The City of Oklahoma City

FIVE YEAR FORECAST

Fiscal Year

2023-2027

CONTENTS

SECTION 1

EXECUTIVE SUMMARY

FIVE-YEAR FORECAST

FISCAL YEAR 2023 - 2027

An economic and operational outlook for the city.

The Five-Year forecast provides an evaluation of the city's current financial condition and is designed to provide accurate, timely, and objective information about the City's financial condition as well as a view of the economic and operational outlook for the city.

Overall, the city is faring well in Fiscal Year 2022 (FY22) despite the economic disruption from the COVID-19 pandemic. We expect collections in the last half of the fiscal year to continue to exceed projections and end the year at 9.6% growth over FY21 levels.

ECONOMIC OUTLOOK

The city has again worked with Dr. Russell Evans, Executive Director of the Steven C. Agee Economic Research and Policy Institute at Oklahoma City University, to develop the economic outlook for the coming year. Dr. Evans' expectation for sales tax growth in the current year is for growth between 15.5% and 16.7%. This growth is clearly not sustainable nor a reflection of local economic conditions alone. It reflects the artificial support of unprecedented policy. As policy is withdrawn and the economy is left to stand on its own, real activity is expected to fall. The question that dominates the uncertainty, however, is by how much. This uncertainty is reflected in sales tax growth ranging from -4.1% to 2.6%.

FINANCIAL EVALUATION TOOLS

The *Financial Trend Monitoring System (FTMS)* looks back at how multiple key indicators have performed over the last five and ten years and considers the trend of these indicators to assess Oklahoma City's current financial condition. This system provides the city with a more comprehensive evaluation of financial condition rather than focusing on individual indicators, such as fund balance. The overall results of the FTMS indicator ratings were 59% positive, 14% neutral and 27% negative which was an improvement from last year where 50% indicators trended positive. Key indicators that trended positive included crime rate, sales and use tax revenues, fund balance, average weekly earnings, labor force and employment.

Many financial issues are beyond the scope of the annual budget process and require other solutions. Departments identified *52 financial issues* the City will be facing over the next five years. Identifying significant issues now provides an early warning system and staff can develop plans that recommend possible direction and next steps to be taken.

GENERAL FUND OUTLOOK

As a result of the federal stimulus dollars, the General Fund operating revenue experienced growth of -15.1% through December 2021, which is better than projected. General Fund operating revenue collections were $20.2 million above year-to-date budget projections with Sales and Use Tax collections driving most of the increase. Expenses were $6.3million below budget as departments were challenged with higher-than-normal vacancies and the transfers category was ahead of projections as the timing of several transfers occurred earlier the year than anticipated.

As we expect to get back to pre-pandemic levels, growth in General Fund revenue is projected to increase 2.2% in FY23. Changes made to the FY23 base budget included pay plan increases and increases in funding for services such as the Bus Rapid Transit, increases for subsidies to operate and maintain the First Americans Museum, Paycom Center, OKC Convention Center, and Scissortail Park. Over the next five years, General Fund revenues are expected to average 3.4% growth annually while expenditures are projected to average 5.3% growth annually. Revenue projections are based on historical growth averages and the imbalance in revenue and expenditure growth patterns means that there is a projected gap of $15.5 million in FY27 in the General Fund. New revenue sources, an expanded sales tax base, and continued growth in the local economy may be needed to fund operations at a level desired by residents. By laying out the many challenges identified, long-term strategies and priorities can be set to address the issues and projected General Fund Gap. Staff will continue to work with the City Manager to present Council with a proposed FY23 budget that balances operating needs with available resources.

FIVE-YEAR FORECAST
FISCAL YEAR 2023 - 2027

SECTION 2

INTRODUCTION

PURPOSE

The purpose of the Five-Year Financial Forecast is to evaluate the City's financial condition as it relates to programs and services. With accurate, timely, and objective information about the City's financial condition, elected officials can help ensure the stability of Oklahoma City's general and other municipal funds. With continued financial viability and service demand forecasting, the city can anticipate and meet community needs, enable additional economic diversification, and promote growth for years to come. This forecast focuses on operating revenues and expenditures associated with the General Fund, which finances a diverse spectrum of city programs to meet the community's needs and will serve three functions:

- **COMPLIANCE.** This forecast helps the City comply with city financial policies and practices designed to ensure the responsible utilization of public resources. This is governed by State law, through the Municipal Budget Act, and internal policies established by City Charter or Council ordinances and resolutions.

  Although a specific requirement for the preparation of a financial forecast does not appear in State law, 11 O. S. 2003, Article X, § 10 113 requires the City Manager to *"keep the council advised of the financial condition and future needs of the city and make recommendations as he deems desirable."* The city has adopted the practice of developing a financial forecast that estimates future revenues and expenditures and identifies major financial issues that may arise for the ensuing five-year period.

- **STRATEGY.** With such a broad scope of services and limited resources, the City must be careful and strategic in allocating its resources. This forecast provides the Mayor and City Council with information to formulate long-term strategies to ensure city services are available at a level appropriate to the actual needs of the community. Annual budgeting alone can fail to serve the long-term public interest if short-term priorities reduce resources that may be required to meet imminent needs that fall beyond the one-year budget scope.

  By identifying long-term issues and assessing resources, the forecast can provide information and create continuity between annual budgets and the long-term needs of the city. The forecast is a valuable tool for identifying potential problems and for policy makers to incrementally address such problems with a seamless continuation of core services.

- **ACCOUNTABILITY.** The forecast serves as a snapshot of the city's current and projected financial well-being for the general citizenry and the business community by providing a. It provides citizens and business leaders with an overview of the city's ability to meet community needs over time. This document also demonstrates the city's financial planning process and strengthens local government's accountability to the community.

The Five-Year Financial Forecast is not intended to serve as a comprehensive source for all city-related financial activity, such as programs funded through city trusts and authorities. However, this forecast does include an assessment of unfunded capital and programmatic issues that may impact those entities.

The city is developing and executing several significant plans that are laying the groundwork for an exciting future. This Five-Year Financial Forecast is intended to provide city leaders, citizens, and staff with the information necessary to help guide the future of The City of Oklahoma City.

STRUCTURE OF THE REPORT

Following the Executive Summary and Introduction Sections, the Financial Trends begins in Section Three. This section is designed to give city leaders and citizens a simple tool for evaluating the city's financial condition on a year-to-year basis. Adapted from *"Evaluating Financial Condition: A Handbook for Local Government,"* published by the International City/County Managers Association, this method identifies the trends in various financial and environmental areas and rates them as positive, neutral, or negative. A *"score"* can then be determined showing how many of the trends fall in each category.

Following the Economic Financial Trends, Dr. Russell Evans, Executive Director of the Steven C. Agee Economic Research and Policy Institute at Oklahoma City University (OCU), developed Section Four, Economic Outlook. The City has contracted with OCU to provide the most rigorous forecast available. The information from the economic forecast informed the estimation of sales tax revenues in the preliminary budget for FY23 and this forecast.

Section Five of the Forecast provides an overview of the major issues facing city departments. The goal of Section Five is to provide an *"early warning system"* to the City Manager and City Council of significant issues that are beyond the scope of the annual budget process and possible direction/next steps for addressing the issues. The section begins with a recognition of previous issues that have concluded with successful outcomes. Next, are highlighted issues that are significant in scope and last is a summary, by department, of the issues facing city departments.

Regular financial evaluations help ensure stability

Evaluating the City's financial condition on a regular basis can help ensure stability in the City's General Fund so that programs and services meet the community's needs.

The final sections of the forecast (Six, Seven, and Eight) provide General Fund revenue and expenditure trends and projections over the next five years and the projected gap in FY27.

FIVE-YEAR FORECAST
FISCAL YEAR 2023 - 2027

SECTION 3

FINANCIAL TRENDS

INTRODUCTION

Local governments, even those with historically strong financial track records, face challenges in financial management that are unique from their corporate counterparts. One main reason for this difference is that while there is much agreement on factors to consider when evaluating the financial condition of a business, there is not a similar general consensus on how to evaluate the condition of a local government.[1] Even with the abundance of information provided in the Budget document and the Annual Comprehensive Financial Report (ACFR), key data between two governments can differ significantly, and the motives and rationale behind the decision-making process can be fundamentally different. With this in mind, staff has incorporated the Financial Trend Monitoring System (FTMS) as part of the Five-Year Forecast. This method of financial analysis is presented in *Evaluating Financial Condition: A Handbook for Local Government* published by The International City/County Management Association (ICMA). This is the 15th year using the FTMS.

Financial indicators are created by combining budgetary and financial reports with economic and demographic data.

The goal is to use the FTMS as a management tool to recognize multiple key quantifiable indicators and consider the trend of these indicators within the context of Oklahoma City's current environment, organizational structure, and strategy. This way, City decision-makers are provided with a more comprehensive evaluation of financial condition rather than only concentrating on a single indicator such as fund balance. Moreover, the indicators are plotted over time to reduce the chance of making erroneous conclusions from isolated data elements. Trend analysis helps provide correct interpretation. With regular monitoring and evaluation of these trends moving forward, Oklahoma City's management will be well informed to make the most financially responsible decisions.

WHAT IS FINANCIAL CONDITION?

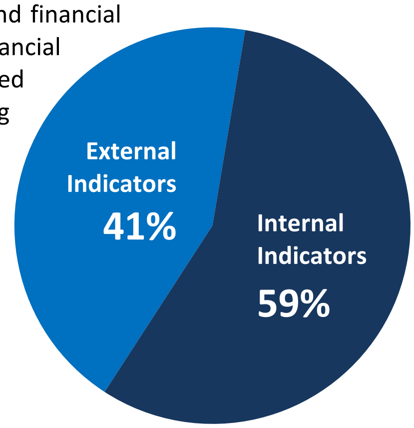
Financial condition refers to a government's ability to maintain existing service levels, withstand local and regional economic disruptions, and meet the demands of natural growth, decline, and change. More specifically, financial condition refers to:

- **Cash Solvency** – a government's ability to generate enough cash in thirty or sixty days to pay its bills.
- **Budgetary Solvency** – a government's ability to generate enough revenues over its normal budget period to meet expenditure requirements and not incur deficits.
- **Long Run Solvency** – a government's ability in the long run to pay all the costs of doing business, including expenditures that normally appear in each annual budget as well as those that will be paid only in the years in which they are due.
- **Service Level Solvency** – a government's ability to provide services at the level and quality that are required for the health, safety, and welfare of the community.[1]

The intention of the indicators and analysis that follow, when considered collectively as a group, is to provide the City's leadership and citizens with a better picture of how Oklahoma City is performing in each financial condition. Knowledge of the City's financial conditions is fundamental to developing strategies to address the current situation and the future.

HOW DOES THE FINANCIAL TREND MONITORING SYSTEM (FTMS) WORK?

FTMS is a management tool that combines government's budgetary and financial reports with economic and demographic data to create a series of financial indicators. Indicators are then arranged in a rational order and plotted over time for use in monitoring changes in financial condition, alerting the government early to potential problems and highlighting recent successes. The ICMA publication contains 42 different measures that may be used; for this presentation, 22 measures were used. The omitted measures were either not applicable to Oklahoma City, or the data is currently unavailable for the indicator. The group of indicators chosen should help Oklahoma City:



- Develop a better understanding of its financial condition;
- Identify hidden and emerging problems before they reach serious proportions;
- Present a straightforward picture of the government's financial strengths and weaknesses to elected officials, citizens, credit rating firms, and stakeholders;
- Introduce long-range considerations into the annual budgeting process; and
- Provide a starting point for elected officials in setting financial priorities.

Despite the advantages of trend monitoring listed above, it is important to note that the indicators themselves will not specifically explain why a problem is occurring. The indicators provide a snapshot of the City's financial condition, and indicator trends can become predictors to govern City decision-making processes. Therefore, decisions for further analysis may be based on the direction the indicator is moving. It is then up to City management to interpret the data behind the indicators to determine why something has changed and to provide the appropriate response.

TREND PERIOD

A time period of five years was analyzed for the trend analysis. In most instances, the most recent five years (2017-2021) were examined. There were some instances when 2021 data was unavailable and therefore, earlier time periods were used. The years used for each indicator are easily identifiable on the accompanying charts. Although trend analysis is based on the last five years of data, most indicator charts reflect ten years of data to provide context to the data and how the COVID-19 pandemic in 2020-2021 may have impacted the indicator.

OVERALL RESULTS

Each indicator has been assigned a *"trend status"* to indicate the direction the indicator is moving. The definitions for the trend status are:

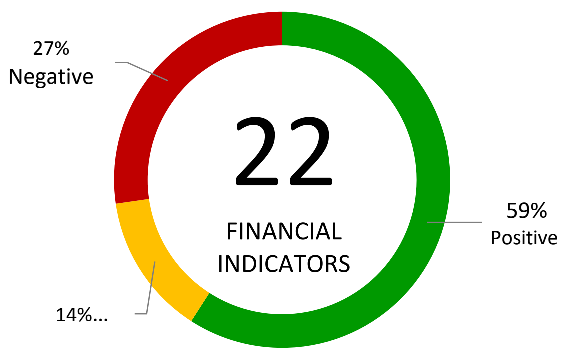
- A **positive** trend is favorable towards the City's financial condition, and/or the indicator is meeting City policy or performance measures set by management.
- A **neutral** trend implies there is no immediate concern. These indicators are watched carefully for change to indicate early signs of improvement or worsening conditions.
- A **negative** trend is unfavorable for the City's financial condition, and/or the indicator may not be meeting City policy or performance measures. These trends are analyzed further to determine if it is likely the trend will reverse or if corrective action is needed.

As the chart on the following page shows, this year's FTMS has **13 positive** indicators, **3 neutral** indicators, and **6 negative** indicators. The City remains in a favorable financial position. A description of each measure, the sources of data used, and a discussion of the measure rating are included in this section beginning with page 14.

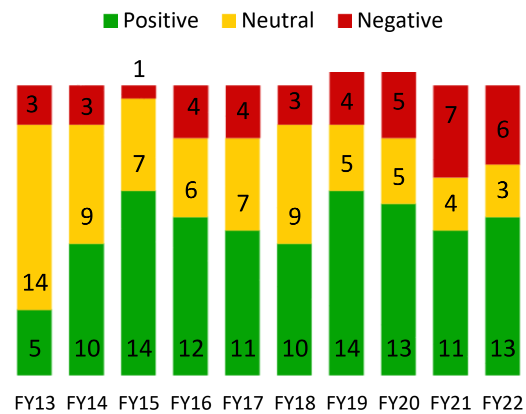
THE NEXT STEP

The FTMS system is not designed to project the future financial situation of the City; however, the system will provide a benchmark to track the City's recovery from the local economic downtowns experienced in FY16-FY17 and the national recession in FY20-FY21. Management will continue to monitor financial trends and develop strategies to keep the City moving in a positive financial direction.

FY22 INDICATOR RATINGS

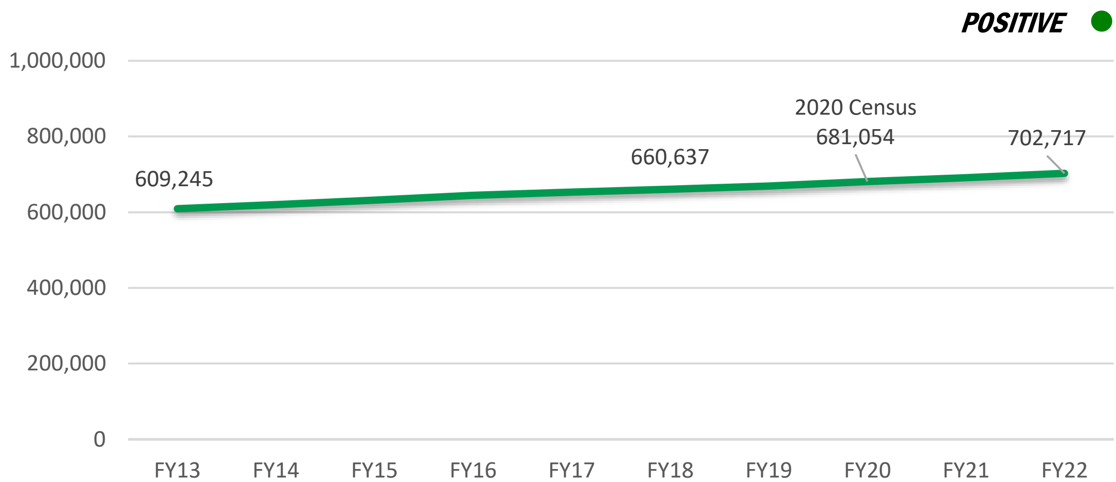


INDICATOR HISTORY



FY13	FY14	FY15	F16	FY17	FY18	FY19	FY20	FY21	FY22	**EXTERNAL INDICATORS**
●	●	●	●	●	●	●	●	●	●	Population
N/A	●	●	◆	◆	▲	●	●	●	●	Average Weekly Earnings
●	●	●	●	●	●	●	●	●	●	Labor Force
◆	▲	●	●	●	●	▲	▲	●	●	Crime Rate
▲	▲	▲	●	●	●	●	●	●	●	Property Value
●	▲	▲	▲	▲	▲	◆	◆	◆	◆	Office Vacancy Rate
▲	●	●	●	●	●	●	●	◆	◆	Airport Activity
N/A	N/A	N/A	N/A	N/A	N/A	●	●	◆	◆	Hotel Room Nights Sold
●	▲	●	◆	◆	▲	●	◆	◆	◆	Active Drilling Rigs
										INTERNAL INDICATORS
▲	●	●	●	●	●	●	●	●	●	Revenue Per Capita
◆	▲	▲	▲	◆	◆	▲	◆	◆	◆	Revenue Accuracy
●	●	●	●	▲	◆	●	▲	●	●	Sales & Use Tax Revenue
▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	Sales & Use Tax as % of General Fund
●	●	●	●	●	▲	●	●	◆	◆	Hotel Tax Revenue
▲	▲	◆	◆	▲	▲	◆	◆	◆	●	Grant Revenues
▲	▲	▲	▲	▲	▲	▲	▲	●	●	Employees per 1,000 Citizens
▲	▲	▲	▲	▲	▲	◆	◆	▲	▲	Fringe Benefits
◆	●	●	●	●	●	●	●	▲	●	Pension Funding Ratio
▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	Long-Term Debt
●	●	●	●	●	●	●	●	●	●	Fund Balance
●	●	●	●	●	●	●	●	●	●	Liquidity
▲	▲	●	●	●	●	●	●	●	●	Enterprise Working Capital

POPULATION



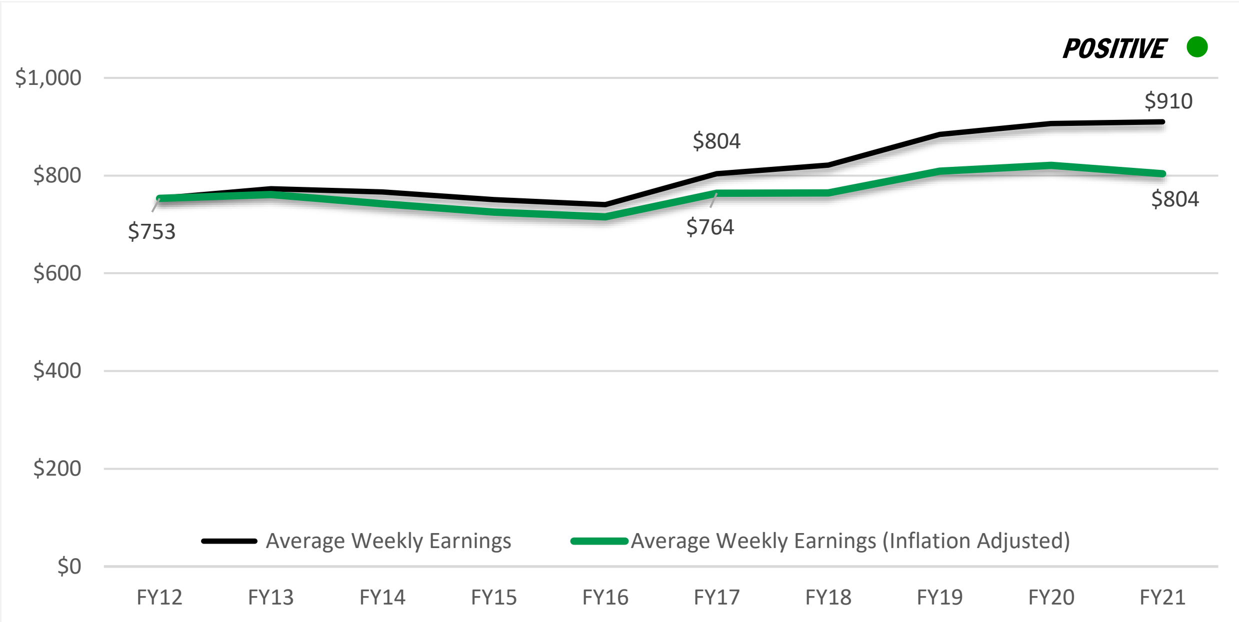
Formula: Population Data from the City of Oklahoma City Planning Department

What does Population Growth Indicate?
Population change directly affects governmental revenues. A sudden increase in population can create immediate pressures for new capital outlay and increased levels of service. At first glance, a decline in population may seem to relieve the pressure for expenditures but often quite the opposite is true due to debt service, pensions, and government mandates being fixed amounts that are not easily adjusted in the short run. The interrelationship of population levels and other economic and demographic data reveal a cumulative negative impact on revenues as population declines.

Population grew at an average of 1.4% per year over the last five years.

Why is This Important to Oklahoma City?
Oklahoma City has been able to increase its revenue base without immediate, unplanned pressures for capital outlay and increases in service levels. Future monitoring of the population as compared to other financial indicators will help determine the cost of serving new residents in relation to the revenues they contribute through taxes. Oklahoma City has realized consistent growth in population since FY13, with an estimated 702,717 residents in FY22.[2] This is an average annual growth rate of 1.5% over the last five years and 1.6% over the last 10 years. Since the growth has been relatively steady, the trend was rated positive.

AVERAGE WEEKLY EARNINGS



Formula: Average Weekly Earnings, Private Sector, All Industries for Oklahoma County / CPI

What Does Average Weekly Earnings Indicate?

Average Weekly Earnings (AWE) is the amount of income a person earns each week and is a primary measure of a community's ability to generate sales tax. The more persons working each week and the more they earn, the larger the impact on the amount of sales tax generated, which is the City's primary funding source for the General Fund. A decline in AWE leads to a reduction in purchasing power that, in turn, hurts retail business and can ripple through the rest of the local economy. The data above represents the Oklahoma City Metropolitan Statistical Area (OKC-MSA).

Why is This Important to Oklahoma City?

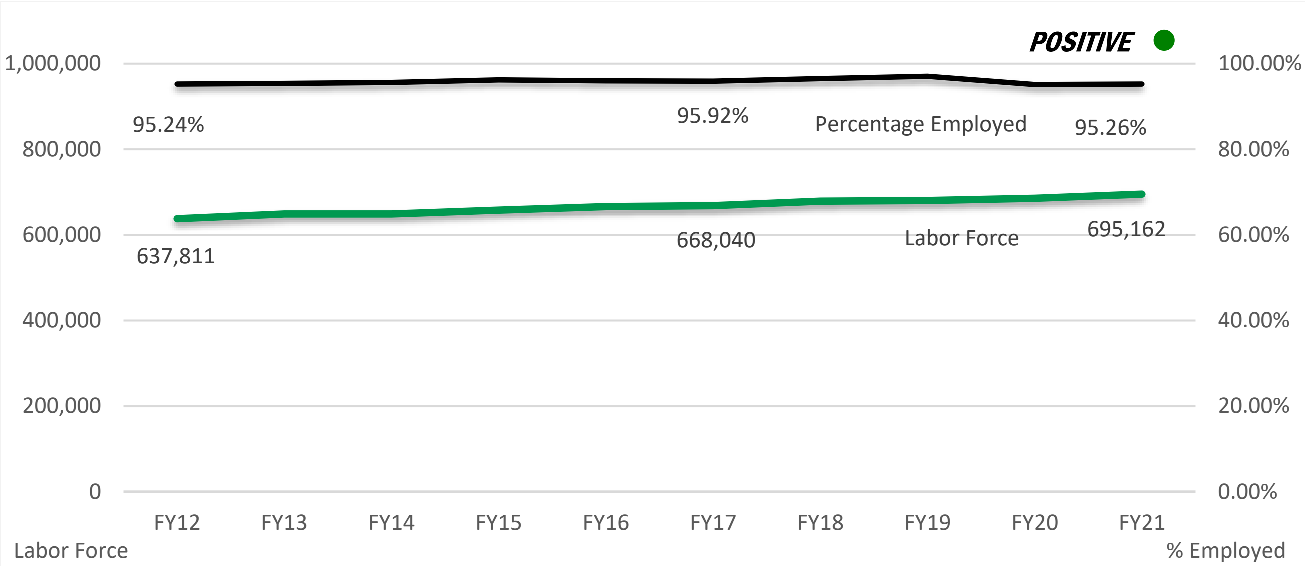
Attracting and retaining employers with jobs with higher than average earnings is one way the City can convey its commitment to economic development and positively impact residents' income levels and quality of life. Higher weekly earnings mean residents in the OKC-MSA, on average, can purchase more goods and services than they once were. Average Weekly Earnings (AWE) declined for three consecutive years (FY14, FY15, and FY16) when the local economy took a downturn. Strong growth returned in FY17, but after adjusting for inflation, remained flat compared to the previous five years. The positive trend of higher average weekly earnings continued in FY18, FY19, FY20, and FY21. After adjusting for inflation, the indicator posted growth of 5.2% over five years ago and maintained a positive rating again this year.

Average Weekly Earnings had 5.2% growth over the last 5 years after adjusting for inflation.

Current Year Activity

The Average Weekly Earnings for early FY22 year-to-date data shows growth from the chart above. In current dollars, the AWE was $922 in October 2021.

LABOR FORCE



Formula: Number of People Employed in OKC-MSA / OKC-MSA Labor Force

Why is the Percentage of Population Employed an Indicator for Financial Condition?
Employment base is directly related to business activity and personal income. A growing employment base provides a cushion against short-run economic downturns in a specific sector. In addition, a higher percentage of the population working results in higher per capita incomes. Both factors should have a positive influence on the local government's financial condition. A reduced percentage of employed residents can be an early sign of an economic downturn, which would likely have a negative impact on government revenues.

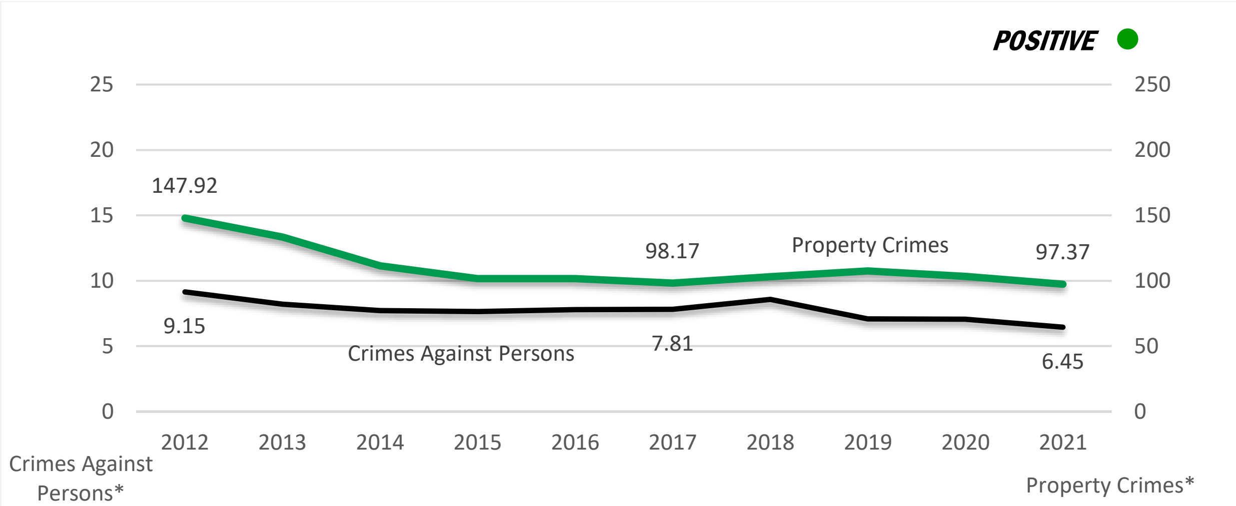
Why is This Important to Oklahoma City?
For many economists, an unemployment rate of around 5% indicates "full employment," and if the rate remains consistent, it can have a stabilizing effect on inflation.

While the range for full employment may vary by expert, generally, when the unemployment rate is higher, residents struggle to find employment; when the unemployment rate is lower, the opposite occurs, and employers may struggle to fill employment vacancies. In FY20, before the pandemic hit, the percentage of the labor force of the Oklahoma City Metropolitan Statistical Area (MSA) employed was averaging 97.1%. After the pandemic hit, the percentage employed dropped. The overall average for FY20 was 95.1%, meaning 5% were unemployed or that employment in the local area was full. In FY21, the average remained steady at 95.3%. Over the last five years, employment has slightly increased and averaged 96.7% annually.

The percentage employed should be put into context with the size of the labor force. When the two data sets are used together, it indicates the labor force is growing, and job seekers can find employment. In the last five years, the labor force grew by 4.1%, and employment grew by 3.3%. Annual growth in the labor force and consistent employment of 96% for the last five years resulted in a positive rating for this indicator.

Current Year
The percentage employed increased 3% during the first five months of FY22, dropping unemployment rates to 1.7%, which is the lowest in Oklahoma City's history.

CRIME RATE



*Crimes against persons per 1,000 of population; property crimes per 1,000 households
Formula: Number of Crimes (against person or property) / Population/1,000 or Households/1000

Why is the Crime Rate an Indicator for Financial Condition?

Crime rate captures a negative aspect of a community that can affect its present and future economic development potential. The crime rate also measures demand for public services in the form of public safety expenditures. A rising crime rate, in extreme circumstances, can jeopardize the long-term health of the community by driving away existing businesses, discouraging new business, and straining the local government's budget with increased expenditures.

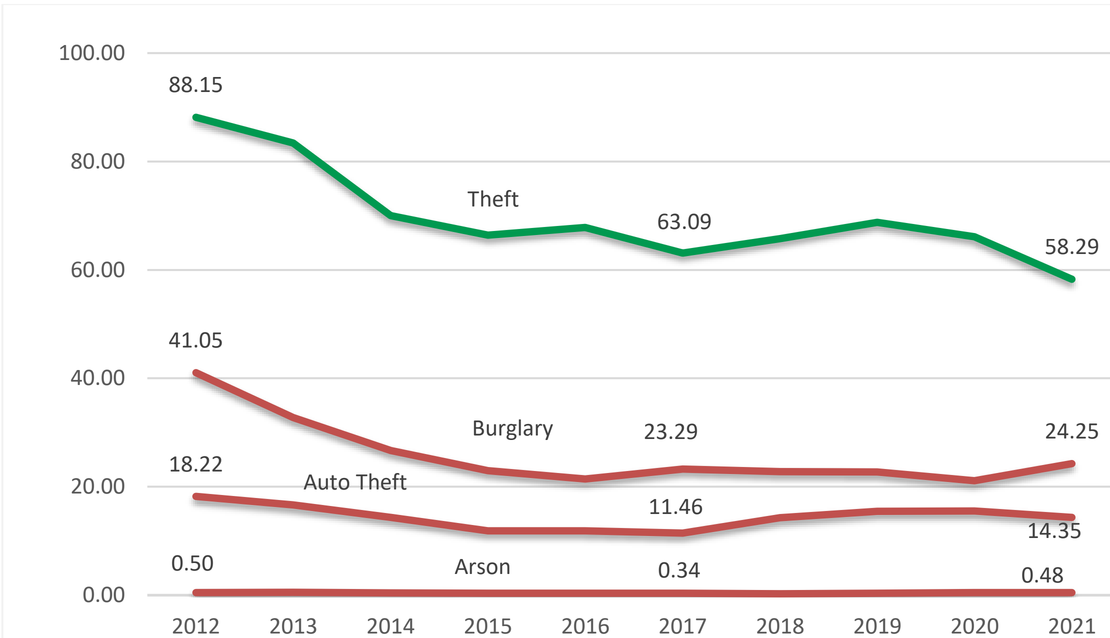
Why is This Important to Oklahoma City?

With a third of the General Fund budget dedicated to Police and Courts, monitoring crime trends and considering it in forecasts of future expenditures is financially prudent. The number of property crimes per 1,000 households has decreased over the last five years from 98.17 crimes per 1,000 households in calendar year 2017 to an estimated 97.37 in 2021. The number of crimes against persons decreased from 7.81 per 1,000 in population in 2017 to an estimated 6.45 per 1,000 in population in 2021. Because both crime categories have decreased over the five-year period, this indicator was rated positive. The Police Department attempts to identify crime trends in real-time and continues to enhance its efforts with intelligence-based policing and targeted enforcement through analysis of local crime data. The Police Department also continues to embrace Community Based Policing and proactively addresses concerns expressed by Oklahoma City residents.

*Data for 2021 is estimated using actual data from January – September. October through December were an average of the first nine months of 2021.

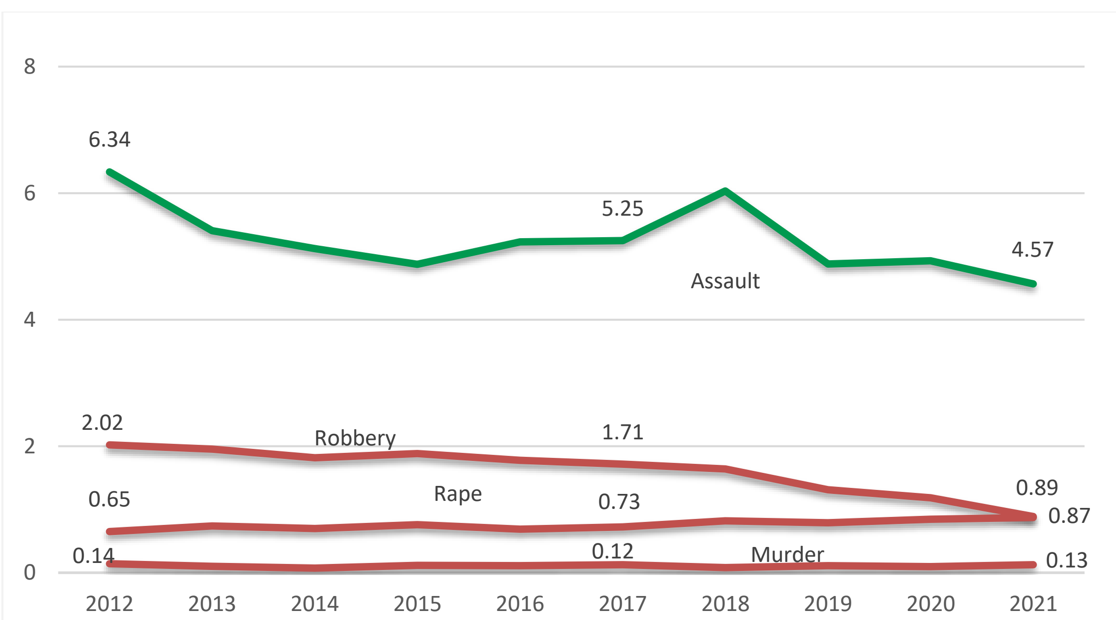
Property Crimes

The chart below is a sub-set of data behind the total number of property crimes in the graph on the preceding page. Over the last five years, property crimes per 1,000 households decreased .81%. Arson, Auto-Theft, and Burglary went up over the last five years while Theft went down. Burglary was the only crime that showed a year-over-year increase in 2021.



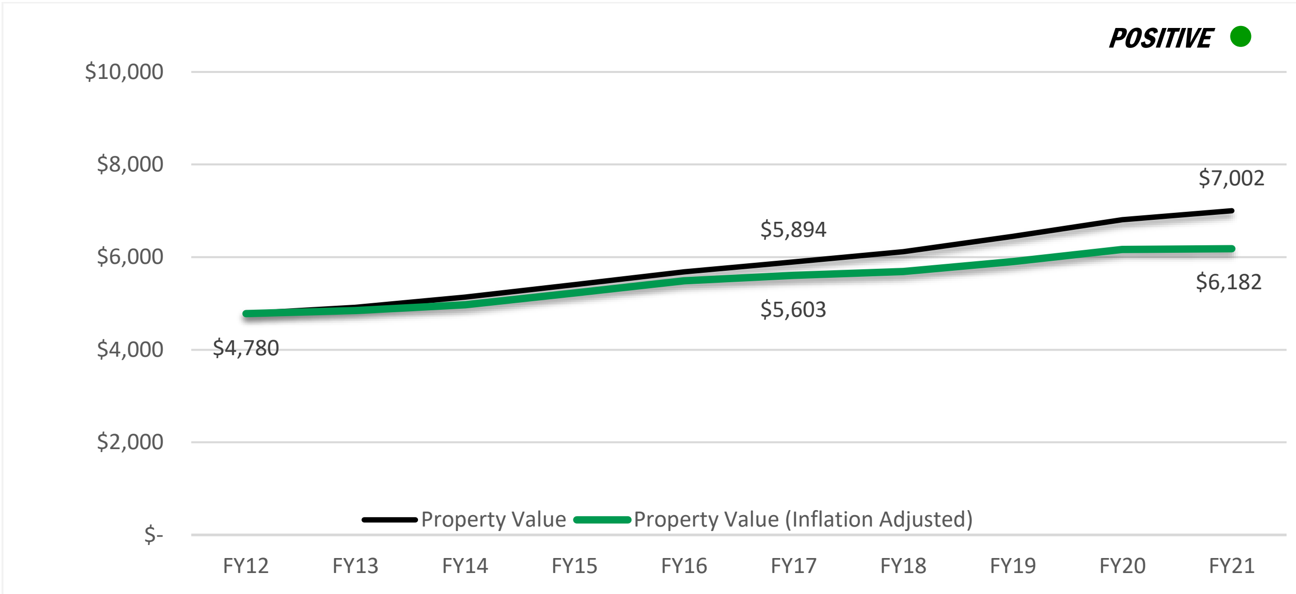
Person Crimes

The chart below is a sub-set of data behind the total number of person crimes per 1,000 residents in the graph on the preceding page. Over the last five years, person crimes per 1,000 residents decreased 17.40%. Rape and Murder were up over the last five years while Robbery and Assault were down. In reviewing year-over-year changes, we see a decline in Assault and Robbery while Murder and Rape increased in 2021.



PROPERTY VALUE

Formula: Assessed Value / CPI



Assessed Property Value increased eight consecutive years establishing a positive trend.

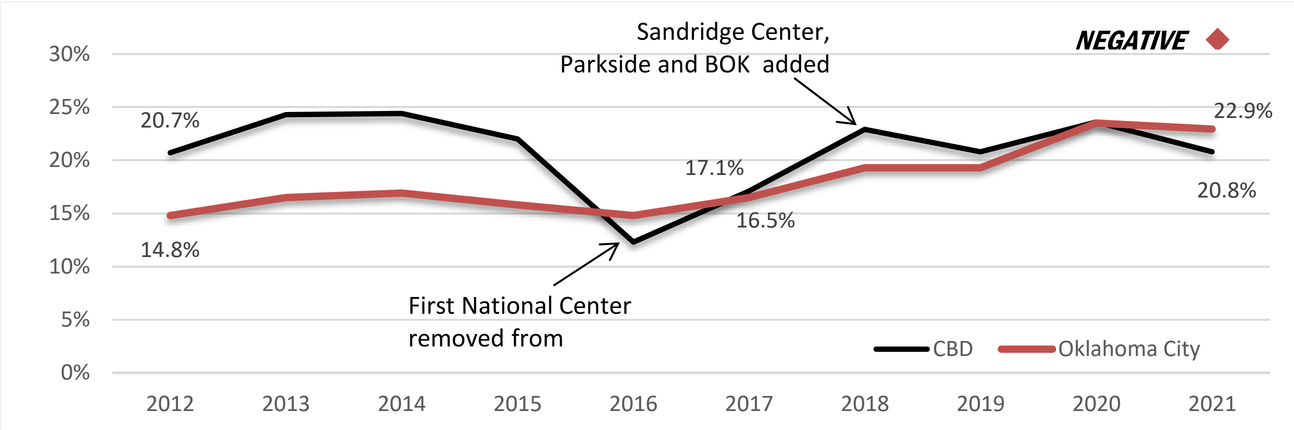
How Can Property Values Affect a Local Government's Finances?

Even for communities that are not heavily reliant on property tax for operations, property values can be a useful sign of the health of the local economy. Population and economic growth will increase property value because demand will drive prices up. A city that is not reliant on property tax but is experiencing declines in property value still has reasons for concern because declines in property value affect revenues for capital improvement and the economic health of the City. Credit rating organizations review the local government's tax base to assess the financial capacity of a local government. A decline in property value could affect the credit rating and borrowing ability of a local government.

Why is This Important to Oklahoma City?

While Oklahoma City cannot use property tax to fund operations, property value is still an important component of the City's finances, namely, its ability to finance capital projects through General Obligation Bonds. The increases in property values in recent years have expanded Oklahoma City's debt capacity allowing more capital projects. However, Oklahoma City's Net Assessed Valuation (NAV) Growth Rate declined from 5.53% in FY20 to 2.85% in FY21, which is a 48% decline during the 12-month period. This decline in the NAV growth rate has negatively affected the number of general obligation bonds that can be sold in March of 2022. If lower growth rates become a trend, there may be long-term ramifications to the City's general obligation bonding capacity. Oklahoma City's inflation adjusted assessed property value remained flat in FY12 and FY13, then increased to an average of 3.5% growth annually through FY20 and flatted out again in FY21. Though the growth rate has slowed to a quarter of a percent, it is still trending in a positive direction, and values have continued growing since FY17. City Staff will continue to monitor this trend. Based on the upward trend of inflation adjusted property values, this has been rated as a positive indicator.

OFFICE VACANCY RATE



Formula: Vacancy Rates from Price Edwards Oklahoma City Office Market Summary[3]

Why is Vacancy Rate an Indicator for Financial Performance?

Tracking changes in vacancy rates for all types of rental property such as residential, commercial, and industrial can provide an early warning sign of potential economic or demographic problems. If a community is an attractive place to live and do business in, it is reasonable to expect demands for rental property to be high. On the other hand, if an economy is sluggish or declining, increased vacancy rates can be expected.

Why is This Important to Oklahoma City?

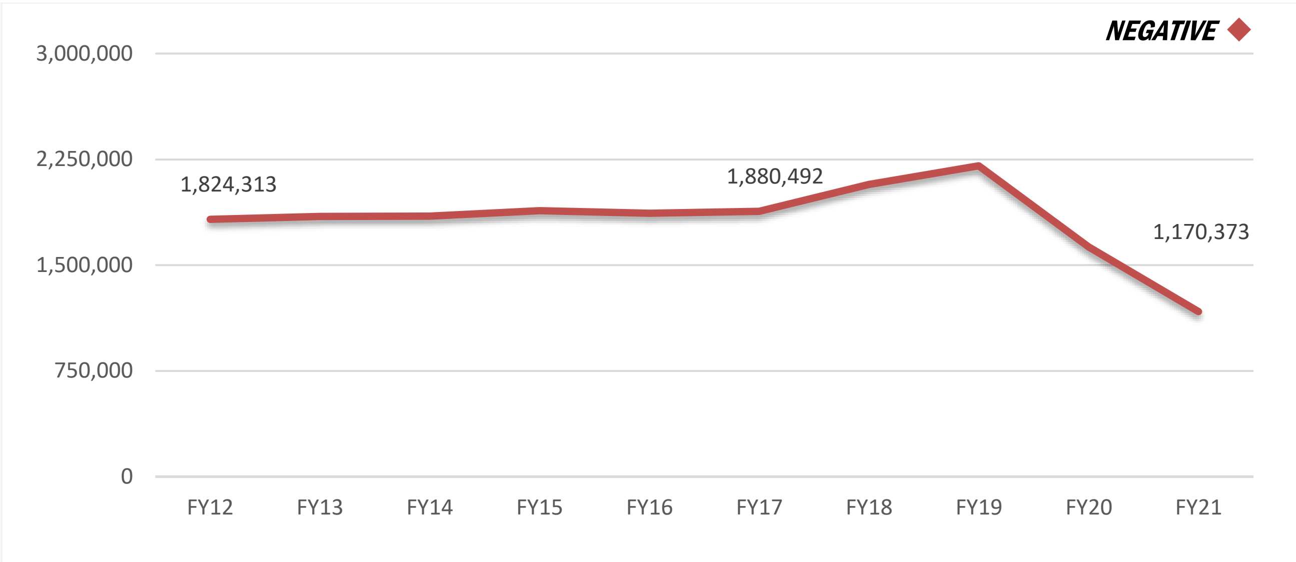
For this trend analysis, the office vacancy rates for Oklahoma City's central business district (CBD) and the greater Oklahoma City area were examined. If vacancy rates increase to an unhealthy rate, it could have a negative impact on property values and incomes. The pandemic reversed the previous positive trends causing negative absorption in both districts. By midyear 2021, CBD vacancy rates decreased 2.8% over 2020, bringing levels back down to what they were before the pandemic. The Greater OKC area vacancy rates, however, only decreased 0.6% in the last year. The Price Edwards and Company Oklahoma City 2021 Mid-Year Office Market Summary stated *"We expect to see rental rates hold steady for the second half of 2021, with landlords offering more in other lease concessions to attract tenants. While the first half of 2021 posted positive absorption, we would suspect that the actual repercussions of the effects of the COVID19 virus are still relatively unknown."* The significantly higher vacancy rate over the five-year period resulted in a negative rating for this indicator.

Significantly higher vacancy rate over the five-year period for OKC resulted in a negative rating.

Will Rogers World Airport had negative growth of 28% in FY21.

Airport activity decreased dramatically in FY21 with 1.2 million boarding passengers.

WILL ROGERS WORLD AIRPORT ACTIVITY



Formula: Annual Number of Passengers Boarding at Will Rogers World Airport (WRWA)

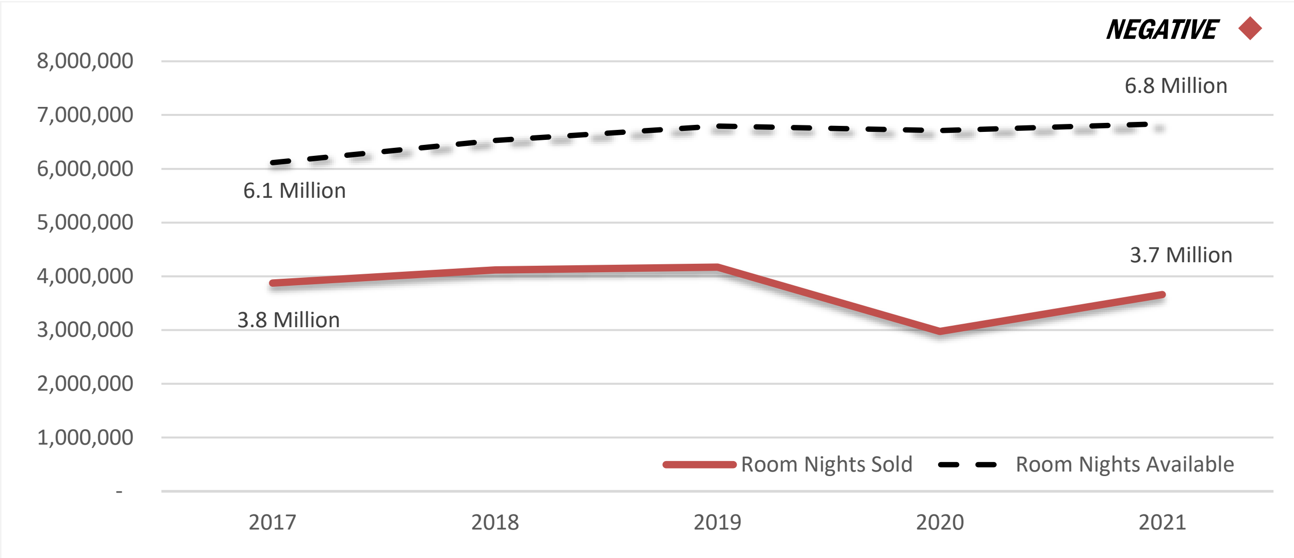
What Does Airport Activity Measure?
The level of airport activity can be a potential indicator for various areas of interest to a local government, such as tourism, commerce, and other general business activities.

Why Is This Important to Oklahoma City?
Each of the activities mentioned above can directly affect revenue yields through tax receipts associated with tourism and commerce. Increasing the number of passengers using Oklahoma City's commercial airports is good for the City whether the travel is for business or pleasure. Since FY12, the number of nonstop destinations and airports served at Will Rogers World Airport has increased, stimulating growth in the number of travelers. Passenger activity was at a record high in FY19 with 2.2 million boarding passengers until the pandemic struck in FY20, crippling the airline industry. There has been a decrease of over 1,033,740 passengers from FY19 to FY21 at WRWA. The rating for this indicator remains negative for FY21 as the number of boarding passengers has dramatically decreased 37.8% from five years ago.

Current Year Passenger Activity
The number of boarding passengers increased 201% during the first half of FY22, with December 2021 enplanements at 163,072 versus 84,910 in December 2020. While this level of growth is significant, enplanements in December 2021 were about 17% below the total for December 2019.

The average daily number of room nights sold increased from 8,148 in 2020 to 8,440 in 2021.

HOTEL ROOM NIGHTS SOLD



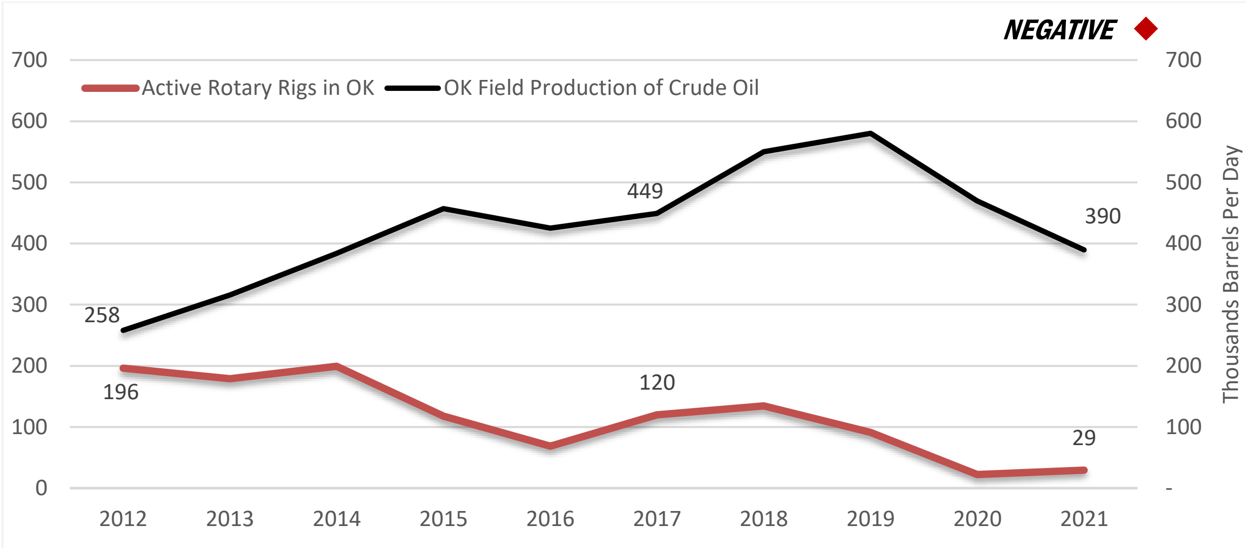
Formula: Number of room nights sold according to Smith Travel Research.

Why is Hotel Room Nights Sold an indicator of Financial Performance?
Tracking hotel room nights sold provides insight into the activity level of one of our City's growing sectors, tourism. Activity in this sector can grow the local economy as visitors spend money, generating revenue for Oklahoma City that otherwise would not have been earned. The hotel tax and sales tax paid on goods and services while visiting the City stays here, where it is used to fund services and amenities for residents of Oklahoma City, while tourists return home. Tourism helps diversify the local economy, which can smooth City revenue collections when another sector contracts.

Why is This Important to Oklahoma City?
With tourism, there is a multiplier effect in the local economy as visitors tend to spend money in service-oriented businesses such as hotels, restaurants, attractions, and transportation. Tourism dollars grow employment in the leisure and hospitality sector, and those businesses and employees reinvest earnings in the local economy. When there is a lot to do and places to stay, more tourists are drawn to the City. Private development is also drawn to the City as desirable amenities contribute to the overall quality of life for employees. The City plays an important role in supporting tourism by providing infrastructure and managing the impact tourism has on the City. In the last 20 years, the City had a significant increase in hotel rooms, with several new hotels still in various stages of planning and construction. An Omni Hotel, designated as the official convention center hotel, recently opened with 605 guest rooms.

Before the COVID-19 pandemic struck, occupancy had remained steady, averaging 63% annually over the previous 5-year period. In 2020 room nights sold declined by 28%, while the number of room nights available decreased slightly. In 2021 room nights sold increased 23.1% over the previous year but were still lower than before the pandemic. The average number of nights sold went from 11,426 in 2019 to 8,148 in 2020 and 10,030 in 2021 and has declined -6% over the past five years. Due to the decline, this indicator remains negative.

ACTIVE DRILLING RIGS

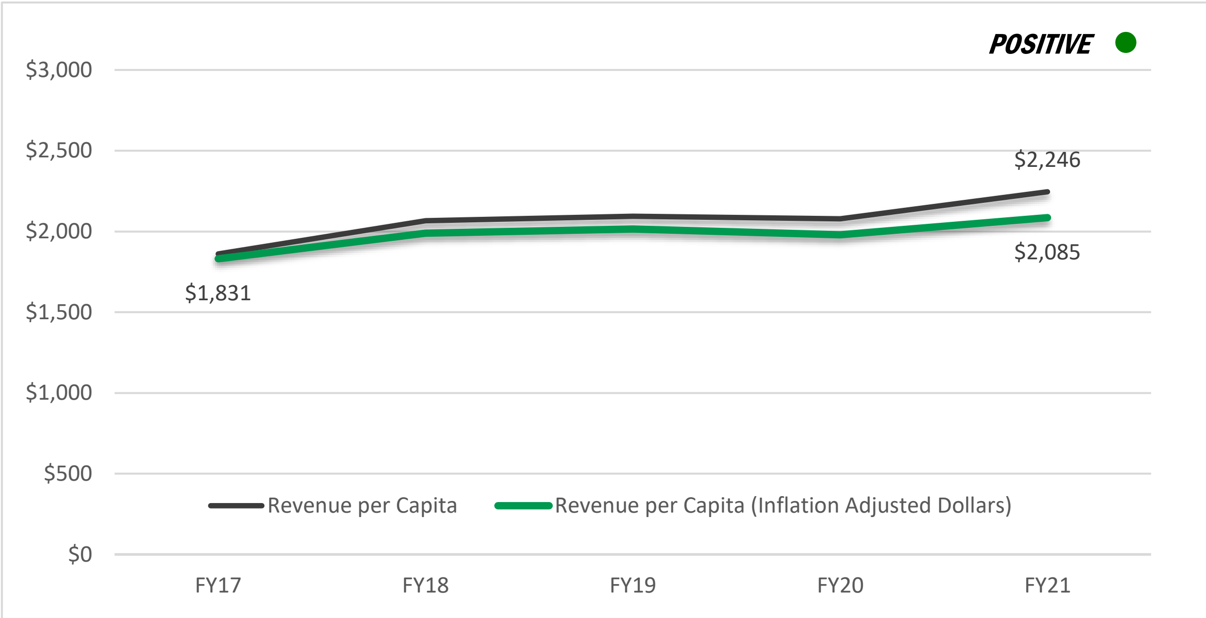


Formula: Count of Active Rotary Rigs from Baker Hughes Incorporated[4] Field production of crude oil from Energy Information Administration (EIA)

Why are Active Drilling Wells an Indicator for Financial Performance?
Tracking oil and gas activity in the state provides insight into the activity levels of one of our state's most important sectors. Activity in this sector is especially dependent on prices for oil and natural gas. If energy-sector activity is increasing, the effect on the local economy will be positive. Likewise, a decline in activity will be detrimental to the local economy. Rig count has been a reliable metric for oil industry growth for many years, proving to be a leading indicator of sales tax performance as the two have historically moved in the same direction. Now that operators can produce more from a single well, there are fewer rigs. While we continue to rely on this metric, for now, we are also beginning to seek out new metrics that may be just as informative as to the oil and gas activity in the state, such as the daily field production of crude oil in Oklahoma, which has been added to the graph in blue.

Why is This Important to Oklahoma City?
The number of active rigs is reported weekly and provides a current measure of activity in the energy sector. The steep decline in energy prices that occurred from the last half of 2008 through late 2009 resulted in a dramatic decline in energy sector activity in Oklahoma in 2009. As oil prices recovered, so did Oklahoma's active rig count, with drilling activity increasing in calendar years 2009 through 2014. As oil prices began to drop in mid-2014, a drop-in rig count followed beginning in February 2015 and continued through June 2016. As rig counts started to improve in 2017 and 2018, so did crude oil production. However, oil prices sank in 2019, and there was a big decline in rig counts, although crude oil production remained flat. The negative trend continued in 2020 and 2021 amid the pandemic, with production declining as well. Due to the decline of oil prices, rig counts, production, and projected negative effects on the economy, this indicator remains at a negative rating.

REVENUE PER CAPITA



Formula: Operating Revenues (Inflation Adjusted Dollars) / Population

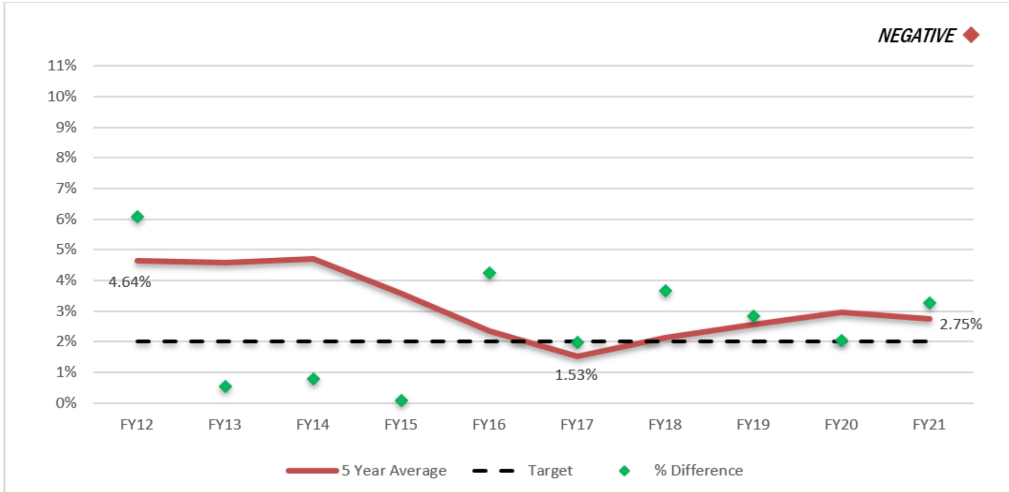
What is Revenue Per Capita?

Per capita revenue shows changes in operating revenues relative to changes in population size. As population increases, revenues and the need for services can be expected to increase proportionately. Therefore, the level of per capita revenues should remain at least constant in real terms. When per capita revenues decrease, a local government needs to either find new revenue sources or reduce expenditures to maintain existing service levels. This assumes that the cost of service is directly related to population size.[5]

Why is This Important to Oklahoma City?

This issue is delicate since revenue per capita reflects the financial impact of the City's taxes and fees on residents but is also necessary to provide the level and quality of services residents' desire. Over the five-year period, revenue per capita increased 13.9% after adjusting for inflation. There was a decline in FY17 due largely to a decline in primary government general revenues (General Fund Sales Tax, Service Charges, etc.) and operating grants and contributions. In FY18, there was significant growth of 8.7%, a decline of -1.6% in FY20 and then increasing again 5.4% in FY21. Although there were some declines, the indicator was rated positive due to the overall 13.9% growth over the five years. The City will continue to monitor existing revenue sources and look for new revenue possibilities to ensure revenue keeps up with population and inflation growth in the coming years.

REVENUE ACCURACY



Formula: Rolling 5-year average of percentage difference between budget and actual general fund revenue

Determining Revenue Accuracy

This indicator examines the difference between revenue projections and revenues received in the General Fund during the fiscal year. Significant continued variances in revenue from projected amounts, whether the discrepancy is an overage or shortage, can be reason for concern. Either scenario could indicate a changing economy or inaccurate forecasting techniques. Additionally, credit rating organizations such as Standard & Poor's use this indicator to review the quality of financial management in a local government since variances between budget and actual results are considered indicative of management's financial planning capabilities.[6] The worst-case scenario for this indicator would be increasing revenue shortfalls.

Why is This Important to Oklahoma City?

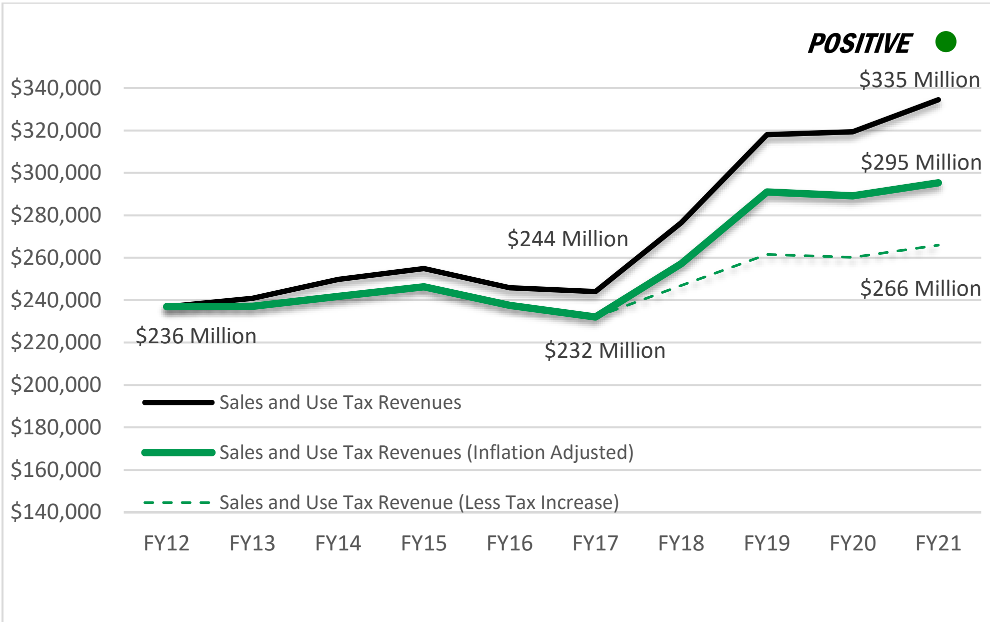
Keeping this variance to a minimum means services have not been unnecessarily reduced because of a perceived shortage in revenue that did not occur; or that new services were not established that could not be maintained because revenues failed to meet projections.

In FY13, FY14, FY15 and FY17 revenue collections were within 2% of projections. However, in FY10 Oklahoma was still feeling the impact of the recession and collections came in 5.68% below projections. Conservative projections in FY11 and FY12 were exceeded as Oklahoma City rebounded strongly from the recession; A downturn in the local economy due to the energy sector contraction resulted in FY16 collections falling 4.26% below projections and FY17 collections falling 1.99% below projections. In FY18 and FY19 collections exceeded projections by 3.65% and 2.84%, respectively, as the local economy returned to growth and tax collections from online sales began. The COVID-19 pandemic hit in the Spring of FY20 resulting in revenues losses at -2.0% below projections. In FY21 revenue collections exceeded projections by 3.26%, as the local economy returned to growth and stimulus money was spent. The average absolute variance over the last five years was 2.75%, which was above the City's stated goal of having revenues within 2% of projections; therefore, this indicator was rated negative. To be rated positive, collections need to consistently trend closer to projections.

Current Year Activity

In the current fiscal year, General Fund revenue was 7.6% above projections through December, which is outside the target range of 2%.

SALES AND USE TAX REVENUE



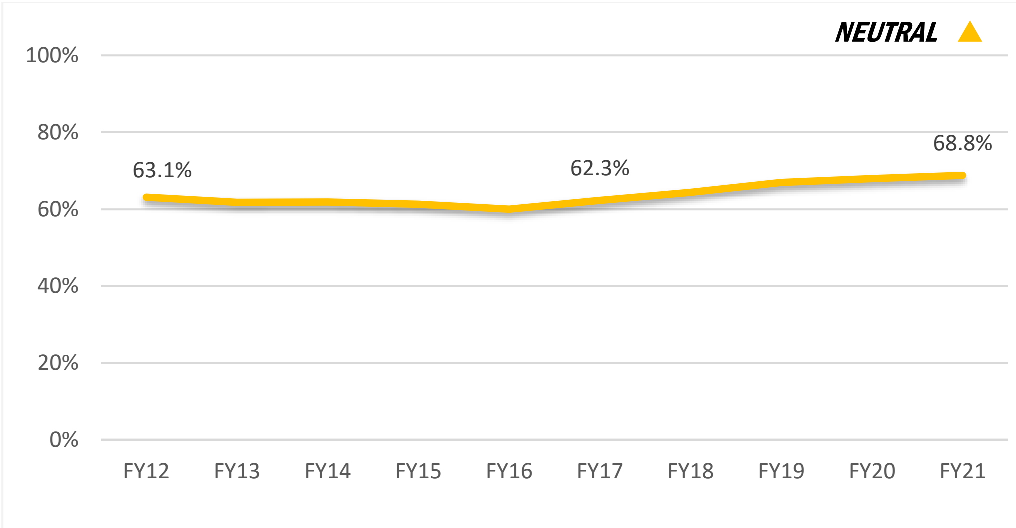
Formula: General Fund Operating Sales and Use Tax / Consumer Price Index (2012 used as base year)

Why are Operating Sales and Use Tax Revenues Included in this Indicator?
Sales and Use Tax, being the two largest and most significant sources of tax revenue, are considered as one indicator for this forecast. For an accurate analysis, Sales and Use Tax revenues were identified in both constant and current dollars.

Why is This Important to Oklahoma City?
With a sales tax rate increase in FY18, Sales and Use Tax accounted for 68.4% of all General Fund revenue in FY21. A change in growth rate can impact the City's operations and services provided to residents. Changes in Sales and Use Tax can have a number of causes including state or local economic health, sales tax rate changes, changes in population, the movement of retail operations to and from other communities, and/or Sales Tax payers moving their base of operations to other jurisdictions.[7] The chart above shows declines in FY16 and FY17 as the local economy was impacted by a contraction in the energy sector. FY18 growth was strong at 6.3% base growth, plus a ¼ cent tax rate increase that was in effect for the last 3-1/2 months of the fiscal year. That growth continued through FY19, but only grew 0.4% in FY20 amid the COVID-19 pandemic. There was a growth of 4.8% in FY21 as the economy rebounded, partially due to the COVID-19 relief packages. After adjusting for inflation, sales tax revenue increased 27.3% over the last five years, or $63 million due in large part to the ¼ cent tax rate increase. If the tax rate increase was excluded and adjusted for inflation, sales and use tax would have grown 14.6% or $34 million over the last five years, which is why the indicator was rated positive.

Current Year Activity
The Oklahoma City economy had continued to grow for many months until 2020. The COVID-19 pandemic hit in the Spring of 2020 which greatly affected sales and use tax collections. In the current fiscal year base sales tax has increased 18.5% and use tax grew 17.1% through January and is projected to grow 7% and 8.5%, respectively, the remainder of the fiscal year as the economic stimulus continues to drive tax receipts above budgeted projections. City staff will continue to provide monthly sales tax collections and refine the sales and use tax forecast as new data and analysis becomes available.

SALES AND USE TAXES AS % OF GENERAL FUND



Formula: Sales Tax Revenue / All General Fund Revenue

Why is Sales and Use Tax as a % of General Fund Revenue an Indicator for Financial Performance?

Sales revenue was collected at a rate of two and one-quarter cents per dollar and Use Tax is collected at a rate of three and one-eighth cents for Oklahoma City's General Fund. In economic terms, Sales and Use Tax are considered elastic revenue sources; meaning that they change incrementally with changes in the economy.[9] When the economy is strong, Sales and Use Tax revenues grow. Whereas, when the economy is slowing Sales and Use Tax revenues decrease. In contrast, inelastic revenue types, such as property taxes, are less responsive to changes in the economy. For example, the revenue generated from property tax, being based on assessed valuation, generally remains stable regardless of the direction the economy is moving in the near-term because it takes longer for economic activity to impact assessed values.

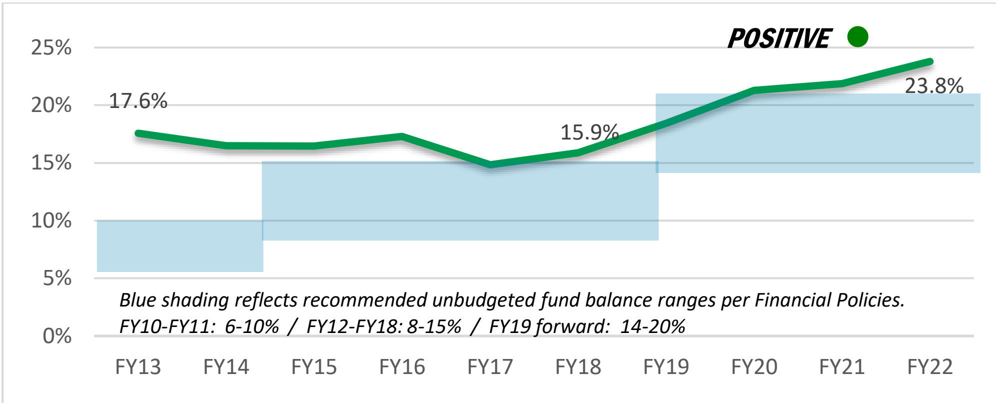
Why is This Important to Oklahoma City?

Ideally, Oklahoma City, or any municipality, needs diversity in its revenue sources. It is beneficial that Sales and Use Tax contributes a significant part of Oklahoma City's revenue mix so that in times of economic growth and/or inflation the revenue yield can increase to keep pace with demand and higher prices. However, relying too much on Sales and Use Tax leaves the City more vulnerable to economic downturns since other, more stable revenue sources comprise a smaller portion of the City's total revenue. Although Sales and Use Tax increased as a percent of total General Fund revenue over the five-year period, the increase was due to a tax rate increase, and more recently increased receipts as a result of COVID-19 economic stimulus plans, rather than a less diverse revenue mix which is why the indicator remained as a neutral rating.

Current Year Activity

In FY22 sales and use tax are likely to be about 70% of all General Fund operating revenue by year end. The City is currently undergoing a detailed cost of services study of user fees to identify gaps between the actual cost of services and the revenues from current fees. Updated fee recommendations will be brought to Council in the coming months

FUND BALANCE



Formula: Unbudgeted Fund Balance / Budgeted Revenues

What is fund balance?

At the most basic level, fund balance is the money left at the end of the year after all revenues have been received and all expenditures have been made. The portion of fund balance not budgeted remains as an unbudgeted reserve. The size of a local government's fund balance can affect its ability to withstand financial emergencies and accumulate funds for capital projects. Usually, a local government will attempt to operate each year with a surplus to maintain a positive fund balance. An unplanned decline in fund balance or continuing subsidies from fund balance to cover operating expenses is an indicator the government will not be able to meet future needs.

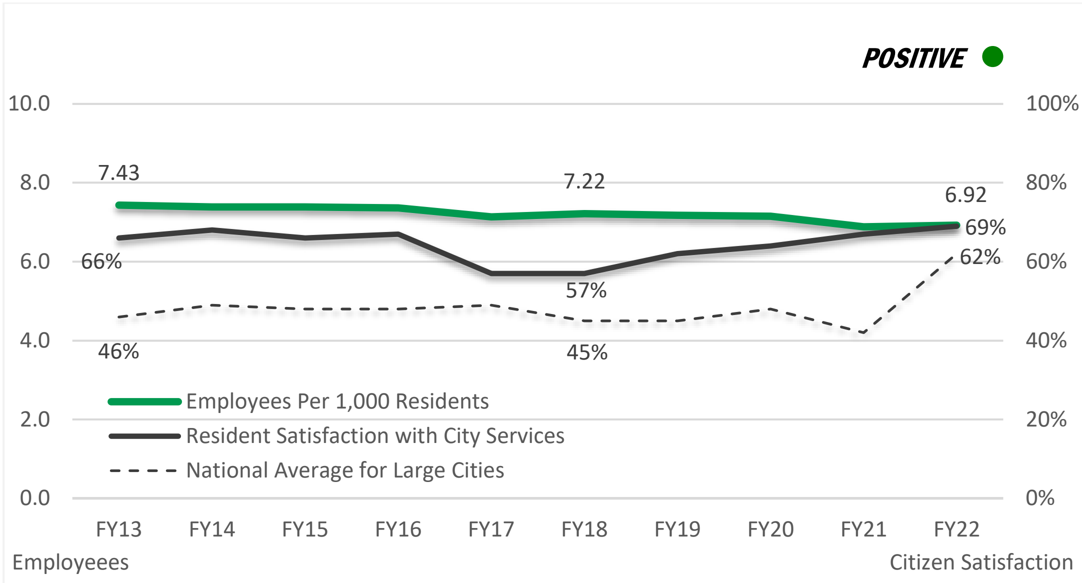
Why is This Important to Oklahoma City?

Prior to FY12, the target range for unbudgeted fund balance was 6-10% of the General Fund budget. In FY12, the City Council adopted new financial policies that established a range of 8-15% for unbudgeted fund balance. In FY18, City Council amended the financial policies and established a range of 14-20% for unbudgeted fund balance which is equivalent to a minimum of two months of operating costs and follows best practices established by the Government Finance Officer's Association (GFOA). Significant revenue shortfalls caused by downturns in the economy can result in the use of fund balance to supplement recurring revenue to maintain services. Having fund balance to call on during the recessions or downtowns reaffirms the importance of having an adequate reserve. Periodically, City Council has elected to use excess fund balance to fund street resurfacing and capital projects. Even with the use of fund balance and revenue declines in FY16 and FY17 the percent of unbudgeted fund balance has remained at or above the high end of ranges set by City policy leading to a positive credit rating.

Current Year Activity

The Finance department is reevaluating the target range of unbudgeted fund balance. The City's dependency on Sales and Use Tax revenue, which can be volatile, may necessitate a higher range for unbudgeted fund balance.

EMPLOYEES PER 1,000 RESIDENTS



Formula: Number of Municipal Employees / Population / 1000

What Does Employees per 1,000 Residents Measure?

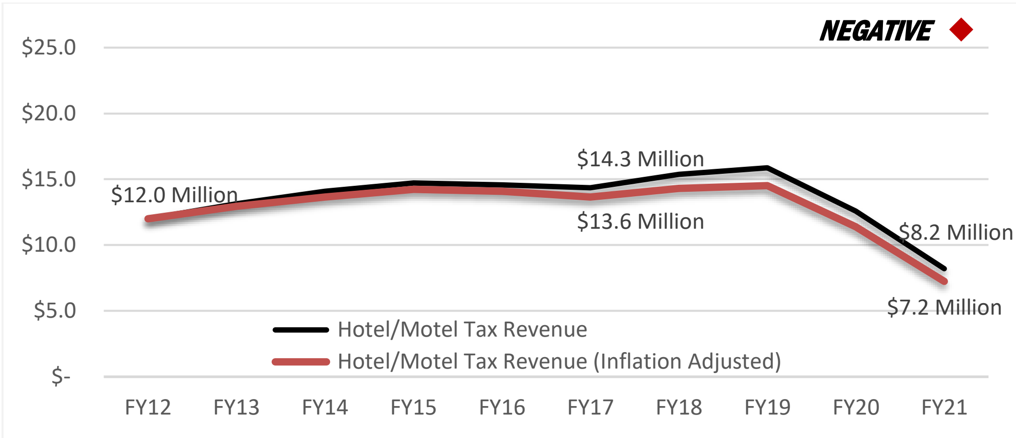
Personnel costs are a major portion of a local government's operating budget, therefore plotting changes in the number of employees is important for estimating trends that can affect expenditures. Changes in the number of employees can be an indicator of whether expenses are going to grow faster or slower than population, assist in determining if government is becoming more-or-less labor intensive, and if personnel productivity is increasing or decreasing.[8]

Because we outperformed the national average and citizen satisfaction has steadily improved, the indicator was given a positive rating.

Why is This Important to Oklahoma City?

The number of employees per 1,000 residents provides a quantitative measure of government efficiency, while resident satisfaction provides a qualitative measure of government efficacy. Population grew 6.4% over the past 5-year period and the number of employees grew by 2.1% resulting in a slight increase in the ratio of employees to residents from 6.88 to 6.92. To ensure that the ratio of employees to population is enough to maintain service levels and address resident priorities we have included results from the annual resident survey in the chart. The national average for resident satisfaction with similar sized cities was 62%. The most recent resident survey, completed in August 2021, reported 69% of residents were satisfied with city services; well above the national average. The FY22 rating of 69% improved from 5-years ago when it was 57%, and higher than 10-years ago when 66% were satisfied. Because we outperformed the national average and resident satisfaction has steadily improved, the indicator was given a positive rating.

HOTEL TAX



Formula: Hotel Tax / CPI

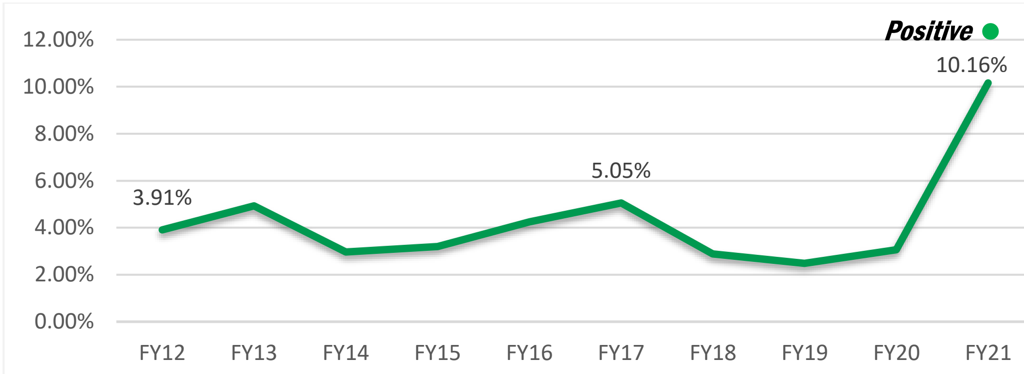
Why is Hotel Tax an indicator for Financial Performance?
Hotel Tax is a financial indicator because it gives an indication of both tourism and business activity. While tourism is a growing sector for Oklahoma City, the overall indicator is more reflective of business activity as business travel still dominates the Oklahoma City market.

The Hotel Tax rate for Oklahoma City is 5.5%. Of the overall total, 2% is dedicated to convention and tourism promotion and is used to fund a contract with the Oklahoma Convention and Visitor's Bureau; 3% is dedicated to capital improvements at the State Fairgrounds and the repayment of bonds used to finance those improvements; and 0.5% is dedicated to sponsoring or promoting events recommended by the Convention and Visitor's Commission.

Why is This Important to Oklahoma City?
Hotel Tax for Oklahoma City saw a decline of 1% in FY16 and 1.5% in FY17 as the local economy was impacted by the energy sector contraction. In FY18, growth was 7.1%, as more rooms were added to the market and occupancy rates remained steady. In FY19, growth continued at 3.2%, but then had a drastic decline of -20.7% in FY20 and -34.8% in FY21 due to the COVID-19 pandemic. In terms of inflation adjusted dollars, Hotel Tax revenue declined 46.9% over the last 5-years resulting in a negative rating for this indicator.

Current Year Activity
Hotel Motel Tax collections have really turned around in recent months. In FY22, collections have grown 62.6% through December. In measuring it on a calendar year basis, collections increased from $9.9 million in 2020 to $14.4 million in 2021. The City anticipates finishing FY22 close to pre-pandemic levels.

GRANT REVENUES



Formula: Grant Revenues / Operating Revenues

What are Grant Revenues?

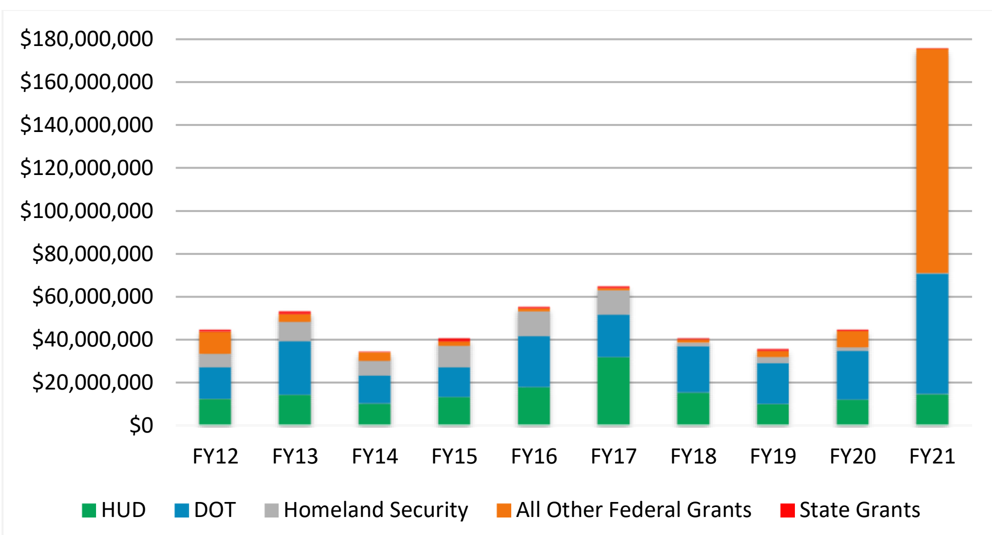
Grant revenues generally come from state and federal agencies for specific purposes. An overdependence on grant revenues can be harmful – especially during economic downturns when Federal and State governments struggle with their own budgets. Nevertheless, a municipality may want to maximize the use of grant revenues consistent with its service priorities.[10] The primary concern is to understand the local government's vulnerability to reductions of such revenues, and to determine whether the local government is controlling the use of external revenue or whether these revenues control policies.

Why is This Important to Oklahoma City?

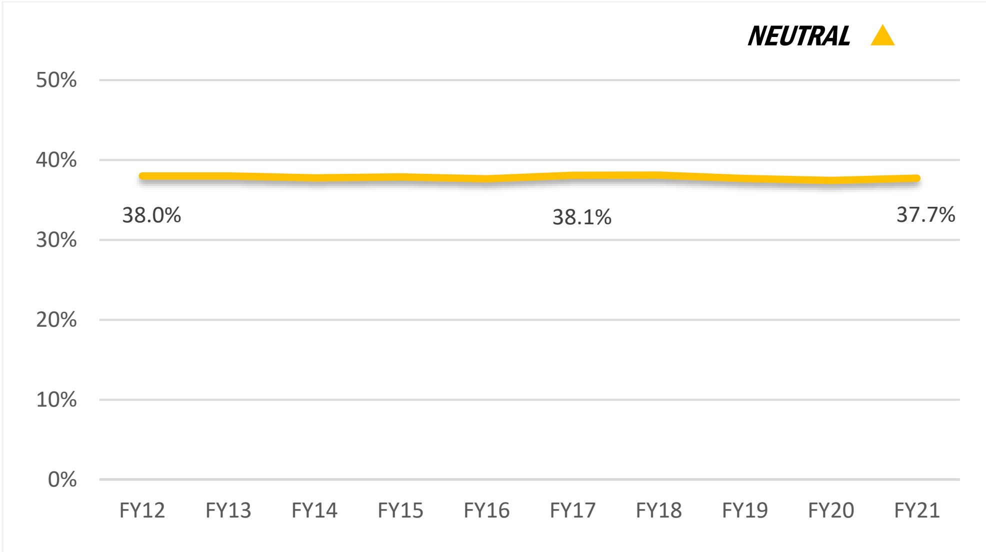
Without grant funds, many of the social services and capital project programs funded by the grants would cease. Some grants are for specific programs, capital improvements or federal reimbursements for natural disaster recovery. Grant revenues, as a percentage of operating revenues, typically remains in the 4% to 5% range. In FY14, Federal and state grant funding was at its lowest level since 2001, but gradually returned to the 4-5% range, before dropping again in FY18 due to $24.2 million in disaster recovery grants coming to an end. The decline continued through FY19, but increased significantly in FY21 primarily due to over $103 million in expenditures from grants from the Department of Treasury as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Consolidated Appropriations Act, 2021 for emergency rental assistance to residents. With growth above the 4-5% range the indicator has moved to a positive rating.

The Draper Water Treatment Plant was knocked off-line during the May 2013 tornado resulting in residents and businesses being unable to use water as crews worked to restore electricity to the plant. Emergency Generators, funded by Federal Disaster Recovery Grants, were installed at the plant to ensure uninterrupted water service in the future.

Grant Revenue by Granting Agency



FRINGE BENEFITS

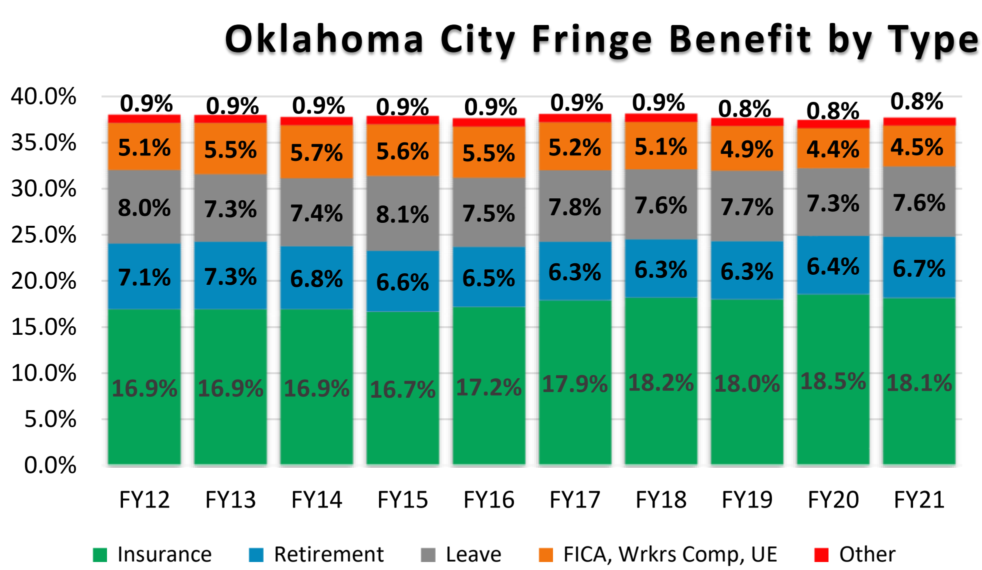


Formula: Fringe Benefit Expense / Compensation (Benefits + Pay)

NEUTRAL

What are Fringe Benefits?

The most common form of fringe benefits is health and life insurance, retirement plans, paid vacation and sick leave, benefits required by law such as an employer's contribution to Social Security and Medicare (FICA), unemployment (UE), and worker's compensation. In addition, there are other benefits such as uniform and tool allowances, parking, and tuition reimbursement.

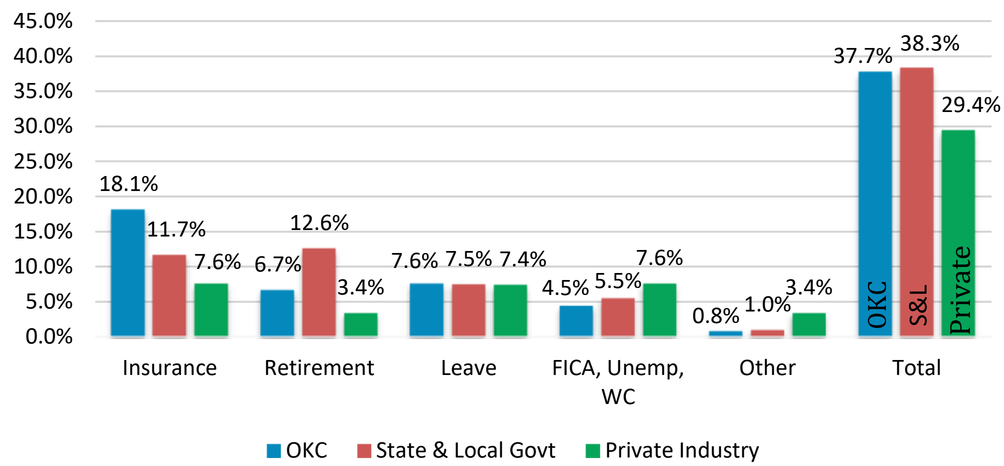


Why is This Important to Oklahoma City?

Benefits are a significant share of operating costs and are more than 1/3 of employee compensation. In the General Fund, insurance is the second largest budgeted expense and is 10% of the FY21 expenditure budget. Staff has worked to keep benefit cost increases from growing too fast through initiatives such as higher co-pays on health plans, additional premium sharing and an employee medical clinic to provide primary care services. The analysis included contributions made for retiree health insurance as a fringe benefit. Post-employment health insurance is currently made primarily on a pay-as-you-go basis. This differs from advance funding, which is the method used for pension contributions. The pay-as-you-go basis only reflects current costs for former employees and does not provide an accurate reflection of the full cost of the benefit for current and future retirees. Fringe benefit costs, as a percentage of total compensation, has slightly decreased over the past five years but is higher as compared to other state and local governments and the private sectors resulting in a neutral rating for the indicator.

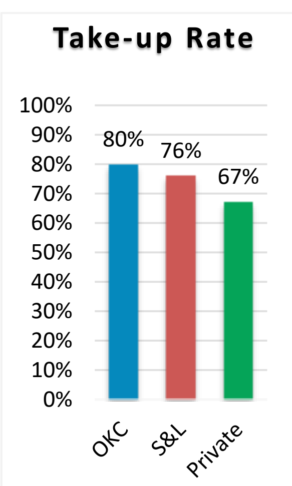
How Oklahoma City Compares

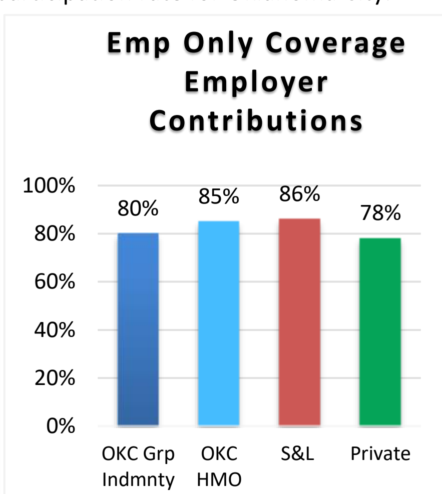
To put Oklahoma City's fringe benefits package into context, we compared it against results from the Bureau of Labor Statistics (BLS) benefits survey. Oklahoma City was slightly higher overall when compared to state and local governments (S&L), and significantly higher than the private sector, especially on insurance.

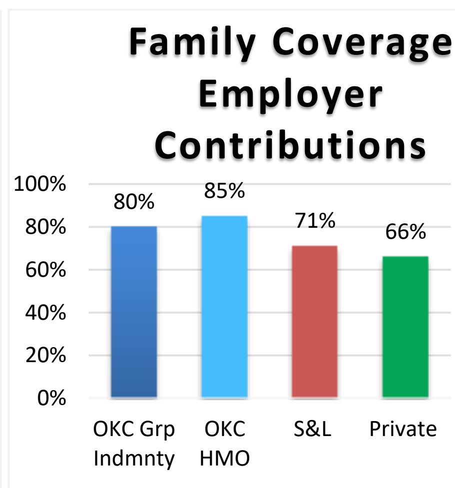


A Closer Look at Health Insurance

The single largest difference for insurance was premium sharing on family coverage. Oklahoma City shares a higher percentage of family coverage, which may be a driver behind the higher take-up or participation rate for Oklahoma City.

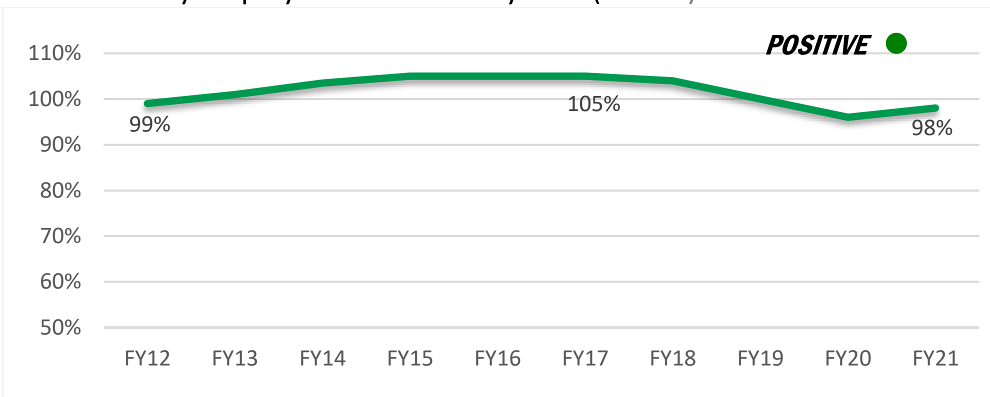






PENSION FUNDING RATIO

Oklahoma City Employee Retirement System (OCERS)



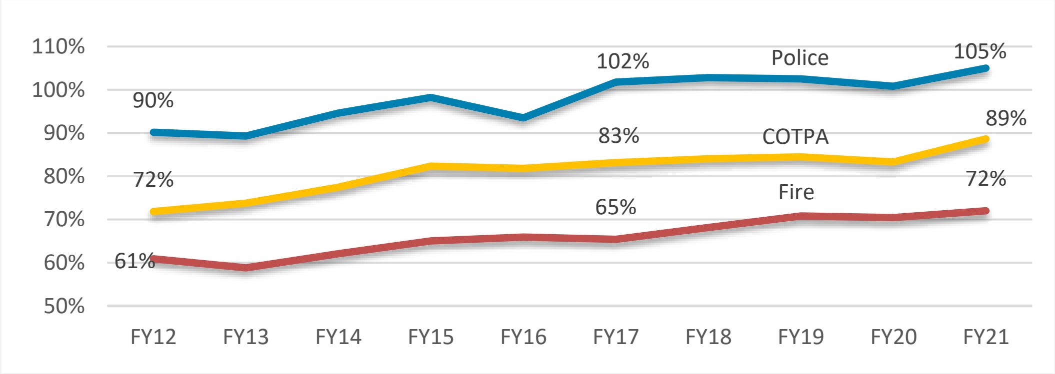
Formula: Ratio Provided and Calculated by Pension Plan Actuaries

What is the Pension Funding Ratio?
The funding ratio for a pension measures the funding progress of the plan by expressing the actuarial value of assets as a percentage of the actuarial accrued liability. A pension is fully funded if this ratio is equal to or greater than 100%. For those plans that are not fully funded, this ratio should increase over time until fully funded. The actuarial accrued liability is the present value of the projected cost of pension benefits earned by employees. Simply stated, it is the dollar amount that is required to be in the plan today with an assumed rate of return that would satisfy future benefits of current participants (employees and retirees). The actuarial assets are calculated using a smoothing method that allocates market gains and losses over a four-year period so that fluctuations in the market are not immediately recognized.

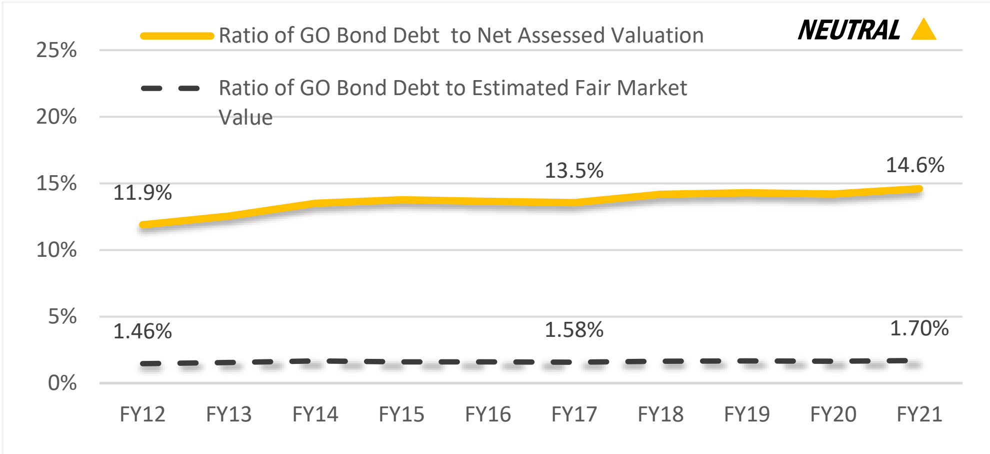
Why is This Important to Oklahoma City?
The Oklahoma City Employee Retirement System (OCERS) is the primary pension system for many City employees. Fire and Police uniform employees are covered by state-operated pension systems, and Central Oklahoma Transit and Parking Authority employees are also covered by a separate pension system. In calendar year 2011, the OCERS actuarial funding ratio dropped to 87%, marking the third straight year that the system not fully funded. The severe market downturn in 2008 reduced the valuation of plan assets and because the losses are spread over several years it impacted returns in the succeeding years. In response, the OCERS Board made some plan changes including a reduction in presumed cost of living adjustments in future years. From 2013 through 2019, the ratio was at or above 100%. In 2020, several assumptions were changed including reducing the rate of return from 7.1% to 7.0% and reducing wage inflation from 3.25% to 3.0%. Based upon funding levels nearing 100%, the indicator is positive. The City continues to make the actuarially recommended contributions to OCERS.

Other Pension Systems

Fire and Police uniform employees are covered by state-operated pension systems. Central Oklahoma Transit and Parking Authority employees are covered by a separate pension. All three pension systems continue to move in the right direction as the City continues to make the actuarially recommended contributions to all pension systems.



LONG-TERM DEBT



Formula: General Obligation Bonded Debt (Bonds Outstanding as of June 30 less Reserve) / Net Taxable Assessed Value

How is Long Term Debt Measured Here?

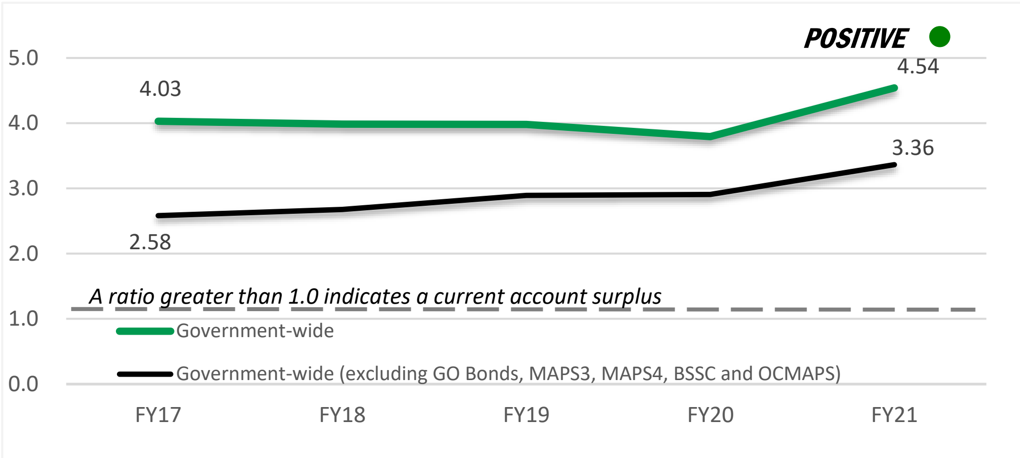
Long term debt for this analysis is the ratio of General Obligation Debt Outstanding as of June 30th to the Net Assessed Valuation. The General Obligation Debt Outstanding as of June 30th is simply the amount of long-term debt for which the government has pledged its full faith and credit divided by the net taxable assessed value of the property in the jurisdiction. An accelerated debt issuance can overburden a municipality; however, the credit rating industry also recognizes that a low debt ratio may not always be a positive factor since it could indicate underinvestment in capital facilities and public infrastructure.[10]

Why is This Important to Oklahoma City?

Oklahoma City's long-term debt ratio has gradually increased from 11.9% to 14.6%. Over the last 10 years, lower interest rates allowed more bonds to be sold, which resulted in more projects completed. The increased debt was used to fund projects such as a new Police Headquarters, new Municipal Court Building, and more than $110 million for streets. Although debt grew slightly faster than net taxable assessed value over the five-year period the mill levy remained below the informal policy of 16 mills and therefore, the long-term debt ratio of 14.6% in FY21 is viewed as being stable as a percentage of assessed valuation and is rated as neutral.

The second indicator, shown as a dotted black line, is not rated and was added to track the General Obligation Debt as a percentage of the City's Estimated Fair Market Value of taxable property. While similar to Net Bonded Debt, this measure divides General Obligation Bond Principal Outstanding as of June 30 (excluding reserves) by the Estimated Fair Market Value of the City's Taxable Property. Fair Market Value is not capped like Net Taxable Assessed Value so this measure helps track the debt burden set in the City's Debt Policy. It states the City's amount of direct unlimited and limited tax general obligation debt outstanding at any time to not exceed 3% of the City's estimated full market value. A debt burden that ranges from 3-4% tends to be viewed as average. If this indicator were evaluated on its own it would be rated positive due to the context of the ratio staying well below the debt policy.

LIQUIDITY



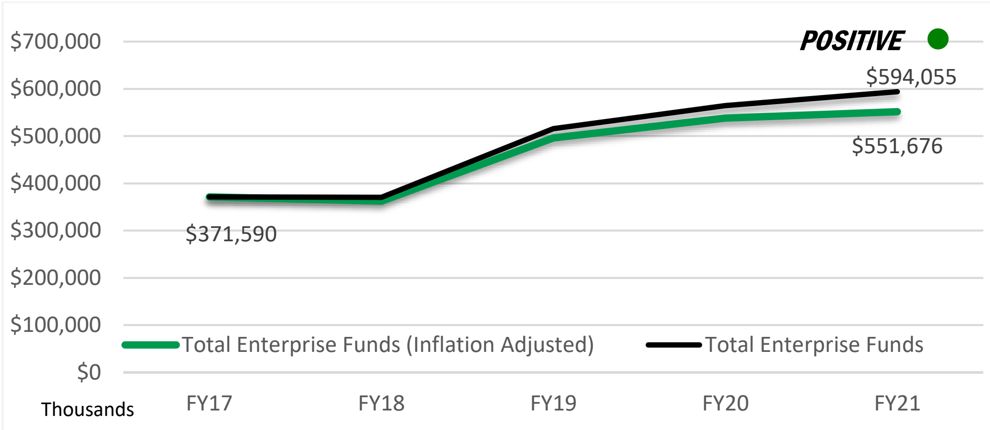
Formula: Cash and Current Investments / Current Liabilities

What is Liquidity?
A local government's cash position, or liquidity, determines its ability to pay short-term obligations and serves as a good indicator of short-term financial condition. Liquidity is the ratio of cash, cash equivalents, and current investments to current liabilities. A cash shortage is the first sign of low or declining liquidity and can lead to insolvency and/or indicate that a government has over-extended itself in the long run and is unable to pay its bills. The current ratio calculated in this indicator compares cash, cash equivalents and current investments to current liabilities for primary government funds and component units. A ratio greater than one is desired and indicates a *"current account surplus."* Conversely, a ratio of less than one indicates insufficient amounts of cash and short-term investments to cover short-term liabilities as they are due.

Why is This Important to Oklahoma City?
During the last five years, the liquidity ratio has remained around 4.0, indicating a current account surplus. [11] In FY15 the ratio began to decline slightly each year due to completion of planned capital projects. The ratio has remained very healthy over the past five years, as such this indicator is rated positive.

A secondary data set provides a more practical look at liquidity. This additional data set is not calculated using a government accounting standard, but instead it excludes five of the largest funds, General Obligation Bonds, MAPS 3, MAPS4, OCMAPS, and Better Streets Safer City which are restricted to the purpose of funding capital projects. This *"practical"* liquidity rate has also trended positive during the five-year period with assets growing faster than liabilities, providing insight into the cash position for operations. The more "practical" liquidity rate was 3.36 in FY21, indicating that operational funding is also very healthy.

ENTERPRISE WORKING CAPITAL



Formula: Enterprise Working Capital = Current Assets – Current Liabilities

What is Working Capital?

Enterprise funds common to local governments include utilities, airports, and parking systems. These funds differentiate themselves from the General Fund in that user fees rather than taxes are their primary means of revenue. Instead of having the ability to raise taxes to increase support for programs, enterprise entities are subjected more to the laws of supply and demand. The revenue excess or shortfall at the end of the accounting period may not fully represent the condition of an enterprise, therefore, this indicator examines changes in working capital – comparable to fund balance in the General Fund – as an additional measure of financial condition. For this analysis only, Commercial Paper is excluded from liabilities since it is anticipated to become long term debt. In all other financial reporting, Commercial Paper is reported as current debt in accordance with GASB protocol. For this measure, Enterprise Funds is defined as the City Enterprise Funds plus the Enterprise Component Unit (Trust).

Why is This Important to Oklahoma City?

Working capital of $552 million, inflation adjusted, and a liquidity ratio of 4.4, suggests that Oklahoma City's enterprises, as a whole, were able to make expenditures for capital outlay and improvements after paying all current liabilities incurred from daily operations. Over the five-year period, Enterprise Funds in inflation adjusted dollars increased 48% and the liquidity ratio remained well above the desired level of one, indicating a positive trend.

1 Nollenberger Karl, Sanford M. Groves, and Maureen Godsey Valente, Evaluating Financial Condition: A Handbook for Local Government. Washington DC: ICMA, 2003.1.
2 City of Oklahoma City Planning Department.
3 Price Edwards Oklahoma City Mid-Year 2021 Office Market Summary
https://www.priceedwards.com/market-trends/office
4 Baker Hughes Rig Counts. January 2022
https://rigcount.bakerhughes.com/na-rig-count
5 Nollenberger 16.
6 Nollenberger 41.
7 Nollenberger 32.
8 Nollenberger 51.
9 Nollenberger 23.
10 Nollengerger 79.
11 City of Oklahoma City Comprehensive Annual Financial Report, 2021

SECTION 4

ECONOMIC OUTLOOK

2021-2022

Oklahoma Economic Outlook

A Review of Economic and Fiscal Conditions in the U.S. and Oklahoma

Russell R. Evans, Ph. D.
Interim Dean
Executive Director, Steven C. Agee Economic Research and Policy Institute
Meinders School of Business
Oklahoma City University

INTRODUCTION

Developing an economic outlook is challenging even in the easiest of times—and the last two years have been anything but easy. The pandemic thrust the global economy into an uncertain future in the spring of 2020. Successive variant waves, supply chain disruptions, great resignations, unprecedented policy initiatives, and structural changes to economic behaviors continually remind us that we are only at the opening stages of this period of unpredictability. Against this uncertainty, a thoughtfully constructed economic outlook is invaluable.

This economic outlook is intended to provide a valuable context in which strategic decisions will be made in the year ahead. Understanding the economic context which frames these decisions will aid the individuals navigating their engagement in the nation's economic structure, the executives setting a strategic course for their enterprise, and the policymakers advancing society's interests. By definition, an outlook involves a prediction of future economic activity. However, a focus on the prediction misses the power of the outlook. The full power is found in a better understanding of how long-run and short-run forces interact to determine today's economic outcomes, how a shift in household behavior impacts labor markets and patterns of consumer spending, or how big policy changes seem to have little impact while smaller policy changes can exert larger force. The power of an economic outlook is in one's understanding as much as it is in their prediction.

This outlook will attempt to reconcile the things we know with the things we do not. The narrative will identify and discuss the economic forces at play that are well understood while acknowledging several forces that are not. The reader is encouraged to do the same. Laying out the forces shaping the economic backdrop against which important decisions are made unleashes the power of the outlook by personalizing it to each individual's circumstance.

The outlook is organized in three major sections covering the U.S., Oklahoma, and Oklahoma City economies. Each section begins with a review of recent activity and the forces shaping its economic reality. Each section also contains a forecast of key economic indicators with a brief discussion for each geography. The forecast for the full set of variables is included in the appendix tables.

THE U.S. ECONOMIC OUTLOOK

The story of 2021 is one regarding the false sense of economic strength created by an unprecedented economic policy response to 2020's COVID-19 pandemic. Fiscal policy has allocated or set aside more than $4.5 trillion in relief spending, while monetary policy has been supported by a nearly $5 trillion increase in the Federal Reserve's balance sheet. U.S. gross domestic product recovered to pre-pandemic levels while the national unemployment rate fell to 4.2%. Holiday retail sales were strong and local governments reported record tax collections. On the surface, the economic engines of the nation are roaring. But a closer inspection reveals subtle cracks in the façade of strength.

In the second quarter of 2020 much of the nation retreated to a safer-at-home response to the initial spread of the coronavirus. As restaurants, factories, offices, and retail storefronts closed or severely restricted operations, U.S. gross domestic product collapsed at a -32.4% annual rate. Traditional payments to workers via wages and salaries collapsed in parallel with halting economic activity, yet personal income jumped in the second quarter at a 36% annualized rate. Another 56.8% jump was posted in the first quarter of 2021. The incredible gains in personal income reflect government transfers that far exceeded losses in wages and salaries.

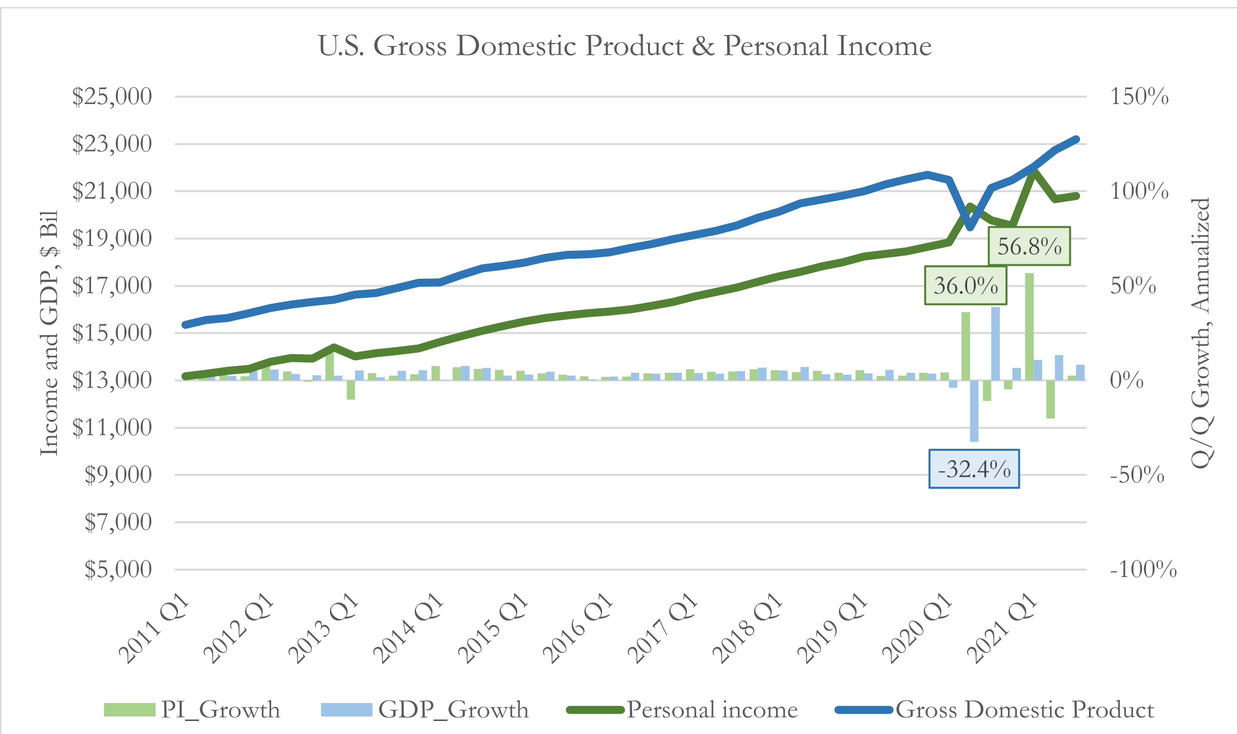


Figure 1. 1 U.S. Gross Domestic Product & Personal Income

The main categories of government social benefits to persons (or personal transfer receipts) are Social Security, Medicare, Medicaid, federal unemployment insurance, veterans' benefits, and "other". The "other" category captures much of the pandemic relief spending such as direct impact payments and, more recently, expanded child tax credit payments. In the second quarter of 2020, a combination of direct economic impact payments and federal supplements to unemployment insurance drove personal income higher. The second round of direct payments followed by an expansion of the child tax credit provided additional support to other transfer receipts throughout much of 2021. It is precisely these dramatic policy responses that propelled measured household income higher amid an economic shutdown.

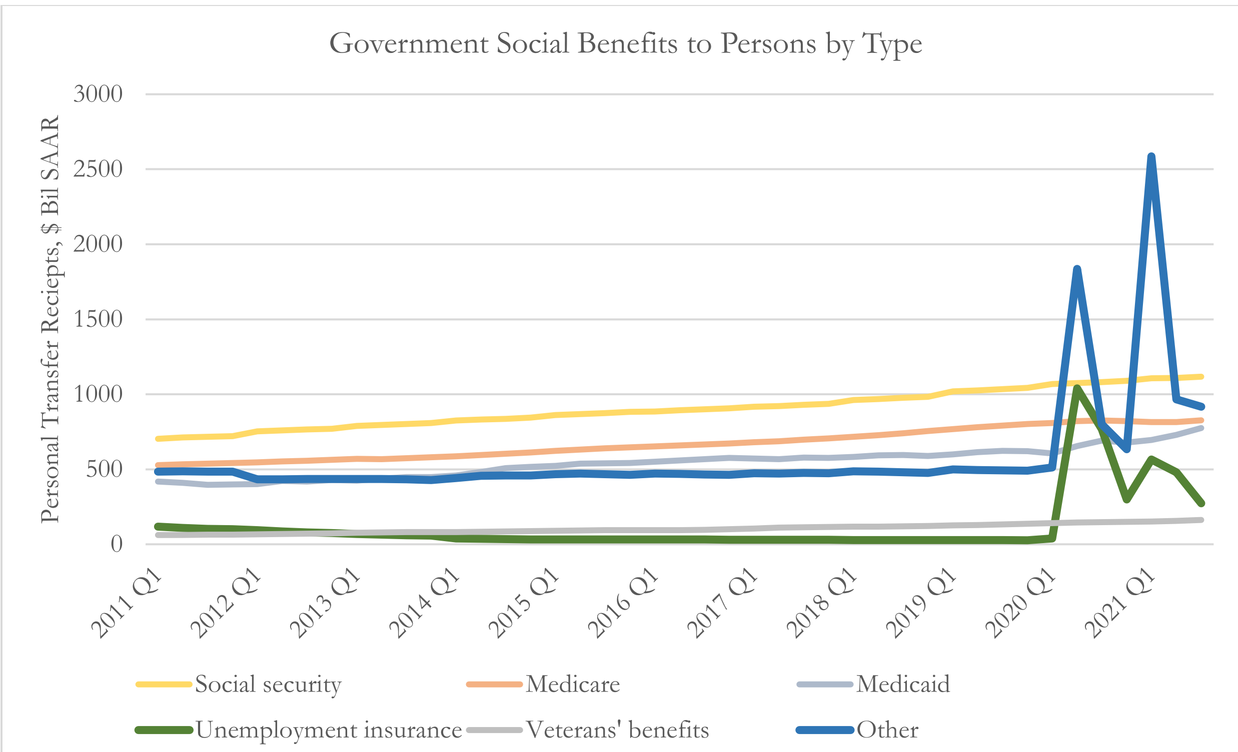


Figure 1. 2 Government Social Benefits to Persons by Type

The indirect impact of the policy was almost as significant. Monetary policy that drove short-term interest rates (i.e., the federal funds rate) back to zero were matched by successive rounds of quantitative easing to keep long-term rates low. The effect was to make riskier assets across all asset classes more attractive. The result has been record-high stock prices with the S&P leading the way in 2021 with a 26.9% return, followed by 21.4% gains in the Nasdaq Composite and 18.9% in the Dow Jones Industrial Average. Home price appreciation soared similarly. As liquidity surged in search of riskier assets and their corresponding returns, cryptocurrencies thrived, and non-fungible tokens entered our financial lexicon.

The strength of household balance sheets is seen in a surging and sustained appetite for spending. After contracting briefly in the second quarter of the 2020 shutdown, retail and food service sales exploded with the reopening of the economy. Adjusted for inflation, real retail and food service sales not only recovered to pre-pandemic levels but broke the decade-long trend as the sales jumped higher.

Figure 1. 3 Retail and Food Services Sales

At the root of the 2022 outlook lies this truth – that household balance sheets are artificially strong. This artificial strength leads to a demand for consumption that may be unachievable but, when combined with supply chain disruptions, can only be inflationary. This artificial strength supports a great resignation, early retirements, and a labor force that is rethinking traditional engagement in the labor market. This artificial strength demands a return that risks creating asset bubbles across a range of asset classes. The year ahead will be a transition from a period of unprecedented income support to a one of normalizing policy. The challenge for policymakers will be to define "normal policy" and then implement it without disrupting what is, in reality, a fragile economic recovery.

By definition, of course, a policy change will disrupt the economic status quo. In this case, the economic status quo is a false sense of economic strength and inflationary pressures that can no longer be characterized as transitory. A best-case scenario is a policy change that disrupts economic activity just enough to cool inflationary pressures without significant disruptions to asset prices and the labor market recovery. This scenario is often referred to as a soft landing. A worst-case scenario is a policy change either that disrupts economic activity, either in magnitude or abruptness, so significantly that asset markets experience a major price correction, and the labor market gives back some recovered gains. This worst-case scenario is known as a recession. The truth is almost always somewhere in the middle: a soft landing is rarely achieved, yet a recession doesn't follow inevitably from a change in policy approach. The outlook for 2022 should be viewed as constantly evolving with every new release of data, as every new transition of policy provides some indication of moving closer to either the best- or worst-case scenario.

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.

Having recovered to pre-pandemic levels, growth in U.S. Real GDP is expected to slow in 2022. Barring an abrupt and unforeseen shock, the slowdown is more likely to be gradual rather than sudden. Baseline expectations have placed 2022 Q4 real GDP up 3.6% from a year ago but up only 2.6% from 2022 Q3 on an annualized basis (see graph below).[1] The risk to this baseline forecast is

[1] Much of the U.S. outlook summary is drawn from the National Association for Business Economics (NABE) consensus forecast of professional forecasters. A public summary is available at https://www.nabe.com/NABE/Surveys/Outlook_Surveys/december-2021-Outlook-Survey-Summary.aspx and interested readers can join the association at https://www.nabe.com/NABE/Membership/NABE/Membership/Main_Membership.aspx to access the full report and tables.

strongly asymmetric to the downside. Much would need to proceed correctly with policy adjustments and residual strength would need to carry seamlessly throughout the year for 2022 to experience such a gradual move towards economic normalcy. It is also worth noting that economic activity is already moderating ahead of changes to the policy environment. Near the end of 2021, real disposable income fell modestly while real personal spending was unchanged in November from October. In other words, the hope for strength in 2022 lies not in policy flows supporting personal income, but in the residual strength of household balance sheets. The rate at which the year's economic strength fades will likely be tied to the rate at which policy adjustments erode the strength of household balance sheets.

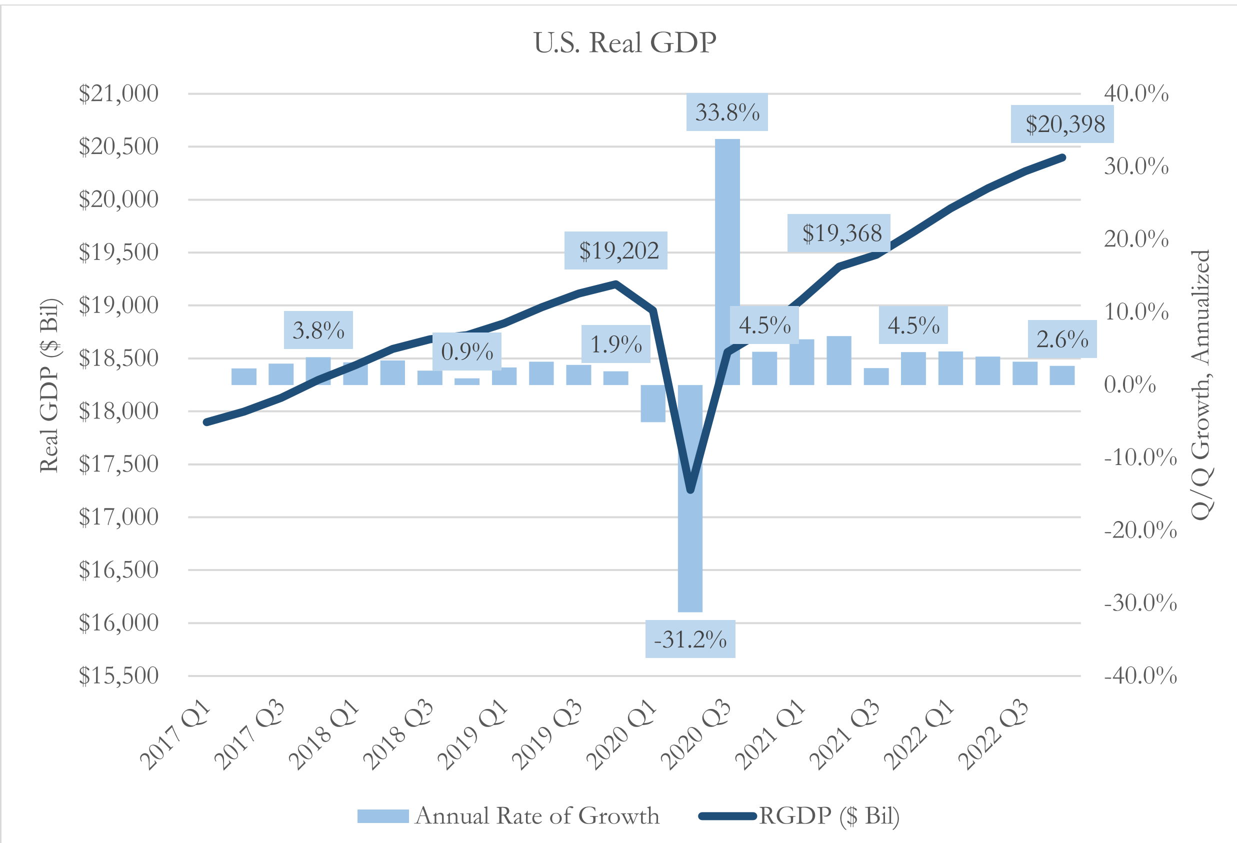


Figure 1. 4 U.S. Real GDP

In contrast to measures of total economic activity (real GDP), labor market metrics have yet to return to pre-pandemic levels. A survey of employers indicates nonfarm payrolls are still down 3.9 million jobs from the February 2020 pre-pandemic baseline. The U.S. economy would need to add approximately 350,000 jobs per month for the next 12 months to return to the February benchmark. It is unclear if the economy can maintain this level of job creation through 2022. Regardless, it will be late 2022 at the earliest, and more likely well into 2023, before nonfarm payrolls return to pre-pandemic measures. A survey of households suggests that both labor market participation and level of persons identified as employed are struggling to return to the February 2020 benchmark. The hesitance to return to formal labor market engagement does not reflect a lack of opportunity. Instead, workers are rethinking how (and if) they want to engage in labor decisions. Households and workers are exploring and transitioning to a new set of economic behaviors and the strength of household balance sheets gives them some latitude to do so. A return to pre-pandemic behavior will not happen quickly and may not happen at all. A movement in the direction of pre-pandemic labor market participation behaviors is most likely to happen only as household balance sheet strength erodes.

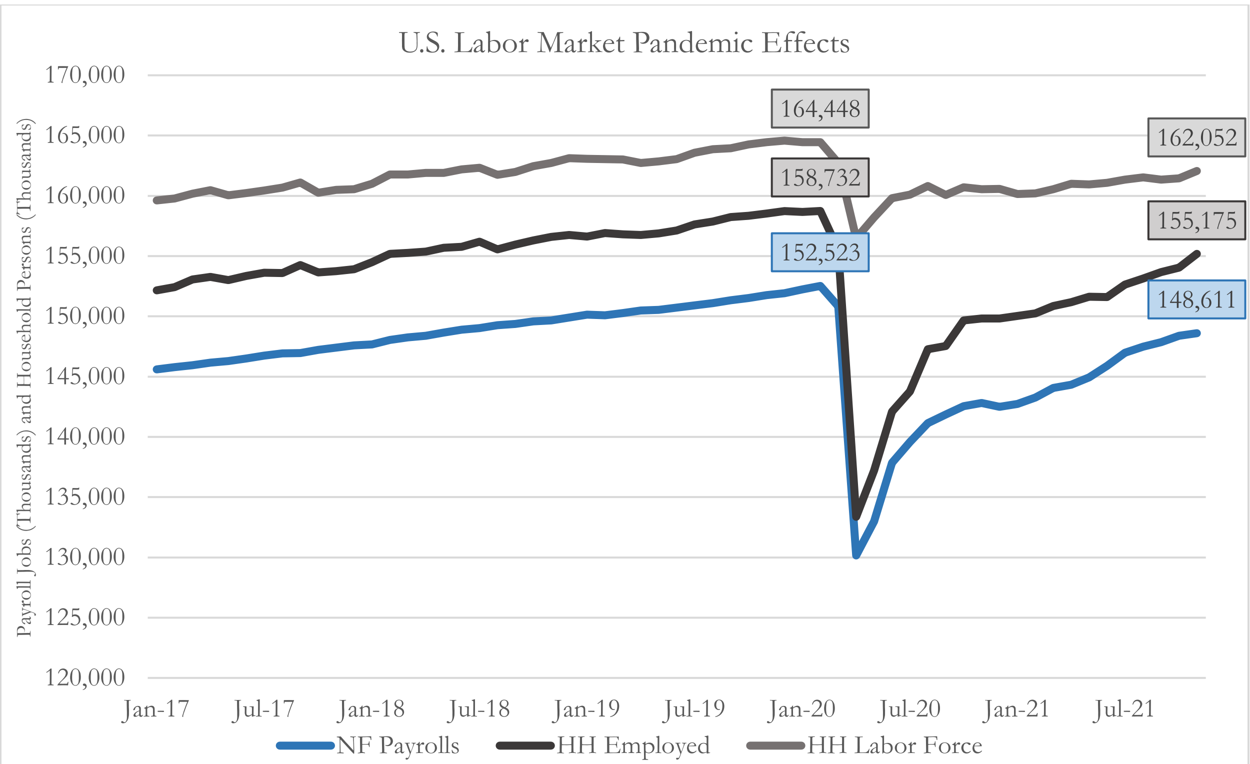


Figure 1. 5 U.S. Labor Market Pandemic Effects

For much of 2021, an argument persisted that it was because household labor participation was well below pre-pandemic levels that there existed a latent labor supply sidelined by the pandemic. Under this argument, falling unemployment rates did not necessarily imply a tight labor market as the unemployment rate lacked recognition of the latent labor pool. But the strength of the household balance sheet allows for these seemingly contradictory facts to both be true: household labor participation is below pre-pandemic levels, and the labor market is tight. A return to pre-pandemic labor market behavior will require a shift away from the new behaviors adopted during the pandemic. In some cases, households will find the new behaviors preferable and will be reluctant to return to old patterns of work. Only time and the erosion of household financial strength will change this behavior.

The pace of job creation will slow as policy-fueled recovery moderates into 2022. Unemployment rates will move to and hover around 4% to finish the year. Job creation in 2022 is expected to start the year averaging 431,000 new jobs per month in the first quarter and end the year creating 249,000 new jobs per month in the final quarter of 2022. As with real GDP, the risk strongly points to the downside. Evidence of a slowdown in the pace of jobs recovery is already evident with payroll gains in November of 249,000 jobs and gains of 199,000 jobs in December well below levels needed to reclaim 2020 pre-pandemic measures in the year ahead.

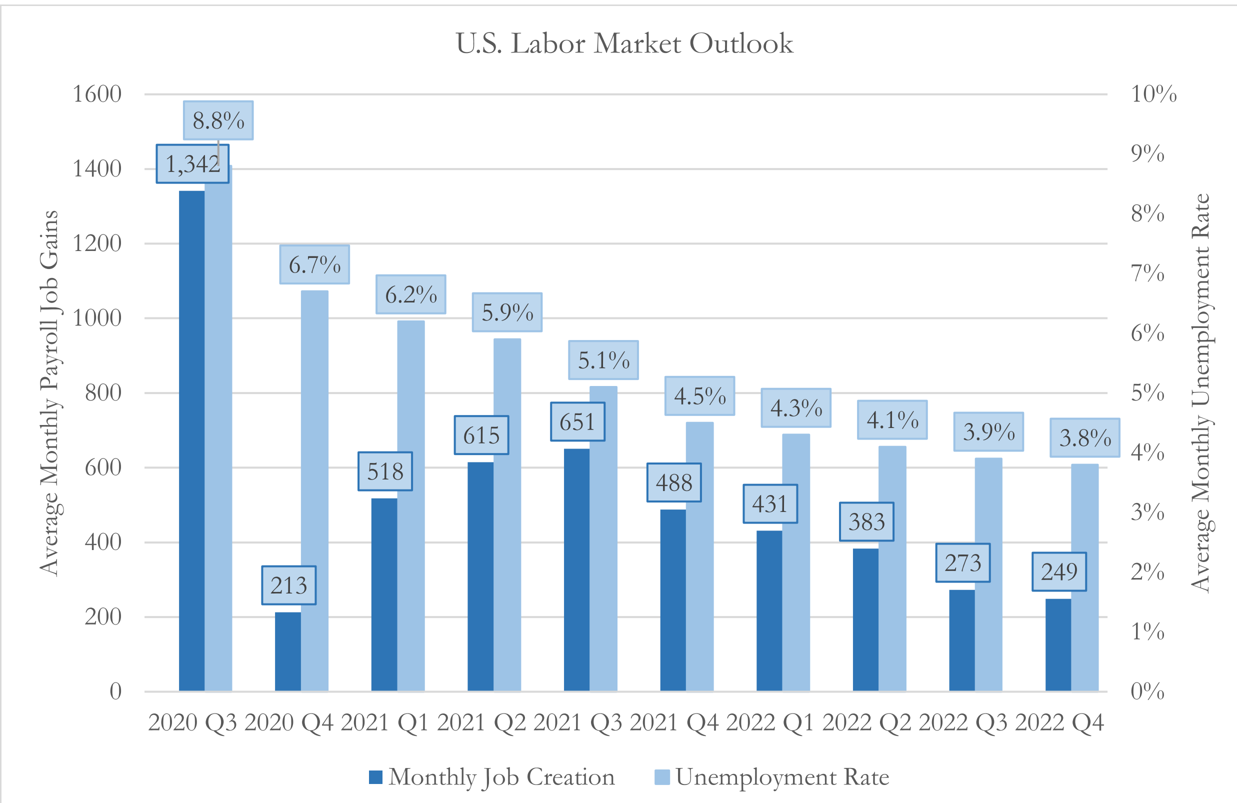


Figure 1. 6 U.S. Labor Market Outlook

Monetary policy is traditionally crafted towards two targets: price stability and full employment. Price stability ostensibly means low and predictable inflation. Markets previously interpreted low and predictable inflation to mean near, but less than, the Federal Reserve's two percent target. More recently, policymakers have worked to adjust that interpretation to view variations from the two percent target (slightly above or below) symmetrically. Even more recently, policymakers have worked to further adjust the interpretation by setting the two percent target as an inflation average over the business cycle. At the same time, policymakers have communicated full employment to mean more than a low unemployment rate, instead referring to a full and inclusive employment recovery. In practice, these changes have made it more difficult to assess when a policy has achieved its targets.

However low and predictable inflation is to be interpreted, it is clear that inflation is well above the two percent target. Core personal consumption expenditure prices (excluding food and energy) have moved higher from the combined influence of policy-fueled demand for consumption and supply chain disruptions in production. Which influence is believed to be stronger informs the extent to which inflation can be interpreted as temporary and transitory. The expectation for 2022 is that inflation remains consistently above the two percent target as both policy-fueled demand and supply chain disruptions linger well into the new year.

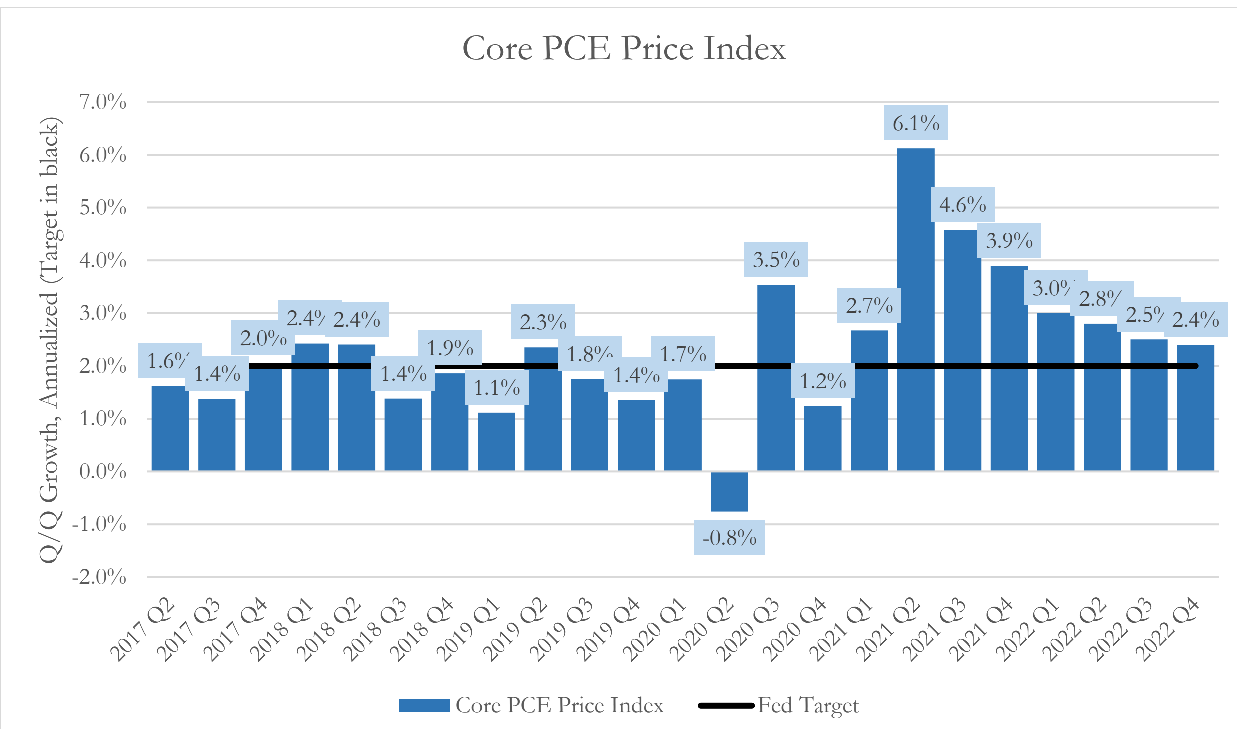


Figure 1. 7 Core PCE Price Index

It is also clear that policymakers are signaling markets of an intention to shift policy in 2022. The chart below shows policymakers' expectations of the appropriate year-end midpoint of the federal funds target range. For example, all eighteen members report an expectation that 0.125% is the appropriate 2021 year-end midpoint of a policy target range of 0% to 0.25%. Twelve of the eighteen members of the Federal Open Market Committee expect an appropriate policy move in 2022 to include at least three quarter-point increases in the target range. Eight members expect an appropriate policy target to be in the range of 1.75% to 2.25% by the end of 2023. While short-term interest rates are expected to move higher, policymakers have also announced an expedited tapering of bond purchases and a plan to manage the size of the bank's balance sheet.

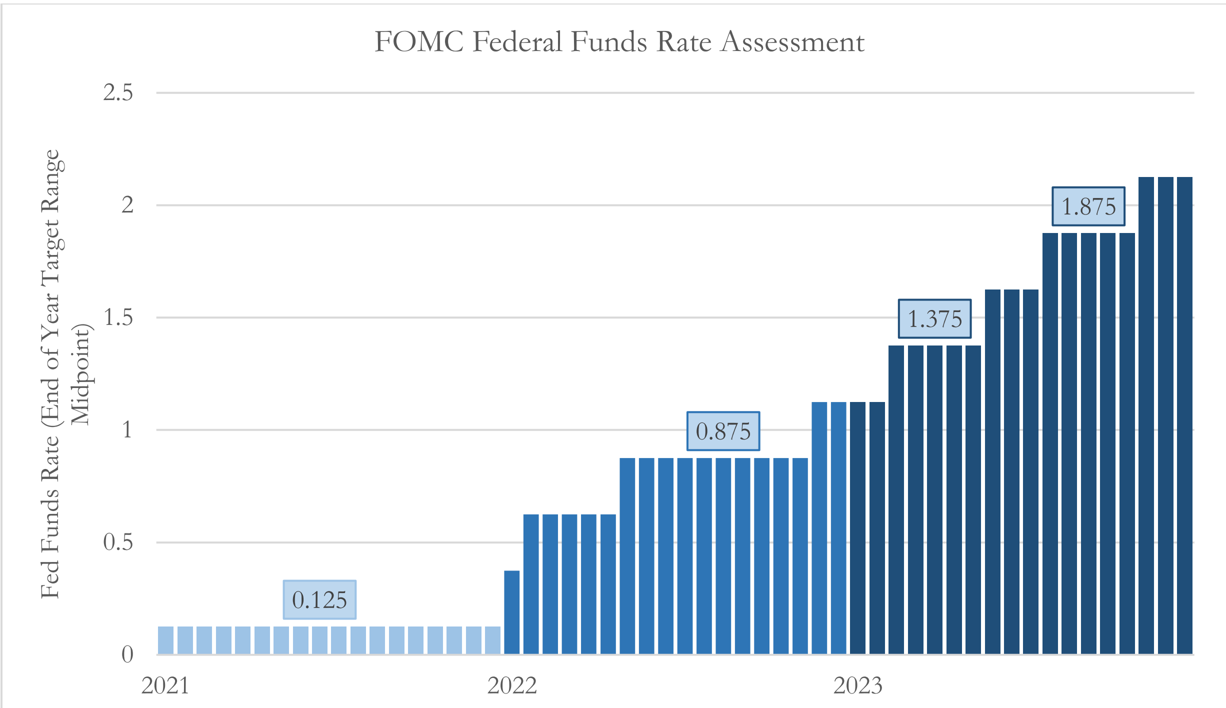


Figure 1. 8 FOMC Federal Funds Rate Assessment

The outlook for the federal funds rate from the panel of NABE forecasters is well below the path indicated by policymakers themselves. This may imply that forecasters doubt whether policy appetite truly exists to change policy paths.

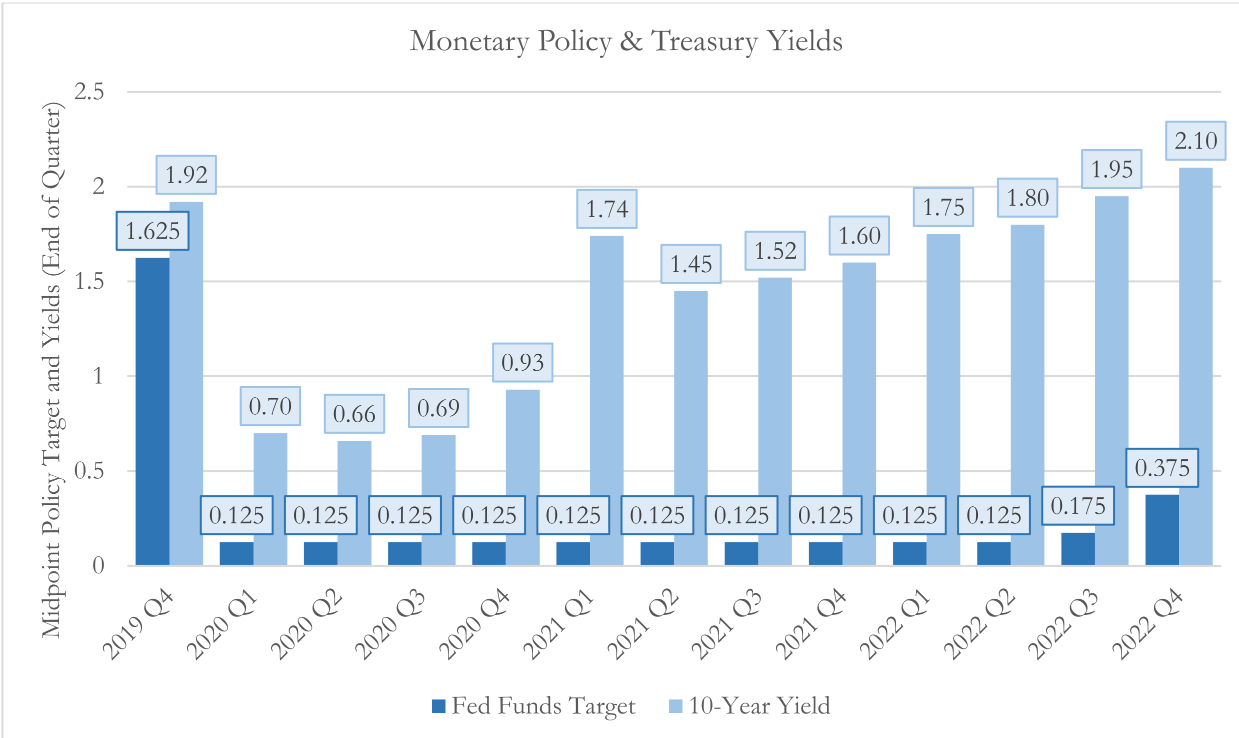


Figure 1. 9 Monetary Policy and Treasury Yields

Flows of income support from expanded child tax credits or direct impact payments will subside in 2022 while monetary policy reduces its implicit subsidy to riskier asset classes. The more abrupt the policy change, the more abrupt the disruption to stock markets, real estate, cryptocurrencies, and other asset classes will be. The challenge for policy is always to support economic activity, when necessary, without creating harmful asset price bubbles and then withdrawing policy support without the risk of popping them. Unless and until inflationary pressures subside, policymakers will find the tradeoff of imposing price stability while also maintaining and supporting full employment to be increasingly challenging.

Finally, returning to the introductory discussion, it is worth noting that the U.S. outlook described above is most consistent with a soft-landing scenario. It is far more likely that residual strength carries the start of 2022 with the asymmetric downside risks manifesting more clearly as the year proceeds.

THE OKLAHOMA ECONOMIC OUTLOOK

Two economic realities merit brief attention before turning to the outlook for the coming year. The first is the contrast between Oklahoma and the U.S. pandemic recessionary experience, and the second is the continuation of long-run influences reshaping Oklahoma's economy.

Oklahoma's economy was struggling to maintain even modest growth in the buildup to the pandemic. Led by weakness in the state's energy sector, the economy was threatening a mild recession as 2019 turned to 2020. Oklahoma's four-quarter real GDP growth consistently trailed that of the national economy from 2018 Q1 through the middle of 2019. When the initial rounds of health policies designed to restrict the flows of social and economic activity were implemented, Oklahoma's real GDP contracted more sharply than U.S. real GDP. In the ensuing recovery, U.S. real GDP growth outpaced growth in the state. The effect of the differential growth is a U.S. economic activity that recovered its pre-pandemic level by 2021 Q2, compared to an Oklahoma economy that had failed to do so.

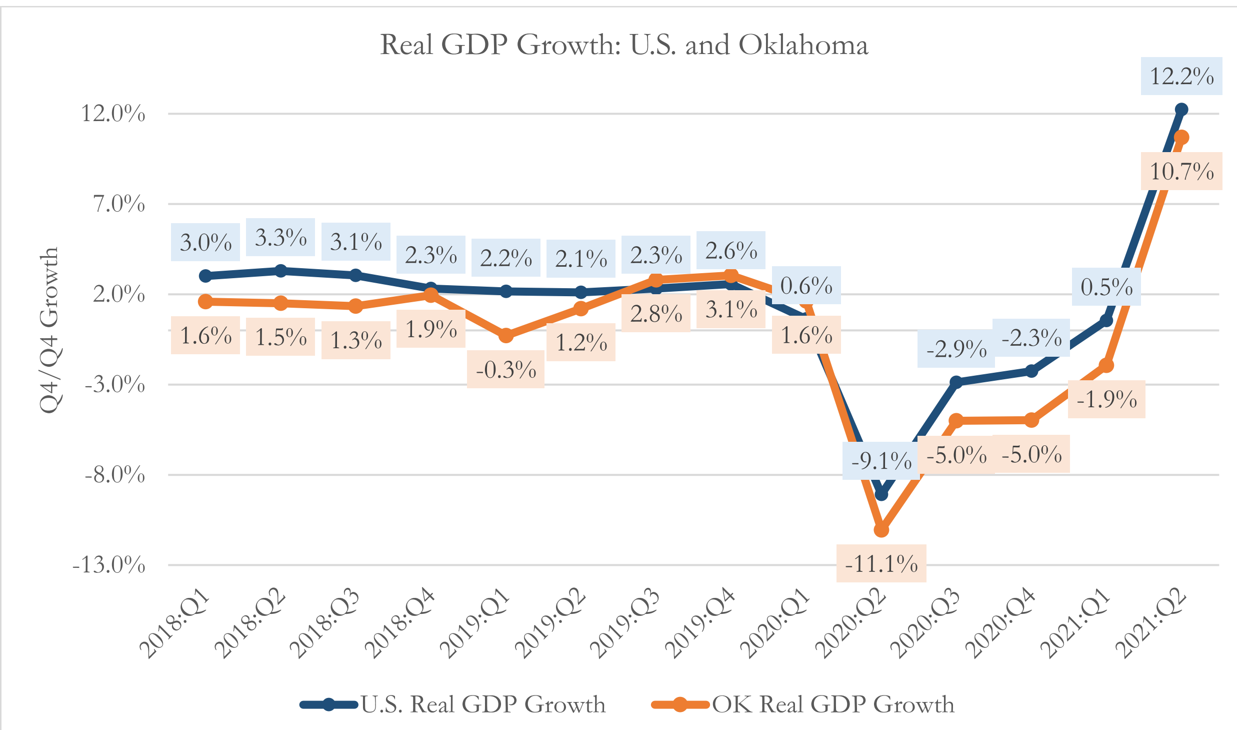


Figure 2. 1 Real GDP Growth: U.S. and Oklahoma

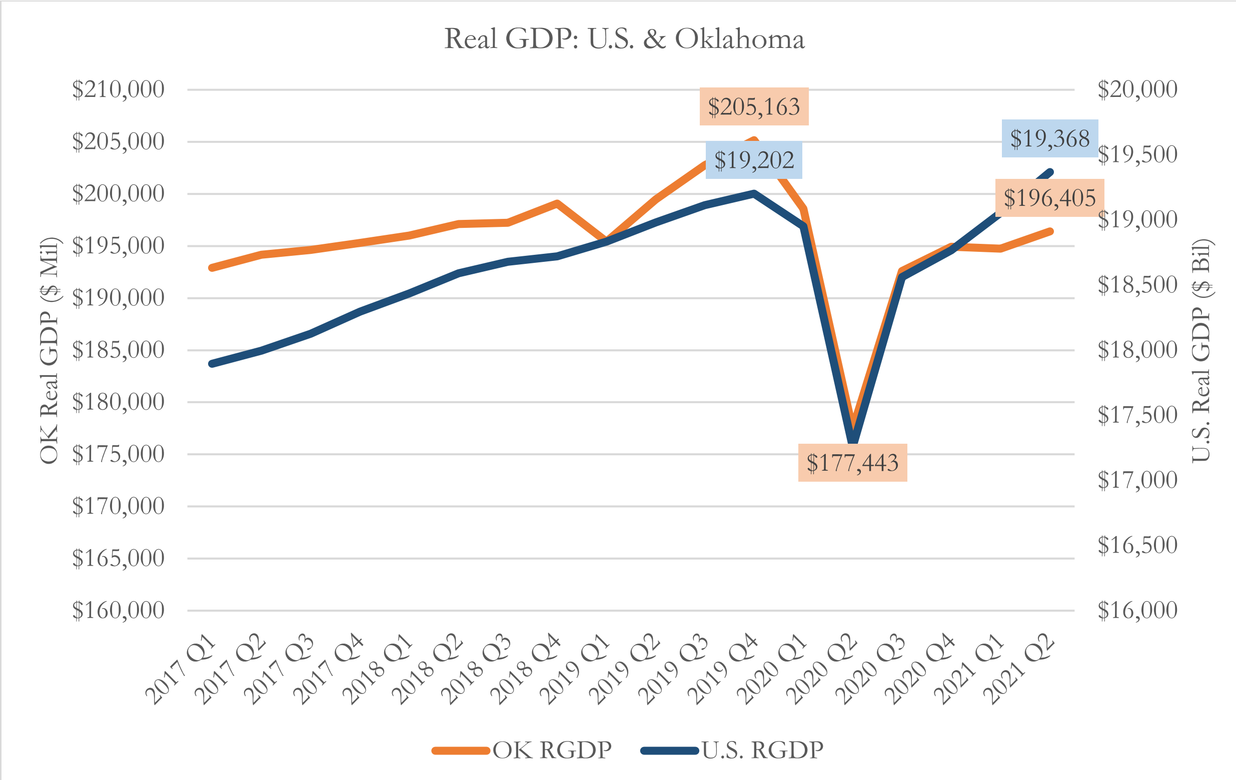


Figure 2. 2 Real GDP: U.S. & Oklahoma

In contrast to measures of total economic activity (GDP), Oklahoma's labor market experience was more muted than the national experience. Nonfarm payrolls did not fall as sharply in Oklahoma and had a less exaggerated rebound when the most severe health restrictions were lifted. The result will be fewer nonfarm jobs on the payrolls of Oklahoma employers to end 2021 than existed at the end of 2019 just before the onset of the pandemic.

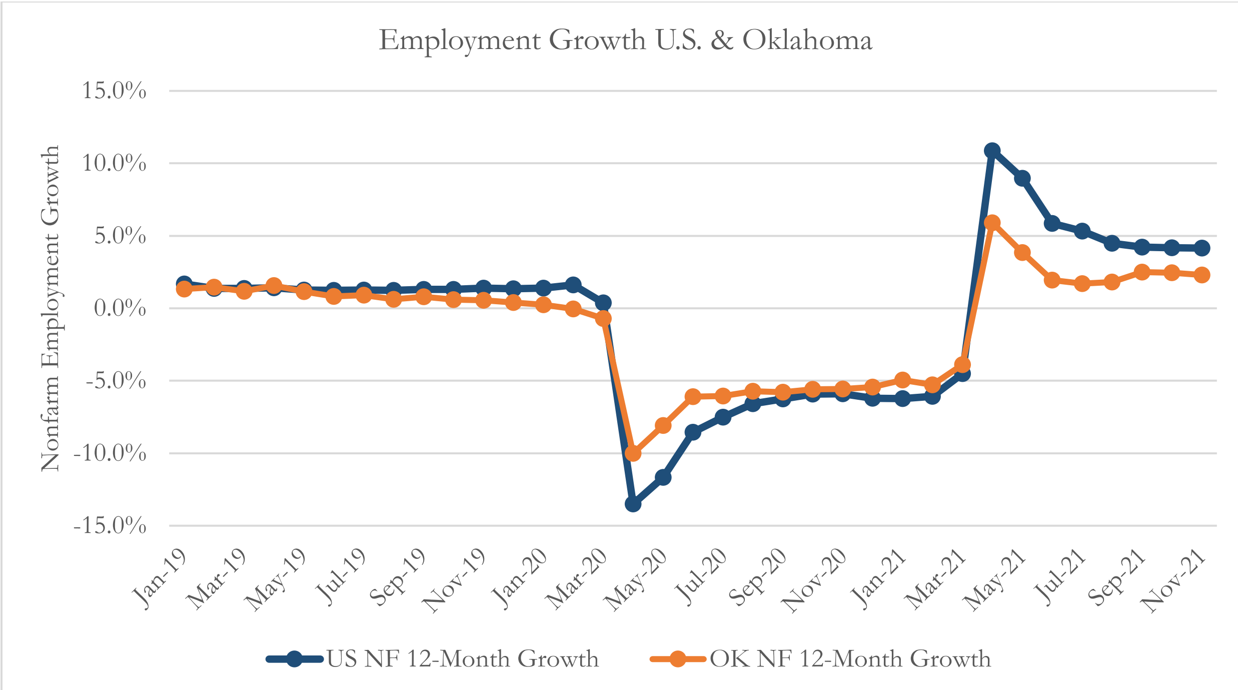


Figure 2. 3 Employment Growth U.S. & Oklahoma

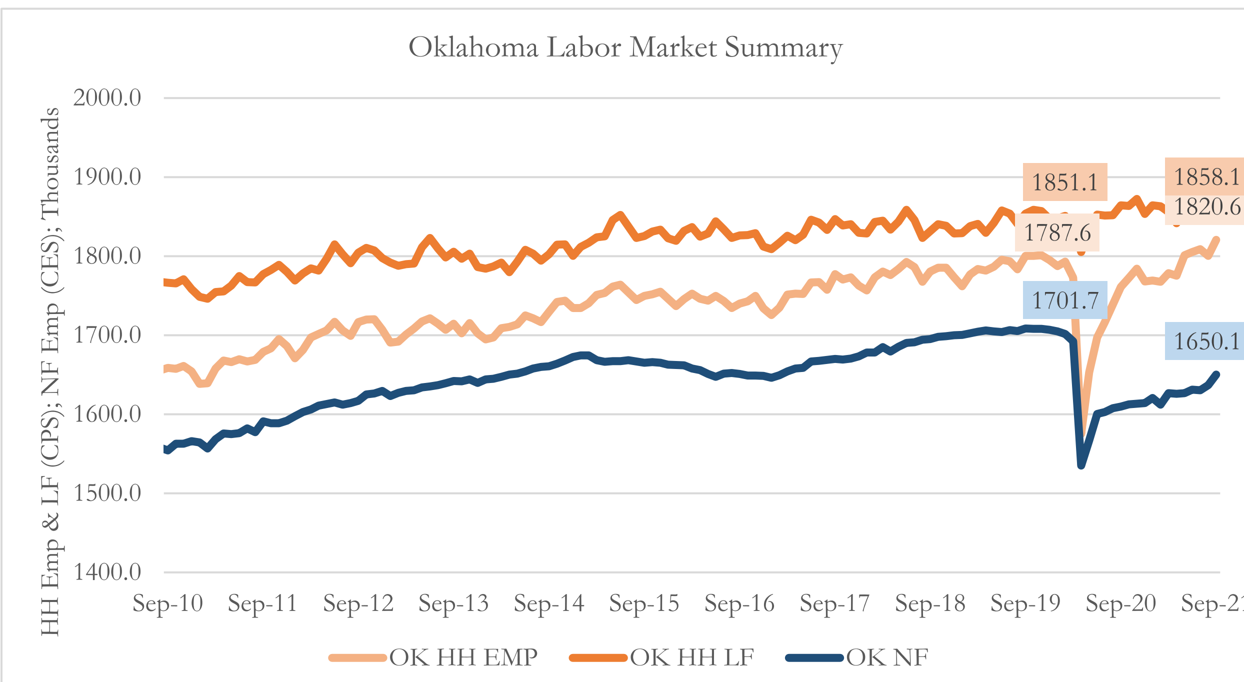


Figure 2. 4 Oklahoma Labor Market Summary

Surveys of Oklahoma employers indicate the number of jobs on nonfarm payrolls down about 50,000 jobs from the pre-pandemic peak of 1,701,700 jobs. Oklahoma is on pace to return to pre-pandemic payroll levels by mid-2022. Where Oklahoma's experience diverges from the national experience is in estimates of household labor force and employment. Both measures have returned to pre-pandemic levels, suggesting that there is no latent labor supply waiting on the sidelines of the labor market to fill the vacant payroll positions. The labor market in Oklahoma is legitimately tight, and challenges to fill vacant positions along with upward pressure on wages will persist into 2022. The labor market challenges will be felt broadly but most acutely in hourly wage positions and the leisure and health care sectors.

Oklahoma's recent experience emerging from the brief, but significant recession offers some important signals of strength. The strength should carry into 2022 and sustain some residual momentum, even as a new policy regime is implemented. Also working in the state's favor, though not uniformly so, are the continuing long-run influences concentrating social and economic activity in urban areas in the south and west.

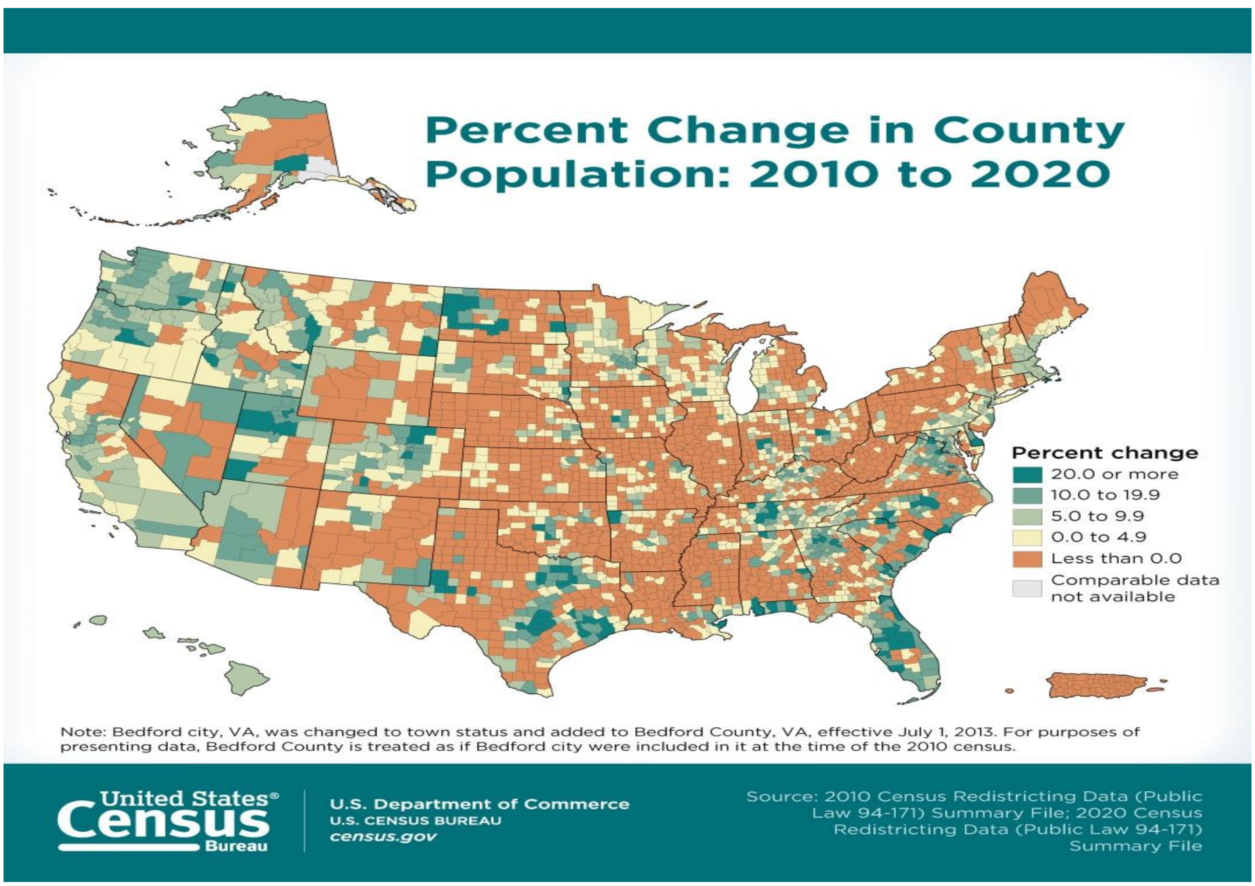


Figure 2. 5 Percent Change in County Population: 2010 to 2020

The picture above was recently pulled from the homepage of the U.S. Census Bureau. Counties in red lost population between 2010 and 2020. Much of rural Oklahoma participated in these population declines. In contrast, counties in darker shades of green gained population over the period, with the darkest shaded counties gaining population at a transformative rate. These pockets of robust population growth tend to be south and west. Oklahoma is heavily influenced by the fast-growing I-35 corridor with exploding population centers in Texas. Oklahoma City sits on the northern edge of the faster-growing southern portion of the corridor while cities such as Tulsa, Wichita, and Kansas City feel the corridors influence on the slower-growing northern stretch. The forces reshaping the U.S. economic landscape are longstanding and will continue beyond this pandemic period. For Oklahoma, this implies a future increasingly defined by three distinct economic geographies.

As social and economic activity continues to concentrate in the state's population centers of Oklahoma City and Tulsa, the economic gap between urban and rural areas widens. But just as true, although slightly less obvious, is that Oklahoma City consistently experiences faster rates of growth than Tulsa, and the gap between Oklahoma City and Tulsa widens as well

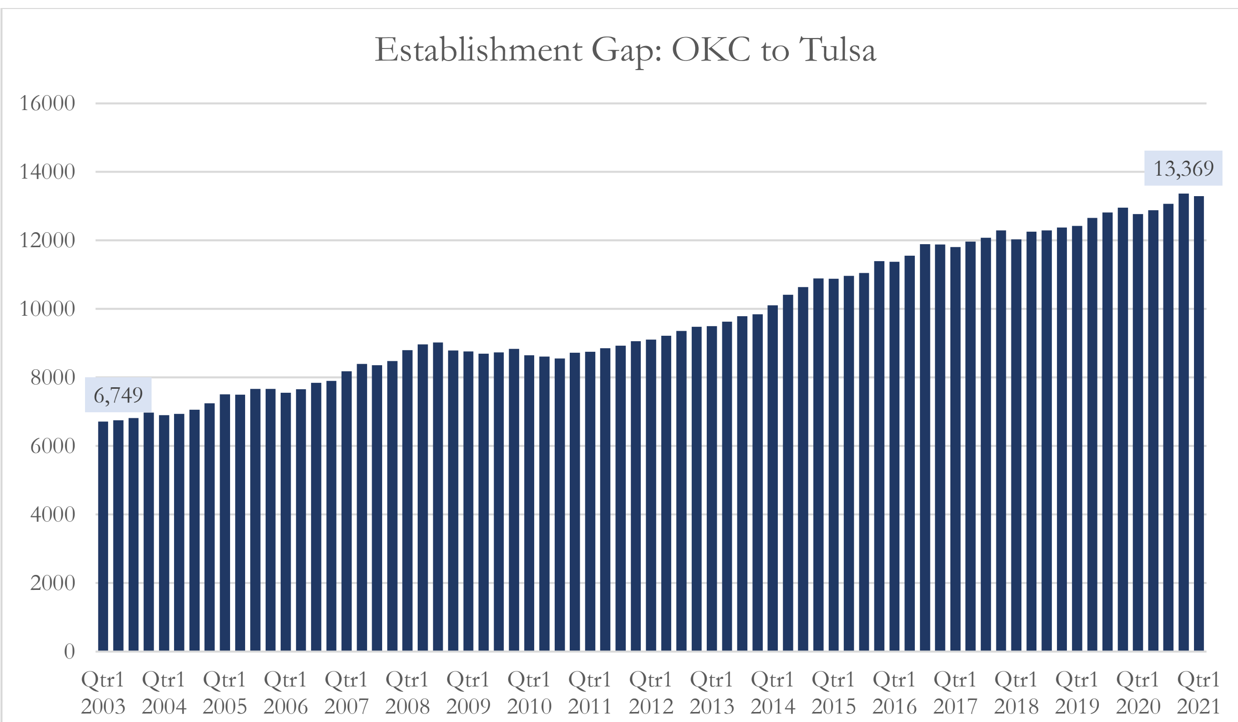


Figure 2. 6 Establishment Gap: OKC to Tulsa

From 2003 to 2021 the gap in the number of business establishments in the state's metro areas has grown from 6,749 to 13,369. Over the same period, the gap in total wages paid grew from $426,990,000 to $1,589,433,000.

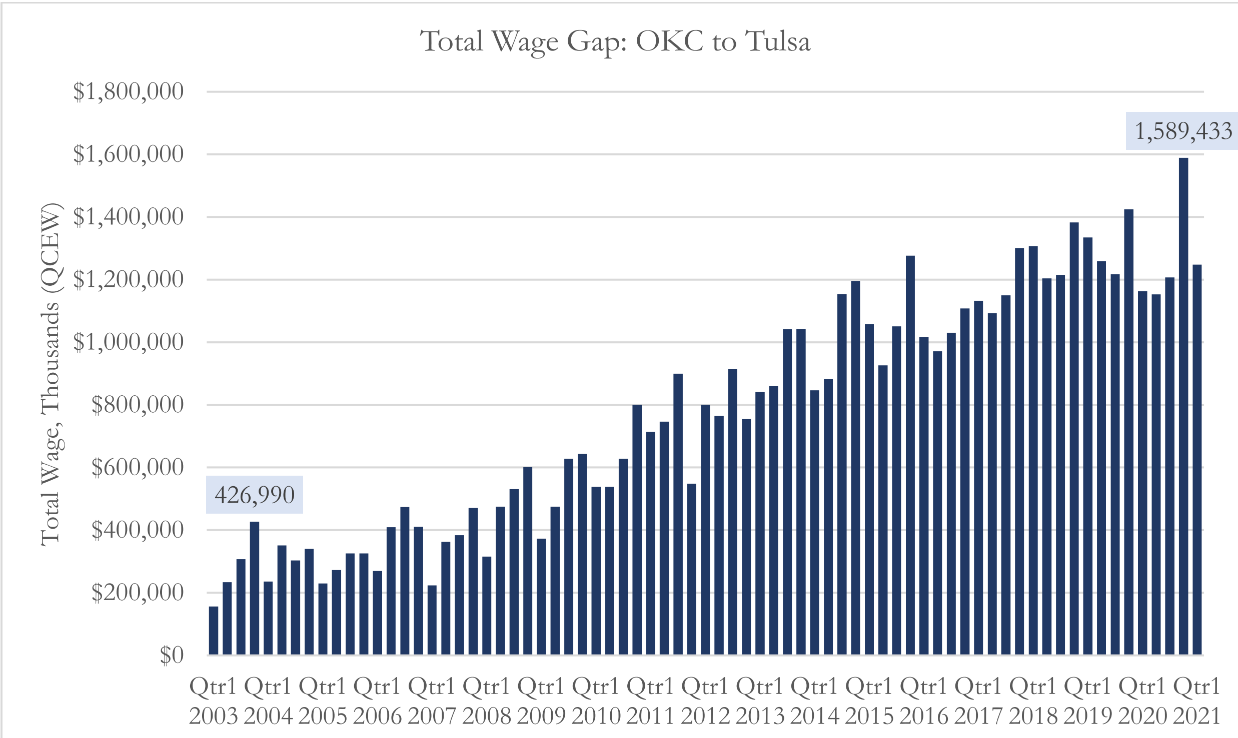


Figure 2. 7 Total Wage Gap: OKC to Tulsa

As we transition to a discussion of the year to come, the realities previously discussed help to shape our perspective. The first is that Oklahoma is firmly embedded in recovery mode with much federal policy support still lingering in the system and the strength of household balance sheets carrying momentum into 2022. Even an aggressive shift in policy is unlikely to immediately derail this momentum. Instead, it is more likely that labor markets stay tight, upward pressure on wages and prices persist, and economic activity expands. The downside risks to the outlook are more likely to materialize only later in 2022 and into 2023. The second is that the forces of economic geography continue to reshape the state's economic landscape. In contrast to the uncertainty surrounding the medium-term outlook, there is little uncertainty about the long-run reality that the economies of Oklahoma City, Tulsa, and the rest of the state will continue to diverge with the passage of time.

Economic activity is expected to start the year strong before decelerating as the year proceeds. Economic growth is likely to be much harder to achieve in 2023. Real gross state product (in blue) contracted in 2020 at a 4.9% pace during the onset of the pandemic. Production picked up in 2021, but only with the anticipated growth of 2022 (up 5.6%) will gross state product recover to pre-pandemic levels. Pandemic response policies moved personal income to 3.8% higher in 2020 even as total economic activity receded. Growth rates for personal income in 2021 and 2022 are deceiving as they are measured in nominal values (not adjusted for inflation). The economic tension in 2022 is the strong position of households and lingering economic support to start the year against the shifting policy regime as the year progresses. The balance is likely to shift to markedly slower growth in 2023 while significant downside risk is yet possible.

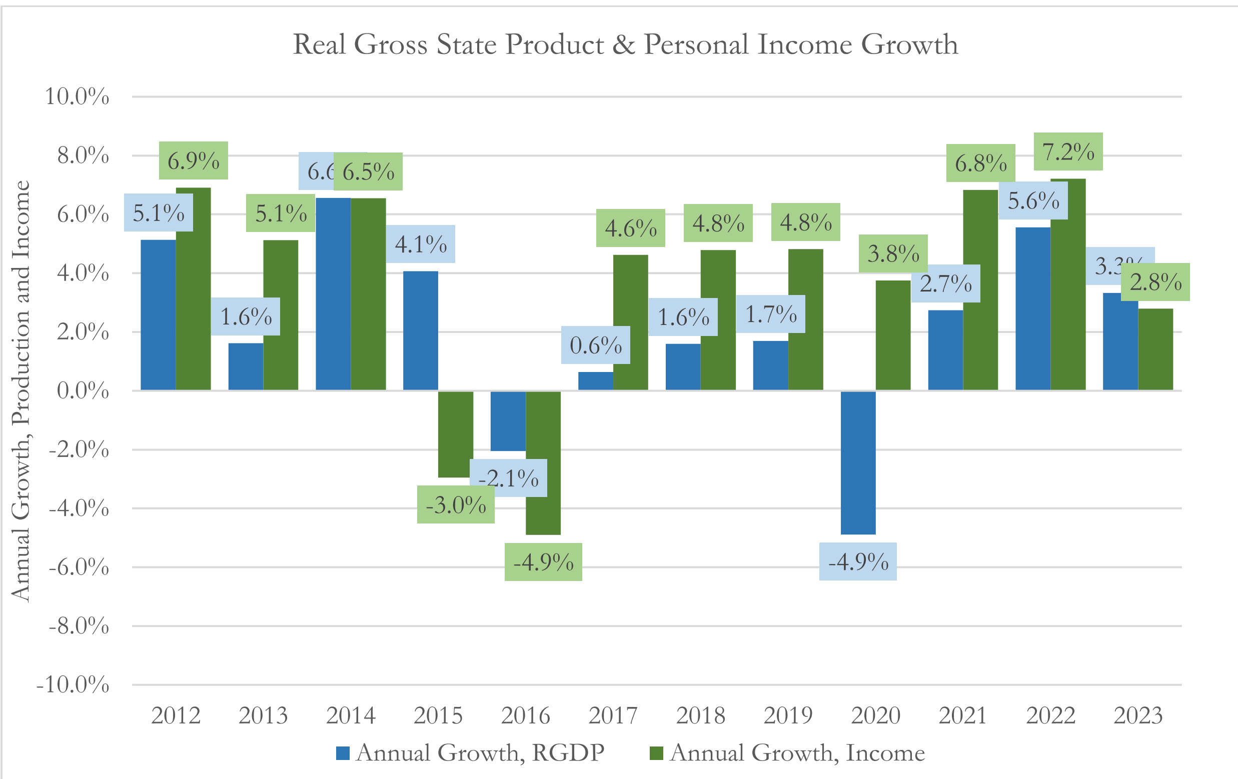


Figure 2. 8 Real Gross State Product & Personal Income Growth

Nonfarm employment data series can be decomposed into a collection of goods-producing industries and a collection of service-providing industries. The former is composed of mining, manufacturing, and construction while the latter encompasses everything from retail services and leisure services to professional and technical services. Often discussed is the reality that Oklahoma employment is increasingly concentrated in the services sectors. This shift towards employment in services reflects in part the urbanization of Oklahoma's population and the cluster of service-providing industries that support population density, as well as technical advances that are making mining and manufacturing less labor-intensive. But a shift towards services employment doesn't imply that those industries are less economically significant. In fact, while the share of employment in the goods sectors fell from 18% in 2001 to a projected 4.5% in 2023, the share of state GDP from mining and manufacturing has risen from 20.9% to a projected 28%.

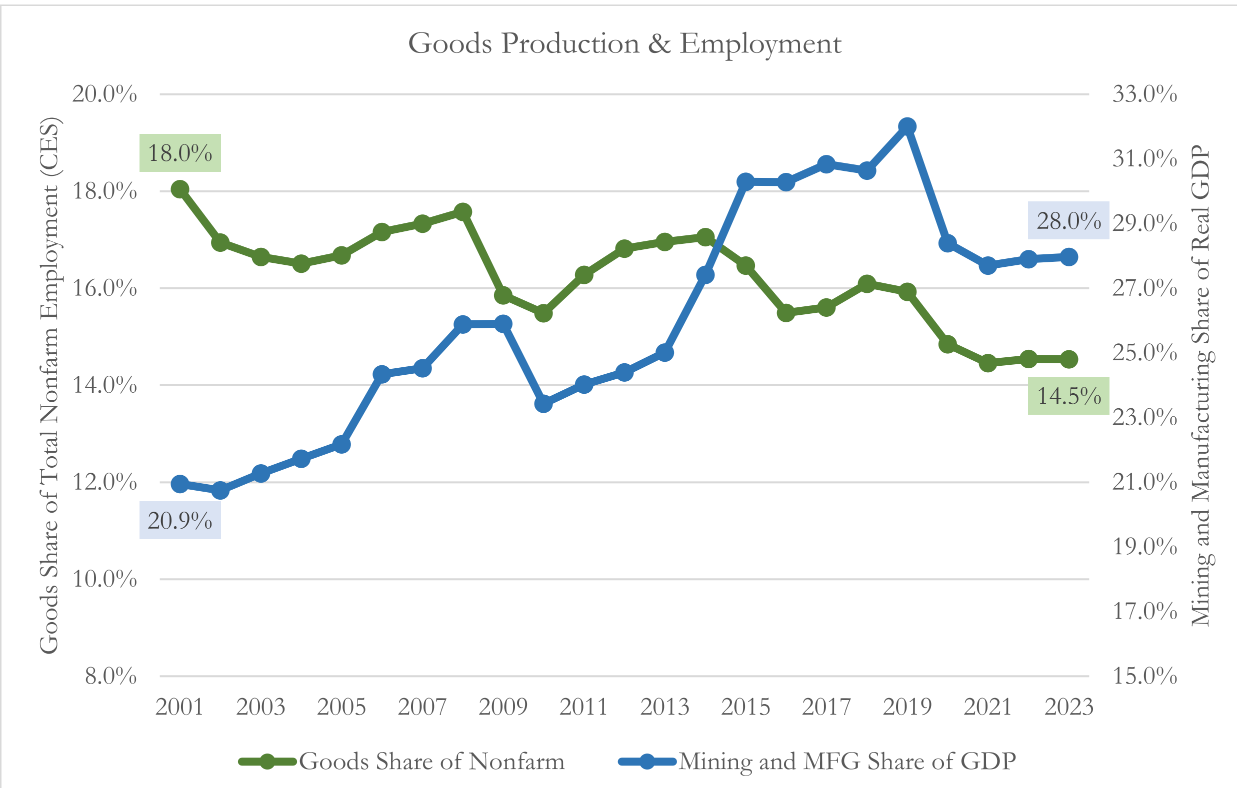


Figure 2. 9 Goods Production & Employment

As 2021 turns to 2022 Oklahoma's population will cross four million persons. Population growth slowed somewhat in the second half of the last decade, currently averaging 0.5% per year. Growth is expected to fall just shy of that mark in 2022 before accelerating modestly in 2023. As the population of the state grows, the distribution of the population becomes increasingly uneven with gains in urban areas, led by Oklahoma City, offsetting losses in the state's rural areas. After jumping in 2021 and 2022 from an aggressive policy response, per capita personal income in the state will grow at a modest 2.1% in 2023 to end the outlook period at $57,883.

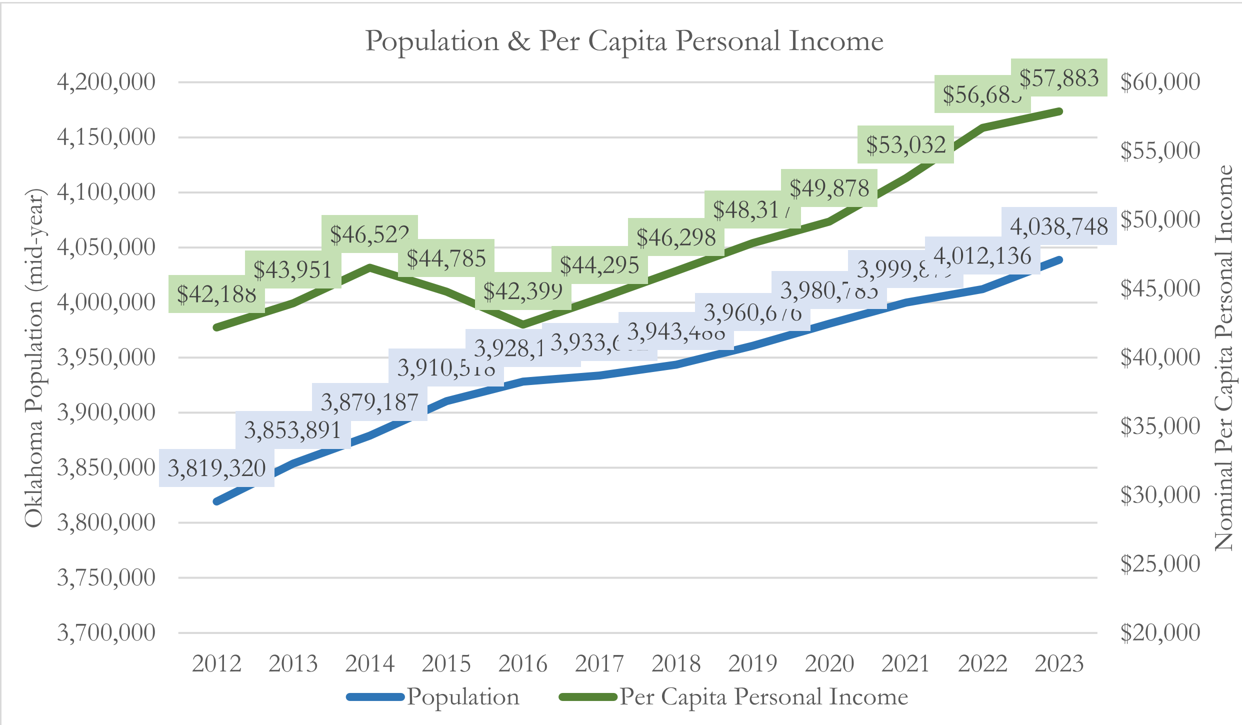


Figure 2. 10 Population & Per Capita Personal Income

Private sector payrolls in the state are expected to post strong job gains in 2022 as the labor market continues to recover. Private payrolls averaged 1,352,000 jobs per month in 2019 before the pandemic and likely won't hit that mark again until 2023. Job growth of 3.5% is anticipated in 2022 and reflects an expectation of a strong start to the year and continued demand for labor. It is yet unclear if there is a willing supply of labor to meet that demand. The combination of strong household balance sheets and rapidly increasing wages in the entry end of the labor market continues to support early retirement and a re-evaluation of the household engagement in the labor force. Household balance sheets are eroding slowly and will not enjoy the same level of policy support over the outlook horizon. Financial exigency may accomplish what policy could not and prompt workers to return to formal labor market participation, but they can expect to find fewer accommodating conditions in 2023 with private payrolls growing only at a 1.1% pace.

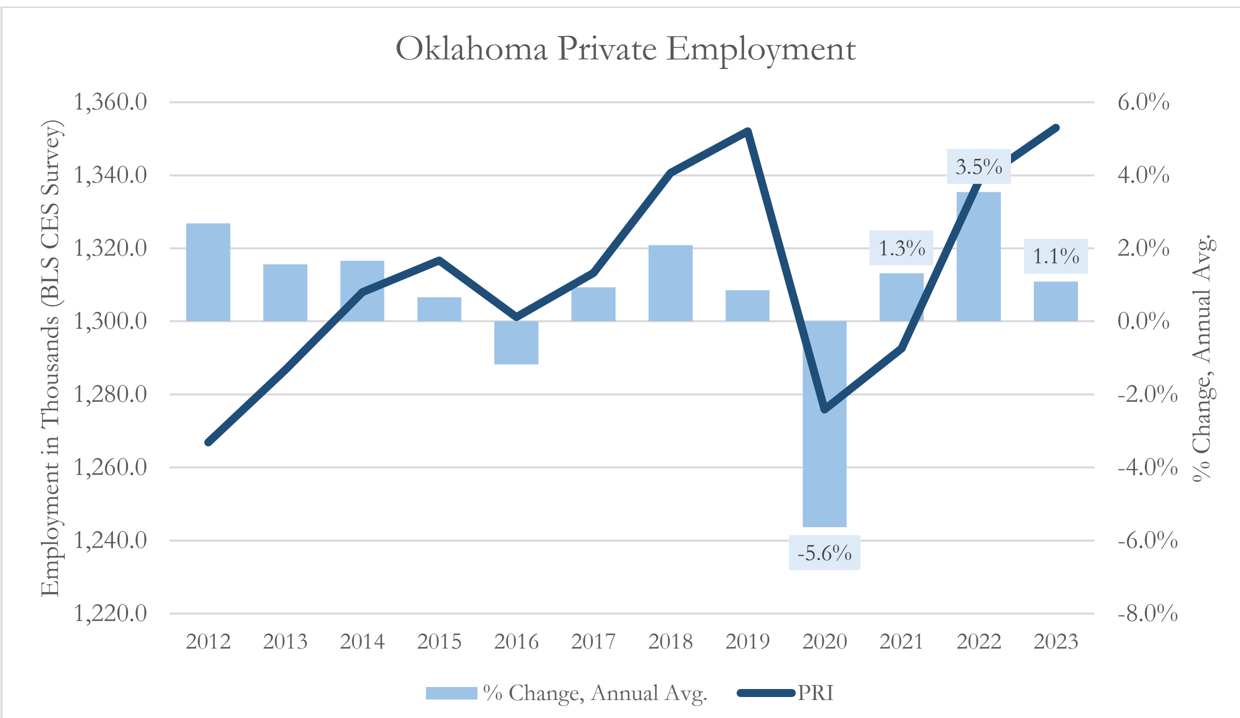


Figure 2. 11 Oklahoma Private Employment

The trade, transportation, and utilities are among Oklahoma's largest employment bases accounting for 305,500 average monthly jobs in 2021. The sector generally grows along with population and oscillates with economic conditions. During the recession of 2016, employment fell across the category including wholesale trade, retail trade, and utilities. In contrast, the 2020 contraction was short-lived and dominated by pandemic-related job losses in wholesale and retail trade. Through both periods, the transportation and warehouse industry has proved exceptionally resilient, growing from 41,100 in 2012 to 62,300 jobs in 2021. Strong demand for services across the entire sector will drive job growth of 2.2% in 2022 before conditions soften in 2023.

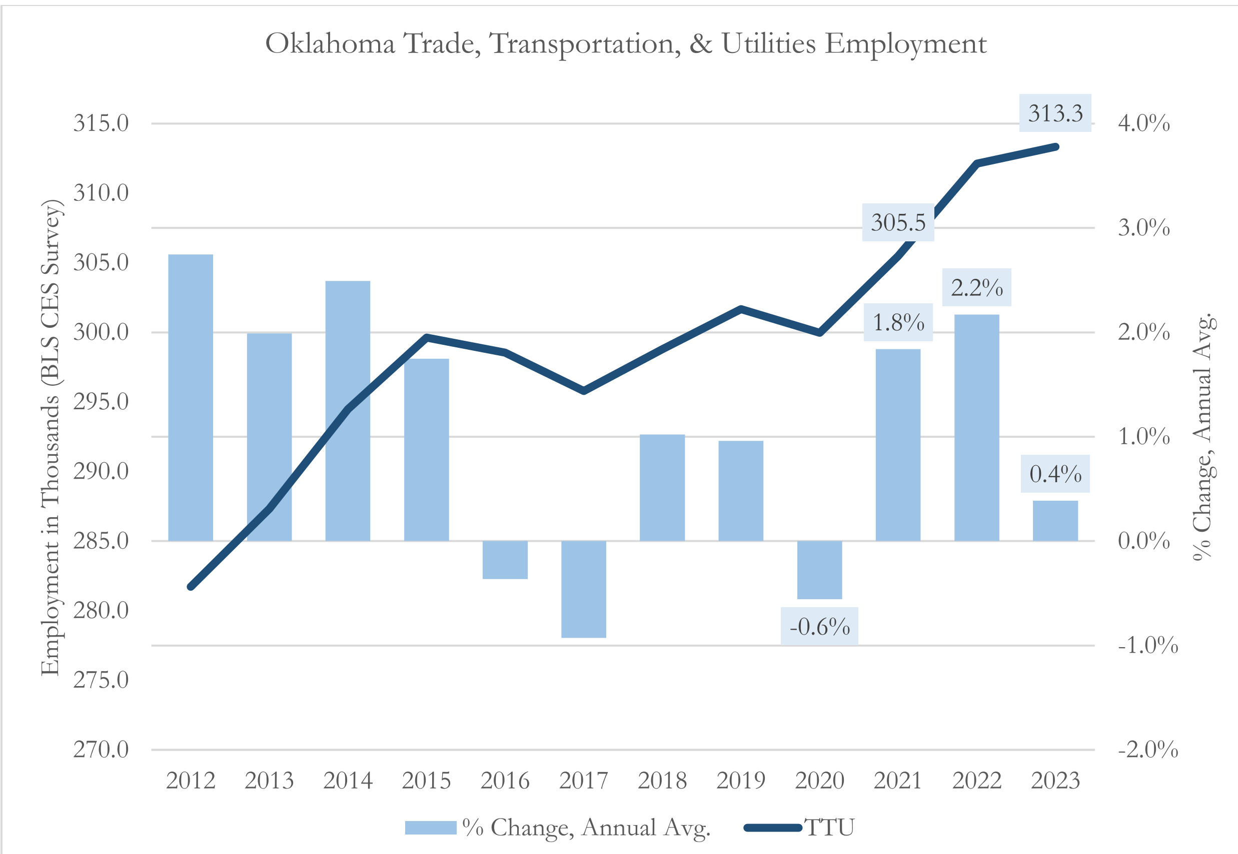


Figure 2. 12 Oklahoma Trade, Transportation, & Utilities Employment

Professional and business services employment experienced a widespread decline in 2020 with average monthly payrolls declining by 6.3% to 183,500 jobs. The pace of job gains is expected to accelerate in 2022 but will face the challenge of finding workers to fill the demand for positions. Growth in 2022 is expected across the sector but is led by gains in Administrative and Support Business Services (up 4.7%). Consistent with the outlook narrative, growth slows in 2023 to 1.5% with significant downside risk to the 2023 outlook a distinct possibility.

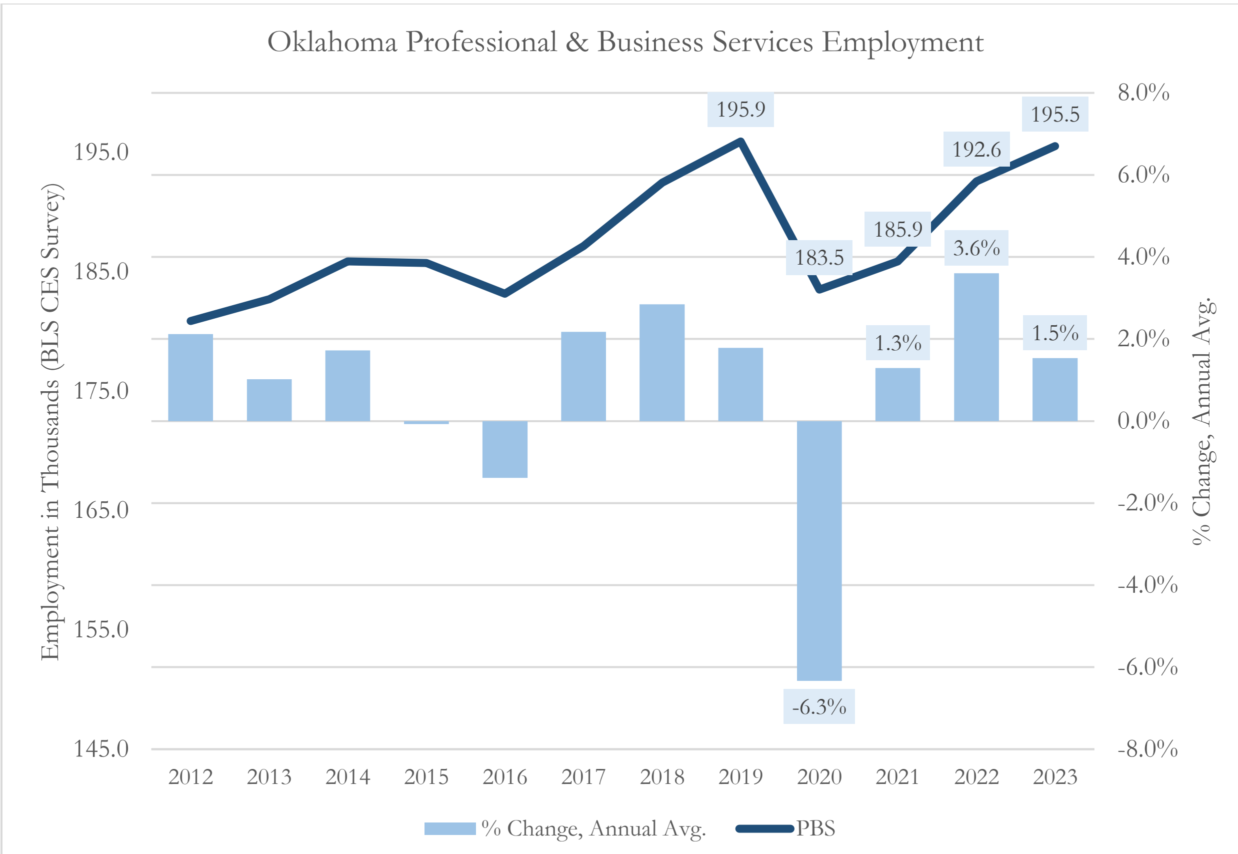


Figure 2. 13 Oklahoma Professional & Business Services Employment

THE OKLAHOMA CITY ECONOMIC OUTLOOK

Oklahoma City's personal income grew by 3.6% in 2020 even as much of the metro economy remained in a safer-at-home posture. Despite the lack of labor earnings, pandemic relief policy provided income flows sufficient to push income higher. Successive rounds of policy moved personal income up 8.6% in 2021 to $81.5 billion. Direct income support will subside in 2022 but labor market strength and wage inflation will continue to move nominal personal income higher. The baseline expectation is for growth of 5.7% in 2022 followed by much slower growth in 2023 and general economic conditions weaken.

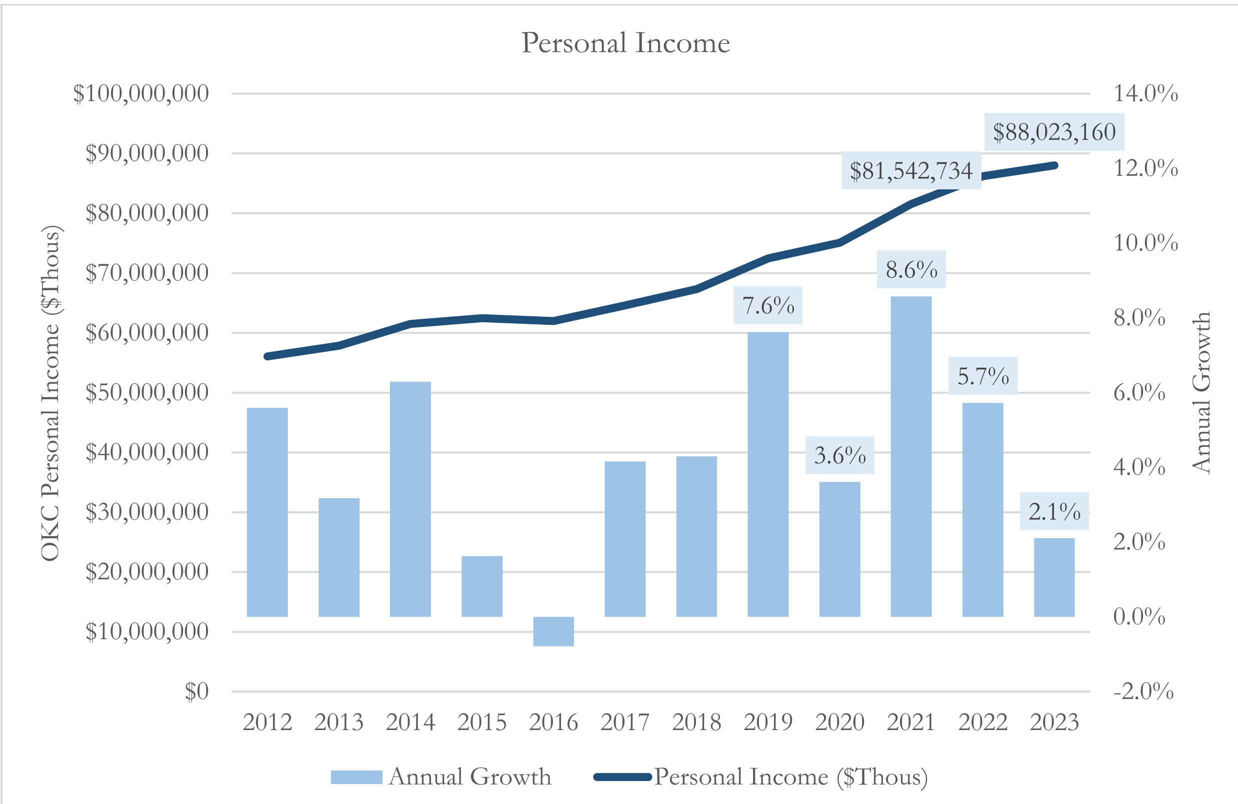


Figure 3. 1 Personal Income

Personal current transfer receipts are government payments to households through programs like Social Security, Medicare, and veteran services. During recessions transfer receipts include items such as direct stimulus payments, extended or expanded tax credit refunds, and federal supplements to unemployment insurance. Many transfer receipts are tied to a measure of inflation. As a result, during non-recessionary periods, transfer receipts grow with population and prices. Over the 2012 to 2018 period, transfer receipts grew at an average annual rate of 2.1%. Transfer payments exploded during the pandemic sending more than $15.6 billion to Oklahoma households through these programs alone, equivalent to $18,194 for every full and part-time worker in the state. Transfer receipts are expected to reset in 2022 but at a higher level because the inflation currently in the system is passed through to these benefits.

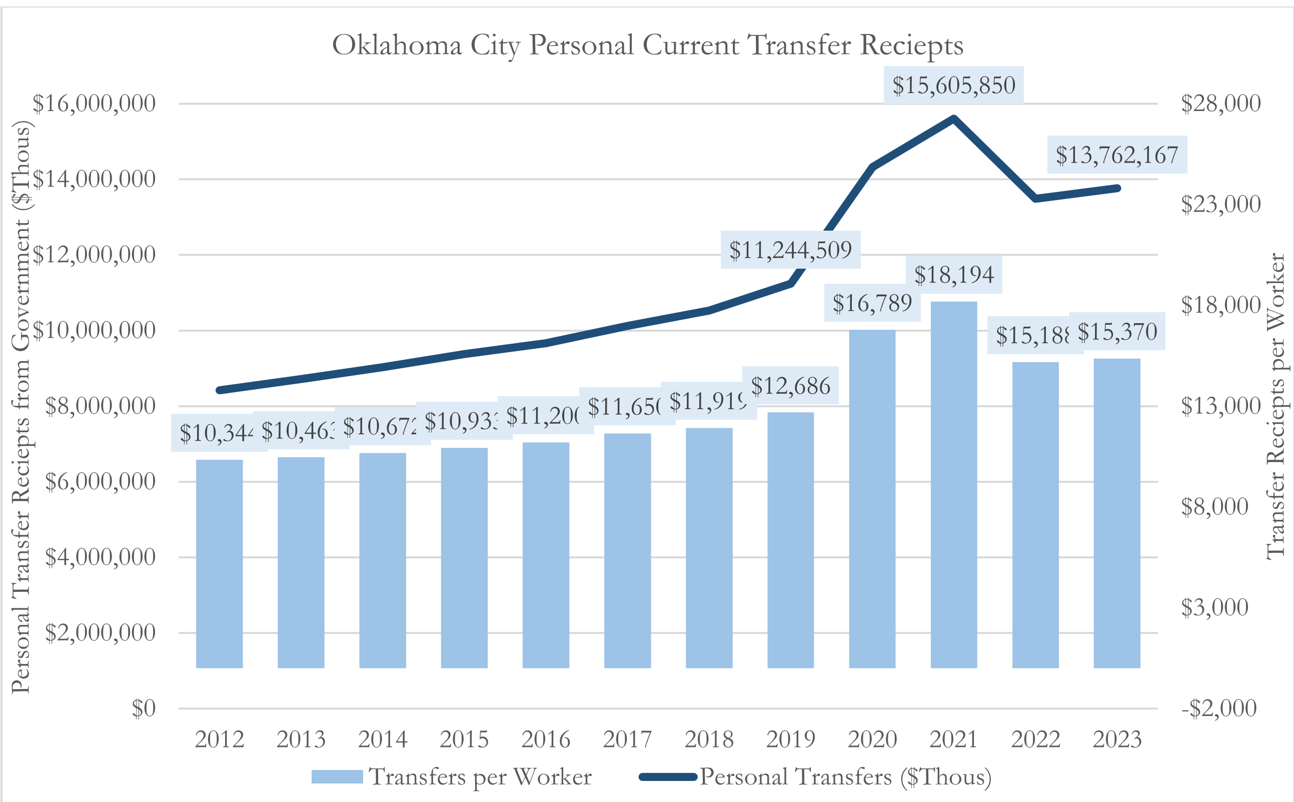


Figure 3. 2 Oklahoma City Personal Current Transfer Receipts

Given the tremendous income support provided through transfer payments, it shouldn't be a surprise to find per capita personal income growth through this period. Metro area per capita increase grew to $56,609 in 2021 and will surpass $59,000 in 2023 if a policy can navigate the difficult path ahead. Perhaps more significant is the growth in the Oklahoma City population. After slowing in the middle of the last decade population growth rates have picked up in recent years. Growth is expected to accelerate over the outlook period at 1.5% in 2022 and 1.7% in 2023. A previous discussion highlighted the growing gap between Oklahoma City and the rest of the state. To emphasize that point, note that population growth rates in Oklahoma City were, on average, 2.5 times faster than the growth of the statewide population. The gap in growth rates is accentuated during periods of recessions as Oklahoma City is more resilient to economic distress than the rural areas of the state.

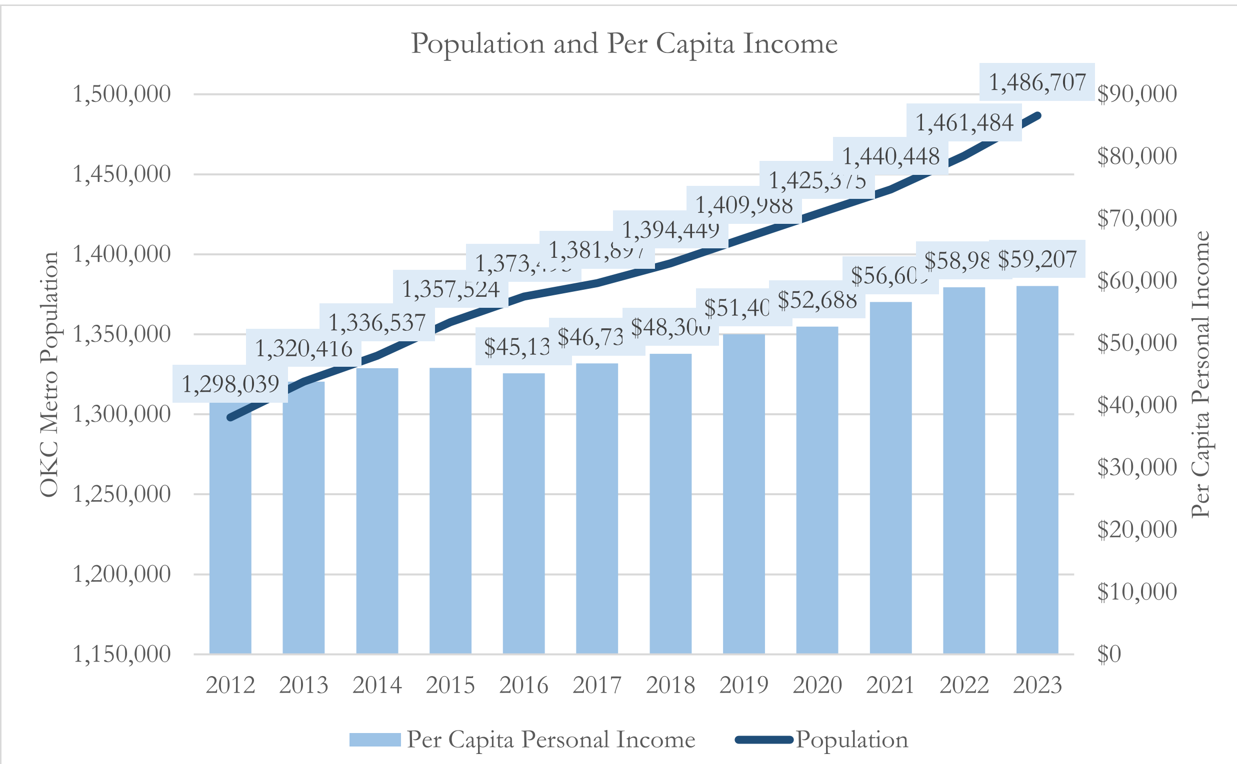


Figure 3. 3 Population and Per Capita Income

While the unprecedented direct policy support for household income of 2021 is not expected to repeat in 2022, the underlying economic fundamentals are hardly distressed. In-migration and household formation will support local house prices while strong demand for labor will continue to provide earnings opportunities. Households continue to work through existing savings and nearly every layer of government – state, municipal, county, tribal, school district – continues to allocate relief funds accumulated during the previous year. In short, even as both fiscal and monetary policy change course in 2022, an immediate recession is unlikely. The baseline expectation calls for strong job growth in Oklahoma City in 2022 at 4.0%, as the metro area recovers to pre-pandemic levels of payroll employment sooner than the rest of the state. Conditions will moderate in 2023 with private payroll growth of only 1.7% with any policy misstep or overreach bringing asymmetric downside risk.

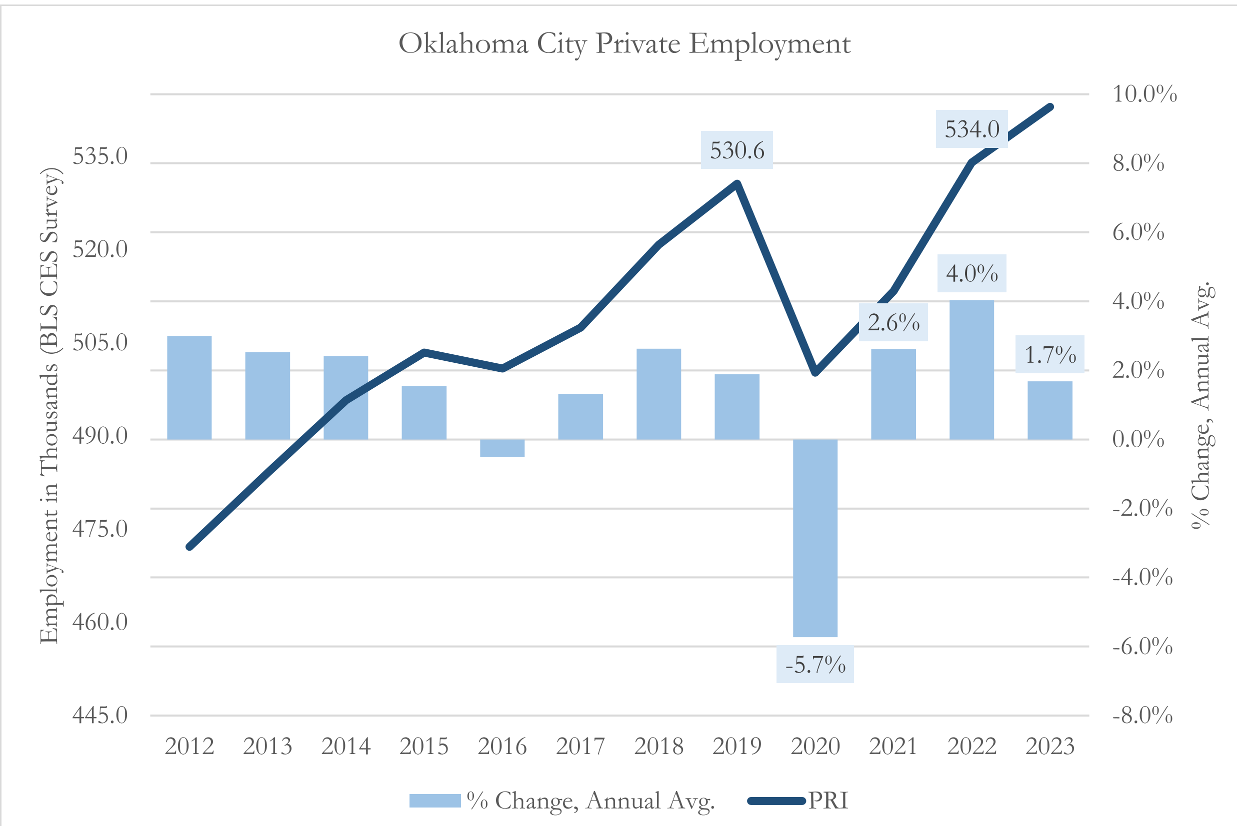


Figure 3. 4 Oklahoma City Private Employment

Services employment contracted sharply in 2020. For perspective, note that during the 2016 energy recession growth rates in services employment slowed to near 1% in both 2016 and 2017 but remained in positive territory throughout. The aggressive contraction in 2020 is a direct reflection of a pandemic response that discouraged group consumption of services like travel, eating out, and recreation. Those hardest hit sectors posted job gains in 2021 but at an insufficient rate to fully recover to pre-pandemic levels. The baseline expectation is for the recovery to carry well into 2022 with the services sector growing at a 4.0% pace in 2022 before moderating to 2.0% growth in 2023.

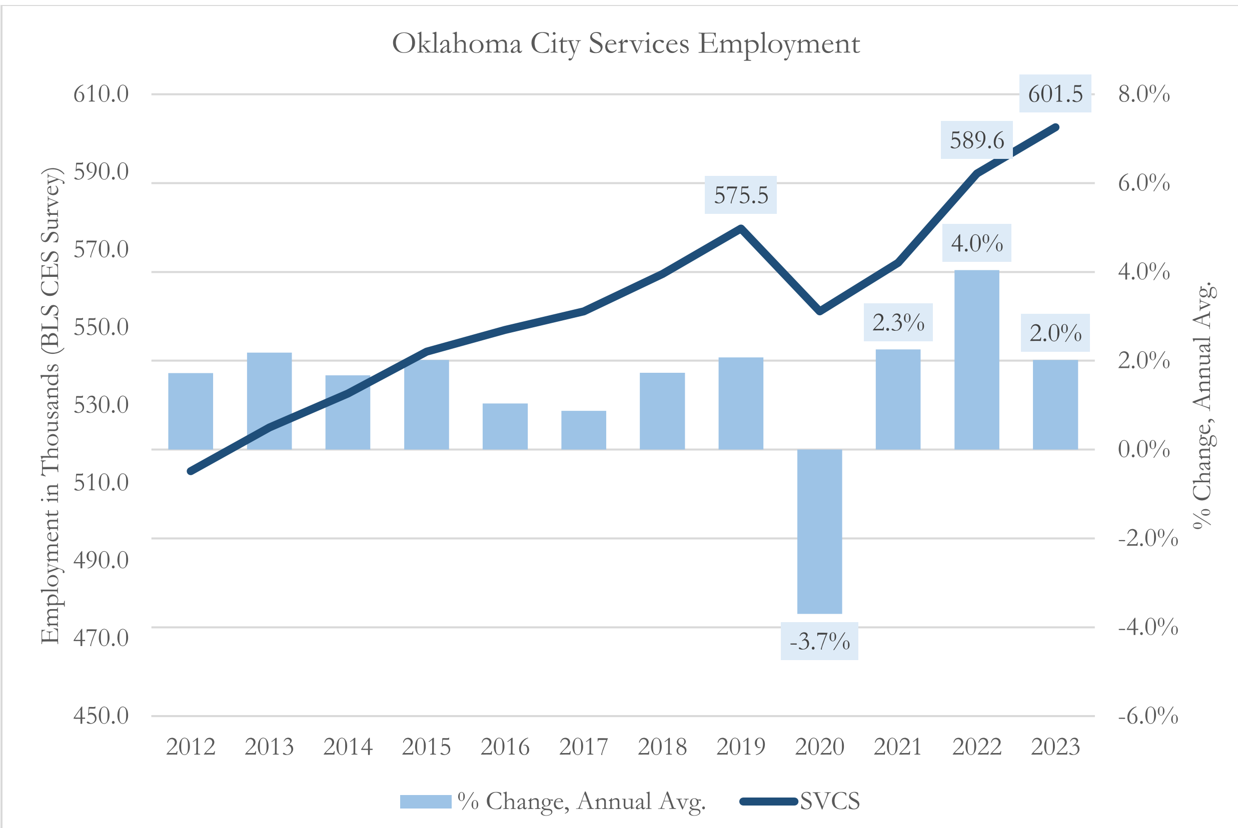


Figure 3. 5 Oklahoma City Services Employment

Oklahoma City's oil and gas sector continues to exert a significant economic influence even as direct employment falls with each boom-and-bust cycle. The energy sector's economic reach reflects long-established supply chains which create significant economic multipliers from local exploration and production activity. As technology advances, however, the direct activity becomes less labor-intensive. Thus, with every energy cycle, employment struggles to regain its previous peak. Current oil and natural gas prices combined with structural forces like a lack of investment in new production and the inability of renewable energy sources to quickly meet the demand of a recovering global economy offer upside hope for the sector. Shale production seems poised to rebound in 2022 and while productivity gains have been concentrated in the Permian Basin, projected commodity prices will support a broader-based recovery in 2022. Oklahoma City oil and gas employment is expected to add back jobs over the outlook period to 11,600 in 2023 but will remain far below the 2018 employment footprint of 21,600.

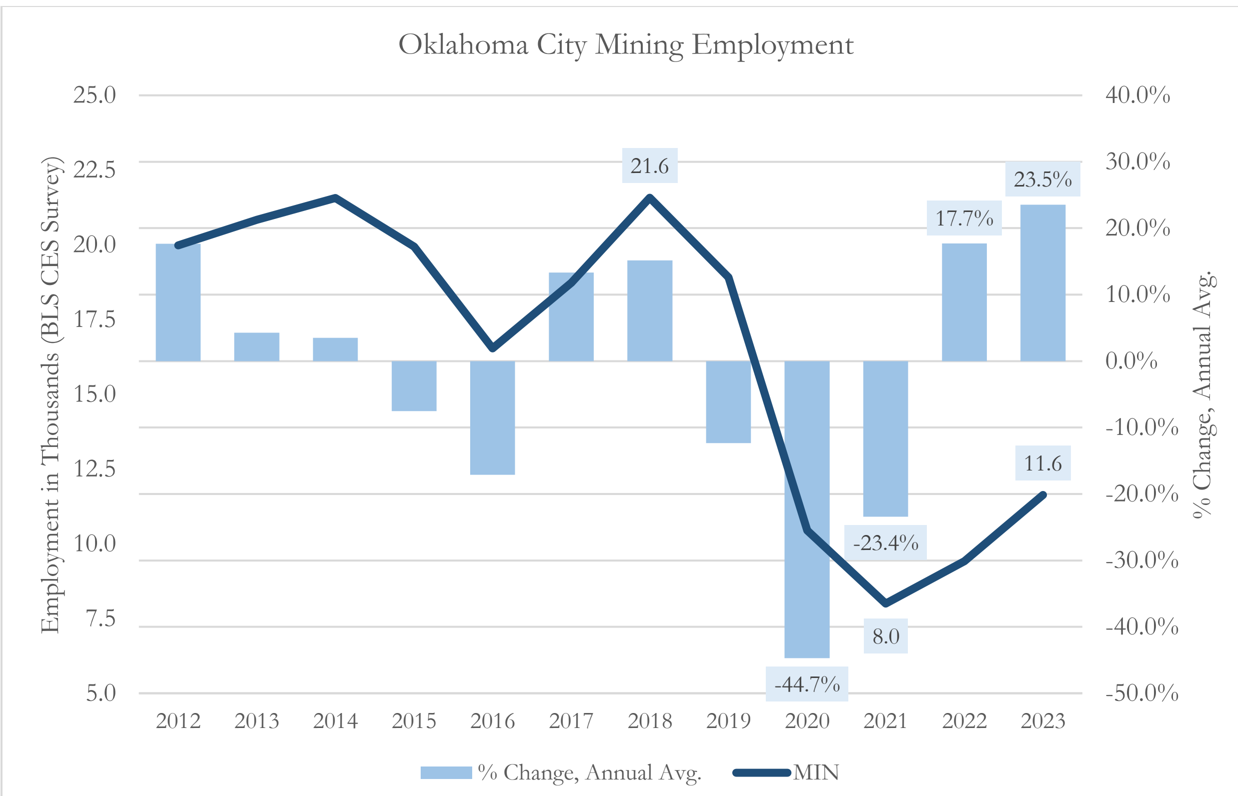


Figure 3. 6 Oklahoma City Mining Employment

It should be noted that Oklahoma's oil and gas sector has contracted more sharply and earlier in the cycle than its peers. Rig activity fell abruptly in 2019 long before and unrelated to the pandemic. The pandemic induced recession and withdrawal of a demand for energy drove a further collapse. It makes some sense then that Oklahoma, as the first state to see a drawdown in drilling activity would be among the last states to experience the recovery. Relative to the 2018 peak, a comparison of drilling activity across years show Oklahoma rig counts are still down 70%. This compares to New Mexico where 2021 rig counts are only down 22% from 2018 (and production has fully recovered) and North Dakota and Texas, each down 56% and 50% respectively. Absent deliberate policy support, Oklahoma's oil recovery is likely to lag relative to peer states.

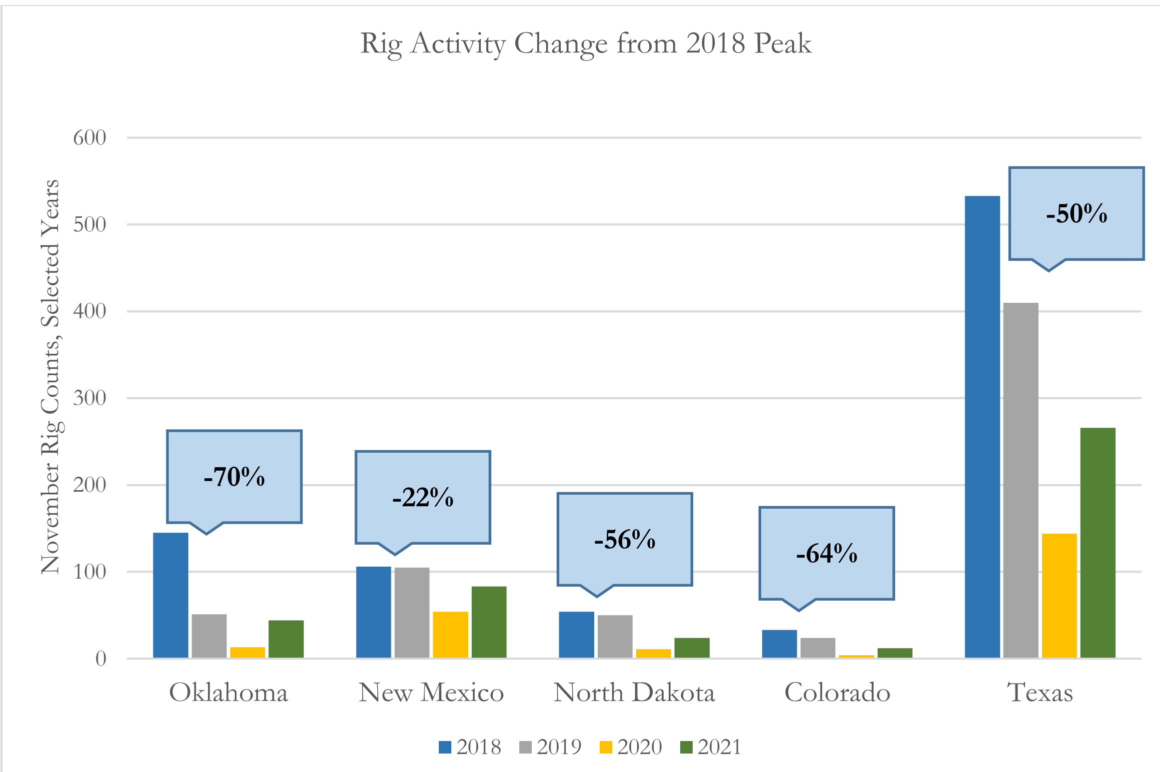


Figure 3. 7 Rig Activity Change from 2018 Peak

Oklahoma City's economic identity is more complex than that of a simple energy center. With every energy cycle, the city's identity becomes a little more nuanced. Among the industries that have both a substantive history and a promising future is the city's aerospace complex. Like the oil and gas industry, aerospace is not easily captured by a single industry. It spans categories from transportation to technical services and from manufacturing to the public sector. The transportation, warehouse, and utilities sector is a good proxy for the industry as it captures much of the maintenance and repair operations. This sector has grown aggressively from 17,800 jobs in 2012 to 31,900 jobs projected in 2023. After slowing to a 5.1% pace in 2021, industry growth will pick up modestly in 2022 before slowing again in 2023 with the expected economic moderation. In the long run, though, expect the aerospace complex to be an increasingly important piece of the area's economic identity.

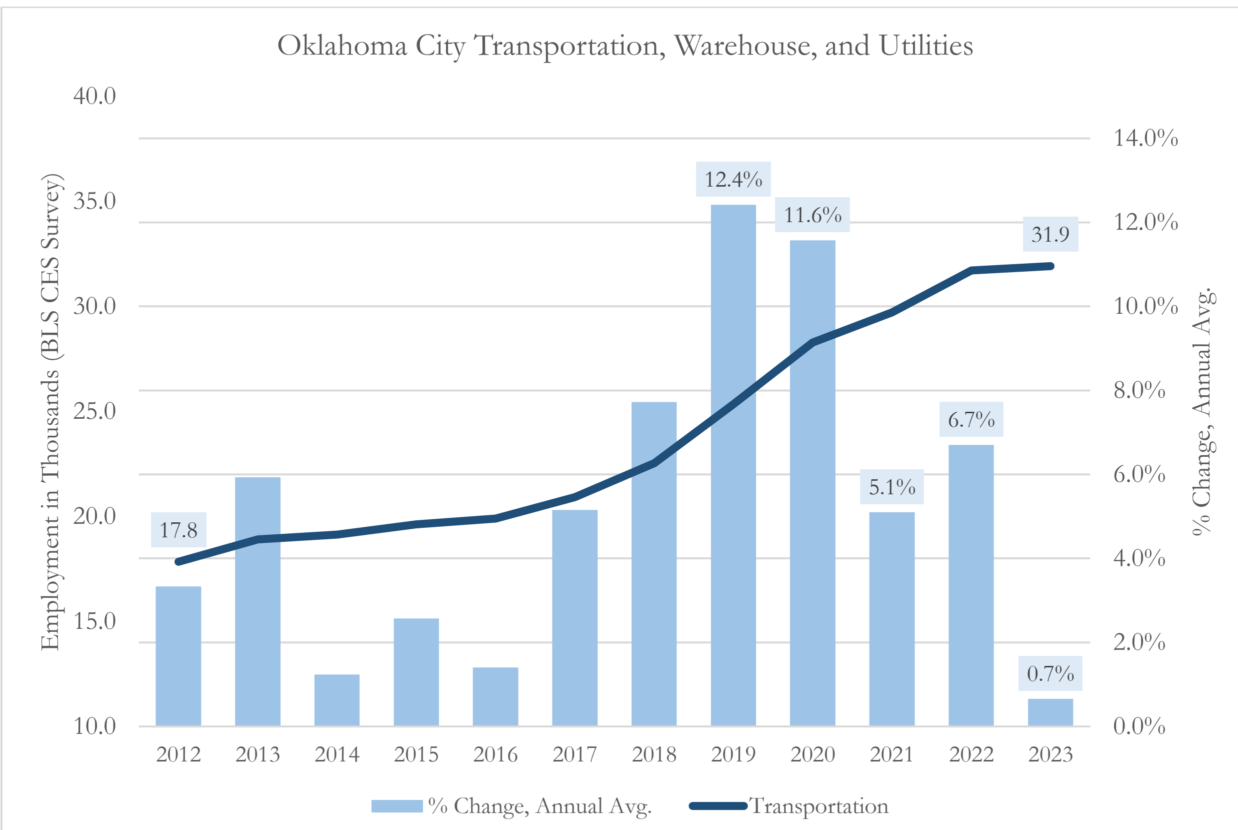


Figure 3. 8 Oklahoma City Transportation, Warehouse, and Utilities

Oklahoma City should expect a strong start to 2022. In addition to recovering some jobs in the energy sector and sustaining growth in aerospace, the metro area is likely to add jobs in business services, retail trade, health services, and financial services among others. The limiting factor to payroll job growth may indeed be the limited willingness of individuals to engage the labor market as they did before the pandemic. And long-run forces remain favorable as flows to the I-35 corridor and urbanization in the state favor the continued assertion of Oklahoma City as the state's economic leader. But in the medium term, challenges lie on the horizon. Economic activity will respond to the withdrawal of fiscal support and monetary policy adjustments to contain inflation. The difficulty is in assessing how far away on the horizon these challenges lie. Almost certainly economic activity holds strong through the spring before moderating through summer. A serious economic disruption, should it materialize, would be expected later in 2022 and as we move into 2023. This means that the uncertainty surrounding the 2022 outlook is unlikely to abate ahead of next year's effort!

THE OKLAHOMA CITY FISCAL OUTLOOK

Last year's fiscal outlook called for normalization in the economic data as policy supports were withdrawn, returning fiscal performance to average. Instead, additional layers of policy support were imposed, the relationships in the economic data were far from normal, and the fiscal performance was anything but average. The May 2021 sales tax check established a new record for the largest single-month check. But every successive sales tax check since also had bested the previous high from February 2020. The collections have been truly unprecedented.

As taxes are levies on economic activity, unprecedented tax collections point to something unprecedented in the economic conditions. In the case of FY 2022, it is easy to spot the unprecedented levels of fiscal policy support, much of it designed explicitly as direct flows into household income to prop up spending. A shift away from the joint consumption of services to the individual consumption of goods combined with behavioral constraints on mobility provided incredible tailwinds to local spending. Supply chain disruptions then added to exaggerated consumption demand from policy to put upward pressure on prices, providing further support to the sales tax base. The combined result will be FY 2022 growth of 16.5%.

The record collections conceal the truth that economic activity is not up 16.5% from a year ago. To be sure, there is legitimate strength in the Oklahoma City economy. The labor market remains tight as a strong demand for labor keeps pressure on wages, energy prices have rebounded, homes prices have appreciated, and household spending is strong. But flows of policy dollars into household budgets are receding and inflation is artificially lifting the sales tax base. Establishing sales tax expectations for the fiscal year to come requires a reconciliation of the headwinds and tailwinds identified above.

The headwinds are easier to identify. Manufacturing activity declined unexpectedly in December, not just in the U.S., but also across the developed economies of Europe and Asia. Supply chain and trade disruptions will linger into 2022. Consumer sentiment has also soured in the U.S. and abroad. The most recent University of Michigan Consumer Sentiment Index posted a ten-year low. Importantly, 33% of respondents identified their personal financial situation as worse off than a year ago. Consumer anxiety is rising from the dual threats of new COVID-19 variants and inflation, and households are facing the reality that direct flows of income support from transfer receipts aren't expected in 2022.

Programs from direct economic impact payments, to expanded childcare tax credits,to federal supplements to unemployment insurance represented direct income flow to local households. The graph below compares the policy response from the previous two recessions. The gray line (secondary axis) gives disposable personal income. Disposable personal income is comprised of wages and salaries, rent, dividends, interest, etc., and transfer receipts from the government. The orange and blue lines (primary axis) represent two major flows of transfer receipts: federal supplements to unemployment insurance and other transfers, including direct impact payments and refundable (and extended or expanded) tax credits. The difference is stark.

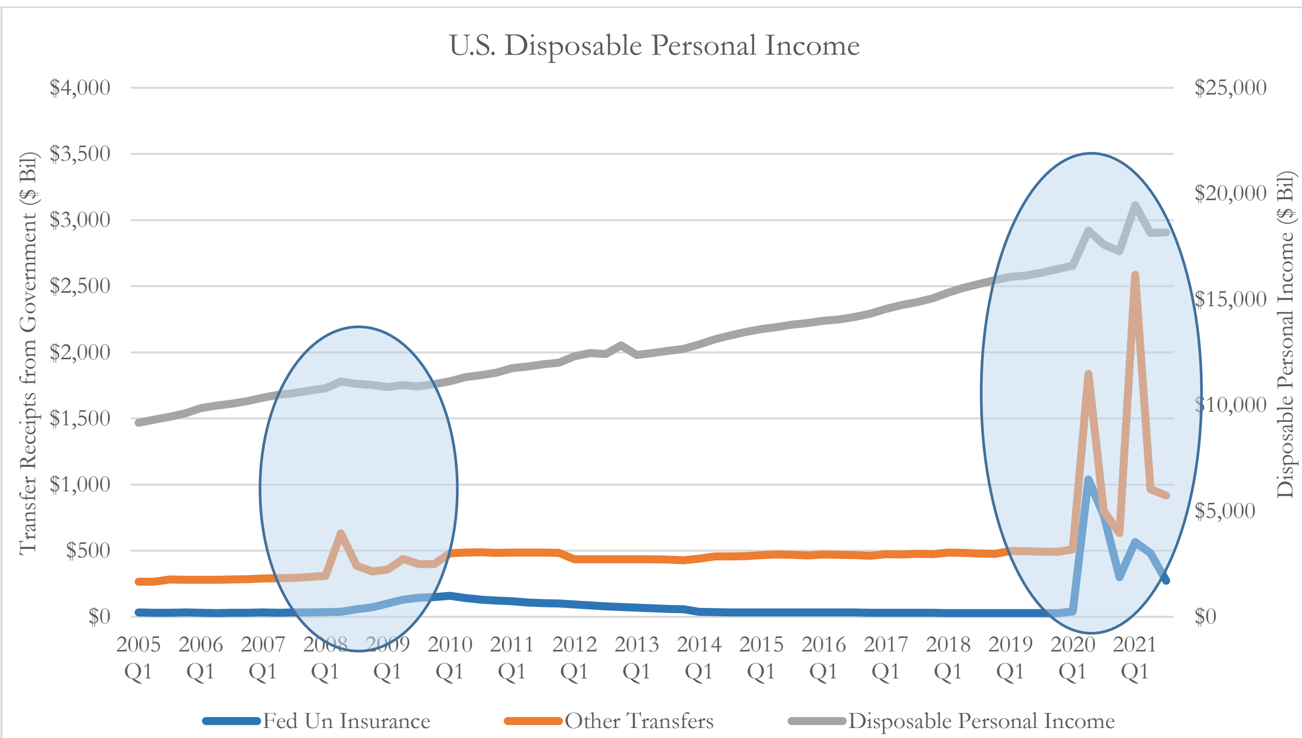


Figure 4. 1 U.S. Disposable Personal Income

In the response to the Great Recession, trillion-dollar policies were implemented to provide liquidity to the financial system, bail out struggling enterprises, and cleanse balance sheets of toxic assets. But the impact on disposable income was indirect and muted. In contrast, the response to the pandemic recession involved trillion-dollar policies designed to directly replace lost income and support household spending. The spikes in transfer receipts passed through to create a spike in disposable personal income. The artificial spikes in disposable income cannot be sustained, but only replicated through subsequent trillion-dollar policy response, and another round of trillion-dollar support is unlikely.

Without income flows to support continued spending, households will have to rely on current wages and salaries along with existing savings. Because of the trillion-dollar policy just discussed, savings rates also spiked during the pandemic response. The rate of saving is quickly trending back to historical norms indicating that households are no longer adding to their savings, or no longer reducing their reliance on revolving credit.

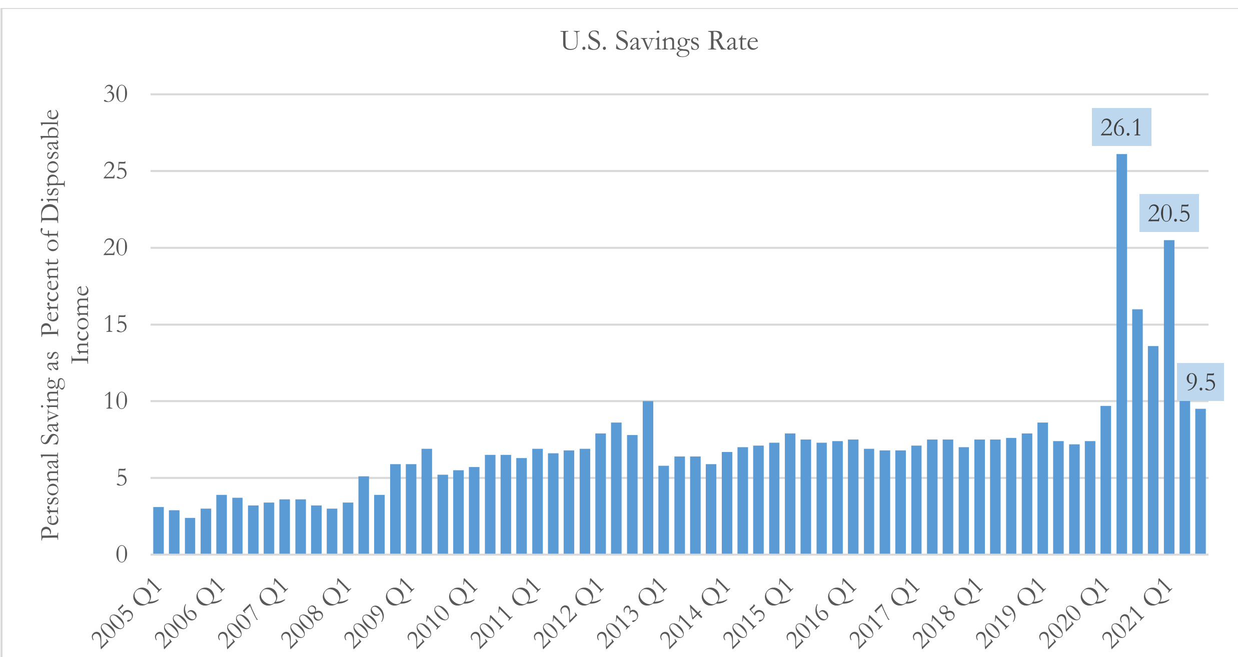


Figure 4. 2 U.S. Savings Rate

In the absence of income supports, future spending will need to be sustained by flows of wages, salaries, interest, and dividends together with residual household savings. As income falls, so will spending, but it is unknown by how much. Real spending (inflation-adjusted) is already leveling off. Real personal consumption expenditures on services are moderating, spending on core consumption (less food and energy) is flat, and real spending on goods is contracting. The slowdown in consumption is expected to continue into 2022.

While households indicated a concern that inflation will outpace their wage gains resulting in a decrease in real income and by extension real spending, policies to address inflation could have the same effect. As the federal reserve adjusts monetary policy a portion of the longstanding risk subsidy in capital markets will be pulled back. The resulting adjustment is likely to be felt across real estate markets, stock markets, and other asset markets. Wealth gains in 2021 from asset price appreciation are unlikely to be repeated in 2022 and could even see a correction. A decrease in household wealth would further constrain new spending.

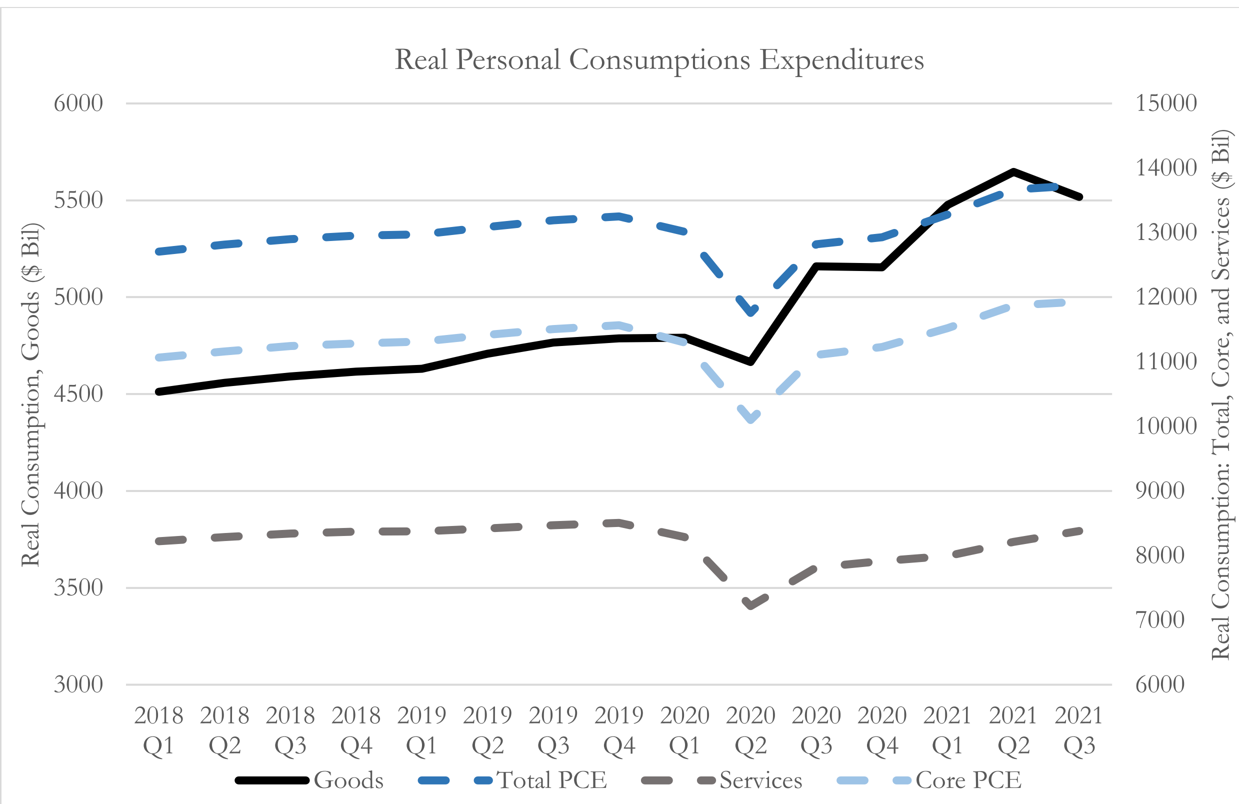


Figure 4. 3 Real Personal Consumptions Expenditures

If the headwinds to future fiscal strength are falling income support, declining real incomes, and a contractionary shift in policy to control inflation, then the tailwinds are found in residual household balance sheet strength, a robust local labor market, and upward pressure on prices that artificially increase the sales tax base. However far residual household balance sheet strength carries economic activity depends on the pace at which households spend down their savings and how successful policy is at controlling inflation without eroding household asset values. The baseline expectation is that labor market strength and residual household balance sheet strength will carry well into 2022. That is, there is very little expectation of an abrupt halt to economic activity or a national recession in the near term. Similarly, a policy shift to control inflation will be successful over time and will not immediately stop price gains at the two-percent target. A strong finish to the fiscal year of 2022 seems assured. The challenge is forming an expectation for the fiscal year of 2023 given how much is expected to change between now and then.

The biggest challenge is anchoring inflation expectations. Incorporating price expectations directly into the model is accomplished using two strategies presented as Baseline A and Baseline B below. Neither should be thought of as assuming a markedly different economic narrative, but rather each represents a different strategy for incorporating prices. In Baseline A, a traditional forecasting model is constructed using the economic outlook just presented. As a reminder, the outlook expects general economic strength to carry through the first half of the calendar year of 2022 with a deceleration to follow. Economic growth becomes a challenge in 2023. A new variable, the consumer price index (less energy) is included in the model to interact with sales tax collections, labor force growth, and earnings. In Baseline B, the same price series is used to create a real (inflation-adjusted) sales tax collections data series. The inflation-adjusted series is then used in the model together with the usual economic data. The alternative baselines are presented below.

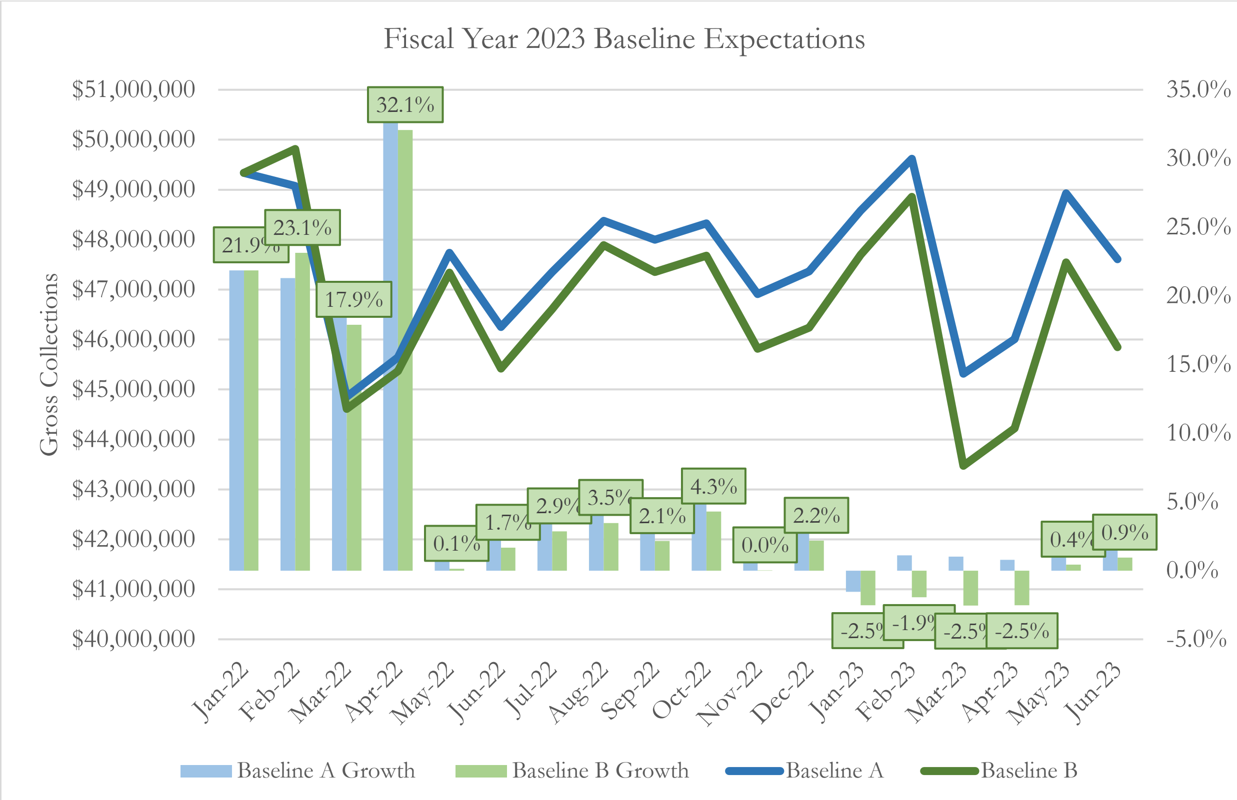


Figure 4. 4 Figure Year 2023 Baseline Expectations

	Baseline A		Baseline B	
Fiscal Year	Nominal	Inflation-Adjusted	Nominal	Inflation-Adjusted
FY 2021	2.4%	0.1%	2.4%	0.1%
FY 2022	16.7%	11.1%	16.4%	10.8%
FY 2023	2.6%	-1.1%	0.5%	-3.1%

Figure 4. 5 Fiscal Year Outlook Summary

In Baseline A, real sales tax collections fall -1.1% as there is less income in the form of transfer receipts and generally weaker economic activity to sustain the level of spending generated during the pandemic response. But even as real spending falls, lingering inflation puts upward pressure on the base for an observed FY 2023 growth of 2.6%. In Baseline B, real spending falls -3.1% with an observed FY 2023 growth of 0.5%. This range from 0.5% to 2.6% presents a reasonable place to establish initial expectations.

It should be emphasized that in the near term the risk is to the upside. Lingering support in the system, unspent recovery dollars, household savings, and rising wages all support some continued strength. But as time goes by, the risk quickly shifts to the downside. As the full effect of a policy shift is felt and existing household strength erodes, a further deterioration in real spending is likely. As an alternative scenario, the same approach is employed but with economic conditions deteriorating slowly in the middle of the year before yielding to a mild recession in the fall of 2022 that carries into 2023. This scenario hardly represents a lower bound on what could happen but does provide an early sense of what a very mild recession might entail.

	Mild Recession	
Fiscal Year	Nominal	Inflation-Adjusted
FY 2021	2.4%	0.1%
FY 2022	15.5%	10.0%
FY 2023	-4.1%	-7.6%

Figure 4. 6 Fiscal Year Recession Scenario Summary

Finally, note that in all scenarios FY 2022 inflation-adjusted sales tax activity is up between 10% and 11.1%. This growth in real spending is clearly not sustainable nor a reflection of local economic conditions alone. It reflects the artificial support of unprecedented policy. As policy is withdrawn and the economy is left to stand on its own, real activity is expected to fall. The question that dominates the uncertainty, however, is by how much.

APPENDIX A: OKLAHOMA OUTLOOK TABLES

Oklahoma Income, Population, and GDP												
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)	2023(f)
Real GDP ($Mil)	$174,874	$177,699	$189,360	$197,072	$193,025	$194,256	$197,358	$200,711	$190,894	$196,118	$207,018	$213,917
Annual Growth	5.1%	1.6%	6.6%	4.1%	-2.1%	0.6%	1.6%	1.7%	-4.9%	2.7%	5.6%	3.3%
Mining RGDP ($Mil)	$24,858	$27,345	$33,912	$42,014	$42,608	$42,841	$41,751	$45,115	$36,814	$36,194	$38,605	$40,497
Annual Growth	7.5%	10.0%	24.0%	23.9%	1.4%	0.5%	-2.5%	8.1%	-18.4%	-1.7%	6.7%	4.9%
Manufacturing RGDP ($Mil)	$17,816	$17,103	$18,002	$17,690	$15,854	$17,056	$18,723	$19,114	$17,397	$18,140	$19,150	$19,334
Annual Growth	5.8%	-4.0%	5.3%	-1.7%	-10.4%	7.6%	9.8%	2.1%	-9.0%	4.3%	5.6%	1.0%
Personal Income ($Mil)	$161,128	$169,383	$180,469	$175,134	$166,548	$174,240	$182,574	$191,367	$198,552	$212,120	$227,429	$233,775
Annual Growth	6.9%	5.1%	6.5%	-3.0%	-4.9%	4.6%	4.8%	4.8%	3.8%	6.8%	7.2%	2.8%
Population	3,819,320	3,853,891	3,879,187	3,910,518	3,928,143	3,933,602	3,943,488	3,960,676	3,980,783	3,999,879	4,012,136	4,038,748
Annual Growth	0.8%	0.9%	0.7%	0.8%	0.5%	0.1%	0.3%	0.4%	0.5%	0.5%	0.3%	0.7%
Per Capita Personal Income	$42,188	$43,951	$46,522	$44,785	$42,399	$44,295	$46,298	$48,317	$49,878	$53,032	$56,685	$57,883
Annual Growth	6.1%	4.2%	5.8%	-3.7%	-5.3%	4.5%	4.5%	4.4%	3.2%	6.3%	6.9%	2.1%
Personal Transfers ($Mil)	$28,642	$29,259	$30,173	$31,186	$32,151	$33,319	$34,371	$36,632	$46,241	$50,227	$43,543	$44,374
Annual Growth	2.2%	2.2%	3.1%	3.4%	3.1%	3.6%	3.2%	6.6%	26.2%	8.6%	-13.3%	1.9%

Oklahoma Income, Population, and GDP												
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)	2023(f)
Per Capita Personal Transfers	$7,499	$7,592	$7,778	$7,975	$8,185	$8,470	$8,716	$9,249	$11,616	$12,557	$10,853	$10,987
Annual Growth	1.4%	1.2%	2.4%	2.5%	2.6%	3.5%	2.9%	6.1%	25.6%	8.1%	-13.6%	1.2%
Personal Transfers per Worker	$12,950	$13,014	$13,275	$13,633	$14,059	$14,539	$14,868	$15,859	$20,779	$22,566	$19,045	$19,269
Annual Growth	-0.2%	0.5%	2.0%	2.7%	3.1%	3.4%	2.3%	6.7%	31.0%	8.6%	-15.6%	1.2%
Total FT and PT Employment	2,211,773	2,248,291	2,272,885	2,287,598	2,286,923	2,291,751	2,311,760	2,309,792	2,225,399	2,225,758	2,286,335	2,302,872
Annual Growth	2.5%	1.7%	1.1%	0.6%	0.0%	0.2%	0.9%	-0.1%	-3.7%	0.0%	2.7%	0.7%
Wage and Salary Employment	1,657,282	1,679,717	1,699,513	1,705,781	1,689,117	1,696,124	1,720,692	1,741,220	1,667,511	1,658,711	1,706,889	1,722,211
Annual Growth	2.0%	1.4%	1.2%	0.4%	-1.0%	0.4%	1.4%	1.2%	-4.2%	-0.5%	2.9%	0.9%
Wage and Salary Earnings	$70,150	$72,302	$75,567	$76,950	$75,695	$78,183	$82,124	$85,347	$84,265	$89,359	$95,733	$97,220
Annual Growth	6.0%	3.1%	4.5%	1.8%	-1.6%	3.3%	5.0%	3.9%	-1.3%	6.0%	7.1%	1.6%
Wage and Salary Employment Share	74.9%	74.7%	74.8%	74.6%	73.9%	74.0%	74.4%	75.4%	74.9%	74.5%	74.7%	74.8%
Annual Growth	-0.4%	-0.3%	0.1%	-0.3%	-0.9%	0.2%	0.6%	1.3%	-0.6%	-0.5%	0.2%	0.2%
Average W&S per Job	$42,328	$43,044	$44,464	$45,111	$44,813	$46,095	$47,727	$49,016	$50,533	$53,872	$56,086	$56,451
Annual Growth	3.9%	1.7%	3.3%	1.5%	-0.7%	2.9%	3.5%	2.7%	3.1%	6.6%	4.1%	0.7%
Goods Share of Nonfarm Employment	16.8%	17.0%	17.1%	16.5%	15.5%	15.6%	16.1%	15.9%	14.8%	14.5%	14.5%	14.5%
Annual Growth	3.3%	0.8%	0.6%	-3.4%	-5.9%	0.7%	3.1%	-1.0%	-6.8%	-2.6%	0.6%	0.0%
Mining/MFG Share of Real GDP	24.4%	25.0%	27.4%	30.3%	30.3%	30.8%	30.6%	32.0%	28.4%	27.7%	27.9%	28.0%
Annual Growth	1.6%	2.5%	9.6%	10.5%	0.0%	1.8%	-0.6%	4.4%	-11.3%	-2.4%	0.7%	0.3%

Oklahoma Employment Outlook by Sector												
Industry/ Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)	2023(f)
Nonfarm	1,614.0	1,635.3	1,656.4	1,667.9	1,653.4	1,662.5	1,689.2	1,705.1	1,621.4	1,635.2	1,689.7	1,698.8
% Change, Annual Avg.	2.3%	1.3%	1.3%	0.7%	-0.9%	0.5%	1.6%	0.9%	-4.9%	0.8%	3.3%	0.5%
Private	1,266.9	1,286.7	1,308.0	1,316.7	1,301.2	1,313.3	1,340.7	1,352.1	1,275.9	1,292.6	1,338.4	1,353.0
% Change, Annual Avg.	2.7%	1.6%	1.7%	0.7%	-1.2%	0.9%	2.1%	0.9%	-5.6%	1.3%	3.5%	1.1%
Goods	271.4	277.3	282.5	274.7	256.1	259.4	271.9	271.6	240.7	236.4	245.7	246.9
% Change, Annual Avg.	5.7%	2.2%	1.9%	-2.8%	-6.8%	1.3%	4.8%	-0.1%	-11.4%	-1.8%	3.9%	0.5%
Services	1,342.6	1,358.0	1,373.9	1,393.2	1,397.3	1,403.1	1,417.3	1,433.5	1,380.8	1,398.8	1,444.0	1,451.9
% Change, Annual Avg.	1.6%	1.1%	1.2%	1.4%	0.3%	0.4%	1.0%	1.1%	-3.7%	1.3%	3.2%	0.5%
Mining (Oil and Gas)	58.6	60.1	62.2	54.4	44.2	48.1	52.8	47.8	30.6	27.3	32.0	29.2
% Change, Annual Avg.	13.0%	2.5%	3.5%	-12.6%	-18.7%	8.9%	9.9%	-9.5%	-36.1%	-10.8%	17.4%	-8.7%
Construction	70.5	74.8	75.5	77.6	77.5	77.5	80.4	82.7	78.8	79.9	82.3	84.4
% Change, Annual Avg.	3.2%	6.1%	0.9%	2.8%	0.0%	0.0%	3.6%	2.9%	-4.8%	1.4%	3.1%	2.4%
Manufacturing	142.4	142.4	144.8	142.8	134.4	133.8	138.6	141.1	131.3	129.2	131.4	133.4
% Change, Annual Avg.	4.2%	0.1%	1.7%	-1.4%	-5.8%	-0.5%	3.6%	1.7%	-6.9%	-1.6%	1.6%	1.5%

Oklahoma Employment Outlook by Sector												
Industry/ Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)	2023(f)
Trade, Transportation, & Utilities	281.7	287.3	294.5	299.6	298.5	295.8	298.8	301.7	300.0	305.5	312.1	313.3
% Change, Annual Avg.	2.7%	2.0%	2.5%	1.7%	-0.4%	-0.9%	1.0%	1.0%	-0.6%	1.8%	2.2%	0.4%
Wholesale Trade	56.7	57.9	59.5	58.5	56.5	56.8	57.5	58.0	55.0	54.5	56.1	56.5
% Change, Annual Avg.	3.6%	2.1%	2.8%	-1.6%	-3.4%	0.4%	1.3%	0.9%	-5.1%	-0.9%	2.9%	0.8%
Retail Trade	173.2	175.1	178.8	183.2	183.8	179.2	178.2	176.9	174.6	179.1	181.4	180.0
% Change, Annual Avg.	1.5%	1.1%	2.1%	2.5%	0.3%	-2.5%	-0.6%	-0.7%	-1.3%	2.6%	1.3%	-0.8%
Transport, Warehouse, & Utilities	51.9	54.4	56.2	57.9	58.2	59.8	63.1	66.8	70.3	71.9	74.6	76.8
% Change, Annual Avg.	6.0%	4.8%	3.3%	3.1%	0.5%	2.8%	5.5%	5.8%	5.3%	2.2%	3.8%	2.9%
Utilities	10.8	10.8	11.1	10.9	10.1	9.7	9.7	9.7	9.5	9.6	9.7	9.6
% Change, Annual Avg.	3.5%	-0.2%	2.8%	-1.7%	-7.6%	-3.4%	-0.4%	0.2%	-1.8%	0.9%	0.8%	-0.5%
Transport & Warehouse	41.1	43.6	45.1	47.0	48.1	50.1	53.4	57.1	60.8	62.3	64.9	67.1
% Change, Annual Avg.	6.7%	6.2%	3.4%	4.2%	2.4%	4.1%	6.7%	6.8%	6.5%	2.5%	4.3%	3.4%
Information	22.5	21.8	21.2	21.2	21.2	20.5	19.9	19.7	18.3	17.6	18.3	17.9
% Change, Annual Avg.	-2.5%	-3.0%	-2.7%	0.0%	-0.1%	-3.3%	-2.8%	-1.2%	-7.2%	-4.0%	4.3%	-2.1%
Publishing	5.4	5.4	5.2	5.1	5.0	4.6	4.3	3.7	3.3	3.0	3.1	2.8
% Change, Annual Avg.	-0.9%	0.3%	-3.7%	-2.2%	-2.0%	-7.4%	-7.4%	-13.1%	-12.4%	-7.9%	3.1%	-9.7%
Financial Services	78.2	78.9	79.5	79.5	78.8	78.9	79.1	79.4	76.7	77.4	80.5	80.4
% Change, Annual Avg.	0.7%	1.0%	0.8%	0.0%	-0.9%	0.1%	0.4%	0.3%	-3.4%	0.9%	4.0%	-0.1%
Professional & Business Services	180.9	182.7	185.9	185.7	183.2	187.2	192.5	195.9	183.5	185.9	192.6	195.5
% Change, Annual Avg.	2.1%	1.0%	1.7%	-0.1%	-1.4%	2.2%	2.8%	1.8%	-6.3%	1.3%	3.6%	1.5%
Scientific Services	66.4	67.5	68.3	69.6	69.6	70.4	73.1	75.1	73.0	74.7	76.3	77.9
% Change, Annual Avg.	2.5%	1.6%	1.2%	1.9%	0.0%	1.1%	3.8%	2.9%	-2.9%	2.4%	2.1%	2.1%
Management	18.6	19.0	19.2	19.6	19.7	19.8	20.4	21.5	20.3	19.8	20.6	21.4
% Change, Annual Avg.	5.6%	2.2%	0.7%	2.0%	0.6%	0.6%	2.9%	5.5%	-5.7%	-2.5%	4.3%	3.7%
Administrative & Support	95.9	96.2	98.4	96.6	93.9	97.0	99.1	99.3	90.2	91.4	95.7	96.3
% Change, Annual Avg.	1.2%	0.3%	2.3%	-1.8%	-2.8%	3.3%	2.1%	0.2%	-9.1%	1.2%	4.7%	0.6%

Oklahoma Employment Outlook by Sector												
Industry/ Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)	2023(f)
Education & Health	226.2	227.7	228.1	231.6	233.8	235.3	236.3	240.5	235.6	236.1	241.1	243.5
% Change, Annual Avg.	1.4%	0.6%	0.2%	1.5%	0.9%	0.7%	0.4%	1.8%	-2.0%	0.2%	2.1%	1.0%
Education	19.2	19.4	19.7	20.0	20.0	19.7	19.9	20.4	19.6	20.5	21.2	21.1
% Change, Annual Avg.	1.0%	1.2%	1.5%	1.1%	0.1%	-1.2%	0.8%	2.4%	-3.9%	4.8%	3.4%	-0.7%
Health Services	207.0	208.3	208.4	211.6	213.8	215.6	216.4	220.1	216.0	215.5	219.9	222.4
% Change, Annual Avg.	1.4%	0.6%	0.0%	1.6%	1.0%	0.8%	0.4%	1.7%	-1.8%	-0.2%	2.0%	1.1%
Leisure Services	147.4	151.9	156.2	162.0	165.3	167.5	171.7	174.2	156.5	168.4	175.5	181.0
% Change, Annual Avg.	3.0%	3.0%	2.9%	3.7%	2.0%	1.4%	2.5%	1.4%	-10.1%	7.6%	4.2%	3.1%
Arts & Recreation	14.5	14.9	15.1	16.4	16.9	17.1	17.6	18.3	15.7	16.6	17.4	18.6
% Change, Annual Avg.	1.6%	2.5%	1.6%	8.5%	3.3%	0.7%	2.9%	3.9%	-13.9%	5.6%	4.9%	6.9%
Accommodation & Food Services	132.9	137.0	141.1	145.6	148.3	150.5	154.2	156.0	140.8	151.8	158.1	162.4
% Change, Annual Avg.	3.2%	3.1%	3.0%	3.1%	1.9%	1.4%	2.5%	1.2%	-9.7%	7.8%	4.1%	2.7%
Other Services	58.6	59.1	60.1	62.4	64.3	68.7	70.5	69.2	64.7	65.1	68.9	70.4
% Change, Annual Avg.	-0.4%	0.9%	1.7%	3.7%	3.0%	6.9%	2.5%	-1.8%	-6.5%	0.7%	5.8%	2.1%
Government	347.2	348.6	348.4	351.2	352.3	349.2	348.5	353.0	345.6	343.5	350.9	350.5
% Change, Annual Avg.	1.0%	0.4%	-0.1%	0.8%	0.3%	-0.9%	-0.2%	1.3%	-2.1%	-0.6%	2.2%	-0.1%
Federal	48.4	47.1	46.3	46.9	48.1	48.5	49.2	49.7	51.1	50.3	50.2	50.0
% Change, Annual Avg.	-1.6%	-2.5%	-1.8%	1.4%	2.5%	0.9%	1.3%	1.1%	2.9%	-1.6%	-0.3%	-0.3%
State	86.4	86.3	85.8	85.6	84.9	83.3	81.5	81.1	79.7	80.0	80.5	79.4
% Change, Annual Avg.	1.9%	-0.2%	-0.6%	-0.3%	-0.8%	-1.9%	-2.1%	-0.5%	-1.7%	0.3%	0.7%	-1.4%
Local	212.4	215.1	216.3	218.7	219.2	217.4	217.8	222.2	214.7	213.2	220.2	221.0
% Change, Annual Avg.	1.2%	1.3%	0.5%	1.1%	0.2%	-0.8%	0.2%	2.0%	-3.4%	-0.7%	3.3%	0.4%
Tribal	39.9	41.8	42.3	44.1	46.1	47.1	47.8	48.9	47.2	49.4	51.8	52.7
% Change, Annual Avg.	0.1%	4.8%	1.3%	4.1%	4.6%	2.1%	1.7%	2.1%	-3.3%	4.6%	4.9%	1.6%

APPENDIX B: OKLAHOMA CITY OUTLOOK TABLES

Oklahoma City MSA Income, Population, and Earnings												
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)	2023(f)
Real GDP ($Mil)	$67,598	$69,543	$73,572	$79,155	$78,725	$79,455	$80,824	$81,743	$77,309	$80,353	$85,947	$89,976
Annual Growth	6.5%	2.9%	5.8%	7.6%	-0.5%	0.9%	1.7%	1.1%	-5.4%	3.9%	7.0%	4.7%
Personal Income ($Mil)	$56,066	$57,847	$61,485	$62,487	$61,996	$64,576	$67,352	$72,485	$75,100	$81,543	$86,212	$88,023
Annual Growth	5.6%	3.2%	6.3%	1.6%	-0.8%	4.2%	4.3%	7.6%	3.6%	8.6%	5.7%	2.1%
Population	1,298,039	1,320,416	1,336,537	1,357,524	1,373,495	1,381,897	1,394,449	1,409,988	1,425,375	1,440,448	1,461,484	1,486,707
Annual Growth	1.6%	1.7%	1.2%	1.6%	1.2%	0.6%	0.9%	1.1%	1.1%	1.1%	1.5%	1.7%
Per Capita Personal Income	$43,193	$43,810	$46,003	$46,030	$45,138	$46,730	$48,300	$51,408	$52,688	$56,609	$58,989	$59,207
Annual Growth	3.9%	1.4%	5.0%	0.1%	-1.9%	3.5%	3.4%	6.4%	2.5%	7.4%	4.2%	0.4%
Total FT and PT Employment	814,008	832,875	846,322	857,636	862,819	868,834	883,712	886,349	853,217	857,770	887,751	895,414
Annual Growth	3.0%	2.3%	1.6%	1.3%	0.6%	0.7%	1.7%	0.3%	-3.7%	0.5%	3.5%	0.9%
Personal Transfers ($Mil)	$8,420	$8,714	$9,032	$9,376	$9,663	$10,122	$10,533	$11,245	$14,325	$15,606	$13,483	$13,762
Annual Growth	2.9%	3.5%	3.6%	3.8%	3.1%	4.7%	4.1%	6.8%	27.4%	8.9%	-13.6%	2.1%
Transfers per Worker	$10,344	$10,463	$10,672	$10,933	$11,200	$11,650	$11,919	$12,686	$16,789	$18,194	$15,188	$15,370
Annual Growth	0.0%	1.2%	2.0%	2.4%	2.4%	4.0%	2.3%	6.4%	32.3%	8.4%	-16.5%	1.2%
Avg. Wage and Salary per Job	$44,782	$45,733	$47,234	$48,012	$47,768	$49,442	$51,030	$52,173	$54,002	$57,389	$59,324	$59,658
Annual Growth	3.7%	2.1%	3.3%	1.6%	-0.5%	3.5%	3.2%	2.2%	3.5%	6.3%	3.4%	0.6%

Oklahoma City Employment Outlook by Sector												
Industry/Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)	2023(f)
Nonfarm	594.7	608.7	620.5	630.4	629.8	635.7	649.4	660.9	628.0	638.9	664.8	680.4
% Change, Annual Avg.	2.5%	2.4%	1.9%	1.6%	-0.1%	0.9%	2.2%	1.8%	-5.0%	1.7%	4.1%	2.3%
Private	472.2	484.1	495.8	503.4	500.8	507.4	520.8	530.6	500.2	513.3	534.0	543.0
% Change, Annual Avg.	3.0%	2.5%	2.4%	1.5%	-0.5%	1.3%	2.6%	1.9%	-5.7%	2.6%	4.0%	1.7%
Goods	81.6	84.5	87.5	86.6	80.4	81.6	85.7	85.5	73.9	72.2	75.2	78.8
% Change, Annual Avg.	7.7%	3.5%	3.6%	-1.0%	-7.2%	1.4%	5.0%	-0.2%	-13.5%	-2.3%	4.1%	4.9%
Services	513.0	524.2	533.0	543.7	549.4	554.2	563.8	575.5	554.2	566.7	589.6	601.5
% Change, Annual Avg.	1.7%	2.2%	1.7%	2.0%	1.0%	0.9%	1.7%	2.1%	-3.7%	2.3%	4.0%	2.0%
Mining (Oil and Gas)	20.0	20.8	21.6	19.9	16.5	18.7	21.6	18.9	10.5	8.0	9.4	11.6
% Change, Annual Avg.	17.7%	4.3%	3.5%	-7.5%	-17.1%	13.3%	15.2%	-12.4%	-44.7%	-23.4%	17.7%	23.5%
Construction	26.6	27.2	28.4	29.3	29.3	29.4	30.2	32.1	31.4	31.0	32.2	33.1
% Change, Annual Avg.	2.5%	2.2%	4.6%	3.0%	0.3%	0.2%	2.8%	6.2%	-2.2%	-1.4%	4.1%	2.7%
Manufacturing	35.1	36.5	37.5	37.4	34.5	33.4	33.9	34.5	32.1	33.2	33.5	34.1
% Change, Annual Avg.	6.6%	4.0%	2.9%	-0.2%	-7.7%	-3.2%	1.4%	1.7%	-7.0%	3.7%	0.8%	1.7%

Oklahoma City Employment Outlook by Sector

Industry/Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)	2023(f)
Trade, Transportation, & Utilities	102.8	106.9	109.4	111.7	112.0	111.5	112.8	115.4	115.7	119.3	123.6	125.1
% Change, Annual Avg.	2.9%	4.0%	2.4%	2.1%	0.2%	-0.4%	1.1%	2.3%	0.2%	3.2%	3.6%	1.2%
Wholesale Trade	22.6	23.7	24.3	24.5	23.8	23.9	24.0	24.2	22.6	22.2	22.8	23.4
% Change, Annual Avg.	5.5%	5.2%	2.4%	0.6%	-2.5%	0.3%	0.3%	0.7%	-6.6%	-1.8%	3.0%	2.7%
Retail Trade	62.4	64.2	66.0	67.7	68.2	66.7	66.2	65.9	64.9	67.5	69.1	69.8
% Change, Annual Avg.	1.9%	3.0%	2.7%	2.6%	0.9%	-2.3%	-0.7%	-0.5%	-1.6%	4.0%	2.4%	1.0%
Transport, Warehouse & Utilities	17.8	18.9	19.1	19.6	19.9	20.9	22.5	25.3	28.3	29.7	31.7	31.9
% Change, Annual Avg.	3.3%	5.9%	1.2%	2.6%	1.4%	5.2%	7.7%	12.4%	11.6%	5.1%	6.7%	0.7%
Information	8.6	8.2	8.1	8.3	8.2	7.7	7.4	7.1	6.1	5.5	5.3	5.1
% Change, Annual Avg.	0.0%	-4.7%	-0.7%	1.5%	-1.2%	-6.0%	-4.1%	-3.7%	-13.9%	-9.6%	-4.2%	-2.5%
Financial Services	31.8	32.4	33.2	33.4	33.2	33.3	33.4	33.8	33.7	34.2	35.9	36.3
% Change, Annual Avg.	3.0%	2.0%	2.3%	0.7%	-0.7%	0.3%	0.3%	1.4%	-0.5%	1.7%	5.0%	1.0%
Professional & Business Services	76.8	77.6	78.7	79.7	79.6	81.5	85.6	88.1	81.7	82.9	88.3	90.5
% Change, Annual Avg.	1.3%	1.1%	1.4%	1.2%	0.0%	2.3%	5.0%	3.0%	-7.2%	1.5%	6.5%	2.5%
Scientific Services	30.0	29.9	30.2	31.2	32.4	33.2	34.3	35.6	34.7	34.5	36.5	37.9
% Change, Annual Avg.	2.8%	-0.2%	0.9%	3.5%	3.7%	2.6%	3.4%	3.6%	-2.3%	-0.6%	5.6%	3.9%
Management	8.8	9.0	9.4	9.5	9.5	9.8	10.5	10.9	9.5	8.8	9.8	10.6
% Change, Annual Avg.	12.8%	2.5%	4.5%	1.2%	-0.5%	3.3%	6.7%	4.1%	-13.1%	-7.5%	12.0%	8.2%
Administrative & Support	38.1	38.7	39.1	38.9	37.8	38.5	40.8	41.7	37.5	39.6	42.0	42.0
% Change, Annual Avg.	-2.1%	1.8%	1.1%	-0.5%	-2.9%	1.9%	5.9%	2.1%	-9.9%	5.6%	6.1%	0.0%

Oklahoma City Employment Outlook by Sector												
Industry/Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)	2023(f)
Education & Health	86.4	88.0	88.9	90.5	91.2	92.0	93.4	97.3	96.6	100.9	105.7	107.9
% Change, Annual Avg.	2.4%	1.7%	1.1%	1.8%	0.7%	1.0%	1.5%	4.2%	-0.8%	4.5%	4.8%	2.1%
Health Services	77.4	78.7	79.5	81.1	81.9	83.0	83.8	87.3	86.5	90.2	94.6	96.6
% Change, Annual Avg.	2.5%	1.7%	1.0%	2.0%	1.0%	1.3%	1.0%	4.1%	-0.8%	4.3%	4.8%	2.1%
Leisure Services	61.7	64.2	65.9	68.0	70.0	71.7	73.8	74.6	65.6	70.7	75.4	79.9
% Change, Annual Avg.	2.9%	4.0%	2.7%	3.1%	2.9%	2.5%	2.9%	1.0%	-12.1%	7.7%	6.7%	5.9%
Accommodation & Food Services	22.4	22.4	24.0	25.2	26.4	28.2	28.8	28.8	27.0	27.8	29.7	31.4
% Change, Annual Avg.	-1.4%	0.0%	7.3%	5.0%	4.5%	6.8%	2.3%	-0.1%	-6.2%	2.8%	6.7%	6.0%
Government	122.5	124.6	124.7	127.0	129.0	128.3	128.7	130.3	127.8	125.4	128.3	132.4
% Change, Annual Avg.	0.6%	1.7%	0.1%	1.8%	1.6%	-0.5%	0.3%	1.3%	-1.9%	-1.9%	2.3%	3.2%
Federal	28.2	27.6	26.9	27.4	28.3	28.8	29.2	29.3	30.1	29.9	30.5	30.8
% Change, Annual Avg.	-0.6%	-2.2%	-2.4%	2.0%	3.2%	1.7%	1.2%	0.6%	2.6%	-0.8%	2.0%	1.1%
State	42.4	43.5	44.4	45.3	46.2	45.8	45.5	45.8	44.6	44.1	45.5	46.6
% Change, Annual Avg.	0.8%	2.6%	2.0%	2.0%	2.0%	-0.8%	-0.8%	0.6%	-2.6%	-1.0%	3.1%	2.5%
Local	51.9	53.6	53.5	54.3	54.5	53.7	54.0	55.2	53.2	51.4	52.3	55.0
% Change, Annual Avg.	1.2%	3.2%	-0.2%	1.5%	0.4%	-1.5%	0.7%	2.2%	-3.7%	-3.3%	1.7%	5.1%

SECTION 5

SUCCESSFUL OUTCOMES AND FORECAST ISSUES

SUCCESSFUL OUTCOMES

Every year the Office of Management and Budget asks staff from each Department to identify the top three financial issues they will be facing over the next five years. When the need is met, the issue drops off the list. Issues with successful outcomes were able to align to financial resources with long-term service objectives and were made possible by identifying issues early so that staff could develop and evaluate strategies that were then recommended to City Council. To share those successful outcomes and close the communication loop, 15 previous issues have been summarized on the following pages.

The goal is to provide an "early warning system" about significant financial issues that are generally beyond the scope of the annual budget process.

EARLY WARNING SYSTEM

The Forecast Issues section highlights key financial issues facing departments in the coming years. By raising awareness of the issues being faced in the intermediate and long-term future and highlighting the consequences of not addressing them, we are able to identify issues for further examination, discussion, and action. Many of these issues are ongoing needs that do not have a specific deadline for addressing them. Some issues, however, do have specific legal or other deadlines. Where there is a specific timeframe, the fiscal year when action must be completed has been identified.

Highlighted Issues. Issues that have a significant impact on services provided to citizens, City operations, or funding sources are highlighted for additional attention and begin on page 100. This year we are highlighting seven major issues for additional attention. A few of these issues are cross-cutting issues that impact multiple departments, such as capital maintenance costs, employee recruitment, and classification and compensation. The discussion on each issue includes the possible direction or next steps for the issue to stimulate conversation and action.

Department Issues. Overall, there are a total of 52 issues that departments are facing, including the eight major issues highlighted. Also included is a narrative from each department that provides a short description of the most critical issues they are facing over the next five years.

LONG-TERM REVENUE ENHANCEMENT

The list of needs facing City departments is extensive. While some of the smaller cost items may be addressed through the current revenue structure, effectively addressing the critical higher cost issues will require new revenue sources. Possible available revenue sources that provide significant revenue include: property tax for capital and/or operations; increasing the rate for taxes such as Hotel Tax; expanding the sales tax base to tax services that are currently exempt; and enacting new taxes such as a City Fuel Tax. Any new or increased taxes would require a vote of the people to enact, and property tax for operations would also require a change in Oklahoma law to allow municipalities to use property tax for operations as counties and schools do now.

SUCCESSFUL OUTCOMES

COVID-19 RESPONSE

DEPARTMENT:
Multiple Departments

OVERVIEW:
The COVID-19 pandemic wreaked havoc on the Oklahoma City economy. Through the federal CARES Act and later the Emergency Rental Assistance Program (ERAP), the City was able to administer programs that served as a life line to many local businesses and residents. Working with multiple partners, such as the Communities Foundation of Oklahoma, American Fidelity and the Alliance for Economic Development, the City was able to quickly establish programs that helped businesses and individuals cope with the economic fallout from the pandemic by providing millions of dollars in assistance through multiple programs.

STATUS:
The CARES Act and ERAP funds have all been spent. Work is ongoing with partners on the second ERAP and the American Rescue Plan Act to assist businesses and residents impacted by COVID-19.

FUNDING SOURCE
Federal Grants

Cost: $275 million

MAPS 4

DEPARTMENT:
Mayor and Council

OVERVIEW:
Oklahoma City voters overwhelmingly approved a new chapter in Oklahoma City's renaissance with the passage of MAPS 4 on December 10, 2019. MAPS 4 has a broad focus on an array of human and community needs such as, homelessness, mental health and family justice centers, neighborhood parks and youth centers, senior wellness centers, transit improvements, new sidewalks, the Clara Luper Civil Rights Center, a multi-purpose stadium, a new animal shelter, and a new Fairgrounds arena.

STATUS:
City Council has selected the members of the citizen advisory board that will help guide the MAPS 4 program and the program consultant ADG. Together, they will develop an implementation plan for City Council consideration in 2021.

FUNDING SOURCE:
MAPS 4 sales tax began on April 1, 2020

PROJECTED REVENUE:
$978 million over eight years

PUBLIC SAFETY CAPITAL FUNDING

DEPARTMENT:
Fire, Police

OVERVIEW:
The City has funded public safety capital expenses, including equipment, vehicles and technology, through temporary use taxes in recent years. The MAPS 3 use tax expired in FY19 and the Better Streets, Safer City use tax is expected to fund Police and Fire's capital needs through FY21. When the MAPS 4 program and sales tax was approved by the city's voters on December 10, 2019, the ability to start collecting a new use tax of equal rate to the sales tax was secured. The MAPS 4 use tax will provide Fire and Police with a dedicated capital funding source for at least the next eight years.

STATUS:
Dedicated funding secured with approval of the MAPS 4 program

FUNDING SOURCE:
MAPS 4 use tax started being collected in Spring 2020

COST:
$12-$15 million annually

SUCCESSFUL OUTCOMES

GO BOND PACKAGE

DEPARTMENTS:
Public Works, Parks, Planning

OVERVIEW:
A $967 million General Obligation (GO) Bond Package was approved by Oklahoma City voters in September 2017. The package included 13 propositions to fund projects throughout the City and will succeed the 2007 package which is almost complete.

Streets/Sidewalks	$491 million
Traffic Control	$28 million
Bridges	$27 million
Parks	$138 million
Drainage Control	$62 million
Economic Dev	$60 million
Fire	$45 million
Police	$31 million
Libraries	$24 million
Transit	$20 million
Civic Center	$20 million
Maintenance Facilities	$13 million
Downtown Arena	$9 million

STATUS:
$410.5 million of 2017 GO Bond Funds have been sold year to date.

FUNDING SOURCE:
Property Taxes: millage rate to remain at or below 16 mills as it has been since the 1980s

COST: $967 million

BETTER STREETS
SAFER CITY

ONE CENT TEMPORARY TAX

DEPARTMENT:
Public Works, Parks, Planning

OVERVIEW:
Oklahoma City voters approved the 27-month "Better Streets, Safer City" temporary sales tax in September 2017. All sales tax collections have been completed for this program with actual collections plus interest totaling over $261 million, which is $21 million above the original projection. As of October 2021, $245 million has been allocated to projects with $164 million of projects completed or under construction. Project categories include Street Resurfacing, Street Enhancements, Sidewalks, Trails, and Bicycle Infrastructure. All remaining projects are expected to be completed by the end of 2022.

STATUS:
178 Projects Completed
97 Projects in Construction
23 Awaiting Contract Award

FUNDING SOURCE:
27-month penny sales tax

REVENUE COLLECTED:
$261 million

TERMINAL EXPANSION

DEPARTMENT: Airports

OVERVIEW:
The Will Rogers World Airport terminal expansion project adds an additional 133,022 square feet of new terminal space and renovates 43,473 square feet of existing terminal space. Other main components of this project include the addition of a four-gate concourse with increased hold room seating, two large meet and greet lobbies, new passenger boarding bridges that bring the number of departure gates to 21, a mezzanine level circulation area, a centralized passenger security checkpoint, a large hold room for international or diverted flights, administrative office space, additional concession space (food and retail), technology improvements, and an area for future customs inspections facility.

STATUS:
Four new gates became operational October 2021.

FUNDING SOURCE:
Thirty Third Series Bonds, trust revenue and passenger facility charges

COST: $90 million

SUCCESSFUL OUTCOMES

OPEN RECORDS REQUESTS

DEPARTMENT:
City Clerk's Office

OVERVIEW:
Due to the increasingly high volume of open records requests, the City implemented a new technological solution to address the need for timely responses. The system tracks requests and documents through workflow, allowing complete oversight of the request from beginning to end, ensuring all steps have been taken to fulfill legal requirements and provide high quality service to residents.

STATUS:
The JustFOIA system was launched November 13, 2018, and has over 200 users citywide, facilitating responses to 500 requests monthly. The software was upgraded to enable the public to submit payment for records through the City's website. This improvement to services increases accessibility to public records.

FUNDING SOURCE:
General Fund

COST:
$12,000 annually

EXPANDED BUS SERVICE

DEPARTMENT:
Public Transportation & Parking

OVERVIEW:
Since 2014 EMBARK has incrementally implemented most of the recommendations from the previous Transit System Analysis conducted by Nelson Nygard resulting in more intuitive routes, clockface headways, improved frequency, and additional service hours and days. Holiday bus service was added in FY20 providing service 365 days a year. Sunday bus service was implemented in FY19, which includes 16 routes with one-hour frequency from 6:00 a.m. to 6:30 p.m. The service level moves Oklahoma City in-line with other major cities that provide bus service 7 days a week.

STATUS:
Substantially Completed.

FUNDING SOURCE:
General Fund payment to Central Oklahoma Transportation and Parking Authority (COTPA); fare revenue; and federal maintenance reimbursement.

COST:
$1.6 million annually for 22 additional positions, fuel, and vehicle maintenance costs.

RESIDENT SATISFACTION RATING

DEPARTMENT:
ALL DEPARTMENTS

OVERVIEW:
One of the City Council's seven Council priorities is to uphold high standards for all city services. Based on the results from the annual Resident Survey, resident satisfaction on the quality of customer service from city employees has increased from 56% in 2016 to 67% in 2021 and the quality of services provided by the city increased from 57% in 2016 to 69% in 2021. The positive interactions that residents have with City employees is critical to maintain the trust of our residents and is a key indicator of how well the City is meeting the needs of residents. Providing high-quality service helps improve the quality of life in our city and helps make Oklahoma City an attractive place for residents, visitors, and businesses.

STATUS:
Significantly Improved.

FUNDING SOURCE:
All City Funds

SUCCESSFUL OUTCOMES

PRIME GOVERNMENT SOLUTIONS

DEPARTMENT:
City Clerk's Office

OVERVIEW:
The City Council approved and awarded a service agreement with Prime Government Solutions, LLC to provide an Agenda Management System to the City of Oklahoma City and its trusts. The upgrade functions as the centralized legislative process management tool and manages the City's legislative process in an electronic environment. In the Spring of 2020, implementation of the system was pushed up to help accommodate voting in the virtual environment due to COVID-19. In the Fall of 2020, the City Council and several Boards and Trusts went live using the system for complete Agenda Management, Live Meeting, and post meeting processes.

STATUS:
Service agreement awarded November 2018 and is ongoing.

FUNDING SOURCE:
General Fund

COST: $43,200 annually

OKC CONVENTION CENTER OPENING

DEPARTMENT:
MAPS

OVERVIEW:
Funded by the voter approved MAPS 3 sales tax, the Oklahoma City Convention Center opened in January 2021 and is a 500,000 square foot facility that includes a 200,730 square foot exhibit hall, a 29,874 square foot ballroom, and a terrace that overlooks Scissortail Park. There are 27 meeting rooms and nearly 45,000 square feet of meeting space.. The convention center which is adjacent to the newly opened OMNI Hotel has positioned the City to better compete with other Cities in attracting major conventions while also creating local jobs and bringing million of dollars of business and tax revenue to Oklahoma City. The convention center has has won mutliple awards including the International Partnering Institute Project of the Year award for 2021.

STATUS:
Opened in January 2021

FUNDING SOURCE:
MAPS 3 Sales Tax

COST:
$288 million

FAM GRAND OPENING

DEPARTMENT:
Oklahoma Economic Development Trust, Parks and Recreation Department

OVERVIEW:
The First Americans Museum (FAM) officially opened to the public on September 18, 2021, after decades of planning, design, and construction. The FAM offers collective histories of 39 distinct First American Nations that are still present in Oklahoma. It shares the cultural diversity, history, and contributions of the First Americans, including an exhibit from the Smithsonian's National Museum of the American Indian. The City of Oklahoma City has partnered with the Chickasaw Nation and the AICCF to support operations of the museum. In addition, the FAM has contracted with the Parks and Recreation Department to provide landscape maintenance.

STATUS:
Opened September 18, 2021

FUNDING SOURCE:
General Fund

COST:
FY22 subsidy $750,000 increasing to an estimated $2 million annually in future years.

SUCCESSFUL OUTCOMES

OMNI GRAND OPENING

DEPARTMENT:
Oklahoma City Economic Development Trust

OVERVIEW:
Through partnership with the Oklahoma City Economic Development Trust, the OMNI Hotel opened January 2021. Located between the Paycom Center and the Oklahoma City Convention Center, the hotel features 605 guest rooms, 29 suites, and overlooks the 70-acre Scissortail Park. The property consists of 76,000 square feet of event and meeting space and has many amenities, such as seven restaurants and bars, a full service spa, fitness center, and a roof top deck. A unique feature of the hotel is the 17th floor, which was designed to cater specifically to NBA players with taller ceilings, higher shower heads, and california king beds.

STATUS:
Opened January 26, 2021

FUNDING SOURCE:
Public/Private Partnership

COST:
$85.4 million TIF 13 Assistance in Development Financing

ELECTRONIC PLAN REVIEW

DEPARTMENT:
Development Services, Utilities, Public Works, Planning, Fire, and Airports

OVERVIEW:
An electronic plan review and building permit application submittal process went live in July 2021, allowing customers to apply for building permits and submit their plans electronically. This process also created a more efficient way for several divisions in the Development Services, Public Works, Planning, Fire, Airports, and Utilities Departments to review plans and eliminate the manual process of moving multiple copies of some 15,000 sets of paper plans between the various departments. There has been both internal and external positive feedback. Because of this process, information is now more readily available to the customer allowing a search that results in a chronological list of every action taken on their project during the plan review process.

STATUS:
Went live in July 2021

FUNDING SOURCE:
OCWUT Capital Funds

COST:
$264,129

LIVE RELEASE RATE

DEPARTMENT:
Development Services

OVERVIEW:
The City exceeded its 80% target with an 86% live release rate in FY19, a significant increase from 35% in FY08, prior to the target being set. As a result, the target was increased to 90% for FY20, but the release rate declined to 81% due to a canine disease outbreak. However, the live release rate has climbed to over 89% in FY21 and progress has been attributed to lowering animal intakes through the community spay and neuter program, implementing managed intake, and increasing the number of animals adopted or transferred out.

STATUS:
FY19 live release rate was 86%.
FY20 live release rate was 81%.
FY21 live release rate was 89%.

FUNDING SOURCE:
General Fund, donations, and grants

COST:
$4.95 million - FY22
Animal Welfare budget

HIGHLIGHTED ISSUE

FIRST AMERICANS MUSEUM

The First Americans Museum (FAM) started in 1994 when the State of Oklahoma created the Native American Cultural and Educational Authority (NACEA) who then would build and operate the FAM. The State issued $63 million in bonds for construction, which was halted in 2012 when Construction funding was exhausted. In 2015, the State passed HB 2237, which projected the completion cost at $65 million and committed the state to provide $25 million in additional State bonds, identified at least $31 million in private donations through the American Indian Cultural Center Foundation, and required $9 million from the City for the remaining construction to complete the project. This legislation also required the City to take responsibility for the future operations and maintenance of the FAM, and to take ownership of the undeveloped commercial property surrounding the facility. The Chickasaw Nation stepped up to partner with the City to fulfill the State's vision for the FAM. In 2016, the City and the State entered into an agreement for the completion of the FAM, and for the City to operate and maintain the facility. The City also entered into an agreement with American Indian Cultural Center Museum (AICCM) Land Development, a limited liability corporation of the Chickasaw Nation, for operating and capital support for the project and for development of the property surrounding the FAM. AICCM Land Development has agreed to provide $14 million for operations of the FAM, including significant pre-opening costs, and provided $15 million for unexpected costs that exceed the construction budget. The museum recently opened in September 2021.

POSSIBLE DIRECTION AND NEXT STEPS

- **Funding for Operations and Maintenance.** The City will be fully responsible for the operations and maintenance of the FAM after funding from the AICCM Land Development is exhausted. A study completed by ConsultEcon estimated the annual operating deficit to be approximately $2 million. The FAM Foundation has committed to raising funds to provide for future operations. The OCEDT will manage the contracts with the FAM Foundation. Any operating deficit that exceeds available funds from the FAM Foundation would place pressure on the City's General Fund.

HIGHLIGHTED ISSUE

LONG-TERM WATER ISSUES

Over the next five years, the Utilities Department will address its long-term water supply, resiliency, reliability, and regulatory compliance challenges through the implementation of a $1.7 billion-dollar capital program.

Water Utility – Water Supply

Securing additional water supplies to meet Central Oklahoma's projected long-term water needs through 2060 is a strategic priority for the Oklahoma City Water Utilities Trust (OCWUT). Two separate pipeline projects are essential to achieving this long-term goal. The Trust has begun construction of the second one-hundred-mile-long pipeline from Lake Atoka to Lake Stanley Draper. In addition, the Trust will start determining the alignment and design of the Kiamichi pipeline in 2024. This pipeline will be 33 miles long and will run from Moyers, Oklahoma to the Atoka Reservoir. These pipelines are projected to be completed in the next thirteen years and will be able to transport all the City's Southeast Oklahoma water rights to Central Oklahoma for treatment and use. The engineering and construction costs during the next five years are $878 million.

Regulatory Issues

OCWUT provides water, wastewater, and solid waste services which are highly driven by regulatory requirements to ensure public health protection through safe drinking water and environmentally safe waste disposal. The Environmental Protection Agency (EPA) has issued new regulations regarding the proper disposal of pharmaceuticals and medical marijuana into wastewater systems. These regulations were expected to be adopted by the Oklahoma Department of Environmental Quality (ODEQ); however, the COVID-19 pandemic delayed implementation. The Utilities' Pre-treatment Program will be mandated to permit all medical treatment facilities that buy, sell, or administer pharmaceuticals, which are approximately 5,000 locations within Oklahoma City limits, based on the initial EPA regulation. In addition, Utilities Pre-Treatment will be mandated to permit all medical marijuana facilities, currently estimated at 700 facilities in the City and growing monthly. OCWUT will be proposing an increase in operating costs, including staffing costs, for the pre-treatment program to maintain compliance with all regulations.

Tinker Air Force Base Municipalization

The federal government awarded the Oklahoma City Water Utilities Trust a 50-year contract to operate, maintain, and improve the water and wastewater systems at Tinker Air Force Base. System ownership was be transferred to OCWUT on November 1, 2021. Multiple system deficiencies have been identified during the transition phase and a five-year schedule of capital projects to address these deficiencies has been proposed. The Tinker five-year capital plan for water and wastewater projects is projected to be $53 million. OCWUT will use its taxable commercial paper program to fund Tinker operations and capital projects. Tinker Air Force Base will reimburse OCWUT in arrears for all expenses including commercial paper related expenses, therefore; there is no impact to rate payers.

POSSIBLE DIRECTION AND NEXT STEPS

City Council has a long-standing history of supporting annual incremental rate adjustments to adequately meet the financial requirements of the capital and operating plans to effectively manage utility service needs. City Council approved a four-year rate plan beginning January 2018, with the last approved water and wastewater rate adjustments going into effect January 1, 2021. The last solid waste management rate increase went into effect in October 2019 and will need rate adjustments to fund future operating and capital equipment purchases. All utilities will need to adjust fees and charges in the coming year, to fund operating and capital programs, including construction of the second Atoka pipeline and the Kiamichi pipeline. Staff are currently working with a cost-of-service consultant to prepare rate adjustment recommendations to OCWUT and City Council.

HIGHLIGHTED ISSUE

PUBLIC TRANSPORTATION SYSTEM IMPROVEMENTS

Over the last decade, initiatives have been implemented to ensure that basic public transit services are available to Oklahoma City residents and visitors. Limited evening and night services have incrementally increased, Sunday and holiday services have started, nearly all local routes are a minimum 30-minute frequency, and OKC Streetcar has launched, thanks to the continued support of the City Council and oversight provided by the Central Oklahoma Transportation and Parking Authority (COTPA). These efforts were first envisioned as part of the 2005 Fixed Guideway Plan, and later realized in the Transit Service Analysis (TSA) conducted by Nelson Nygaard and implemented in 2014. Since then, residents continue to rank transit services as a top city service for continued investment to meet the demand and needs of the community.

Over the course of the forecast period two significant transit initiatives will be completed. The City's first Bus Rapid Transit (BRT) line along Northwest Expressway and Classen will become operational. The BRT is expected to open in only 18 months, and as much as $4.5 million will be required annually for operations.

This spring, a Comprehensive Operational Analysis (COA) of the existing bus network will be finished. This analysis will make recommendations for the continued transformation of EMBARK's fixed route bus services. As a result of the study, transportation plans will be established to guide future public transit development. Like the implementation of the previous Transit System Analysis, the COA implementation could result in operational funding needs of $5-15 million annually, depending on the strategies chosen. Transit plans as part of MAPS 4 could have operational costs ranging from $10 – 12 million annually.

As transit service grows and expands, larger operations and maintenance facilities will be needed. In anticipation of growth, 11 acres of land adjacent to the current transit facilities at S. May is being purchased. After land is purchased, funding will be required for new buildings, furniture, and equipment.

POSSIBLE DIRECTION AND NEXT STEPS

- The Public Transportation and Parking Department will continue to seek competitive Federal Transit Authority (FTA) grant funding for capital investment in new facilities, thereby leveraging local funding to provide a 20% local match, with the FTA providing 80% of the funding.
- The City's next bond election could include a proposition for new, expanded transit facilities.
- The Department will work to identify alternative revenue sources for future increased operating costs.

HIGHLIGHTED ISSUE

FACILITY CAPITAL MAINTENANCE COSTS

The City has a long history of public support for funding major capital improvements debt free through temporary sales taxes, such as MAPS, MAPS 3, MAPS 4, and the issuance of General Obligation Bonds. As the facilities age, capital maintenance is needed to extend the life of the facility.

Original MAPS Projects. In 1993, City voters approved a temporary one cent sales tax to fund a capital improvement program that included nine projects designed to revitalize Downtown and provide new and upgraded cultural, sports, recreation, entertainment and convention facilities. The MAPS Use Tax Fund used to fund operations and maintenance is now depleted, and a new funding source will be needed to fund capital maintenance.

MAPS 3 Projects. In 2009, City voters once again approved a temporary one cent sales tax known as MAPS 3 to fund eight more projects designed to improve the quality of life in Oklahoma City. No funds have been set aside to provide for capital maintenance once the projects are put into public use.

MAPS 4 Projects. In 2019, City voted to continue the one cent sales tax to fund 16 more projects. Many of the projects will be operated and maintained by partner entities, such as the State Fair. In addition, MAPS 4 includes an investment component to help fund operations of some of the projects, but there is a need to identify funds for maintenance for some of the projects.

Other City Facilities. Past General Obligation Bond Authorizations provided funding for many new buildings and facility improvements throughout the City. The Fire department has 43 facilities of various ages, which now require approximately $23 million in repairs. In addition, a recent study completed in 2021 identified 88 other city facilities, totaling $31.6 million, in needed repairs. A funding source has not been identified to provide for capital maintenance on these facilities.

POSSIBLE DIRECTION AND NEXT STEPS

- **General Fund.** In March 2018, City Council adopted Budget and Financial Planning Policies that included an update to capital expenditures and setting a target to budget 1%-3% of the General Fund for such expenses. In FY21, Capital maintenance and fleet replacement was budgeted at $5.5 million, or 1.2%. City leadership is evaluating alternatives for a capital maintenance reserve. A proposal is expected to be brought to Council in the future.

- **MAPS 4 Use Tax.** After funding the MAPS office and public safety capital expenses, there could be additional funds available for facility capital maintenance.

- **General Obligation Bonds.** Maximizing the use of property taxes, through General Obligation Bonds, to fund capital maintenance on facilities may be an opportunity to provide needed funding, while reducing pressure on the General Fund to pay for day-to-day operations.

HIGHLIGHTED ISSUE

EMPLOYEE RECRUITMENT, CLASSIFICATION AND COMPENSATION

The National Unemployment rate soared in 2020 during the COVID-19 pandemic. However, even with the pandemic, Oklahoma City has one of the lowest unemployement rates of large cities, indicating more demand for workers than are currently available. While a low unemployment rate is a sign of a strong economy, there are downsides to employers such as, high employee turnover, the need to increase wages and benefits to compete for talent, increased training budgets, more time to fill positions, and impacts on service delivery while positions are vacant. Compounding the problem are remnants of past budget reductions where staff sizes were reduced also impacting service levels and daily operations. Additionally, approximately 14.1% of employees participating in the Oklahoma City Employment Retirement System are currently eligible to retire, and we are beginning to see key positions vacated due to retirements. The loss of institutional knowledge or positions left vacant too long could have a detrimental effect on the performance and morale of the City's employees. Without a quality workforce, City departments will have a difficult time completing their core missions.

City Departments have experienced a particularly difficult time filling and retaining employees in skilled trades, some professional services, part-time positions, and those requiring a commercial driver's license. While most of the City's positions have increased in pay from cost-of-living adjustments during this time, there are presumably many positions for which compensation has not kept up with the marketplace.

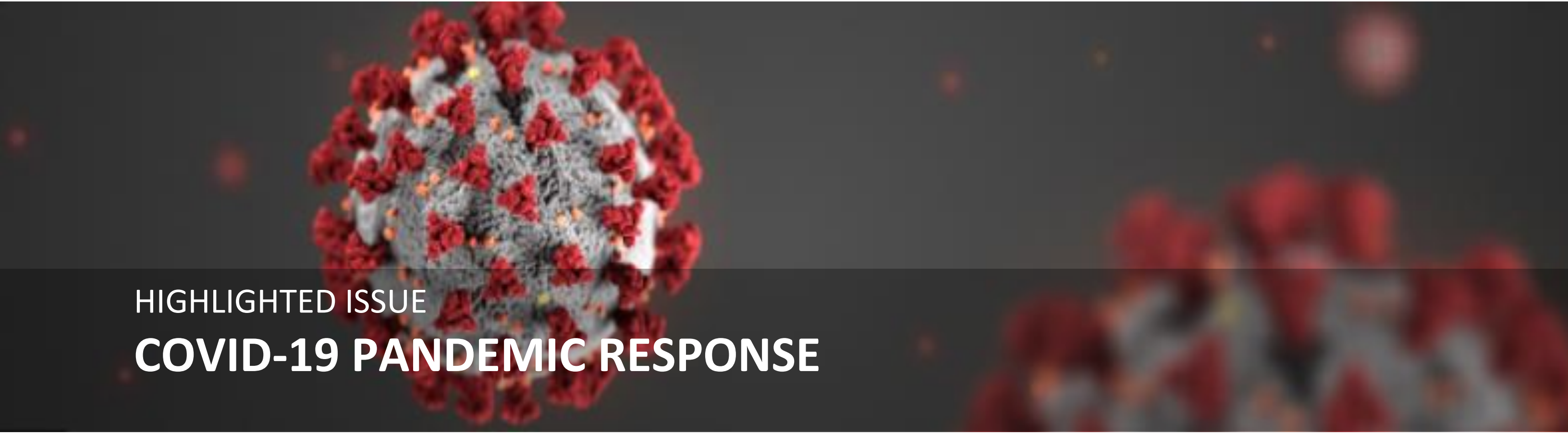
POSSIBLE DIRECTION AND NEXT STEPS

- **Implement Revised Organizational Structure for the HR Department**. Decentralizing much of the selection, talent developing, training, and employee relations efforts to field HR representatives (e.g., HR business partners) embedded within the Departments, while reporting to the HR Department will allow the City to leverage efficiencies of scale, provide consistent employment practices, and improve employee experience.

- **Implement a New Human Resources Information System.** Implementation of a new human resources information system is underway, and the estimated go live timeframe is December 2022/January 2023. The system includes performance management, learning management, and applicant tracking components that are expected to improve recruitment and hiring processes, enable facilitation of talent planning, and support talent development functions in the future. In a separate effort, a Request for Proposal has been issued to obtain eLearning services which will integrate with the learning management system in the future.

- **Complete New Classification and Compensation Study**. Historically, the City has conducted a classification and compensation study every 10 years; with the last one completed in 2010 by Waters Consulting Group, Inc. at a cost of approximately $200,000. A new classification and compensation study will help determine whether pay structures are appropriate or need adjustment; if the classification system is structured efficiently or if new job classifications are needed as roles have evolved, classifications need to be re-titled, or deleted because they are obsolete. It will also update descriptors of work performed, update performance evaluations and ensure compliance with legal requirements. The HR Department began a study in 2021 that is projected to complete in 2022.

- **Employee Engagement Survey.** The City will launch the first employee engagement survey in the near future in order to measure employee engagement, sense of belonging, assess employee sentiment regarding inclusion, leadership, development opportunities, and work environment. City departments will build engagement plans based on employee feedback.



HIGHLIGHTED ISSUE

COVID-19 PANDEMIC RESPONSE

The COVID-19 global pandemic hit the United States in the Spring of 2020, severely affecting the economy and resulting in a 30% declined in Gross Domestic Product (GDP) in the 2nd quarter of the calendar year. For the City, sales tax and other revenue sources plummeted forcing the City to make major cuts in the fiscal year 2021 budget. The City also implemented new safety protocols to mitigate the risk of exposure of the virus to its employees. The new protocols increased expenses as the City had to expand cleaning to disinfect its public spaces on a regular basis and implement new security protocols to prevent visitors from entering City buildings.

Almost all residents and businesses were in some way negatively affected by the pandemic. Many businesses were forced to shut down or operate in a reduced capacity, resulting in lost jobs for many residents. This had enormous economic effect across the City, the U.S., and the rest of the world. In response to the pandemic, the Federal government passed legislation to provide economic aid to states, counties, and local governments. The City of Oklahoma City received over $114 million from the Coronavirus Aid, Relief, and Economic Security Act (CARES) and an additional $19.6 million from the Consolidated Appropriations Act, 2021 to be used for rental assistance to our residents through the Emergency Rental Assistance Program (ERAP1). The City used these funds to provide economic aid to businesses and residents throughout the community. The Cares Act funds were used to implement testing, tracing, vaccinations, communications, planning and research programs, and other City recovery and response projects. In addition, the City provided over $25 million for the small business continuity and payroll reimbursement program, small business technical assistance and business retrofit program, resident support, small business venue, and non-profit support programs. As part of the emergency rental assistance, the City provided over $17 million in rental and utilities assistance to thousands of Oklahoma City residents.

POSSIBLE DIRECTION AND NEXT STEPS

Implement American Rescue Plan and Emergency Rental Assistance 2 programs. The President signed into law the American Rescue Plan of 2021 which established the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) and the Emergency Rental Assistance Program (ERAP2). The City was awarded over $122 million from the CSLFRF program. In September 2021, City Council approved a spending plan to use those funds to continue providing support to Oklahoma City businesses and residents for housing, small business and non-profit assistance, minority and disadvantaged business technical assistance, job training, tourism recovery, and responses to the public health emergencies, such as providing vaccinations, testing, tracing, and COVID-19 case monitoring. In addition, the City will use some of the funds to replace lost revenue due to the pandemic. The City was also awarded over $15 million from the ERAP2 program, which has already been put to use to continue the emergency rental assistance program to residents in need.

HIGHLIGHTED ISSUE

GROWING DEMAND FOR TECHNOLOGY

The City continues to strive to provide high-quality and efficient services to residents. Increasingly, this effort involves expanded use of technology and automation of various City services. Recent examples include electronic plan submission and review, a proposed automated text notification service at the Municipal Court, software to streamline record review of Open Records Requests for the Municipal Counselor's Office, and implementation of non-emergency 311 and customer request management tools for the City's Action Center.

Over the last 20 years, technology service and support needs and expectations have greatly increased, yet IT staff levels have increased by less than 9%. Service levels have been maintained through dedicated IT staff with high levels of skill, knowledge, and efficiency, but these services levels are not sustainable without resources commensurate with the continued technology expansion. Recruitment and retention of those individuals requires offering competitive compensation packages which drives up costs.

As technology service, support needs, and expectations continue to evolve, the City must adapt to the changing environment. As part of this change, the City has moved towards incorporating cloud-based services that are essential for improving operations, supporting employees and residents more effectively, improving productivity, and safely storing data. In addition, cloud-based services allow for a flexible workplace, which has proven beneficial during the recent COVID-19 pandemic. Many employees were able to work from home, and public meetings were conducted online. The shift to cloud-based services has lowered upfront costs for software, but substantially increased annual operating costs. Information technology services are now the City's fourth largest General Fund operating expense, budgeted at $20.7 million for FY22, and is projected to grow 7% each year through FY27.

POSSIBLE DIRECTION AND NEXT STEPS

Classification and Compensation. The City will be completing a classification and compensation study in 2022. This will help ensure that IT staff are paid at competitive levels.

Training. The City will continue to provide adequate training to IT staff to maintain high levels of the skills and knowledge necessary to provide quality services to the residents.

Reducing Costs through Technological Innovation. The City is committed to improving service levels and creating efficiencies and cost savings through technological innovation. We will continue to adapt to the changing technological environment while striving to provide high quality services to our residents.

DEPARTMENT LIST OF FORECAST ISSUES

Department	Issue	Facility	Fleet	Personnel	Services	Materials	Page No.
Airports	Construction of Additional Public Parking	●					109
	Maintain and Improve Existing Building Systems and Aging Infrastructure	●					109
	Unstable Revenue	●			●		109
Auditor's Office	new Contracted Information System Audits	●		●	●	●	110
	Timely Response to Risk Assessments				●		110
City Clerk's Office	Enterprise Records Management System				●		110
	new Operation of New Archives and Records Facility	●		●			110
City Manager's Office	Inclusion and Diversity			●	●		110
	Innovation			●	●		111
	Community Policing	●		●			111
	COVID-19			●			105
	Homelessness	●		●			111
Development Services	Development Services Customer Service			●	●		112
	new Increasing Code Enforcement Demands			●	●		112
	Achieving a 90% Live Release Rate	●		●			112
Finance	First Americans Museum (FAM) Operations	●			●	●	100
	Facility Capital Maintenance Cost	●			●	●	103
	Other Post-Employment Benefits (OPEB) Liability			●			113
Fire	Facility Capital Maintenance	●			●	●	113
	Maintaining Operation of all Apparatuses		●	●			113
	new Emergency Medical Services Transport	●					114
General Services	Facility Asset Management				●	●	114
	new Facility Capital Maintenance	●		●		●	115
	Fleet Services		●	●	●		115
Human Resources	Human Resources Service Level			●	●		115
	Employee Recruitment, Classification and Compensation			●	●		104
Information Technology	Technical Staff Recruitment and Retention			●	●	●	116
	Growing Demand for Technology			●	●	●	106

DEPARTMENT LIST OF FORECAST ISSUES

Department	Issue	Facility	Fleet	Personnel	Services	Materials	Page No.
Municipal Counselor	Increased Client Needs			●	●		116
	Increased Capital Needs					●	116
Municipal Court	Possible Relocation of the Jail	●		●	●	●	117
	new Immediate Jail Diversion Hearings for Arrestees			●	●		117
	Enhanced Customer Service through Technology				●		117
Parks and Recreation	Infrastructure	●			●	●	118
	Operating and Capital Maintenance Costs	●			●	●	119
	Staff Recruitment and Training			●	●	●	120
Planning	Plan Development and Implementation			●	●		120
Police	Police Personnel			●			122
	Storage Facility	●					122
	new New Regional Multi-Agency Coordination Center	●					122
Public Information and Marketing	Action Center Technology			●	●		123
	City Website Design and Management				●	●	123
	new Increased Demand for PIM Services				●	●	122
	Office Utilization and Space for Staff	●				●	124
Public Transportation and Parking	OKC Streetcar Battery Replacement and Capital Maintenance		●			●	124
	Public Transportation System Enhancements	●	●	●	●	●	102
Public Works	Aging Bridges and Drainage Infrastructure	●			●		124
	Recruitment and Retention				●	●	125
	new Street Infrastructure Dedicated Funding Source			●	●		126
Utilities	Regulatory Issues	●			●	●	101
	Tinker Air Force Base Water Project			●	●		101
	Water Utility – Water Supply	●			●		101

AIRPORTS

Construction of Additional Public Parking

Airport staff continues to track the percentage of public garage parking that exceeds 85% of capacity. In FY20 and FY21, parking exceeded 85% capacity by 29% and 0% respectively. More passengers seem to prefer garage parking to the surface lots given Oklahoma City's propensity for severe weather and the convenient access to the tunnel walkway to enter the terminal. In the last two years parking transactions in all facilities have dropped 46% due to the pandemic. On March 13, 2020, the President of the United States declared a National Emergency because of the COVID-19 pandemic. As a result, much of the passenger traffic dramatically dropped for the remainder of 2020 and 2021. Most of the decline in parking transactions can be attributed to the decrease in passenger enplanements due to the pandemic. While covered parking is a preference for many customers, constructing a third parking garage with dedicated vehicle ramps is not financially feasible given the reduction in parking transactions. A more prudent alternative is the construction of a covered surface parking lot with dedicated shuttle service within the next five years to meet the demand for covered parking as passenger traffic continues to recover. Continued monitoring of parking and transportation trends over the next five years will continue to shape decisions regarding public parking.

Maintain and Improve Existing Building Systems and Aging Infrastructure

Some of the Airports building systems and infrastructure at Will Rogers World Airport, Wiley Post Airport and Clarence E. Page Airport are original and date back to the 1960s. The continued development at the City's airports is beginning to strain some infrastructure such as storm drainage systems, building systems, and various pavements. Aging building systems and facilities are continually evaluated to determine required maintenance, replacement, or disposal along with the replacement of aging pavement projects. A priority project was completed to reconstruct south bound Terminal Drive from SW 54th Street south to SW 67th Street in the Fall of 2020. Subsequent phases will reconstruct Terminal Drive outbound and the intersection at Amelia Earhart and Terminal Drive. However, due to declining revenues and passenger traffic from COVID-19 pandemic, further improvements to Terminal Drive are on hold as there is not a funding source for these projects. The passenger drop-off bridge deck on the upper-level terminal is currently undergoing a significant rehabilitation project that is estimated to be complete late Spring 2022. Coinciding with this project will be architectural and aesthetics improvements to the lower-level passenger pickup area that will improve safety and wayfinding for vehicles and pedestrians. Runway 13/31 at Will Rogers World Airport is being reconstructed in a multi-year project. The asphalt pavement is showing signs of distresses including medium to high severity cracks. This project will also replace runway lighting and correct drainage issues. Due to the pandemic over $72 million in capital improvement projects were put on hold for FY20 through FY22. A complete review of the FY23 through FY27 Capital Improvement plan will prioritize projects that are critical to safety, lease requirements, paving, and compliance. Additional projects will be incorporated though the evaluation of a lifecycle analysis versus a repair cost benefit.

Unstable Revenue

In FY19 Will Rogers World Airport had record enplanements totaling over 2.2 million. FY20 was on track to set a record as well until March 2020. On March 13, 2020, the President of the United States declared a National Emergency because of the COVID-19 pandemic. As a result, much of the passenger traffic dramatically dropped for the remainder of 2020 and 2021. In FY20 and FY21, passenger enplanements decreased 26% and 47% compared to FY19 respectively. While enplanements are recovering, they are recovering at a slow pace. Industry wide enplanements are not expected to reach 2019 levels until 2024. With this drop in enplanements comes a drop in revenues not only related to passenger airlines, but other passenger activity revenues such as food, beverage, and retail concessions, parking, rental car concession, customer facility charges and passenger facility charges. As a result, several capital projects were placed on hold such as the covered parking surface lot and Terminal Drive Rehabilitation. The reduction in capital projects will have a long-term impact on the airport's infrastructure. Other operating expenses have been reduced and are being monitored. Airport staff will continue to monitor this ever-changing aviation environment.

AUDITOR'S OFFICE

Contracted Information Systems Audits

new

Information systems are critical to citywide operations such as purchasing, human resources, payroll, etc., as well as specific areas of operations such as public safety, utility billing, and courts. Areas of exposure like network security, availability (downtime), and data validity may not be addressed without the assistance of an information systems audit expert.

Timely Response to Risk Assessments

An addition of up to three Audit Manager or Senior Auditor positions are needed to provide timely response to programs and operations identified during the triennial risk assessments. Issues of internal control weaknesses, areas of exposure to loss, and/or opportunities for improvement may not be addressed timely due to the lack of audit personnel.

CITY CLERK'S OFFICE

Enterprise Records Management System

The City Clerk's Office opened a project with the Information Technology Department to implement an enterprise records management system. This system will provide the City Clerk's Office and departments with a centralized method of storing and retrieving records. Records retention polices can be automated and applied through this system. It is critical to obtain a records management system prior to opening the new archives and records facility. The request for proposal process for this project is expected to begin in late FY22 or early FY23.

Operation of New Archives and Records Facility

new

The City Clerk's Office project, City Archives and Records Facility, was approved by voters as part of the 2017 general obligation bond package. A central facility for City records creates a need for funding to staff, and to equip and operate the facility. The central facility must have the capacity to securely store records on a short and long-term basis. The project proposal defines this as 10,000 square feet of storage and office space, requiring data storage and computers, shelving and archival boxes, office furniture, and staffing to carry out departmental records audits to provide records support.

CITY MANAGER'S OFFICE

Inclusion and Diversity City leadership is committed to advancing equity by removing barriers and investing in the development of employees of all backgrounds at all levels throughout the organization. Furthermore, leadership is devoted to ensuring Oklahoma City is a City where all people thrive. While equity has always been a priority, the City hired a Chief Inclusion and Diversity Officer (CIDO) in 2021 to enhance accountability and intentionality. The CIDO is responsible for advising leadership on equitable policies and processes; and guiding the development, implementation and operation of the City's inclusion and diversity (I&D) priorities, including strategic programs and practices. The CIDO will continue to partner with Human Resources to increase awareness, build cultural competence, increase employee engagement, and ultimately cultivate a culture of authenticity, advancement, and access for all. The CIDO will also partner with Department

Heads, including Police and Fire, to integrate I&D throughout their respective departmental strategies. City leadership will continue to be transparent and ensure committees, boards, internal review processes, study groups, internal departmental structures, and task forces are conducted equitably and representative of the diversity of the city's population.

Innovation
The City Manager recognizes the importance of innovation to provide the highest level of service to our residents. Through a continued focus on training and implementing agile approaches, innovation will become more widespread throughout the organization. As part of this innovation focus, the City will more actively connect with residents to ensure our services are meeting their needs. While the Chief Innovation Officer position was frozen in the current year due to the pandemic, it is anticipated that this position will help lead these transformative efforts in future years.

Community Policing
Several high-profile events around the country have raised awareness of police department practices and focused attention on how the Oklahoma City Police Department operates. In 2020, the City established a Law Enforcement Task Force made up of 44 community leaders from diverse backgrounds. The group is focused on evaluating the Police Department's de-escalation policy and the structure in place designed to provide independent accountability back to the community. In addition, City Council passed a resolution creating a Community Policing Working Group made up of eight community members and four members of the 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 consulting was recently selected to research policies, procedures, and best practices, and to get input from residents on policing issues that concern them. The Inasmuch foundation donated $175,000 towards the program. After approximately a year of community input, research, and discussion, 21 CP has provided 39 recommendations to the Task Force and the Working Group. City Management and the Police Department are now evaluating these recommendations to determine cost and feasibility of implementation. It is anticipated that several of the recommendations will have ongoing costs associated with them and this will be determined as the City begins the implementation process.

Homelessness
Homelessness is becoming increasingly more prevalent in Oklahoma City. The COVID pandemic exacerbated factors that contribute to rising rates of people experiencing homelessness, as evidenced by a large increase in unsheltered homeless individuals documented in the last Point in Time Count. This August, City Council received the "Strategies to Address Homelessness in Oklahoma City" plan, which was developed with guidance and participation from the Mayor-appointed Homelessness Taskforce comprised of City Council members, municipal staff, service providers, and philanthropic organizations. The plan assesses the current service system, determines needs, recommends strategies to address multiple issues, and sets benchmarks to determine progress. The Inasmuch Foundation donated $100,000 to the City to help fund the development of the plan, and the City funded a full-time position to oversee implementation of the plan. The plan includes multiple strategies that may require funding, partnerships or other resources provided by the City within the next several years

COVID-19 *(Highlighted Issue – Page 105 for additional information)*

DEVELOPMENT SERVICES

Development Services Customer Service

Several factors continue to challenge the Development Center's ability to provide quality customer service. Medical Marijuana Certificates of Compliance (MMCCs) have continued to challenge staff's ability to keep pace with the demand. The City's new first floor Business Services Center opened this year, staffed primarily with Development Center employees, to assist customers with plan review, permits, and licenses. The typical in-person customers visiting the Business Center are those that have little to no experience applying for a permit or license and require more time and attention from staff. Employees assigned to the Business Center have a priority to assist these customers and consequently are less available to answer more than 190,000 annual phone calls. Additionally, commercial and residential construction have continued to grow at a rate of 9% and 26.5% respectively. A new State law also requires fireplace installers to be licensed, which will require the creation of new processes for contractor registration, permits, and inspections to ensure proper licensing and installation. Without additional support, customer service will decline, and complaints will not receive adequate resolution as they occur.

new

Increased Code Enforcement Demands

An increased demand for environmental code enforcement is being driven by the number and type of violations, increased abatement costs, and staffing needs. Regarding abatements, the volume of junk and debris has continued to rise, which increases the cost per abatement. In July 2022 and July 2024, the contracts with abatement contractors will be up for bid again, resulting in potential cost increases. Additionally, reductions in staffing continue to have a negative impact for Code Enforcement. We currently have 22 Field Inspectors, which is down from 27 in FY17. During the past five years, Code Enforcement has averaged over 90,000 inspections per year. The reduction in staffing and increasing demand can result in a backlog of unworked cases and increased resident dissatisfaction. Increased staffing will enable us to provide quicker complaint response and improved service for our residents. Also, Council members have expressed the desire to provide proactive code enforcement for dilapidated signs, and implementation of a new sign ordinance will increase the demand for staffing.

Achieving a 90% Live Release Rate at the Animal Shelter

Animal Welfare achieved its highest live release rate in FY21 at 89%, just below the 90% target. This was due, in part, to a lower intake of animals related to operational changes resulting from COVID-19. To date in FY22, the live release rate has dropped to 86%. An increase in animals sheltered, the lack of qualified applicants for vacant positions and high demands on existing staff may continue to adversely impact the live release rate. To obtain and maintain a 90% live release rate, Animal Welfare needs an additional Veterinarian, Veterinarian Assistant, two Pet Placement Coordinators and Shelter Officers. In addition to the need for increased shelter staffing, the Community Spay/Neuter program has played an important part of increasing the live release rate by helping to reduce the number of animals entering the shelter. Additional funding for this program is needed to maintain and expand the progress that has been made.

FINANCE

First Americans Museum *(Highlighted Issue – Page 100 for additional information)*

Facility Capital Maintenance Costs *(Highlighted Issue – See page 103 for additional information)*

Other Post-Employment Benefits - OPEB

The City and its related trusts have several potential obligations that extend into the future. One of the largest of these future obligations is the practice of funding retiree health benefits, referred to as Other Post-Employment Benefits (OPEB), funded through the Other Post-Employment Benefits Trust (OPEBT). Retiree health insurance is like a pension plan, in that, the City funds future benefits after retirement for employees. However, unlike the pension plan, employees have not been required to contribute to the system during their employment, nor has the City fully funded the actuarially determined annual required contribution to achieve full funding of the liability over time. The City has taken several steps in recent years to address the liability. While still very high, the unfunded liability has declined in recent years from $521 million in FY17 to $419 million at the end of FY21. While this decline is significant additional steps will likely be needed in coming years to address this significant City liability.

FIRE

Facility Capital Maintenance

The Oklahoma City Fire Department (OKCFD) has 43 facilities of various ages. The older facilities need renovation and often need repairs. In 2015, MA+ Architecture provided a comprehensive facilities assessment, with the goal to “identify conditions and recommendations, that when they are implemented, will improve the health, safety and welfare of the firefighters living and working at the stations.” This assessment identified a total cost estimate of over $23 million to repair all identified issues and essentially bring each station up to modern standards. The study identified three fire stations in need of being rebuilt, which were included in the September 2017 General Obligation (GO) Bond. In addition to the MA+ study, Fire also needs to ensure that station connectivity is reliable and capable, station power remains available during the increasing number of weather events and apparatus bays can accommodate our adjusting fleet demands. Although efforts have been made to address these issues with existing budget, a long-term funding source is needed to complete many of the priorities, urgent repairs, and modernization updates to continue to ensure firefighters can operate in the safest facilities possible.

Maintaining Operation of all Apparatus

The Fire Department currently has 909 Operations-Suppression personnel that staff the Department’s 38 fire stations. All fire stations have Advanced Life Support (ALS) capabilities provided through thirty-three engines and four ALS brush pumpers. The remainder of our response apparatus can provide Basic Life Support (BLS) which are four engine companies; 13 ladder companies; one medium rescue and one hazardous materials company; there are an additional 12 BLS brush pumpers, six heavy tankers, one air supply unit; six Battalion Chiefs, two Customer Service Liaisons (CSLs) and one Shift Commander. The Suppression Division consists of three different shifts that work a 24-hour, modified Kelly work schedule, a scheduling system common among fire departments. The work schedule requires that each shift work 24 hours on and 24 hours off, repeated, followed by, 24 hours on and 96 hours off. This equates to a 56-hour work week or 216 hours in a 27-day cycle. Each shift is staffed with 303 personnel with a daily minimum staffing based on the Collective Bargaining Agreement (CBA) of 236 personnel. OKCFD does have a minimum staffing model based on the CBA which requires four personnel on all ALS engine companies and three on BLS engine companies; three on ladder companies; four on the medium rescue and hazardous materials companies; two on ALS brush pumpers, one on the brush pumpers, tankers, air unit and CSL unit; and two on each Battalion Chief vehicle. This overstaffing of personnel is designed to cover days off and long-term leave such as sick leave, on the job injuries, and administrative leave. This overstaffing is also designed to minimize overtime due to a daily requirement of 66 guaranteed day off slots based on an arbitrator ruling. This total daily staffing does not take into consideration any long-term leave due to injury, unexpected Family Medical Leave Act (FMLA) leave used, sick leave, or vacancies. With personnel costs taking up almost 90% of the annual budget, staffing costs attributed to maintaining the operation of all apparatuses will continue to be the number one budget challenge for the Department.

new

Emergency Medical Services Transport

The Emergency Medical Services Authority (EMSA) was formed in 1990 when the prior ambulance service was dissolved. A trust was formed to ensure residents of the Oklahoma City metro area have quick, affordable, and reliable medical transportation services when medical emergencies arise. The primary beneficiary cities within the trust are Oklahoma City and Tulsa but there are multiple entities that comprise the EMSA system. They are the Board of Trustees, the EMSA Authority, the City Governments, and the Office of the Medical Director. The primary objective of the EMSA Authority is to provide operational oversite by ensuring their system contractors meet adequate response times which are currently 10 minutes and 59 seconds for Priority 1 calls and 24 minutes and 59 seconds for Priority 2 calls. In December 2020 the EMSA Authority chose to sever the contract with their third-party contractor, American Medical Response (AMR). Since May 2020 emergency medical transportation response times have not met minimum requirements which creates severe operational challenges for Fire and potential ineffective medical transportation for residents who experience a medical emergency. City leadership and Fire will have to determine how to best manage this critical service and assure our residents receive the highest level of service. Due to the challenges and complexity of the EMSA Trust Indenture, with beneficiary cities outside the City of Oklahoma City, it is imperative that the trust indenture is reviewed, updated to meet the needs of our community, or dissolved to establish the best service plan for our residents. Within this evaluation of the trust indenture, a comprehensive EMS Transportation Plan must be developed to better meet the needs of our community.

GENERAL SERVICES

Facility Asset Management

The industry standard for square footage maintained per full-time equivalent (FTE) is 55,000 square feet. The Building Management Division (BMD) currently has 26 budgeted full-time maintenance and skilled-trades personnel. BMD is presently maintaining 97,143 square feet per full-time maintenance position. The BMD could potentially lose 25% of its current maintenance staff through retirements during the next 3-5-year period which will adversely affect continuity of operations and reduce organizational knowledge.

By using a work order system to schedule preventative maintenance, General Services is striving to transition from preventive maintenance to more effective and efficient predictive maintenance to reduce facility/mechanical downtime. Additional licensed skilled trades' personnel are needed to accomplish predictive maintenance and eventually eliminate deferred maintenance in the City facilities currently maintained and the new facilities already scheduled for construction. The greatest need currently exists in the electrical, HVAC, plumbing, and skilled trades work sections.

Facility Capital Maintenance

In March 2021 the City Council awarded a contract to Benham Design, LLC to conduct a capital needs assessment study of 88 City facilities. The scope of the study includes an extensive inspection of each facility's mechanical and plumbing system, electrical system, roof and guttering, structural assessment, building envelope (exterior) system, code compliance, and ADA compliance. The goal of the study is to provide City staff a planning tool that will assist in making annual funding decisions regarding which facility upgrades will be addressed in a given fiscal year. The consultant submitted the draft preliminary report in October 2021 for staff to make a full review and provide recommendations for the final report. The report provided the estimated cost to make required upgrades to the 88 facilities that were inspected. That figure is $31.6 million and does not include any repair costs estimated at less than $5,000. Given this estimate, a long-term funding source/plan is needed to make needed repairs to our facilities.

Fleet Services

The current general fleet includes 2,033 vehicles and other equipment. Each piece of equipment is assigned a Vehicle Equivalent Unit(s) or VE's based on the level of maintenance required compared to a typical passenger sedan. Thus, a heavy truck, which has greater maintenance and repair needs than a basic passenger sedan, has a greater VE factor. The City's general fleet currently has 4,936 VEs, which equates to 290 VEs per mechanic with the current staffing level of 17 Mechanic/Master Mechanic positions. This is significantly higher than industry standards and results in longer wait times for equipment to be returned to service. Adding an additional 11 Mechanic/Master Mechanic positions would reduce the VEs per mechanic to 178 and allow the Department to provide higher levels of service and improve the rate of vehicle/equipment availability.

HUMAN RESOURCES

Human Resources Service Level

According to the "HR Benchmarks Report" published by Bloomberg Law in June 2018, "HR departments have a median of 1.5 employees per 100 in the workforce." This equates to 73 positions for a workforce of 4866 budgeted positions. The prior benchmark hovered for decades at 1 to 100 employees or 49 positions for the City. The Human Resources Department is currently authorized 33 positions or less than 46% of the recommended staffing to cover a highly complex HR environment with multiple unions, City-wide and department-specific personnel policies, pay plans, benefit plans, and operations covering hundreds of job classifications. The Department's service volume output is directly correlated to current staffing levels. The Department's processing times for various functions (e.g., filling vacancies and conducting internal employee investigations) are severely limited at the current staffing levels. Some of the HR programs that are impacted include hiring, training, occupational health clinic, as well as classification and compensation issues.

Employee Recruitment, Classification and Compensation (See page 104 for additional information)

INFORMATION TECHNOLOGY

Technical Staff Recruitment and Retention
Cyber security is one of the highest priorities for the Information Technology (IT) Department to protect City systems and data. As technology usage expands in the City and data moves to on-line cloud storage, the operational complexity to maintain security increases. Additionally, cyber threats continue to increase and become more and more sophisticated. The availability of highly skilled individuals is very low in the private sector to the extent that City staff have been recruited and left the City. It is a difficult balance to provide required cyber-security training to staff and retain the individuals long-term. Due to competition from private agencies, the IT Department could see significant struggles with hiring and retaining knowledgeable and experienced cybersecurity staff. We have seen an increase in the challenge of hiring qualified IT staff. Qualified individuals are routinely demanding pay rates beginning at mid-step of the available salary range. To address this issue, IT has worked with Personnel to create specific job titles and pay ranges for technology security positions to be included in the compensation study that is currently taking place and expected to be completed in the Fall of 2022.

Growing Demand for Technology *(See page 106 for additional information)*

MUNICIPAL COUNSELOR'S OFFICE

Increased Client Needs
new
To maintain and increase a high customer service level for the City, the Municipal Counselor's Office has identified additional resources needed that will result in an increase of operating and capital costs. The resources include creating four new full-time positions, increased funding for employee travel and training, and renovation of the library into additional office space.

Funding for two new Assistant Municipal Counselor I positions is needed in the Criminal Justice Division and Trust, Utilities, and Finance Division due to high workloads which can no longer be sustained with the current staffing levels. This will enable succession planning within the Trust, Utilities, and Finance Division. Additionally, a full-time receptionist position is needed. Part-time employees are currently utilized in the receptionist and legal clerk roles; however, the legal secretaries are required to cover the gaps. Filling in the gaps in service at the receptionist desk causes the most difficulty in meeting the needs of the visiting public and assisting Court through phone contact, while still allowing the legal secretaries to fulfill their regular duties of maintaining the flow of 150,000 citations each year. The issues faced will be addressed by utilizing a full-time receptionist which was cut in a previous budget year. A Legal Clerk I position is needed and will serve an important purpose in assisting with general office needs including deliveries, office maintenance, scanning projects, reception duties, etc. The need for a Legal Clerk is vital because it aids tremendously in running everyday operations efficiently and effectively.

Increased Capital Needs
As the City ventures into new areas of economic development and as the law evolves in technology and discovery disputes, etc., it is incumbent and ethically required for attorneys to stay well-versed in these cutting-edge issues. Additional funds are needed for employee travel and training so that the attorneys can stay well-versed in the latest laws and legal trends to better assist and defend the City.

The 2020 census data show that Oklahoma City has gained at least 100,000 new residents since 2010 and has a growth rate of 17%. As the City grows, so do the legal needs of City Departments. This office anticipates the need for new office space to hire additional personnel to continue efficient and effective service to these departments. In 2020 this office was able to acquire the necessary resources to conduct electronic legal research that helps provide the most current information possible to legal staff to convey to City Departments. That action afforded this office the opportunity to cancel almost all legal print materials that continue to rise in price and often become outdated at a rapid rate unless maintained annually. In turn, this allows available space to construct additional offices to accommodate new employees so that they may have individual offices and maintain safe distances considering the ongoing pandemic and “new normal”. Accomplishing this request would require some minor construction and the purchase of new furniture with the use of CIP funds.

MUNICIPAL COURT

Possible Relocation of the County Jail

A solution for the future of the Oklahoma County Jail is escalating in priority and continues to be a concern for Municipal Court. The Oklahoma County Criminal Justice Advisory Committee along with the Oklahoma County Jail Trust has been tasked with identifying solutions to relocate the jail or identify renovation suggestions. City prisoners are housed in the Oklahoma County Jail. Prior to the pandemic our prisoners were transported daily to and from Municipal Court by means of walking across the street in the custody of the Oklahoma City Police Department Court Detail Unit. If City defendants are placed in a detention facility on a site away from Municipal Court, the Police Court Detail Unit will be required to transport prisoners from the County Jail to Municipal Court using vehicles. If the jail is relocated, audio-video equipment will be needed to conduct court hearings at the new jail location via secure video link for cases that do not require a personal appearance in the courtroom. This will require additional funding in an amount dictated by the distance between the County Jail and the Municipal Court. Otherwise, the City may need to consider the costs associated with the purchase of sufficiently sized vehicles that are appropriate for prisoner transport, the potential increase in staff needed to escort prisoners, and the increase in staff time associated with travel and/or frequency of trips.

Immediate Jail Diversion Hearings for Arrestees

new

The Presiding Judge is exploring the possibility of implementing immediate hearings for individuals arrested and eligible to be booked and detained in the Oklahoma County Detention Center. The intent is to hold a hearing immediately for an individual who might otherwise be booked into the jail on eligible new charges and/or warrants. The immediate hearings would occur Monday through Friday, 8:00 a.m. to 4:00 p.m., except City-observed holidays. Additional staff will be required to receive detainees and prepare paperwork for the immediate hearing on eligible new charges and/or warrants. The Municipal Court will need an additional Court Clerk and there is the potential to need an additional OCPD Court Detail Officer.

Enhanced Customer Service through Technology

Municipal Court would like to offer an automated notification service to remind court patrons of upcoming court dates. The estimated cost to send an automated text notification is $0.20 per message. The estimated initial annual expense is between $40,000 and $60,000. As use of this type of technology expands in Municipal Court, the expense will increase. There will be additional hardware, software, and maintenance expenses associated. Additionally, Municipal Court would like to offer virtual court options. Virtual court would require monitors with audio/video capability and a software solution for Traffic and Criminal court sessions.

Defendants would be scheduled in advance and would be sent a link for their court session. This option would allow for the defendant to attend court without appearing in person.

PARKS AND RECREATION

Infrastructure

City parks, open spaces, trails, and attractions improve our physical and psychological health, strengthen our communities, and make our city and neighborhoods more attractive places to live, work, and play. The Parks and Recreation Department is committed to meeting the residents' desire to have well-maintained parks and to provide quality opportunities to promote healthy living by providing convenient, attractive, and relevant options to enjoy our parks, open spaces, and cultural and recreational facilities.

Fifteen of the City's recreation centers, aquatic facilities, gardens, senior centers, and Bricktown Canal are in immediate need of improvements. Most have limited programmable space and usability that meet current trends and needs. Funding is needed for renovation, ongoing maintenance, and upgrades to parks facilities as follows:

1. Modernized facilities will be more inviting, comfortable, and enticing for residents to use for recreation programs and purposes. Upgrades to existing facilities could include improved lighting, the addition of windows, air conditioning, improved entry ways, security monitoring, energy efficiency improvements, and better accessibility for all populations.
2. Installing technology and highspeed Wi-Fi in existing community recreation facilities reduces barriers to technology and increases access for residents. Residents can utilize the community center Wi-Fi to pay utility bills, check personal email accounts, apply for jobs, register for parks and recreation programs, and stay connected to the community.
3. Will Rogers Gardens is over 80 years old and will need improvements to circulation, accessibility, security, lighting, and renovations to historic park elements and buildings so all residents can safely enjoy programs and leisure activities provided in this unique park.
4. Changing demographics in our City requires us to ensure we meet the needs of our senior population. Their specialized needs include facilities with enhanced accessibility, security, safety, lighting, and age-specific recreational activities and amenities that create a positive and welcoming environment. Existing pre-MAPS senior facilities lack most of these qualities and need to be brought up to current standards to be comparable to the MAPS 3 and MAPS 4 centers or should be evaluated to determine if they have outlived their useful life and should be completely replaced with a modern senior facility.
5. Existing aquatic facilities are beyond their intended lifecycle and need to be completely replaced or modernized. All spray grounds need to be renovated with water circulation systems that would save the City over $300,000 annually in water costs. Each community pool needs to be resurfaced and new concrete decking surrounding the pools needs to be installed, in addition to updating water filtration and circulation systems to provide better energy efficiency, water treatment, and consumption. The Family Aquatic Centers are outdated and need significant renovations and upgrades to be safe and attractive places for families to want to play and recreate.
6. COVID has had a devastating impact on the economy also affecting our third-party partners who operate City facilities. Our partners have been able to seek temporary financial assistance through the federal stimulus bills in many cases, but the economy is not expected to fully recover for up to five years. If federal stimulus programs are not continued during a prolonged recovery period, third-

party partners will likely seek financial relief from the City to help them recover until their operations get back to pre-COVID levels.

7. 1% of the funding for new capital projects is dedicated to the incorporation of public art into the project. The Parks Department has new works of art being installed in many of our parks as part of this initiative, but corresponding maintenance funding has not been identified for long term maintenance of this art.

Several smaller existing recreational facilities will be replaced with regional health/wellness/recreation centers that include indoor aquatic facilities in the coming years. The large regional centers will complement the MAPS 3 and MAPS 4 Senior Health and Wellness Centers by allowing the Parks and Recreation Department to substantially improve the services offered to all ages of the City's population. These centers will promote quality recreational and cultural opportunities and healthy living by acquainting children with healthy eating practices and exercise and millennials with active healthy lifestyle options, as well as offering additional locations for our growing population of active senior adults to gather.

MAPS 4 will provide funding for some of the needed infrastructure updates to our existing assets, which are all over 20 years old, and our recreation centers which were built in the 1960's or before. However, MAPS 4 funds for Parks are limited to programming enhancements and improvements within community and neighborhood parks and two specified soccer facilities. Many of our park's infrastructure needs are in regional, special use, or nature parks that are not eligible for MAPS 4 funding.

Operating and Capital Maintenance Costs

The City of Oklahoma City's operating budget relies heavily on sales tax, which fluctuates with the economy and poses greater challenges for the City to manage than if the operating budget were supported by other, more consistent and stable sources, such as a property tax. Without a consistent and reliable source of revenues to support operations and maintenance, these types of fluctuations in staffing and levels of service will continue, negatively affecting the confidence and satisfaction of the public we serve. This will be a more critical immediate challenge, as the Department expects its operating base may continue to be unstable for years as the economy recovers back to a FY19 level.

Although the City of Oklahoma City is continuing to add new and exciting elements of recreational opportunities for residents through capital improvement programs, funding to support the ongoing maintenance of those new elements has not been added proportionately to the operating budget. Capital projects such as MAPS, Better Streets Safer City, GO Bond programs, and the enhanced landscaping of the Oklahoma City Boulevard have resulted in new operational and capital repair funding needs not currently budgeted or planned for as projects are contemplated and completed.

Without an avenue to stabilize our budget through economic downturns and additional budget allocations for new recreation elements, financial pressures will increase to continually provide outstanding services to Oklahoma City residents. Over the last three years in the Resident Survey, residents have prioritized opportunities for improvement in parks as:

1. Maintenance of City parks
2. Quality of City parks near neighborhoods
3. Walking and biking trails in and throughout Oklahoma City
4. Availability of information about parks & recreation programs

The Parks Department strives to provide top-tier services to residents, but this requires an operating budget that can support our existing park resources as well as the addition of new capital projects.

Staff Recruitment and Training
Educated and talented staff is essential for providing outstanding programs. The department is currently using a mixture of contracted instructors, part-time, and/or full-time staff members for many programs and facility oversight. While this is a common practice in public program delivery, a long-term plan is needed to determine sustainable staffing requirements. Most cities utilizing the traditional neighborhood center/facilities model employ two full-time, exempt staff at each center to ensure standard operating procedures as well as a full program menu at each site. As program offerings continue to increase on an annual basis, a major limitation will be maintaining levels of service with current staffing levels and proficiencies.

In the aftermath of the COVID-19 global health pandemic the Parks Department has struggled to recruit and hire talented new staff to get back to the staffing levels before the pandemic. Without those staff we are unable to offer the level of programs and service to our citizens that we were able to offer before the pandemic. We need to be able to consider new employment benefits to be competitive with what other employers are offering in the job market.

PLANNING

Plan Development and Implementation
The citywide Comprehensive Plan (plan**okc**) was adopted by Planning Commission and City Council in 2015 after an extensive planning effort that lasted several years and involved over twenty thousand community members. The plan establishes goals for guiding sustainable and healthy growth of our community and economy while protecting and enhancing our residents' quality of life. The plan specifies multiple actions, strategies, and initiatives aimed to further develop and grow our economy and tax base; fully utilize existing properties and infrastructure; maximize our disaster response capacity; advance environmental sustainability; improve connectivity and compatibility of new development; and prevent deterioration of commercial districts.

Plan**okc**'s goals are aligned with all seven City Council Priorities: 1) promoting safe, secure, and thriving neighborhoods; 2) developing a transportation system that works for all residents; 3) maintaining strong financial management; 4) enhancing recreational opportunities and community wellness; 5) encouraging a robust local economy; 6) upholding high standards for all City services; and 7) pursuing social and criminal justice initiatives. The Planning Department is working with City Departments, partners, and the community to implement plan**okc** over time. **This will require additional funding and resources, which will be requested over the next few years to support work on the following:**

- *Major Update to the City's Development Codes & Subdivision Regulations*.
  One of plan**okc**'s highest priority recommendations that will have the greatest impact in addressing significant issues and needs is a major update of the City's development-related codes, subdivision regulations, and development review process. The process of crafting the necessary code revisions in a manner that is

accepted by all interests is a large, complex, and specialized process that requires significant stakeholder engagement and consultant services. The Planning Department has and will dedicate significant staff resources to this effort but anticipates the need to add an Assistant or Associate Planner, increase the department's budget for training, and add additional funds to the consultant contract over the next two to three years through annual allocations of approximately $200,000 to $250,000.

- *Plans and Studies to update and implement plan**okc**.*
  The Planning Department is charged with keeping plan**okc** current, in order to maintain the effectiveness and applicability of the plan. This involves updating studies done for plan**okc**, so that staff can re-evaluate the effectiveness of the plan's land use typology and other policies as the city grows. In addition, an effective long-term planning approach involves the creation of more detailed area plans used for identifying needed infrastructure, zoning changes, and other localized policy and program changes. Such plans have been highly useful in identifying and prioritizing need; however, more funds are needed to cover the many areas of the city in need of these plans, which will be adopted as amendments to plan**okc**. Other plans and studies needed to implement plan**okc** involve riverfront planning, infrastructure (bond) planning, historic and cultural planning, a greenhouse gas emissions inventory, and consulting services to implement the Housing Affordability Study. Grant funds are occasionally obtained for study updates; however, grants cannot supply all funding for future consulting needs.

- *Neighborhood and Commercial District Revitalization Program.*
  The Planning Department's Neighborhood and Commercial District Revitalization Program has two components—Commercial District Revitalization and the Strong Neighborhoods Initiative (SNI).
  The Commercial Districts component focuses on revitalizing corridors and commercial areas by coordinating infrastructure and community development investment. The CDRP has evolved and matured over the last decade into a valuable City resource that is producing tangible results in the community. The CDRP works with 12-15 districts and entities each year and continues to receive increased demands from the community for services, inclusive of organizational capacity funding, and technical assistance. The number of districts the program supports has more than doubled since the program began with six districts in 2009; however, the budget for district funding has remained at $176,000 since FY13. For several years prior to FY17, districts requested funds that exceeded up to 30% of their annual budgeted amounts, which were supplemented through contingency funds. An increase in annual funding of $125,000 for each of the next three years would allow the program to adequately support existing districts through self-sufficiency and respond to demands for supporting new and emerging districts.

  The Strong Neighborhoods Initiative is no longer an experimental program. In the eight years since its inception it has proven to be a steady and effective force influencing neighborhood turnaround and stability. Up to now SNI has been funded solely through federal funds. Additional City funds for SNI in the amount of $500,000 per year can tremendously benefit the City by allowing expansion of operations for greater benefit. Given its proven effectiveness and the everpresent need to stabilize older neighborhoods, this would be a sound investment in the core of the city.

POLICE

Police Personnel
In 2018, 129 additional sworn positions were authorized to be filled in the Oklahoma City Police Department. An increase in retirements during the past year along with a growing population has put greater demand on filling vacancies. As sworn positions are added, there is an increased demand on support personnel at the non-sworn professional staff levels. Additional positions will be needed in Dispatch, Finance, Emergency Management, and Investigations. Estimated cost is $500,000 for these additional non-sworn professional staff personnel.

Storage Facility
The police department's specialized equipment such as the Police and Fire Mobile Command Center, Tactical Trailer, and Bomb Squad require a secured, sheltered facility for storage. Police has outgrown its current facilities located on S.W. 15th and Portland and the general maintenance facility at 100 N. Shartel Ave. Additional storage space is necessary to secure/store the equipment and increase the longevity of the equipment. Estimated cost is $3.5 million.

New Regional Multi-Agency Coordination Center
new
The current Multi-Agency Coordination Center is a 56-year-old underground facility built as an Emergency Operations Center during the height of the Cold War to withstand the effects of a nuclear explosion. Since then, the space has been repurposed and adapted for other purposes it was not originally designed for. A new Multi-Agency Coordination Center designed to meet specific needs and built above ground to withstand the impact of a tornado can address the many deficiencies of the existing facility. It can be designed with high ceilings and incorporate state-of-art technology including easily seen digital displays to provide situational awareness and a common operating picture. It can be designed to allow the addition of internal workspaces for an expanding temporary or permanent emergency management workforce. New easily accessible life support and mechanical systems will allow for reduced operating and maintenance costs and ease of repair and replacement later. Estimated cost is $8,000,000.

PUBLIC INFORMATION AND MARKETING

Increased demand for PIM services

Film Industry
new
The film industry is booming in Oklahoma City. Prairie Surf Media, Green Pastures Studio, and many other production companies both in-and-out-of-state are flocking here to film. This is thanks to the work of the Oklahoma Film and Music Office and the popularity of streaming services.

A consultant has been hired by the City and OKC Chamber to study what resources are needed to open a film office under the Chamber's umbrella. Incentives are expected to sweeten the pot. The City is working on implementing a filming permit that will include their own set of ordinances and fees. Processing film permits is particularly challenging because they typically require a quick turnaround. Production companies also need considerable hand holding, particularly those from out of state. While this new industry is wildly exciting, success is expected to put an additional burden on our special events permitting office that has one full-time and one part-time employee. The part-time position has a high turnover rate due to low pay and limited hours. In a typical, non-COVID year, the Special Events office processes 500 event permits, revocable permits, and assembly permits.

Employee Communications

Demand for an unprecedented level of employee communications has also increased substantially over the past few years. One part-time employee is expected to lead the Heart of the City Campaign, produce employee newsletters, lead internal campaigns (like the safety campaign), post employee news to social media, update InsideOKC, and organize events like our 25 years of service ceremony, the Kiwanis Employee of the Month, Ice Cream Tour, public service recognition week, awards ceremonies, and holiday activities.

A new responsibility of the PIM office is to support and promote the year-round efforts of our Inclusion and Diversity Officer. The Inclusion and Diversity (I&D) division's goal is to recognize our employee's diversity each month by promoting events like Disability Awareness Month, Veterans Day, Black History Month, etc. PIM supports I&D efforts by providing assistance with writing, graphic design, video production, and employee communications. Our efforts are critical to I&D's success. Hiring a full-time employee to assist the Special Events Office and oversee employee communications would provide much needed stability to employee communications and special events.

Action Center Technology

We are exploring the feasibility of replacing the City's Action Center number, 297-2535, with 311. 311 is a non-emergency phone number that people can call to get information about services, make complaints or report problems like potholes. It functions just like a 7-digit number does but is easier to remember. It is used by large cities across the country, including many of our peer cities. We currently use two other short phone numbers for both emergency and social or mental health services – 911 and 211. Cost to implement the phone number is anticipated to be around $50,000, which we just received (Oct. 2021) from the budget office. When 311 is implemented, we project the annual fee for the phone number will be roughly $10,000 per year. Along with acquisition of the new phone number we need to purchase and implement a customer request management software program that will help us better automate and streamline resident service delivery. Modern 311 and Customer Request Management (CRM) tools have increased the capabilities of the traditional 311 phone number, creating fully integrated internal and external communication and request maintenance tracking tools.

The most advanced CRM solutions integrate resident requests from all channels and deposit them into a single documentation and response management hub. From there, we can convert relevant messages into trackable service requests for Public Works and other departments and can respond to residents via their original channel (text, tweet, phone, live chat and social), using a single interface.

The transition to 311 will help us continue to provide a high level of customer service by making it easier for people to connect with the City. However, this will also increase the number of requests and our residents' expectations for the level of service we provide. Because of this, we would like to expand the hours in the Action Center. To do this, an increase is Action Center positions would also be needed.

City Website Design and Content Management System

To continue to better serve our residents and meet their expectations, we must continue to find ways to improve our website. The web is constantly changing. This fluid change also impacts resident expectations when it comes to digital services. The last major redesign of the City's website took place in 2014. To put that in perspective since 2010, there have been 18 different versions of the iPhone released. There have been even more improvements to the operating system and user experience. Because of these changes and the lessons we learned from letting our website sit without improvements for nearly 20 years before our last redesign, we must plan for more frequent improvements to meet not only the users' expectations, but also improve how we deliver online services to people.

When we receive approval and start on a redesign of the website, it will be nearing 10-years-old. By then there will be changes to the types of devices people use to access our website, ADA requirements, internal and external search, and new tools to make it easier to manage our content. All these types of improvements contribute to a user's experience and builds confidence in our residents. The goal for the City is to have a website with the technology to meet expectations, support new online services, and house high quality videos, along with integrated social media tools.

Office Utilization and Space for Staff
The Public Information Office needs to be reconfigured/renovated to foster better productivity, reduce distractions, increase privacy, improve safety, add workspaces, and create more meaningful collaboration. The office has not been updated in about 20 years, even though office trends have changed significantly since then. Our goal is to create a more welcoming space to boost employee wellbeing, morale, and efficiency. Staff is currently separated by a mix of small offices and aging cubicle desk and walls. This makes it challenging to accommodate customers, particularly in the special events office. The renovation should include 10-12 new desks and related office furniture, including permanent or modular walls.

PUBLIC TRANSPORTATION AND PARKING

Oklahoma City Streetcar Battery Replacement and Capital Maintenance
The launch of the Oklahoma City Streetcar in December of 2018 brought a new mode of public transit to the residents of Oklahoma City. The Oklahoma City Streetcar uses industry-leading technology to leverage On-Board Electrical Storage Systems (aka batteries) to allow the Oklahoma City Streetcar to travel approximately 40% of the route using battery power rather than rely on an overhead catenary system. Consequently, the batteries on the streetcars require replacement every five years. At the cost of $500K per vehicle for replacement batteries, $3.5 million is needed by 2024. In addition to a battery replacement, it is anticipated that capital maintenance may be needed for the overhead catenary system, track switches, and/or traction power substations.

Public Transportation System Enhancements *(Highlighted Issue – See page 102 for additional information)*

PUBLIC WORKS

Aging Bridge and Drainage Infrastructure
There are currently 587 bridges owned and maintained by the City of Oklahoma City, with 75% needing some type of maintenance or repair. Three bridges in the City are currently closed to traffic, but the list of maintenance needs is increasing. Public Works recently received notification of a new bridge that needs corrective action before January 8, 2022, or the bridge will be closed. Thirty-nine bridges have been identified requiring upgrades to

maintain or improve the life of the bridge. There are 132 bridges requiring reconstruction or replacement to improve the vertical clearance, horizontal clearance, or roadway width under the bridge to meet updated requirements. The primary funding source for bridge maintenance and improvements is GO Bonds. The 2007 authorization included $20 million for 17 listed projects and the 2017 authorization included $27 million for 13 listed projects. The department created a dedicated bridge engineer position in FY20 to monitor, develop a maintenance plan, and implement improvements.

Public investment in flood prevention is a critical part of disaster preparedness in Oklahoma City. From the moment rain hits the ground until it drains safely into a natural waterway, a well-built and properly maintained drainage system is required. Proper drainage also limits pollution and impacts on the environment. Building, repairing, and maintaining the City's drainage system also helps Oklahoma City comply with the National Flood Insurance Program, which ensures residents have access to affordable flood insurance from insurance providers.

Drainage infrastructure includes the Oklahoma River and associated maintenance of the river dam and lock system. Maintenance activities going forward will include an average of $1 million per year in dredging with another $1 million for dam and lock maintenance. Additional activities funded in the department include rip-rap maintenance, cleaning of waste around and in the river, and assistance with emergency operations related to the dams. Alternatives to contract dredging are being implemented with the purchase of a City owned dredging boat.

There are two primary funding sources for drainage infrastructure improvements in Oklahoma City: GO Bonds and the Storm Water Drainage Utility. The GO Bond program provided $33 million for 10 listed projects in the 2007 authorization. During the planning for the 2017 bond program, 152 drainage projects estimated at $497.5 million were considered. Only 21 projects totaling $62.1 million were included. The Storm Water Drainage Utility funds have primarily addressed the needs of storm water quality, channel cleaning and maintenance, and the Household Hazardous Waste program. They can be used on certain capital projects but are not a primary source of funding.

The Storm Drainage Utility fees and charges ordinance needs updating to clarify use of these funds. This update was introduced at City Council on October 12, 2021. In addition, an initial long-term Drainage Utility Financial Plan is under development. Drainage Basin studies are planned to assist in Capital Improvement Plan development.

Recruitment and Retention

Over the past few years, several positions have proven difficult to fill and retain. Two areas continue to be difficult to maintain, skilled construction trades and engineers.

For skilled construction trade workers, there is a limited candidate pool in the Oklahoma City metro area. Public Works typically has around 30 vacancies of such positions and recruitment efforts haven't been able to fill that need. The Streets, Traffic, and Drainage Maintenance Division is supplemented with temporary work staff as needed although our priority is to fill vacant full-time positions. Other municipalities and our consultant contractors have reported similar difficulties in finding candidates for such positions. The department plans to explore additional options such as the underfilling of positions combined with a robust training program and creating positions with automatic promotions upon achievement of certificates and licenses.

For engineers, the problem seems to be a little different. There are talented engineers in the local market, but the department has found it difficult to compete in terms of compensation.

Public Works as well as the Utilities Department has seen significant attrition in Engineering staff who have found higher paying positions in the private sector and with other public sector agencies including the Oklahoma Department of Transportation (ODOT) and surrounding municipalities.

The Human Resources Department has recently implemented a hiring bonus program for certain positions and has begun a Classification and Compensation Study scheduled to be completed in the next 18 months. The department is optimistic the study will be able to address both the competitive salaries needed and the recruitment structure for both engineers and skilled trade workers.

Streets Infrastructure Funding

Dedicated funding for streets infrastructure provided by the Better Streets Safer City sales tax program and the 2017 GO Bond Program was $168 million and $491 million, respectively. The funding provided from Better Streets Safer Cities sales tax for streets projects will be exhausted in 2022. In the past three fiscal years, Public Works has been able to resurface 108, 129, and 114 miles of streets, doubling efforts of past years.

The condition of streets in Oklahoma City has seen steady improvement, as evidenced the Paving Condition Index (PCI). However, the Citizen Survey continues to name the condition of City streets being the number one issue. Additionally, the issue that is now the second most important item on the Citizen Survey is the ease of getting around the city, which is related to the first.

With the expiration in funding provided by the Better Streets Safer Cities sale tax program, the primary source of funds for street infrastructure will be provided from the GO Bond Program. Additional funding source for streets infrastructure and maintenance would allow for a consistent level of service to our streets. Some of the needs include street resurfacing projects to supplement GO Bond funding, continued implementation of radar detection traffic intersection controls, and traffic striping.

- Street Resurfacing projects, supplemental to the GO Bond funding for streets
- Radar detection traffic intersection controls – citywide conversion; 29% completed
- Traffic striping – increased level of striping

UTILITIES

Regulatory Issues *(Highlighted Issue – See page 101 for additional information)*

Tinker Air Force Base Water Project *(Highlighted Issue – See page 101 for additional information)*

Water Utility – Water Supply *(Highlighted Issue – See page 101 for additional information)*

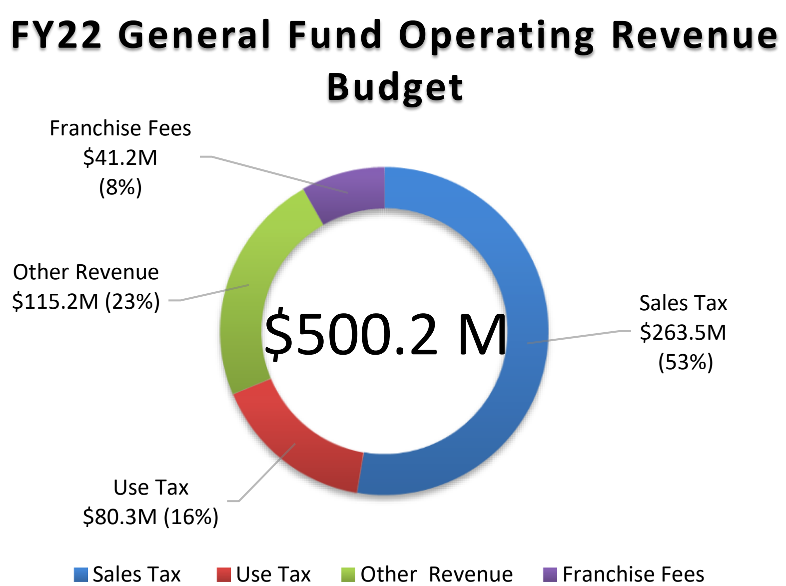
SECTION 6

GENERAL FUND REVENUES

TRENDS AND FORECAST

OPERATING REVENUE OVERVIEW

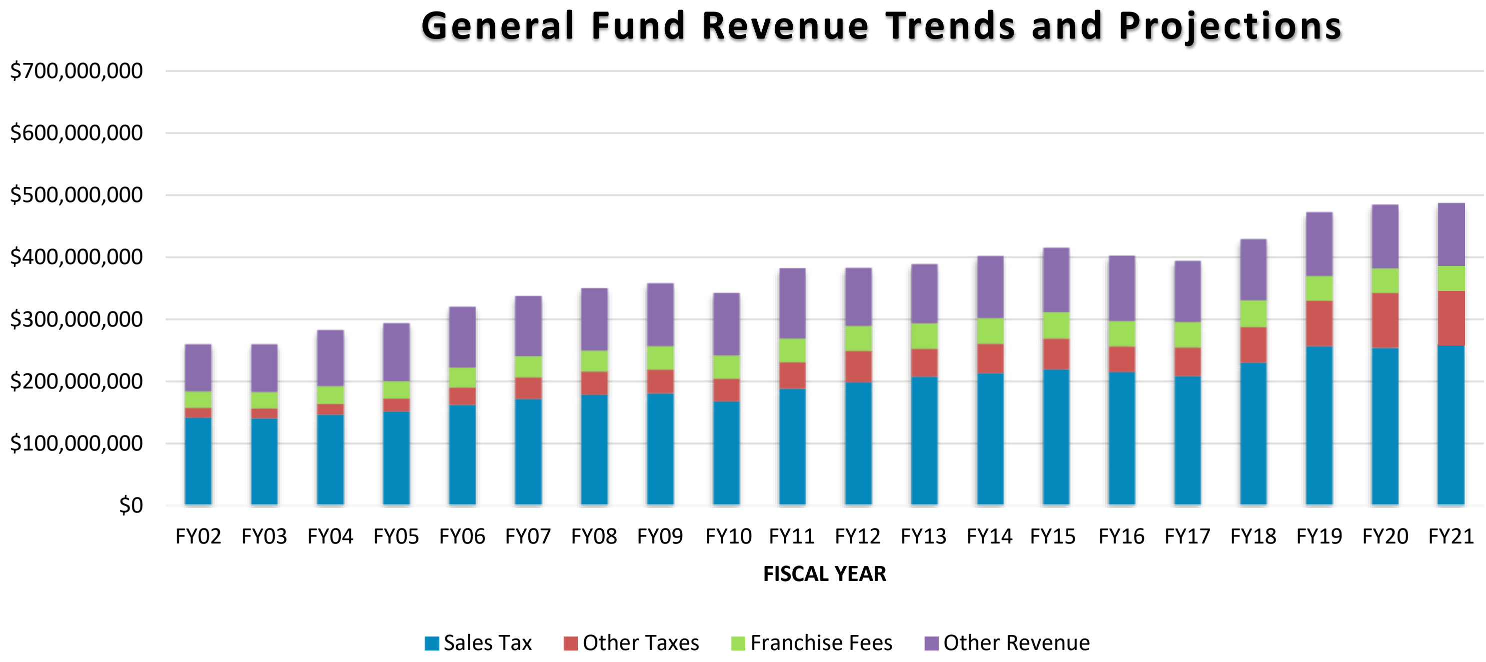
The General Fund is supported by a wide array of revenue sources. In fact, there are literally hundreds of individual revenue sources that contribute to the General Fund. Similar sources are combined into categories and shown in the graph below of the FY22 General Fund Operating Revenue Budget. Revenue from the eight-year MAPS 4 sales tax is initially deposited in the General Fund, and then immediately transferred to the MAPS 4 Program Fund to be used for capital purposes. Because of the capital nature of these funds, it is not included in this financial outlook. While it would be impossible to forecast every possible area of revenue growth over the next five years, this report attempts to project the most likely growth patterns in revenues. Economic cycles of growth and contraction are expected over the next five years, but rather than projecting the fiscal year in which each cycle will occur, the growth projections were smoothed over the five-year outlook. With over half of the General Fund budget comes from sales tax, it is the key revenue source. Continued stability of the General Fund will be contingent upon growth in sales tax revenues. For that reason, a significant part of this section will focus on sales tax revenue.



Sales tax growth can be driven by changes in population, economic health, and movement of retail operations to Oklahoma City.

REVENUE TRENDS

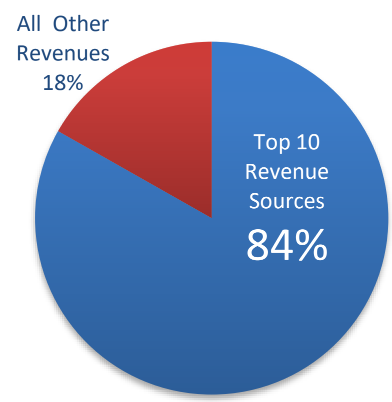
The chart below displays the revenue growth trends in the General Fund over the last 20 years. Sales Tax growth, the largest category in blue, was driven by changes in population, economic health, movement of retail operations to Oklahoma City and sales tax rates. Use Taxes, in red, has grown over 486% in the last 20 years. Use Tax is levied on goods that are bought in other states and then imported to Oklahoma for use. Use Tax has seen exceptional growth over the last three years from online sales as vendors have begun collecting and remitting tax due to changes in State Law and further driven by online sales during the COVID-19 pandemic. Additionally, both Sales and Use Tax collections has grown since FY18 due to a permanent ¼ cent increase in the tax rate. Franchise Fees, in green, have grown at a steady rate, with growth largely attributed to the remitters customer base, and in some cases, such as electric, gas, and water, weather has influenced consumer consumption. The Other Revenue category, in purple, is made up of various sources, but it too is largely influenced by population, which is reflected in building permit revenue, licenses, fees, other taxes and other services.



TOP 10 GENERAL FUND REVENUE SOURCES

When combined, the top 10 budgeted line item revenues account for 84% of the General Fund Revenue Budget. Two of the top 10 revenues are taxes, Sales Tax and Use Tax. Those two taxes combined make up 69% of the General Fund Budget. Revenue from Franchise Fees accounts for three of the top 10 revenue sources and account for 6% of the General Fund Budget. The OG&E Franchise Fee is consistently the third largest revenue source for the General Fund. The Other Revenue category contains the remaining six top 10 revenues, which range from court fees to building permits and wage adjustment from the Public Safety Sales Tax Funds. Wage adjustments are payments to the General Fund from the dedicated ¾ cent Sales Tax for Public Safety, that when approved by voters, provided compensation increases for uniformed police and fire positions that were funded in the General Fund.

General Fund FY22 Operating Revenue Budget



Revenue Source	FY22 Budget	% of GF	Category
Sales Tax	$263,482,460	53%	Sales Tax
Use Tax	$80,292,979	16%	Use Tax
OG&E Franchise Fee	$20,367,305	4%	Franchise Fees
Fire Wage Adjustment	$12,251,873	2%	Other Revenue
Police Wage Adjustment	$9,407,087	2%	Other Revenue
Public Works TMS Charges	$9,219,072	2%	Other Revenue
Court Costs	$6,502,362	1%	Other Revenue
Building Permits	$5,758,962	1%	Other Revenue
ONG	$5,524,424	1%	Franchise Fees
Cox Cable	$5,334,749	1%	Franchise Fees
TOTAL	**$418,141,273**	**84%**	

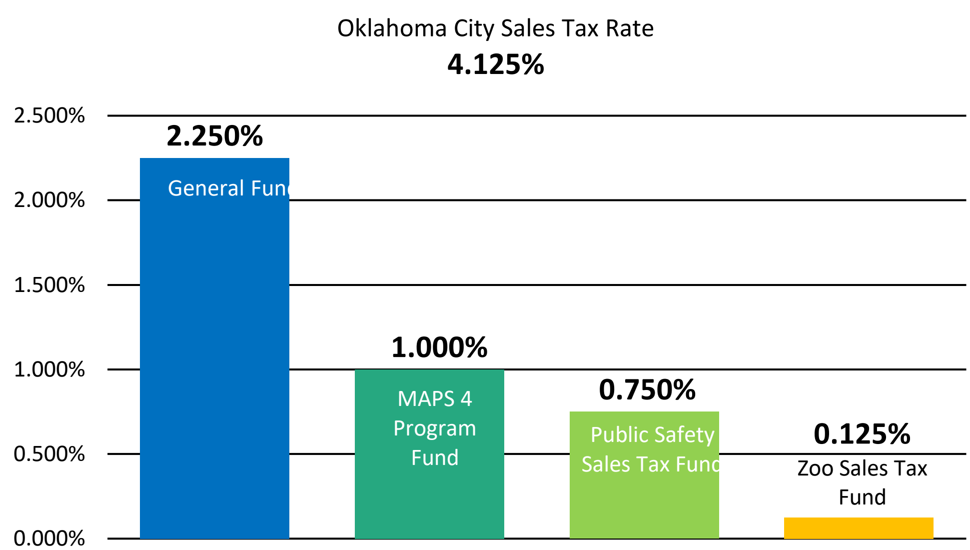
The sections that follow focus on the trends and projections of each revenue category and what may be influencing recent trends and future projections.

SALES TAX

Sales tax is applied to most retail transactions, as provided by State law, and is collected by local vendors who then remit the revenue to the Oklahoma Tax Commission (OTC). The City maintains agreements with the OTC for administration and enforcement services associated with Sales and Use taxes. The City receives revenues one month after receipt by the Oklahoma Tax Commission. The Tax Commission receives revenues from vendors around the 15th of the month. For most vendors, this payment is for actual sales in the last half of the prior month, and for estimated sales for the first half of the current month. For smaller vendors, the payment is for actual sales made in the prior month.

With voters approving a permanent ¼ cent sales tax increase effective January 1, 2018, the sales tax levied by the City increased from 3.875% to 4.125%. Combined with the state levy of 4.5%, the total state and municipal sales tax rate charged within corporate Oklahoma City limits is 8.625%. Canadian County assesses an additional levy of 0.35% for purchases made within their jurisdiction. Pottawatomie County assesses an additional 1.00% sales tax levy.

The city's 4.125% sales tax levy is divided between the various funds. The General Fund receives 2.250% and is the single largest revenue source for the General Fund, which funds day-to-day operations. In September 2017, voters passed the temporary 27-month, 1.000% Better Streets, Safer City tax to address concerns with the City's streets and to fund public safety improvements. When that tax expired in 2020, voters approved the MAPS 4 tax to extend the 1.000% for an additional eight years, thereby temporarily maintaining the 4.125% Oklahoma City sales tax rate. The Public Safety Sales Tax Fund receives 0.750% and is split evenly between Police and Fire. It is a permanent dedicated sales tax. The Zoo Sales Tax Fund receives 0.125% and is also a permanent dedicated sales tax that can only be used for capital improvements and operations at the zoo. As previously mentioned, the MAPS 4 sales tax revenues are excluded from this forecast.



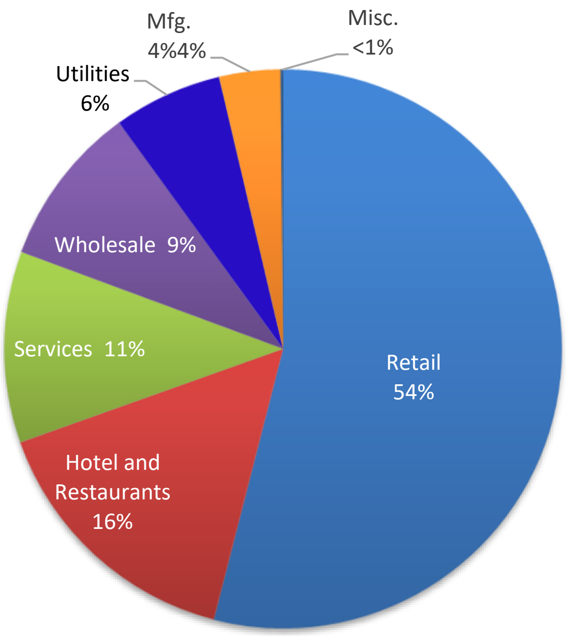
Better Streets, Safer City expired in April 2020 and was replaced by MAPS 4 to continue the 1.000% tax for an additional eight years.

SALES TAX REVENUE BY NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS)

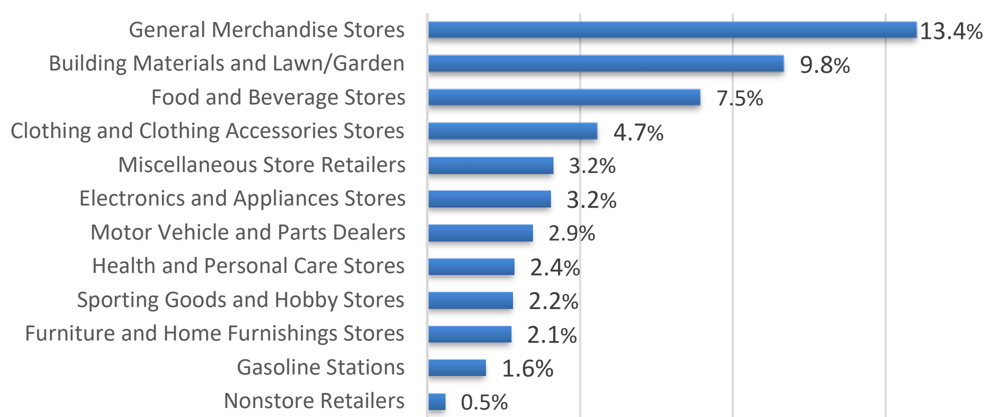
The OTC categorizes all vendors who remit sales tax using the North American Industry Classification System (NAICS). NAICS classifies business establishments by type of activity to monitor and analyze related statistics. It is the system used by the Federal Government and allows for better levels of comparison by providing uniformity in data collection and reporting through the standardization of business establishments throughout the country.

The charts below illustrate the most significant sectors of Oklahoma City's sales tax base for FY21. As shown in the pie chart, the retail sector represents about half of all taxable sales. The NAICS system allows further division within the major groups for a more granular look at the data. Because retail is such a large piece of sales tax, special attention is paid to the components within retail, which are detailed in the bar chart.

FY21 Sales Tax by NAICS Categories



FY21 Breakdown of Retail Categories (As a % of all sales tax)

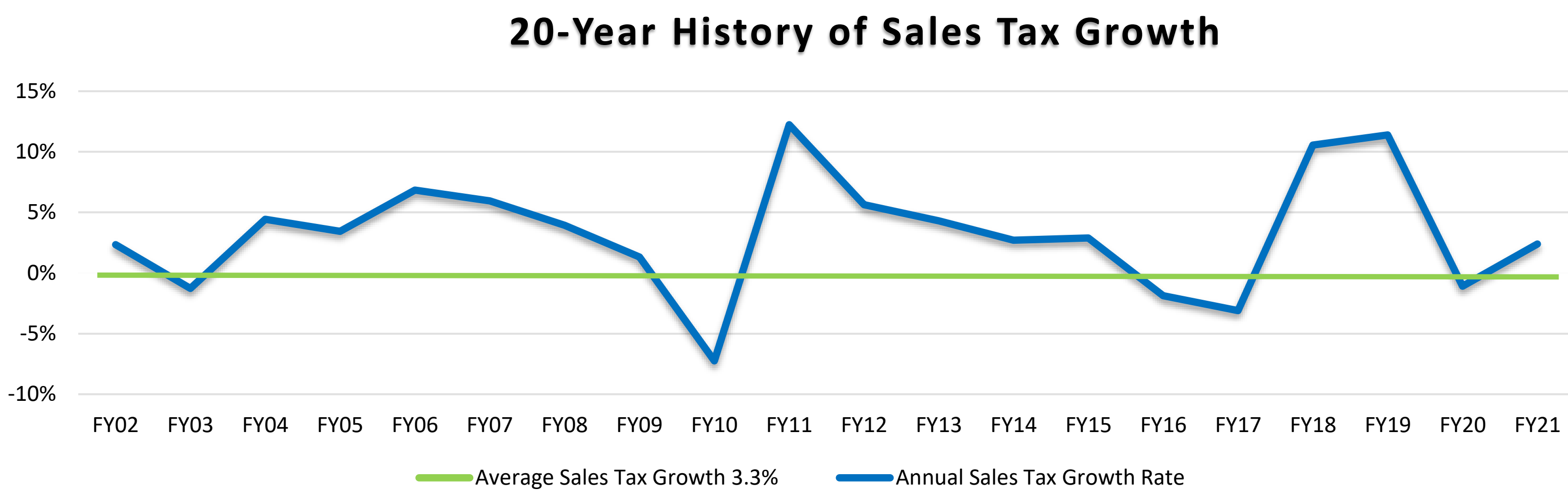


One limitation of the system is that a business can only be classified in one NAICS category, even if the business sells multiple types of goods. For example, the sales tax from Walmart on groceries is shown as Retail Sales Tax, General Merchandise rather than Food Stores because Walmart is considered a General Merchandise retailer. Likewise, the sales tax on a pair of jeans purchased from Academy Sports would show under Sporting Goods rather than Apparel and Accessories because Academy is classified as a sporting goods store.

The amount of retail activity and the mix of retail activity can shift gradually over time due to changes in consumer habits, economic conditions, and tax law changes. Other factors that can affect retail activity include growth of the superstore, consumer tastes such as dining out more often, and tax law changes such as the change from taxing cigarettes through Sales Tax to excise taxes in 2004. Whatever the reasons for the changes, monitoring and understanding retail sales are critical to the financial health of Oklahoma City. The City Treasurer's Office prepares a monthly sales and use tax collection report highlighting their analysis of tax collections and trends that are emerging.

SALES TAX OPERATING REVENUE FORECAST

With the permanent ¼ cent sales tax increase that went into effect January 1, 2018, sales tax is now 53% of General Fund revenue and the single largest revenue source in the General Fund. The uncertainty in the economy makes projecting sales tax a challenging task. How will the national economy perform, how will the Oklahoma economy be impacted by the energy sector and the price of oil and natural gas, and how will a continued shift in consumer purchasing from local retail stores to online purchases affect Sales Tax collections? These questions make forecasting sales tax a real challenge as growth can change dramatically from year to year, as shown in the chart below.

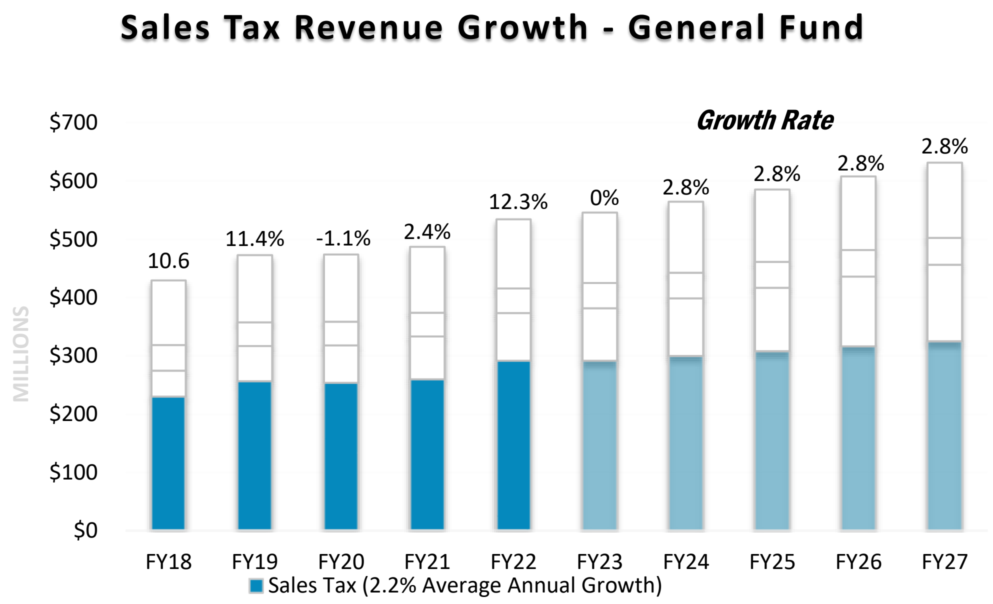


For Oklahomans, low natural gas and oil prices are a concern as those prices result in lower exploration and production activity and decreased employment in the mining sector. Oil and gas have proven to have a significant impact on our local economy, even as other industries such as Aerospace have grown. In the last five years, Oklahoma City has seen the 20-year average growth rate decline from an average of 4.0% growth per year to 3.2% growth per year. The trend continues to be analyzed since Oklahoma City maintained one of the lowest unemployment rates in the nation, at an average of 5.5%, during the time period.

Part of the Economic Forecast developed by Dr. Russell Evans, Economist at Oklahoma City University, was an estimate of taxable retail sales. Preliminary discussions about the forecast in December 2021 were used in the projection for sales tax growth for the remainder of FY22 and for FY23. Based on those discussions, sales tax growth for FY23 is expected to remain flat.

Sales Tax from restaurants is one of Oklahoma City's most steady revenue streams, even in economic downturns.

In the last four years of the forecast, Sales Tax is projected to grow at 2.8%, the 10-year average growth rate. When the five years are combined, the average growth rate for sales tax is projected to be 2.2% annually. This projection results in a FY23 Sales Tax budget of $291.5 million, that increases to $324.9 million in FY27.

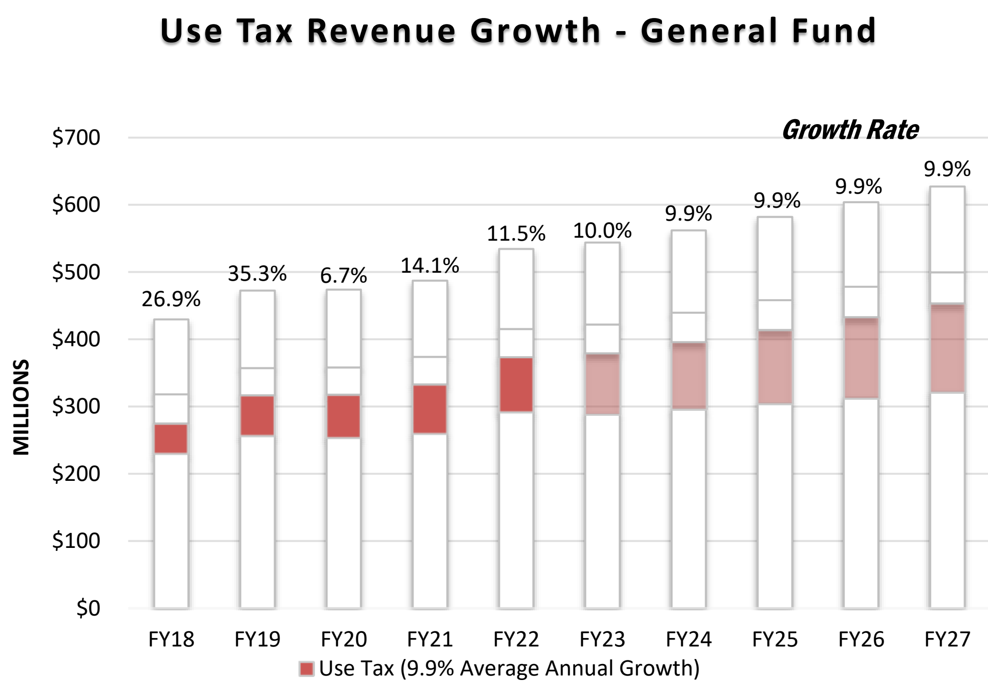


USE TAX

Use Tax, which is levied on goods and equipment imported from other states for use within Oklahoma and not for resale, is the second largest revenue source in the General Fund.

USE TAX REVENUE FORECAST

Use tax has historically been very volatile, with significant swings from negative growth to double-digit positive growth. In FY22, Use Tax is expected to grow due to increased online purchases and the lingering effects of the permanent ¼ cent increase in the Use Tax rate that became effective January 1, 2018. In FY23, Use Tax is projected to grow 10.0% as we continue to see a transition from traditional brick and mortar purchases to online purchases. For FY24 through FY27 growth is projected to continue at the 10-year average rate of 9.9% as we don't anticipate a slow-down in online purchases.



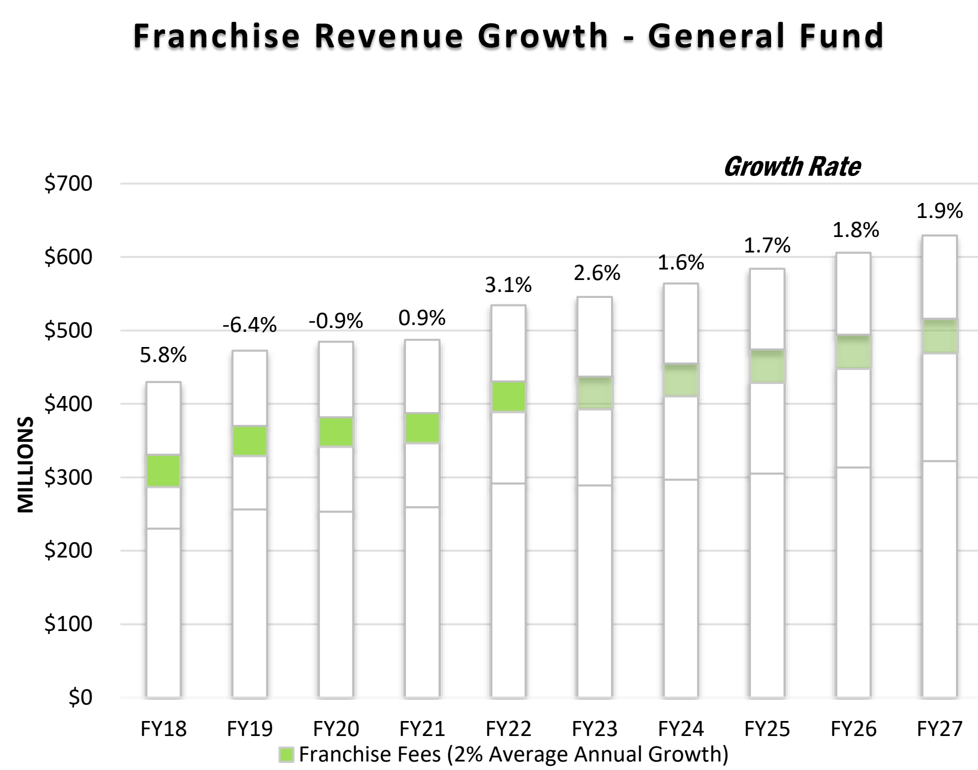
FRANCHISE REVENUES

Franchise revenues are derived, generally, from a levy on the gross receipts from utilities for the privilege of accessing public streets and rights-of-way and to reimburse the city for the cost of administering and enforcing the franchise. Two of the top 10 revenue sources in the General Fund are from franchise fees. Those two, Oklahoma Gas & Electric and Cox Cable, remit fees to the City that typically comprise about 62% of all franchise revenue and 5% of all General Fund operating revenue. In addition, Cox Cable and the City's Water, Wastewater and Solid Waste Management enterprises operate as regulated monopolies using City rights-of-way. Accordingly, these entities also make payments to the General Fund and are counted in the franchise revenues for this category.

Revenue from the energy-based companies is influenced by customer base and can be significantly impacted by weather and fuel prices. Video/cable franchises have been declining the last five years as subscribers follow a national trend of cancelling cable TV services and opting for online video services. As telephone landlines become less common, we continue to see revenue from that sector decrease. Franchise revenues from Water, Wastewater and Solid Waste grow steadily as population and rates increase.

FRANCHISE REVENUE FORECAST

Franchise revenue is expected to finish FY22 3.1% higher than FY21. OG&E is the largest franchise remitter and is consistently the third largest revenue source in the General Fund. From FY23 through FY27, OG&E is projected to grow 2.6%. Cable franchises are expected to continue their decline over the next five years which, brings the overall average growth down to 2% annually. The FY23 projected budget for franchise revenue is $43.1 million and increases to $46.3 million in FY27.



OTHER GENERAL FUND REVENUES

Many other sources contribute to the General Fund revenue base, including six of the top 10 revenue sources. Revenue sources in this category include:

- **Licenses, Permits & Fees** - Building permits, the 8th largest revenue source in the General Fund, is projected to increase 4.9% in FY22. Building permit revenue is 1.3% of the total General Fund revenue budget. From FY23 through FY27, revenue is expected to increase 2.7% annually, the five-year average. Other revenue sources in this category include various business licenses and permits for activities ranging from garage sales to elevators. The charges in this category are designed to recover the cost of enforcement and administration of city codes, and account for 3.1% of the General Fund revenue budget.

- **Services & Administrative Charges** - Three of the top 10 revenues in the General Fund are in this category, Police and Fire wage adjustments and charges for administrative services. These are payments from the Public Safety Sales Tax Fund to the General Fund for reimbursement of paid Police and Fire wages. These two payments are 4% of the General Fund budget and are projected to grow at 1.7%, annually. The third top 10 revenue source is charges for administrative costs for G.O. Bond projects. Also included in this category are animal shelter, engineering, planning, recreation, police fees, parking meter fees, and inter-agency charges for services such as accounting and legal. Combined, these charges account for 8.26% of the General Fund revenue budget. Each revenue source was projected to grow based on their own historical average; overall, the category is projected to grow at 1.98% annually.

- **Fines** - This revenue category includes fines imposed for municipal traffic and parking violations, fines imposed for violations of other municipal ordinance, and revenue from court costs. Court costs is one of the top 10 revenue sources in the General Fund, accounting for 1% of the General Fund Revenue. However, Court Costs have been declining for the last five years due to fewer citations issued and case filings. The category is expected to continue its decline at -2.97% annually from FY23 to FY27.

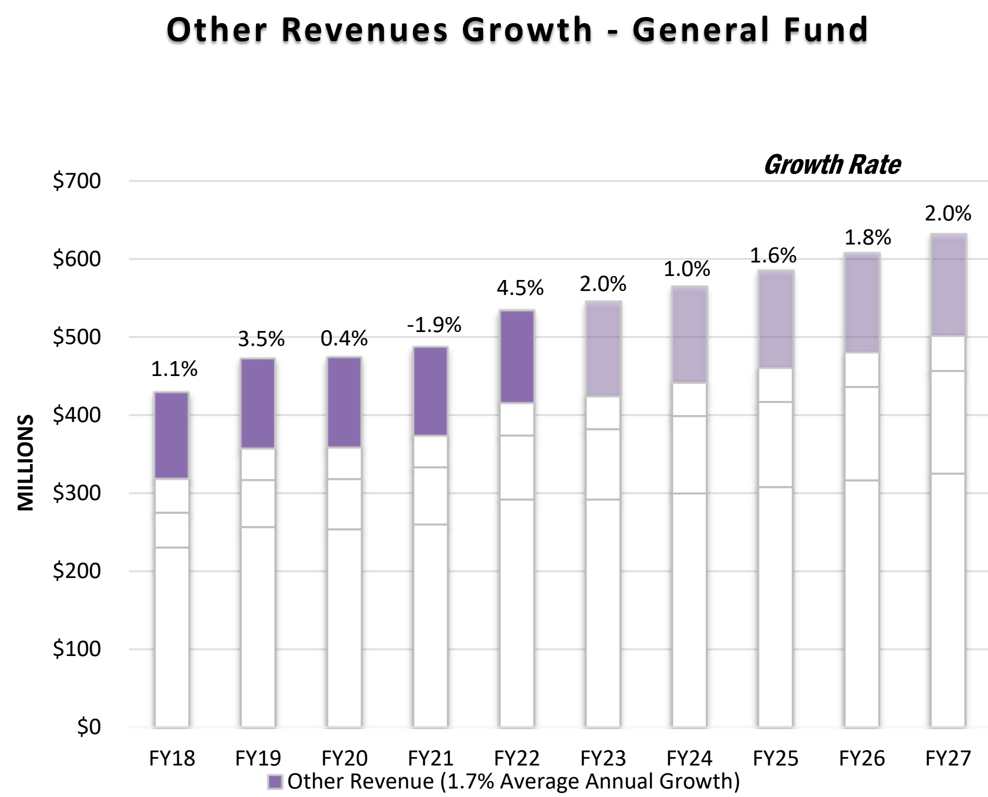
- **Other Revenues and Intrafund Transfers** - This category includes a variety of miscellaneous sources such as interest, revenues from the sale of city property, rental income, and several small transfers from various city funds. In total, these revenue sources account for 1.1% of the General Fund revenue budget. Transfers make up a small portion of the General Fund budget, and are expected to grow at 2% annually from FY23 to FY27. The Other Revenue category is expected to grow 6.28%, annually, from FY23 to FY27.

- **Other Taxes** – This category includes other taxes remitted to the City and includes tobacco excise tax, alcohol tax, commercial vehicle tax, and motor fuel tax. These taxes are collected by the State and remitted either directly to the City or passed through the County to the City. In total, Other Taxes account for 2.6% of the General Fund. This category is projected to grow 1.75% annually from FY23 to FY27.

Licenses and Permits, such as building permits, are charged to recover the cost of enforcement and administration of City codes.

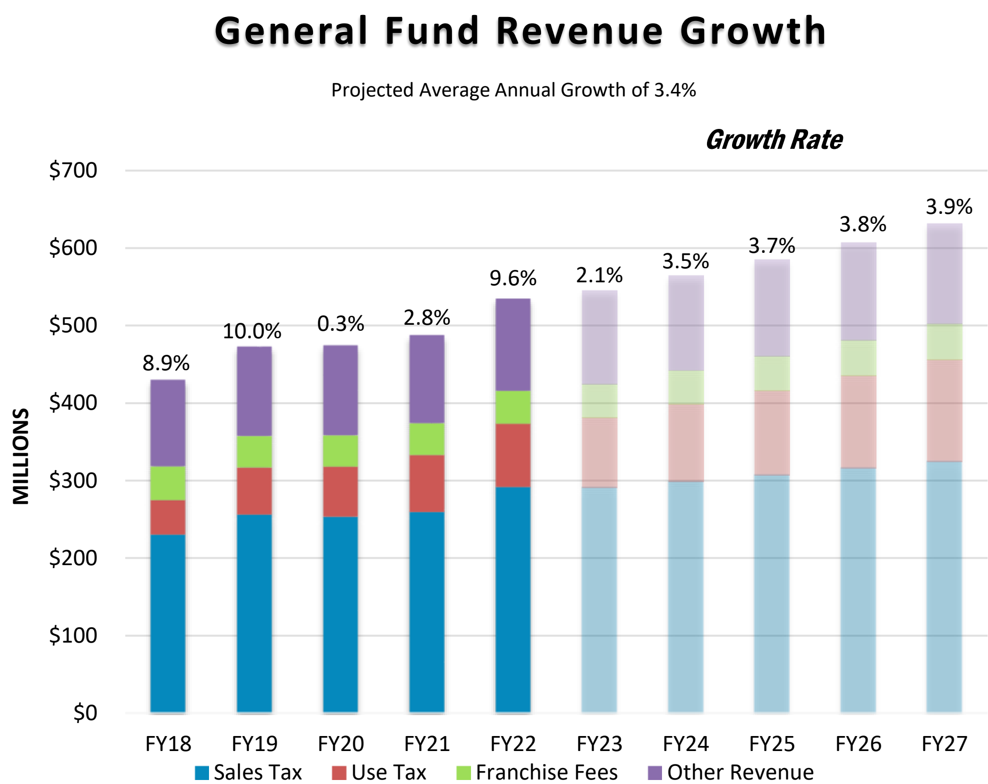
OTHER GENERAL FUND REVENUES FORECAST

Overall, this group of other revenues makes up 22% of General Fund revenue. Growth of 1.7% was projected over the forecast period and was largely based on long-term average growth patterns. The FY23 projected budget for other general fund revenues is $120.9 million, which increases to $128.9 million in FY27.



OVERALL REVENUE FORECAST

When all categories are combined, General Fund revenues are expected to grow at about 3.4% per year over the next five years. To put that in dollar terms, the General Fund is expected to grow from anticipated revenue of $545.9 million in FY23 to $631.7 million in FY27.



FIVE-YEAR FORECAST
FISCAL YEAR 2023 - 2027

SECTION 7

GENERAL FUND EXPENSES

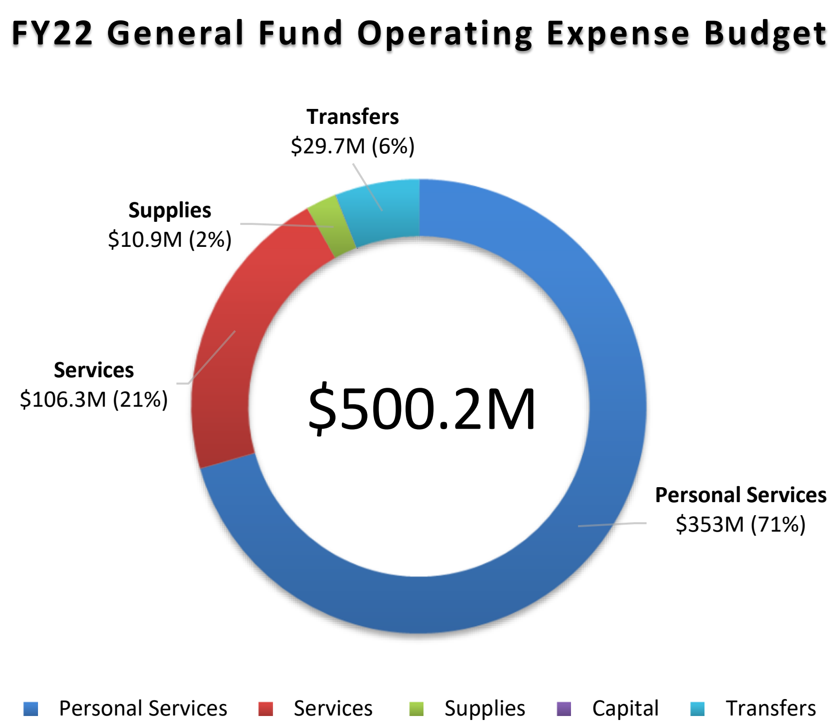
TRENDS AND FORECAST

EXPENDITURE OVERVIEW

City expenditures encompass an enormous variety of goods and services for items ranging from employee salaries to sophisticated computer programs to dog food. While it would be impossible to forecast every possible area of expenditure growth over the next five years, this report attempts to project the most likely growth patterns in expenses. Economic cycles of growth and contraction are expected over the next five years; however, the growth projections do not reflect measures typically taken to balance the budget such as hiring freezes, reductions in force, or delaying capital expenditures. Overall, it is anticipated that general operating costs will continue to grow at a rate higher than inflation due primarily to salary and benefit growth.

FY22 BUDGET

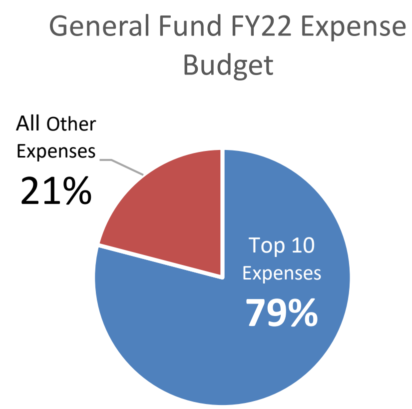
The City budgets according to five general categories: personal services, other services, supplies, capital, and transfers. These categories also provide a convenient way to divide City expenditures to more closely examine the trends that are occurring and for making projections.

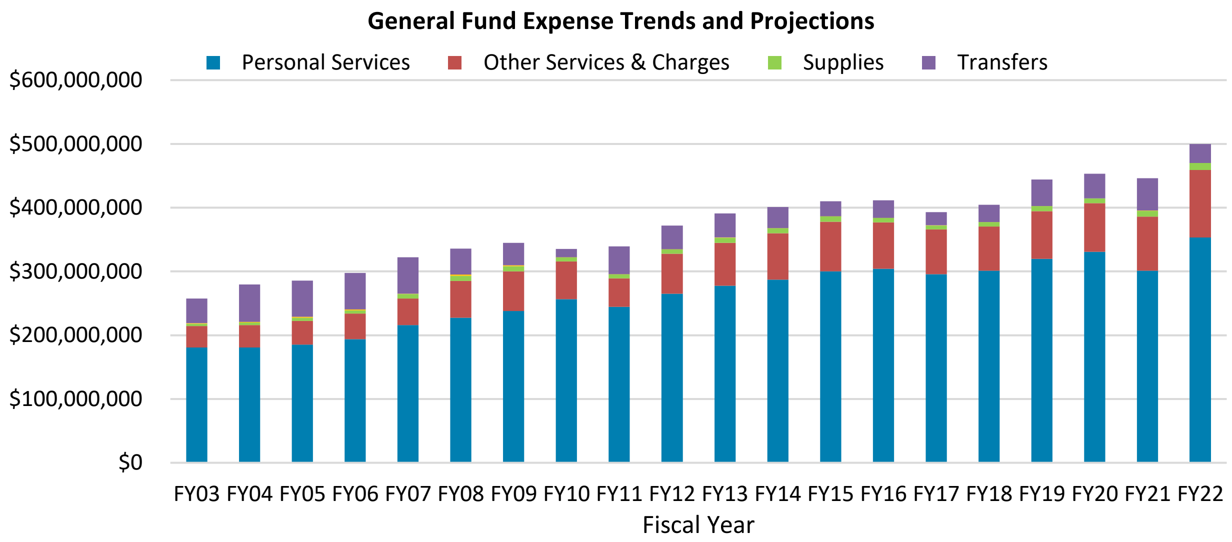


Oklahoma City Police Officers visit with residents during "Coffee with a Cop". The monthly event creates an opportunity for the public to get to know the police officers in their area and voice their concerns.

EXPENSE TRENDS

The chart below displays the expense trends in the General Fund; expenses have grown 194% over the last 20 years. Personal Services, the largest category in blue, is driven by the number of employees and the pay and benefits of those employees. The Other Services category has grown 319%, which was partly driven by a change in business process in FY08 that recategorized some expenses from transfers to payment for services. Another reason for the growth occurred in FY20 when services once performed by City employees, which had been categorized as personal services, were contracted out and are now expensed as Other Services. The smallest category, Supplies, had the largest growth at 320%, with the largest category, personal services, having the third largest growth at 195% growth. The Transfers category grew 77% over the 20-year period.





TOP 10 GENERAL FUND EXPENSES

When combined, the top 10 budgeted line-item expenses account for 81% of the General Fund Operating Budget. Although not inclusive of all personal related services, five of the top 10 line-items are from the Personal Services category and equal 67% of the General Fund budget. Personal related services include salaries and wages, insurance, retirement, salary reserve and retiree insurance (aka Other Post-Employment Benefits or OPEB). The four largest line items in the Other Services category represent 11% of the General Fund budget and include payments to the Central Oklahoma Transportation Parking Authority (COTPA) for public transportation, payments to the Oklahoma City Economic Development Trust (OCEDT) and payments to internal service funds for Information Technology and Risk Management services. The largest line item in the Transfers category represent 2% of the General Fund budget and include annual transfers to the Oklahoma City Public Property Authority (OCPPA) for operating costs at the Paycom Center.

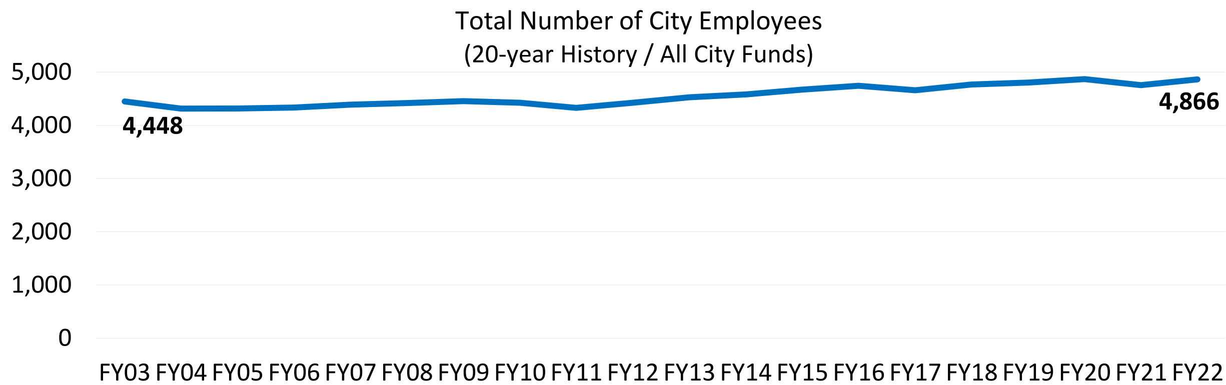
Expense	FY22 Budget	% of GF	Category
Salaries and Wages	$238,140,558	48%	Personal Services
Health and Welfare Insurance	$50,794,524	10%	Personal Services
Retirement/Pension Contributions	$26,803,189	5%	Personal Services
Chargeback - IT	$20,722,265	4%	Other Services
Payments to COTPA	$17,004,230	3%	Other Services
Retiree Health Insurance	$13,314,341	3%	Personal Services
Payment to OCEDT	$11,361,303	2%	Other Services
Paycom Center	$8,984,876	2%	Transfers
Chargeback - Risk Management	$8,323,867	2%	Other Services
Fire - Overtime Wages	$7,357,535	1%	Personal Services
TOTAL	$402,806,688	81%	

The sections that follow focus on the trends and projections of each expense category and what may be influencing recent trends and future projections.

Health and wellness insurance continues to be one of the fastest growing expenses in the General Fund.

PERSONAL SERVICES

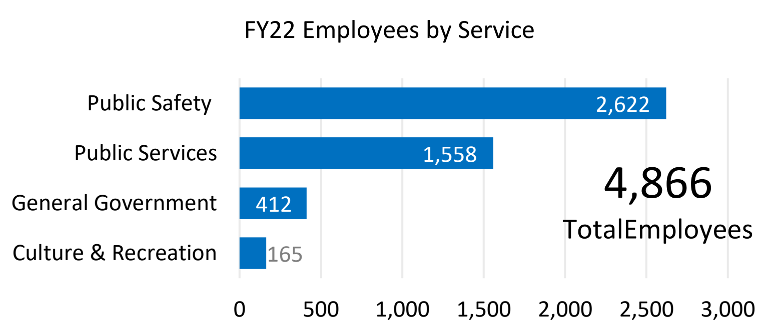
At 71% of the FY22 General Fund operating budget, personal services are the primary driver in expenditure growth in the General Fund. Personal services include salaries, insurance, retirement contributions, parking, uniform and tool allowances. The two main drivers in the growth of personal services are the number of employees and the pay and benefits of those employees. Five of the top 10 line-item expenses are in this category are related to the pay and benefits of employees and include salaries and wages, health insurance, retirement/pension contributions, Other Post-Employment Benefits (OPEB) which is healthcare insurance for retirees; and salary reserve. The FY22 budget increases the number of positions by 109, or 2.3%, to 4,866 due to positions being added back into the budget that were cut during the pandemic.

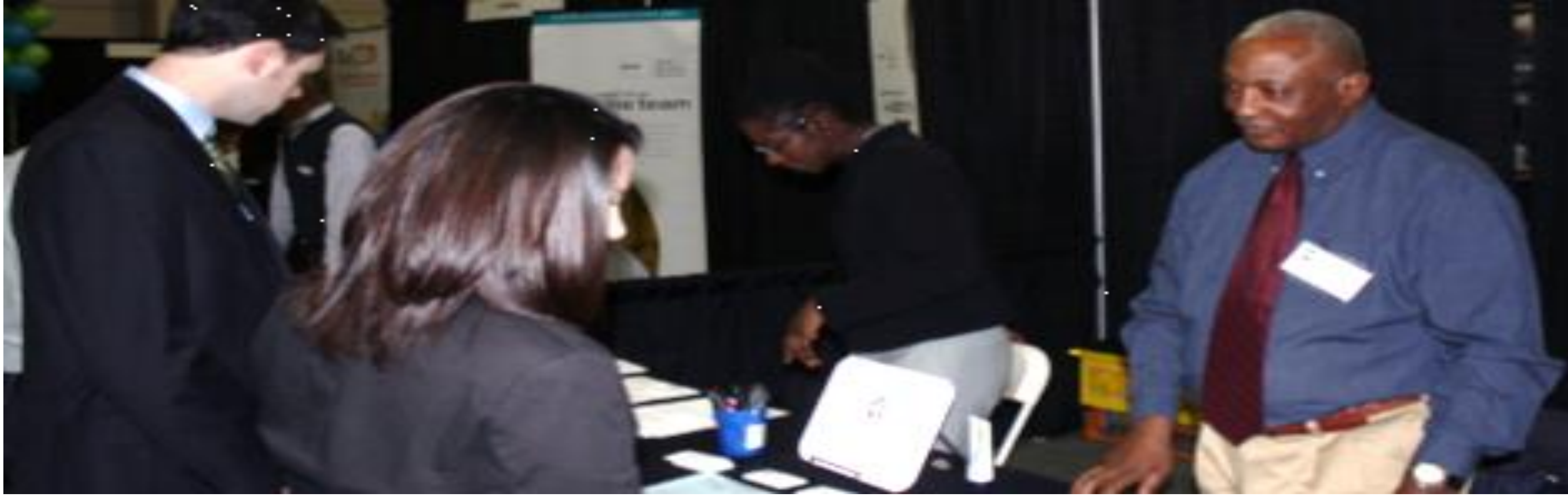


Employee count tends to go up and down with economic cycles as shown in the graph above; but, overall the number of City employees has remained rather steady, growing only 9.4%, or 418 budgeted positions, over the last 20-years. Staff has managed to control growth by gaining efficiencies through use of technology, contracting out services to industry experts such as management of the arena, convention center and performing arts venue, and reprioritizing services.

Change in Employee Count over last 20-years		
Public Safety	240.0	10.0%
Public Services	224.0	16.2%
General Government	-29.0	-6.3%
Culture and Recreation	-17.0	-8.5%
Total Change	418.0	9.4%

In terms of distribution of City employees among the various categories of services provided, the largest group is focused on public safety which make up 54% of the City's workforce and includes Fire, Police and Courts employees. Second largest, at 33% of all employees, is the public services category which includes the Water, Wastewater, and Solid Waste Utilities, Public Works, Airports, Public Transportation and Parking, Development Services, and Planning departments. General government comprises 9% of the total and is made up of the employees in the Mayor's and City Council Office, City Manager's Office, City Clerk's Office, City Auditor's Office, Municipal Counselor's Office, Finance, Information Technology, General Services and Personnel departments. Finally, culture and recreation consists of the Parks and Recreation Department and represents 4% of the total.





Personnel Department staff visit with potential applicants about career opportunities with the City at a job fair.

The total number of City employees under-represent the full level of effort in these areas due to two primary factors; the first is that these figures only count City employees and do not include employees of the ity's trusts. The Oklahoma City Zoological Trust has about 157 full-time employees and the Oklahoma City Public Property Authority has about 57 full-time employees working at the City's golf courses. These employees would count in the culture and recreation category.

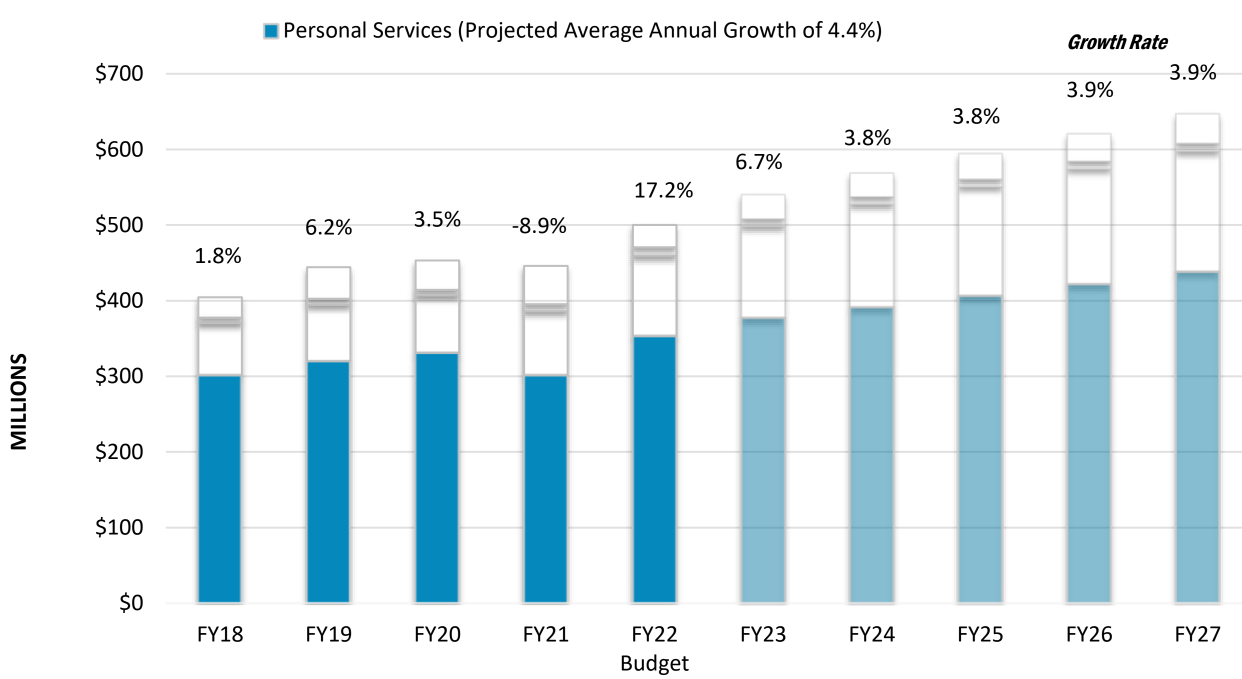
There are also 287 full-time employees in the Central Oklahoma Transit and Parking Authority who would fall in the public services category. The second factor is the many City contractors providing City services, such as the employees of ASM who operate the Paycom Center and Cox Center, the employees of Waste Management, Inc. who provide much of the City's trash service, and the employees of Severn Trent who operate the City's wastewater treatment plants. Contract employees are not counted in any of these totals. In addition to the number of employees, the other portion of the personal services cost equation is the cost per employee. The City of Oklahoma City is committed to attracting and retaining a highly skilled work force by offering competitive salaries and must balance that goal with available resources and demands for additional services.

Most City employees are covered by a collective bargaining agreement. These agreements are negotiated every year and spell out the changes to a group's pay plan, benefits, and rules for handling pay-related matters, such as overtime. In the FY22 Budget, the American Federation of State, County, and Municipal Employees (AFSCME) represents 1,372 general positions. The Fraternal Order of Police (FOP) represents the 1,235 uniformed police positions. The International Association of Fire Fighters (IAFF) represents the 999 uniformed fire positions. The remaining 1,253 positions are unrepresented management and executive positions that receive pay plan changes through City management recommendation and Council approval.   When a group's pay plan is increased, all members of the group receive an increase. In addition to the pay plan increase, employees are also eligible for an increase in pay due to merit or longevity depending on the group to which they belong. Employees in AFSCME or management would not receive a merit pay increase if their performance were rated as unsatisfactory during their annual performance review or if they were at the top step of their pay range. FOP and IAFF employees would not receive a merit or longevity increase if they were at the top step in their pay range and have been working for the City for more than 20 years.

PERSONAL SERVICES FORECAST

Looking back at how employee costs have grown in recent years helps to inform the projections for the future. In FY23 the rate of growth is projected at 6.7% due to seven positions being added to the General Fund to enhance services for community outreach, planning, code enforcement, electrical inspections, and veterinarian services. An additional eight positions are being added to other funds to enhance community relations and to address various information technology needs. Adjustments to salaries and wages, insurance and pension contributions are also driving the growth. In FY23, 3,006 positions are expected to be budgeted in the General Fund with the remaining 1,888 or so positions budgeted in other significant operating funds such as Police or Fire Sales Tax, Utilities, Airports, Storm Water Quality, Internal Service Funds, etc. The projected annual growth rate decreases to 3.9% in FY24 though FY27. Increases to position related expenses were based on average annual increases from the last five years and after adjusting for inflation, ranges from 3.25% for wages to 7% for health insurance. Over the five-year forecast period, the average growth is projected at 4.4% annually for personal services with a projected budget of $376.6 million in FY23 that grows to $438 million in FY27.

Personal Services Expenditure Growth - General Fund



OTHER SERVICES

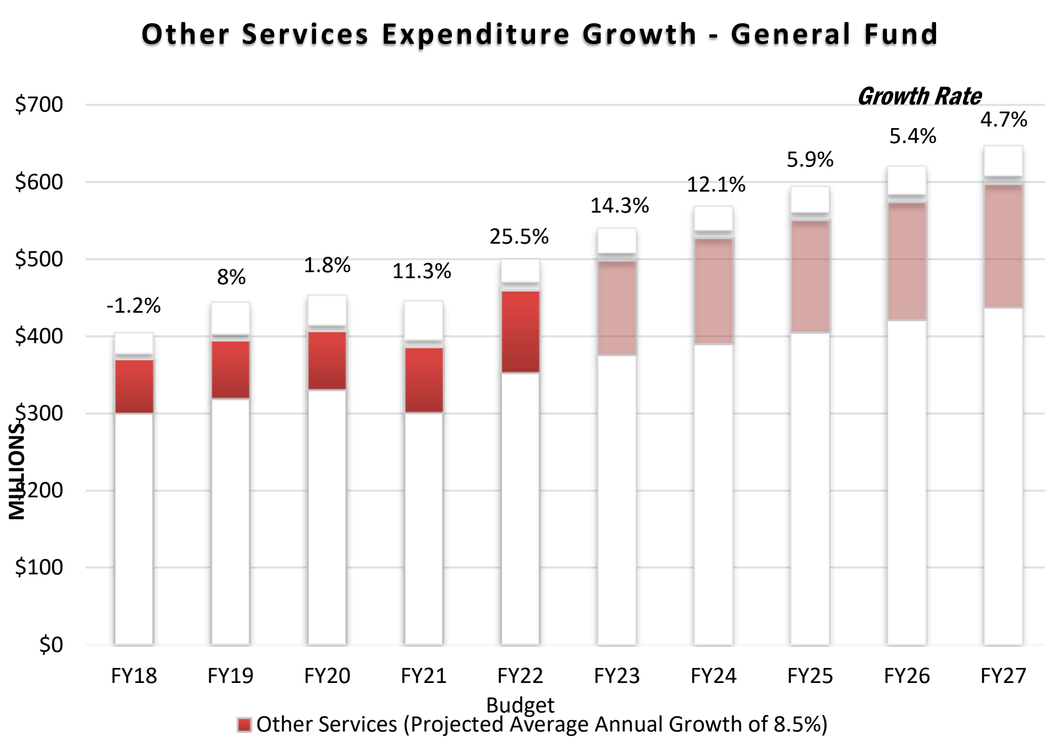
Other services include expenditures for service contracts, utilities, printing, employee training, vehicle repairs, professional services and chargebacks. Chargebacks are charges between internal City agencies for services such as vehicle maintenance, printing services, information technology support, workers compensation and property and liability insurance. The FY22 budget for other services totals $106.3 million or 21.3% of all General Fund operating expenditures. Four of the top 10 line-item expenses are in this category and include payments to the Central Oklahoma Transportation and Parking Authority (COTPA) for operation of the City's Public Transportation System, payments to the Oklahoma City Economic Development Trust (OCEDT) for various economic development activities and payments to the internal services funds for Information Technology and Risk Management services. Those four line-items combined consume 54% of the category budget and 11% of the total General Fund budget.

OTHER SERVICES FORECAST

Most of the costs for other services during the forecast period are expected to grow at a base rate of 2.0% per year, the average annual growth rate over the last five years, with adjustments for specific items made as needed. The average growth is projected to be 8.5% annually for other services over the next five years due with a budget of $121.5 million projected in FY23 that grows to $159.2 million in FY27.

FUTURE EXPENDITURES FOR NEW OR ENHANCED SERVICES

In FY23, $2 million to the City's first Bus Rapid Transit route was added to fund start-up costs. Bus Rapid Transit then increases to $4.0 million in FY24 in its first full year of service and grows 3% annually through FY27. In FY24, $1 million was added to subsidize maintenance and operations for the First Americans Museum. That amount increased to $1.5 million annually starting in FY25. Streetcar capital replacement is budgeted at $400,000 per year. Also beginning in FY24, $0.6 million was added for streetlight upgrades growing to an annual cost of $2.4 million by FY27. Projections are continually being refined by staff and will be adjusted accordingly each year.



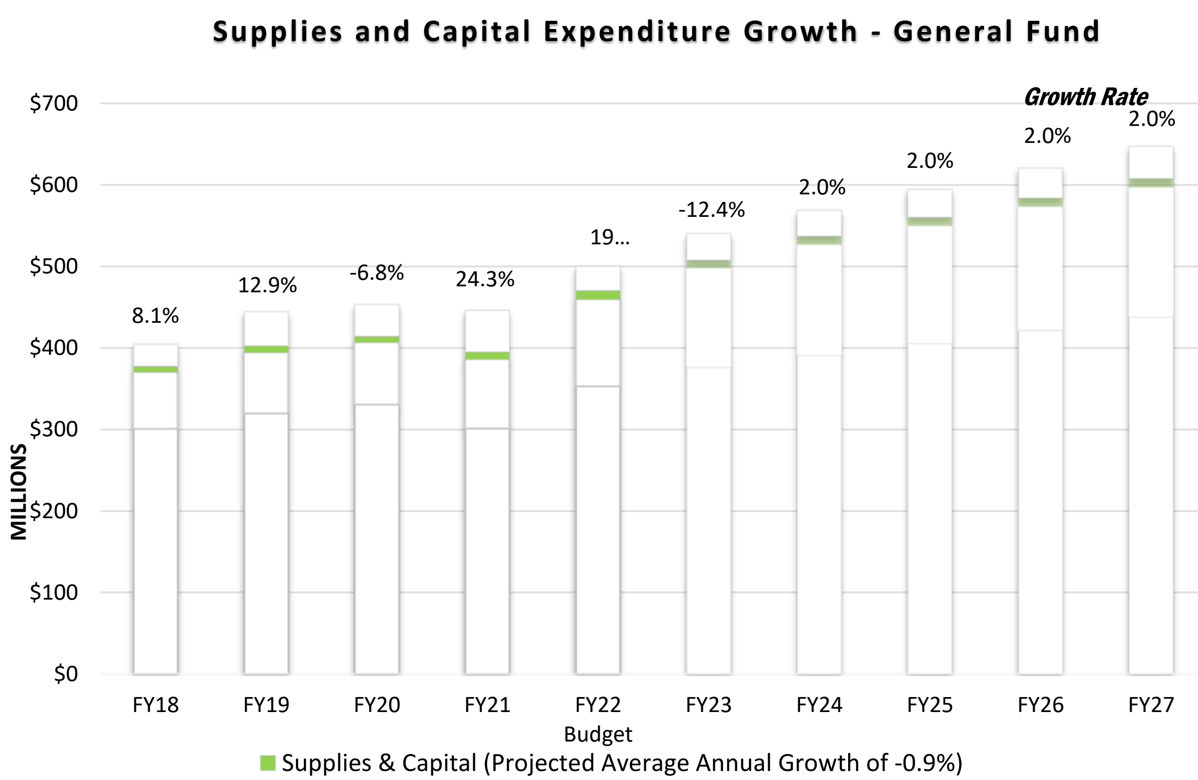
SUPPLIES AND CAPITAL

For purposes of this report, expenditures for the supplies and capital categories have been combined as each consistently represents only a small fraction of city operating costs or about 2% of the General Fund budget. Expenditures falling in the supplies category include purchases of materials needed to affect repairs and routine maintenance on city equipment and facilities. Examples include asphalt for street repairs, sand/salt for snow routes, petroleum products such as fuel, and various other nondurable goods such as office and cleaning supplies. Costs to the City for supplies are affected by the demand for services and by various market variables. Purchases for supplies are contracted by the City and awarded to the vendor that provides the lowest and best bid. Many of these contracts are citywide, providing savings through economies of scale.

Capital costs (replacement of office equipment, etc.) have, generally, been minimal in the General Fund. Most capital projects not funded by dedicated sources, such as bonds or dedicated sales taxes, are handled in the Capital Improvement Fund. Most funding for the Capital Improvement Program is included as a transfer expenditure to another City fund.

SUPPLIES AND CAPITAL FORECAST

In FY23, supplies and capital are budgeted to decrease -12.4% due to reductions in supplies, furniture and fixtures, equipment, clothing and uniforms, computer supplies, and repair and maintenance costs. In FY24 through FY27, expenses are projected to average 2.0% annually due to inflation and historical average growth rates. When averaged over the five-year forecast period, the growth is projected to be -0.9% annually for supplies and capital with a projected budget of $9.7 million in FY23 that increases to $10.5 million in FY27.

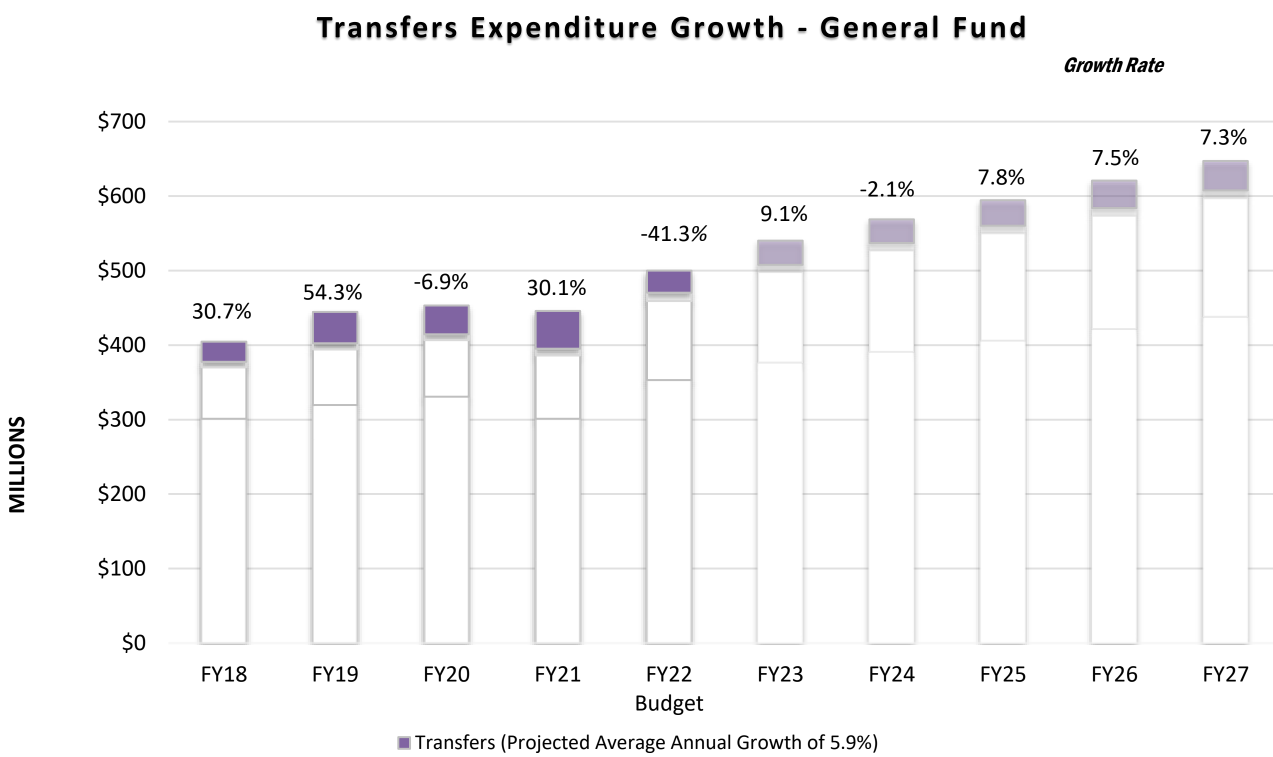


TRANSFERS

General Fund transfer costs reflect the General Fund's direct financial support of several services whose own dedicated funding sources are insufficient to meet City objectives. The FY22 General Fund budget includes $29.7 million in transfers which is 6.0% of the total budget. One of the top 10 line-item expenses are in this category and include a FY22 budget of a $9.0 million transfer to the Oklahoma City Public Property Authority (OCPPA) for operation of the Paycom Center. In addition, a transfer of $2.7 million is budgeted for 911 operations and another $6.25 million transfer to the Capital Improvement Fund that will largely be used for fleet replacement capital maintenance to City assets. Those three transfers combined consume 60.3% of the category budget and 3.6% of the total General Fund budget.

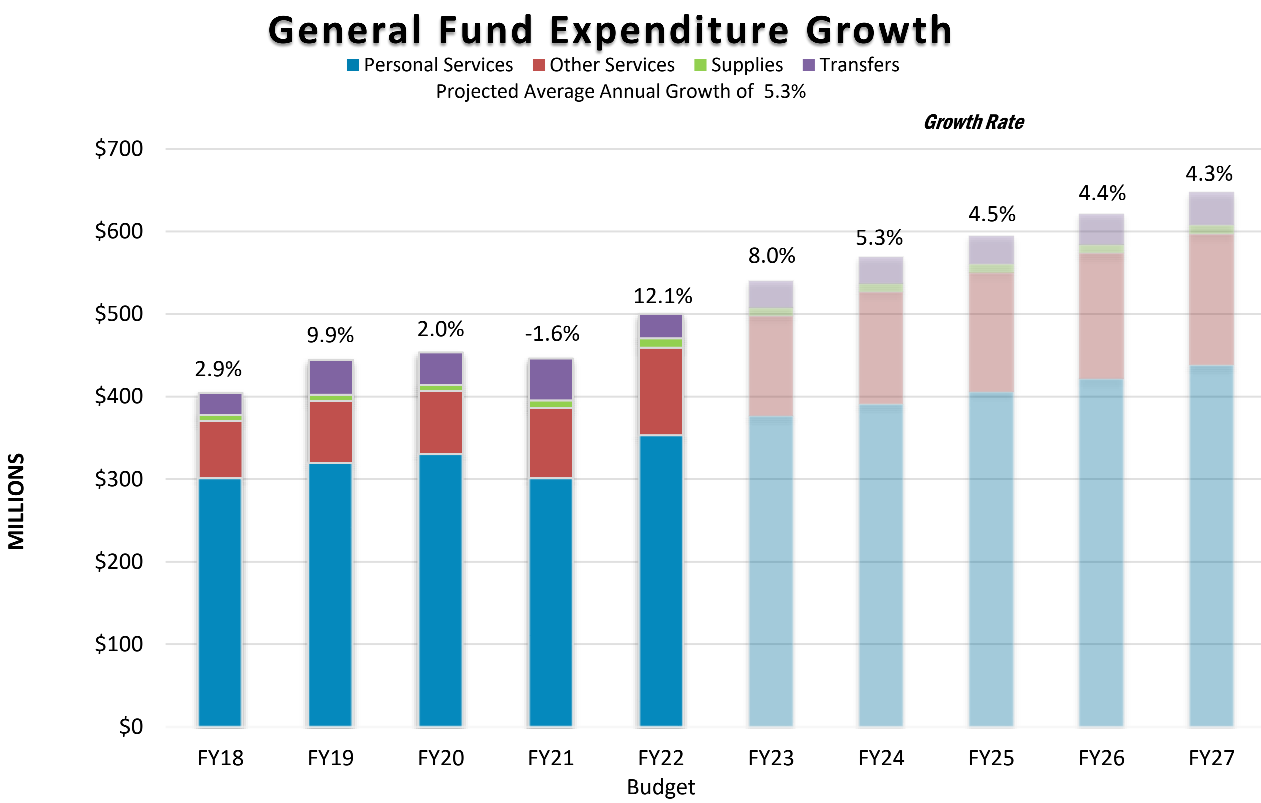
Transfers Expenditure Projections

The growth rate for each transfer is budgeted individually using historical data and analysis of specific projects. When averaged over the five-year forecast period, the growth is projected to be 5.9% annually for transfers with a projected FY23 budget of $32.5 million that increases to $39.5 million in FY27.



OVERALL EXPENDITURE FORECAST

When all the categories are combined, the net effect in General Fund expense is growth of 5.3% annually over the next five years. Growth in FY23 includes the addition of 7 full-time budgeted positions to provide enhanced services. The FY23 budget is projected to be $540.2 million which increases to $654.3 million in FY27.



FIVE-YEAR FORECAST
FISCAL YEAR 2023-2027

SECTION 8

GENERAL FUND

REVENUE/EXPENDITURE GAP

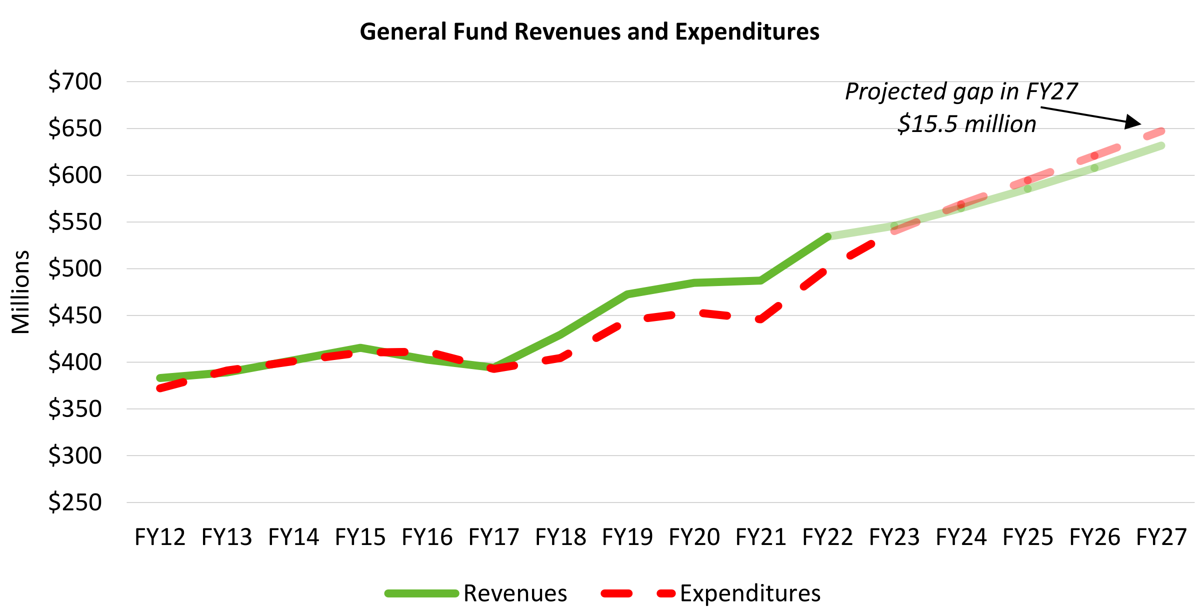
PROJECTED REVENUE/EXPENDITURE GAP

Historically, the city's financial forecasts have projected a revenue/expenditure gap. A financial gap appears when projected General Fund expenses exceed anticipated revenue collections. This gap poses a real, but manageable, threat to the city's continued financial stability. After the national recession and declining revenues in FY10, the city experienced significant growth in FY11 and FY12 which put the city back on a much more positive track. Growth slowed again as the energy sector contracted in FY16 and FY17 with Oklahoma City's General Fund revenue declining 3.1% in FY16 and 2.0% in FY17. The local economy experienced a mini boom with growth of 8.9% and 10.0% in FY18 and FY19. A ¼ cent increase in the sales tax rate that was effective mid-year FY18 generated a portion of the growth which carried over into FY19, FY20, and FY21. The COVID-19 pandemic in the Spring of 2020 slowed growth to 0.3% in FY20. Federal stimulus plans spurred consumer spending which helped FY21 end with 2.8% growth, with further growth for FY22 expected at 9.6%. In FY23, we expect General Fund revenue to only grow at 1.5% as we correct from an inflated sales tax base.

A financial gap appears when projected General Fund expenses exceed anticipated revenue

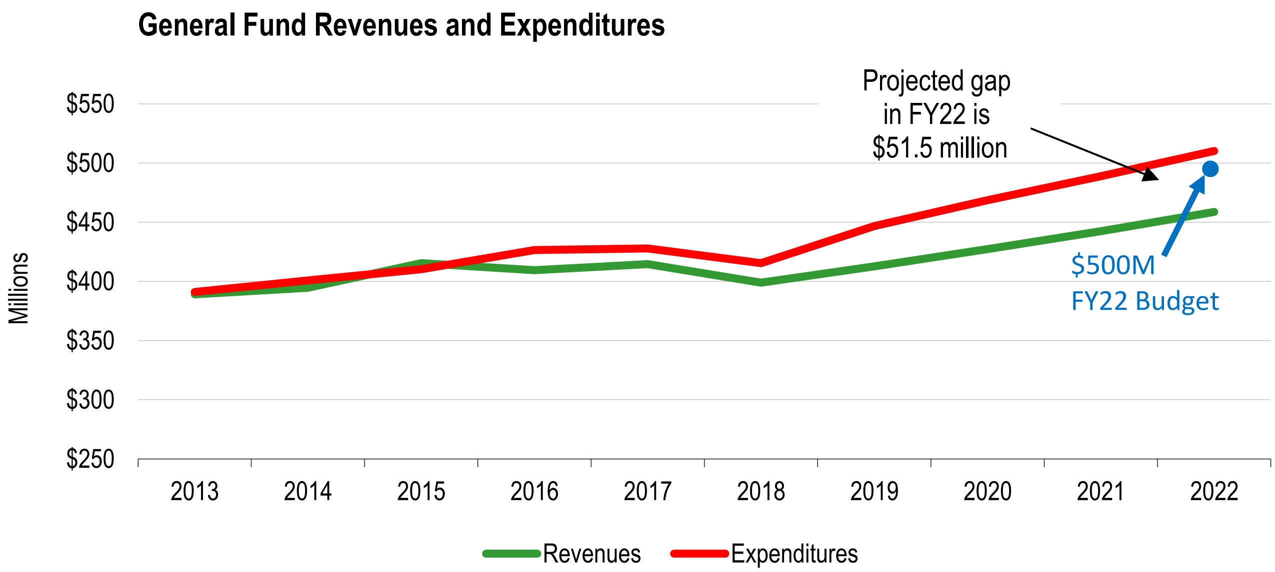
Current operating and capital issues facing the city will require careful planning to ensure a sound financial future. The five-year forecast is one of the tools the city uses to plan for continued financial health by facilitating the development of long-term strategies to deal with the issues facing the city within the framework of the resources available.

Through FY27, revenues are expected to average 3.4% growth annually. Expenditures are expected to grow at an average rate of 5.3% annually. The difference between the two growth rates is reason for concern, although the gap between revenues and expenditures will be closed each year so that the city has a balanced budget. The projected gap, if no adjustments to revenue or expenses are made, grows to $15.5 million in FY27. The General Fund Revenues and Expenditures chart below shows ten years of actual figures (FY12 – FY21) and projections for FY22 – FY27. In past years, when the expenditure line is above revenue line, the city used reserves (fund balance) to balance that year's revenues and expenses. In years where revenues were above expenditures, the city added to reserves.

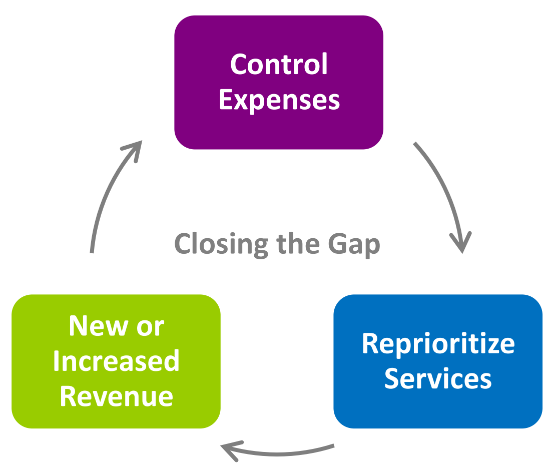


CLOSING THE GAP

State law mandates a budget be balanced or revenue exceeds expenses, so every year the city must close the gap. Projections are our best guess of what the future holds based on the information available at the time. While projections are almost always inaccurate, they do provide a plan from which to work and bring attention to items that need to be addressed. The graph below is the General Fund projections for FY22 from five years ago. Expenses were projected to be $510 million and revenue $458 million. The FY22 operating budget ended up being $500.2 million, above the projected revenues and below projected expenses from five years ago. Two major events occurred in the last five years that were not projected: and 1) a ¼ cent increase in the sales and use tax rate was implemented January 1, 2018; and 2) the COVID-19 pandemic that struck the U.S. in March 2020. The chart below was included to demonstrate that each year the budgeted gap was closed, and projections refined using the latest data.



Expenditure control is the area where the city has the most flexibility and the most power to close the gap. Since personal services are the majority of city costs, controlling the growth in this area, especially health insurance and overtime, will be key to maintaining financial balance. The most effective means to achieve a balance between controlling personnel costs while maintaining competitive salary and benefit packages for employees in the future will be to limit salary and benefit growth to within the approximate growth rates of city revenues. The city continues to work to find ways to maintain personal service cost growth within the revenues available and the demand for increased services. Improved efficiency in operations is also an avenue for controlling expenditure growth. Tight budgets have necessitated that departments continually look for ways to do more with less, thereby driving many efficiency gains, but it has also resulted in some reductions in service levels.



Another option is for city leaders to continue reprioritizing city services. Over time, community needs and priorities change. Programs and services may be added or reduced based on community needs. The City must continue to assess the need for specific services, evaluate operational efficiencies and consider the potential benefits and consequences of discontinuing some programs.

From the revenue side of the equation, the options are more limited as citizen approval is required for new or increased taxes. It is, however, important for the city to explore alternate sources of funding to provide revenue for new or expanded programs and to generally reduce dependence on sales tax.

Controlling health insurance costs will be key to maintaining financial balance in the General Fund.

CONCLUSION

As city leaders prioritize services to meet the community's future needs, the nature of municipal government in Oklahoma City will invariably change. Not every situation can be anticipated, but cyclical economic changes are to be expected over a long period of time. The city must continue to monitor legislation that can affect either revenues or expenditures and work to diversify Oklahoma City's revenue base. Through calculated, combined efforts, the city's projected General Fund financial gap can be addressed. Continued sound financial management will be the key to ensuring the city will be able to live within available resources during the next few years.

FIVE-YEAR FORECAST

FISCAL YEAR 2023-2027

The City of Oklahoma City
Finance Department
100 N. Walker, 4th Floor
Oklahoma City, OK 73102
Tel: (405) 297-2257
www.okc.gov