

FINANCE COMMITTEE MINUTES
November 20, 2014

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 20th day of November, 2014, 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
 Dan Quinn, Council member
 Steve Lewis, City Manager
 Anthony Francisco, Finance Director
 Suzanne Krohmer, Budget Manager
 Clint Mercer, Chief Accountant
 Joel Haaser, BKD, Inc., Manager, Tulsa Office
 Roosmarijn Tarhule-Lips, BKD, Inc., Senior Auditor
 Gala Hicks, Human Resources Director
 Terry Floyd, Development Coordinator
 Jeff Bryant, City Attorney
 Kathryn Walker, Assistant City Attorney III
 Mark Daniels, Utilities Engineer
 Harold Heiple, citizen
 Roger Gallagher, citizen
 Casey Holcomb, citizen

PRESENTATION BY BKD, LLC, ON THE FYE 2014 AUDIT AND COMPREHENSIVE ANNUAL FINANCIAL REPORT

Joel Haaser made presentation. He said BKD is in the wrap-up mode now with the FYE 2014 audit, going through the final review. Review process – local and independent review. No significant findings in the Single Audit. There were several deficiencies but not any are significant and we are not required to report to the federal government.

GASB 68 – Pension issue becomes effective next year. We have received guidance/white papers on new pension requirements. It will have minimal impact to City, but going to change financially with big liability we haven't seen before. Reporting of Police and Fire pensions will be different.

Castleberry – Budget to Actual - \$4.8 million under budget. What are the reasons why we are under budget - gasoline, concrete prices?

Francisco – Emergency Reserve is the biggest amount; under spending in fuel and asphalt; small amount in salary and benefits; and revenue slightly below budget. City Manager's reserve is \$1.8 million dollars, 2% of total expenditures, to be used in emergency situations. Most of the storm cleanup, City spent about \$300,000 from the emergency reserve, savings of \$1.5 million dollars. On page 91 it shows net income for Norman Utilities Authority of \$2.7 million dollars. Almost always capital projects show under spending of projects. City budgeted money for Water Treatment Plant expansion but put it off because rate increase didn't occur. It's mostly a timing difference. Capital contributions of \$2.3 million dollars are from developers donating the pipe to the City after they have put in the line. City maintains the pipe after project is complete.

Castleberry – Once audit is accepted by Council, then we will have mid-year adjustments.

Mayor – Preliminary discussion will be at the next Finance Committee regarding mid-year adjustments.

Lewis – Animal Welfare discussion at next meeting.

Items submitted for the record:

1. Draft of the FYE 2014 Comprehensive Annual Financial Report prepared by Finance Department

Item 2, being:

DISCUSSION REGARDING THE REQUEST FOR PROPOSAL RELATED TO THE ANALYSIS OF WASTEWATER EXCISE TAX/CITY CONNECTION FEES

Terry Floyd passed out scope of work handout and timeline for getting full report, and made presentation. In December Request for Proposal (RFP) in regard to analysis of Wastewater Excise Tax/City Connection Fee will be advertised. Staff estimates a budget of \$60,000 and anticipates a 60-90 day timeline for completion of the analysis. In February of 2015, City Council plans to award contract for analysis. Maybe in late May or early June City will receive final report.

G Heiple – What is cost of consultant?

Floyd – City budgeted \$60,000 for this project.

G Heiple - \$60,000.

Floyd – I've seen some studies as high as over \$100,000.

Mayor – The firms are very specialized.

Castleberry – Will these firms be finance, legal?

Floyd – We want a firm with a good track record. Firms in Texas and firms that specialize in these specialized reports.

Lewis – We are looking for firms with engineers, economists, and finance expertise.

G Heiple – Last time we had an expert they said we needed more grocery stores.

Mayor – Some see our fees too low, some see it too high.

Castleberry – This will be an independent firm.

G Heiple – How many checks are we going to write for opinions?

Mayor – It's important to have a third party, an independent analysis.

Lewis – City has a multi-year campaign for water system improvement, and major capital projects are coming up.

Mayor – Oklahoma Statutes require us to get costs right instead of using just any numbers.

Castleberry – Jeff, will you discuss the statute and purpose?

Bryant – Title 62 passed in 2011 and focuses on any development fees that are charged to cover new development. Has to create reasonable nexus between costs and projects needed by City.

Castleberry – Make sure there is a relation between fees City charges and costs to be covered.

Bryant – 25% or \$3,000,000 million dollars – report should validate the study costs.

Lang – Asked question about having consultants do studies and not doing what they recommend. Perception is studies are put on shelf and there is no decision process after study is done. We need to make sure everybody understands that decisions are made by the study findings. These firms have the expertise to help City justify rates and help with financial options.

G Heiple - How much is budgeted for consulting fees on an ongoing basis?

Mayor – Study will be paid out of Utility Fund, not General Fund.

Castleberry – Who will be on selection committee?

Lewis – Some citizens are involved on some selection committees. It varies according to topic of study.

Floyd – RFP will help determine selection process, too.

Lewis - Result will be a contract that will be brought to Council.

Mayor – We want to dispel perception of studies sitting on shelves. I think this is an important step.

Francisco - On the impact fee, I don't believe there was a study done. \$850 fee was determined internally.

Mayor – What is the next step?

Lewis – Next step is we will present a contract to Council.

Items submitted for the record:

1. Memo to City Council Finance Committee from Terry Floyd, Development Coordinator, Anthony Francisco, Finance Director, and Ken Komiske, Utilities Director, Request for Proposal (RFP) Related to Analysis of Wastewater Excise Tax/City Connection Fees dated November 14, 2014.

Item 3, being

DISCUSSION REGARDING FYE 2016 BUDGET CALENDAR

For February Committee, only the outside agencies that have requested a budget increase will be invited to meeting. Agencies with no increase request will not need to come to meeting. Castleberry suggested committee might want ask any new agencies to the meeting. Lang said any major changes should be made earlier so as not to burden staff.

Items submitted for the record:

1. Preliminary Budget Calendar – Fiscal Year Ending 2016 prepared by Suzanne Krohmer, Budget Manager

Item 4, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR NOVEMBER 2014

Castleberry – The TIF Sales Tax projections show 33% percent higher, right.

Mayor – Investment revenues have increased.

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 October 31, 2014.

Item 5, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Mayor asked about the call-taker position being on hold. Hicks said that position is a permanent part-time one, not a Communications Officer.

Items submitted for the record:

1. Position Vacancy Report, dated November 3, 2014

Item 6, being:

MISCELLANEOUS COMMENTS

Castleberry – Wanted to know if City should have concerns

Francisco – General Fund, assuming we have no emergency expenditures, we should be just fine. Negotiations with the unions are still pending but we should be ok. Water revenues are down due to a wet summer and I do not think they will come back. Other utilities should be ok.

Miller - If water rate increase passes, what is the next step?

Francisco – The new rate will go into effect in March. Computer programs will be reprogrammed.

Castleberry - Lag of time passes and go to bond buyers, take proposals.

Francisco – More based on capital projects schedule. It will take approximately 6 months for final design.

Daniels – It will be more like 12 months.

The meeting adjourned at 5:55 p.m.

ATTEST:

City Clerk

Mayor