

FINANCE COMMITTEE MINUTES
October 15, 2007

The Finance Committee meeting was held on October 15, 2007, at North Royalton City Hall, 13834 Ridge Road. Meeting called to order at 5:31 p.m.

PRESENT: Committee Members: Chair Kurt McKee, Bob Stefanik, Don Willey; Council: Vince Gentile, Larry Antoskiewicz, Lisa Uffman-Kirsch at 6:00 p.m.; Administration: Assistant Prosecutor Donna Vozar, Finance Director Karen Fegan; Other Attendees: Nick Cinquepalmi, Pat Jones, Kathy Fogg, Donald Hangauer, Lorraine Hangauer, Mark Gaydosh, Lucille Babroski.

RESIDENT DISCUSSION
NEW BUSINESS

1. Moral Claim Donald and Lorraine Hangauer

Mrs. Vozar explained the process and the email that Mr. O'Donnell sent to the committee members with regard to this Moral Claim. The Ordinance is clear that this was not to be revisited. Yet Council does have the authority to do so. The question is whether or not Council believes it is justified given the circumstance. It is not a legal question, rather it is a moral question whether it is justified or not under the circumstances.

Mr. Stefanik said that the only one paid was in 1996. Mrs. Fegan said that the Utilities Committee minutes stated the intention of allowing for payment, the Ordinance subsequently adopted does not state this. Mrs. Vozar said the problem is the Ordinance says one thing and the committee minutes say another.

Mr. Hangauer said that he just recently found out that he could be reimbursed for the water tie-in money and that is what he is doing. He is asking for interest because in 1996 it was said that they should be advised that they could submit a Moral Claim and they were never advised of this so he lost the interest on this potential investment.

Mrs. Hangauer said when the permit was issued she asked if everything was ok and was told all was ok. Later she was told there was an assessment they had to pay. This tie-in was not done when they first moved in because their well was working.

Mrs. Vozar said with regard to interest she would strongly advise against that. The Ordinance clearly states there is no retroactive effect. The right to assert a Moral Claim is solely because in 1996 a Moral Claim was approved for a neighbor in a similar amount. If they came forward at that time they would have been paid this Moral Claim. It is not incumbent upon the city because they failed to exercise their rights to come forward as their neighbor did.

Mr. Hangauer said that the minutes of June 3, 1996, Utilities Committee meeting specifically said they should be advised. They were never advised. He is not asking for interest prior to 1996; he is asking for interest from 1996 forward because they were never advised as it said in the minutes of the meeting.

Mr. Stefanik asked the Finance Director from where the money would come. Mrs. Fegan said that it would come out of the General Fund. Mr. Stefanik said he is in favor of giving the money without interest.

Mr. Willey said he is in favor of giving the money without interest.

Mr. McKee moved to approve the Moral Claim in the amount of \$2,435.67 to Donald and Lorraine Hangauer. Seconded by Mr. Willey.

Mr. Stefanik asked if the Law Department will make sure the proper papers are drawn. Mrs. Vozar said that would be done.

3 yeas/0 nays. Motion carried.

UNFINISHED BUSINESS**9. Proposed Ordinance 07-107 levying additional special assessments for York-Delta Drive**

Mrs. Vozar was asked if there was any new information from the Law Department. Mrs. Vozar had no additional information. Mrs. Fegan was asked if she had any additional information and she said she did not have anything more.

Ms. Fogg represents a partnership that purchased property and had been involved with the project since its inception with regard to a proper way to develop this land. There are a number of things that have not benefited the North Royalton property owners. The first issue is that she does not see how the Finance Committee or the Council could consider passing an Ordinance that does not have the table attached with the amounts of the property assessments for each parcel. She said it is upsetting to the property owners because the city approached the property owners regarding the development of this back land. The property owners did not approach the city. The city approached the property owners to encourage them to develop their back land into an industrial park. As part of that incentive the city told the property owners that the city had at least \$300,000 worth of grants if not more. The project was to be around \$1.2 million and not more than \$900,000 would be assessed to the property owners. They did not mention at that time or any time until recently that there were any strings attached or that the money was not guaranteed. The property owners thought the incentive to sign the petition was that the city was stepping up finding funds and the owners would not have to bear the cost. The owners of the property were told that it would be developed and more than likely rather than having to pay any assessment they would be able to sell the property and make big profits off of their backland and they should sign the petition. Her client signed it because he felt that the city would never do anything that would harm him or cause financial hardship. She bought this property. The development was slow and painful. The construction went on prior to agreements with the property owners about conservation easements or other easements. The road was complete and they were out of compliance with the Army Corps of Engineers in 2000 and that had to be renegotiated because some of the conservation easements granted were not acceptable to property owners as what had been negotiated to allow the road to be constructed. Wetlands took the frontage of the 14 acre parcel leaving only 5 acres to be sold, however it would be assessed on the entire 14 acres. Through a variety of negotiations that parcel is now is probably one of the best parcels in the county. It is a 12.25 acre parcel that is square, flat, wetlands mitigated and ready to go. However no one could even consider building upon that parcel until 2005 because there was not electricity or gas available in the park extension until then. If the parcel were to be sold prior then they could have been sued because it was not usable or buildable because there were no utilities.

Mr. Stefanik asked about the history. Ms. Fogg said that the assessment was certified in 2003 against the parcels. Mrs. Vozar said it has been some time. She was not certain of the exact date.

Ms. Fogg said they have been paying assessments since 2003. They were told that they would be able to sell their land before they would have to pay for the assessments. Ms. Fogg said that they could not sell their land because there were no utilities. The owners signed the petition because the city wanted to develop. The city told the property owners that there was money available and there would not be much of a risk. Things then started to happen. Until recently it was never known there were conditions to the grant; it was never known that these fell to the property owners. It was never known there was an issue about the grants until a letter was sent on August 12, 2007, that they were going to discuss it on September 12, 2007. At the meeting on September 12, 2007, there was no discussion. They were told that the city was in default. As of today Ms. Fogg said that she still has not been told of any Ordinance or how they were going to be billed. The last correspondence she has received was the letter saying they were going to have that meeting to discuss the grant. The property owners should have been told of the conditions with the grant. The city did not bother to notify the owners until the county said that the city was in default. Many of the initial parcel numbers involved with the grant are no longer valid. Many of the parcels initially involved in 2003 have been subdivided and no longer have anything to do with the industrial park. The correct permanent parcel numbers are not in the Ordinance that is written. There is no table attached to the Ordinance that this committee has been asked to look at and to vote upon and recommend to Council. The Ordinance should be complete before it is considered. There should be some type of notification to the property owners to make them aware of an Ordinance pertaining to the property

they own. The property owners have not received any notice.

Ms. Fogg said that because of various negotiations not all parcels that have benefited from the improvement are being assessed. There are parcels that through negotiations have benefited from this improvement but have zero assessments. In the meeting of September 12, 2007, the city said the owners had to sell their parcels at a lower price. The market data they were given was done to show a lower value than what is indicated in the market. They included a parcel that is largely a ravine ending with about \$19,000 per acre. When you consider the usable property the value per acre is considerably higher. If the two parcels are removed at \$19,000 the difference changes from an average price per acre sold of about \$65,000 to about \$72,000 per acre after assessments.

Ms. Fogg said that additional assessments put onto the parcels that are there will make it even harder to sell.

Ms. Fogg said the initial way the assessments were calculated was unusual. The current owners will be assessed on property they no longer own because they sold part of it for the right-of-way. Those that sold part for the right-of-way are currently being assessed on this land they no longer own and if this Ordinance is passed they will be additionally billed on the land that is no longer owned. This makes it so that no two parcels in the park have the same amount of assessment per acre.

Ms. Fogg said that the city wants the property owners to sell at a rate lower than what the tax auditor has listed as the market value of the property. If the city wants property owners to sell at a lower rate then the city should not collect taxes based on the higher value of the property.

Ms. Fogg said that the best thing to do is to extend the grant and not bill the property owners. An extension should be requested of the county and HUD so that there is a better chance that the job quota could be met. She said that she has done extensive research with regard to this project and has more information to offer if needed. This situation should be looked at on a timely basis because the county is expecting payment by October 31, 2007.

Mrs. Fegan said she has not been involved with these assessments. Generally assessments have to come through her office and they have not been given to her yet. The county only allows us to assess once a year and that timeline has passed. Any assessment will not be made until next year.

Mr. McKee asked since Mrs. Fegan was not involved in any of this who from the city was. Mrs. Fegan said that she believed Mr. Kosdrosky was the one involved in this project for the city. Mr. McKee was unhappy that Mr. Kosdrosky did not come to the meeting to discuss this tonight since it did appear on the agenda that was distributed.

Ms. Fogg was asked by Mr. McKee if she has been contacted by Mr. Kosdrosky about this at all since the last meeting. She said she wanted to meet with the Mayor. She was told that they would consider asking for an extension if Ms. Fogg wrote a three page letter agreeing to market her property at the price they suggested along with other items. She thought this objectionable because she felt they should first ask for an extension without her committing to sell her property at a loss. She said at the last Council meetings that she would be here at the meeting tonight.

Mr. Antoskiewicz asked if it is known how this would affect the tax abatement agreements signed with the city for Laseray and Induction Tooling. Mrs. Fegan said that the abatement is on improvements that they are making. The assessments would still be applicable to those parcels.

Mr. McKee asked if this was the job of the Finance Committee to deal with this. Mrs. Vozar said information needs to be gathered from various departments. Mrs. Vozar said that she is assuming that Mr. O'Donnell is involved with this and she will be sure to communicate this with him. Ms. Fogg said that her attorney has been in contact with Mr. O'Donnell over several issues. This project has been going on for quite some time and with more than one administration.

Ms. Fogg asked about the status of this legislation and if this would be acted upon before the next Finance Committee meeting or before the property owners were notified of the assessment. Mrs. Fegan said normally in an assessment process there is the requirement of notices sent to the property owners before

everything is finalized. Unless this is different because it is an additional assessment or for another reason she is not certain because she has not been involved with this project.

Mrs. Babroski said that Mr. Kosdrosky told her that her assessment will take 17 years to pay and it would be a minimum amount and she would not have to worry about it. She is now paying over \$2,500 a year for that empty parcel. She is interested in selling it. She would like to sell the parcel to the city.

Approval of Minutes

Moved by Mr. Stefanik, seconded by Mr. Willey, to approve the minutes from September 17, 2007.
3 yeas/0 nays. Motion carried.

UNFINISHED BUSINESS

1. Quarterly Economic Development report/available grant money – Jan/April/July/Oct

No report.

2. Quarterly Capital appropriations (Jan/April/July/Oct)

Mrs. Fegan has some questions with the report she is preparing and will distribute the report to the committee as soon as she has those questions answered.

3. Monthly Finance report including tax collections status

Mrs. Fegan said that the reports were distributed earlier and the tax collections just came in today and that report will be distributed later.

4. Overtime Reporting (monthly)

No report.

5. January through June 2007 road construction expenditure update including labor costs

Mrs. Fegan said there is nothing new to update.

6. 2008 Estimated Storm Project Funding

Mrs. Fegan said she will have the report out soon.

7. Overtime report for all employees having 10% overtime pay or more, thus far in 2007

Information was distributed to the committee earlier.

8. OPERS option of deferring employee PERS contributions to pretax deduction.

Mrs. Fegan said that negotiations are still occurring.

Mrs. Fegan updated the committee on the status of the union bargaining and non-union employees wage and benefits. The non-union information will be on the agenda for Council tomorrow.

The plan is that insurance coverage will change to a 2-tiered system. One tier will be employee contribution and one will be no charge to employees.

There was discussion over union contracts coming to Council for approval and when or if they need to. Mr. O'Donnell would need to explain this process to Council.

Mr. Stefanik asked about the appropriations amendment and Mrs. Fegan said she will answer any questions Council has or they can call tomorrow if there are questions.

9. Proposed Ordinance 07-107 levying additional special assessments for York-Delta Drive

See resident discussion above.

Moved by Mr. Willey to adjourn the meeting, seconded by Mr. Stefanik. 3 yeas/0 nays. Motion carried.
Meeting adjourned 6:57 p.m.