

FINANCE COMMITTEE MINUTES
February 11, 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 Study Session Room on the 11th day of February, 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 Castleberry, Heiple, Lang, and Chair Rosenthal

ABSENT: None

OTHERS PRESENT: Lynne Miller, Council Member
 Anthony Francisco, Finance Director
 Suzanne Krohmer, Budget Manager
 Kathryn Walker, City Attorney III
 Shawn O’Leary, Public Works Director
 Scott Sturtz, City Engineer
 Aaron Milligan, Storm Water Pollution Specialist
 Joe Willingham, Storm Water Engineer/Fertilizer
 Ken Komiske, Utilities Director
 Gala Hicks, Human Resources Director
 Harold Heiple, Citizen
 Casey Holcomb, Citizen
 Joy Hampton, Norman Transcript

Member Rosenthal called the meeting to order.

Item 1, being

DISCUSSION AND REVIEW OF OUTSIDE AGENCY REPORTS AND/OR REQUESTS
FROM THE FOLLOWING:

Social and Voluntary Services Commission

\$175,000 in FYE 2016 – asking for same amount for FYE 17

89er Day Parade Committee;

\$5,000 in FYE 2016 – asking for same amount for FYE 17

Veterans Day Parade Committee;

\$400 in FYE 2016 – asking for same amount for FYE 17

Center for Children and Families

\$100,000 in FYE 2016 – asking for same amount in FYE 17

Firehouse Art Center

\$60,000 in FYE 2016 – asking for same amount in FYE 17

Cleveland County Historic Museum

\$30,870 in FYE 2016 – asking for \$32,000 for FYE 17, an increase of \$1,130. Committee did not approve increase. Miller said we should remind them to increase their donor base and raise more funds. Mayor said we need to make the same challenge this year and not entertain an increase in funds. Castleberry wanted to know if they raise funds, will the City match the amount. Mayor said she didn't want to go there because we don't want to get into that battle without all the agencies. Anthony Francisco said \$500 could be added to their FYE 17 Budget but not automatically paid. Lang said he remembered this conversation from last year's meeting. We would like for the organization to be more aggressive in recruiting and fund raising.

Castleberry asked about the utility payment steps that helped with cost-sharing. Those steps were stopped after the second step of 40% of the bill, and is still 40%. The steps are used for the four outside agencies that are housed in City-owned properties.

Sooner Theatre, Inc.

\$65,274 in FYE 2016 – asking for same amount in FYE 17

Aging Services – Kiwanis Kruiser

\$14,500 in FYE 2016 – asking for same amount in FYE 17

Performing Arts Studio

\$3,500 in FYE 2016 – asking for \$7,000 in FYE 17. Mayor said they agree to provide both morning and evening host services seven days a week. Anthony Francisco spoke up as a frequent train passenger to say that the evening service is more important because it is people waiting for an incoming passenger. Coming from Fort Worth, Texas, the train is not always on time. Mayor asked if Committee is in agreement with the Performing Arts Studio providing morning and evening host services. Castleberry asked if that meant contributing \$7,000 for FYE 17. The Mayor said yes. Committee was in agreement.

Norman Economic Development Coalition (NEDC)

\$93,750 in FYE 2016 – asking for \$125,000 for FYE 17.

Cleveland Area Rapid Transit (CART)

\$549,793 in FYE 2016 – asking for \$585,500 for FYE 17. Mayor wanted Douglas Myers to come to the March Finance Committee meeting to answer questions and why the sizable increase request and tell what the additional services are.

Mayor asked if Committee wanted to reconsider request of '89er Day Parade. Lang said he really enjoys the '89er Day Parade. Committee agreed they were fine with level of all the other requests.

1. Outside Agency Requests, FYE 2014 Actual through FYE 17 Requests, prepared by the Finance Department
2. Letter from Diana Hartley and Rev. Pam Normile, Co-Chairs of Social & Voluntary Services Commission, dated February 2, 2016

3. Request from '89er Day Parade Committee, Stephanie Brickman, Co-Chair, dated February 11, 2016
4. Letter from Roger Gallagher, Funding Request for Veterans Day Parade Committee, dated January 26, 2016
5. Center for Children & Families, Inc. Boys & Girls Club of Norman Annual Report and Funding Request, dated February 5, 2016
6. Firehouse Art Center, Inc.'s Annual Report and Funding Request, September 2014 through August 2015
7. Cleveland County Historical Society Report to Finance Committee dated and Funding Request, dated February 5, 2016
8. Sooner Theatre, Inc. Financial Report and Funding Request, prepared February 2016
9. Aging Services – Kiwanis Kruiser Annual Report and Funding Request, dated February 5, 2016
10. Cleveland Area Rapid Transit (CART) Annual Report and Funding Request, dated February 4, 2016

* * * * *

Item 2, being

CONTINUED DISCUSSION REGARDING THE CREATION OF A STORM WATER UTILITY

Shawn O'Leary began presentation with a short history of the creation of a Storm Water Utility for the City of Norman. The conversations began in 2006; the *Storm Water Master Plan* was accepted in November of 2009. Scott Sturtz, City Engineer, will detail the report that is in your packet. Option for rates and tier system are from June 2014 with the baseline cost for a Storm Water Utility. Sturtz discussed what a minimal budget is and how the expense figures were derived. Option 1 (single family tiered), Option 2 (ERU * based categories) and a few more options are included in your packet for discussion.

Scott Sturtz began presentation with Table 1 in your packet is data broken down from the June 2014 Study Session and presented in April and June of 2015 showing projected utility expenses. The expenses shown in FYE 2016 and FYE 2017 are higher than later years but additional employees will need to be hired for the program at that time. We feel we can tweak the numbers in the following years which will bring the expense numbers down. Table 2 (revised in February 2016) shows some minor adjustments but will still allow us to maintain the bottom line totals shown on Table 1. We adjusted other areas such as operation and maintenance to allow us to maintain minimal control while phasing in other programs. The Capital Improvements line was changed to keep the same numbers and to balance out. We can change numbers but our goals for the program do not change, we want to accomplish the needs for the program. O'Leary stated that the \$5.6 million - \$5.8 million in the Storm Water Master Plan adopted in November 2009 is closer what we need to operate the program.

The new level shown is the bare minimum and gets us to an acceptable level. Funds would not be available for large projects like the Summit Lake Dam. But small projects like the flumes in Cambridge 3 addition can be done for approximately \$40,000. This minimum Storm Water

Utility budget amount would provide small project funding only. Castleberry asked how they had arrived at the smaller minimum budget and O'Leary said they lost a year [Table 1 (2016) vs. Table 2 totals].

Mayor asked about the Imhoff Creek project. O'Leary said they would bring back next month at a cost greater than one million dollars. Mayor doesn't think that a \$4.2 million budget is going to solve the issues. We need to have money in the fund so we are prepared for problems. She is uncomfortable with the \$4.2 million figure. Castleberry said we need to establish a Capital Fund for Storm Water and the ongoing maintenance and operations. We need to be able to meet all regulations.

Miller wanted to know if that means another fee on top of bond issue. Castleberry said yes. Mayor said to have some part of this to go to Capital Fund. Minimum is not going to help with large projects needed. She would like to have \$500,000 plus for capital projects for revenue target. O'Leary says needs are multiplying as Homeowners Associations (HOA) don't have enough funding for projects. They call on the City for help, and City has to turn them away for lack of funds. He said we need to start taking care of problems when they are small. As time goes on, they become more expensive projects which create more damage.

O'Leary said the recent floods are the largest in history, creating exponential damage, and the damage is only getting worse. Lang said the minimum dollar amount doesn't adequately solve problems. Mayor asked if it is consensus of the Committee to add more money for projects and include justification for anticipatory projects, too. Castleberry asked about routine maintenance and how do we view it. Do we view it like a General Fund or Capital Fund for compliance with regulations and day-to-day operations would come from the General Fund portion. Mayor said we currently do maintenance in General Fund, right? O'Leary said yes. Mayor said we should ask staff to come back with new expense budgets to include anticipatory projects, and definition of small, medium, and large projects. Castleberry asked what monthly fee it would take to finance a \$60 million bond. Sturtz said operation and maintenance would take a new crew to take care of problems before they happen and do yearly detention and inspection – preventive vs. reactive measures.

O'Leary detailed the 4 Options:

Option 1 Storm Water Utility – Multi-tiered single family residential/equivalent residential unit (ERU) and for non-single family as presented in June 2014 – Original single family ERU multi-tiered rate structure includes 7 tiers ranging from \$3.50 to \$15.00 per month. Also looked at non-residential - \$6.00 per 3,600 sq. ft. ERU. Miscellaneous category is for unknown use: churches and schools go into commercial. Projected revenue from single family residential based on \$6/3,600 sq. ft. ERU is \$2,648,755; and projected revenue from non-single family based on \$6/3,600 sq. ft. ERU is \$3,386,416.

Option 2 – Multi-tiered based on total number of billing address as submitted by Council Member Castleberry, January 14, 2014 - Castleberry asked if this is based on billing addresses. Billing addresses and commercial/industrial parcels of land with proposed rates of \$5 to \$80 a month. Projected revenue of \$4.9 million.

Option 3 – Based on total number of parcels, proposed by staff February 11, 2016 – Major difference is multi-family issue. Rates range from \$5 to \$80 a month. Small is up to 2,900 ERU; Medium is 2,900 to 4,100 ERU; and Large is 4,101 ERU. Projected revenue is \$5.2 million.

Mayor wants to see distribution of our properties, best guess of largest. Sturtz said there are residential parcels as large as 200,000 sq. ft. Mayor wants to know average in the largest tier. O’Leary said approximately 8% of residential in Tier 7 (81,000 and up ERU). For example, Sooner Fashion Mall is one parcel and there’s an un-named well-known bank downtown that has four parcels so bank would pay four times more than the mall. Mayor wants to know the largest commercial property, too. Sturtz said Lloyd Noble arena is approximately 4,000,000 sq. ft. He said we took out OUs parcels like Option 3. Castleberry wants average on all three tiers. Heiple said OU has 160 parcels. O’Leary said the University is exempt from our storm water regulations. Castleberry asked where major shopping centers fall.

Option 4 – Multi-tiered based on impervious area of parcels, proposed by staff February 11, 2016 – Based on ERU of parcels rates from a \$5/SWU rate to \$80/SWU rate. Total projected revenue is \$4.28 million.

Castleberry said all 4 options generate what we need to cover costs. Mayor said Option 4 doesn’t seem fair, it’s small versus large businesses or 0 to 68,000 sq. ft. ERU. For instance, the Gray Owl pays the same as a 68,000 sq. ft. parcel and it doesn’t seem fair. Let’s look at some variations there. Mayor wants to see variations on Option 4. Show proportionate revenues on the far end such as smallest third are 40%; want to see more 30% in 3 – 4 tiers. Knowing averages will help. Castleberry asked why we charge commercial customers more for water and sanitation. Mayor is uncomfortable with small businesses starting at \$50 per month and the maximum at \$150 to \$200. O’Leary asked if they would be comfortable with residential paying \$5 to \$9 per month. Mayor wants a 4th tier at approximately \$12 per month. Castleberry wanted to see where we are with revenues if it is \$10 a month.

Miller said it has to appear fair and generate enough revenue. Lang says we have to be able to answer questions about why we need to have the rate. Miller says answer is to comply with regulations – Phase II and TMDL. Castleberry says we should be able to drive anywhere in Norman without roads being closed due to flooding.

Mayor asked about Norman Public Schools and churches, those are non-profits that contribute to storm water run-off but should they be charged commercial rates. Mayor says we will get push-back if they are in commercial category. O’Leary said City of Houston exempted churches, it’s a common struggle. Mayor says we need to look at rates very closely, for those non-profits. Sturtz said J.D. McCarty Center, Norman Hospitals, and Norman Veterans Center all have to be considered. Castleberry said we don’t want to hurt Norman Public Schools.

Joy Hampton said the original 7 tiers based on impervious services seemed fairer. Under Option 4, I would pay \$5 and Bob Stoops would pay \$9. I should not be paying less than half. It doesn’t look fair. What was wrong with 7 tiers?

Mayor says there will be a problem with complexity and putting the information on fliers. Harold Heiple said 7 tiers will not help with those that comply with storm water drainage. We are creating a utility to help pay for storm water drainage services. It's not infrastructure, it's important that the goal is to provide services for everyone's benefit from flooding. We are continuing to look at options.

Items submitted for the record:

1. Memo from Shawn O'Leary, Director of Public Works, to Council Finance Committee dated February 9, 2016, Storm Water Utility Rate Discussion
2. Table 1, Storm Water Utility Expenses from the June 2014 Study Session, prepared by Public Works Department
3. Table 2, Storm Water Utility Expenses, Revised February 11, 2016, prepared by Public Works Department
4. Table 3, Storm Water Utility Rates, OPTION 3 – Multi-Tiered Option Based on Number of Parcels, February 11, 2016, prepared by Public Works Department
5. Table 4, Storm Water Utility Rates, OPTION 4 – Multi-Tiered Option Based on Impervious Area of Parcels, February 11, 2016, prepared by Public Works Department
6. OPTION 1 – Storm Water Utility, Single Family Tiered, June 2014, prepared by Public Works Department
7. OPTION 1 – Storm Water Utility, ERU * Based Categories, June 2014, prepared by Public Works Department
8. Councilmember Castleberry's SWU Proposed Budget – 3 Tier Plan

* * * * *

Item 3, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR JANUARY 2016

Lang said there are rumors with oil & gas layoffs about taking a look at the number of people with loss of jobs and take this under consideration. Francisco said yes, we factor in macro-economic conditions in our projections. Castleberry is concerned about December Sales Tax collections and he thinks it will be worse than it looks. Miller says the number of online shoppers has multiplied. Mayor asked if we have a sense of when a recovery period might be, or is it totally unknown. Francisco said Norman is much less tied to oil & gas than Oklahoma City. We lag in State trends, if OU's budget is being cut, they will have fewer professors. We have to look at macro level and factor those in. Projections based in history. It's an educated guess. Mayor said University is offering voluntary retirement plan. Lang says it looks gloomy. Castleberry asked what about the rate of growth and how it's looking for budget. Francisco said it's an educated guess. Mayor says our revenue projections are better than City of Moore.

Items submitted for the record:

1. Summary of Major Funds-General; Capital; Westwood; Water; Water Reclamation; Sewer Maintenance; New Development Excise; Sewer Sales Tax; Sanitation Fund; and Norman Forward Sales Tax Fund Revenue Sources vs. Budget, Financial Reports for January 2016

Item 4, being

SUBMISSION OF THE REPORT ON OPEN POSITIONS

No discussion,

Items submitted for the record:

1. Position Vacancy Report dated February 5, 2016

* * * * *

Item 5, being:

MISCELLANEOUS COMMENTS

No comments.

* * * * *

The meeting adjourned at 6:28 p.m.

ATTEST:

City Clerk

Mayor