

## CITY COUNCIL PUBLIC MEETING REGARDING THE BUDGET

January 27, 2020

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a public meeting at 4:30 p.m. in the Municipal Building Conference Room on the 27th day of January, 2020, and notice and agenda of the meeting were posted at the Municipal Building at 201 West Gray 24 hours prior to the beginning of the meeting.

PRESENT: Councilmembers Bierman, Hall, Holman, Petrone, Scanlon, Scott, Wilson, and Mayor Clark

ABSENT: Councilmember Carter

Item 1, being:

### DISCUSSION AND PUBLIC INPUT REGARDING THE CITY OF NORMAN BUDGET.

Mr. Anthony Francisco, Director of Finance, said the budget document is the most important document the City prepares and is a policy document that is also the financial plan for the City, the departmental operations guide, and a communications device for the public. He said budget discussions begin in November with a mid-year review in January of each year.

Mr. Francisco said the General Fund (GF) started the fiscal year with a fund balance of approximately \$2 million more than projected, which was anticipated to be drawn down due to the transfer of the bus system from the University of Oklahoma (OU). He said the City anticipated closing this fiscal year with a balance of \$3.7 million, but as the fiscal year progressed and projections were updated, sales tax revenues have been coming in as projected while use tax has been above projected revenues. He said the positive fund balance was based on the assumption the City would stop apportioning sales tax from the GF to the University North Park Tax Increment Finance (UNPTIF) District Fund on July 1, 2020; however, a petition was filed to prevent that from occurring putting those funds on hold, which creates an unmanageable problem leaving a \$3.5 million hole in the City's projected revenues. He said the ending fund balance is now anticipated to be \$700,000, which is an unacceptably low fund balance and if this projection does not change, the City will be unable to legally adopt the budget under the State Budget Act. He said Council has been discussing actions the City can take to cut costs and Staff prepared areas of potential reductions for Council's review that includes cutting funding for the mosquito control program, fireworks for the Norman Day Festival, funding for outside agencies (Fire House Art Center, Sooner Theatre, etc.), and funding for Social and Voluntary Service agencies.

Mr. Francisco said there are parameters that have to be met in order to use the Rainy Day Fund: a federally declared disaster or the GF has to be drawn down below its 1% required fund balance level. He said the Rainy Day Fund would have to be replenished within three fiscal years of being drawn down so Staff recommends Council not draw down the Rainy Day Fund below its projected minimum level.

Councilmember Wilson asked if a minor amendment could be made to the current UNPTIF Project Plan and Ms. Kathryn Walker, City Attorney said no, there is case law that clearly states the City cannot make amendments to legislation that is subject to a referendum petition, which in this case

would be the TIF Ordinance. She said once a referendum petition is filed, the proceeding becomes a constitutional right and cannot be withdrawn.

Mr. Stephen Ellis, 633 Reed Avenue, said he does not agree with Ms. Walker's opinion on whether or not the City can make minor amendments to the current UNPTIF Project Plan. He said the case Ms. Walker is relying on was an initiative petition filed in 1950 and that main claim was the City Council could not repeal an item that had been referred to a referendum petition. He said that case is very different from the current referendum petition he filed. He said Ms. Walker is giving a recommendation that restricts Council's authority from doing something that would be a relatively easy way to save the budget. He urged Council to consult with other attorneys for their opinion.

Mr. Paul Arcaroli, 405 Garland Court, suggested Westwood Golf Course be privatized or sold to help the budget instead of having to be subsidized by the other funds within the City. Also, the hotel/motel tax has not changed in years and he suggested increasing or reallocating that tax. He would like to know what percentage of the budget is dedicated to social service agencies and if that can be adjusted. Mr. Evan Dunn, 1400 Garfield Avenue, said he agrees with Mr. Arcaroli's comments regarding Westwood Golf Course.

Mr. Jason Zimmerer, 3809 Cedarbrook Court, asked if the implementation of projects under the Public Safety Sales Tax (PSST) component could be delayed or slowed down to help the budget. He asked if open positions discussed at the Finance Committee meeting are funded in the budget and, if so, that may be another area that could include cuts. He asked about the significant increase in staffing for Irving Recreation Center, Whittier Recreation Center, and 12th Avenue Recreation Center. He also asked about the City's portion of funding for Norman Economic Development Coalition (NEDC) and whether that could be decreased or cut and suggested a deeper forensic audit of the budget be performed. He said OU unexpectedly announced the City would be responsible for the bus system and although there is money in the budget for bus painting, new logos, etc., he suggested these projects be put on hold until the budget is healthier.

Mr. Ian Moore, 811 Mockingbird Lane, said the number one item in the budget is the assumption of 1% emergency savings and the City is in this budget position because the City assumed a \$3.5 million change within the UNPTIF Project Agreement. He said the City needs to have the money and spend the money in hand and not assume anything. In reference to Westwood Golf Course, he would be careful with what is assumed a developer will and can do associated with the Westwood Golf Course if it is sold. He said there are limitations on what can be developed on that site due to airport clear zones. He said the City is planning to move a lot of Staff into the old Central Library building, which will become the Development Center and asked where all that staffing is coming from. Why has that Staff become so large that the City needs to move them to a much larger space? He suggested reviewing staffing efficiencies for the new Development Center.

Mr. Roger Gallagher, 2513 Woodsong Drive, said cutting employees should be the last thing any city should do and the last time Council discussed furloughing Staff, their plan included cutting programs that would save jobs while eliminating expenses. He said public safety and public services are the core functions of any city and there would be effects on society that would not be very well received by the public if those services were cut. As far as Westwood Golf Course, it was built at that location purposely so that if a plane developed engine or mechanical problems the golf course greens offer a landing site, if needed. He said a tall building would impede airport traffic so a golf course was the

perfect solution. He suggested the City consider using prisoner labor for some of the City maintenance projects, such as mowing.

Mr. Robert Huskey, 3615 Chatham Court, said freezing summer park maintenance temporary positions does not seem to be a good solution for the budget. He said in some cases, these temporary summer jobs can lead those employees to future professions.

Mr. Rob Norman, 4614 Greystone Court, said cutting or decreasing funding to social service agencies would be detrimental to those agencies and asked Council to find another solution. He said these agencies provide much needed services the City is unable to provide and without the City's contribution these agencies could be financially devastated and have to close their doors.

Mr. Bill Wilson, 4650 Highland Lake Drive, said Council has been discussing selling City owned land where Norman Regional Hospital is located and asked the timeline on that. He said the City owns approximately 340 parcels of land throughout Norman (parkland, greenspace, parking lots, etc.) that could be sold. He has heard the Police Department has spent up to \$1.8 million in overtime for police officers and suggested Council review what the overtime hours were used for and if they were used for special events, the special event should cover those overtime costs.

Ms. Cindy Rogers, 633 Reed Avenue, asked if the City is looking at other sources of revenue, such as connection fees, land owned by the City and used by OU free of charge, etc. She said OU should contribute money for the use of City properties and/or City services, such as fire service.

Ms. Ann Gallagher, 2513 Woodsong Drive, said the buses were in shabby condition when OU decided to transition the bus system to the City and suggested the City allow advertisement wraps on the buses for revenue. She said in regards to special events, agencies hosting these citywide special events that are not City sponsored, need to pay for services provided by the City, i.e. fire, police, traffic management, etc. She said the City needs to be careful about what social service agencies will not be funded because these services are vital to the community. She said although Norman is a community that has stepped up many times in the past to help counteract some of the social agency's funding deficits there are no guarantees that will continue.

Ms. Mary Francis, 850 C Cardinal Creek, said the Raftelis Study in 2016, which was about water fees, showed a deficiency in fee charges and Council should consider other studies regarding fees the City charges compared to the actual costs.

Mr. Robert Castleberry, 4701 Windrush Court, said besides being an ex-Councilmember, he was also Chair of the Finance Committee and is very familiar with the budget and said reports from social service agencies are submitted to the Finance Committee, which can be easily obtained by the public. He said as far as increasing connection fees, Norman already has the highest connection fees compared to other cities and that money goes into the Water Fund not the GF, but Council needs to look at total fees including ongoing fees (new customers). He said the Water and Sewer Funds are profitable, which means the City is overcharging customers and that is intentional because the overcharges are going towards future capital improvements and growth. He said increasing connection fees creates revenue for the Water Fund, but does it help generate business, which in turn generates revenue? Will increasing connection fees have an adverse effect on growth and sales tax? He is adamantly opposed to closing Westwood Golf Course because it is a nice, municipal course with affordable youth and

senior golf programs making this a quality of life issue. He said the cuts being discussed will still leave the budget \$1.4 million short, but if the money from the UNPTIF were going into the GF, the budget problem would be solved. He said worst case scenario, the UNPTIF will be complete in 2021, so this will be a short term budget problem. He said a Stormwater Utility (SWU) would generate approximately \$3 million in revenue to help the GF, which is paying for stormwater issues that increase each year. He suggested capital projects be paid for through debt financing instead of PayGo (pay as you go). He understands these are tough decisions to make, but does the City really want to cut fireworks or close the golf course?

Ms. Kamala Jolly Stewart, 627 Stewart Street, asked how long the UNPTIF money will be tied up and Ms. Kathryn Walker, City Attorney, said the referendum petition was filed in early December, but was challenged and the challenge has been set for a court hearing on February 24, 2020. Once the judge enters his or her final order, the parties have thirty days to file a journal entry documenting that order and thirty days to appeal.

Councilmember Holman said Westwood Golf Course has several employees and Staff was directed by Council not to cut employees so why is closing Westwood being discussed?

Councilmember Holman said OU students pay sales tax in the City of Norman, which pays for fire and police services. He said the City does not charge any other group of residents a separate fee for fire and police services and Walmart has a more significant number of calls for police and fire service than any other business in Norman, but the City does not charge Walmart additional fees for those services. He said that is something the City could consider for businesses with high number of calls. He said Council may also need to review the true costs for police and fire services provided for OU Game Day Events to determine if the reimbursement from OU is adequate.

Councilmember Bierman said Westwood Golf Course is supposed to pay for itself and she has a problem with Westwood Golf Course being subsidized by the GF. She asked what other options would Enterprise Funds or Special Revenue Funds have to bridge their own budget shortfall if they were not subsidized by the GF. Mr. Francisco said increasing fees would be the solution, but the City has to consider the competition from neighboring golf courses and that is why fees are limited. Councilmember Bierman said the GF is subsidizing Westwood Golf Course approximately \$500,000 this budget year and is concerned that will only increase each year so this is a good time to start thinking about what to do with Westwood's budget.

Councilmember Bierman asked how much would the City save if the unfilled positions were not funded in the budget. Mr. Francisco said budgeted positions held vacant do not impact the budget, but do impact the fund balance. He said Council budgets for some of the savings through the employee turnover savings assumption each year in the GF. Councilmember Bierman said she would like to look at vacant positions more deeply because cutting funds to social service agencies is suggested every year and she does not want that to continue to be the low hanging fruit that always comes up first when discussing budget cuts.

Councilmember Bierman asked how many budget line items are no longer needed, such as Crossroads Youth Center, as she would like to find money for a homeless warming shelter through that process. She said she also wants to do the bare minimum as far as the bus system and cannot justify cutting

social and voluntary services and spending thousands of dollars painting buses and installing new fare boxes.

Mr. Darrel Pyle, City Manager, said the Transit Fund is currently operating in a separate fund and asked Staff if painting the buses would take money from the GF and Mr. Francisco said painting of the buses was part of the transitional costs already budgeted. He said the decision right now for that budget is how much to spend and what to spend the money on.

Councilmember Scott asked if the City is mandated by the State to adopt a balanced budget and Mr. Francisco said yes, pursuant to the Oklahoma Municipal Budget Act (OMBA), Council cannot adopt a budget without a positive projected fund balance. Councilmember Scott asked what recourse the State could take against the City if the City adopted a budget that did not balance, is there a penalty? Mr. Francisco said the OMBA relates to the budget and adopting a budget with a projected negative fund balance, but in this case the City is talking about drawing down the fund balance in an existing budget year to a dangerously low level and what can be done about that.

Councilmember Wilson said she does not support cutting jobs or social agency services over having a golf course and would support closing Westwood Golf Course for a season or turning it into a free Frisbee golf course. She agrees with Mr. Castleberry that the budget problem is temporary, but the bigger budget problem is revenue and that is not going away.

Councilmember Wilson said she is interested in when the hospital land will be sold and when that money would be coming in because that weighs into her decision to approve a bond election of \$120 million.

Councilmember Petrone said in regards to the golf course, has the City compared other golf course fees within the State to Westwood's fees and if the golf course is not competing then it should be. She suggested the possibility of offering memberships for the golf course.

Councilmember Petrone said she is not interested in cutting social service agency funding while keeping the golf course, which is not paying for itself, to stay open.

Councilmember Petrone said changing the Capital Fund's allocation of sales tax seems to be a good idea and Council needs to look at that. She suggested using Revenue Bonds or General Obligation (G.O.) Bonds for capital projects and would like to discuss that further.

Councilmember Petrone said she agrees with increasing the hotel/motel allocation. She would also like to think about going back to the voters on the PSST, which is underfunded. She said the GF is burdened with subsidizing too many other funds. Mr. Francisco said in regard to the PSST, there could be a voter referendum to pay for capital projects with G.O. Bonds; however, Revenue Bonds have to have a good revenue source and it would be hard to state the PSST is a good revenue source.

Councilmember Petrone asked for a definition of an individually assigned vehicle and Mr. Francisco said the majority of police officers have a vehicle assigned to them that they take home. He said in the past, the Public Works Director has pointed out that if the City had fewer individually assigned vehicles, more vehicles would be available throughout different shifts saving money, but the Police Department disagrees. He said there would be increased costs because of increased wear and tear on

each vehicle and they would last three years versus six with 24 hour/7day use. Councilmember Petrone asked how many of the vehicles are taken home and Mr. Francisco said 120. Councilmember Petrone said she would like to hear pros and cons from both departments as well as reviewing actual cost savings.

Councilmember Petrone agrees with Councilmember Bierman regarding not painting the buses or installing new fare boxes and would like to explore other options, i.e., advertising, using local artists, etc. She said holding off on this would save approximately \$1 million.

Councilmember Petrone said a forensic audit is not a bad idea for transparency purposes alone and believes residents would like to know how much money the City has and where that money is going.

Councilmember Petrone asked for an update on the sale of Norman Regional Hospital property the City owns and Mr. Pyle said Staff is expecting information in early February and the City Attorney will be drafting a purchase and sales agreement for Council's consideration.

Items submitted for the record

1. Summary of General – Fund 10 (Budget) FYE 19 audited and unaudited
2. Section 8-103 - Creation of Reserve Funds from the City of Norman Code of Ordinances
3. Section 8-104 – Use of appropriated Net Revenue Stabilization Fund balances; requirements to maintain Net Revenue Stabilization Fund balances from the City of Norman Code of Ordinances

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The meeting adjourned at 6:26 p.m.

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City Clerk

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Mayor