

FINANCE COMMITTEE MINUTES JANUARY 19, 2009

The Finance Committee meeting was held on January 19, 2009, at North Royalton City Hall, 13834 Ridge Road. Meeting called to order at 6:30 p.m.

PRESENT: Committee: Chairman Mike Farrell, Vice Chair Gary Petrusky; Council: Don Willey, Larry Antoskiewicz, John Nickell; Administration: Mayor Robert Stefanik, Finance Director Karen Fegan, Other Attendees: Nick Cinquepalmi, Joanne DuMound, Pat Jones, Ashley Petrusky, Paul Marnecheck

APPROVAL OF MINUTES

Mr. Gentile was not in attendance at the meeting, therefore **there was not a quorum to approve the November 17, 2008 Minutes. The November Minutes will be voted on at the February 16, 2009 meeting.**

UNFINISHED BUSINESS

1. Monthly Finance report including tax collection status

Mrs. Fegan discussed the end of the year report. She asked members to call her if they have any questions regarding the report. Mrs. Fegan said that tax collections were good for 2008. She reported that RITA said that it would take three years for full collections to come in. Since tax collections came in stronger than anticipated she asked RITA if the three year period they projected came early or if we underestimated what our tax collections would be. They said that the time period just hit earlier than anticipated. It actually took two full years rather than three. Mr. Farrell asked if everything we will see at this point forward for income tax revenue will be actual rather than projected. Mrs. Fegan said she will continue to project. She said there will be a budget number she will project for 2009 and an actual number as well. Mr. Willey asked if we had a carryover from 2008 to 2009 for road work and storm problems. Mrs. Fegan said that the \$5,000,000 that we borrowed is still in the stormwater fund. These projects have not yet been completed. Mr. Willey asked if Mrs. Fegan thought there would be any problem renewing the notes or bonds based on the financial rates. Mrs. Fegan said this will be on the Council agenda for the January 20, 2009 meeting. This legislation can go three readings however, Mrs. Fegan said it would be easier if it does not go three readings so it will be one more item on the list of things that will be completed in order to roll those over.

2. Email

There are currently no major issues with the email system. Mr. Farrell said that he is up and running at home, however, his computer will not pick up the internet off of the server at City Hall. Mr. Farrell said he believes that the email will be a good tool for him.

This item can be removed from the agenda.

3. Gas/Oil Well Revenues

Mrs. Fegan said that she does not have an update from RITA. She has passed the information along to RITA regarding the gas and oil wells in the city. As the city receives new information, that information will also be passed on to RITA. Mr. Farrell asked if there is a typical time frame that RITA has to respond to requests. Mrs. Fegan said that they are exceptionally responsive to our requests. Mrs. Fegan said she may have some information at the next meeting however she can only share general information.

Mr. Antoskiewicz asked about gas and oil wells that were previously drilled in the city and if we have any right to any of the revenues that were generated from those wells. Mrs. Fegan said that the city would not have reported that income however the resident or company digging the well should have reported that income and paid the appropriate taxes on that income.

Mr. Antoskiewicz asked about having a separate line item in the budget this year for gas and oil well revenue. Mrs. Fegan said that she can do that, however, she would like to make sure she has a clear understanding of how this revenue will be used. She said she believes it will be used for major capital type purchases. Mr. Antoskiewicz said that these funds may be able to be used for projects that arise that we may not necessarily have funding for at the moment. Mrs. Fegan said that her plan was to place the money in the Future Capital Improvement Fund. Mrs. Fegan stressed that if the money goes into this fund, it can only be used for new projects, not for upgrades to existing equipment or for improvements on existing

roads or sidewalks. Mr. Antoskiewicz asked where we can place these funds so that the money can be used for unexpected projects that may arise. Mrs. Fegan said the General Fund will give us the most flexibility, however it will be hard to keep that money separate. If we place the money in the Future Capital Improvement Fund, the money will be kept more segregated. Mrs. Fegan said that the money will be tracked separately and will show up as a separate line item and on the expenditure side she can show it as a separate expenditure line item. There is currently \$2.3 million in the Future Capital Improvement Fund.

Mr. Willey feels that we should have criteria for what the oil well revenues would be used for. The amount of money we will receive in revenues is currently unknown.

The committee agreed that these revenues should be placed in the Future Capital Improvement Fund. Mrs. Fegan said she will set this up in that fund, however she will not be showing much budgetary-wise as she has no idea what type of revenue we will be receiving.

NEW BUSINESS

1. CDARS

Mrs. Fegan said that CDARS stands for Certificate of Deposit Account Registry Services. Mrs. Fegan said that several months ago when bank closings were in the press, the committee had expressed concern about the security of our deposits. CDARS is an instrument that is approved by the Auditor of State and all but seven states in the country have this option available to them. In our area CDARS is processed through Tri-State Capital. When using CDARS, deposits are made with Tri-State Capital who then apportions the deposit to several different banks so that we are under the depository limit and insurance limit with each and every one of the banks. Mrs. Fegan said that most of our investments on a weekly basis are between \$400,000-\$500,000. Mrs. Fegan said she likes CDARS because of the security feature and she can use it as another alternative for the city when she is shopping interest rates. Mr. Farrell asked if we are currently using someone like CDARS. Mrs. Fegan said we are not. She said that currently our depository agreements are with banks that have a physical presence in our city. Mr. Farrell asked what would happen to our depository agreements with the local banks if we begin using CDARS. Mrs. Fegan said that when there is money that we are able to invest, she will continue to call the local banks to check their rates. Mr. Farrell asked what process we need to follow in order to begin using CDARS. Mrs. Fegan said she needs approval from Council and this legislation will be on the February 2, 2009 Council agenda.

2. Storm Sewer Notes

Mrs. Fegan said that the \$5,000,000 storm sewer notes will be coming due again in February. We are going to issue new notes and roll them over for a year so they will be due again in February 2010. Mrs. Fegan said that hopefully at that time we will be ready to bond out those projects.

3. Financial Software Update

Mrs. Fegan discussed the status of the new software update for the Finance Department. There were seven companies that submitted quotes and four of those seven were invited in to demo their financial software packages. Mrs. Fegan said they have narrowed that number down to two companies. The Law Department is currently reviewing the contracts and we are discussing financial costs and payment terms and any hardware improvements that may be necessary. Mrs. Fegan is hoping to have legislation on the February 2, 2009 Council agenda. Mr. Farrell asked when the Finance Department is looking to implement the new software package. Mrs. Fegan said that some cross training will be necessary so everything cannot be implemented at once. She said that once the final decision is made, a timeframe plan will be discussed with the chosen software company.

Mrs. Fegan said that the new software package will be so helpful just for the departments alone. She said it will speed up the requisition and purchase process. Mr. Farrell asked what the cost is for this type of software package. Mrs. Fegan said that the package prices ranged upwards to \$450,000. She is currently negotiating prices with the final two companies.

Mr. Willey asked about the modules contained in the software package. Mrs. Fegan said the basic package is the financial package which contains accounts payable, requisitioning, payroll package, utility billing package purchase orders, and a budget package. Mrs. Fegan said that both of the final packages that are being reviewed have capabilities well beyond the financial aspect, however, this is something that will not be explored immediately, but may be looked at in the future. Mr. Farrell asked what the next step in the process will be. Mrs. Fegan said that after the Legal Department reviews and approves the contract, she needs a final determination from both companies to make sure that we can pay for this over several years, get the Mayor's approval to proceed then place this legislation on the February 2, 2009 agenda.

Mr. Willey asked if he could review the product presentation. Mrs. Fegan said that neither of the companies are local, so they cannot come in to do a demo, however, she told Mr. Willey that she will share the proposal information she has with him. Mr. Petrusky asked who the two finalists are. Mrs. Fegan said that the first company is MUNIS and the other company is MS Govern. Mrs. Fegan said that Strongsville and Macedonia are both using MUNIS. Mr. Antoskiewicz asked how these out of town companies handle support issues. Mrs. Fegan said that there will be people from the company in town during the training process and from there they can tie into the system remotely if problems occur.

Mr. Willey will report back at the next meeting his review of the proposed software packages for the financial system.

4. 2009 Budget Status

Mrs. Fegan said she and Mayor Stefanik are going to finalize the budget this week and meet with the department heads next week. Once this has been done, Council will receive the information and it will be up to Council and the Finance Committee to approve.

Mr. Farrell asked if the budget will be available at the next Finance Committee meeting. Mrs. Fegan said that in the past, the Finance Committee has chosen to hold a meeting on a Saturday morning to review all of the information. Mrs. Fegan said she would like to schedule the Saturday meeting as early as possible.

Mayor Stefanik asked the committee members to contact Mrs. Fegan prior to the meeting if they have any questions when reviewing the budget.

Mr. Farrell asked if there is a place on the budget showing the total revenue, total expenditure for the city vs. budgeted amount for the city and a negative or positive whole number for the year. Mrs. Fegan said that this number is in the year-end report and the monthly reports on a fund basis.

This item will remain on the agenda and will be discussed at the February meeting.

Mr. Nickell asked if the city will be updating the phone system. Mrs. Fegan said this expense was not included in anyone's budget this year. He suggested possibly using the oil and gas revenues to update the phone system. Mayor Stefanik said we have been looking at the phone system and getting recommendations from various companies, but we will probably not make this a large project for this year. This is an ongoing project. Mr. Nickell suggested placing this on the agenda as Phones/Network. Mr. Farrell suggested placing this subject on the agenda every quarter.

ADJOURNMENT

Moved by Mr. Petrusky, seconded by Mr. Farrell to **adjourn the meeting**. Yeas: 3. Nays: 0 **Motion carried**.
Meeting adjourned at 7:38 p.m.