



CITY OF NORMAN
MUNICIPAL FINANCE FORUM
OCTOBER 28, 2010

Questions From Sessions 1 & 2

- Why can't money be moved between funds?
 - Legal Restrictions (ordinances, contracts)
 - Accounting Standards
 - Commitments to voters
- Why are we still spending money when we have financial problems?
 - Service needs continue
 - Capital needs continue (bond-funded CIP, etc.)
- How many worker's comp claims are denied?

Municipal Finance Series

- 10/14 (Budget Basics/Fund Accounting)
- 10/21 (City Funds & Fund Balance Policies)
- 10/28 (Capital & Economic Dev. Finance)
- 11/4 (Inter-City Finance Panel)
- 11/18 (Public Forum and Finance Exercise)

Recap of Session 1

- Municipal Budget Act
- Generally Accepted Accounting Principles
- Fund Accounting
- CON Budget Process
- Accounting and Budget Documents

Recap of Session 2

- City of Norman Governmental Funds
- City of Norman Capital Funds
- City of Norman Enterprise Funds
- City of Norman Special Revenue Funds
- Major Revenues and Expenditures
- City of Norman Fund Balance Policies

INTRODUCTION OF STAFF and GUESTS

CON Capital Improvement Plan

- Debt issuance usually flows from capital project needs
- Streets and Bridges
- Storm Drainage and Flood Control
- Public Buildings
- Parks and Recreational Facilities
- Water and Wastewater Facilities
- Vehicles and Equipment
- Other Debt Issuance Purposes (cash flow, etc.)

Methods of Financing Capital Improvements

- Pay-As-You-Go Financing
- Dedicated Revenue Sources
 - Earmarked Taxes (0.7% Sales Tax)
 - Enterprise User Fees
 - Impact Fees
- Intergovernmental Grants (CDBG, STP, ARRA)
- Intergovernmental Loans
- Special Assessments
- Debt Issuance

Why Go Into Debt?

“Debt permits governments to acquire assets as needed, rather than wait until a sufficient amount of cash has been built up, and to pay for the assets over their useful life.”

❖ Pay-as-you-acquire vs. Pay-as-you-use

(GFOA “*Elected Official’s Guide to Debt Issuance*”)

(PSA Fundamentals of Municipal Bonds)

Types of Governmental Debt

- General Obligation Bonds
- Revenue Bonds
- Lease/Purchase Agreements
- Special District Bonds

Parties to a Municipal Bond Issue

- Issuer (CON, NTIFA, NUA, NMA)
 - Public Trusts (Title 60 O.S., Section 176)
- Bond Holder (Buyer, Investor)
- Financial Advisor
- Bond Counsel
- Underwriter/Broker/Dealer
- Trustee/Custodian/Paying Agent
- Insurer/Security Provider
- Rating Agency

Legal Background For Debt Issuance

- Oklahoma Constitution (Article X, Section 26-28)
 - 60% Voter Approval vs. Majority Approval
 - Limit On Indebtedness (10% of Assessed Property Value)
 - Limit on Maturity (25 Years)
 - Limit on Interest Rate (10%)
- Public Trusts (60 O.S., Section 176)
- Oklahoma Bond Proceeds Act
 - Competitive Sale of GO Debt
 - Notice Requirements (> 80% of Proposed Use)
 - Use of Proceeds Requirements (> 70% must be spent as specified on ballot)
- Practical Limit on Indebtedness

Tax Exemption

On Municipal Bond Interest Income

- Interest Rates on Municipal Bonds are Lower Than Private Sector Bonds
- Constitutional Doctrine of Reciprocal Immunity
- Exemption written into Internal Revenue Code
- Requirements to Maintain Exemption
 - Public Purpose for Issue
 - Notice and Continuing Disclosure
 - No Arbitrage
 - Bank Investment Qualification

Differences Between G.O. and Revenue Bonds

General Obligation Bonds

- Full faith and credit
- Require voter approval
- Generally lower tax-exempt interest rates
- Requires competitive sale

Revenue Bonds

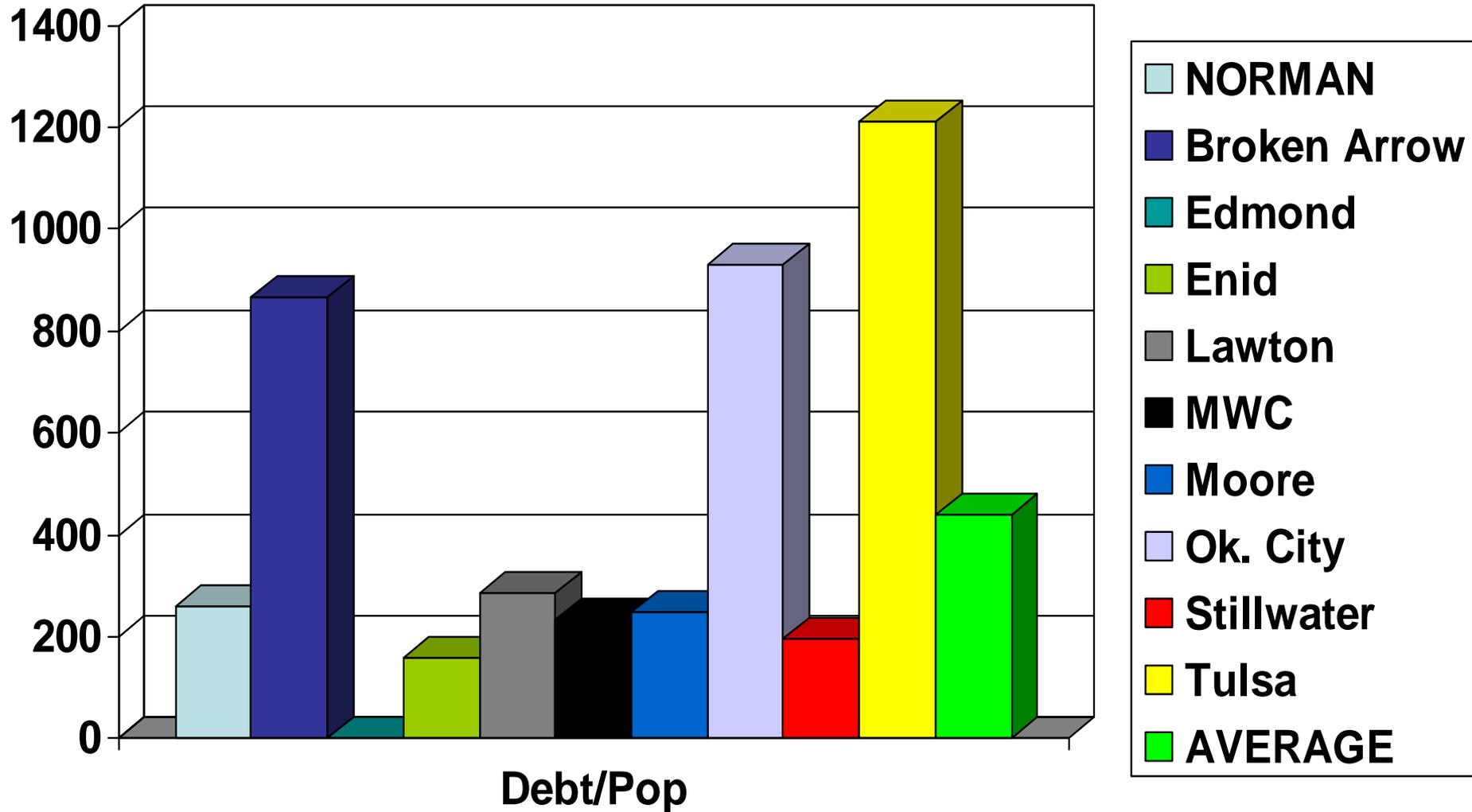
- Securitized only by specific revenue streams
- Do not require voter approval
- Generally higher interest rates than GO
- Sale may be negotiated or competitive

Outstanding Debt

As of 6/30/2010

<u>ISSUE</u>	<u>ISSUER</u>	<u>DATE</u> <u>ISSUED</u>	<u>FACE</u> <u>AMOUNT</u>	REMAINING <u>AMOUNT</u>	<u>PURPOSE</u>	<u>MATURITY</u>	<u>SECURITY</u>
1974 Water Bonds	COMCD	6/30/1974	4,083,149	1,220,988	Lake Thunderbird	8/1/2016	Water User Fees
1992 GO Bonds	CON	12/1/1992	4,340,000	750,000	Streets	12/1/2010	Capital Sales Tax (FF&C)
2007B GO Bonds	CON	6/1/2007	2,650,000	1,330,000	Street Resurfacing	6/1/2012	Property Tax (FF&C)
2008B GO Bonds	CON	12/1/2008	5,475,000	5,475,000	Street Resurfacing	12/1/2013	Property Tax (FF&C)
2008A GO Bonds	CON	12/1/2008	5,210,000	5,210,000	RR Underpass	6/1/2018	Property Tax (FF&C)
2005A GO Bonds	CON	6/1/2005	8,370,000	6,610,000	RR Underpass, Streets	6/1/2025	Property Tax (FF&C)
2007A GO Bonds	CON	6/1/2007	7,300,000	6,540,000	RR Underpass, Streets	6/1/2027	Property Tax (FF&C)
2002 Rec Bonds	NMA	6/28/2002	2,315,000	1,715,000	Golf Course Improve	6/1/2022	Golf User Fees/Room Tax
2010 Util Rev Bond	NMA	3/25/2010	3,590,000	3,590,000	Refuse Transfer Station	10/1/2024	Sanitation User Fees
2009 TIF Bonds	NTIFA	6/30/2009	14,560,000	4,480,813	Rock Creek Overpass	9/1/2028	UNP TIF Apportionments
1995 SRF Notes	NUA	12/15/1995	2,720,000	760,786	Sewer Plant Improve	8/15/2015	Sewer User Fees
2003 Util Rev Bond	NUA	12/1/2003	7,740,000	4,785,000	Sewer Lines	11/1/2016	Sewer User Fees
2000 SRF Notes	NUA	6/21/2000	4,850,000	2,362,821	Sewer Lines	9/15/2019	Sewer User Fees
2005 Util Rev Bond	NUA	11/1/2005	4,780,000	3,265,000	Sewer Plant Improve	11/1/2019	Sewer User Fees
2006 Util Rev Bond	NUA	12/1/2006	20,700,000	18,570,000	Water Wells, Lines	12/1/2026	Water User Fees

Comparative GO Debt Per Capita



Example of a Road To Be Improved with General Obligation Bonds



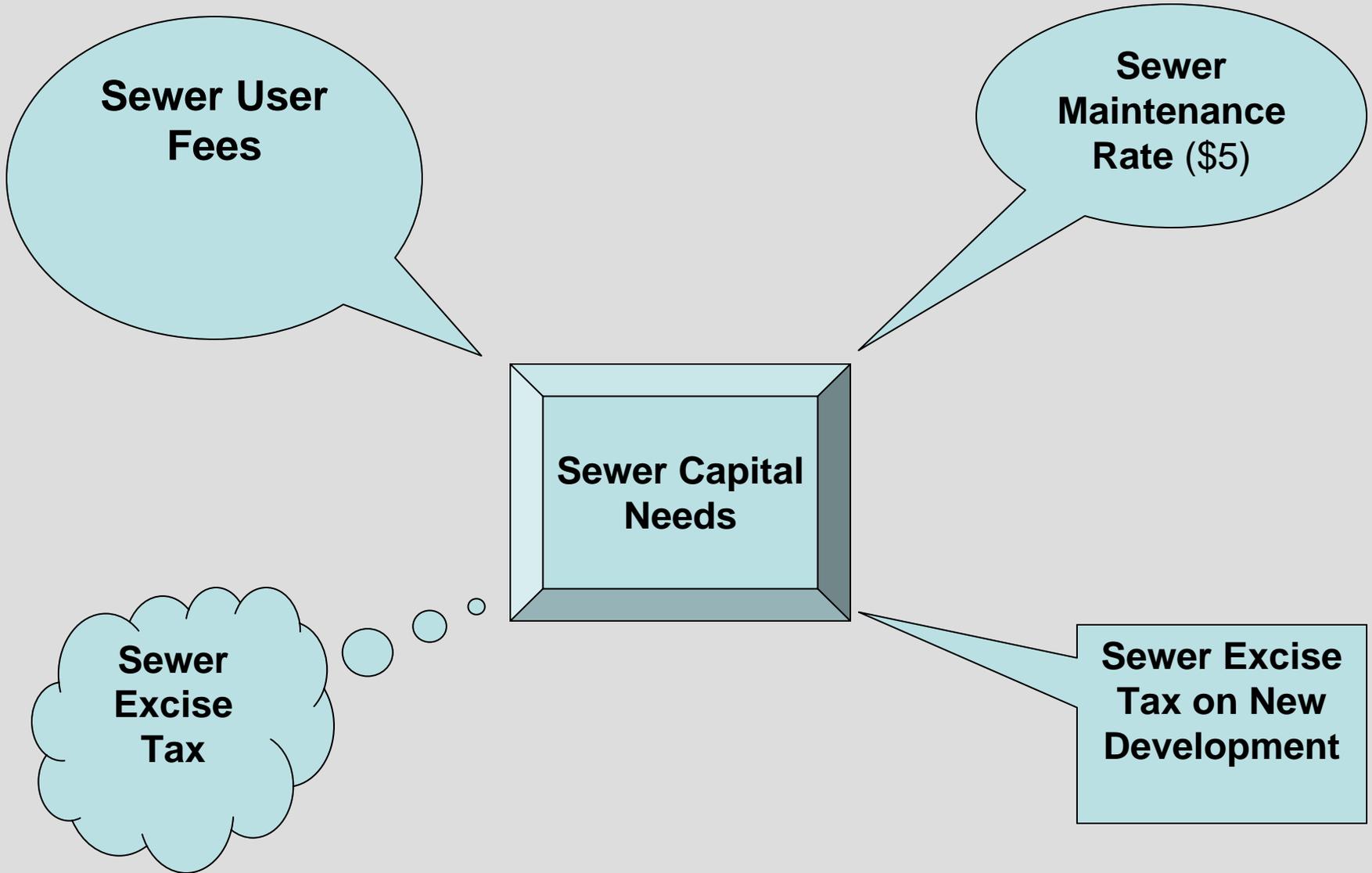
Example of a Road That Has Been Improved With G.O. Bond Funds



Example of a Revenue Bond & SRF Grant-Financed Wastewater Improvement Project



Wastewater Capital Project Funding Sources



Proposed Future Debt Issuances

- Water Treatment Improvements – Phase II (+/- \$12MM; FYE 2013)
- Wastewater Treatment Plant Expansion and Improvements (\$15.2MM; FYE 2012)
- Municipal Complex Refurbishment (\$11MM; ?)
- UNP TIF Refunding (+/- \$9MM; FYE 2011?)

Economic Development Financing

- State Incentives (62 O.S., Chapter 9)
 - Tax Abatements
 - Regional E.D. Act
 - Local Development & Enterprise Zone Incentive Leverage Act
 - Local Development Act
 - Special Assessment Districts
 - Tax Increment Finance Districts
 - Rural Housing Incentive District Act
 - Housing Reinvestment Program
 - Community E.D. Pooled Finance
 - Quality Jobs Act
 - Industrial Access Program

Economic Development Financing

- Local Incentives
 - Sales Tax Rebates
 - Targeted Public Improvements
 - Fee Waivers

Economic Development Programs in Norman

- Support of the Norman Economic Development Coalition
- Use of State E.D. Incentive Programs
- Norman Enterprise Zone
- Targeted Capital Improvements
 - East Main Street
 - Campus Corner
- Campus Corner TIF District
- University North Park TIF District
 - Capital Improvements
 - Retail (“Lifestyle Center”) Incentives
 - Economic Development Incentives

QUESTIONS and ANSWERS

