

Fiscal Year 2021 Budget Speech - April 22, 2020

Thank you Mister Chairman. I first want to thank each of you for your help this budget cycle in establishing clear priorities and working with our Finance and Mayor's Office teams to identify ways to accomplish them. This is now the fourth budget we have developed using that collaborative approach, and I think this one is probably the one in which that approach proved most valuable.

I say that because the budget all of us spent much of the last year developing is not being presented tonight. We spent the first half of our fiscal year tracking the execution of the priorities we spelled out in the Fiscal Year 2020 budget. In December, we met to establish priorities moving forward. We continued to work on those and refine those through January and February and into March.

But the events of March and April have caused a significant change in what we were planning to do. Because of years of working together closely - and in prioritizing over and over again the safety of the citizens of Tulsa, as well as the ability of our team at the City of Tulsa to serve them - I believe this budget reflects our shared priorities for the year ahead.

While in years past, this speech was about exciting new initiatives and opportunities for us to better serve Tulsans, the budget before you is about one thing: working as a team to continue serving Tulsans at existing levels.

Our revenue picture is challenging. As you know, we are a city residing in the only state in the nation that does not allow cities to use property tax for operations. This forces us into an over-reliance on sales tax. Because of this very dynamic, the Brookings Institution recently ranked Tulsa as one of the ten city governments in America most likely to be adversely impacted by the current pandemic event.

Historically, two of the best indicators for sales tax performance in Tulsa are regional employment and crude oil prices. Unemployment claims have spiked in an unprecedented way. Crude oil prices have plummeted.

In a city that prides itself as an entertainment destination, screenings at our airport are down 95%, restaurants are currently restricted to take-out and delivery, and large-scale events like concerts and conventions are shuttered across the country.

Given these dynamics, the proposed budget total is \$828.5 million, which includes all city funds - including operating funds and our capital improvements program. General Fund revenues, which fund most of our core services, are projected to decline by \$12.9 million from the current budget year to \$256.6 million.

In the midst of both a public health crisis and an energy industry crisis, we are only able to propose a budget that maintains existing service levels because of two things: our employees sacrificing their own pay, and elected officials over the last decade saving when we could have spent - building up cash reserves for a day just like today.

As an aside I want you to know that the response from our team at the City since furlough days were announced last week has been remarkable. Following the announcement, I fully expected an angry response. Instead, nearly every email I received from members of our team spoke to

the need for us to pull together and get through this together. It showed the true servant leadership of our team at the City of Tulsa, and I have never been prouder to serve our employees than on that day. They are extraordinary people, and I appreciate City Auditor Cathy Carter joining me to take the same pay reduction as we stand with them.

I also want to thank our public employee unions who have stepped up and worked with us to establish these plans for their members. Their cooperation has been reflective of the members they serve.

Given our reliance on reduced employee pay to continue existing service levels, there are no new programs or positions in this budget. I can not in good conscience propose anything new until we have restored pay to pre-furlough levels for those employees making this sacrifice.

At the outset of the pandemic, we instituted a hiring freeze and that will continue. We have frozen employee travel for both safety and budgetary reasons.

Our current public safety staffing levels in both the Tulsa Police Department and the Tulsa Fire Department have been hard-earned over years of diligence by this Council and our training teams in the departments. While I know our long-term goal has been to fund academies at the maximum level possible to reach our staffing level goals, that is not possible in this environment. At the same time, we do not want to squander years of work to build up those staffing levels if we can avoid it.

So the budget before you preserves our ability to cover attrition within our public safety departments through academies - not at the levels we would like, but at the levels we need.

On the topic of public safety, I know that we discussed recently the allocation of funds for Police Department community outreach and engagement. Because of our \$12.9 million General Fund revenue reduction, those funds are not included in this budget. I share your desire to fund that initiative, and once our ability to fully pay employees is restored we should commit the funds necessary to proceed with that program. In the meantime, we will utilize existing Tulsa Police Department resources to advance our community policing initiatives.

I also want to be clear that while our goal is to preserve existing service levels, the way in which those services are delivered may necessarily change. You can't reduce working hours by 10% for non-sworn employees without changes to how people spend their work days. But the goal is for the critical services provided by the City of Tulsa to continue.

In the midst of all this, we do have some good news for Tulsans.

This budget continues the existing level of mowing on public rights of way and medians.

And thanks to years of responsible planning by the Tulsa Metropolitan Utility Authority and votes by this Council to set rates that cover the cost of service, there will be no rate increase for water service in the coming year. We have also significantly reduced the sewer and stormwater rate increases that were in the adopted FY21 plan. The lack of any increase in water rates is a welcome reminder of where we can be after years of paying down debt and catching up with the cost of service delivery.

One footnote I want to add as you review the budget regards an accounting change implemented this year which can cause some of the year-to-year numbers to look like dramatic

increases, when in fact they are not. Both FY21 and FY22 reflect a cost allocation accounting change which moves departments with allocated budgets in separate funds to one fund, the General Fund. Those departments will have combined funding in one place to make it easier for department personnel to manage their budgets and to improve the purchasing process. Services provided to operations outside of the General Fund will be charged for services received. The impact from the changes adds approximately \$30 million to both revenues and expenditures in FY21 and FY22, and explains why the General Fund budget and resources appear to increase when actually a decline is projected. This will allow departments to charge their expenditures to a single fund with a single reimbursement from enterprise funds, instead of requiring them to do that with every single expenditure as they do now.

In closing, I am reminded of the admonition I frequently received from my City Council colleague David Patrick: the budget is a planning document, not something chiseled in stone. You plan as best you can with the information you have available at the time, and if you need to adjust as the year goes along you have an amendment process to do that.

The current mix of economic crises is unprecedented for our city. We do not have an easy road map to follow. So the best way to proceed is with caution, day by day. This budget reflects our best projection for the year ahead, but I will work with the nine of you throughout the year to adjust it as we see fit to continue serving the citizens of Tulsa to the best of our ability.

And while we are in a challenging time, it is important to remember that we are only a few months removed from announcing the largest economic development investment in city history, that the two largest new employers in the history of our city are building campuses in Tulsa, and that the private sector has announced over one billion dollars of investment in Tulsa in just the last three years. These things do not happen if the fundamentals of your local economy are not strong, and we continue to work with businesses - even in the midst of a global economic crisis - who want to invest in Tulsa.

As announced earlier this week, and in true Tulsa fashion, many of the best private sector minds in Tulsa have committed their time and expertise to serve on a Mayor's Economic Recovery Advisory Committee that will help guide us through this near term difficulty and allow us to emerge even stronger on the other side.

The long-term picture for our city remains bright, but we must pursue a responsible course in the near term to get there. The budget presented today seeks to do just that.

I would like to thank staff in the City Council and Mayor's Office, and especially our Finance Department team for their work on this budget. They ended up having to do a year's worth of work in about 6 weeks as we adjusted to the current economic environment, and I am very grateful for their commitment to developing this budget proposal.

Thank you.

DATE: April 22, 2020

TO: Councilor Hall-Harper Councilor McKee Councilor Decter Wright
Councilor Cue Councilor Fahler Councilor Lakin
Councilor Patrick Councilor Dodson Councilor Kimbro

FROM: Mayor G. T. Bynum

SUBJECT: **FY2021 Budget and Capital Improvement Plan along with a financial plan for FY2022**

I am transmitting the proposed operating and capital budget for Fiscal Year 2020-21 (FY21) along with corresponding financial plans for the following year (FY22). This document also includes a capital improvements plan for FY21 through FY25. This transmittal fulfills the Mayor's City Charter responsibilities contained in Article III, Section 1.4 C. More importantly it sets the City's direction for the future, and incorporates both the constraints and aspirations of the City.

There is an important caveat to the presentation of this year's budget. We have made a major change in the way we allocate costs to enterprise and other funds. Rather than segregating department budgets into separate funds, we have consolidated them into the General Fund, and costs will be charged to the enterprise and other funds for services rendered. This change adds approximately \$29 million to both revenues and expenditures in FY21 and FY22, and explains why the General Fund budget and revenues appear to increase, when a decline is actually projected. Ultimately, this change will simplify budgeting and budget tracking. Actual dollars projected for the allocation change will not increase the city's overall operating budget.

The total FY21 budget is \$828.5 million. This is a decrease of \$26.1 million, or 3.0%, less than the FY20 original adopted budget. The operating budget is \$693.7 million, a \$20.0 million decrease, or 2.8% under the FY20 original adopted budget. The capital budget is \$134.8 million, a \$6.0 million decrease, or 4.3% under the FY20 original adopted budget.

Economic Context

U.S. Economy

In early-March 2020, the Dow Industrial Average lost 20% of its value marking the beginning of a bear market. It was the fastest bear market (defined by at least 20% decline) ever recorded. But by the last few days of March the Dow climbed back 21% to mark a bull market. Despite these swings in the broader market, publicly traded companies with large numbers of Tulsa employees lost tremendous value. Williams Companies and Magellan were both down 42% from their high over the past year. Spirit AeroSystems and American Airlines have lost 75% and 64%, respectively, from their high-water marks over the past year. Bank of Oklahoma has lost 40% of its value from its high over the last year.

A key indicator of the health of the economy is unemployment. In the three weeks from March 15th to April 4th, 2020 the cumulative number of new employment claims reached 16 million. In the week ending April 4th alone, the U.S. Department of Labor reported 6.6 million *new* unemployment claims, nearly 10 times the previous weekly record set in 1982. The U.S. Department of Labor reported the seasonally insured unemployment rate for the week ending April 16th at 8.2%, nearly seven times the rate reported in late February 2020 at 1.2%.

Energy

Since January 2020, crude oil prices have dropped from \$60/barrel to \$16/barrel, a decline of more than 70%. For most oil producers in the U.S., oil prices of less than \$40/barrel result in net losses, causing production to be slow or stop. The steep drop in prices have been driven by a price war between Saudi Arabia and Russia made worse by a global decline in demand for oil. The Energy Information Administration reports that global petroleum consumption averaged 94.4 million barrels per day (b/d) in the first quarter of 2020, a decline of 5.6 million b/d (a decrease of 5.6%) from the same period in 2019. EIA expects global petroleum demand will decrease by 5.2% in 2020 before increasing by 6.4% in 2021. The number of active drilling rigs in Oklahoma declined from 104 in April 2019 to just 26 in April 2020, a decline of -75%. Approximately 1 in 5 jobs in the Tulsa metro area are tied to the oil and gas industry directly or indirectly. Headwinds

in the oil and gas industry impact the City's sales tax revenues. Analysis of past data indicates it take approximately one year for the full impact of oil prices to affect the City's revenues.

Aerospace

Several large employers in the Tulsa metro area are in the aerospace industry. Two of the largest are American Airlines with over 5,000 employees in the Tulsa metro area and Spirit AeroSystems with 1,400 employees in Tulsa. Both have lost at least two-thirds of their value since the beginning of the year. Due to massive schedule reductions, American Airlines has more than 50 airplanes idle and parked at Tulsa International Airport. Spirit AeroSystems announced a 3-week unpaid furlough on April 7th.

Nationally, the passenger airline industry has experienced a reduction in passenger volume coupled with a rapid retraction in supply. U.S. passenger airlines have made moves to remove 61% of previously schedule capacity. In Tulsa, the largest four carriers have decreased their scheduled flights by 50%, and 48% of the remaining scheduled flights out of Tulsa International Airport result in cancellations. In early April, passengers counts at Tulsa International Airport are down 95% from the same time period last year.

Local Impacts

Economic projections indicate that the 2021 fiscal year may experience flat to low economic growth during the first half of fiscal year. Interest rates will remain below historical norms even with a slowdown in the growth of Gross Metro Product. Historically, the Tulsa MSA trends along with, but remains below the national unemployment rate. The cyclical nature of Energy and Manufacturing, Tulsa's main economic drivers, will keep the metro area trending below the U.S unemployment in total. Risks to further growth in the Tulsa economy include decreasing energy prices, and a strengthening dollar that will decrease the bottom-line for export-oriented producers. With regards to COVID-19, while we know it will impact the restaurant, hospitality, and energy sectors, the full picture is still opaque and difficult to quantify.

Local labor figures were at historic highs at the end of 2019. The Tulsa area monthly average labor force decreased 2.0% from 2018, losing 9,800 participants in 2019. The labor force growth

in 2018 was 1.7%. Wage and salary employment (total nonfarm employees) witnessed another year of growth, with an increase of 1.9% in the 2019 average, equating to approximately 3,000 new jobs. Unemployment decreased throughout 2019, ending the year at 3.2%. The average unemployment for the Tulsa MSA was 3.3%.

Over the last decade, personal per capita income has continued to increase in the Tulsa Metro Area. After dropping in late 2009, per capita personal income rebounded and continues to grow. Per capita personal income grew by 2.8 percent in 2010, an even stronger 12.2 percent in 2011, and 13.4 percent in 2012. As energy prices continued to rebound and the local job market improved, per capita personal income had returned to its expected trend in 2013 and increased another 9.0 percent. After some slowing in 2013, personal income continued its momentum in 2014. 2015 and 2016 witnessed some year-over-year decline in personal income. 2017 saw personal income grow 7.4% over 2016. In 2018 personal income continued to show gains of 5.8%. Information for 2019 was unavailable.

Tulsa has witnessed strong growth in both residential and commercial construction in 2019. The number of residential units (single and multi-family) totaled 1,059 units, representing a 19% increase over 2018. The value of commercial construction in 2019 was \$138.1 million, representing a 59% decrease from 2018. This decrease is due to a record \$340 million in 2018.

The largest source of revenue for the City's General Fund is sales tax which accounts for 47.8% of FY21 General Fund resources. The General Fund receives two (2) cents of the City's sales tax rate for operations and the remaining 1.65 cents are placed in capital (1.1) and the Vision (0.55) project funds. Sales tax receipts of \$146.2 million are projected in FY21, a 6.8% decrease from the FY20 original adopted budget.

Use tax has shown strong growth as a result of the Oklahoma Tax Commission's continued pursuit of agreements with online retailers. Estimates of use tax for FY21 are \$36.7 million, up 6.7% from the FY20 original budget of \$34.4 million. The online sales as a proportion of use tax has increased from 7.1% in FY18 to 12.0% year-to-date in the current fiscal year. The remainder of use tax is composed of capital expenditures mainly from construction activity.

Budget Highlights

While the economic circumstances may be difficult, this budget reflects a continued commitment to the City's priorities. This budget ensures the Municipal Employees Retirement Plan (MERP) is adequately funded in line with the recommendations of the MERP actuary.

The general fund budget draws on reserves from our Economic Stabilization Reserve (commonly known as the Rainy Day Fund). Half of the Economic Stabilization Reserve, \$3 million is used in FY20 to address projected revenues shortfalls this year, another half in FY21 and half of what remains in the FY22 plan. This budget also uses fund balance developed in the first three quarters of FY20 to stabilize the General Fund. In FY20, \$6.6 million of fund balance will be used to offset unexpected lost revenue and in FY21, \$9.3 million in fund balance will be utilized. To ensure the City's reserves remain adequate to meet emergency needs, a \$19.7 million operating reserve is preserved so the City is still able to respond quickly to unexpected natural disasters.

This budget includes expense reduction measures to ensure we can maintain continuity of operations during a difficult economic cycle. First, starting in March 2020, we have established a hiring freeze for all positions funded by the General Fund and other sales-tax supported funds. Vacancies for those positions will not be filled unless approved by the Mayor. All attrition that occurs over the course of the next year will result in savings to the General Fund. Second, we have implemented four furlough days for the remainder of FY20 and 13 days in FY21 for all positions where the General Fund or another sales tax dependent fund supports that position. These will be implemented as ½ days every week for the first six months of the fiscal year, with a determination to be made on whether those will continue for the remainder of the year based on revenues. Third, there are no staffing or service level increases planned for general fund supported services except for those funded by specific revenue sources, such as short-term rental license fees.

General Fund, Public Safety Tax, and Street and Transit Fund

The General Fund is the principal operating fund of the City. The original FY20 revenues for the General Fund were estimated to be \$269.6 million, but are now estimated to fall short of estimates by nearly \$3 million, ending the year at \$266.8 million. Per the City Charter, this downward revision in estimates triggers the potential use of the Economic Stabilization Reserve (“Rainy Day Fund”). This budget utilizes the reserve to mitigate revenue impacts so that the administration can create and implement plans to mitigate reduced revenues in FY21.

Revenues for FY21 are expected to be \$256.6 million, approximately 4.8% less than the original budget for FY20. Sales and uses taxes account for two-thirds (2/3) of the General Fund. Through the use of the Economic Stabilization Reserve and fund balance to weather the short-term revenue headwinds, the FY21 budget balances revenues with ongoing expenses for operations.

The General Fund Emergency Operating Reserve is set at a level of 7.7% of the General Fund. The percentage increase is attributable to the decrease in General Fund revenues. The balance of the reserve remains the same at \$19.7 million. The long-term target is for the reserve to be maintained at 10% of the General Fund.

The largest expenditure category is payroll, which represents 75% of the General Fund budget. This budget does not include compensation increases except for progression programs. No Satisfactory Performance Increases or Special Merit Increases are included for any employees, sworn or non-sworn. The budget includes an additional 1% of payroll contribution from the City to the Municipal Employees Retirement Plan (MERP) as well as a 1% of payroll contribution paid by employees. This will set the contribution rates for MERP at 16.5% contributed by the City and 7.5% contributed by the employee. Both contribution rate increases will be effective January 1, 2021.

Public safety receives the largest allocation of resources at 58% of the General Fund. Due to a change in the method for direct cost allocation in FY21, the adjusted comparison for public safety’s allocation of the General Fund is 63%. Forty-five (45) police officers, supported by this fund, are expected to go through the police academy this year. The Public Safety Tax Fund will also support one police academy of thirty (30), and when combined with two General Fund

supported academies, the City is projected to have 881 sworn police officers, a net gain of 146 officers since January 2017, an increase of over 20%. The Fire Department is scheduled to have a General Fund supported academy of 16 firefighters this fiscal year sustaining the Fire Department at its authorized level of 742.

The Streets and Transit Fund continues funding for maintenance crews to maintain streets, pavement markings and striping, highway lighting, and traffic signalization. Tulsa Transit's Peoria Bus Rapid Transit route as well as Sunday service and a downtown/Gathering Place shuttle are funded by the Streets and Transit Fund.

Utilities

Water and Sewer

The Tulsa Metropolitan Utility Authority (TMUA) implemented an asset management program focused on capital prioritization and optimization, while balancing risk and financial stability. The success of the program has enabled TMUA to recommend no increase in water rates for FY21 or FY22. The difficult, but necessary, rate increases in previous years have allowed for most capital improvement projects to be paid with cash.

A 3% revenue increase is proposed for the sanitary sewer system in FY21, down from an originally planned 7% increase. The capital improvement plan and debt remain the main drivers for the sanitary sewer rate increases, representing nearly half of the budget. The five-year plan includes subsequent revenue increases at 7% in each of the following two years (FY22-23) followed by 4% increases in each of the next two years (FY24-25). The shorter lifespan of the sanitary sewer system and debt service necessitate the sewer rate increase higher than the water rates.

Stormwater

The Stormwater Drainage and Hazard Mitigation Advisory Board has initiated a Stormwater Utility Enterprise Initiative (SUEI). The initiative is an asset management and strategic planning

study. The study is still in progress, however, identifying the operational needs was established as a priority. The operational needs are identified over a 5-year period and incorporated in the rate model.

Field assessments of the stormwater infrastructure are in process. Assumptions have been made for annual needs for FY22 -FY25. As the assessments are completed, the actual dollars required will be input in the rate model. The estimated needs have been incorporated in the rate model.

The Stormwater fund sold \$24,150,000 in bonds through TPFA in FY20. The funds will be used to start the Hager Creek stormwater relief line, Eugene Fields redevelopment, FEMA repairs and other projects through out the city. A bond sale is not planned for FY21.

The 5% rate increase for the stormwater system will allow the City to start implementing the operational needs and moving toward the direct funding of large stormwater capital projects that have been included in Citywide capital programs such as Improve Our Tulsa in the past. This increase was originally scheduled to be 9.5%, but was scaled back.

Other Utilities

There are no plans to change rates for trash service or emergency medical services in FY21.

The fee in lieu of taxes rate from the utility funds to the General Fund is an average of the sales tax and franchise taxes paid by other utilities. The water utility has an additional fee of 0.75% to cover system lease agreement conditions. The calculation methodology is set by ordinance. The current rate for utilities other than water is 6.175%. The rate for water is 6.925%

Capital Budget

The Capital Budget totals \$134.8 million in directly funded projects, net of transfers. This budget includes \$73.7 million in sales tax funded projects from the 2014 Improve Our Tulsa program. This program includes a wide variety of projects ranging from 11 separate street projects to projects for Police, Fire, Parks, and the Performing Arts Center. All have funding in the proposed

budget. This year's budget also includes additional funds for the continued implementation of the ADA Transition Plan and high priority Economic Development Opportunities.

The Capital Budget includes higher levels of direct funding for water and sewer capital projects from the enterprise funds. It provides \$27.3 million for water treatment plant work, supply system repairs, water line replacement and relocation projects. Additionally, \$32.2 million will be used for sewer treatment plants, pipe replacement and other system work. Stormwater will receive \$7.8 million for stormwater pipe extensions, drainage improvements associated with roadway projects, small critical drainage projects and detention pond rehabilitation.

The City has now received over three years of collections from the 0.305% sales tax approved by voters in April 2016 for the Vision Tulsa economic development capital program. Implementation of the project scheduling and financing plan continues as all of the planned revenue bond sales have been completed totaling \$346.6 million to provide advance funding for 26 projects. The \$510 million program will last 15 years. Directly funded projects total \$37.6 million in the proposed budget for eleven projects, with the largest allocation going toward debt service.

Capital Plan

The City has a total inventory of capital projects, totaling \$9.33 billion, that are needed over the next 50 years. The capital plan focuses on projects that should be considered for funding in the next five years, totaling \$501.9 million. A little over two thirds (2/3) of the projects are renewal of existing infrastructure with the balance supporting growth. The plan is dedicated to utility system projects over the next five years as other recently approved capital programs have funded the majority of the City's other capital needs. The current authorization, for both the sales tax capital improvements program and the general obligation bond program, were extended in a November 2019 voter approved package totaling \$620 million. General obligation bond capacity will be available starting in FY26, and a limited amount of sales tax capital funding will be available beginning in FY25-26.

The capital plan and budget also reflect off cycle planned bond issues for the next year as well as high priority capital projects that should be funded over the next five years. During the upcoming

fiscal year, the City anticipates undertaking a \$140.8 million issuance of general obligation bonds. All funds will go toward street projects authorized in the 2014 Improve Our Tulsa program and 2020 Improve Our Tulsa II program. Some \$15.6 million in bonds and loans will finance sewer projects that include concrete pipe replacement, interceptor rehabilitation, as well as sewer line rehabilitation and replacement.

Funds will be appropriated by budget amendment upon completion of each bond sale. Taken together these bond sales will add \$156.4 million in additional funds to the capital budget, bringing the amended total to \$291.2 million.

Summary

We face challenging economic circumstances for the upcoming budget year. This budget reflects hard choices we've proposed to balance the budget. Despite these challenges, this budget prioritizes keeping our residents safe, protecting the City employees' jobs so they can continue to serve our residents, and ensuring we still have reserves to respond to unexpected natural disasters.

Economic challenges like this remind us that we need to continue to examine our revenue sources and challenges for the longer term to assure that we can meet the essential services that we agree on. Reliance on sales taxes to finance local government operations remains problematic. We continue to pursue public safety districts as means to diversify city funding for public safety services to balance declines in sales tax revenue during economic downturns when public safety services are at their highest level of need.

Despite all these challenges we'll continue to pursue our vision of becoming a globally competitive world-class city. I welcome the Council's review and I thank you for your suggestions and advice in finalizing this proposed budget. I look forward to agreeing on a plan for the next fiscal year as we strive to deliver the citizens the high level of service that they expect and deserve.



TULSA CITY COUNCIL

Dear Citizens of Tulsa,

On behalf of the Tulsa City Council, we are pleased to present the City of Tulsa Fiscal Year 2020-2021 Annual Budget and Capital Plan.

This year, the City Council and Mayor Bynum continued their semi-annual tradition of participating in strategic planning sessions at Mayor-Council retreats. At the January 2020 retreat, the Council and Mayor discussed and outlined top priorities to provide City departments guidance for the Tulsa Fiscal Year 2020-21 budget. We worked together to prioritize funding for essential services and at the same time, explored the challenges created by vacant and abandoned housing and ways to improve the City's neighborhoods. Unfortunately, the events of March and April have caused a significant change in what we were planning to do, but we believe this budget reflects our shared priorities for the year ahead.

Historically, two of the best indicators for sales tax performance in Tulsa are regional employment and crude oil prices. Unemployment claims have spiked in an unprecedented way. Crude oil prices have plummeted. Given these dynamics, the proposed budget total is \$828.5 million, which includes all city funds - including operating funds and our capital improvements program. General Fund revenues, which fund most of our core services, are projected to decline by \$12.9 million from the Fiscal Year 2019-2020 budget year to \$256.6 million.

In the midst of both a public health crisis and an energy industry crisis, we are only able to propose a budget that maintains existing service levels because of two things: our employees sacrificing their own pay, and elected officials over the last decade saving when we could have spent - building up cash reserves for a day just like today. However, given our reliance on reduced employee pay to continue existing service levels, there are no new programs or positions in this budget.

In the midst of all this, some good news for Tulsans is that this budget continues the existing level of mowing on public rights of way and medians. In addition, thanks to responsible planning by the Tulsa Metropolitan Utility Authority to set rates that cover the cost of service, there will be no rate increase for water service in the coming year and we have also significantly reduced the sewer and stormwater rate increases that were in the adopted Fiscal Year 2021 plan.

The City Council looks forward to another collaborative year with Mayor Bynum. In the next year, we will evaluate means to enhance services for all Tulsans and further implement our Resilience Plan. Together, we will continue to serve our constituents to ensure Tulsa is a sought-after home and globally competitive, world-class City.

Sincerely,

Ben Kimbro
Council Chair

Vanessa Hall-Harper
Council Vice-Chair

STRATEGIC PLAN UPDATE

In 2010 the City adopted PLANiTULSA as our long-term strategic plan for how Tulsa will look, feel, and function in the next twenty to thirty years. In 2017 the Mayor requested an organizational strategic plan to identify how our departments and employees would work in the short-term to ensure we can reach longer-term goals. This led to the City's **Action and Implementation Management (AIM) Plan** that was adopted in early 2018. The AIM Plan clearly outlines the actions to be taken by the organization to achieve Citywide outcomes and fulfill the organization's mission.

Our Mission: Build the foundation for economic prosperity, improved health and enhanced quality of life for our community.

The AIM Plan is broken out into four pillars: (1) **Opportunity**, (2) **Well-Being**, (3) **The City Experience**, and (4) **Inside City Hall**. Each pillar has AIMS (goals), Community Performance Indicators, Strategies, Actions, Deadlines, and Measurable Outcomes.

| OPPORTUNITY | | | |
|---------------------|--|-------------|----------|
| AIM | Community Performance Indicator | 2019 | Target |
| Education | High school graduation rate | 74.90% | 76% |
| | % of residents with a bachelor's degree or higher | 28.29% | 33% |
| | % of residents aged 18-24 with an associate's or higher | 39.6% | 41% |
| Jobs | New jobs added to the local economy | 3,480 | 4,002 |
| | Labor force participation rate | 64.8% | 67.5% |
| | Per capita income | \$30,709 | \$28,650 |
| Transportation | % of population within 30-minute transit access | 41.1% | 30% |
| | % of population commuting to work via public transportation | 1.0% | 1.4% |
| Population Growth | City of Tulsa population | 401,352 | 407,000 |
| | Population Density (# of households per acre) | 1.36 | 1.74 |
| WELL-BEING | | | |
| AIM | Community Performance Indicator | 2019 | Target |
| Physical Health | % of residents who are overweight or obese | 62.9% | 61% |
| | Life expectancy gap between North and South Tulsa | 11.04 years | 5 years |
| Mental Health | Suicide rate per 100,000 residents | 16.8 | 15 |
| | # of individuals using non-domestic violence emergency shelter at least one night per year | 5,545 | 4,990 |
| THE CITY EXPERIENCE | | | |
| AIM | Community Performance Indicator | 2019 | Target |
| Traffic Safety | Total traffic fatality collisions | 33 | <34 |
| | Total traffic collisions with severe injury | 246 | <285 |



STRATEGIC PLAN UPDATE

| THE CITY EXPERIENCE | | | |
|-------------------------------------|---|-------------|-------------|
| AIM | Community Performance Indicator | 2019 | Target |
| Violent Crime Reduction | # of violent crimes per 100,000 residents | 1059 | 859 |
| Entertainment | # of special events permitted by the City | 677 | 745 |
| | Ticket sales at the Performing Arts Center (in millions) | \$12.7 | \$7.725 |
| Tourism | Annual occupancy tax | \$7,870,000 | \$7,763,500 |
| Streets & Sidewalks | Pavement condition index on arterial streets | 67 | 69 |
| Quality core services | % of property value saved from fires | 93% | 95% |
| | % of 911 calls answered within 10 seconds or less | 54% | 90% |
| | % of missed refuse collections | .051% | <2% |
| | % of customer service demand met for treated water | 100% | 100% |
| | Compliance with US EPA Stormwater Quality Permit levels | Compliant | Compliant |
| INSIDE CITY HALL | | | |
| AIM | Community Performance Indicator | 2019 | Target |
| Morale | % of employees agreeing that they like their jobs | 82.1% | 85% |
| | % of employees agreeing that morale is low among their co-workers | 40.1% | 51% |
| | % of employees agreeing that the City of Tulsa is a great place to work | 64% | 63% |
| World-class services | % of city departments regularly requesting feedback from their customers | NA | 50% |
| | % of customers reporting positive satisfaction with services provided | NA | 50% |
| | % of people who reported an issue to 311 that say they were satisfied with the responsiveness regarding their complaint | NA | 50% |
| Responsible Management of Resources | City's Standard and Poor bond rating | AA | AA |
| | # of annual OSHA reported injuries | 374 | 347 |
| | % increase in General Fund Revenue collected over previous year | 3% | 3% |

Senior leaders regularly convene to discuss progress on these high-level targets as well as action items and metrics identified within each strategy of the AIM Plan. There are monthly TulStat sessions where team members collaborate to identify opportunities to improve, test out ideas, and deploy what works. StatChat sessions occur weekly with more detailed reports on action items and metrics that refresh more regularly. They provide the team regular opportunities to continuously align resources and focus on long- and short-term outcomes.



CITY OF TULSA

FINANCIAL POLICIES

1. STRATEGIC PLANNING

- a. All planning activities, strategies and studies should be comprehensive and integrated on a City-wide basis.
- b. Plans, strategies and studies shall encompass multi-year time frames and be updated annually.

2. OPERATING BUDGET

- a. The City of Tulsa shall comply with the provisions of the *Oklahoma Municipal Budget Act, 11 O.S. Supp. 1979, Sections 17-201 through 17-216*. It shall be the responsibility of the Mayor through the Department of Finance to ensure compliance and the timely preparation of the City of Tulsa's annual budget.
- b. The budget will provide for adequate maintenance of the capital plant and equipment and for their orderly replacement.
- c. The City will maintain a budgetary control system to help it adhere to the budget.
- d. The City administration will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.
- e. Each year the City will update revenue and expenditure projections for the next five years. Projections will include estimated operating costs of future capital improvements that are included in the capital budget.
- f. The City will integrate strategic plan goals and objectives defined in the Action and Implementation Management (AIM) Plan within the budget.
- g. The City will project its equipment replacement and maintenance needs for the next several years and will update this projection each year. From this projection a maintenance and replacement schedule will be developed and followed.
- h. It shall be the goal of the City that current operating revenues will be sufficient to support current operating expenses and in no case shall more than five percent (5%) of the operating budget be supported by the use of prior year's fund balances.
- i. Adjustments to Water, Sewer, Stormwater and Solid Waste Disposal service rates and fees shall be examined on an annual basis as an integral part of the City's budgetary process.

3. RISK MANAGEMENT

- a. The City will operate a risk management program to provide for protection against loss and a reduction in exposure to liability. Such program shall include an employee safety training program to minimize financial losses to the City.
- b. The City will establish a self-insurance program to provide for protection against major losses and will purchase excess coverage insurance to cover catastrophic losses where appropriate.

4. PROCUREMENT AND PURCHASING

- a. The City of Tulsa shall operate a consolidated Purchasing and Procurement System.
- b. The City's Purchasing and Procurement System shall encourage full and open competition on all purchases and sales.
- c. The operation of the City's Purchasing and Procurement System and Surplus Property Disposal System shall be based upon competitive bidding whenever possible.

5. REVENUES

- a. The City will estimate its annual revenues by an objective and analytical process.
- b. It shall be the goal of the City that all Enterprise Funds shall be self-supporting.
- c. The City will establish all user charges and fees at a level related to the cost of providing the services.
- d. Credit and Collection
 - i. The City of Tulsa will neither begin business activity nor continue to engage in business activity with an entity that owes the City funds from a delinquent debt.

- ii. Extended credit may be granted by the City for certain obligations. If payment is not timely, the City reserves the right to refuse future credit as well as take necessary legal action to obtain payment of the debt and collection costs.
- e. The City will try to maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.
- f. Categorical federal and state grant revenues shall only be used to finance limited-time-period operations and/or one-time capital.
- g. Enterprise Funds will transfer annually a payment in lieu of taxes to the General Fund as defined by ordinance.

6. CAPITAL BUDGET AND IMPROVEMENTS

- a. The City of Tulsa's Capital Improvements Program shall be a five-year program and shall be updated annually. All departments' needs shall be considered in the plan.
- b. The City shall maintain a balanced mix of financing for funding capital projects, including pay-as-you-go, grants and debt, without excessive reliance on any one source.
- c. No capital project shall be funded which does not comply with the provisions of and is not contained in the currently approved Capital Improvements Program.
- d. The City will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
- e. Capital projects will be scheduled based on the following criteria:
 - i. The project has been certified by the Planning Commission as being in accordance with City plans.
 - ii. The project will alleviate a service deficiency or replace a deteriorated and/or non-functioning facility.
 - iii. Federal or state law requires it to be done.
 - iv. Federal or state matching funds are available for the project.
 - v. A Federal or state agency will construct the facility at no cost to the City.
 - vi. The project will encourage economic development.
 - vii. The project is needed to solve an emergency situation.
 - viii. The project will improve the quality of life in the City's neighborhoods.
- f. Public hearings will be held before deciding what projects to include in any multi-year capital program which requires approval by the electorate.
- g. The CIP has been developed based on Government Finance Officers Association (GFOA) recommended best practices. <https://www.gfoa.org/capital-planning-policies>
- h. The CIP has coordinated with the Tulsa Planning Office to assess the CIP for conformance with the Comprehensive Plan and to prioritize projects which support Land Use Policies 5.5 and 13.3 in particular.

7. LONG TERM BORROWING

- a. General Obligation and Revenue Bonds shall only be issued for capital improvements and maintenance or expenditures related thereto. Revenue bonds shall be used to finance capital improvements wherever possible. No operating expenses shall be funded using any form of long-term financing.
- b. Bond borrowing shall be planned and the details of the plan shall be incorporated into the five-year Capital Improvements Program.
- c. The outstanding indebtedness of the City of Tulsa shall in total not exceed such levels as to cause the City's credit rating to be impaired and in all cases the City shall take such actions and adopt such policies and procedures as necessary to maintain a rating equal to at least AA for general obligation debt. In no event shall the net general obligation debt exceed twenty-five percent (25%) of the net assessed market valuation of the taxable property of the City of Tulsa as established by the County Assessor.
- d. Projects financed through the issuance of debt shall not be financed for a period that exceeds the expected useful life of the project and in no event shall the term of any debt exceed twenty-five (25) years.

- e. Refunding of outstanding debt shall only be considered when present value savings of at least four percent (4%) of the principal amount of the refunded bonds are produced, unless a restructuring or bond covenant revisions are necessary to facilitate the ability to provide services or issue additional debt in accordance with established debt policy and limitations.
- f. Bond sales shall be structured to achieve level debt service payments to the extent possible taking into consideration the costs of such financings. Either variable or fixed rate financing may be used, subject to applicable laws, depending on the cost benefit to the City of each option.
- g. Interest earnings from general obligation bond proceeds shall be deposited in the General Fund.
- h. Competitive sale shall be used for all general obligation debt issuances of the City of Tulsa.
- i. Negotiated or competitive sale may be used for revenue bonds.

8. INVESTMENTS AND DEPOSITS

- a. It shall be the objective of the City of Tulsa to pool and invest public funds in accordance with current legislation and the Charter of the City of Tulsa. Criteria for investing shall adhere to the following order of priority: (1) Safety, (2) Liquidity, (3) Yield.
- b. Responsibility for the investment program of the City shall be vested with the Director of Finance who shall establish an investment program consistent with an adopted investment policy.
- c. The City will establish a cash flow management system which includes the preparation of a cash flow analysis of all funds on a regular basis. Disbursement, collections and deposit of all funds will be scheduled to ensure maximum investment return and cash availability subject to the City's investment policies. The cash flow management system shall ensure the City can offset significant downturns in revenues which could not have been reasonably foreseen and provide sufficient working capital and cash for daily financial needs.
- d. The City will make arrangements with banks on a contractual basis for a specified period of time with specified fees for each service rendered.

9. RESERVES

- a. The City shall establish and maintain an operating reserve in the General Fund to provide for unanticipated expenditures of a non-recurring nature or to meet unexpected increases in service delivery costs. The reserve, per ordinance, is to maintain an emergency operating reserve of ten percent (10%), unless during the annual budget process the Mayor and City Council agree that the reserve cannot prudently be maintained at 10%. Prior to allocating funds from the reserve for unanticipated expenditures, the Mayor shall prepare an analysis and present it to the City Council.
- b. The City may establish and maintain operating reserves in its enterprise funds to pay for expenses caused by unforeseen emergencies or shortfalls caused by revenue declines.
- c. The City shall establish an Economic Stabilization Reserve as directed by the City Charter. This reserve shall be used to assist in limiting the amount of reduction required in the General Fund budget during times of declining revenues. Defined criteria have been established within the charter for allocation to the reserve and withdrawal from the reserve.

10. ACCOUNTING

- a. The City of Tulsa's accounting systems shall be operated and maintained in accordance with generally accepted principles and standards as promulgated by the Governmental Accounting Standards Board.
- b. The City's accounting and financial transactions shall be audited annually by a recognized independent certified public accounting firm and such audit results shall include a management letter detailing areas where improvement is needed. A firm to perform such audit shall be chosen not more than once every five (5) years.
- c. The City shall prepare and issue an official Comprehensive Annual Financial Report no later than six (6) months following the fiscal year-end in accordance with Government Finance Officer's Association and Governmental Accounting Standards Board principles and standards.
- d. The City of Tulsa shall establish and maintain an accounting control environment to help ensure proper authorization for financial transactions and proper procedures for safeguarding assets.

- e. The City will comply with bonded debt covenants requiring yield restrictions on certain investments and accounts in compliance with *Internal Revenue Code, Section 148 - Arbitrage*.

11. TRUSTS AND AUTHORITIES

- a. Unless otherwise provided by the operation of law, all Trusts and Public Authorities which receive funding from the City of Tulsa shall conform to the City's Financial Policies and procedures where applicable.

12. PENSION FUNDS

- a. The pension funds of the Municipal Employees' Retirement Plan shall be managed by the Pension Board as set forth in City Ordinance and Oklahoma Statute.
- b. The City's annual budget will provide for adequate funding for the Municipal Employees' Retirement System.
- c. Investments shall be made in conformance with an investment policy adopted by the Municipal Employees' Pension Board.

(Published in the Tulsa World
June 28, 2020

ORDINANCE NO. 24388

AN ORDINANCE ADOPTING THE ANNUAL BUDGET OF THE CITY OF TULSA FOR THE FISCAL YEAR 2020-2021; ORDERING THE TRANSFER OF ENTERPRISE INCOME TO THE GENERAL FUND; APPROPRIATING UNEXPENDED BALANCES FOR GRANT FUNDS AND CAPITAL PROJECT FUNDS FOR FISCAL YEAR 2020-2021; ORDERING AND DIRECTING THE COMPUTATION AND FILING OF LEVY REQUIREMENTS FOR THE 2020-2021 SINKING FUND OF THE CITY OF TULSA, OKLAHOMA; RESERVING FUND BALANCE OF SEVEN AND SEVENTY-ONE ONE HUNDREDTHS PERCENT (7.71%) AS AN EMERGENCY OPERATING CONGTINGENCY IN THE GENERAL FUND; THE ECONOMIC STABILIZATION RESERVE WILL BE \$1.5 MILLION; APPROVING AN EMERGENCY TELEPHONE FEE OF FIVE PERCENT (5%) FOR CALENDAR YEAR 2021; ORDERING THE FILING OF THE CITY OF TULSA BUDGET, FISCAL YEAR 2020-2021 WITH THE STATE AUDITOR AND INSPECTOR OF THE STATE OF OKLAHOMA; AND ORDERING THIS ORDINANCE TO TAKE EFFECT IMMEDIATELY FROM AND AFTER ITS ADOPTION AND APPROVAL.

BE IT ORDAINED BY THE CITY OF TULSA:

Section 1. That the annual budget of the City of Tulsa, Oklahoma, for Fiscal Year 2020-2021 be and is hereby adopted under the Municipal Budget Act, 11 O.S. 2001, §§ 17-201, *et seq.*, as amended.

Section 2. That the transfer of six and nine hundred twenty-five thousandths percent (6.925%) of Water and six and one hundred seventy-five thousandths percent (6.175%) of Sewer, Stormwater, and TARE/Solid Waste rate income to the General Fund of the City of Tulsa, Oklahoma, be and is hereby approved and ordered.

Section 3. That the unexpended appropriation balances and encumbrances for grant funds and capital project funds for Fiscal Year 2019-2020 be and the same are hereby appropriated to the same funds, accounts and for the same purposes for Fiscal Year 2020-2021 unless the project is designated to be closed.

Section 4. That the Mayor shall compute the levy requirements for the 2020-2021 Sinking Fund of the City of Tulsa, Oklahoma, utilizing a reserve of ten percent (10%) for delinquent taxes and cause the same to be filed with the Excise Board of Tulsa County, Oklahoma.

Section 5. That the Mayor and City Council shall reserve fund balance for Fiscal Year 2020-2021 in an amount equivalent to seven and seventy-one one hundredths percent (7.71%) of projected revenues as an emergency operating contingency in the General Fund that can only be spent with Council approval.

Section 6. That the economic stabilization reserve will be \$1.5 million from unassigned fund balance in accordance with the provisions of the 1989 Amended Charter, Article II, Section 7.5.

Section 7. That an Emergency Telephone Fee (E-911) of five percent (5%) of the tariff rate be and the same is hereby approved and ordered for calendar year 2021 in the City of Tulsa, Oklahoma.

Section 8. That one (1) copy of the adopted budget, being marked and designated as "City of Tulsa Budget, Fiscal Year 2020-2021" be and the same are herewith ordered to be filed in the Office of the City Clerk of the City of Tulsa, Oklahoma, on the 28th day of June, 2020, and one (1) copy with the State Auditor and Inspector of the State of Oklahoma.

Section 9. That an emergency is hereby declared to exist for the preservation of the public peace, health, and safety, by reason whereof this ordinance shall take effect immediately from and after its adoption and approval.

ADOPTED by the Council JUN 17 2020

Date



Chairman of the Council

ADOPTED as an Emergency Measure JUN 17 2020

Date



Chairman of the Council

OFFICE OF THE MAYOR

Received by the Mayor: _____, at _____
Date Time

G. T. Bynum, Mayor

By:

Secretary

APPROVED by the Mayor of the City of Tulsa, Oklahoma: JUN 24 2020
Date

at _____
Time



(Seal)
ATTEST:

[Signature]
City Clerk

APPROVED:

[Signature]
City Attorney

[Signature]
Mayor

(Published in the Tulsa World
June 28, 2020)

ORDINANCE NO. 24389

AN ORDINANCE APPROVING AND ADOPTING THE CAPITAL IMPROVEMENTS PLAN OF THE CITY OF TULSA, OKLAHOMA, FOR THE FISCAL YEARS 2021-2025 ORDERING THE FILING OF DOCUMENTS WITH THE CITY CLERK; AND DECLARING AN EMERGENCY.

BE IT ORDAINED BY THE CITY OF TULSA:

Section 1. That the Capital Improvements Plan of the City of Tulsa, Oklahoma, for Fiscal Years 2021-2025 be and is hereby approved and adopted in accordance with Title 4, Chapter 4, City of Tulsa, Oklahoma, Revised Ordinances.

Section 2. That one (1) copy of the approved and adopted capital plan, being marked and designated as "City of Tulsa Capital Improvements Plan, Fiscal Years 2021-2025," be and the same is herewith ordered to be filed in the Office of the City Clerk of the City of Tulsa, Oklahoma, on the 28th day of June, 2020.

Section 3. That an emergency is hereby declared to exist for the preservation of the public peace, health, and safety, by reason whereof this Ordinance shall take effect immediately upon its adoption and approval.

ADOPTED by the Council JUN 17 2020

Date



Chairman of the Council

ADOPTED as an emergency measure JUN 17 2020

Date



Chairman of the Council

OFFICE OF THE MAYOR

Received by the Mayor: _____, at _____.

Date Time

G.T. Bynum, Mayor

By:

Secretary

APPROVED by the Mayor of the City of Tulsa, Oklahoma: JUN 24 2020
Date

at _____.
Time



(Seal)
ATTEST:

[Signature]
City Clerk

[Signature]
Mayor

APPROVED:

[Signature]
City Attorney

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