

## CITY COUNCIL CONFERENCE MINUTES

November 10, 2015

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a conference at 5:00 p.m. in the Municipal Building Conference Room on the 10th day of November, 2015, and notice and agenda of the meeting were posted at the Municipal Building at 201 West Gray, and the Norman Public Library at 225 North Webster 48 hours prior to the beginning of the meeting.

YEAS: Councilmembers Allison, Castleberry, Heiple, Holman, Jungman, Lang, Miller, Williams, Mayor Rosenthal

NAYES: None

Item 1, being:

CHANGE ORDER NO. TWO TO CONTRACT NO. K-1415-91 WITH URBAN CONTRACTORS, L.L.C., INCREASING THE CONTRACT AMOUNT BY \$166,950 FOR A REVISED CONTRACT PRICE OF \$3,145,424 FOR THE SEWER MAINTENANCE PROJECT FYE 2013.

Mr. Charlie Thomas, Capital Projects Engineer, said in 2001, the citizens of Norman approved a five dollar (\$5) per month sewer maintenance fee to provide for the systematic rehabilitation or replacement of aged and deteriorated sewer lines throughout the City's wastewater collection system. On March 24, 2015, the Norman Utilities Authority (NUA) approved Contract K-1415-91 with Urban Contractors, L.L.C., in the amount of \$2,873,020 to replace sewer lines and manholes for the Sewer Maintenance Project FYE 2013. On August 25, 2015, the NUA approved Change Order No. One increasing the contract amount by \$105,454 and extending the contract time by 40 calendar days from April 6, 2016, to May 15, 2016, to provide for supplementary pipe-bursting near Rock Creek Road and Porter Avenue as well as an emergency sewer main repair on Walnut Road.

Mr. Thomas said Change Order No. Two increasing the contract amount by \$166,950 will provide for the installation of approximately 2,500 feet of supplementary pipe-bursting along Huron Street requested by the Line Maintenance Division. Urban Contractors, L.L.C., has agreed to replace those lines and manholes at the contract unit prices. The estimated cost of line replacement under this change order is about \$67 per foot while typically, replacement costs have been around \$100 per foot.

Items submitted for the record

1. Text File No. K-1415-91, Change Order No. Two, dated October 30, 2015, by Charlie Thomas, Capital Projects Engineer
2. Change Order No. Two to Contract No. K-1415-91
3. Location map

Item 2, being:

DISCUSSION REGARDING ESTABLISHING THE DATES FOR THE 2016 CITY COUNCIL ELECTION AND RUN-OFF ELECTION.

Mayor Rosenthal said, by Charter, the City of Norman is required to determine City Council elections dates for the following year in November of the previous year so this item will be on the November 24th Council agenda. She said an election for the Street Maintenance Bond Program (SMBP) is scheduled for voters' consideration in for March 2016, making this an opportunity to add the Charter provisions as well.

Item 2, continued:

Mr. Jeff Bryant, City Attorney, said the Charter amendments have been reviewed and are ready to be placed on a ballot. He said some current Councilmembers were not on Council at the time the Charter Review Committee was established and the committee worked on the amendments for two years. Most of the amendments are language cleanup. He said since the City is holding an election for the SMBP in March, the Charter amendments can be added to defray costs since a Presidential Primary election is also scheduled.

Mayor Rosenthal said Council discussed holding the municipal election on April 5th with a run-off in June, if needed, in the Council Retreat in August and asked if that is still their desire. Councilmember Holman would like to stay consistent and always have the election in the same month every year and since last year's election was held in April he would like April 5th for the election date. Councilmember Castleberry agreed municipal election dates should be consistent and 2016's election will be citywide due to the Mayor's term coming up. He said the Presidential Primary scheduled for March 1st will have a greater voter turnout. He asked the additional costs if an election were held in April versus March and Ms. Brenda Hall, City Clerk, said a citywide election costs approximately \$30,000, with \$8,000 of that being costs for one ballot. There would be two ballots in March and if the municipal election was held as well there would be seven ballots although there would not be seven citywide ballots because Council seats are Ward specific.

Councilmember Castleberry felt spending \$30,000 for an election would be redundant when the City could save money by holding the election at the same time as a national or state election would be ridiculous. He said there is already a citywide vote scheduled March 1st for street maintenance bonds and Charter amendments alongside the Presidential Primary so the City needs to take advantage of that. Councilmember Holman felt there would be too many items on the ballot in that scenario. Mayor Rosenthal said, typically, if there are multiple items on the ballot there tends to be tremendous voter falloff because voters do not want to read all of that. She is opposed to the election being held in March and said the City's stand-alone elections have served Council candidates well. She is concerned about mixing municipal non-partisan elections with partisan elections, which could happen if the municipal election is held in March. She felt holding the municipal election with a Presidential Primary makes it ripe for parties to weigh-in in a way that violates the spirit of our form of government. Councilmember Allison supported a March election to save money. Councilmember Lang supported a March election to defray costs as well. Councilmember Heiple preferred an April election date. Councilmember Jungman felt consistency and partisan arguments were good arguments and supported an April election. Councilmember Holman said the Presidential Primary for both Democrats and Republicans will be pretty intense so he prefers an April election.

Councilmember Lang said when he attends Homeowner Association (HOA) and other group meetings citizens complain that the City positions ballots individually to hold down voter turnout. They feel that when elections are combined, the City is encouraging voter participation. He said that subject comes up in meetings more than any other subject.

Councilmember Castleberry requested the item be off-consent because he will not support an April election.

Items submitted for the record

1. Memorandum dated November 6, 2015, from Brenda Hall, City Clerk, to Mayor and City Councilmembers

Item 3, being:

#### DISCUSSION REGARDING NORMAN FORWARD FINANCING OPTIONS.

Mr. Jeff Bryant, City Attorney, said Staff has been working with the Public Finance Law Group regarding how to move forward with the Norman Forward projects as quickly, expeditiously, and economically as possible. He said the Norman Forward Sales Tax (NFST) is a growing revenue stream and will be assessed beginning January 1, 2016; however, the City will not collect that tax until March. The NFST is projected to grow over a period of 15 years with revenue for the first year expected to be \$10.2 million (\$850,000 per month). By year five, annual revenue is expected to be \$12 million (\$1 million per month), year ten is expected to be \$14.4 million (\$1.2 million per month), and year 15 is expected to be \$18 million (\$1.5 million per month). The majority of the funding will be received later in the life of the NFST so the question is whether the projects should be debt financed and, if so, how many. He said key financial considerations include the following:

- Debt financing allows projects to move forward more quickly
  - Trade-off between getting projects done quickly versus saving interest costs
- Pay as you go (PayGo) considerations
  - PayGo projects could not start until NFST cash is accumulated, which significantly delays projects
- Mix of financed and PayGo projects is recommended
  - Norman Municipal Authority as financing vehicle for NFST debt issuance
  - Financing all NFST projects is not financially feasible
  - Up to three groups of financings are anticipated to comply with Federal tax laws
  - Mix of financed and PayGo projects should be chosen carefully considering cash flows, project readiness, and project timelines to avoid undue delay of any of the projects
  - Interest rates are currently at historic lows - if debt financing is to be authorized then interest rate concerns suggest moving quickly on the first revenue bond package
  - Ability of the NFST fund to pay for some projects on a PayGo basis should be re-examined with each future budget year and prior to sizing subsequent financings
- Tax Exempt Revenue Bond
  - Interest rates on tax-exempt bonds are generally lower than taxable debt issuances
  - Unlike State General Obligation (GO) Bond regulations - designation of specific projects to be funded from proceeds from a NFST revenue bond issuance is not as critical
  - Internal Revenue Services (IRS) requirement – proceeds from a debt issuance must be spent within three years
  - Current financing plans consider up to three debt issuances to comply with this IRS spending requirement
  - Sizing of first NFST debt issuance should be keyed to what is reasonably expected to be spent over three years on projects that qualify for tax exempt status
- Council will direct project selection, budget allocations, and sequencing
  - Future financing plans and schedules for NFST projects will depend on the mix of PayGo and debt financing
  - To complete all projects, balancing project costs and operational expenditures with NFST revenues will be critical
  - Variables over 15 years of NFST include
    - project final design
    - project construction bids
    - interest rate costs
    - actual sales tax growth
    - inflation rate – lower than construction inflation

Mr. Bryant highlighted project financing considerations as follows:

Potential Bond Financed Projects

Central Library	\$39,177,428
East Library	\$ 5,111,294
Westwood Pool	\$12,000,000
Sports Complex	\$23,500,000
Indoor Sports Gym	\$ 8,500,000
Aquatics Facility	\$ 2,730,000
Total	\$105,018,722

Potential Pay-As-You-Go Projects

Park Renovations	\$25,000,000
Griffin Land Purchases	\$10,000,000
James Garner Avenue	\$ 6,000,000
Canadian River Park	\$ 1,995,000
Total	\$42,995,000

With Potential Senior Center Project from NFST

Financed	\$105,000,000
PayGo	\$ 43,000,000
Senior Center	\$ 9,500,000 (approximately)
Total Projects	\$148,000,000 to \$157,500,000

Mr. Bryant said operational and related NFST project costs will consist of a project maintenance consultant; Central Library maintenance staffing; East Library maintenance contract; park maintenance staffing; Senior Center staffing; Aquatic Center staffing; Westwood Pool/Tennis Center replacement; traffic improvements; and public art.

Mr. Bryant discussed cash flow projects and said managing cash flow with the right mix of debt financing will be critical to balance between the timing of projects, their affordability, and will require on-going efforts. The size of the first financing is the mix of projects and whether proceeds from the financing are reasonably expected to be spent within three years. The IRS requires expenditure of proceeds to occur within three years of a bond sale financing. Mr. Allan Brooks, Public Finance Law Group, said it is critical to follow the IRS requirement.

Potential PayGo projects include park renovations - \$25,000,000; Griffin land purchase - \$10,000,000; James Garner Avenue extension - \$6,000,000; and Canadian River Park - \$1,995,000 for a total cost of \$42,995,000.

PayGo project designation considerations for park renovations include Ruby Grant Park, Phase I - \$6,000,000; Legacy Trail development - \$6,000,000; renovation of neighborhood parks - \$6,500,000; new park development - \$2,000,000; Saxon Park, Phase II - \$2,000,000; Andrews Park renovations - \$1,500,000; and Tennis Center renovations - \$1,000,000 for a total cost of \$25,000,000. Mr. Bryant said most of the neighborhood park projects can be done in-house as opposed to financing.

Item 3, continued:

Mayor Rosenthal said some of the projects are larger than others and she can imagine the renovation of neighborhood parks getting pushed back in the queue and is concerned about the PayGo scenario. She said neighborhood parks can have one of the greatest reaches in Norman Forward projects because they touch everyone's neighborhood. Mr. Anthony Francisco, Director of Finance, said park projects could be an annual budget consideration of Council on a PayGo basis.

Councilmember Allison agreed with the Mayor and said it makes him nervous to not know when projects will be done until budget discussions. He said timing of hiring consultants, project design, etc., can push these projects further out. He knows everything cannot be financed and it will be tough to decide which projects will be PayGo projects; however, neighborhood parks will reach a lot of people and he hates to see those projects pushed out eight years or more. Mr. Bryant said these are good points, but Staff believes there is a pretty good possibility most of the park projects can be underway in the next five to six years. He said this is something Council and Staff will need to be diligent about. He said Council will have a better idea of the timeline for the projects as well as the debt service payment for the first year after the first financing is completed. He said it all comes down to the timing of the projects.

Councilmember Castleberry said some projects, such as Ruby Grant Park, could be cash flowed over two or three fiscal years and the City does not have to have the project cost in hand before the project can begin. Mr. Francisco said that is correct, but that is something Staff will need direction on. Mr. Brooks said project selections can vary and there is a lot of flexibility as bids could be lower than expected for the first set of projects, which would free up money to be reallocated to other projects. He said Council will know project costs, interest rates, etc., and financing as the process progresses. Mr. Bryant agreed and said the first tranche of debt will be expected expenditures with design being the focus.

Griffin land acquisition PayGo considerations include Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS) consideration for up-front payment and timing will have to be negotiated, coordination with purchase of ODMHSAS land for Football/Softball Sport Complexes, which could possibly be included in a second or third financing if necessary. Mr. Bryant said ODMHSAS is open to discussions of a structured payment that might meet their needs better than a lump sum payment. Discussion will take time, but in the end will be very productive. Councilmember Heiple said ODMHSAS would like to create a campus that would spotlight mental illness to show it is not a bad thing. He said mental illness has traditionally been something put into a closet and not discussed and Norman needs a campus that says it is okay to work on your mental health as well as your overall physical health.

James Garner Avenue Extension PayGo considerations include timing the project to qualify for federal matching funds currently anticipated in FYE 2020 or FYE 2021. Reduction of the project budget if federal matching funds are acquired would be beneficial to funding other Norman Forward projects.

Canadian River Trails Park PayGo considerations including land acquisition will have to be negotiated and the private property owners' desires for up-front payment or payment over time will have to be negotiated.

Mr. Bryant said the NFST is projected to accumulate in excess of debt service requirements. He said project revenue for FYE 2016 through FYE 2020 is expected to be an estimated \$20 million, which could cover costs for Saxon Park - \$2 million; Ruby Grant Park - \$6 million; Griffin (grading/lighting) - \$500,000; neighborhood parks - \$6.5 million; and annual payments to ODMHSAS - \$5 million. He said actual collections, expenditures, and appropriations will need to be reviewed annually with Council determining which PayGo projects should proceed in a particular fiscal year. Operation costs will also need to be programmed.

Item 3, continued:

Mr. Bryant said early estimates for the Senior Center are \$9.5 million if NFST funding is used, otherwise the existing G.O. Bond funding could be used to renovate the existing library. He said if NFST funding is used, another \$2 million would be needed for a parking structure if the Senior Citizen Center was built near the proposed Central Library. He said project considerations for the Senior Citizen Center will consist of the following:

- Council's direction regarding location of Senior Citizens Center
  - Evaluate new library site option
  - Staff to bring forward other options
  - Senior Citizen Center Advisory Group to focus on location
  - Ordinance criteria
    - functionality
    - desires of patrons
    - feasibility
- Location may determine whether NFST funds should be allocated to a Senior Citizens Center Project
- Reasonable likelihood expenditures for the Senior Citizens Center Project would be expended in three years if included in NFST bond financing
- Perhaps include in the second financing in the next year or so

Mr. Bryant said in sizing the first financing, the projects with the most reasonable likelihood of spending funds in three years include the Central Library design; Central Library land acquisition; East Library design and construction; Westwood Pool design and construction; Indoor Aquatics Facility design; Indoor Sports Facility design; James Garner Boulevard extension design, right-of-way acquisition and utilities; Football/Softball Sport Complex; traffic and roadway improvements; Reaves Sports Complex design; Andrews Park improvements; Senior Citizen Center; and issuance costs for a total first debt financing cost of \$43,161,000.

Mayor Rosenthal felt the only project susceptible to construction inflation is the Central Library Project and is concerned that construction is being pushed into years four and five. She felt that would significantly impact the budget. Mr. Francisco said the second financing is proposed for next year (18 months from now) so the City would not have to wait four years. The question is what the City can spend in three years. Councilmember Allison said the design could take a year so there is no need to finance construction and pay interest until the design is completed. Mr. Francisco said if the design is completed more quickly than anticipated, the City can move forward with the second financing more quickly.

Mr. Bryant said all the tax qualified Norman Forward Projects will be listed on the financing documents and will be eligible for first NFST proceeds for financing. Mr. Brooks said financing will be reviewed on an annual basis, but in reality this will be a living breathing process that will have to be reviewed during the budget process, but re-evaluated in real time on a weekly or monthly basis as information becomes available. He said Council retains control in terms of project sequencing. He said the City wants to take advantage of today's construction costs and the faster any of the projects can move along the better. Mr. Steve Lewis, City Manager, said if the City went with the first funding of \$43 million and Council wanted to spend money on something not on the list, but in Norman Forward, they can do so. Mr. Brooks said that is correct and the Public Finance Law Group will qualify the projects through a federal tax law standpoint. Councilmember Castleberry asked what projects may not qualify for tax exemption and Mr. Brooks said operating costs, salaries, etc.

Item 3, continued:

Mayor Rosenthal said she likes the fact that the City is moving ahead with virtually every front in terms of the different projects. She thinks there has been some misunderstanding in the community that if a project is not on the construction list for tomorrow then nothing is happening when in fact there are a lot of preliminary steps that need to take place.

Mr. Lewis said the East Library Branch construction bid opening is scheduled for the end of August 2016 and early November 2016, for the Central Branch Library construction. He said it is important to get the East Library Branch open and available when the Central Library Branch is taken down. There will be a short period of time when the existing Central Library will be closed while everything is being transferred to the new Central Library.

Councilmember Castleberry said construction on the Westwood Pool needs to be timed to begin as soon as the pool closes for the season. Mr. Francisco said the goal is to only close the Westwood Facility for one season and that is an aggressive schedule. Mr. Jud Foster, Director of Parks and Recreation, said the ideal situation will be to open the existing pool next season, close the season early, and have everything shovel ready for construction of the new pool by August 1st. He felt the new pool facility could be opened by the following spring, but that assumes perfect weather conditions. He said a Request for a Quote (RFQ) is ready to go so the design process can start immediately.

Mr. Bryant said next step are as follows:

- Sizing the first financing of \$43,161,000
  - Sizing and planning the financing is important to achieving the mix between debt finance projects and PayGo projects in order to move the projects forward as quickly and affordably as possible
- Reasonable likelihood of spending in three years
  - All tax qualified Norman Forward Projects will be listed and eligible to use proceeds from first financing
  - Next two financings will occur over the next two to five years and will be sized following Council direction after considering NFST revenues collected and projected, immediate project needs, readiness of projects, and project timing
- Resolution authorizing the Revenue Bond issuance by December 8th
  - Private Placement (bank loan) – approving financing based on a bid process similar to the technique used earlier this years to fund the Emergency Operations Center (EOC)
  - Loan closing by the end of December 2015

Mr. Brooks said seven positive votes are required by law on bond financing so there needs to be full attendance by Council at the December 8th meeting. If any Councilmember has reservations, he would like to know now. Mayor Rosenthal felt Council should go with the recommendation of Staff and the finance team and Councilmembers concurred.

Items submitted for the record

1. PowerPoint entitled, “Norman Forward Consideration for Financing Projects,” dated November 10, 2015

The meeting adjourned at 6:04 p.m.

ATTEST: