



CITY OF NORMAN, OK
CITY COUNCIL FINANCE COMMITTEE MEETING
Municipal Building, Executive Conference Room, 201 West Gray, Norman,
OK 73069
Thursday, January 18, 2024 at 4:00 PM

MINUTES

The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 4:00 pm in the Municipal Building Executive Conference Room on the 18th day of January, 2024, and notice of agenda of the meeting were posted in the Municipal Building at 201 West Gray, 24 hours prior to the beginning of the meeting.

CALL TO ORDER

PRESENT

Mayor Larry Heikkila
Councilmember Ward 3 Bree Montoya

ABSENT

Councilmember Ward 6 Elizabeth Foreman

OTHERS

Councilmember Ward 4 Helen Grant
Councilmember Ward 7 Stephen Holman
Councilmember Ward 5 Michael Nash
Anthony Francisco, Director of Finance
Kim Coffman, Budget Manager
Jacob Huckabaa, Budget Technician
Dannielle Risenhoover, Administrative Tech. IV
Kathryn Walker, City Attorney
Scott Sturtz, City Engineer
Brenda Hall, City Clerk
Shaakira Calnick, Internal Auditor
Jason Olsen, Director of Parks and Recreation
Nathan Madenwald, Utilities Engineer

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 Net Revenue Stabilization Fund Ordinance requires that the Committee do a mid-year budget review after the City's fiscal year ending audit has been completed and accepted by the Council.

"One of the things that we do at that mid-year budget review is for Council to consider whether we want to make a "rainy day" fund deposit or keep things as they are and just kind of get a look at where things are," Francisco said.

The revenue side of the General Fund is on budget; however, there was a substantial increase in the capital outlay expenditures. "This fiscal year, the City has supplemented the usual capital outlay money that goes toward vehicle replacement with some General Fund money and with some Seizure Fund money. In a normal year we spend about \$4.5 million on those sorts of things and this year we're projecting to spend about \$11.5 million. That was a Council decision," Francisco said.

The General Fund continues to subsidize the Public Safety Sales Tax (PSST) Fund and the Transportation Fund. Some of these subsidies are being reimbursed through grants. Councilmember Homan said, "If I recall, last year, PSST and Transit weren't needing a General Fund subsidy." Francisco replied, "The Transit Fund has mostly to do with that new service. The PSST Fund has to do with the four School Resource Officers that were added and just the impact of those salary increases." Kim Coffman also added that the cost of the mid-mount aerial ladder, paid from the PSST Fund, required subsidizing.

On a net basis, it is projected that the City will spend approximately \$4.8 million more than they acquire in Fiscal Year 2023-2024. "The City could close this fiscal year with a reserve of \$13.4 million which is about \$10.3 million in excess of the minimum reserves that we are mandated to have in the General Fund," Francisco said. "We have added about 30 positions in the General Fund and we've given some fairly substantial pay raises in City wide positions that are affecting the General Fund; so, you see that on an on-going basis, we're projecting that we're going to be drawing down the General Fund balance - spending more than we're taking in, in each of the next five fiscal years to the extent that if our projections are exactly right, we will have wiped out our fund balance four years from now." Francisco continued, "Our job is to show you what the trends are, if we stay on the trends that we are on in the hope that we won't stay on those trends. We need to do something so that we are not continuing to draw down our fund balances for ongoing expenses like salaries."

Francisco gave some examples of what Council could do to protect the General Fund. They included holding positions vacant as long as possible, reducing positions in some targeted areas, slowing the rate of increase and growth in the salary and benefit category, and trying to reduce health insurance claim costs.

The Net Revenue Stabilization Fund (Rainy Day Fund) will close this fiscal year \$389,000 in excess of what the minimum Rainy Day Fund balance requires. This fund is about \$655,000 short of the targeted fund balance. Francisco said, "The question would be, do you want to make a deposit to the Rainy Day Fund to bring it up to its targeted level or do you want it to stay as it is?" Mayor Heikkila asked the Committee, "What are your thoughts?" Councilmember Holman asked Francisco how he would describe the difference between the Emergency

Reserve Fund and the Rainy Day Fund. Francisco replied, "The Emergency Reserve is actually appropriated money. It's in the budget; it's under the purview of the City Manager to spend it. There would need to be a Council action before the Rainy Day funds could be appropriated. That's the biggest difference, and even before Council can make appropriations from the Net Revenue Stabilization Fund (Rainy Day Fund), there are some strings attached...there has to be a federally declared disaster, or there has to be a state declared disaster, or some major one-time expense that cannot be covered out of the 1% Emergency Reserve or normal General Fund balances." The consensus of the Committee was that the Rainy Day Fund balance would be left "as is" for the time being.

While four School Resource Officers have been added to the City's Public Safety Sales Tax budget, it is not projected that the Norman Public School District will increase their contribution of funds to the City for these officers - other than, the on-going, formula based 5% increase, for School Resource Officers. "We will continue to have to require subsidies from the General Fund and we will still have a negative fund balance in the Public Safety Sales Tax Fund. Again, that was anticipated; that's why after the critical capital needs are done, Public Safety Sales Tax revenues and expenditures will fold into the General Fund, but it will be an expense in excess of what the Public Safety Sales Tax is bringing in," Francisco said.

Mayor Heikkila said, "We're talking one half of one percent of sales tax. What would it take to make up the deficit if we decided that we were going to change that percentage?"

Francisco replied, "It would take a vote of the people. Council could direct 'let's go to 5/8 or 3/4% (sales tax) and put that as a referendum to the vote of the people.'"

The Seizures and Restitution Fund started the year with a fund balance of approximately \$1.7 million. It's projected that this balance will be reduced to about \$226,000 due to vehicle replacement costs.

The Public Transportation and Parking Fund is projected to end this fiscal year and the next four fiscal years with a positive fund balance of \$508,504.

The Water Fund is projected to spend \$35 million on capital project costs and end this fiscal year with a fund balance of \$2.5 million - if all of the planned capital projects are completed; however, Francisco stated, "Going forward, Council needs to be aware that in order to maintain the capital program that we know we have to do, to replace those iron pipes and that sort of thing, we're going to need another rate increase. It may not be for another year or two or three, but just know that in order to do the capital programs that we've already mandated ourselves to do, we're going to need revenues to pay for it."

The Water Reclamation Fund is expected to end the year with a balance of \$883,000. This comes after expenditures of approximately \$6.5 million. This creates a \$1.6 million shortage in the fund's mandated reserves. "This is demonstrated financially that you need to be considering this fund in the near future. It's not a long term thing here," Francisco said.

The New Development Fund relates to development fees that are paid upon building permit issuance. These funds can only be used for the expansion of the City's sewer system. Francisco stated that it's not likely that the City will spend the projected \$4.9 million down too quickly, "but if we do, this Fund is going to have some trouble." The Fund would be left with a negative \$230,000 balance this fiscal year. With the current circumstances of this Fund, construction of

the southeast lift station may have to be delayed. "There needs to be some changes to the trends in this Fund," Francisco stated.

The Sanitation Fund, given a \$16 million revenue source, is repeatedly, barely breaking even. Francisco told the Committee, "You may want to be consider some additional programs in this area, some accelerated capital equipment replacements, and that sort of thing, but again, I would wait and see what happens with that Cost of Service Study to see what to do with the Sanitation Fund."

The Norman Forward Fund shows the bond and pay as you go funds being spent rapidly; however, Francisco states, "The Fund is ok." The brick and mortar projects included in this fund are over 90% complete. There are seven more years of tax revenue dedicated to this fund.

The Center City TIF Fund has an unreserved balance that is projected to be approximately \$3.8 million at the end of fiscal year '24. "This is money that is waiting for projects," Francisco said.

2. DISCUSSION REGARDING CITY FEES - REVIEW/COMPARISON.

Anthony Francisco presented a list comparing city fees within Oklahoma along with the City of Norman Revenue Manual. He asked the Committee to review these documents and contact him regarding fees that they'd like to see reviewed.

3. INTERNAL AUDIT PROGRAMS STATUS.

Internal Auditor Shaakira Calnick gave the report in which the development of a new audit committee was discussed. Historically the City Council Finance Committee has served as the Audit Committee. Mayor Heikkila asked Calnick if she wanted the Audit Committee to consist of the City Council Finance Committee and all Councilmembers. Calnick responded, "I want us to account for transparency, accountability, and fairness; so, I think two people from the public to sit on the Committee would provide that balance. It could be all of the City Council Members, but as far as having the transparency and accountability, I believe two people, at large, from the community, that of course have experience in auditing, should be on the Committee."

Francisco stated, "You could certainly form another committee that would have two accounting types on it, but that would be a new committee."

Councilmember Montoya said, "I appreciate the efforts in trying to establish a separate committee, but in my opinion, I think it (the Audit Committee) should be this Committee. As a professional who works six days a week, I think the challenge is going to be finding somebody from the public that is qualified, who has the time to serve on the committee."

Mayor Heikkila said, "I would rather start simple and get larger later."

Councilmember Holman said, "I'm not opposed to there being a separate committee. There's other Council committees that have sub-committees. I would probably agree that starting it in this committee, gauging whether we could find one or two citizens that would be willing to come in quarterly and participate in this meeting, and then figuring out if that's the best way to do it or maybe we find out that yeah, a separate committee from this one would be best."

Mayor Heikkila stated, "In the (charter) paragraph that describes the committee itself, I would suggest that we start off with the idea that it's just us and then put in there some kind of phrase that gives us the ability to amend on the fly."

Councilmember Montoya volunteered to present the volunteer, Audit Committee positions at her upcoming Oklahoma Society of Certified Public Accountants luncheon as a way to help gauge the participation interest.

It was the Committee's general consensus that the City Council Finance Committee would remain the Audit Committee until further discussion.

4. DISCUSSION REGARDING MONTHLY REVENUE AND EXPENDITURE REPORTS.

Anthony Francisco gave the report. Sales tax for the month of January, which reflects November sales, was up 1.78%. Fiscal year-to-date, the City is within one-third of 1% of its projected revenue.

ADJOURNMENT

Mayor Heikkila adjourned the meeting at approximately 5:20 PM.

ATTEST:

City Clerk

Mayor