

FINANCE COMMITTEE MINUTES

September 21, 2011

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 21st day of September, 2011, 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, Gallagher, Griffith, and Chair Quinn

ABSENT: Member Ezzell

OTHERS PRESENT: Cindy Rosenthal, Mayor
Linda Lockett, Council Member
Anthony Francisco, Finance Director
Suzanne Krohmer, Budget Manager
Jeff Bryant, City Attorney
Kathryn Walker, City Attorney II
Clint Mercer, Chief Accountant
Mike Gibson, Partner, Cole & Reed
Bert Fletcher, Audit Manager, Cole & Reed
Shawn O'Leary, Public Works Director
Mark Daniels, Utilities Engineer
Steve Hardeman, Utilities Superintendent
Michael Graves, Garver Engineers, LLC
Shane Smith, Garver Engineers, LLC

DISCUSSION REGARDING PRELIMINARY AUDIT, FYE 2011

Anthony Francisco introduced Clint Mercer, Chief Accountant, Mike Gibson and Bert Fletcher, Cole & Reed, external auditors.

- Gibson - Preliminary work underway for audit of all funds – balance of work to be done on-site in October and first half of November
- Final audit to be completed and submitted to Council for approval in December
- Francisco – at next Finance Committee meeting staff will bring preliminary Fund Summaries and Rainy Day Fund for discussion of fiscal year end 2010-2011

Items submitted for the record

1. Engagement Letter to Audit Committee from Cole & Reed, dated July 18, 2011
2. Plan of Work Letter to Audit Committee from Cole & Reed, dated July 18, 2011

DISCUSSION REGARDING GRAY STREET PROPERTY FINANCING

Council approved purchase of land east of City complex at 9/12/2011 City Council meeting. Anthony Francisco detailed funding propositions. Handout listed pros and cons of funding purchase through Capital Funds and/or financing with a bank loan in the amount of \$750,000. Also reviewed financing proposals received from two local banks.

- Griffith wants to finance through bank so no strain will be placed on the Capital Fund.
- Rosenthal asked about emergency fund use possibility.
- Dillingham preferred putting less strain on budget by doing financing.

Consensus of Committee to take financing option to Council for action.

Items submitted for the record

1. Decision Factor: Interim Bank Financing or Capital Fund Financing, prepared by Anthony Francisco
2. Decision Factor: First American vs. First Fidelity Financing Proposal, prepared by Anthony Francisco

DISCUSSION REGARDING WASTEWATER TREATMENT PLANT EXPANSION PROJECT PHASE II

Mark Daniels introduced Michael Graves and Shane Smith with Garver Engineering, LLC, the company doing the preliminary engineering work on the project. Graves gave a Power Point presentation on the facility and update on the engineering work.

- Facility was built in the 1940s and the last upgrade was completed in 2000.
- Existing facility is currently at 92% capacity; environmental protection regulations require plans for expansion to be submitted when 90% capacity is reached
- Discussed treatment process steps
- Meeting discharge requirements currently
- New regulatory requirements pertaining to disinfection and dissolved oxygen
- DEQ is allowing 3 years for construction by July 2013
- Capacity drivers – 12 to 17 million gallons daily (MGD) expansion
 - 17 MGD represents full build-out (2025 Land Use Plan) at current plant; *Wastewater Treatment Plan* calls for additional 4.5 MGD at future north plant
- Equipment replacement drivers – end of useful life
 - Primary clarifiers
 - Aeration systems
 - Fixed film secondary clarifiers
 - Digester lid

Engineering Report and Conceptual Design Draft Report contain estimated costs for Phase 2 recommendations and long-term needs recommendation. Cost estimate for current needs is approximately \$52,000,000 which includes odor control project.

Items submitted for the record

1. Memo to the Finance Committee from Ken Komiske and Mark Daniels, dated September 15, 2011 – Status of Phase 2 WWTP Expansion

DISCUSSION REGARDING PROPOSED CONTRACT CHANGE ORDER POLICY

Jeff Bryant gave a Power Point presentation on Change Orders and their use.

- What is a change order?
- Causes of change orders
- Benefits of using change orders
- Current practice
- Applicable laws – Competitive Bidding Act

Legal does not have a proposed policy change – just information for Committee and discuss possible amendments.

- Quinn – Council should clarify Resolution
- Dillingham wants to see a memo or CMR, something in writing that states contractor is working at own risk, until Council approves,
- Quinn – send the change order requests to Finance Committee first for review
- Gallagher – make them part of weekly report when they are at a certain level
- Rosenthal – make 10% change notification practice

Items submitted for the record

1. Memo to Steve Lewis from Jeff Bryant and Mitch McCuistian, dated September 6, 2011, Change Orders

DISCUSSION REGARDING REVENUE/EXPENDITURE REPORT

No discussion.

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 August 31, 2011.

DISCUSSION REGARDING REPORT ON OPEN POSITIONS

No discussion.

Items submitted for the record

1. City of Norman/Human Resources Department Recruitment and Selection Report dated September 12, 2011

MISCELLANEOUS DISCUSSION

Outside Agencies Utility Payments

Anthony Francisco reminded the Finance Committee they had directed staff to notify the outside agencies receiving City funding and housed in City-owned facilities to start paying their utilities cost beginning with the FYE 13 budget year. These payments would start with 20% of actual cost in FYE 2013 and increase by 20% per year until agency is paying full cost in FYE 2017. He asked if this was still the plan.

- Dillingham – send out letters and see what response we receive from the agencies

Items submitted for the record

1. Proposed Letter to Outside Agencies in City-owned Facilities, prepared by Suzanne Cutsinger, Budget Manager

GASB Exposure Draft 34-E

Anthony Francisco and Clint Mercer reviewed changes in Governmental Accounting Standards Board (GASB) reporting pertaining to retirement and pension funds that will be implemented in FYE 2014.

- Start recognizing proportionate share of totals
- Overall liability has to be booked on balance sheet
- Not funded immediately
- Standard will be issued officially next June

Items submitted for the record

1. GASB Exposure Draft 34-2: Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27, prepared by Clint Mercer, Chief Accountant

The meeting adjourned at 7:02 p.m.

ATTEST:

City Clerk

Mayor