

CITY COUNCIL STUDY SESSION MINUTES

June 6, 2017

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a Study Session at 5:30 p.m. in the Municipal Building Conference Room on the 6th day of June, 2017, 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 24 hours prior to the beginning of the meeting.

PRESENT: Councilmembers Allison, Chappel, Clark, Heiple, Hickman, Holman, Karjala, Mayor Miller

ABSENT: Councilmember Castleberry

Item 1, being:

Mayor Miller said tonight's discussion is a continuation of the discussion that took place at the public meeting and will focus on the proposed FYE 2018 City of Norman Budget and possible amendments.

Mr. Steve Lewis, City Manager, said City Council is moving to adopt the budget next Tuesday night and it is customary practice at this time for staff to put together a set of proposed amendments that will talk about additions and subtractions to the budget. He asked Anthony Francisco, Finance Director, to briefly explain the proposed amendments.

Mr. Francisco said this is a continuation of the ongoing budget discussions about the City Manager's proposed budget presented to Council over the last six weeks. He had been asked to discuss the budget changes that had been made in the City Manager's budget, which is summarized on Page 7 of the City Manager's letter in the budget. The City Manager's proposed Budget added the Supply and Maintenance Savings section to the budget, which is an approximately savings of \$200,000 that the City had assumed and built into the budget. He said the budget assumed that there would be no additions or subtractions in Personnel in the General Fund, but there was one reduction and two additions in Personnel in the Animal Welfare Division, which is highlighted in the packet. He said some of the contractual things the City did which added expense were the subscription costs for (OLETS) Oklahoma Law Enforcement Training Division Subscription which had increased substantially and money was added to the Animal Control Division's medical supply account. He highlighted the information in the Supplies/Materials savings assumptions in the General Fund Summary on the second page of the Budget Document. He said the City Manager's budget has a positive balance of \$161,020 on a \$70 million budget. He said obviously that is very lean and Staff has done quite a few things to get to that point. He said Staff takes pride in the fact that the budget is balanced with positive revenues over expenditures without cutting any major services; however, this was a difficult budget. He said the next few pages contain amendments discussed by Council in various budget meetings and Finance Committee meetings. He said the last few pages contain language that Council might actually use to make the budget amendments if they choose to. He said the Finance Staff would be glad to prepare similar language for additional amendments Council may desire. He said if all of those amendments are made and approved the General Fund would go from \$161,000 positive to about \$48,600 positive. He said very slim, very tight, but still positive.

Councilmember Holman asked what the City's plan is if Norman Public Schools (NPS) decides or is unable to fulfill their obligations with the SRO Program.

Mr. Lewis said he has been in consultation with the superintendent of schools who believes they will be able to meet those requirements. He said this has been a very successful first year and Norman Public Schools would very much like to see the program continue and possibly expand.

Councilmember Holman asked if Staff had a plan if something happens and NPS cannot budget next year.

Mr. Lewis said NPS believes it is going to be funded and they are very committed to this program. He does not know what other cuts they might contemplate in order to keep this program going.

Mayor Miller said she is concerned about the amendments to add funds for Animal Welfare when the Budget is this tight. She said the proposed Budget already includes funding for a technician and supervisor position as well as \$30,000 in requested capital expenditures for medical supplies. She said over the past twelve months Staff and the City Manager have had to come up with \$1.2 million in cuts just to have a balanced budget this year. She said 14 other positions were requested by other departments.

Mr. Lewis said staff thought sales tax collections were going to turn around this summer and we are kind of at that tipping point to see what is going to happen in the local economy. He said if things do not improve over the next two to three months then they will be looking at more drastic cuts going into next year. He said it is not just going to jump up to 4% but build back slowly. That is what has been seen in the last two sessions.

Councilmember Chappel said it is tough to add employees in a downturn, because Council does not know if the jobs can be sustained. He asked if there are any other options such as contracting that might help the Animal Welfare Center.

Councilmember Hickman said if he looked at the Capital Budget or General Fund Budget over the years and looked up the projected three, four or five years, even by now they are talking about Norman Forward or PSST, not having enough money in a certain number of years. He asked aren't these just projections and have they ever ended up in a situation where the City didn't have enough money to pay the bills and were upside down?

Mr. Anthony Francisco, Finance Director said no it is the Council and Staff's job to make sure those projections does not become a reality.

Councilmember Hickman said he understands. So right now they are talking about this upcoming current year whether they add these positions or not, they would still have a positive on paper balance, which in six or seven of the years Anthony Francisco has been director, they have not had, and in these future years they have never allowed that to happen if they make changes that may or may not have been necessary, is that fair?

Mr. Anthony Francisco, Finance Director said that's fair.

Councilmember Allison said they obviously passed a balanced budget last year, but it wasn't balanced. They are not estimating it to be balanced at the end of the year and so that is why he thinks just because they show it being over \$161,000, he doesn't think it is going to be enough. He said he would like to see this net difference much higher than \$161,000 based upon last year's trend and they know that it's not coming back as fast as they thought it would. He said it really makes him nervous keeping it at \$161,000.

Councilmember Heiple said they are facing a retail apocalypse as a country and are now scheduled to have more foreclosures and bankruptcies this year than they did in 2008. The point is we have a problem because cities are tethered to sales tax revenue and whether it is Norman Forward or the budget, Council may have to look at cutting services. He said sales tax is going to get smaller for a while until Council can figure out how to really tackle the online sales and maybe generate some new revenue. He encouraged Council to proceed with caution.

Councilmember Karjala said she did not disagree with Councilmember Heiple's points, but even in the Finance Committee, she does not think Council really spent any significant time talking about new sources of revenue. She said Council cannot change that people are not spending as much money in their hometowns and if that is not going to change then Council needs to start thinking about the future and how to fund City services.

Mayor Miller said she agrees with that, but two of the biggest things they can do are things that they have been talking about, one being storm water. That could make a huge difference in the budgetary picture, but if things keep going down all it is going to do is bring the City back to where they are. That's the one single thing and the other thing is to look at when they pay off the Tax Increment Finance District (TIF).

Councilmember Hickman said the public and the people that came to the public hearing and spoke in support of staffing the shelter want to know what the \$160,000 will be used for if additional staffing is not added.

Mayor Miller said she doesn't know if she has any supporters, but encourages Council to look at the big picture. She is not speaking against the Animal Shelter, because she wants the Animal Shelter to have what it needs. She said she would feel a lot better if Council waited until mid-term to see how the budget is going.

Councilmember Hickman said there has been an open tech position for more than three or four months. The full year starts July 1st. He said it can take three, four, or five months, to get someone hired. If Council delays taking action on this now and waits to discuss it mid-year, that person may not actually be hired until a year from now. He said this Council passed a no euthanization goal and Council has a responsibility to the same voters they are going to be asking to support a storm water utility. He said the only group that has showed up in this budget process each step of the way has been speaking in support of funding the shelter. He said Council voted adopted a resolution saying their shelter has to take all animals. He said owner surrenders of Norman residents are up significantly, because now they have to take those animals.

Councilmember Allison said the money you are thinking they are going to save they have already taken account for in the preliminary Budget. He said they already put a number in the budget, knowing that they are not going to have every position filled and they are going to have some openings. He said there are other directors within the city at the same level or higher than Captain Arnold that requested people within their budget requests.

Councilmember Hickman asked if the savings will include the addition of the two new positions or would they factor more savings in if they added more positions?

Mr. Francisco said it is an assumption of what happens over the course of the year historically based on what tends to happen. He said there are positions when someone retires during the course of the year and it does take time to fill that position. Usually the person who comes in and fills that position is getting

paid at a lower rate than the person they replaced and so some savings accrue, but also when that person retires they get a big vacation and sick leave payout that is unbudgeted. He said money going in, money coming out. Those things taken together and based on what we have experienced over many years is that we save about \$800,000. He said there are going to be some vacancies, there are going to be some retirements, but there are also going to be some large payouts.

Councilmember Hickman said that wasn't his question. His question was if the City had positions?

Mr. Francisco said it is not tied to any individual position; it is an assumption about what will happen overall.

Mayor Miller asked everyone to remember the point that Councilmember Chappel made about once a person has obligated themselves to a position.

Councilmember Heiple said if Council continues on this trajectory then in 2022, the City will have a General Fund that is \$2.1 million underwater. He asked if that is the projection.

Mr. Francisco responded yes.

Mayor Miller said she does not want to spend this money. She thinks the Budget is too close right now.

Councilmember Holman said due to the budget issue if anyone wants to have a conversation about hiring any new positions, he thinks it is a worthy discussion to have. He thinks if the City is going to hire any employees and add staff that it should be in the Animal Welfare Division because these are the only staffing positions the public came out and asked for. He knows there are multiple departments that have needs.

Mayor Miller said the City is already adding the employees to the Animal Shelter that have already been put in the budget.

Councilmember Chappel said he doesn't want people to think he doesn't think pets and animals should have clean water and all of those types of things. He does not think that is what the City Council is voting on. He said he is thinking about what is sustainable.

Councilmember Karjala said she thinks Councilmember Chappel is right, the sustainability always is going to be a concern. She said prior Council has backed them into a corner. She said if you build a facility and you fill the need and you pass the laws that make it a need then you have to staff the facility.

Councilmember Allison asked if Council funds these positions how much would be the General Fund have left.

Mr. Anthony Francisco, Finance Director responded \$48,000.

Councilmember Allison asked \$48,000? He said he doesn't want to spend anything, but he is going to support the Animal Shelter requests. He said he wants to do this for the City and Citizens, but if Council is going to take that amount and play around with it, then he thinks they should say they are going to take that money and put it towards things that raise revenue. He suggested the Retail Marketing Coordinator program.

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Councilmember Clark said the only thing she would say is she hopes Council learns from the past. She said Councilmember Holman has told Council how Mayor Rosenthal warned everybody that it clearly needed to be done, but if we do it there will be problems and this Council is tasked with fixing those problems.

Mayor Miller asked if there are any other concerns about the general budget. If not, she moves that they adjourn.

Items submitted for the record

1. Memorandum dated June 6, 2017, from Anthony Francisco, Finance Director, to Mayor and City Councilmembers; FY 18 Proposed Amendments

The meeting adjourned at 6:37 p.m.

City Clerk

Mayor