

FINANCE COMMITTEE MINUTES
March 10, 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 10th day of March, 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 Heiple and Chair Rosenthal

ABSENT: Members Castleberry and Lang

OTHERS PRESENT: Lynne Miller, Council Member
 Steven Tyler Holman, Council Member
 Steve Lewis, City Manager
 Terry Floyd, Development Coordinator
 Anthony Francisco, Finance Director
 Suzanne Krohmer, Budget Manager
 Jeff Bryant, City Attorney
 Kathryn Walker, City Attorney III
 Shawn O’Leary, Public Works Director
 Scott Sturtz, City Engineer
 Aaron Milligan, Storm Water Pollution Specialist
 Greg Hall, Street Superintendent
 David Reiland, Traffic Engineer
 Ken Komiske, Utilities Director
 Mark Daniels, Utilities Engineer
 Gala Hicks, Human Resources Director
 Tim Powers, Information Technology Director
 Lisa Krieg, Grants Planner
 Carleen Smith, CART
 Susan Coldwater, CART
 Harold Heiple, Citizen
 Richard McKown, Citizen
 John Woods, Chamber of Commerce
 Joy Hampton, Norman Transcript

Member Rosenthal called the meeting to order.

Item 1, being

DISCUSSION REGARDING A FUNDING REQUEST FROM CART FOR THE FYE 2017 BUDGET

Mayor explained that the Finance Committee wanted to hear more justification of the CART budget and request for \$50,000 additional funding. Carleen Smith and Susan Coldwater spoke. The reason for the additional increase is to cover costs of adding additional service hours

provided by CART. We have added additional hours to the day for a total of 10 hours of operation each day. In August of 2015 we split the Main and Alameda service and we now have 30-minute runs rather than 1 hour frequency of runs on those City routes. Working with new guidelines has added cost to the operating budget. Federal funding has dropped considerably, especially for capital items, such as vehicles. The federal funding for operations has remained basically the same. Since 2013, we have purchased several chair-transit vehicles. ODOT has helped some with vehicle replacement costs. Vehicle replacement costs us \$1.65 million and we received approximately \$750,000 in federal funding reimbursement. We received some local funding from CDBG. The need for the extra funding is to help with operations and vehicle replacement purchase. The cost to maintain the older vehicles is very high. This request is a stop gap measure until the funding becomes available. The manufacturer's recommendation is to use a bus for 500,000 miles and we have one bus that has 650,000 miles on it. Two buses have had to be retired because the CNG tank guidelines require it (10 years). The cost to replace a CNG tank is \$50,000 each and that does not seem to be a wise decision. Mayor said two members of this committee are absent but this request will be discussed with them and feel that the consensus will be to add the CART request to the FYE 17 Budget.

1. Cleveland Area Rapid Transit (CART) Annual Report and Funding Request, dated February 4, 2016

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Item 2, being

CONTINUED DISCUSSION OF THE FYE 2016 MID-YEAR BUDGET REVIEW

Anthony Francisco made presentation. Discussion of request for additional staff with costs to be covered in the Capital Projects Fund. This has been done in the past because the people are working directly with capital projects. Shawn O'Leary, Public Works Director, stated that the request is for two additional staff, a Capital Projects Engineer and a Construction Manager, to be hired and paid from the Capital Projects Fund. Our Capital program continues to grow pretty rapidly with projects under the CDBG-DR and FEMA funding especially. Francisco asked if these costs could be charged to CDBG-DR funds. O'Leary said he and Susan Connors, Planning & Revitalization Director, have talked about this. Council Member Lynne Miller wanted to know the cost of the two positions and was told approximately \$200,000 for salaries and benefits.

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Item 3, being

CONTINUED DISCUSSION REGARDING THE CREATION OF A STORM WATER UTILITY

Shawn O'Leary started presentation with a review of the discussions of a storm water utility (SWU) during the last two Finance Committee meetings. The handout reflects new information as requested by the Finance Committee at the last meeting. O'Leary mentioned that the previous

options shown did not have financial relief for the General Fund. Scott Sturtz presented Option #5 which is multi-tiered based on total parcels owned. The new option adds a 5th tier for approximately \$2.6 million total that equals \$5.1 million added funds for capital improvements.

O'Leary reviewed in detail the Tables and Figures submitted from the Public Works Department and the differences from the ones submitted at the February Finance Committee. He talked to the Committee about the last table dealing with the General Fund Relief Options which was new. This table reflects an anticipated balance of \$500,000 from the categories in Table 2 and the possible ways they could be used to help relieve the General Fund. He also said Council could use revenue above the \$4,800,000 SWU budget in the amount of approximately \$300,000.

Committee Member Greg Heiple wanted to know how staff defined parcels. Sturtz said by using County information from their website and the City's GIS Division, we can calculate impervious services. For example a downtown bank is shown as 4 parcels. O'Leary said the Sooner Fashion Mall is shown as 2 parcels and a downtown church is shown as 6 parcels. Mayor wanted to know about the process for appeals and resolutions where there are anomalies. Francisco said yes, appeals can be made similar to our other utilities. O'Leary said especially during the first year, we want to allow an appeal period. Mayor wanted to know if there is an alternative to parcels, for calculating the basis for Equivalent Residential Units (ERU). O'Leary said no but that this could be worked out in the process of determining rate options.

Sturtz said Committee had asked at the last meeting for the low/average/high range in each tier. Figure 3 shows the residential parcels by impervious surface area with the dollar rate for each and Figure 4 shows the non-residential parcels by impervious surface area with the dollar rate for each. The figures used for Residential charges are \$3, \$6, \$9, and \$13; and the figures used for Non-residential rates are \$15, \$45, \$90, \$140, and \$180 for Table 5 information. When Option 5 was added, revenue is total revenue calculated 5%; projections do not account for inflation or additional revenue from growth; does not include the projected rates for OU; but it does include funding for Capital Improvement Program.

Holman wanted to know what the University of Oklahoma's rates look like. Sturtz said using these rates, it comes out to \$127,000 per year but actual fee will be negotiated with OU. Mayor said due to federal requirements OU is required to have storm water permit and storm water program in place. Holman says we won't have to bail-out OU, but would have to bail-out some neighborhoods. O'Leary said according to the records, OU owns 160 parcels of land most is occupied.

Sturtz said under the General Fund Relief Options table, we can use revenue greater than \$4.8 million towards this purpose (approximately \$300,000). Mayor said she like this one better, previous proposals had non-residential at \$30 per month and this one starts at \$15 per month. This will help small businesses in our community.

Sturtz asked if we want to save the additional information on small capital improvements projects such as Summit Lakes for the full Council or do it now. Miller asked if it could be summarized. Jeff Bryant said yes, the Summit Lake dam is leaking and they are working with Oklahoma Water Resource Board and with City engineers helping. We've talked with Summit Lakes Property Ownership Association (POA) to help them by being the bank for them after they

get their plan together to bring the dams to a certain standard. Then the City will take over maintenance after the dam has been brought up to standard. Bryant said that the Summit Lakes POA was not happy with the large dollar figure to get the dam fixed. City told them we did not have funds to do this until the Storm Water Utility is a source of revenue. City could bill them an assessment to take care of their problem. They have retained legal counsel to help them work out their problems. Contingent on revenue stream, then City can help.

Holman wanted to know when Summit Lakes was constructed. Bryant said they were talking with the developer for an equitable share of the cost to repair the dam. O'Leary said the dam is thirty plus years old. Miller was concerned that there are a number of places in Norman with compromised dams and with this action are we looking at other neighborhoods to help. O'Leary said there are only three high hazard dams in Norman, Summit Lakes, Sutton Wilderness, and Hall Park, and the City is already working on Hall Park. He also said he had been to several meetings just this week with neighborhoods saying they had a problem they needed help from the City.

Mayor said this template with Summit Lakes provides a policy statement to the community. If associations have dam and/or other problems in their area and bring them up to operating standards, then City can take over maintenance. Storm water enhanced maintenance will help other neighborhood associations. Greg Heiple said this type of situation was what he envisioned a storm water utility helping all wards with this type of problem. This would be like a pilot program and show what we are doing right. O'Leary said City would have to create a policy covering these types of situations.

Harold Heiple said there are two categories, single family and non-single family that are not addressed in any of the options. He stated his opinion that multi-family is not being addressed, they are considered non-residential and will pay 5 times (\$45/month) the amount a single family residence (\$9/month) will. Lumping duplexes and apartments into residential status and charge apartments by the bedroom. O'Leary said they have learned of a lawsuit that the City of Austin lost recently because they tried to lump duplexes and apartments into single family. We are researching that issue. Mayor suggested that multi-family have their own tier or include them in residential category.

Joy Hampton asked if City had totally dumped ERU's for non-single family and the 7 tier rate structure proposal in the tables. Mayor said each table has ERU's. Hampton asked if it was more fair to use ERU's than parcels. O'Leary said we moved away from pure ERU's because it's a complicated system and the Council wanted an easier concept to work with. Hampton said she was trying to understand why this is easier. How can I explain this to readers? Using parcels seems really complicated. Mayor said we have to use parcels either way because that tells who is going to get the bill. O'Leary said we've always used parcels to calculate, just changing ranges. This proposal caps the very large parcels. There was no cap included in previous proposals.

Richard McKown asked for clarification about the relief to the General Fund with a storm water utility and was it creating a different source of funds. O'Leary said yes, a storm water utility will pay for other needs. Mayor said the General Fund is currently paying for storm water expenses, we are absorbing this into the General Fund. Storm water utilities should pay their own

expenses. Currently , \$3 million dollars of services are being paid of the General Fund. O'Leary said we are projecting increased costs due to unfunded state and federal mandates.

Mayor said we have lowered proposed rates. O'Leary said we've also proposed rates. Sturtz said majority of funds are for new programs. We need \$4.2 million for some things we are not doing now. Harold Heiple said developers and builders oppose based on impervious services. It does not give credit to those that have built since 1981 and that have taken care of their storm water problems. Holman said Cambridge and Summit Lakes haven't taken care of storm water problems and they are post 1981.

Greg Heiple said looking at the General Fund it's important for us to have the storm water utility so expenses won't outweigh revenues. Miller wanted to know if \$5.6 million is a more ideal figure to raise. O'Leary said that would be ideal. John Woods said it is confusing, we are spending \$3 million on storm water expenses from the General Fund now, so you need at least \$3 million plus \$4.2 million for new projects. So you really need a total of \$7.2 million not \$5.6 million. I appreciate the lowered commercial rates but now a 4,000 sq. ft. residential pays \$9 a month versus a 4,000 sq. ft. commercial pays \$45 a month. I don't understand the disparity, it shouldn't matter if residential or commercial. Mayor said because of required storm water services, non-residential rates need to be higher than residential rates. On the issue of \$7.2 million or \$5.6 million, we had staff reduce enhanced maintenance programs; staff reduced it to \$5.6 million. If we included all costs needed, then it would be \$7.2 million. O'Leary said the Master Plan adopted in 2009 reflected the need for \$8.6 million. We had to cut it down. We are still spending \$3 million from the General Fund. We are trying to think out a couple of years, with raised costs. They are not built in this project.

Mayor said to look at one more scenario. Greg Heiple said he would be interested in seeing the non-residential linked to residential for fairness. Mayor said we would look at this again on March 22nd. We have missed the window for the June ballot, we would have had to have the 1st reading on March 22nd. The next available time is the August ballot, and implementation would take a couple of months after election. So already delay is impacting next fiscal year's budget for 5 to 6 months. Mandates are coming and will be a bigger hit to General Fund in FYE 2017.

Items submitted for the record:

1. Memo from Shawn O'Leary, Director of Public Works, to Council Finance Committee dated February 9, 2016, Storm Water Utility Rate Discussion
2. TABLE 1, Proposed Storm Water Utility Rate Comparison, prepared by Public Works Department
3. SWU Provisions for relief of the General Fund, prepared by Public Works Department
4. TABLE 2, Average and Maximum Costs for FYE 2017-2022, prepared by Public Works Department
5. TABLE 3, Menu of Opportunities, prepared by Public Works Department
6. FIGURE 1 – Residential Parcels by Impervious Surface Area, prepared by Public Works Department
7. FIGURE 2 – Non-residential Parcels by Impervious Surface Area, prepared by Public Works Department

8. TABLE 4 – OPTION 5 – Multi Tier Based on Total Parcels, prepared by Public Works Department
9. FIGURE 3 – Residential Parcels by Impervious Surface Area, prepared by Public Works Department
10. FIGURE 4 – Non-residential Parcels by Impervious Surface Area, prepared by Public Works Department
11. TABLE 5 – Proposed Storm Water Utility Rate Comparison, prepared by Public Works Department
12. General Fund Relief Options, prepared by Public Works Department

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Item 3, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR FEBRUARY 2016

Anthony Francisco said the amount apportioned to the Norman Forward Sales Tax Fund was \$728,243 for the first deposit. This was January sales tax received by the City in March.

Items submitted for the record:

1. Summary of Major Funds-General; Capital; Westwood; Water; Water Reclamation; Sewer Maintenance; New Development Excise; Sewer Sales Tax; Sanitation Fund; and Norman Forward Sales Tax Fund Revenue Sources vs. Budget, Financial Reports for February 2016

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Item 4, being

SUBMISSION OF THE REPORT ON OPEN POSITIONS

No discussion,

Items submitted for the record:

1. Position Vacancy Report dated March 2, 2016

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Item 5, being:

MISCELLANEOUS DISCUSSION

No discussion

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The meeting adjourned at 6:28 p.m.