

CITY COUNCIL STUDY SESSION MINUTES

April 19, 2022

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a study session at 5:30 p.m. in the Municipal Building Conference Room on the 19th day of April, 2022, and notice and agenda of the meeting were posted at the Municipal Building at 201 West Gray 24 hours prior to the beginning of the meeting.

PRESENT:

Councilmembers Foreman, Hall,
Holman, Peacock, Lynn, Schueler,
Studley, Tortorello, Mayor Clark

ABSENT:

None

Item 1, being:

DISCUSSION REGARDING THE PROPOSED FYE 2023 CITY OF NORMAN BUDGET – GENERAL FUND AND SPECIAL REVENUE FUNDS.

Mr. Anthony Francisco, Director of Finance, said the budget document is the most important document the City prepares and is a policy document that is also the financial plan for the City, the departmental operations guide, and a communications device for the public. He said budget discussions begin in November with a mid-year review in January of each year and tonight Council will be presented an overview of the General and Special Revenue Fund Budgets. He said Council reviewed the Capital Fund Budget on November 16, 2021, and February 15, 2022; the Finance Committee held a mid-year budget review on February 17, 2022; a public hearing will be held April 26, 2022; Capital Funds will be discussed again on May 3, 2022; Enterprise Funds will be discussed on May 17, 2022; a public hearing will be held May 24, 2022; an optional budget discussion follow-up could be held June 7, 2022; and Council will adopt the budget on June 14, 2022.

Mr. Francisco said the budget document is formatted to lead with a summarized detail and continues into greater detail. He encouraged everyone to read the City Manager's letter in the document because it provides a brief background of everything in the budget proposal. He said the budget also contains frequently asked questions (FAQ) such as the number of City employees; Norman's population; Rainy Day Fund balance; progression of NORMAN FORWARD Projects; etc. The budget also contains organizational charts; sales tax history; unemployment rates; sales tax distribution charts; projected revenues; projected expenditures; property tax distribution charts; revenues by source; expenditures by department; goals and objectives; and a glossary. He said looking forward, this is a plan, but in the current year, it is a budget.

Mr. Francisco highlighted Norman's Financial Policies that include a balanced budget requirement; five-year forecast; operating revenue; capital reserve; debt reserve; investment; leveled utility rates; utility and room tax transfers; and Municipal Budget Act. Levelized Utility

Item 1, continued:

Rates Policy states, "Utility rates should be set at a level to meet the average net income requirement over a five-year period without the need for interim adjustments, and to meet all reserve requirements at the end of the five-year period." The City is currently in violation of this policy in the Water Fund and Water Reclamation Fund.

The Net Revenue Stabilization Fund policies and assumptions adopted in Ordinance O-1011-58 and amended in Ordinance O-1819-10 include a minimum 3% General Fund operating reserve, 1% General Fund emergency reserve, and 4% Rainy Day Fund. The Rainy Day Fund is a savings account to be used for emergency purposes. He said the target for the Rainy Day Fund has a targeted growth of 5% and a maximum of 6%. The City must have a minimum total reserve level of 8% and a maximum total reserve level of 10% in General Fund expenditures. Mr. Francisco said Council cannot appropriate from the Rainy Day Fund balance unless the General Fund balance falls below 1%, the emergency reserve allocation can be spent on a federal or state declared disaster or a one-time major repair/replacement. She said the Rainy Day Fund is currently projected to be above minimum and targeted levels.

There are 904 total budgeted positions that include American Federation of State, County, and Municipal Employees (AFSCME) – 41%; Fire Department – 18%; Police Department – 20%; Executive – 1%; and non-union – 20%.

The overriding theme for the FYE 2023 Budget is "sales tax uncertainty." Projected FYE 2023 revenues in the General Fund are \$251,829,357 with projected expenditures of \$245,281,720. The City is very dependent on sales and use tax to pay for City services and sales tax is a very volatile source of revenue. The City receives very small revenue from property tax and property tax revenues can only be used to repay obligation debt or judgement/claims against the City.

FYE 2023 revenue sources include Interfund Transfers – 2.6%; General Sales Tax – 35.5%; Other Taxes – 12%; Capital Improvement – 6.2%; Sewer Excise Tax – 0.6%; Sewer Maintenance – 1.2%; Fees and Charges – 24%; Inter-Government – 1.5%; Other Revenues – 10.1%; Cost Allocations – 2.4%; and Internal Charges – 3.8%. Projected total expenditures include Strategic Support and Criminal Justice – 13%; Public Safety – 23%; Public Works – 11%; Water – 10%; Water Reclamation – 8%; Sanitation – 7%; Debt Service – 4%; Culture/Recreation – 5%; Capital Improvements – 16%; Community Development – 2%; and Tax Increment Finance Districts – 0.1%.

FYE 2023 General Fund revenues (\$100,769,620) by source include Transfers – 5.9%; Other Revenues – 2.6%; Internal Charges – 7.7%; Cost Allocations – 4.6%; Interest – 0.2%; License/Fees – 3.2%; Fines/Forfeits – 1.2%; Other Taxes – 3.3%; Franchise Tax – 6.9%; and Sales/Use Tax – 64.5%.

Item 1, continued:

FYE 2023 General Fund expenditures (\$90,008,118) by department include Administrative and Legislature – 5%; Fire – 19%; Finance – 4%; Municipal Court – 1%; Parks – 8%; Human Resources – 1%; Information Technology – 4%; Police – 28%; Planning – 4%; Public Works – 23%; Legal – 2%; and Other – 1%.

Mr. Francisco said over the past ten years, sales tax has had a very predictable growth rate until 2017 and 2018, and has not returned to the growth rate anticipated. He said some of that revenue has been made up by increases in use tax, which is a sales tax on goods purchased outside of the City for use within the City, i.e., catalogue sales, online sales, etc. He said the City is not only dependent on sales tax for the General Fund, but for the PSST, NORMAN FORWARD Fund, Capital Fund, and Public Transit Fund as well. He said it is important to monitor and try to bend these trends as much as possible by enforcing use tax collections on online and out-of-state purchases.

Mr. Francisco said there are several factors contributing to the unprecedented growth in sales tax that started in the Spring of 2020, with shelter in place orders; the first emergence of the virus in Summer 2020; vaccine availability in Spring/Summer 2021; emergence of the Delta variant in Fall 2021; employment and wage gains in Fall/Winter 2021; and supply/demand factors drive price inflation in Winter/Spring 2022. He said the CARES Act stimulated the economy by putting money in people's pockets. Once the country began coming out of the pandemic and sanctions were lifted, people started going back to work, began shopping, eating out, going to movies, traveling, etc. He said as it relates to sales tax, inflation is good and that is what the City is currently experiencing and he has no idea when that bubble might burst, but it is concerning.

If the sales tax growth does continue and there is not a major recession, current projections for General Fund Reserve Surplus is projected to be \$12,500 million, which has never happened before. He highlighted projections from FYE 2017 through FYE 2027, that projects surplus balances ranging from \$60 million to \$156,000 depending on the rate of decline, i.e., 0% growth - \$55,357,679; 5% decline - \$41,557,355; 10% decline - \$27,757,032, 15% decline - \$13,956,708, and 20% decline - \$156,384. Mr. Francisco said most of the revenue numbers are healthy, but are dwindling. He said if the revenue growth continued, the City would need to be providing additional services, i.e., adding School Resource Officers (SROs), street sweeping crew, etc.

General Fund major revenue assumptions include sales tax growth projection of 2% from projected FYE 2021-2022 levels; use tax, franchise fee, and other tax revenue projected to grow by 4% from FYE 2022 levels; fine and forfeiture revenue projected to grow by 3% from FYE 2022 levels; license and permits revenue projected to grow by 1% from FYE 2022 levels; transfers from Water and Water Reclamation Utilities of 5% of their revenue (based on private utility payments for taxes and use of right-of-way); transfers from Room Tax for administrative services (4%); and cost allocation charges for central services provided to utilities.

General Fund major expenditure assumptions include salary and benefit category expenses budgeted for each position in FYE 2023 based on contractual costs assuming merit and longevity

Item 1, continued:

cost increases; no cost-of-living adjustment budgeted in FYE 2023; five-year projections made to “determine future viability and to provide a base for remedial policy actions”; salary and benefit category costs assumed to grow by 5% per year in FYE 2024-2027; expenditures in Services/Maintenance and Supply/Materials assumed to grow by 1% in FYE 2024-2027; expenditures in Internal Services category based on budgeted costs in FYE 2022 and assumed to grow by 2% in FYE 2024-2027; employee turnover savings of \$800,000 is assumed in FYE 2023 and in future years; and “subsidies” to Public Transit and PSST Funds, if required.

Operating personnel position changes in FYE 2022 included adding Sustainability Coordinator – position moved to Water Reclamation Fund; adding Municipal Accountant (General Fund); adding Administrative Technician to Human Resources Department; adding Administrative Technician to Fire Department; contracted Transit Support Positions (2); adding Capital Project Engineer; and deleting Outreach Housing Coordinator. Personnel position changes proposed in FYE 2023 include restoring nine Police Officer positions; adding part-time Recreation Leader at Little Axe Community Center and Network Engineer in the Information Technology Department; and deleting Internal Auditor and Audit Technician.

Councilmember Studley asked why the City is deleting the Internal Auditor and Audit Technician positions and Mr. Francisco said the desire was for the Internal Auditor function to report directly to Council and in order to do that, there would have to be a Charter change. The only position, by Charter, that reports directly to Council is the City Manager position. During the process of reviewing the Charter, the Charter Review Committee recommended these positions not be added to Council’s purview, which was presented to full Council who chose not to add the position to the Charter. He said Charter changes have to be voted on by the people. He said the positions have been in the budget the last two fiscal years, but since the positions were not proposed to happen, the positions were deleted. Councilmember Studley said, for the record, she thinks this is a sneaky way to put money back into the budget.

Councilmember Foreman said she likes the idea of having a certified Internal Auditor so she supports putting that position back into the budget and Mr. Darrel Pyle, City Manager, said the Internal Auditor position could be put back into the budget if Council desires. He said there are Certified Internal Auditors and Staff would recommend Council add the question to the Charter amendment as well as require qualifications for a Certified Internal Auditor.

Councilmember Lynn asked if there are clearly defined rules and responsibilities for an Internal Auditor and Mr. Pyle said there are positions Staff would model this after. He said since it would be a position that would report to Council, Staff would present the job description to Council for consideration before moving forward. He said this would be a position that Council would potentially be interviewing applicants and hiring the person for the position.

Some of the unfunded personnel needs include Stormwater personnel (street sweeper, maintenance crew); Engineering, PSST personnel (School Resource Officers, Dispatchers), and Fire Department expanded staffing personnel (15 positions for Station 10).

Item 1, continued:

Councilmember Peacock asked if there is an estimated dollar amount for unfunded personnel needs and Mr. Pyle said no, funds would come from different sources and Staff is looking at ways to fund additional stormwater efforts or a different concept in establishing a separate Enterprise Fund or the expansion of an existing Enterprise Fund. He said some debt service would be paid in full by FYE 2027, which will free up funding for annual ongoing resources to fully implement the balance of the items.

Mr. Francisco highlighted the PSST Fund that includes personnel additions behind schedule (four SROs, two dispatchers); critical capital needs are progressing; \$9.5 million of ARPA Funds appropriated to complete the Emergency Communications/Operations Center (ECOC); debt for radio system and ECOC will be paid off in FYE 2027; 3/8% of PSST will go to the General Fund and 1/8% will go to the Capital Fund when critical capital needs are completed; and current sales tax and use tax revenues are projected to fund operations without General Fund subsidy.

Councilmember Hall asked if Norman Public Schools (NPS) is responsible for funding half of the SRO expenses and Mr. Pyle said language states there will be "shared" expenses, but does not specifically state "half."

Councilmember Holman said he understood that NPS would be paying for two of the four SROs and he would support that 50/50 structure moving forward. He asked if all the current fire stations are fully staffed and Mr. Pyle said the City has discussed what would provide the biggest benefit to the community, 1) relocation or reconstruction of Fire Station No. Five or 2) creation of the new Station No. 10. He said Fire Station No. Five is fully staffed and Staff can figure costs for the two options for Council's review. Councilmember Holman said he prefers relocating Fire Station No. Five to cover more territory, including Little Axe, unless the Fire Department strongly disagrees.

The Community Development Block Grant (CDBG) Committee coordinates separate budget processes for CDBG and HOME Funds that are added into the City budget by amendment and the budget is approved by Council before submission to Housing and Urban Development (HUD).

Mr. Francisco said Room Tax Fund balances for Arts and Tourism need to be restored to minimum levels. A one-time funding was provided in FYE 2022 to Arts and Tourism from ARPA Funds and revenue projections for FYE 2023 are based on 2019 levels. Westwood Golf Course bonds will be paid off on June 1, 2022, and a new Norman Municipal Authority (NMA) bond issuance in the amount of \$3,800,000 for the Young Family Athletic Center (YFAC) begins.

Other Special Revenue Funds include Council on Law Enforcement Education and Training (CLEET); Seizures and Restitution (no budgeted expenditures); Special Grants (accounting for ARPA funding); Public Transit; Art in Public Places; and Westwood Park (no assumed golf course subsidy).

Item 1, continued:

Intergovernmental funding opportunities include the following:

CARES ACT

- Transit Maintenance Facility - \$5 million
- Senior Wellness Center - \$4.8 million
- Small Business Assistance - \$3 million
- Room Tax - \$800,000
- General Fund/Rainy Day Fund - \$550,000
- COVID Vaccinations - \$200,000

AMERICAN RESCUE PLAN ACT

- Emergency Operations/Communications Center - \$9.5 million
- COVID Vaccination Incentives - \$500,000 (appropriated by Council)
- Affordable Housing - \$4.5 million
- Non-Profit Support - \$2 million
- Stormwater Capital Projects - \$3 million
- 718 North Porter Remediation – \$1.8 million (Council has given Staff direction to sell)
- Entrepreneurship Facilities - \$1 million
- CEO Program - \$100,000

AMERICAN JOBS PLAN

- Public Infrastructure – amount to be determined

Mr. Francisco said the State has made some ARPA Funds available to municipalities and the City has applied for some of those funds. Mayor Clark said it is her understanding that it will take a long time to obtain those funds so if the City moves forward on a project, is there a policy for reimbursement and Mr. Francisco said no. Mr. Pyle said Staff has been told that sometime in July, the State will start to award funds and that may not mean distributing dollars, but it may mean the application was successful so it may be beneficial to wait on some projects for that final notification. Councilmember Hall said Council has publicly discussed that some projects are on hold waiting for the final decision from the State.

Councilmember Studley said if the City received funds from the State, can the City reallocate the \$9.5 million cost of the ECOC and use that money for something else and Mr. Pyle said if the City spends the ARPA money or appropriates the ARPA money for a specific project, the City will not be able to reimburse itself.

Councilmember Holman asked if money from the sale of 718 North Porter will be in added to what was budgeted for repurposing that building and Mr. Francisco said yes, and that money will go into the General Fund for Council to appropriate as needed. Councilmember Hall said Council has already publicly discussed repurposing money from the sale of 718 North Porter for affordable housing needs.

Item 1, continued:

The major operational budget issue is whether current sales tax trends will be sustainable.

Councilmember Hall asked about the status of the FYE 2023 surplus and Mr. Pyle said Council gave prudent instruction to Mr. Francisco on advancing the funds that included \$700,000 for the Vehicle Wash Facility, appropriating \$130,000 to bring the Rainy Day Fund to its targeted level, and \$300,000 for accessibility improvements to Andrews Park. There was further discussion about appropriating funds for furnishing the Municipal Complex, but no money has been appropriated at this time (\$1 million for Building B and 500,000 for Building C). Mr. Pyle said Council also discussed putting money into a functionally obsolete Police Department building or starting a conversation about a new Police Department building.

Councilmember Foreman said police funding is a popular topic in Norman and she thinks Norman is large enough for a second police station. She proposed allocating \$150,000 to a Public Safety Study.

Councilmember Hall said before the turnpike issue arose, the City had the goal of updating the 2025 Land Use and Transportation Plan and discussed the need for a Transportation Plan and an updated Stormwater Plan, but these plans are not in the budget. Mr. Pyle said Staff is working to establish a list of items requiring mitigation.

Councilmember Foreman said she wants to move forward with the all plans and studies and not wait until the Oklahoma Transportation Authority (OTA) has approved final plans for the turnpike location.

Councilmember Schueler said she would like to budget the targeted dollar amount identified for the various plans and studies.

Councilmember Peacock said Pattern Zoning was identified as a top priority by Council, but he does not see that line item in the FYE 2023 Budget and Mr. Pyle said Staff is working on a pilot project and will provide a budget estimate to Council when the project becomes permanent.

Councilmember Holman said he supports the Public Safety Study because he prefers a new Police Department building versus remodeling the existing building. He said all the Master Plans are out of date and a Transportation Plan is needed so he supports moving forward with these items.

Councilmember Hall said one time funding could be used for replacement of the Legacy Trail Lighting, which has been put off for more than two years. She receives numerous calls about the poor lighting from citizens that use Legacy Trail. She said the current lighting system is 25 years old and needs to be replaced because it is unsafe. She said Legacy Park is dark at night and there are many things to see along the trail, such as art, sculptures, memorials, etc. Mayor Clark said she would like to use surplus funds for this project.

Item 1, continued:

Ms. Brenda Hall, City Clerk, said Council discussed remodeling the Municipal Complex and she was hoping to appropriate funds to finish Building C, which would finish the Municipal Complex renovations (\$3.5 million) with the exception of the Police Department. Councilmembers Holman and Hall said they support moving forward with Building C renovations.

Items submitted for the record

1. PowerPoint presentation entitled, "City of Norman Fiscal Year 2022-2023 Budget," dated April 19, 2022

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Item 2, being:

DISCUSSION REGARDING THE LICENSURE AND ZONING REQUIREMENT FOR RESTAURANTS AND BARS.

Ms. Hall said the Alcoholic Beverage Laws Enforcement (ABLE) Commission has always had a threshold of 50% food sales if a business classified as a restaurant sold alcoholic beverages; however, ABLE changed that threshold to 35% food sales effective October 1, 2018. The City of Norman incorporated the new laws into its Code of Ordinances and eliminated a separate regulation for low-point beer.

The City of Norman Code of Ordinances definitions for bars and restaurants are as follows:

BAR: An establishment whose primary activity, measured by dollar volume of sales, involves the sale and the on-premise consumption of intoxicating or non-intoxicating beer, mixed beverages, wine, or other liquor, and where food service, if any, is a secondary activity.

RESTAURANT: A facility which derives more than 35% of its total revenues from the sale of food, excluding alcoholic beverages, as well as other secondary sources of income, such as admissions, cover charges, or amusements.

Any business with a Caterer/Mixed Beverage License with the City of Norman and the ABLE Commission can sell outdoors during Special Events, such as University of Oklahoma Home Game Days; however, a Special Event Permit from ABLE is required for each business holding a caterer's license wanting to participate in selling outdoors.

The ABLE Commission's caterer license eligibility is based on the following:

1. A caterer license may be issued to any person for the purpose of sale, delivery or distribution of alcoholic beverages incidental to the sale or distribution of food on premises not licensed by the ABLE Commission. For purposes of this section, "incidental to the sale or distribution of food" means food sales constituting at least thirty-five percent (35%) of the caterer's total combined annual sales. *A caterer license shall not be issued to a person whose main purpose is the sale of alcoholic beverages.*

Item 2, continued:

2. A caterer license may only be issued to those persons that prepare, sell and distribute food for consumption either on licensed or unlicensed premises. In order to renew a caterer license, annual food sales must constitute at least thirty-five percent (35%) of the caterer's total combined sales based on the most recent calendar year. A caterer shall not be required to prepare, sell and distribute food at every catered event as long as the caterer satisfies the requirement set forth in this section.

The City Clerk's Office licenses businesses selling liquor and works in conjunction with ABLE and the applicant. The City charges an occupational tax based on ABLE/State license categories and has an "active" threshold of 35% food sales. The City of Norman Zoning Ordinance determines how the City views a "restaurant," which is a "by-right" use and if the threshold falls or is anticipated to fall under the 35% requirement, a Bar/Lounge/Tavern Special Use application is needed.

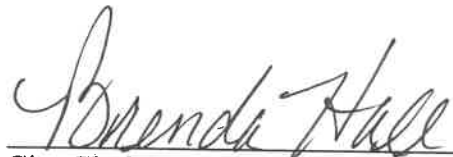
Items submitted for the record

1. PowerPoint presentation entitled, "Licensure and Zoning of Restaurants and Bars," dated April 19, 2022

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The meeting was adjourned at 7:30 p.m.

ATTEST:



City Clerk



Mayor

