

FINANCE COMMITTEE MINUTES
January 15, 2015

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 15th day of January, 2015, 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, Lang, and Chair Rosenthal

ABSENT: None

OTHERS PRESENT: Dan Quinn, Council member
Lynne Miller, Council member
Steven Tyler Holman, Council member
Clint Williams, Council member
Steve Lewis, City Manager
Anthony Francisco, Finance Director
Suzanne Krohmer, Budget Manager
Fire Chief Fullingim
Police Chief Humphrey
Deputy Police Chief Jim Maisano
Terry Floyd, Development Coordinator
Ken Komiske, Utilities Director
Gala Hicks, Human Resources Director
Shawn O’Leary, Public Works Director
Jeff Bryant, City Attorney
Linda Price, Revitalization Manager
Mark Daniels, Utilities Engineer
Angelo Lombardo, Transportation Traffic Engineer
Joy Hampton, Norman Transcript
Casey Holcomb, citizen
Rebecca Beene, citizen

Item 1, being

FYE 2015 MID-YEAR BUDGET REVIEW AND DISCUSSION OF POSSIBLE AMENDMENTS

Anthony Francisco had a hand-out of the audited FYE 2014 Financial Position and Mid-Year Budget Review Summary for FYE 2015. For FYE 2015 the beginning Fund Balance is better than we expected. Projected revenues are on budget. We assume that all budget appropriations will be spent as usually happens. Emergency Reserve appropriation of \$1.4 million dollars will be added to ending Fund Balance if not used this fiscal year. Assumed estimated savings of \$193,000 in city-wide fuel expenditures due to lower petroleum prices is a net positive and increased estimated revenue of \$150,000 from the City’s ONG franchise fees, due to an increase in the franchise rate. If all revenue and expenditure projections are exactly on target, we will

lose \$1.259 million dollars this fiscal year (expenditures exceeding revenue), which is better than we thought.

With anticipated savings, we recommend one-time purchases only, not on-going expenses. With the projected \$3.8 million dollars ending fund balance; the City can prudently use \$1 million dollars above operating reserve for one-time expense.

Capital Projects Fund – we will end fiscal year around where we thought we would be. At the beginning of this fiscal year, we thought we would have a fund balance of \$7.2 million dollars. We actually started this fiscal year with a fund balance of \$43,654,000. It sounds good but Capital Projects Fund includes bond projects that can't be used for anything else. Projected expenditures for this fiscal year is \$33.5 million dollars leaving a balance just about where we thought we would be starting. Available for one-time projects in FYE 15 is \$1.5 million dollars. We have subtracted the bond projects to get this figure.

Major General Fund Revenues/Expenditures Projected FYE 2015 - The largest revenue source in General Fund is Sales Tax of approximately \$40 million dollars. We project \$19 million dollars at end of December which is a little lower than previous fiscal year. We are at 3% which is below the 4.2% projection. The Use Tax is above projections, but lower than last year. License and Permits revenue are above projections – multi-family building permits. Fine and Forfeits revenues project positive variances. General Fund revenues are right on budget. Expenditures are approximately 6% below projections (influenced by Emergency Reserve). We hope to not use those reserves.

Castleberry – Talk about the salaries and benefits which shows a negative balance of \$1.2 million dollars. Francisco said there is some concern about that. As you know we projected \$800 thousand dollars in employee turn-over savings and we are holding to that. Overtime expenditures are over budget and we are looking into this. We did not project that it would be several hundred thousand dollars. It is concentrated in certain departments. City Manager is working with department heads to monitor overtime usage.

Capital equipment variance is reimbursed by Capital Fund. We are spending capital equipment money slower than we thought, most expenses occur at year end. Services and maintenance category underspending includes Emergency Reserve and we hope to not have to use it.

Mid-year topics of discussion –

- 1) savings on fuel purchase for vehicles;
- 2) 3% to 4% natural gas franchise rate increase – we expect \$150,000 increase in revenue;
- 3) Rainy Day Fund is at its minimum level. We budgeted PSST appropriated fund transfer to Rainy Day Fund to reach targeted level of 4.5% - additional transfer is needed to get to this level. Council will talk tonight about using some of the General Fund balance carry-over to bring the Rainy Day Fund to the targeted level of 4.5%.
- 4) Salary settlements – assume we can manage with existing appropriations and through additional savings we project we can absorb that.

Steve Lewis – we don't know the effect of 10 hour day shift in Police Patrol Division.

Chief Humphrey – will take 6 months to a year to see positive effect on overtime spending.

Clint Williams – can we hold off using \$900,000 employee savings? Francisco: Council can reduce appropriations and/or do transfer to City Manager’s department for savings.

Mayor – can this be done just by administrative actions? Francisco: The transfers to City Manager budget can be.

Steve Lewis – we can see what happens in 3 months, some will be weather dependent, general economy concerns with the drop in gasoline prices.

Castleberry – With overtime savings and employee turnover savings, still very concerned about bottom line.

Mayor – We should be cautious with new expenditures.

Francisco – I recommend only use fund balance carry-over for one-time items, not ongoing expenses.

Heiple – How many years under your leadership with the budget, have we been ok? Francisco said seventeen years.

Castleberry – How many times in the seventeen years has City had positive fund balance (revenue greater than expenses)? Francisco said he thought it was 6 years.

Mayor – Rainy Day Fund is our top priority. What do we need to get the fund to the minimum level. Francisco said the fund is slightly above the 3% minimum level, a contribution of \$326,505 would put the fund at the target level of 4.5%. It would take an additional \$1,057,000 to get to maximum level of 6%. We did make the transfer from the PSST Fund this fiscal year but did not budget for a transfer from General Fund.

Castleberry – let’s get to target level, somewhere between and target and maximum levels.

Quinn – recommends at least minimum target to targeted level of 4.5%.

Lang – put what we can in now and can adjust/increase at year end.

Mayor – Is it consensus to put in \$326,505?

Castleberry – recommends \$500,000, so it will help last year.

Williams – let’s get to target, and do a couple of other projects.

Mayor – let’s wait until end to discuss numbers. The 2025 Land Use Plan will take \$500,000; the Main Street/Gray Street Study will take \$100,000; and Parking Study will be \$120,000. She wants to do integral projects to the City Center Vision (the 2 studies) and finish these. Mayor

also said Planning Staff has a full plate and don't think we can get to 2025 Land Use Plan until next year.

Lewis – agrees with getting two studies done as soon as we can, and they are both a one-time expenditure.

Francisco – said there is \$1,000,000 available in the General Fund and \$1,500,000 in the Capital Projects Fund.

Lang – asked if studies are considered capital projects funds. Bryant said if it is a study that leads to a capital expenditure, then we have agreed with the legality of using capital sales tax funds.

Miller – is concerned that 2025 Land Use Plan not being done in near future. She is ok with spending capital funds on studies but feels it's really important to our City and environment to get that study done.

Mayor – Are any parts of 2025 Land Use Plan able to get started now?

Williams – wanted to know if any parts of the study can be done internally.

Lewis – really sees it as a consultant's job; too much work for current staff between now and July. We think we can get \$500,000 price down but depends on how comprehensive you want to get. Could we do a \$300,000 Master Plan? Yes, beginning next fiscal year.

Mayor – was on the 2025 Committee and expects public process to be robust and critical to the City. We need major public support. Castleberry says we want this in the budget for next year.

Lang – discussed the purpose of each study: we need to understand the purpose of the Main Street/Gray Street study is to find best solution for the community.

Mayor – Support for 2-way traffic comes from consultants, businesses and committees. The \$100,000 study is to develop blue print and implement it. Castleberry says it is the engineering part of it. O'Leary says it will tell us the cost of the implementation, too. Castleberry says engineers might find out we cannot do it. O'Leary said Main Street & Porter intersection may have to be rebuilt. Mayor asked if it is consensus of Committee to have the two studies and include comprehensive plan in FYE 16 budget and it was agreed that it was.

Mayor wanted Committee to discuss rationale for advance hiring of six School Resource Officers. Chief Humphrey said the SRO program will begin August 1, 2016 and the officers will be police veterans, not new officers. We need to have recruits in the academy beginning in July of this year, train for six months and be ready to replace the 6 veteran officers. Castleberry wanted to know the impact of early hiring on the budget. Francisco said the impact means less available funds for the down payment on the new radio system and EOC. He told the Committee this is more of an informational item. This is about the timing of hiring personnel with PSST funds. We have discussed this with the PSST Committee. If you'll remember when the PSST was made permanent the 3 priorities were: 1) new SROs; 2) emergency dispatch center and the radio system; and 3) fire apparatus. When we made budget projections, we wanted as much as

possible for cash down payments for the radio system and the EOC. Those projections were based on FYE 17 budget rather than FYE 16.

Castleberry – we might finance more than \$415,000, if we hire the SROs earlier. Francisco said yes.

Mayor asked Chief Fullingim to talk about the platform truck. Fullingim said the truck is a 1969 bucket on a 1997 truck and the boom is impossible to keep in service and useable. They would like to have it replaced. We use the current one as a last resort, not comfortable putting people in the basket anymore. We use to elevate water supply.

Castleberry wanted to know why the replacement fire truck was being paid for out of PSST II funds instead of PSST I funds. PSST Fund has money. Francisco said it's a 'timing difference'. It was set by PSST II ordinance "in priority order". Fire apparatus is to be replaced after the personnel (SROs), the EOC and then fire apparatus. Castleberry said he supports the need for the platform truck. The ordinance also says PSST funds will be used to purchase the fire apparatus. Can the Capital Fund be reimbursed by the PSST Fund? Jeff Bryant told them he would have to look at the ordinance. Lewis said staff will bring back more solid information to find another solution. They are looking at a blend of financing options. Lynne Miller want to know if the money can come back to PSST Fund. Francisco said it's possible that it could. Lang said he understood there's an immediate need for replacement of the platform truck but it is supposed to come from PSST II Fund.

Mayor said PSST Citizen's Oversight Committee is hoping all other expenditures will be lower so we can use PSST Fund maybe sooner. Please revisit language for funding possibilities. Can there be preliminary bid information obtained so we will have a better number to work with? Fullingim said with 10 months delivery time, we have already started preliminary work on this item. Castleberry wanted to know when the actual expenditure would hit. Francisco said the encumbered amount would hit in FYE 15 but the actual expenditure would not be until FYE 16. Fullingim said the company offers a significant discount if we put more money down. We would get a \$50,000 discount if we pay a large amount down.

Mayor moved the discussion to the Eastside Recycling Center with funding from Sanitation Fund. Center is located at Fire Station #9. I think it's overdue and we should fund it. Heiple is in agreement. Miller said citizens all the way to 184th have to bring their recycle materials into town now. Lang wanted to know if we are doing away with existing one. Komiske said we need the time and money to build and City will have operational costs when complete. With curb-side recycling all drop-offs have dropped by 30%. We have not considered removing existing service but maybe we could remove because we didn't anticipate additional personnel/operational costs. We want to look at apartment recycling to be used by multi-family units without curbside pickup. We'll see if this new location decreases any or wait until sanitation rate increase.

Lewis says our recommendation is to proceed with recycling center at Fire Station #9. Miller said this location could pull some from Robinson Center. Holman asked what had happened to the center that was at Lindsey and 12th Street. Komiske said this one had been moved to the Cleveland County Fairgrounds site off Porter.

Mayor moved discussion to the new positions that could be added in the General Fund in FYE 2015: an Oil/Gas Inspector, a Plans Examiner and Animal Welfare positions. Lewis said these were not recommendations, we're just providing information because of Council member requests for costs. Francisco said the animal welfare positions are requested by an oversight committee. Mayor said Oklahoma City has 2 oil/gas inspectors and we have one. Lewis said Ft. Worth has 2, and Denton has 1. They are dealing with some of the same issues we are. Holman said with new regulations, possibly enhanced inspections. Denton may add more. Castleberry asked how many wells does Norman have and how many in Oklahoma City? Lewis said 163 in Norman and 1,050 in Oklahoma City.

Mayor would like to have ordinances to look at workload of positions before we add personnel. Williams said we should see how legislation/regulations turn out before we hire. Lewis said 90 wells have the fencing requirement. Miller suggested clerical work instead of inspector position. She agrees with Mayor to wait before adding personnel. Castleberry doesn't think we have the workload for another oil/gas inspector and would rather have a code compliance inspector for core Norman.

Mayor moved the discussion to Plans Examiner position. It was discussed at a BACA meeting and Council Members asked if that position would be helpful. Castleberry said he knew City had backlog of plans being examined. Lang is looking at salary and benefits projected FYE 19 and said the City is growing significantly, increasing each year. We should be cautious about adding personnel. Mayor said we should defer positions for now. The animal welfare positions divided by higher priority and lower priority positions. Workload will determine if we need part-time vet or full-time vet. Humphrey said we won't really know until the entire project is complete in mid-July. The surgical center will be open then. Highest priority for staff recommended by the oversight committee is Vet Tech; a Veterinarian 3 days a week to do spay/neutering procedures, wellness checks and to insure that we are following industrial standards/protocols; and an Admin Tech II. At the end of the year we would go back and analyze what had been done. He also said that the strategic plan does talk about additional staffing for new center. Lewis told them that the Oversight Committee thinks all positions listed are important, highest and lowest priority, and wanted staff to bring it forward to Finance Committee.

Mayor wanted to know the duties of the Admin Tech II position. Humphrey said this position would free-up monitoring/adoptions and Vet Tech is like a physician's assistant. Vet Tech could take care of minor situations while Vet is not on duty. Currently Vet Tech is doing administrative duties. This position would allow us to prepare more animals for adoption. Mayor asked if we add Admin Tech, would Vet Tech be able to do more of these duties. Miller would like to see them something mid-year as they don't have any space now. Humphrey says they will have more space after Phase 1 is open. Miller recommends putting money in Admin Tech. Castleberry wanted to know if PSST funds could pay for this. Mayor said it's the same issue, to meet 1st priority listing. Holman would like to add Admin Tech and Kennel Attendant. Mayor asked if we had room for 2 positions now? Humphrey said once the center is open, we can do more and then look at adding staff. Castleberry would like for City to hire all the positions listed as soon as we can when we have space. Lewis asked if we have any space issues for kennel attendant. Maisano told them they have 2 kennel attendants now, that's why that position is listed in 2nd group. Oversight Committee wanted all positions in the FYE 16 budget

process. Until Phase 1 and 2 are complete, we don't have room for a full-time vet, that's why we have part-time vet. Castleberry said to put all these positions in when we have the space, to phase them in as needed only.

Francisco said he was unclear on what they wanted to do at this time. Mayor said to immediately authorize Admin Tech position this year. FYE 16 budget requests can be made for other positions. Mayor said there isn't one division or operational unit of the City that doesn't need more personnel. We don't want people to think this is realistic to put all positions in FYE 16. Needs for additional personnel are throughout the City.

Mayor said we have come to the end of the list and do we want to re-visit the Rainy Day Fund? She asked if the Committee wanted to make recommendation for \$500,000 dollars to be put in at this time. Castleberry asked Francisco is he was comfortable with this and if this is doable. Francisco said it was totally up to the Council and yes, it is doable. He thought it was to get to the target level. The Rainy Day Fund is at its minimum now. We should make full commitment now. Castleberry said trade-off is less money for operations if you put in all of requested maximum level, just do some of target level. Lang said we want to maximize numbers without hurting operations. Mayor says put in target level.

Mayor asked the committee if they wanted to discuss water rate income and make recommendations. Castleberry wants a separate fund for new development and connection fee increases so there will be transparency for citizens. Francisco said they are a separate line item right now. Mayor said we can re-visit later. City Manager said staff can discuss with external auditors. Mayor said we will have to be in compliance with law and make sure we have transparency.

Items submitted for the record:

1. Memo to City Council Finance Committee from Anthony Francisco, Finance Director, dated January 8, 2015, Mid-Year Budget Review

Item 2, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR DECEMBER 2014

We have addressed.

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 December 31, 2014.

Item 3, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

No discussion.

Items submitted for the record:

1. Position Vacancy Report, dated January 7, 2015

Item 4, being:

MISCELLANEOUS COMMENTS

Joy Hampton – you are looking at hiring an Admin Tech II for the animal shelter. Mayor said yes, will allow current position to be the Vet Tech. Joy Hampton asked about priority of park positions, what all positions effect living creatures. Mayor said staffing needs are all across the organization and have to look at staffing needs all together. Joy Hampton said in addition to the public asking, where are we prioritizing staff. Mayor said we will have all positions brought forward through the proposed FYE 16 Budget in the spring. Tuesday, the Council authorized 2 contracts for veterinary services during this period. The spay/neuter contract will triple the number of animals for services. Maisano said they have identified animals on priority list for spay/neuter services. Mayor said the contracts approved on Tuesday will make a significant step toward increasing care of animals.

Rebecca Beene stressed having a volunteer and a foster coordinator immediately. Another portion the center will be open in 1 month using foster and 2nd Chance groups. Remember the 2nd tier of personnel, too.

Casey Holcomb wanted the Committee to consider purchasing additional testing equipment for the oil/gas inspector for air quality monitoring. City should invest in this equipment as there are homes along Cedar Lane where there is oil drilling activity. The wells that are emitting toxic air should be shut down.

The meeting adjourned at 6:42 p.m.

ATTEST:

City Clerk

Mayor