

**FINANCE COMMITTEE MINUTES**  
**MARCH 16, 2009**

The Finance Committee meeting was held on March 16, 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, Vince Gentile; Council: Dan Kasaris, John Nickell, Larry Antoskiewicz; Administration: Finance Director Karen Fegan; Other Attendees: Paul Marnecheck, Joanne DuMound

**APPROVAL OF MINUTES**

Moved by Mr. Gentile, seconded by Mr. Petrusky, **to approve the February 14, 2009 Minutes and the February 16, 2009 Minutes.** Yeas: 3. Nays: 0. **Motion carried.**

**UNFINISHED BUSINESS**

**1. Monthly Finance report including tax collection status**

Mrs. Fegan referenced the budget reports for February. She said the tax collection reports will be distributed tomorrow. Mrs. Fegan said the city is currently \$30,000 under in tax collections compared to this time last year. She said there were a couple of large refunds that RITA notified her about and she said that is a large part of the decrease.

Mr. Gentile asked Mrs. Fegan if we are leveling off. Mrs. Fegan said yes. She said she feels we hit full collections last year. She said the two large refunds referenced above take up 75% of the \$30,000 decrease. She said if those two refunds would not have gone out in February, we would have been close to even.

Mr. Farrell asked if this decrease is due to the economy or if it is an adjustment for the income tax. Mrs. Fegan said the income tax should be flat. She does not feel there will be an increase over last year. Mrs. Fegan said we got our full collection last year and said if there is a decrease now she feels it would be due to the economy. Mr. Farrell asked when we will see the first quarter of this year's tax collection status. Mrs. Fegan said we should have a good indication by May.

Mr. Farrell asked if the third quarter of 2008 was even with the third quarter of 2007. Mrs. Fegan said we were up in 2008. She said a lot of this had to do with the increase. Mr. Farrell said that a lot of the job losses that occurred in 2008 occurred in the fourth quarter. He said the report that was distributed shows the fourth quarter of 2008 and said he would like to see if there is a correlation between "what the report is out on the street" as opposed to what is actually being collected by the city. Mr. Gentile said he does not feel we will have that information until mid to late May. He said a lot of people who receive their tax bill in August do not pay their taxes until April of the following year so we will not see the decrease until they file and send in their money on their taxable income. Mr. Gentile said the individual tax is over 70% of the city's income and the withholding tax income numbers are so small compared to individual tax income.

Mr. Antoskiewicz asked who sets the interest rate when residents are delinquent in paying RITA. Mrs. Fegan said this is within our ordinance. The minimum penalty is \$25.00 and the interest is 1 percent per month.

Mrs. Fegan said that this year RITA will have access to federal information from the IRS to help insure that everyone is filing and paying. Mrs. Fegan said due to this information now being available she anticipates higher numbers in our subpoena program this year.

**2. Gas/Oil Well Revenues**

Mrs. Fegan said the city did receive the signing bonus in the amount of \$5,000. She said that we may need to change the name on the line item which is currently entitled "drilling fees." Mr. Petrusky asked if we have received any feedback from RITA on any of the other revenue for gas and oil wells located in the city. Mrs. Fegan said that RITA's Legal Counsel believes everything is taxable and has given Mrs. Fegan some suggested wording to place in the city's Codified Ordinance that will help clarify.

Mrs. Fegan said that she mentioned to RITA that we are currently looking at our Income Tax Code and

asked if they have any suggestions or find anything they feel is hard to administer on our behalf, to let us know. She said that RITA is working on a sample mutual income tax legislation that every city can use. She said currently every city is different and they would like every city to be the same. Mrs. Fegan said if there is anything that Council would like to see included in the Income Tax Code, we can certainly review that.

Mr. Gentile said that as far as the gas and oil well revenue is concerned, he feels that the person who is cutting a check to the property owner or municipality is probably doing the due diligence to give them the 1099 federal and state copy so they do not have to pay the income tax on those revenues, but feels they are probably just missing the local tax form and said now that RITA can cross reference with the IRS, we will be able to see who is not reporting income.

Mr. Farrell asked Mrs. Fegan if she knows how soon RITA will put this information together and get it back to us. Mrs. Fegan said she has asked for input on our Income Tax Code and sent it to RITA last week. She will let the committee know when she receives that information from RITA.

## **NEW BUSINESS**

### **1. Review Earned Income**

This was discussed under Gas and Oil Well Revenue.

### **2. Admissions Tax**

Mrs. Fegan said this tax was originally thought to be a nice source of income from Avalon Party Center. She said it has not been a source of income.

Mr. Farrell said he feels this tax should be removed from our code.

Mr. Nickell said as far as taxing lottery winnings is concerned, he feels we should increase the threshold to millions instead of thousands.

Mr. Antoskiewicz asked Mrs. Fegan if there are other cities that have a tax on lottery winnings. Mrs. Fegan said there are 97 other RITA communities that do tax gambling winnings. She said that in the past North Royalton's proposed legislation stated that we would tax any amount over \$50,000 for which a 1099 could be issued. She said this legislation was defeated.

Mr. Antoskiewicz said he would like to get a better idea of what other cities that have a gambling tax use as their threshold and also if there has been any kind of consistency in lottery winners in those cities.

Mr. Nickell asked about the contract renewal for Bowen and Associates. Mr. Nickell said he feels we should review this prior to passing since this is the first year we have used a consultant. He would like to know if we did indeed save money by using a consulting firm.

Mr. Gentile said we will either have to wait another month or we will have to hold a Special Finance meeting or Special Review and Oversight meeting prior to the first Council meeting in April. Mr. Nickell suggested placing this legislation in committee.

Mr. Willey asked how we pay Bowen and Associates. Mrs. Fegan said she will give Council a spreadsheet that breaks the cost down by project and will give them a total for the year. Mr. Farrell suggested that when looking at that bottom line number, also look at what projects were accomplished with that money versus what projects were not accomplished the prior year when we had a city engineer on staff.

Mr. Gentile stated that we will hold a special R&O meeting on April 7<sup>th</sup> at 7:00 pm to discuss Ordinance 09-40.

**ADJOURNMENT**

Moved by Mr. Petrusky, seconded by Mr. Farrell to **adjourn the meeting**. Yeas: 3. Nays: 0. **Motion carried.**  
**Meeting adjourned at 7:00 p.m.**