

## FINANCE COMMITTEE MINUTES

November 17, 2010

The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 5:30 p.m. in the Municipal Building Study Session Room on the 17<sup>th</sup> day of November 2010, 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 48 hours prior to the beginning of the meeting.

PRESENT: Members Dillingham, Ezzell, Quinn, and Chair Cubberley

ABSENT: None

OTHERS PRESENT: Al Atkins, Council Member  
Jim Griffith, Council Member  
Steve Lewis, City Manager  
Anthony Francisco, Finance Director  
Clint Mercer, Chief Accountant  
Ken Komiske, Utilities Director  
Mark Daniels, Utilities Engineer  
Chris Mattingly, Utilities Superintendent  
Bryan Hapke, Utilities Supervisor

### DISCUSSION REGARDING OKLAHOMA CITY EMERGENCY WATER PURCHASING ARRANGEMENT

Bryan Hapke, Utilities Supervisor, reviewed report with the Committee members, City of Norman 2010 Water Production Costs prepared by the Utilities Department.

- City of Norman produces water cheaper than purchase cost of Oklahoma City water
- Highlights of report:
  - Non-water production costs
  - Capital Projects costs
  - Capital cost per thousand gallons
  - Oklahoma City Water rates
  - Fixed and variable costs for water production
  - Impact of Oklahoma City water – City of Norman will produce less
  - How costs vary with water production
  - Because of cost interactions, City needs to look at overall costs when analyzing alternatives
  - Oklahoma City Water Rates
    - Take or Pay – City must commit to 15% usage of the historic peak month (an average of 0.38 MGD)

- Service Availability – City must commit to usage of 90% of historic peak month (about 2.2 MGD minimum)
- Demand – City would not have to commit to water usage per month – if not water is used, will be charged monthly meter cost of \$966.60
- Higher peak month usage increases commitment for future months usage
- Cost Model spreadsheet has been developed to illustrate impact of different factors on water production costs
- Best use of City water wells is to buy water from Oklahoma City when needed but City should produce water during peak periods

Items submitted for the record

1. City of Norman 2010 Water Production Costs, prepared by Utilities Department

DISCUSSION OF NEW GOVERNMENTAL ACCOUNTING STANDARD (GASB Statement No. 54) Classification of Fund Balance

Anthony Francisco, Finance Department, and Clint Mercer, Chief Accountant, made the presentation. Mr. Francisco told the Committee the City of Norman is more ready and prepared than most city governments to use the new GASB Statement No. 54. Highlights of the report covered:

- Highlights of the report:
- Who is the GASB – background and history of organization
- GASB Standard No. 54 was issued in February 2009 and becomes effective for financial statements for periods beginning after June 15, 2010 (FYE 2011).
- Non-spendable Fund Balance – portion of net resources that cannot be spent because of their form
- Restricted Fund Balance – limitations imposed by various outside sources and those by City laws, rules and regulations
- Committed Fund Balance – self-imposed limitation set in place prior to the end of the reporting period that required highest level of decision making that also requires formal action at the same level to remove commitment
- Assigned Fund Balance – intended use established by highest level of decision making; or established by body designated for that purpose; or established by official designated for that purpose. Less formality needed than “committed” category
- Unassigned Fund Balance – available for any purpose and reported only in the General Fund (except in the case of negative fund balance)
- Minimum Fund Balance Policies – if a government body has formally adopted a minimum fund balance policy, the government should describe in the notes to its financial statement
- Encumbrances – should not be displayed separately within the restricted, committed, and assigned categories
- GASB Statement No. 54 – Fund Type Definitions:
  - Special revenue – funds must have a real revenue source (not a transfer)
  - Capital projects – modified only slightly (removed “facilities” wording)

- Debt service – same as capital projects (removed “legally mandated” wording)
- GASB No. 54 effective for FYE 2011 reporting period
- Cubberley – look at financial policies and possibly write ordinances to protect funds that are used for specific purposes – especially self-insurance funds.

Items submitted for the record

1. GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, prepared by Accounting Division

DISCUSSION REGARDING FYE 12 BUDGET CALENDAR PROCESS

Committee in agreement with FYE 12 budget calendar. Will discuss further in December Finance Committee meeting

DISCUSSION REGARDING POLICY FOR FUNDING NON-PROFIT AGENCIES IN FYE 12

- We need to let the non-profits know as soon as possible what to expect in FYE 2012.
- Need to decide what is realistic for the City’s budget.
- All these services deal with people.
- Look for groups that have an income string of their own.
- Must decide what is important to keep.
- Avoid duplication when possible.
- Should we support the Arts?
- Should we be paying utilities for some of the groups?
- One suggestion has been that the City gets rid of these buildings.
- Arts are primarily funded by Room Tax Fund.
- Will discuss further at the December Finance Committee meeting.

DISCUSSION REGARDING THE REVENUE / EXPENDITURE REPORT

- Sales tax collections were up 1% which is still minus 9% from previous year
- Almost breaking even in General Fund - still down from 2 years ago
- Why are residential sanitation collections down?

Items submitted for the record

1. Summary of Major Funds-General; Capital; Westwood; Water; Wastewater; Sewer Maintenance; New Development Excise; Sewer Sales Tax; and Sanitation Fund Revenue Sources vs. Budget, Financial Report dated October 31, 2010

DISCUSSION REGARDING REPORT ON OPEN POSITIONS

- 27 positions open and on hold now

Items submitted for the record

1. City of Norman/Human Resources Department Recruitment and Selection Report dated November 8, 2010

The meeting adjourned.

ATTEST:

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City Clerk

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Mayor