

FINANCE COMMITTEE MINUTES
April 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 April, 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: Kyle Allison, Council Member
Lynne Miller, Mayor-elect
Greg Jungman, Council Member
Bill Hickman, Council Member-elect
Anthony Francisco, Finance Director
Suzanne Krohmer, Budget Manager
Shawn O'Leary, Public Works Director
Scott Sturtz, City Engineer
Aaron Milligan, Storm Water Pollution Specialist
Joe Willingham, Storm Water Engineer
Greg Hall, Street Superintendent
Ken Komiske, Utilities Director
Charlie Thomas, Capital Projects Engineer
Gala Hicks, Human Resources Director
Jeff Bryant, City Attorney
Harold Heiple, Citizen
Roger Gallagher, Citizen
Joy Hampton, Norman Transcript

Member Rosenthal called the meeting to order.

Item 1, being

DISCUSSION REGARDING POTENTIAL OKLAHOMA WATER RESOURCES BOARD
DEBT REFINANCING AND HOW THAT MAY IMPACT NORMAN'S OUTSTANDING
LOAN

Anthony Francisco made presentation. A letter from the OWRB addressed to the Mayor came in late March informing us they are refinancing their debt that funded the Norman Utilities Authority's 2009 Drinking Water Bonds. They are refinancing due to the fact that the interest rate is lower than when the bond was issued. No one expected interest rates to stay this low for this long. OWRB certainly didn't but it creates an opportunity for them and for us. The letter states they are refunding their debt on this issue and gives us three options if we want to participate or not in the refinancing. This letter went to everyone who participated in this 2009 Bond, letting us know we can refinance for a lower interest rate and realize our share of

OWRB's savings. Option 1 is to free up money to do more projects; Option 2 is to reduce amount of annual debt service; and Option 3 is to basically take the savings that OWRB is generating and pay off the loan entirely. We talked about this with the Financial Advisory team and what we are recommending is to proceed with Option 3. What this means is that the NUA Trustees will see documents beginning at the next meeting dealing with changing the outstanding debt from the Oklahoma Water Resources Board to the Norman Utilities Authority. We will not know until we actually do the deal but we expect that the interest rate will drop from 4.3% to approximately 2.4%. We are projecting that the City will save about \$460,000, total savings on the deal.

We are proposing to refinance some General Obligation (GO) Bonds from 2005 and 2007 at the same time we are selling the 2016 GO Bonds that you approved notice for sale on this past Tuesday. And again, you will free up some money that can be used for other related projects. Council Member Castleberry asked if that would free up capital or cash flow. Francisco said it would free up principal which would be cash flow to do other projects. We expect to save about \$750,000 over remaining life of bonds, the 2005 bonds mature in 2025. Details to follow but the items will be on your next agenda and there will be a public hearing on the refunding at that meeting. Information on the whole funding balance analysis will be sent to you before the meeting. Council Member Castleberry wanted to make sure the Finance Committee received the information and could discuss figures, etc. Francisco said in order for this action to meet the deadline for selling the 2016 bonds, it would not come before the Finance Committee again, but refunding analysis and figures would be sent to the full Council in advance of the meeting.

Items submitted for the record:

1. Letter from State of Oklahoma Water Resources Board to Mayor Rosenthal, dated March 24, 2016, Potential Refinance of ORF-09-0021-DW

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Item 2, being

CONTINUED DISCUSSION REGARDING THE CREATION OF A STORM WATER UTILITY

Shawn O'Leary and Scott Sturtz made presentation. O'Leary's slide presentation began with putting a "face" to storm water. Currently there is a staff of 18 people in the Storm Water program. We need to fund these positions and equipment to be used in program. Currently we have 3 street sweeper operators and 3 street sweepers, and we need to get to a total of 6 of each. Equipment needs for the storm water program are dump trucks, back hoes, street sweepers, etc.

Alternative Funding Sources for Stormwater Expenses

Sturtz said they have a lot research on what is needed for the storm water utility, in response to Council's request for alternative ways of paying for storm water related expenses. Corpus Christi, Texas, funds storm water through their Water Fund. Tyler, Texas charges a rate of 6% as a surcharge on the monthly bill for all parcels based on a resident's use of water and sanitary sewer. They cap the surcharge at \$25/month and \$300/year for a residence. Commercial businesses are capped at \$208.33/month and \$2,500/year.

O'Leary said Directors are leery of taking money from the General Fund to pay for storm water expenses. Mayor said we have to be careful addressing the fact that the Total Mass Daily Load (TMDL) tests water quality. Council Member Lang says a strong statement made at a meeting on the storm water subject is that "we drink our storm water". O'Leary said we need to be able to make convincing statement as to the need for a storm water utility. Council Member Castleberry says I'm not comfortable with the statement about drinking our storm water because it's purified at the Water Treatment Plant before we receive it in our homes. Obviously, the cleaner the water when it goes in for treatment the better. Say bottled water is a 1 and oil is a 10, it goes through the same process.

Council Member Miller asked if the Water Fund would provide compensation for moving the cost of the TMDL studies to that enterprise, because storm water that runs into the Lake that is the source of our drinking water. O'Leary said that is not built into the current proposed rate structure. He said the question tonight is whether we pursue this any further or approach it in a different way to find a different source of funding.

Mayor said everything we add to storm water utility to cover, the higher the fee. This budget shows \$7.2 - \$7.3 million dollars, can we raise that with a storm water fee; continue to draw on General Fund for the storm water costs; or is there some general nexus for a portion of it; or some other fund like the Capital Fund for a limited portion of it. The rate structure seems to be what we are struggling with in our discussions.

O'Leary said we have three Enterprise Funds that take care of capital projects. There is a Capital Fund and we might dig deep and find money there to take care of storm water costs. Council Member Allison said we need to close the gap. Council Member Heiple said the money is not available in the Water Fund. We just need to raise revenues. We are going to try to catch up from the beginning. Council Member Miller said we don't want to put the Water Utility into a bad situation. We should try to make this storm water utility fee as reasonable as possible. It's hard to go beyond the comparison of other cities and what they are doing for storm water.

Council Member Castleberry said there is no logical nexus between water and storm water. Mayor said there is a water quality connection. TMDL monitoring is required and that expense can be shifted to the Water Fund. Council Member Castleberry agrees with the monitoring expense. If we go any further than that he says it's not appropriate. Mayor said that's the only cost we would transfer into Water Fund. This is similar to the monitoring that is being paid out of Water Fund, just stepped up monitoring.

We are talking about the neighborhood projects that need to be done, not the Master Plan projects. We should look at smaller needs items and fund through Capital Fund. Council Member Castleberry says he wants Capital Fund to pay for capital projects and the storm water utility can pay for operating costs.

Council Member Miller says majority of citizens are concerned about the added cost to their bill and if it is fair for them. They are not concerned about which fund it comes from. Council Member Heiple says in Norman we share one lake for drinking water and storm water runs into the lake. Council Member Castleberry asked what will citizens that live on the east side of

Norman say when we tell them we want you to pay for projects on the west side of Norman. Council Member Allison says to make sure we show all citizens of Norman the benefits from the fee.

Funding Stormwater Capital Projects

Council Member Castleberry says some Home Owners Associations (HOA) are responsible for their storm water detention facility maintenance projects. O'Leary said we better have something tangible for the voters, include capital projects and maintenance. Council Member Castleberry asked as Public Works Director are you willing to take over all HOAs responsibility? Mayor said maybe Jeff Bryant can address this, take over HOAs maintenance costs. Bryant said we met with Summitt Lakes HOA/POA and they are in agreement with suggestion that once a certain level of a structure reconstruction is achieved by the HOA, then City could take over maintenance costs in the \$250,000 to \$350,000 range. Sturtz said we are seeing degradation of stream banks all over the City, and property owners are being affected by the degradation.

Mayor said we should have staff look at some portion of capital funds to bring storm water target rate down. Council Member Allison said we would just be robbing Peter to pay Paul. We've created our own problems. Council Member Lang said some portions of storm water-related costs could be on Water Utility, but we don't want to get into situation of being accused of dumping charges/projects into the Water Fund when it wasn't originally voted on.

Mayor said we could have capital savings from debt refinancing. Council Member Heiple said he's okay looking at Capital Fund to help bridge the gap. Let's make the storm water fee marketable and take it to the vote of the people. We have to consider the cost of waiting. Council Member Castleberry said use caution, if the fee doesn't pass the first time, it will be hard to bring back the 2nd or 3rd time to vote on. Council Member Jungman says don't underestimate citizen's ability to understand need. Five dollars for everyone is not equitable, people will understand that. Give the voters some credit. Mayor says Option 6 doesn't take care of everything. Give direction to staff to explore and look at nexus.

Updated Impervious Surface Area Data

O'Leary said using GIS mapping system, we knew impervious area. Using 2010 map data, we have been able to update to 2015 data estimated and what they will do for our estimates. Sturtz said in 2010 information there was 300 million sq. ft. of impervious area; in 2015 there was 318 million sq. ft., which is 6% increase over a 5-year period.

Option 6 equals additional \$350,000/year growth and Option 6X equals an additional \$500,000/year additional growth in revenue. We will have an increase of growth and impervious surface every year. O'Leary said if the storm water program is advanced to the voters, we would apply 2015 numbers and we're looking at growth rate of impervious surface by 6% over 5 year period. We are growing in the amount of storm water run-off.

Stormwater Fee Credits and Offsets

Mayor says area of off-sets, gravel, non-profits, every off-set means less revenue to the Stormwater Utility. O'Leary said we looked at City of Austin, Texas, and their program is very complicated. Storm Water Master Plan (SWMP) Committee in every City that has a storm water program deals with the problem and addresses off-sets or credits. Sturtz says we support low impact development, pervious surface system. We want to see more of that in the City to allow less water run-off. Our clay soils allow less infiltration; therefore, there may be more credit for new development or retrofit existing parking lot. There can be 20%-25% reduction if you reduce 1/3 of parking lot. OU has impervious pavers on campus, for example. IMMY is going to do that, the new Bishop's Landing is doing "green efforts". Gravel drives don't work as well; infiltration is basically zero. City of Baltimore and City of Chattanooga say gravel is same as paved surface. Our GIS can't differentiate between concrete and gravel driveways; difficult to do. In order to obtain pervious surface credits, maintenance manual and annual inspections would be needed. Council Member Heiple said these larger entities will get credit with these initiatives and smaller entities like homeowners would not, that doesn't give them incentive to do this and that's not okay with me. O'Leary said residents can apply for credits/off-sets if they identify it as an engineered solution. Mayor said we're looking for something above and beyond what we require. Council Member Castleberry suggested getting credit for lowering cost. Mayor said staff supports the pervious pavers.

O'Leary said areas of exemptions could be: OU with their own storm water utility program; certain users such as public schools, non-profits, etc. We studied the 2007/2008 data and it shows churches are about 1.6% of total area. A bigger area is the Federal buildings (postal training and National Guard). Sturtz says OU has their own storm water program, they maintain their own storm water lines. O'Leary says every property generates storm water. Sturtz said NCED, Westheimer, National Guard are all in top 15 storm water producers. O'Leary asked where do we stop with exemptions? Let's just not do exemptions on any of them. Council Member Allison said hospitals, churches, non-profits are all struggling financially. Council Member Castleberry says Norman Public Schools are in the \$35,000/year range, approximately \$3,000/month.

Mayor said we should include language in the ordinance exempting fee or credit in lieu of services that support community. Example is the Norman Public School District as Council Member Castleberry suggested. Direct contributions can be made to storm water utility. Council Member Castleberry said have the school system do a fee in lieu of storm water utility fee. Council Member Miller likes the offset to schools, and some kind of offset to churches and non-profits. Francisco said he is concerned with giving offsets/credits in storm water utility and not the other utilities. Mayor said we have income-qualifying discounts in the other utilities, could we do same for storm water utility. Francisco said the income-qualifying is not for commercial business only residential customers. Generally speaking, there's a 20% discount currently for qualified low income residents.

Council Member Heiple says go back to beginning of the Storm Water Master Plan and the Committee and they said exemptions/offsets should not be permitted. Council Member Lang wants to make sure it passes, keep it simple, harder to sell if it difficult to understand. Mayor said we'll continue this conversation next week.

Council Member Castleberry said let's pick some properties and see what they will pay so we can visualize how it will affect the people. Mayor said it's the upper bracket we don't know yet. We have a formula already. All the information a citizen will need to know how much they will owe for storm water is on the website.

Items submitted for the record:

1. Memo from Scott Sturtz, City Engineer, and Shawn O'Leary, Public Works Director, dated April 14, 2016, Proposed Storm Water Utility

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Item 3, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR MARCH 2016

Francisco said the most recent sales tax collection is in and it's up this year. Sales during February were higher than February 2015. Standard of growth is low. General Fund total revenue is within 8/100th of 1% which is very good estimating. Expenses are -3 1/5% below estimate.

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 March 2016

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Item 4, being

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Council Member Castleberry asked if an Assistant City Attorney had been hired yet and he was told not yet.

Items submitted for the record:

1. Position Vacancy Report dated April 6, 2016

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Item 5, being:

MISCELLANEOUS DISCUSSION

No discussion

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The meeting adjourned at 6:32 p.m.

ATTEST:

City Clerk

Mayor