

FINANCE COMMITTEE MINUTES
December 8, 2016

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 8th day of December, 2016, 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 Heiple, Chappel, Castleberry, and Mayor Miller

ABSENT: none

OTHERS PRESENT: Aleisha Karjala, City Council Member
Steven Tyler Holman, City Council Member
Steve Lewis, City Manager
Anthony Francisco, Finance Director
Suzanne Krohmer, Budget Manager
Clint Mercer, Accounting Manager
Jeff Bryant, City Attorney
Tim Powers, Director of IT
Kari Madden, Operations Manager
Rob Gruver, Network Support Supervisor
Terry Floyd, Development Coordinator
Gala Hicks, Director of Human Resources
Joy Hampton, Norman Transcript
Sereta Wilson, Candidate for City Council Ward 5
Bette Maffucci, Citizen
Other Citizens

Chair Heiple called the meeting to order.

Item 1, being

UPDATE ON THE ENTERPRISE RESOURCE PLANNING (ERP) PROJECT

Anthony Francisco introduced the City of Norman's Director of Information Technology (IT) Tim Powers, and Kari Madden, and Rob Gruver; IT staff members.

Tim Powers made the presentation. He stated that Enterprise Resource Planning (ERP) runs our entire business suite of computer programs which includes all Human Resources (HR), accounting, permitting, etc. Our software is 20 years old, our processes are just as old, and we have an opportunity to exam processes at every division level. Plante Moran is our consultant for the ERP Request for Proposals (RFP). They have come to help us do a needs assessment and will be interviewing each individual department that uses the system. The new software we are considering will make improvements in all the areas, HR, budgeting, etc.

Kari Madden, the City of Norman's Operations Manager in IT, stated that there are a lot of opportunities for improvement with this project. All Capital project processes are currently outside of ERP as well as many shadow systems. Today these are standard components; we would be better able to track true costs for projects and have better reporting. The system we use today is a legacy system which makes tracking data and compiling reports difficult. There will be improvements for union negotiations, HR, payroll, and citizen's online e-commerce. There will be improvements in all areas.

Powers stated that our current IBM system is at the end of its life. It will end support for the system in January 2019. If you let that system fail we will not be able to purchase our existing maintenance contract and would have to pay at full cost for any repairs or modifications. The newer technology will offer better reporting tools and minimizing work that we are doing manually right now. The cost of this new technology is estimated to be \$4.2 million for the entire project, implementation, and training. It should be 2019 before we would be able to go online with the full project. For the RFP process timeline, we should be going to Council May or June of 2017 with what is recommended as a solution and a contract. Plante Moran stated that \$4.2 million sounds correct and when we compare with other cities our size such as Waco, this seems reasonable.

Member Castleberry asked if the different departments would be separate modules. Powers stated that they can be. Member Castleberry then asked if we have thought about outsourcing our payroll. Anthony Francisco stated that we have thought about this, but that it is unique and difficult to outsource in the government sector. We looked at doing this about 6 or 7 years ago and the price was about equal to our price. The private sector does not have to do some of the things we do. Member Castleberry stated that Oklahoma City uses Paychex, which is an outsourced company, for their payroll. Francisco stated that we are a one person payroll shop which makes us pretty mean and lean. We can look at it again if we need to during this process. Member Heiple stated that if we outsource the payroll then the money would not stay in Norman. He also stated that Francisco is doing a fine job and we are mean and lean. We can look at this option again if we need to. Member Castleberry asked where Plante Moran is located. Powers stated that they are out of state, but they are just the consultant. We are unaware of any Oklahoma based software consultant companies for this type of service. We are currently looking at companies such as Tyler or Intergov that are basically between Tier 1 and Tier 2. We could also look at outsourcing the cloud-based storage and software as a service. Those things will all be considered in the RFP review process.

Mayor Miller asked about the compatibility with IBM after 2019. Powers stated that our hardware will not support our current software any longer after January of 2019. Part of the cost in this project will also go towards new hardware and we will have staff that can service this hardware. Madden stated that this will move our financial system into a platform that will be supported by local vendors. We are trying to do our due diligence to get the best for every department.

Mayor Miller asked how long this new system will last. Powers stated that 15-20 years is the industry standard for lifespan, with periodic system upgrades and modifications.

Member Heiple stated that the main transmission vehicle we have at this time is email and spreadsheets. Instead of having individual silos, we will be using the same platform that can access the same information and data. He then asked as far as work flow, can citizens find out the status of something like a project or application that is being worked on. Powers stated that some of the new programs offer this ability and it is something that we can definitely check into.

Member Castleberry asked if a citizen could actually check the status for themselves. Terry Floyd stated that you can check the plan review process now for permits. Powers stated that these new systems will have this ability as well.

Powers then stated that the other piece to this is how we are paying for the new platform. Francisco stated that in the Capital Fund for FYE years 19, 20, and 21, there is a million programmed for each year. If we would like to do this faster, we could do some bank financing backed by the Capital sales tax. It is not budgeted, but we have programmed it out for years.

Member Castleberry stated that he does not want to wait until 2019 to complete this project. Francisco stated that in the FYE 2018 budget we could include financing costs and include it in the Capital Fund. City Manager Steve Lewis stated that we could have vendor recommendations to City Council by June and then the implementation would take about 18-24 months. This would have the project completed by 2019.

Member Heiple asked Member Chappel about a similar project that OG&E implemented. Member Chappel stated OG&E went through a similar update to replace a legacy system that had payroll, HR, dispatching, and customer services. The big thing is getting ready for the legacy system to convert to new system. The biggest deal for OG&E was change management and making sure our employees were ready to transition from something they could do with their eyes closed to a totally new system.

Member Heiple stated that we are basically looking to speed up our operations. City Manager Lewis stated we are looking for process improvements and better ways to do things. Heiple stated that his company did something similar and that once they acclimated they loved the new system.

Items submitted for the record:

1. ERP Needs Assessment-Draft

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Item 2, being

DISCUSSION REGARDING THE ESTABLISHMENT OF A SENIOR CENTER RESERVE FUND

Anthony Francisco stated that the outcome of the last City Council Study Session was clarification on the budget for a stand-alone Senior Center and the Council consensus that we want to establish a “savings account” or reserve fund within the Capital Fund in order to put back \$1 million per year for a 5-7 year period for the Andrews Park location. At the end of that 5-7 year period, hopefully we will know whether we are going to get Federal funds for the James Garner project. We want to make sure that was the clear Council direction. The handout has a summary of funding options seen earlier. Major categories are seen as “discretionary”. There are things that will be pretty painful to cut. It will be staff’s job to cut within these areas to set funds aside within the proposed budget each fiscal year. There would be a reserve line in the Capital Fund for the Senior Citizen Center. Council would have discretion to appropriate money from the reserve. It could only be used for that and build up over time.

City Council Member Steven Tyler Holman asked if there was a million or two in the account, could that money be used to do a revenue bond on that account. Francisco stated that we did not plan on that being a revenue bond; the Senior Center reserve of Capital sales tax was discussed as a pay-as-you-go option. Any additional debt funding from the Capital Fund would have to be subordinate debt to the outstanding and proposed future Norman Forward debt financings and the interest rate would be higher; but it could be done. City Council Member Holman stated that a revenue bond does not have to be approved by the voters. Francisco stated that this was correct. Holman stated that this is one option to do it without raising the whole amount up front.

Mayor Miller stated that we would then be tapping into more of the Capital Fund, and asked if construction costs would be higher in the future. Francisco stated that the more you delay, the more it will cost. It will be about \$450,000 per year in inflation.

City Manager Steve Lewis stated that the difference in Revenue Bonds and General Obligation (GO) Bonds is the interest. Revenue is 4.5% and GO is 3% so there would be an increase of about 1.5% in rates depending on market conditions.

Mayor Miller asked if there were any options where there is money we use to match. Francisco stated that most of these projects don’t have to have a matching component. For projects like rural roads, we provide the materials and Cleveland County performs the work. He suspects that the County would quit doing projects in Norman without material funding. That is something that we would not want to mess with. When we are leveraging our money to do more projects, we have avoided proposing cuts to those programs.

Member Castleberry asked what we did with the original \$25 million we took from Parks and the Capital Fund and put into Norman Forward. Francisco stated that it was less than \$25 million and it was re-programmed for other projects in out years. Money was re-programmed by freeing up the Capital sales tax money provided by Norman Forward. Member Castleberry stated that the Council was not asked where we wanted to re-program that money. He would like that information to be presented again. He would like to see the Capital budget before and after the

re-programming; he wants a refresher. Francisco assured that the information would be provided.

City Council Member Holman stated that another option for funding would be to use some money from all of the contingency funds from Norman Forward. We do not know what all will be left, but as of right now there is around \$8 million in those funds. City Manager Lewis stated that is the unknown. There are a lot of projects and the budget continues to be tight. He warns us to be very cautious of this. Mayor Miller stated we are in the first year of the Norman Forward projects, we are in a sales tax downturn, and collections have been less than expected. The Library has already cut some things. I know that is the situation we are in. Westwood could possibly have to cut some planned things if the funding doesn't pick up. Until we are further along we just won't know. Westwood does have a \$6 million contingency.

Member Castleberry asked if the 2008 GO Bond issue expires in 2018. Francisco stated that the authorization never expires. Member Castleberry then stated that he knew last year Oklahoma Tax Commission (OTC) made a change for online reporting of online sales by retailers. On everyone's individual tax return there is a section for use tax. Everybody will get form for all online sales. In April or May when we start getting our sales tax, expect a bump in use tax, and he wants to follow that. Member Chappel asked if this would happen this year. Member Castleberry stated this was the case. Francisco stated that this is very difficult to enforce.

Member Chappel stated that on the "discretionary" list, he was looking and there are some downsides to messing with any of these items. He likes that we are talking about Norman Forward as a possibility for funding. Francisco stated that Council directed us to find \$1 million per year in the Capital Fund, so that is what this discretionary list is about. Member Castleberry stated that when we finally pass a Storm Water Utility that will free up \$600,000 a year from Capital sales tax allocations for storm water projects. Mayor Miller stated that she understood from the last meeting that even after we pass a Storm Water utility plan we will still have to supplement with money from the Capital and General Funds due to the large cost. It would be incorrect to say we would have those funds freed. Member Castleberry stated that if everyone paid a flat fee of just \$1 we would generate \$1.5 million, which would more than meet our current level of funding. Mayor Miller then stated that she just doesn't want anyone to get the idea that if we pass a Storm Water utility we won't have to still supplement from the General and Capital Funds.

Council Member Karjala asked if we couldn't take the funds for projects such as the "road diet" and use them for the Senior Center. We would be taking that money from somewhere for those types of projects and that could be a deposit into this Senior Center project. Francisco stated that there was no money for the "road diet". That money was going to have to be taken from another project, if the "road diet" was to be funded in the future.

Member Castleberry asked where we were in the process of potentially owing ODOT \$1 million for the Robinson Street underpass. City Manager Lewis stated that as far as he was aware, that has not been taken care of. It could potentially be a process that takes years. We were setting money aside for that until Council directed us not to do that a few years ago. We just keep it in the back of our mind. Council Member Holman asked if we sold the properties adjacent to the

Robinson Underpass. Attorney Bryant stated that we have. Council Member Holman asked where the money from those sales went. Francisco stated that the money went back into the Capital Fund.

City Manager Lewis asked for clarification on what was decided tonight as far as funding for the Senior Citizen Center. He stated that tonight we have talked about using money from Norman Forward, but the resolution that was passed stated that we would not use funds from Norman Forward. Council Member Holman stated that it doesn't seem like we have any other options but to use the Norman Forward funds. Member Castleberry stated that it should be a combination of Capital and Norman Forward funds. Francisco stated that we could use the Norman Forward funds that will possibly be freed up from the Garner project. We can transfer those to the Senior Center once any Federal funding amounts are known and put \$1 million aside in Capital Fund reserve every year to supplement those Norman Forward allocations.

Mayor Miller stated that she did not think there was direction for taking money off the top for other projects, and would caution against that. The resolution said we would not do that. Mayor Miller stated that the resolution said we would explore other options that would not adversely affect other Norman Forward projects. The goal is to meet the citizens' expectations for the Norman Forward projects. Mayor Miller then asked what we needed to do to legally start setting aside the \$1 million a year to make this happen. Francisco stated that it would be a budget action. For the FYE 18 budget, we would find \$1 million in Capital funds and set it aside in the proposed City Manager budget. Member Castleberry stated that once this is done, he would like to know exactly where the money will be taken from when it is found and put into the reserve account. We need to know how much is in alley maintenance and things like that so we can prioritize where to take this money from. Francisco stated that alley repair is \$200,000 per year. Member Chappel asked if the reserve account will be treated like other accounts that have money taken out in the event of an emergency. Francisco stated that yes you could take money out in the case of an emergency. If an emergency comes up, you would look first at what you had budgeted. In the General Fund, you appropriate 2% for emergencies. We do not have that in the Capital Fund. So, if an emergency comes up, you would look at projects that are budgeted and we would move those funds to take care of the emergency.

Member Heiple asked Attorney Bryant about an article that was in today's paper comparing the Senior Center to Charlie Brown when the football was taken away at the last second. Why do so many people think that a Senior Center was included in Norman Forward and is now not being funded through the project? Attorney Bryant stated that that is a difficult thing to answer. In Norman Forward, we had the Senior Center as a potential project that was added at the last minute and didn't really have any clarity. The ordinance has a time period for which we can collect sales tax and the project was based on revenue projections from Finance. We hoped that within the 15 year time frame there would be enough excess funds for a Senior Center. There was also a question at the time the Norman Forward proposal was voted on of whether we could use the 2008 GO Bond money for the stand alone center, but that is not an option now. We just have not figured out what our options are for funding a Senior Center.

Member Heiple stated that he personally thought we would be able to use the bond money. He thought we could come up with \$1 million in Norman Forward funds to put towards it. How can we come up with \$8-9 million for a stand-alone center? We couldn't come up with the funds for

this for 10 years or more. We need to be realistic and not let people think the money is there. If we start taking money from the Capital Fund we would be shooting down basic services. He does not want to piece meal the money, which would put us not being able to actually build the center for 5-7 years down the road. And then after inflation it would be like \$10-11 million. Our sales tax revenue is down. Francisco stated that we are currently at -3% from projected levels. Member Heiple then stated that we need to be very careful what we cut. Member Castleberry asked how we are going to do it. Member Heiple stated we should go back to the citizens another GO Bond for \$9 million or we should look at the existing library remodeling as an option. Member Castleberry stated that without the senior support a GO Bond will not pass. He stated that the seniors have said that a 5-7 year timeframe is realistic to them.

Mayor Miller stated that the seniors do not want the existing library option. We are now down to taking money away from the Capital Fund over the course of 5-7 years, which the seniors say they are willing to wait for. Member Heiple stated that the longer we wait, the more expensive it becomes and the more the citizens would have to pay. Council Member Holman stated that we should take the \$2 million Norman Forward allocation for the Canadian Park project, which most likely won't happen anyways, and put it in the reserve fund for the Senior Center. It was going to be the last project anyways, so in 15 years we can extend Norman Forward for 6 months or come up with the money for a park out of the Parks budget to build the Canadian River Park. Member Castleberry stated that the idea for the reserve fund was a show of good faith to the senior citizens so they know we are going to do this project as soon as possible. Mayor Miller stated that she is concerned that if we start pulling out of Norman Forward projects right now, the message to the citizens is that this is what you voted on but we are going to do what we want.

A citizen in the audience stated that the Senior Center was why they voted for the Norman Forward project. Council Member Holman stated that we don't have any choice since we have been going over this for over a year. We are going to have to look at cutting projects like the Canadian River project. Francisco stated that the Canadian River Park was not programmed until the last year, as a pay as you go project, so there will be no money for that to move ahead right now. Council Member Holman stated we should use this as a statement of our priority that this money will be going to the use of a Senior Center instead of the Canadian River Project.

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Item 3, being

DISCUSSION REGARDING THE FYE 2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Anthony Francisco gave the presentation. He stated he was pleased to give you the Comprehensive Annual Financial Report (CAFR) and it will be up for adoption at the City Council meeting on Tuesday. We are very proud of the cover artwork. It discusses the fact that there is over \$500 million in public improvement projects in Norman at this time. We discussed

at the last Finance/Audit Committee meeting what was in the CAFR. There were some changes that were requested and have been made in the Management's Discussion and Analysis. We just wanted to distribute the paper audit and the federal single audit. This is a "clean" audit. The single audit is in a draft form and the final will come on Tuesday at the City Council meeting.

Member Castleberry asked about the excess of revenues over expenditures. Francisco stated that the Council had to appropriate \$12,000 for the Westwood project which changed the total from a positive to a negative of \$9,000. This still reflects excellent fiscal management.

Items submitted for the record:

1. 2016 Comprehensive Annual Financial Report Final

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Item 4, being:

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS

Francisco stated that our sales tax revenue of 3.7% below last fiscal year continues to be a major concern. Retailers are reporting pretty good holiday collections this season, whereas retailers in the OKC area are experiencing a down collection season. We will have our December sales tax collection numbers from October tomorrow, but the really telling numbers won't come out until January and February.

Items submitted for the record:

1. Summary of Revenue Sources vs. Budget, FYE 2017-As of November 30, 2016, Expenditure Reports as of November 30, 2016, Appropriations from Fund Balance FY17, and General Fund transfers over \$50,000 between Expenditure Categories-FYE 17 November 2016

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Item 5, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Gala Hicks stated that there are no new open positions.

Items submitted for the record:

1. Position Vacancy Report dated November 30, 2016

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Item 6, being:

MISCELLANEOUS COMMENTS

Mayor Miller asked what the job description of the Storm Water Inspector will be. City Manager Lewis stated that it will be a part of our storm water program and was needed for monitoring of the Total Mass Daily Load of pollutants into Lake Thunderbird and storm water management programs. This was budgeted for this year.

Member Castleberry stated that the utility and enterprise funds are strong and are up 22%. Connection fees were up as well.

Betty, a citizen of Norman, asked what we are going to do with the project, Westwood, which has already been done under budget. Member Castleberry stated that it was not under budget yet. Betty stated that she thinks Council should restrict the use of under budget project funding for the use of the Senior Center.

Another citizen asked where did we come up with the funds to purchase the land for the library? How is anyone going to get to the library? What will the total cost of the library be? What are we going to do with Acres Street? How is Main Street going to handle the traffic? Why would we want to build the Senior Center on a flood plain? Member Heiple stated that the Committee would get that information and make it available to the public.

Another citizen stated that the seniors were included in the Norman Forward project, they were on the resolution and the ballot, but the mistake was we did not assign a budget to that project. Why do we still have to fight for the money?

Joy Hampton, Norman Transcript, stated that the Canadian Park project can't free up funds because they don't yet exist. Sales tax is down 3% year to date. How does this relate to Norman Forward? Francisco stated that relative to Norman Forward, the sales tax is actually down 5.62% from what was projected and 3.8% since inception. The use tax is up, but it is relatively small amount compared to sales tax.

Another citizen stated that someone decided on the project list and budgets for the Norman Forward project. Do we really have to have so much money for the library and the sports complexes? Why can't the funds be allocated differently? Why do those projects cost so much?

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The meeting adjourned at 6:38 p.m.

ATTEST:

City Clerk

Mayor