



MEMORANDUM

Council Agenda
Item No. XI. R.1&2
12/06/2022

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: Craig Freeman, City Manager

1. Public hearing regarding amendment to the Fiscal Year 2023 budget.
2. Resolution adopting an amendment to the Fiscal Year 2023 budget for the Capital Improvement Projects Fund; the General Fund; the Hotel/Motel Tax Special Revenue Fund; the Oklahoma City Tax Increment Financing Fund; the Special Purpose Fund; the Utilities Fund; and directing filing.

Background:

The following is a summary of the proposed changes to the FY23 budget.

Capital Improvement Projects Fund

The CIP fund began the year with approximately \$11 million in contingency available. A number of one-time needs have reduced those appropriations to approximately \$6 million. This amendment, if approved, would provide budget authority to restore contingency by \$6,926,679 for the remainder of the year. The revenue source is Fund Balance.

General Fund - Operating Reserve

On April 12, 2022, (Item XI.X) City Council adopted updated Budgeting and Financial Planning Policies. Based on the updated policies, changes to the General Fund Operating Reserve included: 1) raising the level of operating reserved maintained in the General Fund from 14-20% to 17-22%; and 2) establishing a Capital Maintenance Reserve Fund. The City Manager may recommend General Fund operating reserve in excess of 22% be transferred to the Capital Maintenance Reserve Fund to ensure that City facilities are well maintained.

Based on the FY22 closing figures, the operating reserve percentage is calculated at 23.15%, totaling \$6,389,236 over the maximum reserve. It is recommended the total is transferred to the Capital Maintenance Reserve.

General Fund – Planning

The department had four positions budgeted in the Grants Management Fund. Due to a recent audit conducted by the U.S. Department of Housing and Urban Development (HUD), the department needs to change the funding from the Grants Management Fund to the General Fund. The audit stipulated that different grant sources cannot reimburse one another in the funding of a position, however, non-grant funding sources can be reimbursed by different grants. Therefore, it was decided that positions such as this will be funded directly through the General Fund, which will be reimbursed by the Grants Management Fund. Total cost associated with this change is \$227,562, which will be reimbursed through the Grants Fund.

General Fund – Public Works

The FY23 budget allocated for repairs and maintenance of water and sewer lines is \$2,500,000. This allocation is based on an average repair cost of \$10,000 per repair and 250 repairs annually. However, through the first quarter of FY23 workorders have exceeded the estimated costs. Additionally, recently a large line break occurred at NW 36th and Land which is estimated to cost \$350,000 to repair and reopen the roadway. Current estimates reflect that an additional \$500,000 in budget authority is necessary to cover costs for the remainder of FY23.

Hotel/Motel Tax Fund

Each month the majority of Hotel/Motel Tax receipts received are transferred to the Oklahoma City Public Property Authority (OCPPA) as part of the requirements for the revenue bonds for capital projects at the State Fairgrounds. The portion not needed for debt service costs is then transferred back to the City. City Staff has historically managed a reserve of \$3,000,000 in the event that Hotel/Motel Tax collections are insufficient to make debt service payments. When reserves exceed \$3 million, staff transfers the excess to the OCPPA for use by Fairgrounds for capital maintenance projects. This year staff transferred \$2,455,625 in excess funds and an amendment is needed to restore budget authority to allow the remaining years routine transfers of revenue received to the OCPPA, in compliance with the revenue bond requirements.

Oklahoma City Tax Increment Financing Fund

Tax Increment Finance (TIF) projects are managed through the Oklahoma City Economic Development Trust (OCEDT). When the state contributes matching funds to a TIF project it must be received in a City fund and the City transfers those funds to OCEDT. This amendment adds \$2,150,000 in revenue from the Oklahoma Department of Commerce related to the Omni Convention Center Hotel.

Special Purpose Fund

In April 2019, Mayor David Holt established a Taskforce on Homelessness to work with a consultant and community stakeholders to develop the Strategies to Address Homelessness in Oklahoma City.

In 2021, in the process of evaluating the next implementation steps, the Arnall and Inasmuch Foundations offered to engage Clutch Consulting Group (“Clutch Consulting”) to work with Oklahoma City homeless services staff and local funders to drive the strategic and systematic transformation of the homeless response system.

The City has entered into a Professional Service Agreement with Clutch Consulting which has a term of July 1, 2022 through December 31, 2023 and total cost of \$325,000. The City’s portion of the funding is \$110,000, and Inasmuch and the Arnall Family Foundations have already donated \$107,500 each to the City to support the Agreement. This amendment will add \$215,000 in budget authority related to the donations that were received.

Utilities Fund

The Atoka Pipeline pumps raw water from Southeast Oklahoma to Draper Reservoir for water supply to Central Oklahoma. Due to the extreme temperatures this summer, we experienced high system demand and significant rate increases from the energy provider due to multiple fuel surcharge adjustments this year and the February 2021 Winter Storm cost recovery. It is estimated that \$8,600,000 in additional budget authority is necessary to cover electricity expenses for the remainder of FY23.

The Department provides an average of 35 billion gallons of treated water each year from the Draper and Hefner Water Treatment Plants. Within the past nine months, chemical costs have significantly increased. Along with rising costs, Oklahoma has had a hot, dry summer therefore increasing the amount of chemicals needed to treat our water. These two factors have critically impacted the chemical budget. It is estimated that an additional \$4,500,000 in budget authority is necessary to cover chemical expenses for the remainder of FY23.

No other City funds are being amended. The net effect on the total budget for the City is an increase in expenses and revenue of \$25,037,423. The City's total budget for FY23 will be \$1,872,419,247.

The resolution today amends the FY23 budget for the City of Oklahoma City and directs that the amended budget be filed and administered according to the provisions of the Oklahoma Municipal Budget Act. Attachment A provides a summary of the changes, while Attachment B provides the changes that would be made in each fund when the amendment takes effect.

Review:

Finance

Recommendation: Resolution be adopted.