

FINANCE COMMITTEE MINUTES
November 10, 2016

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 Multi-Purpose Room on the 10th day of November, 2016, 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 Heiple, Chappel, Castleberry, and Mayor Miller

ABSENT: none

OTHERS PRESENT: Steve Lewis, City Manager
Suzanne Krohmer, Budget Manager
Clint Mercer, Accounting Manager
Jeff Bryant, City Attorney
Gala Hicks, Director of Human Resources
Joel Haaser, BKD

Chair Heiple called the meeting to order at 5:02 pm.

Item 1, being

DISCUSSION REGARDING THE FYE 2016 CITY OF NORMAN AUDIT.

Joel Haaser with BKD made the presentation. He stated that on page 4 after the opinion is the Management Discussion Analysis. This is a high level summary of everything that happened during the year. Then, on page 18 and 19, these are the government wide financial statements. \$43 million dollars deficit in Unrestricted Net Position on page 18 is somewhat concerning. This is due to the pension's liability. It is a new standard to record portions of Police and Fire state pensions. The Police pension liabilities fund for this year is listed as \$158,000 and the Fire is listed as \$44 million.

City Manager Steve Lewis asked if the state could not fund the pensions, would the city have to pay for them. Haaser stated the he believes the City would not have to pay for these. City Manager Lewis stated that these type of deficits show up in all Oklahoma cities. Haaser agreed with this statement and said that on page 72 it shows the proportionate share of the total liability for the City of Norman. For Fire that is 4% of the total liability. Also on page 51 you can see the City's actuary's discount rate of 7.5%. The private world usually uses 3-4% but the State of Oklahoma is setting the 7.5% rate. Chair Heiple asked who exactly within the state is setting the rate. Haaser stated that it was the State Treasurer's office that sets the rates. GASB is trying to address the standards for the government.

Chair Heiple stated that we need to bring this up with the OML and work collectively with other cities to try to get this rate lowered. Member Castleberry stated that 7.5% is a reasonable rate in

from a business standpoint. Chair Heiple stated that he would still like this issue brought up with the OML. Member Castleberry stated that we shouldn't waste their time because they will not change it.

Haaser stated that in the future we have another Post Employment Plan on page 58. The OPEB is at \$9 million and the new numbers starting in June 2018 will require the City to take on the full amount of \$43 million. Gala Hicks stated that employees with the City of Norman pay 102% of post benefits. Haaser stated that OPEB funds can be funded, but most cities do not and these are very controversial.

Haaser stated that on page 20 you can see the modified accrual basis and does not include pensions. Page 22 is reconciliation and page 23 is business type activity. Page 26 is the fiduciary net position statement. The City is the Trustee for this plan and it only shows up in the CAFR and not in the government wide statement.

Chair Heiple asked about the notes payable of \$5.6 million on page 23 under liabilities. Clint Mercer stated that those would be things like our Oklahoma Water Resource Board liabilities. Haaser stated that the details for those are in the footnotes.

Haaser moved on to page 25 which include the cash-flow statements for proprietary funds. He also stated that there are 11 pages of pension notes because it is a significant issue at the state level. Chair Heiple asked if the only way to fix the pension is to reduce the benefit, increase the contribution rate, or push back the age. Haaser stated that this was correct. He says that the Teacher's pension is the worst funded, Police is the healthiest, and Fire is on the low end. Sales tax in the state is not growing. City Manager Lewis stated that Police and Fire are required to be in the state pension plan and that they have no choice.

Haaser then stated that on page 74 are the Health Insurance Contributions and on page 75 is budget to actual information.

Chair Heiple asked about the information for Room Tax on page 83. He wanted to know if we are collecting tax for Air B&B. City Manager stated that we are not doing so now, but we are working on how to implement it. Haaser stated that no other cities are dealing with Air B&B. This is an internet sales issue, too. Member Castleberry stated that we could get a list of all Air B&B in Norman and have the City contact them for the tax. Either that or we could have a \$100 fee per year to register instead of paying the tax.

Haaser stated that page 110 shows the trends for the past 10 years for the General Fund. There were no significant issues and we are in a wrap up mode. We will try to release and issue the CAFR during the first part of December. The completed document is due to the State at the end of December.

City Manager Lewis stated that we just passed our first year anniversary of the Norman Forward project. Haaser stated that page 20-21 has all of the information for the Norman Forward plan. This fund has a separate scope and is separately audited. That is why this is in such great detail. This fund is big enough to be considered a major fund which means it has to be broken out separately.

Mayor Miller asked Haaser to talk a little about the changes in net position in the management report. Haaser stated that on page 20 you can see there is an unassigned cushion of \$9 million dollars that is unrestricted and unassigned. The Government Finance Officers Association is the #1 Trade organization and they do the CAFR program for grading. If you take 2 months' worth of our General Fund expenditures from page 21 you are at about \$12.2 million dollars. That means our cushion fund is a little below the recommendation but you would add in our \$3.2 million from our Net Revenue/Rainy Day Fund.

Member Castleberry asked what the \$20,000 in nonspendable on page 20 was. Haaser stated this was the inventory number.

Member Castleberry asked for some clarification on the City's Net Position on page 7 and why it is a negative \$6.5 million. Haaser stated this combines the governmental activities (pension) and the business activities city wide.

Member Castleberry stated that he was appreciative of the detail about the sales tax on page 8.

Member Castleberry asked about our \$4.4 million dollar loss in the General Fund on page 79. Clint Mercer stated that on page 82 you see the reconciliation of the fund level statements. Haaser stated that his is due in the majority to encumbrances.

Member Castleberry asked about the \$60 million dollar debt in GO Bonds on page 60. Would be able to use the expired GO Bond money in 2017 and 2018 to fund other projects without raising taxes? Mercer stated that would be the case.

Member Castleberry asked why the cost allocations were under budget on page 75. The fuel costs were down by 1/3 for the second year in a row. Mercer stated that the General Fund to Westwood Fund transfer is not included in the numbers on this draft. The final number is about \$580,000 after the expenses and encumbrances. This is then number we will be working with.

Member Chappel asked if there were any surprises in the audit. City Manager Lewis stated that there were not. Haaser stated that Norman is ahead because they do not see many cities with a 2 month reserve now.

Items submitted for the record:

1. Draft of the Comprehensive Annual Financial Report

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Item 2, being

DISCUSSION REGARDING THE 2017 MEETING CALENDAR

All agree that the proposed schedule is good.

Items submitted for the record:

2. Proposed meeting schedule for 2017

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Item 3, being

DISCUSSION OF THE REVENUE/EXPENDITURE REPORTS

City Manager Lewis stated that we are looking at various departments and have discovered about \$1.2 million dollars in the General Fund where we can sweep from those departments and put into his fund for availability.

Member Chappel stated that the utilities franchise is down 5.7%. City Manager Lewis stated that Hampton Inn is breaking ground and that should help generate tax money.

Items submitted for the record:

1. Summary of Major Funds Revenue Sources vs. Budget, FYE 2017-as of October 31, 2016; Monthly Financial Report, Appropriations from Fund Balance FYE 2017; City Comparison for Sales Tax Collections; and General Fund Transfers over \$50,000 between Expenditure Categories-FYE 17 October 2016

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Item 4, being:

SUBMISSION OF THE REPORT OF OPEN POSITIONS

City Manager Lewis stated that we had the Fire Department graduation this afternoon and had 10 graduates.

Items submitted for the record:

1. Position Vacancy Report dated November 2, 2016

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Item 5, being:

MISCELLANIOUS COMMENTS

None

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The meeting adjourned at 6:09 p.m.