

CITY COUNCIL RETREAT MINUTES

November 25, 2013

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a Retreat at 5:30 p.m. in the Municipal Building Conference Room on the 25th day of November, 2013, 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.

PRESENT: Councilmembers Castleberry, Griffith, Heiple, Holman, Kovach, Miller, Williams, Mayor Rosenthal

ABSENT: Councilmember Jungman

DISCUSSION REGARDING RENEWAL OF THE PUBLIC SAFETY SALES TAX TO BE SUBMITTED FOR VOTER APPROVAL.

Mr. Steve Lewis, City Manager, said Ordinance No. O-0708-32, was approved by Council on March 11, 2008, authorizing the calling and holding of a special election on May 13, 2008, for the purpose of submitting to the registered voters their approval of the Public Safety Sales Tax (PSST) assessment of one half of one percent (0.5%). On May 13, 2008, voter approval was achieved (8,304 in favor versus 4,307 opposed) and the PSST went into effect on October 1, 2008, terminating seven (7) years from the effective date, September 30, 2015. Mr. Lewis said PSST funds were earmarked for staffing of an additional 41 police personnel, 30 additional fire personnel, vehicles and equipment for such personnel, and the construction and equipping of two (2) fire stations.

Mr. Lewis said the ordinance also established a Citizen's Public Safety Oversight Committee (PSOC) which reviews the expenditures of revenue collected, determines whether such funds are expended for the purposes specified within the ordinance; monitors the successful implementation of community policing concepts; submits annual reports of their findings to Council and the public; and reviews as well as makes recommendations on other issues related to Public Safety as assigned by Council. The PSOC meets monthly and is comprised of nine (9) members appointed by the Mayor upon approval by a majority of Council. The Committee consists of one (1) member from each Ward and one (1) member at-large.

Mr. Lewis said the PSOC reviewed a number of programmatic issues, Community Oriented Policing (COP) philosophy issues; and capital improvement needs. In 2009, the PSOC reviewed Community Policing Lesson Plans within the Police Department; COP training material; and worked on a five-year strategic COP Plan. In 2010, the PSOC reviewed a COP program for the entire school system; COP in regards to the philosophy of how it interrelates with the University of Oklahoma (OU); mental health issues; and the population growth for acquiring additional fire stations. In 2011, the PSOC began looking at some of the City's communication needs as well as long term capital needs including renovation of the Smalley Center and opening various fire stations. In 2012, the PSOC looked at COP efforts within high crime areas; researched partnerships to include maximizing relationships with Code Enforcement; and reviewed the Coalition Against the Financial Exploitation of the Elderly (CaFEE) and most recently anti-bully initiatives. Mr. Lewis said it was important to note that in each of the annual reports to Council, PSOC specified that the expenditures have been made in accordance with the ordinance that established the parameters for the public safety expenditures.

Mr. Lewis said material submitted to the voters in 2008, stated, if approved, the temporary sales tax would be brought back to the voters because of its very nature of being a temporary tax. He said the election process and implementing a new sales tax rate can take four to six months to prepare an item for Council consideration and/or approval, public notifications, scheduling an election, etc., and should the voters

approve a sales tax renewal; approximately three months would be needed to allow local vendors to amend their practices.

Mr. Anthony Francisco, Finance Director, highlighted the progress of the PSST staffing plan and other requirements to date and said the City is on schedule as directed by Ordinance No. O-0708-32. He said 15 firefighters were hired in FYE 2010; 15 firefighters were hired in FYE 2012; 39 of the 41 police department personnel have been hired; and the last two (2) will be hired in FYE 2014. Mr. Francisco highlighted additional PSST progress to date as follows:

- Fire Station No. 8 opened May, 2011;
- Fire Station No. 9 opened July, 2013;
- Aerial apparatus truck purchased to equip Fire Station No. 9;
- 39 Police vehicles, uniforms, etc., purchased through FYE 2014;
- Community policing activities established throughout Norman;
- Replacement of two (2) fire engines, one (1) with a ladder - FYE 2013;
- Replacement of Computer-Aided Dispatch, Records Management and Mobile Data Systems – FYE 2013;
- Renovation of Smalley Armory into Fire/Police Investigations Facility – FYE 2013 and FYE 2014;
- Replacement of three (3) fire brush trucks and fire engine with ladder – FYE 2014;
- Purchase of two (2) fire tanker trucks and fire command vehicle – FYE 2014; and
- Purchase of police in-car video recording equipment – FYE 2014.

Mr. Francisco echoed Mr. Lewis' comments regarding the discussion and timeline for obtaining a PSST extension if Council chooses to do so. He said Staff was asked to provide an analysis of what would need to occur to keep the 69 PSST personnel positions and highlighted the future PSST proposal assumptions as follows:

- New PSST effective October 1, 2015, at 1/2 percent;
- Reauthorization for an additional seven-year temporary period;
- Carry over fund balance from 2008-2015 PSST (\$6 million as of September 30, 2015) will not be used for FYE 2017-2023 purposes;
- Sales/Use tax revenue projected to grow 4.25% each year;
- Salary and benefit category expenses projected to grow 5% each year; and
- Operational accounts grow by 2% per year.

Mr. Francisco highlighted the 2017-2023 projected revenues/expenses to maintain the 2008-2015 program and said, if approved, Staff predicted the PSST extension would begin in FYE 2017 bringing in \$9 million the first year (given the City's growth now - going forward). He said costs such as salaries, equipment, and maintenance and operations (M&O), etc., are projected to be \$7.7 million in the first year; leaving \$1.3 million available for Council to utilize for other PSST categories, to be earmarked in the proposed ordinance.

Mayor Rosenthal asked whether the expenses were factored into the recommendations of the recent Fleet Audit Study (replacement), i.e., departments/agencies absorbing more Fleet related costs. Mr. Francisco said the proposed expenses are based on where Staff projected the expenditures for vehicle replacements to be at the end of the previous year. Councilmember Castleberry said Staff recently submitted a report reflecting revenue as \$8.998 million; however, today's presentation has projections growing \$2,000 over the next four (4) years and at the same time projections reflect a 4.25% growth over the next four (4) years. Mr. Francisco said Staff can change the projected assumptions if Council desires and Mayor Rosenthal echoed Councilmember Castleberry's concerns stating she understands why the projected assumptions are

conservative; however, she felt the revenues and expenditures should start at the most accurate base for both.

Councilmember Kovach said Council previously discussed PSST paying its prorata share of the 911 Center and Rainy Day fund in last year's budget and wondered whether this recommendation is reflected in today's presentation. Mr. Francisco said no and that the only assumption noted in the presentation is that the \$6 million carry-over fund balance from the 2008-2015 PSST will not be used for FYE 2017-2023 purposes. Councilmember Kovach said he felt the on-going costs should be included and the prorata share of transfers to the 911 Center and Rainy Day fund should be included into the projected revenues and expenses.

Mr. Francisco said Council discussed and requested public safety capital needs at the recent Budget Retreat. He said additional Council discussion will be needed to determine whether to utilize the carry-over from the previous fund balance or use it for future PSST needs and whether to consider a potential GO Bond issuance. Mr. Francisco said the following is based on what the Fire Chief and Police Chief have identified as capital needs and the proposed PSST assumptions projected over the next seven (7) year period:

• Radio System Replacement (mandated by 2018)	\$12,000,000
• Emergency Operation/Dispatch Center	\$ 6,500,000
• Fire Station No. 5 relocation (move closer to town)	\$ 3,500,000
• Renovation Police Firing Range and Training Center	\$ 5,600,000
• Fire Apparatus Replacement Program (on-going)	\$ 6,800,000
• Fire station land acquisition (for two future sites)	<u>\$ 1,000,000</u>
TOTAL	\$35,400,000

Mr. Francisco said given the above cost assumptions, Staff prepared a preliminary analysis for a potential GO Bond issue relating to a property tax increase and said the average monthly property tax increase would be \$2.69 for a \$100,000 home and \$3.35 for a \$150,000 home.

Mr. Francisco said the following PSST policy questions will need to be addressed and requested Council guidance on the following:

1. Propose a *permanent* or *temporary* PSST?
2. If a temporary PSST, what should the term be? Seven years, Ten years?
3. Propose 1/2 percent Sales/Use Tax rate or a different rate?
4. Uses of Public Safety Funds?
5. Use remaining 2008-2015 PSST Fund balance for one-time needs or carry-over for future PSST/Other?
6. Propose General Obligation (GO) Bond to pursue public safety capital needs?
7. If GO Bond proposal is pursued, include all requests or partial request? If partial, which request(s)?
8. If GO Bond proposal for fire apparatus is pursued, should the term be for 10 years or 20 years?

Mr. Francisco stated if Council considers a GO Bond for fire apparatus, the assumptions Staff made was on a 20-year amortization and suggested matching the life of the equipment to the life of the bonds. He said any of the assumptions Staff made for tonight's presentation can be changed fairly quickly in order to give new projections based on Council's guidance.

Mayor Rosenthal said there was preliminary discussion at the Budget Retreat on November 19, 2013, about bringing the PSST forward in the spring of 2014 with the municipal election. She felt there was some differences of opinion over whether the PSST should be permanent or temporary as well as the length of

the PSST term. Mayor Rosenthal felt Council was not anticipating a GO Bond package to be ready to go to the voters in the spring of 2014; however, while she understands there are some more expensive items on the proposed PSST list, she suggested deferring discussions regarding a GO Bond package when there would be more time and preparation. She suggested tonight's discussion begin with taking either a permanent or a temporary PSST to the voters in the spring of 2014.

Councilmember Kovach said he supported a permanent tax for a 2014 spring election and felt it is not prudent planning to hire permanent personnel on a temporary tax. He reminded Council there is a Council policy to reserve six-months of salaries and benefits and if the PSST is made permanent it will free up \$3 million and as the years go on that amount will only increase. He felt a permanent PSST tax is important to consider because of all the capital needs as well as the various propositions Council will be taking to the voters over the next few years. He also felt citizens would like to see Council use the money the City has wisely and prudently rather than just sitting on it. He said the wording of an ordinance should include any surplus PSST funds will remain for public safety functions.

Councilmember Griffith agreed with Councilmember Kovach and said he supports a 0.5% permanent PSST. He said he felt the excess PSST funding needs to be spent only on public safety issues because it reinforces the trust that the citizens have realized from the PSST due to the fact the City is doing exactly what we said we were going to do.

Councilmember Castleberry supported a permanent PSST but felt if the PSST were to become a permanent tax it should go into the General Fund rather than only the PSST fund. He suggested moving the 69 PSST positions back to the General Fund so that all employees are paid out of the General Fund versus only a handful being paid out of the PSST while all others are paid out of the General Fund. He said he understood some, just not all, of the permanent PSST tax should only be used for public safety capital improvements and needs for police and fire.

Mayor Rosenthal felt the City has a proven formula and supports keeping a temporary PSST tax with a list of projects and/or commitments that will be funded. She felt part of the appeal was that the City would come back to the voters in seven years and if different and/or new adjustments needed to be determined, the voters would have the opportunity to vote on the issue(s). She felt the voters expect this opportunity and there are those who believe the temporary PSST tax should go away; however, the track record reflects the City's need for another seven year PSST. Councilmember Castleberry said the initial PSST stated 69 PSST personnel will be hired and wondered whether a new PSST would do the same or state the initial 69 PSST personnel will remain employed. Mayor Rosenthal felt a new temporary PSST should state the 69 PSST personnel positions be sustained along with a list of capital needs that will be done over the next seven years. She felt first and foremost that the increased level of public safety staffing and the commitment to Community Oriented Policing (COP) should be maintained.

Councilmember Miller said she is not comfortable with making the PSST a permanent tax and agrees with Mayor Rosenthal's suggestion of supporting temporary PSST tax with dedicated use. She felt the current PSST has reinforced that the City is and will be doing exactly what we said we were going to do and felt voters would approve a temporary PSST versus a permanent PSST.

Councilmember Williams asked if additional public safety personnel would be included in a temporary PSST and Mayor Rosenthal said it can be a consideration; however, at this point there is not a lot of extra funding to hire additional personnel. Councilmember Williams asked if the City would lock ourselves in on a seven to ten year tax and not have enough money to add needed officers. Councilmember Castleberry asked if the City was fully-staffed with public safety officers and Councilmember Kovach said that is debatable because the study that is the precursor of the PSST was completed in 2007. Councilmember

Kovach said the City has grown since 2007, and will continue to grow and Councilmember Castleberry said due to continued growth, he felt more public safety personnel will need to be hired.

Mr. Keith Humphrey, Police Chief, said based on Norman's current population the City currently has 1.5 officers for every 1,000 citizens. Councilmember Castleberry asked whether or not Staff is comfortable with the City's current level of public safety personnel and Chief Humphrey said the City may never be fully staffed, but at the same time can achieve what needs to be done. He felt there will be a need for additional officers as the City, University of Oklahoma, etc., continue to grow. Councilmember Williams felt Council needs to consider the need for additional public safety officers as the population continues to grow and Mayor Rosenthal said the PSST is not the only source of funding. Councilmember Castleberry said Council cannot look to the General Fund when considering additional personnel. Councilmember Griffith asked whether the PSST fund or the General Fund presently is utilized for any newly hired public safety personnel and Mr. Francisco said he did not believe any of the new hires have been added to the General Fund.

Councilmember Holman said he supports a temporary PSST tax and felt citizens would accept a temporary PSST over a permanent PSST. He said Norman may need to consider a permanent tax in the future, but felt now is not the right time.

Mayor Rosenthal said the City has not only done what we said we were going to do regarding the PSST but the City has gone over and above which is a part of its success. She said it may be tight in the future and she would not necessarily rule out additional staffing. Mayor Rosenthal said there has been some discussion at the PSOC about the City partnering with Norman Public Schools. Chief Humphrey said Staff is always considering ways to improve safety within the City as well as safety programs within the school system.

Councilmember Heiple asked whether Staff was comfortable with the proposed projections and Mr. Francisco said the economy is at times volatile and somewhat unknown, but he is comfortable that the City could have a growth rate not lower than 4.25%.

Councilmember Kovach felt Council should consider that debt will be freed up in 2015 regarding the 2010 GO Bond Projects to include the Outdoor Warning System, and wondered if reauthorizing the GO Bonds at 2015 levels would allow the City to pay for capital needs without raising any taxes and Mr. Francisco said yes. Councilmember Kovach asked how the \$1 million per year in projected surplus could be used with Revenue Bonds and Mr. Francisco said generally speaking a 20-year Revenue Bond with a \$1 million debt service per year would buy an approximately \$15 million project. Councilmember Kovach felt one reason the current PSST was so attractive to the citizens is because it was a "pay as you go" and he said this philosophy works.

Councilmember Castleberry asked whether Council could consider a 0.25% permanent and 0.25% temporary tax; and the PSST permanent tax could be used for salaries and PSST temporary tax could be used for capital projects, as well as be assessed every seven (7) to ten (10) years. Mayor Rosenthal felt the City might get some "push-back" reaction from the voters because the 0.25% tax would not cover the salaries. She felt the Council needed to extend the PSST to a temporary 0.5% sales tax just like the voters were promised five (5) years ago, i.e., it would be temporary and include a list of capital needs. Councilmember Castleberry said he is concerned because a permanent expense, i.e., personnel being paid for by a temporary tax.

Councilmember Kovach felt it was not prudent for the City to sit on \$3 to \$5 million worth of banked PSST salaries for several years. He said the City should explain to the citizens the plan to spend the fund balance when taking a PSST proposal to the voters and Mayor Rosenthal agreed. Councilmember Kovach

felt the \$6 million PSST fund balance should be spent down according to the priority of public safety needs before taking another PSST proposal to the voters. Mayor Rosenthal suggested Staff begin the process on the Radio System Replacement; possibly researching to see if the \$12 million can be paid in installments since that has been identified as the number one priority for public safety.

Mayor Rosenthal asked Staff to clarify how Norman relates to surrounding communities in regards to sales tax rates and Mr. Francisco said Norman is in the middle. He said quite a few of the metro communities have the same tax rate as Norman, some are higher, and some are lower. Mr. Francisco distributed a tax rate comparison of benchmark cities as of August 8, 2012.

Mayor Rosenthal requested Staff bring back a revised PSST proposal to include more information on community relations in reference to schools, e.g., what the costs would look like if the City added specific PSST personnel for very specific functions within the school system. She said Council needs to revisit revenue projections and suggested a resolution and/or statement obligating the remaining PSST fund balance committing public safety priorities to include paying down a Radio System Replacement Project.

Mayor Rosenthal suggested Staff bring back scenarios with on-going commitments to 911 and Rainy Day fund pro-rata share as well as FYE 2015. She felt these requested projections will help a lot by specifying clearly to the voters that this is what their tax dollars will pay for going forward.

Councilmember Kovach asked what kind of revenue bonds can be done on a seven-year basis.

Councilmember Miller suggested Staff speak to school resource officers regarding cost sharing to include how much cost sharing. She said if cost sharing is involved, the City should obtain Norman Public Schools' stance on permanent versus temporary tax.

Councilmember Williams felt the proposed PSST renewal is late in regards to planning and suggested Council issues be prioritized for better future planning and discussions.

Items submitted for the record

1. PowerPoint presentation entitled, "City Council Study Session, Public Safety ½ Percent Sales Tax Renewal Future Considerations," dated November 25, 2013
2. Ordinance No. O-0708-32, with Appendix A
3. Tax Rate Information – Benchmark Cities as of August 8, 2012

The meeting adjourned at 6:47 p.m.

ATTEST:

City Clerk

Mayor