

FINANCE COMMITTEE MINUTES
February 12, 2015

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 12th day of February, 2015, 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
Steve Lewis, City Manager
Anthony Francisco, Finance Director
Suzanne Krohmer, Budget Manager
Ken Komiske, Utilities Director
Shawn O'Leary, Public Works Director
Jeff Bryant, City Attorney
Rick Smith, Municipal Finance Services, Inc.
John Wolf, Municipal Finance Services, Inc.
Allan Brooks, The Public Finance Law Group, LLC
Nate Ellis, The Public Finance Law Group, LLC
Joy Hampton, Norman Transcript
Bobby Stevens, citizen

Item 1, being

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

Mayor pointed out the spreadsheet showing what City had given to the various outside agencies for the last several years. City Manager said agencies were asked about their long-term sustainability. Lang wanted to know how the City has handled these requests in the past. Francisco said the money came from the General Fund. Many of the agencies have fundraising events but Cleveland County Historical House does not.

Historical Museum – Mayor said we need to send the same message to them to have more fundraising. Heiple agrees. Lang said he doesn't want to see it hurt, it's beautiful. The City doesn't want to fund on-going expenses, just one-time capital expenses. It was mentioned that they have had a recent turnover in leadership, too. City Manager says they have been encouraged to do financial planning. Castleberry suggested no increase at this time; Cleveland County doesn't fund them at all. Miller said it is important that the City fund the society.

CART & Aging Services Kiwanis Kruiser – Mayor says CART and Kiwanis operate differently even though they both provide transportation services. Kiwanis does door-to-door transportation for the elderly and CART ACCESS does door-to-door transportation for people with disabilities.

Mayor wants to see clarity on bus passes put in place not part of SVSC and CART before we make decision. Francisco said they have a different clientele. Mayor wants to know if SVSC does a low income determination on people they serve. Francisco said we will find out more detail.

SVSC – Castleberry said Variety Care increase is for unmet medical needs for children. All non-profits are listed under Guidestart.org. There's a listing for all non-profits and Variety Care of Oklahoma shows net income of \$10.6 million and \$16 million in contributions. Mayor said they take Medicaid/Medicare and 3rd party payments. Heiple said the health care industry is living off co-pays. Castleberry said they don't need our money. They can find \$2,000. I'm not saying don't fund it all. Mayor wants Committee to look at big picture of what all SVSC does. They do site visits, etc. and do detail assessments of the agencies that ask for their help. Do we want to close the gap between their requests? Let's not second guess what SVSC does support for the \$20,000 requested. Heiple agrees with Mayor. Castleberry says we don't know where the money is going. I don't have a problem with increasing budget and since we had a surplus carryover, then I think we can afford it. Variety Care is not as dependent on us as others are. Miller says it is prudent for non-profits to have reserves. Consensus of the Committee is to approve SVSC for \$175,000 for FYE 16.

Aging Services – Kiwanis Kruiser – requested an increase of \$1,500 for FYE 16. Francisco said there are 80,000 plus miles on the Kruiser and it's becoming very expensive to maintain. The lift needs to be repaired and it's better for Kiwanis to make repairs rather than the Fleet maintenance personnel. Consensus to approve \$1,500 increase.

Performing Arts – are requesting a \$2,500 increase for FYE 16. With current funds, they can provide morning services for train passengers but not evening services. Services consist of opening the facility in the morning, providing coffee and lights. Consensus to deny request based on evening services not being required by passengers in the evening.

CART – is requesting an increase of \$50,000 for operating costs and \$5,000 for the CDBG Bus Pass program for low-to-moderate income Norman residents to supplement their bus fare. Mayor said until there is a regional authority, we will have to look at this annually. Heiple suggested that CART put more stops in the University North Park area, more convenient stops. We need to make UNP a little more walkable/accessible for people. Mayor said to present request to CART at Transportation Committee meeting. Heiple also wanted to ask CART about Uber since it could impact them. Castleberry would like for all outside agencies asking for funding to turn in tax and financial statements with their request next year.

Items submitted for the record:

1. Outside Agency Requests: Aging Services – Kiwanis Kruiser, Center for Children and Families, Cleveland County Historic Museum, 89er Day Parade Committee, Firehouse Art Center, Performing Arts Studio, Social and Voluntary Services Commission, Sooner Theatre, Veterans Day Parade Committee, and CART

Item 2, being

DISCUSSION REGARDING REFUNDING THE REMAINING PORTIONS OF THE 2003, 2005, AND 2006 UTILITY REVENUE BONDS

Anthony Francisco made presentation. He discussed refunding portions of City Revenue Bonds. Cleveland County and Norman Hospital are refinancing their bonds. The interest rates are good right now and the Norman Utilities Authority can save some interest costs by refinancing its outstanding bond issues. Staff is recommending refinancing the following outstanding Norman Utility Authority Bonds: 2003 Sewer Refunding Bonds, with remaining principal of \$1,600,000, maturing 11-1-16; 2005 Sewer Refunding Bonds, with remaining principal of \$1,315,000, maturing 11-1-19; and 2006 Water Revenue Bonds, with remaining principal of \$14,390,000, maturing 12-1-26. There is quite a bit of money outstanding, we can roll all three bonds together for more savings and clean up language in bond indenture which will remove bond insurance requirements for AAA insurance. We estimate savings of \$679,000 over life of bond. Heiple asked about interest rate on bonds in question. Francisco said its 4 – 5% and we will probably get a rate of 2.3 – 2.4%.

Allan Brooks said focus is cleaning up language of documents showing insurance and reserve requirement which at one time was an industry practice. If we can restructure document, we should for future use. Some day when we would use your base legal document, it could be a problem in future transactions. We don't have a commitment for the \$679,000 savings; it could be higher or could be lower. We are asking for guidance from the Finance Committee to go out and look for purchasers. We are looking at 11-year maturity bonds.

Allan Brooks said current document language says you have a reserve. A bond holder could say fund the reserve or declare default. Francisco says Trustees act on behalf of bond holders. Rick Smith said we have received phone calls from institutional investors wanting to know what the NUA will do. We have been monitoring the interest rates knowing we wanted to fix this situation. Allan Brooks said if we try to issue new debt, we will have to fix this situation. Castleberry wanted to know if City will get better rates in the future. John Wolf said it's an arbitrage issue to take that piece out (reserve requirement). Allan Brooks said document as worded now, every bond issue needs a reserve. If we have to restructure in the future, we might have to pay millions. Heiple said we don't have to have the reserve requirement with AAA Surety Bond.

Rick Smith said we would like to send out formal bid packets tomorrow to banks. This information can be ready for the February 24th Council meeting. Heiple asked Jeff Bryant if there are any issues. Bryant said he didn't see any issues. Heiple asked if there was no downside to this. Bryant said I'm not a bond counselor, refer to these gentlemen. In response to questions about whether the general public would be able to invest in the bonds, Rick Smith said that large banks or other institutional investors will be purchasing the bonds, but then would re-offer them to other investors and language in the bid documents encourages the sale of bonds to local investors.

Items submitted for the record:

1. Memo from Anthony Francisco, Finance Director dated February 10, 2015 to Trustees of the Norman Utilities Authority, Honorable Mayor and Council Members, Bond Refinancing of Outstanding NUA Revenue Bonds

Item 3, being:

DISCUSSION REGARDING THE NEXT ISSUANCE OF THE 2012 GENERAL OBLIGATION (G.O.) BONDS FOR TRANSPORTATION PROJECTS

Castleberry asked if the bond issuance could be handled in such a way as to give citizens an opportunity to purchase some of the bonds. Francisco said yes, the wording is always there in the papers and the legal notice.

Anthony Francisco made presentation. We first sold about half of the authorized bonds. We didn't sell all because we wouldn't be ready to finish the projects within the three years of issuance required by the Internal Revenue Service for tax-exempt bonds. This item is to authorize next issue of 2012 bond issue for street projects and includes the Lindsey Street widening project. Mayor asked if this was the \$22.5 million. Francisco said yes, this will be publicly offered and contain language mentioned earlier by Rick Smith. Mayor wanted to know if he was proposing that the NORMAN FORWARD projects be included. Francisco said no, and those projects aren't approved yet. He stated that the citizens authorized the issuance of \$11.250 million to pay for the renovation of the Municipal Complex. The language is very specific as to what projects the funds can be used for. Mayor said the City needs to move forward and asked the staff to prepare the resolutions we need.

Items submitted for the record:

1. Memo from Anthony Francisco, Finance Director dated February 10, 2015 to Trustees of the Norman Utilities Authority, Honorable Mayor and Council Members, Bond Refinancing of Outstanding NUA Revenue Bonds

Item 4, being

DISCUSSION REGARDING A FUTURE G.O. BOND TRANSPORTATION PACKAGE FOR STREETS

Francisco said the Street Resurfacing Bonds of 2010 are maturing and asked if Committee would like to move forward with a voter referendum to renew this issue for next 5 years with another list of street projects. Shawn O'Leary said 2005 issue was \$10 million; 2010 was \$19 million and sold in 2 pieces. Mayor says it's an advantage to roll over with no property tax increase to citizens. Steve Lewis asked what City needs to do to keep same low tax levy rate. Rick Smith said this would be for approximately 20% more than the 2010 issue due to increase in property valuation. Mayor said City needs to prepare list of projects and move forward. Steve Lewis said we need to do this no later than summer of 2016. Mayor said the bonds expire

in September 2015, don't we need to do before then. Francisco said June 2015 is when the tax rolls off.

Rick Smith said there will be a small dip in property tax because two bonds will roll off, but issue of two new bonds will keep levy level. He asked when do we need election to avoid a tax increase. Allan Brooks said no later than the February 2016 election, the earlier the better.

Proposed Funding of PSST Critical Capital Needs – The Finance Committee talked about the timing of the School Resource Officers hiring and purchase of fire ladder truck at the mid-year budget retreat during the January meeting. Advancement of timing on the SRO hiring and truck purchase changed our projections for the down payment needed. He asked if the Committee wants to do a financing that includes the platform ladder fire truck. If yes, that can be done according to PSST Ordinance language. He asked if the Committee wanted one financing package for the truck, radio system, and new EOC. We will have a better estimate of the cost of the radio system soon. Miller wanted to know how quickly we have to buy the truck after financing. Francisco said we will have to use all proceeds within three years. The EOC and radio system will take at least a year to complete. Mayor said put it all in one financing issue. Lang wanted to know if we do it now do we take advantage of very low rates. Mayor asked if a 12-year financing period is acceptable. Castleberry wanted to know if City can purchase the fire truck out of Capital Fund and reimburse with bond proceeds. Francisco said yes, although you will have tied up \$1 million in Capital Funds. Allan Brooks said this will be a bank financing. Castleberry asked if City can do this before PSST II takes effect October 1, 2015. Mayor said she didn't see any reason to wait. Asked staff to separate financing from PSST and bring back in March sometime.

Items submitted for the record:

1. Memo from Anthony Francisco, Finance Director dated February 10, 2015 to Trustees of the Norman Utilities Authority, Honorable Mayor and Council Members, Bond Refinancing of Outstanding NUA Revenue Bonds

Item 5, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR JANUARY 2015.

General Fund revenue is right on target. We will continue to monitor the expenditure side. We have settlement with almost all bargaining units and we hope to not have to use emergency reserve this year. We have some positive impact because of lower fuel costs this fiscal year that has helped. Fuel tax – state shared motor fuel taxes on per gallon basis. Castleberry asked about overtime usage, are we doing better. Suzanne Krohmer tracks city-wide and she said we are on a stable course, no better or no worse.

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 January 31, 2015.

Item 6, being

SUBMISSION OF THE REPORT ON OPEN POSITIONS

City Manager said at the mid-year budget review, it was decided to move forward with hiring of Admin Tech at Animal Welfare and we are currently interviewing applicants. Bill Ulch, Parks & Recreation Superintendent, recently retired after 30 years' service to the City of Norman, and we are moving forward with that recruitment.

Items submitted for the record:

1. Position Vacancy Report, dated February 7, 2015

Item 7, being:

MISCELLANEOUS COMMENTS

No discussion.

The meeting adjourned at 6:37 p.m.

ATTEST:

City Clerk

Mayor