

City Manager’s Budget Message



Honorable Mayor Darrell Davis
Members of the Edmond City Council

FY 2024-2025 Budget Message

Mayor Davis and Members of the City Council:

I am pleased to present the proposed annual budget for the 2024-2025 fiscal year and the Five-Year Financial Plan for the fiscal years 2024-2025 through 2028-2029. This budget is developed through the leadership of the Edmond City Council, coordination with various community committees, and contributions from the dedicated City staff. The city has upheld our internal mission, **Trustworthy Service through Continuous Improvement**, as reflected in our eight core values of *Accountability, Communication, Customer Service, Inclusion, Integrity, Professionalism and Teamwork*. This proposed budget represents guidance for the delivery of City services, support of local community agencies and ongoing programming improvements for the benefit of Edmond residents. The city approaches the coming year with caution while remaining aware of and adaptable to economic challenges that may arise due to current economic forecasts.

Overview

The total 2024-2025 proposed budgeted costs are \$453,506,917. This budget includes additional capital outlay and improved City employee benefits and salary schedules. The approved employee compensation and benefits package will enable the city to attract new talent and retain existing employees.

The City’s sales tax rate is 3.75% with a combined State and City total of 8.25% which remains one of the lowest rates in the Oklahoma City metro area.

Rate Breakdown	
State Rate	4.500%
Local Rate	
General Fund	2.000%
2000 CIP Fund	0.750%
2017 CIP Fund	0.500%
Fire Fund	0.250%
Police Fund	0.125%
Park Tax Fund	0.125%
Total Rate	8.250%

City Manager's Budget Message

The City is funded primarily through sales and use tax. As of May 2024, Sales tax collections have decreased (0.44%) compared to the prior fiscal year, while a 2% increase in revenue was projected. Use tax collections increased 3.83% over the prior fiscal year, compared to a projected increase of 5%. Combined sales and use tax collections increased 0.25% over the prior fiscal year. A projected combined sales and use tax collections for the fiscal 2024-2025 budget year are set at 0.5% growth rate. A .02 sales tax funds the General Fund of the City. .01 of the .02 sales tax is set to expire in March 2027. The renewal of this .01 is critical to the continued operations of the city with two thirds of its funding allocated to police and fire. The impact of this tax .01 tax is approximately \$28 million annually.

Special purpose sales taxes approved by voters in 2000 continue to provide critical revenue for our Fire Public Safety Fund, Police Public Safety Fund and Capital Improvement Fund. These rates include a .25% tax dedicated to Fire Public Safety, .125% tax dedicated to Police Public Safety and .75% tax dedicated to Capital Improvements. In addition to the rates specifically dedicated above, the City's Fire and Police Funds receive two-thirds of all tax revenue designated for General Fund use. This equates to approximately \$19.2 million to Fire and \$23.5 million to Police.

Financial Health

The CPA firm of Crawford & Associates P.C. prepares a financial statement analysis tool using indicators of the City's financial health and success. This analysis is known as the "Performeter" and is based on the previous fiscal year-end audited financial statements. For fiscal year-end 6.30.23, the overall Performeter rating was 7.7 out of a possible 10. The report noted that Edmond's overall financial health is well above satisfactory.

The Performeter evaluates the City's financial condition in 3 areas:

1) Financial Position: 5.3 out of 10

Financial Position Ratings illustrate a "point in time" measure of the entity's financial status, solvency, and liquidity. Measurements of this indicator are Unrestricted Net Position, General Fund Unassigned Fund Balance, Capital Asset Condition, Pension Plan Funding Ratio, Other Post- Employment Benefits (OPEB) Plan Funding, Assets to Debt, Current Ratio and Quick Ratio. The ranking this year remained consistent with the history of this score over the last 4 years.

2) Financial Performance: 9.9 out of 10

Financial Performance Ratings illustrate a "look back" measure as to whether the entity's financial position has been improving, deteriorating, or remaining steady. Measurements of this indicator are Change in Net Position, Interperiod Equity, Business-Type Activity's Self- Sufficiency, Debt Service Coverage and Sales Tax Growth. The ranking this year was very strong, scoring a 10 in every measurement except Change in Net Position which scored a 9.4. This measurement is the difference between total assets and deferred outflows and total liabilities and deferred inflows. The City's net position increased by approximately \$79.2 million, or 8.7% from the prior year.

City Manager's Budget Message

3) Financial Capability: 7.7 out of 10

Financial Capability Ratings illustrate a “look forward” measure of the government’s ability to obtain resources in the form of revenues or borrowing in order to finance the services its constituency requires. Measurements of this indicator are Revenue Dispersion, Debt Service Load, Bonded Debt Per Capita, Legal Debt Limit Remaining, Property Taxes Per Capita and Local Sales Tax Rate. This indicator shows that approximately 12 cents of every dollar spent on non- capital items was used for debt service, there is no bonded debt outstanding, 100% of the general bonded debt legal limit remains, no property tax is levied, and the sales tax rate is at 3.75% . The city is in a strong position to obtain additional resources looking forward.

The annual Performer is available for review on the city website at edmondok.gov/302/Budget-Reports.

Economic Outlook

Edmond’s budgeting process is affected by local economics but also by global economic conditions. Global economic conditions have presented several challenges to the budgeting process for FY 2024- 2025. Sales and Use Tax collections locally have slowed and remain flat for the year, inflation rates are between 3.0 and 3.5% nationally and the uncertainty surrounding a possible recession has fueled a very cautionary view of budgeted expenditures.

Recent supply-chain issues have caused realized cost increases of up to 30% on everything from fuel to equipment replacement. The city has experienced new expectations from vendors where the city is not able to secure confirmed prices on large equipment purchases due to the long turnaround times and lack of supply. This uncertainty presents very real challenges for use and replacement of necessary tools and equipment needed to provide an excellent service level to City patrons.

An additional challenge the economy has presented is workforce recruitment and retention. The city continues to monitor departmental staffing levels to avoid critical staff shortages. To address these pressing issues, this budget includes several new positions city-wide and a step promotion structure that has been reduced from 17 years to 10 years.

The city will approach FY 2024-2025 with a high level of caution and review actual expenditures frequently to maintain adequate reserves to address emergencies and shortfalls. Options the City will explore to address these new economic challenges include reviewing fees and charges, decreasing expenditures and aligning priorities with current economic trends.

Possible revenue sources include seeking alternative sources such as increased grant assistance, development impact fees, and evaluation of internal departments level of self-sufficiency through rate studies. Cautious expenditure management will be implemented to include more frequent evaluation of budget (staying within the budgeted expenditures), evaluation of non-essential expenditures, timing of capital project expenditures and delay of expenditures to maintain necessary liquidity levels. Focus on staffing levels to provide essential City services and maintenance of adequate reserves to cover unexpected emergencies and shortfalls will be a priority.

City Manager’s Budget Message

Financial Plan General Fund

A major source of funding for the General Fund is Sales and Use tax.

Sales and Use tax revenues are budgeted conservatively due to the volatile nature of this type of tax. Historically, Edmond has seen steady growth in sales and use tax collections for decades. However, due to the lack of growth for the fiscal year ending June 30, 2024, and the nationwide expectation of a forthcoming recession, FY 2024-2025 sales and use tax growth is estimated at a conservative 0.5%. Long term sales and use tax revenues have been estimated at 1% for fiscal year 2025-2026 and at 2% for years 2026-2027 through 2028- 2029.

The City does not levy property tax. A property tax is not available to fund operations in Oklahoma. Oklahoma law does allow cities to levy a property tax to fund capital projects, this is done through voter approved general obligation bonds. The City of Edmond currently does not use a property tax to fund general obligation bonds as a funding source.

The General Fund is used to finance many City departments. Expenditures for Park and Recreation, Street Maintenance & Construction, Municipal Court, Senior Citizens Center, Community Impact Support, Emergency Management, Community Image, Planning & Zoning, Festival Marketplace, Building Services, Downtown Community Center, Cemetery, City Council, and the Historical Society, are financed through the General Fund.

A formal policy was established several years ago that provides for a “preferred minimum” of 10% of General Fund sources be maintained in unassigned funds (Reserve for Emergencies and Shortfalls). At the end of the current 2023-2024 budget year, this percentage is estimated to be 11% with a projected decrease to 9.83% by the end of fiscal year 2024-2025. To keep these percentages in perspective however, it should be noted that we budget *maximum* expenditures with the assumption that all budgeted amounts will be spent, and we budget lower-than-expected revenues to present the most conservative budget estimates. Net deficit in the General Fund unassigned reserves would be funded by reductions in spending from the General Fund or transfers from Utility Funds if those funds are available from that source.

Long Term General Fund Financial Plan						
	Revised FY 23-24	Proposed FY 24-25	Projected FY 25-26	Projected FY 26-27	Projected FY 27-28	Projected FY 27-29
Revenues	80,208,901	82,998,336	83,828,312	85,504,866	87,214,954	88,959,253
Other Sources	18,681,311	15,534,387	11,855,793	6,590,676	1,921,642	(3,023,264)
Total Resources	98,890,212	98,532,723	95,684,106	92,095,542	89,136,595	85,935,989
Expenditures	16,092,314	15,688,827	15,715,952	15,612,866	16,095,035	16,006,157
Other Uses	13,251,701	11,998,349	6,733,622	2,067,435	(2,875,575)	(7,443,759)
Transfers	69,546,197	70,845,547	73,234,533	74,415,242	75,917,135	77,373,591
Total Uses	98,890,212	98,532,723	95,684,106	92,095,543	89,136,595	85,935,989
Net Surplus (Deficit)	(5,429,610)	(3,536,038)	(5,122,172)	(4,523,242)	(4,797,216)	(4,420,495)
Revenue Change	-10.3%	3.5%	1.0%	2.0%	2.0%	2.0%
Expenditure Change	22.3%	-2.5%	0.2%	-0.7%	3.1%	-0.6%

City Manager’s Budget Message

Appropriated Funds

The City budget is composed of approximately 70 funds. The General Fund, which is made up of 16 different departments, 15 Special Revenue Funds, 7 Capital Project Funds, 9 Utility Funds, 3 Other Enterprise Funds and 20 Internal Service Funds. These funds are presented in detail in the body of the budget book. The Utility Funds are the largest funds and represent over 57% of total revenue and over 39% of total expenditures.

Five-year forecasts are presented in the budget document for each fund. The purpose of the long-range financial plan is to forecast projected revenues and expenditures over a long-term period using assumptions about economic conditions, future spending scenarios and other variables based on City Council strategic plans. The City considers long-term service objectives in conjunction with financial capacity to determine timing and volume of projects and improvements for the City. Strategies are developed to achieve long-term sustainability considering the government’s service objectives and financial challenges. The city bases long-term plans on historic activity, adjustments for anticipated economic challenges such as inflation, citizen input, programmatic changes, consultant recommendations, new projects desired, and priorities of the governing body.

A City Council strategic plan session is held semi-annually. This is a public meeting that is open to citizens of Edmond and is in a setting conducive to public input. At the semi-annual sessions, priorities are reviewed, evaluated, and adjusted based on detailed discussions and updated information, both financial and non-financial.

Social Impact

The City supports local non-profit organizations financially through grants from our General Fund. The Community Agency Review Committee accepts, reviews applications, then recommends recipients for awards of City grants. Funding recipients must provide a direct and distinct benefit to the City, include a properly chosen Board of Directors that meets at least quarterly, submit financial statement, statistical reports and have financials audited annually, provide a statement of budgetary needs, and submit for approval the contract services application form. The financial impact to the budget is roughly \$1.8 million:

Social Agencies	\$773,950
Community Impact Groups	\$600,500
Culture/Art	\$240,000
Guthrie/Edmond Airport	\$150,000

The city values the input from numerous community members and their commitment to assist in community services for the benefit of our community at large.

Debt Service

The city currently utilizes loan proceeds to finance ongoing utility service capital improvement projects and general City-wide projects. The city is allowed to utilize General Obligation (GO) Bonds but currently does not have outstanding GO debt.

City Manager’s Budget Message

The city maintains great focus on continuous improvement to utility infrastructure. The City Water and Wastewater capital projects are proactive for continuous provision of safe drinking water and an ample water supply to Edmond residents. Routine engineering studies, scheduled line replacement, and pump and well maintenance and repair are funded annually to ensure uninterrupted, quality service. New funding for water wells, water lines and a new water treatment plant has been secured. Projected costs for these projects are estimated to be over \$265 million. The city has secured low-cost Oklahoma Water Resources Board (OWRB) funding along with Oklahoma State and Federal grant funding to cover the cost of these major improvements. Debt service for FY 2024-2025 is estimated at approximately \$29 million that is secured by the city 2% sales tax.

The 2000 Capital Improvement Fund (CIP) has provided the primary financing for capital improvements in Edmond for many years. The .75% sales tax was initially approved by the voters in 1996 and made permanent in 2000. This fund provides approximately \$17.7 million in tax revenue annually. The debt service secured by this tax is estimated to be \$12.2 million or 69% of the sales tax collected.

Capital Improvement

Capital improvements in the City are funded primarily by two dedicated sales tax sources. The 2000 CIP fund (discussed above) which is a .75% permanent sales tax, and the 2017 CIP fund which is .5% sales tax approved by voters in 2016. The 2016 vote approved a repurposing of the 2012 Public Safety Center tax for a ten-year period for capital projects that started in April of 2017. A Citizens Task Force identified many projects considered for using these funds. The Capital Improvement Project (CIP) Advisory Board was then expanded to include members of this task force, and the Board now reviews and makes recommendations for projects for both capital improvement sales tax funds. Both funds are utilized to address City-wide capital needs.

These two funds collect approximately \$30 million annually. The City’s CIP Advisory Board meets monthly to review and make recommendations for spending, which are forwarded to City Council for consideration. As the City’s population continues to grow and as the age and amount of infrastructure increases, so does the demands on streets, parks and new facility needs across the city.

Anticipated projects for the 2000 CIP fund include:

2000 CIP Funding Priorities 2024-2025	
	Millions
Reconstruction & resurfacing of streets	5.40
Intersection Improvements	5.00
Intelligent Traffic Systems	6.55
Downtown Development	1.45
Parks & Recreation	0.55
Danforth & Sooner Interchange	1.00
Library/YMCA	31.50
Engineering Inspection Costs (Internal)	0.50
Total	51.95

City Manager’s Budget Message

Anticipated projects for the 2017 CIP fund include:

2017 CIP Funding Priorities 2024-2025	
	Millions
Streets & Highways	1.00
Trails	6.40
Pelican Bay	5.00
AC Caplinger Ball Fields	16.14
Soccer Complex	.05
Ted Anderson Splash Pad	.05
Engineering Inspection Costs (Internal)	.20
<u>Total</u>	<u>28.84</u>

The Edmond City Council meets semi-annually to review their Strategic Plan. The Council continuously reviews and adjusts the plan to meet the needs and wants of the citizens of Edmond. The city has other dedicated sales tax revenue streams that contribute to capital improvements. The Park tax and the Public Safety Funds of Fire and Police each have dedicated revenue streams to help fund capital improvements.

Other Capital Outlay

The Park Fund has a dedicated .125% sales tax that is used for capital improvements to parks. This fund has a 2024-2025 capital outlay budget of \$1.8 million. Projects include Mitch Park Improvements, pickleball court improvements, Bickham-Rudkin park improvements, Service Blake park improvements and wayfinding.

The Fire Public Safety Fund has a dedicated .25% sales tax that is primarily used for personnel, equipment and department needs. In addition, the Fire Fund receives 30% of all General Fund tax collections. From the General Fund contributions, the Fire department is scheduled to begin construction of Fire Station #6 at a total cost of \$7 million.

The Police Public Safety Fund has a dedicated .125% that is primarily used for personnel, equipment and department needs. In addition, the Police Fund receives 36.8% of all General Fund tax collections. From the General Fund contributions, for 2024-2025, the Police department has scheduled expansion, repair and improvement to the Police Training Facility of \$3.3 million.

The City’s Community Development Building Grant (CDBG) Fund has budgeted over \$1.4 million for rehabilitation, public service, and public works capital outlay. This fund is funded primarily through grants but is also supplemented by the General Fund.

The city has received approximately \$12 million in American Rescue Plan Act (ARPA) money and is investing in mental health, public safety, and open space improvements.

City Manager's Budget Message

The city has committed \$240,302 in fiscal year 2024-2025 to support art in the city. City Ordinance provides for, “a means to fund the acquisition of works of art by the City, which art shall become the City’s collection, to create a Visual Arts Commission (VAC), to provide a means to select works of art for the collection, to provide for the display of the collections and to provide for the maintenance and repair of the work of art in the collection”. The Art in Public Places Fund receives donations from individuals, corporations, civic clubs, and City of Edmond funds. The VAC approves private donations, and the city matches one-half of the cost of an art piece up to \$30,000 per piece. Additionally, the city fully funds the operations of the Park Conservancy Trust, a Title 60 Public Trust that maintains public art located throughout the city.

The Edmond Public Works Authority provides electric, water, wastewater and solid waste services to the City. Total capital outlay for 2024-2025 for the Authority is estimated at over \$28 million. Funding for these capital improvements comes from a combination of loan proceeds and utility rates.

A detailed analysis of all capital outlays by fund and a summary of total capital outlay are included in the budget book.

Operating Cost Coordination

Infrastructure maintenance and improvements are continuously reviewed to maintain the quality-of-life Edmond residents expect. CIP funding capacity is leveraged to interact with the operating budget in a way that improves infrastructure conditions and reduces maintenance costs in the operating budget. The Edmond Public Works Authority performs regular rate studies to balance consumer rates while maintaining state of the art electric and water infrastructure. Regular maintenance of streets, intersection improvements and community partnerships help maintain the lowest cost effect on the operating budget.

Conclusion:

The City of Edmond is experiencing little to no financial growth, while the economy is experiencing inflation and rising operating and capital costs. The economic outlook is cautious due to escalating inflation rates, supply chain issues and the possibility of recession in the near future. Even in the event that the city does meet their projected revenue growth in the coming years, it is still likely that budget challenges will occur. However, City staff remains dedicated to providing high quality services to the city while carefully considering economic sustainability.

The FY 24-25 year is setting up to be a momentous year with the city seeing the completion of a new splash pad, city center complex, the start of the YMCA/Library and City project, new trails, new fire station, the start of A.C. Caplinger Sports Complex renovations and the start of design for the major renovation of the Pelican Bay Aquatic Center. Additionally, the Council is poised to potentially submit to the voters sometime this year propositions for the renewal of the \$.01 sales tax and for the use of General Obligation Bonds to fund critical capital projects across the city. The outcomes of these potential propositions would determine the city’s near and long-term financial situation.

Respectfully submitted,

Scot Rigby
City Manager