

**THE CITY OF NORMAN/NORMAN MUNICIPAL AUTHORITY
NORMAN FORWARD CITIZEN FINANCIAL OVERSIGHT BOARD
ANNUAL REPORT
FOR THE PERIOD JANUARY 1, 2016 – SEPTEMBER 30, 2017**

The NORMAN FORWARD Citizen Financial Oversight Board (CFOB) was established by the City Council (Resolution R-1516-75) on December 22, 2015 to “review actual and projected Norman Forward Sales Tax (NFST) revenues; recommend a mix of project financing versus pay as you go ("paygo"); review the pace and sequencing of construction projects; review all Council actions related to expenditures of NFST moneys; recommend strategies for long-term operations and maintenance of facilities; report to Council from time to time as warranted and to provide an annual report to Council; perform such other duties related to Norman Forward as the Council directs by motion or resolution; create policies and procedures as guidelines for the functioning of the NFST CFOB in areas including but not limited to attendance, receiving public testimony, structure or format of meetings, frequency of public hearings; and be willing to assign on NFST CFOB member to serve with and act as a liaison to certain Advisory Committees that Council may form from time to time regarding specific Norman Forward Projects related to Libraries, Senior Center, Westwood Pool replacement, Indoor Aquatics, Football/Softball Sport Complex, Griffin Park Soccer improvements, Ruby Grant Park improvements, Reaves Park baseball improvements, Andrews Park improvements, Westwood Tennis facilities, Trail development, and Neighborhood Park improvements.”

There are nine Board members, with terms expiring as follows:

McKenzie Britt, December 22, 2018
Don Hiebert, December 22, 2018
Andy Rieger, December 22, 2018
Breea Clark/Andy Paden, December 22, 2019
Bree Montoya, December 22, 2019
Cindy Rogers, December 22, 2019
Anil Gollahalli, December 22, 2020
Bill Nations, December 22, 2020
Tom Sherman, December 22, 2020

The Board will continue in existence until the NFST term has expired, all NFST revenues have been expended or allocated, or a final report is made to Council, whichever occurs latest.

The voters of Norman, on October 13, 2015, approved the City of Norman’s Ordinance O-1516-5, which authorized a 15-year, ½ percent sales tax, primarily to pay for quality of life improvements including the following:

- New Central Branch Libraries - \$39,000,000
- New East Branch Library - \$5,100,000
- James Garner Avenue Extension - \$6,000,000
- New Indoor Aquatic Facility - \$14,000,000
- Westwood (Outdoor) Pool Reconstruction - \$12,000,000
- Westwood Tennis Center Renovation - \$1,000,000
- Reaves Park Baseball Complex Renovation - \$10,000,000
- Griffin Park Land Purchase - \$10,000,000
- Griffin Park Soccer Complex Reconstruction - \$11,000,000
- New Football and Softball Complex - \$2,500,000
- New Indoor Multi-Sport Facility - \$8,500,000
- New Neighborhood Park Development - \$2,000,000
- Existing Neighborhood Park Improvements - \$6,500,000
- New Trail Development (Legacy Trail) - \$6,000,000
- Ruby Grant Park Development (Phase I) - \$6,000,000
- Saxon Park Development (Phase II) - \$2,000,000
- Andrews Park Redevelopment - \$1,500,000
- Canadian River Trails Park Development - \$2,000,000
- Road and Infrastructure Improvements - \$2,700,000
- Senior Citizen's Center – TBD
- Public Art Installations – TBD

Other authorized NORMAN FORWARD expenditures could include operating subsidies to the Indoor Aquatic Facility, Westwood Aquatic Center capital replacement, and/or maintenance and support personnel.

The Citizen Financial Oversight Board began meeting in January, 2016 and has been reviewing documents, reports and Council actions since then. Significant items discussed and reviewed over the current reporting period include the following:

NORMAN FORWARD Program Management Consultant

Early in the decision-making discussions for the implementation of the NORMAN FORWARD program, it was determined by the City Council that there would be a need to retain an outside architectural/engineering consultant to act as a “Program Manager”, with the stated goal of helping to deliver the promised projects on time and within their financial budgets.

At the March, 2016 meeting, ADG, Professional Corporation representatives were introduced to the Board. One of the major roles of the Program Manager will be to provide information and professional insights to the Board based on their knowledge and experience related to the performance of the City’s external contractors and professionals hired to complete the projects. Since that time, the Board has received information and built relations with staff of ADG which will be valuable as the program progresses.

NORMAN FORWARD Implementation Plan

Beginning in May, 2016 meeting, the Board received drafts and discussed the proposed Project Implementation Plan (IP) which was prepared by City staff and the Program Management Consultant, ADG. The Board discussed the project timing schedules included in the IP and the logic behind it. The Board understood the need to have the Adult Football/Softball Facility proceed in advance of the Reaves Baseball Facility, which would proceed in advance of the Griffin Soccer Facility and that land acquisition concerns could impact on these schedules. The Implementation Plan was discussed as a “living” document which would change over time. The Board requested that updates to the IP be presented to them on at least a semi-annual basis, with further updates as necessary based on major project milestones being achieved.

NORMAN FORWARD Revenue and Expenditure Reports

At each of its meetings, the Board is presented with financial reports on projected and actual sales tax collections and Norman Forward Sales/Use Tax expenditures, by project. The format of these reports was discussed and refined over many meetings, but the attached format has been approved by the Board as workable going forward. The Board understands that the financial information will become more and more meaningful as NFST collections are received and actual collection patterns are built up, and as projects progress and their related expenditures can be measured versus preliminary project budgets.

NORMAN FORWARD Sales Tax Collection Concerns

Beginning in March, 2017, the Board began discussing concerns with sales tax collections being below projections. Recently, actual sales tax collections have been approximately 5.4 percent (5.38%) below the original projections. The Board discussed the potential need to reduce project budgets because of these below-budget trends. The Board decided not to recommend any such reductions, however, as the Ad Hoc Committees have done good work to keep project cost projections within their budgets at the design phases. In many cases, the Board understands that desired project components were deleted at the design phase to keep the projects within their budgets. The Board discussed whether desired project components should be automatically added back if projects came in under budget. There was some concern that this process could insure that individual project budgets would be “maxed out” and use up all of their budgeted contingency allocations. Continued sales tax revenue shortfalls could mean an inability to cover the costs for all NORMAN FORWARD projects scheduled to be completed in later years.

The consensus opinion of the Board is to advise Council about the implications of maintaining project budgets and the need to closely monitor actual expenses and revenues as they are received.

The consensus opinion of the Board is that the City should make every reasonable effort to deliver the projects that were promised to the voters of Norman; not much more and not much less.

NORMAN FORWARD Pro Forma Financial Projections

The Board requested City staff, in conjunction with the City's Financial Advisory team, to prepare Pro Forma Financial Projections for the entire 15-year NORMAN FORWARD program. Based on the project budgets and other expense assumptions, sales and use tax revenue projections, and debt issuance and interest rate projections, the Pro Forma projections were prepared to answer basic questions of, given these logical assumptions, will NORMAN FORWARD be financially able to deliver the projects that were promised to the voters? Will there be "excess" money during the NFST collection period or left over at the end for other projects or needs?

Staff presented the first of the Pro Forma financials to the Board in August, 2016. The basic findings of the pro forma analysis were that the NFST could pay for all of the promised projects. During the mid-years of the collection period (fiscal years 2020-2021 through 2022-2023), the cash flows would become very tight, after the major debt financed projects are completed. During these years, the analysis suggests that pay-as-you-go projects will have to be managed very closely in annual budget preparations and the timing of some paygo projects may have to be delayed in order to maintain positive annual cash flows. The original analysis projected that there would be approximately \$5 million left over at the end of the NFST collection period (June, 2031), but that plans should not be made for spending those funds until they were realized in that future time.

The Financial Pro Forma projections were updated and re-presented to the Board in July, 2017 and September, 2017. At this point, more actual revenue and expenditure data had been built into the Pro Forma models and two of the three planned debt issuances had actually been completed (and actual debt service payment schedules for them were built into the Pro Forma). The third tranche of debt issuance was also assumed to be delayed a year from the original projections, to more accurately reflect project schedules. The findings of this updated Pro Forma were substantially the same, although the "excess" of funds at the end of the NFST collection period was lower.

The Board was presented a "stress test", to evaluate the impact of a 3.75% annual sales tax growth rate assumption, instead of the 4.25% growth rate projected at the time NORMAN FORWARD was implemented. The results of this analysis suggested that continued slow sales tax growth could result in a negative balance in the last years of the NORMAN FORWARD program. The stress test reinforces the need for close and continued monitoring of expenditures and revenues. The Board also discussed the merit of potentially delaying one or more of the large projects, most of which were scheduled for the first four years of the Program, to allow for a better assessment of revenue realization. No consensus was reached related to these discussions.

The Board found the Pro Forma projections to be a very useful tool for its purposes, and requested that the projections be updated semi-annually or upon the achievement of major milestones in the NORMAN FORWARD program (final completion of major projects; completion of debt financings; etc.).

NORMAN FORWARD Ad Hoc Project Committee Liaisons

A part of the original direction from the City Council to the Citizen Financial Oversight Board was for the CFOB to appoint a member to act as a Liaison to each of the Ad Hoc Project Committees that would be appointed to consider the design and construction specifications for each of the major NORMAN FORWARD projects. The Board has appointed the following members to these Liaison roles, to date:

Westwood Pool and Tennis Center Complex – Bree Montoya

Senior Citizen’s Center – Tom Sherman

Libraries – Brea Clark and later Andy Paden (Ms. Clark left the CFOB when she was elected to the City Council)

Griffin Park Soccer Complex - Anil Gollahalli (Cindy Rogers, Vice-Liaison)

Reaves Park Baseball/Softball Complex – Andy Rieger

CFOB Review of City Council Actions

At each of its meetings, the Citizen Financial Oversight Board receives and reviews any City Council or Norman Municipal Authority actions that have been taken since the CFOB last met that impact on the NORMAN FORWARD Sales Tax program. The Board had extensive discussion of this review role, which is directed by the Board’s enabling legislation. Board members discussed concerns that the oversight role may be diminished when the Board is not given the opportunity to review plans, expenditures and contract agreements before the City Council approves such actions. Based on these discussions, the Board has an understanding of its review authority and its ability to timely report back to the Council and/or the public on any Council/NMA actions which the Board believes would not be in the best interest of the NORMAN FORWARD program, or which the Board may believe to be in conflict with the tenets of the NORMAN FORWARD Ordinance.

NORMAN FORWARD Project Updates

At each of its meetings, the Board receives updates on the progress of authorized NORMAN FORWARD projects from the Project Management staff, the Program Manager and/or from the related Ad Hoc Group Liaison. The Board has also been given presentations from project architects on the preliminary design and master site plans for major NFST projects. The Board’s discussion of this information forms the basis for Board recommendations on its review of Council actions taken related to the NORMAN FORWARD program.

Most of the projects are progressing on time and within their budgets. The Board is aware that keeping the projects within budget has come with some necessary reductions to or changes in the project’s scope and will continue to work to ensure that continues. The Board shares the disappointment of the Westwood Ad Hoc Committee that the new outdoor Aquatic Center was not completed in time to open during the summer 2017 swimming season as planned, but understands the aggressive construction timeline and weather delays that prevented that from happening.

The majority of the CFOB has a concern with what appears to be confusing language in the Griffin Soccer Complex Master Plan. The Board believes that the description of the projects phases should be clarified, related to the number of soccer fields that will exist during and after the phases of the Master Plan are implemented. The Board also recognizes that Phase I of the Griffin Park Master Plan will exhaust the NORMAN FORWARD budget allocation; additional phases included in the Master Plan are beyond the financial resources of the NORMAN FORWARD program.

Senior Citizen's Center

At many of its meetings, the Board discussed the financial ability and the role of the NORMAN FORWARD Sales Tax to provide funding for a stand-alone Senior Citizens Center. On the date that the NORMAN FORWARD Ordinance was considered by the City Council, an amendment was approved by the Council that made a Senior Citizens Center an authorized project for NFST funds. No additional budget or projected revenues were included in the NORMAN FORWARD program to pay for a Senior Citizens Center. The Board had extensive discussions over many meetings about its potential role in identifying NORMAN FORWARD funds for a stand-alone Senior Citizens Center.

Early Board discussions centered on the use of General Obligation Bond funding that was authorized by the voters of Norman in 2008 to reconstruct the existing Norman Public Library building into a Senior Citizens Center. A group of Norman senior citizens did not believe that a reconstructed building was adequate for their needs, so the question was whether the authorized bond funds could be used for a new building. Information provided to the City Council and City staff by bond counsel and the Oklahoma Attorney General was that the bond funding could only be used for the purposes approved by the voters, "to renovate, reconstruct, refurbish and equip the existing library building".

Continued Board discussion centered on the City Council's decision to establish a Senior Citizen's Center Reserve of the City's Capital Improvement Fund balance. Over time, it is desired to build up funds for the construction of a stand-alone Senior Center. The Board was informed that this Reserve Fund was established with \$11,700.

The Board recognizes that the NORMAN FORWARD budget does not have the financial ability to fund a stand-alone Senior Center if the projects which were included in budget projections at the time of the approval of the NFST Ordinance use their individual budgets. Even though each project has a healthy contingency, it is likely that unused contingency funds may be put toward desired features cut from initial project planning components.

Given that the City Council has not directed the Board to do otherwise, the Board is not considering NORMAN FORWARD funding a stand-alone Senior Citizen Center at this time.

Public Art Components of the NORMAN FORWARD Program

The NORMAN FORWARD Ordinance directs that up to one percent (1%) of the construction cost of the “major” projects be allocated for public art components of the projects. At the March, 2016 meeting of the CFOB, the Board was given a presentation on how these public art components would be implemented from the City’s contractor for the public art component, the Norman Arts Council. A four-phased implementation process was presented, and ultimately approved by the Board: project development; artist/project selection; fabrication/installation of artwork; and public education and engagement.

The projects that have been preliminary identified as sites for public art installations include the East and Central Branch Libraries; Westwood Aquatic and Tennis Centers; the Indoor Multi-Sport Facility; the Indoor Aquatic Center; Ruby Grant, Andrews and Saxon Community Parks; the Reaves Baseball/Softball Complex; and the Griffin Soccer Complex. The Board received presentations of the first selected NFST public art project, “Splash”, to be installed at the entrance of the Westwood Tennis/Golf/Aquatic Complex.

Land Acquisition

A major component of the NORMAN FORWARD program is the acquisition of land for the recreational facilities that are the core of the program. The Board was presented with ongoing information from the City’s legal staff on negotiations for the lease or purchase of land for the Adult Football/Softball Facility; Sutton Urban Wilderness; Griffin Soccer Complex; the Indoor Multi-Sport Facility; and the Indoor Aquatic Facility.

The City is negotiating with two primary entities for these land acquisitions: the Oklahoma Department of Mental Health and Substance Abuse Services, which owns the selected sites of the Griffin Soccer Complex, Sutton Urban Wilderness and the potential site of the Adult Football/Softball Facility; and the University of Oklahoma, which owns the selected site of the Indoor Multi-Sport Facility and the Indoor Aquatic Facility.

The land acquisition negotiations are ongoing, but the Board has discussed concerns with proceeding with project plans and expenditures without having secured the property on which the facilities may be constructed. The Board will continue to monitor these negotiations.

Facility Operations

The Board has had ongoing discussions of the operational costs of the facilities that are being constructed with NFST proceeds. NORMAN FORWARD has limited allocations for operational costs, and the Board is concerned with the long-term operational costs of the new facilities. While these concerns will not be realized until the facilities have been completed, the Board recognizes the need to balance operational revenue generation with the goal of maximizing the facility access for residents.

The Board has been presented with general information from City staff regarding negotiations for operational agreements with third-party entities such as the Cleveland County YMCA, the Norman Youth Soccer Association, the Pioneer Library System and the Norman Optimist Club. The Board will continue to monitor these negotiations and requests that Council involve the Board in guiding the details of these agreements.

Summary

Summarized information on collections and expenditures from the Norman Forward Sales Tax, along with the most recently-updated Pro Forma Financial Projections prepared for the CFOB is attached.

The NORMAN FORWARD Citizen Financial Oversight Board is extremely excited about the progress of the NFST program to date. The Board believes that the projects are progressing well, for the most part on time, and within their budgets. The Council/Norman Municipal Authority actions taken to implement the NFST Ordinance have been compliance with the direction approved by the voters of Norman. A great deal of credit is due to the City Council, the various Ad Hoc project committees, City staff, and the program management firm for this progress. The Board looks forward to its continuing role in this success.