

## CITY COUNCIL STUDY SESSION MINUTES

September 4, 2018

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a study session at 5:00 p.m. in the Municipal Building Conference Room on the 4th day of September, 2018, and notice and agenda of the meeting were posted at the Municipal Building at 201 West Gray and the Norman Public Library at 225 North Webster 48 hours prior to the beginning of the meeting.

### PRESENT:

Councilmembers Bierman, Castleberry, Clark, Hickman, Holman, Scott, Wilson, Mayor Miller

### ABSENT:

Councilmember Carter

Item 1, being:

### DISCUSSION REGARDING CLEVELAND AREA RAPID TRANSIT (CART) FUNDING FOR TRANSPORTATION SERVICES.

Ms. Kathryn Walker, Assistant City Attorney, said in 1978, the City contracted with the Central Oklahoma Transportation and Parking Authority (COTPA) to operate a six bus three radial route transportation system. She said the contract expired on June 30, 1979, due to poor ridership. In September 1980, the University of Oklahoma (OU) started the Campus Area Rapid Transit (CART) System with two trolley replica busses, five school busses, and one handicap accessible van. This system was totally funded by the University with the hopes that interest would increase and partnership opportunities for expanded service would arise. In September 1985, the City of Norman adopted Resolution R-8384-42 to allow CART to expand to non-University related services and qualify for federal funds. At that time, the bus service name was changed to Cleveland Area Rapid Transit. CART now transports more than one million passengers annually and has expanded to seven routes and added a weekday commuter route, the Sooner Express, and CARTaccess, a paratransit service for the elderly, disabled, and those unable to ride the fixed route system.

In August, OU notified the City they may have to eliminate two services if they did not receive additional funding from the City to cover operating loss. Their proposals included eliminating Saturday service and CARTaccess Zone 2. CARTaccess is CART's origin-to destination transportation service for individuals who are unable to use the regularly scheduled CART bus routes due to a disability. CARTaccess features lift-equipped vans and generally operates the same hours as the fixed route service.

OU and City Staff met to discuss other options and although CARTaccess in Zone 2 is one of the least cost-effective services with low ridership numbers and long driving distances, OU and the City recognize the service is important to the disabled community. Another option is to continue CARTaccess Zone 2 service and change the Main Street and Alameda 30-minute service to one hour frequency. Up until five years ago, these routes operated on a one-hour frequency and changing that frequency back to one hour would save around \$150,000. CART has expressed a willingness to consider other options including additional funding from the City for particular services and/or reduction of other services. Because OU receives Federal Transportation Authority (FTA) funding, any changes to routes and services requires a thirty day notification for a public meeting to discuss changes.

Item 1, continued:

Ms. Walker said in current discussions, OU stated that beyond the current fiscal year, they no longer desire to provide city bus service. She said OU currently provides the bus service and the City provides for a portion of the services, which is pretty unique when looking at other university communities. In most communities, the city provides the service or another provider offers the service and the university will pay that provider for services on campus only. She said OU's goal is to transfer the City's portion of bus service to another operator by the end of this fiscal year. There are a lot of issues that need to be worked through, but because CART receives FTA funding they are restricted on where they can transfer the federally funded assets, such as busses and other facilities that have been paid for by 80% federal money. She said the FTA will need to discuss how those facilities can be transferred and what, if anything, OU would have to pay for assets they want to keep and what the recipient of those assets would have to pay to obtain those assets.

Ms. Walker said funds for campus and non-campus operations total \$4,505,000. She said total transit expenses in FYE 2018 exceeded funding by \$352,000 and OU projects expenses will exceed available funding by more than \$240,000 in FYE 2019. She said using OU's projections, the operational costs in FYE 2018 for non-campus bus service is \$3,691,243. She said whatever entity operates the transit system will have a potential operational shortfall based on these projections.

Ms. Walker said Mr. Shawn O'Leary, Director of Public Works, is talking with the Oklahoma Department of Transportation (ODOT) representatives regarding transfer issues because they are very familiar with FTA requirements. She said the City will need to discuss where to obtain the revenue to acquire the busses and facilities (that 20% portion that OU funds). The City can explore whether COTPA, operating under the name of Embark, is interested in providing city bus service. She said the City may want to engage a consultant to assist in the consideration because there will be a pretty technical analysis when reviewing how federal funds can be used and operations and facilities can be transferred as well as potentially taking on an entire bus system for the community. She said Staff would like feedback from Council on what direction they would like to take.

Mayor Miller said in this process, Council needs to keep in the mind the Regional Transit Authority (RTA) discussions because if the City is going to enter into a RTA that could impact the bus service.

Councilmember Holman felt the best option would be to contract with Embark to operate the bus system. He said Norman could become part of an integrated metro bus system, which might be an easier transition when the RTA comes to fruition.

Councilmember Hickman asked if the \$3.6 million is a true figure for operating expenses because it seems as if OU is spending a lot of money on non-University transit and Ms. Walker said it is her understanding that figure is for operations only. Councilmember Hickman asked if the City would have to basically write a check to obtain some of the assets and Ms. Walker said it is possible.

Councilmember Castleberry said if OU wants to keep busses for their use, the City may be looking at buying new busses and Ms. Walker said OU indicated they would like to retain twelve busses for campus operations.

Item 1, continued:

Councilmember Bierman asked the estimated value for the uncompensated services the City provides to OU, such as fire service, police service on home football game days, etc. What value are they receiving for City services they are not paying for? Mr. Steve Lewis, City Manager, said there is cost sharing for OU football game day services that was negotiated years ago, but he has never seen a figure pegged to Fire Department or other emergency services provided by the City. Councilmember Holman asked if OU pays anything for fire service and Mr. Anthony Francisco, Director of Finance, said no, just as other citizens in Norman do not pay for a fire calls OU is comprised of Norman citizens. Councilmember Bierman said City sales tax dollars pay for fire service for OU.

Councilmember Castleberry asked if Embark is structured as a public trust and, if so, is that something Norman could model. Ms. Walker said the City could use Embark's model or create its own trust authority. She said Embark operates as a trust where the City of Oklahoma City (OKC) appoints the trustees and their Councilmembers do not serve on the trust. Councilmember Castleberry said if Norman sets up a similar trust, would that give the City the ability to issue bonds and debt and Mr. Francisco said yes. Councilmember Wilson asked if that could be combined with parking and Mr. Francisco said yes, the model is transportation and parking. Councilmember Wilson said the City has been discussing a parking authority so could that be combined to offset transit expenses and Ms. Walker said parking revenue alone may not be enough to offset operating loss on the transit side, but that is something the City can consider.

Councilmember Hickman asked if there have been conversations with Cleveland County because if the RTA happens, the City of Moore may have transit stops. Is there some economy of scale of having conversations with Cleveland County and Moore? He said when the RTA comes to fruition and there are transit stops in Moore and Norman then the integration of transportation services might be easier whether that is with COTPA or Cleveland County. He said there will be fixed overhead costs for staffing and if those costs can be managed by acquiring partners, it seems there would be economies of scale that would warrant that conversation.

Councilmember Wilson asked if Norman requires an on-street parking permit, do students pay to park on the city streets around campus? Mr. O'Leary said that option has been discussed, but those discussions were more focused on building parking structures and/or parking lots to capture revenue. He said there are parking meters around Campus Corner and metered parking in the Gray Street parking lot that brings in revenue, but the City does not currently require a permit for on-street parking. Mayor Miller said there have been discussions regarding multiple family units and those units possibly paying a fee for on-street parking.

Councilmember Holman said if the City assumed bus operations, the Sooner Express may not be a part of the system anymore since that route mainly transports OU students/faculty to and from OKC and OKC does not provide funding for that service. The social security express to Moore is an important route even though its ridership is low it is an important service and Moore does not provide funding for that service. He said a lot of OU students ride the non-campus routes so whatever system is decided on will still include OU Campus and there are many residents who are employees of OU that ride the bus to campus.

Item 1, continued:

Mr. O'Leary said the FTA is represented by ODOT's Transit Division and he spoke with the Director of that division who said the \$1.7 million federal funding CART receives have a lot of rules and regulations attached to it so whether the City, Embark, or another entity operates the system, ODOT would determine whether that entity would receive funds or be able to transfer assets. The ODOT Director said the process will be a very federally and state regulated transfer process and cautioned the City to go slow, make careful decisions, and invite ODOT to the table during discussions.

Councilmember Castleberry said in RTA discussions, the committee is looking at sales tax as a funding mechanism, but RTA is focusing on light rail service and he does not believe a sales tax will pass in Norman for rail service because it will not accommodate all of Norman. He said in a year or two Norman will be looking at a one-half cent future sales tax for light rail in addition to the bus service so the City needs to coordinate these items; however, the timing is not going to work if OU wants to end their operation of the system by next year. Mr. Francisco said the sales tax proposal suggested by RTA would be by precinct so it is possible that if Moore does not want to participate in rail service they would not have transit stop so they would not have transit service.

Mayor Miller asked if a rail system could create a more robust bus system where citizens from all over Norman could have transportation to the rail station(s). She said there is also the subject of automated vehicles and if automated vehicles could possibly transport citizens to the rail station(s).

Councilmember Wilson said Ward Five could have some spurs for transportation if the City had a RTA revenue stream so it is important for the City to set the bus system transfer up in a way that will integrate well with the rail system, which will take some wisdom.

Councilmember Holman said there are multiple studies regarding ride share and automated vehicles not solving traffic congestion problems. He said ride share and automated vehicles still puts vehicles on the road and does not solve the problem of cars on the streets. He said it is very important to have a metropolitan wide bus system, specifically in Norman. He said the RTA is all about having multiple forms of transportation, not just light rail. He said a light rail system does not work well if there is not an efficient bus system. His biggest concern right now is the continuation of bus service because a lot of citizens in Norman rely on that system and even a short interruption in service would be extremely impactful to the community. He said thinking about having an entirely new bus system operation in place by August 2019, is overwhelming and Councilmember Castleberry said the City will just have to work with OU and let them know that one year is not a feasible timeline to transfer service and assets as well as working through federal funding issues.

Councilmember Bierman wants to make sure the City does not give OU too big of a pass on this because 55% of the bus fare is paid with an OU student identification cards. If you look at the ridership numbers, the vast majority of riders are people going from their home to OU and from OU to their home. She said this bus system is something students rely on and make up the majority share of the ridership so for OU to throw the burden on the City is not reflective of who is actually relying on CART. She agrees with Councilmember Holman that there should not be a disruption in service, but she does not want the burden to be placed entirely on the City. While she wants to help OU figure this out she does not want them to simply wash their hands of this and say it's the City's problem to solve because it is both entity's problem to solve and she is worried the City is shifting a little too much into how the City will solve the problem. Mayor Miller said the conversation with OU has been more reflective of solving the problem and working together and the City has not agreed to anything at this point.



Item 1, continued:

Mayor Miller said Staff needs direction and she feels it is important to keep CARTaccess Zone 2 and continue to negotiate with OU.

Councilmember Holman said the City does not have a location for a main bus hub so that is something to think about. He said he used to ride the Main Street route when it was one hour and it was inconvenient, but keeping service is more important and of all the options the Main Street/Alameda Street route is the least harmful and saves money.

Councilmember Scott asked if CART provides access to OU's OKC Campus? Mr. Francisco said the Sooner Express travels down I-35 to Downtown OKC to Lincoln Boulevard to 13th Street (Robert M. Bird Health Sciences Library) to the State Capitol and back to I-35 to Norman.

Councilmember Bierman asked what changes OU has proposed and have they found any inefficiencies they can work on. Ms. Walker said OU has indicated they have made some cuts on routes, but she did not know the details on that. Councilmember Bierman would like to know what cuts OU is making to alleviate the funding problems because it seems like they just threw this in the City's lap to come up with a solution. Councilmember Bierman does not want the City to be the only "bad guy" deciding which routes to cut or services to increase because this is not just the City's problem so the City should not be the only one coming up with solutions.

Councilmember Hickman said the City has been discussing transportation bonds and wondered if transportation bonds could be used to construct a bus hub and purchase busses and Mr. O'Leary said bond funds are generally used for capital assets and investments so the operational expense would be the problem. Mr. O'Leary said the FTA can withdraw federal funding if the City does not meet their standards so the City needs to make sure it is meeting the federal requirements in terms of providing a transit service first and build assets around that. Mayor Miller said the bond issues will be on the ballot early next year so it would be hard to add something without knowing the amount needed, but she is all for doing whatever is needed to make the transportation system stronger, but there are already so many transportation issues within the City that are already lined up.

Councilmember Holman said one project in the transportation bond proposal is a \$28 million railroad grade separation, which may or may not be needed now or anytime soon. He said that \$28 million could be used to build a really nice bus hub facility in Norman.

Mayor Miller said tonight Council has discussed services they want to keep, services/routes that could be changed; wanting information on efficiencies OU is reviewing, trying to negotiate the best deal possible, and keeping as many services as possible until August 2019, as well as requesting OU extend that deadline.

Items submitted for the record

1. Memorandum dated August 31, 2018, from Kathryn Walker, Assistant Attorney, Shawn O'Leary, Director of Public Works, and Anthony Francisco, Director of Finance, to Steve Lewis, City Manager, with Attachment A, CART Route Map; Attachment 2, CARTaccess Service Area; Attachment 3, CART Funding from City; Attachment 4, Ridership Data; and Attachment 5, CART Operations Cost Analysis
2. PowerPoint presentation entitled, "Cleveland Area Rapid Transit Funding," prepared by Kathryn Walker, Assistant City Attorney

Item 2, being:

**DISCUSSION REGARDING RE-APPORTIONMENT OF UNIVERSITY NORTH PARK TAX INCREMENT FINANCE DISTRICT SALES TAX OPTIONS.**

Mr. Francisco said at the August 15, 2018, Council Finance Committee meeting, discussion was held related to the possible change of sales tax apportionment rate for the University North Park Tax Increment Finance (UNPTIF) District. The current methods of apportionment of sales and property taxes to the UNPTIF Fund were established in the UNPTIF Project Plan in Ordinance O-0506-66 adopted on May 23, 2006. By this methodology, 60% of the general purpose sales tax generated within the UNP development is deposited to the UNPTIF Fund and 40% is deposited to the General Fund (GF) and Capital Fund (CF). This amount is adjusted by transfer adjustments and by the Average Annualized Growth Rate Factor. After these adjustments, \$4,000,783 was apportioned to the UNPTIF Fund in FYE 2018 and approximately \$25,081,627 in authorized project costs remains outstanding. The outstanding Norman Tax Increment Finance Authority (NTIFA) apportionment notes will be paid off by September 1, 2018, and after this indebtedness is paid off Council will have more flexibility to decide whether to propose changes to the UNPTIF sales tax apportionment rate or make other changes to the Project Plan. Approximately \$10,718,201 will remain on hand to pay for authorized UNPTIF project expenses after the notes are paid off.

Mr. Francisco highlighted authorizations versus expenditures as follows:

| CATEGORY OF AUTHORIZATION  | AMOUNT OF AUTHORIZATION | EXPENDITURE TO DATE | REMAINING AUTHORIZATION |
|----------------------------|-------------------------|---------------------|-------------------------|
| Traffic/Roadway            | \$11,550,000            | \$11,120,848        | \$ 429,152              |
| Rock Creek Overpass*       | \$ 5,212,000            | \$ 5,142,323        | \$ 69,677               |
| Legacy Park/Art/Landscape* | \$10,963,000            | \$ 8,155,849        | \$ 2,807,151            |
| Initial Project Activities | \$ 1,750,000            | \$ 1,050,287        | \$ 699,713              |
| Cultural Facility          | \$ 8,750,000            | \$ 0.00             | \$ 8,750,000            |
| Lifestyle Center Costs     | \$ 8,250,000            | \$ 0.00             | \$ 8,250,000            |
| Economic Development Costs | \$ 8,250,000            | \$ 4,174,066        | \$ 4,075,934            |
| TOTAL                      | \$54,725,000            | \$29,643,373        | \$25,081,627            |

\* The majority of remaining authorized Rock Creek Overpass funding was transferred to the Legacy Park Project.

Mr. Francisco said the Finance Committee discussions centered on the impact of the continued sales tax apportionment on the City's GF; the market feasibility and desirability for the completion of the remaining authorized UNPTIF projects; the legal commitments or obligations of the City and the UNP developers to finish certain authorized UNPTIF projects; the impact of ending the property tax apportionment on Norman Public Schools (NPS) and other property taxing jurisdictions participating in the UNPTIF; the method of sales tax apportionment – fixed amount or percentage of collections; and the amount of time that would be required to generate sufficient funds to pay for the remaining authorized UNPTIF projects based on varying project authorization and apportionment rates.

Item 2, continued:

Based on above discussed factors, Staff prepared ten possible options for the future of the UNPTIF sales tax apportionment that include doing nothing and maintaining remaining project authorizations and tax apportionment methods; maintaining remaining project authorizations, but reducing sales tax apportionment rate to five percent (5%); maintaining remaining project authorizations, but reducing sales tax apportionment rate to ten percent (10%); maintaining project authorizations, but reducing sales tax apportionment to a fixed dollar amount; eliminating the Lifestyle Center costs project; eliminating the Cultural Center project costs; eliminating authorization for both the Cultural Center and Lifestyle Center project cost; ending the UNPTIF by eliminating project authorizations to an amount less than the apportioned tax funds on hand; proceeding with Council recommendation to utilize authorized Cultural Center finding for a Senior Citizen Center within the UNP Project Area; or expanding UNPTIF authorization by adding an additional project for a Senior Citizen's Center. Mr. Francisco the last two options were not discussed by the Finance Committee, but Staff added them as possible options. He said Staff is looking for feedback on which option or combination of options Council would like more detail on.

Mr. Francisco highlighted each option as follows:

Option 1 – Do Nothing

- Current sales and property tax apportionment methods remain in place;
- Current project authorizations and funding levels remain in place;
- Remaining authorized projects would be funded in about two and one half years;
- Apportionment could end at that point with no unmet City obligations;
- Authorized projects can proceed on pay as you go (PAYGO) basis;
- NPS lose multiplier benefit when property tax apportionment ends in two and one half years;
- City's GF and CF would receive full apportionment of sales tax in two and one half years; and
- Property taxing jurisdiction would receive full apportionment of property tax in two and one half years.

Councilmember Hickman said if the City chooses Option 1, to do nothing, and collects the funds, but the developer does not construct the Lifestyle Center then the City does not have to pay the \$8,250,000. How will those funds be reapportioned? Could the money be returned to the taxing jurisdictions and GF? Mr. Francisco said it has always been envisioned the money would be used for an authorized project, such as transportation improvements or enhancements to Legacy Park, but what happens to that money is up to Council to decide. Mr. Jeff Bryant, City Attorney, said neither the Project Plan nor Development Agreement addresses the issue of not completing authorized projects. He said this would need to be discussed with the ad valorem taxing partners, but certainly if there is a similar project consistent with what the City is trying to achieve in the UNPTIF there would be a good argument for the use of that money. He said there would certainly be an equity argument to say it should be returned on a pro-rata basis. He said if a project, such as the entertainment district, is not going to be done the Statutory Review Committee would need to review that and make a recommendation on what to do with that money, but Council would make the final decision. If the recommendation from the Statutory Review Committee is not something Council wants to do then it would require a super majority vote to pass any other proposal.

Mayor Miller said the Lifestyle Center has a lot of contractual issues, but the Cultural Center does not, correct? Mr. Francisco said that is correct.

Item 2, continued:

Option 2 – Reduce Sales Tax Apportionment Rate to Five Percent

- Current project authorization and funding levels remain in place;
- Sales tax apportionment rate to UNPTIF Fund amended from 60% to 5% with no transfer adjustments or Average Annualized Growth Rate adjustments;
- Property tax apportionment rate remains 50/50%;
- Approximately \$3,600,000 per year in additional sales tax would be apportioned to the GF and CF instead of the UNPTIF;
- Some authorized projects may be slowed down unless debt is issued to up-front the cost of paying for them while future tax apportionment revenues become available;
- Developer obligations and non-performance penalties remain in place; and
- NPS lose multiplier benefit when property tax apportionment ends in ten years.

Option 3 – Reduce Sales Tax Apportionment Rate to Ten Percent

- Sales tax apportionment rate to UNPTIF amended from 60% to 10% with no transfer adjustments or Average Annualized Growth Rate adjustments;
- Property tax apportionment rate remains 50/50%;
- Approximately \$3,200,000 per year in additional sales tax would be apportioned to the GF and CF instead of the UNPTIF;
- Some authorized projects may be slowed down unless debt is issued to up-front the cost of paying for them while future tax apportionment revenues become available;
- Developer obligations and non-performance penalties remain in place; and
- NPS lose multiplier benefit when property tax apportionment ends in ten years.

Councilmember Wilson said if the City reduced the sales tax to five or ten percent and a viable Lifestyle Center proposal came forward and the City had to issue debt then how would that debt be paid and Mr. Francisco said through NTIFA.

Councilmember Hickman said under Options 2, 3, and 4 it is proposed the sales tax go back to the GF and CF so has there been discussion about what those funds would be spent on or what the budgetary plan for use of those fund would be? He is concerned that taking action of these options in the short-term could have negative impact on the Stormwater Utility (SWU) vote because if the City deposits \$3.6 million into the GF, it seems only logical that the community will question why the City would need a SWU when they have this new infusion of funds that could be used for stormwater issues. Mr. Francisco said the GF is currently spending more money than it is taking in each year so he would suggest this new money to get the GF back to square zero. He said in the long-term the GF will be declining on an annual basis and this money slows that rate of decline and the City needs to improve the status of the GF so this is one step towards that goal. Councilmember Hickman said this needs to be coupled with education on why the City needs a SWU.

Mayor Miller said it is the Council's job to make sure that they are educating the public about the City's financial status because the City needs the SWU and needs to do something about the UNPTIF whether that is ending it, expanding it, or changing it. She said the GF is not keeping up with inflation nor can the City cannot add one more person to Staff and the City needs more people on Staff. She said under the Public Safety Sales Tax (PSST) the biggest expenses are employees and PSST expenses may have to be absorbed into the GF in order to purchase equipment or supplies.



Item 2, continued:

Councilmember Wilson said it is important to be good stewards of City funds, but the amount the City is currently apportioning is not being good stewards. She said it is difficult to talk to people in the community about building a Lifestyle or Cultural Center when the City has not taken care of its crumbling infrastructure. She said beyond educating the public, Council should make sound financial decisions and, personally, she would end the UNPTIF although she is sympathetic to NPS.

Councilmember Castleberry said the City cut \$600,000 from the FYE 2019 Budget to alleviate the current \$2 million deficit. He said the City can do nothing new and can only maintain the current level of service so Options 2, 3, or 4 would put money into the GF while still helping NPS. He said the City needs to have discussions with the other taxing jurisdiction for their input although NPS has already stated they do not support ending the UNPTIF. He will not cast a vote that negatively impacts NPS.

Councilmember Scott agrees with Councilmember Hickman regarding the SWU and the community's perception on why the SWU would still be needed. She said there needs to be a clear understanding that even though this money is going into the GF, it is not for stormwater maintenance needs. The SWU should be completely separate because of its ongoing annual needs.

Councilmember Hickman said the Stormwater Committee is currently detailing what the SWU will be spent on because people want to know what they are paying for and how much it will cost. He thinks if Council chooses Option 2, 3, or 4, which will put more money back into the GF through reallocation, the City needs to be prepared to tell the community what that money is going to be spent on. He said it is not realistic to think Council can educate thousands of voters in the community so he would like to have a list of employee positions or service expansions needed. He would also like some of that money to go towards economic development in the community. Mayor Miller agreed there needs to be a list of things the money will be used for, such as more funding for the bus system.

Councilmember Castleberry said in August, the Finance Committee listed \$2.4 million in proposed budget cuts so the City could use the money to prevent these cuts.

Councilmember Scott asked when any changes would begin to take place and Mayor Miller said if Council decides to change the allocation or take out the Lifestyle Center it would require reconvening the Statutory Review Committee to look at Council's proposals and make recommendations on those proposals. Mr. Francisco said the minimum timeline would be 90 days.

#### Option 4 – Reduce Sales Tax Apportionment Rate to a Fixed Annual Dollar Amount

- Current project authorizations and funding levels remain in place;
- Sales tax apportionment rate to UNPTIF amended from 60% to a fixed annual dollar amount to be determined by Council with no transfer adjustments or Average Annualized Growth Rate adjustments;
- Property tax apportionment rate remains 50/50%;
- Amount of sales tax apportionment would not grow as UNP retail sales grow;
- Additional sales tax would be apportioned to the GF and CF depending on the fixed amount apportioned in the UNPTIF Fund;
- Depending on the amount apportioned annually, some authorized projects may be slowed down unless debt is issued to up-front the cost of paying for them while future tax apportionment revenues become available;
- Developer obligations and non-performance penalties remain in place; and
- NPS lose multiplier benefit when property tax apportionment ends in ten years.

Item 2, continued:

Option 5 – Eliminate Lifestyle Center Project

- Current sales and property tax apportionment methods remain in place;
- Reduction in UNPTIF projects authorization of \$8,250,000;
- Total remaining UNPTIF project authorization would be approximately \$16,831,627;
- Reduced ability to complete the UNP regional draw center objective;
- Required re-negotiation of some contractual obligations for City consideration of incentives and developer non-performance penalties;
- NPS lose multiplier benefit when property tax apportionment ends in one year;
- City's GF and CF would receive full apportionment of sales tax in one year; and
- Property tax jurisdictions would receive full apportionment of property tax in one year.

Mr. Francisco said it was always envisioned that the economic development portion of the UNPTIF would outlive the TIF. He said the Business Improvement District (BID) would also continue after the end of the TIF for continued maintenance of Legacy Park. If Council eliminates the Lifestyle Center and someone comes along with a great idea for a regional draw retail project, the money would not be set aside for funding that project; however, there are other funding options that include taking money out of the CF to build infrastructure or entering into a contractual agreement for a sales tax rebate of the sales tax generated by a project.

Mr. Bryant said there are two parts to the development agreement, a carrot part and a stick part. The carrot part was the \$8.25 million, which is the incentive money so if the Lifestyle Center is done then the developer could potentially receive the \$8.25 million as the carrot. The stick part is the penalties because the Lifestyle Center has to meet a certain level of retail to avoid paying the penalties that are tied to the frontage road extension in the amount of \$2.4 million and Legacy Park construction in the amount of \$5.9 million. The developer only has to pay the penalty if they do not achieve at least 250,000 square feet of retail space in the Lifestyle Center area before the TIF ends.

Councilmember Bierman asked the definition of retail and Mr. Bryant said it used to vary from \$150 to \$175 per square foot, but in the most recent development agreement the City increased the performance criteria so it currently varies from \$300 to \$400 per square foot. He said the retail business has to be a regional draw type store, cannot be within a 21 mile radius of the same business, or locates from outside of Norman.

Option 6 – Eliminate Cultural Center Project

- Current sales and property tax apportionment methods remain in place;
- Reduction in UNPTIF projects authorization of \$8,750,000;
- Total remaining UNPTIF project authorization would be approximately \$16,831,627;
- Reduced ability to complete the UNP regional draw cultural facility objective;
- NPS lose multiplier benefit when property tax apportionment ends in nine months;
- City's GF and CF would receive full apportionment of sales tax in nine months; and
- Property tax jurisdictions would receive full apportionment of property tax in nine months.

Item 2, continued:

Option 7 – Eliminate Lifestyle Center and Cultural Center Projects

- Reduction in UNPTIF authorization of \$17,000,000;
- Sales and property tax apportionment could be repealed;
- Total remaining UNPTIF project authorization would be approximately \$8,081,627 (sufficient cash on-hand to pay for authorized projects);
- Reduced ability to complete the UNP regional raw retail center and cultural facility objectives; inability to pay for Senior Citizen's Center with UNPTIF funds;
- Require re-negotiation of some contractual obligations for City consideration of incentives and developer non-performance penalties;
- NPS lose multiplier benefit when property tax apportionment ends;
- City's GF and CF would receive full apportionment of sales tax when sales tax apportionment ends; and
- Property taxing jurisdictions would receive full apportionment of property tax when property tax apportionment ends.

Option 8 – End the UNPTIF by Other Means

- Consider elimination or reduction of different and/or additional authorized projects to make full project funding available from cash already on hand;
- Consideration of consequences of project reduction or eliminations;
- NPS lose multiplier benefit when property tax apportionment ends;
- City's GF and CF would receive full apportionment of sales tax when sales tax apportionment ends; and
- Property taxing jurisdictions would receive full apportionment of property tax when property tax apportionment ends.

Councilmember Holman said instead of reducing sales tax by five or ten percent, why not reduce sales tax to zero and allow NPS and other taxing jurisdiction to continue receiving their apportionment of the TIF. Councilmember Castleberry said that is an option, but NPS will never agree to that because if the City pulls out, they will pull out. Councilmember Holman said NPS may argue that they want to keep the apportionment coming in and Councilmember Castleberry said he did not see that happening and the other taxing jurisdictions may decide to pull out of the Center City TIF (CCTIF) if the City does that. Councilmember Hickman was not opposed to zero sales tax because the City would be doing that to the benefit of the taxing partners as opposed to ending the UNPTIF early.

Mayor Miller said there are real advantages in that the City can do something to help the GF in the next few months. There is also an advantage in not getting into a protracted contractual discussion with the developers on the Lifestyle Center. It seems advantageous to at least keeping the UNPTIF open for a few more years without a whole lot of disadvantages to the taxing partners.

Option 9 – Use Cultural Center Project Authorization for Senior Citizens Center in UNP Project Area

- Implement Council recommendation to use \$8,750,000 in Cultural Facility authorization for Senior Citizen's Center in the UNP Project Area;
- Current sales tax and property tax apportionment methods remain in place;
- Current project authorization and funding levels in place;
- Remaining authorized projects would be funded in two and one half years;
- Apportionment could end at that point with no unmet City obligations;
- Authorized projects can proceed on PAYGO basis;
- Developer's obligations remain in place;

Item 2 continued:

Option 9 – Use Cultural Center Project Authorization for Senior Citizens Center in UNP Project Area continued:

- NPS lose multiplier benefit when property tax apportionment ends in two and one half years;
- City's GF and CF would receive full apportionment of sales in in two and one half years; and
- Property taxing jurisdictions would receive full apportionment of property tax in two and one half years.

Councilmember Wilson asked if the tax could be lowered and the Senior Citizen Center be included and Mr. Francisco said yes, that would combine Options 2 through 4 with Option 9. Councilmember Castleberry said the Senior Citizen Center would be outside of the UNPTIF Project Area and the taxing partners would not benefit so they would not have the desire to build anything that is not in the project area. He said a Senior Citizen Center could be built instead of a Lifestyle Center as long as it is constructed within the UPNTIF Project Area. He said the Statutory Review Committee reviewed the Council's request to use Cultural Facility funds for a Senior Citizen Center, but they did not believe a Senior Citizen Center would qualify as a Cultural Facility; however, they did recommend adding a Senior Citizen Center to the development agreement instead.

Councilmember Hickman said there are a lot of details to work out before Council moves forward on this issue. The options involving the Senior Citizen Center are important to him, but he is still hoping to move forward with the purchase of Griffin Park land and using those funds to build a Senior Citizen Center. If that happens then his opinion about some of the options might change because he may be more willing to remove the Cultural Facility and work with NPS to give them more financial stability and flexibility than they currently have with UNPTIF funds. He did not understand why this item is on the agenda tonight. Mayor Miller said it is on the agenda because the Finance Committee made recommendations to help the GF. Councilmember Castleberry said these options will help balance the budget.

Councilmember Holman felt Council should address this in a month or two because Council should have more information about the purchase of Griffin Park and Northbase land lease. Mayor Miller felt Council would have that information within the next month and could bring this item back then.

Option 10 – Expand UNPTIF Authorization for Senior Center Project

- Proceed with Statutory Review Committee recommendation to add approximately \$8,750,000 in additional project authorization to UNPTIF Project Plan for a Senior Citizen's Center in the UNP Project Area (total TIF authorization would increase to \$63,475,000);
- Current sales and property tax apportionment methods remain in place;
- Remaining project authorizations and funding levels remain in place;
- All authorized projects would be funded in four years;
- Apportionment could end at that point with no unmet City obligations;
- Debt financing of some authorized projects may be required;
- Developer's obligations remain in place;
- NPS lose multiplier benefit when property tax apportionment ends in four years;
- City's GF and CF would receive full apportionment of sales in four years; and
- Property taxing jurisdictions would receive full apportionment of property tax in four years.

Councilmember Hickman said a lot of his constituents do not even know what a Cultural Center is and why the City is collecting money to fund it, but a Senior Citizens Center would kind of validate collecting the funds.



Item 2, continued:

Councilmember Hickman would like to revisit this item in thirty to sixty days and would also like to take that time to meet with the Chamber of Commerce, Visit Norman, and hold a public meeting to determine what a Cultural Facility should look like and how that should function. He said if a Cultural Facility is not the direction to go then the City needs to discuss what that money would be used for. Mr. Bryant said in the development agreement the Cultural Center has a deadline of 2026.

Mr. Francisco asked if Council's direction is Option 1 at this time and Mayor Miller said that is correct, Council is not ready to make a decision on the other options yet. She said Council revisit it within sixty days.

Items submitted for the record

1. Memorandum dated August 30, 2018, from Anthony Francisco, NTIFA Treasurer/Finance Director, to Honorable Trustees of the Norman Tax Increment Finance District and Honorable Mayor and City Councilmembers
2. PowerPoint presentation entitled, "City Council Study Session University North Park Tax Increment Finance District Sales Tax Re-Appportionment Options," dated September 4, 2018

\* \* \* \* \*

The meeting was adjourned at 7:56 p.m.

ATTEST:

---

City Clerk

---

Mayor