

CITY COUNCIL **WORKSHOP**

February 2, 2016

**FIVE-YEAR
FORECAST**
FY 2017-2021

Agenda

Economic Outlook

Five-Year Financial Forecast

Fiscal Year 2017 Budget Outlook

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

**FIVE-YEAR
FORECAST**
FY 2017-2021

2

ECONOMIC OUTLOOK

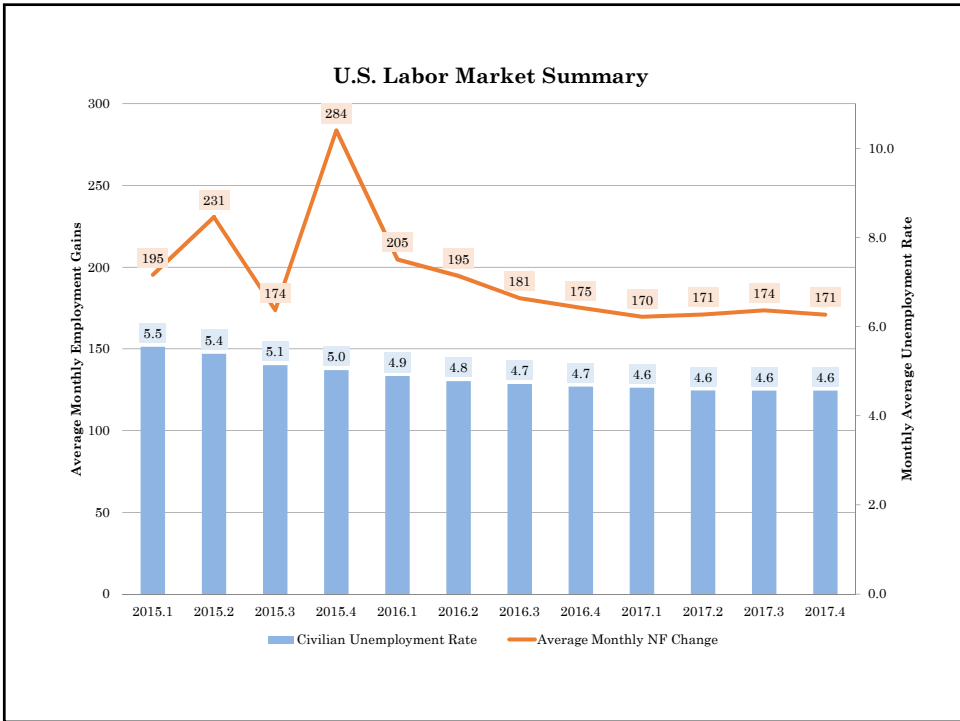
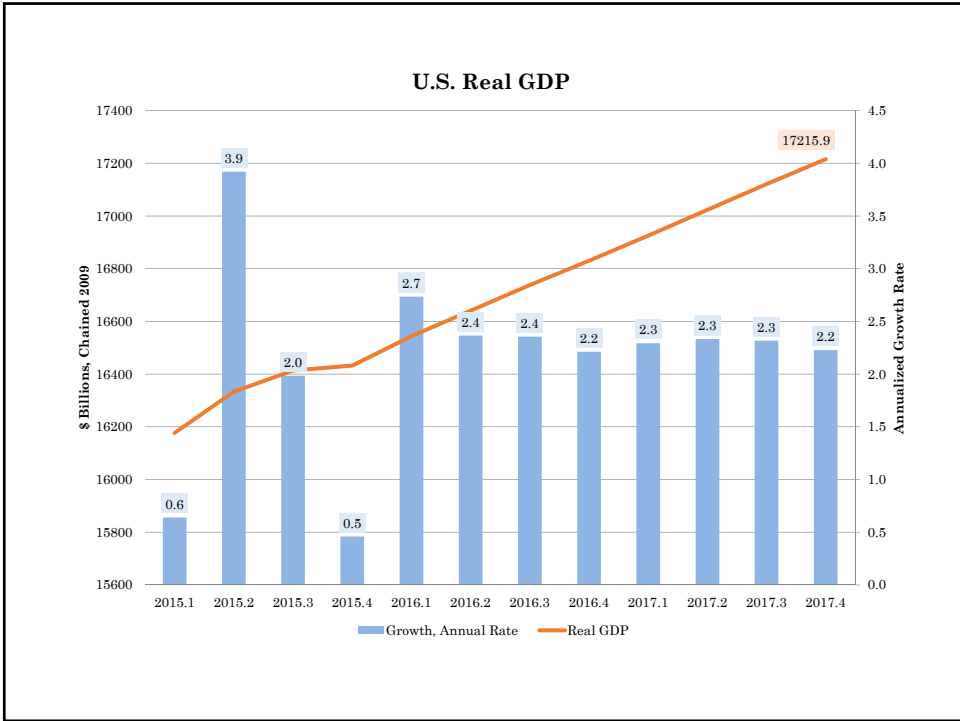
**FIVE-YEAR
FORECAST**
FY 2017-2021

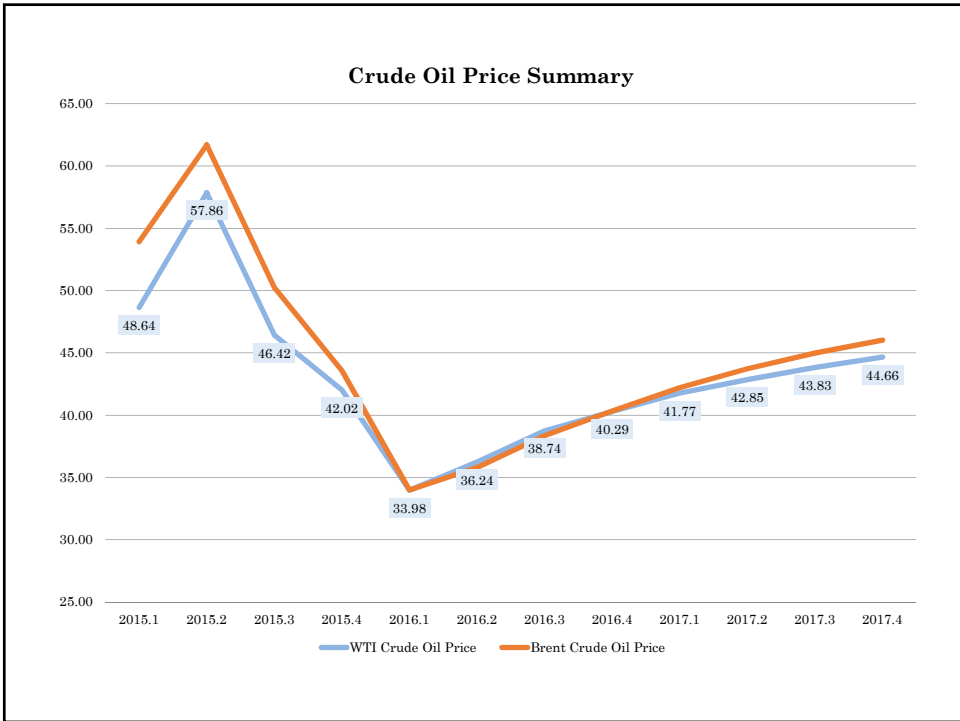
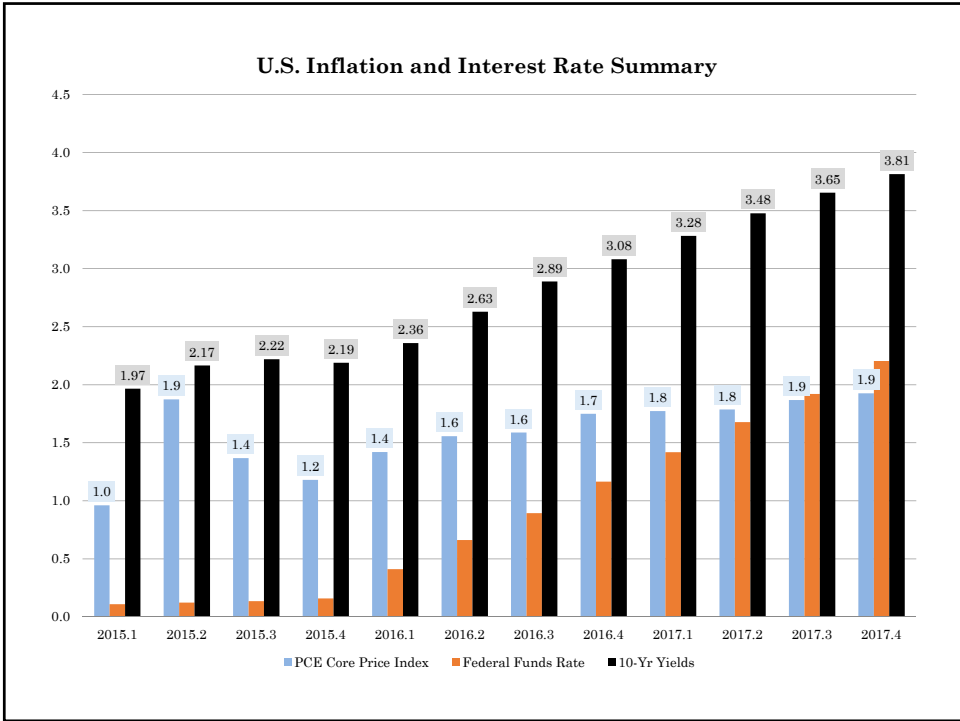


Russell R. Evans, Ph.D.
*Executive Director,
Steven C. Agee Economic Research and Policy Institute
Meinders School of Business*



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





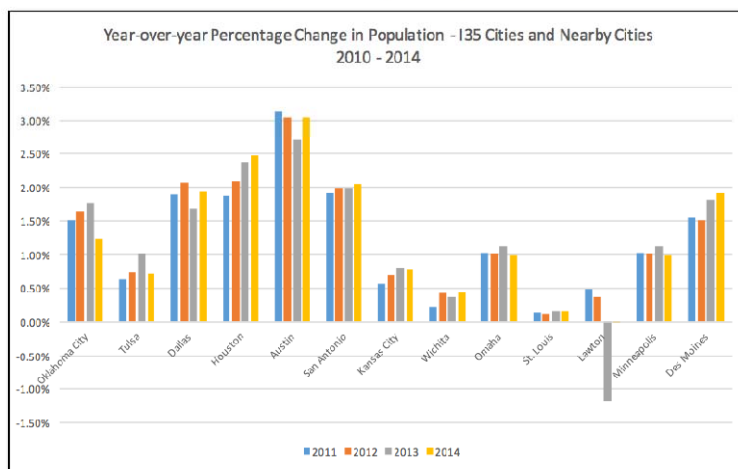
Megalopolis

Megalopolis	Metro Areas Included	States Included
Cascadia	Portland, Seattle, Tacoma	OR, WA
Gulf coast	Houston, New Orleans, Gulfport, Mobile, Pensacola	AL, FL, LA, MS, TX
I-35 Corridor	Kansas City, Tulsa, Oklahoma City, Dallas, Austin, San Antonio	KS, MO, OK, TX
Midwest	Milwaukee, Chicago, Detroit, Indianapolis, Cincinnati, Columbus, Cleveland, Pittsburgh	IL, IN, KY, MI, OH, PA, WI, WV
NorCal	San Francisco, Oakland, Sacramento, Reno	CA, NV
Northeast (BosWash)	Boston, New York, Philadelphia, Baltimore, Washington DC	CT, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, WV, FL
Peninsula	Orlando, Tampa, Miami, Fort Lauderdale	FL
Piedmont	Birmingham, Montgomery, Charlotte, Raleigh, Columbia, Chattanooga, Knoxville	AL, GA, NC, SC, TN, VA
Southland	Los Angeles, San Diego, San Bernardino, Las Vegas	CA, NV
Valley of the Sun	Phoenix	AZ

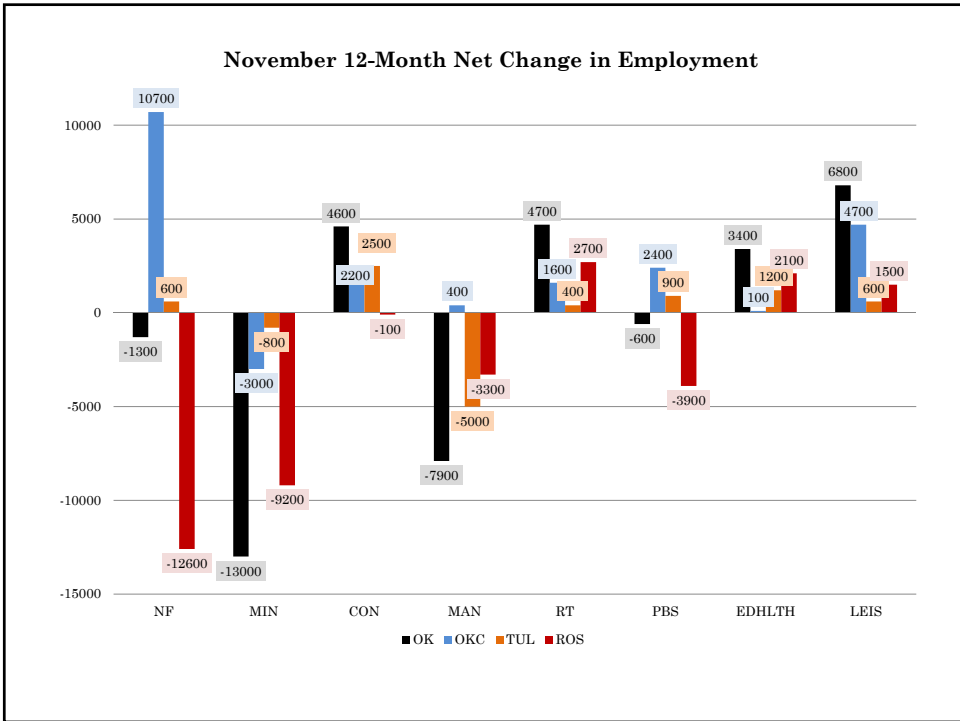
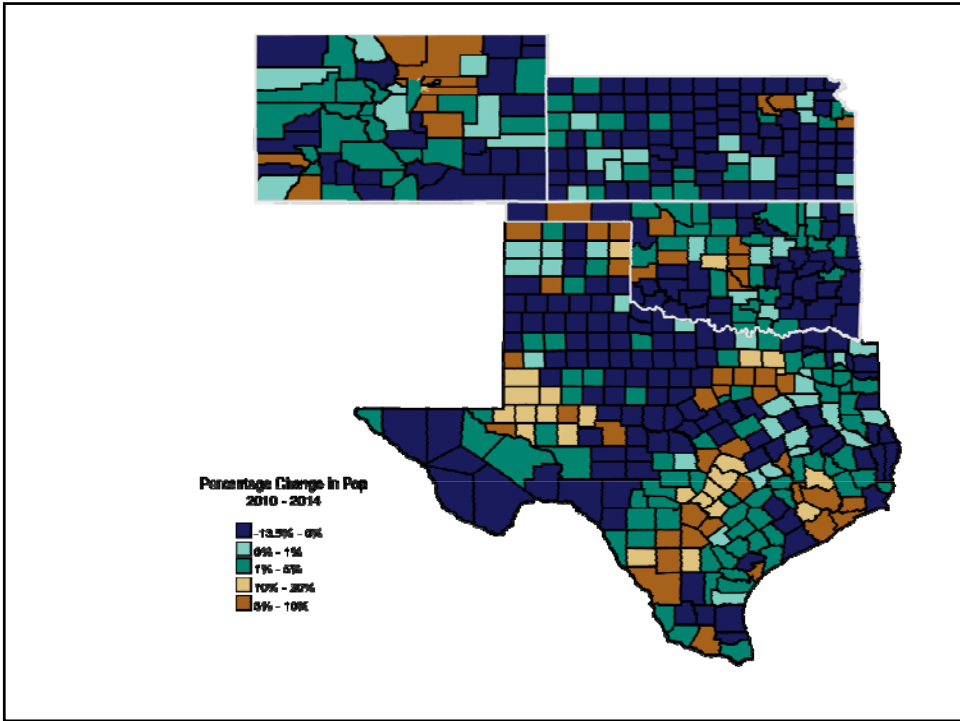


Meinders School of Business
Steven C. Agee Economic Research and Policy Institute

I-35 Corridor Population Growth

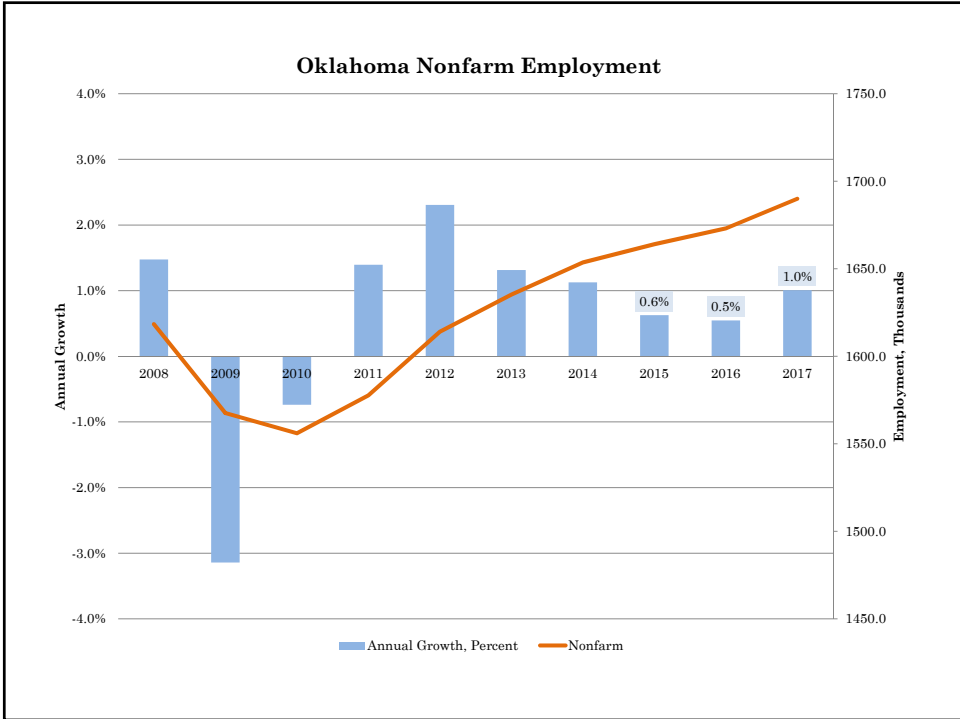


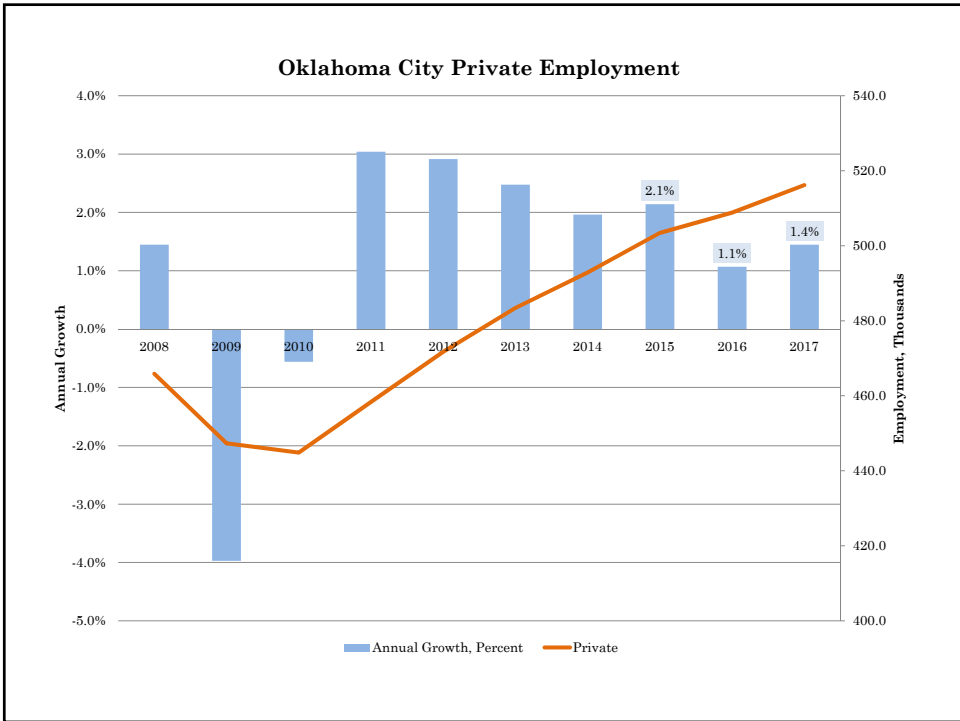
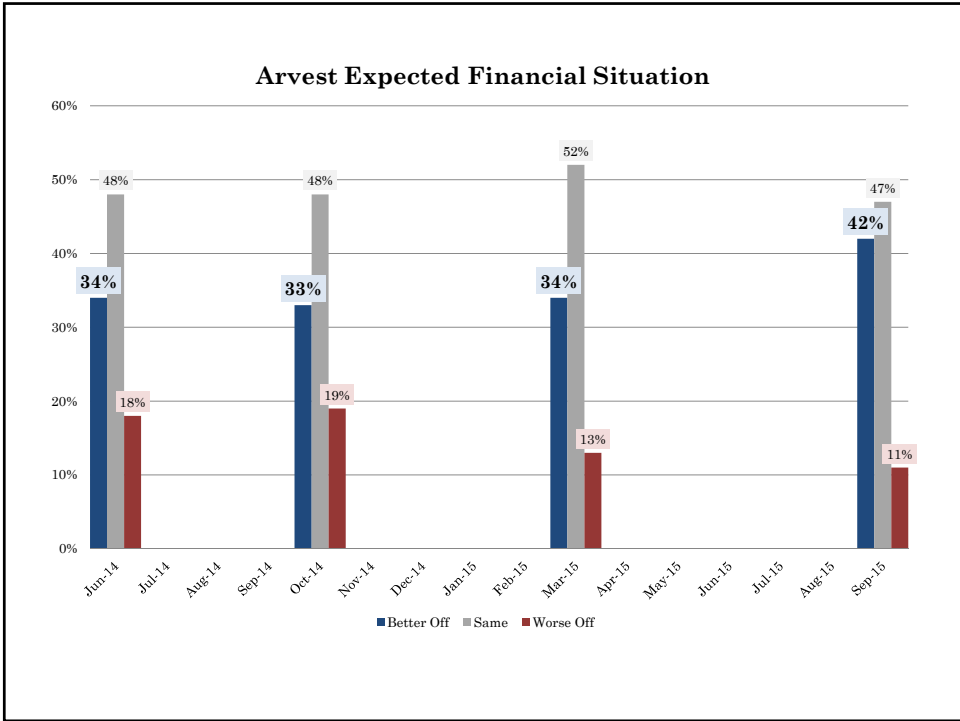
Meinders School of Business
Steven C. Agee Economic Research and Policy Institute

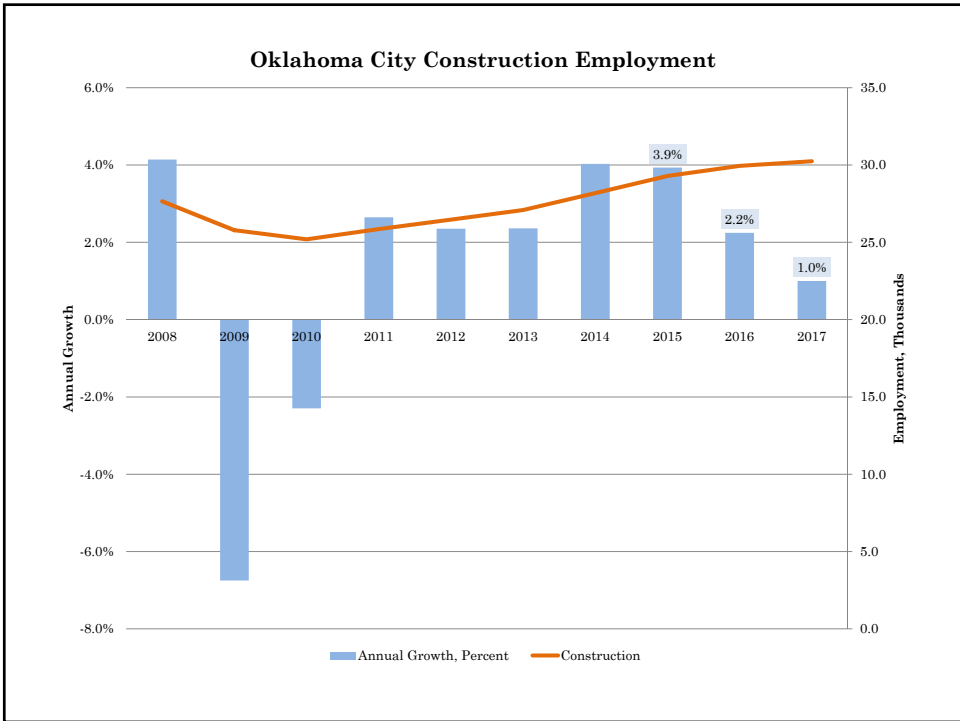
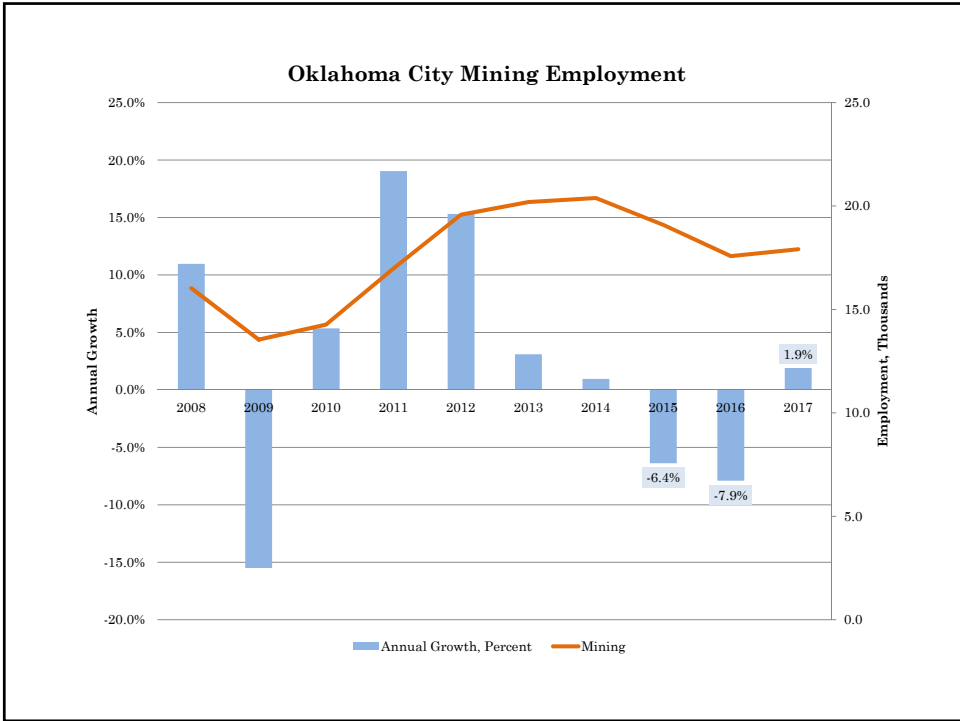


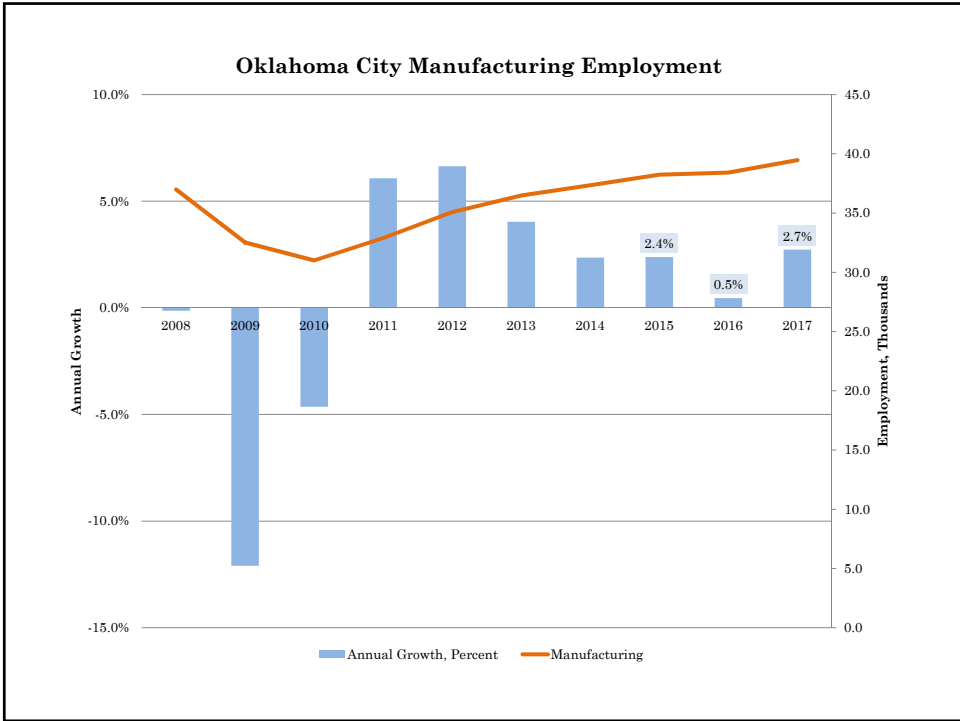
Economic Forecast Performance 2015				
Sector	Oklahoma Forecast	Oklahoma Actual	Oklahoma City Forecast	Oklahoma City Actual
Nonfarm	0.90%	0.60%	1.70%	2.00%
Private	1.00%	0.70%	1.70%	2.10%
Mining	-0.80%	-10.90%	-2.00%	-6.40%
Construction	2.30%	5.00%	5.60%	3.90%
Manufacturing	-0.30%	-3.60%	-0.80%	2.40%
Retail	1.80%	2.50%	2.40%	3.00%
Leisure	3.00%	2.70%	3.70%	4.10%
Health	2.00%	1.20%	2.50%	1.30%
Professional Services	-0.50%	2.30%	-0.30%	4.90%

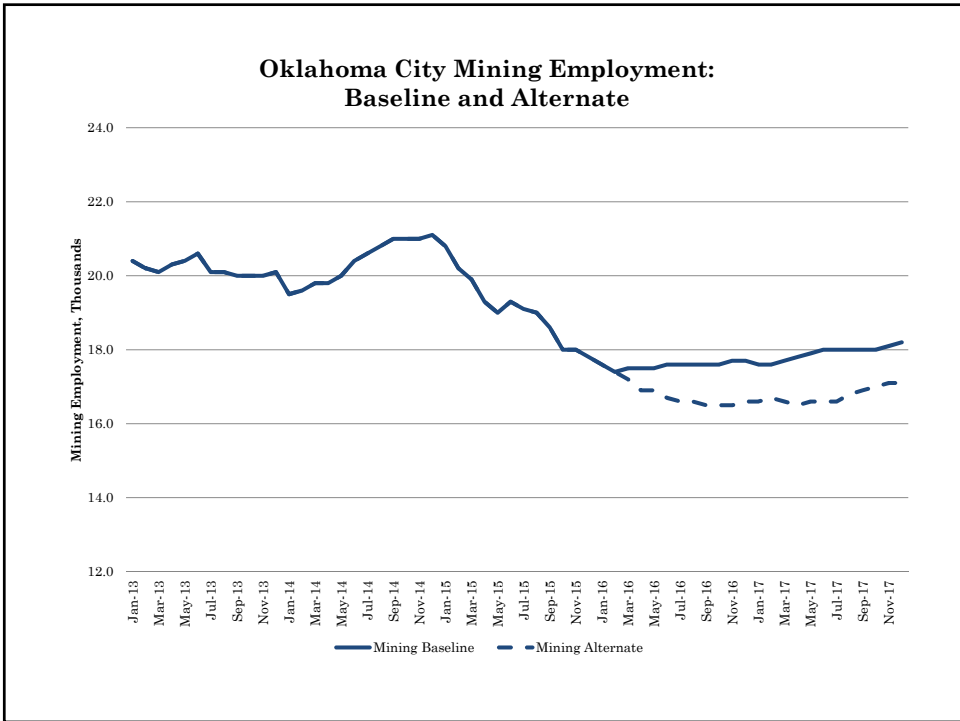
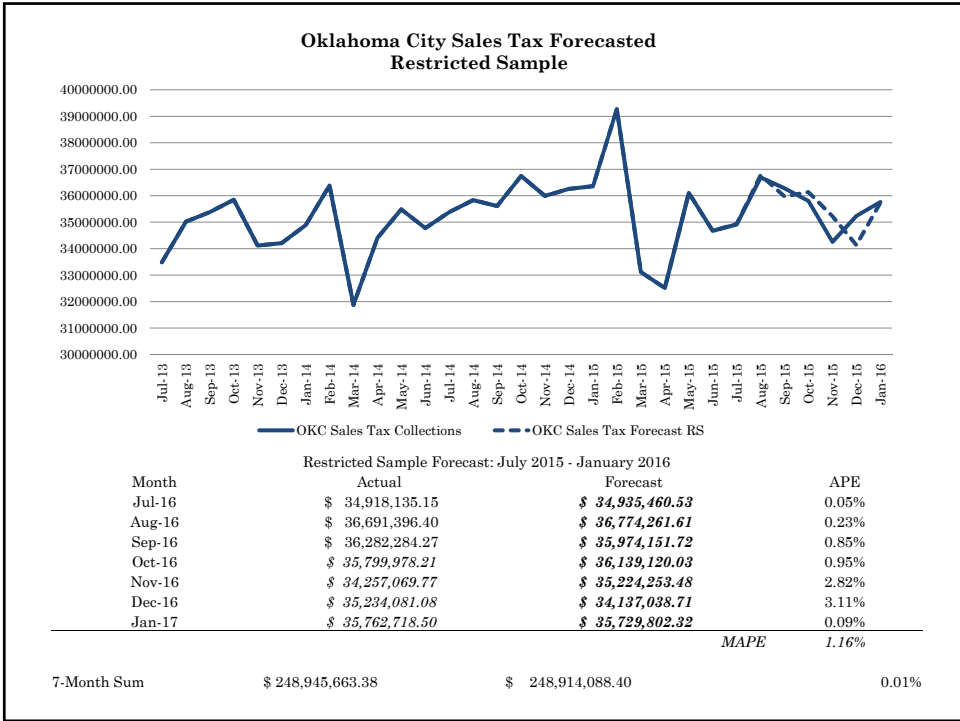
Source: Evans, 2015; Steven C. Agee Economic Research and Policy Institute Annual Economic Outlook

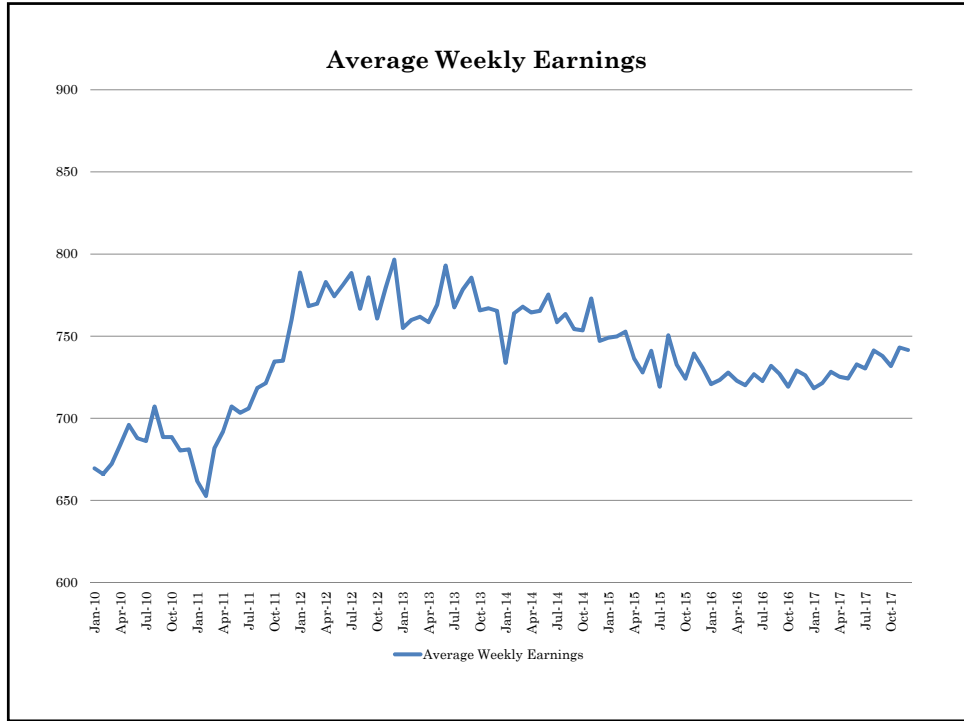













Oklahoma City Fiscal Outlook					
Baseline			Alternative		
Monthly Detail	Collections	Growth	Collections	Growth	
Feb-16	\$ 37,030,753.69	-5.7%	\$ 37,030,753.69	-5.7%	
Mar-16	\$ 32,473,316.88	-1.9%	\$ 32,413,886.57	-2.1%	
Apr-16	\$ 33,272,353.56	2.3%	\$ 33,131,333.83	1.9%	
May-16	\$ 34,998,652.02	-3.1%	\$ 34,809,764.55	-3.6%	
Jun-16	\$ 34,256,616.31	-1.2%	\$ 33,952,031.73	-2.1%	
Jul-16	\$ 35,051,598.60	0.4%	\$ 34,667,984.56	-0.7%	
Aug-16	\$ 35,990,916.06	-1.9%	\$ 35,556,734.70	-3.1%	
Sep-16	\$ 36,017,480.76	-0.7%	\$ 35,500,786.66	-2.2%	
Oct-16	\$ 36,518,952.62	2.0%	\$ 35,969,080.37	0.5%	
Nov-16	\$ 35,296,194.74	3.0%	\$ 34,705,107.66	1.3%	
Dec-16	\$ 34,898,935.80	-1.0%	\$ 34,288,906.22	-2.7%	
Jan-17	\$ 36,595,085.30	2.3%	\$ 36,004,066.95	0.7%	
Feb-17	\$ 37,658,482.29	1.7%	\$ 37,092,471.83	0.2%	
Mar-17	\$ 33,396,207.35	2.8%	\$ 32,809,867.78	1.2%	
Apr-17	\$ 34,160,403.35	2.7%	\$ 33,549,495.71	1.3%	
May-17	\$ 35,827,066.71	2.4%	\$ 35,202,596.72	1.1%	
Jun-17	\$ 35,319,268.64	3.1%	\$ 34,653,560.56	2.1%	
Fiscal Year Summary					
FY 2015		2.88%		2.88%	
FY 2016		-1.61%		-1.77%	
FY 2017		1.37%		-0.07%	

<p align="center">Conclusions (more questions than answers)</p>	
<ul style="list-style-type: none"> • Economic profile of the oil and natural gas industry is expanding both in absolute terms and in terms of relative importance to the state's economic health <ul style="list-style-type: none"> • Creates concern of exposure to economic weakness from price collapse • Extent of economic weakness will be governed by producer expectations of the future price path of oil • U.S. is the world's only fully functioning economy and signs of weakness are developing (poor earnings, decline in pace of manufacturing output, decline in durable goods orders, etc.) <ul style="list-style-type: none"> • Can we power the global economy or will we get pulled into malaise • Oil and gas has powered the state's economy out of recession <ul style="list-style-type: none"> • Can rural opportunities absorb released oil and gas labor force? • Oklahoma City's economic geography offers long-run strength to support local economic activity <ul style="list-style-type: none"> • Can long-run forces of strength offset short-run forces of weakness? • Can this be the year of the oil ebb? 	 <p align="center"> STEVEN C. AGEE ECONOMIC RESEARCH & POLICY INSTITUTE </p>

**FINANCIAL TREND
MONITORING SYSTEM**

**FIVE-YEAR
FORECAST**
 FY 2017-2021

Financial Trend Monitoring System (FTMS)

- Adapted from ICMA handbook *Evaluating Financial Condition*



- Designed to provide an overall picture of Oklahoma City's financial condition

FTMS Indicators

Looked at 22 indicators

12

TRENDING POSITIVE



6

TRENDING NEUTRAL



4

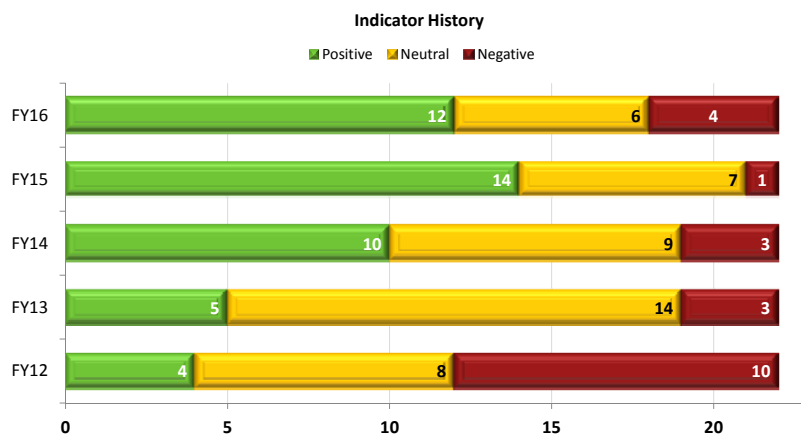
TRENDING NEGATIVE



What can we learn?

- Understand the City's Financial condition
- Identify hidden and emerging problems
- Show where we have had success
- Present a straightforward picture of financial strengths and weaknesses

FTMS Results



Positive Indicators



- | | |
|-------------------------------|------------------------------------|
| 1. Revenue Per Capita | 7. Pension Funding |
| 2. Sales Tax Revenues | 8. Population |
| 3. Hotel/Motel Tax Revenue | 9. Airport Activity |
| 4. Fund Balance | 10. Crime Rate |
| 5. Liquidity | 11. Labor Force |
| 6. Enterprise Working Capital | 12. Property Value <i>Improved</i> |

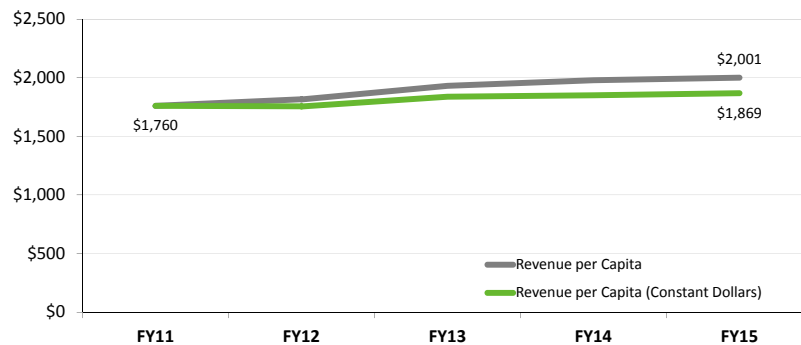
FIVE-YEAR
FORECAST
FY 2017-2021

31

Revenue Per Capita



POSITIVE TREND



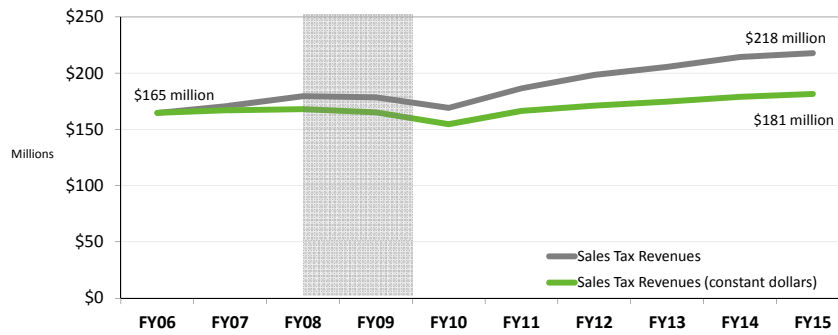
FIVE-YEAR
FORECAST
FY 2017-2021

32

Sales Tax Revenue



POSITIVE TREND



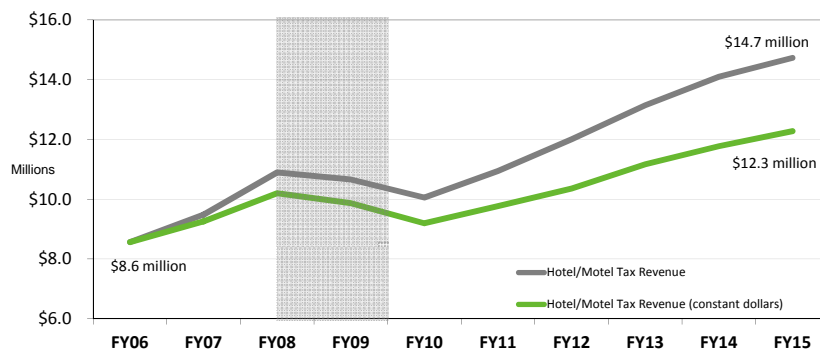
FIVE-YEAR
FORECAST
FY 2017-2021

33

Hotel/Motel Tax Revenue



POSITIVE TREND



FIVE-YEAR
FORECAST
FY 2017-2021

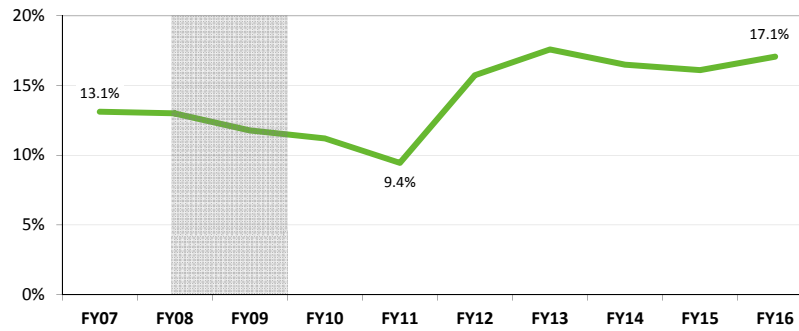
34

Fund Balance

As a percentage of General Fund Budget



POSITIVE TREND



FIVE-YEAR
FORECAST
FY 2017-2021

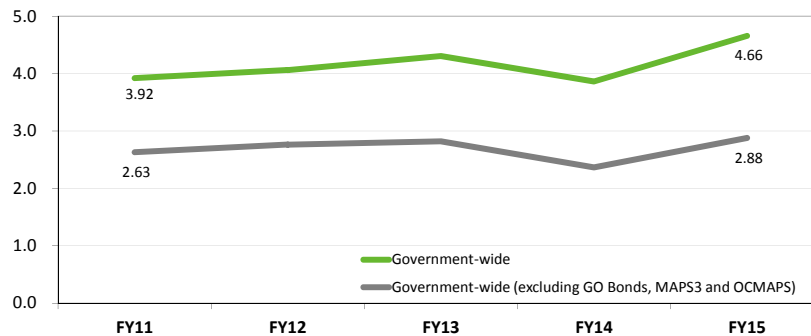
35

Liquidity

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



POSITIVE TREND



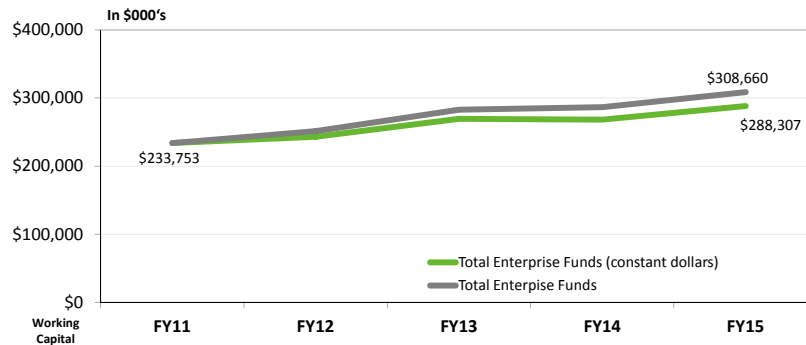
FIVE-YEAR
FORECAST
FY 2017-2021

36

Enterprise Working Capital



POSITIVE TREND



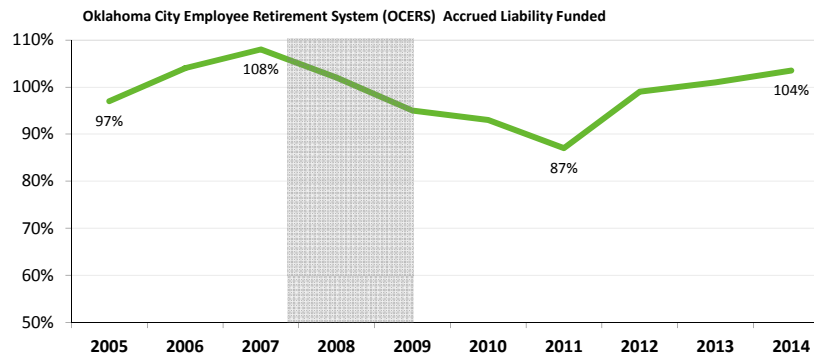
FIVE-YEAR
FORECAST
FY 2017-2021

37

Pension Funding



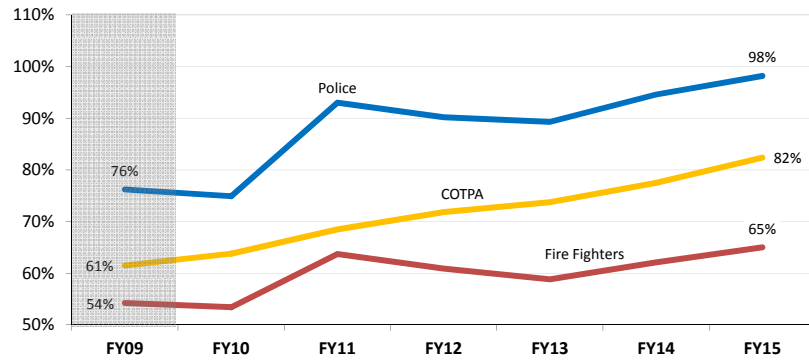
POSITIVE TREND



FIVE-YEAR
FORECAST
FY 2017-2021

38

Pension Funding Accrued Liability Funding Ratio



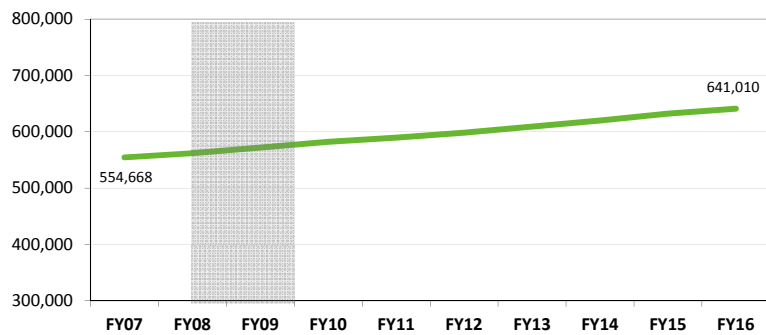
FIVE-YEAR
FORECAST
FY 2017-2021

39

Population



POSITIVE TREND



FIVE-YEAR
FORECAST
FY 2017-2021

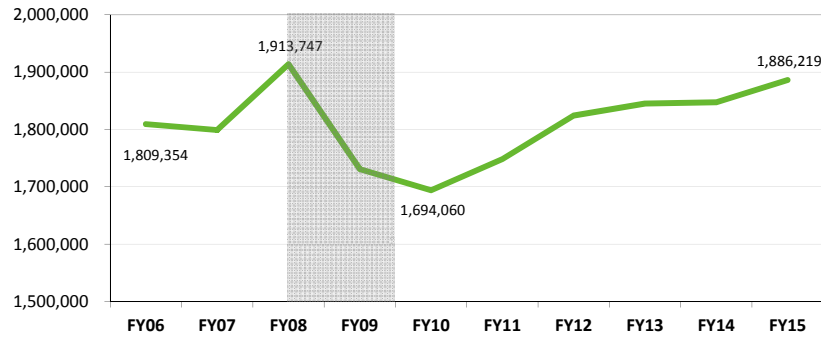
40

Airport Activity

Will Rogers World Airport - Number of Boarding Passengers



POSITIVE TREND



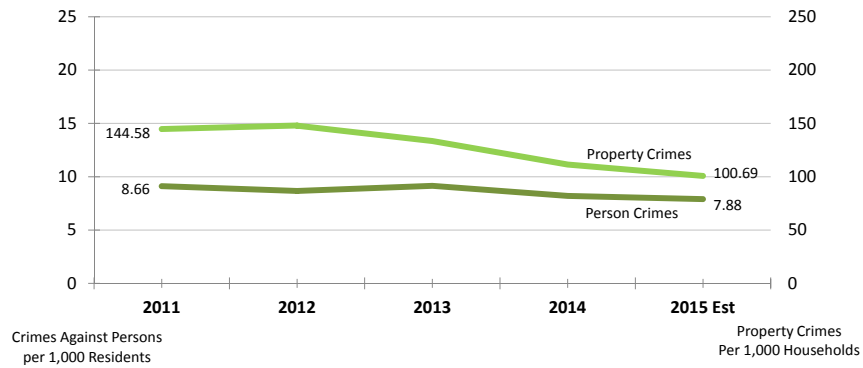
FIVE-YEAR FORECAST
FY 2017-2021

41

Crime Rate



POSITIVE TREND



FIVE-YEAR FORECAST
FY 2017-2021

42

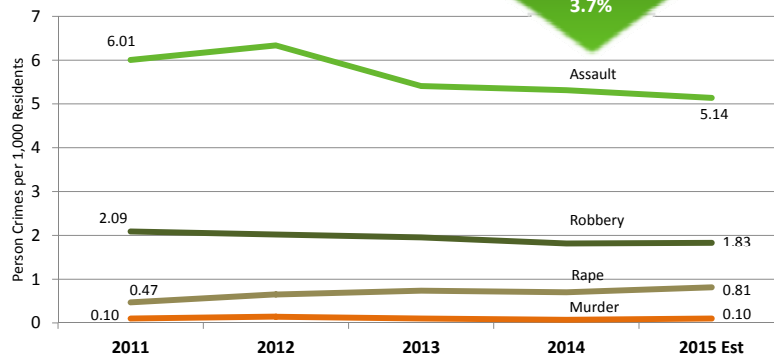
Person Crimes

Per 1,000 residents / 5 year history by category



POSITIVE TREND

Person Crimes DOWN 3.7%



FIVE-YEAR FORECAST FY 2017-2021

43

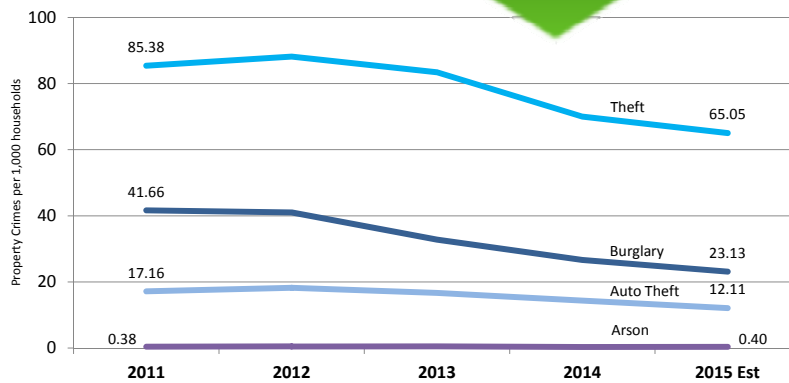
Property Crimes

Per 1,000 households



POSITIVE TREND

Property Crimes DOWN 30%



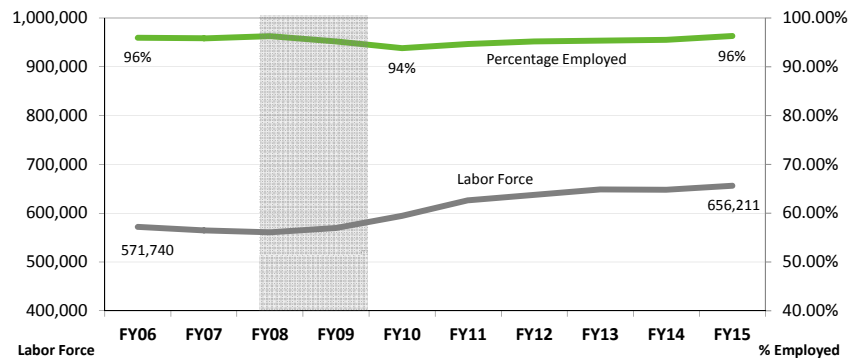
FIVE-YEAR FORECAST FY 2017-2021

44

Labor Force



POSITIVE TREND



FIVE-YEAR
FORECAST
FY 2017-2021

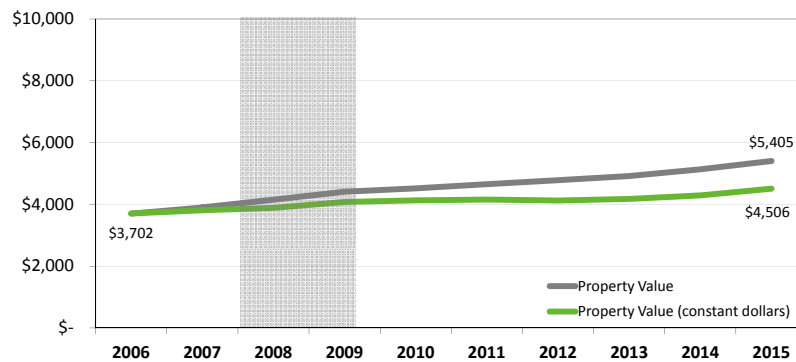
45

Property Value

Assessed Property Value in Millions of Dollars



POSITIVE TREND



FIVE-YEAR
FORECAST
FY 2017-2021

46

Neutral Indicators



1. Sales Tax as a % of General Fund
2. Revenue Accuracy
3. Fringe Benefits
4. Employees per 1,000 Citizens
5. Long-term Debt
6. Office Vacancy Rate

FIVE-YEAR
FORECAST
FY 2017-2021

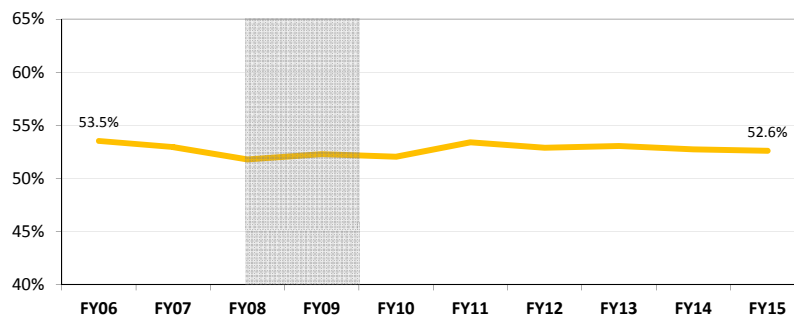
47

Sales Tax

As a Percentage of General Fund



NEUTRAL TREND

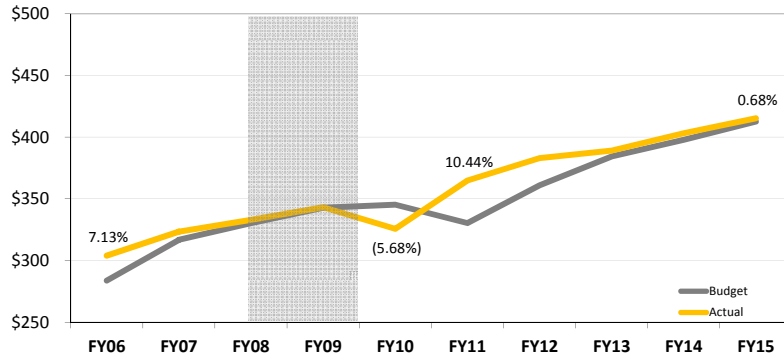


FIVE-YEAR
FORECAST
FY 2017-2021

48

Revenue Accuracy

General Fund Collections Compared to Budget



FIVE-YEAR
FORECAST
FY 2017-2021

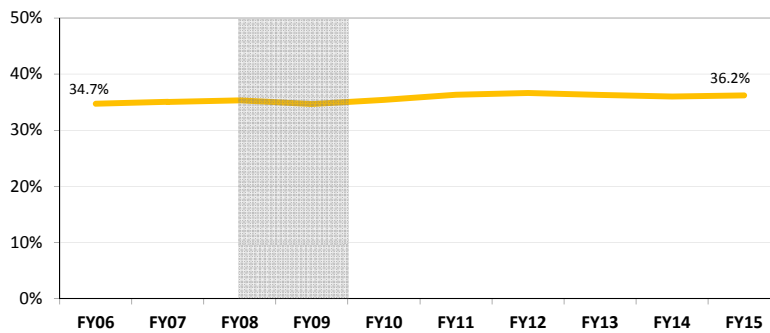
49

Fringe Benefits

As a Percentage of Total Compensation



NEUTRAL TREND

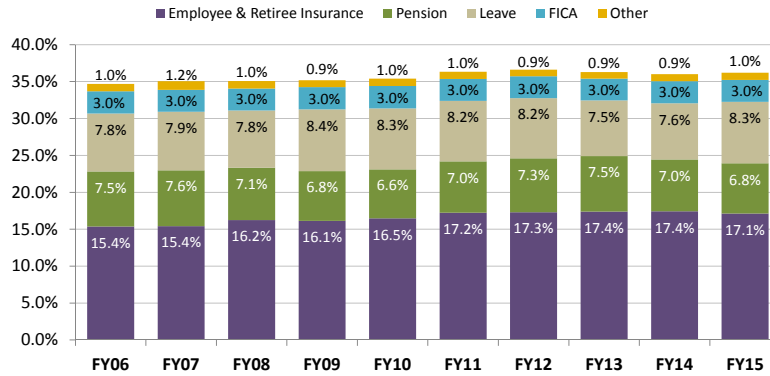


FIVE-YEAR
FORECAST
FY 2017-2021

50

Fringe Benefits

As a Percentage of Total Compensation



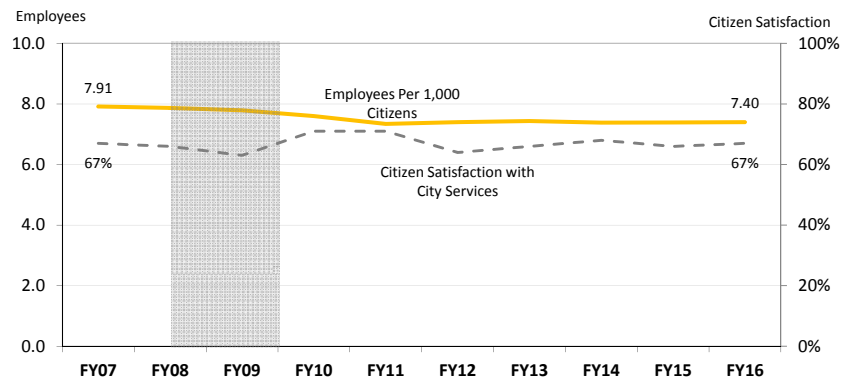
FIVE-YEAR
FORECAST
FY 2017-2021

51

Employees per 1,000 Citizens



NEUTRAL TREND



FIVE-YEAR
FORECAST
FY 2017-2021

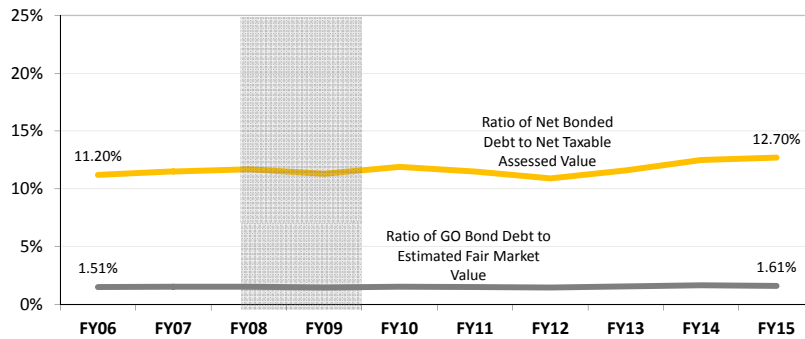
52

Long Term Debt

Ratio of Net General Obligation Bonded Debt to Net Taxable Assessed Value



NEUTRAL TREND



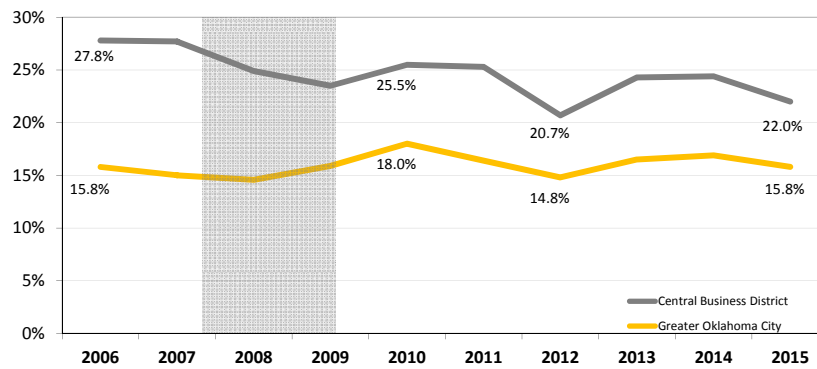
FIVE-YEAR
FORECAST
FY 2017-2021

53

Office Vacancy Rate



NEUTRAL TREND



FIVE-YEAR
FORECAST
FY 2017-2021

54

Negative Indicators



1. Average Weekly Earnings *Worsened*
2. Grant Revenue
3. Active Drilling Rigs *Worsened*
4. Private Development Plans *Worsened*

FIVE-YEAR
FORECAST
FY 2017-2021

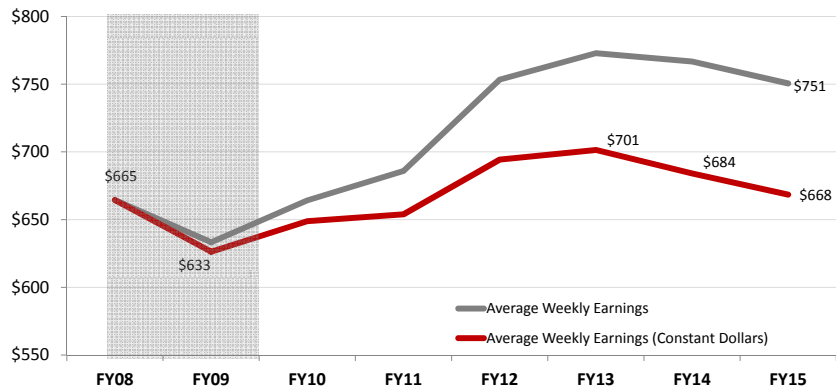
55

Average Weekly Earnings

OKC-MSA, Private Sector



NEGATIVE TREND



FIVE-YEAR
FORECAST
FY 2017-2021

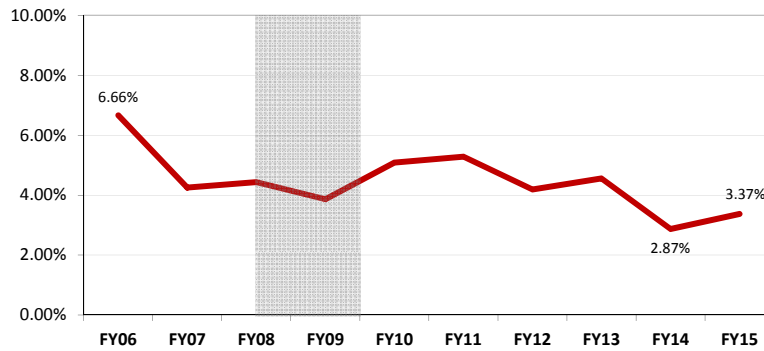
56

Grant Revenue

As a percentage of Total Operating Revenue



NEGATIVE TREND



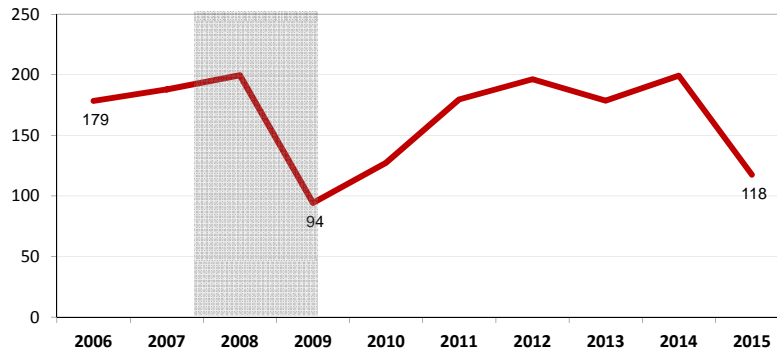
FIVE-YEAR
FORECAST
FY 2017-2021

57

Active Drilling Rigs



NEGATIVE TREND

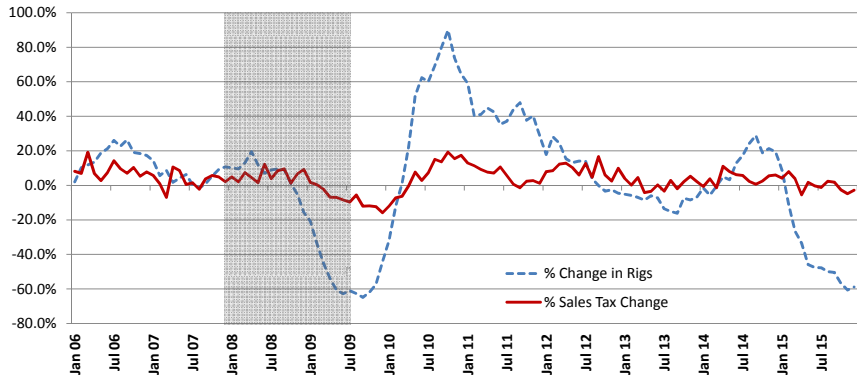


FIVE-YEAR
FORECAST
FY 2017-2021

58

Active Drilling Rigs

% Change in Active Drilling Rigs vs. % change in City Sales Tax



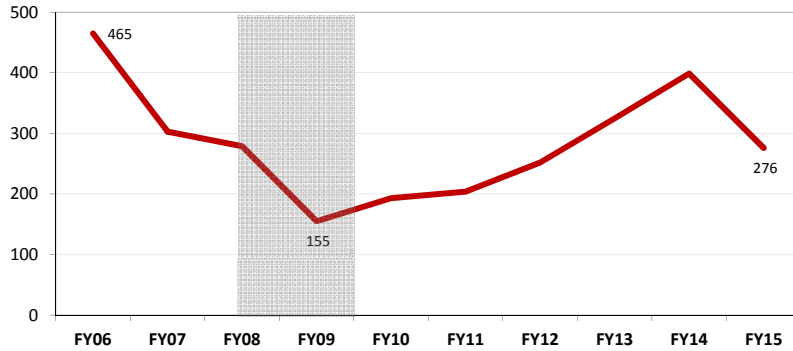
FIVE-YEAR
FORECAST
FY 2017-2021

59

Private Development Plans



NEGATIVE TREND



FIVE-YEAR
FORECAST
FY 2017-2021

60

Now What?

- Will the economy improve
- Less Indicators trending positive

Indicators that we need to continue monitoring

Average Weekly Earnings
Active Drilling Rigs
Private Development Plans

FIVE-YEAR
FORECAST
FY 2017-2021

61

FORECAST ISSUES

FIVE-YEAR
FORECAST
FY 2017-2021

What are forecast issues?

FINANCIAL ISSUES FACING DEPARTMENTS IN THE COMING YEARS

- General overview of the issue – not a detailed cost estimate
- Provides early warning for emerging issues departments will face in coming years
- All department issues are included in the forecast document

HIGHLIGHTED ISSUES

- Funding of Street Maintenance
- Long-term Water Capital
- MAPS / MAPS 3 Capital Maintenance Costs
- MAPS 3 Operating Costs
- Public Safety Communication System
- Public Safety Service Level Improvements
- Public Transportation System Improvements
- Retiree Health Costs - OPEB

Funding of Street Maintenance



COUNCIL PRIORITY LINK

Develop a
Transportation System
That Works For All
Citizens

\$5 MILLION ANNUALLY FOR STREET MAINTENANCE

- **\$1.0 million added to GF budget**
(Beginning in FY14 \$250,000 added to budget each year)
- **Supplemental funding could come from next General Obligation Bond Authorization**

Long Term Water Capital

SECOND PIPELINE FROM LAKE ATOKA TO LAKE DRAPER

- Construction to begin in 2017
- Additional improvements needed to transport the Kiamichi River water supply at Sardis Lake to Oklahoma City

MAPS and MAPS 3 Capital Maintenance



COUNCIL PRIORITY LINK

Enhance Recreation
Opportunities and
Community Wellness

- Original MAPS projects have been in public use for 10 to 20 years
- MAPS Use Tax was used for capital maintenance but is almost depleted
- MAPS 3 projects will also need a capital maintenance funding source

MAPS 3 Operating Cost



COUNCIL PRIORITY LINK

Enhance Recreation
Opportunities and
Community Wellness

CITY RESPONSIBLE FOR PROJECT OPERATING COSTS

Modern Streetcar / Downtown Park / Convention Center

Preliminary projections included in the forecast
based on current timelines

Public Safety Communication System



COUNCIL PRIORITY LINK

Provide a Safe and Secure Community

SYSTEM REPLACEMENT

- Current system will reach end of life in 2019
- Estimated replacement cost is \$20 million

FIVE-YEAR
FORECAST
FY 2017-2021

69

Public Safety Service Level Improvements



COUNCIL PRIORITY LINK

Provide a Safe and Secure Community

FIRE DEPARTMENT STAFFING

- Need staffing for two additional Fire Stations
- Costs for FY21 will be \$3.6 million higher than current staffing

POLICE DEPARTMENT STAFFING

- Staffing study recommended increased uniform and civilian staffing
- Added 145 positions since FY12

FIVE-YEAR
FORECAST
FY 2017-2021

70

HIGHLIGHTED ISSUE

Public Safety

Service Level Improvements



COUNCIL PRIORITY LINK

Provide a Safe and Secure Community

FACILITIES, FLEET, AND EQUIPMENT

- Public Safety Fleet - annual replacement cost estimated at \$14.7 million
- Police Department Facilities - Air Support Unit, Firing Range, and Training Center
- Capital Maintenance on Fire Facilities
- Police Technology Equipment

FIVE-YEAR FORECAST
FY 2017-2021

71

HIGHLIGHTED ISSUES

Public Transportation System



COUNCIL PRIORITY LINK

Develop a Transportation System That Works For All Citizens

BUS REPLACEMENT

\$3.6 million annually for replacement of aging buses (in forecast beginning in FY18)

FIVE-YEAR FORECAST
FY 2017-2021

72

Retiree Health Costs - OPEB



COUNCIL PRIORITY LINK

Maintain Strong
Financial Management

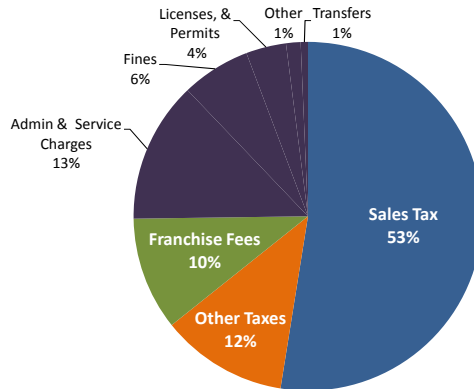
UNFUNDED LIABILITY

- City funds benefits for employees in retirement
- Employees have not been contributing toward this future benefit
- Staff will bring proposals back to Council to address the future liability

REVENUES AND EXPENDITURES TRENDS AND FORECAST

FY16 General Fund Revenue

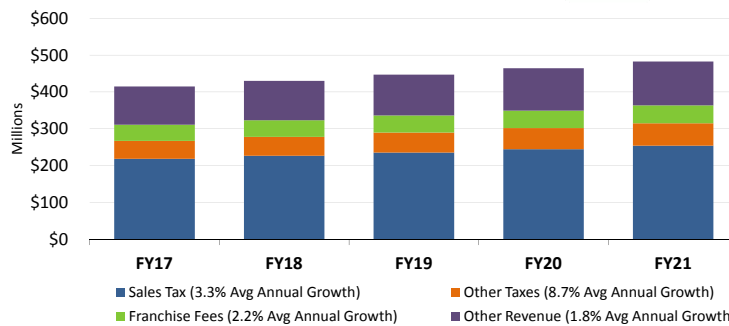
Where the money comes from



FIVE-YEAR
FORECAST
FY 2017-2021

75

Projected General Fund Revenue

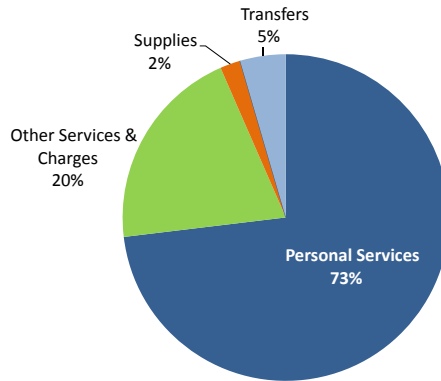


FIVE-YEAR
FORECAST
FY 2017-2021

76

FY16 General Fund Expenses

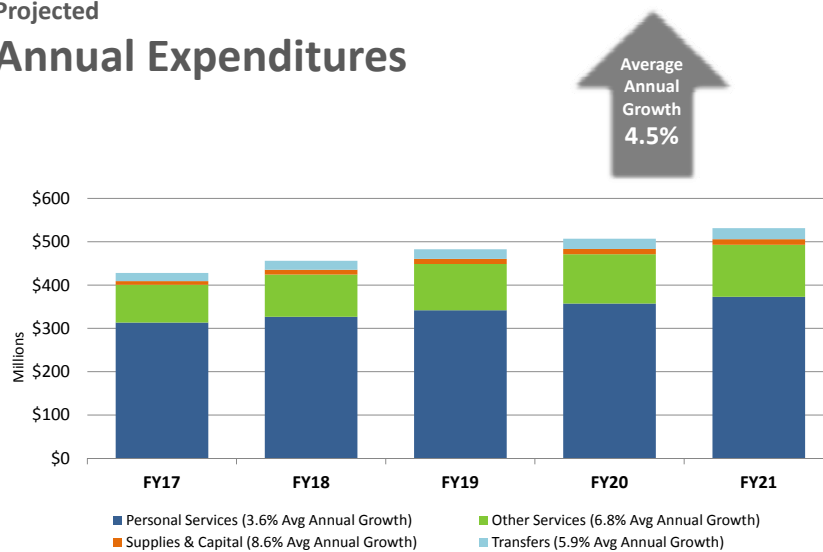
Where the money is spent



FIVE-YEAR
FORECAST
FY 2017-2021

77

Projected Annual Expenditures



FIVE-YEAR
FORECAST
FY 2017-2021

78

Expenses included in the forecast

Additions to current service level

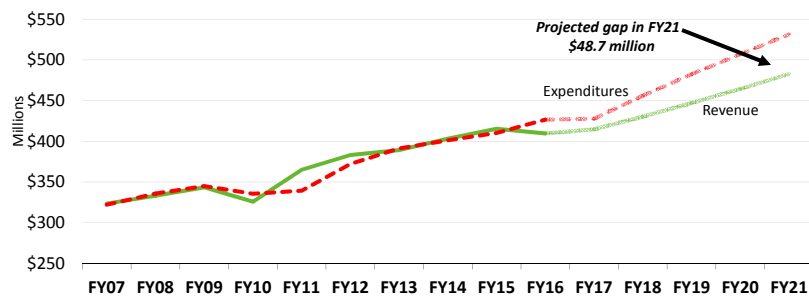
	FY17	FY18	FY19	FY20	FY21
Fire Staffing for New Station			\$901,001	\$1,738,773	\$1,795,283
Increased Police Staffing		\$1,525,718	\$3,142,980	\$4,855,905	\$6,668,776
Radio System Annual Replacement		\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
MAPS 3 Park (Net Cost)			\$2,162,137	\$2,227,001	\$2,228,947
MAPS 3 Modern Streetcar Phase I		\$1,500,000	\$3,000,000	\$3,090,000	\$3,182,700
Bus Replacement		\$3,600,000	\$3,600,000	\$3,600,000	\$3,600,000
Convention Center Operations				\$500,000	\$500,000
Total	\$0	\$8,625,718	\$14,806,118	\$18,011,679	\$19,975,706

FIVE-YEAR
FORECAST
FY 2017-2021

79

Closing the Gap

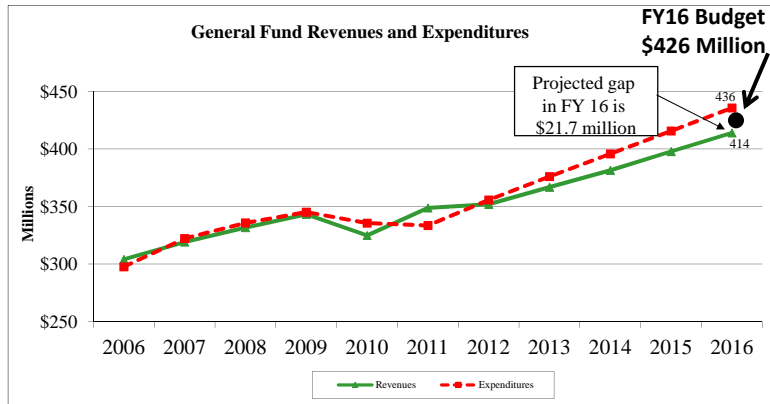
FY16 Five-Year Projection for General Fund Revenues and Expenditures



FIVE-YEAR
FORECAST
FY 2017-2021

80

FY11 Forecasted Gap for FY16



FIVE-YEAR
FORECAST
FY 2017-2021

81

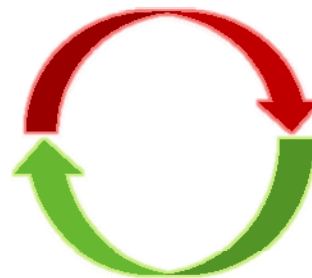
Closing the Gap

CONTROL EXPENSES

- Limit salary and benefit growth
- Improve operational efficiency
- Reprioritize city services

INCREASE REVENUE

- Sales Tax could grow at a higher rate
- Identify new funding sources
- Internet Sales Tax



FIVE-YEAR
FORECAST
FY 2017-2021

82

FY17 BUDGET OUTLOOK

**FIVE-YEAR
FORECAST**
FY 2017-2021

FY16 General Fund Revenue Status

- Seven of the 10 revenue categories were below budget

▼ Sales Tax	(\$3.9 million)
▼ Use Tax	(\$7.8 million)
▼ Franchise Fees	(\$1.0 million)
▼ Fines and Forfeitures'	(\$1.4 million)
▼ Service Charges	(\$0.9 million)
▼ Administrative Charges	(\$0.1 million)
▼ Licenses, Permits, Fees	(\$0.6 million)
▲ Other Taxes	\$0.1 million
▲ Transfers In	\$5.7 million
▲ Other Revenue	\$1.3million

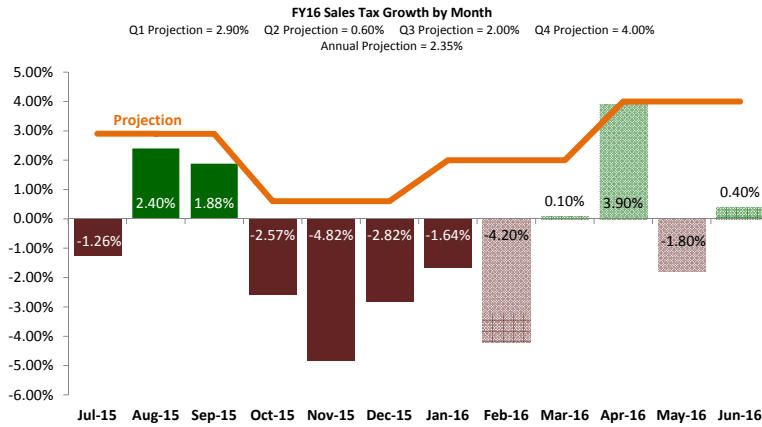
GENERAL FUND
\$8.6 Million
BELOW BUDGET



**FIVE-YEAR
FORECAST**
FY 2017-2021

84

FY16 Sales Tax Revenue Status



FY16 General Fund Budget Gap

POTENTIAL GAP

- \$8 TO \$10 Million

MEASURES TO CLOSE THE GAP

- Hiring freeze implemented November 29th
Expected to generate approximately \$1.7 million in savings for the General Fund
- Reduce capital spending by \$2.1 million
- Reserve \$1.5 million contingency funding
- Spend down fund balance

FY17 General Fund
Revenue Outlook

FY16 YEAR END REVENUE PROJECTIONS

- Down 1.07% (\$410.4 million)
- 3.78% below budget

FY17 REVENUE PROJECTIONS

- FY17 revenue is projected at \$415 million
- 1.13% above FY16 estimated year end revenue
- 2.7% below FY16 budget

Projected Revenue Growth in FY17

- Sales Tax 1.00%
- Use Tax 29.30%
- Other Taxes (1.83%)
- Licenses and Fees (2.50%)
- Fines (0.05%)
- Other (18.64%)
- Service Charges (0.35%)
- Administrative Charges 5.02%

Risks to FY17 Revenues

- **Low oil and gas prices result in further energy sector contraction**
- **National economy could contract**
- **Reduced construction activity**

FY17 Expense Assumptions

- **Growth in a number of areas**
 - Salary, Insurance and Retirement - \$7.2 million
 - Economic Development = \$0.5 million
 - Internal Service Funds = \$0.4 million
 - Other Adjustments = \$0.4 million
- **Expenditure cuts of 5.5% requested from all departments (except Police and Fire)**
- **Expenditure cuts of 2.6% requested from Police and Fire**

FY17 Budget Calendar

MAY

- 3rd Proposed Budget submitted to Mayor and Council
- 10th 1st Finance Committee Meeting (Public Hearing)
- 24th 2nd Finance Committee Meeting (Public Hearing)

JUNE

- 7th 3rd Finance Committee Meeting (Public Hearing)
- 14th Adoption of FY17 Budget

JULY

- 1st FY17 Budget takes effect



Fund Balance