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# **FIVE-YEAR CITY COUNCIL WORKSHOP FORECAST**

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***FEBRUARY 07, 2023***

CITY COUNCIL WORKSHOP

# AGENDA

FIVE-YEAR FORECAST  
FEBRUARY 07, 2023



## Financial Trends

**Brent Bryant**  
Finance Director



## Economic Outlook

**Dr. Russell Evans**  
Partner and Chief Economist  
Thorberg Collectorate



## Department Issues and Fiscal Year

## 2024 Budget Outlook

**Christian York**  
Budget Director

The full text of the Five-Year Forecast is available online at:  
<https://www.okc.gov/departments/finance/financial-and-budget-reports/budget-and-tax-reports>

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# **FIVE-YEAR FINANCIAL TRENDS FORECAST**

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# Financial Trend Monitoring System (FTMS)

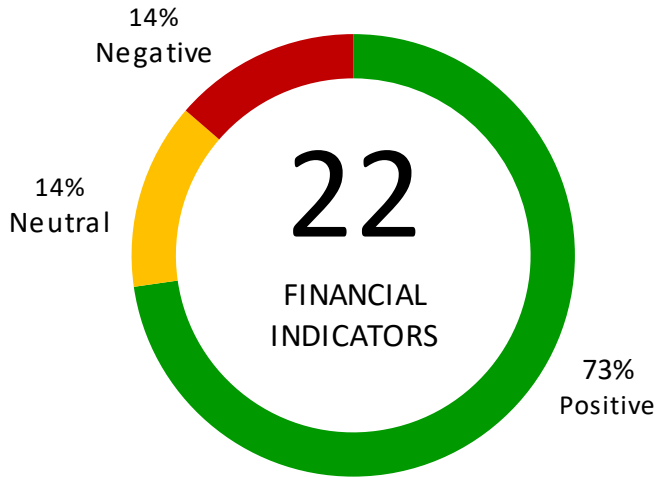
Adapted from ICMA handbook *Evaluating Financial Condition*

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



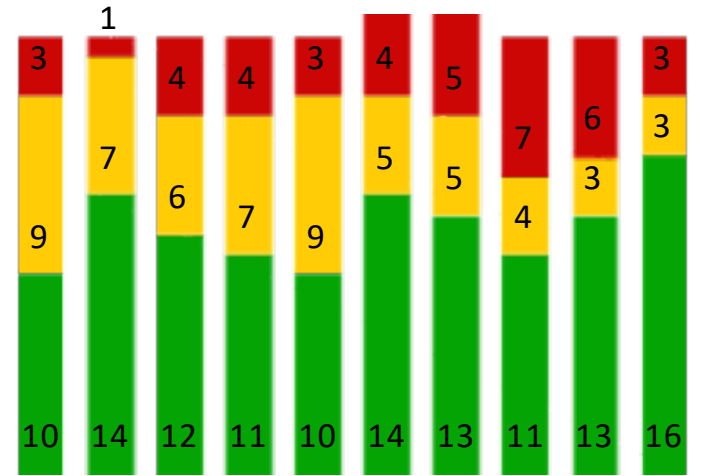
### FY23 INDICATOR RATINGS

Note: Percentages are rounded, may not equal 100%



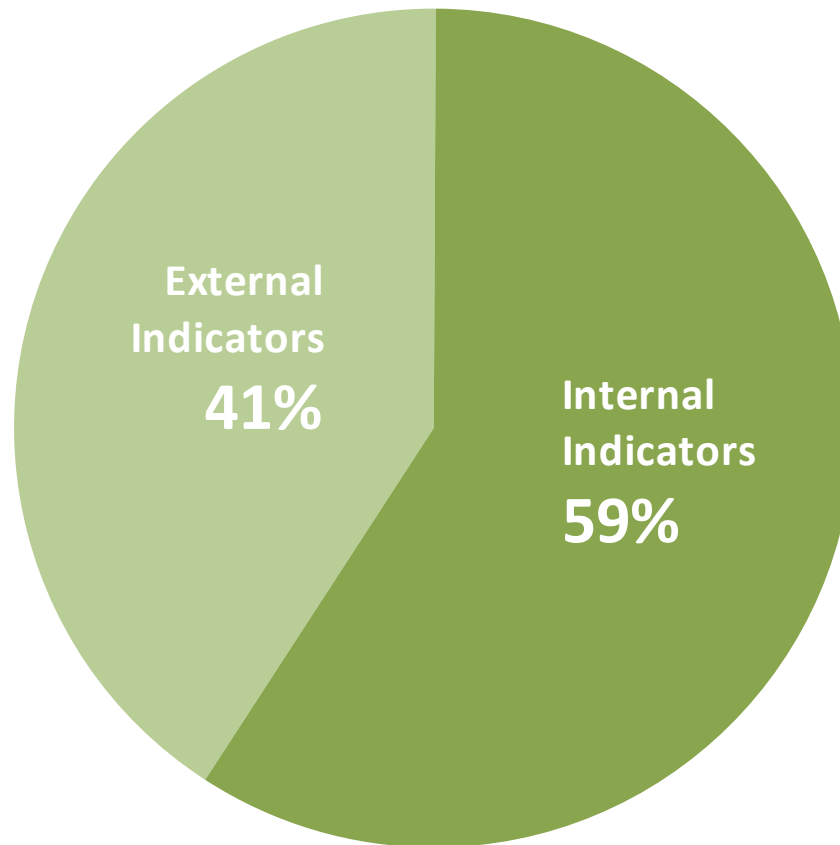
### INDICATOR HISTORY

Positive Neutral Negative



FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23

## 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.

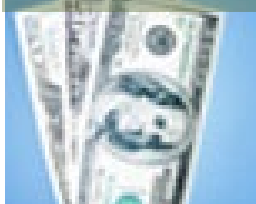
Population



Labor Force



Earnings



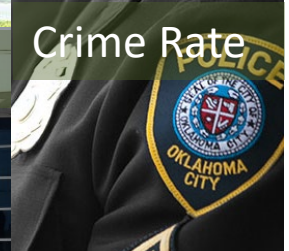
Property Value



Office Vacancy Rate



Crime Rate



Airport Activity



Hotel Room Nights

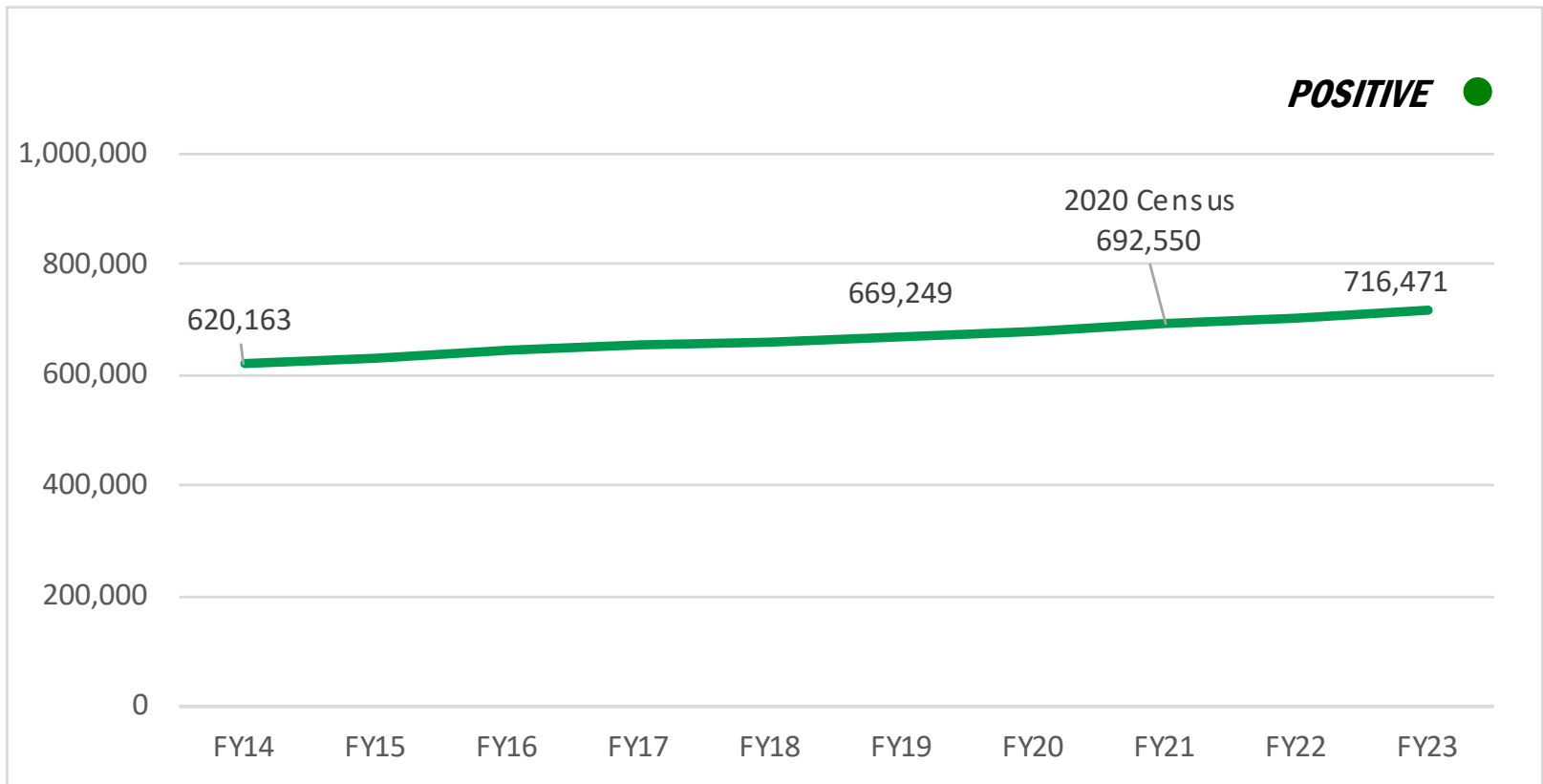


Active Drilling Rigs





# Population

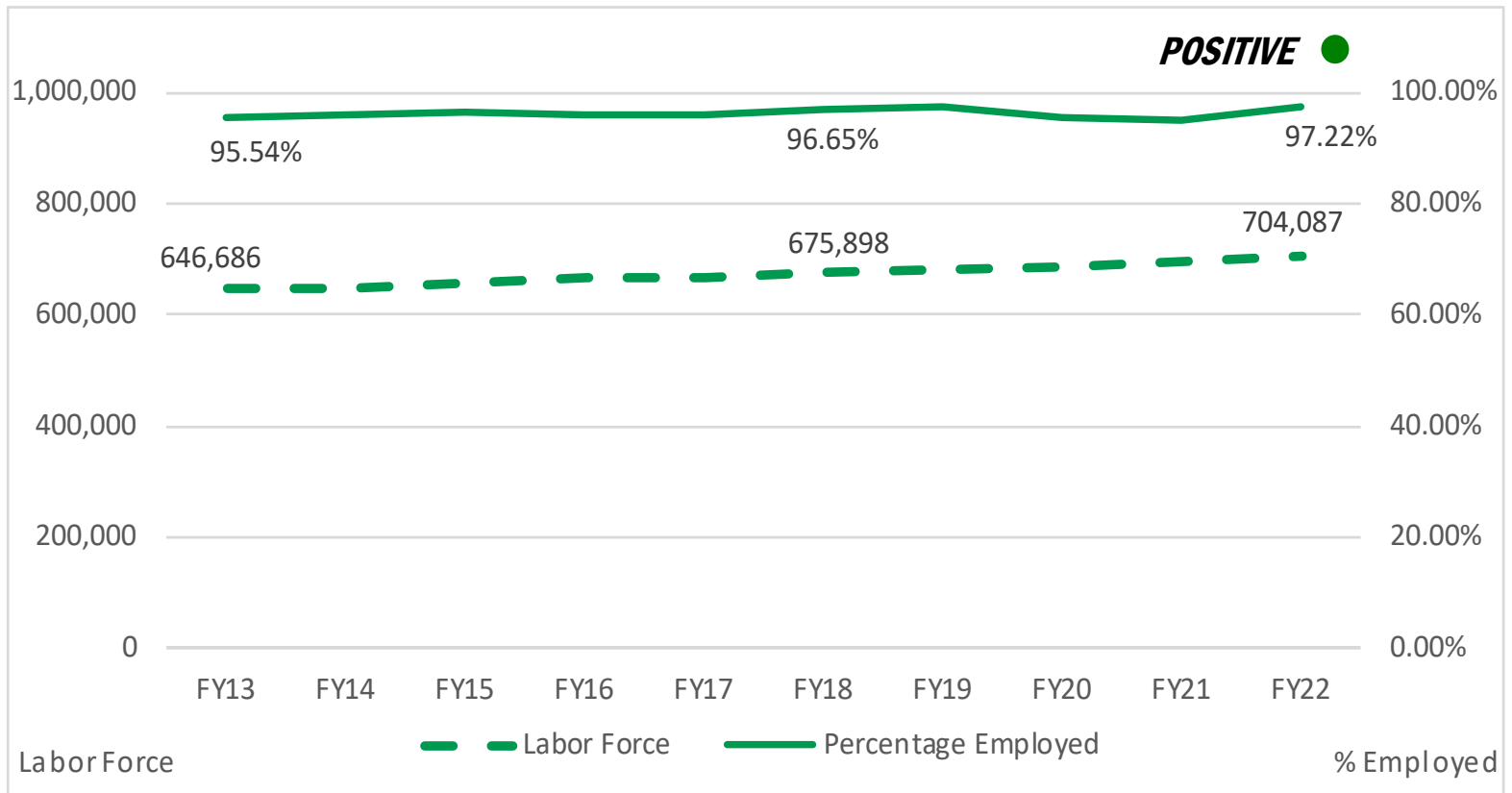


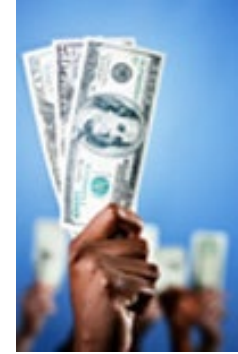




# Labor Force

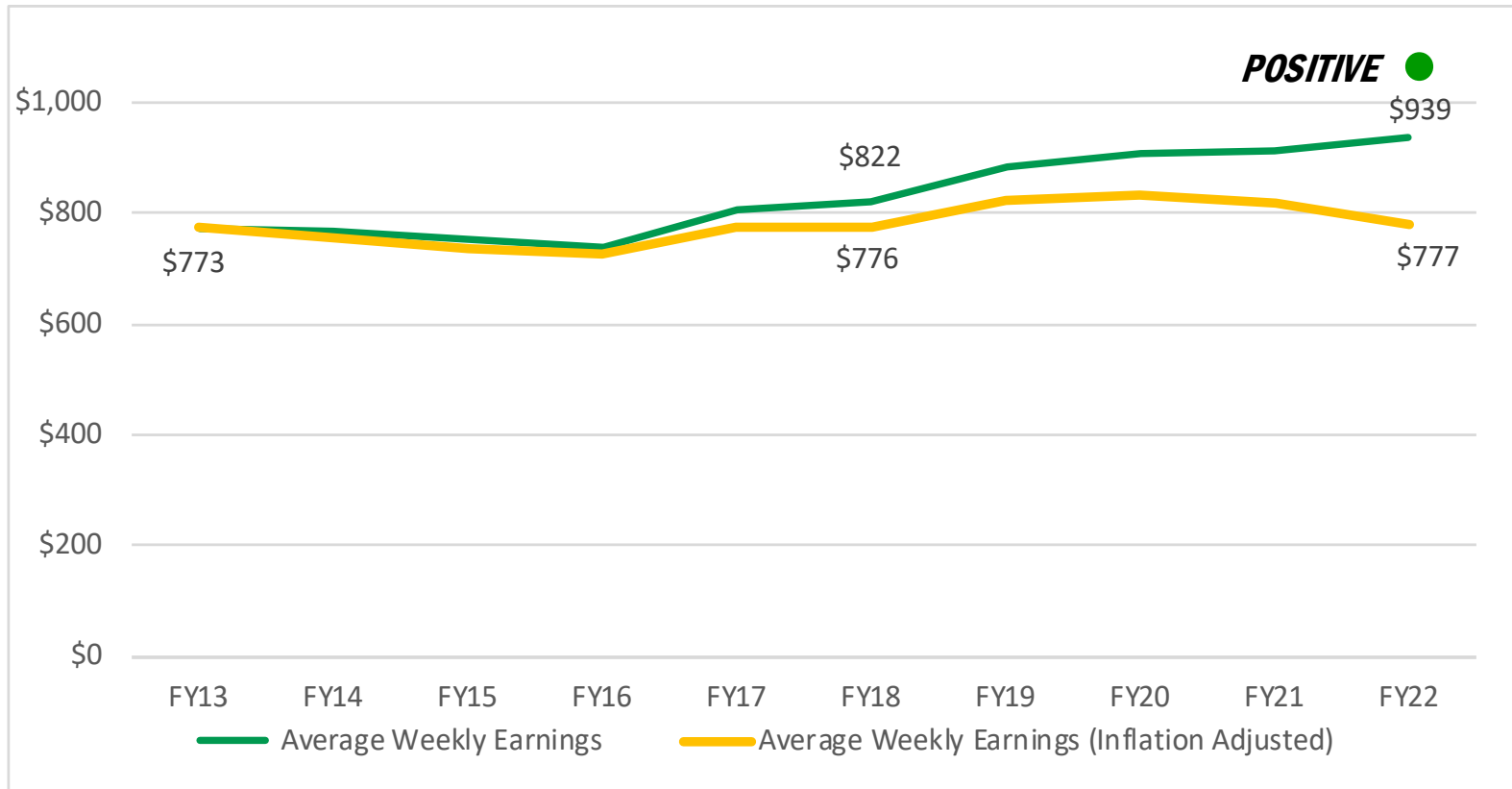
And percentage of labor force employed in the Oklahoma City Metropolitan Statistical Area (OKC-MSA)





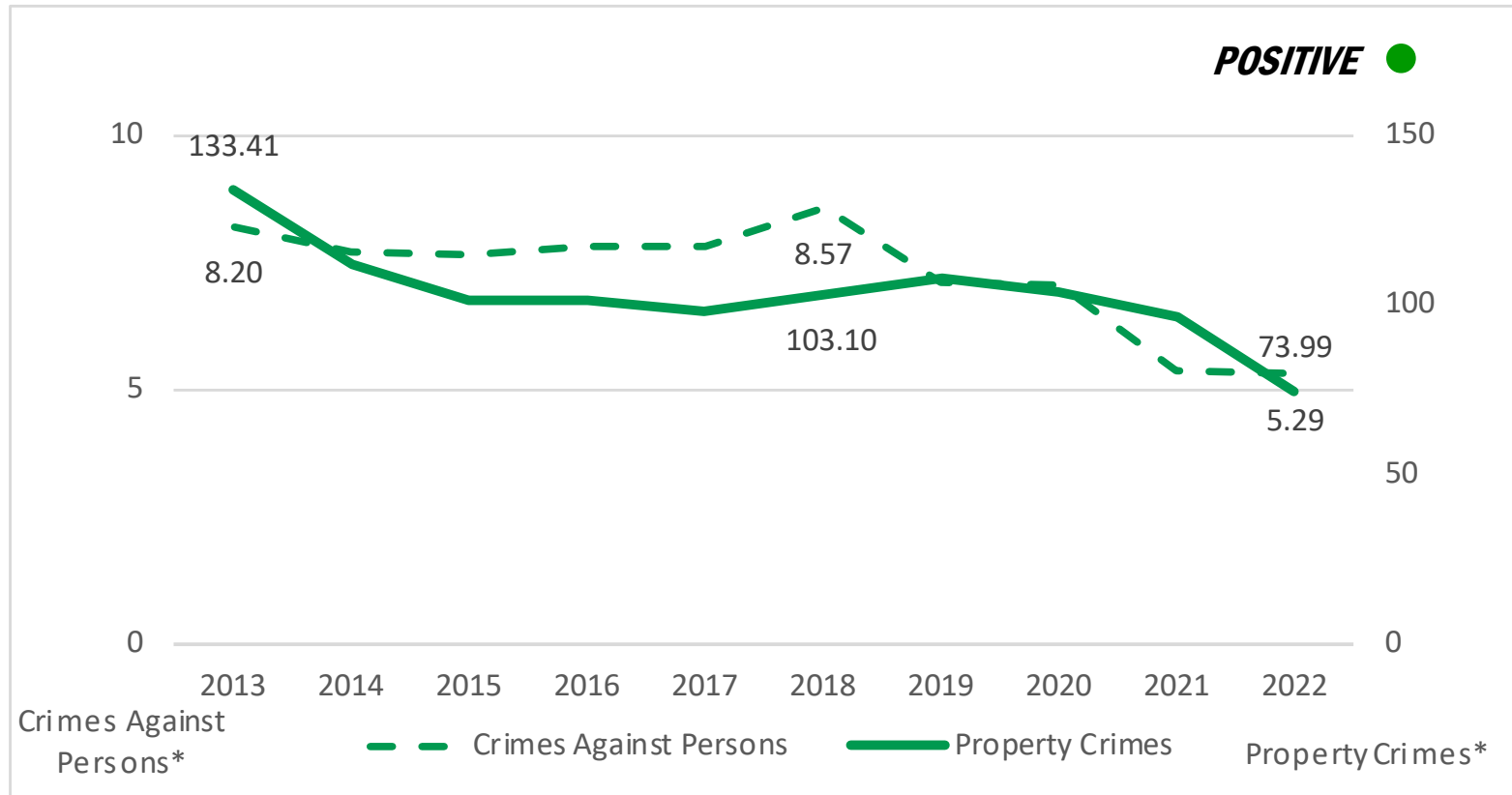
# Average Weekly Earnings

OKC-MSA, private sector



# Crime Rate

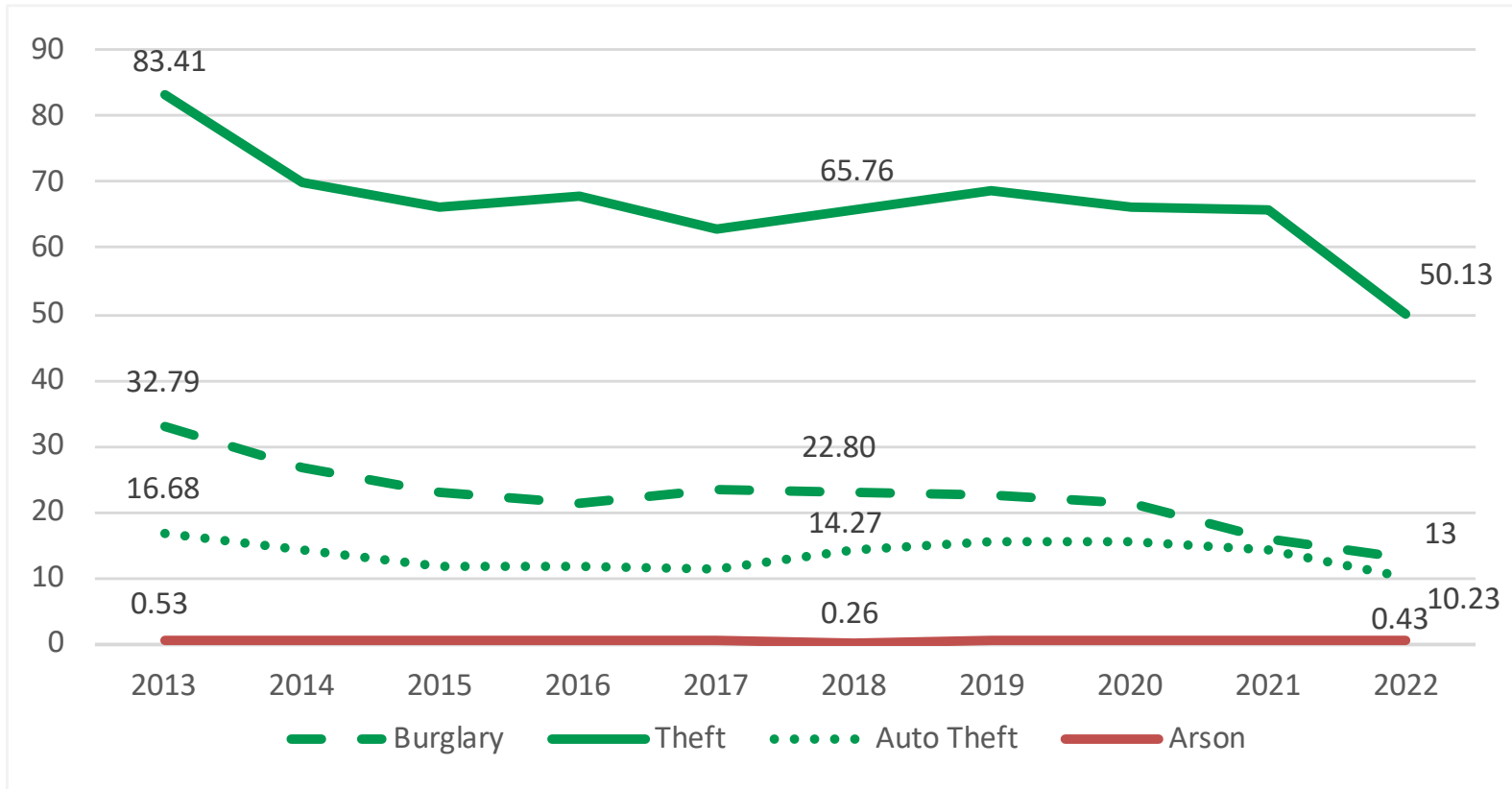
\*Crimes per 1,000 persons / property crimes per 1,000 households



\*Data for 2022 is estimated using actual data from January – October. November through December were an average of the first 10 months of 2022.

# Property Crimes

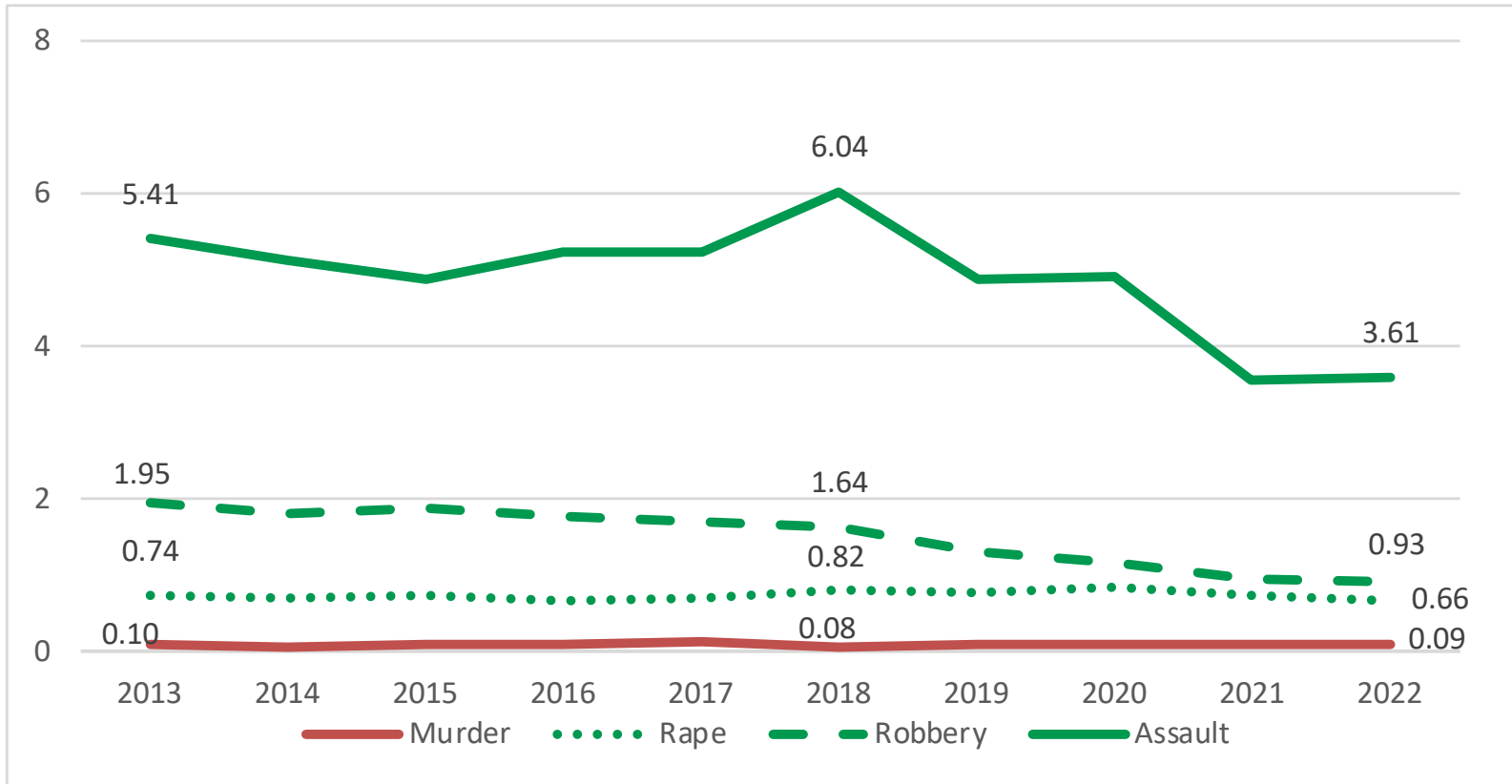
\*Per 1,000 households / 10-year history by category



\*Data for 2022 is estimated using actual data from January – October. November through December were an average of the first 10 months of 2022.

# Person Crimes

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

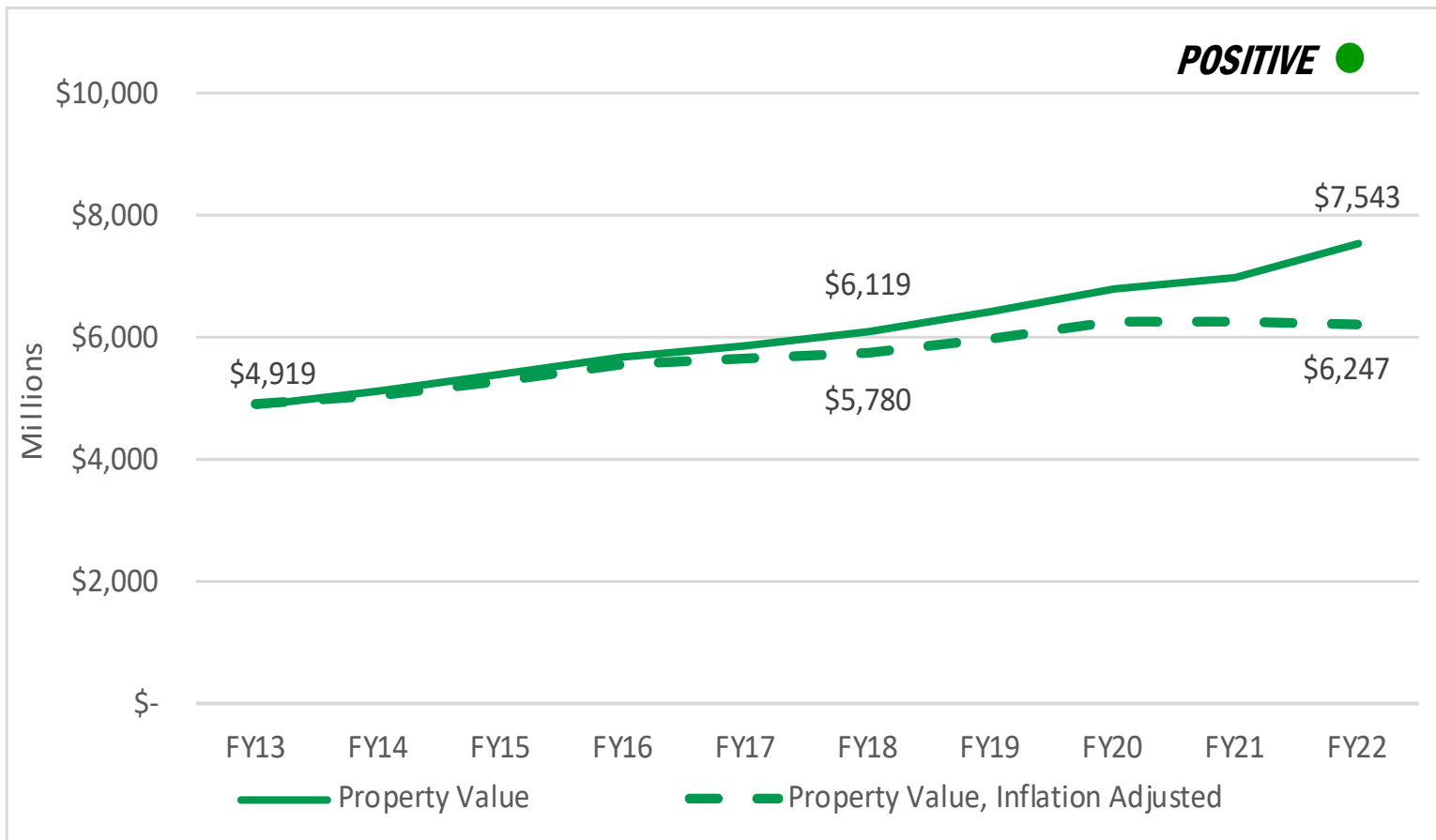


\*Data for 2022 is estimated using actual data from January – October. November through December were an average of the first 10 months of 2022.



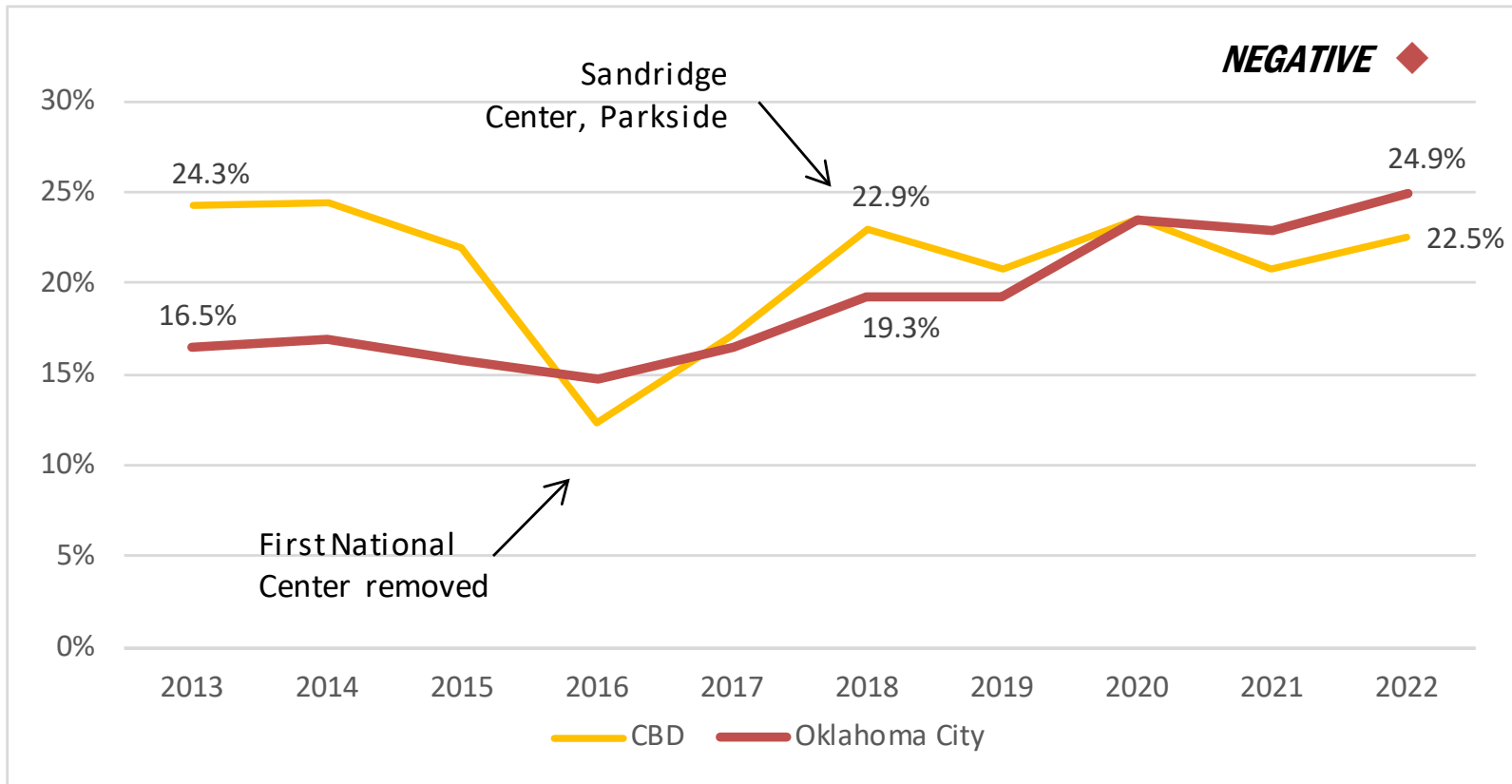
# Property Value

Assessed property value in millions of dollars





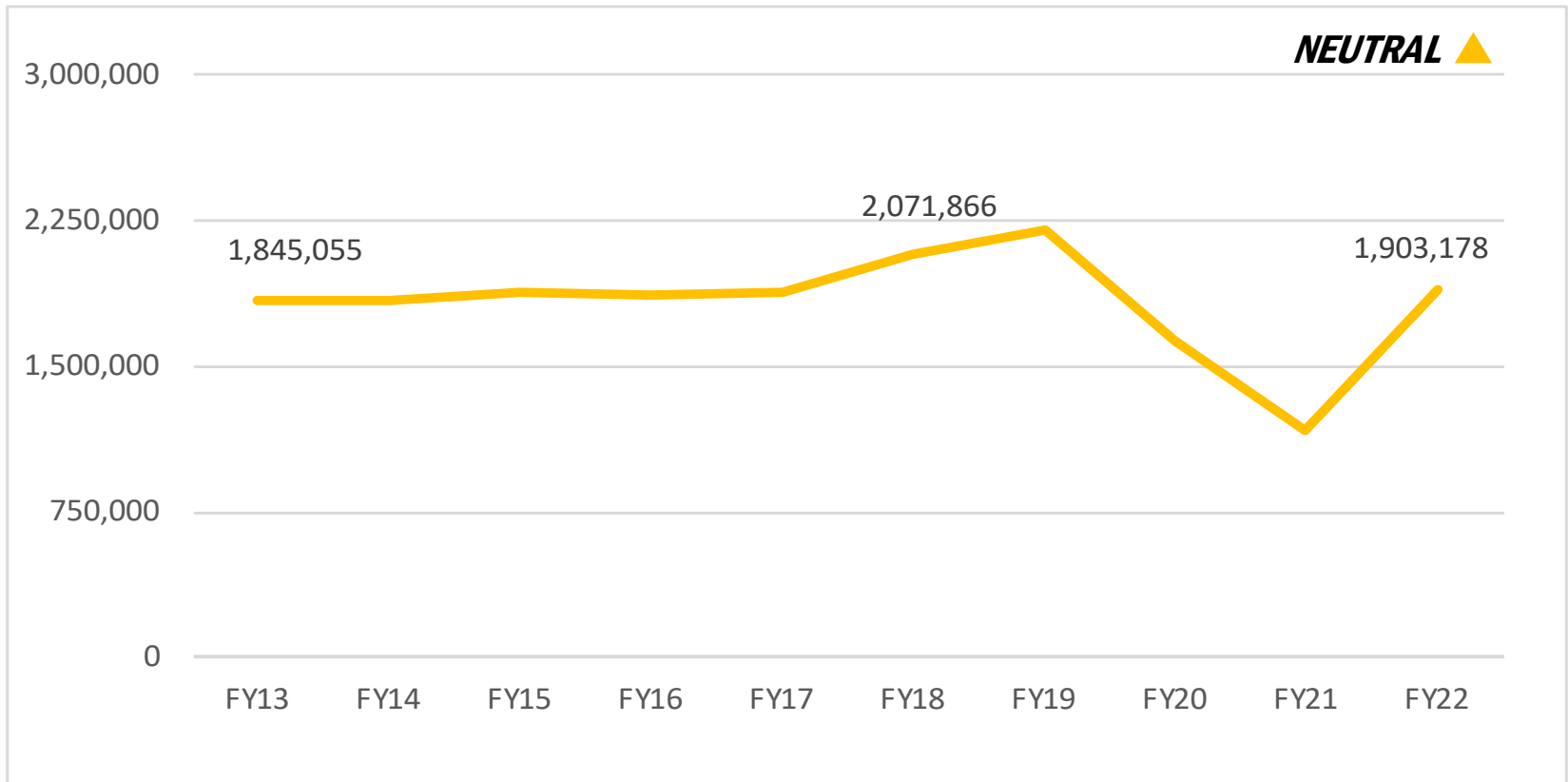
# Office Vacancy Rate





# Airport Activity

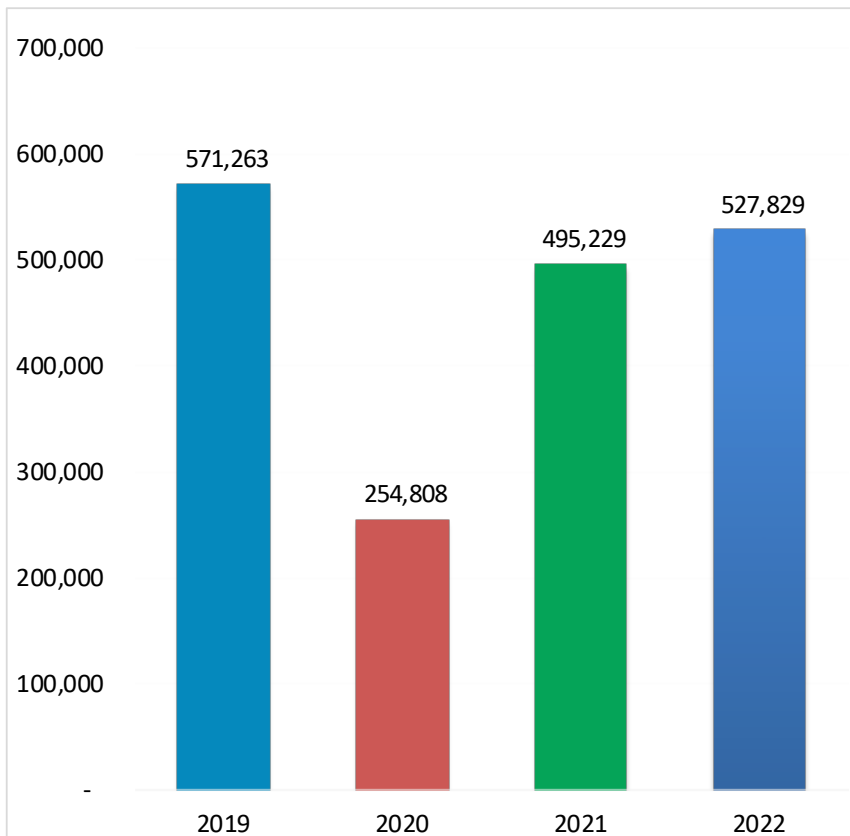
Will Rogers World Airport number of boarding passengers





# Airport Activity

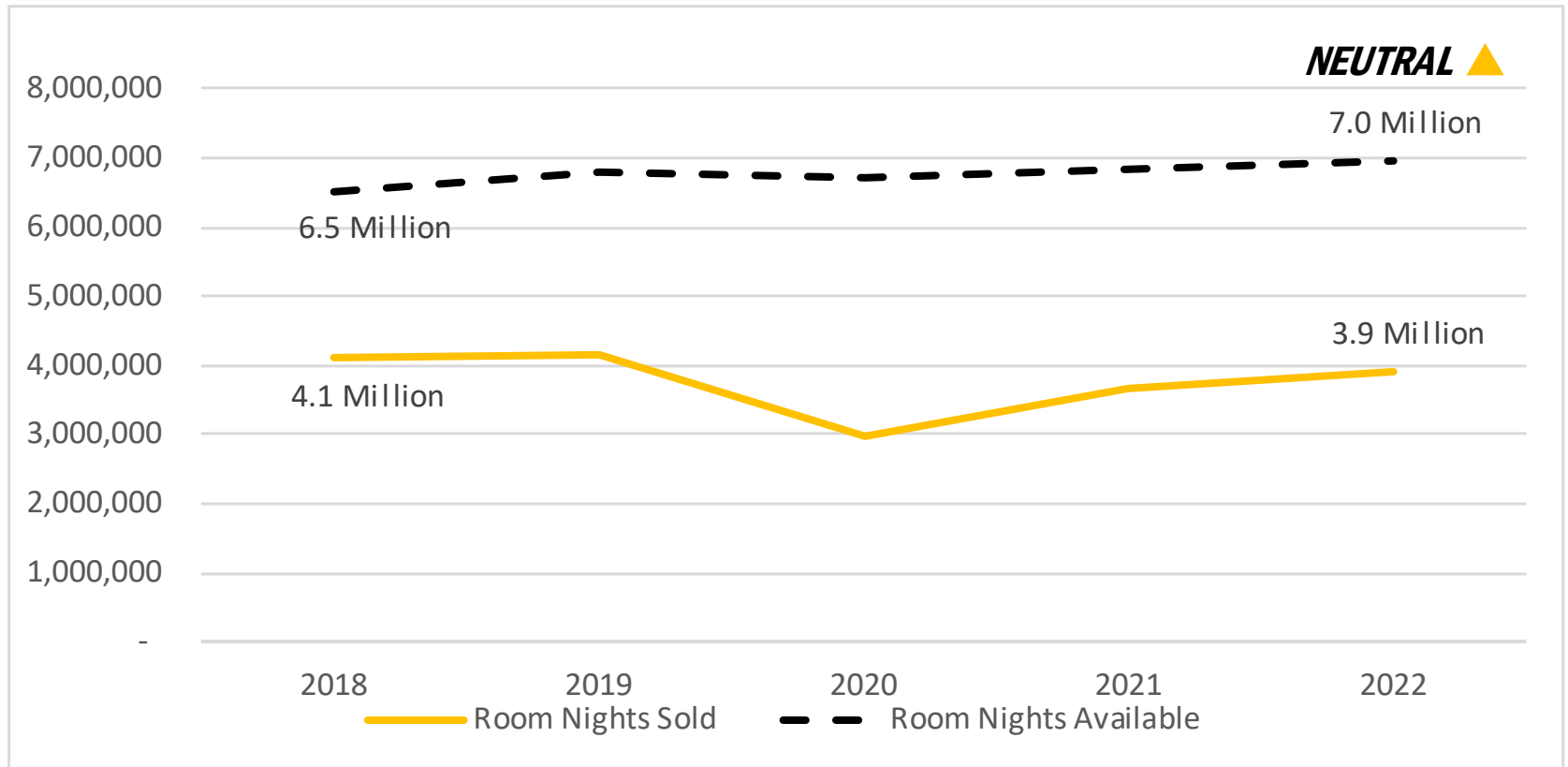
Will Rogers World Airport number of boarding passengers  
(October – December)



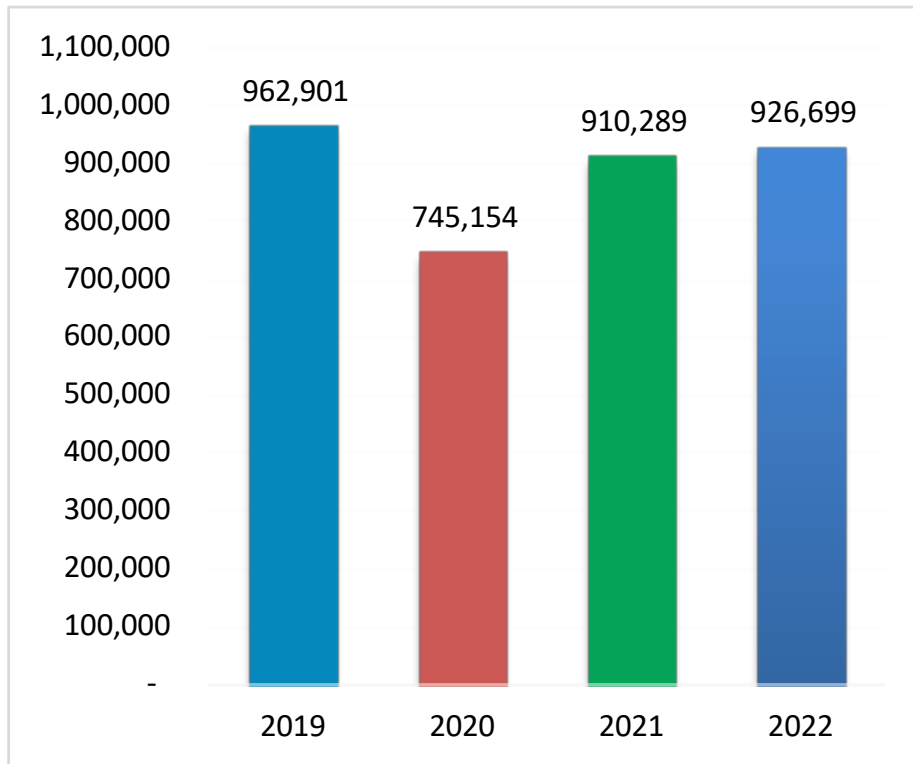
**Enplanements up 6.6% from Q4 2021 to Q4 2022; however, still 7.6% below Q4 2019**



# Hotel Room Nights Sold



# Hotel Room Nights Sold October - December



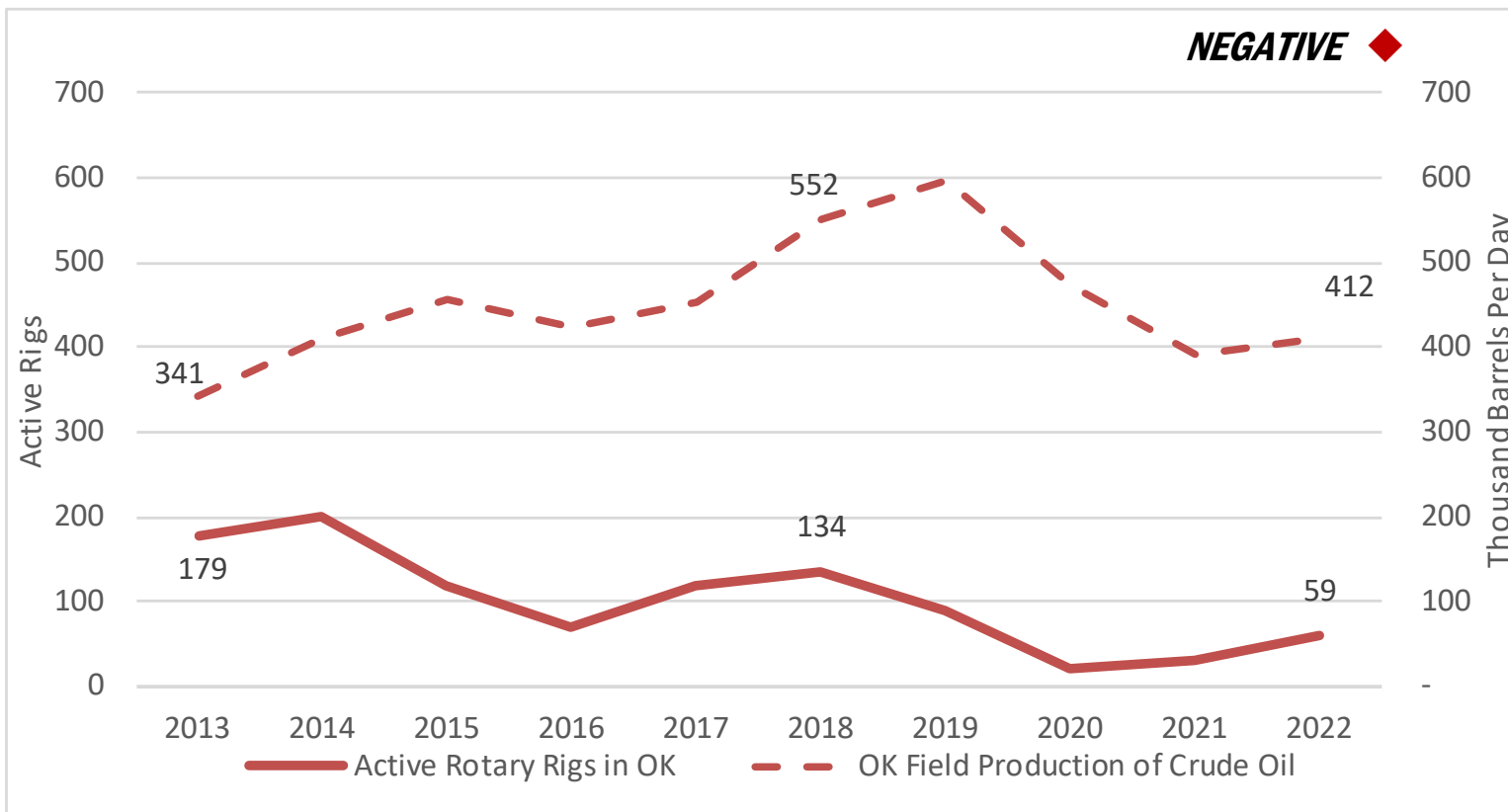
**Room nights sold up 1.8% from Q4 2021 to Q4 2022; however, still 3.8% lower than Q4 2019**



# Active Drilling Activity

Oklahoma active drilling rig count

Oklahoma field production of crude oil



**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

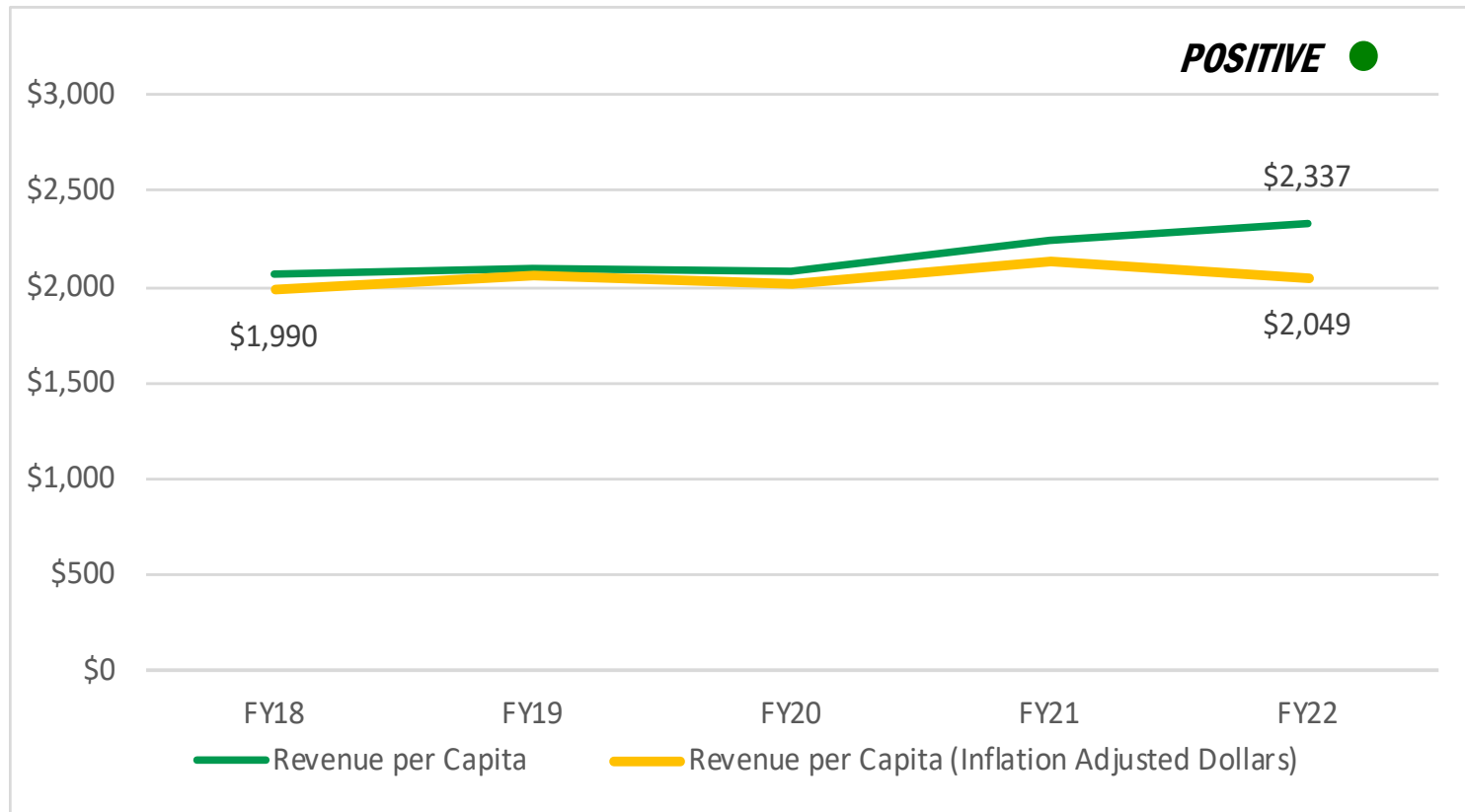
## OPERATIONS

## Fund Balance

Enterprise Working Capital

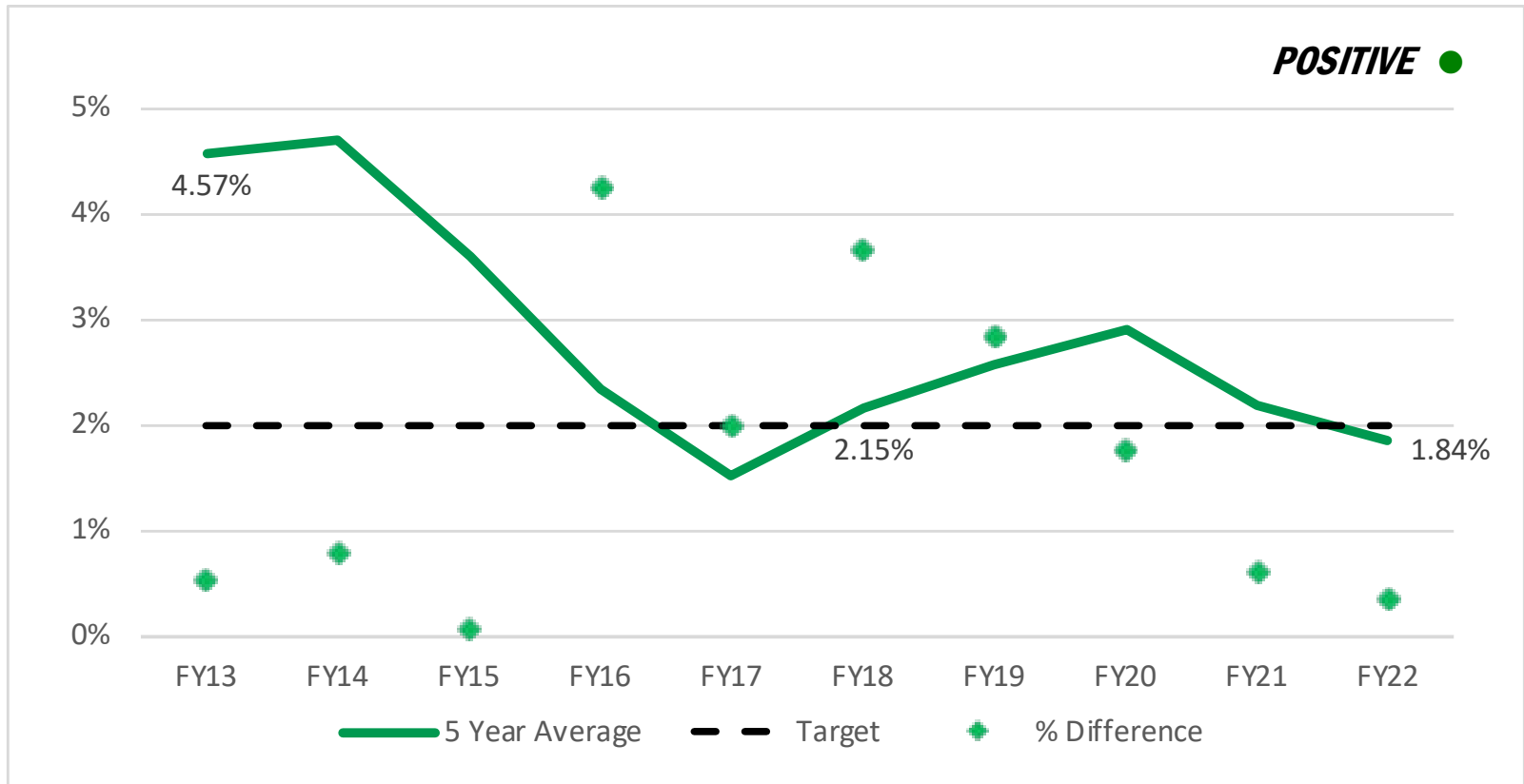
Liquidity

# Revenue Per Capita

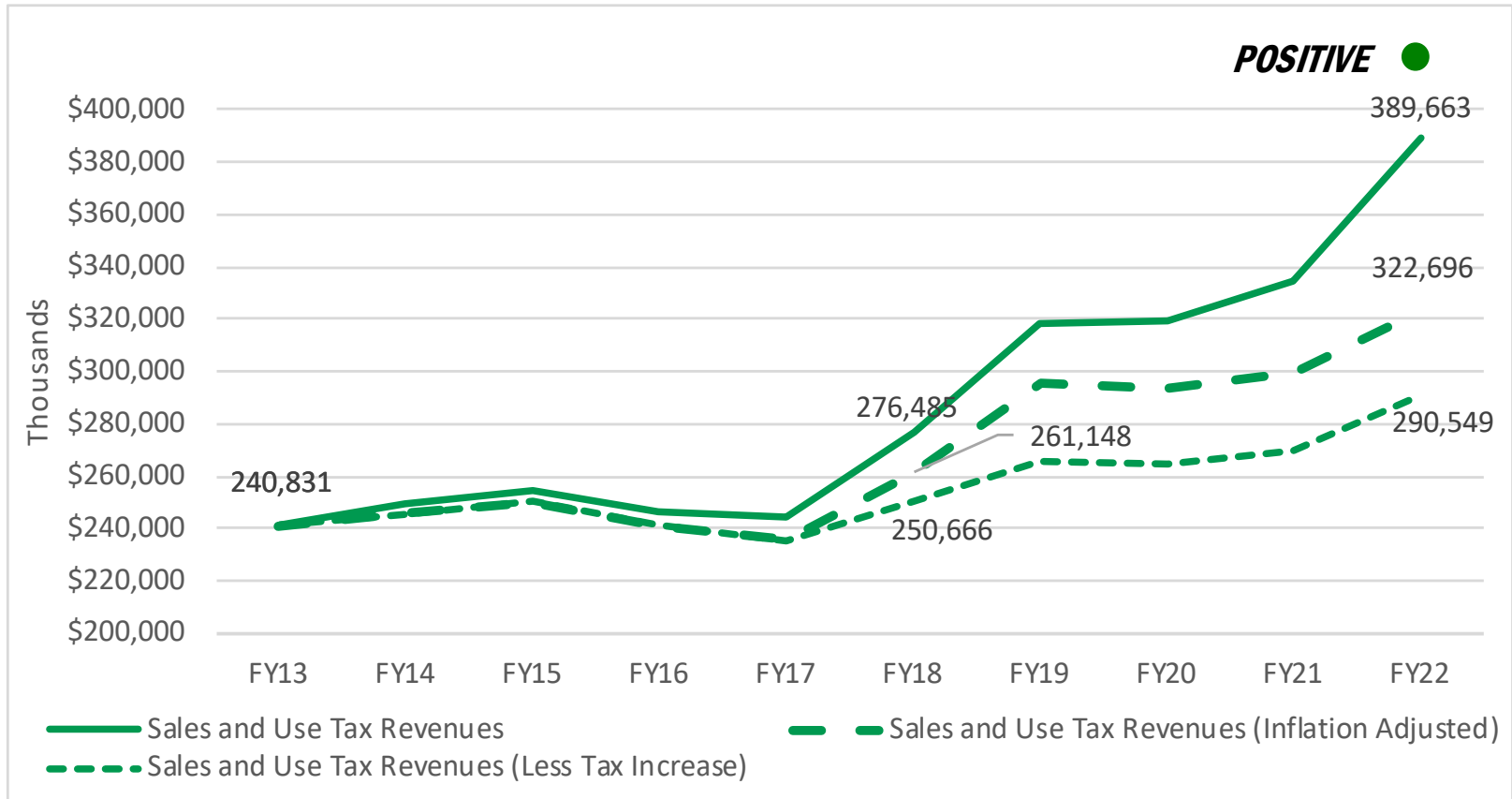


# Revenue Accuracy

General Fund collections compared to budget



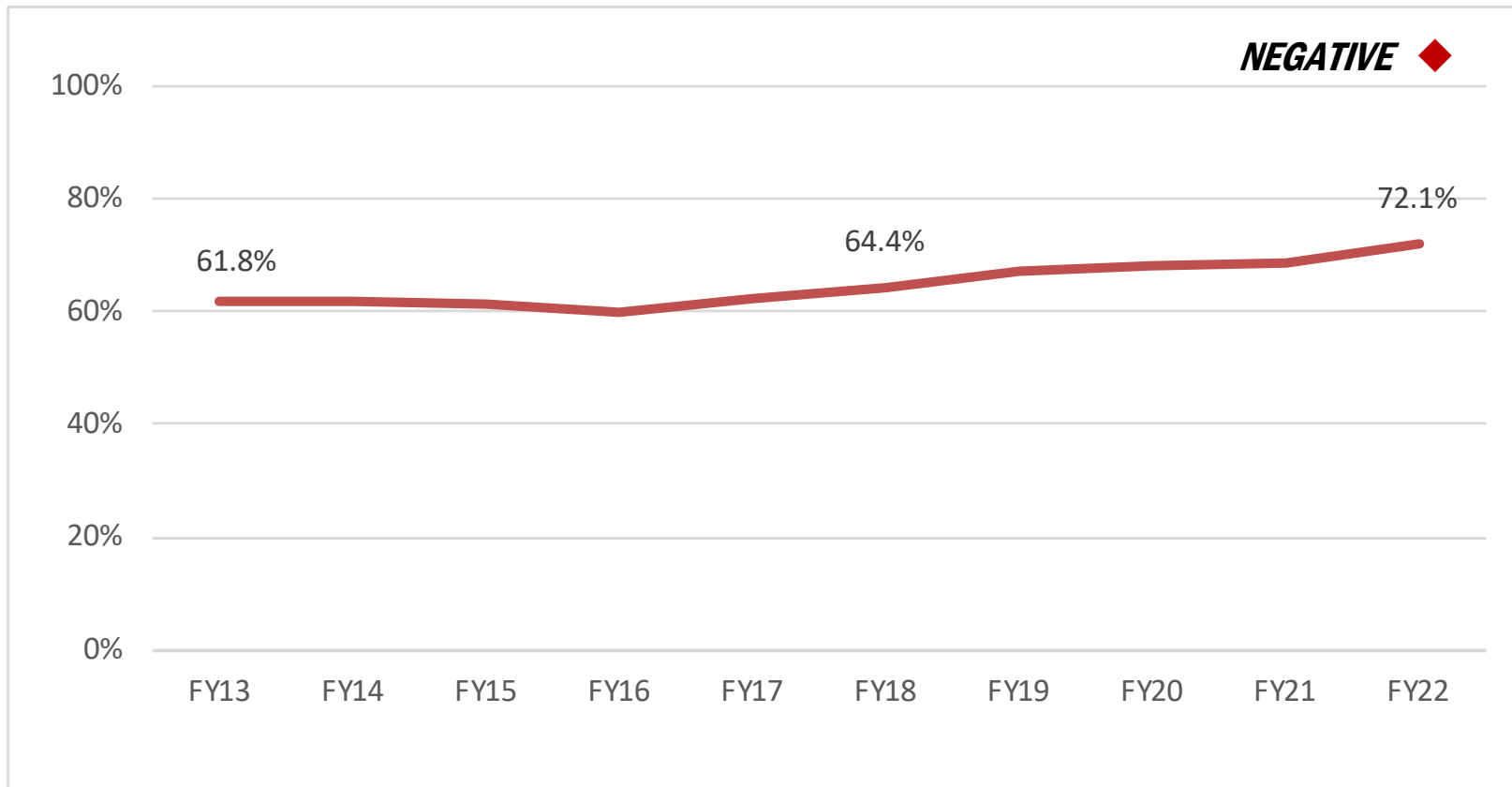
# Sales and Use Tax Revenue





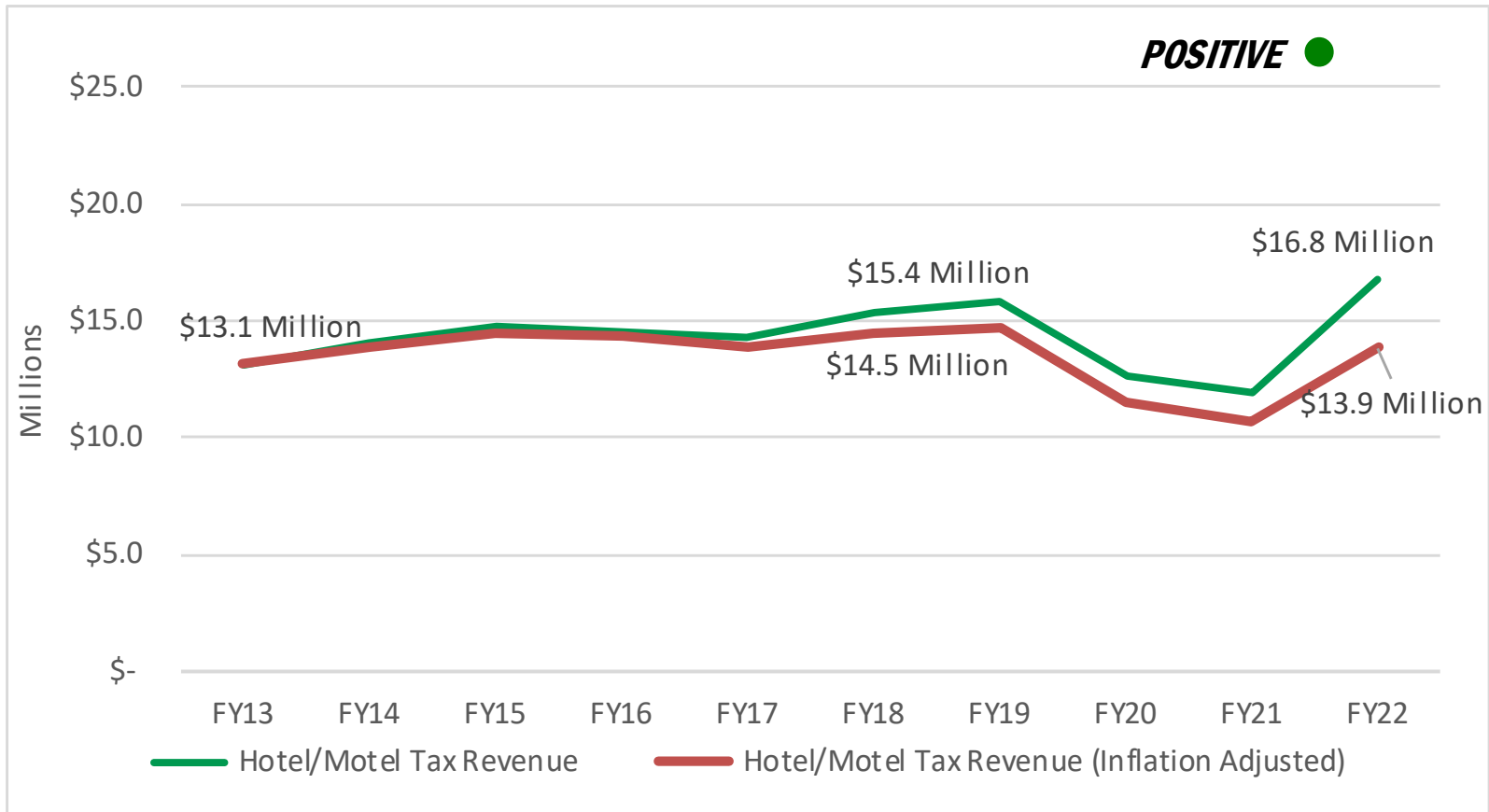
# Sales and Use Tax

As a percentage of General Fund operating revenues



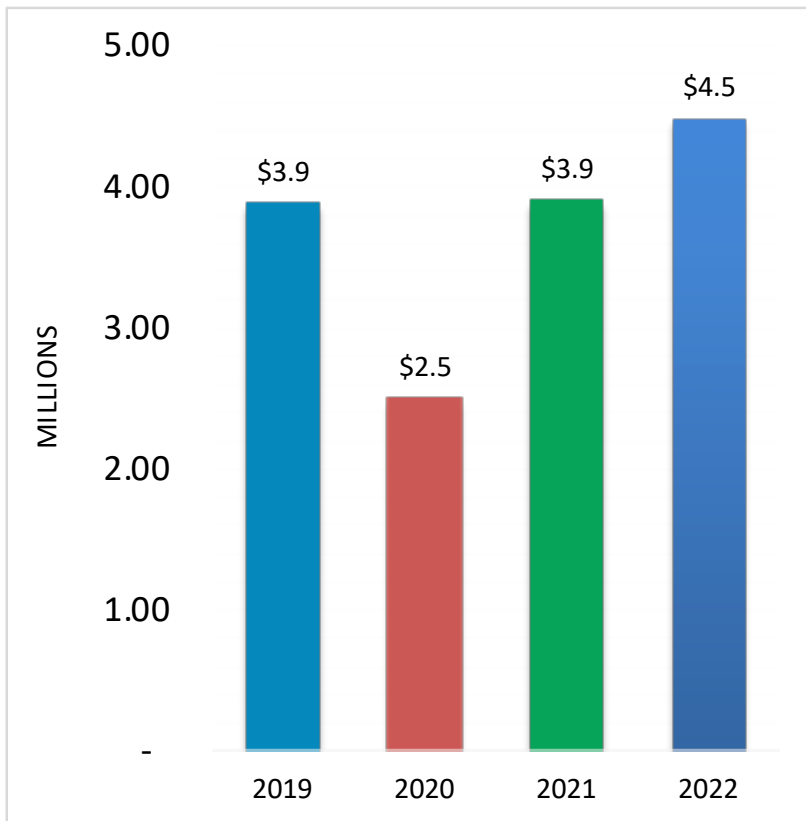
# Hotel Tax Revenue

In millions



# Hotel Tax Revenue October - December

In millions

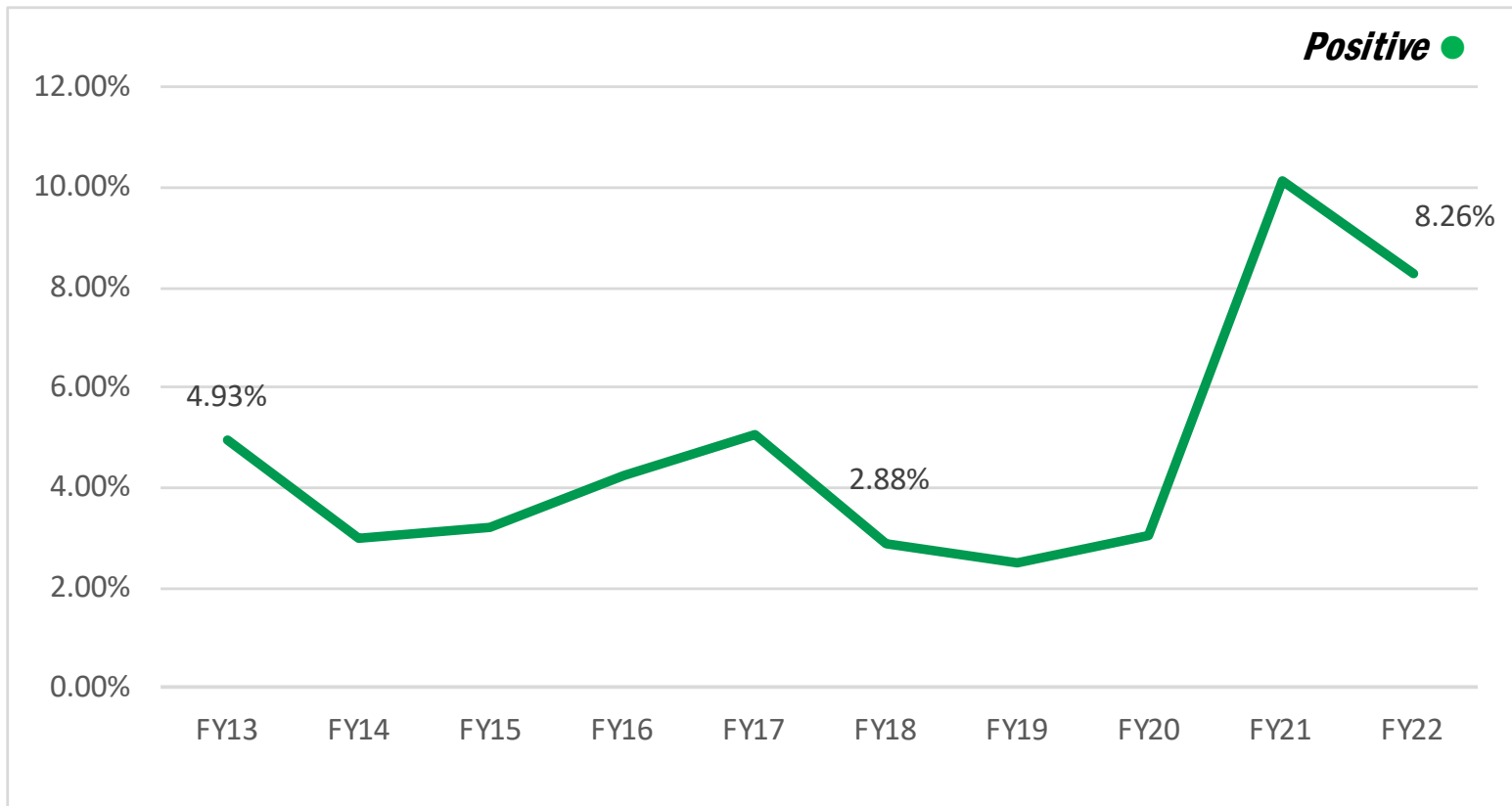


**Hotel Tax revenue up 14.9% from Q4 2021 to Q4 2022; and up 15.4% from Q4 2019 to Q4 2022.**



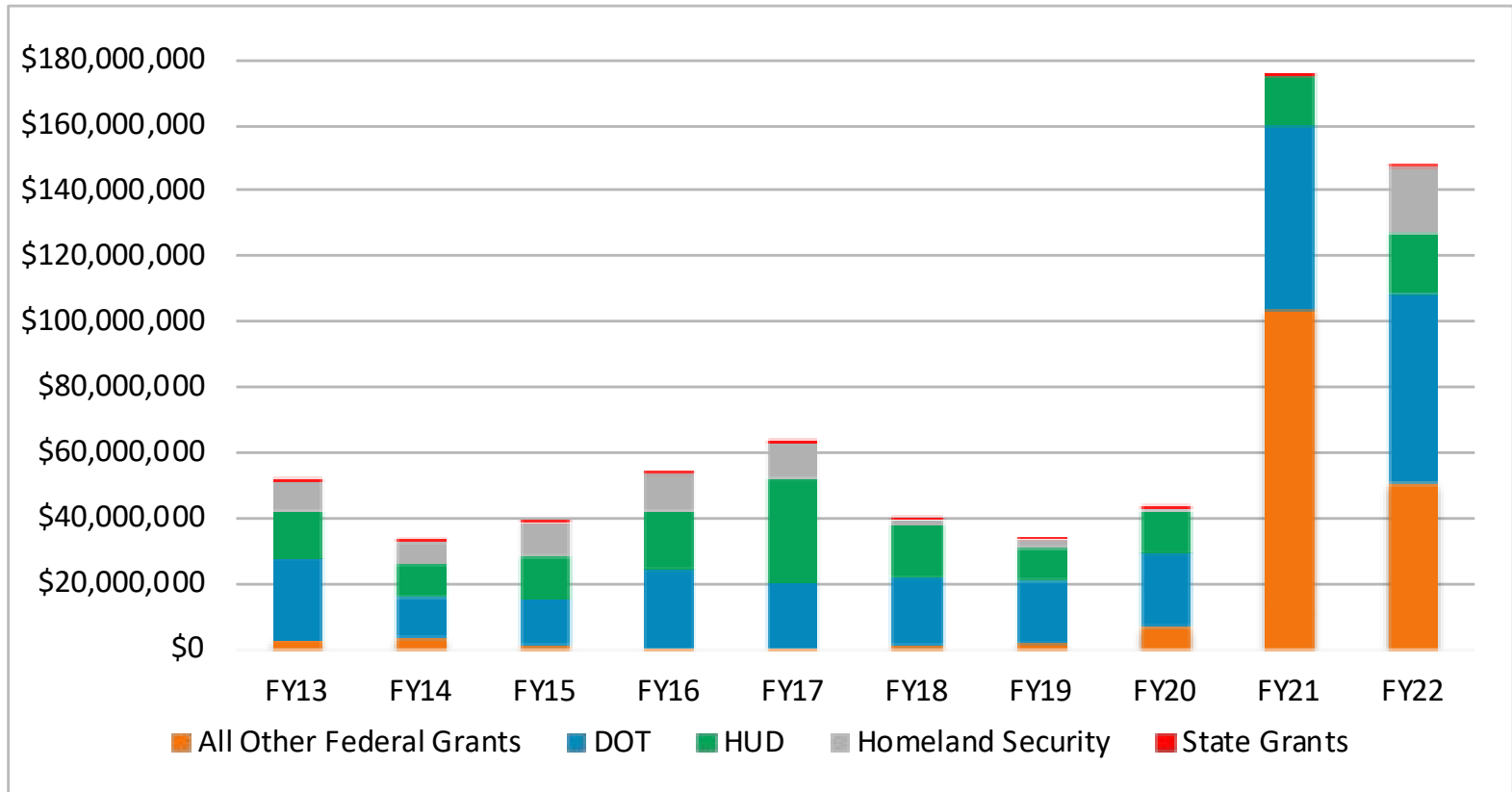
# Grant Revenue

As a percentage of Total Operating Revenue



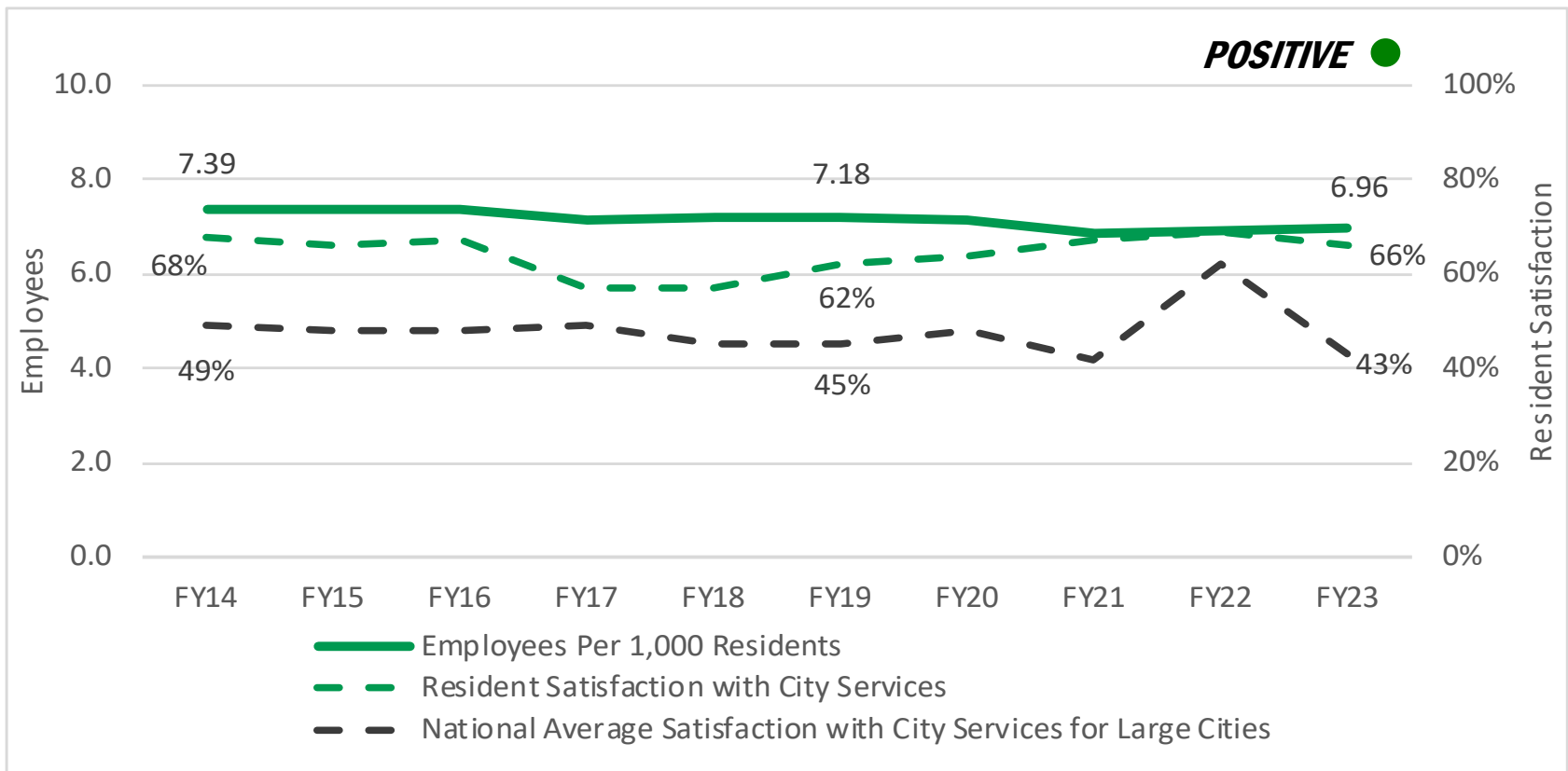
# Grant Revenue

By Granting Agency



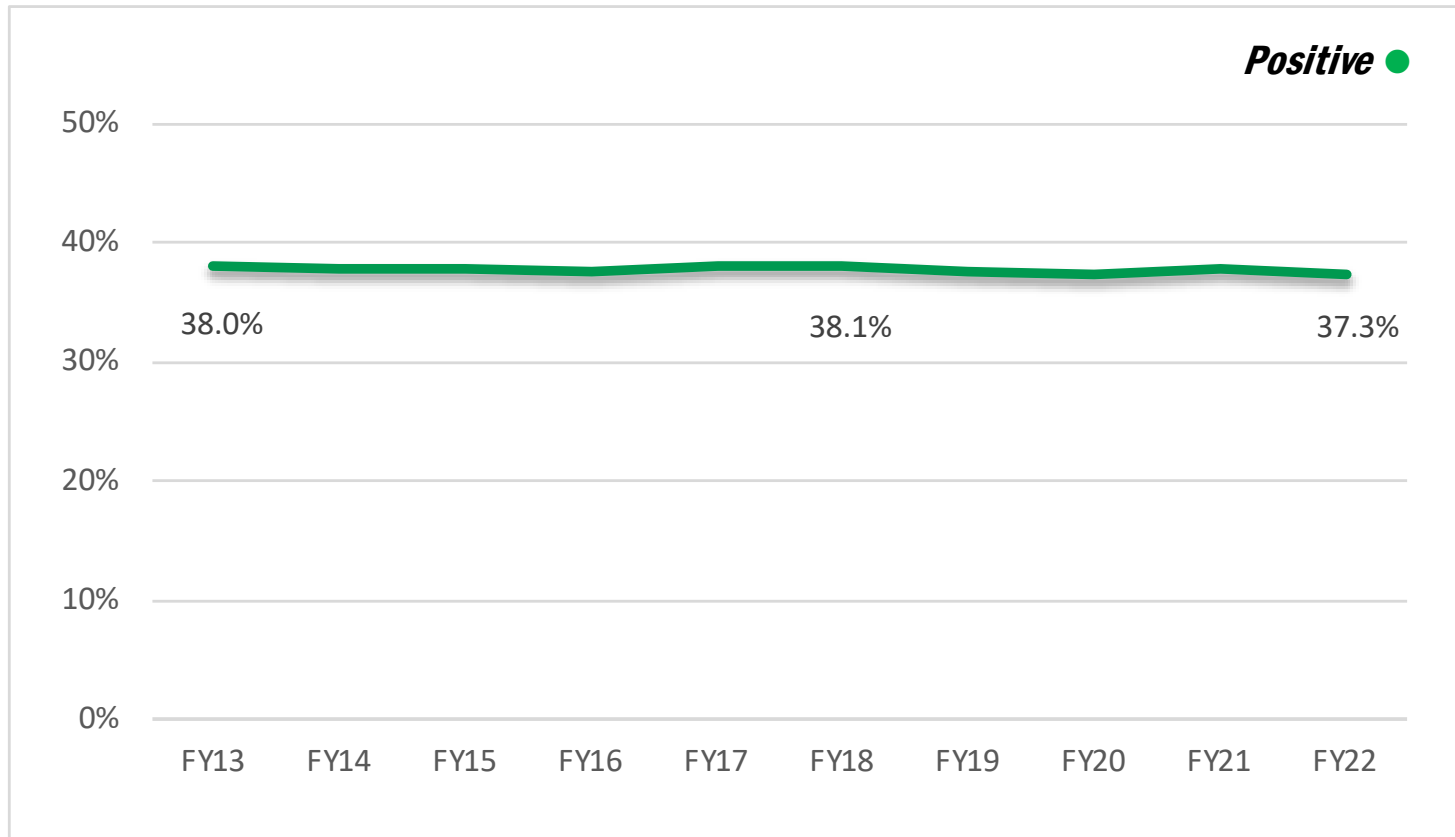
# Employees

Per 1,000 residents



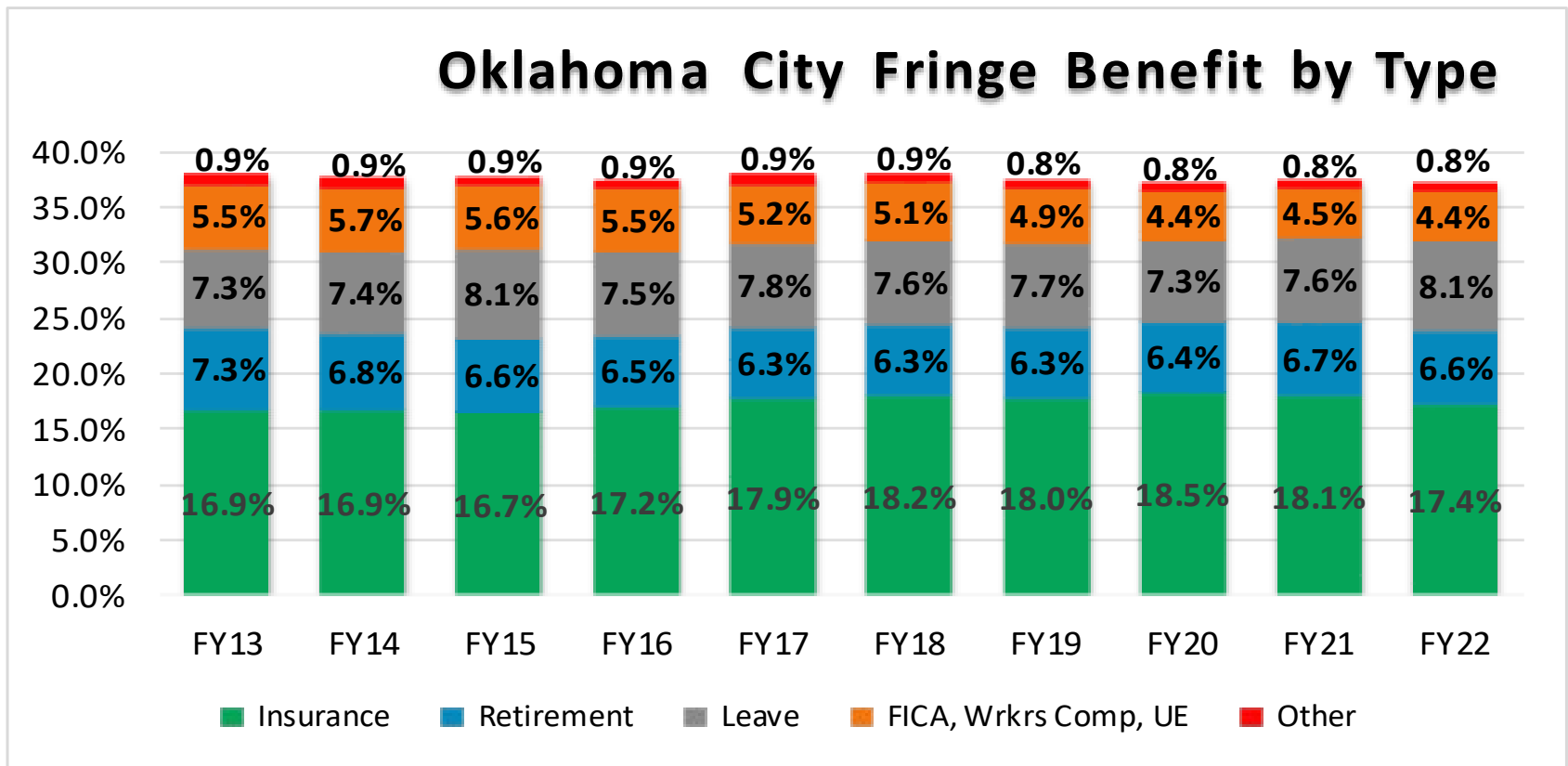
# Fringe Benefits

As a percentage of total compensation



# Fringe Benefits

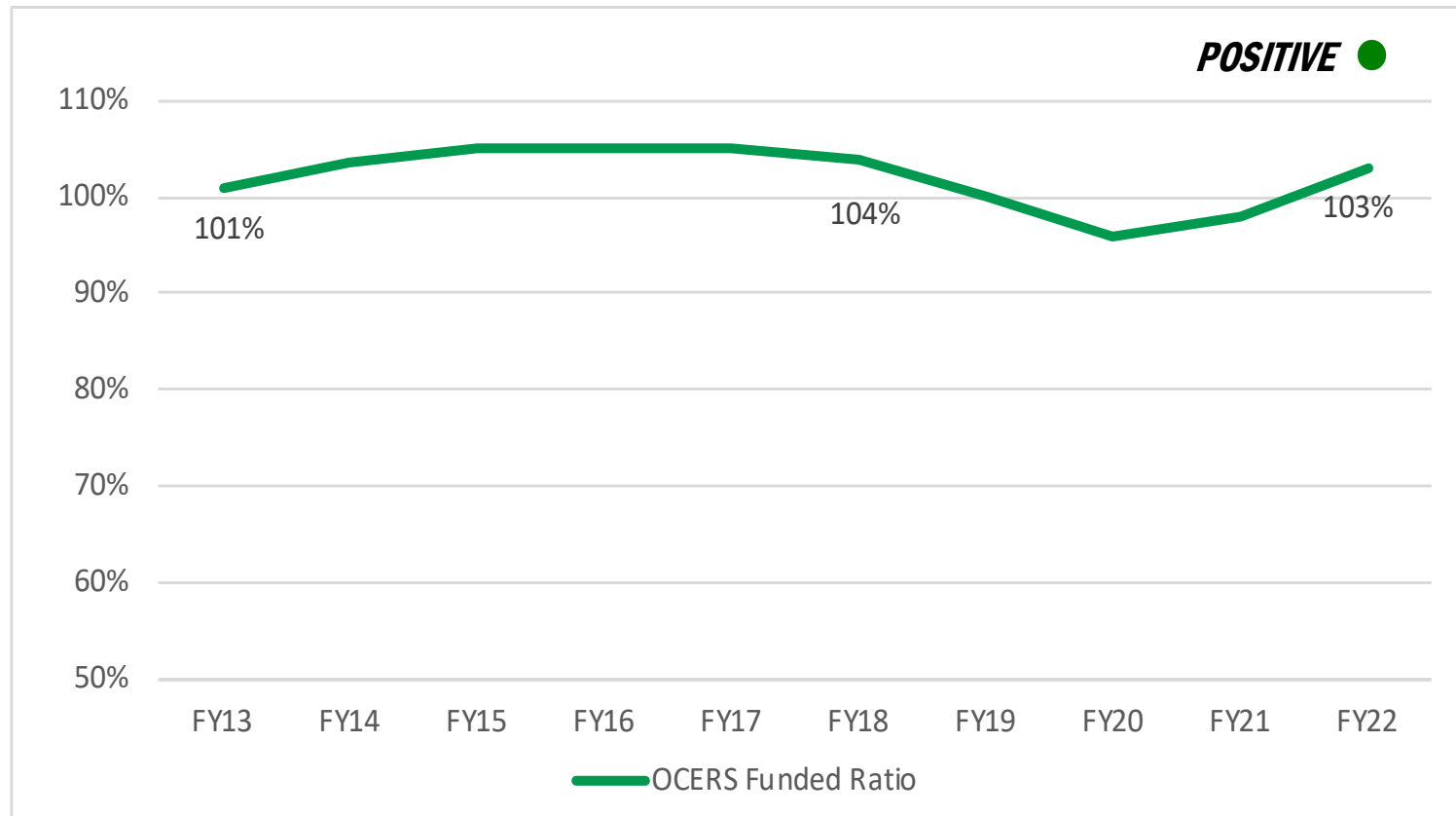
As a percentage of total compensation





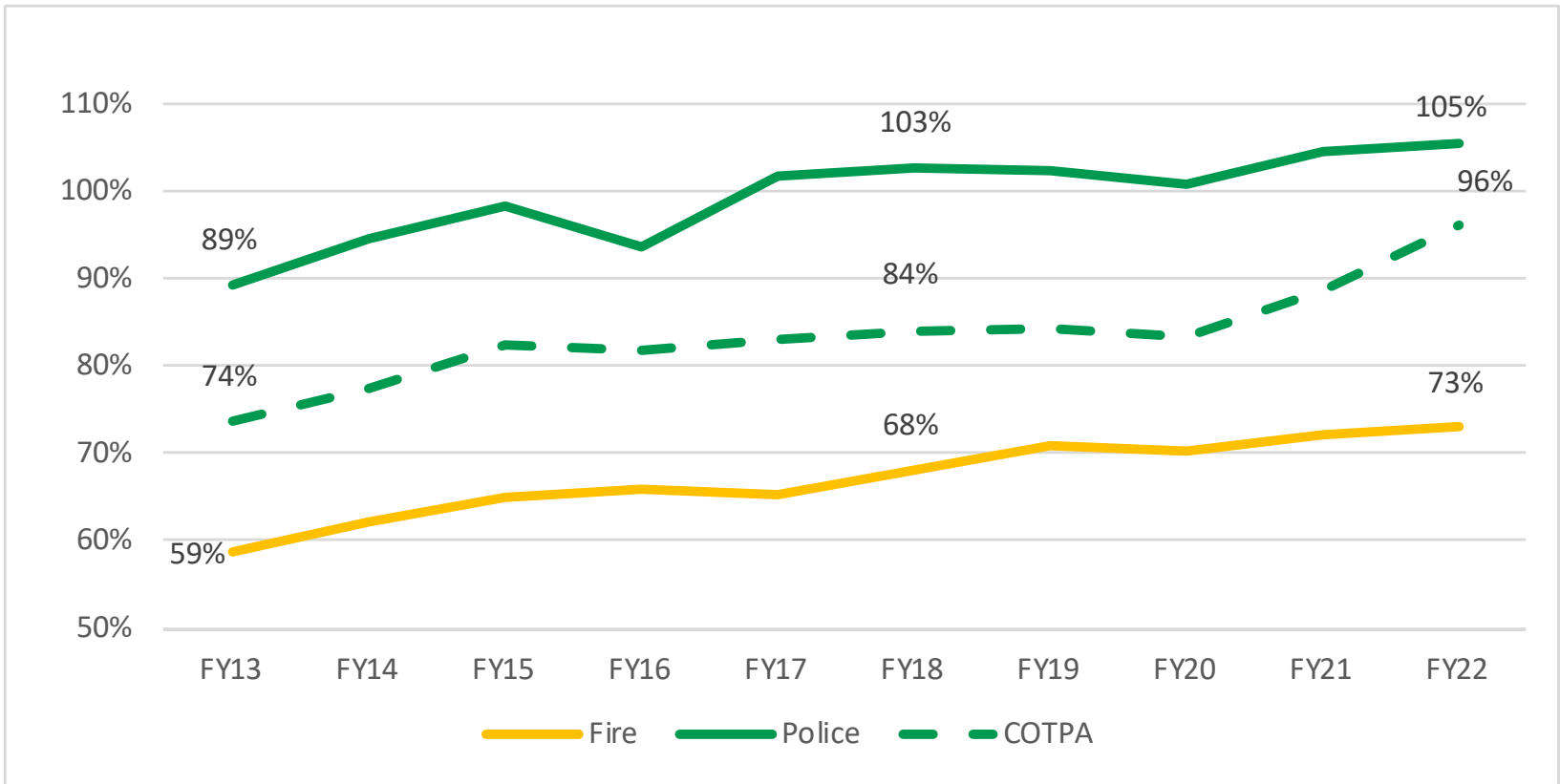
# Pension Funding

Oklahoma City Employee Retirement System (OCERS)



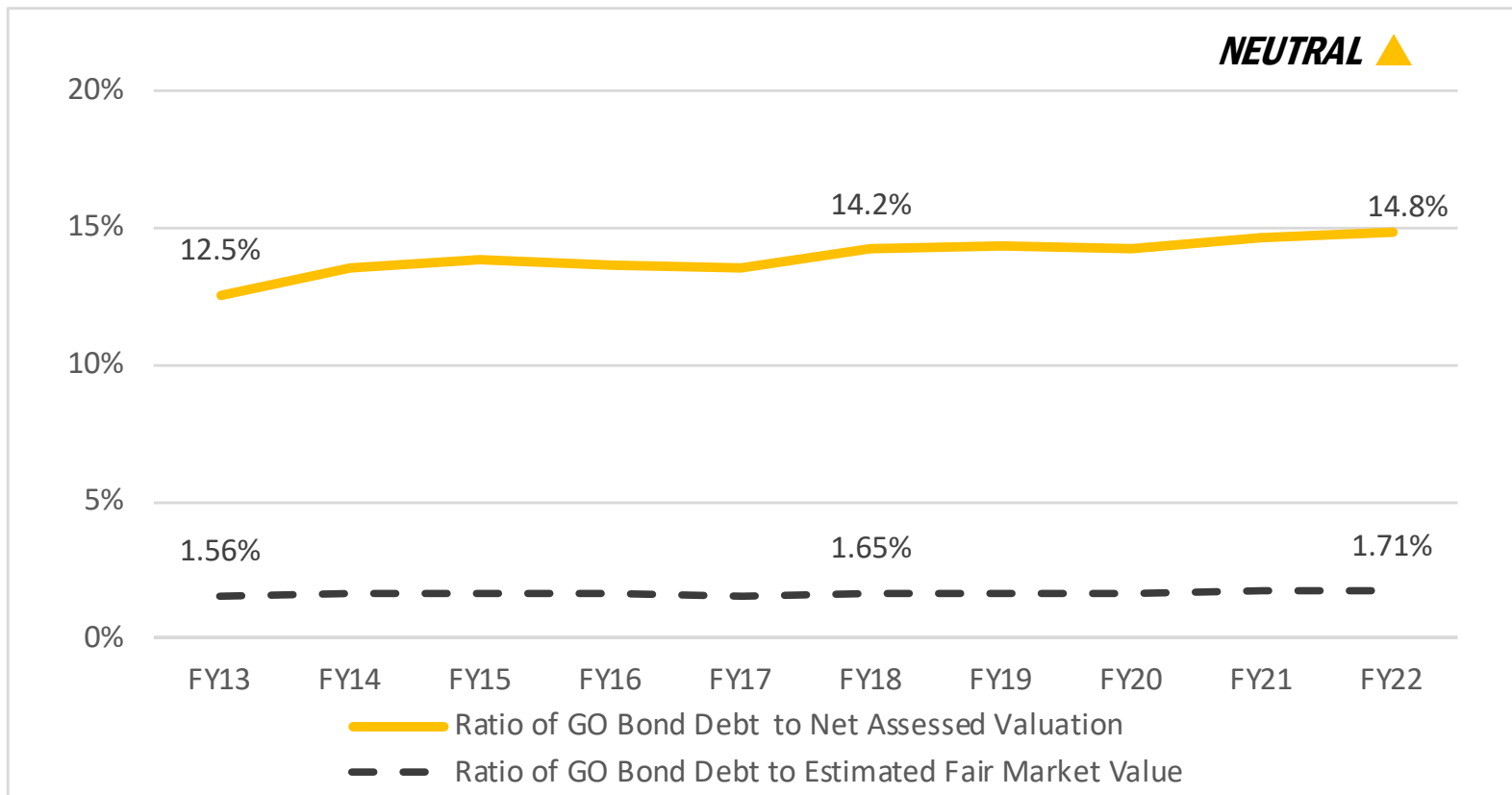
# Pension Funding

Accrued liability funding ratio



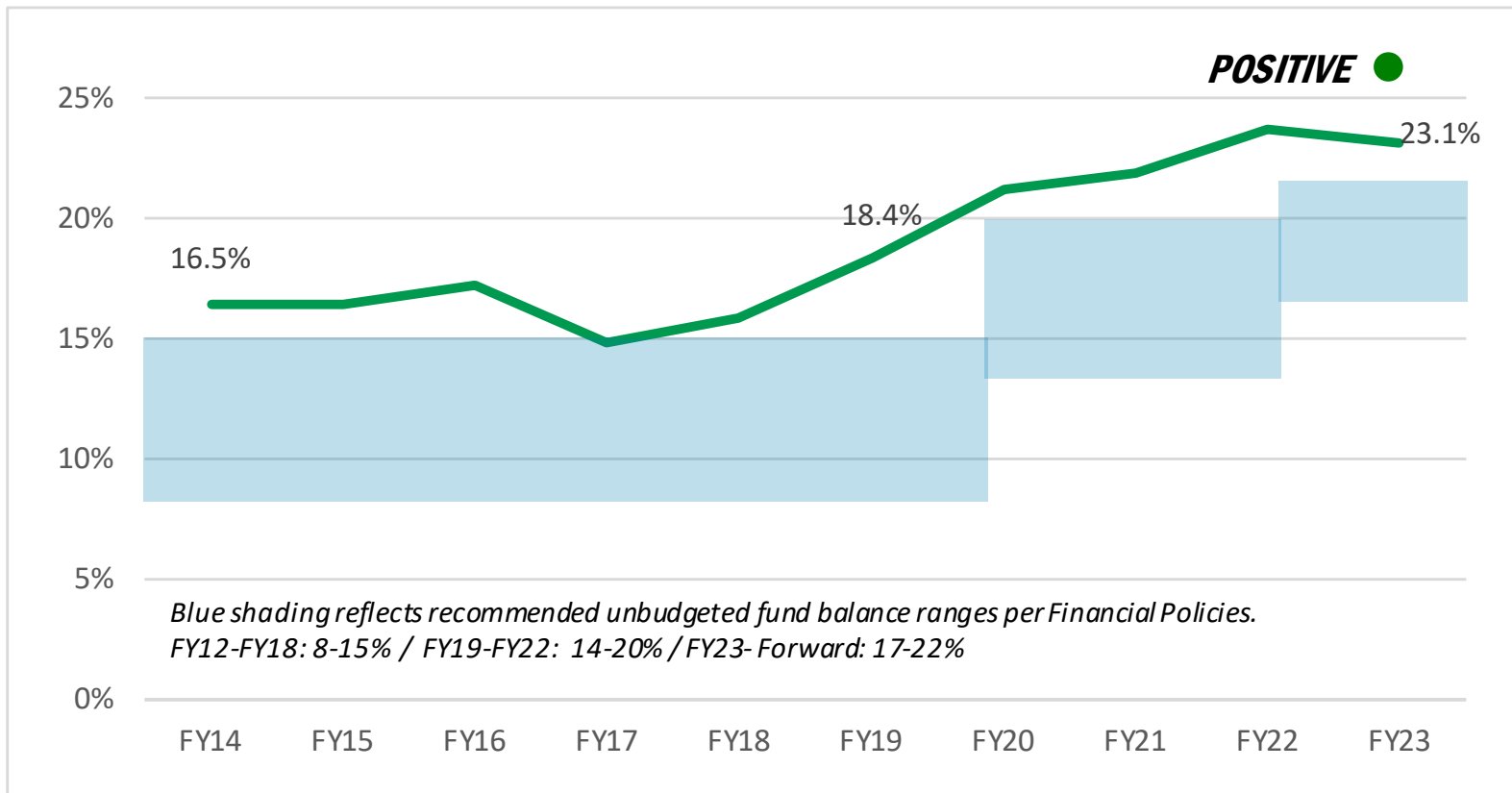
# Long Term Debt

Ratio of General Obligation bonded debt to net taxable assessed value



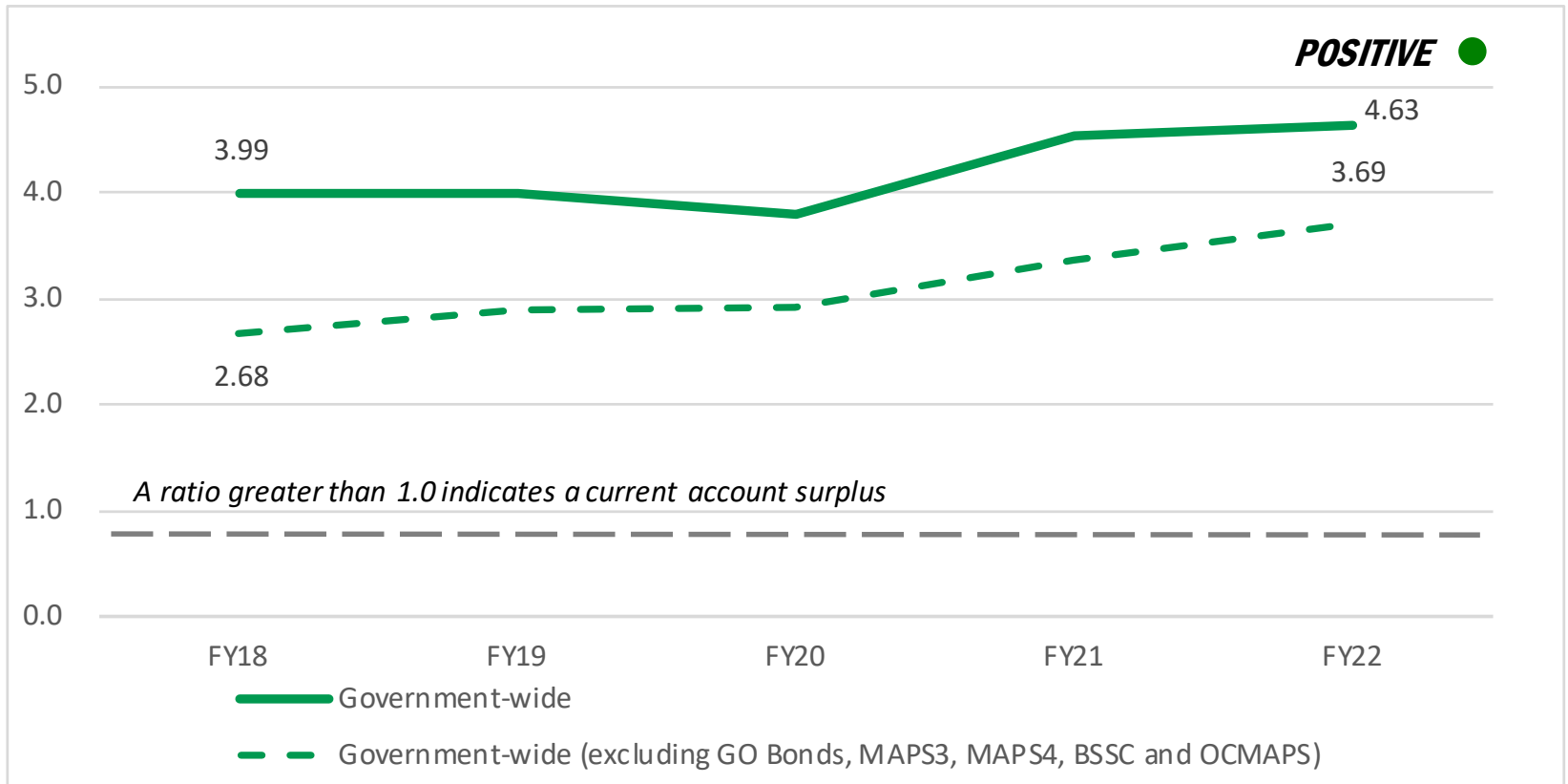
# Fund Balance

As a percentage of General Fund budget



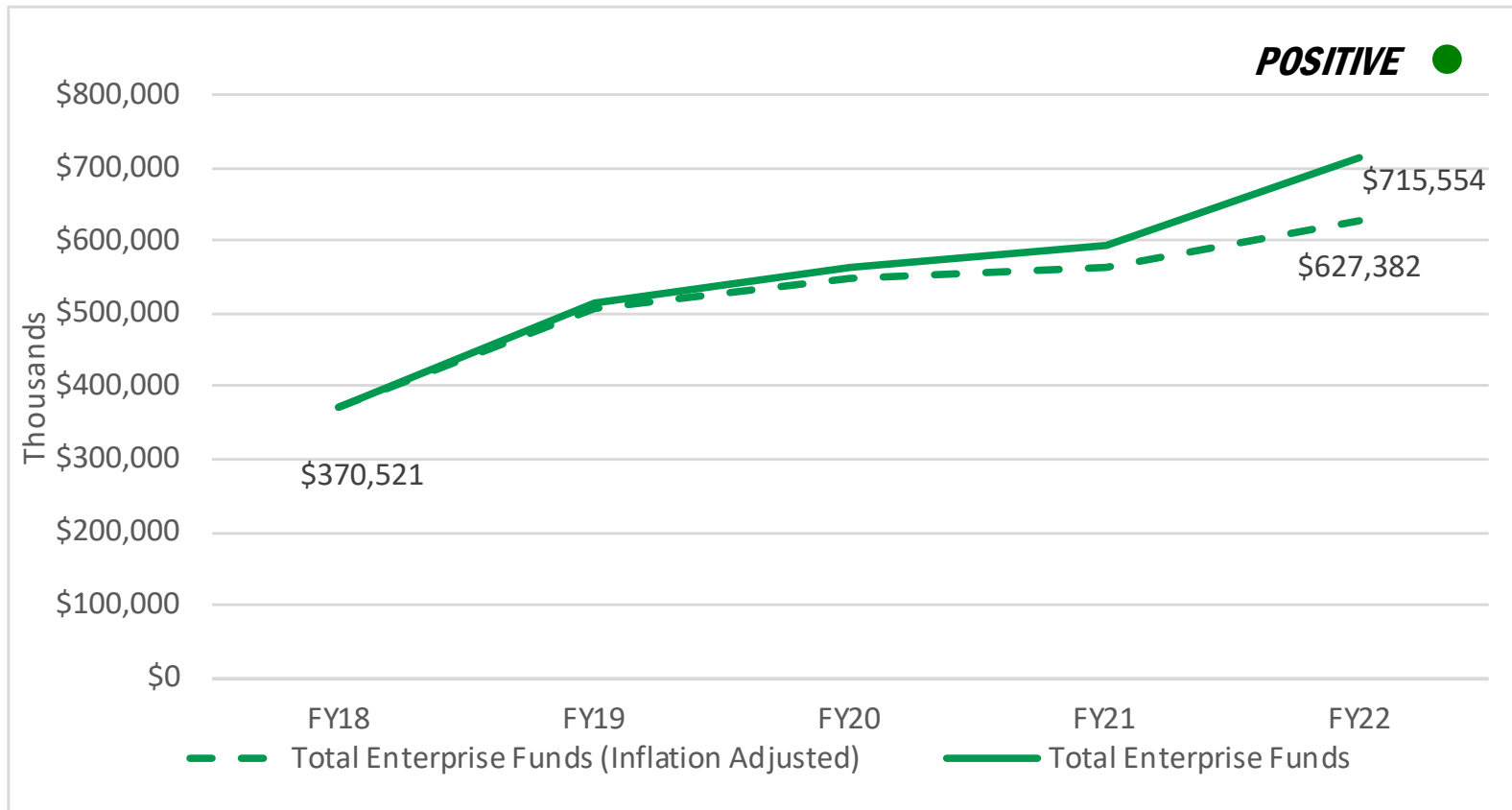
# Liquidity

Ratio of cash, cash equivalents, and current investments to current liabilities



# Enterprise Working Capital

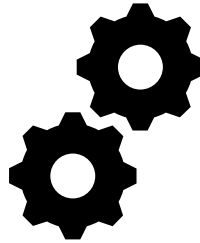
In thousands



# Indicators We Need to Continue Monitoring

## *EXTERNAL INDICATOR*

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



## *INTERNAL INDICATOR*

- **Percentage of General Fund Revenue from Sales and Use Tax**
- **Long-Term Debt**

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# **FIVE-YEAR ECONOMIC OUTLOOK FORECAST**

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**THORBERG**  
COLLECTORATE

# **AN EXCITING YEAR? BUDGET WORKSHOP 2023**

Russell Evans, Ph. D.  
President, Regional Economic Advisers  
Partner and Chief Economist, Thorberg Collectorate

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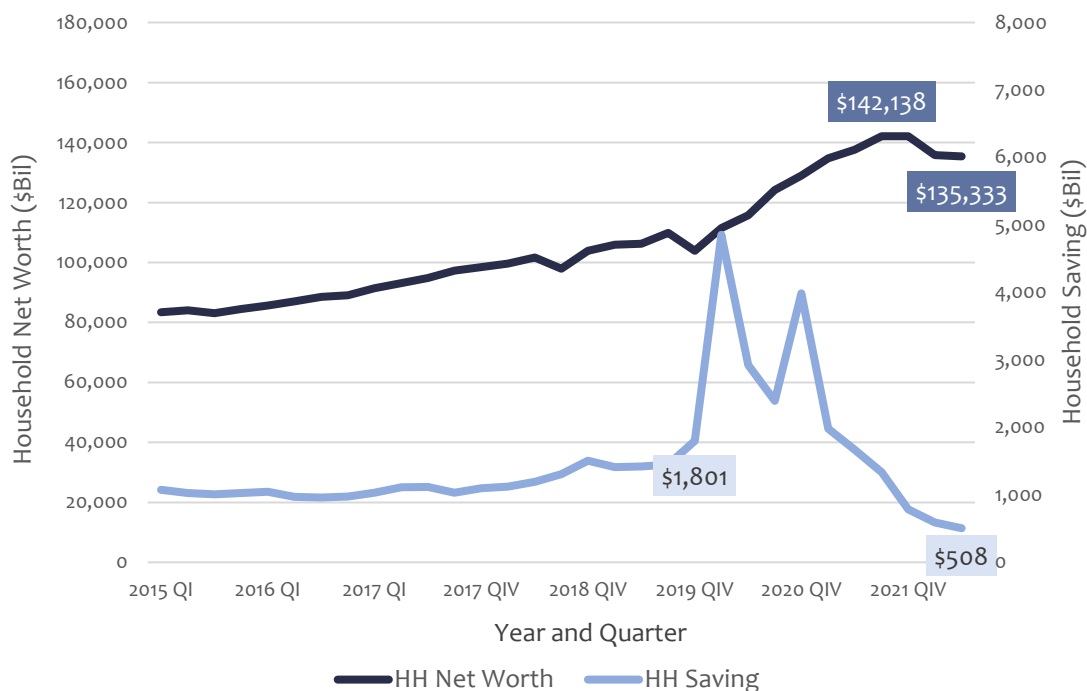
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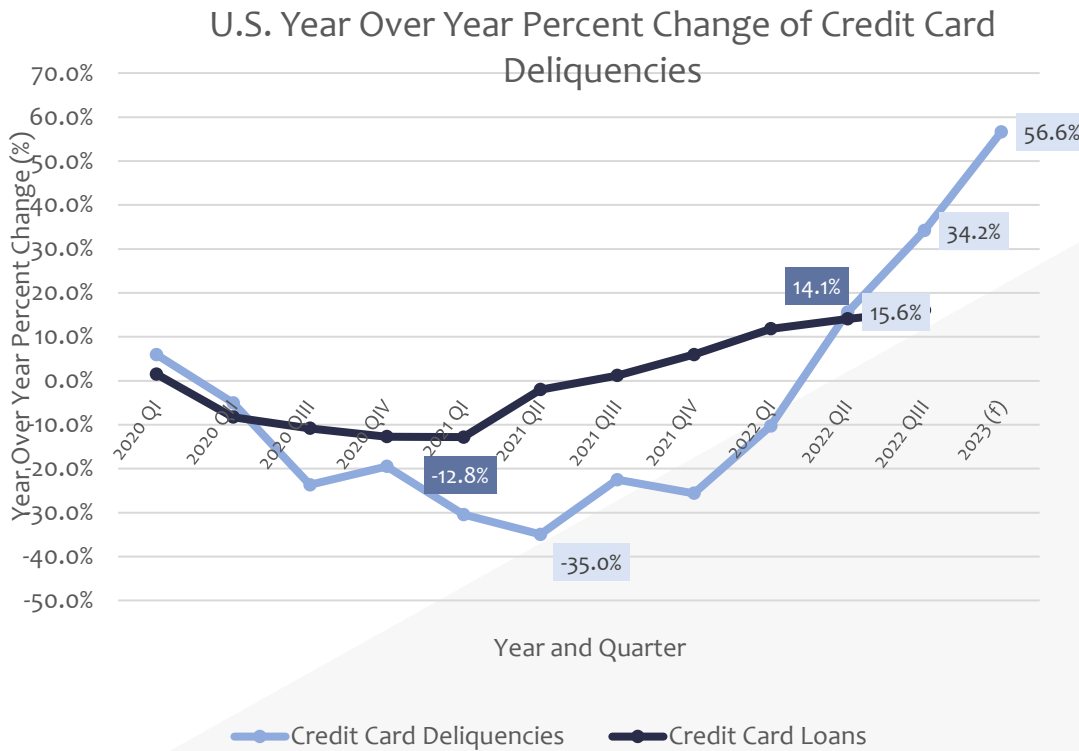
## A QUOTE FROM THE 2022 OUTLOOK

To the extent that history can be a useful guide in unprecedented times, the baseline expectation is that 2022 will be a year of transition with the real excitement deferred to 2023. The baseline outlook presented in the graphics below is consistent with this expectation. There is sufficient residual strength in household balance sheets and fiscal policy support not yet in the system that even if monetary policy begins to change course in 2022, economic recovery should press forward. Growth will slow, labor markets will continue to inch towards pre-pandemic levels, inflation will persist above its 2% target, and interest rates will generally move higher with adjustments to monetary policy. (Greater Oklahoma City Economic Outlook 2022, emphasis added)

## U.S. Household Saving and Net Worth



- There is not sufficient strength on household balance sheets to withstand additional weakening in 2023
- Household net worth is declining
- Households have largely spent through the accumulation of saving from pandemic relief policies

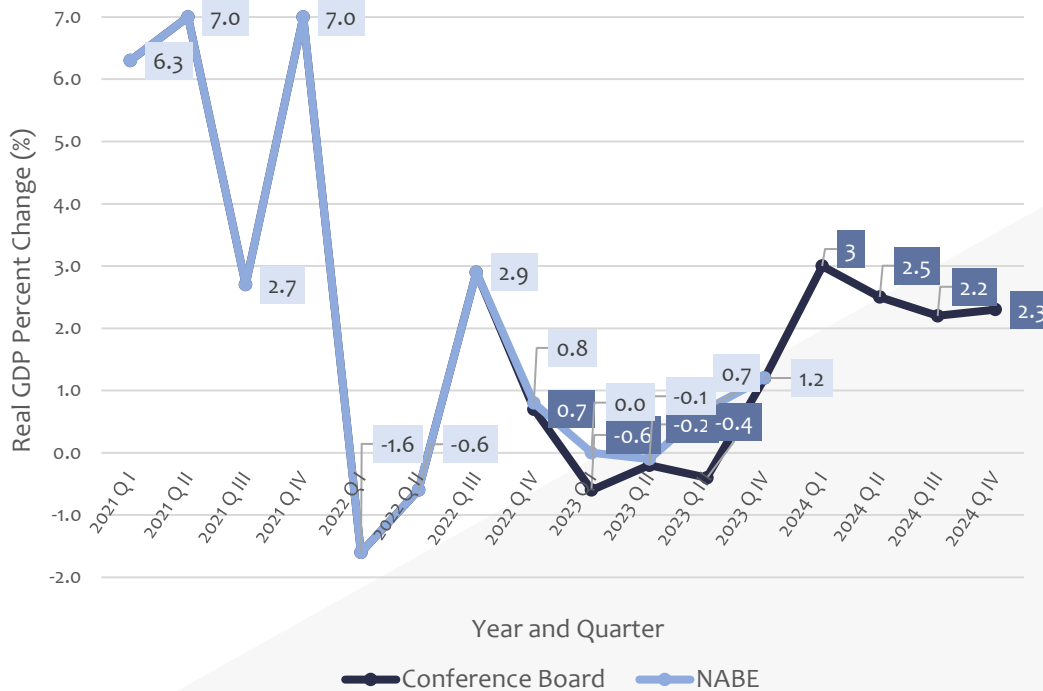


- Credit card balances reached a record high at the end of 2022
- Delinquencies and the share of households making less than a full payment on credit card bills are increasing
- Average debt per borrower increased 12.7% to \$5,474

# THE U.S. ECONOMIC OUTLOOK

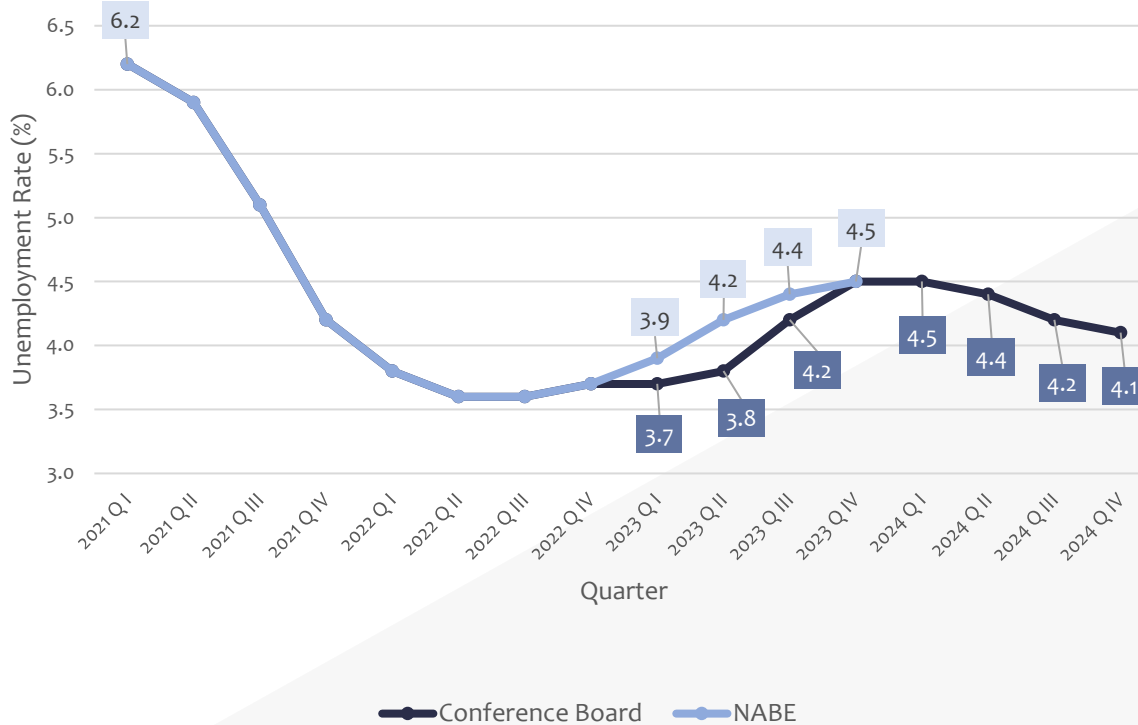
- The sentiment is improving....
  - From expecting 2023 to be really bad to expecting 2023 to only be a little bad
- Inflation reduction requires either
  - A reduction in demand from tighter monetary policy
  - An increase in supply from resolved supply-chain disruptions
  - Or some mix of both →this is the case for optimism
- The unknown is the degree to which the labor market will have to be disrupted to constrain inflationary forces

## U.S. Real Gross Domestic Product



- Slow to no growth expected in 2023
- Slightly above trend growth in 2024
- It is premature to assume a fed policy pivot in 2023, but we do expect a pivot in 2024 with some easing in monetary policy

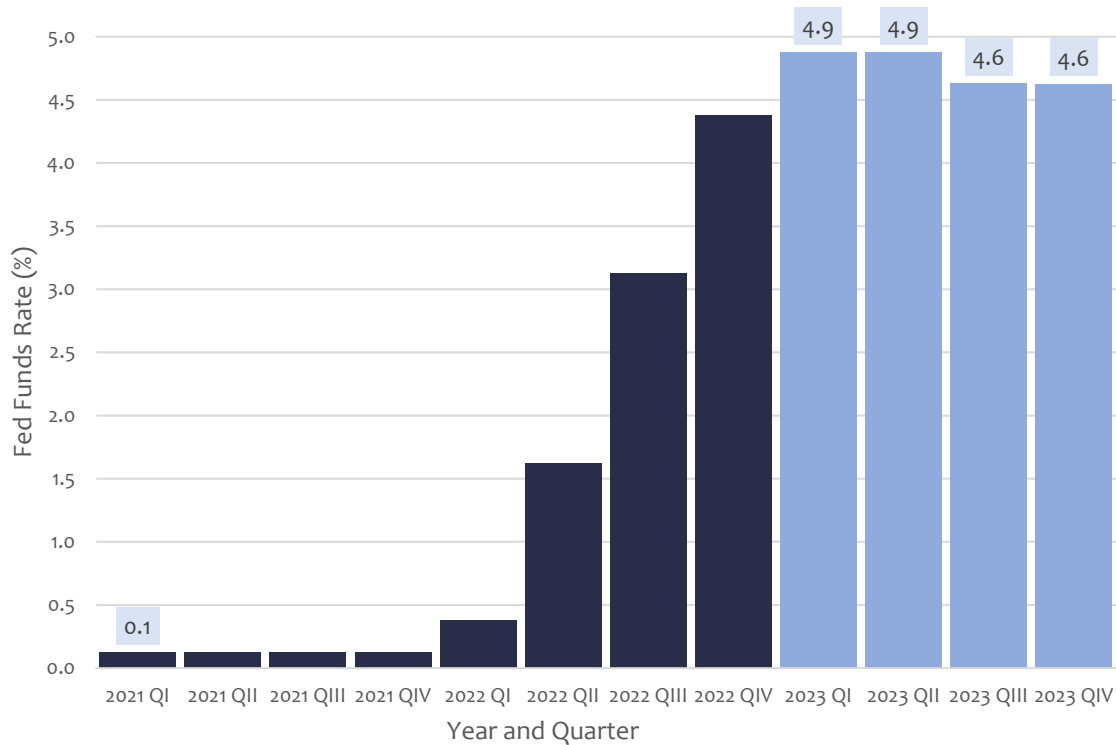
## U.S. Unemployment Rate



- This is the optimistic path for the labor market
- Firms hesitant to let workers go as they manage staffing over the cycle and not just for this point in time
- Unemployment duration is brief as displaced workers are absorbed into other sectors
- This feels a bit too optimistic



U.S. Fed Funds Rate

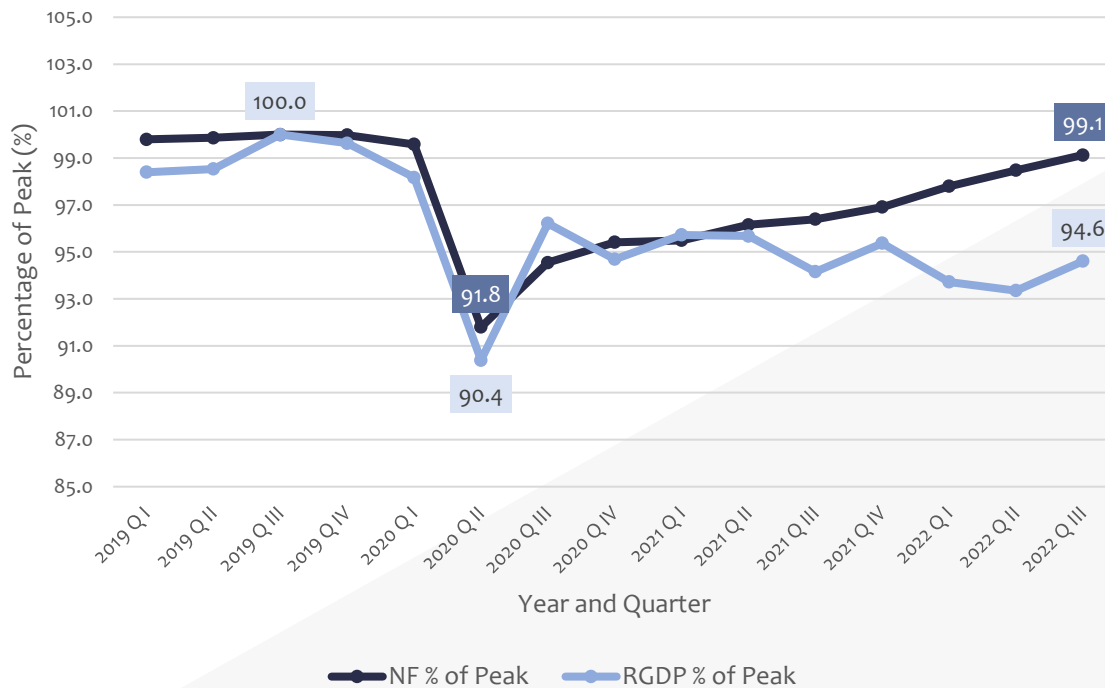


- Now is the challenging moment for the Fed – will they hold tight enough for long enough or will they signal an appetite for easing
- Expect a 25bps to 50bps increase in early February
  - 25bps is the likely play
  - 50bps is the flex conviction play
- Markets are still anticipating that the most aggressive policy is in the past and a pivot is coming in 2023

# OKLAHOMA CITY ECONOMIC OUTLOOK

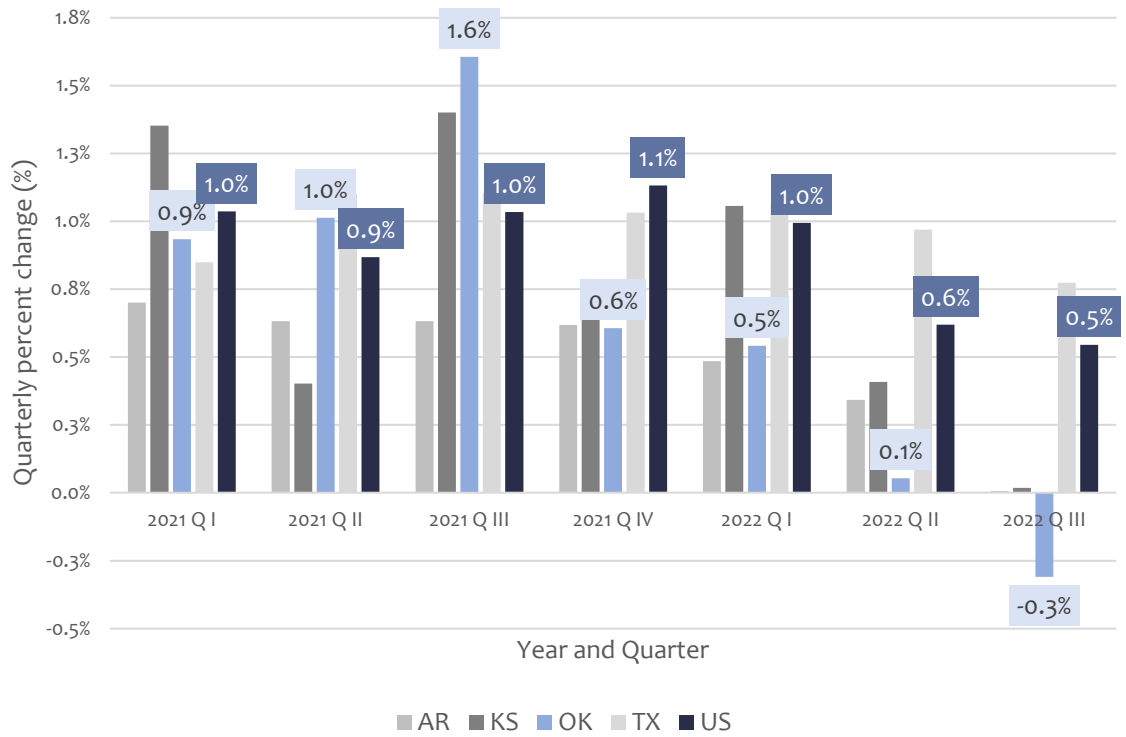
- A case study in the national tension between slowing economic activity and labor market resiliency
- Long-run strengths are in place with strong population growth and a growing share of the state's economic activity
- Do not expect the local economy to be immune to any 2023 national excitement

## Oklahoma Economic Recovery: Nonfarm Employment and Real GDP



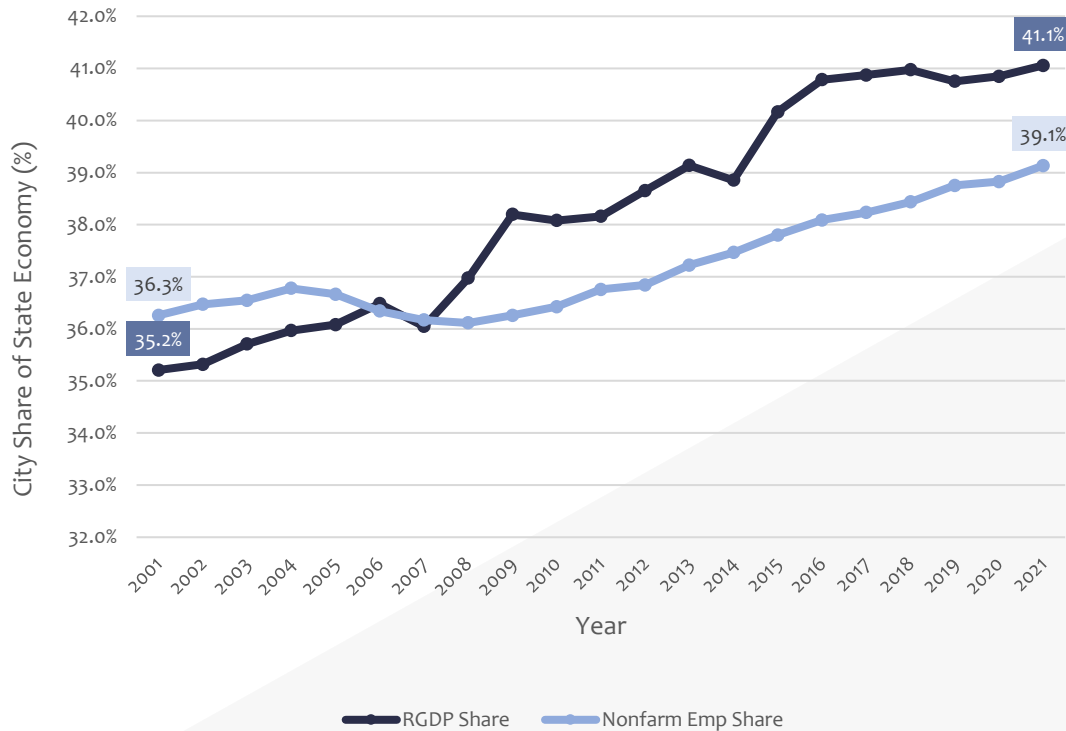
- Oklahoma City is ahead of the state in recovery as the state is just recovering pre-pandemic employment levels and is yet to recover pre-pandemic real GDP
- Oklahoma City has recovered pre-pandemic employment, but is still below the uninterrupted trend counterfactual

State Coincident Indexes



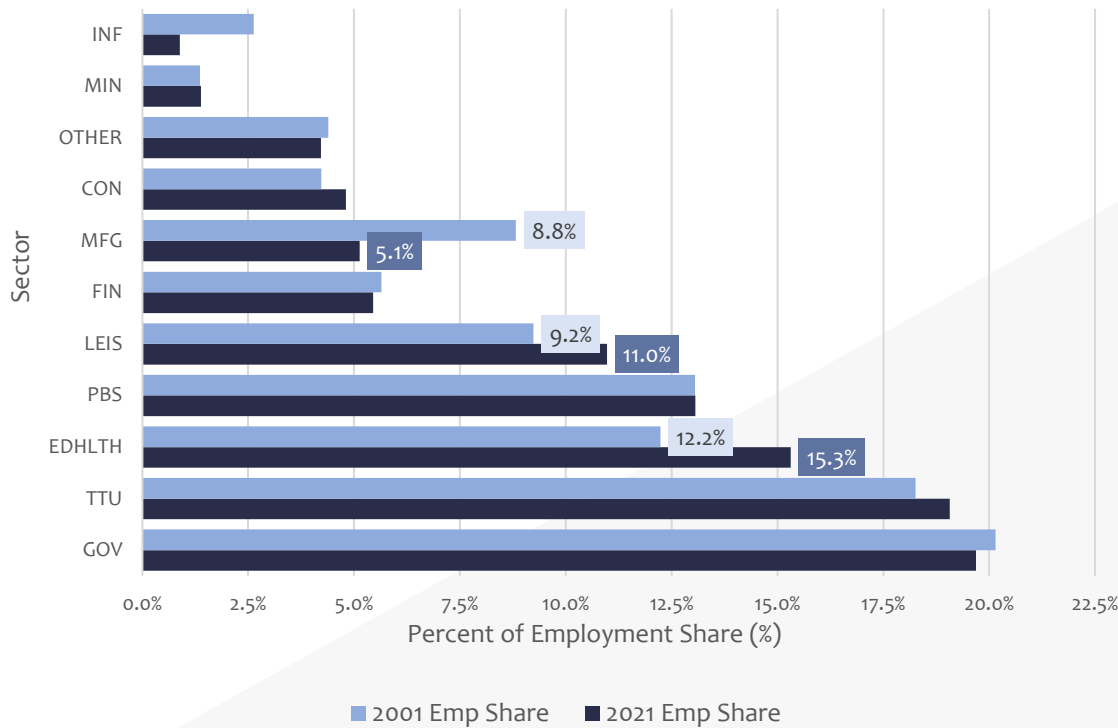
- The Philadelphia Fed state coincident index shows a weakening state economy heading into the end of last year
- Index components
  - Nonfarm employment
  - Hours worked in manufacturing
  - Unemployment rate
  - Inflation-adjusted wage and salary disbursements

### Oklahoma City MSA Share of State Economy

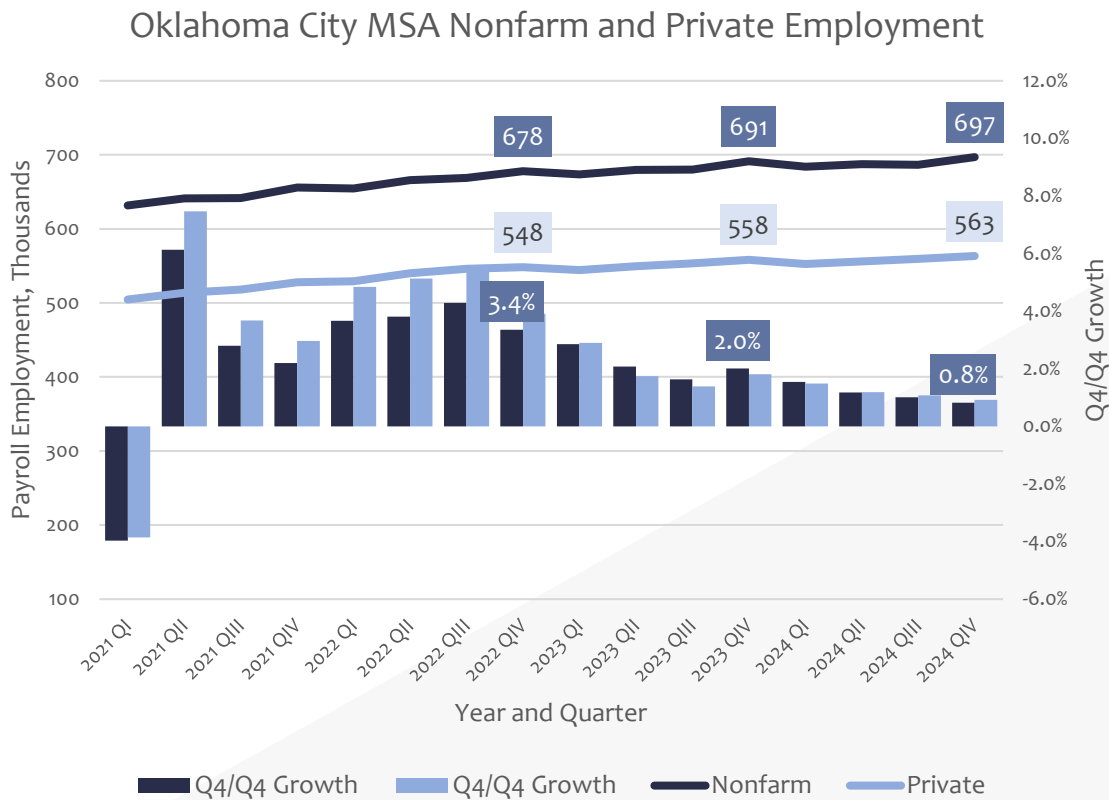


- Oklahoma City accounts for an increasing share of the state economy
  - From 35.2% of real GDP in 2001 to 41.1% in 2021
  - From 36.3% of nonfarm employment in 2001 to 39.1% in 2021
- These gaps are likely climbing as the city emerges ahead of the state in the recovery

### Oklahoma City MSA Employment Concentration by Sector



- The Oklahoma City economy is becoming less manufacturing centric
  - From 8.8% of total employment in 2001 to 5.1% in 2021
- The Oklahoma City economy is becoming more services centric
  - Leisure services account for 11% of employment in 2021 and Ed/Health services account for 15.3% of total employment in 2021



- Population growth appears to be gaining strength and returns to 1.3% pace in 2023 and 2024 (not pictured)
- Nonfarm and private employment growth slows in 2023
  - A further slowdown in 2024 seems unlikely given the expected path of policy

## OKLAHOMA CITY FISCAL OUTLOOK: A SLIDE FROM 2022

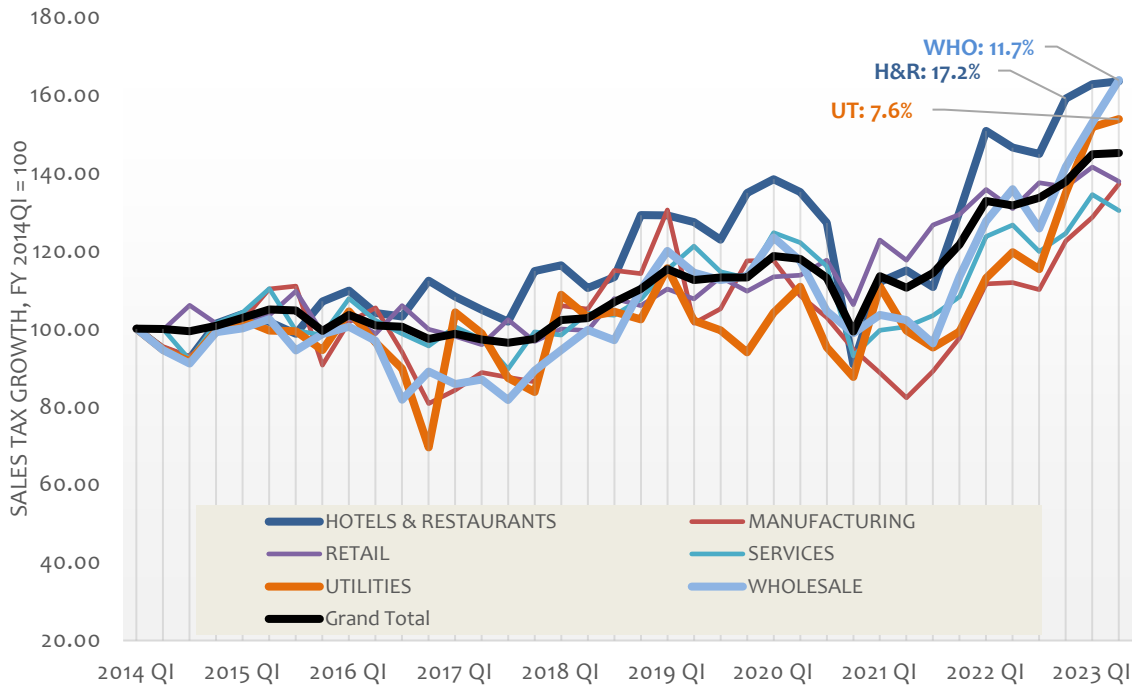
- *There is no imminent recession or economic cliff; growth is slowing and downside risks forming, so both may yet be on the 2023 horizon*
- *Expect a strong start to the year and watch national policy and trends for a sense of what comes next; we expect growth to slow considerably through the end of the year and into 2023*
- *There is a reasonable chance that the current path, if uninterrupted, leads to a mild recession in 2023*
- *Sales tax ends FY 2022 strong; unless interrupted FY 2023 is more likely to see its strength in the first half of the year*



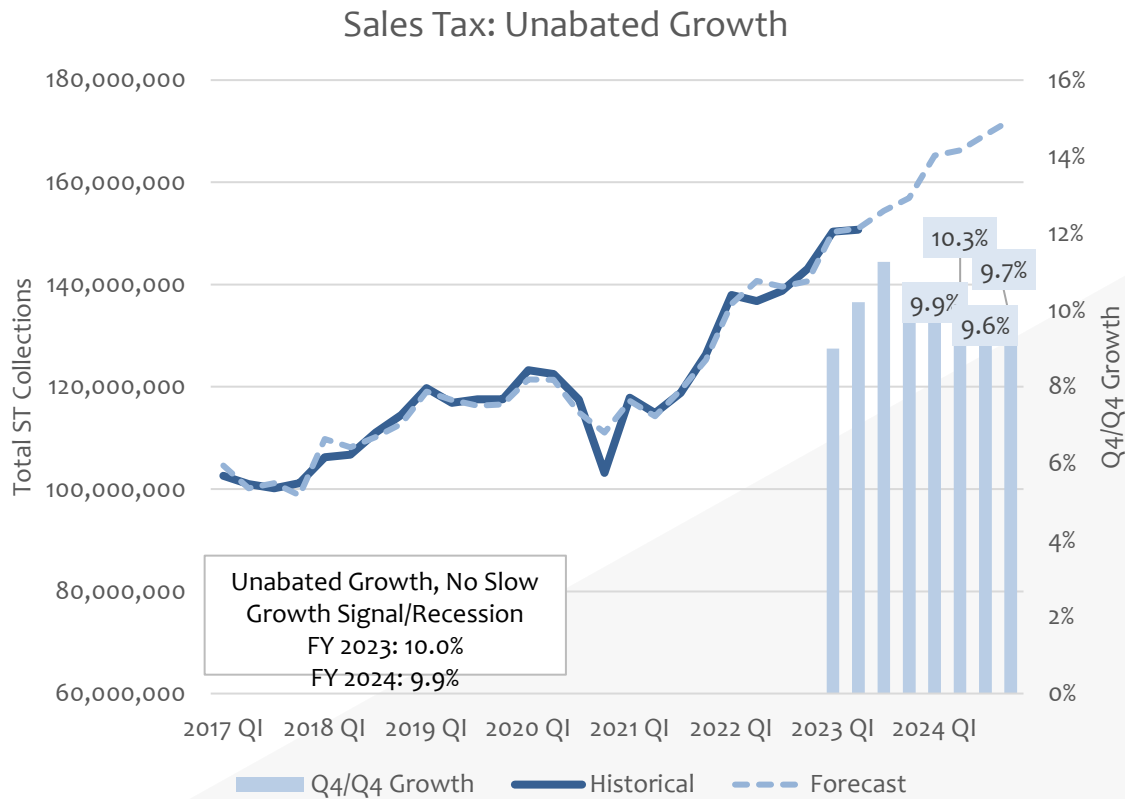
# OKLAHOMA CITY FISCAL OUTLOOK

- A recession is on the 2023 horizon
- Economic growth did slow considerably through the end of 2022
- There is a reasonable chance of recession in 2023
- Sales tax did end FY 2022 strong and will see its FY 2023 strength in the first half of the year
- Astonished, surprised, amazed at the degree of sales tax strength through the first half of the year
- Instead of 2.5% to 4.5% growth in the first half of the year it will be closer to 9.6%; instead of growth slowing to 0% to 2.5% by the end of the year that range is more likely 5.5% to 7.5% (summer update was 6.3%)

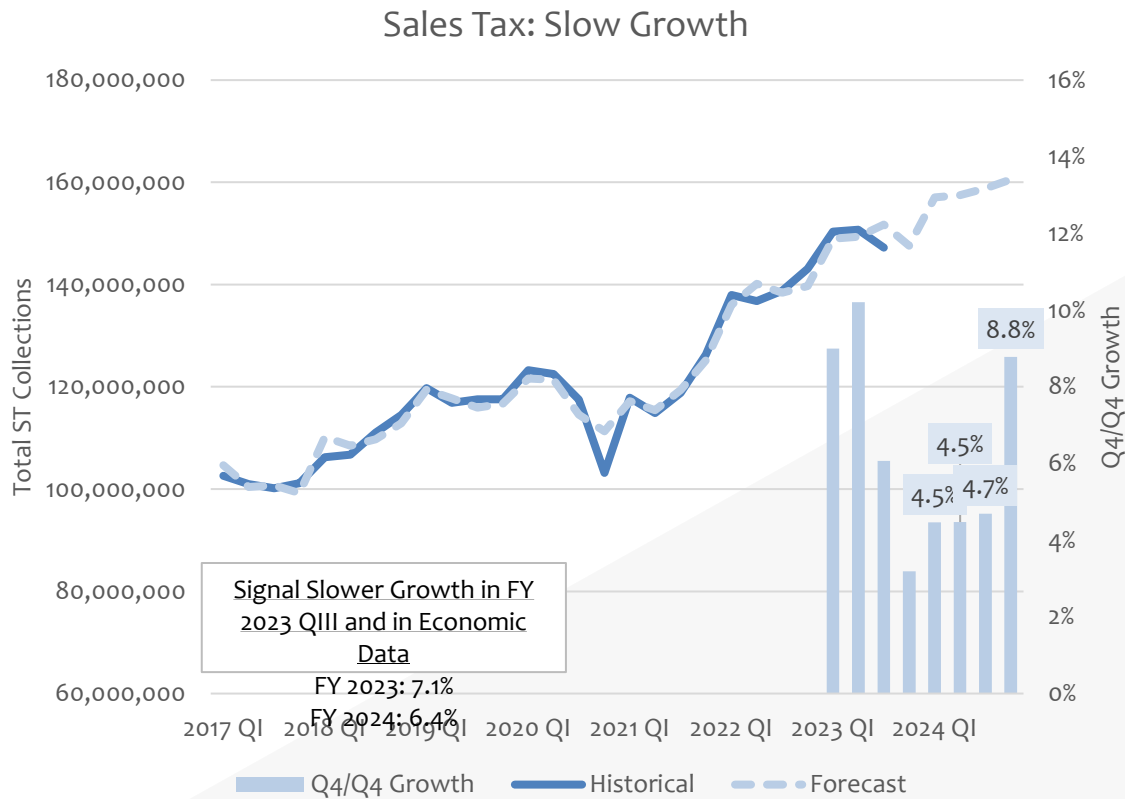
## Sales Tax Growth by 2-Digit NAICS



- Sales tax growth in retail is growing slower than the headline number
- Growth is being pulled up by collections in Wholesale, Hotels & Restaurants, and Utilities
- Nationally, there are indications that leisure spending is slowing and we might expect that reality in Oklahoma City

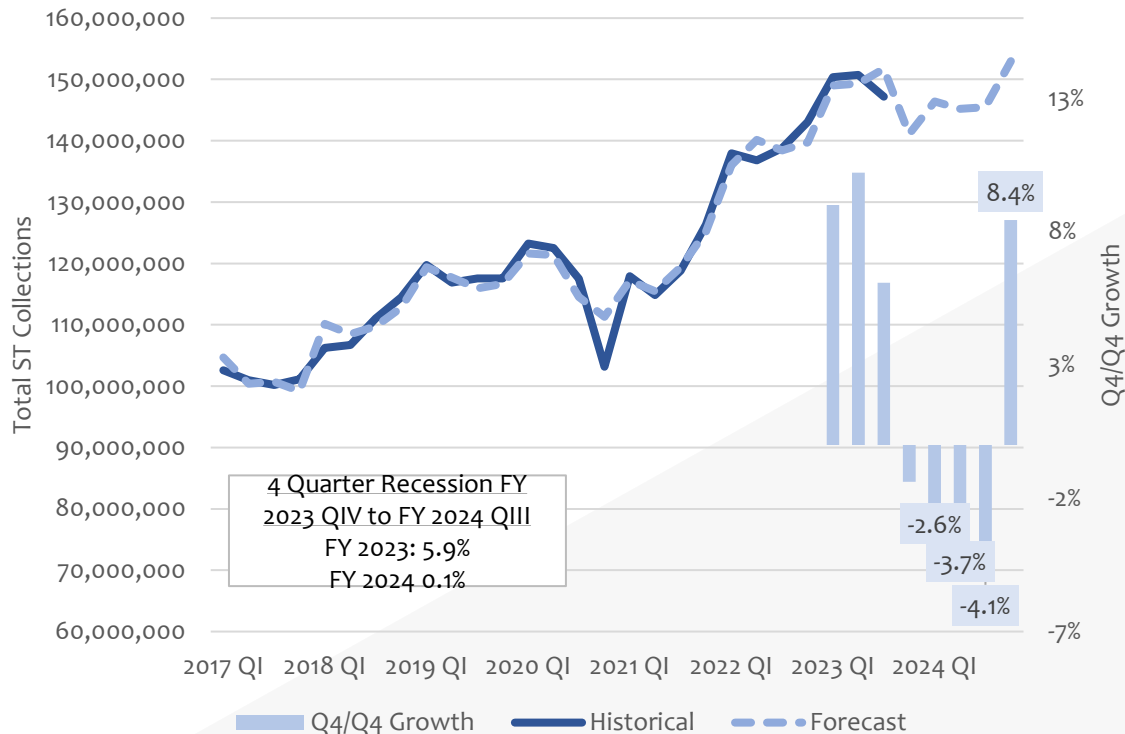


- If we ignored the economic reality since mid-October and ignored the January check, a model specification with a good fit of history would predict unabated growth
- But we can't ignore the more recent reality and unabated growth is unrealistic



- We keep the basic model specification, but impose a signal of slowing growth in FY 2023 QIII
- This model sees FY 2023 growth slowing to 7.1% for the year and FY 2024 growth of 6.4%
- Assumes a no-recession soft landing and assumes a very strong FY 2024 QIV growth to get to that number
- Feels a bit optimistic still

### Sales Tax: 12-Month Recession Starting FY 2023 QIV



- We keep the basic model specification, but impose a signal of slowing growth in FY 2023 QIII and a mild recession
- Recession assumption runs from FY 2023 QIV through FY 2024 QIII
- Gives FY 2023 growth of 5.9% and FY 2024 growth of 0.1%
- **IMPORTANT:** A recession at this point is an assumption; it is not clearly indicated in the data

# CONCLUDING COMMENTS

- Sales tax growth will slow through the end of the fiscal year but should still end the year well ahead of previous predictions due to the strength of the first half of the year
- A recession is still an assumption, not the base case; the case for a soft-landing is actually increasing (though I'm still skeptical)
  - An assumed recession scenario is not something to budget for, but something to plan for should it materialize
- The FY 2024 budget is built around the conservative end of the range presented by the slow growth and recession forecast exercises

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**FIVE-YEAR  
SUCCESSFUL OUTCOMES  
FORECAST**

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**AIRPORT BRIDGE DECK REHABILITATION**

Structural improvements are complete, bollard installation and architectural finishes are 90% complete. The project will be complete by March 2023.



**CENTRAL RECORDS FACILITY PURCHASE**

On August 16, 2022, the City Council approved a Real Estate Purchase Agreement for the purchase of the facility. The facility has 12,950 square feet of storage and office space. It is anticipated the renovation project will be completed in 2024.



**INCREASING DEVELOPMENT CENTER IT SUPPORT**

A Business Intelligence Specialist position was added in FY22 and is showing positive results. This position allows for an increased focus on automating many of the Development Center's more manual processes. This will improve customers experience by offering more online capabilities and increasing staff workflow efficiency.





## SUCCESSFUL OUTCOMES



**EMBEDDED DHS RESOURCE**

An embedded Oklahoma Department of Human Services (DHS) Resource was added to address increasing demand placed on 911 call center staff. The DHS Social Worker has improved the Fire Department's capabilities in addressing high volume users to the 911 system as well as providing resources to residents when their needs are not being met.



**FIRST NATIONAL CENTER  
OPENING**

The First National Center Opened on April 12, 2022



**LOWER SCISSORTAIL PARK  
OPENING**

Lower Scissortail Park Opened in September 2022

# SUCCESSFUL OUTCOMES



**COVID-19 RESPONSE**



**BETTER STREETS  
SAFER CITY**

**CAPITAL IMPROVEMENTS  
FUNDING**



**PUBLIC SAFETY CAPITAL  
FUNDING**



**IMPROVED FIRE STATION  
SLEEP QUARTERS**



**FIRE FACILITIES RENOVATION  
TEAM**



**LIVE RELEASE RATE**



**RESIDENT SATISFACTION  
RATING**



**EMBARK RAPID BRT DESIGN  
AND CONSTRUCTION**



**MAPS 4**

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# **FIVE-YEAR FORECAST ISSUES FORECAST**

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# 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 50 department issues are included in the forecast document beginning on page 104

# Highlighted Issues

- ***7 Issues Highlighted***

Key financial issues facing departments

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

Raising awareness to stimulate conversation and action



## CAPITAL PLANNING AND INFRASTRUCTURE FUNDING

- The City supports a large network of infrastructure and capital equipment
- While the City has been successful in securing voter-approval for capital funding initiatives, future success is not guaranteed, and many maintenance and repair needs go un-addressed
- Facing increased pressure in funding capital needs due to various issues such as supply chain disruptions, inflation, and labor shortages

### ***POSSIBLE DIRECTION AND NEXT STEPS***

- Capital Improvement Plan
- Capital asset inventory
- Identification of funding sources (Capital maintenance reserve, GO bond funding, and explore additional options)



# LONG-TERM WATER ISSUES

## **Water Supply**

- Construction of the 2<sup>nd</sup> Atoka Pipeline has begun
- The Kiamichi pipeline alignment and design is on the way in the next five-year period

## **Increasing Costs and Shortages of Services and Supplies**

- Record-high inflation, supply chain logistic challenges, rising fuel costs, and labor shortages have contributed to an increased cost of operations and maintenance activities
- Many project bids have come in significantly higher than engineer estimates, some between 20% and 30% higher

## **Staffing Challenges**

- The Department has averaged a 17% vacancy rate, or 130-plus vacant positions, compared to an industry median of 7% over the past several years

## ***POSSIBLE DIRECTION AND NEXT STEPS***

- Identify, evaluate and present alternative financing strategies.
- Evaluate and reschedule capital projects and implement measures to manage costs.
- Evaluate and implement strategies to recruit and retain a qualified workforce.



## PUBLIC TRANSPORTATION SYSTEM INVESTMENTS

- EMBARK needs to strategically invest in transit planning, system and facility design, and environmental work to compete for federal funds made available through the Infrastructure Investment and Jobs Act (IIJA)
- The resulting work will allow the City to compete for more federal funding to lessen the local burden of maintaining and modernizing the transit system and equip stakeholders to make informed strategic decisions
- The funding need is approximately \$5.5 million over the next five years.

### ***POSSIBLE DIRECTION AND NEXT STEPS***

- EMBARK will continue to seek competitive Federal Transit Administration (FTA) grant funding for capital investment in new facilities.
- The next bond election could include a proposition for new, expanded transit facilities.
- EMBARK will identify alternative revenue sources for future operating costs.





## HOMELESSNESS

- Homelessness is a growing concern in Oklahoma City
- In August 2021, City Council received the “Strategies to Address Homelessness in Oklahoma City” plan
- The City launched several initiatives in 2022, including an employment program called A Better Way that targets people who are panhandling, a Homeless Street Outreach program that coordinates with emergency responders and law enforcement on mental health responses , and a Youth Homelessness Demonstration program

### ***POSSIBLE DIRECTION AND NEXT STEPS***

- Implement Homelessness Strategies Plan
- Coordination with internal and external partners
- Build on successes of pilot programs



## EMPLOYEE RECRUITMENT, ENGAGEMENT AND RETENTION STRATEGIES

- Difficult time filling and retaining employees in skilled trades, some professional services, part-time positions, and those requiring a Commercial Drivers License
- While most City positions have increased in pay, there are many positions for which compensation has not kept pace with the marketplace
- Preliminary results from the Classification and Compensation Study will not be available until early 2023

### ***POSSIBLE DIRECTION AND NEXT STEPS***

- Revised HR Department organizational structure
- New Human Resources technology systems
- New classification and compensation study
- Employee engagement survey
- Benefit program offerings



## COMMUNITY POLICING

- In 2020, the City established a Law Enforcement Task Force made up of 44 community leaders from diverse backgrounds
- City Council passed a resolution creating a Community Policing Working Group made up of eight community members and four members of City staff to study training in crisis response, officer access to mental health services, alternative responses to mental health calls, youth outreach, homeless outreach, and neighborhood safety/violence interruption programs
- 21 CP provided 39 recommendations to the Task Force and the Working Group

### ***POSSIBLE DIRECTION AND NEXT STEPS***

- Leverage City staff to pursue solutions
- Secure additional funds for ongoing costs



## GROWING DEMAND FOR TECHNOLOGY

- The 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***

- Complete 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

# Department Issues Section

- All 50 department issues are included in the forecast document beginning on page 104
- Other key issues included in the document include:
  - Inclusion and Diversity
  - Facility Capital Maintenance
  - OKC Moves Implementation
  - Hyper-inflation for Infrastructure Construction Projects

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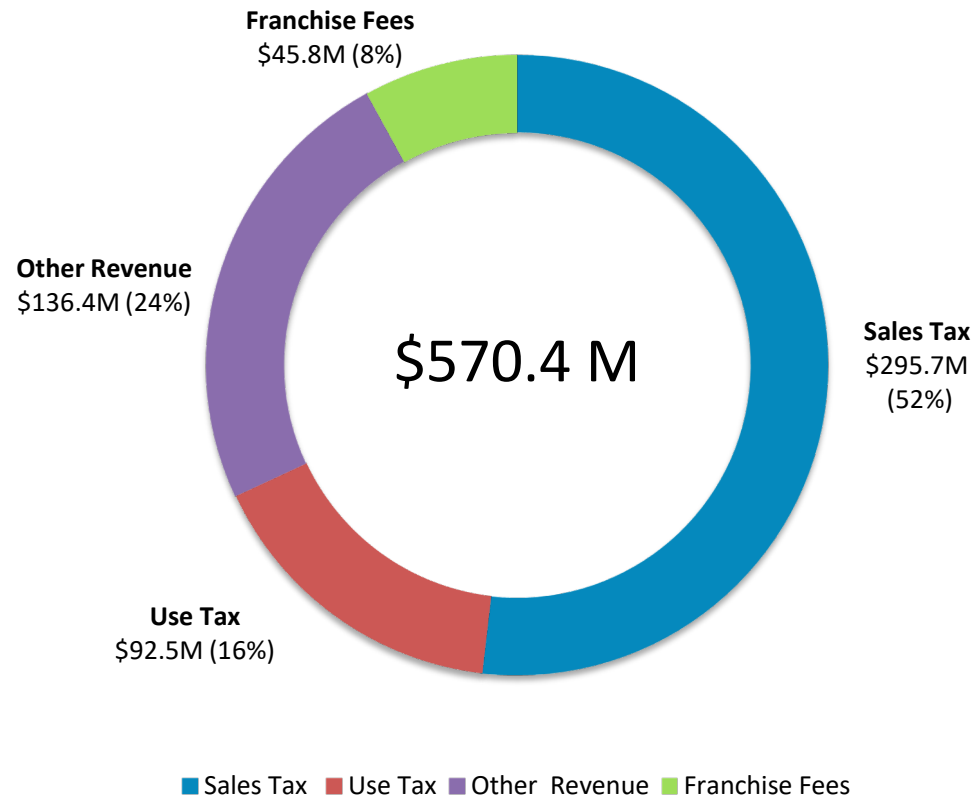
# **FIVE-YEAR GENERAL FUND REVENUES FORECAST**

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***TRENDS AND FORECAST***

# FY23 General Fund Revenue

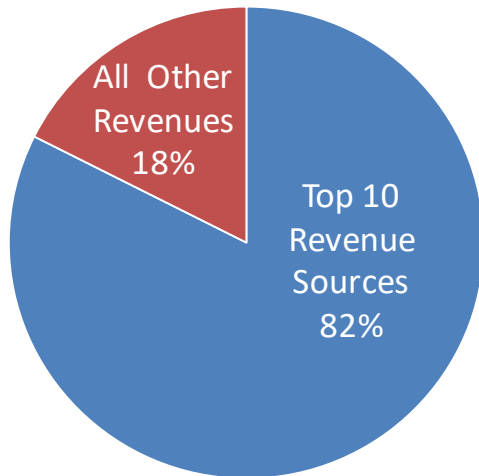
Where the money comes from



# General Fund Operating Revenue Budget

## Top 10 Budgeted Revenue Sources in FY23

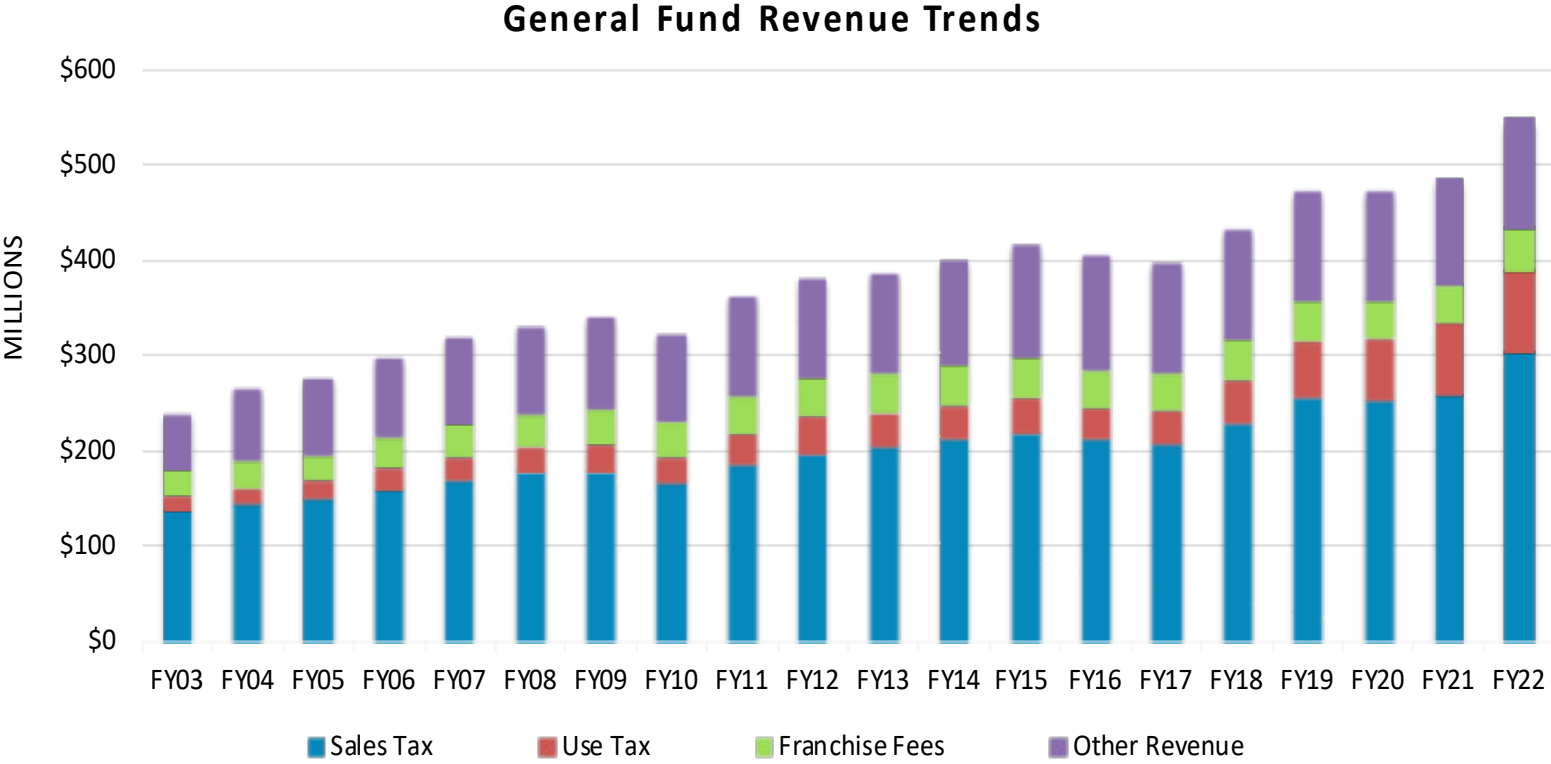
General Fund FY23 Operating Revenue Budget



Revenue Source	FY23 Budget	% of GF	Category
Sales Tax	\$295,700,576	52%	Sales Tax
Use Tax	\$92,472,879	16%	Use Tax
OG&E Franchise Fee	\$23,791,566	4%	Franchise Fees
Fire Wage Adjustment	\$12,770,847	2%	Other Revenue
Police Wage Adjustment	\$9,805,559	2%	Other Revenue
Public Works TMS Charges	\$9,219,072	2%	Other Revenue
ONG	\$7,369,717	1%	Franchise Fees
Court Costs	\$6,745,464	1%	Other Revenue
Building Permits	\$6,695,656	1%	Other Revenue
Commercial Vehicle Tax	\$5,570,355	1%	Other Revenue
<b>TOTAL</b>	<b>\$470,141,691</b>	<b>82%</b>	

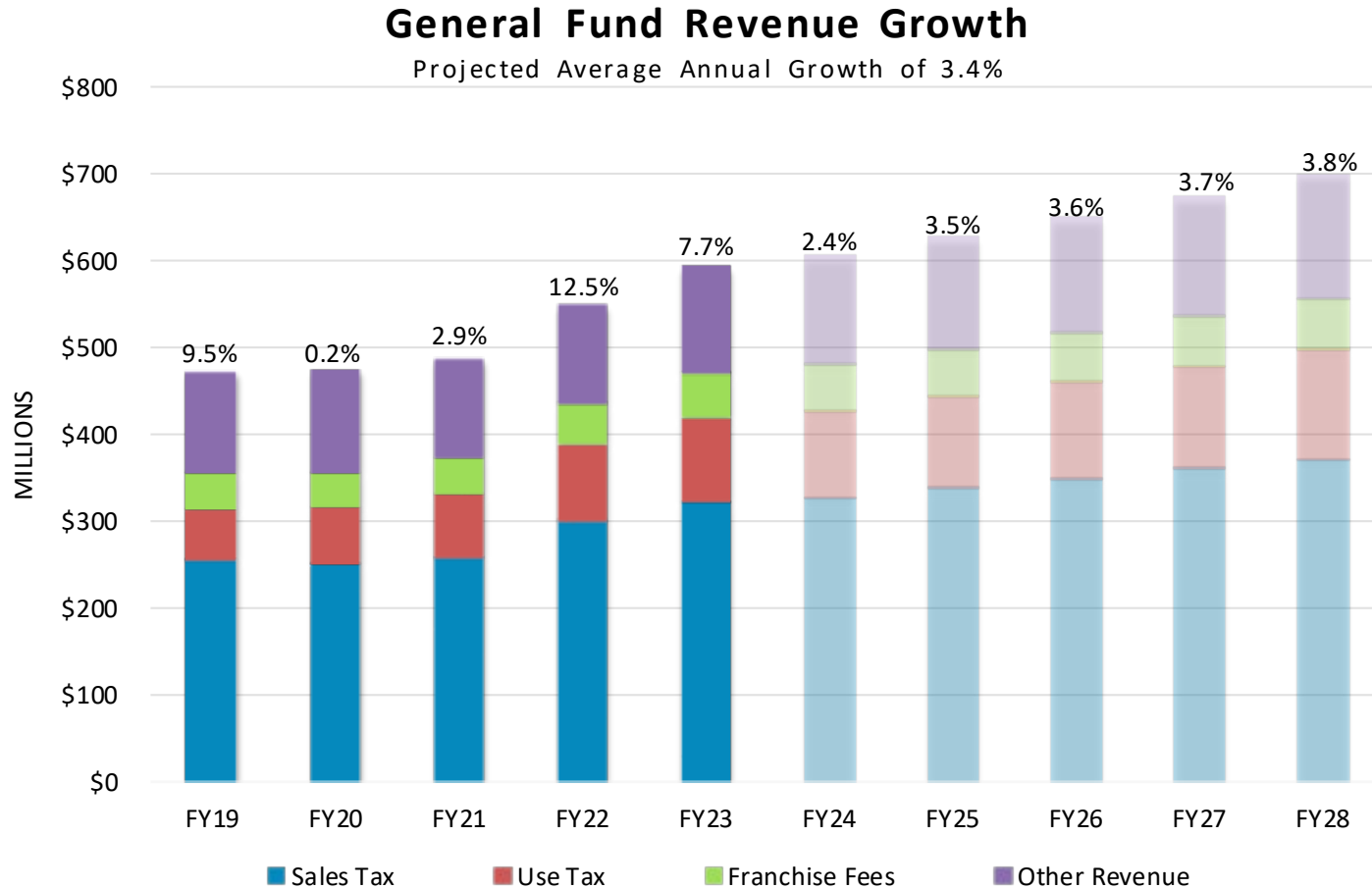


# General Fund Operating Revenue Trends



# General Fund Operating Revenues

Projected Average Annual Growth of 3.4%



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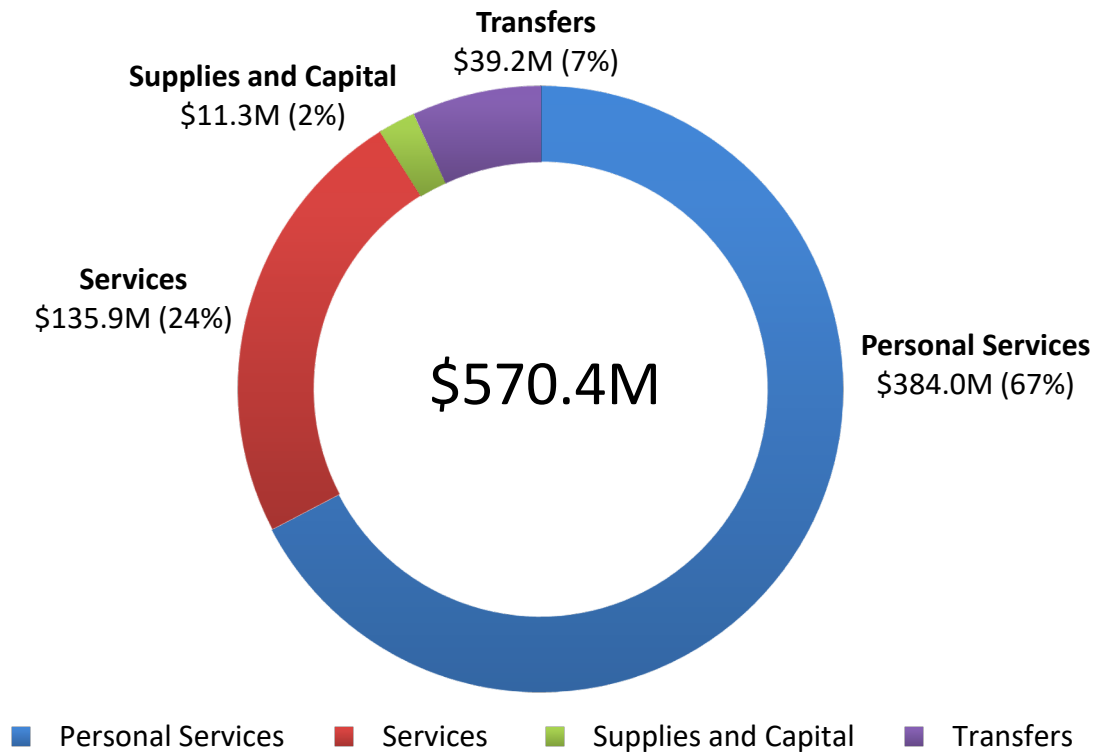
# **FIVE-YEAR GENERAL FUND EXPENSES FORECAST**

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***TRENDS AND FORECAST***

# FY23 General Fund Expense Budget

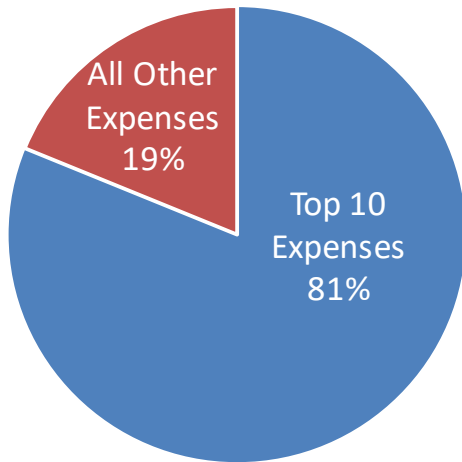
Where the money is spent



# General Fund Expense Budget

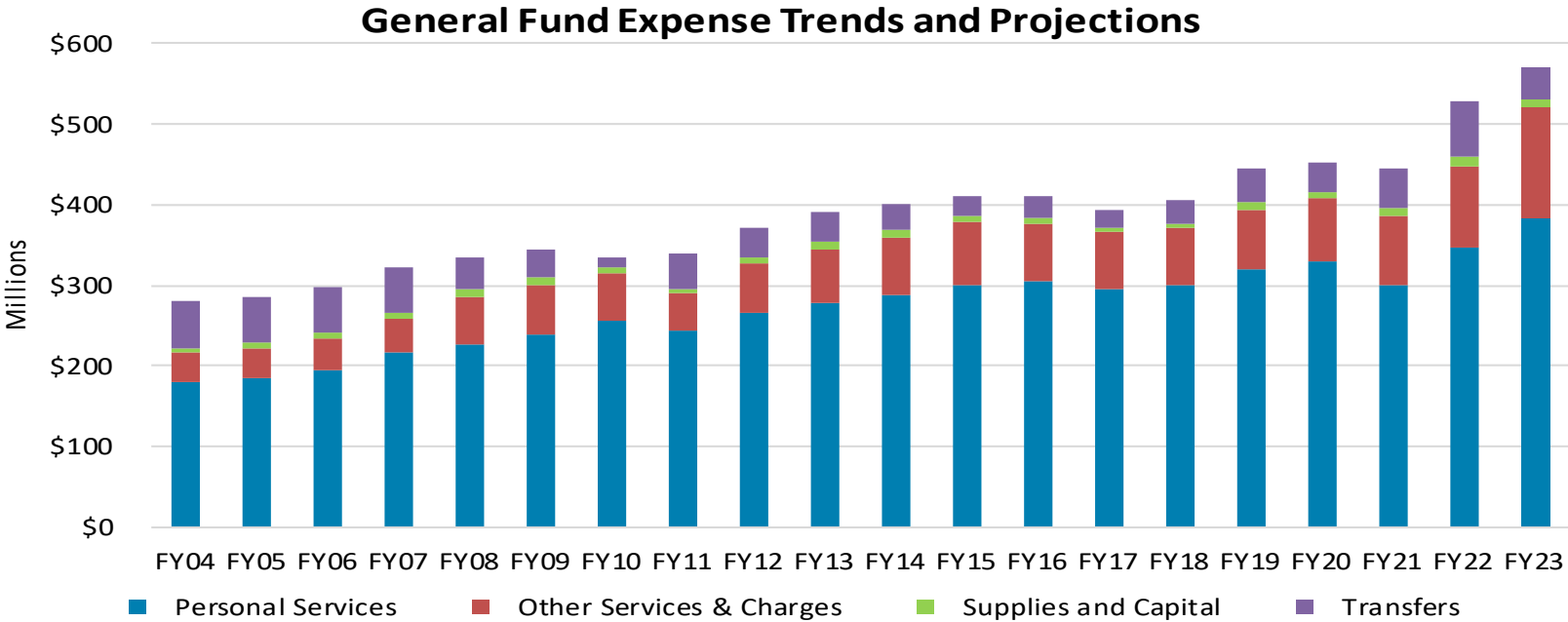
## Top 10 Budgeted Expenses in FY23

General Fund FY23 Expense Budget



Expense	FY23 Budget	% of GF	Category
Salaries and Wages	\$264,777,028	46%	Personal Services
Health and Welfare Insurance	\$52,124,761	9%	Personal Services
Payments to COTPA	\$28,233,355	5%	Other Services
Retirement/Pension Contributions	\$27,641,862	5%	Personal Services
Chargeback - IT	\$23,346,733	4%	Other Services
ASM Management Contract	\$15,783,994	3%	Transfers
Payment to OCEDT	\$14,497,690	3%	Other Services
Retiree Health Insurance	\$13,314,341	2%	Personal Services
Transfer to Capital Improvement Fun	\$12,701,555	2%	Transfers
Chargeback - Risk Management	\$10,630,657	2%	Other Services
<b>TOTAL</b>	<b>\$463,051,976</b>	<b>81%</b>	

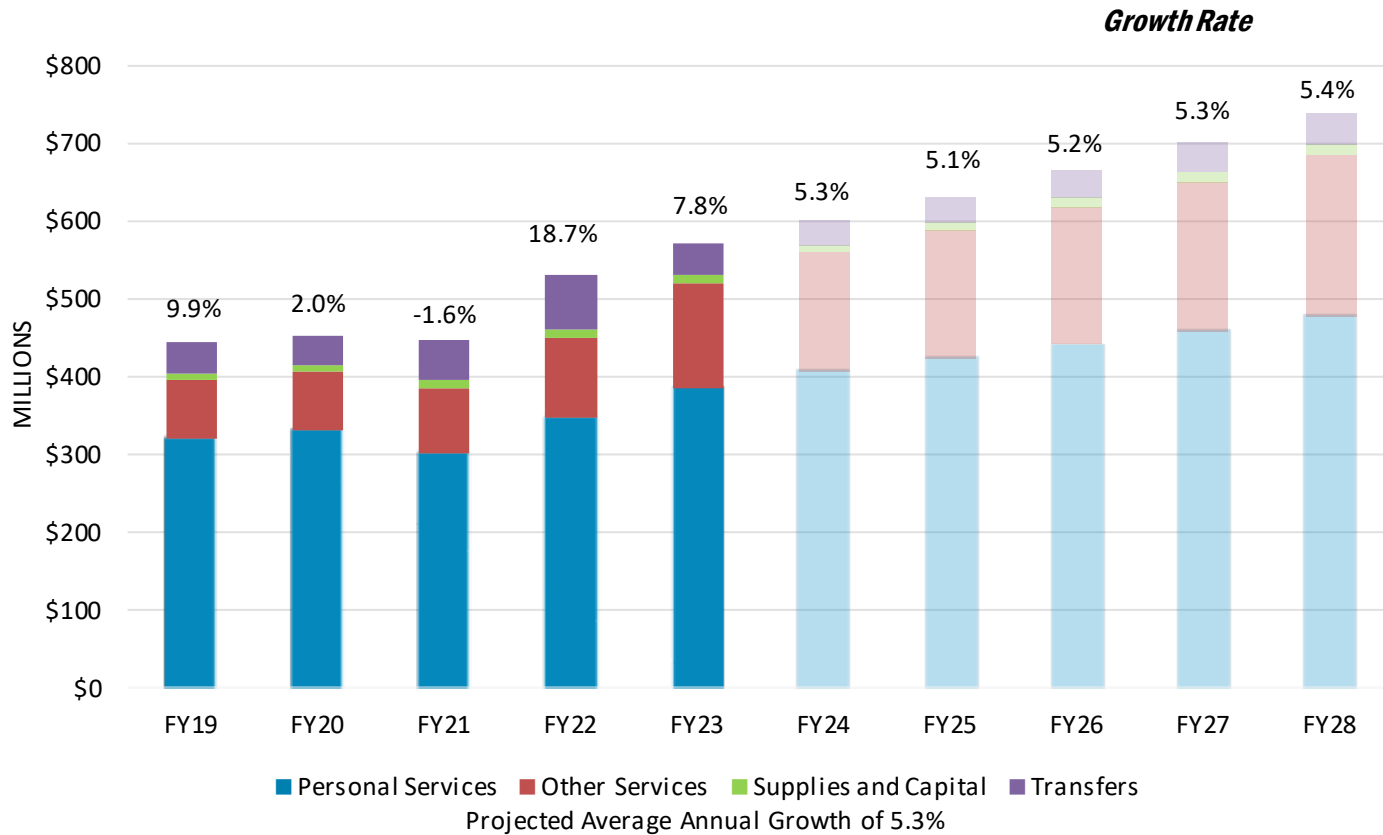
# General Fund Expense Trends



# General Fund Expenditures

Projected Average Annual Growth of 5.3%

## General Fund Expenditure Growth



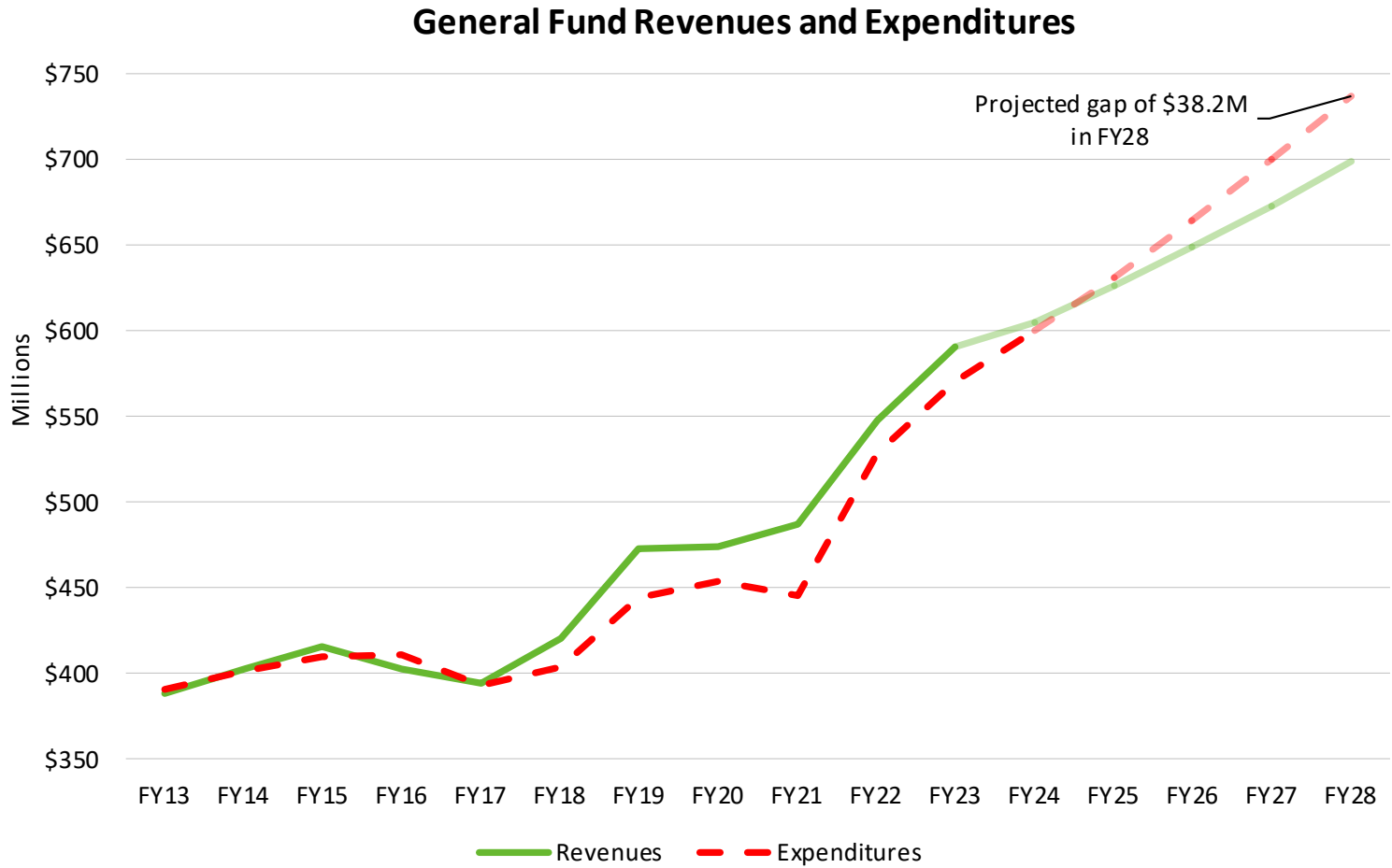
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# **FIVE-YEAR GENERAL FUND GAP FORECAST**

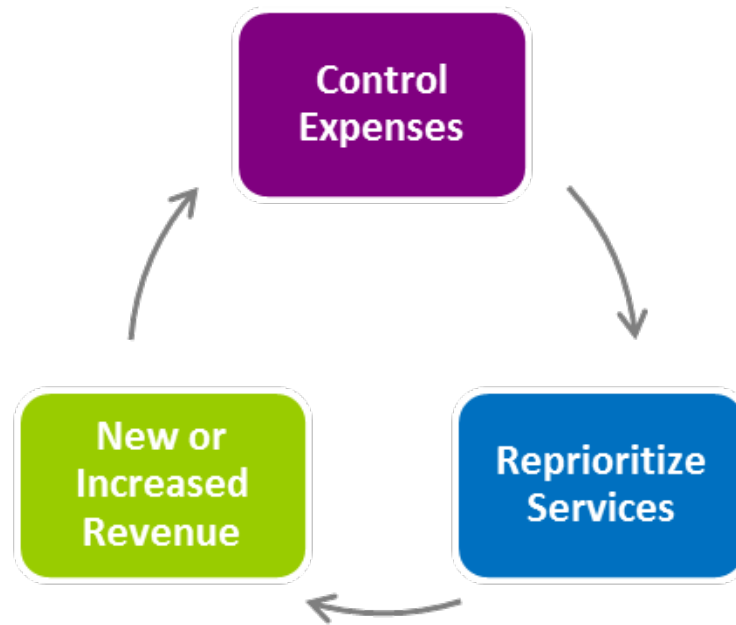
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# Projected Gap



# Closing the Gap



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# **FIVE-YEAR FY23 BUDGET OUTLOOK FORECAST**

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# FY23 General Fund Revenue Status



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

<b>Revenue Category*</b>	<b>\$ Above/(Below) YTD Budget</b>	
Sales Tax	\$14,854,331	●
Use Tax	\$1,669,758	●
Franchise Fees	\$2,399,787	●
Service Charges	(\$862,869)	◆
Administrative Charges	(\$1,394,141)	◆
Fines & Forfeiture	(\$1,059,129)	◆
Licenses & Permits	(\$1,144,876)	◆
Other Taxes	(\$323,769)	◆
Other Revenue	\$1,572,912	●
Operating Transfers In	(\$17,738)	◆
<b>GENERAL FUND TOTAL</b>	<b>\$15,694,265</b>	

\* Sales Tax and Use Tax are through January, all the other categories are through December

# Projected Revenue Growth in FY24

Sales Tax	1.5%
Use Tax	5.0%
Other Taxes	2.2%
Franchise Fees	2.0%
Licenses and Fees	3.5%
Fines	-7.0%
Other Revenue	-4.1%
Service Charges	4.4%
Administrative Charges	9.3%
Transfers	0.0%
<b>Overall Growth</b>	<b>2.4%</b>

# FY24 Expense Assumptions

## Personal Services growing \$22.3 million or 5.8%

- Pay increases granted in FY23 and merit increases add \$13.3 million
- Decrease in health insurance \$675 thousand
- Increase in reserve for pay increases \$1.4 million
- Funding for the Classification and Compensation Study \$3.0 million

## Transfers decreased \$8.0 million or 20.3%

- Transfers to CIP decreased \$6.3 million
- Transfers to OCMFA financial system upgrade decreased \$2.0 million

# FY24 Expense Assumptions

## Services growing **\$17.1 million or 12.6%**

- Increases in payments to COTPA
  - \$1.9 million to replace CARES Act Funds used for COTPA subsidy
  - \$2.0 million for Bus Rapid Transit startup
  - \$776 thousand for increased COTPA personnel expenses
  - \$400 thousand for Regional Transit Authority
- Property & liability insurance increase of \$2.5 million
- \$1.7 million increase in payments to OCEDT for economic development initiatives
- Electricity and natural gas increased \$2.5 million
- \$2.4 million for task force recommendations, and policing and mental health initiatives built into base budget

# FY24 Budget Assumptions

- **No Cuts Requested for Departments**
- **Starts with Same Service Level Budget**
  - Starts with the FY23 Budget as the base level
  - Adjusts for personnel related costs
  - Estimates the cost to provide the same services in the coming year
- **Departments May Submit Program Improvement Requests**



# FY24 Budget Calendar



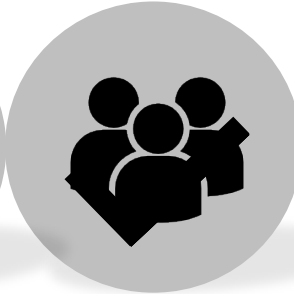
***MAY 2***

Proposed Budget submitted to Mayor and Council and 1<sup>st</sup> City Council Budget Hearing (Public Hearing)



***MAY 16***

2<sup>nd</sup> City Council Budget Hearing (Public Hearing)



***May 30***

3<sup>rd</sup> City Council Budget Hearing (Public Hearing)



***JUNE 6***

Adoption of FY24 Budget



***JULY 1***

FY24 Budget takes effect

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**FIVE-YEAR  
CITY COUNCIL WORKSHOP  
FORECAST**

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