

FINANCE COMMITTEE MINUTES
October 9, 2014

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 9th day of October, 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, Heiple, and Lang

ABSENT: Chair Rosenthal

OTHERS PRESENT: Steve Lewis, City Manager
Anthony Francisco, Finance Director
Suzanne Krohmer, Budget Manager
Shawn O’Leary, Public Works Director
Gala Hicks, Human Resources Director
Mike White, Fleet Superintendent
Tony Yankovich, Senior Manager, Mercury Associates, Inc.
Roger & Ann Gallagher, Citizens
Casey Holcomb, Citizen

Item 1, being:

DISCUSSION AND PRESENTATION OF THE FLEET RIGHTSIZING REPORT

Presentation by Shawn O’Leary and Mike White. At the request of the City, a Fleet Management Audit was conducted by Mercury Associates, Inc. in 2013 and pointed out several areas for potential cost savings to the City:

- reduce number of fleet – currently have 877 vehicles/rolling stock
- average age of fleet is 8-9 years which is 60% older than recommended
- do not have enough mechanics to maintain fleet
- need a Policies and Procedures manual
- size configuration of fleet maintenance facility is inadequate
- the fleet operators are not aware of actual cost of maintaining

O’Leary stressed the fact that the City struggles to replace fleet sooner than absolutely necessary. Should be replacing 100 units per year and 25 – 30 are being replaced. Heiple asked if City leases vehicles or purchases vehicles. O’Leary said City primarily buys a vehicle and not lease a vehicle. Age of City vehicles at replacement time would not work for a lease. Tony Yankovich said combination of age and mileage requirements determine termination of vehicle.

White pointed out improvements to date of the Fleet Division which include:

- outsourced parts shop
- added a Level II Mechanic and a Field Supervisor in FYE 2015
- filled 5 vacancies in FYE 2015

- using new and improved technology
- added hydraulic test kit
- more laptops and electronic equipment
- Comprehensive Policies and Procure manual draft is approximately 20% complete
- Fleet Rightsizing Study has been done

Castleberry asked if City hires qualified, experienced employees or do we have a training program. O'Leary said we have levels of employees and will train Mechanic I and Mechanic II on the floor. We do not have enough master mechanics.

Yankovich gave a detailed explanation of Fleet Rightsizing Study to the Committee.

- The #1 driving factor driving cost is the size of the fleet
- Primary objective is to optimize size of City's fleet
- 887 units in current fleet inventory including trailers and attachments
- Excluded 191 units - specialty assets with attachments – generators, fire trucks, etc.
- Project steps:
 - Update fleet inventory
 - Identify units to exclude from study
 - Develop fleet questionnaire
 - Conduct on-line survey from users
 - Analyze survey results
 - Meet with departmental representatives
 - Develop recommendations
 - Submit project report
- Vehicle survey had a potential of 40 questions, took 15-30 minutes to complete and participation was great.
- Questions for fleet vehicle operators consisted of:
 - How many trips per day?
 - How long does a typical trip last?
 - How many months per year used?
- Factors considered in analysis:
 - number of trips per week
 - miles/hours used
 - type of job/work performed
 - number of persons transported
 - seasonal ability use of vehicle
 - how critical to the operation
- Third step was to analyze survey response and the Mercury eVAM (electronic vehicle allocation methodology) program to show how justifiable the vehicle is to the job.
- Department interviews were conducted and all departments were asked to make fleet reduction recommendations including trailers, vehicles, etc. that would not cause any harm to operations. Approximately 4% of vehicles studied could be eliminated. Target elimination for this size of fleet is 2 to 5%.

- The impact of reductions include: 1) immediate cost savings from not replacing vehicles of approximately \$700,000; 2) disposal (auction) revenue of approximately \$65 to \$70 thousand dollars; 3) annual maintenance and repair savings of \$25 to \$30 thousand dollars; and 4) fuel savings of \$5 to \$7 thousand dollars with fuel usage transferred to other units.
- Shared Resources – will establish a table of assets (similar to motor pool) to be used by employees.
- There would be a total of 29 units identified to share. A table of assets would be posted internally for staff to see what would be/is available to use.
- Recommendations from Mercury are: dispose of units targeted for elimination; create table of assets; review utilization again in 12 months; and consider centralization of fleet assets.

O’Leary said with Council’s approval, we would like to move forward with this project for rightsizing fleet. First, we will come to Council with a list of the 28 vehicle items to be declared surplus. We will use the on-line bidding to auction the properties and place the revenues back into this year’s budget.

Lang asked if there are any vehicles assigned to a location based on a person’s job title/responsibilities as possibly part of a “compensation package”. Some companies advertise job openings with “company car” as part of the compensation. O’Leary said there were take-home vehicles in the Police Department but no others except in an emergency.

Lang asked if City was looking for a large parcel of land to build a centralized facility for fleet. O’Leary said it would be great to have a central location for all of Public Works rather than scattered across the City.

Castleberry asked if during the analysis, was it discussed for the PSST Funds to be used to purchase/replace police and fire vehicles. O’Leary said yes they have been looking at it, PSST Fund does add vehicles, too.

Lang asked about the City having land that could be sold and revenue would be returned to City helping the budget.

Lewis asked what a new centrally located equipment/fleet facility would cost. Yankovich said it would cost approximately \$8 million dollars. Castleberry wanted to know if there would be land available for a centrally located fleet facility. O’Leary stated that the City would have to expand our footprint a bit since we are surrounded by Oklahoma University land.

Items submitted for the record:

1. Fleet Rightsizing Report for the City of Norman, prepared by Mercury Associates, Inc.

Item 2, being:

DISCUSSION OF UPDATING THE REVENUE MANUAL AND ESTABLISHING A PROCESS TO REVIEW REVENUE/FEES ON A PERIODIC BASIS

Anthony Francisco and Suzanne Krohmer made presentation. The City's current Revenue Manual has not been updated for several years. Staff is now working on updating the manual so we can bring to the Council for adoption. He would like for the Committee to look at the format. As stated in the memo, we want to catalogue all revenue sources and there are hundreds of them, history of revenues, what authorizes collection of revenue, when it was last changed, want Council to recommend criteria for changes, before we come forward with recommended changes.

The fees to be recommended for review will be based on the following criteria: 1) the amount of revenue generated by the fee; 2) the length of time that has elapsed since the fee was changed or for which the service was added or discontinued; 3) the relationship between the fee level and the direct and indirect costs for providing the service for which the fee is charged; and 4) the relationship between the fee level.

City should really have a professional study done of the relationship between full direct and indirect cost of providing various services and fee charge but the cost is prohibitive. Whether the full cost of a service is charged or not, the full cost should be known.

Castleberry asked about cost of providing service, how do fees relate to cost and how do other cities' charges compare to what we charge.

Francisco said this is part of the criteria: 1) is the amount of revenue generated by fee; 2) is length of time since fee was changed; 3) is the relationship between fee level and direct and indirect costs for providing service; and 4) is relationship between fee level charged in Norman and will be compared to other cities. Cost study should be done about every five years. We have considered allocating funds for such a study, but the estimated cost of several hundred thousand dollars has been deemed to be prohibitive.

Castleberry asked if this would be a project for the Internal Auditor.

Question was asked if there is a time line for presentation to the Finance Committee. Francisco said he thought they could bring preliminary list to the December Finance Committee with suggested fee changes for FYE 2016.

Lewis asked if Council wanted to make the completed fee study into a policy for the Council to adopt. He asked Francisco about the benchmark for review of fees. Francisco said three to five years which means you would review approximately one-third each year.

Castleberry – oil and gas inspection fees were increased this year to cover costs for providing service.

Lang - storm shelter inspector – fee pays application. What do we want to do with revenues, does it cost to provide services? City has some fees that are not covering costs, and we are limited to what we can charge in some cases.

Lewis – Parks Board is looking at recreation fees. Subsidies of providing service may depend on service provided and may depend on recipients of services. Adults should pay for cost of service.

Lang – Would like for the Committee to discuss fees and should the fees be a revenue generator and/or should it actually be to cover the cost of the service, perhaps we should consider two different structures.

Castleberry – Pet fees were increased last year but we don't collect any fees on bicycles. Norman has more problems with bicycles rather than pets. \$25,000 of the pet fees was earmarked for the spay/neuter program. We need to know if there are earmarked fees, do they cover the cost of the service.

Lang – We will be able to determine which fees are cost-covered versus revenue enhancements, such as the storm shelter fee.

Items submitted for the record:

1. Memo to City Council Finance Committee from Anthony Francisco, Finance Director, dated September 8, 2014

Item 3, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR SEPTEMBER 2014

Francisco – Sales tax collection tracking below Budget estimate and on a trend. General Fund is on budget, expenditures below budget, we are doing okay in General Fund. August (sales tax revenue recorded in October) is becoming the month for 2nd largest sales tax collections, increased by 3.7% this year which is 2.18% above last year at the same time. With one less OU home football game during September, City will probably have lower sales tax collections next month. OU football schedule has an impact on City of Norman. Morning kickoffs mean lower collections, and night kickoffs are better for sales tax because more people stay overnight. There is approximately \$300,000 to \$400,000 difference in collections. To make up for the current below-budget trend, sales tax revenue needs to grow 5.525% for the remainder of the fiscal year to get to budget.

The Oklahoman headline recently stated that Oklahoma City and Edmond had the largest sales tax collection ever. Francisco stated that is reflective of changing trends in retail sales concentration. Sales tax collections are becoming less concentrated in December (February revenue) and more in August (October collection) and November (January collection). City of Norman received 2nd largest check this month for August, largest check is from February.

Lang – How do we collect from festival/street vendors? Francisco said they are supposed to obtain a sales tax permit from the Oklahoma Tax Commission and a solicitor/peddler's license from the City and collect and pay tax on their sales. Francisco stated that the larger festivals (Norman Music Festival, Medieval Fair, Mayfair) do a better job of licensing and permitting their vendors and properly collecting sales tax than the smaller festivals (Midsummer Night's Fair, etc.) and individual garage sales and events.

Heiple asked about the decline in franchise fee revenue paid by OG&E. Francisco said it is weather related, depends on hot/cool summer or mild/hard weather and that the revenue from this source would probably remain below budget for the full fiscal year.

Heiple – Is the golf course operationally breaking even? Francisco said operationally Westwood is breaking even. Transfer was made to cover debt service.

Castleberry – Will mid-year adjustments be considered next month? Francisco said we will have preliminary numbers next month and mid-year adjustments will be considered at the January or February Finance Committee meeting.

Castleberry – what do we do with surplus – Rainy Day Fund?

Lang – when will budget process start?

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 September 30, 2014.

Item 4, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Gala Hagar made presentation. There are very few changes. We have lost more recruits from the Police Academy. We will have another recruiting class at end of year.

Items submitted for the record:

1. Position Vacancy Report, dated October 1, 2014

Item 5, being:

MISCELLANEOUS COMMENTS

None

The meeting adjourned at 6:10 p.m.
