

CITY COUNCIL CONFERENCE

**MUNICIPAL BUILDING CONFERENCE ROOM
201 WEST GRAY, NORMAN, OK**

AUGUST 28, 2018

5:30 P.M.

- 1. DISCUSSION REGARDING POSSIBLE AMENDMENTS TO THE
CITY OF NORMAN RESERVE POLICIES**



DATE: August 23, 2018
TO: Honorable Mayor and City Council Members
FROM: Anthony Francisco, Finance Director
SUBJECT: Ordinance O-1819-10; Revising City Reserve Policies

BACKGROUND:

On June 28, 2011, the City Council adopted Ordinance O-1011-58, which formalized the City of Norman's General Fund Reserve Policies. The Ordinance was codified in Sections 8-103 – 8-104 of the City Code. Generally speaking, the Policy requires that the City Council adopt a General Fund budget each fiscal year that has an Operating Reserve of Fund Balance of at least three percent (3%) of budgeted expenditures, a budgeted Emergency Reserve allocation of at least two percent (2%) of budgeted expenditures and a minimum balance of at least three percent (3%) of General Fund expenditures in a Net Revenue Stabilization Fund (also known as the "Rainy Day Fund"), which was established by Ordinance 1011-58.

The Reserve Policy also sets restrictions before the Council can appropriate any funds from the Rainy Day Fund. At least one of three circumstances must be met before Council can appropriate Rainy Day Fund balances for expenditure:

1. The General Fund Operating Reserve fund balance is projected to fall below one percent of budgeted expenditures; or
2. A natural or man-made disaster has occurred, resulting in a federal or state disaster declaration in Norman, AND the City of Norman has spent or obligated to spend the two percent Emergency Reserve account in the General Fund; or
3. A major one-time or capital expenditure has been necessitated, such as for major repairs to or replacement of City of Norman facilities.

Since its inception, the 2% Emergency Reserve allocation has been most commonly used for quick response to extreme storm events in which City crews have needed additional help from outside contractors for debris removal on public and private property. The allocated funds enable the City Manager to immediately employ the services of debris removal or other private contractors without Council action. The costs have ranged from over \$6,000,000 for the ice storm of 2007, to less than \$200,000 for some storm events, as detailed on the attachment. In some cases the funds expended from the Emergency Reserve account are reimbursed from Federal Emergency Management Agency funds (up to 75% of eligible costs) and/or Oklahoma Office of Emergency Management funds (up to 12.5% of eligible costs). The reimbursements may take many months to be received after the storm event.

office memorandum

DISCUSSION:

At the August 16, 2018 City Council Finance Committee meeting, staff was directed to prepare proposed revisions to the City's General Fund Reserve Policies. By Committee consensus, the proposed revisions would reduce the budgeted Emergency Reserve allocation requirement from two percent (2%) to one percent (1%) in each future budget year, and potentially use the fiscal year 2018-2019 (FYE 2019) Emergency Reserve allocation for other purposes. Based on the FYE 2019 2% Emergency Reserve allocation, this action could make \$723,677 available for other purposes or to build up the projected year-end General Fund balance, if it remains unspent. Council could adopt the revisions and consider any directions for the freed-up allocations at a future time, if desired. It is believed that the one percent (1%) Emergency Reserve budget would still be adequate to provide immediate emergency response when required, until Council could meet and authorize further emergency expenditures as required.

The proposed revisions are illustrated on the attached marked-up copy of City Code Sections 8-103 and 8-104. Note that the proposed changes to the Net revenue Stabilization Fund's required minimum, targeted and maximum fund balances are only proposals, based on maintaining previous prudent reserve levels. Council may consider different levels to those balances. As directed by the Reserve Policy (City Code, Section 8-104.D, which is not proposed to be revised), Council will consider whether to make any deposits to or withdrawals from the Rainy Day Fund to maintain these levels as a part of the mid-fiscal year review mandated by the Reserve Policy.

RECOMMENDATION:

If Council desires to make the changes to the City's Reserve Policies discussed at the August Finance Committee meeting, the proposed Ordinance is recommended for approval.

MAJOR WEATHER EVENTS
(Natural Disasters)
IN NORMAN
Since January, 2007

	DATE	TYPE	GUBERNATORIAL DECLARATION	PRESIDENTIAL DECLARATION	CLEANUP EXPENSES
1	January 12, 2007	Ice Storm	Yes	Yes	\$150,000.00
2	May 4, 2007	Flood	Yes	Yes	\$100,000.00
3	June 10, 2007	Flood	Yes	Yes	\$100,000.00
4	August 19, 2007	Flood	Yes	Yes	\$600,000.00
5	December 9, 2007	Ice Storm	Yes	Yes	\$6,000,000.00
6	December 23, 2009	Blizzard	Yes	Yes	\$150,000.00
7	January 28, 2010	Ice Storm	Yes	Yes	\$150,000.00
8	May 10, 2010	Tornado	Yes	Yes	\$245,800.00
9	January 31, 2011	Snow Storm	Yes	No	\$150,000.00
10	June 14, 2011	Micro Burst	No	No	\$144,200.00
11	April 13, 2012	Tornado	No	No	\$408,075.00
12	August 3, 2012	Wildfire	Yes	No	\$150,000.00
13	May 19, 2013	Tornado	Yes	Yes	\$334,700.00
14	December 20, 2013	Ice Storm	No	No	\$600,000.00
15	May 6, 2015, 2015	Tornado	Yes	Yes	\$200,000.00
16	May 4 - June 22, 2015	Flood	Yes	Yes	\$5,000,000.00
				TOTAL	\$14,482,775.00

Note: The cleanup costs listed here may not include all City labor, material and equipment costs and do not include private property costs.

AN ORDINANCE OF THE CITY OF NORMAN, OKLAHOMA AMENDING SECTION 8-103 OF THE CODE OF THE CITY OF NORMAN BY REDUCING THE REQUIRED PERCENTAGE OF ANNUALLY BUDGETED EXPENDITURES TO BE APPROPRIATED TO THE EMERGENCY RESERVE ACCOUNT FROM TWO PERCENT TO ONE PERCENT AND CHANGING THE MINIMUM AND MAXIMUM PERCENTAGE OF GENERAL FUND EXPENDITURES TO BE HELD IN THE NET REVENUE STABILIZATION FUND TO FOUR TO SEVEN PERCENT; AND AMENDING SECTION 8-104 TO INCREASE THE MINIMUM AMOUNT IN THE NET REVENUE STABILIZATION FUND FROM THREE PERCENT TO FOUR PERCENT OF ANNUALLY BUDGETED GENERAL FUND EXPENDITURES; AND PROVIDING FOR THE SEVERABILITY THEREOF.

NOW THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA:

§ 1. That, Section 8-103 shall be amended to read as follows:

Section 8-103. Creation of Reserve Funds.

This article creates Reserve Funds for the general purposes of: Ensuring the ongoing operations of the City of Norman's General Fund in times of extraordinary expenses or revenue shortfalls; addressing emergency expenditure requirements; and/or addressing unforeseen major capital facility maintenance needs. The City's General Fund shall have an unappropriated Operating Reserve Fund balance of at least three (3) percent of annually budgeted expenditures, in addition to an appropriated Emergency Reserve account of one (1) two (2) percent of annually budgeted expenditures. It is recognized that Council may still adopt an annual budget in compliance with the Oklahoma Municipal Budget Act if the Operating Reserve and the Emergency Reserve do not meet the reserve requirements set out herein. The City shall also have and there is hereby established a Net Revenue Stabilization Fund (to also be referred to as the "Rainy Day Fund") that may be funded from revenues in excess of budgeted revenue projections, transfer of appropriations for expenditures that are less than budgeted allocations, and/or from existing General Fund balance. When the Operating Reserve and Emergency Reserve requirements are met, the City of Norman shall budget for and/or make transfer appropriations to the Net Revenue Stabilization Fund from the General Fund or other City of Norman governmental funds until the fund balance of the Net Revenue Stabilization Fund reaches an amount not less than four three (3) percent but not more than seven (7) six (6) percent of annually budgeted General Fund expenditures in the then-current budget year.

§ 2. That, Section 8-104 of the Code of the City of Norman, Oklahoma be amended to read as follows:

Sec. 8-104. Use of appropriated Net Revenue Stabilization Fund balances; requirements to maintain Net Revenue Stabilization Fund balances.

- (a) *Definitions.* Unless otherwise stated in this article, the terms defined in the most recently-amended Oklahoma Municipal Budget Act (11 O.S., [Section 17-201](#) et seq.) apply herein. The Net Revenue Stabilization Fund may also be known as or titled the "Rainy Day Fund."
- (b) *Appropriation of Net Revenue Stabilization Fund balances.*
- (1) The City Council cannot appropriate Net Revenue Stabilization ("Rainy Day") Fund balances without the affirmative majority vote of the City Council Members.
 - (2) Net Revenue Stabilization Fund balances can only be appropriated in instances in which: (i) unexpected expenses are incurred within the City of Norman General Fund due to natural or man-made disasters, as declared by the President of the United States or the Governor of Oklahoma, and the Mayor of Norman; and the General Fund Emergency Reserve appropriation has been expended or obligated for expenditure; or (ii) the General Fund Operating Reserve is projected to be drawn down to a level below one (1) percent of annually budgeted expenditures, due to sustained revenue fluctuations or unexpected expenditures; or (iii) critical, non-programmed one-time capital expenditures are required for the maintenance, replacement, construction or improvement of City of Norman buildings or infrastructure.
- (c) *Maintenance of Net Revenue Stabilization Fund balance.* At any time that the Net Revenue Stabilization Fund balance is below the required four ~~(4) three (3)~~ percent of annually budgeted General Fund expenditure level, the Council shall take action to restore the fund balance to its required level within three years of the occurrence of the shortfall, and will seek to maintain the fund at ~~four and one-half (4.5)~~ five (5) percent of annually budgeted ~~g~~General ~~f~~Fund expenditures.
- (d) In conjunction with the Council's required acceptance of the Comprehensive Annual Financial Report, the Finance Director shall reconcile any revenue or expenditure projections that resulted in transfers into or withdrawals from the Net Revenue Stabilization Fund with actual stated budgetary year-end results and shall, to the extent practicable, rebalance the allocations accordingly.

(e) The City Manager or her/his designee is authorized and directed to establish procedures and policies to implement this article.

§ 3. Severability. If any section, subsection, sentence, clause, phrase, or portion of this ordinance is, for any reason, held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions of this ordinance, except that the effective date provision shall not be severable from the operative provisions of the ordinance.

ADOPTED this _____ day

NOT ADOPTED this _____ day

of _____, 2018.

of _____, 2018.

(Mayor)

(Mayor)

ATTEST:

(City Clerk)