

**SPECIAL FINANCE COMMITTEE MINUTES  
DECEMBER 5, 2023**

The Finance Committee meeting was held on December 5, 2023, at North Royalton City Hall, 14600 State Road. The meeting was called to order at 6:00 p.m.

**PRESENT:** Committee Members: Chair Paul Marnecheck, Vice Chair Mike Vos, Linda Barath; Council: John Nickell, Joanne Krejci, Jeremy Dietrich, Heidi Webber; Administration: Mayor Larry Antoskiewicz, Finance Director Jenny Esarey, Law Director Tom Kelly, Acting Clerk of Council Holly Quellos; Other: Mary Gorjanc, Joel Spatz.

**UNFINISHED BUSINESS**

**1. Ordinance 23-148: 2024 Budget**

Ms. Esarey discussed the last budget amendment that was approved, whereas \$225,000 was moved to the Future Capital Improvement Fund. She planned to present a budget amendment for the December 19<sup>th</sup> meeting, which would entail \$725,000 for the Senior Center, rather than \$500,000. However, we have already made up the difference this year with funds that were available.

Ms. Barath asked that Ms. Esarey discuss where we are with the jail. Ms. Esarey made mention of prior years, whereas the General Fund would have to move money into the 207 Jail Fund in order to make it a balanced budget. Therefore, the 2023 budget has that same transfer. She went on to say we budgeted \$627,000; she moved \$250,000 thus far. We will likely need to move roughly \$150,000 to \$200,000 more this year. We are not having to move as much from the General Fund because we do have so many contracts for municipalities to rent space. It guarantees us quarterly income from those municipalities. Also, if they need more than one bed, we are able to charge them; people who do not want to be part of that, we are able to charge a higher amount. Our revenues have actually increased due to that; which is good. As of December 1<sup>st</sup>, we have taken in approximately \$1,018,000. We have expended \$945,000, with an additional encumbrance of \$20,000. Therefore, we have a surplus of roughly \$5,000. We still have more payrolls and things that we need to do. However, it shows what is occurring and what we are doing with these contracts with the different municipalities, which is helping to balance what we have to transfer into the jail; from the General Fund. It is definitely decreasing, because it used to be closer to \$700,000-800,000.

Ms. Barath stated that between the Mayor's initiative in getting cities to sign on, as well as the Finance Department, Ms. Esarey has done a wonderful job. Ms. Esarey noted that she is waiting, because as stated previously, we are not transferring what we do not need; once you make that transfer, it is gone. She is trying to ensure that we have the payrolls and all of the expenses, then make sure that our beginning fund balance is what our ending fund balance needs to be; before she makes the transfer of approximately \$150,000-200,000.

Mr. Dietrich inquired where the money goes. Ms. Esarey explained it goes from the General Fund, which is a transfer in the General Government, (#1014795). It gets transferred to the 207 Fund; the Jail Facility Operating Fund. Mr. Dietrich asked about the funds that are not used, however budgeted for. Ms. Esarey stated if we do not use that in the General Fund, then that goes into the carryover, therefore, it helps the carryover balance of the General Fund. Ms. Krejci wanted to clarify it would then be safe to say that it is \$250,000 that we had to take out of the General Fund, and the rest of the money within the jail has come through its own revenue. Ms. Esarey agreed. She continued that other than \$200,000, because Council has authorized 200,000 of income tax to go to that fund.

Mr. Vos raised question as to the number once more, as to what we were spending per year. Ms. Barath thought it was \$600,000. Ms. Esarey believed it was roughly \$725,000. Mr. Vos asked about the cost to try to outsource it and whether we have rose above that now. Mayor Antoskiewicz indicated that we were going to be paying somewhere near \$250,000 per year for all of our prisoners to be housed. However, we still have to spend about

that for our own prisoners. The Mayor went on to say some of that expense is still ours and will always be ours. We have an expense to house our own prisoners. The challenging part is keeping corrections officers; it is the hardest thing for us. We did increase the fees again this year, because our costs are going up; food, healthcare, etc. The difficult part is that we have to watch how many we contract, because we only have so many corrections officers. It is tough for us to get to part-time and then if they end up working overtime. We need to control the cost of our employees, because of the volatility of those employees. He explained that it looks as though we have enough staff, and then suddenly a couple of them quit, or they do this and we being accumulating some overtime. Mr. Wos questioned where they go. Mayor Antoskiewicz indicated they become new officers or go to other cities. Many of the part-time corrections officers work more than one job; some of them obtain full-time opportunities elsewhere. We have felt the best way to hang on to someone was to make them full time. Hopefully, we cut some of the overtime, however having another full-time helped us maintain another one; it can be somewhat tricky. He felt we were at a good number right now. He commented Marty does a good job of regulating it, as to intake and those calls as to whether we can take someone that day. We have started to recoup some of those costs by raising those rates, which should not hurt us.

As discussion ensued, Ms. Barath stated she just wanted the residents to know that we are diligently looking at this topic, and do not want it to get out of hand, as in the past. She expressed her gratitude to the Mayor and to the Finance Director for managing that to a better situation. Ms. Webber inquired about how many municipalities that we contract and more details about them. Mayor Antoskiewicz indicated that the contract we have with the cities allows them to bring us a prisoner; we save one bed for them every single day of the year. Then we give them preferential treatment if they have more than one prisoner on a given day. Under our contract, we give them first call. However, they get an additional charge for that second person on a day. They are guaranteed one bed every day of the year. Ms. Esarey added that we have five of those right now. The Mayor agreed. Ms. Krejci inquired about the monthly fee. Ms. Esarey explained it is a quarterly fee that is charged; however, it is an annual fee and they pay a quarterly fee. The Mayor noted it is an annual fee, however it is really based on 'per day'. Ms. Krejci felt it is being managed as well as it can at this time. However, there is always going to be somewhat of a cost with it. Mayor Antoskiewicz stated even if we ran the jail just for ourselves, there would be a cost, and that cost is roughly \$250,000 -350,000 / year. He pointed out that was why a lot of cities got rid of them. At one point, it was very convenient for them. He was unsure as to whether it was half of what they were spending, if not less, to just bring them here; \$100 per day, initially at \$75.00. He felt it was working out.

Mr. Nickell inquired what we take in, in income tax. He brought up our budget being roughly \$47 M. He asked about the other revenue. Ms. Esarey clarified that it was \$58 M; we have property tax which is a large amount. Each fund has specific things such as, the 211 and 212 funds, in which they get gas tax and they get permissive tax. The Wastewater itself, get the sewer charges. The Building Department and Engineering Department all charge fees; that is in the General Fund. Some levies, those are all specific. There is a revenue sheet that was included to show items. As discussion ensued, Ms. Esarey indicated that for our income taxes, we get pittance of property tax compared to our income tax. Just for the General Fund, next year it is \$1.4 M for property tax; compared to \$18.6 M for income tax. She pointed out that is a large difference. Mr. Wos felt that always needs to be echoed, because many people think that they pay a lot of property tax, which they do; however, it is not coming to the city. Ms. Esarey agreed. Mr. Wos added that it goes to the school, the county, the library, etc., whereas it is around half of what the entire city gets.

Mayor Antoskiewicz brought up the magazine that comes out every year, where there is actually a breakdown that shows information; 58% goes to the school, 19% goes to the county, approximately 6% to Metro Parks, and 4% to the library, the City receives 9%. Ms. Krejci noted that is something she constantly has to mention to residents. She has received comments regarding how high their property taxes are; however, the City does not get all of that. Most of that goes to the school system. Some people understand that, and some people do not. Ms. Krejci did not believe we have had a property tax increase in a while. The Mayor agreed.

Ms. Barath inquired about what has been allocated for the streets. Ms. Esarey explained next year's street budget, whereas the largest part of the street's budget is going for Sprague Road reconstruction as \$1,540,000,

because the City actually has to pay \$1.7 M. However, we are actually going to use TIF monies from the Omni Vitalia, because that is there; we are allowed to use that. She continued that approximately \$230,000 is going to come from that. Therefore, the SCMR Fund, the Street Construction Fund, is going to pay roughly \$1.5 M. Then, we have estimated currently \$325,000.00 for streets; Sharon, Milan, Easton, Dennis and Douglas for next year. Mr. Nickell inquired if there was a separate fund for Rt.82's next phase. Ms. Esarey stated there are no extra funds set aside for that. Mayor Antoskiewicz shared he has communicated again with Max Miller, our federal representative, whereas we are trying to apply for funds. First, with the widening of Rt. 82, we have to try to get funds for the engineering; roughly a couple of million dollars in engineering fees. We are applying and trying to get programs that will assist us. Generally, once we can get that done and have the engineering, we can begin going to these other entities. Most of them will not touch you until they see the engineering plan. Therefore, we are trying to obtain the money for the engineering. If we secure that, the Mayor felt we could then move forward on the other end.

Mr. Nickell inquired about the status of Royalwood and Julia, and whether we were trying to budget money. Mayor Antoskiewicz stated he does not have it this year. Our next step this year is likely trying to acquire the rest of the property that we need, and try to move from there. Ms. Esarey noted however, the \$250,000 was part of the 2023 Budget and is staying in the fund as it was planned for; we did not touch that. Mr. Marnecheck wanted to clarify that nothing was being put aside in 2024 for Royalwood, Ridge, and Julia. The Mayor stated not at this time, no. Mr. Marnecheck asked what the 2024 carryover was forecasted to be; the General Fund. Ms. Esarey estimated \$9.9 M. Mr. Marnecheck wanted to clarify that \$250,000 would be half of 1% roughly. Ms. Esarey explained the \$250,000 is not in there. Mr. Marnecheck commented that if it would be, it would lower the carryover by 1/2 %. He continued that the \$250,000 was already set aside in the 211 Fund for 2023 and there is nothing being set aside in the 2024 Budget. Ms. Esarey concurred. Mr. Marnecheck stated however, the carryover is forecasted, therefore, on December 31, 2024, you are forecasting a \$9.9 M carryover. Ms. Esarey agreed, that is correct. Mr. Marnecheck noted if you were to adjust that and take \$250,000 out of that, it would lower the carryover by roughly half of 1%; not having a huge impact on the carryover. Ms. Esarey was uncertain as to the percentage; it would just take it down. She would not suggest moving the money to the 211 Fund at this time. She suggested keeping it in the General Fund as is, and leave the \$250,000 that we budgeted in the 211 Fund. Once we decide what we are doing, then she would feel that if we need money from the carryover, to start moving. She reiterated, because once you start moving from the General Fund, it is stuck in that other fund. As discussion ensued, Mayor Antoskiewicz stated we have always made that adjustment. If the income taxes are rolling good, we can make that adjustment; and that is what he would suggest. For example, this year we were up. We were good with the way money was coming in and we are able to pay cash for the tennis courts. Ms. Esarey agreed. The Mayor commented, therefore we can do the same thing as we see how the numbers come in. Perhaps the next move for that intersection is to buy the rest of what we need.

Mr. Marnecheck brought up past discussion, in which he believed we talked about still putting money aside every year towards that big number for the engineering. Mayor Antoskiewicz stated that he would like to wait and see. That is one of the first things we can always put aside for if the numbers start coming in good again; we have had a good year last year. He could make that a priority. Mr. Nickell wanted to clarify once more that if we move funds (for fund 211), we cannot ever move it out of there. Ms. Esarey reiterated that is correct; it is the ORC rule. You could use it for other things in that fund, however she felt it is always good to leave it in the General Fund. Mr. Nickell felt Council may be saying that we want to designate money to get this busy intersection taken care of. Ms. Esarey stated she could do it if that is what is desired. Mr. Nickell asked again about the 211 Fund and what could be touched. Mr. Esarey pointed out the budget under Service Department, which is the 211 Fund; roads, etc. Ms. Esarey clarified the 211 Fund is traffic lights, street repairs, reconstruction, street maintenance, and snow removal. Mr. Marnecheck inquired if there was a way we could create a separate fund that is more flexible, for just this specific project. Ms. Esarey indicated no. we cannot. You could go for road construction; there is still more flexibility, if things do not come to pass. Again, he did not see it happening. He would like to wait, and if the money starts coming in as it has, then that would be the first thing we can set money aside for. However, he still has to try to purchase property also.

Ms. Esarey pointed out two things. Number one, the auditor of the State has been very clear that we cannot create funds for just anything. You must get permission and there has to be a reason. We have a Street Fund and we do not have funding specifically for that in terms of a federal grant like FEMA; we are not allowed to create separate costs. Secondly, if that is what Council desires and you want to see the amendment to the budget that is presented, that is your decision. She can include it as an amended Exhibit A and that would just come up in the General Fund; it would be under the other General Government. She would just increase that by \$250,000 if that is what Council wants. Mr. Marnecheck pointed out the Mr. Nickell is in support, as well as himself. Ms. Barath commented that she was okay with the way Ms. Esarey is handling it. Ms. Krejci agreed; however, we could use the money for some other things. She felt it was important to show that we are continuing to try and get this done. If we do not do that, then we are not really making a commitment towards it.

Mayor Antoskiewicz pointed out that \$9 M is a nice carryover, however it is not a great carryover; it sounds like a lot of money. Ms. Esarey added that in her memo, no raises for anyone are included in this budget for 2024, because we are in active negotiations. Mr. Dietrich felt it was an important intersection that needs to be fixed. He would agree that we need to show more commitment to that intersection. Ms. Webber was also in support for putting money into the fund. Mr. Marnecheck counted four, which is what would be needed to amend it. Mr. Wos was in agreement as well. Mr. Marnecheck desired to work with the Council office to prepare the amendment. Ms. Esarey explained there would be two amendments as part of this. One amendment, we just discussed for the \$250,000. Secondly, the one for \$225,000 for the Senior Center that she originally mentioned; it will just be a separate Exhibit A. Ms. Esarey advised we would do the \$250,000 from the 101 Fund to the 211 Fund, and then the \$225,000 increase in the 432 Fund; which is for the Senior Center.

Ms. Webber brought up an email from Mr. Weimer regarding an audio upgrade so that people could listen the streaming. He had done a study or submitted some numbers and she was wondering if we could perhaps discuss that. Mayor Antoskiewicz stated at one point, he believed there was some equipment that may have been purchased. It would allow basically, some kind of streaming. Ms. Barath spoke of what we currently have, that it is not good and it is difficult to hear. Ms. Esarey advised that if this was something Council would wish to have, it could be discussed and we could make that part of the amendment; it was not put in the Council's budget. She was not aware of it. Mr. Nickell asked about the process of getting a quote. Mayor Antoskiewicz stated this is a Council action and that Mr. Beals was actually working on it; he is in process with someone. Mr. Marnecheck pointed out we had to hold tight on the budget while we figured out the economic impact of COVID, however, if Mr. Beals has already begun working on it. The Mayor was uncertain if he is 'technically' working on it; he may have been obtaining a quote. The Mayor indicated he would check with him. As discussion ensued, the Mayor stated we would have to appropriate money, however he would need to know if we would have a quote before we pass the budget. Ms. Esarey noted that the quote would not be Exhibit A in the discussion, however we could always make an amendment to the 2024 Budget next year, or if Council wanted it ahead of time, Ms. Esarey was fine including it in the amendment. She did not know the dollar amount. Ms. Krejci commented we would have to take the money out of our account to pay for it. Ms. Esarey indicated there is \$10,000 for IT in Council's budget at this time. Mr. Marnecheck believed that we may have been looking at the need to replace laptops. Ms. Esarey felt it was for computers as well. Mr. Marnecheck brought up the replacement schedule, as possibly four to five years. Ms. Esarey noted that Mr. Beals put that money in for IT needs; he did not specify something different. He indicated it was for hardware and software upgrades. Ms. Krejci mentioned it can be used for other things and Ms. Esarey agreed. Mayor Antoskiewicz would check with Mr. Beals to see the status.

***Mr. Marnecheck moved to recommend Ordinance 23-148, the 2024 Budget to Council for approval, with the discussed amendments, seconded by Ms. Barath. Vote: Yeas: 3 Nays: 0. Motion carried.***

***Mr. Marnecheck moved to add the proposed sewer rates to tonight's Finance Committee Agenda, seconded by Ms. Barath. Vote: Yeas: 3 Nays: 0. Motion carried.***

Ms. Krejci wished to ask a couple of questions pertaining to our last Finance meeting, where we had the presentation from the consultant on the raising of the rates. She conducted some research and spoke with our

Finance Director. It was Ms. Krejci's understanding that currently, we had budgeted a 4.25 % increase in our sewers. Ms. Esarey clarified it was 4.2 %. Ms. Krejci believed that the Northeast Ohio Regional Sewer District is 4.2%. Ms. Esarey agreed; they are 4.2% through 2026, an unknown date. Ms. Krejci thought that we have not had any increases before now. Ms. Esarey stated that we have; however, they have been minimal. Ms. Krejci wanted to discuss what is being presented, which is a 9 % increase next year; she felt that is a lot. Furthermore, 4.5 % the year after that. She wanted to make sure there were no further questions. Ms. Webber pointed out that it is about 28% in five years.

Mayor Antoskiewicz provided some history as to the reasoning. Going back to 2018, which was the last five-year study, the first half of those rates were actually lowered the second half of 2018. In July of 2018, to the beginning of 2019, the rates were actually lowered by about 42 cents. Referring to the chart, following that, the increases were 4 ½ %; roughly four dollars. During the five-year period, the first half of the year was negative 42 cents; negative 4%. The next year, it was \$3.69, which was roughly 4.3%. The next year, it was \$3.40, (3.9%), and the next year it was \$2.60, (2.9%) The following year was \$2.74; another 2.9%. Therefore, the rate study actually started to lower the percentage. It went from around four to three, to three to two. That is part of where we are, because those things should have never gone down that way. The minimum should have stayed flat at the 4%'s. The Mayor continued that our cost of doing business has been an average of 7.5 % per year since 2019. When you have an increase of 7.5 % to do business, and you only raise your rates 2%, 3%, and 4%, that is not the way to go. Part of those increases were due to the pandemic, and things have gone up. He stated that there are certain things we cannot do anything about. Such as, the cost of chemicals; we have to continue to treat. Mayor Antoskiewicz pointed out the surrounding communities; there is a reason their rates are higher than ours. He felt they show more of what the cost of doing business is, than where we are at. He spoke positively about us running an efficient place and an efficient building. All of their rates are higher than ours; very significantly higher. He felt this would still keep us lower than them, however he felt it is something that we need to do. He agreed, in that first year, it is a lot. However, by getting that money up front the first year, it helps us keep those rates down the other four years. If you do not get your money up front and the rate increases, if you level them off more, a person is going to wind up paying more in that five-year period than they would pay right now. We have looked at this. Sometimes you have to do what you do, to make it work. That facility is enterprise funded and it is supposed to stand on its own; it should not be running at a deficit.

Ms. Krejci commented the north cities are all doing their own. She wanted to know if they run their own wastewater treatment or was this through the Sewer District. The Mayor explained, a lot of them. You have double costs on them, because they charge extra on their taxes for servicing of the sewers; ours is all inclusive. He went on to say we take care of everything. In comparison to what everyone else is paying, if we separated out, he believed it would cost people a lot more. A lot of times they do it by your front footage. Ms. Webber felt it was very burdensome to think about the amount of the cost increase; it is substantial. Ms. Krejci felt that we did all the homework needed, and we just have to do it in order to make that function. She wanted to make sure that we had this opportunity to discuss it.

Mr. Marnecheck asked for a reminder about the C District, as to what we need to pay Regional Sewer because of a lawsuit. The Law Department, Mr. Kelly, explained that entailed a very long story. It came down to a decision from the Court of Appeals in Cuyahoga County, whereas the North Royalton Consolidated Sewer District was essentially ordered to level and balance out the charges. For many years, people in C District actually paid less than all the other districts, A, B, and D. However, in recent years, it is gone the other way, and Regional Sewer now charges significantly more for the same service; significantly more than our sewer plant charges. The order from the court was to balance the districts out so that everybody pays the same amount, one way or another. Ms. Esarey added that, however we as a City have to subsidize the difference between what our rates are and what the Sewer District rate is. Therefore, we have to cut that check every quarter to them. It is approximately \$1.2 - 1.3 M, that we then have to subsidize back to the Sewer District; because our rates are so much lower than the Sewer District. Mr. Kelly concluded if the rates are raised, essentially, our subsidy going to the Sewer District will be reduced. Ms. Esarey agreed.

*Mr. Marnecheck moved to recommend Ordinance 23-146 to Council for approval, seconded by Ms. Barath. Vote: Yeas: 3 Nays: 0. Motion carried.*

**ADJOURNMENT**

Moved by Mr. Marnecheck, seconded by Ms. Barath to **adjourn the December 5, 2023 Special Finance Committee meeting.** Vote: Yeas: 3. Nays: 0. **Motion carried.**

**Meeting adjourned at 6:56 p.m.**