



CITY OF NORMAN, OK
CITY COUNCIL FINANCE COMMITTEE MEETING
Municipal Building, Executive Conference Room, 201 West Gray, Norman,
OK 73069
Thursday, January 16, 2025 at 4:00 PM

MINUTES

The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met in Regular Session in the Executive Conference Room in the Municipal Building, on Thursday, January 16, 2025 at 4:00 PM, and notice of the agenda of the meeting was posted at the Norman Municipal Building at 201 West Gray and on the City website at least 24 hours prior to the beginning of the meeting.

CALL TO ORDER

PRESENT

Mayor Larry Heikkila
Councilmember Ward 3 Bree Montoya
Councilmember Ward 4 Helen Grant
Councilmember Ward 6 Josh Hinkle

ABSENT

None

OTHERS

Councilmember Ward 7 Stephen Holman
Councilmember Ward 8 Scott Dixon
Anthony Francisco, Director of Finance
Dannielle Risenhoover, Admin. Tech IV
Jacob Huckabaa, Budget Technician
Kim Coffman, Budget Manager
Rick Knighton, Interim City Attorney
Chris Mattingly, Director of Utilities
Scott Sturtz, Director of Public Works
Darrel Pyle, City Manager
Jason Olsen, Director of Parks and Recreation
Jason Murphy, Stormwater Program Manager
AshLynn Wilkerson, Asst. City Attorney
William Andrews, Comm. And Engagement Coordinator
David Floyd, Norman Public School Attorney

Mayor Heikkila called the meeting to order at approximately 4:00 PM.

AGENDA ITEMS

1. DISCUSSION REGARDING THE MID-YEAR BUDGET REVIEW.

Anthony Francisco gave the report. Francisco stated that the City is really close to being on budget with their revenues. He pointed out the rapid growth in the City's expenditures classified under salaries and benefits is due to some fairly aggressive wage increases over the last two fiscal years. There has been a \$1.4 million subsidy to the Public Safety Sales Tax Fund in Fiscal Year 2024. It is estimated that a \$2.87 million subsidy to the Public Safety Sales Tax Fund will be required in Fiscal Year 2025. There was a \$791,000. subsidy to the transit fund in Fiscal Year 2024. It is estimated that this fund will require a \$500,000 subsidy in Fiscal Year 2025. "This is going to inflate pretty rapidly if we stay on the course that we are on," Francisco said. "It is our job as the City management, it is your job as the City Council and the fiduciaries of the City to make sure that we don't stay on the course that we're on. As we move forward in the budget process we'll be making some recommended changes to you, to make sure that we course correct."

Francisco stated, "We're losing \$6.2 million in fiscal year 27, \$7.8 million in fiscal year 28, \$10 million in fiscal year 29, and \$12 million in fiscal year ending 2030. That is where we need to course correct and that's what we have to be concentrating on. That number is driven by personnel costs."

Darrel Pyle said, "Even without adding positions, what we find is the legislative change, or a change in the pension funding formula, for all the police departments in the State of Oklahoma is causing our pension costs to jump \$400,000 July 1 (2025); and, nothing's different in the world, we're not providing any new services, it's just going to be a lot more expensive to maintain the exact same number of police officers in the pension system that we have today."

With the assumptions that the Finance Department has made, it is estimated that the City will lose about \$5 million this fiscal year with expenditures outweighing revenues. When the budget was adopted, it was assumed that the City would have an excess operational reserve amount of approximately \$10.6 million; however, this excess reserve money has been "held" in anticipation of the purchase of Griffin Park and Sutton Wilderness Park. Negotiations involving a purchase price for these parks is still ongoing; however, City Manager Darrel Pyle stated, "We think the transaction could conclude relatively quickly upon Council's approval of the purchase and sale agreement which we do anticipate this fiscal year."

Francisco highlighted the Stabilization Fund, also known as the "Rainy Day" Fund. Ordinance requires Council to make a determination at their mid-year budget review as to whether they want to make a deposit to the Fund, leave the Fund as is, or take money out of the Fund. The Fund must be maintained at a minimum level but also has a maximum contribution. "We are projecting at the end of this fiscal year that we will exceed that minimum by \$467,000 in the Rainy Day Fund, so we're fine there; but, we're about \$615,000 short of the targeted level," Francisco said. Adjustments to the Fund can be made at any time. The Committee did not recommend any changes to the Rainy Day Fund.

The Public Safety Sales Tax Fund was positive at the end of Fiscal Year 24 with a \$2.6 million balance. It is expected that this balance will be drawn down to \$221,000 by the close of Fiscal Year 25. "Again, this Fund is driven mainly by personnel. Eleven million, seven hundred thousand dollars of the \$12.9 million we project to come in from the sales tax is going straight back out to pay salaries and benefits for the police and fire personnel," Francisco said. It is projected that \$2.3 million in this Fund will be spent on capital equipment this fiscal year and there is \$2.3 million in debt service, due to bonds that were issued in 2016, that will require payment for the next two fiscal years. The last debt service payment for this Fund will be made

March 1, 2027. Once this is paid, funds may be allocated for the reconstruction of Fire Station 5.

The City is duty bound by the Public Safety Sales Tax ordinance to rebuild fire station five and is also expected to provide for some capital purchases. "We have capital obligations that will be continuing after those original things we did in 2016 have been paid for," Francisco told the Committee. "After Fire Station 5 has been funded, the Public Safety Sales Tax (revenue and expenses) will become a function of the General Fund."

2. DISCUSSION REGARDING THE CONDITION AND OWNERSHIP OF THE WHITTIER AND IRVING RECREATION CENTERS.

Rick Knighton led the discussion regarding transferring ownership of the City of Norman, Irving Recreation Center and City of Norman Whittier Recreation Center to Norman Public Schools (NPS). In the past, these recreation centers have been used for youth sports, after school programs, and summer camps; however, since the construction of the Young Family Athletic Center (YFAC), youth sports have moved to the YFAC. Knighton highlighted that since the City's after school programs and summer camps operate in conjunction with the Department of Human Services' (DHS) rules, only after school program and camp participants, their parents, and City employees are allowed in the facilities during these scheduled programs.

"Nobody can be in there for recreational sports during the school day because they're (each facility) directly connected to both Whittier and Irving schools. After school from about three to maybe six would be the only time people could go and play recreational basketball, but for the most part, that's not occurring anymore," Knighton said. "And during the summer they're (the public) not allowed to be in there (the facilities) because of the DHS regulations."

Norman Public Schools are the primary users of these facilities during the school year as they use them for assemblies, plays, performances, physical education, and basketball games.

Knighton believes that a provision in Title 11 O.S. Section 22-125 gives special legislative authority to the governing body of a municipality to make a gift of any real estate belonging to the municipality to a school district within that municipality. The provision states: "The municipal governing body may make gifts of any real estate belonging to the municipality to any school district, which is located in the municipality."

"The wrench that gets thrown into this, that makes this a little bit difficult, has to do with the fact that the facilities were purchased with Bond Funds," Knighton said. "Under Oklahoma law, the use of Bond Funds is limited to the purpose for which the indebtedness was incurred. The case of *Protest of Reid* in 1932 also says, 'use of those funds also include the proceeds of a sale,' so if Bond Funds were approved, you constructed the facility with those funds, you subsequently sell the facility, you have to use those Bond Funds for the same purpose or you have to deposit those into the Sinking Fund as a rebate to the taxpayers. That's the way that's supposed to be handled when you sell something what was purchased using Bond Funds." Both facilities were constructed using General Obligation Bond Funds.

Knighton has talked with the City's Bond Counsel regarding the level of risk this issue brings. "Is it possible that a court would read that statutory provision? Remember it (the provision under Title 11 O.S. Section 22-125) says, 'any real estate'. It doesn't say, 'real estate except what you purchase Bond Funds with'. It says, 'Any real estate can be gifted to a school district by a governing body of a municipality.' So there is an argument that you could do that (transfer ownership) under 11 O.S section 22-125," Knighton said.

"The uniqueness of these (facilities) are, they're totally surrounded by school property so it's not like a freestanding building that there may be a market for to sell. These are unique because, arguably, the only entity that would be interested in them would be the school district; because, if I bought them, arguably, I can't really be there during the day while school is in session," Knighton said.

The other argument Knighton brought up was the possibility of someone purchasing the properties and then leasing them to the school. Knighton's point was that if the school doesn't lease the property, it's virtually of no value to the owner because the properties have such limited use.

Currently, there is no lease agreement between the City of Norman and Norman Public Schools for use of the facilities. Jason Olsen stated, "The schools and the City work together in the best interest of the public to use these buildings." The City maintains 100% of these structures at an approximate total cost of \$50,000/year.

Knighton stated that gifting these properties to NPS could also qualify under: Public Use Abandoned – *Immel*, 2021 OK 39 at ¶ 19, 490 P.3d 142-143. "This is another reason that you can alienate property that's been dedicated to the public for public use," Knighton said. "There is a pretty good argument that we've abandoned these facilities for the most part. Again, our use for youth sports has been transferred to the YFAC so we're not using those facilities for youth sports anymore. We are using them for summer and after school programs, but that doesn't really require use of the entire centers – but again, because we are regulated by DHS, you really can't have the public in there during those hours; so, it really isn't of any benefit to the public."

Under the transfer of ownership, Norman Public Schools would assume all maintenance responsibilities of the two facilities. According to City of Norman Parks and Recreation Director Jason Olsen, the School District is willing to allow the City to continue to use the facilities for after school programs at a "very nominal cost".

"Our position is," said Knighton, "recreation facilities can be alienated. We can alienate them either under 11 O.S. section 22-125 or based on the fact that we have effectively abandon the use of them. We believe that special legislative authority under 11 O.S. section 22-125 gives this governing body, or gives you, the ability to actually gift those recreation centers to the school district. If 11 O.S. section 22-125 does not permit the City to gift the recreation centers to NPS, Oklahoma law permits the City to transfer the centers to the Norman Public School District if the City's public use is abandoned." Knighton doesn't anticipate converting the recreation centers into money so he doesn't see an issue with the facilities having been built with bond funds.

City Manager Darrel Pyle stated that an action item regarding the transfer of ownership of the Irving Recreation Center and the Whittier Recreation Center from the City of Norman to Norman Public Schools would be on an upcoming City Council agenda.

2. DISCUSSION REGARDING MONTHLY REVENUE AND EXPENDITURE REPORTS.

Anthony Francisco gave the report. Francisco reported that sales tax in January was "fairly good". January revenue reports do reflect grocery sales tax revenues that a major retailer under reported in prior months. Francisco thinks that there will be a "5% or so growth trend for the rest of the fiscal year" related to use tax.

ADJOURNMENT

Mayor Heikkila adjourned the meeting at approximately 5:10 PM.

ATTEST:

Brenda Hall

City Clerk



[Signature]

Mayor