

FINANCE COMMITTEE MINUTES
MAY 18, 2009

The Finance Committee meeting was held on May 18, 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 April 20, 2009 Minutes** .Yeas: 3. Nays: 0.
Motion carried.

UNFINISHED BUSINESS

1. Monthly Finance report including tax collection status

Mrs. Fegan said she emailed the monthly report to Council today. She said if everyone is ok with email, she will continue to email, otherwise, she will place a hard copy in their mailbox. Mr. Antoskiewicz said he would prefer to have a hard copy.

Mrs. Fegan also said she forwarded the income tax report to Council and asked if there were any questions.

Mr. Farrell said he understands our earnings are down and that Mayor Stefanik and Mrs. Fegan are going to meet with all department heads to discuss budget cuts. Mrs. Fegan said she and Mayor Stefanik will be meeting with department heads on Thursday and Friday.

Mrs. Fegan said she also sent to Council the quarterly investment summary and said there has not been a lot of activity in this account. She said she is hopeful interest rates will turn around soon. Mr. Farrell said it appears that we are roughly 12 percent off on monthly collections in April from where we were last year at this time. Mr. Farrell asked if we will have a better idea of where we are at after meeting with department heads. Mrs. Fegan said she will get a summary to Council which will include interest income, income tax and building permits.

Mr. Kasaris asked about the estimate for interest earned. Mrs. Fegan said she does not have a total amount because it hits so many funds. She said this category requires that any interest earned on an investment from a particular fund must be recorded in that fund.

Mr. Gentile asked if there are specific funds that if the interest income hits a certain target it gets earmarked outside of the General Fund. Mrs. Fegan said that on certain funds the State of Ohio requires interest remain in that particular fund.

Mr. Gentile reviewed the overtime report for the Wastewater Department and asked if those monies come out of our General Fund. Mrs. Fegan said there are no general tax monies that hit the wastewater funds. She said we are working on getting the wastewater funds back in the black.

2. Gas/Oil Well Royalties

Mr. Farrell said he believes it is the Finance Committee's responsibility to look at any and all potential revenues that can come into the city. He said that he spoke with Mrs. Fegan and asked her to review the packet that Council was given on potential royalties that they received from Cutter Oil Company. He said he would like to review these projections and come up with an opinion as far as what direction we would like to see the city go in when it comes to city property. Mr. Farrell asked Mrs. Fegan for an overview of the information received from Cutter Oil.

Mrs. Fegan said she was asked to review this information and also to contact Brecksville and Hudson regarding what they currently generate from gas and oil well revenues in their cities. Mrs. Fegan said she did contact the Finance Director's in both cities. She said Brecksville did not have many wells but Hudson has 8 wells and is only showing \$52,000 in revenue. She said the report she received from Cutter Oil

shows the worst case scenario for North Royalton as \$200,000 and she said she is not sure how accurate these numbers are and said these numbers may be a bit inflated. Mrs. Fegan also stated she does not know any more than the experts as far as what these wells may or may not generate. Mr. Farrell asked Mrs. Fegan if she believes the numbers justify the pursuit that we are talking about doing from a financial standpoint. Mrs. Fegan said she believes the item that should fall into this committee is to make a financial decision on taking the revenues from the gas and oil wells and placing them in the Capital Improvement Fund to be used for special purposes.

Mr. Gentile said if we were to look at wells that are in our community such as the Valley Vista well, all of that information is public record. He said he spoke to a Councilman in Broadview Heights and he said Broadview Heights voted to move five city properties into different units. He said they are projecting their profit to be \$500,000 per year for these five units. Mr. Gentile believes we should look at this because he feels that every dollar we can bring in that we do not have to ask the resident for is a plus. Mr. Gentile estimated that if we are a participant on a 20 acre unit and we have 10 acres at 50 barrels a day at \$50 per barrel, our royalties would be \$66,000 per year.

Mr. Petrusky said his understanding was that Council agreed that they do not want to use our city streets as a majority of property to have these wells brought into our city. Mr. Gentile said Council did not agree to this, this was something that was discussed in committee. Mr. Farrell stated that the administration is not responsible for city property, Council is responsible for city property. He said in respect to the administration we will listen, but we are not bound by anything. He said this committee will discuss potential royalties and the legalities will be looked at once we reach that point. Mr. Petrusky said that when we look at the potential royalties, we have to look at the royalties as a declining slope. Mr. Petrusky said that the amount of oil that is produced today is not going to be the same amount of revenue that will be produced in five years.

Mr. Antoskiewicz said he feels we may be premature since we do not even know what these revenues might be. He said he feels we have to look at each well individually because the circumstances surrounding each well are different.

Mr. Gentile said he feels there should be a policy about the city's right of way. He said there was a decision made by the Law Department that Mr. Gentile and other members of Council challenged. Mr. Gentile feels that if companies are conforming to the rules of the city, they should be able to access the right of way. Mr. Gentile said that Columbia Gas is reluctant to allow a tap in on their service lines, but East Ohio Gas has a transmission line in North Royalton and allows tap in service. Mr. Gentile said that Ms. Vozar is working on language to set up standards for our right of ways and subdivisions.

Mr. Farrell asked the committee members to review the proposal from Cutter Oil and said that he will invite Mr. Cutter to the next meeting. He asked committee members to contact Mr. Cutter with any questions that they would like answered at the June meeting. He said the question he will have for Mr. Cutter is how he arrived at the numbers on the proposal.

Paul Marnecheck asked Mrs. Fegan how much of the land on the 8 wells does the city own. She said the city owns approximately 15 percent of the land.

NEW BUSINESS

1. Review Earned Income

Mr. Gentile said on the gambling issue, if a resident wins over \$50,000 a year, it should be considered taxable income. He said, however in light of the economy, he is suggesting that we leave the ordinance as is and not make any changes at this time. He said he does not believe we should tax anyone anything additional right now. He said when the time comes and we revisit this he will still stand at the \$50,000 amount, but believes we should drop this for now.

Mr. Kasaris said he does not feel the economy supports a tax on gambling winnings. He feels we should separate out the gambling/lottery ordinance and deal with everything else. He said we should address some housekeeping measures and royalties.

Mr. Antoskiewicz suggested just leaving the ordinance as is. He does agree, however that we need to update the ordinance at some point.

Mr. Nickell said he does not have an opinion either way.

Mr. Farrell said he agrees that the economy does not support a tax on gambling winnings.

Mr. Petrusky feels that anyone who can afford to gamble in today's economy has the money to pay the tax if they win. He said most people are more concerned right now with paying for food and rent.

Mr. Farrell said he believes the gambling tax needs to be kept separate from Ordinance 880. He said if it is not separated, he will not vote in favor of this.

This item can be removed from the agenda.

Mrs. Fegan said she will run all of her revisions through the Law Department and RITA to have them review it.

Mr. Farrell said he feels the Admissions Tax should be removed.

Mr. Gentile said he feels the Admissions Tax should be lowered to 2 percent.

Mr. Antoskiewicz said he does not know what the future holds, so he feels this tax is harmless, but on the other hand it covers us should we need it.

Mrs. Fegan asked if the committee wants to have two separate ordinances, one to replace the old 880 with a new 880 and a second piece of legislation for the removal of 892 which is the Admissions Tax.

Mr. Gentile said we can do these separately and asked that Mrs. Fegan re-draft the legislation and pass it by our Law Department and RITA before we make any recommendations to Council.

2. Admissions Tax

This was discussed above.

3. Miscellaneous Discussion

Mr. Petrusky asked if we have heard back from RITA on the gas/oil well revenue. Mrs. Fegan said RITA is processing that information. Mrs. Fegan will check with RITA to see if they have found any lost revenue.

Mr. Gentile asked if we have received a check for the Zillich well. Mrs. Fegan said we received a check in the amount of \$5,119 but believes this is the signing bonus for the Heasley Field well. Mr. Gentile said we should still have money coming to us from the Zillich well.

Mr. Gentile said right now we have gas and oil well revenue earmarked for Capital Improvement and suggested referring this revenue to the General Fund. He said we will wait until next month to see how this all works out.

Mrs. Fegan said she will make sure that if a well is located on a piece of our recreation property, this money is not going to the Recreation Department's fund or if it is on Wastewater property, make sure it is not going to their fund. She will check with the Legal Department on this.

ADJOURNMENT

Moved by Mr. Petrusky, seconded by Mr. Farrell to **adjourn the meeting**. Yeas: 3. Nays: 0. **Motion carried.**
Meeting adjourned at 7:35 p.m.