

FINANCE COMMITTEE MINUTES

April 18, 2019

The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 4:00 pm in the Municipal Building Executive Conference Room on the 18th day of April, 2019, 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 Bierman, and Wilson

ABSENT: Member Joe Carter

OTHERS PRESENT: Mayor Lynne Miller
Stephen Tyler Holman, City Council Member
Alexandra Scott, City Council Member
Mary Rupp, Interim City Manager
Anthony Francisco, Director of Finance
Gala Hicks, Director of Human Resources
Kim Coffman, Budget Manager
Kathryn Walker, Interim City Attorney
Terry Floyd, Development Coordinator
Shawn O'Leary, Director of Public Works
Frank Crawford, Crawford and Associates
Casey Vinyard, citizen
Erica Millar, Chamber of Commerce
William Murray, citizen
Sean Rieger, citizen
Stephen Ellis, citizen
Cynthia Rogers, citizen
Melody Ball, citizen

Item 1, being:

PRESENTATION BY FRANK CRAWFORD, CRAWFORD AND ASSOCIATES, OF THE PERFORMETER FINANCIAL STATEMENT ANALYSIS FOR THE CITY OF NORMAN FOR FYE 2018

Frank Crawford gave the presentation. He stated that the Performeter was designed for small-town Oklahoma. It is a model/scale that reduces the information down into a simple format on a city's financial health. Norman scored in the 6 range, which is (6-7 range) what most towns in Oklahoma are scoring this fiscal year. 2015 was a good year for Norman, 2017 was a bad year, but 2018 was a great year. There are about 17 or 18 factors to consider, and all of those factors taken together give Norman about a 6.8 on the scale for this fiscal year. The General Fund should have about 10% of its funds in "unassigned" accounts. Norman has about 18.7% in this category, which is good. Life Left in Capital Assets is a benchmark, and Norman is about right in the middle. We have about half-life left in our capital assets. This is a little bit better than a "satisfactory" ratio. Benefits after retirement are a benchmark as well. Norman offers to allow retirees to stay

on the medical plan, but they must pay the premiums; however, this is not an age-adjusted premium, it is a blended premium. This makes it look like we have an \$11 million liability because Norman pays these benefits after retirement as we go along instead of budgeting for them in the future. Almost all of governments score badly on this ratio. Norman has 66% equity, which is well above satisfactory. Cash flow is another benchmark. We like to see a government have \$2 for every \$1 of current assets. Norman currently has \$5 for every \$1 of current assets, which give us a 10 on this ratio. Norman's Financial Position scored 5.8 out of 10. This has improved over the last 5 fiscal years. Norman's net worth has gone up over the last 5 years. The intergenerational equity is over 100% for all 5 years. This is exactly what we want to see. Utility services generate 118% performance, which means for every dollar we spend in services we receive \$1.18 in fees.

Member Wilson asked if the 5% franchise fee was voted on by the people or just an administrative decision. Anthony Francisco stated that this was just an administrative decision.

Crawford stated that Norman rates a 10 in debt service coverage. Sales tax collection is a huge performance ratio, which Norman scores an 8.7 for the fiscal year. Revenue dispersion is a big reason that Norman's score is lower than a 7. We do not have the ability to raise utility rates without a vote, which means we have no control over 80-90% of our revenue streams. This causes us to score poorly on this ratio. Debt service expenditures scores a little above a 5, which is satisfactory. Bonded debt per capita is about a 6, which is above satisfactory. Property taxes per capita rate low on the ratio, but they are on the rise, which is what you want to see. For sustainability, we rate 4.5 out of 10. We need to get this up to the 5 range. All of these ratios are in the normal to good range, except the revenue dispersion benchmark. We know of no other community in the state, and definitely no other community of our size, that does not have control over its revenue streams.

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Item 2, being:

DISCUSSION REGARDING ALTERNATIVE REVENUE OPTIONS FOR THE CITY OF NORMAN

Francisco stated that Council Member Scott requested that staff investigate other revenue options for the City, including a local corporate income tax. Council Member Scott stated that cuts to services are not what we should be looking at to fix our budget issues. She stated that sales tax is extremely regressive and the burden falls disproportionately onto the backs of lower income individuals. If we have a local income tax of 2.5%, that would generate \$61 million per year with the cutoff line being households that make \$35,000+ a year. In order to take the burden off our citizens, we wanted to look at a corporate income tax that targets the larger corporations in Norman.

Chair Castleberry asked Kathryn Walker about the legality of a local corporate tax. Walker stated that none of the larger corporations are considered residents of Norman since they do not have their headquarters in Norman. This would mean that they would be unaffected by the tax and we would instead be taxing local small businesses. Member Bierman stated that this is the largest red flag on something like a corporate tax for her. The small businesses are already at a disadvantage

to the large corporations, and this would not help but hurt. Francisco stated that one of the critiques he had to Councilman Scott's paper she wrote on the subject was the difficulty in enforcing corporate profits.

Member Wilson stated that she would be afraid this would cause businesses to shy away from headquartering in Norman.

City Council Member Holman stated that he appreciates that Council Member Scott is thinking of other revenue options because Norman has a unique problem due to the utility provisions.

Council Member Scott stated that economic development and growth cannot happen without ways to increase our revenue in order to invest in Norman. Chair Castleberry stated that he believes a corporate income tax would generate no additional revenue because there are so many ways to get around these things. Council Member Scott stated that she believes there are businesses here that are willing to invest in the community.

Mayor Miller stated that she appreciates people bringing new ideas to the table; however, even if we could do a local corporate income tax we would not be able to implement it with the larger corporations that we would like to target.

Interim City Manager Rupp stated that most additional revenue ideas are not new and she remembers ideas being discussed decades ago just like these.

City Council Member Scott stated that since she could not get support from her fellow council members, she would probably not get support for the idea in the community. She stated she would like to change the discussion to a local municipal income tax. This was the subject of her original school paper. She stated that we could exempt households below \$35,000 per year and that other states do this. If we exempt those households, Norman could raise \$61 million per year in revenue. We would be able to lower the sales tax. Chair Castleberry stated that we would then be able to completely do away with our sales tax. Scott stated we should not completely do away with it, but an income tax is much more stable than sales tax. At a 2.5% flat rate, Norman would generate the \$61 million. Chair Castleberry stated that this was regressive, and Scott stated that she is open to ideas on the rates. Kathryn Walker stated that any tax would have to be voted on by the citizens. Chair Castleberry stated that we could not even get Norman citizens to pass a \$6 stormwater tax. He has no desire to look at any idea that proposes a new tax.

City Council Member Holman stated that a gasoline tax to fund public transit services would make sense. Walker stated that it would have to go to a vote, but it is legal.

All of the other City Council Members stated that they were either not interested in a municipal income tax, or thought the voters would not be interested.

Mayor Miller stated that we could look into raising our business license fees. Member Wilson stated that she would be behind this as a business owner. Member Bierman would like staff to run numbers on a possible gas tax.

Item 3, being:

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS

No discussion at this time.

Items submitted for the record:

1. Summary of Major Fund Revenue Sources vs. Budget FYE 2019 as of March 31, 2019
2. Summary of Major Fund Expenditures vs. Budget FYE 2019 as of March 31, 2019
3. Appropriations from Fund Balance FY19
4. General Fund Transfers over \$50,000 between Expenditure Categories FYE 19 March 2019
5. Norman Forward Sales Tax Financial Reports

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Item 4, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Gala Hicks stated we are currently interviewing candidates for both the fire and police academies.

Items submitted for the record:

1. City of Norman Position Vacancy Report dated 4/10/19

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Item 5, being:

MISCELLANEOUS COMMENTS

None at this time.

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ATTEST:

City Clerk

Mayor