

Item 2, continued:

Items submitted for the record:

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

\* \* \* \* \*

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

\* \* \* \* \*

Item 4, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Gala Hicks made the presentation. She stated that police recruitment will begin on February 13<sup>th</sup> due to having 10-11 positons 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.