CITY COUNCIL STUDY SESSION MINUTES

August 5, 2014

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a study session at 5:30 p.m. in the Municipal Building Conference Room on the 5th day of August, 2014, 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 Greg Heiple, Robert Castleberry, Greg Jungman, Lynne Miller, Jerry Lang, Stephen Holman, and Mayor Pro Tem Chad Williams
ABSENT:	Councilmember Clint Williams and Mayor Rosenthal

Mayor Pro Tem Chad Williams said Item 3 will precede items 1 and 2.

Item 3, being:

PRESENTATION BY THE RETAIL COACH, L.L.C., CONSULTANT HIRED TO PERFORM THE NORMAN RETAIL MARKET ANALYSIS.

Mr. Steve Lewis, City Manager, said Oklahoma is one of the states in this country that is sales tax dependent, which is a volatile revenue source in the county as well. He said in essence, Oklahoma has a hard time forecasting budgets. He said the State budget is a three legged stool with income tax, oil and gas revenue, and sales tax, but cities in Oklahoma are basically a one legged stool. He said sales tax is really the work horse for the General Fund that provides day to day services that citizens depend on, but may take for granted throughout the year. He said for Norman to remain a viable and livable community, the sales tax has to keep up to be in the position to fund the services citizens have come to expect.

Mr. Terry Floyd, Development Coordinator, said in September 2013, the Business and Community Affairs Committee (BACA) discussed conducting a Retail Gap Analysis and BACA recommended moving forward with a Request for Proposal (RFP). On February 25, 2014, City Council approved a contract with The Retail Coach (Retail Coach) to conduct a Retail Market Analysis (Analysis) for Norman to help identify areas of leakage or "gaps" in the sales tax revenues that included demographic data, psychographic data, and other information related to retail.

Mr. Floyd said the Scope of Work for the Analysis included:

- Analysis of existing conditions in Norman, including identification of consumer expenditure patterns and areas of leakage;
- Determination of the retail trade area of the Norman market;
- Retail gap analysis for the Norman market;
- Trade area demographics;
- A psychographic profile of trade area consumers;
- Identification and selection of high priority business categories to target recruitment efforts and/or local expansion;
- Future retail space requirements in relation to the retail market analysis, the market's growth potential and trends in the retail industry;
- Identification of specific candidate retailers to be targeted for recruitment; and
- Identification of specific candidate developers to be targeted for recruitment.

Item 3, continued:

Mr. Aaron Farmer, Senior Vice-President, Retail Coach, said his company develops and executes high-impact retail recruitment and development strategies. He said Oklahoma cities are so driven by retail sales tax that retail has to be a focus. He said for any recruitment/retention strategy, the key is to understand who the customer is and where they are coming from. As part of the analysis, Retail Coach looked at the competition and identified primary, secondary, and tertiary retail trade areas. He said the retail area is the foundational tool for any retail recruitment or retention strategy and constitutes the largest distance consumers will travel to shop/eat in a community. The exterior boundaries of the trade areas were determined by personally driving the area road systems, cataloging areas retailers and restaurants, interviews with community and governmental leadership and interviews with retailers and restaurants in Norman and other local communities. He said the primary trade population is 187,325, the secondary trade population is 375,076, and the tertiary trade population is 562,402. He said there is not a large trade area south of Norman until you hit Sherman, Texas. He said the average age demographic for the primary trade area is 36.40 with an estimated average household income of $66,871.

Councilmember Miller asked if Retail Coach studies mileage or drive time and Mr. Farmer said they did look at the distances of big box stores, but did not calculate drive time.

Mr. Farmer said once the trade areas were determined, Retail Coach began looking at the retail gaps. He said "gaps" or "leakages" are essentially the difference between a community's estimated actual sales and it estimated potential sales for a study area based on a per capita spending average per retail sector for the State. Rather than being viewed as a listing of losses for the community, it should be viewed as a more effective way to identify those sectors which have the greatest potential for retail capture with the City. He said Norman has a large retail base, but there is still money being spent in other cities on an everyday basis. He said Norman has a total leakage of approximately $1.5 billion, which is a huge number and Norman will not be able to capture all of that; however, the leakage can be reduced by 10% to 20% over the next five years. He highlighted services and goods where leakage is occurring that consists of specialty grocery stores (organic food), electronics, full service and fast food restaurants, clothing stores, etc.

Mr. Farmer said another component of the Analysis was psychographics. He said psychographics use demographic findings to study and measure consumer's attitudes, values, preferences, lifestyles, and buying habits. He said retailers use psychographics to determine what items to carry in their stores. Retail Coach color coded each psychographic feature and placed that information into an interactive map, which will be linked through Retail Coach and can also be linked on the City's website.

Councilmember Castleberry asked if the Analysis information will be available to the public and Mr. Lewis said yes, the information would be available to the entire Norman community including developers and retailers.

Mr. Farmer said as part of the analysis, Retail Coach looked at sub-markets within Norman, which are retail markets within a larger market. He said Retail Coach identified eight sub-markets and developed retail strategies for each sub-market. He said Norman should focus its efforts on identifying available retail sites within each submarket then market those sites to specific identified retailers and developers. Norman should also consider maintaining a database of currently available retail sites so when a retailer or developer shows interest in Norman, these sites can be provided to them immediately. He suggested representatives from Norman exhibit Norman at the International Council of Shopping Centers (ICSC) Deal Marketing convention, the largest annual real estate convention in the United States and also consider exhibiting Norman at the ICSC Recon Conference in Las Vegas in May 2015. He said Norman needs to be out there meeting developers and retailers.

Item 3, continued:

Mr. Farmer said Norman should consider initiating a Norman Commercial Exchange that would include regular meetings with the Chamber of Commerce, commercial realtor, brokers, and developers, which could help everyone to stay on the same page. He said Norman needs to continue making locating a site an easy process. He said providing all the information up front to potential retailers or developers when they are deciding to locate in a community will help speed up the site location process. He said whatever the City of Norman, Chamber of Commerce, and Norman Economic Development Coalition (NEDC) can do to help speed up the process will make Norman more attractive than its surrounding communities.

Mr. Farmer said Retail Coach is not a huge fan of incentives, but realize they are necessary in certain situations. He said certain situations for incentives include those projects that expand the boundaries of the retail trade area and those projects involving destination type retailers. Retail Coach recommends looking at each situation individually and researching what incentive other communities have provided to the retailer or developer. Councilmember Chad Williams asked for an example of what type of company would qualify for incentives and Mr. Farmer said Bass Pro.

Mr. Farmer said Norman should continue to focus on the retention of existing businesses. Customer service and marketing specialists are readily available for seminars and workshops. He said providing workshops, updated information, and data to local/regional businesses is key to long term success.

Mr. Floyd said in April through July 2014, the City published a link to an online retail and restaurant survey on its homepage and social media outlets to gather feedback from residents about retail shopping and restaurant opportunities that they would like to see located and/or expanded in Norman. The survey also asked respondents for voluntary information on their shopping preferences, spending patterns, and other basic demographic information. The information collected from the survey will be used in conjunction with the data from the analysis.

Mr. Floyd said some of the top requested restaurants were In and Out Burger, Dairy Queen, The Cheesecake Factory, P.F. Chang's, and Pappadeux Seafood Kitchen. He said some of the top requested retail stores were IKEA, Trader Joes, Nordstrom/Nordstrom Rack, Macy's, and Costco.

Mr. Floyd said citizens were asked what businesses in Norman they would like to see expanded and the top five answers were Starbucks, Target, Chick-fil-A, Taco Bueno, and Arby's. He said there were a number of local restaurants that citizens would like to see expand to the east side of Norman. He said there were a significant number of responses requesting the City foster the growth and expansion of local, small and independent businesses that are currently located in Norman and/or entrepreneurial in nature.

Councilmember Castleberry said some of the requested businesses had been in Norman at one time, but were no longer located in Norman. He asked how the City could reconcile that and Mr. Farmer said many times the market is not good and retailers that have left a market are beginning to return. He said Fuddruckers is a good example of a business that closed many of their stores years ago, but are beginning to come back to the market because of the changes.

Mr. Steve Ellis, 633 Reed Avenue, asked how Retail Coach calculated potential sales. Mr. Farmer said Retail Coach first looked at the State of Oklahoma and what the average person spends on each retail category. Those figures are then looked at on a regional level to determine what Oklahoman's are spending on goods and services and the data is compared to per capita incomes in the region to determine a specific number being spent on grocery stores. That number is then multiplied by the 188,000 people living in that retail trade area. Mr. Farmer said wages and housing is not factored into the potential sales numbers.

Item 3, continued:

Ms. Joy Hampton, The Norman Transcript, asked how Retail Coach accounts for the dynamic of those stores that located to Norman only to close a similar store already located in Norman. Mr. Farmer said the Analysis is simply an overview of what the average person spends on retail goods and services and where the leakage is. He said the gap analysis does not take it to the level of what would happen to existing stores if a new business located to Norman that sold a similar product.

Councilmember Miller said the information provided by Retail Coach is great and will be very helpful to the City. She asked if the City has started a process for a database on available retail properties or is this something the Retail Coordinator would take on. Mr. Lewis said the Retail Coordinator would be involved in that process, but the City has not begun developing submarket plans to date.

Councilmember Castleberry asked if recruitment depended on availability of property and if that was the reason for the leakage and Mr. Farmer yes and that is why the plan is not just a recruitment strategy, it is a developer recruitment strategy. When the City gets the retailers interested, the City can work with the developer to make something happen.

Items submitted for the record

1. Memorandum dated July 31, 2014, from Terry Floyd, Development Coordinator, thru Steve Lewis, City Manager, to City Council
2. Retail Market Analysis, Norman, Oklahoma, by The Retail Coach
3. City of Norman Resident Retail/Restaurant Survey Executive Summary dated July 31, 2014
4. Citizen Retail and Restaurant Survey - Update

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Item 1, being:

CHANGE ORDER NO. ONE TO CONTRACT NO. K-1011-42: BY AND BETWEEN THE NORMAN UTILITIES AUTHORITY AND OIL CAPITAL ELECTRIC, L.L.C., DECREASING THE CONTRACT AMOUNT BY $91,259.51 FOR A REVISED CONTRACT AMOUNT OF $2,213,740.49 AND EXTENDING THE CONTRACT 189 CALENDAR DAYS FOR THE WASTEWATER TREATMENT PLANT ENERGY IMPROVEMENTS PROJECT.

Mr. Charlie Thomas, Capital Projects Engineer, said the Wastewater Treatment Plant (WWTP) had four 350 horse power (HP) blowers supplying air to the aeration basins. The blower motors ran at 100% speed with an automatic valve on the discharge piping to control how much air was delivered to the basins. By installing variable frequency drive (VFD) motor controls, motor speed may now be modulated for the amount of air needed reducing the power demand and cost to supply the required amount of air. Also, the former north digester sludge boilers installed in 1965 had outlived their useful life. The new boiler units enhanced efficiency and upgraded performance of sludge circulation saving approximately $103,000 annually.

On August 6, 2009, the City of Norman was awarded a an Energy Efficiency and Conservation Block Grant administered by the United States Department of Energy in the amount of $1,001,400 for the project to be reimbursed upon payment of approved invoices. The grand funds were expended for the preceding components of the project and the grant is closed.

Item 1, continued:

Mr. Thomas said the system is known as the Supervisory Control and Data Acquisition (SCADA) that assists the operator by electronically monitoring various plant treatment and lift station activities and reports current status to a central location needed to be replaced as well. The former SCADA system allowed no new capacity for adding monitoring points, which were needed as a result of the new VFD and replacement boiler installations. No SCADA existed for operation of the lift stations prior to this project.

On December 18, 2011, City Council approved Contract No. K-1011-42 with Oil Capital Electric, L.L.C., in the amount of $2,305,000 for construction of the Wastewater Treatment Plant (WWTP) Energy Improvements Project. The project was substantially completed on April 24, 2013; however, final completion of punch list items and delivery of the last spare part was not accomplished until December 18, 2013. He said such delays with little justification were common throughout the project, which resulted in the excessive time for completion of the work. As with any project of this scope, field adjustments and modifications were necessary and the contract included an allowance for Work Change Directives (WCD) in the amount of $65,000. Change Order No. One will also grant a total time increase of 189 calendar days for extenuating circumstances affecting Oil Capital Electrics ability to pursue some tasks primarily due to the WWTP's need to continually operate. There were also utility conflicts, scheduling discrepancies, and other approvable delays.

Mr. Thomas said the contract included a provision for liquidated damages in the amount of $1,000 for each day the work remained substantially incomplete upon expiration of the contract time. Although the added days do not match the substantial completion dated, the Legal Department advised Staff that the City's cost to pursue additional liquidated damages would exceed any possible gain. With the Legal Department's assistance, Staff successfully negotiated an $80,000 delay penalty.

Change Order No. One will decrease the contract amount by $91,259.51, a reduction of about 4% of the original contract amount, and extend the contract time by 189 calendar days.

Councilmember Holman asked how the $91,000 surplus will be used and Mr. Thomas said he expects the money will be allocated to another project, but that will be Council's decision.

Councilmember Holman asked about the monthly or annual amount of the electric bill for the WWTP and Mr. Mark Daniels, Utilities Engineer, said approximately $500,000 per year.

Items submitted for the record

1. File Number K-1011-42, Change Order No. One, dated July 21, 2014, by Charlie Thomas, Capital Projects Engineer
2. Change Order No. One to Contract No. K-1011-42 with Attachment 1, Norman WWTP Energy Improvements Work Change Reconciliation

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Item 2, being:

CHANGE ORDER NO. FOUR TO CONTRACT NO. K-1213-88: BY AND BETWEEN THE NORMAN UTILTIIES AUTHORITY AND URBAN CONTRACTORS, L.L.C., DECREASING THE CONTRACT AMOUNT BY $129,513.43 FOR A REVISED CONTRACT PRICE OF $3,145,318.57 FOR THE SEWER MAINTENANCE PROJECT FY 2011 AND FINAL ACCEPTANCE OF THE PROJECT.

In 2001, the citizens of Norman approved a five dollar per month sewer maintenance fee to provide for the systematic replacement of aged and deteriorated sewer lines through the wastewater collection system. On June 11, 2013, the Norman Utilities Authority (NUA) approved Contract No. K-1213-88 with Urban Contractors, L.L.C., in the amount of $2,774,200 to replace sewer lines and manholes.

Change Order No. One was approved on October 1, 2013, increasing the contract amount by $19,334 and extended the contract time by 18 calendar days to provide for replacement of storm sewer and water lines in conflict with proposed sewer line replacement near Bishop Landing Apartments. Change Order No. Two was approved on February 25, 2014, increasing the contract amount by $139,708 and extending the contract time by 24 calendar days to provide for pipe-bursting of sewer lines in two supplementary areas at Page Street and Brooks Street near the University of Oklahoma (OU) and Chautauqua Avenue to the east. Change Order No. Three was approved on April 8, 2014, increasing the contract amount by $341,590 to provide for pipe-bursting of sewer lines in Sooner Mobile Home Park on Classen Boulevard and an area bounded by Timberdell to the north, Pickard to the west, Lakewood to the south, and Chautauqua to the east.

All work was completed on June 15, 2014, and Change Order No. Four will decrease the contract amount by $129,513,43 for a total contract amount of $3,145,318.57. Change Order No. Four provides for two adjustments 1) purchasing remaining pipe material from the contractor and 2) reconciliation of "as-bid" final quantities. The purchase of the remaining pipe is beneficial to the NUA since material prices continually increase. Approximately 700 feet of 8-inch, 10-inch, and 12-inch pipe will be purchased, stored, and used on the next rehab project, which is scheduled to be bid soon.

Items submitted for the record

1. File Number K-1213-88, Change Order No. Four, dated July 25, 2014, by Charlie Thomas, Capital Projects Engineer
2. Change Order No. Four to Contract No. K-1213-88 with Attachment 1, Sewer Maintenance Project FYE 2011 - Final Reconciliation

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The meeting adjourned at 6:30 p.m.

ATTEST:

Brenda Hall
City Clerk

CITY OF NORMAN CORPORATE SEAL OKLAHOMA

Cindy Rosenthal
Mayor