

FINANCE COMMITTEE MINUTES
March 19, 2014

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 Multi-Purpose Room on the 19th day of March, 2014, 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: Members Castleberry, Griffith, Heiple, and Chair Kovach

ABSENT: None

OTHERS PRESENT: Cindy Rosenthal, Mayor
 Greg Jungman, Councilmember
 Anthony Francisco, Finance Director
 Suzanne Krohmer, Budget Manager
 Shawn O’Leary, Public Works Director
 Mike White, Fleet Superintendent
 Ronda Guerrero, Municipal Court Clerk
 Ken Komiske, Utilities Director
 Gala Hicks, Human Resources Director
 Rick Knighton, Assistant City Attorney III
 Roger Gallagher, citizen
 Jayne Crumpley, citizen
 Joy Hampton, Norman Transcript

Item 3, being:

DISCUSSION REGARDING IMPLEMENTATION OF A MUNICIPAL COURT TECHNOLOGY FEE

Presentation by Ronda Guerrero, Municipal Court Clerk

- We now have video arraignment and on-line payment costs associated with technology that we have not had in the past
- Currently a \$30 Court fee and a \$19 CLEET fee used for training officers and clerks
- Technology Fee would be an additional fee
- State statute amended in 2009 to allow municipal courts to charge this fee
- McAlester and District Court charge a \$25 fee
 - Midwest City charges \$40
 - Enid charges \$5
- If Norman’s fee was set up at \$5.00, we estimate \$100,000 in additional revenue
 - At \$25, we estimate \$500,000
 - At \$40, we estimate \$804,000

- Fee would be assessed on traffic and non-traffic violations, not applied to parking violations.

Kovach – The same fee as the District Court should be reasonable

Griffith – likes the half a million dollars we would collect from the \$25 fee

Castleberry – What is the Municipal Court administration costs?

Francisco - Related costs with a citation, police officer time, code officers, I.T., etc. Would be offset by this fee. We have not done a study to see what the costs are.

Knighton – The same fee as the District Court (\$25) is defensible. The purpose of the fee is the help cover the cost of prosecution and administering the justice system. \$25 is justified for this reason. Officers are going to get electronic ticket system that will help justify this fee too. Midwest City \$40 seems too high and we would probably get some push-back if we charged \$40. Fines will cover some costs, but not all. Statue change in 2009 allowed clerk to charge court costs and fee which allows us to charge this fee.

Rosenthal – Supports the fee and \$25 is reasonable

Guerrero – The goal is to become paperless

Castleberry – This fee/revenue would go into the General Fund because the Court expenditures are in the General Fund

Items submitted for the record:

1. Memo from Ronda Guerrero, Court Administrator, dated March 13, 2014 to the Finance Committee, Technology Fees
2. Power Point slides printed, Implementation of a Municipal Court Technology Fee, dated March 19, 2014

Item 1, being:

DISCUSSION REGARDING THE VEHICLE PARTS MANAGEMENT AND SUPPLY SERVICES RECOMMENDED IN THE FLEET MANAGEMENT SERVICE ANALYSIS

Presentation by Shawn O’Leary and Mike White

We want Council to approve a contract to outsource our fleet parts operation.

- \$1.2 million parts operation
- Mercury Associates conducted fleet analysis and identified deficiencies in Fleet’s in-house parts operation.
- Parts returned to vendor as a warranty item

- Discrepancies should be at 3%, sample inventory check showed 15% discrepancy in inventory
- Norman is one of a few cities not outsourcing the parts operation

Castleberry – What internal controls are in place?

White - Parts room is very secure, only a few employees have keys, parts are bar coded. Theft is really not the issue, only small items were showing as discrepancies, not large items.

- Mercury recommended privatizing the parts operation
- Parts room employee resigned and using a technician to manage our parts room right now
- Proposal submission to six businesses
 - Only NAPA and O'Reilly's responded
- Committee composed of the Finance Director, Public Works Director and Fleet Superintendent chose NAPA
- OU, Oklahoma City, Midwest City, Enid and Edmond currently have these same services with NAPA
- Company handles small and large needs and other services provided like custom hydraulic lines, recycling batteries, core credits, etc.
- Other divisions can piggyback off of the Fleet parts system, like Westwood
- Contractor will own the inventory, not the City
- Will reduce staff time on inventory, invoicing, to do more fleet analysis work
- Credits would be immediate
- 10% mark-up on parts costs plus NAPA operational costs
- Estimate of savings on parts approximately \$48,000
- Two parts people to help mechanics faster
- \$160,500 estimated first year direct savings
 - Eliminates City of Norman parts employee
 - NAPA will buy our current inventory for approximately \$150,000
 - 3-year contract renewed annually
- Indirect savings:
 - In-house training program
 - Parts delivery run twice a day and nightly stock replacement
 - Emergency purchases
 - Hydraulic hose assembly
 - Guaranteed NAPA staff on emergencies, holidays, and vacations
 - Increased productivity time
- Performance guarantees of NAPA:
 - On-site personnel
 - Parts runs
 - Provide activity reports
 - Stock and non-stock parts
 - Provide 90% of parts on hand and if not, will deliver within two hours 95% of the time
- Key benefits:

- Streamline payments – fewer invoices
- Reduce vehicle downtime
- Increase productivity and efficiency
- Will purchase our inventory
- RFP project schedule – started in February
Have a fully operational program in July, but can do a soft opening until Council approves contract with NAPA

If Council approved on April 8th, NAPA will be there the next day (April 9th).

NAPA wants more shelves and recommends adding a parts window to the other side of the shop and install roll-up door for deliveries.

Kovach – asked Committee if there were any objections to move forward. There were no objections so the contract approval will be forwarded to Council.

Items submitted for the record:

1. Power Point slides printed, Vehicle Parts Management and Supply Services, dated March 19, 2014

Item 2, being:

DISCUSSION REGARDING CONDUCTING AN ADMINISTRATIVE CHARGES/COST ALLOCATION STUDY

Presentation by Anthony Francisco

Currently the Room tax and UNP TIF administrative charges are 3%, PSST (Emergency Communications portion) administrative charges

Cost allocation charges are services provided by general governmental services to grant and utility funds. The time or personnel on utility functions is an example.

Cost allocation consultant to come and study personnel. This is a scientific estimate of time spent on areas.

OMB A-87 are guidelines on what can and cannot be charged as cost allocations for grant funding.

Maximus, a consultant to do a central service cost study, would cost around \$300,000. The last time we did a study was 14 years ago. We update cost allocations by expenditure increases.

For the single audit, the auditors look at our cost allocations and make sure they are defensible.

Maximus would do a new study – a risk is that we are charging way too much to the utility funds.

An annual analysis would cost about \$30,000 per year; this would update 5%-10% of costs of original study.

Jungman – What is our estimate on what we could do in-house versus a consultant?

It's extremely time consuming to do a time and motion study, you could expand the study to include all the city fees too.

Castleberry – Hire internal auditor for around \$100,000 per year to do this cost allocation process as part of their job.

Kovach – How about contracting out auditor to do study on annual basis? Is an internal auditor position needed?

Francisco – Yes, a city this size should have an internal auditor. Relative to other priorities and other city needs usually prevent the hiring of a new position. We are understaffed in a lot of areas including Accounting. We could pay for a position if we adjust fees.

Kovach – I recommend hiring an internal auditor position with charge of cost allocation study to City Manager

Castleberry – In lieu of the \$300,000 for the study, I would rather have an internal auditor to do this function. I think this position should report to City Council, not the Finance Director.

Kovach – Prudence tells you that you should have this function with a \$260 million budget

Griffith – What departments are not being charged cost allocations?

Francisco - We don't charge cost allocations to any of the general governmental functions. We stopped charging Westwood operation cost allocation years ago due to budget concerns.

- Handed out appropriation list made this year by Council.

Items submitted for the record:

1. Total Administrative Charges and Cost Allocation Charges
2. OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments Codified in 2CFR Section 225
3. Appropriations from Fund Balance Fiscal Year 2013-2014

Item 4, being:

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR FEBRUARY 2014

No discussion

Items submitted for the record:

1. Summary of Major Funds-General; Capital; Westwood; Water; Water Reclamation; Sewer Maintenance; New Development Excise; Sewer Sales Tax; and Sanitation Fund Revenue Sources vs. Budget, Financial Report as of February 28, 2014.

Item 5, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

City is still accepting applications for Retail Marketing Coordinator position. We have advertised in several sources to recruit. Uniqueness of the position is the issue.

Castleberry - Is it your recommendation that we bump up the salary? Are we competitive on the salary?

Hicks – The salary is competitive, that’s not a problem.

Items submitted for the record:

1. City of Norman/Human Resources Department Recruitment and Selection Report dated March 12, 2014.

Item 6, being:

MISCELLANEOUS DISCUSSION

Kovach - Financial reporting for the layman, bring forward to next month meeting.

Heiple - “Lego” concept - It’s a visual aid for citizens.

The meeting adjourned at 6:38 p.m.

ATTEST:

City Clerk

Mayor