

FINANCE COMMITTEE MINUTES

January 14, 2016

The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 5:00 p.m. in the Municipal Building Study Session Room on the 14th day of January, 2016, 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, Heiple, Lang, and Chair Rosenthal

ABSENT: None

OTHERS PRESENT: Lynne Miller, Council Member
Steve Lewis, City Manager
Anthony Francisco, Finance Director
Suzanne Krohmer, Budget Manager
Jeff Bryant, City Attorney
Shawn O'Leary, Public Works Director
Scott Sturtz, City Engineer
Ken Komiske, Utilities Director
Susan Connors, Planning & Community Development Director
Gala Hicks, Human Resources Director
Sara Kaplan, Retail Marketing Coordinator
Harold Heiple, Citizen
Shawn Rieger, Citizen
Casey Holcomb, Citizen
Joy Hampton, Norman Transcript

Member Rosenthal called the meeting to order.

Item 1, being

FYE 2016 MID-YEAR BUDGET REVIEW AND DISCUSSION OF POSSIBLE AMENDMENTS

Anthony Francisco gave presentation and detailed Fund Summaries for FYE 2016. The first Norman Forward Fund Summary is included. In the General Fund Summary, the FYE 16 Original Budget (Column B) and the FYE 16 Estimated Budget (Column C) were compared. Fiscal year 2015-2016 started with a fund balance about \$1.5 million better than we thought we would. We are a little ahead of sales tax collections and this is a 3% increase over projections. We are estimating approximately \$4 million in year-end General Fund Balance. The Budget was based on a 2.5% sales tax growth rate and this will show a little less than 3%. The revenue projections in Column C are based on where we think we will be at the end of the fiscal year, but we are still projecting based on full expenditures. Francisco stated that he will be more comfortable with projections after we have received the sales tax collection in February but based on the current trends, this is where we think we will be. On Line 11 on the Licensing and Permit fees, we are strong in that revenue source. Use Tax is a big revenue source. We had to

use some of our 2% Emergency Reserve budget on the ice storm in November, but we still think we'll have some of those funds left over at the end of this year. Some of the reimbursement funds have come in and are reflected in the Other Revenue sources. All of those coming together, we're right on budget. We closed the year with a balance of about a \$1.1 million and will close the year with about a \$1.4 million which is where we thought we would be.

We closed the Rainy Day Fund at the end of fiscal year 2014-2015 with about \$103,000 in excess of the target reserve. We met the targeted figure. Castleberry asked about the 4.5% versus the 3%. Anthony said the 3% is minimum required by Ordinance, we have to have the 2% Emergency Reserve allocation, then you can add to it if you want. Castleberry said what does the \$1.1 million balance tell me, are we at it or close. Francisco said you have in excess of 2%. Castleberry wanted to know if this figure is in excess of the 3% minimum. Francisco said yes, you are in excess of 3% and slightly above the targeted Rainy Day Fund balance. Based on the current projections, at the mid-year budget review next year, (January or February, 2017), an additional \$77,000 may need to be deposited to keep the Rainy Day Fund at its target level.

The Public Safety Sales Tax fund summary was highlighted next. Francisco drew attention to the fact that when we get all the people hired and all the projects completed, the PSST Fund will start to go negative. There is this misconception that the PSST II Fund is flush and it's not so. When we get all the people on board and their salaries are growing, it will not be so, and we'll have to grapple with it then. Castleberry wanted to know how we'll grapple with this since it is a sales tax, a dedicated revenue source, for specific programs. Francisco stated that there is no salary attrition assumption built into the budget and that should be considered. He further stated that Line 13 reflects the Norman Public Schools revenue share for the School Resource Officers program and we should be aggressive and make sure they pay their fair share of the program. The budget projection only represents one-half of the SROs salary cost. Castleberry said that's the only item in the budget that's a revenue that the Council can make a management decision on. Lang wanted to know if there was negotiation point whereby we could force Norman Public Schools to pay their fair share. Lewis said we told the School District we would deliver service. School districts are also having a hard time financially.

The decision on the Westwood Fund is made in Period 14 (July after close of the fiscal year) as to whether funds needed to be transferred from the General Fund into the fund. Castleberry asked if the Westwood Project had started yet. Anthony said no construction at this time, probably design work. Castleberry said we have not collected any use tax on this project yet. Francisco said no, unless they are stockpiling supplies and materials. Castleberry wanted to know if it's a straight amortization of debt issue. Francisco said yes, we have amortization schedule.

Francisco said the mild summer affected the Water Fund revenues. It is a capital driven fund. There's a \$40 million dollar project budgeted in FYE 17 for improvements to the treatment processes at the plant and additional wells. The updated revenue figures are in the fund summary.

Updated revenue figures have also been added to the Water Reclamation Fund. Water Reclamation Fund is doing OK.

Castleberry said the Sanitation Fund has excess money and the Water Fund does not. He wanted to know if the City could lower the Sanitation rate and increase the water rate. Customers would still be paying 'x' amount of dollars per month. Francisco said are you asking if we could legally do that, answer is probably. If you are asking could we do that prudently, Francisco said remember, we have a lot of customers who only receive sanitation bills so why should they want to pay for water.

Sanitation Fund is doing okay financially at this point, but that the Sanitation Utility was underfunding its fleet replacement needs. Council may want to address this concern of fleet replacements at a later date. Lang brought up the fact that this could be addressed with the large fund balances. He said it does not make sense to hold on to large fund balances when equipment needs to be replaced. Castleberry said if it limits our services then we need to consider equipment replacement.

A preliminary Norman Forward Sales Tax Fund Summary was presented. We will not always have large fund balances like the ones shown. The revenue figures are based on the projected revenues from the sales tax collections and the projections are shown through FYE 21. This is what the format will be but the numbers will change. Castleberry asked about debt service and City does have amortization schedules for the debt, right. Francisco said yes.

Mayor said she doesn't see need for addition to Rainy Day Fund at this time. Lewis said he wanted to alert Council to staffing needs in Public Works for capital projects. We will bring information to the Committee in February. Mayor asked if that would be the only personnel changes. Lewis said yes. Castleberry said we are starting the year with an extra \$1.5 million this year, could this Fund Balance be used. He asked if the City needs to keep this money in fund balance or is this money we can use for things we have put off. Francisco said that's totally up to Council, but he recommends that Fund Balance be used only for one-time expenditures.

Castleberry wants to see a list of pressing needs or one-time capital expenditures. Lewis said yes, we can prepare that. Sales Tax collections are doing well. We're still waiting on December sales report which will come in February. Attending conferences, we are hearing economic data that says we need to be in a wait and see status. In the middle of 2016, we could see drastic and other changes. Mayor thinks making a list is a waste of time we just need to be very cautious in this economy. Castleberry pointed out the dire needs at the Animal Shelter and Code Enforcement. Mayor doesn't want to put more money in Animal Shelter, we just need to be extraordinarily cautious. Lang said if there's a pressing need, then we should consider it. Castleberry talked about earmarked funds for Fleet or I.T. to reserve for things to come. The Committee restated its desire to allocate more Capital Funds for fleet replacement. Miller said if it is a need, then it should be considered. She's concerned about what is going on in the economy. Castleberry said Mayor is right maybe to hold on to funds.

Items submitted for the record:

1. Audited FYE 2016 Fund Summaries for General Fund, Rainy Day Fund, PSST II Fund, Room Tax Fund, Westwood Fund, Water Fund, Water Reclamation Fund, Sanitation Fund, and Norman Forward Fund dated January 13, 2016, prepared by the Finance Department

Item 2, being

DISCUSSION REGARDING UNIVERSITY NORTH PARK TIF DEVELOPMENT AGREEMENT NO. 5

Jeff Bryant made presentation and reviewed in detail the PowerPoint presentation. Handout of the TIF #2 area was given to the Committee. Bryant said this Amendment No. 1 to Development Agreement No. 5 is proposed to be taken to Council on Tuesday, January 26, 2016

Previously Stated Council concerns - Spring and Summer 2015

1. Timeline for Cultural land purchase option that expired June 30, 2015.
2. Incentive criteria may be too low.
3. North 1/2 uses and needs for Master Planning.
4. Walkability and connectivity of Lifestyle Center.
5. Solidify funding plan for entrances in light of UNP BID Petition.

PROPOSED AMENDMENTS TO DEVELOPMENT AGREEMENT No. 5

1. Incentive criteria updating and clarification
2. Coordinated Master Planning
3. Construction of Entrances
4. Timeline Extensions
 - Cultural Facility Land
 - Lifestyle Center completion

Lifestyle Center – Retail Development –two approaches

1. Incentives authorized previously (\$8.25 million)
 - Stores not in Norman within a 21 mile radius
 - \$175/ sq. ft. larger stores; \$275/ sq. ft. smaller stores
2. Public improvement reimbursement of \$8.3 million obligation
 - \$8.3 million (Frontage Road \$2.4 million; Legacy Park \$5.9 million)
 - 145,778 sq. ft. of retail space to shell completion by 1/1/18
 - No restriction on performance or from where stores are recruited
3. Developer could build shell by 1-1-18, approximately 45,000 sq. ft. and avoid obligation

Lifestyle Center - Getting the Right Retail Fit

1. Strong interest from retailers that may meet criteria, but may not clearly fit the vision for the Lifestyle / Village Center
2. An approach more consistent with Regional Draw is proposed
 - Legacy Park has enhanced development and recruitment of retail
 - TIF based Incentives will not be accessed unless a suitable retailer is presented
 - Encourage the Developer to select the right retailer, not to just beat the penalty deadline
 - Recent interest in partnering with a developer with more experience in developing Lifestyle Centers

3. Preference is for more selectivity regarding potential anchor tenants and to allow exploration of other developments that may complement existing incentives and enhance retailer interest

Master Planning

UNP North Half Master Plan – RTKL

1. Test fit a range of uses and densities appropriate for the Norman market
2. Incorporate concepts of walkability and urban design
3. Recommend optimal uses within context of overall vision for UNP

UTC – Master Plan or Refine Lifestyle Center Concept

1. Consider potential anchor tenants
2. Data analysis – develop framework for development – identifying key uses while providing for flexibility based on market realities
3. Test fit a range of uses and densities appropriate for Norman that will incorporate the Lifestyle Center into Legacy Park and the hotel complex
4. Consider urban design concepts and walkability
 - Coordination between UNP, UTC, and NTIFA through RTKL (Master Plan on Lifestyle Center – Cost is \$40,000 and OU developer is paying one half and City will pay for other portion out of TIF #2 funds)

Incentives

1. Current “floor” (minimum requirements to qualify for TIF retail incentives)
 - Retail store must not currently exist within 21 mile radius
 - Retail sales thresholds
 - a. \$175 sales per square foot for stores >10,000 sq. ft.
 - b. \$275 sales per square foot for stores <10,000 sq. ft.
 - Retail store relocated from outside of Norman
2. Proposed New “floor” (minimum requirements to qualify for TIF retail incentives)
 - Retail store does not currently exist in Norman
 - Retail sales thresholds
 - a. \$300 sales per square foot for stores > 10,000 sq. ft.
 - b. \$400 sales per square foot for stores < 10,000 sq. ft.
3. Parcel development plan incorporates urban design elements of walkability and connectivity

Proposed Robinson Street / 24th Avenue Entrance Enhancements

1. Final design completed by May 1, 2016
2. Bidding and construction completed by November 15, 2016
3. Funding shared equally between UTC, NTIFA (enhanced landscaping allocation), and UNP BID (estimated \$100,000 each)
4. Approach Endorsed by UNP BID Board

Proposed Lifestyle Center Entrance Enhancements

1. Date to be determined
2. Recognizes that anchor tenants may want input in final design of this entrance

3. Equal funding between UTC, NTIFA and BID
4. Total shared cost not to exceed \$300,000 per partner for both entrances
5. Approach endorsed by UNP BID Board

Proposed Timeline Extensions – Cultural Facility

1. Donation site moved to preferable site adjacent to Embassy Suites (along the North)
2. Extends option to buy additional land at \$5/square foot to June 30, 2016
3. Extends deadline to develop Cultural Facility land to June 30, 2026

Proposed Timeline Extensions – Lifestyle Center

1. Timeline for additional 146,000 square feet of retail space is extended to June 30, 2023
2. Potential for additional three year extension if mutually agreeable concepts of urban design, walkability, and/or mixed use are utilized
3. Allows Developer the time to wait for the right retailer to fulfill what Norman envisioned and explore partnership opportunity with national Lifestyle Center developer
4. Allows time for a coordinated Master Planning effort with remaining land north of Rock Creek Road

Current minimum sales to qualify for retail TIF incentives for a potential vendor are \$175 per sq. ft. (does not currently exist within 21 mile radius of Norman), and new floor space at \$275 per sq. ft. (does not currently exist in Norman City limits). NTIFA needs to decide if we want to stay with those figures or consider new ones. Sara Kaplan did research and those numbers should be closer to \$300 to \$400 per sq. ft., the previous sales per square foot figures are from 2005. The Developer would need to know those figures to recruit new stores to Norman. On the retail sales thresholds, use daily dollar sales per square foot for stores.

The entrance enhancements, enhanced signage and landscaping will cost approximately \$300,000. Costs will be \$100,000 each shared between University Town Center (UTC), Norman Tax Increment Finance Authority (NTIFA) and University North Park Business Improvement District (UNPBID). Relocation of utilities could drive up costs. Lifestyle Center entrance and Robinson Street entrance is approximately \$300,000 total per partner for both entrances, \$900,000 total. Developer said signage is a good concept but it's in the way of the park and does not promote walkability or uniting all areas together. Also a new anchor retailer would probably like to have input to entrance design; therefore, the developer proposes to delay the design and implementation of the Lifestyle Center entry signage. On Robinson Street, final design can be completed by May 1, 2016.

Heiple does not like the entrance signage design and stated that it should look more like what the Legacy Park entry signage looks like. Bryant will talk to designer about coming to NTIFA/Council to explain concept. Castleberry said he thought the developer's signage design appeared to cost too much for what they are getting. Mayor wanted to know why City is paying for entry signage to the UNP development. Lang asked if the terms Urban Design and Lifestyle Center are that being used interchangeably. Connors said no, Urban Design is a streetscape of what it looks like according to the architect. Lang said urban design is how it looks and lifestyle center is what is in there. The Lifestyle Center is how it is arranged. Bryant said this would be a good reason to explore having a Master Plan done.

Timeline extensions

1. Cultural facility land is available at \$5/sq. ft. – the first deadline has expired and we could extend to 2026
2. Donation site moved to site along north front of Embassy Suites Hotel.
3. Lifestyle Center move to 1-1-2018 if we they think they can meet obligation, additional “shell building” 1,466 sq. ft. extended to 6-30-23

Castleberry asked how long the TIF is for and Bryant said for 25 years. The TIF was adopted in 2006 and will be over in 2031, we have 15 more years.

Mayor doesn't like the timeline extensions, with 4 – 5 year process. She stated that there are no performance measures along the way, nor is there anything to hold the developer to the agreement. Castleberry asked if we can tie payment for the signage with extension to 2023. Mayor said the developer needs to perform and we need to see progress. Castleberry suggested to “stair step” this idea, so many sq. ft. by a certain time limit. Mayor said they need to have a design by certain date and a development by certain date. Lang asked what would happen if they don't meet their current or amended obligation, and stated that he has no confidence in current developer.

Bryant said one of their recent developments is in Midwest City and they are willing to build something in the UNP Lifestyle Center similar to that, to meet their obligation for repayment (clawback) of the NTIFA's investment. They can afford it, but do we need to look at doing a Master Plan with these builders, potential benchmarks, do we have the timeline to build center for what we want. He also asked if there are enough tradeoffs to get to where we want to be. Heiple asked if developers would be willing to talk with Council about the concerns. Miller stated concerns with the project going on and on, and that the point is to require the developer to show us something. We don't want them to just put up a shell of something.

Castleberry wanted to know if we have looked at additional sales tax we can generate with the construction of buildings in University North Park. It's build now or later. Francisco stated that the sales tax generated by individual building projects in Norman is not tracked separately.

Mayor said we shouldn't have to accept thresholds. She stated that she didn't think that this Development Agreement amendment is ready to go to full NTIFA/Council on January 26th, and the Committee agreed. Committee asked Bryant to secure agreement on procedural benchmarks on timeline for Lifestyle Center clawbacks with the developer and to discuss alternative UNP entry signage design with the developer.

Items submitted for the record:

1. PowerPoint Presentation, University North Park TIF District Amendment No. 1 to Development Agreement No. 5, dated January 14, 2016
2. Memo dated January 12, 2016, to Mayor and Councilmembers from Jeff Bryant and Kathryn L. Walker, University North Park Tax Increment Finance District Update Amendment to Development Agreement No. 5
3. Copy of Amendment No. 1 to Development Agreement No. 5, prepared by Legal Department

4. Copy of Development Agreement No. 5, dated as of May 8, 2012

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Item 3, being

DISCUSSION REGARDING CREATION OF A STORM WATER UTILITY, MORE SPECIFICALLY, REVENUE TARGETS

Shawn O'Leary made presentation and had a handout relating to cost of utility through FYE 2021.

Mayor said we need to look a lot of data for the Finance Committee meeting in February. For instance, what are the fair rate payment tiers. Lang said to get this vote passed, it needs to look good. Mayor said on the commercial side, we need to look at distribution and look carefully at that and how small businesses customers align with residential customers.

Mayor asked staff to bring to the February meeting data showing distribution of customers and approximating an ERU approach. We would like to have 3 – 4 tiers of fees, but simple, too.

O'Leary asked if City can cap the upper end fee, use \$300 at big sites. Miller asked how you differentiate and was told by those that built homes or businesses for storm water drainage. Mayor asked for an estimated program costs slide. O'Leary said that in FYE 17, there are basic minimum regulatory requirements that will add costs that we have to cover or absorb them in the General Fund. This does not include enhanced capital improvement projects. Mayor says we need to respond to failing storm drainage threats to infrastructure. City needs \$4.5 million per year plus more for major capital improvements. Castleberry wanted to look at cost first, approximately \$4.8 million, and then develop tiered rates.

Items submitted for the record:

1. Graph showing Estimated Additional Program Costs, prepared by Public Works Department

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Item 4, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR DECEMBER 2015

No discussion.

Items submitted for the record:

2. 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 Reports for December 2015

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Item 5, being

SUBMISSION OF THE REPORT ON OPEN POSITIONS

No discussion,

Items submitted for the record:

1. Position Vacancy Report dated January 6, 2016

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Item 6, being:

MISCELLANEOUS COMMENTS

The consensus of the Committee is to invite outside agencies requesting funding turn in information for the Committee to read. Mayor said if the agency requests an increase in funding, then invite them to the meeting and be available for questions. Lang said he preferred to look through the information and then invite to the meeting. Mayor said to submit proposals and then Committee will inform Anthony Francisco for invitations to meeting.

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The meeting adjourned at 6:36 p.m.

ATTEST:

City Clerk

Mayor