

FINANCE COMMITTEE MINUTES  
October 16, 2013

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 16th day of October, 2013, 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 Castleberry, Heiple, and Chair Kovach

ABSENT:                      Member Griffith

OTHERS PRESENT:        Cindy Rosenthal, Mayor  
                                 Steve Lewis, City Manager  
                                 Anthony Francisco, Finance Director  
                                 Suzanne Krohmer, Budget Manager  
                                 Lynne Miller, Council Member  
                                 Shawn O’Leary, Public Works Director  
                                 Mike White, Fleet Superintendent  
                                 Melvin Gore, Fleet Supervisor  
                                 Matt Phillips, Fleet Supervisor  
                                 Tony Yankovich, Mercury Associates  
                                 Scott Sturtz, City Engineer  
                                 Rick Schlecter, Storm Water Engineer  
                                 Greg Hall, Street Superintendent  
                                 Ken Komiske, Utilities Director  
                                 James Fullingim, Norman Fire Department  
                                 Kathryn Walker, Assistant City Attorney II  
                                 Jim Maisano, Deputy Police Chief  
                                 Richard Schlecter, Storm Water Engineer  
                                 Roger Gallagher, Citizen

FLEET MANAGEMENT REVIEW

Presentation by Tony Yankovich with Mercury Associates.

- Workload of Vehicle Equivalency Units (VEU)
- Current Fleet Profile
- Opportunities for improvement
- Competitiveness – Cost = actual - \$1,428 per VEU, target cost \$1,400 - \$1,500  
                                 - Service levels
- Fleet Utilization – reduction of 10% units = future cost avoidance of \$3.2 million, reduced annual maintenance and repairs costs and influx of cash
- Fleet Statistics – current age - 8.9 years, recommended average age 4 – 6 years
- Gross Fleet Replacement Cost = \$65.1 million
- Should be spending \$6.4 million every year on fleet replacement
- Currently 44% of fleet exceeds recommended age

- Fleet Replacement Financing
  - Cash
  - Sinking Fund to approximate savings account for fleet replacement
  - Debt financing
- Staffing Requirements
  - Parts & inventory supply operations – 30% of maintenance costs
  - Outsourcing candidate – parts & supply operations
  - Recommend Internal Service Fund for Fleet Maintenance Division (FMD), to improve user accountability
  - Shop space about 50% of required space
- Summary
  - FMD follows best practices, meets or exceeds performance standards in many areas, and costs are reasonable
  - Alternative fuel – recommend CNG – trend in industry
  - 3 – 4 years payback for CNG refuse trucks
  - City will have 53 CNG units at end of year
  - Create Policy – will do in-house
  - Downsizing fleet size to reduce the need for increase in staff technicians
  - 216 units in the fleet have – low utilization; it is recommended that 10% of these units be eliminated to save City money; - “right-sizing”
  - Develop committee to analyze right-sizing proposals if analysis done in-house, or can hire out
  - Develop formal motor pool program for employees to use and charge-back to department/division; interdepartmental vehicle sharing will reduce the number of required vehicles
  - City self-insures all vehicles
  - Internal Service Fund – others would “lease” fleet from the centrally-owned Fleet Division, accounted for in an Internal Service Fund
- Mayor – Debt financing?
  - General Obligation Bond – citizens would have to vote to approve
  - Revenue Bond – Capital Fund would be funding source
  - An example cited by Mayor of fuel savings with newer/younger fleet – could use for Revenue Bond financing
  - Safer and more reliable vehicles, maintenance costs will decrease
  - Parts management approximately 30% of costs – current inventory is \$130 per Equivalent Vehicle Unit (EVU), goal is \$100 per EVU
  - Recommendation to outsource parts management – keep parts flowing, inventory obsolescence down
  - On-site parts – someone would be on-site to manage our parts counter
- Mayor – Have staff come back with recommendations and costs
- Kovach – Start long-term policy development
  - Continue CNG program
  - Look at debt financing options
- Castleberry – Likes Sinking Fund better
- Mayor – Wants more information on Sinking Fund

Item(s) submitted for the record:

1. Handout prepared by Tony Yankovich, Senior Manager with Mercury Associates, Fleet Management Study – Summary of Findings, Conclusions and Recommendations

#### DISCUSSION REGARDING CREATION OF A STORMWATER UTILITY.

Presentation by Scott Sturtz, City Engineer.

- Current storm water operating costs = \$2,949,344 includes mowing of right-of-way and clearing drainage ditches and channel clearing
- Projected storm water related expenses – Option 3 – lowest rate with ERU of \$6.74 per 3,600 sq.ft.
- Includes trail construction with storm water benefits
- TMDL costs of \$300 thousand/year not accounted for in SWMP
- Single Family Tiered Option – 5 tiers of users by impervious surface (sq. ft.), rates range from \$4.50 - \$6.50
- Mayor wants rate more proportionate with sq. ft. – thinks the 5 tier should pay \$15-\$16 per month, 3 times more than the tier 1
- Kovach wants rates more equitable with sq. ft.
- Mayor – keep tier 3 at \$5.50 and adjust up and/or down – yearly revenue generated approximately \$2.1 - \$2.6 million dollars
  - Impervious surface includes driveway, out buildings, etc. not just the house
- GRU based categories – multi-family, commercial/industrial, agricultural, OU, etc. – total revenue generated approximately \$3.3 million
- Total revenue (less 5%) = \$5,271,352
  - Total fixed costs (+10%) = \$3,243,838
  - Remaining funds = \$2,027,514 – 1/3 of total funding needed
  - \$6 million of needs does not include approximately \$3 million in operating needs
- Figure out what we need to do and then create rate
- Kovach – include debt financing options
- Sturtz – we will include what will enhance services
- Castleberry – see what it costs to “do it right”

Items submitted for the record:

1. Storm Water Master Plan – Storm Water Utility Fees, prepared by Public Works Department

#### CONTINUED REVIEW OF NORMAN UTILITIES AUTHORITY MULTI-YEAR REVENUE PRODUCING CONTRACTS.

- Cell tower leases are majority of contracts
- Kovach – wanted to be aware of what City had – 2015 contracts
  - OU contract renews on November 13<sup>th</sup>
  - Is 90% of commercial rate for potable water still appropriate?
  - Discussion item in the spring

Items submitted for the record:

1. Listing of Norman Municipal Authority and Norman Utilities Authority Multi-Year Revenue Producing Contracts, prepared by Brenda Hall, City Clerk

#### CONTINUED DISCUSSION REGARDING RESTORING FUNDS CUT DURING FYE 14 BUDGET PROCESS

- Mayor – thinks Committee should wait until audit is complete, wait until mid-way of budget year. It is premature to do this.
- Mayor discussed proposal for a high density overlay district Campus Corner and Downtown project Master Plan approximately \$200,000. OU will pay ½ (\$100 thousand) of the cost of the study and provide institutional help. City share will be \$100 thousand.
- Kovach – how does it work with 2030 Plan?
- Mayor – results would be incorporated in 2030 Plan. New applicants for projects in this area, difficult to wait with 2030 Plan update. Could be adopted in spring so projects can move forward.
- Castleberry – agrees it is premature to restore funds. He has concerns with OU participating/commitments in high density project.
- Kovach – look at both OU and restored funds at mid-year review
- Lewis – Audit will be presented at next Finance Committee meeting in November. October 29<sup>th</sup> will be labor discussion with the Council Study Session.
- Castleberry - \$1.2 million under budget last year. Do we really need to restore funds, were there services issues?
- All agree with postponing discussion until more information is available.

Items submitted for the record:

1. Memo from Anthony Francisco to City Council, dated June 6, 2013, FYE 2014 Budget Amendments
2. Detailed Listing of FYE 2014 Budget Cuts by Department/Division, prepared by Suzanne Krohmer, Budget Manager

#### DISCUSSION REGARDING ORDINANCE TO LIMIT EXPENDITURES

- \$25,000 thousand current limit
  - City Code is same as state limit
  - Professional services exempted from competitive bidding in City Code
- Addendums to professional service contracts
  - Wants Council oversight
  - Scope limitations
- Mayor – have City Manager give Council heads up in weekly report
- Kovach – set higher dollar level?
- Kovach – City Manager will give Council information on changes. Policy for administrative approvals – we will work on.

Items submitted for the record:

1. Municipal Code, Section 8-201 through Section 8-205
2. Oklahoma Statutes Citationized, Title 61. Public Buildings and Public Works, Section 103 – Competitive Bidding Required

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS AS OF SEPTEMBER 30, 2013

- Adjusted Budget - includes prior year encumbrances and transfers/appropriations
- Add Original and Adjusted Fund Balance to reports
  - TIF adjustments
  - Water Fund revenue shortages

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, 2013.

SUBMISSION OF THE REPORT ON OPEN POSITIONS

No discussion on Open Positions Report.

Items submitted for the record:

1. City of Norman/Human Resources Department Recruitment and Selection Report dated October 7, 2013

MISCELLANEOUS DISCUSSION

No discussion.

The meeting adjourned at 7:30 pm.

ATTEST:

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City Clerk

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Mayor