

FINANCE COMMITTEE MINUTES
January 12, 2017

The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 5:00 p.m. in the Municipal Building Multi-Purpose Room on the 12th day of January, 2017, and notice and agenda of the meeting were posted in the Municipal Building at 201 West Gray and the Norman Public Library at 225 North Webster 24 hours prior to the beginning of the meeting.

PRESENT: Members Heiple, Castleberry, and Mayor Miller

ABSENT: Member Chappel

OTHERS PRESENT: Aleisha Karjala, City Council Member
 Bill Hickman, City Council Member
 Kyle Allison, City Council Member
 Steve Lewis, City Manager
 Anthony Francisco, Finance Director
 Suzanne Krohmer, Budget Manager
 Jeff Bryant, City Attorney
 Ken Komiske, Director of Utilities
 Steve Hardeman, Utilities Manager
 Terry Floyd, Development Coordinator
 Gala Hicks, Director of Human Resources
 Travis King, Fire Chief
 Keith Humphrey, Chief of Police
 Major JD Younger, Norman Police Department
 Michael Graves, Garver Engineering
 Kyle Kruger, Garver Engineering
 Bill Scanlon, Member Public Safety Oversight Committee
 Joy Hampton, Norman Transcript
 3 Other Citizens

Chair Heiple called the meeting to order.

Item 1, being

UPDATE ON THE WATER RECLAMATION FACILITY, PHASE 2 IMPROVEMENTS,
AND POTENTIAL ADDITIONAL PROJECTS.

Ken Komiske and Michael Graves with Garver made the presentation. Ken stated that we started this project 2 years ago and we took some projects out and put them on hold due to not knowing if we would have the funds. These items that were put on hold are budgeted for now.

Michael Graves stated that as of December 31, 2016 we have completed 944 days of the original contract. The original contract amount is \$48,822,550 and is about 94% complete. The first

Item 1, continued:

project suggested in the proposed change order is for repair and improvement of the gravity thickeners. The next items suggested are the boilers, which are 30 years old and need to be replaced. Next is the grit classifier, which has recently failed. We need to remove the grit. Staff has already tried to repair the failed grit classifier but that did not succeed and we just need to replace it. The last items suggested are generator platforms. This would allow for the safe operation and maintenance of the 5 generators. All improvements are O&M related with the potential to create regulatory issues.

The proposed summary for this new work totals \$2.8 million dollars which would put the complete project total at \$51.9 million dollars. The change orders total would be 6.31% and the state law allows for a 10% change order on projects of this magnitude. The benefits to adding these projects to the existing contract would be eliminating the need to go through the process of bidding which would possibly save \$135,000 and 120 days. The construction engineering savings would be reduced by \$180,000. Contractor mobilization for a new contractor would be about \$150,000 more dollars. The time value of money would be about 4% and realistically about \$500,000 dollars could be saved by adding this to the existing contract. This would be an estimated savings of about 15-20%.

Council Member Allison asked whether this work and these projects were planned to be completed whether or not they were change ordered. Komiske stated that we wanted to call it an amendment to the contract but legally we have to call it a change order. Allison stated that the funds for this do not come from the General Fund and will not affect the downfall in sales tax.

Council Member Hickman asked if there was any concern about the state law concerning change orders and not bidding this out. Jeff Bryant, City Attorney, stated that this is well within the 10% the state law requires so we are comfortable with it.

Komiske stated that the gravity thickeners and the digester boilers were already budgeted for FYE 17 and the grit classifier broke which is abrasive to the equipment. The generator platforms will make the generators safer for the employees to work on. The grit classifier and generator platforms are not currently budgeted.

Items submitted for the record:

1. Norman WRF Phase 2 Improvements Additional Work Proposal

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Item 2, being

PROGRESS REPORT REGARDING THE DEVELOPMENT OF THE CITY WIDE EMERGENCY COMMUNICATION SYSTEM (FUNDED BY PUBLIC SAFETY SALES TAX II)

City Manager Lewis stated the new Emergency Communications System was funded by the Public Safety Sales Tax of 2014. Police Chief Keith Humphrey stated that our current system is at the end of its life in 2018. Major Younger has been a great project manager. Harris Communication is the vendor for the new system. This system will accommodate the growth of the city and the entire city infrastructure.

Major Younger stated that the City has a project team to manage this project in addition to the consultant. June 24, 2016 was the due date for the RFP. The City received 4 responses and the #1-ranked vendor was Harris Communications. We do have a tentative contract for \$14,888,436. The contract has categories:

1. Infrastructure-which includes tower sites, computer hardware, and 911 center hardware. This totals \$11,490,501.
2. Subscribers (radios)-this includes mobile and hand-held radios. It totals \$2,212,556.
3. Phase III consultant-this is with Tusa Consulting and totals \$270,000. It includes implementation and acceptance testing.
4. Construction Contingency- this will be roughly 10% of the construction cost, which is part of the infrastructure cost, the purchase of land if needed, and if we need to extend the utilities. This would total \$915,379.

All of this gives a total of \$14,888,436. This is the total for the project allocation minus the consulting fees that have already been expensed. It is possible that the cost could come down slightly, but there are no guarantees. It will not increase.

Mayor Miller stated that she is astounded at the costs. Is this comparable to what other cities pay for this type of service? Major Younger stated that we have worked with the consultants to make sure the costs are comparable and competitive while looking at similar systems and size in the Dallas Fort Worth area (Metro Crest). Our Phase II consultant handled the Kansas City Metro consolidation for a much larger system. Harris Communications is willing to talk about the comparable projects at a Study Session.

Chief Humphrey stated that you can't buy this system off of the shelf. The presentation by Harris Communications will make it clear that this is the system we need.

Council Member Hickman asked if the recurring maintenance and annual subscription costs will be funded out of the Public Safety Sales Tax. Chief Humphrey stated that he believed it would be and that includes the maintenance agreement. Major Younger stated there will be licenses included in the maintenance costs. The contract states that there will be different pricing levels every 5 years. Year 8 is where we will have to do a software refresh and anticipate that year to be a little more expensive. Hickman asked if all of this will come out of the Public Safety Sales Tax. Anthony Francisco stated that the General Fund departments will be sharing the costs.

Item 2, continued:

Hickman asked if starting in 2020 we would be seeing the recurring costs for this project in the presented budgets. Francisco stated that was correct.

Major Younger stated the current communications system was implemented 20 years ago with 2 towers. The proposed system will have 6 towers. Public Safety grade coverage recommended is 95% reliability rate. Harris Communications gave us a 96% rate with no extra charge. This will insure we do not have communication problems during disasters, but if we do it will be a Norman owned system and we will have the technical ability to configure on the fly and address those problems.

Major Younger stated we are currently on a 5 agency state system. This gives us communication paths to other public safety bridges. This proposed system will equal, if not improve this ability. We will be able to improve and maintain the interoperability of those public safety bridges between our system and other's systems.

Council Member Hickman stated that there might be a budgetary concern with the sales tax situation. Member Castleberry asked what the original cost budgeted for this project. Francisco stated that it was a total of \$21 million; \$6 million for the building and \$15 million for the radio system. Chief Humphrey stated that we are optimistic that we will be able to stay within the budget.

Council Member Karjala asked if the \$500,000 in consulting fees was normal. Major Younger stated that we reached out to multiple consultants for both Phases I and II and we do feel it is competitive and consistent with Phase III and our needs.

Mayor Miller asked how all of the new hardware is going to interface with the new facility and what the timeline is for that. Chief Humphrey stated that the system can be built prior to the building and can then be moved into the new building. We have a tentative timeline of Sept.-Dec. of 2018 for the facility to be completed and the system up and running. It will be 9-12 months for construction.

Mayor Miller asked about whether or not the site is ok. Chief Humphrey stated that we have to make sure that the foundation is good. Major Younger stated that we are having soil testing done. Chief Humphrey said we have to get soil certifications but we are confident that it will work.

Council Member Allison asked what the square footage of the building will be and he stated that we already own the land. Chief Humphrey stated that the building will be 8-12,000 square feet and that the dispatchers will be located at this site.

Joy Hampton asked if there was another location for redundancy. Francisco stated that this Emergency System location will be the redundant backup for the IT system.

Item 2, continued:

Items submitted for the record:

1. Emergency Communications System Replacement Project Timeline
2. Tentative Contract Pricing

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Item 3, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS

Anthony Francisco made the presentation. He stated that by the end of December we have gone from a bad picture to a worse picture in sales tax collection. The handout he passed around was a comparison with other cities. Our major revenue source is way down. The General Fund is worse yet, when compared to the University North Park Tax Increment Finance District Fund (UNP TIF), as the amount of sales tax being apportioned to the UNP TIF Fund is increasing. He does not think there should be any major service impacts this fiscal year. We think that we will be drawing down some of our reserves this year if we continue this way. Our major problem will be in the FYE 18 budget preparation. Our next meeting is February 9, which is the day we should receive our February sales tax return and this will be a major indicator of where we are and where we will be going forward.

Chair Heiple asked if it was still our belief that internet sales are what is hurting our sales tax revenue so much. Francisco stated that this was a major factor. The Government Finance Officers Association distributed a resolution that was passed by the city of Roanoke, Virginia that deals with this issue. The State of Oklahoma encourages self-reporting by consumers who purchase goods for use within the state, as is required by sales and use tax statutes. However, studies show that only 5% of people self-report, which is their legal obligation; it is very difficult to enforce individual consumer's compliance. The resolution from Roanoke states that they actually raised their sales tax rate to compensate for the loss of internet sales tax. It also encourages Federal action with the Marketplace Fairness Act. He proposes that the City of Norman pass a resolution to encourage Congress to take this same action. If the Committee is agreeable to this, Francisco will draft a resolution to encourage Congress to take this action. It is a fairness question.

Member Castleberry stated that online retailers would be required to send online purchases to the consumer as well as the State of Oklahoma. So if someone does not pay, they will get caught. He also believes that the administrative delay on building permits in core Norman that the Council just passed will hurt our use tax.

Joy Hampton stated that the City usually has a problem with projects that are on the border of Norman and some other city as the contractor might not know where to make their payments. Member Castleberry stated that online reporting of sales tax and use tax puts a huge burden on

Item 3, continued:

smaller retailers. He then asked if we could get a report on the tax collection for the retailers on Lindsey Street so we can compare it to last year. Francisco stated that the most recent report he saw was that those retailers are down 8%. He said he would provide that before the next meeting.

Council Member Hickman asked if there would be any value to plan a communication initiative between the Retail Sales Tax Coordinator and the Communications Manager on the sales tax issue. He then asked if an announcement to our citizens about their legal responsibility to pay sales tax online and encouraging them to shop local would be a better idea than the proposed resolution. He does not believe the average person knows about the new state law about self-reporting.

City Manager Lewis asked when we would want the resolution to occur. It was stated that the Committee would like it to be ready by March when we meet with our Congressional Legislation. Mayor Miller stated that the Finance Committee recommends taking it to Council and the resolution can just be emailed to the Finance Committee members.

Joy Hampton stated that small retailers are starting to go through Amazon now. She then asked if there has been any discussion about adding sales tax to things like haircuts at the Oklahoma Municipal League. Mayor Miller stated that there was a discussion about this at the Oklahoma Municipal League meeting recently. Member Castleberry referred Hampton to an article that was written by David Black 7 years ago that stated if nothing was exempt from sales tax the state would have an additional \$5.5 billion in sales tax revenue coming in.

Items submitted for the record:

1. Summary of Major Fund Revenue Sources vs. Budget, FYE 2017-As of December 31, 2016
2. Monthly Financial Report
3. Appropriations
4. General Fund Transfers Over \$50,000 between Expenditure Categories-FYE 17 December 2016

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Item 4, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Gala Hicks made the presentation. She stated that police recruitment will begin on February 13th due to having 10-11 positions to fill.

Member Castleberry asked if these positions are subject to the hiring freeze. Anthony Francisco stated that the positions on hold are the ones on freeze, not the positions that say authorized to fill.

Item 4, continued:

Mayor Miller asked if internal promotions would have their previous positions replaced or not. City Manager Lewis stated that just because there is a promotion does not mean you automatically eliminate or freeze the previous position.

Councilmember Hickman asked of the on hold positions, are these Council approved and budgeted for but not filled. Are there any Council approved but not on this list? Hicks stated that is correct and all vacancies authorized should be on the list. Council Member Hickman then asked if there are any positions asked for but not authorized. Hicks stated that there is not. City Manager Lewis stated that those would be proposed requests and he would determine if they are included in his budget or not.

Mayor Miller stated that in the upcoming budget we could discuss needed and wanted positions.

Items submitted for the record:

1. Open Positions Report dated 1/4/2017

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Item 5, being:

MISCELLANEOUS COMMENTS

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The meeting adjourned at 6:17 p.m.

ATTEST:

City Clerk

Mayor