

**Fiscal Year 2007 Budget Presentation to City Council**  
**Mayor Kathy Taylor**  
**May 1, 2006**

Welcome to day 21 of our new team—a team that began with a day of celebration on April 10 and a team that has worked together for 21 days—including our weekends. We have had 14 business days to understand a budget that was in a deficit situation and 14 days to identify risks and opportunities in that budget.

Notwithstanding those time constraints, on this day we begin the first step in the budget process. I present to you a budget that is balanced and addresses the priorities of the city—first and foremost, public safety, but also supporting our city employees, and providing the customer service expected by our citizens, along with maintaining our infrastructure, as well as being good stewards of the tax dollars entrusted to us.

I have great confidence in our team and our ability to continue the budget process by addressing the risks and opportunities and priorities in our budget over the weeks leading to the council's final approval. I have great hope and confidence in our ability to work together to fine tune this budget. I assure you that next fiscal year we will have the opportunity to begin to work together on the budgetary process very soon after this one is passed in final form.

I have great confidence not just because of the support you have shown since April 10<sup>th</sup> but the support of the Council's exceptional staff, the great staff I have worked with during the budget process. I also appreciate the citizens and members of the business and faith-based community who have stepped forward and offered to help.

It is in that spirit of teamwork that I present to you this budget. Make no mistake about it—the city finance team, the department heads--including police and fire--the budget analysts and the mayor's staff have all worked long and hard on this budget. Much of the work began before I was elected, as department heads submitted their goals to the finance team. The realities of Tulsa's difficult revenue situation was factored into the prioritized needs of the departments and communicated to the departments as the budget process moved forward.

My goal for this initial budget presentation—on this 21<sup>st</sup> day of this administration—is to provide a framework for a working document: to prioritize public safety as the number one goal, respect the hard work of all our city employees and identify opportunities where we can be better stewards of our tax dollars. In other words, to do what each family's budget must do—make each dollar go farther.

This budget begins to achieve those goals, but as with all goals, achieving success does not occur overnight. It is my intention—as I work through the 1459 days of this administration, (less than 1% of which I have completed) to continually work towards these goals. We will also work to increase resources that are available for use by the City through more focused public private partnerships with businesses, social service agencies

and our faith based community, and by increasing the number of retail dollars spent in our community. We will increase retail dollars by a focused strategy on retail development, implementing the lean permitting process, leading the brand development process for our City to make Tulsa a destination of choice, ensuring we have a safe community and positive activities for our young people, supporting excellence in our public education system and working aggressively to ensure neighborhood vitality and home ownership. The City Council's well-outlined compendium of needs will be a guide.

But let us begin with April 10. As we each came into office, a number of serious challenges—risks that cannot be ignored—faced this City. Some of these risks are similar to those we may face in our family or business budget. Some are unexpected, the result of short-term actions that we must now pay for. Some of these risks are addressed directly in the budget; others must be noted as risks to the budget as we move into this next fiscal year. They include:

1. Increase in fuel and energy costs. FY07 fuel and energy costs are projected to be \$23,307,000, a \$5.3 million increase over last year- or a 30% increase. The General fund's share of that increase is \$3 million.
2. Sales Tax, the primary financing source for general operating revenue for the City has increased but
  - a. much of the increase has been as a result of higher fuel costs and the collection of sales tax on such fuel costs
  - b. Tulsa County retail sales tax has grown but the City of Tulsa's share of that tax decreased from 85% in the 90's to 75% in 2006. This is a dangerous trend and must be reversed.
3. While job growth is close to returning to 2000-2001 levels, numerous companies in Tulsa were merged or sold in the last year, putting retention of thousands of jobs at risk. The Council funded a study to provide a strategic focus to address job retention and expansion issues, but currently no funds exist to implement that plan. We will continue to review creative ways to ensure its implementation.
4. This City has had two significant judgments rendered against it in the last month, both in terms of dollars and issues. Additional significant litigation exists against the City and its trust authorities which, if also resolved unfavorably, will cause additional budget pressure. While it is hoped that ultimately these issues will be resolved without financial drain on the city, that cannot currently be predicted. I do know that a philosophy of "sue now and talk later" is not in the City's best interest. Ultimately some issues are required to be determined by the Courts, but that should be the last resort for our municipal government and its trust authorities.
5. There is potential additional deterioration of our sales tax collections due to sales tax exemption legislation pending at the state level.
6. While the recent reports from INCOG indicate the Tulsa area population may be back to the 2000 census level, we have moved backwards when compared to the surrounding communities. Again, this trend must be reversed.
7. Health insurance costs have increased for our City employees.

8. The final results of ongoing collective bargaining negotiations and arbitration decisions could significantly affect this budget.
9. Deferred maintenance at our parks and city buildings continues at an unacceptable level. Ultimately, this will require a greater investment in the future to fix what has not been maintained. This is no different than the failure to maintain the basics on your individual home. At some point, you cannot repair it without an increased investment. This affects all our city facilities and such basic services as the ability to adequately fund mowing our city properties.
10. The events center construction budget. And, as we move to next fiscal year's budget, the events center operating budget.
11. Increased expense to the City due to last fiscal year's significant changes in the cost of sharing food and beverage revenues with sports teams.
12. Unprecedented subsidies for two events being held in Tulsa, one of which is an amendment to this year's budget and one of which must be included in next year's budget, based on agreements signed prior to April 10.
13. Despite an aggregate City budget of \$15 million in the telecommunications and information services area, the City is substantially behind in use of technology. As each of you is aware in your own area of expertise, an investment in well planned and utilized technology can provide great efficiency and increase customer service levels. This is an issue that will be a high priority to address early in my administration.
14. Programming at our parks and recreation centers, which have a direct impact on juvenile crime, has been short changed and a plan must be implemented to strategically address this issue –both short term and long term. While a plan was put forth to open all 9 operable pools with no fees, no budget item was addressed in the initial plan to account for additional security needs at those pools. We will again work to correct this oversight, but I pledge to you—the planning for these issues for next summer will begin not next April but next month.
15. Contingent liability for the City due to retirement payments and vested compensated absences for those non-uniformed City employees eligible to retire over the next 5 years is over \$5 million. In addition, we are working to calculate the costs of overtime in the major departments.
16. Increase in green fees at our Golf courses to attempt to decrease the subsidy to our city golf courses to below \$700,000.
17. EMSA—For the first time in 29 years, the General Fund will need to support a portion of the EMSA budget. Medicare reimbursements have been reduced and the Authority will deplete its cash reserves in fiscal year '07. I am proposing a one-time use of General Fund balance for this purpose and will recommend a permanent solution within the next budget cycle.

These risks, and likely others we have not anticipated, should be factored into the budget analysis. Towards that end, we have maintained a 5% reserve to address emergencies that may affect the general operating budget. Fiscal responsibility dictates that this reserve remain in tact to be used only for a one-time emergency that is beyond our control. I do not support its use for recurring costs.

Now for the opportunities:

1. Many Vision 2025 projects are nearing completion and should bring people into the City of Tulsa to increase retail sales.
2. The first private development on the Tulsa side of the river, Kings Landing, was announced last week and should be open the end of this fiscal year.
3. Tulsa will host the opening of Oklahoma's centennial celebration in November. Worldwide attention will be focused on Oklahoma as we are featured in the Macy's Day parade in New York again this year on Thanksgiving and we will be the lead float in the Rose Bowl on January 1, 2007. Tulsa can be poised to take advantage of these opportunities.
4. Our young professional groups are exploding and providing a base to attract a vibrant market of young professionals and entrepreneurs.
5. We will begin an update of our city's comprehensive plan, a process long overdue as the comprehensive plan for our city has not been updated since Richard Nixon was president. This plan will be our guide to the future.
6. Downtown housing, hotel and office development is poised to move forward rapidly.
7. A broad coalition of groups has stepped forward to make public safety the top priority for our community.
8. We will work to leverage our state resources including working to have Tulsa accepted into Oklahoma's award winning Main Street program, which provides for historic preservation and retail development.
9. I will prioritize Tulsa's application to be accepted into the Oklahoma Department of Commerce's cutting edge certified site program to ensure industrial sites in Tulsa are ready and marketed aggressively by the state.
10. The John Hope Franklin Reconciliation Museum, certified by the National Park Service, as an area of historic significance, is an opportunity for Tulsa move forward to heal the wounds of our past and provide lessons of history to guide the actions of future generations to the world. Congressman John Sullivan has agreed to take the lead at the federal level and I have pledged to him the City's full support to make this important project a reality.
11. A broad outreach to our community to fill boards and commissions will capitalize on the large voter turnout in our recent mayor and council election and seize upon the opportunity to engage a broad community of citizens to work together for Tulsa's future.
12. As a part of Tulsa's branding effort, we will work to bring together all of the marketing resources used across the City to one unified effort—linking the multitude of websites and communication methods utilized by City-related groups.
13. Increased investment and links with the City with our private and public colleges, universities and career technology centers will allow us to better coordinate and leverage resources for economic development in our City.

The budget transmittal letter outlines the highlights of the budget, but let me point out a few areas:

- The principal operating revenue for the City is 2 cents of the 3 cents sales tax. The City also receives 7.5% transfer fee from the utility funds. This transfer rate was increased from 5.5% to 7.5% in FY04 to help fund City operating fund deficits. This transfer fee is substantially higher than what is paid by other utilities and it is hoped in the future as our sales tax revenues stabilize, this fee can be reduced to a more appropriate level.
- Personnel costs continue to be the largest use of general fund resources—being allocated 76% of the budget in fiscal year ‘07. Public safety programs continue to be the top priority with academies in police and fire being recommended for fiscal year ‘07. Public safety is allocated 66% of the proposed budget. In an effort to support our non-sworn employees, a 4% pay increase in non-sworn employee pay is recommended for January, 2007 (the anniversary date of the last increase).
- The capital plan is dependent on passage of an extension of the third penny sales tax on May 9. If the tax is extended, we would recommend advance funding of all projects left from the 2001 third penny program with a revenue bond. I will work with the Council to develop a budget for the new projects in fiscal year ‘07. In addition to third penny projects, this budget recommends “pay as you go projects” in the enterprise fund and the capital plan recommends debt financing for water and sewer projects later in fiscal year ‘07. As we work to improve our city’s economic health, we must work to ensure our infrastructure needs are addressed.
- There are serious budget pressures that have not been addressed and will begin to be addressed this year. Our utility authorities have recommended the first increase in city water rates in 10 years, as well as increase in sewer and storm water rates. The budget is based on these increases occurring. If they do not occur, we will need to further cut costs in the budget by \$8.2 million and significantly reduce the water, sanitary sewer and flood control capital improvements plans.

After this budget is approved, all department heads with budget responsibility will meet quarterly to analyze their expenditures, as well as their progress toward reaching goals identified in the budget to ensure citywide analysis and accountability.

So let us begin with this budget as starting point, let us work together to continue to refine our goals, to boost our efficiency, to create and then seize opportunities, to minimize risks and, as a team, to achieve what is best for Tulsa.

While there are still many unknowns—this is what I do know. With this team, the council and your staff, the city employees and the passionate and positive citizens and businesses of our great city—all working together for the same goal—to make life better in Tulsa—THE BEST IS YET TO COME.