets as zero: N

Include Fund Balance: N

Print journal detail: N

From Yr/Per: 2021/ 7

To Yr/Per: 2021/ 7

Include budget entries: Y

Incl encumb/liq entries: Y

Sort by JE # or PO #: J

Detail format option: 1

Include additional JE comments: N

Multiyear view: D

Amounts/totals exceed 999 million dollars: N

Year/Period: 2022/13

Print MTD Version: N

Roll projects to object: N

Carry forward code: 2

Find Criteria

Field Name Field Value

Org
Object 31201
Project
Rollup code
Account type Revenue
Account status

City of North Royalton
City Income Tax Collections
9/15/2022

CURRENT MONTHLY RECEIPTS

Net Receipts

	received in	
collections for the month of August-2022	/ September-2022	
Regional Income Tax Agency		\$ 1,660,525.52
Ohio Department of Taxation		\$ 7,903.35
		\$ 1,668,428.87

Monthly Collection Detail

	This Year	Prior Year		
	September-2022	September-2021	Difference	%
WITHHOLDING	\$ 974,183.82	\$ 823,134.99	\$ 151,049	18%
INDIVIDUAL TAXES	\$ 674,486.68	\$ 600,560.91	\$ 73,926	12%
NET PROFIT TAXES	\$ 72,263.32	\$ 106,202.69	\$ (33,939)	-32%
TOTAL GROSS RECEIPTS	\$ 1,720,933.82	\$ 1,529,898.59	\$ 191,035	12%
3% withholding for collection				
fees	(51,390.91)	(45,412.82)	\$ (5,978)	13%
legal fees/court costs	(1,114.04)	(592.27)	\$ (522)	88%
TOTAL LEGAL FEES AND COLLECTION COSTS	(52,504.95)	(46,005.09)	(6,499.86)	14%
TOTAL NET RECEIPTS	1,668,428.87	1,483,893.50	\$ 184,535	12%

Year to Date Receipts

Net Receipts

Regional Income Tax Agency	\$ 15,130,352.81
Ohio Department of Taxation	\$ 265,087.50
Fiscal Year 2022	\$ 15,395,440.31
Fiscal Year 2021	\$ 13,464,738.97
Increase (Decrease)	\$ 1,930,701.34

14%