

FINANCE COMMITTEE MINUTES
October 12, 2017

The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 8:30 am in the Municipal Building Multi-Purpose Room on the 12th day of October, 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 Wilson, Castleberry, Bierman, and Allison

ABSENT: none

OTHERS PRESENT: Mayor Lynne Miller
Bill Hickman, City Council Member
Steve Lewis, City Manager
Anthony Francisco, Finance Director
Suzanne Krohmer, Budget Manager
Jud Foster, Director of Parks and Recreation
Tim Powers, Director of Information Technology
Kathryn Walker, Assistant City Attorney III
Gala Hicks, Director of Human Resources
Terry Floyd, Development Coordinator
Kyle Lombardo, ADG
Leslie Taber, ADG

Chair Castleberry called the meeting to order at 8:32 am.

Item 1, being:

DISCUSSION REGARDING SALES TAX EXEMPTION FOR NORMAN FORWARD PROJECTS

Chair Castleberry gave the presentation. He stated that as of right now, the City is paying sales tax on all Norman Forward projects. What we want to look at is if we want to continue doing this.

Anthony Francisco stated that the City of Norman is the taxing jurisdiction with the legal authority to extend tax exemption one step away from the taxing jurisdiction. This can only be granted one step removed from the taxing jurisdiction, so the Norman Municipal Authority can't grant the exemption. Staff of the Norman Municipal Authority would have to make the purchases to be tax exempt, so would it be worth it to not pay the sales tax versus paying for all the man hours required making the purchases and reducing the sales tax received by the City?

Jud Foster stated that ADG could have a contract to assist with the purchasing process. ADG would verify that materials were delivered and received on site, and our work would be actually placing the orders and the accounting involved in the purchasing. Parks and Recreation staff had

Item 1, continued:

experience doing this before but it was very difficult. His experience with Legacy Park was 10 hours a week working on the requisitions on that project. It would be difficult for their department to take on that extra work without other things being delayed. Getting into multiple Norman Forward projects is concerning.

Chair Castleberry asked if this was a personnel staffing issue. Foster stated that this was part of the problem.

Kyle Lombardo stated that there are always things that get missed which would be a risk the City would take on. He used warranties as an example. Chair Castleberry asked why the steel contractor would extend their warranty to the general contractor but not the City as a purchasing agent. Lombardo stated that they would probably extend it to either party, but they would want the warranty period to start at the delivery of the steel instead of at the end of the project. ADG has more leverage to put pressure on the contractor to honor the warranty for the extended period of time. Foster stated that the fountain equipment at Legacy Park was put in by Delta and the warranty started as soon as they were finished with the installation. However, the fountain wasn't used until a year later and in that time period Delta claimed their warranty had already expired and would not make repairs. Our general contractor, CGC, had to pay for the repairs.

Chair Castleberry stated that we could write the contracts to include the warranty start dates that we would like. Kathryn Walker stated that we do that now, but that we do not have contracts with each separate vendor. Chair Castleberry then asked how hiring ADG would solve the warranty problem. Lombardo stated that they have the ability to negotiate with the contract to get around the warranty issues that usually arise.

Chair Castleberry stated that with the \$160,000 that we would pay out for the Griffin Park project alone we could justify hiring a new accountant in the Finance Department to work mostly on Norman Forward projects. Francisco asked if Norman Forward would pay for it. Chair Castleberry stated that it could through cost allocations. The new accountant would work under specific projects that would determine if their pay would come from Norman Forward or the General Fund. Member Wilson asked where the money for the new accountant would come from in the General Fund. Francisco stated that the new position would be budgeted into the General Fund if approved. Chair Castleberry stated that after Norman Forward projects were complete there would also be utility projects that would need work so this could be a 5-7 year job.

Mayor Miller asked if we are talking about hiring an accountant for \$70,000. Chair Castleberry stated that \$70,000 was on the high end, but basically that was the idea.

Lombardo stated that ADG were not accountants and only would provide field support. Chair Castleberry stated that we could hire an accountant to do some field work like an internal auditor position. This position can check on quantity of materials purchased. Contractors need to be watched carefully and we have a lot of major projects.

Item 1, continued:

Member Wilson asked if there would be a time issue getting someone hired. She is concerned with getting the right person in time. Council Member Hickman asked if this could be a part time position. Francisco stated that it would need to be a full time position for use of the purchasing and bidding system. Council Member Hickman asked if this type of position was included in the list of 14 positions that were requested to be added to the fiscal year-end 2018 budget. Francisco stated that he did not believe there was any type of accounting position on that list.

Mayor Miller asked if this position would do all of the accounting as well as the field work. Francisco stated that if the position was a new accountant then field work would be the responsibility of the project manager. Chair Castleberry stated that it would be a City employee that would perform that function, and as of right now we do not have enough employees to fulfill that role.

Member Bierman asked if we were still going to require a significant amount of Parks staff's time if we hire this new accountant. Member Allison stated that this would eliminate Parks requirements but that we could still need to hire ADG to do the field work.

Council Member Hickman asked if the role of field work could be filled with a new Parks position if one was included on the list of 14 needed positions. Foster stated that a maintenance worker could do this.

Leslie Taber stated that OKC has an entire MAPS department with staff. Right now, the success of these big projects for the City of Norman largely falls on the shoulders of Terry Floyd and Jud Foster in addition to their normal jobs. The challenge of this is maintaining fiscal responsibility while getting the promised jobs completed in a timely manner. Other cities have entire departments for these types of projects with accountants and project managers. If we have our current staff dedicated to the new projects then other things will be put back and fall behind.

Chair Castleberry stated that he doesn't think we can justify spending \$100,000 for the convenience of City staff. Mayor Miller stated that this isn't for the convenience of the staff. We are really expecting a lot of our employees and we keep expecting staff to do more and more without additional hiring. Chair Castleberry stated that we could outsource this additional work to ADG or go out to bid. Secondly, we could do it internally. Third option is to do nothing and try to work it out with staff already available.

Member Wilson stated that she had a job similar to this in the past and it took time to develop that skill set. Hiring a \$70,000 accountant and expecting them to do all the tasks that we are discussing may be asking a lot of this person, and this could potentially cause work to spill onto other staff. We could outsource. She has a fear of the project suffering and existing services suffering. She wants to save the tax money, but we might not be able to find the right person.

Lombardo stated that when you do bid this service out you should make sure you include the services you need and make sure they coincide with the services that ADG is providing.

Item 1, continued:

Chair Castleberry stated that we can't base the hiring of people on the base of lack of skill. We can use this position for other projects. Mayor Miller stated that she is all for hiring more staff if we can afford to do it, she just isn't sure this is the way to go about it.

City Manager Steve Lewis stated that the City Council sent this issue back to the Finance Committee. They have requested help from ADG for a proposal and this is what was presented today. This suggestion of saving by hiring additional City staff is new and so we have not done any work to see what the pros and cons of the idea would be. Member Allison stated that he was under the assumption that ADG could do everything we needed, but this has brought to light the fact that one vendor can't do the entire job that we need done. We can give City staff more time to consider all the options.

Chair Castleberry asked if we want to just pay the sales tax so we don't have to mess with anything, or do we want to look into hiring an additional employee. Council Member Hickman stated that he would request that we look into hiring additional staff due to the need for staff anyways. We could use additional Parks employees for other purposes. Chair Castleberry stated that any savings that we have in Norman Forward will go towards maintenance of Norman Forward projects. Member Wilson stated that the dollar amount that has been discussed is worth looking into both options. Member Bierman stated that she believes it is appropriate to investigate these options.

Items submitted for the record:

1. Office Memo discussing sales tax collections for Norman Forward Projects

* * * * *

Item 2, being

DISCUSSION REGARDING THE FYE 2019 BUDGET CALENDAR AND PROCESS

Anthony Francisco gave the presentation. He stated that the proposed calendar follows the calendar from the past couple of years. He wants to know if there is anything anyone would like to change, add, or any specific thing that needs to be emphasized.

Chair Castleberry stated that the past calendars have seemed to work well. He thinks we need to be thinking about upcoming projects for the calendar.

Member Allison asked if we wanted to move the City Council Work Session meeting to a night that is not a night when we also have a City Council meeting. Both Council Member Hickman and Wilson stated that they would like that so they would have more time and not be rushed. Member Allison stated that a heavy session before a Council meeting is hard. Chair Castleberry stated that it is a consensus to move the meeting to 5 pm and give 15 minutes before the Council meeting.

Item 2, continued:

Items submitted for the record:

1. Budget Calendar Fiscal Year Ending 2019

* * * * *

Item 3, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS

Chair Castleberry asked about the interest revenue on page 5 of the report for the Norman Forward projects. Francisco stated that there is a lot of interest money coming in that we didn't project for because we did not have the historical data to compare it to.

Chair Castleberry asked City Manager Lewis to expand on the recent 2% cuts put in place for the General Fund. City Manager Lewis stated that this is not an unusual thing for the City to implement; in fact we have done this for the last 3-4 years. He tries to identify some flexibility in the budget and transfer it over to the City Manager's Department to authorize. This would not affect contracts or regulated expenditures. Mayor Miller asked what we have cut in the past few years. Francisco stated that it varies by department on where they have the ability to cut things from their budget.

Member Allison asked that Department Heads not use the 2% cuts as an excuse for not doing a project or activity. We have done these cuts for the past several years, so they should have taken that into account when they planned their department's budget for the year.

City Manager Lewis stated that if there were to be a major disruption to services or the closing of a facility, we would bring that to the Finance Committee first.

Chair Castleberry stated that this report includes a new report that breaks down the expenditures by department.

Council Member Hickman asked for an explanation of the \$2 million in the City Council budget. Francisco stated that the big part of that is the 2% emergency operation reserve. This is in the budget, but we hope we don't have to spend it.

Council Member Hickman asked if we could have a report at the next meeting on how much we have paid total to the Center for Economic Development Law on the University North Park special project. Member Wilson asked if the Center for Economic Law contract is ongoing or per project. City Manager Lewis stated that it is paid per hourly service. Mayor Miller stated that they are also working on the Center City TIF project for us.

Council Member Hickman asked if we can please distinguish between what we pay the Center for Economic Development Law firm from the actual TIF in future reports. He would also like to know when we first started paying them relating to the proposed TIF #4.

Item 3, continued:

Chair Castleberry also stated that there is another new report for this month. This new report is a comparison sheet on the trends of sales tax versus other cities. This report is to analyze if the sales tax issue is a state issue or otherwise.

Member Wilson asked if the sales tax issue could be attributed to the amount of construction currently taking place. Francisco stated he did not think so because people tend to just go somewhere else in town instead of out of town.

Chair Castleberry stated that he thinks we are starting to see online collections. He believes this issue will be solved. He believes the Tax Commission will start to go after all of the third party vendors that sell through Amazon since they have made the agreement with Amazon.

City Manager Lewis stated that Sara Kaplan is looking into the industry trends to try to give us more information on these reports.

Francisco stated that he just attended the general board meeting of the National Streamlined Sales Tax Board. The positive from the meeting is that the issue of online sales tax collection is still on the Congressional radar. Member Allison asked if we could get information on who in our Oklahoma delegation has signed onto the legislation.

Items submitted for the record:

1. Summary of Major Fund Revenue Sources vs. Budget FYE 2018 as of Sept. 30, 2017
2. Summary of Major Fund Expenditures vs. Budget FYE 2018 as of Sept. 30, 2017
3. Appropriations from Fund Balance FY18
4. General Fund Transfers over \$50,000 between Expenditure Categories FYE 18 Sept. 2017

* * * * *

Item 4, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Gala Hicks stated there are 14 open positions at this time. They just recently selected an applicant for the Animal Welfare Manager position and are currently putting that person through a background check.

Items submitted for the record:

1. Position Vacancy Report 10/4/2017

Item 5, being:

MISCELLANEOUS COMMENTS

Council Member Hickman stated that he requests the City engage a 3rd party (separate from the OU Foundation) to conduct an economic analysis of the proposed UNP development. He also requests that the Finance Department prepares a financial analysis of the existing UNP TIF so that we can see the numbers in an understandable form. Francisco stated that a report like this is provided to the TIF Oversight Committee before every meeting. Chair Castleberry stated that we would provide those reports to Council Member Hickman.

Council Member Hickman also asked about the status of the Norman Forward budget. Do we have the annual report finished and is there anything that needs to be cut back on. Francisco stated that the Norman Forward Oversight Committee did discuss this and have recommended that no major project budget changes should be made at this time. The Committee will vote on the annual report in November.

Council Member Hickman requested that we consider making formal communication with the County regarding sales tax they are charging our citizens. Member Allison stated that we have to be careful due to our negotiations with the County for our Center City and TIF districts. City Manager Lewis stated that he was recently told that the County's sales tax will continue being collected for 3-4 more years.

* * * * *

The meeting adjourned at 10:09 am.

ATTEST:

City Clerk

Mayor