
FIVE-YEAR CITY COUNCIL WORKSHOP FORECAST

FEBRUARY 09, 2021

CITY COUNCIL WORKSHOP

AGENDA

FIVE-YEAR FORECAST
FEBRUARY 09, 2021



Financial Trends

Brent Bryant
Finance Director



Economic Outlook

Dr. Russell Evans
Executive Director
of the Steven C. Agee Research
and Policy Institute
at Oklahoma City University



Department Issues and Fiscal Year

2022 Budget Outlook

Doug Dowler
Assistant Finance Director/Budget
Director

The full text of the Five-Year Forecast is available online at:
http://www.okc.gov/finance_tab

FIVE-YEAR FINANCIAL TRENDS FORECAST

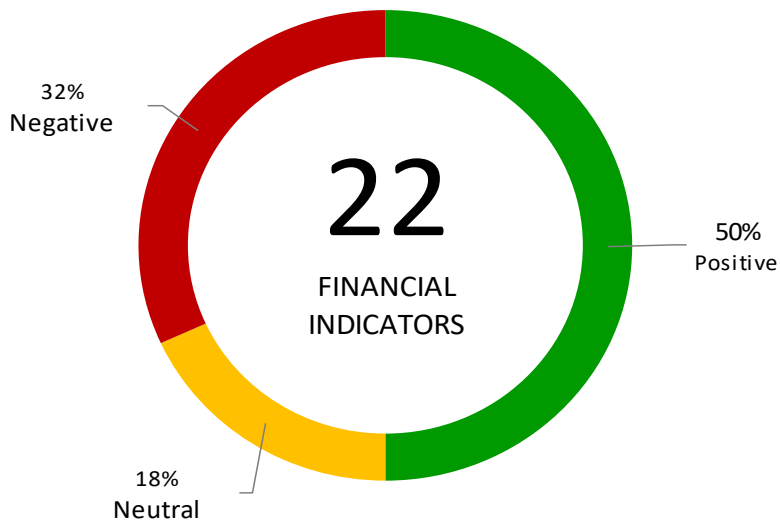
Financial Trend Monitoring System (FTMS)

Adapted from ICMA handbook *Evaluating Financial Condition*

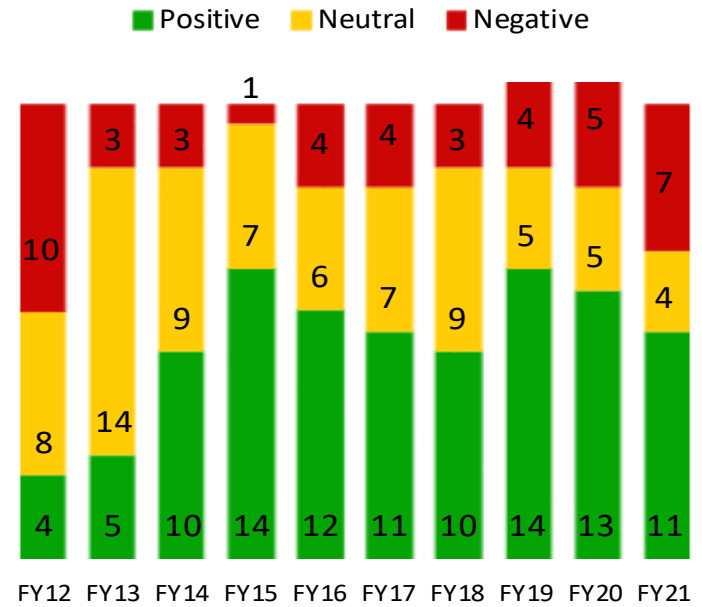
Provides an **overall picture** of Oklahoma City's **financial condition**



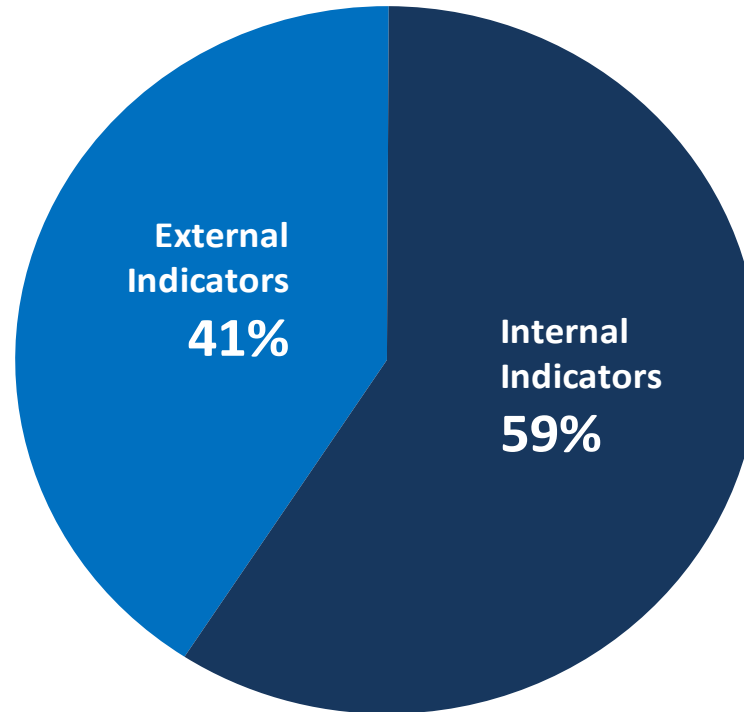
FY21 INDICATOR RATINGS



INDICATOR HISTORY



22 Financial Trend Indicators

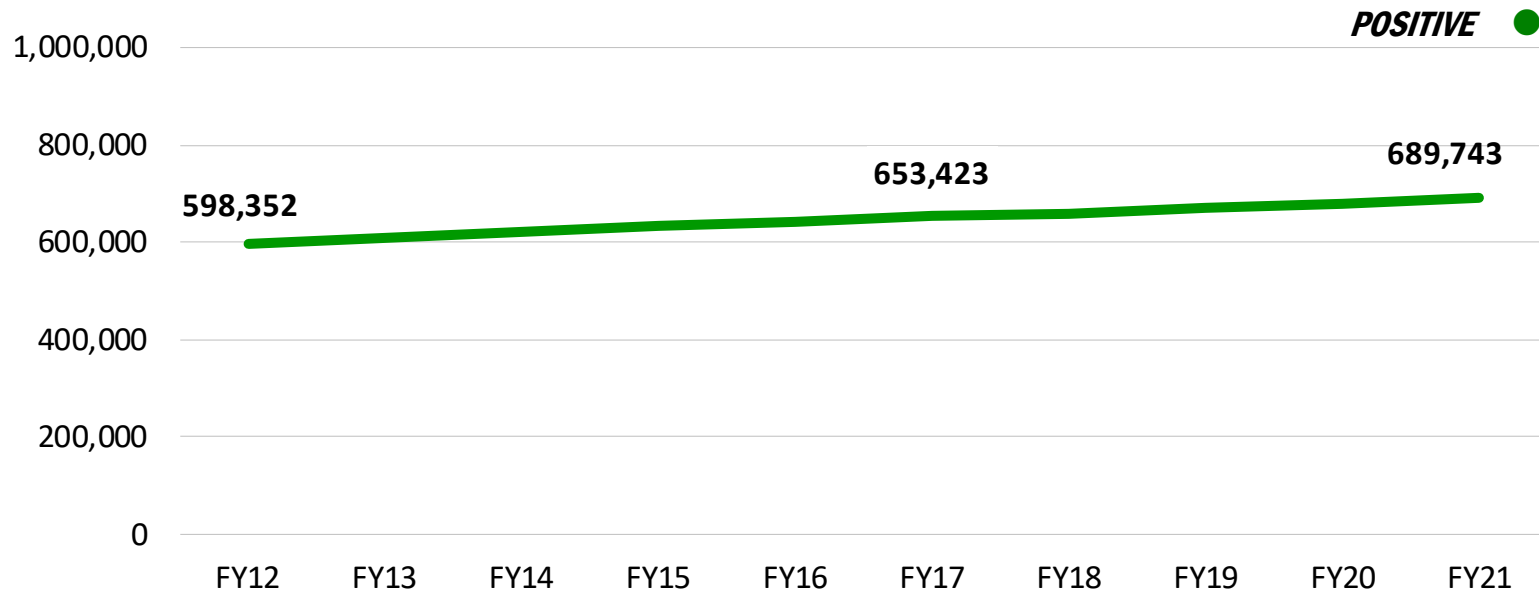


External Indicators track conditions and demographics in Oklahoma City that tell us what is happening in the environment that we live and operate in.





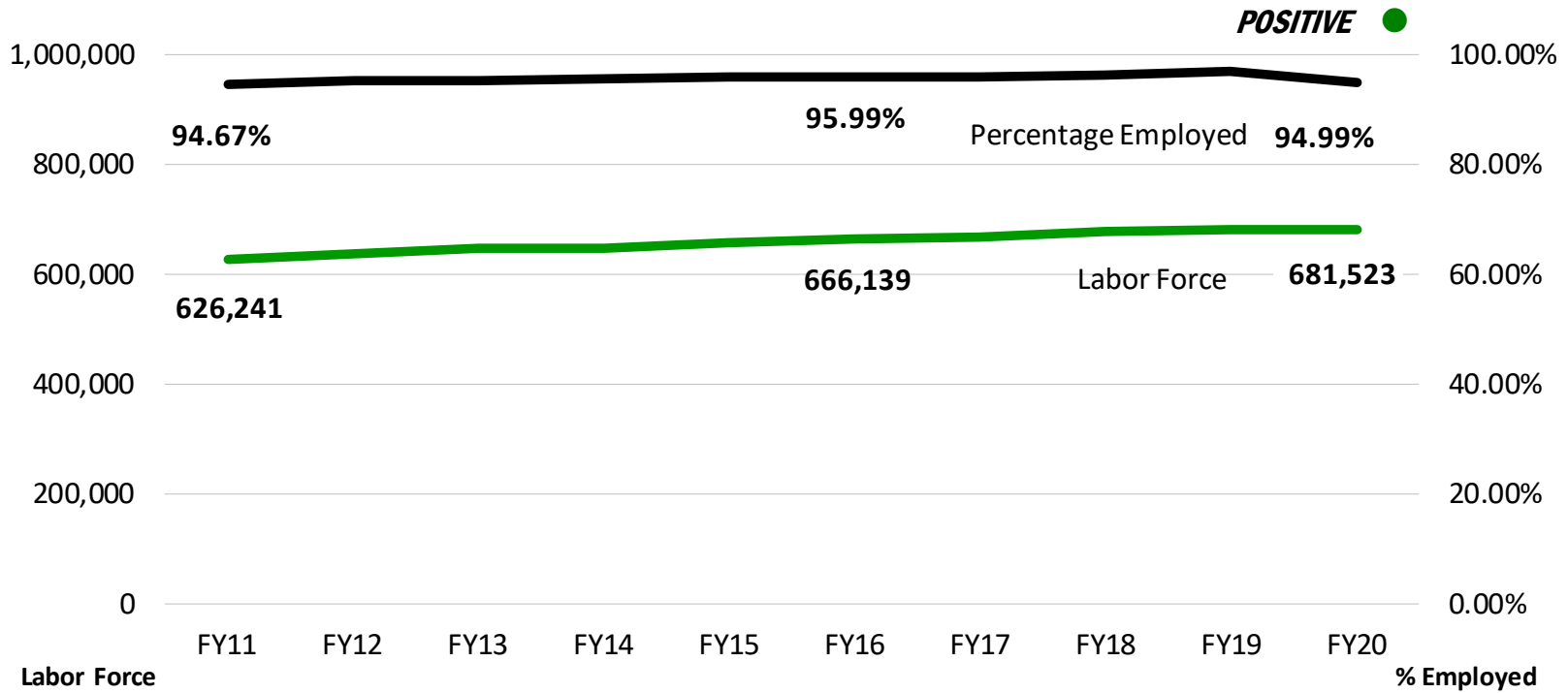
Population



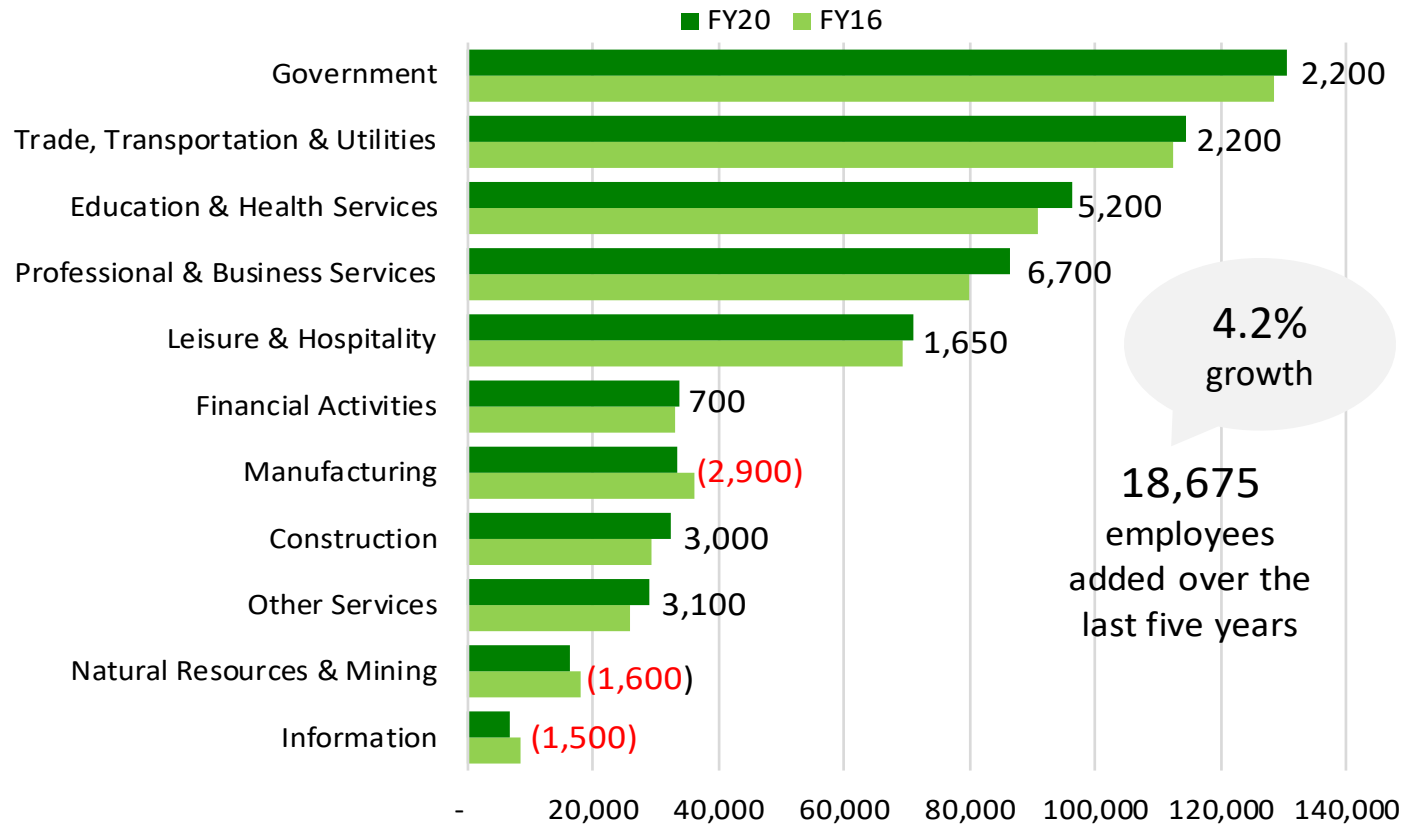


Labor Force

And Percentage of Labor Force Employed in the Oklahoma City Metropolitan Statistical Area (OKC-MSA)



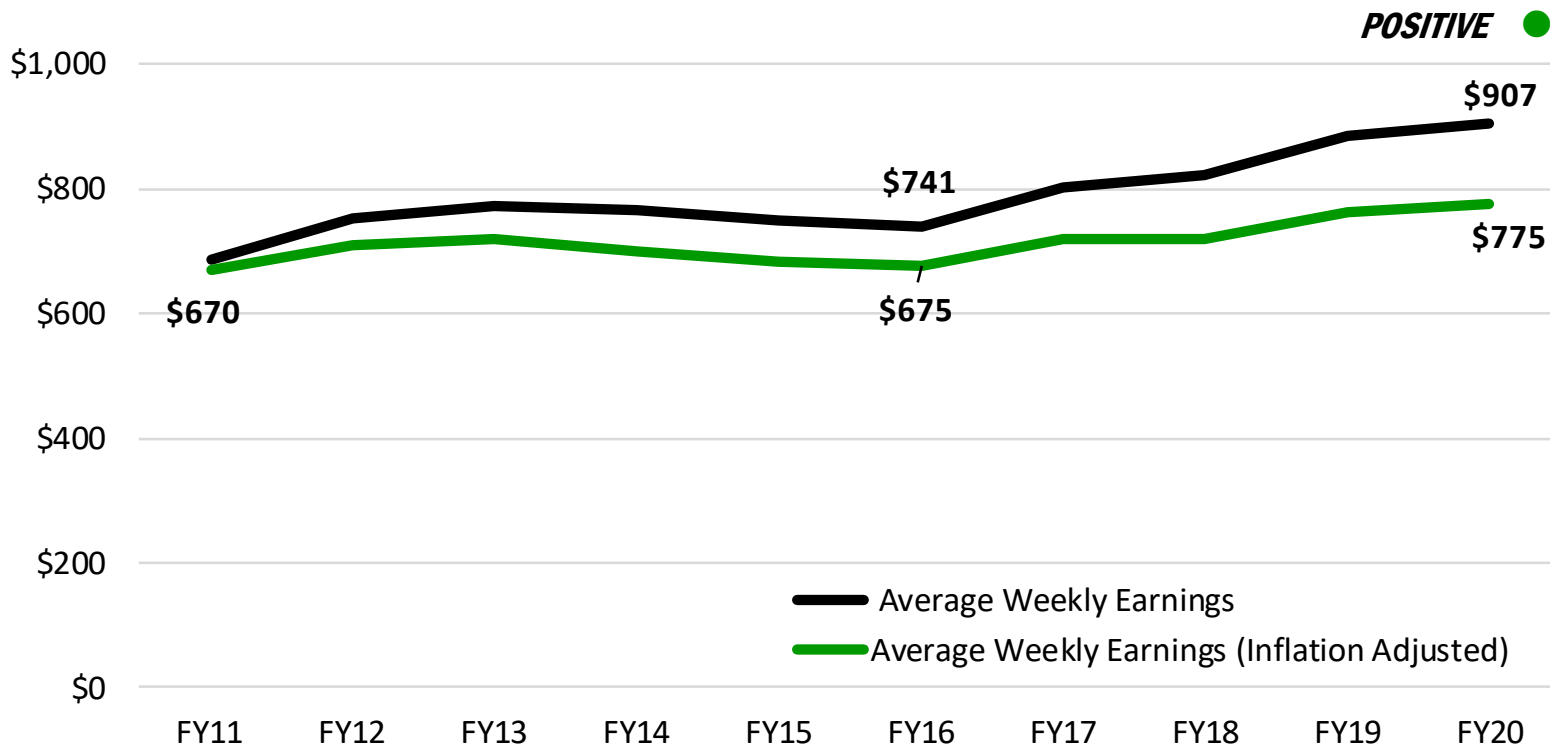
5-Year Comparison/Growth of Non-Farm Employees in OKC-MSA by Sector





Average Weekly Earnings

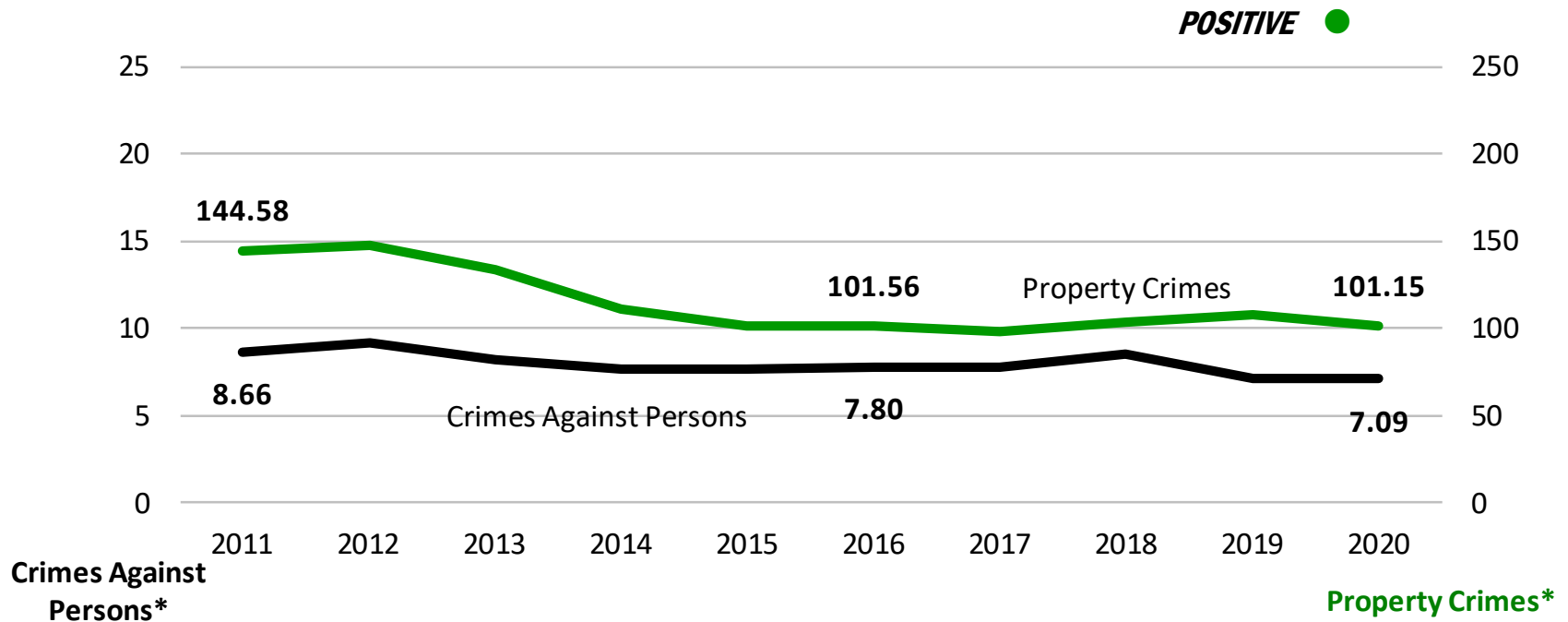
OKC-MSA, Private Sector



Crime Rate

*Crimes Per 1,000 persons

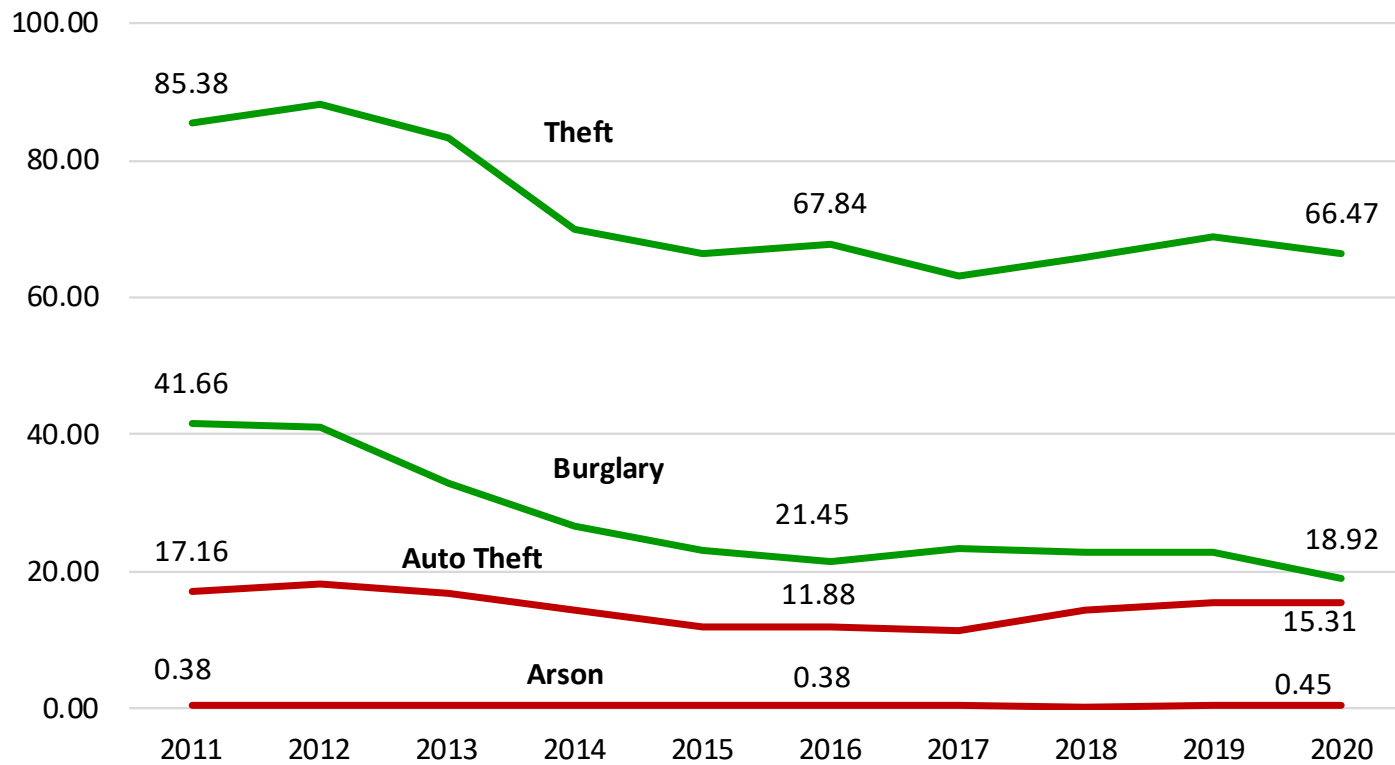
Property Crimes Per 1,000 households



*Data for 2020 is estimated using actual Uniform Crime Report data from January – September. October – December were an average of the first nine months of 2020.

Property Crimes

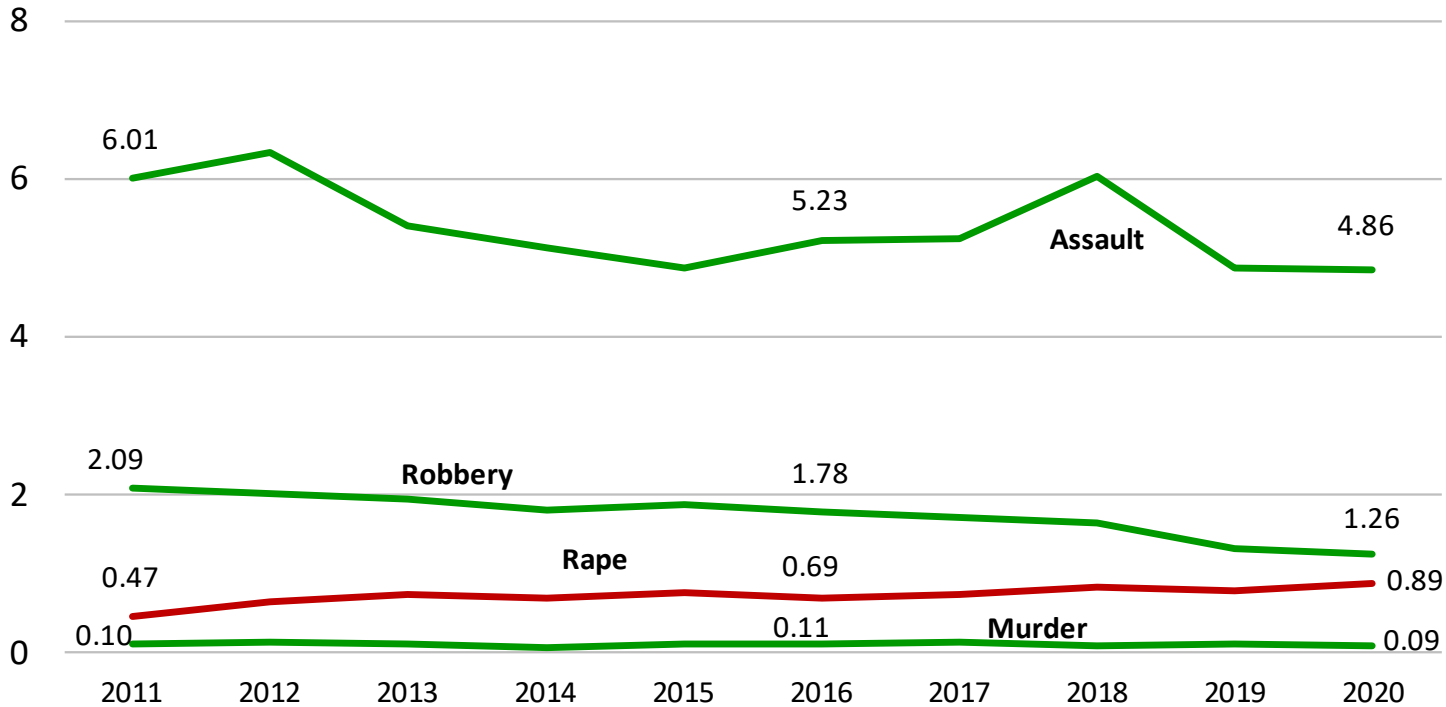
Per 1,000 households / 10 Year History by Category



*Data for 2020 is estimated using actual Uniform Crime Report data from January – September. October – December were an average of the first nine months of 2020.

Person Crimes

Per 1,000 residents / 10-year history by category

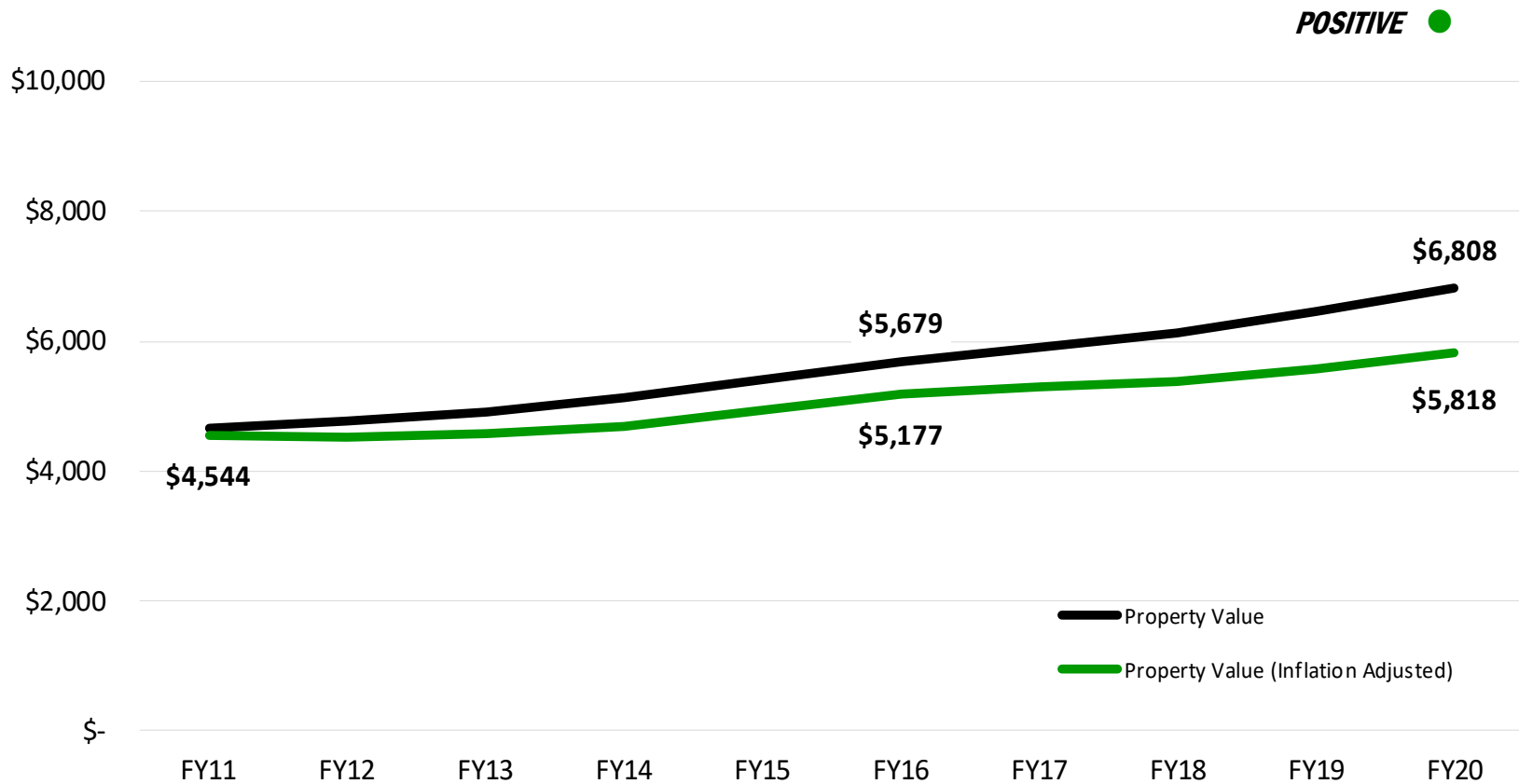


*Data for 2020 is estimated using actual Uniform Crime Report data from January – September. October – December were an average of the first nine months of 2020.



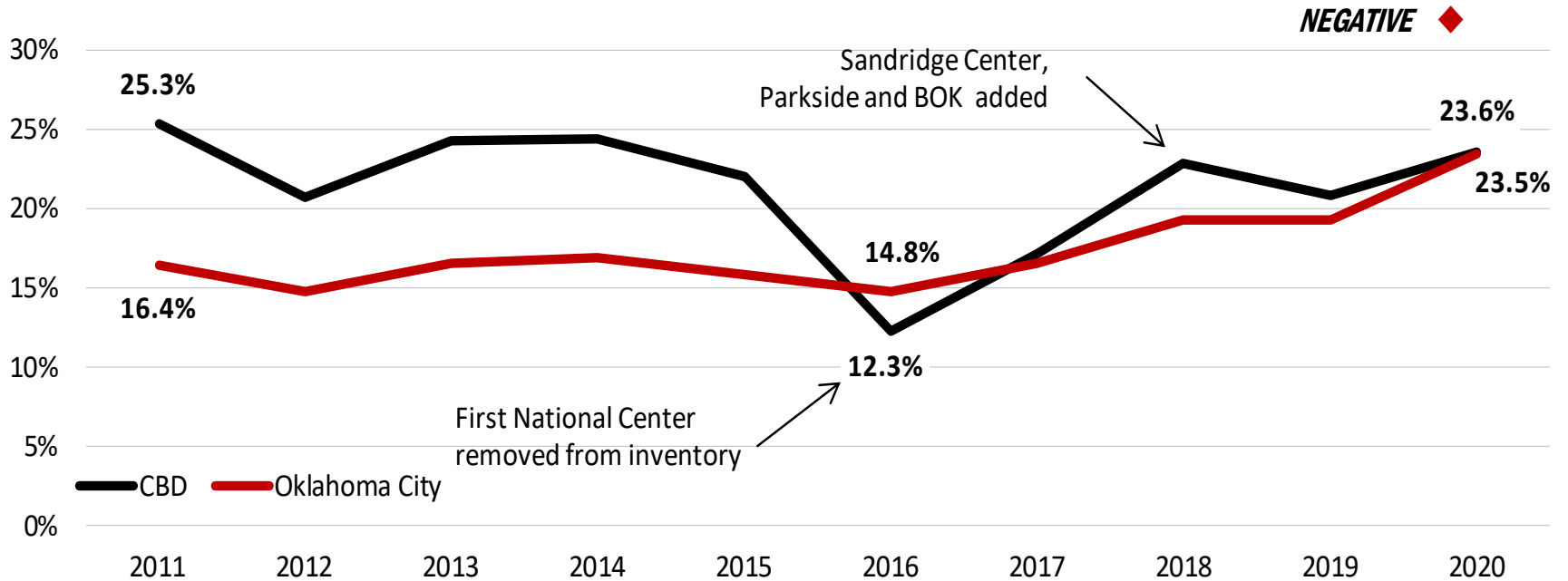
Property Value

Assessed Property Value in Millions of Dollars





Office Vacancy Rate

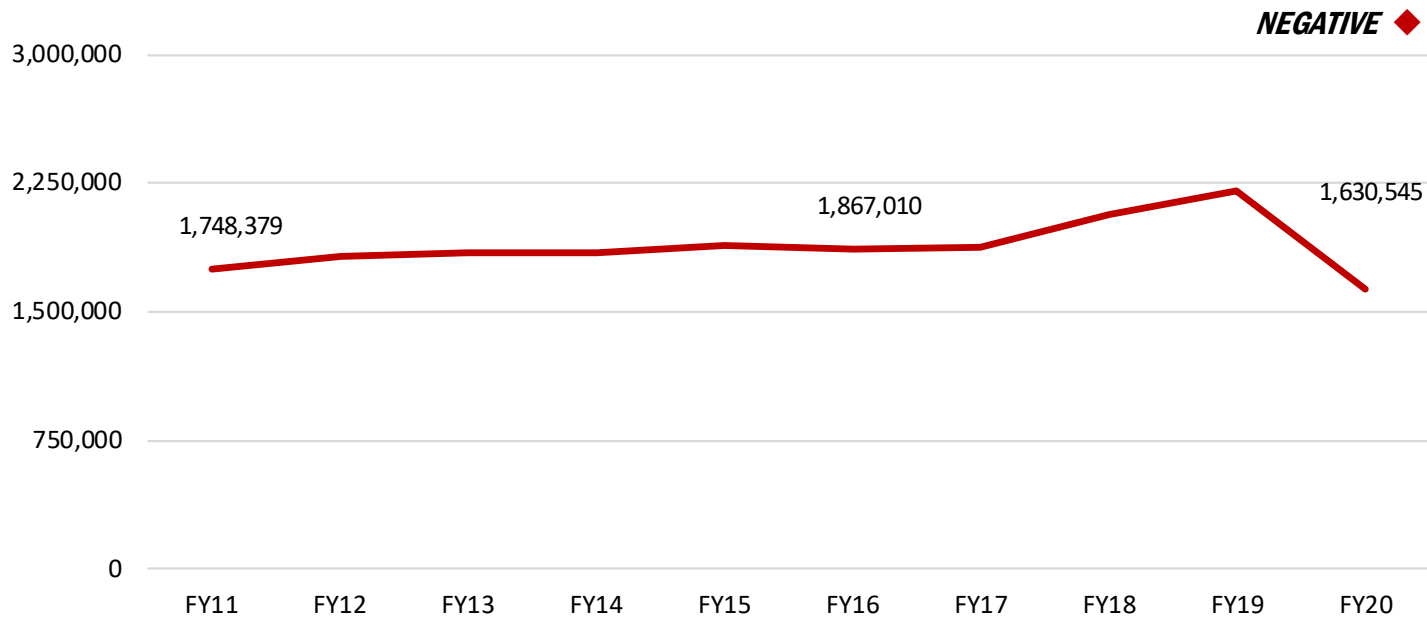




Airport Activity

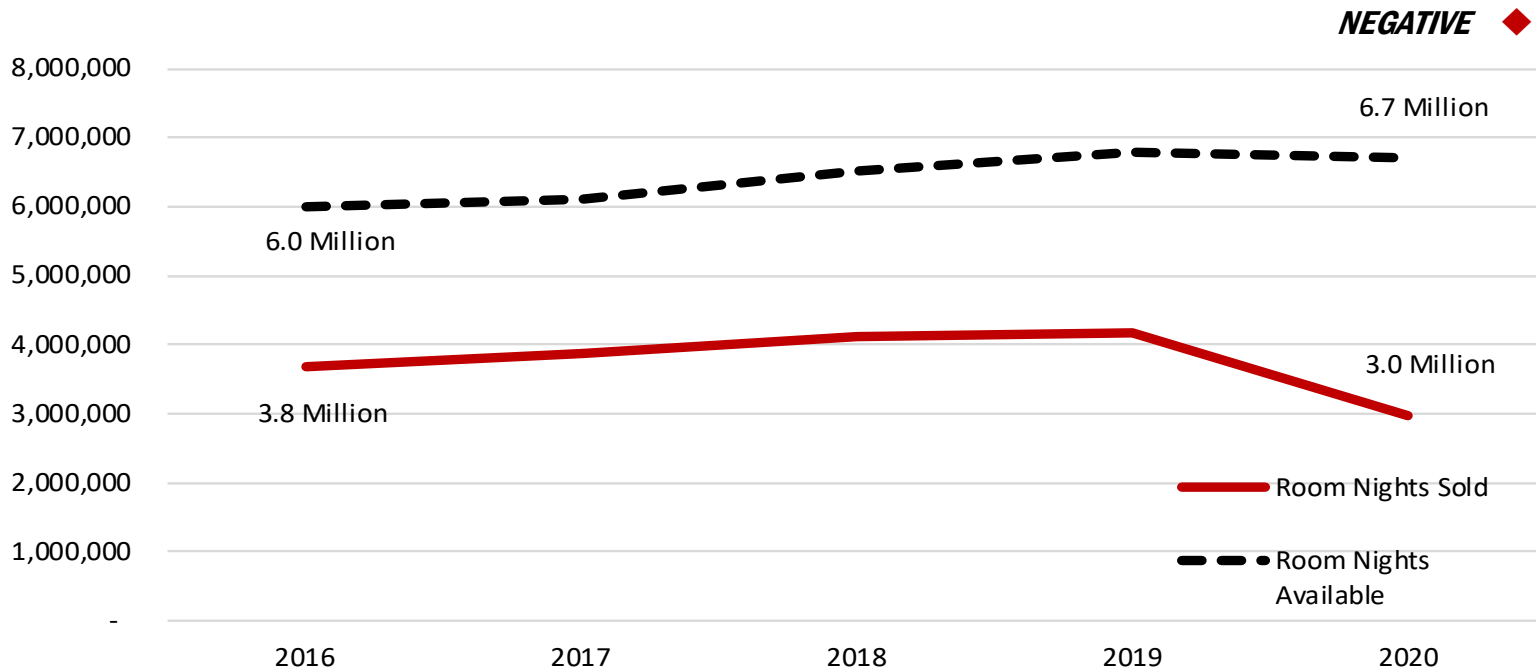
Will Rogers World Airport Number of Boarding Passengers

Airport activity declined 26% in FY20 and 57% in the first six months of FY21





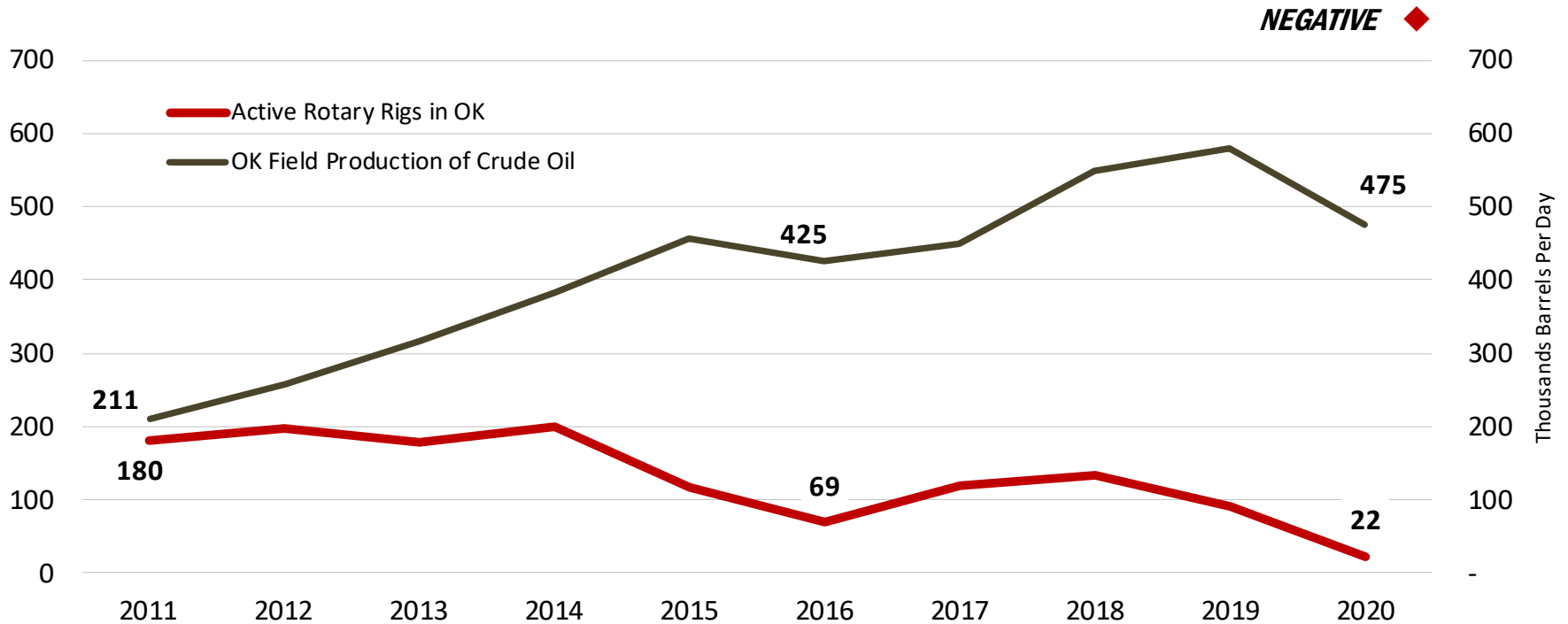
Hotel Room Nights Sold





Active Drilling Activity

Oklahoma Active Drilling Rig Count
 Oklahoma Field Production of Crude Oil



*OK Field Production of Crude Oil for 2018 is average from January – October

Internal Indicators track the City's budgetary and financial condition and present a straightforward picture of financial strengths and weaknesses.

REVENUES

Revenue Per Capita

Revenue Accuracy

Sales and Use Tax Revenues

% of General Fund from Sales and Use Tax

Hotel Tax

Grant Revenues

EXPENSES

Employees per 1,000 Citizens

Fringe Benefits

Pension Funding

Long Term Debt

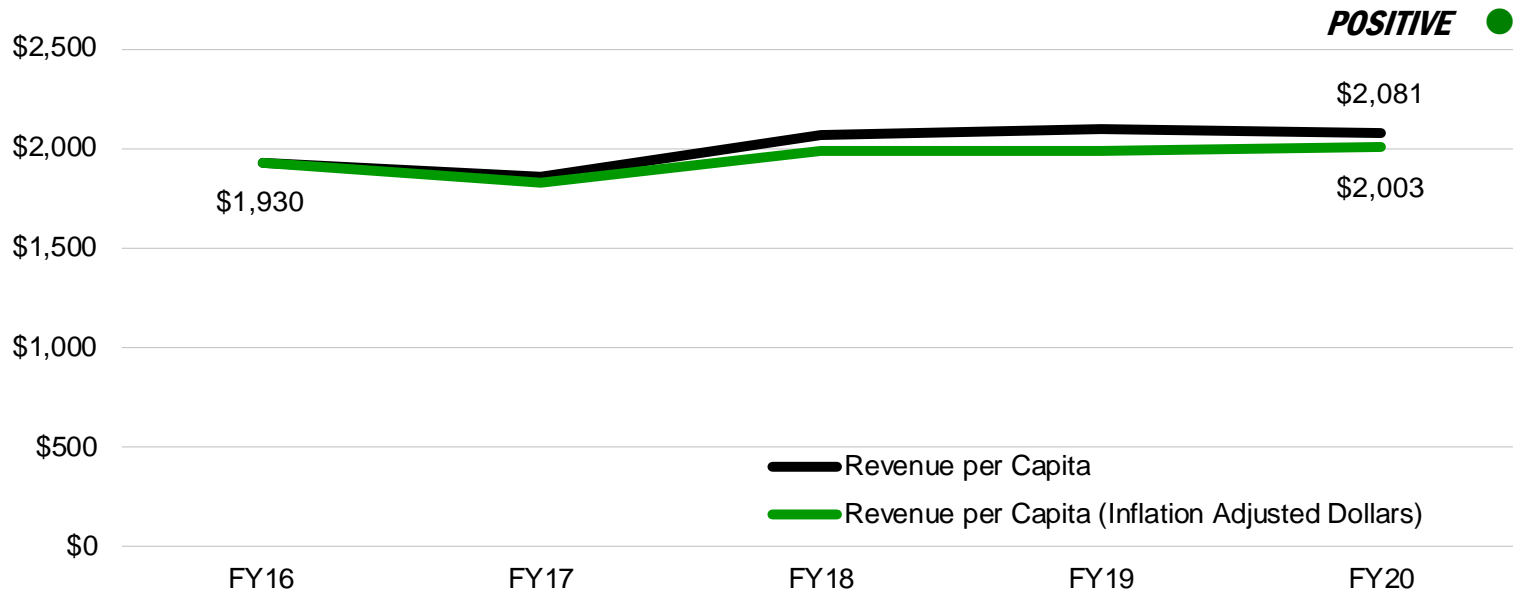
OPERATIONS

Fund Balance

Enterprise Working Capital

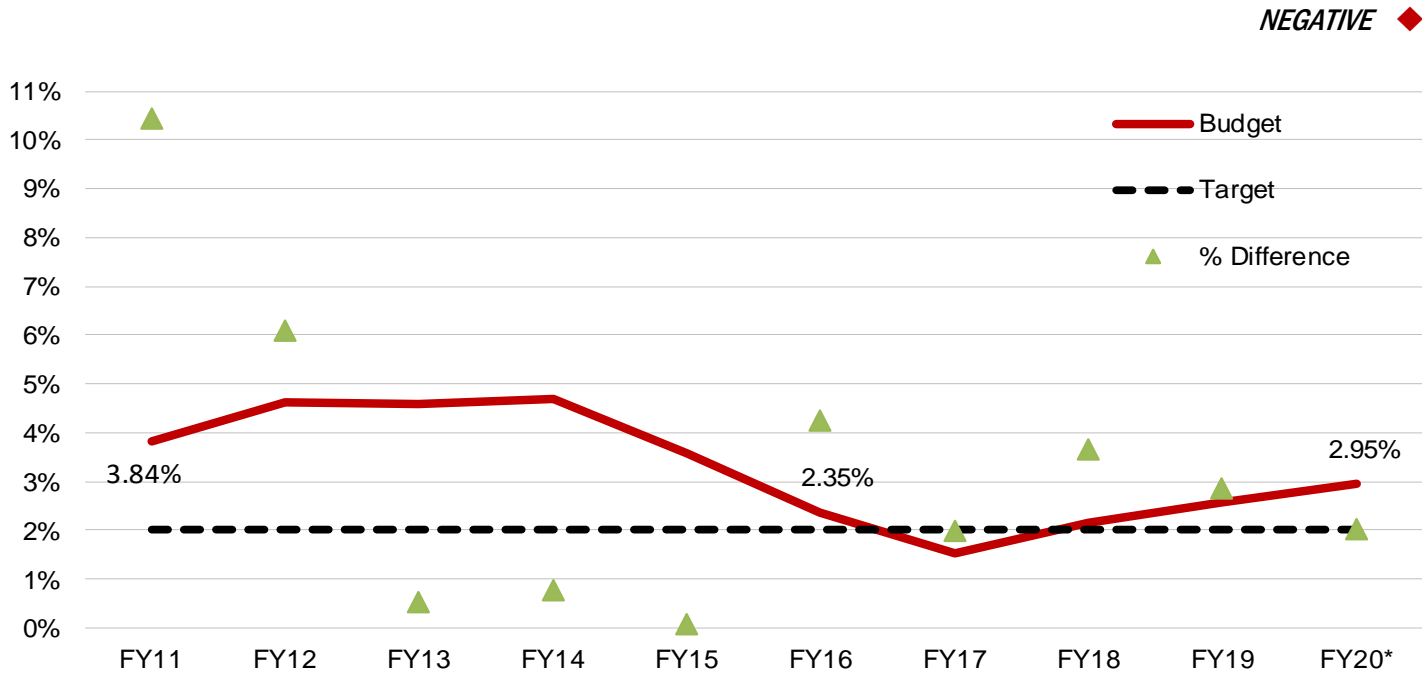
Liquidity

Revenue Per Capita

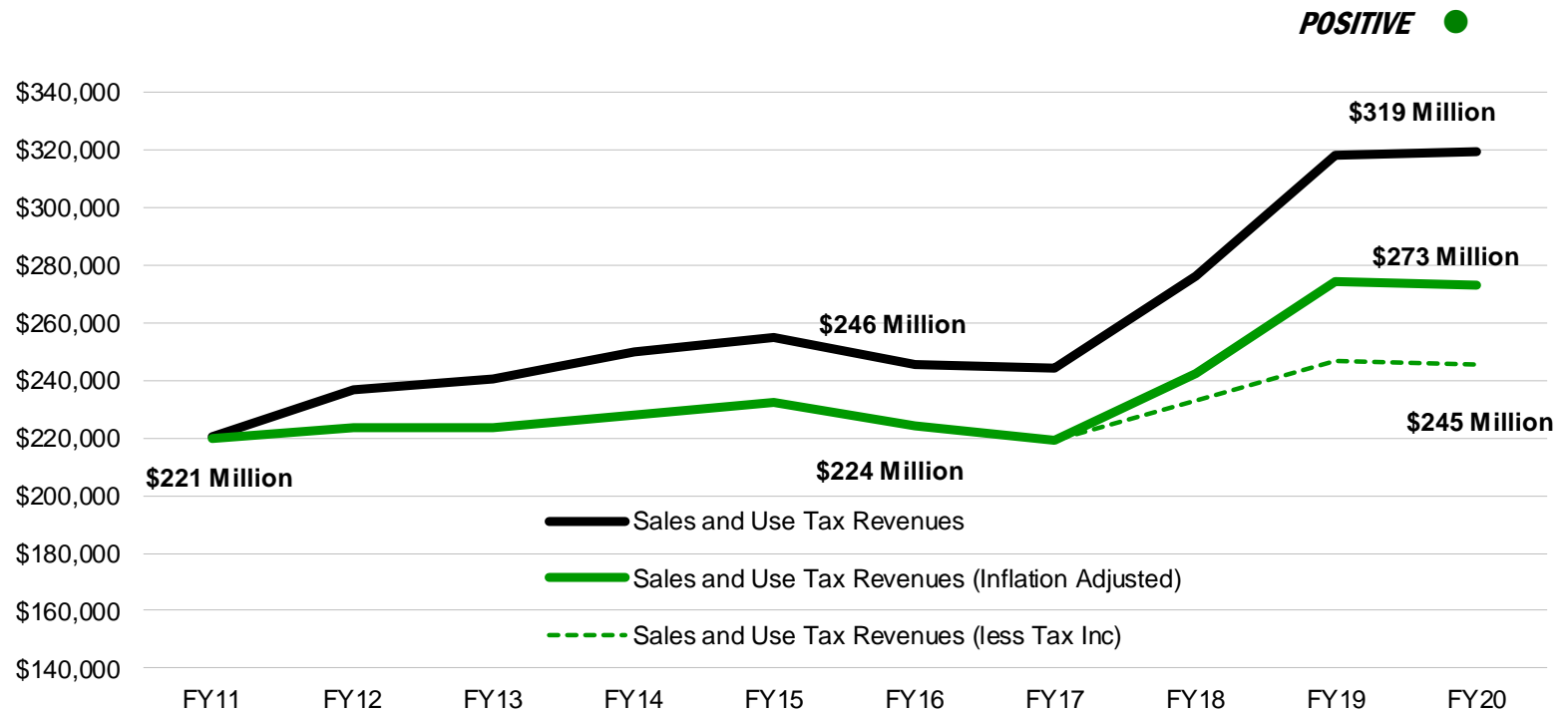


Revenue Accuracy

General Fund Collections Compared to Budget

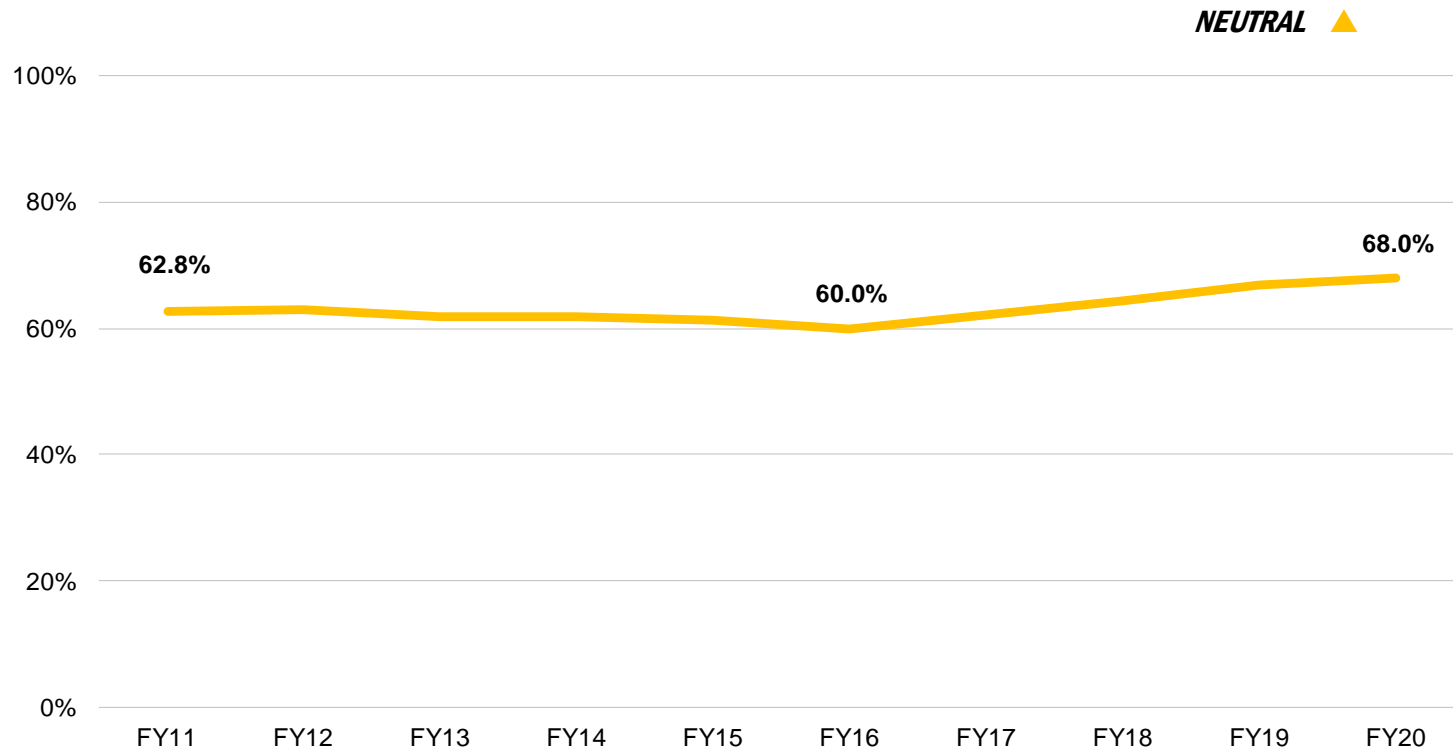


Sales and Use Tax Revenue



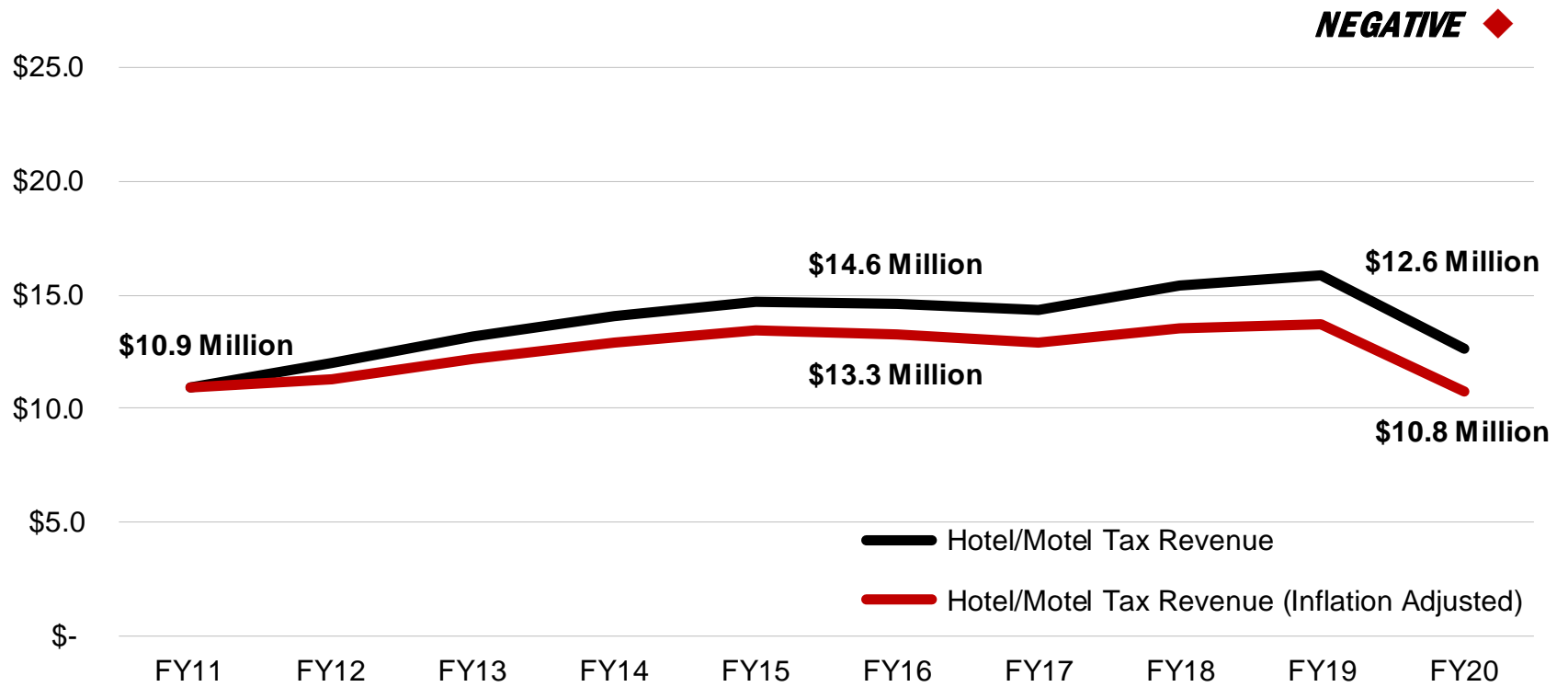
Sales and Use Tax

As a Percentage of General Fund



Hotel Tax Revenue

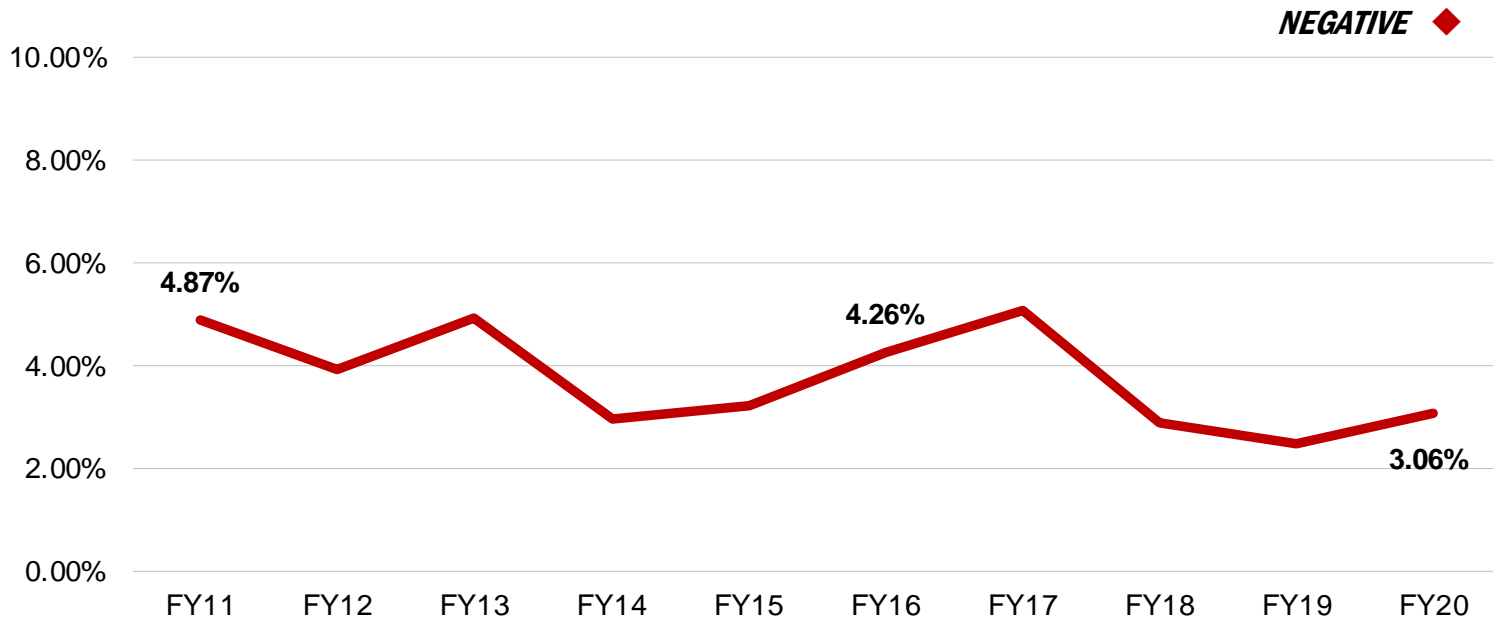
In Millions





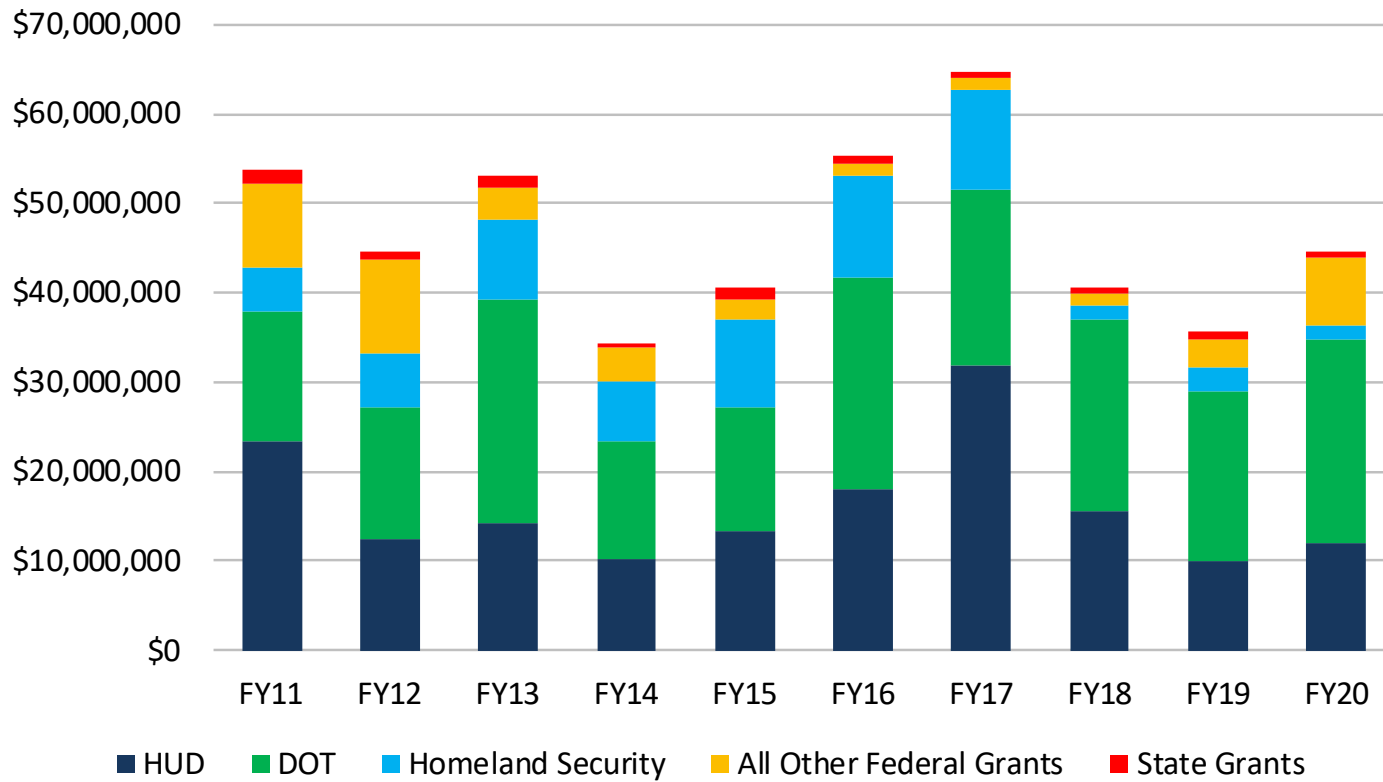
Grant Revenue

As a percentage of Total Operating Revenue



Grant Revenue

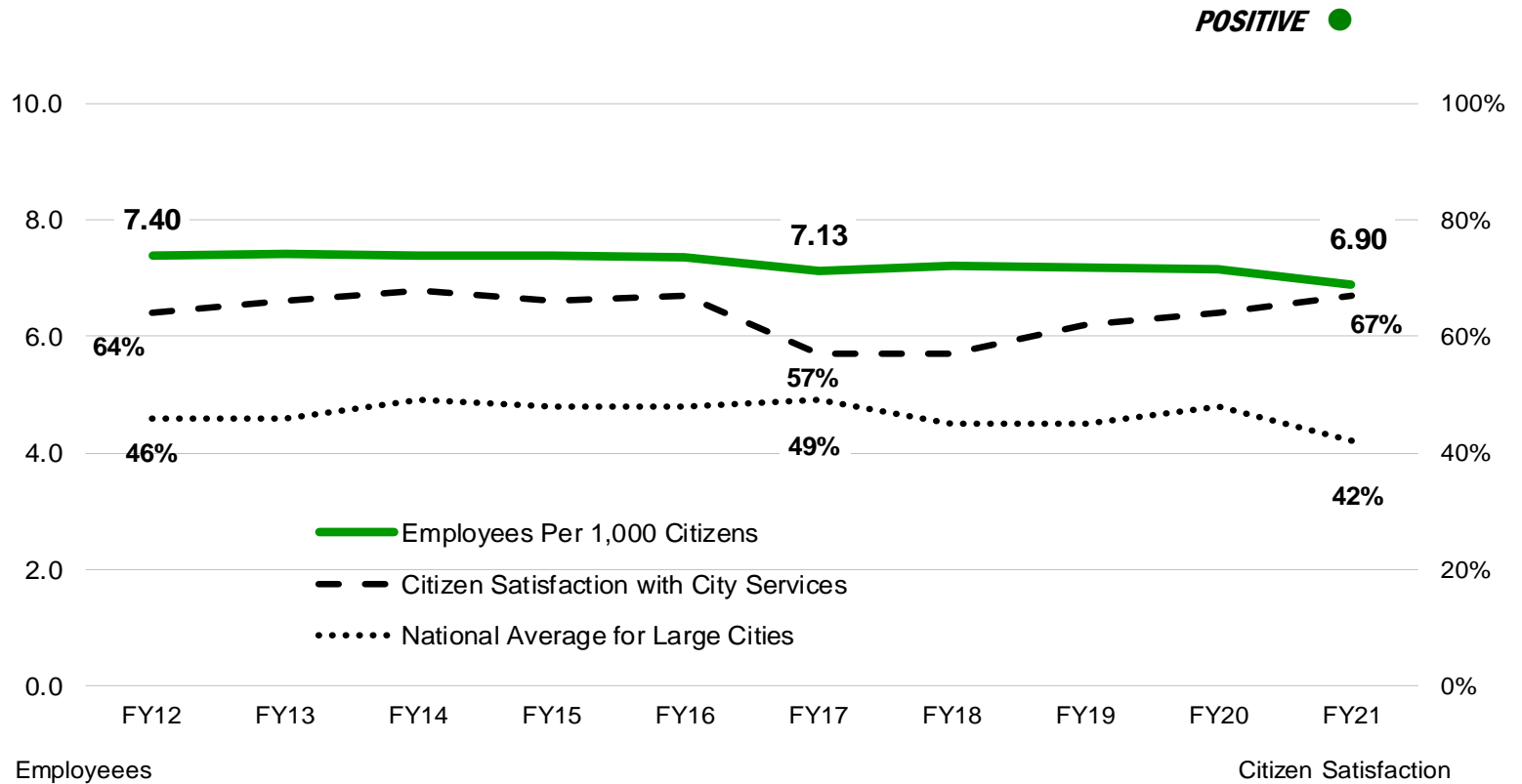
By Granting Agency





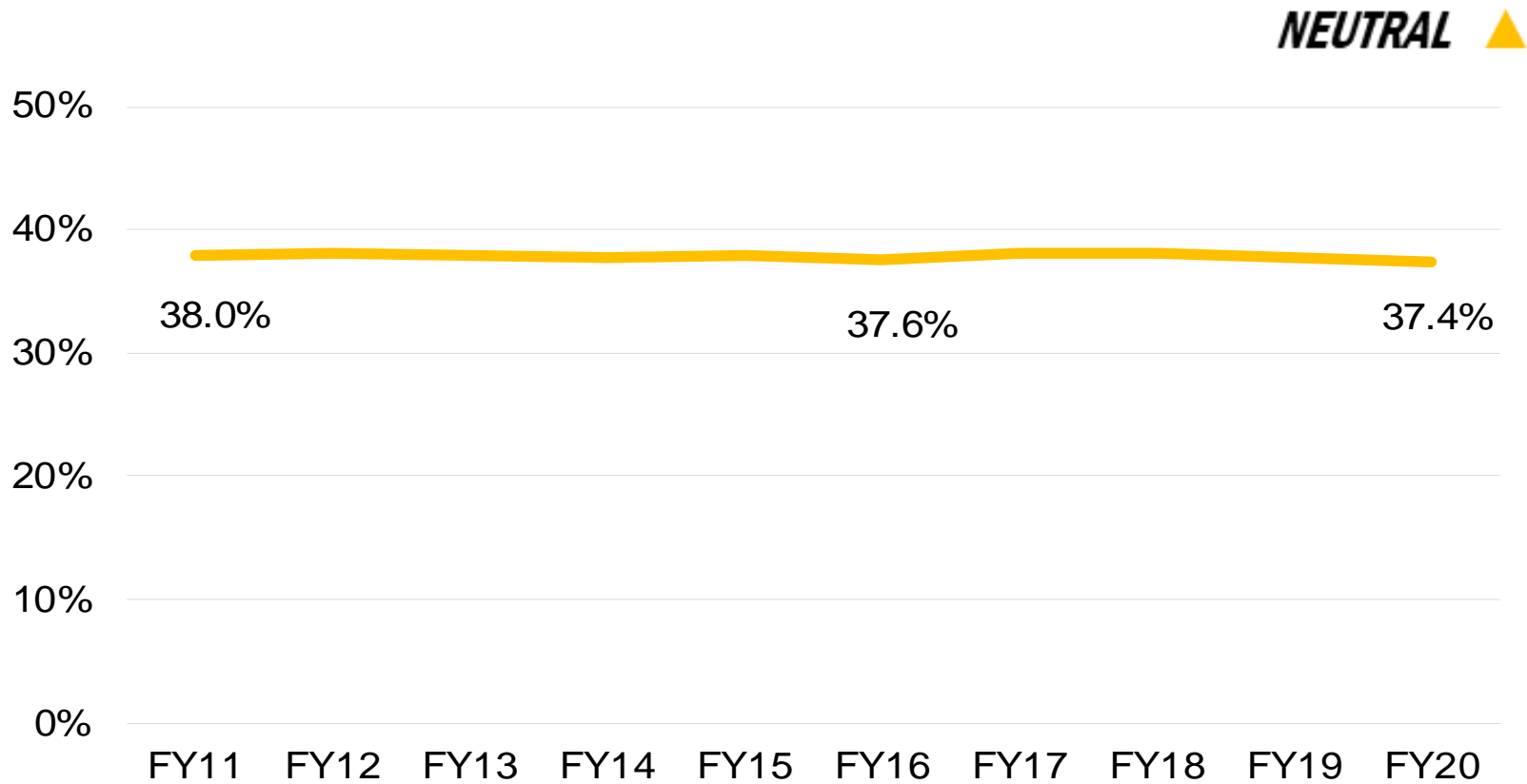
Employees

Per 1,000 Citizens



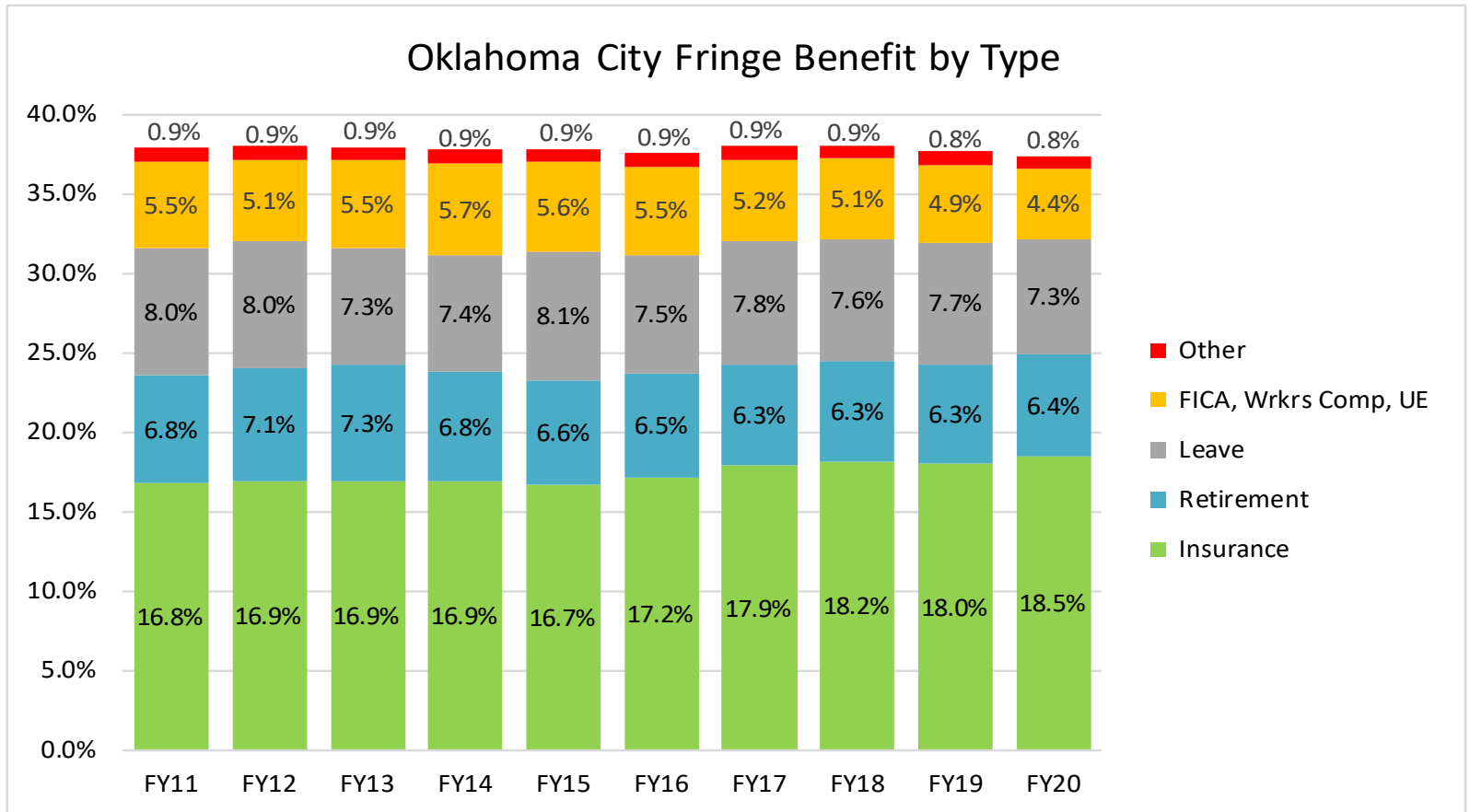
Fringe Benefits

As a Percentage of Total Compensation



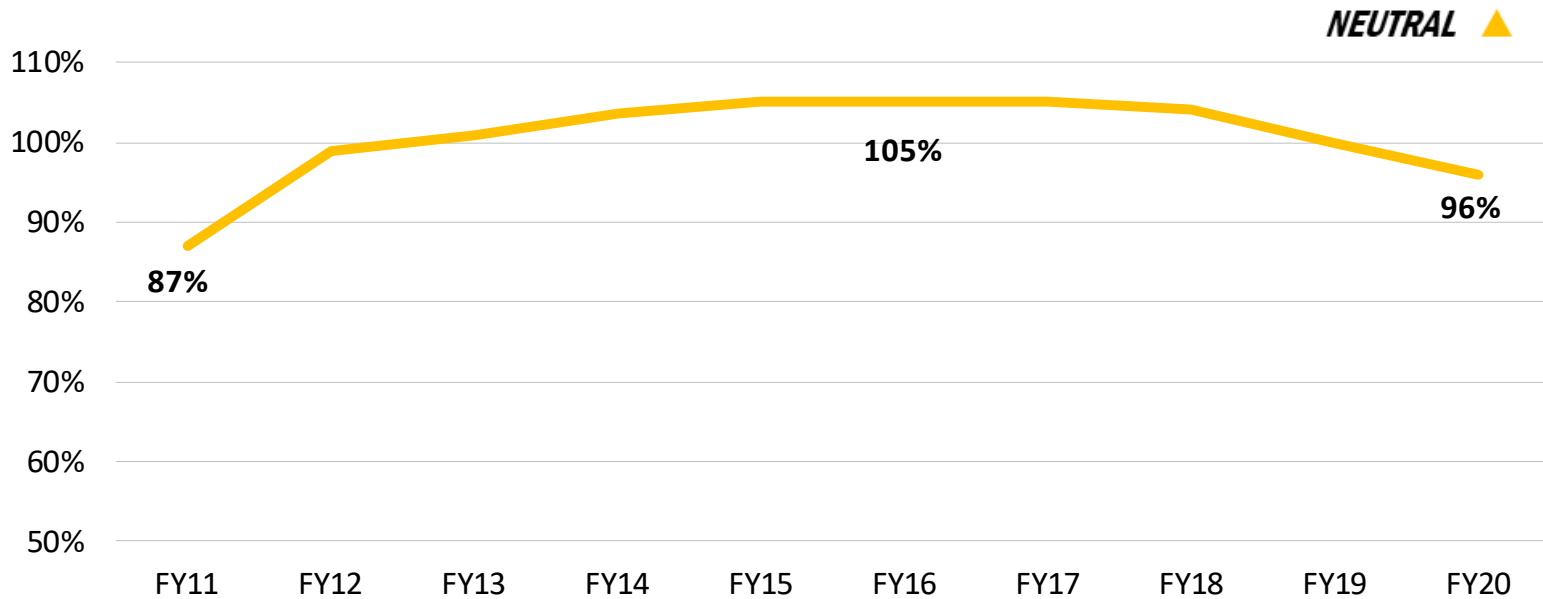
Fringe Benefits

As a Percentage of Total Compensation



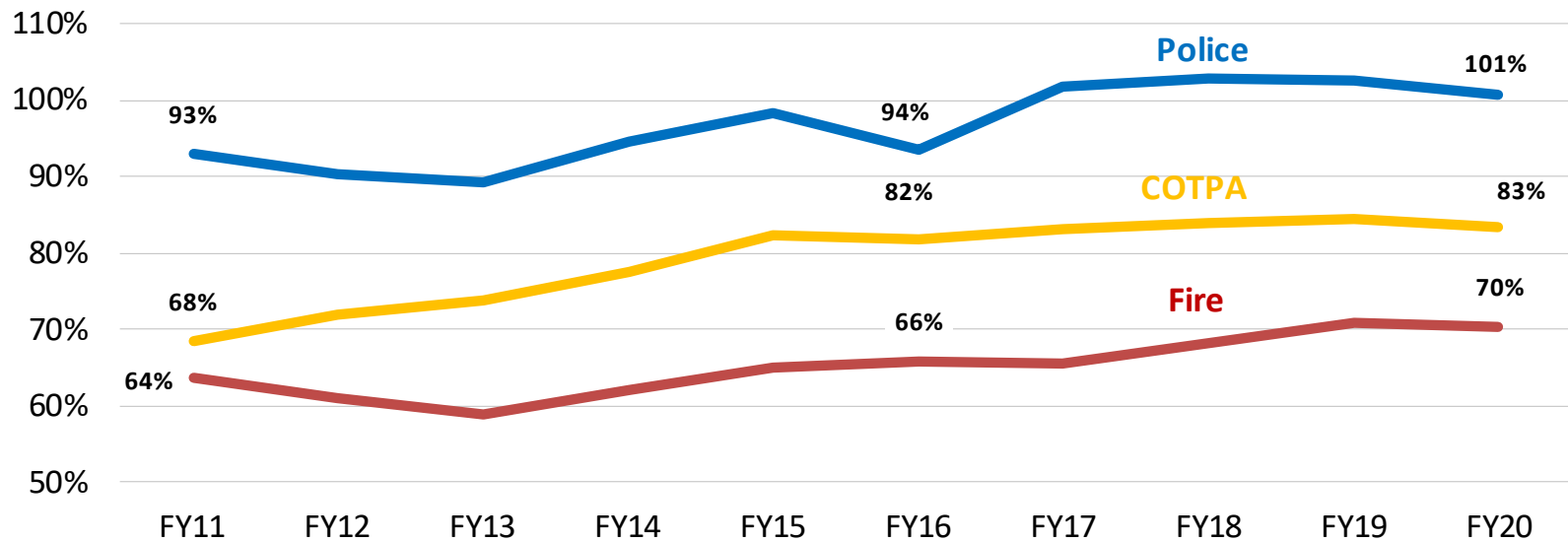
Pension Funding

Oklahoma City Employee Retirement System (OCERS)



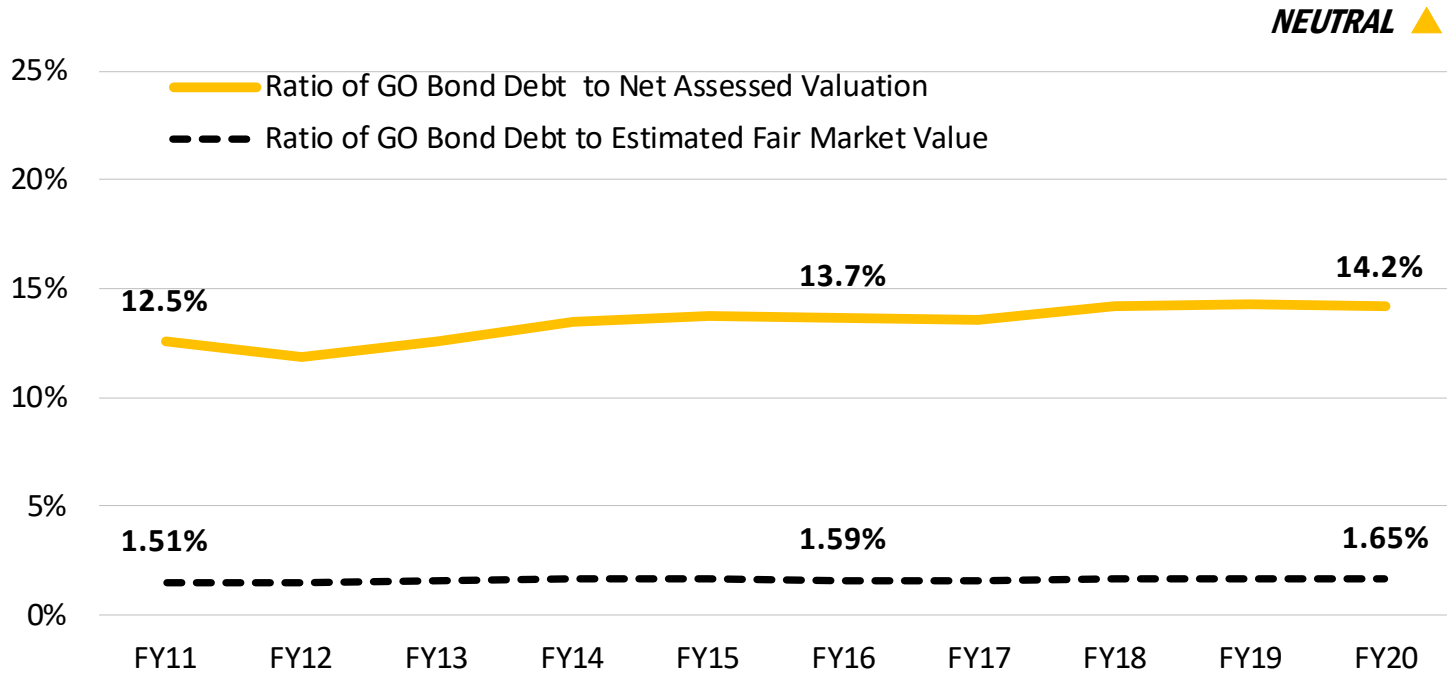
Pension Funding

Accrued Liability Funding Ratio



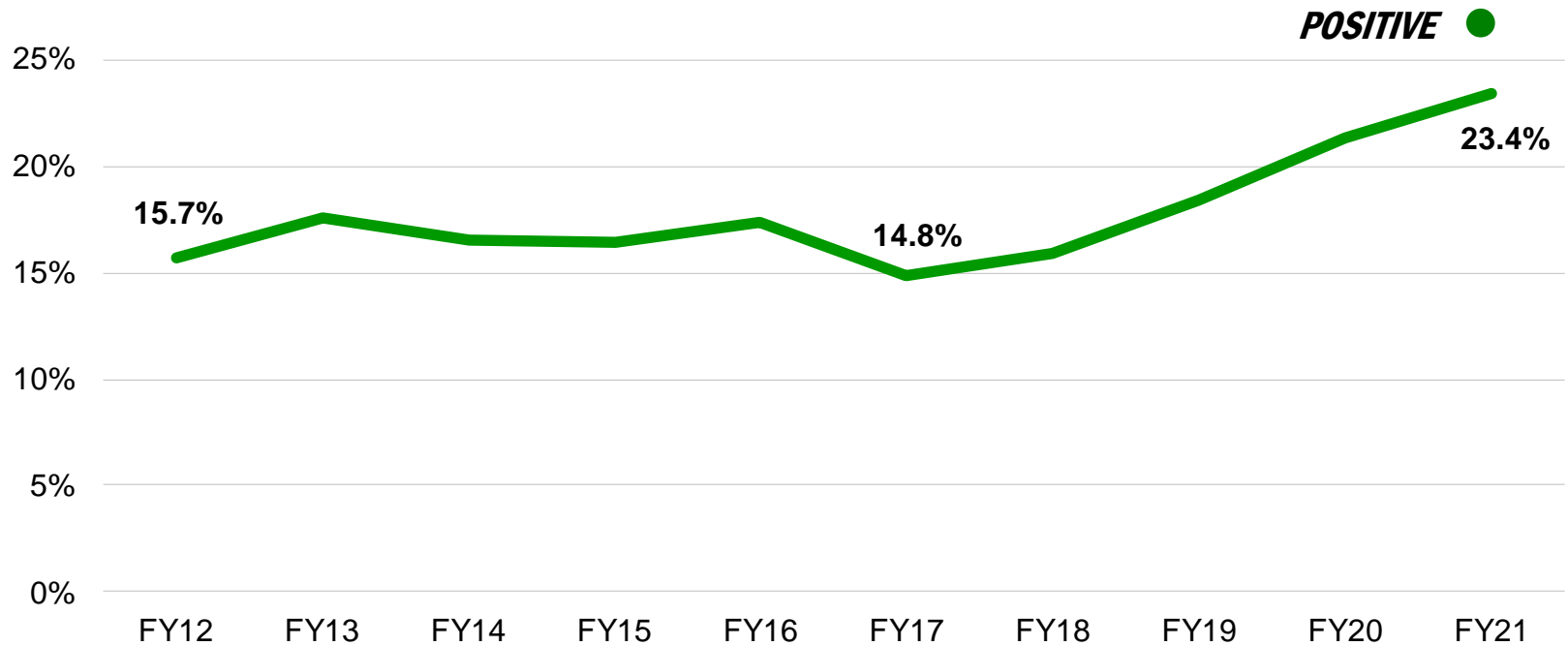
Long Term Debt

Ratio of General Obligation Bonded Debt to Net Taxable Assessed Value



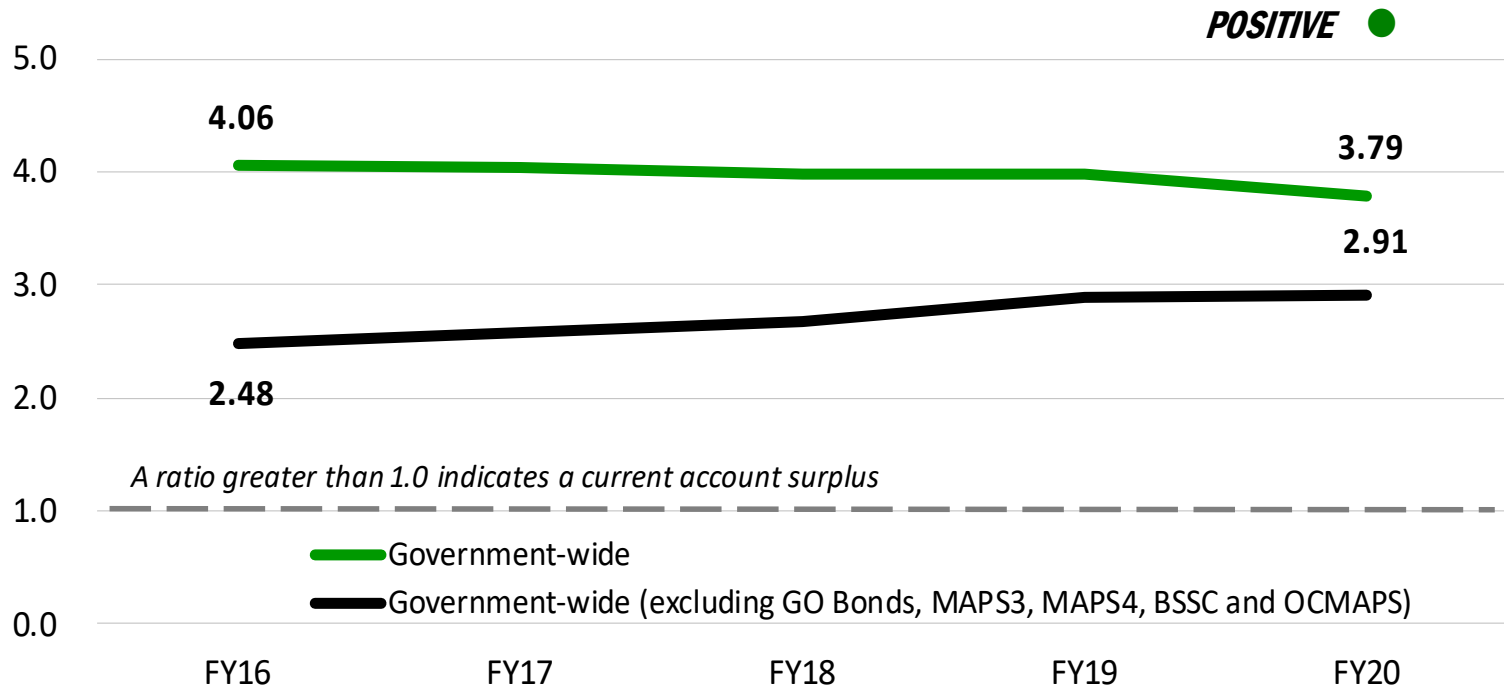
Fund Balance

As a percentage of General Fund Budget



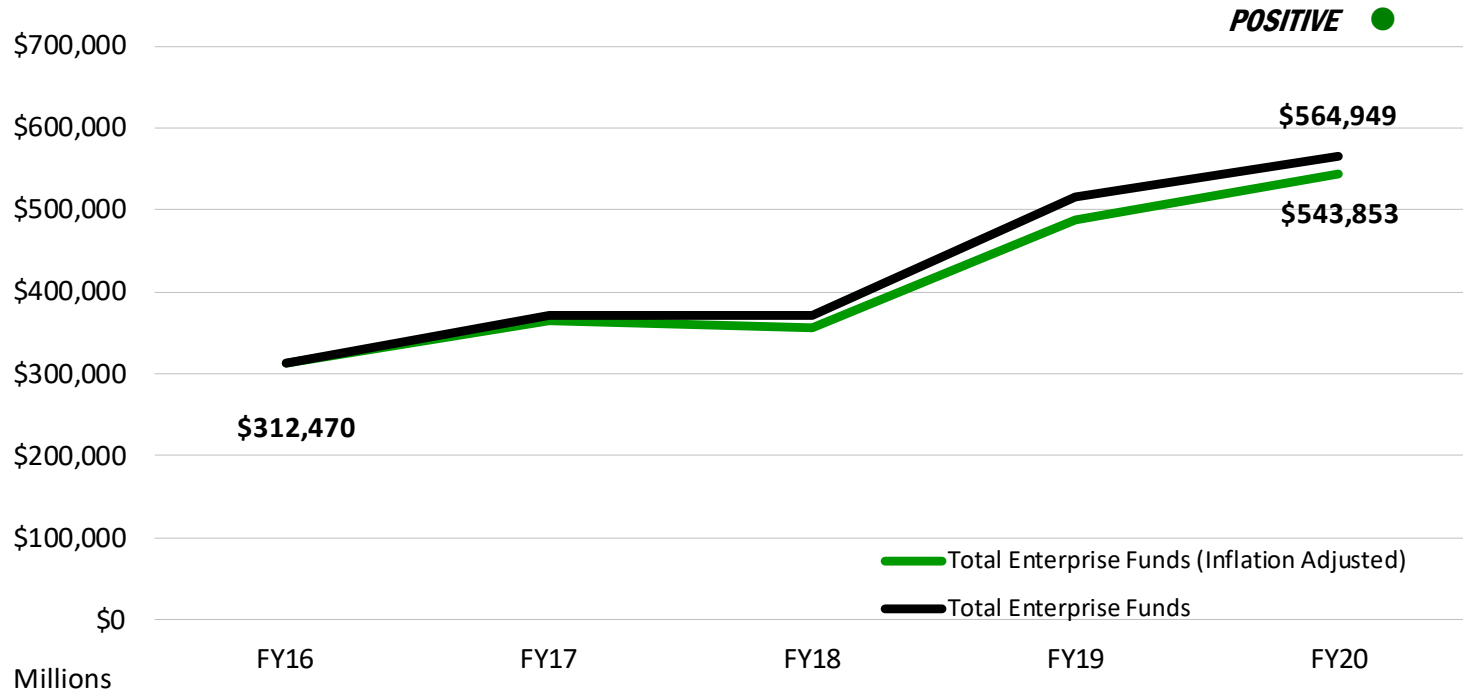
Liquidity

Ratio of Cash, Cash Equivalents, and Current Investments to Current Liabilities



Enterprise Working Capital

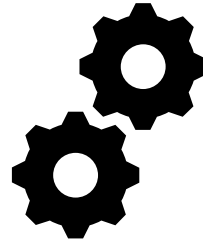
In Millions



Indicators We Need to Continue Monitoring

EXTERNAL INDICATOR

- Active Drilling Rigs
- Office Vacancy Rates
- Airport Activity
- Hotel Room Nights Sold



INTERNAL INDICATOR

- Hotel Tax Revenue
- Grant Revenue
- Fringe Benefits

FIVE-YEAR ECONOMIC OUTLOOK FORECAST



Russell R. Evans, Ph.D.

Executive Director, Steven C. Agee Economic Research and Policy Institute
Meinders School of Business



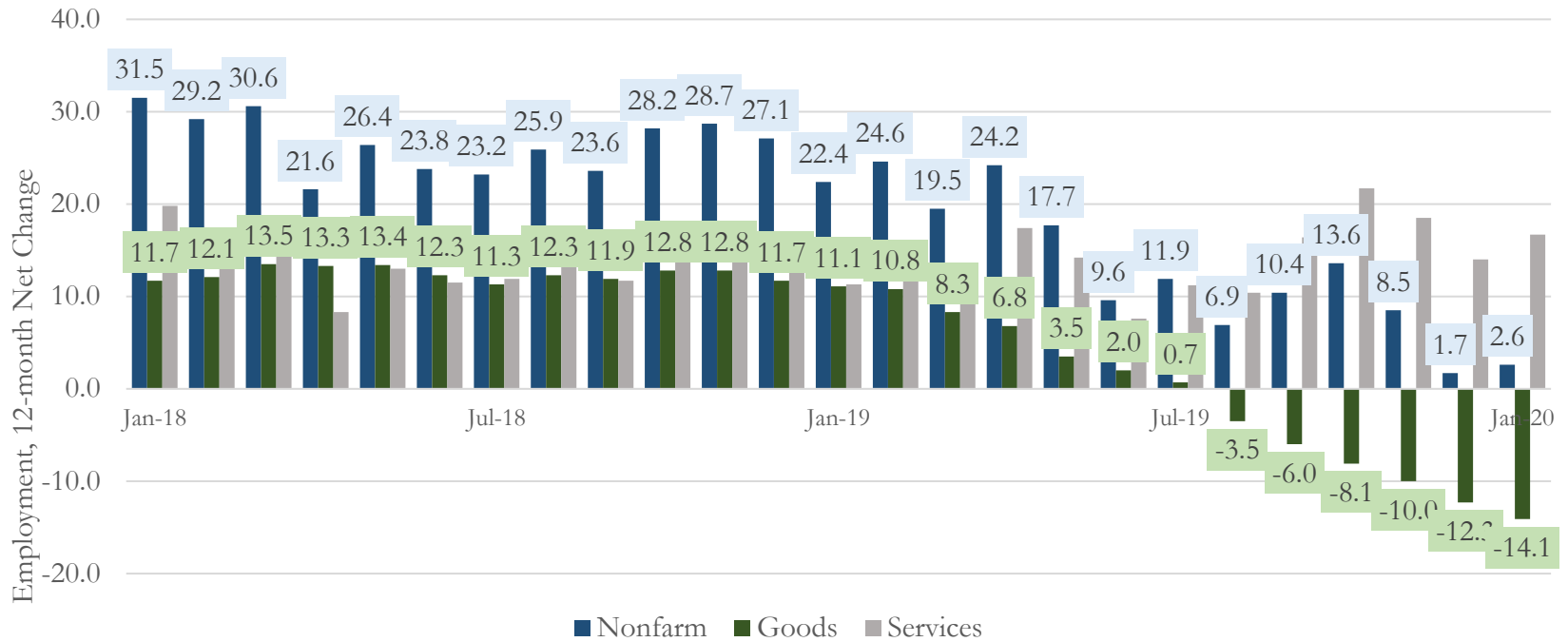
Meinders School of Business ranks in the top 4.5% of Business Schools in the World.

Outline of Thoughts

- Theme of the outlook: An Uncertain Exit Ramp
- Key uncertainties:
 - Are we really on an exit ramp to a post-pandemic economy? (I think so)
 - How long is the exit ramp? (Not short)
 - How bumpy will the exit be? (Not smooth)
- Expect a slow transition back to 2018/2019 levels – probably late 2021 at the earliest and in some cases well into 2022
- Will the true state of the economy reveal itself?
- A welcome return to average fiscal performance

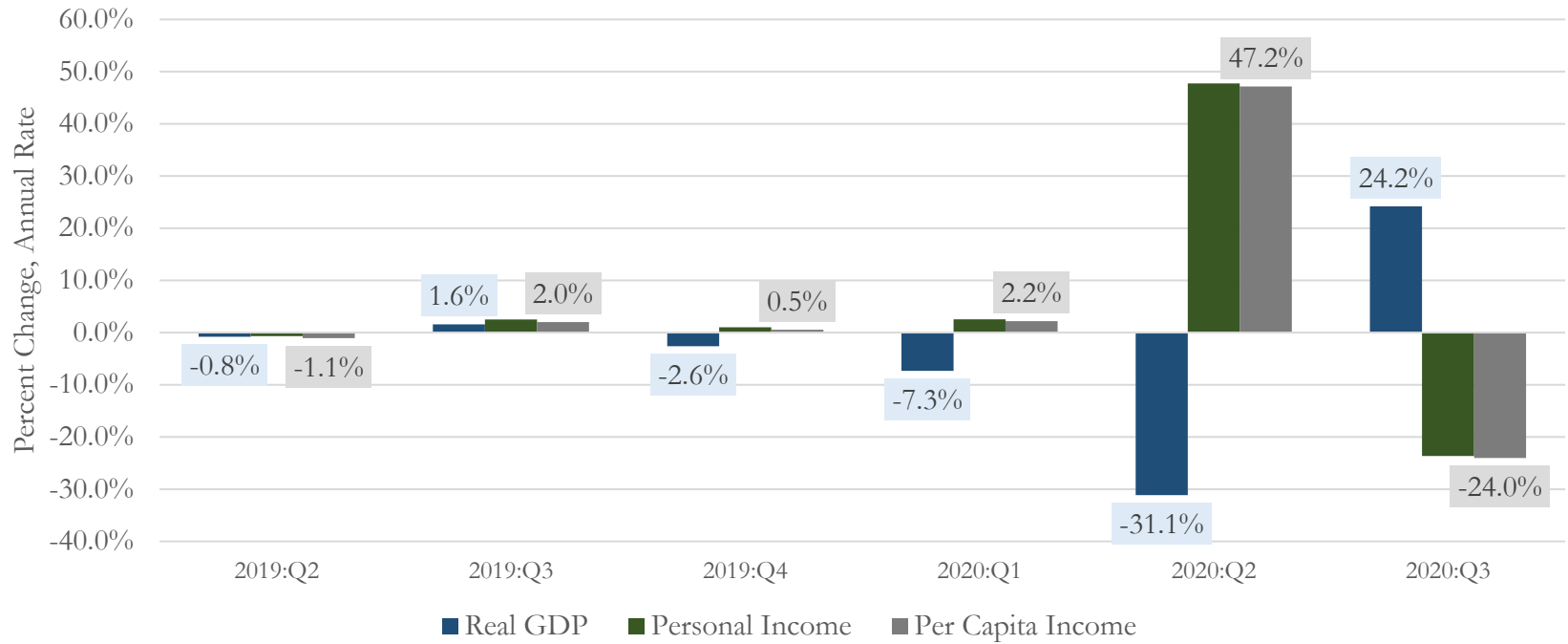
Oklahoma Employment Before Pandemic Policies

Oklahoma Employment Pre-Pandemic



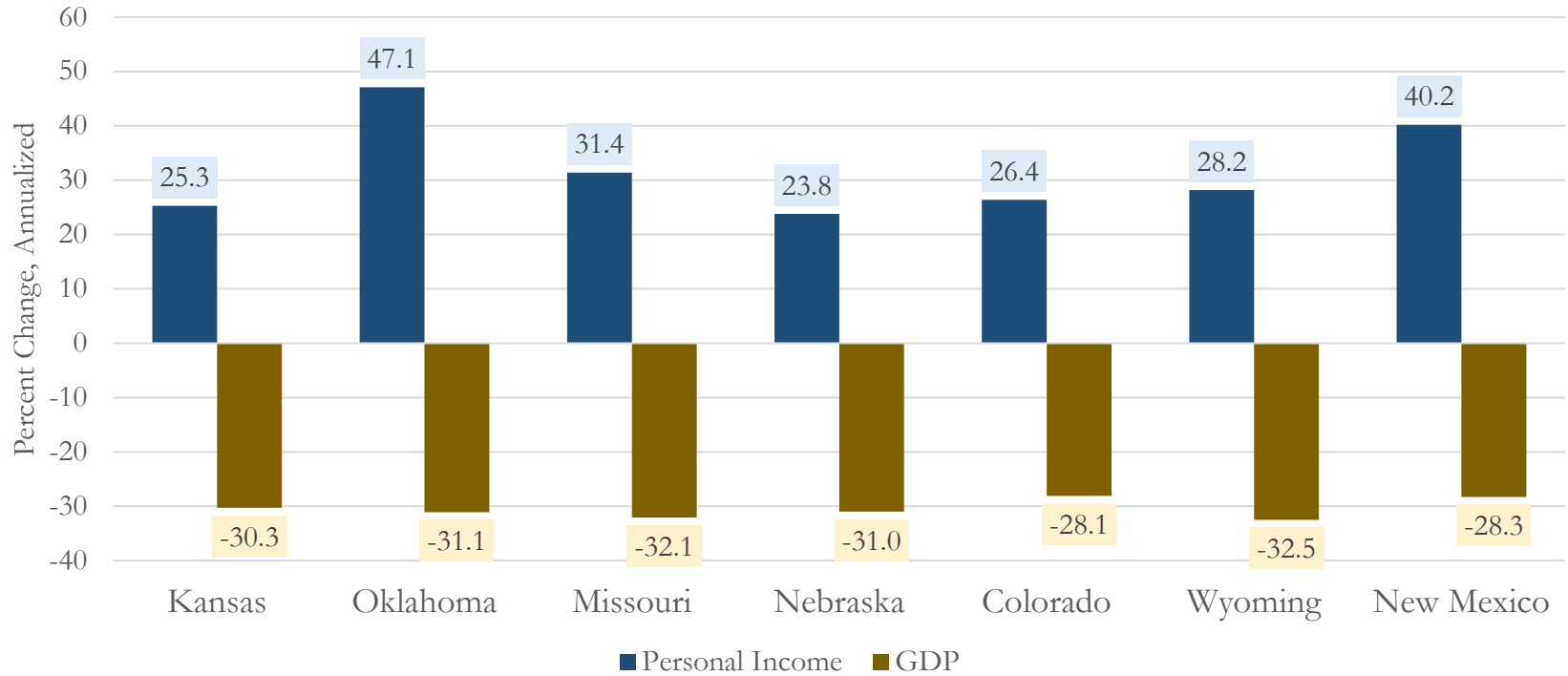
Pandemic Policies Create Chaos in Economic Data

Oklahoma GDP and Personal Income



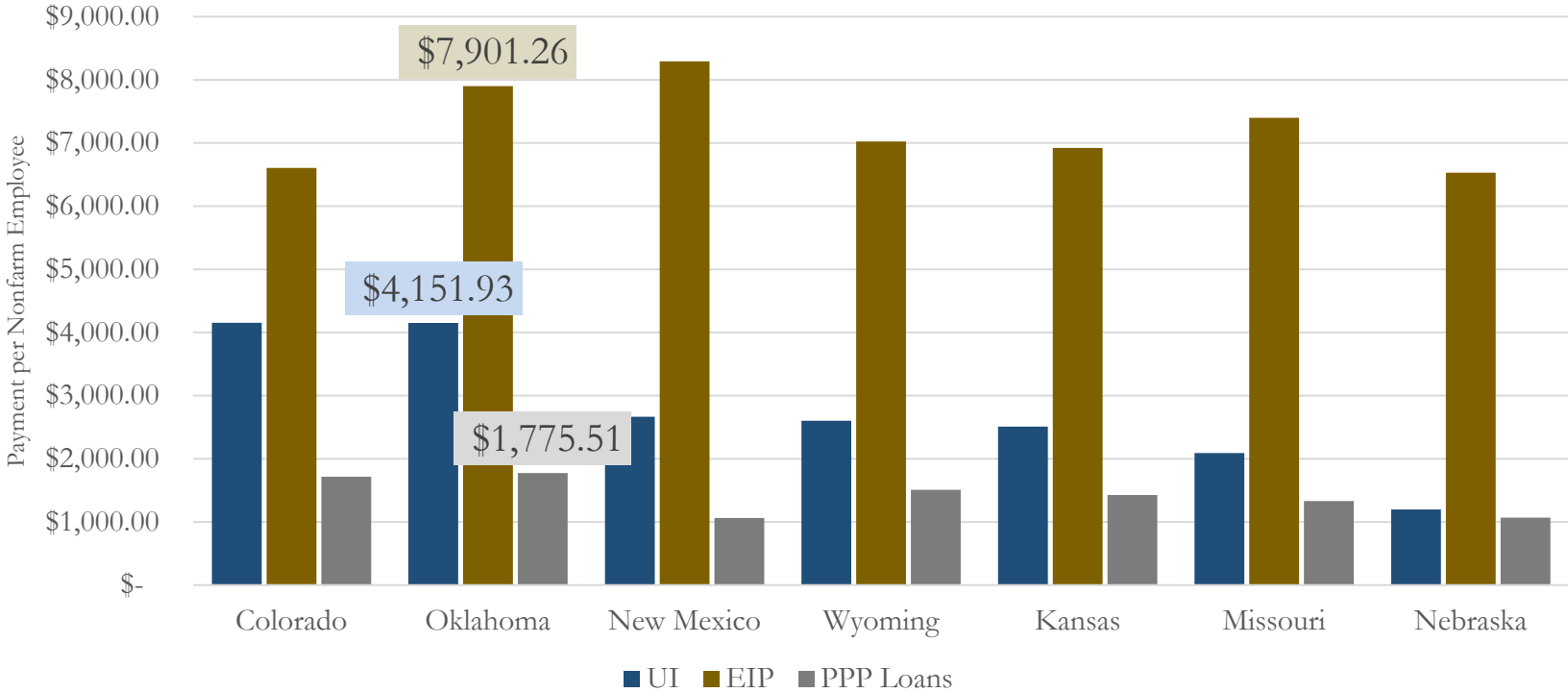
Data Chaos Not Unique to Oklahoma

2nd Quarter Percent Change: GDP and Personal Income



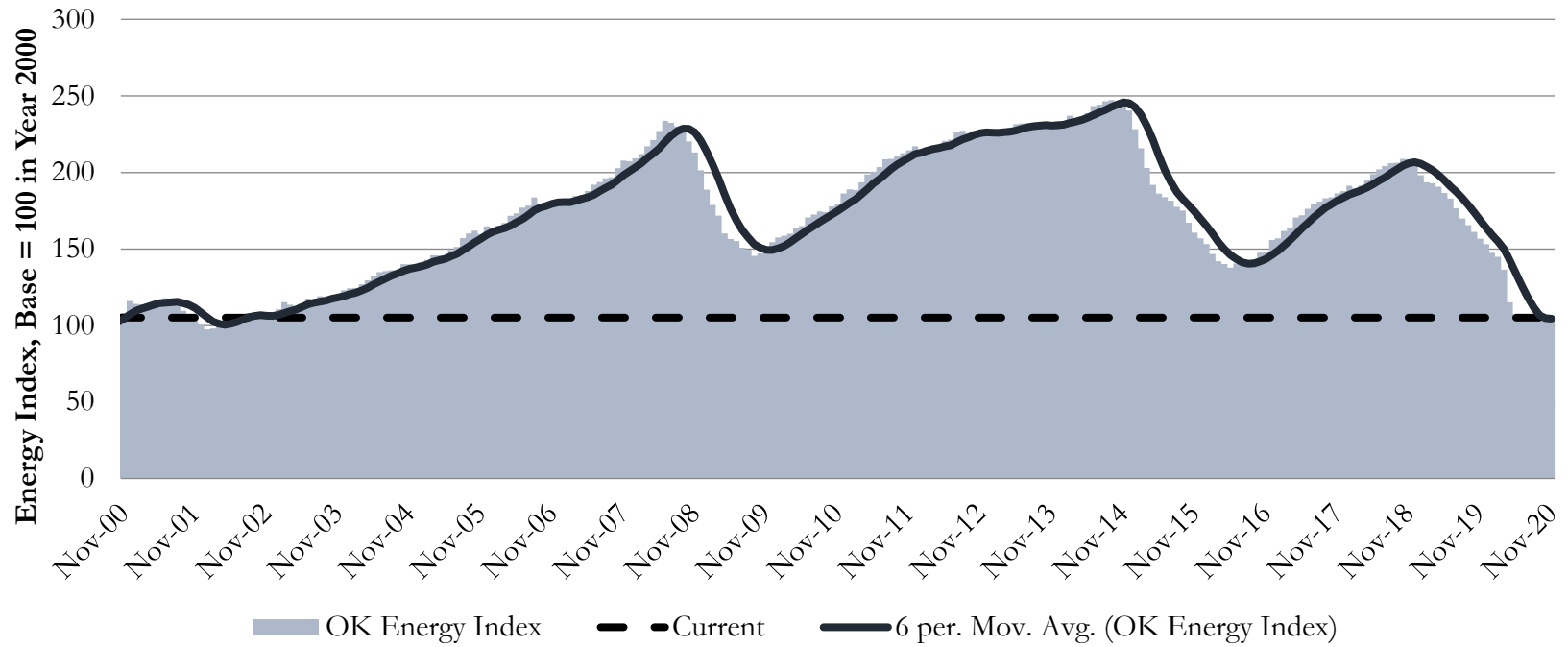
COVID Relief and Personal Income

CARES Act Contributions to Personal Income



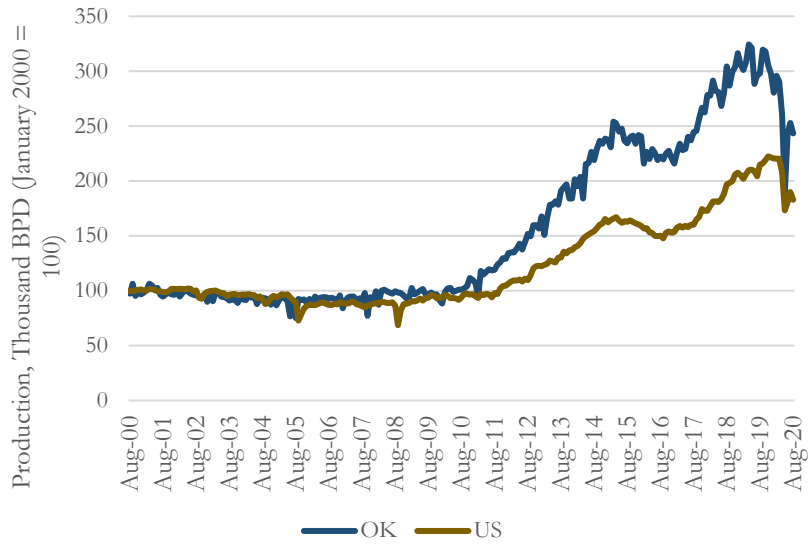
Energy Cycle at a Bottom – No Fast Path to Recovery

Oklahoma Energy Index

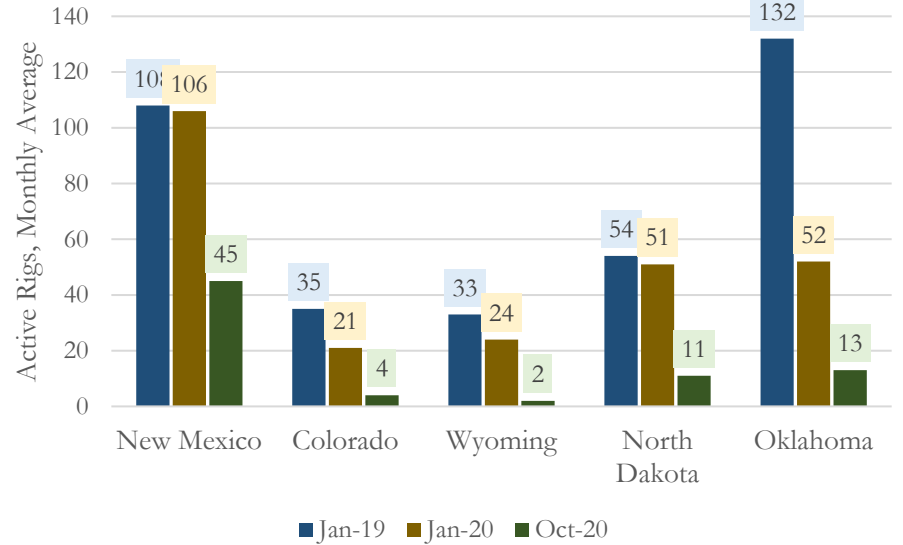


Oklahoma's Energy Bust

Crude Oil Production

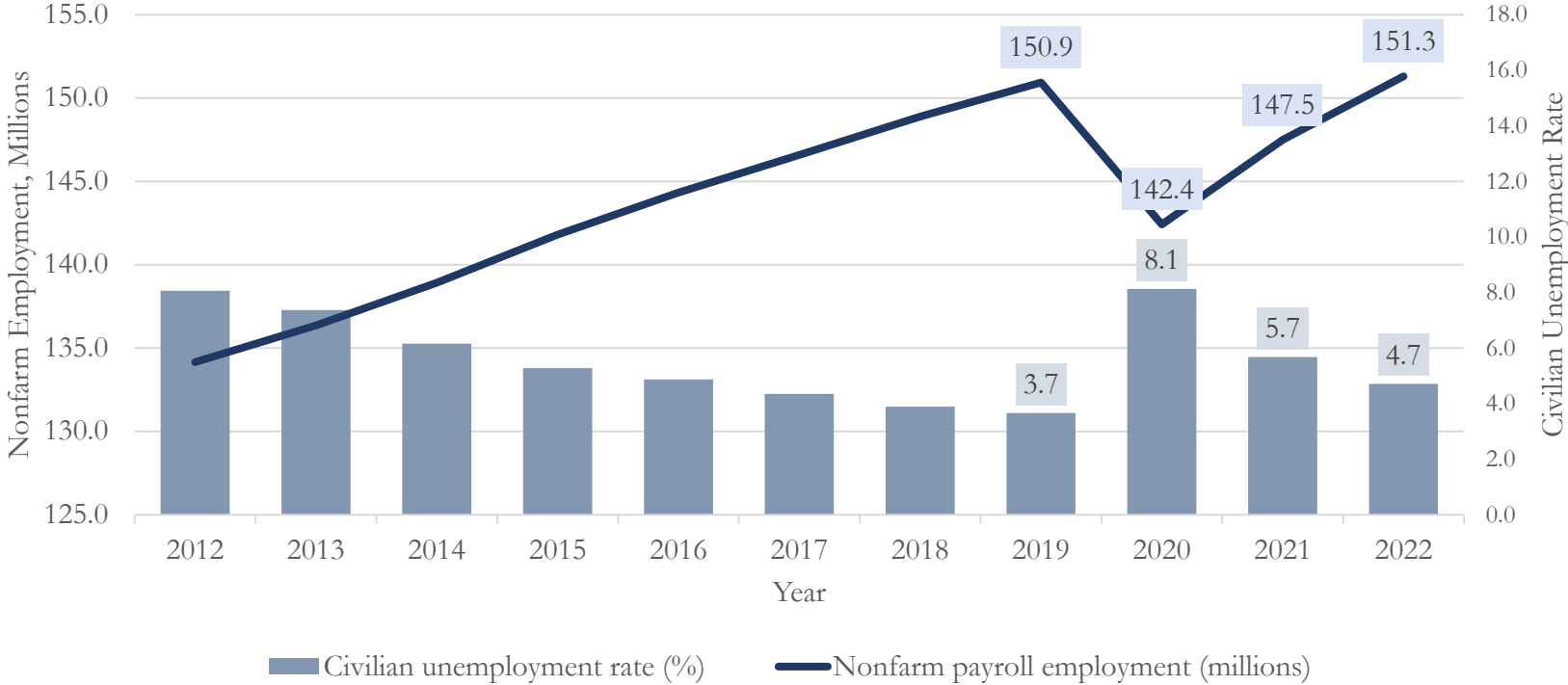


Baker Hughes Active Rig Count



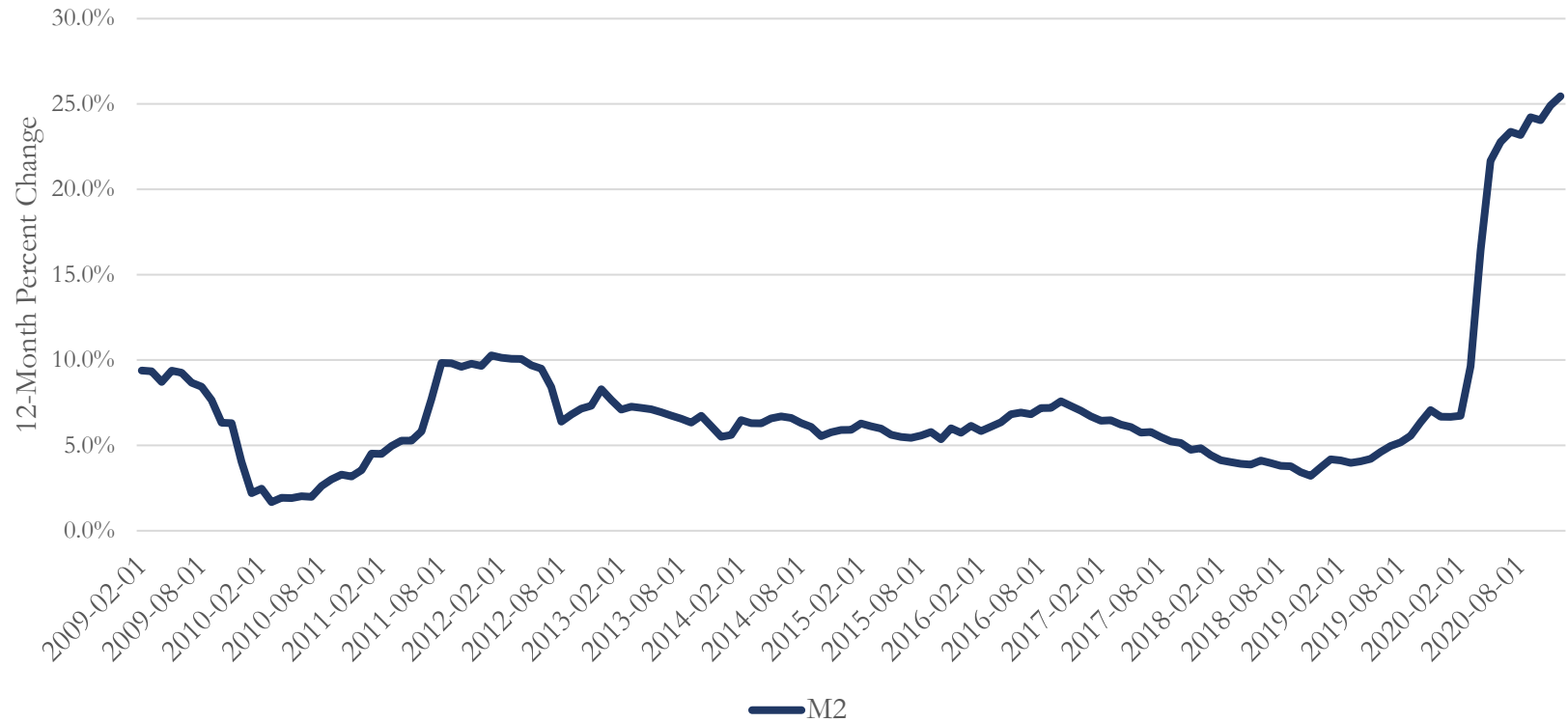
The Only U.S. Outlook Slide

U.S. Nonfarm Employment



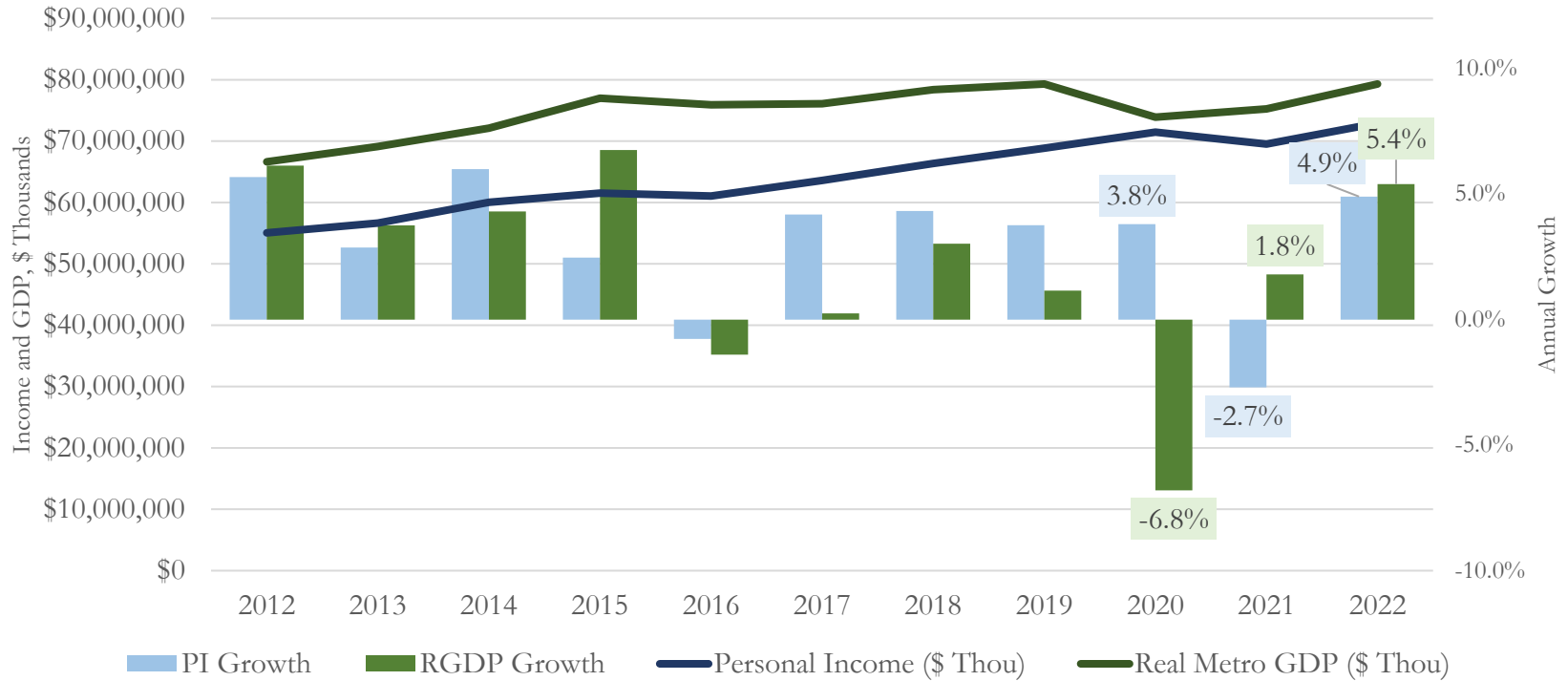
The Only U.S. Policy Slide

Money Stock, M2



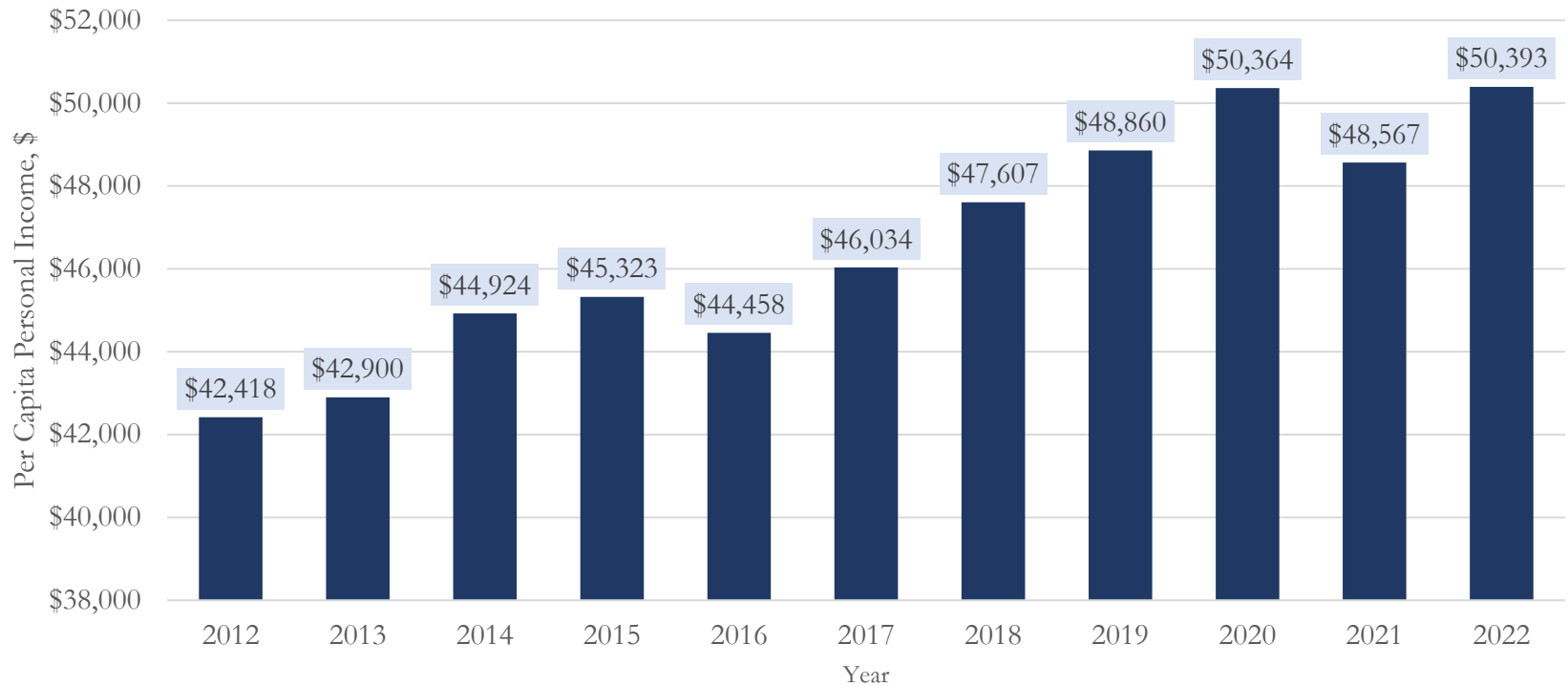
Oklahoma City Economic Data Relationships Normalize in 2021

Oklahoma City MSA Income and GDP

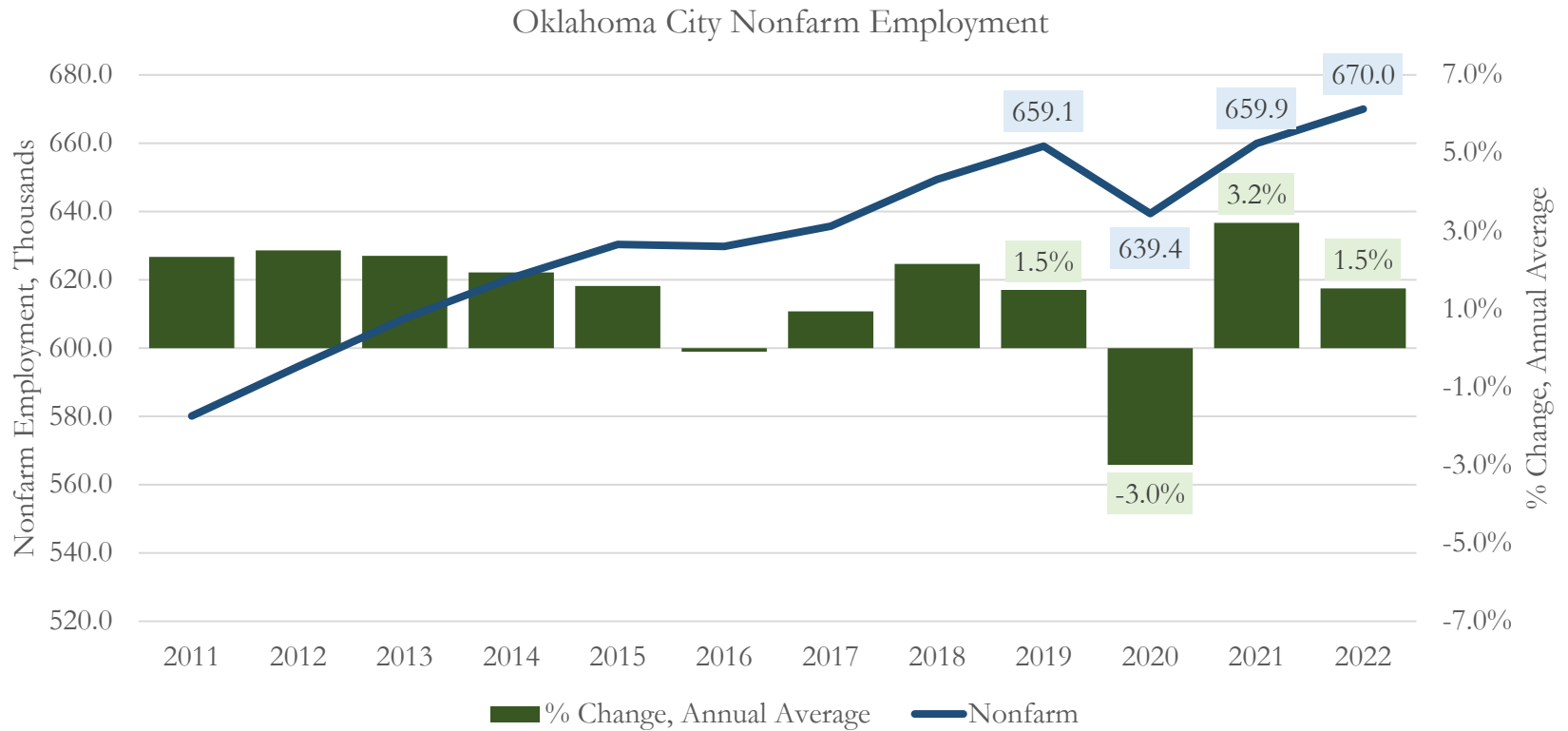


Oklahoma City Economic Data Relationships Normalize in 2021

Oklahoma City Per Capita Personal Income



Economic Data Return to Pre-Pandemic Levels Only in Late 2021 or 2022



From Last Year's Budget Workshop

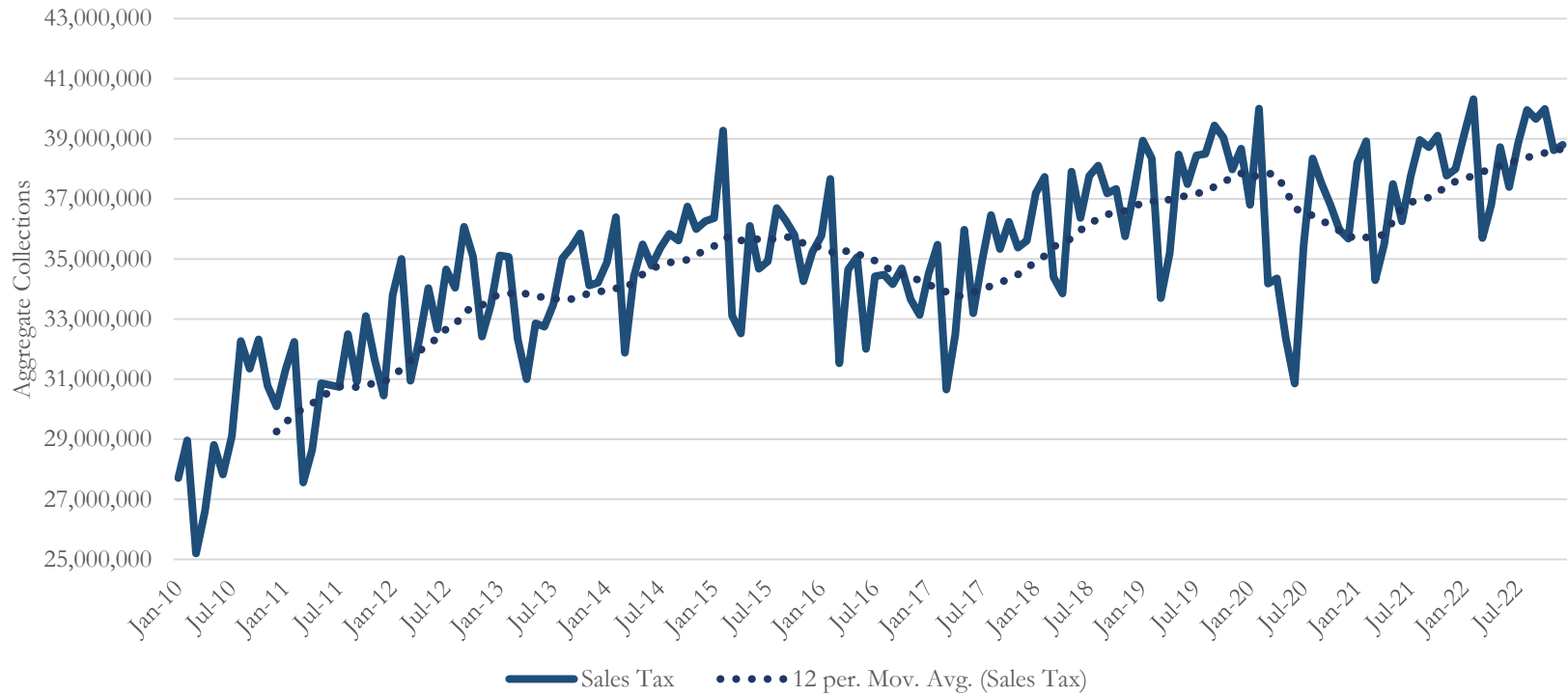
Fiscal Year 2021 Baseline Forecast			
	Mild Contraction	No Model Influence	Avoids Contraction
Fiscal Year 2020	0.66%	1.95%	2.18%
Fiscal Year 2021	-0.50%	1.30%	1.64%

Expectation for FY 2021 are a function of the outside truth you want to impose on the model. At face value, a reasonable expectation for FY 2021 would be 1.5% to 2.0%. But note that the **upside is limited** as something really unexpected is likely needed to support higher expectation. However, much **less is needed to suppress expectations**. FY 2021 is likely a year to plan around the baseline but **be prepared to adjust as outside truths** are revealed.

Growth will slow with more negative growth rate checks expected as we **limp to the finish line of the fiscal year [2020]**.

Sales Tax Trends Very Different from Previous Energy Cycles

Oklahoma City Sales Tax



Sales Tax Outlook: FY 2021 and FY 2022

- The sales tax outlook is predicated on the preceding economic narrative; as the economic reality diverges from the narrative, so too will the sales tax reality diverge from the forecast
- Growth through the end of FY 2021 may be mildly overstated
- Growth in FY 2022 would represent a return to the long-run average performance and only a modest gain on FY 2019 collections

Monthly Detail	
Jul-20	-7.76%
Aug-20	-0.41%
Sep-20	-4.92%
Oct-20	-5.78%
Nov-20	-5.26%
Dec-20	-7.75%
Jan-21	3.81%
Feb-21	-2.70%
Mar-21	0.34%
Apr-21	3.29%
May-21	15.94%
Jun-21	17.49%
Fiscal Year Summary	
FY 2019	3.3%
FY 2020	-1.1%
FY 2021	0.0%
FY 2022	4.1%

Outlook Summary

- Tremendous inflow of policy funds obscures the true state of the economy
- Expect a slow transition back to 2018/2019 levels – probably late 2021 at the earliest and in some cases well into 2022
- The “feel” of 2021 will depend on the size and distribution of any subsequent relief policy; but the reality will be an economy not at full strength
- Even with a significant second policy round or vaccine response, there is not a clear path back to robust oil activity in Oklahoma
- As data relationships normalize in 2021, the city returns to normal (long-run average) growth in sales tax collections in FY 2022

**FIVE-YEAR
SUCCESSFUL OUTCOMES
FORECAST**



SUCCESSFUL OUTCOMES



TERMINAL EXPANSION

The Will Rogers World Airport terminal expansion project is scheduled for completion by the end of FY21.



PRIME GOVERNMENT SOLUTIONS

The City Council has implemented Prime Government Solutions, LLC to provide an Agenda Management System to the City of Oklahoma City and its trusts.



RESIDENT SATISFACTION RATING

The resident satisfaction rating with the condition of streets has doubled, going from 9% in 2017 to 18% in 2020.

SUCCESSFUL OUTCOMES



GO BOND PACKAGE



**BETTER STREETS
SAFER CITY**

ONE CENT TEMPORARY TAX



¼ CENT SALES TAX INCREASE



OPEN RECORDS REQUEST



EXPANDED BUS SERVICE



LIVE RELEASE RATE



**PUBLIC SAFETY CAPITAL
FUNDING**



ANIMAL WELFARE RESPONSE



MAPS 4

**FIVE-YEAR
FORECAST ISSUES
FORECAST**

Forecast issues are **financial issues** facing departments in the coming years

1

General overview of the issue

Not a detailed cost estimate

2

Provides **early warning for emerging issues departments will face in coming years**

All 51 department issues are included in the forecast document beginning on page 89

Highlighted Issues

- ***8 Issues Highlighted***

Key Financial Issues Facing Departments

- ***Possible Direction and Next Steps Identified***

Raising Awareness to Stimulate Conversation and Action



- **Expected to open in September 2021**
- **City will be responsible for future operations and maintenance**
- **Partnership with the Chickasaw Nation through the AICCM Land Development, LLC to develop the commercial property around the facility**

POSSIBLE DIRECTION AND NEXT STEPS

- Funding and Agreement for Operations and Maintenance
- Potential Impact on Operating Funds



LONG TERM WATER CAPITAL

WATER UTILITY – Water Supply

- \$807 million for construction of the 2nd Atoka Pipeline
- Construction to be completed by FY25

WASTEWATER UTILITY

- \$113 million for upgrades and increased capacity from 6 MGD to 9 MGD to meet growth demands
- Contract award expected early 2021 and project completion expected by 2023

REGULATORY ISSUES

- New regulatory requirements for pharmaceutical disposal into wastewater systems

TINKER AIR FORCE BASE MUNICIPALIZATION

- Transfer system ownership on September 1, 2021 with a 50-year lease to operate, maintain, and improve the water and wastewater systems at Tinker Air Force Base.

POSSIBLE DIRECTION AND NEXT STEPS

- Review rates and recommend adjustments as needed



PUBLIC TRANSPORTATION SYSTEM IMPROVEMENTS

DEVELOP A TRANSPORTATION SYSTEM THAT WORKS FOR ALL RESIDENTS

- **Bus Rapid Transit begins in FY23**
Estimated \$4.5 million annual operating costs
- **Conduct Comprehensive Operational Analysis**
Will make recommendations on transformation of EMBARK's fixed route bus services
Implementation will increase operating costs
- **MAPS 4**
Projects will increase operating costs
- **Facility Expansion Needs**
Adjacent 11-acre at South May Ave. property in negotiations

POSSIBLE DIRECTION AND NEXT STEPS

- Federal Transit Authority (FTA) grant funding for capital projects
- Identify funding for increased future operational costs



FACILITY CAPITAL MAINTENANCE COSTS

- **Original MAPS projects have been in public use for over 20 years**
- **Original MAPS Use Tax was used for capital maintenance but is now depleted**
- **MAPS/MAPS 3 projects, GO Bond Projects, and CIP Projects will need a capital maintenance funding source**
- **MAPS 4 will need a maintenance funding source for some of the projects**

POSSIBLE DIRECTION AND NEXT STEPS

- General Fund – Target is 1-3% of General Fund for Capital Maintenance
- General Obligation Bonds
- MAPS 4 Use Tax



EMPLOYEE RECRUITMENT, CLASSIFICATION AND COMPENSATION

- **Difficult time filling and retaining employees in skilled trades, some professional services, part-time positions, and those requiring a Commercial Drivers License**
- **Approximately 36% of employees participating in the Oklahoma City Employee Retirement System are eligible to retire**

POSSIBLE DIRECTION AND NEXT STEPS

- Implement Revised HR Department Organizational Structure
- Conduct New Classification and Compensation Study
- Provide Training to Enhance Skills and Prepare for Advancement
- Partner with Local Educational Institutions.
- Contract for Specialized Skill Sets



OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY

- **Progress made in 2016 by increasing eligibility requirements for early retirees and ending subsidized retiree health insurance for new employees hired after January 1, 2017.**
- **These changes are expected to reduce liability by \$90 million over 10 years**
- **Plan still has an unfunded liability in excess of \$420 million**

POSSIBLE DIRECTION AND NEXT STEPS

- Explore cost reduction changes that lessen the impact to plan participants while reducing costs for the city



COVID-19

Sudden Decrease in Revenue and Operational Changes Affecting Many Areas:

- **11.25% budget cuts in FY21 budget**
- **Capital projects delayed**
- **Reduced Business, Convention and Tourism Activity**
- **Global supply chains affected**
- **Changes in safety protocols**

POSSIBLE DIRECTION AND NEXT STEPS

- **Closely monitor and adjust as needed**
- **Continue safety protocol measures**
- **Work with City County Health Department to distribute vaccine as quickly as possible**



Growing Demand for Technology

- **City strives to provide high-quality and efficient services to residents**
- **Technology service and support needs have increased requiring high levels of skill, knowledge, and efficiency**
- **Staffing levels have not kept pace with increased demands**
- **Current pay plan is not commensurate with competition making employee recruitment and retention difficult**
- **Operating costs for IT services continue to grow**

POSSIBLE DIRECTION AND NEXT STEPS

- **Conduct and Implement Classification and Compensation Study**
- **Continue training IT staff to maintain skills necessary to provide quality services**
- **Continue to improve service levels and create cost savings through technological innovation**

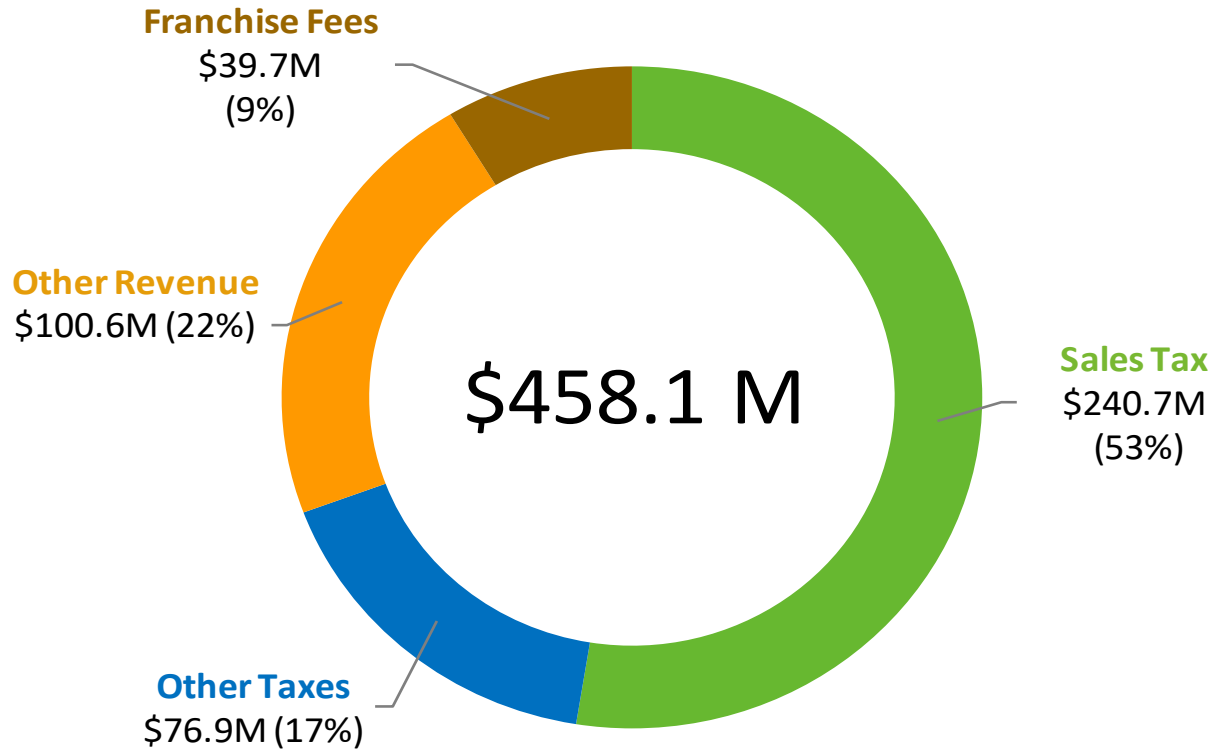
FIVE-YEAR GENERAL FUND REVENUES FORECAST

TRENDS AND FORECAST

FY21 General Fund Revenue

Where the money comes from

FY21 General Fund Operating Revenue Budget



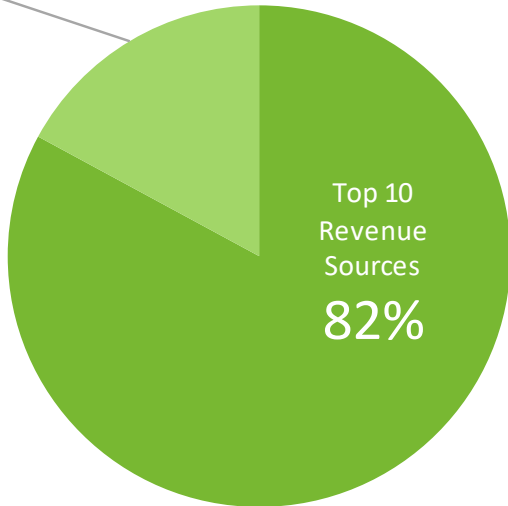
General Fund Operating Revenue Budget

Top 10 Budgeted Revenue Sources in FY21

General Fund FY21 Operating Revenue Budget

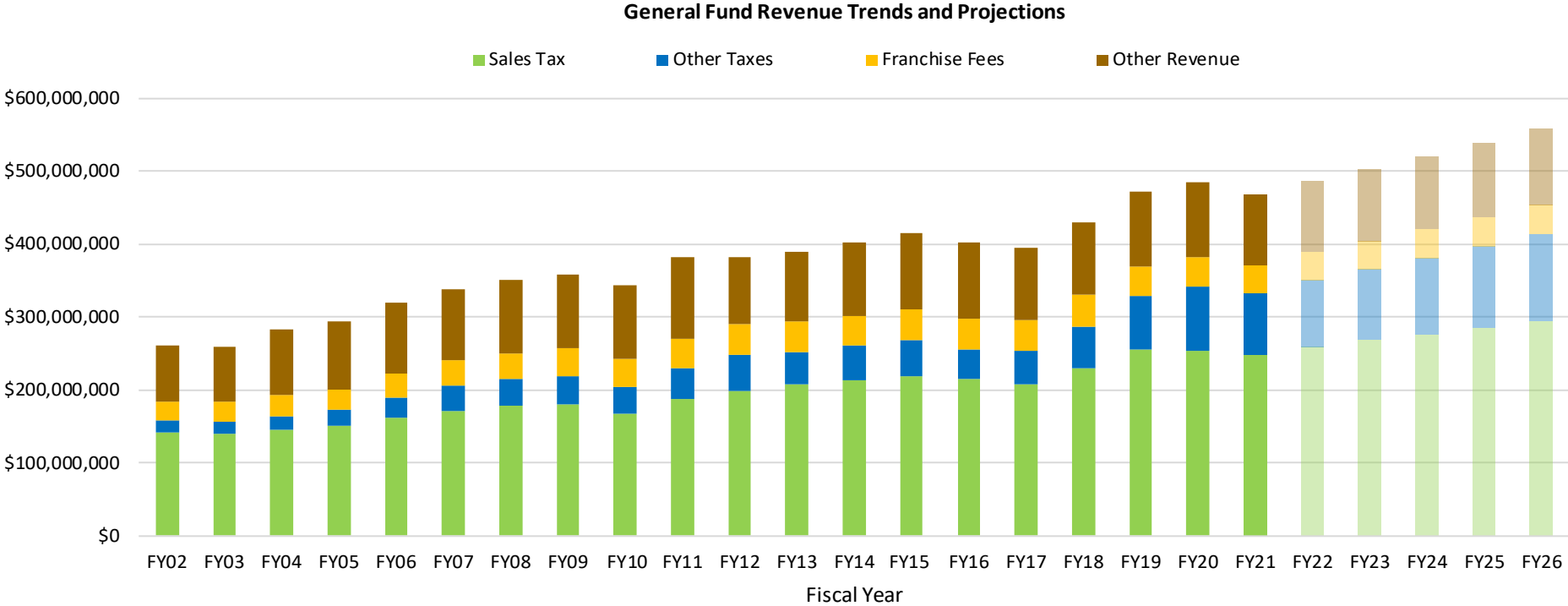
All Other
Revenues

18%



Revenue Source	FY21 Budget	% of GF	Category
Sales Tax	\$240,723,459	53%	Sales Tax
Use Tax	\$63,492,414	14%	Other Taxes
OG&E Franchise Fee	\$19,748,198	4%	Franchise Fees
Fire Wage Adjustment	\$12,249,416	3%	Other Revenue
Police Wage Adjustment	\$9,405,200	2%	Other Revenue
Court Costs	\$8,008,304	2%	Other Revenue
Public Works TMS Charges	\$6,219,072	1%	Other Revenue
Cox Cable Franchise Fee	\$5,734,824	1%	Franchise Fees
Building Permits	\$5,561,589	1%	Other Revenue
Traffic Fines	\$5,354,450	1%	Other Revenue
TOTAL	\$376,496,926	82%	

General Fund Operating Revenue Trends

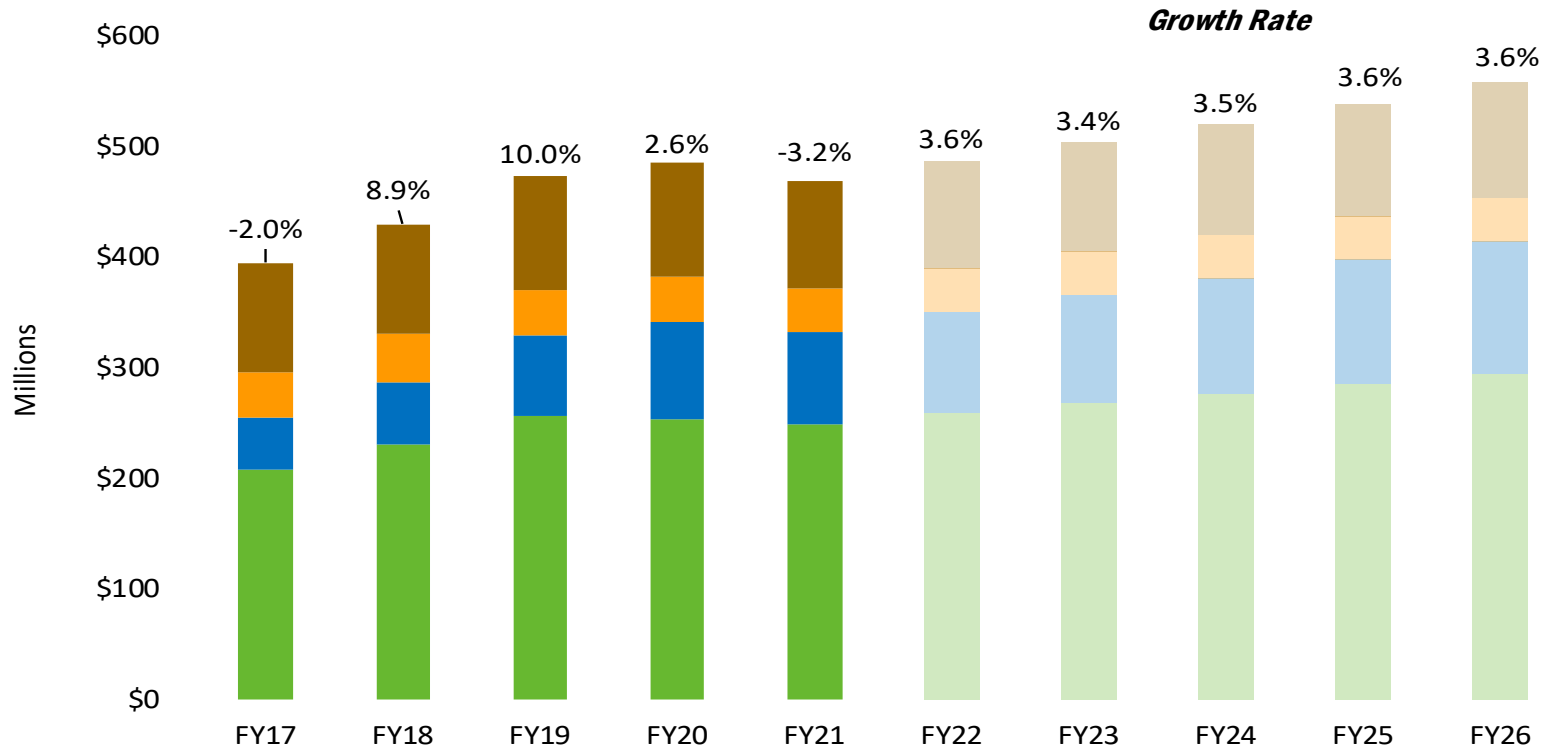


General Fund Operating Revenues

History and Projected Revenue Growth

General Fund Revenue Growth

■ Sales Tax
 ■ Other Taxes
 ■ Franchise Fees
 ■ Other Revenue
 Projected Average Annual Growth of 3.5%

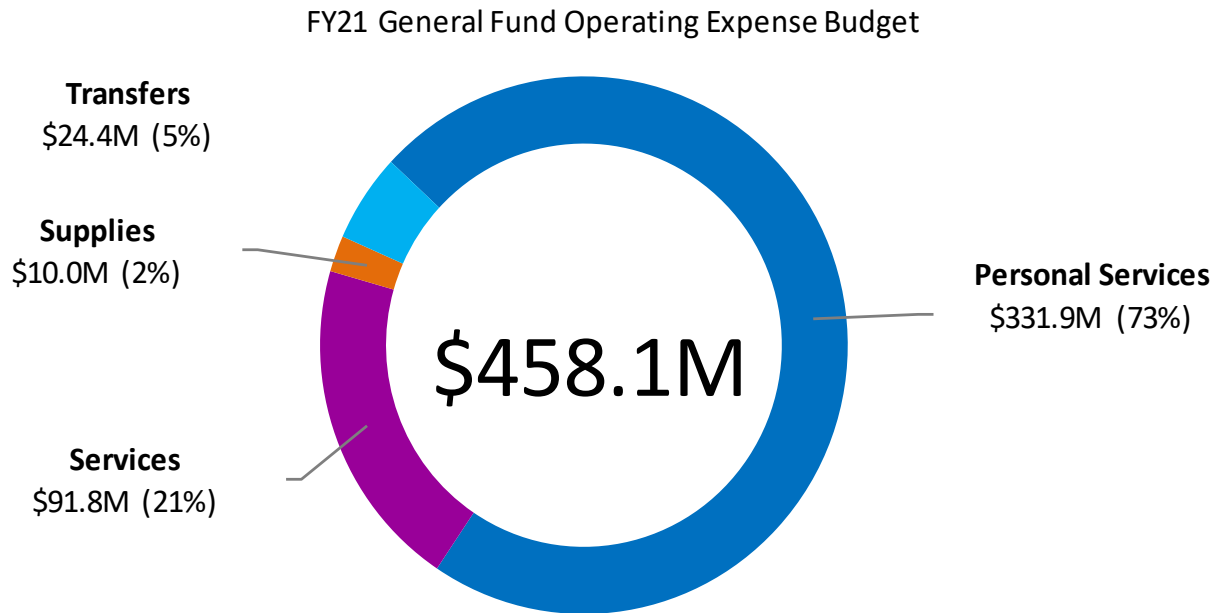


FIVE-YEAR GENERAL FUND EXPENSES FORECAST

TRENDS AND FORECAST

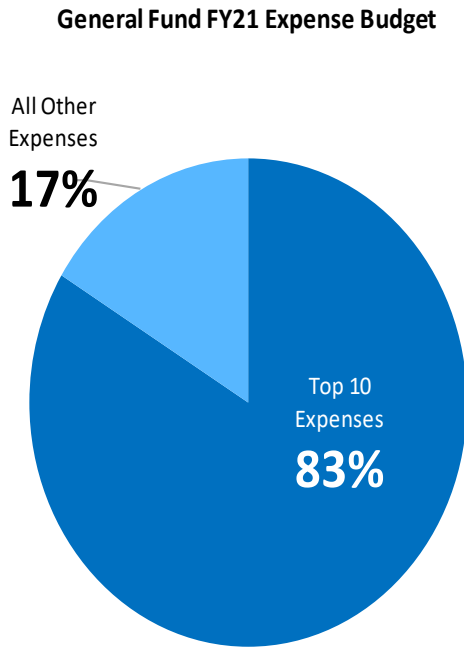
FY21 General Fund Expense Budget

Where the money is spent



General Fund Expense Budget

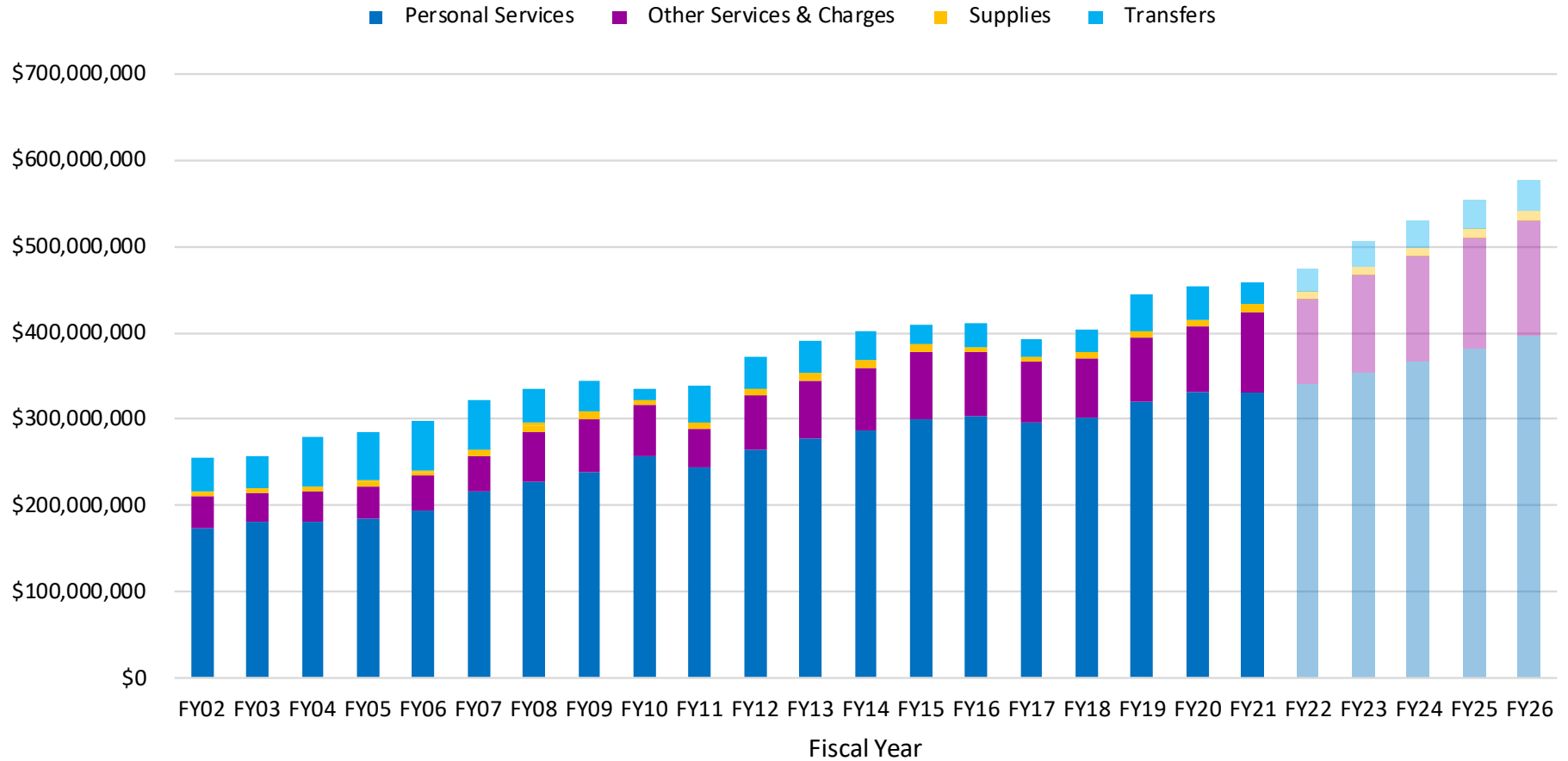
Top 10 Budgeted Expenses in FY21



Expense	FY21 Budget	% of GF	Category
Salaries and Wages	\$224,049,144	49%	Personal Services
Health and Welfare Insurance	\$48,516,432	11%	Personal Services
Retirement/Pension Contributions	\$25,906,906	6%	Personal Services
Chargeback - IT	\$19,182,433	4%	Other Services
Payments to COTPA	\$13,535,121	3%	Other Services
Retiree Health Insurance	\$13,314,341	3%	Personal Services
Overtime Wages	\$10,131,175	2%	Personal Services
Payment to OCEDT	\$8,940,375	2%	Other Services
Chesapeake Energy Arena	\$8,885,581	2%	Transfers
Workers Comp/Insurance	\$7,094,655	2%	Other Services
TOTAL	\$379,556,163	83%	

General Fund Expense Trends

General Fund Expense Trends and Projections

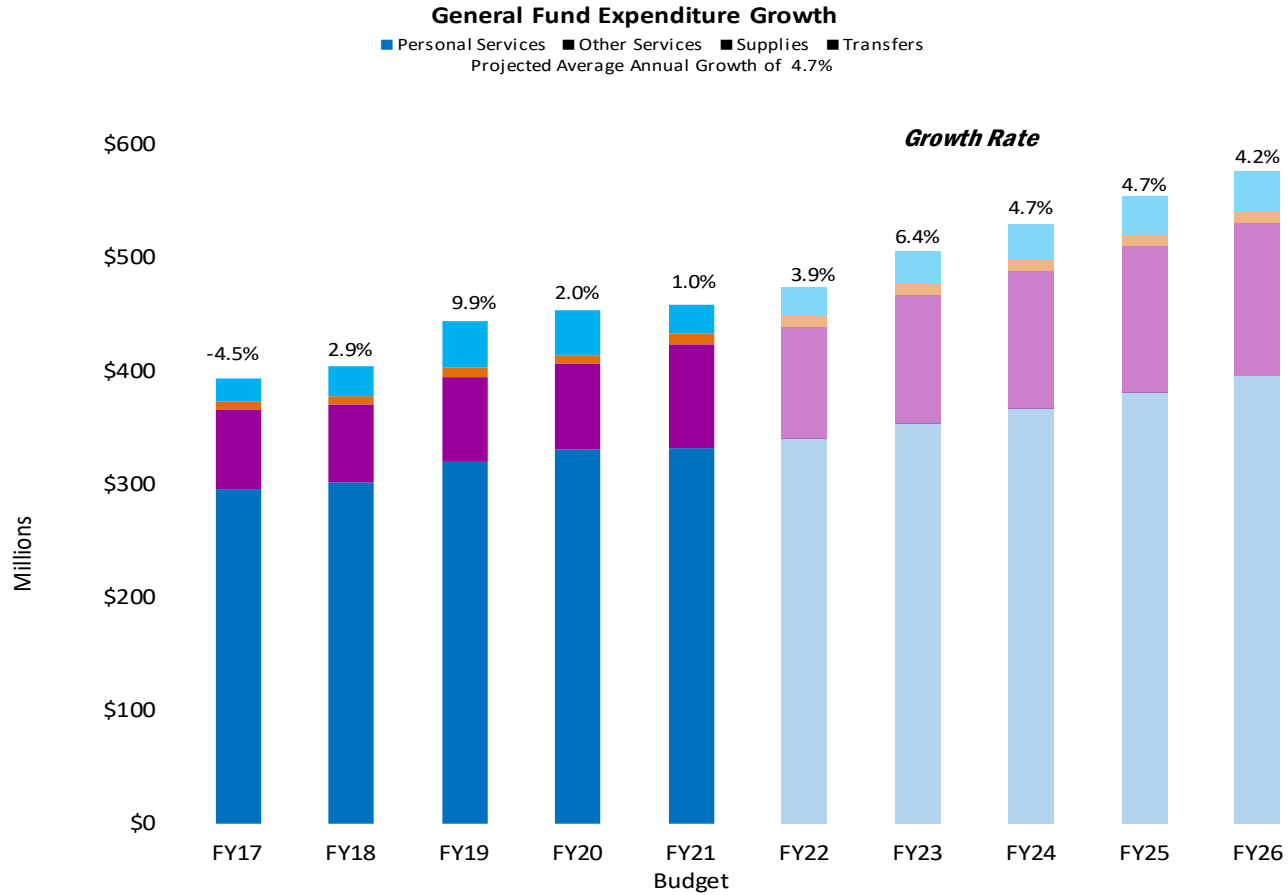


Future Expenses Included in the Forecast

New or Enhanced Service	FY22	FY23	FY24	FY25	FY26
First Americans Museum	\$0	\$0	\$750,000	\$2,000,000	\$2,000,000
Scissortail Park - Lower Park	\$0	\$1,000,000	\$1,100,000	\$1,200,000	\$1,300,000
NW Bus Rapid Transit	\$0	\$2,000,000	\$4,500,000	\$4,500,000	\$4,500,000
Streetcar Battery Replacement	\$0	\$0	\$3,500,000	\$0	\$0
Streetlight LED Upgrades	\$0	\$600,000	\$1,200,000	\$1,800,000	\$2,400,000
Bus Replacement	\$0	\$4,600,000	\$0	\$3,450,000	\$3,450,000
Total	\$0	\$8,200,000	\$11,050,000	\$12,950,000	\$13,650,000

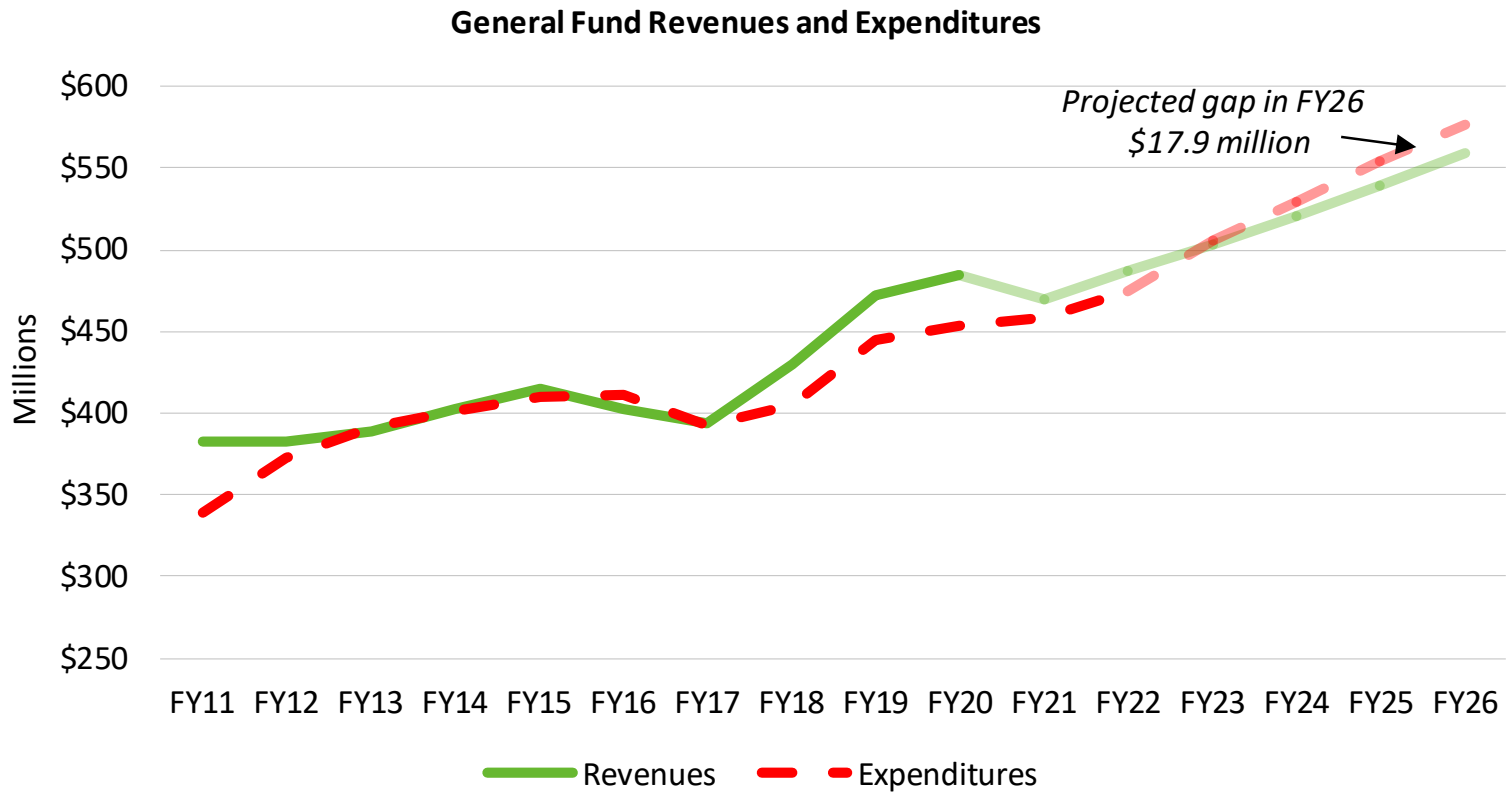
General Fund Expenditures

History and Projected Expenditure Growth

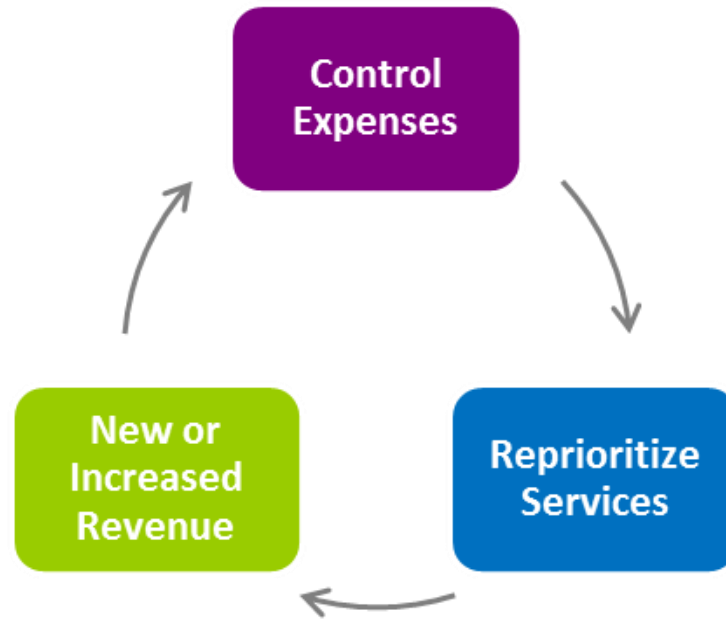


FIVE-YEAR GENERAL FUND GAP FORECAST

Projected Gap



Closing the Gap



**FIVE-YEAR
FY22 BUDGET OUTLOOK
FORECAST**

FY21 General Fund Revenue Status



6 of 10 revenue categories were **above budget**

Revenue Category*	\$ Above/(Below) YTD Budget	
Sales Tax	\$7,582,676	●
Use Tax	\$6,052,038	●
Franchise Fees	(\$457,434)	◆
Service Charges	(\$998,143)	◆
Administrative Charges	\$246,277	●
Fines & Forfeiture	(\$813,787)	◆
Licenses & Permits	\$318,011	●
Other Taxes	\$373,992	●
Other Revenue	\$203,820	●
Operating Transfers In	(\$25,909)	◆
GENERAL FUND TOTAL	\$12,481,541	

* Sales Tax and Use Tax are through February 2021, all the other categories are through December 2020

Projected Revenue Growth in FY22

Sales Tax	4.4%	●
Use Tax	10.0%	●
Other Taxes	0.7%	●
Franchise Fees	0.9%	●
Licenses and Fees	1.5%	●
Fines	-5.9%	●
Other Revenue	-6.9%	●
Service Charges	0.2%	●
Administrative Charges	-3.5%	●
Transfers	0.0%	●
Overall Growth	3.5%	●

Potential Risks to the General Fund



- **National Recession**
Revenues Don't Meet Projection
- **Disasters**
Unanticipated Events Could Put Additional Pressure on Operations and Finances
- **Human Resources**
Employee Cost and Benefits / Vacancy Length

FY22 Expense Assumptions

- **Changes in several areas**

Personal Services growing \$7.9 million or 2.4%

Services growing \$8.6 million or 9.3%

Supplies and Capital declining \$0.7 million or 7.1%

Transfers growing \$1.2 million or 7.6%

FY22 Budget Assumptions

- **No Cuts Requested for GF Departments**
- **Starts with Same Service Level Budget**
 - Starts with the FY21 Budget as the base level
 - Makes adjustments for personnel related costs, such as: pay plan increases, merit increases, health insurance cost changes, retirement changes
 - Estimates the cost to provide the same services in the coming year
- **General Fund Supported Departments Were Allowed to Submit Unfunded Improvement Requests**

FY22 Budget Calendar



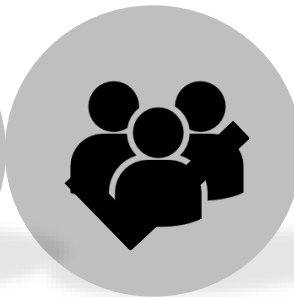
MAY 4

Proposed Budget submitted to Mayor and Council and 1st City Council Budget Hearing (Public Hearing)



MAY 18

2nd City Council Budget Hearing (Public Hearing)



JUNE 1

3rd City Council Budget Hearing (Public Hearing)



JUNE 8

Adoption of FY22 Budget



JULY 1

FY22 Budget takes effect

**FIVE-YEAR
CITY COUNCIL WORKSHOP
FORECAST**
