CITY COUNCIL CONFERENCE MINUTES

July 14, 2015

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a conference at 5:30 p.m. in the Municipal Building Conference Room on the 14th day of July, 2015, 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 Castleberry, Heiple, Holman, Jungman, Miller, Williams, and Mayor Rosenthal
ABSENT:	Councilmembers Allison and Lang

DISCUSSION REGARDING THE CITIZENS' QUALITY OF LIFE INITIATIVE ENTITLED "NORMAN FORWARD" INCLUDING A DRAFT ORDINANCE CALLING FOR A SPECIAL ELECTION.

Mr. Jeff Bryant, City Attorney, said the Ordinance O-1516-5 looks more complex than it really is. He said Staff reviewed some of the provisions in the OKC MAPS initiatives to explore what language could be incorporated into Norman's ordinance. The ordinance language has also been discussed with Bond Counsel because the City may choose to debt finance some of the project costs to make the improvements more quickly without waiting for sales tax revenue to accumulate.

Mr. Bryant said the City is considering an October 13, 2015, election date with an effective date of January 1, 2016. He said the City has to give the Oklahoma Tax Commission at least a 30 day notice of its intent to raise sales tax and the tax cannot go into effect until the beginning of a quarter. The City would not receive revenues from the new tax until March 2016, if the proposition passes.

The ordinance outlines a sales tax increase of one half (1/2%) of one percent (1%) for a 15 year term and will be known as the Norman Forward Quality of Life Projects Sales Tax Ordinance of 2015 (NFST). He said the ordinance is also amending Chapter 8 of the Code of Ordinances particularly Section 8-403, Tax Rate - Sales subject to tax and Section 8-416, Pledge of portions for expenditure for certain purposes. He said the current sales tax rate is 3.5% and out of that 2.3% goes to the General Fund, .7% goes to a Capital Sales Tax, and 1/2% goes to the Public Safety Sales Tax (PSST). He said if this proposition passes the City's total portion of sales tax will be 4%. He said Cleveland County has a temporary jail tax of 1/4% and the State's tax is 4.5% for a total sales tax figure of 8.75%.

Councilmember Castleberry asked if 100% of the proposed tax would go into the NFST fund or whether a portion would be put into the Tax Increment Finance District (TIF) Fund. Mr. Bryant said 100% will be dedicated to NFST and language in the ordinance speaks to that specifically.

Mr. Bryant said Section 8-416(d) of the Code identifies the tax as a limited purpose tax as well as a limited term tax and revenues collected will be place in a separate fund to be accounted for separately, which is similar to the PSST. He said this section also addresses a citizen's oversight board being appointed prior to any NFST funds being expended. Language stipulates that Council would determine the order of the projects so as to encourage any partners in the operation of the facilities to have projects as shovel ready as they can be by the time revenues are being collected. There are also provisions to ensure facilities are available in a non-discriminatory manner and maximize public access to the facilities consistent with State and Federal laws including appropriate scholarships or fee waiver opportunities to those with an inability to pay.

Mr. Bryant said Section 8-416(d)(2) addresses the limited purposes for the funds collected such as improvements to the library system including a central library and an east side library branch; improvements for a Senior Citizen Center; improvements and extension of James Garner Boulevard; land purchase of Griffin Park, Sutton Wilderness Park, and Frances Cate Park; construction of an Indoor Aquatics Facility; public park improvements; improvements to Westwood Pool; acquiring and maintaining public art; Griffin Park improvements (soccer fields); Reaves Park improvements; multi-sports complex improvements; indoor sports complex (softball/flag football); operation and maintenance of facilities; infrastructure; parking; and other municipal purposes that are consistent with enhancing the quality of life of Norman citizens through improving recreational facilities, public parks, public trail systems, and furthering public art opportunities. Many of the projects require site acquisition costs, operating costs, or ongoing maintenance costs.

Mr. Bryant said in 2008, voters approved General Obligation (G.O.) Bonds for renovation of the existing library for a Senior Citizen Center and City administrative offices contingent upon a new central library passing, which failed by a narrow margin. If the new proposed proposition passes the G.O. Bond funds could be available for renovation of the existing library for a Senior Citizen Center; however, Bond Counsel wanted to ensure the final plans are consistent with what the voters were told would be done in 2008, so there is currently a needs study being done, which should be completed by the end of August. Once the study is complete, Staff can evaluate what type of improvements throughout the municipal complex need to be addressed and will be able to more accurately identify what portion of the 2008 G.O. Bond proceeds could be applied to the Senior Citizen Center. He said realizing it is now 2015, not 2008, Staff has written language in the ordinance that will allow a supplement of sales tax revenue to complete the Senior Citizen Center Project, if necessary. He said this gives Council the flexibility to address those questions that have been raised by senior citizens such as what type of facility will be done, what amenities the Center will have and if it will meet their expectations.

Mr. Bryant said language in the ordinance addresses transportation infrastructure costs related to facilities to provide access to or from facilities provided the City strives to seek partnerships with Federal, State, County, and University of Oklahoma (OU) entities to help defray and manage those costs.

Mr. Bryant said ordinance language provides for facility maintenance and operation costs once the facilities are built that includes, but is not limited to, additional personnel or contractual services as well as reserves for equipment, maintenance, or facility replacement.

Mr. Anthony Francisco, Director of Finance, provided an overview of financial projections. He said based on a 4.25% annual sales tax growth for a 15 year period, $12,880,000 is projected for the first year with $22,303,993 projected in the 15th year. Staff included use tax projections of $10,279,463 the first year and $18,409,217 in the 15th year. He said cumulative revenue over a 15 year period is projected to be $209,697,548. On the expenditure side, Staff has estimated total projected expenditures of $207,402,146 with $196,133,626 for project costs and $11,268,520 for maintenance and operational costs; however, all projections are very preliminary and subject to change.

Mr. Francisco said expenditures include the projects themselves as well as land acquisition; traffic analyses/improvements; public art; park maintenance staff; senior center staff; facility maintenance staff; capital equipment; aquatic center subsidy; project oversight; and facility maintenance contracts. Mayor Rosenthal asked if project oversight estimates include all the projects and Mr. Francisco said no, only the brick and mortar projects.

Mr. Francisco said oversight of projects can be done in-house or contracted with companies that specialize in construction program management who can provide a wide variety of services related to project construction. These services can range from public relations/public engagement before and during construction to program oversight and individual project management. These services can be provided as part of a comprehensive package or selected individually based on the needs of the client. The costs of these services can be done through a flat percentage of the total project construction costs (2% to 2.5 % generally) or through an hourly fee based on the number and duration of the services needed. The projected total NF cost calculations are based on utilization of project management services for larger individual building projects that have been outlined in the NF program.

Mr. Francisco said Staff has projected a financing package that will be tax exempt; however, there are some projects that Bond Counsel may deem taxable so Staff may have two financing packages. He said Staff would most likely backload the principal so projects could cash flow in the timeframe Council and the public want.

Councilmember Williams asked if the taxability of a project depends on its ability to generate revenue and Mr. Francisco said it depends on if it is private use versus public use. He said the aquatic facility where they charge admission could be deemed to be a private use, but these are complicated questions for Bond Counsel and Staff to discuss as the City gets into the financing packages.

Councilmember Castleberry asked if backloading the principal payments affects the interest rate and Mr. Francisco said there may be a bit of negative impact on the interest rate, but the City should still be in the 3.75% debt service percentage range. Councilmember Castleberry asked the rate of the water bonds the City recently sold and Mr. Francisco said 2.87%; however, he always wants to err on the conservative side.

Mayor Rosenthal questioned the 4.25% sales tax growth rate, which is higher than what is projected in the FYE 2016 Budget. Mr. Francisco said growth in the FYE 2016 Budget is projected to be 2.5%, but the 4.25% growth rate is Norman's historic sales tax growth rate over more than a 30 year period. Mayor Rosenthal said there is not a lot of cushion between projected revenues and projected expenditures over the 15 year term and asked Mr. Francisco if he is comfortable with that margin and Mr. Francisco said yes, he is comfortable that the City will be able to do what it says it will do. He said as the City gets into the projects there may be savings in some areas and overages in others, but when financial projections are made the Finance Department always tries to err on the conservative side and felt over time the City would not have any problem completing the projects.

Councilmember Castleberry asked what growth rate is being used in the long-term budget for out years and Mr. Francisco said 4.25%. Councilmember Castleberry said the estimates to extend James Garner Boulevard are based on the City receiving no help or assistance. He said based on the City's history of obtaining funding from the Association of Central Oklahoma Governments (ACOG), is Staff pretty confident the project may not actually cost $6 million. Mr. Shawn O'Leary, Director of Public Works, said that project is eligible for federal funding, but the downside is it will not fit into that formula until the year 2020, so this project may be one of the later projects completed.

Councilmember Holman asked how many years in the past 15 years the City has seen a growth rate over 4.25%. Mr. Francisco said nine or ten of those years and that is counting the great recession, which moved the historic growth rate from 4.6% to about 4.4%.

Councilmember Miller asked what happens if there is not enough money in ten to twelve years to do all the projects and Mr. Francisco said this would be "the last to the trough problem" scenario. He said OKC MAPS faced that problem when they ran out of money to construct the arena, and after much discussion on what they should do, they decided to go back to the voters for a four month extension of the tax. He said that is something Council would have to grapple with at that point and time. Councilmember Miller said she did not believe this will happen because projects have been conservatively estimated, but wanted to ask.

Councilmember Holman is somewhat concerned about revenue projections as the entire country's economic model is changing and it is a little scary. Mr. Francisco said it is extremely scary and he reminds Council of that all the time because everything the City does is sales tax based and he is glad to be having this discussion now. He said concerns about internet sales tax and other non-tax generating sales pertain to a lot more than just these projects.

Councilmember Castleberry asked if Staff made any projections on revenues from internet sales tax if the City ever to receive that revenue and Mr. Francisco said the Oklahoma Municipal League (OML) made projections statewide of what is being lost to internet sales and that figure is $383 million per year. He said when things are purchased online for use within Norman consumers are supposed to pay use tax on the p[urchases so the City of Norman has tried through OML to make sure that gets enforced going forward.

Mayor Rosenthal said there seems to be consensus that Council is comfortable with the analysis provided.

Ms. Joy Hampton, The Norman Transcript, said language in Section 8-416(2)(g) seems to limit funding for park projects to those projects in the Parks Master Plan (PMP) and does not mention the trail system. She said this seems to imply that if the project is not in the PMP it cannot be done. She said the Greenbelt Commission recently presented a proposal for development of the Greenbelt Trail System to the Community Planning and Transportation Committee (CPTC) and those trails are not in the PMP. She asked if the language would tie projects too tightly to the PMP so there would be no flexibility. Mr. Bryant said the language can be broadened if that is Council's desire. He said language states, "the most recently adopted Parks Master Plan" so if Council as a whole wants to look at the PMP and they would have the opportunity to update the PMP and that update would fall within this language. Ms. Hampton asked if the entire PMP would have to be updated and Mr. Bryant said there are different ways it can be approached. Mayor Rosenthal felt it would appropriate for language to reference the PMP as well as the Greenbelt Trails System since they are separate documents. Councilmember Castleberry agreed this would add clarity to the language and Council concurred.

Items submitted for the record

1. Draft Ordinance O-1516-5
2. Norman Forward Revenue Estimates
3. Norman Forward Cost Estimates
4. Footnotes for Norman Forward Financing and Cost Estimates with Attachment A - Program Management Services Description

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The meeting adjourned at 6:16 p.m.

ATTEST:

Brenda Hall

City Clerk

Mayor PRO TEM