

FINANCE COMMITTEE MINUTES
April 13, 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 13th day of April, 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 Castleberry, Chappel, Miller, Chair Heiple

ABSENT: none

OTHERS PRESENT: Steve Lewis, City Manager
 Anthony Francisco, Finance Director
 Gala Hicks, Director of Human Resources
 Jud Foster, Director of Parks and Recreation
 Deputy Chief Jim Maisano, NPD
 Kate Bierman, Councilmember-Elect
 Roger Gallagher, citizen

Chair Heiple called the meeting to order at 5:02.

Item 1, being:

DISCUSSION OF THE FYE 2018 CITY OF NORMAN BUDGET:

Anthony Francisco gave the presentation. He stated that we started the fiscal year with \$6,074,000 in the General Fund, which was \$1.3 million above our required 3% reserve. However, this year has been a bad year for revenue, and we will be drawing down those fund balances quite a bit from this good beginning. We do believe we will be about \$3.9 million in the red for this fiscal year. This was due to a combination of things, such as reduced sales tax collections and a mild winter and summer having a negative impact on our franchise revenue.

Mayor Miller asked if we will be taking money out of the reserves to cover this shortfall. Francisco stated that we would be covering the negative balance with money from the reserves. We do believe with some saving that we will have, along with the reserve, that we will be able to meet our 3% reserve for the General Fund again this year with a balance of \$2.2 million. FYE 2018 Budget is projected to have a 2.5% sales tax growth. We have been in a down cycle for a full 12 months now, but these cycles do repeat according to history. Based on historic trends, we are recovering from an extended low point (valley) in our sales tax collection patterns, and should be entering a period of gradual growth. That is what this 2.5% projection is based on. We project \$76 million will be collected in revenue, and \$75.8 million is projected to be spent. We are budgeting for a break-even year this next year (FYE 2018), being in the black by \$161,000. We have made some cuts in the budget to operational areas in order to have this positive number in the next fiscal year. We want to budget conservatively and then manage that money throughout the year to try to save and build up our funds for any future shortfalls.

Item 1, continued:

Mayor Miller asked if we will not be hiring any new personnel other than the open positions we have at the moment. City Manager Lewis stated that this will be part of the discussion with the City Council next week.

Francisco then stated that the Rainy Day Fund is projected to meet the 3% minimum but will be slightly short (\$-164,000) of the targeted level. If everything happens as projected it will be back to targeted level next fiscal year. The good picture is that we do not have to draw down from the Rainy Day Fund to offset the General Fund.

Francisco stated that the Public Safety Sales Tax (PSST) Fund will be used to add 3 new School Resource Officers (SRO's) and do project that over time we will get to the full 13 SRO positions. Once we pay for everything that we have told citizens we would pay for out of the PSST Fund, the money will get very tight. This message needs to be relayed to people so they do not falsely believe that this fund has more money than it does. City Manager Lewis stated that the contract with the School District, stating that they will pay for half of the expense for the 3 new SRO Officers, will have to be renegotiated every year.

Member Castleberry asked what would happen if the projected budget was negative. Francisco stated that the City Council cannot adopt a budget that is negative, so if this were the case we would have to reduce expenditures until it was no longer negative. Member Heiple encouraged the Finance Committee to look at generating revenue out of things that haven't generated revenue in the past because the people do not want more taxes.

Francisco stated that the Room Tax Fund has been impacted negatively by the economic downturn and is projected to lose about \$480,000 this fiscal year. This is a pretty major hit for this Fund. The Norman Convention and Visitors Bureau (NCVB) is projecting that their contribution to this fund will be in the negative this fiscal year. The City Manager's Budget, if adopted, would go back to a 3% administrative charge to this Fund instead of 5%.

Chair Heiple asked if Air B&B is collecting Room Tax currently. Francisco stated they were not currently paying this and they should be paying. There have been talks with Air B&B about how to start collecting this money, but those talks are currently in the beginning stages.

Francisco stated that the Norman Forward Fund will go negative in the middle of the 15 year period if we do not take some actions to reduce expenditures. This Fund is not in the position to be funding anything more than the required projects. Chair Heiple asked if during the next round of bond sell-offs we could hold back a million or two for retail investors instead of letting the money go somewhere else. Francisco stated that our third party banks that purchase the notes from the City could be urged to re-sell the bonds to retail investors in Norman. Chair Heiple stated that we should ask them to do this the next time they sell some of our bonds.

Mayor Miller stated that we need to come up with a policy for what to do with money that is left over from any of the Norman Forward projects. Francisco stated that this was a good idea, but we need to look at Norman Forward as the whole picture and not the individual projects. If we come up under budget for one project, then we may need that excess money to complete one of the other projects. Member Castleberry asked if we have pulled in \$36 million in bonds so far. Francisco stated that we

Item 1, continued:

have actually sold \$43 million worth so we do not have to borrow any money this early. The existing Norman Municipal Authority Norman Forward notes are paying for the Westwood Pool and Tennis projects; Eastside Branch Library; architectural designs for the Central Branch Library, James Garner Avenue extension, and the Reaves and Griffin Park projects; and other authorized projects.

Francisco stated that the University North Park Tax Increment Fund (UNP TIF #2) will end FYE 2017 with a very high uncommitted Fund balance. We are projecting to end this fiscal year with \$22.5 million, and have outstanding debt of \$11.5 million. We could pay off this debt and still have \$11 million in this Fund for any pay-as-you-go projects that the Council may approve. Sales Tax collections in this development are up because the City's retail base is moving to University North Park. This does, however, come at the expense of the City's Capital Fund and the General Fund. Council will have to consider if we would like to continue the current contributions to the UNP TIF Fund. Mayor Miller stated that in the next couple of years we should look at paying off the TIF. Member Castleberry stated that we started the TIF to invest in this part of Norman and it is working. In the next couple of years we can evaluate if we need to continue to invest in this development, but our initial idea worked.

Francisco stated that this was a challenging budget and going forward it will continue to be so.

Member Chappel asked if the low sales tax collection was why the franchise fees were down. Francisco stated that the sales tax collection usually does not affect the franchise fees; weather is the factor in reduced franchise fee revenue. Mayor Miller asked if Mr. Francisco thought the trend would be going up for sales tax collection. Francisco stated that the trend is starting to come back but it will be gradual. We will be monitoring the new collection of sales tax by Amazon, but we do not know what all that will entail so we did not build any of that into our budget projections. Mayor Miller asked if passing a Stormwater Utility by November would help as soon as January. Francisco stated that January would be the soonest that revenue would start to help, but he thinks that is a little optimistic.

Francisco stated that Moody's Investors Service does an annual review of every municipality that has outstanding debt. A month ago they downgraded the State's debt, but they have maintained ours so far. This is a great thing for Norman. Mayor Miller asked what the meaning of Norman's \$8.5 billion value in the Moody's report was referring to. Francisco stated that this is the value of our City property and assets. Mayor Miller stated that you want to have a good cash balance, but not a huge balance. The City of Norman has an AA rating, which is really good. Francisco stated that Oklahoma City has an AA+ rating but they were downgraded a few years ago from AAA.

Items submitted for the record:

1. Audited FYE 16 Fund Summaries

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Item 2, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS

Submission of the Revenue/Expenditure Reports included in discussion of item 1.

Items submitted for the record:

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

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Item 3, being

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Gala Hicks gave the presentation. For the new “lateral transfer” Police Academy, there were 13 applicants. Mayor Miller asked if they would all still have to go through the Academy. Deputy Chief Jim Maisano stated that it will be an abbreviated Academy. It will be 10-12 weeks instead of 24 weeks long. Member Chappel asked if Norman was a desired City for attracting police officers. Deputy Chief Jim Maisano stated that we had applicants from Arizona and other states. He also stated that our officers go on to larger agencies when they leave us such as the DEA and FBI; they do not go back to small towns.

Hicks stated that we also have a Kennel Attendant starting May 1st.

Items submitted for the record:

1. Open Positions Report dated 4/6/2017

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Item 4, being:

MISCELLANEOUS COMMENTS

None

Items submitted for the record:

1. Moody’s Investors Service Annual Comment on Norman

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The meeting adjourned at 5:50 p.m.

ATTEST:

City Clerk

Mayor