

FINANCE COMMITTEE MINUTES  
November 19, 2012

The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 5:30 p.m. in the Municipal Building Study Session Room on the 19th day of November, 2012, 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 48 hours prior to the beginning of the meeting.

PRESENT:                      Members Castleberry, Gallagher, Griffith, Kovach, and Chair Rosenthal

ABSENT:                      None

OTHERS PRESENT:        Linda Lockett, Council Member  
Steve Lewis, City Manager  
Anthony Francisco, Finance Director  
Suzanne Krohmer, Budget Manager  
Clint Mercer, Municipal Accountant  
Mike Gibson, Cole & Reed  
Sara Edwards, Cole & Reed  
Ken Komiske, Utilities Director  
Scottie Williams, Utilities Superintendent  
Debra Smith, Environmental Services Coordinator  
Gala Hicks, Human Resources Director  
Jeff Bryant, City Attorney  
Kathryn Walker, Assistant City Attorney II  
Jud Foster, Parks & Recreation Director  
Shawn O'Leary, Public Works Director  
Erin Gavaghan, Norman Arts Council  
William Murray, Montford Inn Bed & Breakfast  
Michael Vance, Embassy Suites Hotel  
Stephen Koranda, NCVB Executive Director  
Doug Kennon, Sooner Legends Inn & Suites  
Paul Vanraamdonk, Hilton Garden Inn  
Pat Wyatt, Holiday Inn Norman  
Joy Hampton, Norman Transcript

CONTINUED DISCUSSION REGARDING ROOM TAX ADJUSTMENTS

Anthony Francisco made presentation and reviewed handouts.

- It's possible this issue could be on the spring ballot.
- Room tax revenue growth
- Distribution of allocation
- Comparison of rates in other cities
- 1% and 2% rate increase scenarios

- Kovach – could bring new money for way-finding program and Norman as a destination point or gateway/I-35 maintenance.
- Cost of way-finding signs along I-35, ongoing maintenance would be \$200 - \$300 per year for landscaping (3<sup>rd</sup> party contractors). Tax could be used to offset the I-35 interchange maintenance.
- Lockett – would raising room tax rates be detrimental to hoteliers?
- Parks & Rec priorities of maintenance and replacement/upkeep of parks. “Sports Complexes” equals millions of dollars.
- Castleberry – this rate increase would not help big capital expenditures.
- Kovach – recommends keep formula same and increase tax rate by 2% because Oklahoma City may have rate increase in near future.
- Gallagher – is for park maintenance - wants a 2% increase with same current distribution.
- Koranda – investments are needed – travel programs will generate additional sales tax.
  - NCVB is significantly underfunded - lowest of Big 12 cities, even below Stillwater.
  - Other funding options; community proposal is TID (Tourism Improvement District).
  - City of Woodward has a TID.
  - Legislation questions – looking into TID versus increase in tax rate; tax versus assessment and assessment is put back into district development.
  - California and Texas have TIDs.
  - Wait to pursue increase in room tax rate.
- Kovach – we would have to wait another year for tax increase vote, if we wait.
- Gallagher – why not have both – TID and tax increase?
- Koranda – both would be detrimental, lower tax rate gives Norman a competitive advantage.
  - Promotions investments have greater returns.
- Erin Gavaghan – Norman is an excellent arts community – have limited funds.
  - NAC gets sponsorships from foundations and local businesses.
  - 1 – 2% rate increase would be huge benefit to NAC.
  - Total of seventeen organizations with 23 different projects get grants through NAC for a total of \$150,000.
- Doug Kennon – Room Tax funds are supposed to be earmarked for improvements
  - Norman lost ballpark event because City didn’t have funds for overtime to help with event.
  - Funds are for parks and facilities – not maintenance.
  - Why spend \$200 - \$300 for way-finding with GPS units?
  - Understands beautification aspect.
  - Use money for bid process and bring events to town.
  - Use for fixing and improving facilities to bring in tournaments – not maintenance.
  - Bring “heads in beds”.
  - Put money where you will get a return – finding groups and tournaments.
- Michael Vance – Guest tax is earmarked for future.
  - Put focus on getting events and groups here, and they will spend money here which increases general sales tax.
  - Promoting destination city will put funds into items that will generate greater returns.
  - Not opposed to tax increase, but mowing lawns is not a good investment.

- Have to build the destination city program.
- Kovach – increase rates to only be earmarked for promoting destination city.
- Hampton – hosting statewide events, if tax rate goes up 2%, can Norman still compete?
- Michael Vance –if Oklahoma City does increase tax rate, then it would be better for Norman.
  - If Oklahoma City doesn't, then rate increase would be higher than Oklahoma City's rate.
  - 1% rate increase would not put us above Oklahoma City but would put us above Tulsa.
- Pat Wyatt and Paul Vanraamdonk – both stated that it's a big advantage for Norman to have the lowest tax rate. Don't raise taxes until we have a plan of where these funds will go.
- Erin Gavaghan – arts events brought approximately 200,000 people to Norman. 1,200 hotel rooms booked last year. NAC also works toward "heads in beds".
- Mayor – ODOT policy change – gateway maintenance put on City
  - No consensus of uses
  - Best case scenario: hold April/May election; Feb 11 final proposal due; Dec 21 – April deadline.
- Lockett – need to have a plan in place before we try to sell it to voters.
- Kovach – 1% increase still keeps us at competitive advantage. Favors 1% increase – moving forward. If not being decided this election, might be 2014 for next possible vote and doesn't want to wait.
- Castleberry - \$275,000, "we have the money in the budget to get funds immediately".
- Gallagher – wants to see 1% increase move forward with current distribution.
- Griffith – favors 1% increase.
- Mayor – continue discussion on item at next meeting.
- Lockett – give Council information early from NCVB for December meeting.

Item(s) submitted for the record:

1. Financial reports prepared by the Finance Department: Room Tax Revenue – Actual Collections; Distribution of Room Tax Revenue – FYE 13 Budget; Updated Revenue Estimate – Apportionment Of; Tax Rate Information – Benchmark Cities; and Sales & Room Tax Rate Comparison

CONTINUED DISCUSSION REGARDING THE DRAFT FYE 12 COMPREHENSIVE ANNUAL FINANCIAL REPORT INCLUDING THE DRAFT SINGLE AUDIT AND DRAFT NORMAN TAX INCREMENT AUTHORITY AUDIT AS PREPARED BY COLE & REED

Mike Gibson and Sara Edwards with Cole & Reed, made the presentation.

- Will have final report in December.
- Reviewed and discussed the following items:
  - Page 25 – Notes to Financials
  - Page 3 – Management's Discussion and Analysis
  - Transmittal Letter
  - Page 54 – Statement on Fund Balance
  - Page 59 – Recently Issued Accounting Standards. Statement #68 is effective year after next and addresses obligation for state pension plans.
  - Page 67 – General Fund – "not as bad off as we thought". Instead of losing \$9.7 million, only losing \$4.6 million.

- Cole & Reed will submit final opinion next week. Unqualified opinion on all statements.
- Test areas were:
  - (1) utility revenues;
  - (2) payroll;
  - (3) cash disbursements
  - City complied with all programs (ARRA)
  - TIF statements
  - 2015 – GASB #68 - City required to recognize portion of unfunded obligation to police and fire pensions.
- Gallagher – asked what the difference was for qualified vs. unqualified opinion. Qualified – error of not following standards, and unqualified - free of material misstatements and entity is following standards.
- Mayor – Notes on Pages 12 and 13 – savings due to continuing personnel freeze and 2% emergency reserve.
- Mayor – asks members to look at draft and prepare questions in advance of the December meeting.

Item(s) submitted for the record:

1. Draft FYE 12 Comprehensive Annual Financial Report prepared by Cole & Reed
2. Draft Single Audit Reports prepared by Cole & Reed
3. Draft FYE Norman Increment Tax Authority Audit prepared by Cole & Reed

#### DISCUSSION REGARDING THE DRAFT REQUEST FOR PROPOSAL FOR CURBSIDE RECYCLING SERVICES

Ken Komiske made presentation.

- Have approximately 29,600 customers
- Participation rate has decreased from 46% down to 37% of eligible customers.
- Volume of recycled materials collected has increased to 3,400 tons annually.
- RFP for new 5-year contract - materials desired are:
  - Newsprint, magazines and phone books
  - Office and mixed paper
  - #1 through #7 plastic containers
  - Chipboard and box board – cereal boxes
  - OCC – old corrugated cardboard
  - Aseptic packaging – juice boxes
  - Aluminum, steel and tin cans
  - Clear and colored glass
- Currently have dual stream system weekly – both poly cart and green box.
  - Option of single stream bi-weekly (poly cart instead of green box)
  - Currently City doesn't collect from multi-family units; wants to include this as option.
- Material Recovery Facility – only City would collect
- Optional Rewards Program – Recycler buys coupons for customers (have to sign up for it)

- Issue RFP – December 1, 2012; Proposals due January 1, 2013; Select contractor January 17, 2013; NMA approves contract February 12, 2013; service would begin March 2013; City will absorb any contract small increases.
- Committee wants City Sanitation Division to bid on service – just as they did 5 years ago.
- If City were to earn contract – more equipment would have to be purchased and more employees would have to be hired.
- Increase marketing and community/customer service emphasized in RFP.

Items submitted for the record:

1. Draft Request for Proposal for Residential Curbside Recycling Program prepared by the Utilities Department
2. PowerPoint presentation Residential Curbside Recycling Program prepared by Utilities Department

#### SUBMISSION OF THE REVENUE/EXPENDITURE REPORT AS OF OCTOBER 31, 2012

- Sales tax revenue remains on budget – trend is decreasing.

Items submitted for the record:

1. Summary of Major Funds-General; Capital; Westwood; Water; Water Reclamation; Sewer Maintenance; New Development Excise; Sewer Sales Tax; and Sanitation Fund Revenue Sources vs. Budget, Financial Report as of September 30, 2012.

#### SUBMISSION OF THE REPORT ON OPEN POSITIONS

Most savings in FYE 12 due to frozen positions and hiring freeze.

Items submitted for the record:

1. City of Norman/Human Resources Department Recruitment and Selection Report dated November 15, 2012.

#### MISCELLANEOUS DISCUSSION

Castleberry – CIP Funds available – approximately \$8,000.

Irving and Whittier Rec Centers' floors are a safety hazard – will cost approximately \$40,000 to replace.

The meeting adjourned at 7:18 p.m.

ATTEST:

---

City Clerk

---

Mayor