CITY COUNCIL CONFERENCE MINUTES

February 23, 2021
5:00 p.m.

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a virtual conference at 5:00 p.m. in the Municipal Building Council Chambers on the 23rd day of February, 2021, 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 Bierman, Foreman, Hall, Holman, McGarry, Nash, Petrone, Mayor Clark

ABSENT: None

Items 1 and 2 were discussed simultaneously.

Item 1, being:

UPDATE ON THE FYE 2021 CAPITAL IMPROVEMENTS BUDGET AND DISCUSSION REGARDING THE FYE 2022 CAPITAL IMPROVEMENTS BUDGET.

Item 2, being:

DISCUSSION REGARDING THE MID-YEAR BUDGET REVIEW TO INCLUDE REVENUE AND EXPENDITURE REPORTS FOR THE MONTH OF JANUARY, 2021.

Mr. Anthony Francisco, Director of Finance, said tonight Council will be presented with a mid-year budget review for FYE 2021 and FYE 2022. He said sales tax revenues are pretty much in line with Staff's estimates; use tax revenues are above Staff's estimate; franchise revenues are expected to be higher than estimated due to the ice storm; fine and forfeiture levels are below estimates; other revenue sources are meeting Staff estimates; and licenses and permits are higher than last year. He said taking all these categories into consideration, Staff is expecting to spend the City's one-percent (1%) Emergency Reserve and end the fiscal year with approximately $2.7 million. He said this is below the City's three percent (3%) mandated reserve policy, which is concerning. He said the General Fund (GF) is surviving, but is not in really great shape to add a lot of new expenses and Staff is not anticipating drawing down on the Rainy Day Fund to balance the GF because the GF balance is still above one percent (1%) of expenditures.

Mr. Francisco said the Public Safety Sales Tax (PSST) Fund is below projected estimates and will need to be subsidized by the GF by approximately $2.3 million.

Councilmember Holman said although it was anticipated that some of the GF would subsidize the PSST, what will the growth of this subsidy be in the future because $1 million per year seems unsustainable. Mr. Francisco said the PSST ordinance obligated the City to add two Communication Officers and four School Resource Officer positions that have not been added to the budget. He said on an ongoing basis, the rate of growth in personnel expenses in the PSST Fund far outweighs the rate of growth from the sales tax source that is paying for that personnel. He said that is what is causing the ongoing and long term problems that necessitates subsidizing from the GF and budget projections, at that time, did not foresee these sales tax growth problems or high amount of GF absorption of the PSST Fund.

The Room Tax Fund will close out FYE 21 with a $194,000 balance so there is concern about FYE 2022; however, Staff is predicting that Room Tax revenues for next fiscal year will increase due to businesses reopening from the pandemic and football season tourist influx.

Mr. Francisco said the Capital Fund will end FYE 21 with a dangerously low fund balance of $805,000 with a negative amount of $650,000 available for new projects in FYE 21 and a negative amount of $471,000 available for new projects in FYE 22. He said if Council wants to add new projects above and beyond what is being projected, other projects will need to be removed from the budget.

Mr. Francisco said outside agency requests for FYE 22 include Social and Voluntary Services - $250,000; Veteran's Day Parade - $531; Center for Children and Families - $120,000; Firehouse Art Center - $60,000; Historical Museum - $35,000; Sooner Theatre - $65,274; Aging Services - $14,500; Performing Arts Studio - $5,600; and Norman Economic Development Coalition - $125,000. He said many of these agencies provide beneficial services to local citizens so the question is whether or not Council wants to continue to fund these agencies at the requested budget levels.

Mayor Clark said she supports continuing to fund these agencies and asked if the City would be able to adjust the budget to a lower amount if the agencies were able to obtain CARES Act funding and Mr. Francisco said yes.

Councilmember Holman said he supports keeping funding at current levels, but is interested in seeing what comparable cities spend on outside agency funding. Mr. Francisco said some of the agencies have other funding sources, but some are City owned recreational or park facilities that are not supported by the GF.

Councilmember Nash said some agencies have not spent their total funds from FYE 2021, but he does not want the City to habitually decrease their budget because they are not spending their full requested amounts. Mr. Francisco said due to changing needs of these agencies, these figures are based on an average, i.e., Aging Services uses their funding for their van and that van may not have maintenance needs one year, but may need a lot of maintenance the next year as well as fluctuating fuel costs.

Mr. Francisco said the purpose of the CIP is to support services of municipal governments and projects are identified in Long Range Master Plans that are reviewed by citizens and adopted by Council (land use, transportation, parks, water, wastewater, greenways, stormwater, etc.). Priorities are set for short range and long range and short range needs go into a one-year adopted Capital Budget and long range needs go into a Five-Year CIP along with proposed schedules of implementation and available funding sources. The CIP and other budgets are adopted annually, but only the one-year budget allows appropriation of funds so emergencies and high priority unanticipated project needs can be added. He said sources of funding include enterprise revenues, voter approved General Obligation (G.O.) Bond proceeds; Capital Sales Tax; NORMAN FORWARD Sales Tax (NFST); Public Safety Sales Tax (PSST); University North Park Tax Increment Finance (UNPTIF) Sales Tax; intergovernmental grants; Room Tax; private funds, and others.

A capital project generally costs more than $100,000; is relatively fixed or permanent in nature; is an asset with an expected life span of more than five years; usually consists of the construction of new, expanded, or improved tangible assets; often takes more than one fiscal year to complete; and contracted services for design, land acquisition, and utility relocations that may be required in advance of construction.

Mr. Francisco explained that Capital outlay is expenses for maintaining or purchasing new or replacing tangible assets which have an expected life of one to five years, is a one-time occurrence and expense that usually occurs within a single fiscal year to include vehicles, furniture, computers, and equipment. He said Capital Outlay paid by the Capital Fund are expended from the General Fund and Westwood Fund with capital sales tax funds transferred to cover costs.

Mr. Francisco highlighted all funds included in the CIP Budget as follows:

<u>Special Purpose Capital Funds</u>
- Public Safety Sales Tax Fund (PSST)
- Community Development Block Grant (CDBG) Fund
- Special Grants Fund
- Room Tax Fund
- Public Transportation and Parking Fund
- Capital Fund (Pay-As-You-Go or PAYGO)
- Capital Fund (General Obligation Bonds)
- NORMAN FORWARD Sales Tax Fund
- Park Land and Development Fund
- University North Park Tax Increment Finance (UNPTIF) District Fund
- Arterial Road Recoupment Fund

<u>Enterprise Funds</u>
- Water Fund
- Water Reclamation Fund
- Sanitation Fund
- Sewer Maintenance Fund
- New Development Excise Tax Fund

Sources of revenue for all funds in FYE 2020 through FYE 2021 include grants – .68%; Community Park Fee - .04%; User Fees – 20.39% Capital Improvement Charge – .91%; Sewer Maintenance Rate – 5.25%; Sewer Excise Tax - .71%; Capital Sales Tax – 19.56%; Tax Increment Financing – 1.84%; Public Safety Sales Tax – 4.48%; NORMAN FORWARD Sales Tax – 5.24%; Room Tax - .14%; and Bonds – 40.74% for total revenues of $243,529,492.

Expenditures for all funds in FYE 2020-2021 include Capital Outlay – 2.21%; Maintenance of Existing Facilities – 0.13%; Personnel and Services – 0.75%; Street Maintenance – 1.93%; Transportation – 23.78%; Buildings and Grounds – 30.79%; Parks and Recreation – 12.55%; Water Reclamation – 9.45%; Sanitation – 0.54%; Stormwater – 1.58%; and Water – 16.29% for total expenditures of $243,529,492.

Mr. Francisco said the Capital Improvements Fund (CIF) was established in 1976 to account for capital projects funded by capital sales tax receipts, general obligation bond issues, or specific matching funds, i.e., private and reimbursement. He said these projects support services that do not have dedicated special revenues like Enterprise Funds. Those projects relating to Enterprise Funds, funded with fees and charges, or special revenue sources are accounted for in their respective Enterprise Funds. He said 70% of one percent (0.7%) of sales tax is set aside for capital improvements for the Capital Fund and those approved projects for construction with this funding are accounted for in the CIF.

The capital sales tax guidelines to allocate revenue includes existing facility maintenance – 5%; general contingency – 7%; Capital Outlay – 27%; street maintenance – 25%; and other projects and debt service – 36%.

Mr. Francisco highlighted the status of the Capital Fund as follows:

- Capital Fund PayGo
  - FYE 21 estimated available for new projects is a negative ($650,170)
  - FYE 22 projected available for new projects is a negative ($471,695)
  - FYE 23 projected available for new projects is $1,470,165
- Capital Fund Bonds
  - Bond reserves are unbalanced – some positive and some negative, evaluating how to balance those currently unbalanced

Significant projects underway in FYE 21 include Transit/Parks/Emergency Vehicle Maintenance Facility - $8.6 million; Total Maximum Daily Load (TMDL) Compliance and Monitoring Plan Implementation, Year Five - $300,000; Lake Thunderbird TMDL Data Analysis and Plan Update, Years One through Five - $207,160; Engineering Design Criteria and Green Stormwater Infrastructure Review, Phase I - $125,000; Fire Station 9 (finishing miscellaneous small items) and Fire Administration Building Renovation – 85% complete; East Interstate Drive, Main Street to Robinson Street - $915,412; 24th Avenue East Bond Project - $14,938,870; Porter Avenue and Acres Street Intersection - $3,675,000; Engineering Design Criteria Update and Green Stormwater Infrastructure Review, Phase II - $229,000; and Comprehensive Land Use and Transportation Plan Update.

Projects under construction in FYE 20/21 include Municipal Complex Renovations; Legacy Trail Extension along 24th Avenue N.E. and 36th Avenue N.W.; 36th Avenue N.W. Utility Relocation; I-35 and Robinson Street West Side; Classen Boulevard Sidewalks; and Flood Avenue Sidewalks, Gray Street to Acres Street.

Mr. Francisco highlighted projects included in the FYE 2016-2021 Street Maintenance G.O. Bond Program and the 2012 Transportation/Stormwater Bond Program.

The 2019 Transportation Bond Projects for FYE 2021-2022 consists of Porter Avenue and Acres Street Intersection Improvements - $3,329,280; Porter Avenue Streetscape - $5,280,074; Jenkins Avenue: Imhoff Road to Lindsey Street - $9,416,550; Constitution Street: Jenkins Avenue to Classen Boulevard - $2,581,862; James Garner Avenue, Phase Three: Acres Street to Duffy Street - $4,853,440; and Gray Street – University Acres Street to Duffy Street - $4,721,104.

Mr. Francisco said every year, the Association of Central Oklahoma Governments (ACOG) coordinates a regional evaluation process that identifies transportation improvements eligible for federal funding. Individual projects are rated and compared to one another using a pre-established criterion. The process ends with the formulation of the region's transportation improvement program and the decision to use federal funds to pay for a significant portion of the costs of the high priority projects. As a result of changes to the ranking system at ACOG, acquisition of federal funding for the 2019 Transportation Bond Program was not received for 19 of the proposed projects so Staff had to be creative in finding different options for funding these projects. He said Oklahoma City received a majority of federal funding for FFY 20 with Norman only receiving $254,455, but ACOG acknowledged their new ranking system was flawed and rectified that prior to FFY 21 distributions so the City will receive $5,116,046 in FYE 21.

Councilmember Peacock asked why the City will obtain less funding in FYE 23 compared to FYE 22 and FYE 24 and Mr. Shawn O'Leary, Director of Public Works, said Norman is competing with 39 other local government entities in the metropolitan area that have higher ranking projects. Councilmember Peacock asked how the City may fare in FYE 24 and FYE 25 and Mr. O'Leary said Norman is fortunate enough to pass bonds for local funding that allows projects to be advanced in the ranking system. He said in FYE 22 the Porter Corridor Project is one of the top ranked projects in the metropolitan area and that project was not even on Norman's radar until two years ago. The bad news is the 36th Avenue N.W. Project, which is Norman's top priority, is just not ranking well and he does not anticipate it ranking well in the future either so the City will have to find another funding source for this project.

In the City Vehicle Replacement Program, the City replaced 35 units in FYE 2016 - $2,316,765; 35 units in FYE 2017 - $3,046,969; 27 units in FYE 2018 - $2,383,036; 29 units in FYE 2019 - $2,045,471; 36 units in FYE 20 - $1,991,083; and 27 units in FYE 21 - $2,147,635.

Councilmember Petrone said the City has discussed leasing City vehicles and asked Mr. Pyle for more information on that idea. Mr. Pyle said Enterprise Rent-a-Car provides a fleet lease program on every type of vehicle the City would utilize, but discussions were stalled by the pandemic; however, Staff hopes to reinitiate that discussion soon to determine how much money, if any, can be saved through leasing vehicles.

Upcoming Capital Project Fund recurring sidewalk projects in FYE 2022 includes Sidewalk Program for Schools and Arterials - $80,000; Sidewalk Accessibility Projects - $30,000; Citywide Sidewalk Projects (50/50 repairs) - $50,000; Downtown Area Sidewalk Project - $50,000; Sidewalks and Trails - $120,000; and Horizontal Saw Cut Program - $50,000 for total expenditures of $370,000.

Recurring proposed CIP in FYE 2022 includes Capital Outlay - $3,769,409; Street Maintenance - $2,305,377; Maintenance of Existing Facilities - $316,086; Stormwater Draining Maintenance - $2,628,600; Personnel - $1,384,316; Oklahoma Department of Transportation (ODOT) Audit Adjustments - $100,000; Americans with Disabilities Act (ADA) Sidewalk Compliance and Repair - $300,000; Bridge Maintenance - $500,000; Driveway Repairs - $10,000; Street Striping - $100,000; Traffic Calming - $50,000; Community/Neighborhood Improvements - $100,000; and Building Maintenance Mechanical/Electrical - $50,000 for total expenditures of $11,613,788.

Upcoming significant projects in FYE 2021 include 36th Avenue N.W.: Tecumseh Road to Indian Hills Road Widening Utility Relocation - $2,000,000; Porter Avenue Streetscape - $5,280,074; and James Garner Avenue, Phase II - $7,796,000.

Public Safety Sales Tax Fund Projects underway in FYE 2020-2021 includes Emergency Radio Communication – final acceptance and cleanup - $12,055,986 ($1,148,568 remaining in budget), Emergency Operations Center (EOC) – design complete - $6,451,500, and Fire Apparatus Replacement, Year Four - $800,000. Mr. Francisco said the EOC Project full cost to "build it right" is an estimated $16 million leaving a funding shortfall of approximately $9.55 million. Project reductions that meet current budget includes reducing facility by 7,000 square foot; only hardening the Information Technology (I.T) room against severe weather, limited Traffic Management Center, significantly reducing EOC space and capabilities, and removing five dispatch stations. Mr. Francisco said Council will need to decide if they want to proceed with the current design, hold a bond election for this facility only, or wait and look for other funding sources.

Mayor Clark said she would like to see a breakdown of the costs for current and full "build it right."

Councilmember Foreman asked if inflation costs are being considered and Mr. Francisco said yes.

FYE 2021 NORMAN FORWARD Projects completed include Central Public Library, Rotary Park Renovation, Blake Baldwin Skate Park (at Andrews Park), and Ruby Grant Community Park, Phase I.

FYE 2021 NORMAN FORWARD Projects underway include Griffin Park remodel; Indoor Aquatic Facility and Multi-Sports Complex; Reaves Park Baseball/Softball Complex; new neighborhood park development (Southlake Park); James Garner Avenue – Flood Avenue to Acres Street; and Senior Wellness Center (southeast corner of Norman Regional Hospital Porter Campus).

Upcoming future NORMAN FORWARD Projects include new neighborhood parks - $2,000,000; lease payments for Griffin Park - $80,000 annually for a total of $2,400,000; Canadian River Park - $2,000,000; new trail development throughout Norman - $6,000,000; and Saxon Park development - $2,000,000.

Room Tax Fund significant projects in FYE 2021 include Historic Museum parking - $55,000, remaining debt on 2002 Norman Municipal Authority (NMA) Golf Course Bonds retiring on June 1, 2022, and new project requests delayed due to revenue shortfalls.

Mr. Francisco highlighted upcoming challenges that includes the I-35 Corridor Study (Norman/Moore/ODOT); Public Transportation (Regional Transportation Authority (RTA), Bus Transfer Station, replacement busses, and recommendations from Transit Study); new traffic signals on State highways and City arterials; 718 North Porter Architecture and Engineering/Rehab; EOC funding; Police Department Shooting Range Updates/Maintenance; unfunded remodel of Police Department building after Municipal Court vacates; unfunded Building C remodel; Police Hydraulic Drive Unit (HDU) Robot; Fire Station No. 10; bridge replacements; stormwater infrastructure maintenance; Fleet Fueling Facility; City Vehicle Washing Facility; and revenue/expenditure imbalance.

Next steps include an overview of proposed FYE 2022 Budget for General and Special Revenue Funds – April 20, 2021; first public hearing on the proposed FYE 2022 Budget – April 27, 2021; review of final proposed Capital Budget for FYE 2022 and CIP Plan for FYE 2023-2026 – May 4, 2021; overview of proposed FYE 2022 Budget for Enterprise Funds – May 18, 2021; second public hearing on proposed FYE 2022 Budget – May 25, 2021; and adoption of proposed FYE 2022 Budget – June 8, 2021.

Items submitted for the record

1. PowerPoint presentation entitled, "FYE 2021 Mid-Year Budget Review, FYE 2021 Capital Improvement, Program Budget Status, Preparation of FYE 2002 Capital Improvements Plan, Preparation of FYE 2023-2026 Capital Improvements Plan," presented by the Charter Review Commission"
2. FYE 2020 and FYE 2021 Audited Fund Balances for General Fund, Rainy Day Fund, Public Safety Sales Tax Fund, Room Tax Fund, and Capital Fund

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CITY OF NORMAN CORPORATE SEAL OKLAHOMA

The meeting was adjourned at 6:27 p.m.

ATTEST:

Brenda Hall

City Clerk

Mayor