CITY OF
BROKEN ARROW
Where opportunity lives

To: Honorable Mayor and City Councilors

From: Russell Gale, Acting City Manager

Date: June 3, 2016

Re: Notes to Council

1. STAFF REPORTS / ITEMS REQUIRING IMMEDIATE ATTENTION

- Smaligo Group – Oklahoma Legislative Adjournment Report

2. GENERAL CORRESPONDENCE / NOTIFICATION

- News Article – Rose District Blooming
- Press Release – Proposed FY17 Budget Public Hearing
- Press Release – Juniper Avenue Road Closure

3. SPECIAL EVENTS / ACTIVITIES

- N/A

Respectfully submitted,

Russell Gale

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Attachments

1. STAFF REPORTS / ITEMS REQUIRING IMMEDIATE ATTENTION

The Smaligo Group, LLC

Relationships. Resources. Results.
Lesa K. Smaligo, Principal

Oklahoma Legislative Summary
Week Ending May 31, 2016

The second session of the 55th legislature has adjourned "sine die". The Senate adjourned Thursday and the House adjourned Friday.

Legislators began the session in February by filing 1,721 bills and retained 1,742 carry-over bills from 2015. During the course of the session, the legislature sent over 400 bills to the Governor for her consideration.

To date, the Govern has signed 341 bills, vetoed 4 bills and has 55 bills remaining on her desk for action. The governor must sign or veto legislation within 5 days after transmittal (excluding Sunday), or it becomes law without her signature. If transmittal occurs with less than 5 days left in the session, the governor must act within 15 days of the date of session adjournment, or the legislation is pocket vetoed.

Budget

The Oklahoma legislature sent the governor a $6.78 billion budget that will cut overall state spending by 5 % in the fiscal year starting July 1.

The budget would set FY 2017 appropriation levels at $6.78 billion, which is $360.7 million, or 5 percent, less than FY 2016 appropriations prior to the midyear revenue failure and $67.8 million, or 1 percent, less than FY 2016 appropriations as adjusted by the midyear revenue failure.

Gov. Mary Fallin is expected to sign the budget bill next week. It calls for cuts of 11 percent to public safety, 15.9 percent to higher education and 4 percent to the Department of Human Services, while generally preserving funding for common education, Corrections and the Oklahoma Health Care Authority.

State officials say some agencies will reduce public services, and colleges likely will increase tuition.

Most agency appropriation reductions from FY 2016 as adjusted by the midyear revenue failure to FY 2017 range from less than 1 percent to 10 percent, with many agencies receiving an approximately 5 percent appropriation reduction for FY 2017.

The budget maintains existing funding at the Department of Corrections by annualizing the department's FY 2016 supplemental appropriation of $27.6 million and making no further changes. It also protects critical safety net programs by providing a $16.3 million, or 2.6 percent, appropriation increase to the Department of Human Services that fully funds the Pinnacle Plan and helps maintain other important services.

The Department of Mental Health and Substance Abuse Services receives a $6.9 million, or 2.2 percent, appropriation increase to offset some reductions caused by the midyear FY 2016 revenue failure.

Revenue issues

The $1.3 billion budget hole was the largest in state history. Oil industry declines combined with increasing tax breaks and a decreasing state income tax rate have resulted in budget problems the last two years.

This session, the Legislature was faced with a $1.3 billion shortfall in revenue needed to put together a new budget maintaining current spending levels.

Lawmakers were able to close about $300 million of that gap by reducing tax breaks and boosting tax collection efforts. They used bonds to fill another $200 million of the shortfall. Other money came from a cash reserve account known as the Rainy Day Fund and from agency savings, or revolving funds.

Tax plan

Rep. Cox proposed a bill to raise the cigarette tax by $1.50 per pack to help maintain Medicaid provider rates also failed after House Democrats voted against it as a group. They said they would have supported it if Republicans had supported the health care expansion.

Other revenue-gathering efforts also failed to advance, including proposals to broaden sales and use taxes, as well as to increase taxes on gasoline and alcohol.

Budget Bills

Senate Bill 1616: (General Appropriations bill) Makes $6.8 billion available in the 2017 fiscal year to fund core government services. (pending governor's signature)

House Bill 3168: (State Capitol bond issue) Secures full funding for the first-ever comprehensive Capitol repair and restoration. (pending governor's signature)

SB 694: (DHS funding bill) Ensures critical programs are maintained amid budget challenges. (pending governor's signature)

SB 1577: (Elimination of at-risk well credits) Frees up more than $100 million by reforming a tax incentive that grew too costly. (pending governor's signature)

SB 1606: (Elimination of personal income tax double deduction) Eliminates the ability to deduct state income taxes on state tax returns, bringing Oklahoma in line with most states.

SB 1614: (Reduction of coal credits) Reduces cost for a tax credit that benefits few companies. (pending governor's signature)

HB 3231: (Department of Transportation bonds) Authorizes $200 million in bond financing for road and bridge projects that have long-term lives in excess of 20 years. (pending governor's signature)

HB 3206: (Cash Flow Reserve) Authorizes excess fund balance to be certified for appropriation.

HB 2763: (Revenue Stabilization Fund) Creates additional ways to make deposits into the Rainy Day Fund and smooths volatile revenue sources by saving more revenues for revenue downturns. (pending governor's signature)

FY 2017 budget agreement spreadsheet:
https://www.ok.gov/OSF/documents/FY17GABillSummary.xlsx

FY 2017 budget agreement summary:
https://www.ok.gov/OSF/documents/FY17BudgetAgreementSummary.pdf

Revenue Stabilization Fund

The legislature passed **HB 2763**, which creates the Revenue Stabilization Fund, with the intent of preventing future budget shortfalls like the one the state is currently experiencing.

"One lesson I think we learned this year is that our current savings strategy is inadequate to the challenges posed by an energy-based economy," Holt said. "This legislation will increase our savings, which will give us a tool to address future budget shortfalls. It is forward-thinking and is an appropriate response to the lessons of this year's budget crisis."

HB 2763 creates the Revenue Stabilization Fund, which could serve as a first resort when revenue failures and projected shortfalls occur. It does not save any funds until revenues have returned to the same levels as Fiscal Year 2015. Savings would cease in any fiscal year in which there is a revenue failure. The fund would receive excess revenues from the gross production tax above a five-year rolling average. It would also receive 75 percent of excess revenues from the corporate income above a five-year rolling average. The remaining 25 percent of those excess revenues from the corporate income tax would deposit in the Rainy Day Fund. In the case of a revenue failure, one-quarter of the fund could be spent by the director of OMES and one-quarter of the Fund could be spent by the Legislature. In the case of a projected budget shortfall in the upcoming fiscal year, one-half of the fund could be spent by the Legislature. Every five years, OMES will submit a report on the fund's effectiveness.

Holt and Montgomery were also the authors of Senate Joint Resolution 44, which would have asked the people of Oklahoma if they would like to increase the cap on the Rainy Day Fund by measuring it against the total state budget. That measure failed in the House.

"Though it was disappointing to many that SJR 44 did not advance, HB 2763 is also an excellent response to the problem of not having an adequate savings account," Holt said. "At the beginning of this session, it was my goal to help Oklahoma get on a better savings plan, and I think with HB 2763, we have definitely accomplished something that future generations will appreciate. I want to thank all those who made it possible to advance this complex but important idea, especially Senator Mike Mazzei, the dogged Rep. John Michael Montgomery, and the Pew Charitable Trusts."

2. GENERAL CORRESPONDENCE / NOTIFICATION

THE JOURNAL RECORD

Coming up roses: Broken Arrow district is blooming

By: Molly M. Fleming The Journal Record May 26, 2016 0

An "open" sign is lit inside the window at Franklin's Pork & Barrel at 203 S. Main St. in Broken Arrow. (Photo by Rip Stell)

BROKEN ARROW – City leaders worked hard to get developers to support revitalizing the Rose District, the historic retail district in the city. It paid off; since its inception in 2011, the area has had $35 million in private investment, with buildings being renovated or newly constructed.

The district boundaries run along Main Street, from Greeley Street to Houston Street, stretching one block east and one block west of Main. The district boundaries also include Broadway Avenue, from Main Street to Elm Place, spanning one block north and one block south along Broadway.

But the district's success has sparked another issue – people want to live nearby, and there are few options.

Broken Arrow Chamber of Commerce President and Executive Director Wes Smithwick said the area is seeing housing demand from empty-nesters and people who are 20 to 30 years old.

"There is a scarcity of land available," he said. "It will take time to do housing here."

A lot of the residential housing surrounding the district is rental property. But the lots are only 25 feet wide, as was standard practice in early settlement times. Therefore, developers have to buy two lots to build a modern-size home. The city has created a 1-square-mile residential zoning overlay that encompasses the district in order to make the area more amenable to different kinds of housing.

But companies are building places to live where they can find space. Tulsa-based The Ross Group built 11 loft apartments above Andolini's Pizzeria in the district. There are others building town homes and small single-family residences.

Another project is bringing multifamily to N. Main Street and E. Detroit Avenue. The former church building on a 2.6-acre lot will be demolished to make room for a mixed-use development, with first-floor retail, second-floor office, and residential in the upper floors. The chamber has already requested proposals for the site.

Getting to the point where people wanted to live near the district hasn't taken long. The city kick-started the revitalization work by creating a $13 million downtown tax increment financing district in 2010.

Half the TIF allocation went to the Rose District, and the other half was used by FlightSafety International for upgrades to its facility.

City leaders hosted district tours and showed developers the streetscape plan. In 2011, the area collected $18,000 in TIF revenue. This year, it's about $20,000 to $30,000 per month.

"Any given month, I get dozens of calls from people asking about vacancy in the area," said Warren Unsicker, vice president of economic development at the Broken Arrow Chamber of Commerce. "Vacant retail space is virtually nonexistent. Within a week of anything coming open, it disappears."

While the area is filled with restaurants, art galleries, and retail stores, Unsicker said it serves a bigger purpose to the city. It's a recruitment tool for area businesses, especially FlightSafety International, whose office is a short bike ride from the area.

"We have a lot of businesses that want to attract talented staff," he said. "We had other retail areas (in the past), but nothing truly unique. The arts, entertainment, studios – that culture, that vibrancy brings people that want to live here."

Getting people to live in Broken Arrow could mean getting their company to move there. But not every business needs industrial space that is common in the area. Smithwick said the city is the flight simulation capital of Oklahoma. It is the third-largest manufacturing center in Oklahoma, behind Tulsa and Oklahoma City, he said.

"We have a demand for high-quality office space," Smithwick said. "We're talking Class A to Class B+, with sizes ranging from 2,000 square feet to 20,000 square feet."

He said the offices are needed near the Rose District, the Creek Turnpike, and the Broken Arrow Expressway.

Besides entertainment and office space, the other puzzle piece that brings people to a city is its school district. In the last seven years, residents have approved more than $630 million in bonds to build Broken Arrow school facilities. The district is the city's largest employer, with a 2,500-person staff. In the fall, 19,000 students will be enrolled, and the growth is expected to continue at a 3-percent rate.

Superintendent Jarod Mendenhall said the schools are among the most desirable in the state, but other city leaders should be credited for the area's growth as well.

"The great quality of life created by the partnership between the district, chamber and the city have made Broken Arrow a great place to live, work and play," he said.

Smithwick said it really is a partnership. Broken Arrow Mayor Craig Thurmond, Smithwick, School Board President Cheryl Kelly, and Mendenhall all meet frequently with each other, checking in on each other's work.

Smithwick said he keeps everyone's interest in mind when he's recruiting employers. He told a company to bypass the city when it was considering relocating to the area. The jobs were mostly part-time and paid below the city's median wage, and the only beneficiary would be the school district because of ad valorem taxes. When he spoke with city leaders, they agreed it wasn't the right fit.

"We don't embark on a project that everyone doesn't support," he said. "That's what we have to do to make sure everyone is on the same boat, and in the same direction, and rowing on the same river."

Tagged with: BROKEN ARROW ROSE DISTRICT TIF

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PRESS RELEASE

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Public Hearing on City Budget Scheduled for June 6

Broken Arrow, Okla. (6/3/2016) – The Broken Arrow community will have an opportunity on Monday, June 6 at 6:30 p.m. to comment on the proposed Fiscal Year 2017 (FY17) Budget. The new Fiscal Year begins July 1, 2016 and ends June 30, 2017.

Every year, the City of Broken Arrow Administration prepares an annual Budget for the City Council to review and adopt. The proposed FY17 Budget includes planned expenditures of approximately $189 million. The proposed Budget, which includes the General Fund, the Broken Arrow Municipal Authority and 26 other funds, is about 8.51% higher than last year's budget. There are several reasons to account for the increase. First, additional funds have been budgeted for Capital Outlay to complete 2011 and 2014 General Obligation Bond projects. Also, additional public safety employees will be hired, as a result of the Vision 2025 sales tax renewal approved by voters in November 2015. Other factors for the increase include a proposed one-time 2% stipend for non-union employees and hiring additional personnel for operational services. The Administration believes adding additional staff is the City's top priority, so a stipend is being proposed instead of a salary increase.

Oklahoma is the last state in the United States that relies solely on sales tax to fund General Fund operational expenses. Sales taxes are an unreliable source of revenue and difficult to predict; however, the Finance Department utilizes historical data to estimate future revenue growth. The proposed Budget includes sales and use tax growth at 3%, tobacco and franchise tax growth at 1.5% and the remaining revenues at 6.24%. The City anticipates the General Fund Emergency Reserve Fund Balance will exceed the required balance.

The City Council is scheduled to adopt the proposed Budget at the June 20 City Council meeting. View a copy of the FY16 Budget and FY17 Financial Plan at BrokenarrowOK.gov/CITYBUDGET.

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PRESS RELEASE

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N. Juniper Avenue at W. Albany Street to Close Due to Construction

Broken Arrow, Okla. (6/1/2016) – Due to construction of the Prairie House Assisted Living and Memory Care Facility, 2450 N. Stone Ridge Drive, N. Juniper Avenue between W. Albany Street (61st Street) and Juniper Place will be closed for approximately four weeks beginning the week of June 6, 2016. The roadway is expected to reopen by July 4, weather pending.

The road closure will not impact travel into the St. John Broken Arrow Hospital; however, residents of the Greens at Battle Creek apartments will be affected. Detour signs will be posted and will require drivers to use N. Stone Ridge Drive to access the apartment complex.

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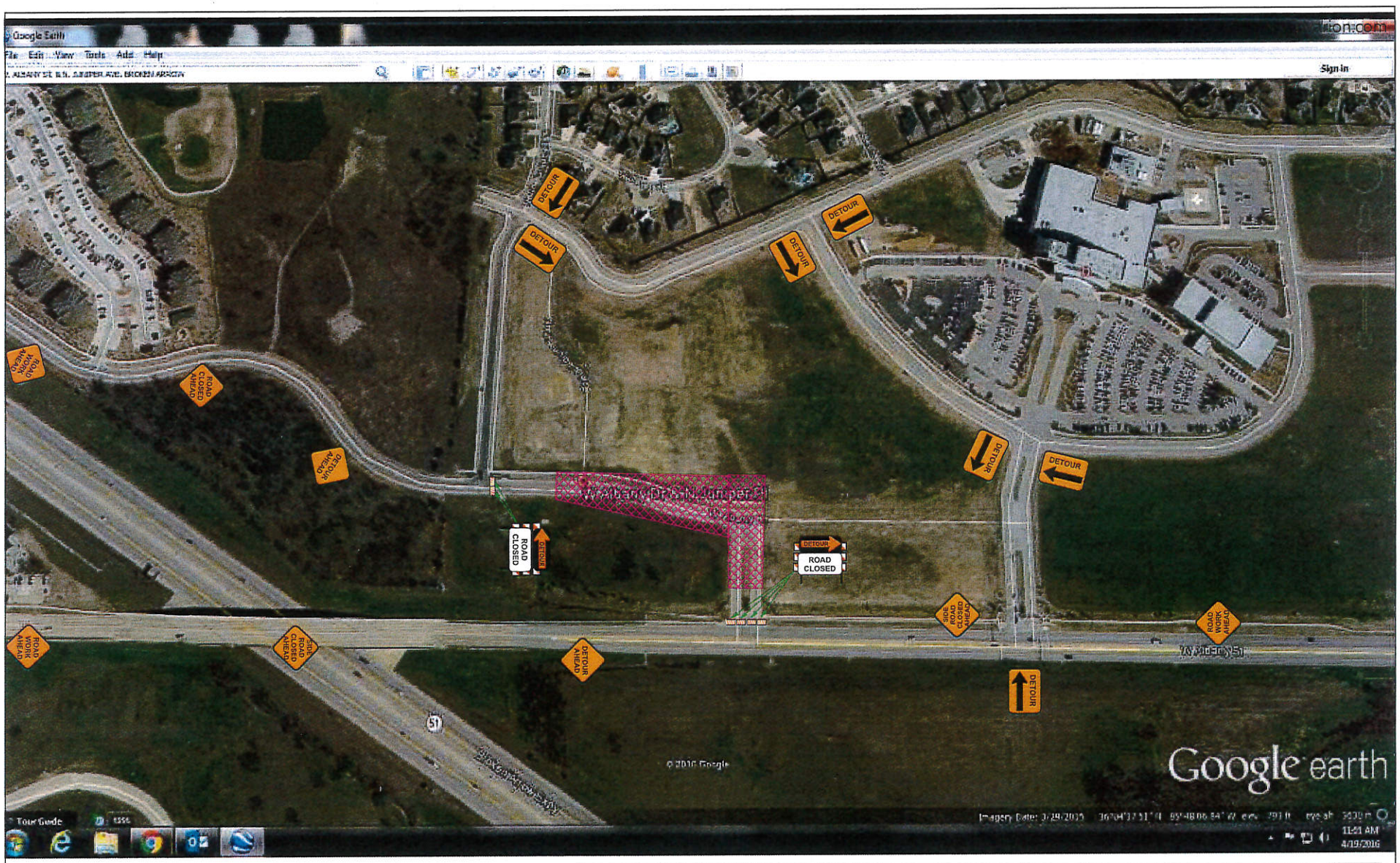

RoadSafe	**Date:** 4/19/16 **Author:** D.FIELDER **Project:** W. ALBANY ST. & N. JUNIPER AVE. BROKEN ARROW CHEROKEE BUILDERS
	Comments: THIS TRAFFIC CONTROL PLAN WAS DRAFTED IN ACCORDANCE WITH M.U.T.C.D. & O.D.O.T. SPECIFICATIONS. ROADSAFE TRAFFIC SYSTEMS PROVIDED THIS DRAFT TO THE CUSTOMER AS A SERVICE AND IS TO BE SUBMITTED TO THE AUTHORITATIVE AGENCY FOR REVIEW AND MODIFICATION IF NEEDED. ROADSAFE TRAFFIC SYSTEMS ASSUMES NO LIABILITY FOR ACCURACY OR VALIDITY.