

FINANCE COMMITTEE MINUTES
June 18, 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 Study Session Room on the 18th day of June, 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
Steve Lewis, City Manager
Anthony Francisco, Finance Director
Suzanne Krohmer, Budget Manager
Gala Hicks, Human Resources Director
Shawn O'Leary, Public Works Director
Jeff Bryant, City Attorney
Roger Gallagher, citizen
Council Member – Elect Jerry Lang

Item 1, being:

DISCUSSION REGARDING A PROPOSED ORDINANCE AND RESOLUTION RESTRICTING EXPENDITURES FOR ITEMS FOR WHICH APPROPRIATION HAS BEEN MADE IN AN ADOPTED BUDGET, WHEN THE PROJECTED REVENUES ARE LESS THAN PROJECTED EXPENDITURES IN SAID ADOPTED BUDGET

And

Item 2, being:

DISCUSSION REGARDING A PROPOSED ORDINANCE AND RESOLUTION REQUIRING COUNCIL TO APPROVE ALL EXPENDITURES OVER \$50,000 OF SAID REQUESTED EXPENDITURE IS FOR A PURPOSE OTHER THAN WHAT IS PROVIDED BY THE CITY COUNCIL ADOPTED BUDGET

Kovach – The explanation for items 1 and 2 is that we would like to see more ways to make Council aware of appropriations that are taking away from fund balance. The idea behind the first item is to get the City Manager to propose budget as he sees fit, but when we are below 3% reserve, we want to see his recommendations of what can be cut so that Council can understand what it would take to balance the budget.

Kovach - This would be implemented for FYE 16, not FYE 15.

Council will be made aware of moving money budgeted for one thing and used for something else. For purposes of transparency and oversight Council should be made aware of transfers over \$50,000 for items not originally approved.

Any questions on the intent of the Resolution?

Castleberry – We need to be more prudent when we are below the 3% reserve. We are not going to pre-approve or appropriate more money than we are going to bring in. Staff can come to Council during the year for items not in the budget. If we are above the 3% operating reserve then this wouldn't take effect.

Kovach – We are trying to live up to our existing ordinance that requires a 3% reserve.

Castleberry – The City Manager can give a potential cut list to Council to show them priorities of what to cut to balance the budget. This will help Council prioritize what to put back into the budget during mid-year. The first things we took out of the budget would be the first things we would put back in. The point is to be fiscally responsible for citizens' money. This doesn't come into play if we are above the 3% reserve. The point is not to build up a huge fund balance. You can only spend your savings for so long. This will improve the bond rating too to help save us money thru better interest rates.

Rosenthal – Regarding the transfer of funds, we were provided a handout that shows the pre-authorization requirements. The Council already approves transfers between funds and between capital projects and any purchases over \$25,000. What will this do that we are not already doing and Council approving?

Kovach - An example is if we budget \$1 million in overtime for the Police Department and only use \$5,000. The City Manager currently has authority to use this money elsewhere. Large amounts of money can be spent on things different than what they are appropriated for and we are not made aware of them.

Heiple – This feels like we are getting into the daily management of telling the Manager what to do.

Kovach - Staff has prepared some language for us to look at.

Bryant – (Handed out the staff's amended Draft Resolution) This is about the budgeting process and trying to respect the 3% reserve requirement already in the ordinance. Only when the City Manager proposes a budget that includes less than a 3% operating reserve in the General Fund. Only then would these additional budgeting requirements come into play.

Bryant – (Handed out the City's Draft Ordinance) During the budgeting process, there will be additional requirements if the proposed budget has less than a 3% reserve. The City Manager will keep the Finance Committee apprised on a monthly basis of the expenditures.

Kovach – I intended for a report of the transfers that are made, similar to the change order report Council receives on a monthly basis, be given to the Finance Committee for their review.

Francisco – It is very seldom that a transfer over \$50,000 in the General Fund occurs.

Rosenthal – It is important to get away from the impression to the public that we are playing a shell game with funds. A report is fine to share with the Finance Committee.

Kovach – That is not the intent.

Griffith – If transfers over \$50,000 rarely occur, if at all, then there is no point. If the purpose is just information, that's fine.

Kovach – This would be a monthly Finance Committee report with all transfers over \$50,000 in the General Fund.

Rosenthal – We can have reports, but not an ordinance.

Griffith – I agree with the Mayor. We don't need an ordinance or resolution to be made aware of this.

Heiple – Agrees with Mayor

Castleberry – The reason we favored the ordinance is because policies change. We want to make things more transparent to citizens. If big checks come through, we want to know about it.

Griffith – I don't see the value of an ordinance and resolution. The perception of this is what you don't expect.

Rosenthal – This suggests that funny business is going on.

Kovach – We are “adding a new layer of transparency”.

Heiple – We have transparency.

Lewis – We ranked high in transparency compared to nation-wide cities in a 2009 citizen's survey.

Rosenthal – I think asking the City Manager for this report solves a problem that doesn't exist.

Castleberry – We had a policy six months ago that we would get monthly reports on every change in fund balance and we haven't got one in three months.

Griffith – I don't believe an ordinance will solve the perceived problem. I viewed this negatively.

Lewis – In the budget all expenditures are classified in expenditure categories. I am authorized to make transfers between groups of expenditures like Supplies and Materials and Services and Maintenance. What about moving funds within the same group?

Castleberry - Then that wouldn't apply. We approved those categories. But when you go from supplies to services that's a different deal.

Bryant – The role of Council is to appropriate revenues and to certify the estimate of needs to the County Excise Board. The Manager's role is to manage that. When you adopt this budget, you approve what the City Manager budgets in each category. You appropriate funds generally not specifically.

Castleberry – We want to know of transfers between expenditure categories.

Bryant – If you are wanting approval authority for specific expenditures then you are going beyond what is allowed in the Municipal Budget Act.

Kovach – We want a report that shows just transfers over \$50,000 in the General Fund between expenditure categories.

Francisco – To clarify, single transfers of \$50,000 or a total/tallied amount of transfers for \$50,000 over the year?

Kovach – Single transfers.

Bryant – We can add any single transfer of \$50,000 or more in the General Fund between major expenditure categories to clarify.

Kovach – I am willing to compromise on just a resolution.

Discussed Resolution Draft

Kovach – Asked City Attorney to walk through the draft.

Bryant – Future General Fund budgets that are projected, City Manager's Budget, to not meet the goal of the 3% reserve, must also identify specific expenditures in an amount equal to the amount that is projected to be over the projected revenues.

Kovach – Identify off setting expenditures that would take us to balance. We are asking the City Manager to red-flag those expenditures. Have the City Manager give us a list of priorities.

Lewis – The City Manager would submit proposed budget with an attachment, a list of recommendations of items to be cut, flagging items for potential cuts. Not moving these into a specific account.

Kovach – Council could take that list and use during the budget process. The Finance Committee would be made aware of if we are on target or not through-out the year.

Castleberry – Revenues and expenditures must equal. Take out “for which appropriation will be made” language in the draft resolution. We will have a list of potential cuts. We are clarifying the budget process.

Rosenthal – This list will have unintended consequences. We are still not clear on the language. We need to slow this down.

Kovach – The City Manager will submit the budget as usual. If it is projected to be below 3% reserve, include an attached list of potential cuts so we can have a priority list of what to cut if we want to cut and meet the 3% reserve. If we want to make the cuts, then we would add that as an amendment.

Griffith – What will happen if we have this resolution and have a desperate fiscal year where we fall below are projected revenues?

Castleberry – It wouldn't change anything because this only has to do with the budgeting process not the administration process.

Kovach - The list would be a planning and budgeting tool.

Francisco – The 3% is a mandated ordinance that already exists. With the Council-proposed amendments, we would meet the 3% operating reserve for the proposed budget. We are already doing this process.

Griffith – I am not comfortable with voting on this and do not want to forward this to Council.

Heiple – Seconded

Rosenthal – We need another draft to make sure staff is comfortable with the language.

Kovach – I would like to hear what staff has heard from us.

Lewis – I heard that during the budget preparation process the City Manager has the authority to submit a budget that meets or may not meet the 3% budget reserve. I would also submit a cut list to be available to Council to meet the 3% requirement, and keep Council apprised of items on list throughout the year, and if we make single transfers \$50,000 or more in different expenditure categories then it will be reported to the Finance Committee.

Kovach – We're willing to compromise as a resolution instead of an ordinance.

Griffith – I don't think this is ready. I don't want to see a final draft at the next Council meeting. We should pull this from Tuesday's agenda.

Heiple – I request we pull the agenda item.

Kovach – Ask staff to draft the resolution and circulate and we will have a discussion of postponement. Please have that ready for the agenda on Tuesday.

Items submitted for the record:

1. Proposed Resolution and Proposed Ordinance Draft from Council Members Kovach, Castleberry and William
2. Draft Resolution and Ordinance from Staff

Item 3, being:

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR MAY 2014

Francisco – There is some misunderstanding on the sales tax figures we report. I want to clarify what is reported in monthly Finance Committee reports is different than what our tax press release presents. Later in the month we apportion appropriately to the various funds.

The 5.7% reported is the overall growth in sales tax from last fiscal year-to-date.

The May 31st report is showing the growth rate by Fund. The 3.99% is only for the General Fund. The UNP TIF and Capital Funds have different growth rates.

The press release has 100% of the TIF included. The end of the month report has the apportioned portion by fund. There are always going to be differences between the monthly report on individual funds and the press release for sales tax. Generally, the General Fund growth will always be below the overall growth rate.

Castleberry – On the General Fund worksheet, page 5, on some of the unencumbered balances, the budget minus the actual year to date equals the unencumbered balance, but some don't, is there a reason why those would be different?

Francisco – Looking at what is left from the original budget as opposed to the adjusted budget.

Castleberry – Should this use the original or adjusted budget?

Francisco – This should be off of the adjusted budget.

Castleberry – so the \$5.7 million fund balance does not include recent sales tax figures, right?

Francisco – No, this is as of May 31st.

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 May 31, 2014.

Item 4, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Lewis (in response to question regarding Retail Marketing Coordinator position vacancy status) - Still recruiting, looking at resumes, nothing positive to report.

Items submitted for the record:

1. Position Vacancy Report, dated June 2, 2014

Item 5, being:

MISCELLANEOUS DISCUSSION

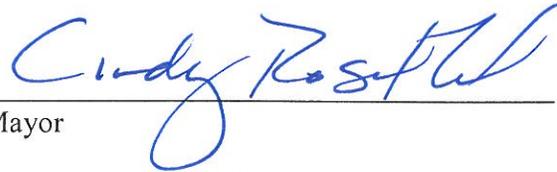
None

The meeting adjourned at 6:55 p.m.

ATTEST:



City Clerk



Mayor

