

**SPECIAL JOINT BROKEN ARROW CITY COUNCIL
AND
BROKEN ARROW MUNICIPAL AUTHORITY
MINUTES
COUNCIL CHAMBERS
220 SOUTH FIRST STREET
BROKEN ARROW, OKLAHOMA 74012
May 12, 2015
6:00 PM**

1. Call to Order the Broken Arrow City Council

Section Minutes: Mayor Craig Thurmond called the City Council to order at 6:02 p.m.

2. Call to Order the Broken Arrow Municipal Authority

Section Minutes: Chairman Craig Thurmond called the Municipal Authority meeting to order 6:02 p.m.

3. Roll Call for the Broken Arrow City Council and the Broken Arrow Municipal Authority

Section Minutes: Mayor Thurmond asked that the roll call be made for both Council and the Municipal Authority.

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| Present: | Scott Eudey, Johnnie Parks, Mike Lester, Richard Carter and Craig Thurmond |
| Absent: | None |

4. Pledge of Allegiance to the Flag

Section Minutes: Mayor Thurmond led the Pledge of Allegiance to the Flag.

5. General Council and Authority Business

A. Presentation and discussion of the proposed Fiscal Year 2015-2016 Budget and Fiscal Year 2016-2017 Financial Plan for the General Fund, Broken Arrow Municipal Authority and other Funds of the City of Broken Arrow

Item Minutes: Acting City Manager, Mr. Russell Gale, opened the presentation of the proposed Fiscal Year 2015-2016 Budget saying that last year's budget message from the City Manager highlighted several challenges that would impact the City's long term financial viability if those issues were not addressed.

The issues are highlighted below:

- Inability to comply with the General Fund and Municipal Reserve Fund Policies
- Insufficient staffing issues throughout the City, hampering mission objectives
- Inadequate funding for General Operations
- Use of General Funds to pay for recurring Operational Expenses

Mr. Gale said that in 2014, the City Council established the Fiscal Sustainability Committee and charged them with the obligation to identify revenue enhancement strategies and cost saving measures for the General Fund. He said the Budget to be presented had incorporated several of the Committee's recommendations as follows:

- Increase the Oklahoma Natural Gas Franchise Fee
- Establishment of an Emergency Medical Service Subscription Fee
- Transfer of the Bass Pro Debt Service from the General Fund to the Sales Tax Capital Improvement Fund

Mr. Gale said these initial steps are intended to promote this year's primary goal to achieve the General Fund's Emergency Reserve Balance Policy compliance which will be realized by June 1, 2015, if projections are accurate. Mr. Gale said the next goal was to address staffing issues. He said fourteen new positions would be filled from the General fund and seven positions would be filled from the Municipal Fund.

He said two years ago, the decision was made to use the Convention and Visitor's Bureau (CVB) Fund Balance to pay for recurring operational expenses which would have resulted in the Fund's exhaustion by the 2017. Mr. Gale said to address this issue, effective with the presented Budget, the operational expenses would no longer be paid from the CVB Fund Balance.

Mr. Gale said that while these actions addressed some of the long term revenue challenges, revenue issues remained that would need to be discussed during subsequent Council meetings. Mr. Gale handed the meeting over to the Director of Finance, Mr. Tom Caldwell, who presented the Total Budget Overview for Fiscal Year 2016.

Mr. Caldwell explained that the City would be about 9.5 million dollars short on revenue which would need to be covered by using selected fund balances. Mr. Caldwell said that ultimately the future goal would be to retain and grow fund balances with recurring operating revenues.

He said that the figures currently show that the General Obligation Bond (GOB) Fund would decrease by over ten million dollars. Mr. Caldwell explained that this occurs because revenue is recognized only once and if it is not spent in the year it is recognized then the following year's expenditures are funded out of the GOB Fund Balance. He explained expenditures out of the GOB Fund weren't a problem.

Mr. Caldwell said that the budgets of the past four or five years had been a cause for concern as expenses have had to be paid out of the General Fund and the Municipal Fund Balances. He said while the budget

projections over the past few years did not indicate that the operating expenses would be covered, the good news is that this year's projections indicate that the City would be able to cover those expenses.

General Fund

Estimated Actual Budget of 2015 as compared to the Proposed Budget of 2016

Mr. Caldwell pointed out that the Debt Service of \$881,200.00 for 2015 would be \$0.00 for 2016 because the Debt Service would be paid from the Sales Tax Capital Improvement Fund for 2016. Mr. Caldwell gave the history of Debt Service payments as they occurred to pay for the Justice Center, the infrastructure improvements, and the Halifax Development.

He told the Council that the actual budget for 2016, even with the increase in personnel, would be 1.5 million more than the 2015 budget with a net income for 2016 projected as \$750,100.00 which would increase the General Fund Balance. Mr. Caldwell explained the figures show as a transfer out of the General Fund for 2016 was made up of a Sales Tax amount pledged to BAMA for its debt service and a transfer to the Broken Arrow Economic Authority.

Revenue Projection Assumptions

Mr. Caldwell said that assumptions included a three percent sales tax increase, revenue from the ambulance service subscriptions, and the franchise fee increase for Oklahoma Natural Gas for a total increase of \$2,800,000.00 in revenue.

Operational Expenses by Department

Mr. Caldwell briefly recapped some of the figures pointing out that the City Manager's budget would be decreasing by \$27,000.00 for professional services. He said that General Government Expenses had also decreased as a result of the debt service transfer out of Department Expense within the General Fund.

Concluding on the subject of the General Fund, Mr. Caldwell made a point to tell the Council that the General Fund no longer had any debt service or capital expenditures as part of the General Fund Budget.

Broken Arrow Municipal Authority (BAMA)

Proposed Budget FY 2016

Mr. Caldwell told the Authority that the Rate Study Model was still under consideration for the proposed budget and all of the approved debt had not yet been included. He pointed out that the total proposed Operating Revenue was \$41,353,900.00 with the proposed Operating Expenses totaling \$36,794,300.00. Mr. Caldwell said that the Municipal Fund Balance was expected to be about \$10,000,000.00 by the end of the year; however, this would not bring the Fund into compliance with the emergency reserve requirements of approximately \$22,000,000.00. He said a point that should be made was that in years past 100% of the sales tax pledged to BAMA debt service was transferred back to the General Fund. Mr. Caldwell said that during discussions with the Acting City Manager it was agreed that funds that had been pledged to the Municipal Debt Service should remain available within BAMA. With this in mind, Mr. Caldwell said that any excess over \$12,450,000.00 would remain in the Municipal Fund to alleviate rate changes.

Proposed Utility Rate Increases

Mr. Caldwell addressed the projections for the Utility Rate Model with anticipated increases as follows:

Effective October 1, 2015

- Water - 10%
- Sewer - 12%
- Stormwater - 5%

He added that the increases were just for the purpose of presenting the budget as the Authority had not yet completed the approval of these increases to the utility rates. Mayor Thurmond said setting the increases for October would put the changes in place after the summer months which would make it easier on water customers.

Departmental Expenses

Mr. Caldwell said 2015 was the first full year of operations for the new water plant and many of the actual expenses were unknown at the time of the projections so some estimates were high. He said currently many of the figures are more in line with actual costs on this budget view. He said that overall the total current expenditures were \$1,328,310.00 which did not include any debt service.

Mr. Russell Gale presented slides that highlighted Proposed Major Capital Projects and their estimated costs. He said last year the City Council budgeted \$75,000.00 for the development of a new comprehensive plan for Capital Improvements and Public Safety. He said these projects would begin this year. He said that there were two General Obligation Bond projects for road and park improvements.

Mr. Gale said last year the Council approved a one-time stipend for employees not covered by a labor agreement so this year a general wage increase had been proposed of 2% effective July 1, 2015. These increases would come from both the General Fund and the Municipal Fund. Mr. Gale said employee health care provisions continued to be a difficult item to effectively manage but staff anticipated a 6% increase based on an analysis of City wide claims. He added that negotiations for a new agreement for 2016 were on going.

Mr. Gale described fourteen new positions that were proposed to be paid for out of the General Fund and seven to be paid for from the Municipal Fund. He discussed the details of the new positions.

Conclusion

Mr. Gale said the next steps in the Budget approval process would be a Public Hearing on June 1, 2015 to allow for comments on the proposed budget by the citizens and then Council would approve the Budget on June 15, 2015. He added that the deadline to file the budget with the State Auditor would be June 24, 2015.

Mr. Gale said that all City Directors were present and available to answer questions.

Councilor Johnnie Parks asked for clarification on the employee pay increases. Mr. Gale said that all employees are part of a pay plan and that plan would increase by 2%.

Councilor Scott Eudey asked if the projected increase in revenue from the Emergency Medical Subscription included funds from individuals who live outside the City limits that are served by the emergency service. Mr. Gale said that the estimate for those funds had been difficult to determine, therefore only subscription fees from residential customers were included in the proposed budget. He added that Emergency Medical Services Authority (EMSA) data had been used to make the estimate.

He added that it is not likely the program would launch by August 1st because extra time was needed to launch an information campaign.

Council's Concluding Comments

Mayor Thurmond complimented staff on the work completed to produce the proposed budget. He added that the budget was much more positive this year than last year. He added it was encouraging that new positions would be filled and raises would be provided. Mayor Thurmond said he hoped that as Council continued to do their job to bring in more sales tax revenue to the City it would be possible to reward staff with well-deserved wage increases.

Councilor Richard Carter also expressed his appreciation for the Director's leadership and the extraordinary efforts made by a City staff which has improved year after year. He thanked staff for the tremendous number of hours needed to produce the budget.

Councilor Mike Lester agreed that staff has done more with less than any other City in the metropolitan area. He said that as the Council moves forward in the presentation of this budget it was important, in the light of the necessary utility rate increases, that the citizens know that in the final analysis enough revenue must be generated to cover the City's expenses.

Councilor Johnnie Parks said that he was proud to live in Broken Arrow and he acknowledged that City staff had done a tremendous job. He said that the Council was legally charged with the responsibility to approve the income and expenditures of the City which has culminated in the current proposed budget. He said it was also the responsibility of the Council to provide the City with good leadership in the form of a City Manager. He added that process was furthered last evening with the approval of the search process. Mr. Parks said that the Council continues to approach those responsibilities with serious effort. Mr. Parks commented on the professional job done by Mr. Russell Gale whose usual responsibilities as the City's Human Resource Director had been expanded to include the responsibility of Acting City Manager.

Councilor Scott Eudey said that this was his first time to study the Budget in depth and he recognized it was an extraordinary undertaking. He expressed this thanks for the effort made by everyone involved.

No Action was required or taken.

6. Remarks and Inquiries by Governing Body Members

Section Minutes: There were no further remarks by the Governing Body Members.

7. Remarks by Acting City Manager

Section Minutes: There were no further remarks by the Acting City Manager.

8. Adjournment for the Broken Arrow City Council and the Broken Arrow Municipal Authority

Section Minutes: The City Council meeting and the Municipal Authority meetings were adjourned at approximately 6:44 p.m.

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| Motion: | Move to adjourn |
| Motion by: | Mike Lester |
| Second by: | Richard Carter |
| Ayes: | Scott Eudey, Johnnie Parks, Mike Lester, Richard Carter and Craig Thurmond |
| Nays: | None |



Mayor



Chairman

Attest:



City clerk

Attest:



Secretary


