

FINANCE COMMITTEE MINUTES
June 21, 2018

The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 8:30 am in the Municipal Building Executive Conference Room on the 21st day of June, 2018, 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: Chair Castleberry, Members Allison, Bierman, and Wilson

ABSENT: none

OTHERS PRESENT: Mayor Lynne Miller
Bill Hickman, City Council Member
Brenda Hall, City Clerk
Ken Komiske, Director of Utilities
Shawn O'Leary, Director of Public Works
Terry Floyd, Development Coordinator
Steve Lewis, City Manager
Anthony Francisco, Director of Finance
Clint Mercer, Chief Accountant
Jeff Bryant, City Attorney
Ann Cole, BKD
Joel Haaser, BKD
Roger Gallagher, citizen

Item 1, being:

SUBMISSION OF PRE-AUDIT REPORT FROM BKD, LLC

Joel Haaser stated that work begins on the audit July 23rd, field work happens in October, and then we issue the completed audit by the end of November. There are four accounting principles that are changing for this year that the City will have to adopt. Governmental Accounting Standards Board, Pronouncement Number 75 (GASB 75) will be in effect which will cause a big liability on the books this year. Three other minor principles will come into effect, but those should not affect the City's books. The other principle that could affect the City is around tax exempt debt. GASB 87 is coming out and will probably have the most impact within the next few years. This will be effective 2020 or 2021.

Anthony Francisco stated that he wanted everyone to understand that the City of Norman has much less of a liability for post-employment benefits because we were very foresighted in changing our plan from a pension system to a retirement system back in 1990.

City Council Member Hickman asked if BKD has a recommendation of a carry-over that the City should have in its fund balance relative to the overall size of the budget. Haaser stated that the GFOA states that you should have 1-2 months of your operations in reserve as a rule-of-thumb. However, a lot of cities are now trying to keep 5-10% as a carry-over. Francisco stated that our Council adopted policy is to have 8% in reserve; however, the total targeted General Fund plus Rainy Day Fund is 9.5% in reserve.

Item 1, continued:

Items submitted for the record:

1. Pre-Audit Report to the Finance Committee and City Council by BKD

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Item 2, being:

DISCUSSION REGARDING A LONG TERM STRATEGIC FINANCIAL PLAN

Francisco stated that we did a lot of research on other cities and counties and their strategic plans. Council would like us to have a more focused strategic plan, so we would like to have some more direction on exactly what you would like to see in the strategic plan. Oklahoma City hires an outside firm to look at their forecasts and criticize.

Member Wilson stated that the budget status report was the most immediately important thing to her because she does not understand how change orders fall within the budget. Member Bierman stated that it would help to have additional paperwork with change orders that show the cumulative effect of what we have budgeted for so we can tell what the expenditures mean.

Chair Castleberry stated that if we have to take money for change orders out of a contingency, he does not care about that because it was budgeted for. He only cares, and would like additional information on, when we have to dip into savings to cover something because it was not budgeted for.

City Council Member Hickman stated that he would like a report that shows monthly how much money has been spent out of each account along with a percentage that has been spent. Francisco stated that we do provide that information every month at the Finance Committee meetings and then that is also provided at the City Council meetings. Hickman also stated that he would like a report that tells him monthly exactly how much has been spent out of the General Fund. Chair Castleberry showed City Council Member Hickman where the reports are in the packet that he is requesting, but did state that this is more of a summary and is not very detailed. He would like to work on these reports and make them more detailed. Francisco stated that the fund balance picture is only presented on an accrual basis once the audit is done after the end of the fiscal year. The actuarial report is done only once a year. There are always things that accrue at the end of the year that are not reflected on the monthly reports. He stated that Chair Castleberry asked him to put together a report about where the City will be at the end of the year on a cash basis for the General Fund. This is included in your packets. We believe that the City will finish out the fiscal year right at \$1 million short of what was budgeted for the General Fund; however, we did have the appropriation money from the UNP TIF Fund that was moved to the General Fund. Taking everything in the report into account, we believe we will end this fiscal year with a net positive \$3,410,000.

Chair Castleberry and Member Wilson would like to have a significant conversation monthly about how to move forward with the budget planning in the Finance Committee in order to take their recommendations to the City Council Study Sessions every 90 days.

Item 2, continued:

Member Allison asked if there were any end of the year payouts for people who have retired. Francisco stated that there will be payout accruals when we close the books at the end of August but on the “cash” basis there is not.

City Council Member Hickman wants to think of ideas to generate more revenue for the City.

Chair Castleberry stated that he thinks this Committee should give staff some definite direction on services provided by the City, such as how to collect unpaid water revenue. He also stated that he would like to get to zero based budgeting. Member Wilson suggested that we commit to doing zero based budgeting for a while as long as they are trying to determine the correct direction for the long term financial plan. Francisco stated that he will always take the time to thoroughly explain anything that any of the Council Members ask him about.

Mayor Miller stated that we already get all of the information that is being requested at the meeting today. She understands that sometimes the information is not easy to understand, but it is part of their job to learn how to interpret the information. She also thinks that we could include the City Manager and the department heads in serious discussions about how to cut costs and increase revenue.

City Council Member Hickman stated that we cannot continue to keep doing what we have been doing with the budget. Things have changed in the world and there is a new Council. We need to re-evaluate all things, including those that have already been evaluated in the past. We need to have these serious discussions, but those discussions also need to actually result in Council action.

Member Allison stated that everyone wants an easier way to read the information provided by staff. He suggests that at the Council retreat everyone decides on a compromised metric in which the information will be presented in the future. He believes that a Council “dashboard” would be an excellent tool for this data as well. He also suggests that we talk to some of the staff further down the line than the department heads and managers to find suggestions on cuts and new revenue.

Member Bierman stated that a summary of the things that have been tried in the past to make cuts and produce new revenue would be a great help in moving forward with new ideas.

Items submitted for the record:

1. Long Term Strategic Financial Plan Framework

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Item 3, being:

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS

Chair Castleberry stated that revenues are declining if compared to the budget, but they are not declining if compared to the previous fiscal year. The Norman Forward project is actually 1.8% above budget and 5.7% above the previous year. He asked why the TIF apportionment is down so

Item 3, continued:

much. Francisco stated that this is primarily due to the Average Annualized Growth Rate adjustment. This resulted in the apportionment rate of sales tax to the UNP TIF Fund being only 50% this year instead of 60% like last year. Chair Castleberry asked if we should go back and revise the budget for the UNP TIF Fund. Francisco stated that we could but we do not necessarily need to because this is a Capital Fund; project expenditures are very manageable. Chair Castleberry suggests that we look at adjusting the budget for the UNP TIF Fund.

Items submitted for the record:

1. Summary of Major Fund Revenue Sources vs. Budget FYE 2018 as of May 31, 2018
2. Summary of Major Fund Expenditures vs. Budget FYE 2018 as of May 31, 2018
3. Appropriations from Fund Balance FY18
4. General Fund Transfers over \$50,000 between Expenditure Categories FYE 18 May 2018
5. Norman Forward Sales Tax Financial Reports

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Item 4, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Francisco stated that we are at a hard freeze for a lot of positions in the General Fund by City Manager direction.

Items submitted for the record:

1. City of Norman Position Vacancy Report dated 6/6/18

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Item 5, being:

MISCELLANEOUS COMMENTS

Mayor Miller stated that the Norman Business Condition report was published. According to the report, most every business stated they are currently having a hard time finding employees.

The meeting adjourned at 10:05 am.

ATTEST:

City Clerk

Mayor