The City of Oklahoma City

FIVE YEAR FORECAST

Fiscal Year

2026-2030

CONTENTS

SECTION 1

EXECUTIVE SUMMARY

FIVE-YEAR FORECAST

FISCAL YEAR 2026-2030

An economic and operational outlook for the City.

EXECUTIVE SUMMARY

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.

While the City has experienced some challenges in the first half of the year, with revenue coming in below projections, there's good reason to be optimistic moving forward. Sales and use tax, as well as franchise fees, have been lower than anticipated, reflecting some broader economic factors. However, we're expecting revenue to pick up in the second half of the year, which will help the City finish the fiscal year only slightly below the FY24 level—by about 1.5%.

This provides a solid foundation for recovery, and with ongoing efforts to boost economic activity, we are confident that the City will be on a positive trajectory moving forward.

ECONOMIC OUTLOOK

The City has worked with Dr. Russell Evans, Partner and Chief Economist at the Thorberg Collectorate, to develop the economic outlook for the coming year. Dr. Evans' expectation for sales tax growth for 2025 is between 0.1%-0.5% and between 2.4% and 2.5% for 2026. Consumers continued to spend but at a slower pace as they faced the constraints of depleted savings and tighter credit conditions, with credit card delinquency and charge-off rates near 13-year highs. The year ahead looks poised to maintain the post-pandemic growth streak but won't be without its challenges. The caution to proceed carefully through uncertain economic turbulence will be as relevant for 2025 as it was for 2024.

FINANCIAL EVALUATION TOOLS

The *Financial Trend Monitoring System (FTMS)* reviews how key indicators have performed over the last five to 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 53% positive, 35% neutral, and 12% negative. This was a decline from last year where 67% indicators trended positive. There were two key indicators that trended from being positive last year to neutral this year, Revenue Accuracy and Employees Per 1,000 Citizens. Airport Activity rose from neutral to positive. This year, four indicators—Revenue Per Capita, Grant Revenues, Liquidity, and Enterprise Working Capital—were temporarily excluded from the forecast due to the Annual Comprehensive Financial Report (ACFR) not being finalized before the completion of this Five-Year Forecast.

Many financial issues are beyond the scope of the budget process and require other solutions. Departments identified *58 financial issues* the City will be facing over the next five years. Identifying significant issues provides an early warning system and staff can develop plans that recommend possible next steps to be taken.

GENERAL FUND OUTLOOK

Growth in the General Fund for FY25 has been slower than anticipated, with revenues falling $7.5 million below projections through December 2024. For FY26, General Fund revenue is expected to increase by 2.5% compared to the FY25 budget, driven by the assumption that sales and use tax growth will stabilize, and inflationary pressures will ease.

Changes to the FY26 base budget include adjustments for pay plans and retirement funding, a reduction in salary reserves, and an increase in the COTPA subsidy to support personnel-related expenses. Additionally, there are reductions in the cost of providing risk management services to various departments.

Over the next five years, General Fund revenues are projected to grow at an average rate of 3.0% annually, while expenditures are expected to increase by an average of 4.4% annually. This imbalance between revenue and expenditure growth leads to a projected General Fund gap of $61.0 million by FY30.

Staff will continue to work closely with the City Manager to develop a proposed FY26 budget that carefully balances operational needs with available resources, ensuring the City remains on a sustainable financial path.

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 programs to meet the community's needs, and will serve three functions:

- **COMPLIANCE.** This forecast helps the City comply with financial policies and practices designed to ensure the responsible utilization of public resources. These policies and practices are governed by State law, through the Municipal Budget Act, and internal rules established by City Charter or City 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 that aligns with the 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 government's current and projected financial well-being as it relates to residents and the business community by providing 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, residents, 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 information begins in Section Three. This section is designed to give City leaders and residents a simple tool for evaluating the City's fiscal 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 (ICMA), 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 by showing how many of the trends fall into each category.

Following the Financial Trends, Section Four, Economic Outlook, is developed by Dr. Russell Evans, Partner and Chief Economist at the Thorberg Collectorate. The City has contracted with Dr. Evans to provide the most rigorous forecast available. The information from the economic forecast helps inform the estimation of sales tax revenues in the City's budget 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 the possible direction/next steps for addressing these issues. The section begins with a recognition of previous issues that have concluded with successful outcomes. Next, highlighted issues that are significant in scope are presented. Concluding Section Five is a summary by department of the issues facing the City organization.

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

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.

FIVE-YEAR FORECAST

FISCAL YEAR 2026-2030

SECTION 3
FINANCIAL TRENDS

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

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 City's budget document and the Annual Comprehensive Financial Report (ACFR), key data between two governments can diverge significantly, and the motives and rationale behind the decision-making process can be fundamentally different. With this in mind, staff have incorporated the Financial Trend Monitoring System (FTMS) into 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 City's 18th year using the FTMS.

The goal is to use the FTMS as a management tool to recognize 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, City leadership will be well informed to make the most financially responsible decisions.

WHAT IS FINANCIAL CONDITION?

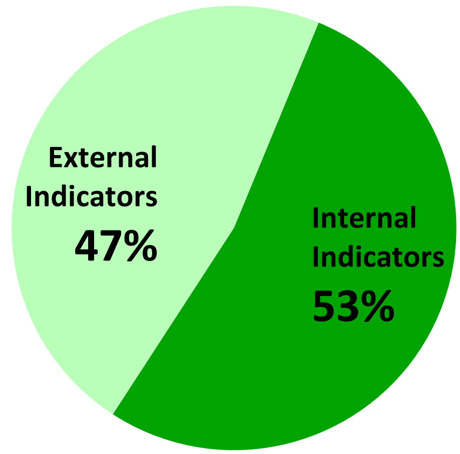
Financial condition refers to a government's ability to maintain existing service levels, withstand local and regional economic disruptions, and meet the demands of natural growth, decline, and change. More specifically, financial condition refers to:

- **Cash Solvency** – A government's ability to generate enough cash in 30 or 60 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 in the future 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, is to provide the City's leadership and residents 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 current and future situations.

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 to potential problems, and highlighting recent successes. The ICMA publication contains 42 different measures that may be used; for this presentation, 17 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 progress;
- 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 policy makers in setting financial priorities.

Despite the advantages of trend monitoring, it is important to note that the indicators themselves will not detail why a problem is occurring. The indicators provide a snapshot of current conditions, and 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 period of five years was analyzed for the trend analysis. In most instances, the most recent five years (2020-2024) were examined. In some instances where complete data was unavailable, a monthly average is projected forward to complete the year. The years used for each indicator are 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.

OVERALL RESULTS

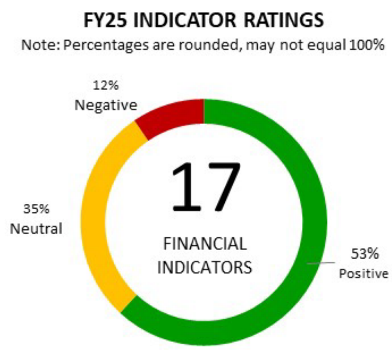
Each indicator has been assigned a *"trend status"* to indicate the direction the indicator is moving. The definitions for the trend status are:

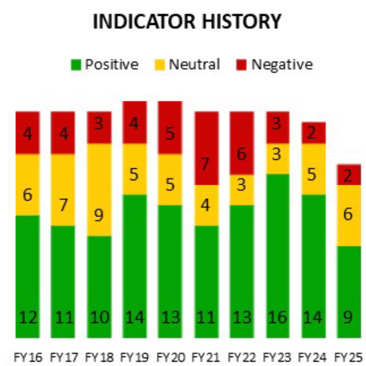
- ● A **positive** trend is favorable towards the City's financial condition, and/or the indicator is meeting City policy or performance measures set by management.
- ▲ A **neutral** trend implies there is no immediate concern. These indicators are watched carefully for change to indicate early signs 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 following chart shows, this year's FTMS has **9 positive** indicators, **6 neutral** indicators, and **2 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 on page 13.

THE NEXT STEP

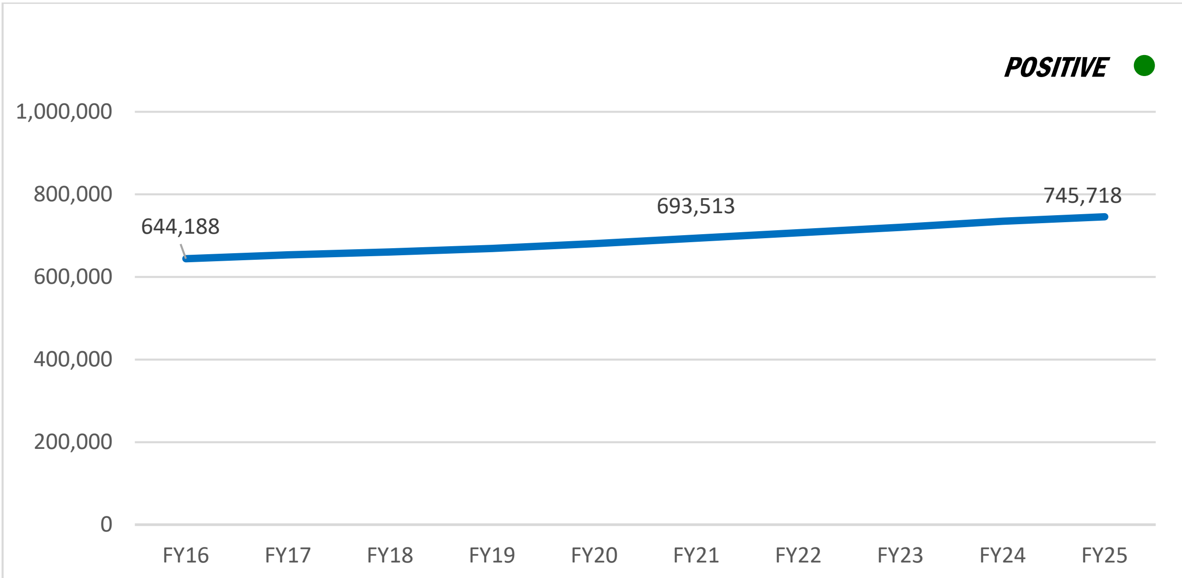
The FTMS system is not designed to project the future financial situation of the City. Rather, it provides snapshots of the City's financial health over time. As an example, reporting indicates that in many metrics the City has nearly returned to pre-Covid levels if not surpassed them. Management will continue to monitor financial trends and develop strategies to keep the City moving in a positive financial direction.





FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	**EXTERNAL INDICATORS**
●	●	●	●	●	●	●	●	●	●	Population
◆	◆	▲	●	●	●	●	●	▲	▲	Average Weekly Earnings
●	●	●	●	●	●	●	●	●	●	Labor Force
●	●	●	▲	▲	●	●	●	●	●	Crime Rate
●	●	●	●	●	●	●	●	●	●	Property Value
▲	▲	▲	◆	◆	◆	◆	◆	◆	◆	Office Vacancy Rate
●	●	●	●	●	◆	◆	▲	▲	●	Airport Activity
N/A	N/A	N/A	●	●	◆	◆	▲	▲	▲	Hotel Room Nights Sold
										INTERNAL INDICATORS
●	●	●	●	●	●	●	●	●	N/A	Revenue Per Capita
▲	◆	◆	▲	◆	◆	◆	●	●	▲	Revenue Accuracy
●	▲	◆	●	▲	●	●	●	●	●	Sales & Use Tax Revenue
▲	▲	▲	▲	▲	▲	▲	◆	◆	◆	Sales & Use Tax as % of GF
●	●	▲	●	●	◆	◆	●	▲	▲	Hotel Tax Revenue
◆	▲	▲	◆	◆	◆	●	●	●	N/A	Grant Revenues
▲	▲	▲	▲	▲	●	●	●	●	▲	Employees/1,000 Residents
▲	▲	▲	◆	◆	▲	▲	●	●	●	Fringe Benefits
●	●	●	●	●	▲	●	●	●	●	Pension Funding Ratio
▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	Long-Term Debt
●	●	●	●	●	●	●	●	●	●	Fund Balance
●	●	●	●	●	●	●	●	●	N/A	Liquidity
●	●	●	●	●	●	●	●	●	N/A	Enterprise Working Capital

POPULATION



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

Population grew at an average of 1.8% per year over the last five years.

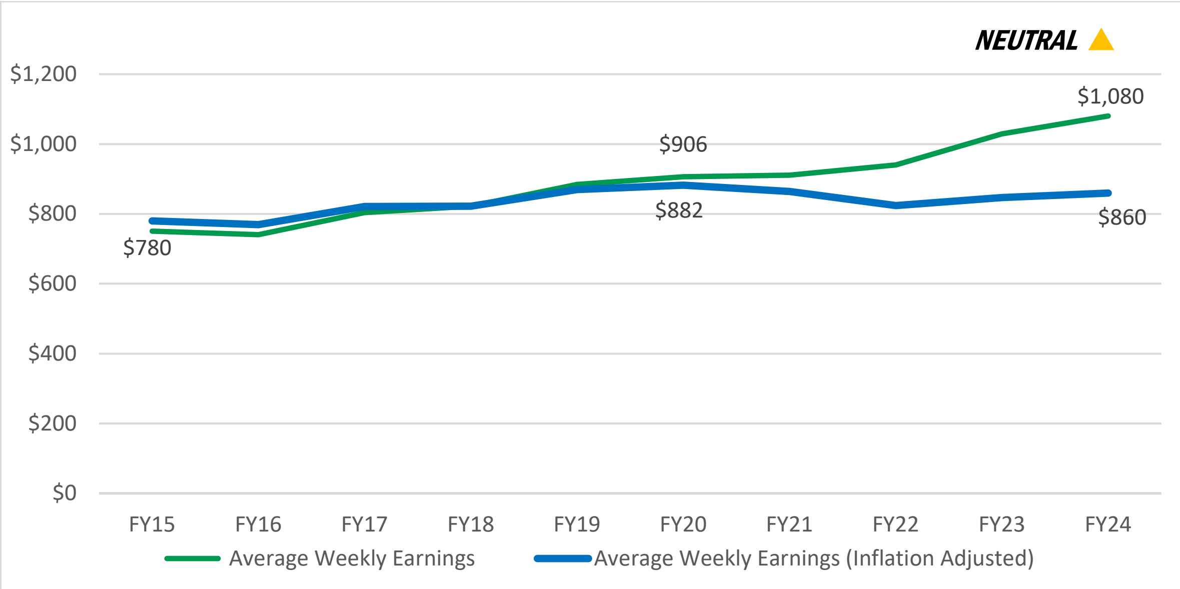
What does Population Growth Indicate?

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 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.

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 seen consistent growth in population since FY01, with an estimated 745,718 residents in FY25.[2] This is an average annual growth rate of 1.8% over the last five 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?

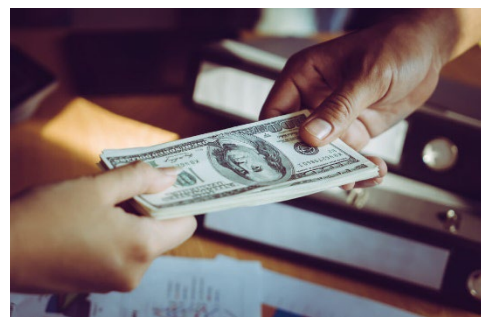
Average Weekly Earnings (AWE) is the amount of income a person earns each week and is a primary measure of a community's ability to generate sales tax. The more people working each week and the more they earn, the larger the impact on the amount of sales tax generated, which is the City's primary funding 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 did. AWE has reported growth over the last 3 years and after adjusting for inflation the most recent year is reported less than FY19. In other words, the average worker's paycheck is larger, but able to purchase less.

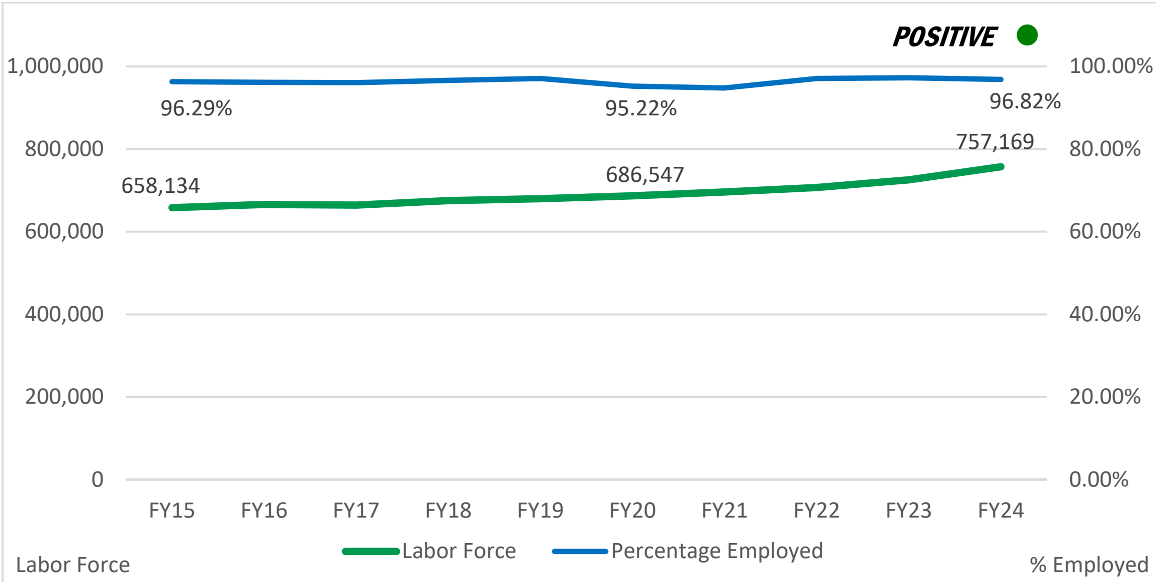
Current Year Activity

The Average Weekly Earnings for early FY25 year-to-date data shows growth from the chart above. In current dollars, the AWE was $1,105.13 through October 2024.



High inflation has impacted Average Weekly Earnings which decreased 2.54% after adjusting for inflation over the past five years.

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.

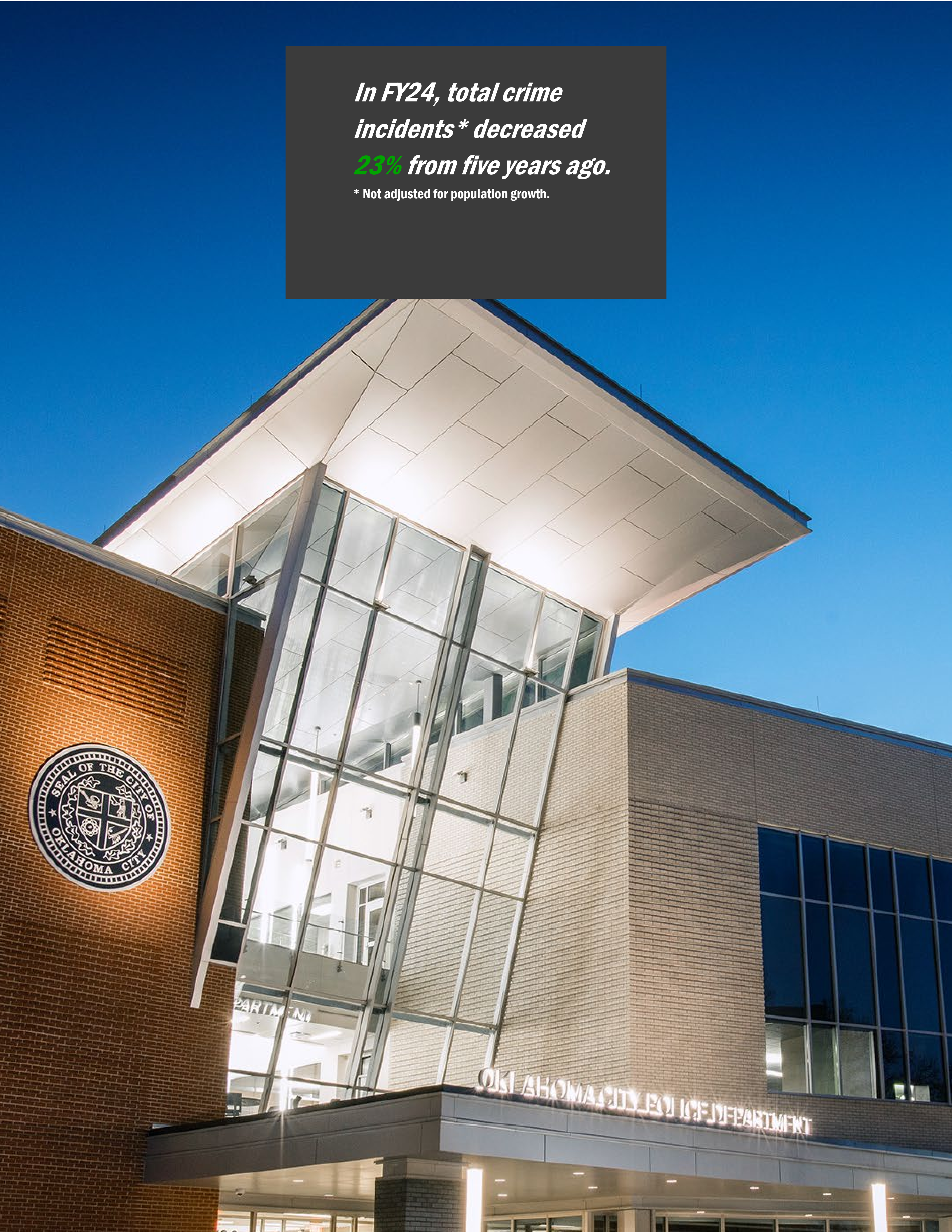
While the range for full employment may vary by expert, generally, when the unemployment rate is higher, residents struggle to find employment; when the unemployment rate is lower, employers may struggle to fill employment vacancies. In the years preceding the COVID-19 pandemic, the percentage of the labor force of the Oklahoma City Metropolitan Statistical Area (MSA) employed was stable at around 96%. During the height of the pandemic in FY20 and FY21, the rate dropped to an average of 95.1%, meaning 4.9% were unemployed and employment in the local area was still full. In FY22, the average increased suddenly to 97.2%, bringing the five-year average back to pre-pandemic levels at 96.2%.

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 10.29%, and employment grew by 12.14%. Annual growth in the labor force and continued increase in employment resulted in a positive rating for this indicator.

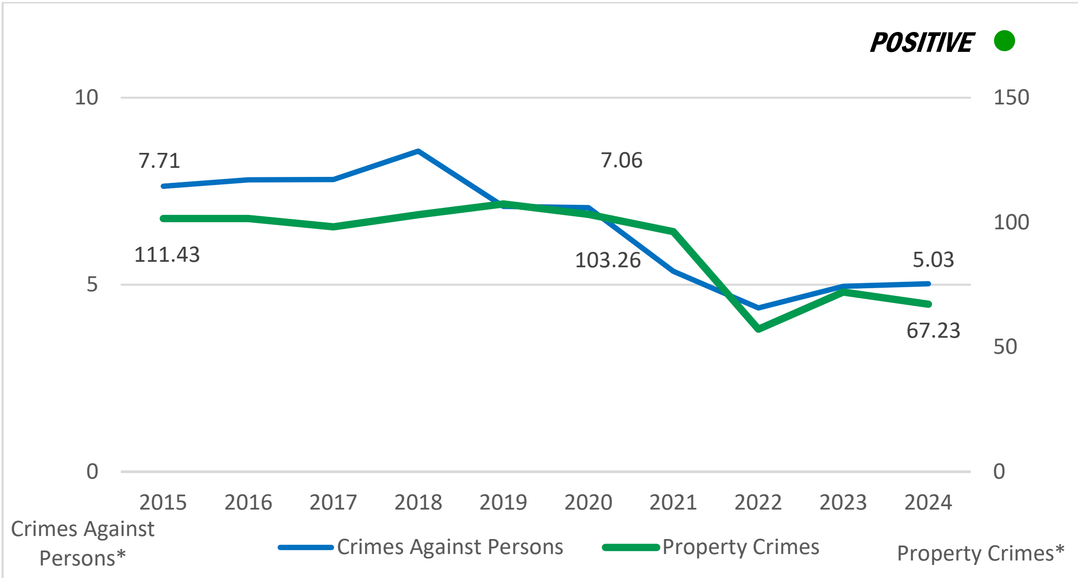
Current Year
The percentage employed decreased 0.01% through the first four months of FY25, increasing the average annual unemployment rate to 3.2%.

In FY24, total crime incidents* decreased 23% from five years ago.

* Not adjusted for population growth.



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

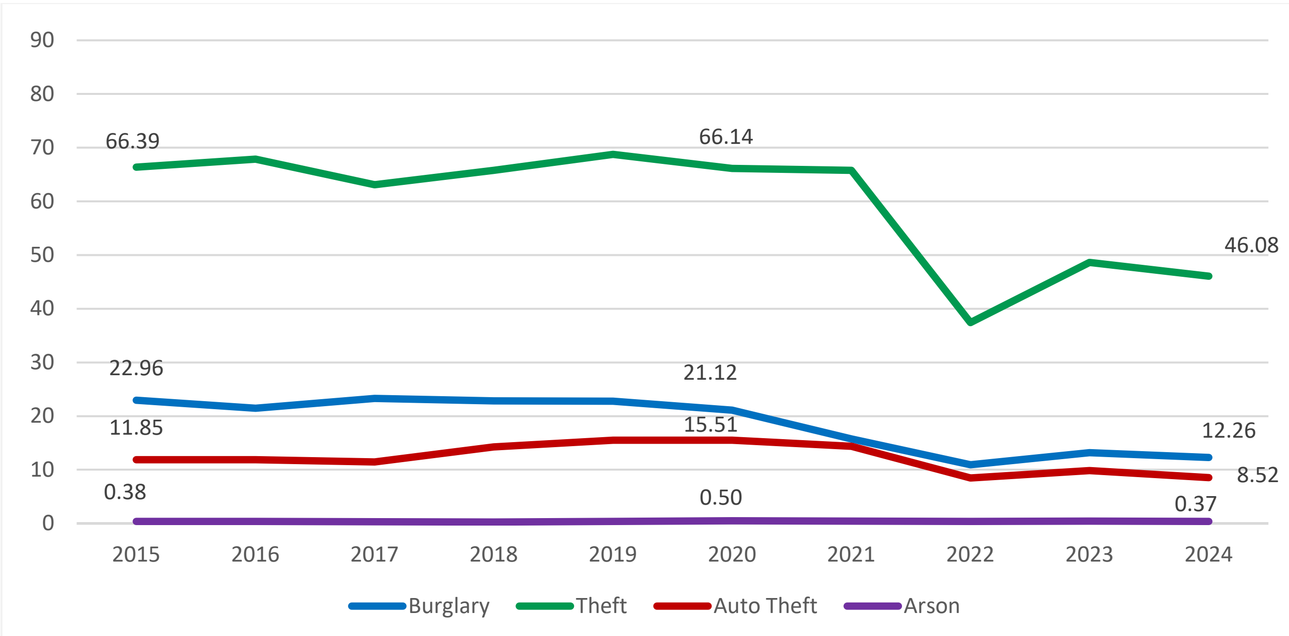
Why is the Crime Rate an Indicator for Financial Condition?
Crime rate captures a negative aspect of a community that can affect its present and future economic development potential. The crime rate also measures demand for public services in the form of public safety expenditures. A rising crime rate,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

Why is This Important to Oklahoma City?
With around one-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 significantly over the last five years from 103.26 crimes in calendar year 2020 to an estimated 67.23 in 2024. The number of crimes against persons per 1,000 people also decreased substantially from 7.06 per 1,000 in 2020 to an estimated 5.03 in 2024. The uptick in crime from 2022 is related to changes in reporting methods. Previously the primary crime was reported in cases where more than one law was broken. The new standards now report all laws broken, even those incidentals to the primary. 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. Due to the decreasing trend over the last 5 years, this indicator was ranked as positive.

*Data for 2024 is estimated using actual data from January – August. September through December were an average of the first 8 months of 2024.

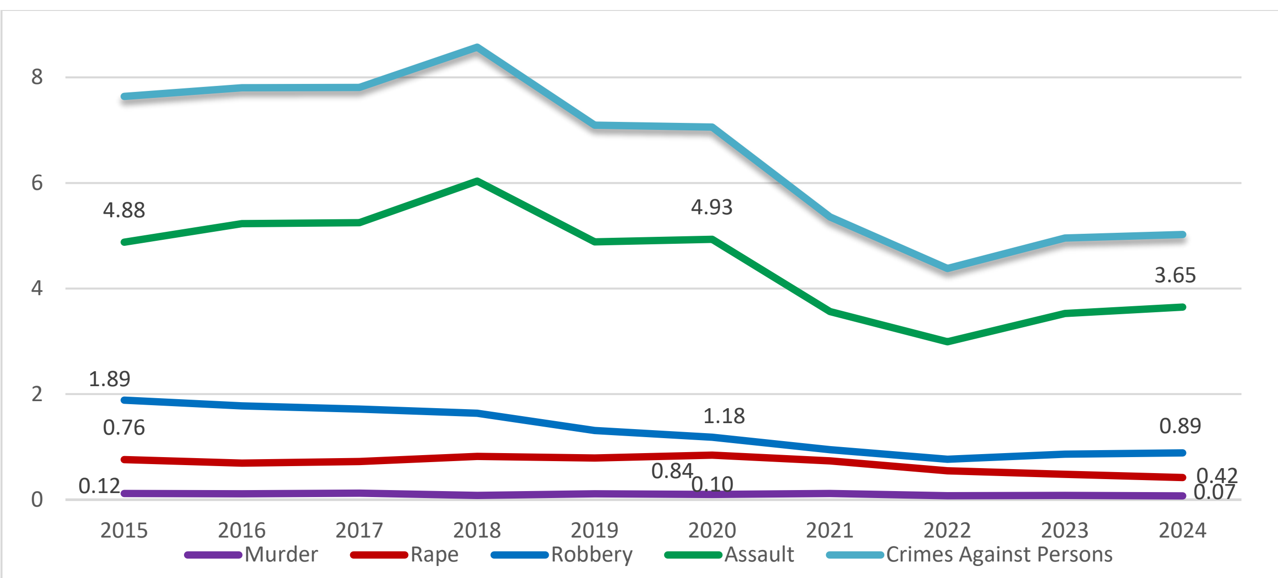
Property Crimes

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 34.9%. Theft, auto-theft, and burglary all decreased significantly over the last five years, while arson decreased 12.6% over the previous year.

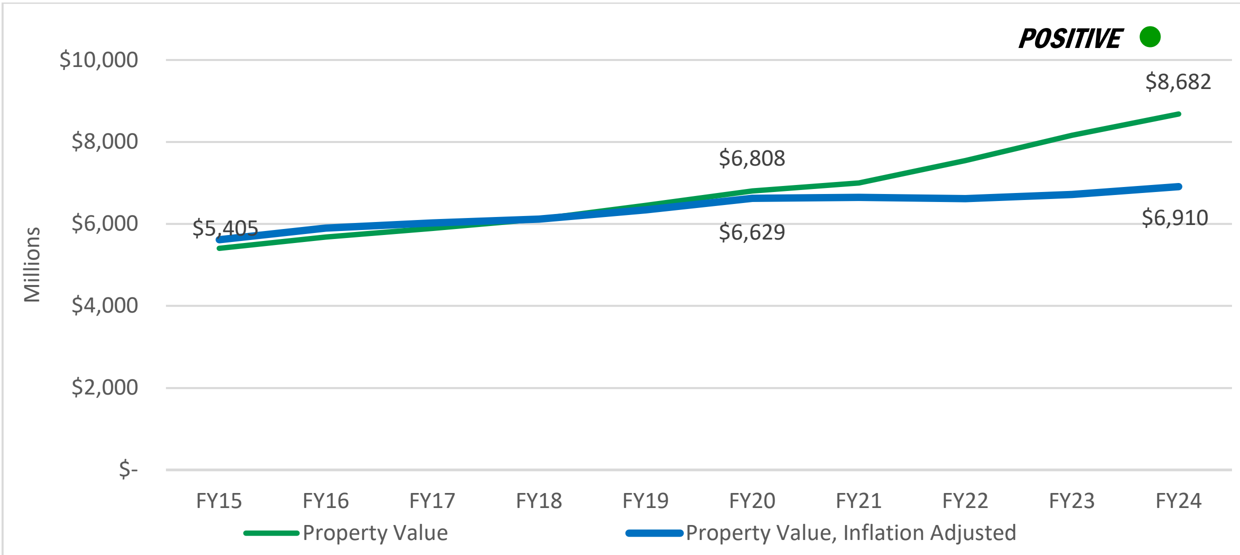


Person Crimes

The chart below is a sub-set of data behind the total number of person crimes per 1,000 residents in the chart on the preceding page. Over the last five years, person crimes per 1,000 residents decreased 28.8%. Rape, robbery, assault, and murder all decreased substantially over the last five years.



PROPERTY VALUE



Formula: Assessed Value / CPI

Assessed Property Value has increased 26% over 10 years

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

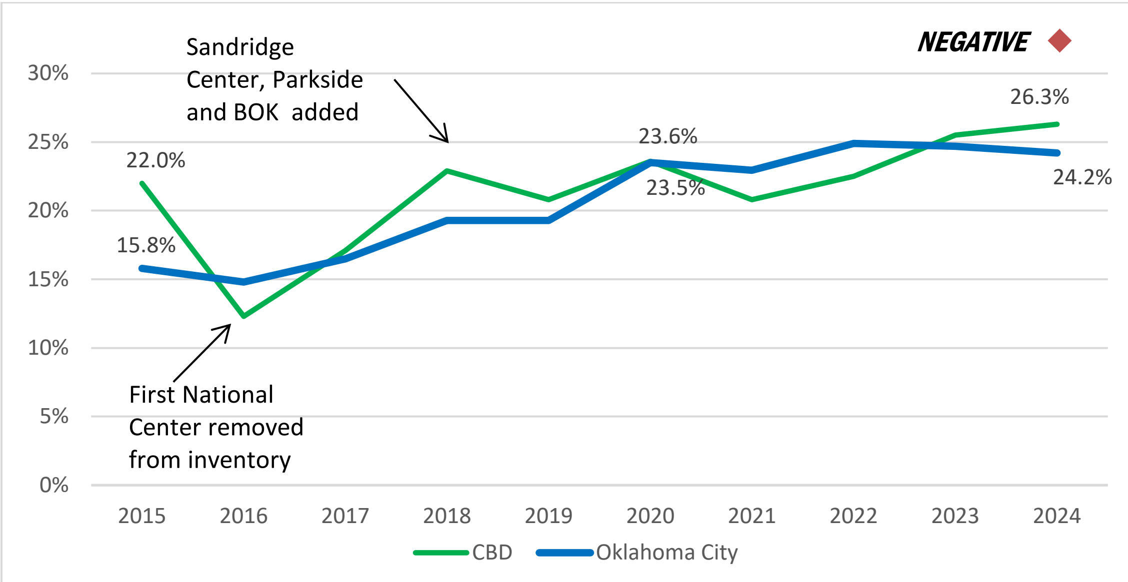
Even for communities that are not heavily reliant on property tax for operations, property value can be a useful sign of the health of the local economy. Population and economic growth will increase property value because demand will drive prices up. A city that is not reliant on property tax, but is 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 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. Oklahoma City's Net Assessed Valuation (NAV) growth rate decreased year-over-year in FY24 from 8.2% to 6.3%. The decline in the NAV growth rate will negatively impact the amount of general obligation bonds that can be sold in 2025.

In addition, in FY24, Oklahoma City's inflation adjusted assessed property value increased by 2.81%, over the previous year. Still, over the past 10 years, the inflation adjusted value has increased 23.0%, underscoring strong long-term growth. Staff will continue to monitor this recent downward trend and incorporate it into plans for future capital financing. Based on the progressively upward trend of nominal property values and an increase in the inflation adjusted figure over the past five years, 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.

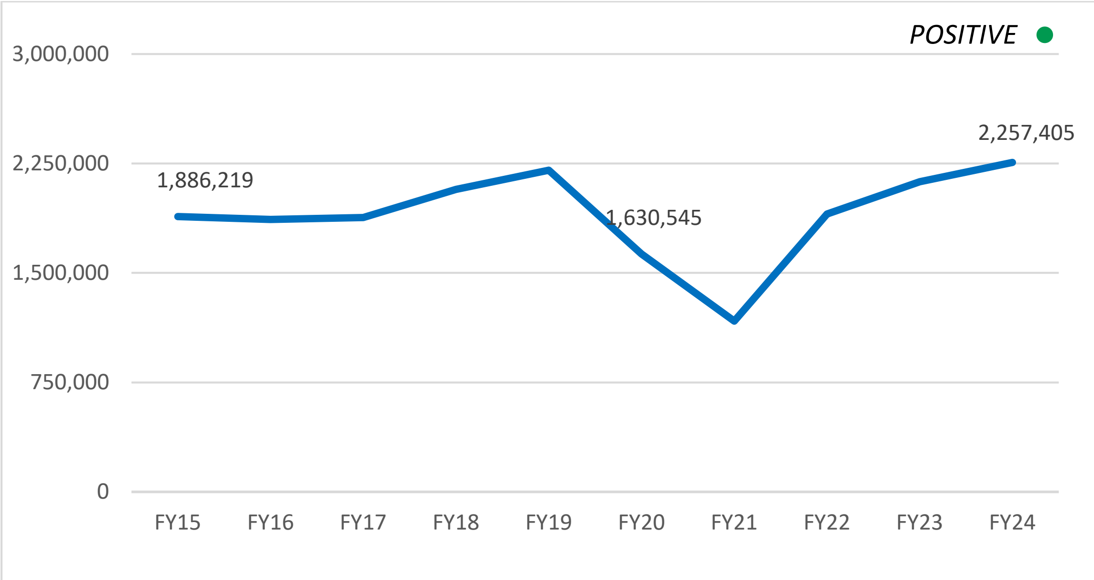
Why is This Important to Oklahoma City?
For this trend analysis, the office vacancy rates for Oklahoma City's Central Business District (CBD) and the greater Oklahoma City area were examined. If vacancy rates increase to an unhealthy rate, it could have a negative impact on property values and incomes. The pandemic reversed the previous positive trends causing negative absorption in both districts. By midyear 2024, CBD vacancy rates increased .8% year-over-year, and 2.7% over a five-year period. It is unclear when this trend will reach minimum as employers continue to offer remote work perks and modified work schedules, diminishing the need for traditional office space. The Greater OKC area vacancy rate remained relatively flat over 2023.

The significantly higher vacancy rate over the five-year period for Oklahoma City and higher vacancy rates for the CBD over the same period resulted in a negative rating for this indicator.

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

In FY23, airport activity at Will Rogers World Airport grew 6.2% over the previous year.

WILL ROGERS WORLD AIRPORT ACTIVITY



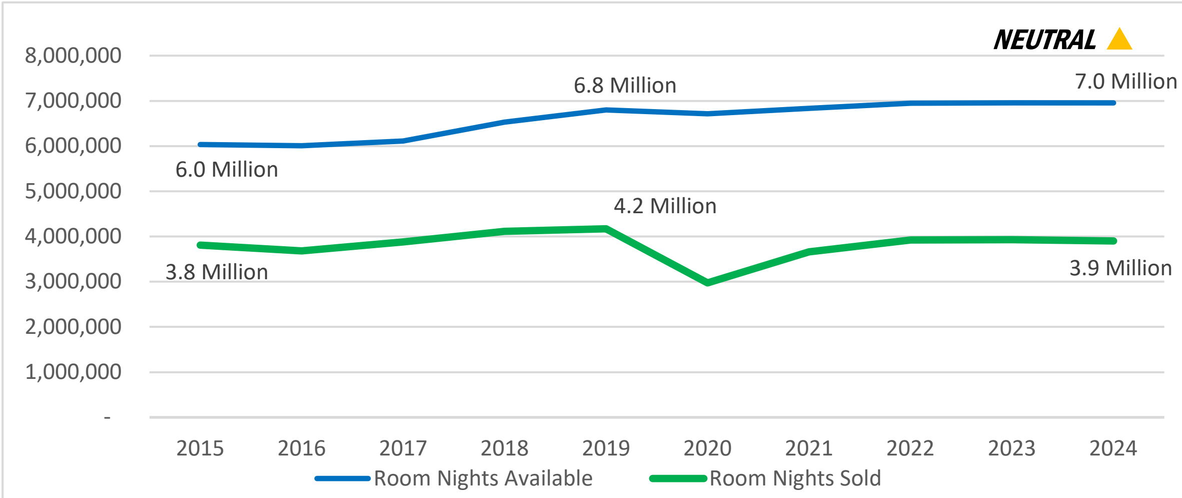
Formula: Annual Number of Passengers Boarding at Will Rogers World Airport (WRWA)

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 FY13, the number of nonstop destinations and airlines 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. The number of boarding passengers dropped to its lowest point in at least 17 years in FY21 at 1.2 million, a 47% decrease from the FY19 high. In FY22, airport activity surged 62.6% over the FY21 low, the largest yearly increase in at least 17 years, nearly reversing the losses suffered from the pandemic. In FY24 passenger activity surpassed pre-pandemic numbers and is the new record high with 2.3 million boarding passengers.

Current Year Passenger Activity
The number of boarding passengers increased 4.0% during the first half of FY25. The current year's growth rate aligns with trends observed in previous years. Activity levels have fully rebounded to what they were before the pandemic, increasing the indicator from neutral to positive.

HOTEL ROOM NIGHTS SOLD



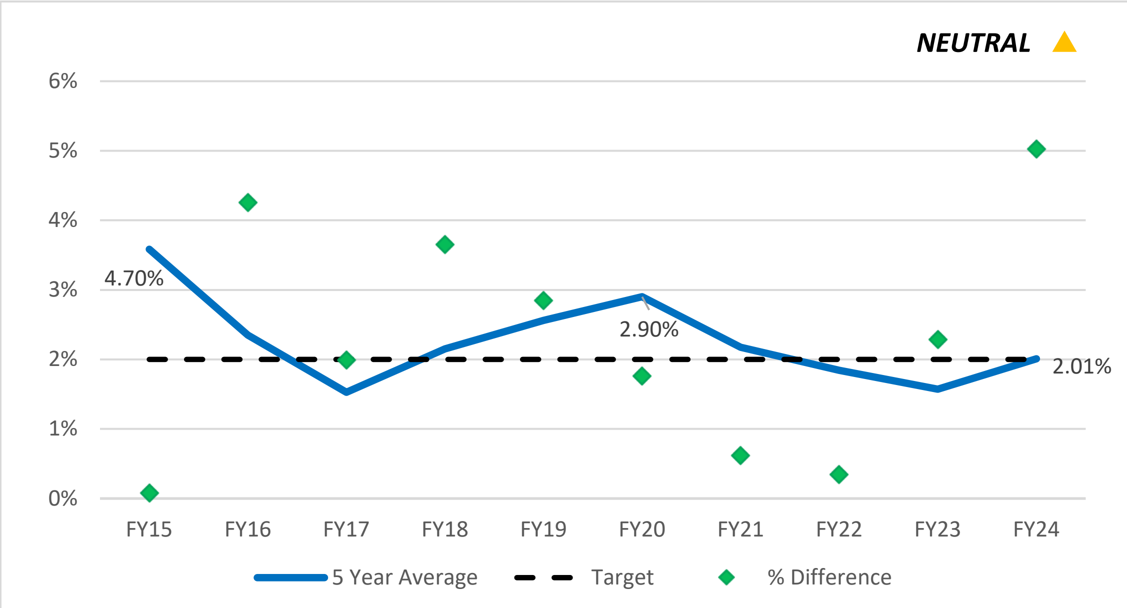
Formula: Number of room nights sold according to Smith Travel Research

Why is Hotel Room Nights Sold an Indicator of Financial Performance?
Tracking hotel room nights sold provides insight into the activity level of the city's growing tourism sector. 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, opened in January 2021 with 605 guest rooms.

Before the COVID-19 pandemic, occupancy had remained steady, averaging 62% annually over the previous five-years. During the height of the pandemic, in 2020 and 2021, occupancy rates averaged 49% and 3.3 million room nights sold annually. Signs of recovery became evident in 2023 and 2024, with 2024 showing a 0.6% year-over-year growth in room nights sold and an occupancy rate of 56%. While growth continues, the pace has not reached a level that would warrant changing this indicator from neutral to positive.

REVENUE ACCURACY



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

Determining Revenue Accuracy

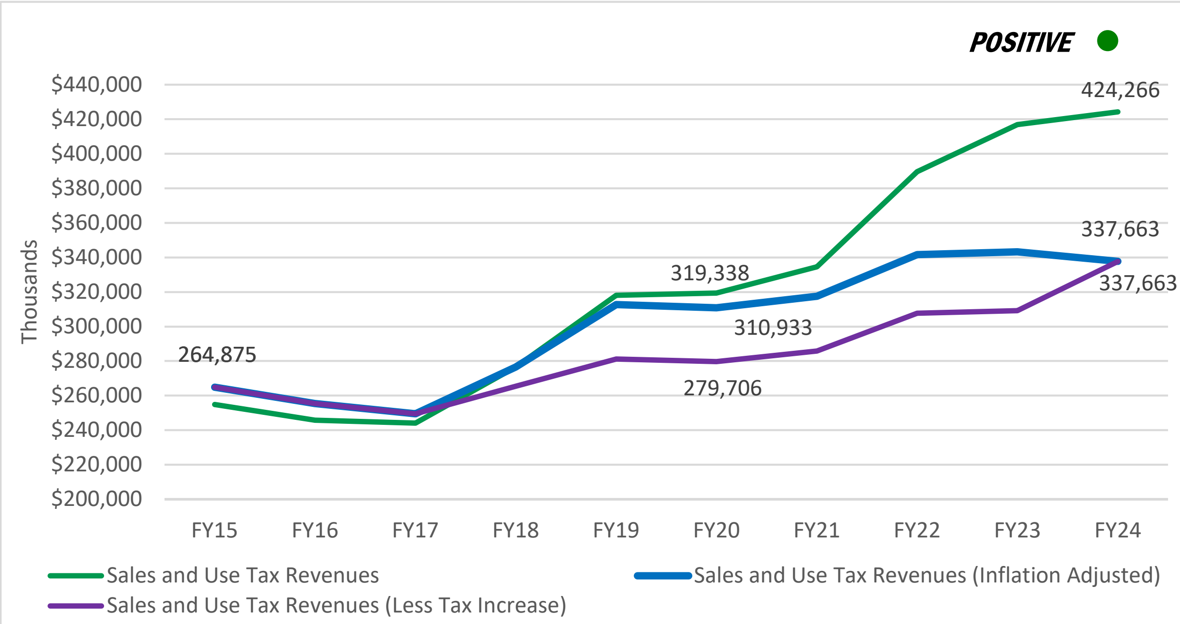
This indicator examines the difference between revenue projections and revenues received in the General Fund during the fiscal year. Significant continued variances in revenue from projected amounts, whether the discrepancy is an overage or shortage, can be a concern. Either scenario could indicate a 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 minimal means services have not been unnecessarily reduced because of a perceived shortage that did not occur; or that new services were not established that could not be maintained because revenues failed to meet projections. The City maintains a target of keeping projections within 2% of actuals and the indicator is measured on a five-year average

In FY23-FY24, revenue collections were 2% below projections and the five-year average decreased from 2.90% in FY20 to 2.01% in FY24. A downturn in the local economy, due to the energy sector contraction resulted in FY16 collections falling 4.3% below projections and 2.0% below projections in FY17. In FY18 and FY19 collections exceeded projections by 3.7% and 2.8%, respectively, as the local economy returned to growth and tax collections from online sales began. The City managed to navigate the volatility in revenue resulting from the COVID-19 pandemic and the subsequent recovery in tax collections well, with an average variance of 2.3% in projections from FY20-FY22. For FY23 and FY24, inflation caused consumers to reduce spending. The average absolute variance over the last five years was 2.10%, which was within the City's 2% target, resulting in a neutral rating for this indicator.

SALES AND USE TAX REVENUE



Formula: General Fund Operating Sales and Use Tax / Consumer Price Index (2013 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 an indicator for this forecast. For an accurate analysis, Sales and Use Tax revenues were identified in both nominal and real dollars (i.e. adjusted for inflation).

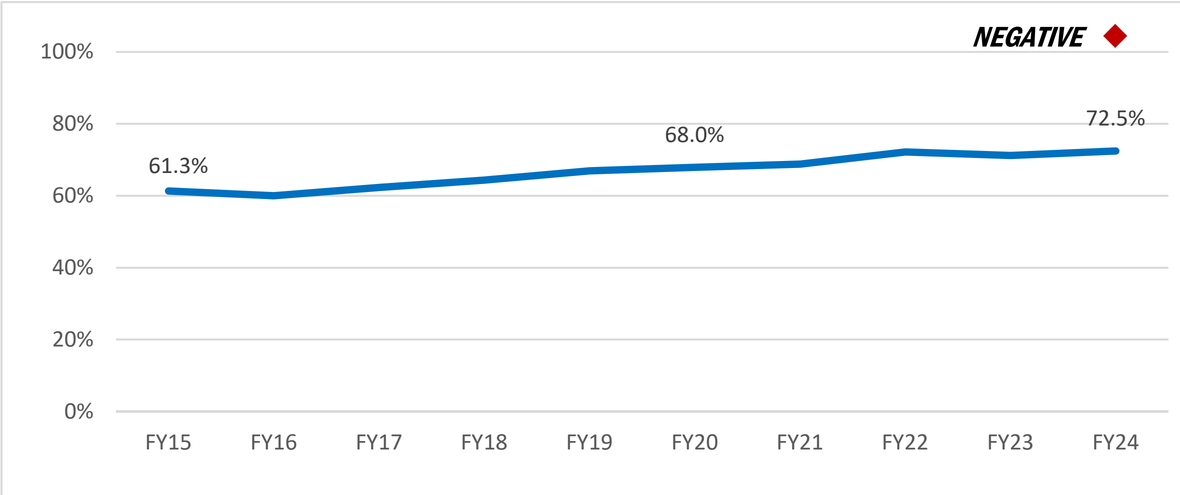
Why is This Important to Oklahoma City?

With a tax rate increase in FY18, sales and use tax accounted for 72.5% of all General Fund revenue in FY24. 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 taxpayers moving their base to other jurisdictions.[7] The local economy rebounded at historic levels post COVID with year-over-year tax growth continuing to FY24. After adjusting for inflation, sales and use tax revenue increased 8.60% over the last five years, or $27 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 20.7% or $58 million over the last five years, which is why the indicator was rated positive.

Current Year Activity

Through January 2025, fiscal year base sales tax has decreased 2.3% and use tax has decreased 5.3%. Both sales tax and use tax are projected to grow 0.5% and 3.11%, respectively, at year-end. 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



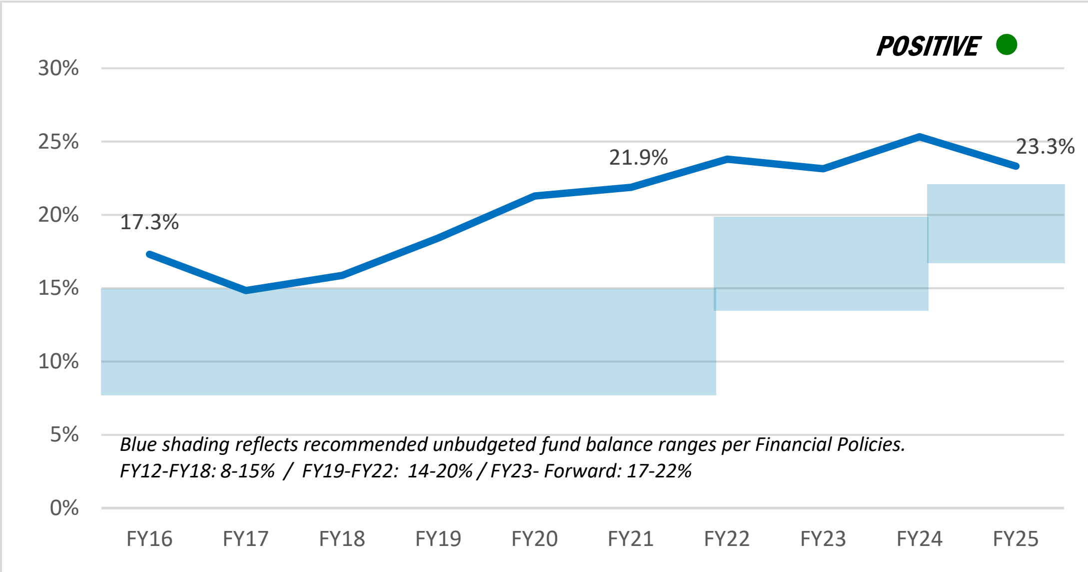
Formula: Sales Tax Revenue / All General Fund Revenue

Why is Sales and Use Tax as a % of General Fund Revenue an Indicator for Financial Performance?
Sales tax is collected at a rate of 2 ¼ cents per dollar and use tax is collected at a rate of 3 ⅛ cents for the 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; when the economy is slowing, these 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 these revenue sources 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 has increased as a percent of total General Fund revenue, in part due to a tax rate increase in FY18, the City's reliance on these revenues has increased 4.5% in the last five years, indicating a growing dependence on a volatile revenue source for operations. Thus, the rating was downgraded to negative.

Current Year Activity
In FY25, sales and use tax are projected to comprise 71% 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

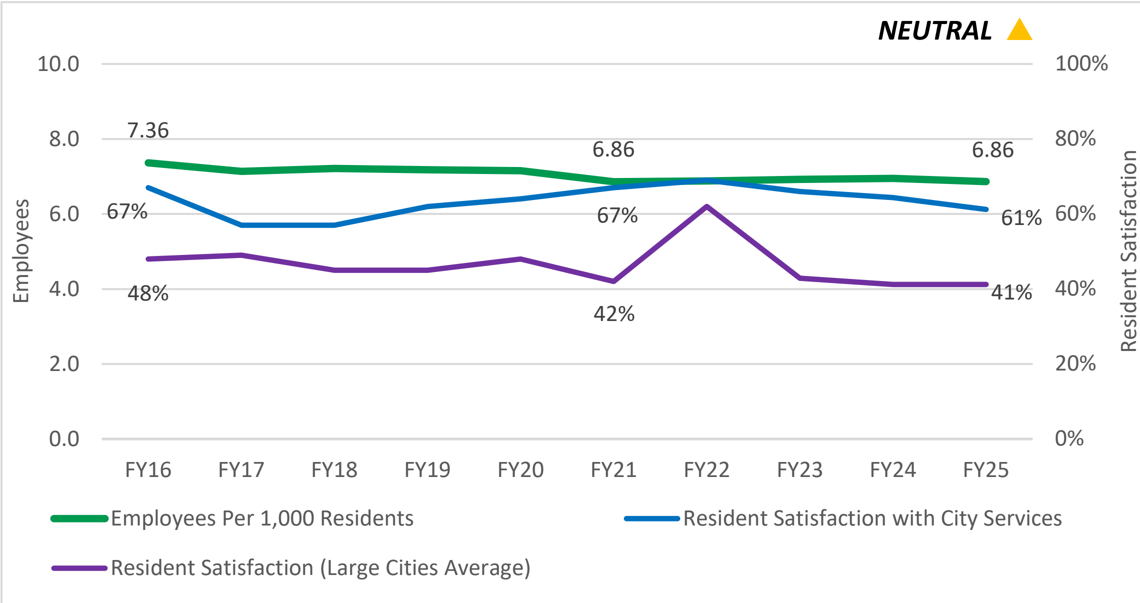
What is Fund Balance?

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?

In FY12, the City Council adopted new financial policies that established a range of 8-15% for unbudgeted fund balance. In FY19, City Council amended the financial policies and established a range of 14-20% for unbudgeted fund balance. In FY23, City Council, again, revised the financial policy to establish a new range of 17-22% 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 Officers Association (GFOA). The revised policy provided for the transfer of unbudgeted fund balance above 22% to a capital maintenance reserve fund or for liquidity purposes. 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 downfalls reaffirms the importance of having an adequate reserve. Even with the use of fund balance and revenue declines in FY17, the percent of unbudgeted fund balance has continued to remain at or above the high end of ranges set by City policy leading to a positive credit rating.

EMPLOYEES PER 1,000 RESIDENTS



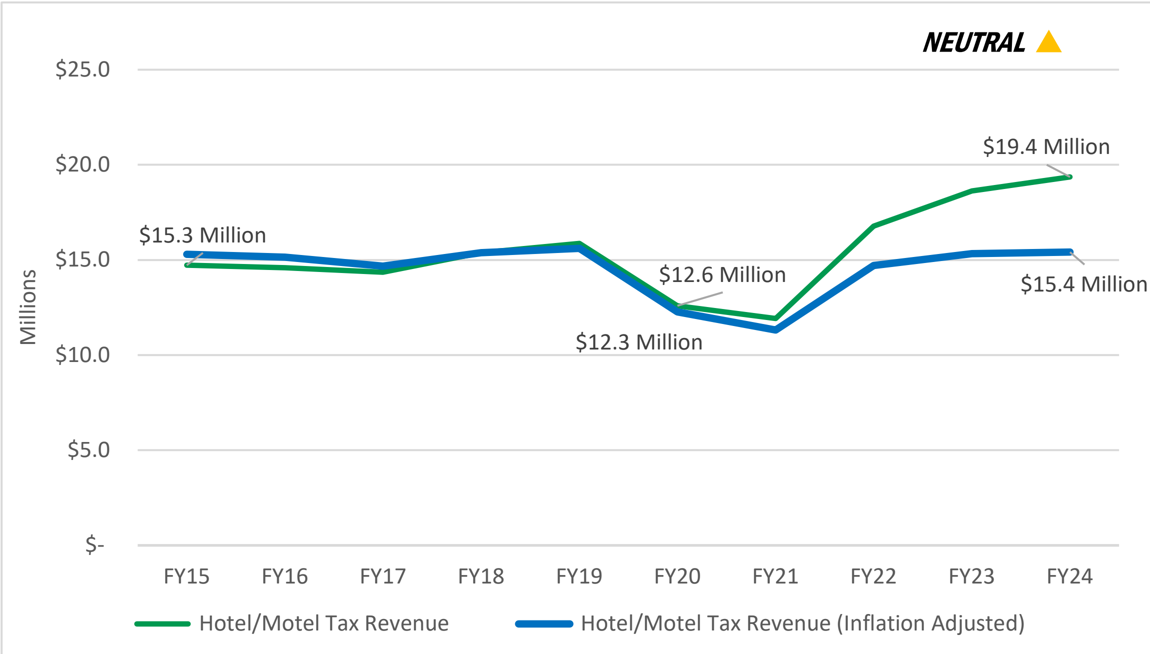
Formula: Number of Municipal Employees / Population / 1000

OKC has consistently outperformed the average for large cities for resident satisfaction in city services.

What Does Employees per 1,000 Residents Measure?
Personnel costs are a major portion of a local government's operating budget and 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]

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 efficiency. Population grew 7.5% over the five-year period and the number of employees grew 7.6% resulting in a slight decrease in the ratio of employees to residents from last year 6.95 to 6.86. To ensure that the ratio of employees to population is enough to maintain service levels and address resident priorities, results from the annual resident survey are included in the chart. The national average for resident satisfaction among similar sized cities was 41%. The most recent resident survey completed in FY24, reported 61.3% of residents were satisfied with city services, well above the national average. This is a 8.7% decrease from five years ago, and a 5.0% decrease year-over-year. Because the City vastly outperformed the national average and resident satisfaction has slightly decreased over the five-year period, neutral rating indicator is reflected in the chart above.

HOTEL TAX



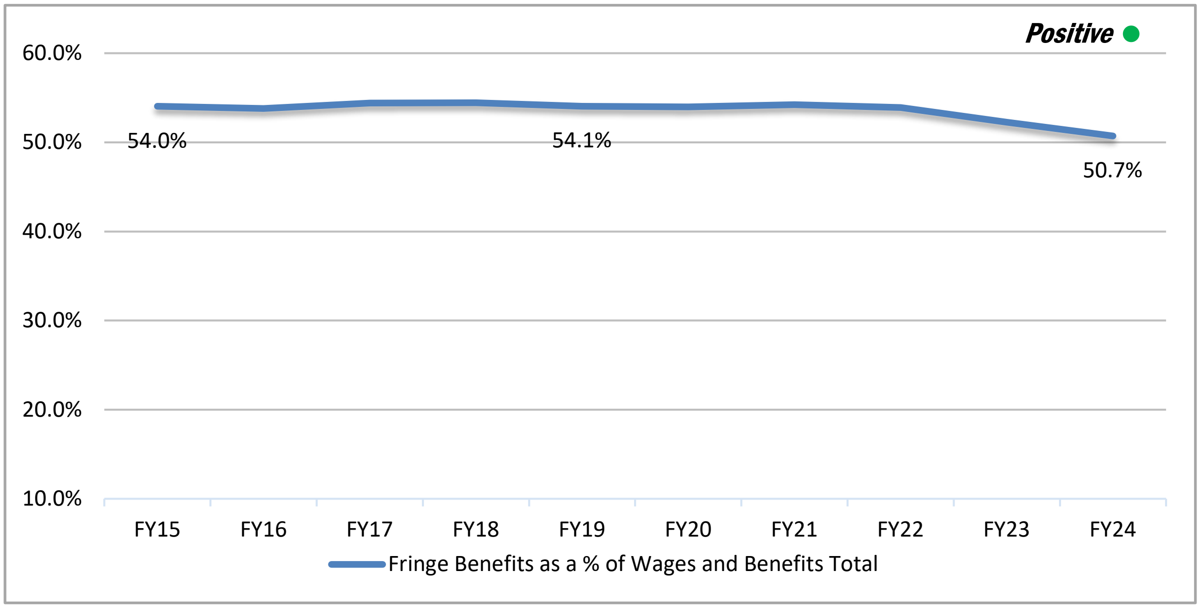
Formula: Hotel Tax / CPI

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.

In FY24, the hotel tax rate for Oklahoma City was approved to increase from 5.5% to 9.25%. The increase went into effect during FY25 on October 1,2024. Out of the 9.25%, 4.81% is dedicated to convention and tourism promotion and is used to fund a contract with the Oklahoma Convention and Visitor's Bureau; 3.25% is dedicated to capital improvements at the State Fairgrounds and the repayment of bonds used to finance those improvements; 1% is dedicated to sponsoring or promoting events recommended by the Convention and Visitor's Commission; and 0.19% will be used for improvements to the Oklahoma City Convention Center.

Why is This Important to Oklahoma City?
Hotel Tax for Oklahoma City saw a decline of 1.0% 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. Collections rebounded in FY22 and in FY23, increasing 11.1% year-over-year, however FY24 had an impactful 4.0% decline. In the past five years, hotel tax has grown 53.74% in nominal dollars, and 25.67% in real dollars adjusted for inflation. Given the last few growth rates and the real world dollars increasing gap with reported revenue, this indicator was rated at neutral.

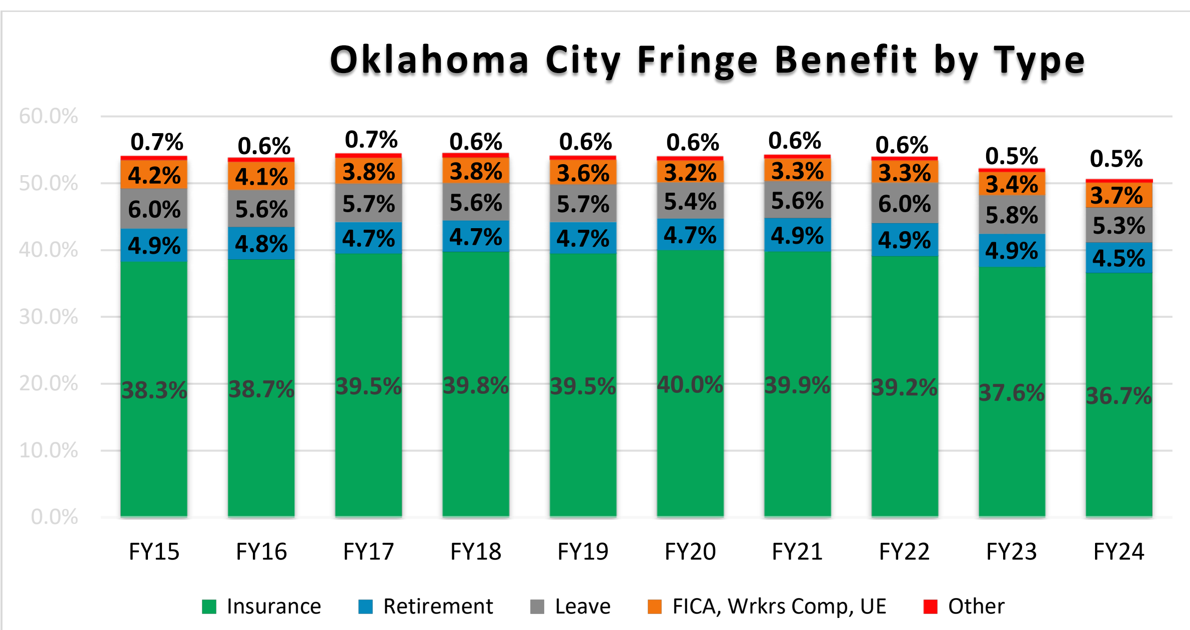
FRINGE BENEFITS



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

What are Fringe Benefits?

The most common forms of fringe benefits are 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.

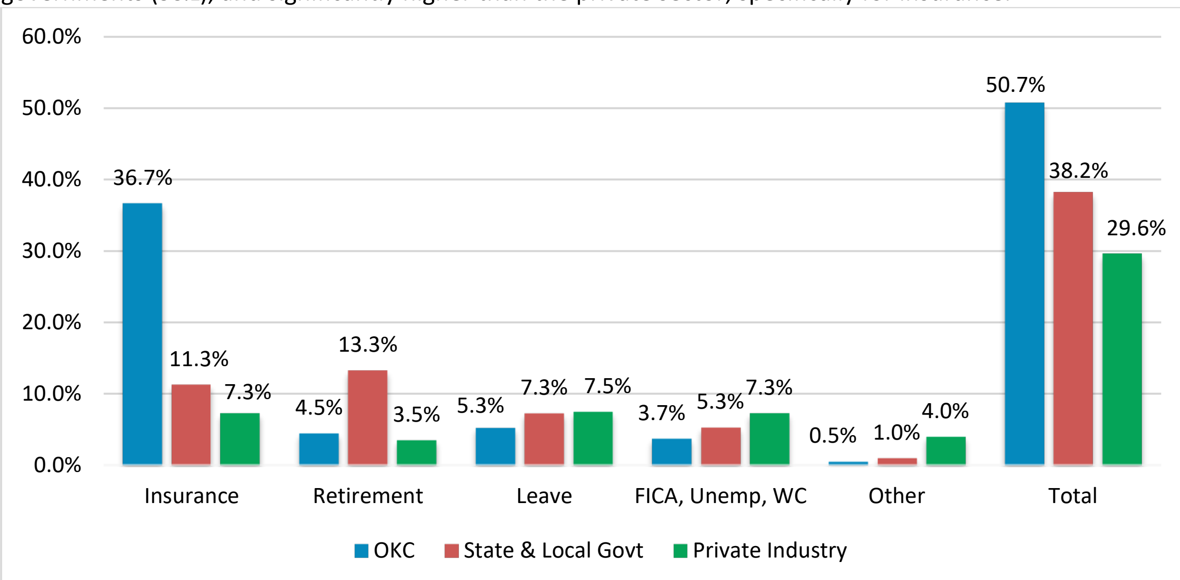


Why is This Important to Oklahoma City?

Benefits are a significant share of operating costs and are more than one-third of employee compensation. Health insurance, retirement/pension contributions, and retiree health insurance were among the top 10 expense items in the FY24 General Fund 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. Another fringe benefit is post-employment health insurance, which is primarily administered on a pay-as-you-go basis. This differs from advance funding, the method used for pension contributions. Pay-as-you-go 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 and is lower than the average for state and local governments, resulting in an improved positive rating.

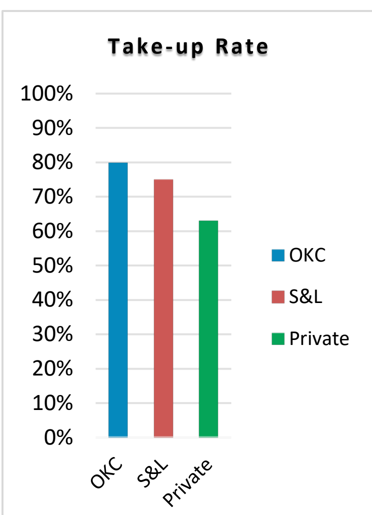
How Oklahoma City Compares

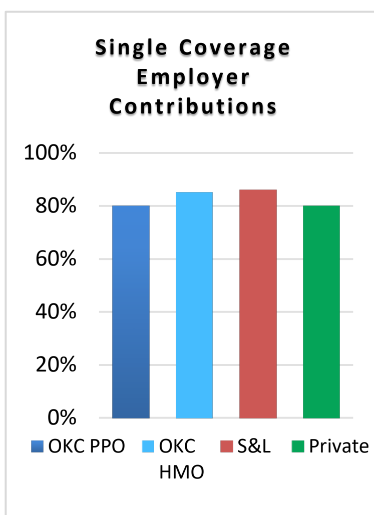
To put Oklahoma City's fringe benefits package into context, we compared it against results from the Bureau of Labor Statistics (BLS) benefits survey. Oklahoma City was slightly lower overall compared to state and local governments (S&L), and significantly higher than the private sector, specifically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

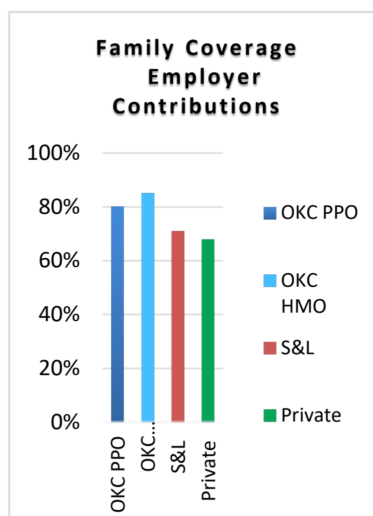


A Closer Look at Health Insurance

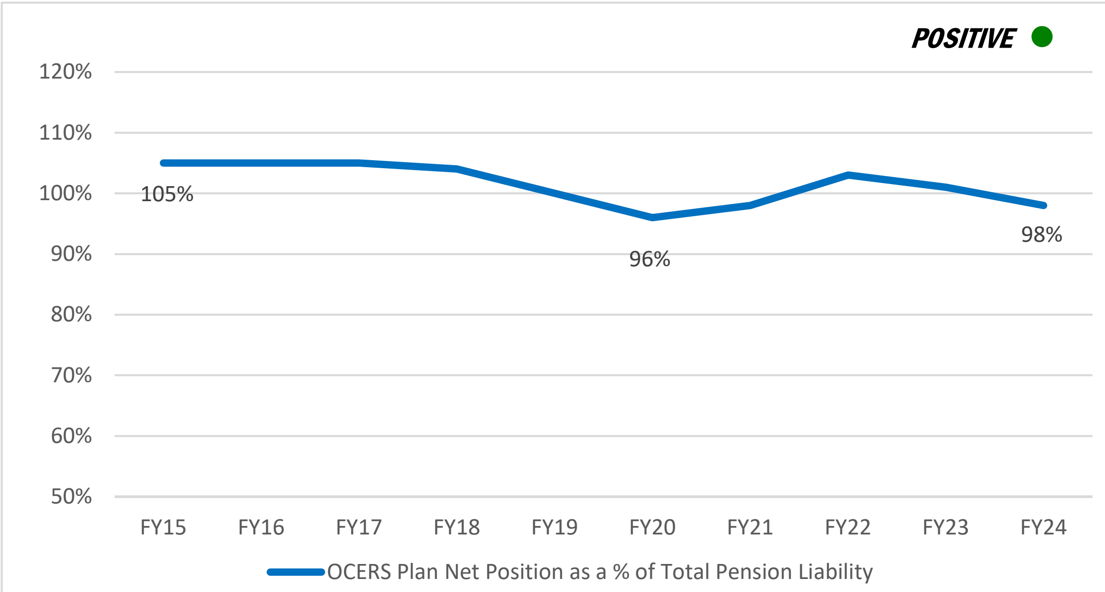
The single largest difference for insurance was premium sharing on family coverage. Oklahoma City shares a higher percentage of family coverage, which may be a driver behind the higher take-up or participation rate for Oklahoma City.







PENSION FUNDING RATIO



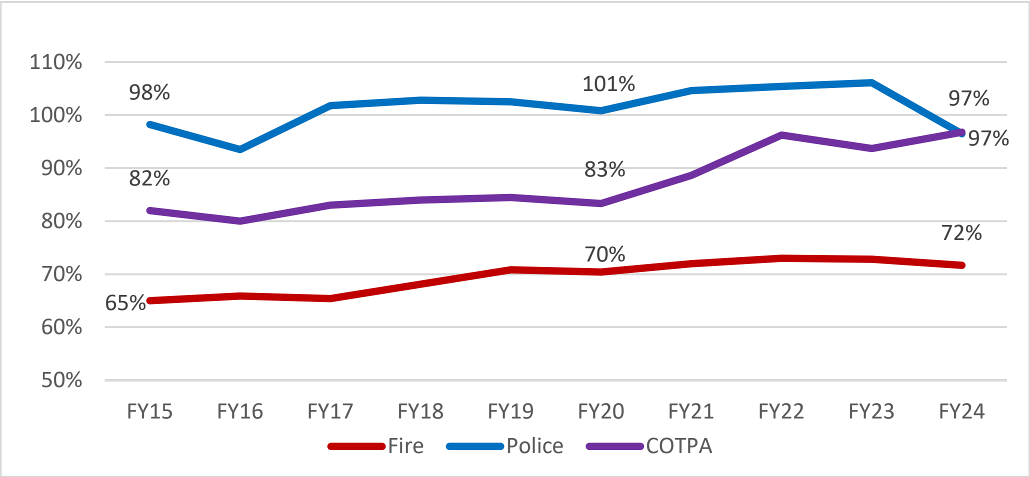
Formula: Ratio Provided and Calculated by Pension Plan Actuaries

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.

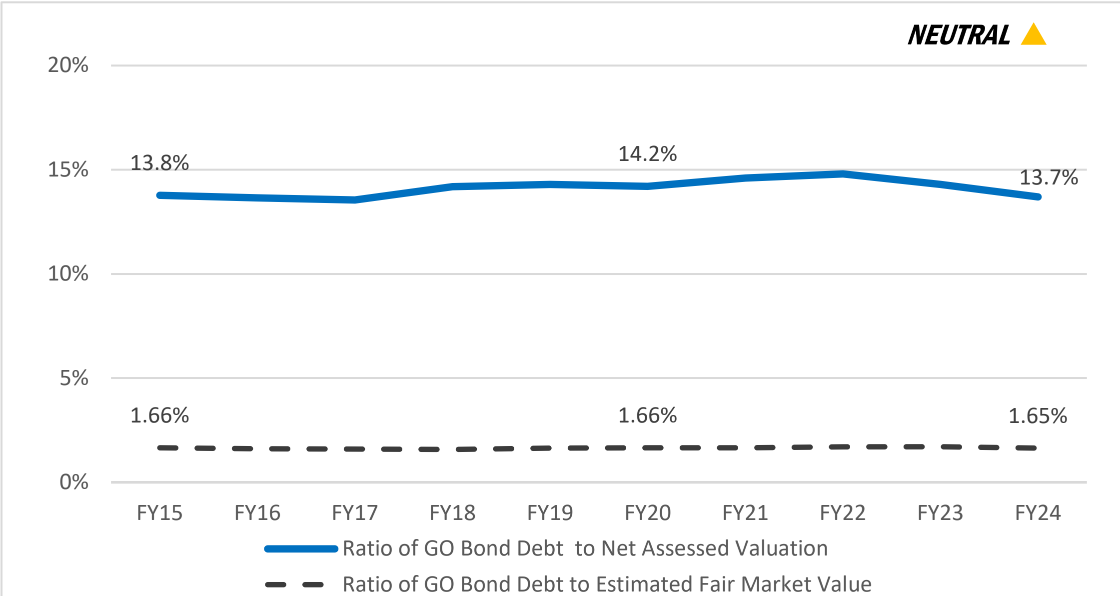
Why is This Important to Oklahoma City?
The Oklahoma City Employee Retirement System (OCERS) is the primary pension system for many City employees. Fire and Police uniform employees are covered by state-operated pension systems, and Central Oklahoma Transit and Parking Authority (COTPA) employees are also covered by a separate pension system. From 2015 through 2019, the ratio was at or above 100%. In FY20, 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 continuing to be at or near 100% for the last five years, the indicator remained 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. COTPA 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?

Long-term debt for this analysis is the ratio of general obligation (GO) debt outstanding as of June 30 to the net assessed valuation. The GO debt outstanding as of June 30 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 slightly decreased over the past ten years from 13.8% to 13.7%. 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 13.7% in FY24 is viewed as being stable and maintains a neutral rating.

The unrated indicator was added to track GO debt as a percentage of the City's estimated fair market value of taxable property. While similar to net bonded debt, this measure divides GO bond outstanding principal 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 should not exceed 3.0% of the City's estimated full market value. A debt burden that ranges from 3-4% tends to be viewed as average.

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 2022 Office Market Summary
https://www.priceedwards.com/market-trends/office

4 Baker Hughes Rig Counts. January 2023 https://rigcount.bakerhughes.com/na-rig-count

5 Nollenberger 16.

6 Nollenberger 41.

7 Nollenberger 32.

8 Nollenberger 51.

9 Nollenberger 23.

10 Nollenberger 79.

FIVE-YEAR FORECAST

FISCAL YEAR 2026-2030

SECTION 4

ECONOMIC OUTLOOK

2025 ECONOMIC OUTLOOK

Dr. Russell Evans
Partner | Chief Economist
Regional Economic Advisers, a division of Thorberg Collectorate

Presented to: The City of Oklahoma City

LIST OF FIGURES

INTRODUCTION AND 2024 IN REVIEW

> The current data suggest a soft-landing in 2024 is increasingly likely, with inflation close to a sustainable path to 2% and general economic growth expected to slow to half of the 2023 growth rate. But that path is uncertain, with plenty of room for additional economic excitement in 2024. We expect consumer behavior to adjust to the new reality of higher interest rates, tighter financial conditions and stretched access to credit. We continue to expect a drag from geopolitical conflicts and disrupted global supply chains. In short, while the probability is increasing that 2024 will bring slower growth and a soft landing on a path to target inflation, it is too soon to celebrate 2024 as a year without disruption. Readers are encouraged to proceed carefully through the uncertain economic turbulence ahead.
>
> *Oklahoma Outlook, 2024*

Economic conditions unfolded largely as expected in 2024. The pace of job creation in the U.S. macroeconomy slowed and inflation moved sufficiently towards 2% to allow Federal Reserve officials to start the process of policy recalibration. Consumers continued to spend but at a slower pace as they faced the constraints of depleted savings and tighter credit conditions, with credit card delinquency and charge-off rates near 13-year highs. The year ahead looks poised to maintain the post-pandemic growth streak but won't be without its challenges. The caution to proceed carefully through uncertain economic turbulence will be as relevant for 2025 as it was for 2024.

Before presenting the outlook for the national, state, and local economy it is worth reviewing the major trends of the past year and the current state of the economy.

In March 2022, the Federal Reserve embarked on a campaign to rein in demand-side inflationary pressures. Successive rounds of policy tightening raised the target federal funds interest rate to a range of 5.25-5.50. The intent of the policy campaign was to ease wage inflationary pressures coming from an overheated labor market and to ease price inflationary pressures coming from excess household spending. Restrictive policy was largely successful on both fronts.

At the height of wage inflationary pressures, the U.S. labor market was characterized by both robust job creation and an unsustainable ratio of listed job openings to unemployed persons with more than 2 unemployed for every 1 job opening. The first task of restrictive monetary policy was to remove the excess demand for labor without disrupting new job creation.

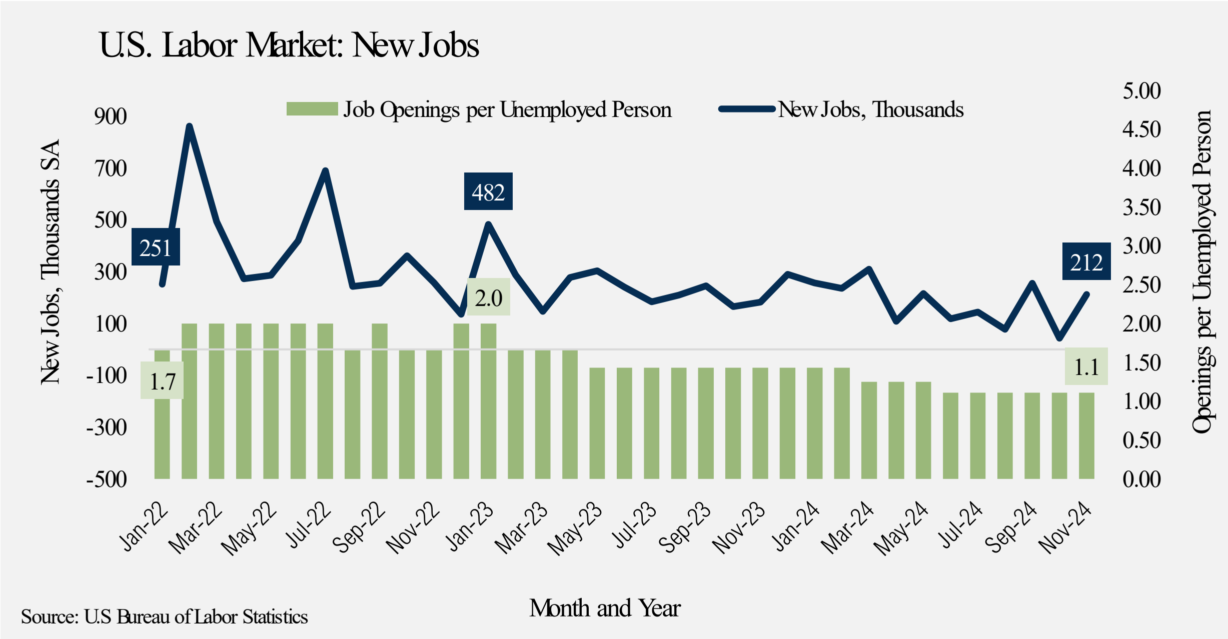


Figure 1.1 | U.S. Labor Market: New Jobs

The ratio of job openings per unemployed person fell from a high of 2.0 in January of 2023 to a sustainable 1.1 as 2024 came to a close. The pace of job creation slowed from 2023 but remained solid with the economy adding 212,000 jobs in November and is on pace to average 186,000 jobs per month in 2024. The unemployment rate rose modestly to end the year at 4.1.

The second task of restrictive monetary policy was to constrain excess demand for goods and services from households. Post-pandemic economic stimulus policies filled household accounts with excess savings and accelerated household wealth creation. Wealthier households armed with liquid savings and untapped credit spent on goods and services beyond producers' ability to keep up. The result was demand-driven inflation. Through 2024 households spent through their excess savings and, at least at the lower end of the income distribution, have largely exhausted their access to revolving credit.

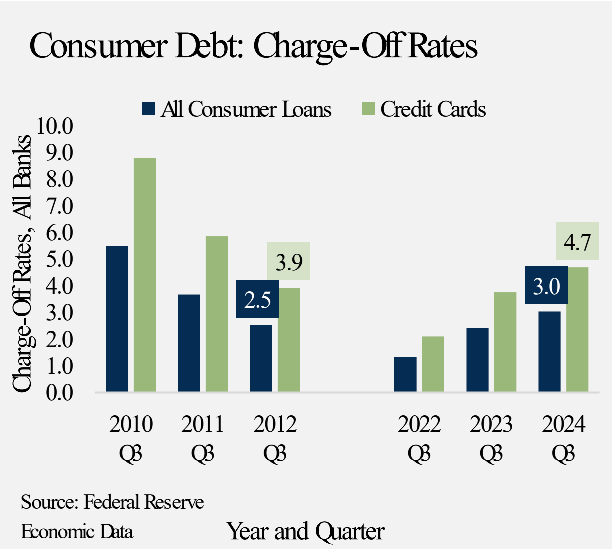


Figure 1.2 | Consumer Debt: Charge-Off Rates

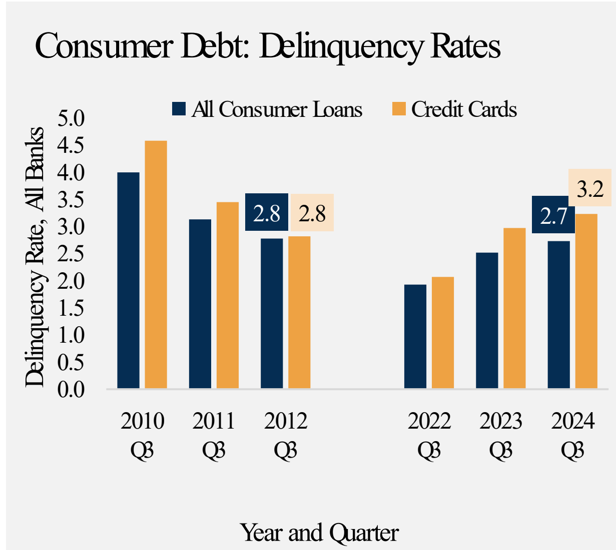


Figure 1.3 | Consumer Debt: Delinquency Rates

Creditors are charging off losses on credit cards and consumer loans at a pace last seen at the tail end of the Great Recession. Likewise, consumer loan accounts that are more than 30 days delinquent (but not yet charged off as a loss) are at levels last seen at the tail end of the Great Recession. At the same time, household debt burdens are rising with 11.5% of income dedicated to debt service and principal payments. The distribution of this debt burden is uneven with higher-income households servicing debt more comfortably and with adequate access to credit.

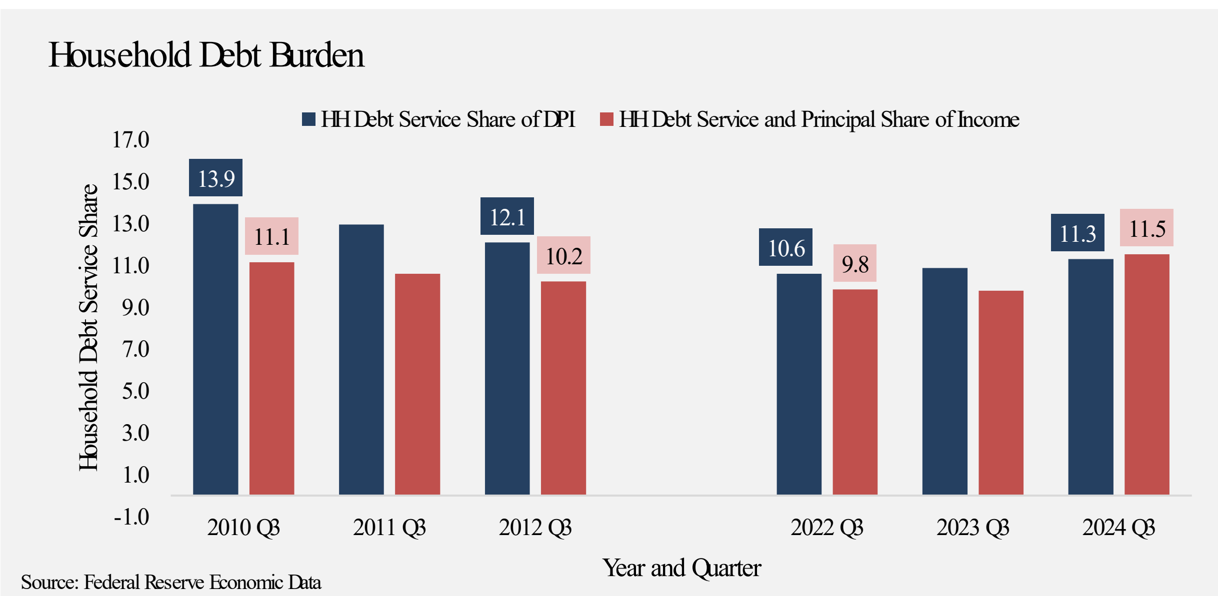


Figure 1.4 | Household Debt Burden

The ability of higher income households to maintain spending is, in some way, tied to their net worth as much as their flow of income. Over the last two years the driver of household net worth gains has been the tremendous returns of public equities. Indeed, one of the primary concerns of 2025 remains a correction in public markets that leads first to slower consumer spending and then to broader economic weakness. This concern has not escaped the attention of policymakers.

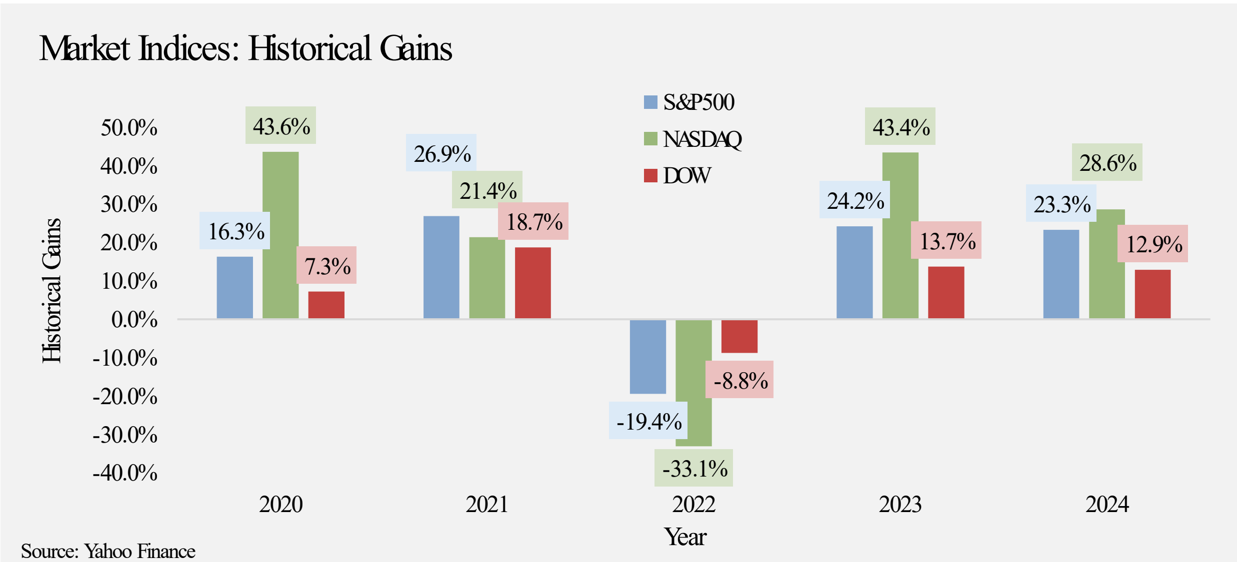


Figure 1.5 | Market Indices: Historical Gains

> Households and businesses appear to be in good shape and can service their debt, which is at manageable levels overall. In terms of financial-sector leverage, high levels of capital and liquidity in the banking system are a key source of resilience.
>
> While the unusually large savings balances built up during the pandemic have shrunk for many households, strong labor income growth continues to underpin consumer spending.
>
> Valuations are elevated in a number of asset classes, including equity and corporate debt markets, where estimated risk premia are near the bottom of their historical distributions, suggesting that markets may be priced to perfection and, therefore, susceptible to large declines, which could result from bad economic news or a change in investor sentiment.
>
> *Federal Reserve Governor Lisa D. Cook, At the Seventh Conference on Law and Macroeconomics, University of Michigan Law School, Ann Arbor, Michigan, January 6th, 2025*

The effect of restrictive policy has been to move year-over-year inflation measures back towards the 2% policy target. Core PCE inflation peaked at 5.56% in February of 2022 prompting the Fed's initial policy reversal. A combination of easing supply constraints and the policy's successful restraint of demand-sided inflation pressures slowed the pace of price increases. As the year behind ends, policymakers' preferred inflation measures of core PCE prices are up 2.69% and super core prices are up 2.21% from a year ago.

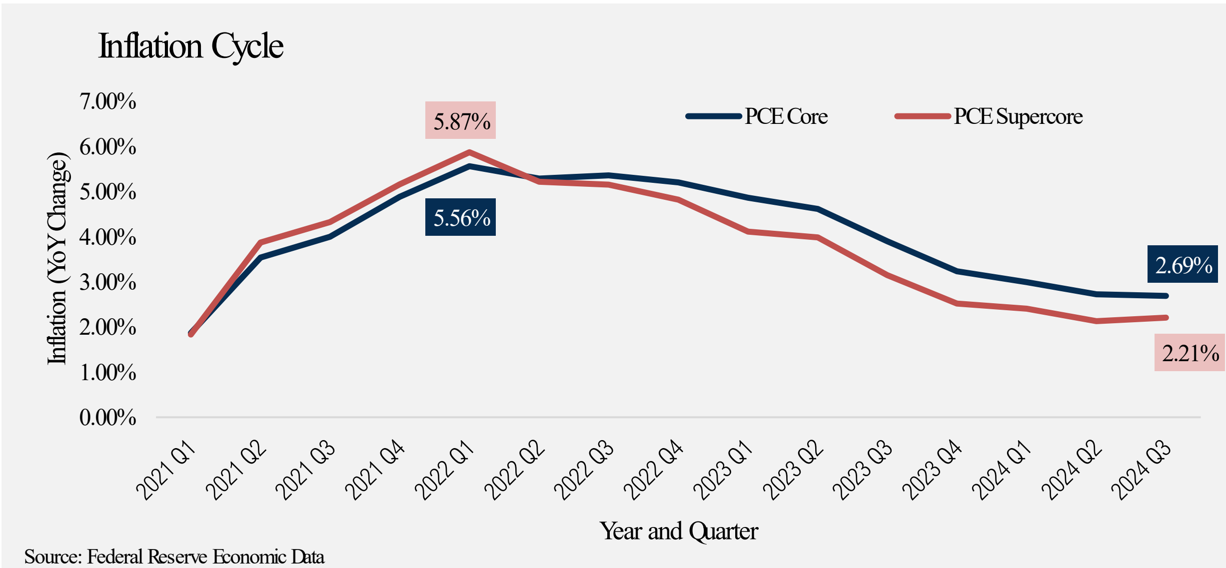


Figure 1.6 | Inflation Cycle

As 2024 comes to a close, remaining inflation is proving to be sticky and uncertain. A sell-off in the bond market, especially of longer duration bonds, signals both concern and uncertainty over the long-run inflation outlook. A major uncertainty is the economic policies the incoming Trump administration will pursue. Targeted and strategic use of tariffs may not be particularly inflationary, but indiscriminate and heavy use of tariffs certainly would. Budget deficits and the U.S. debt are expected to grow through the Trump term which will contribute a higher neutral (non-inflationary) rate of interest. Until at least some of these concerns are resolved, we expect monetary policymakers to be more reserved in the recalibration process as 2025 sees fewer rate cuts.

INTRODUCTION AND 2024 IN REVIEW

The 2025 outlook is informed by this 2024 year in review. The labor market is reasonably healthy, consumers are trying to maintain spending despite less savings and higher costs of credit, inflation has come down but progress on the final push is proving difficult, U.S. deficits and the debt are growing, and expectations for the incoming trade and fiscal policy impacts vary widely. In short, we find ourselves in a situation that can be described as the same, but different. The year ahead is likely to bring moderate growth, avoid a recession, and make continued progress on inflation. But too much uncertainty remains to declare the year ahead uneventful. Caution is encouraged as household balance sheets in particular remain precariously exposed to external shock.

U.S. ECONOMIC OUTLOOK

Real gross domestic product is an inflation-adjusted measure of total economic activity and represents the total value of goods and services produced within the economy. RGDP outperformed expectations in 2024 with growth likely to come in at just over 2.5% from 2023. Growth is slowing modestly with Q4 growth expected to come in a little slower than the growth rates of Q2 and Q3.

We provide a summary outlook from three respected entities and add our commentary to their analysis. These are the National Association for Business Economics, the Conference Board, and Goldman Sachs. Readers are encouraged to find or follow any of these entities for ongoing national economic analysis. The outlook presented in subsequent sections for state local economies are the product of our internal econometric forecasting models.[1]

Goldman anticipates the strongest finish to 2024 with fourth quarter annualized growth of 2.5%. The Conference Board expected slower growth to end the year at 0.9%, but resilient consumer spending is likely to push the Q4 number towards the Goldman estimate. All shops generally expect growth to moderate a bit in 2025 with Goldman expecting growth of 2.4% for the year and NABE and the Conference Board expecting growth right at or just under 2% for the year. This provides a reasonable range for 2025 planning. Inflation-adjusted total economic activity is unlikely to move into recession, but also unlikely to outperform its longer-run average.

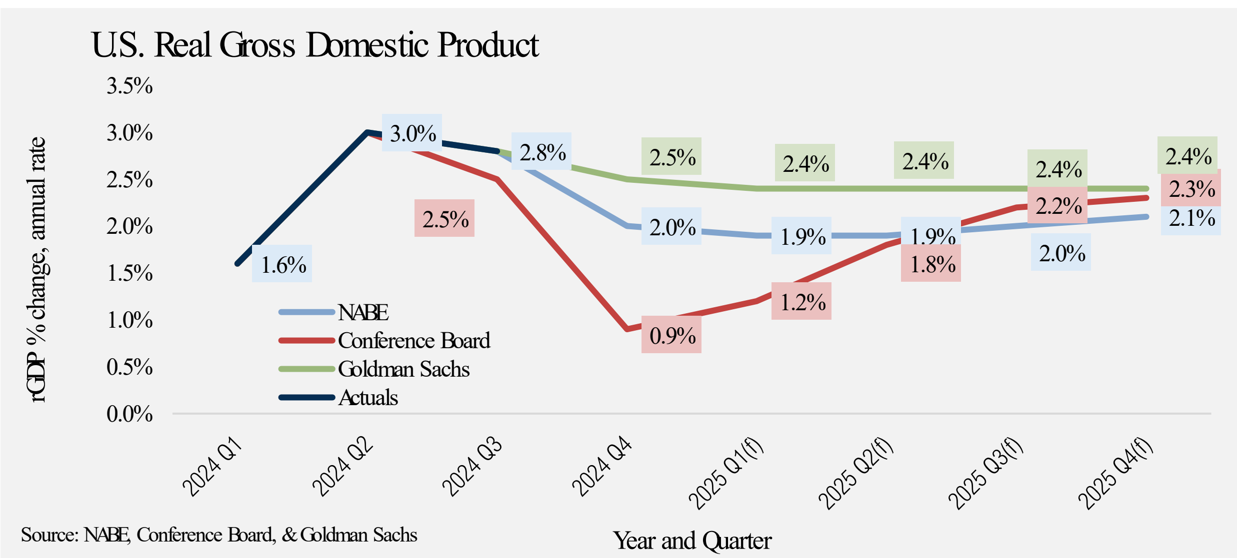


Figure 2.1 | U.S. Real Gross Domestic Product

[1] NABE National Association for Business Economics, The Conference Board, Goldman Sachs

The year behind is a reminder that the labor market is defined by more than just the headline unemployment rate. Labor market discussions in 2024 were dominated by news of jobs created, quits, unemployed persons per job opening, Beveridge curves, and the Sahm rule. While each metric provides its own insight into a complex market, the unemployment rate provides a reasonable summary of labor market health.

The unemployment rate rose modestly in 2024 to above 4% for the first time since January 2022 with the most recent release estimating the U.S. unemployment rate at 4.2%. At the same time, the pace of job creation slowed from an average of 251,000 new jobs per month in 2023 to approximately 185,000 new jobs per month in 2024. Note that the pace of job creation in 2024 is similar to the economic experience of the 2015 to 2019 period during which real GDP growth averaged 2.6% per year. All groups presented here expect the unemployment rate to hold at or just above 4% through 2025. We see little motivation for expecting the pace of job creation to increase significantly in 2025 and likewise expect unemployment rates to move in a band of 4% to 4.5% for much of the year.

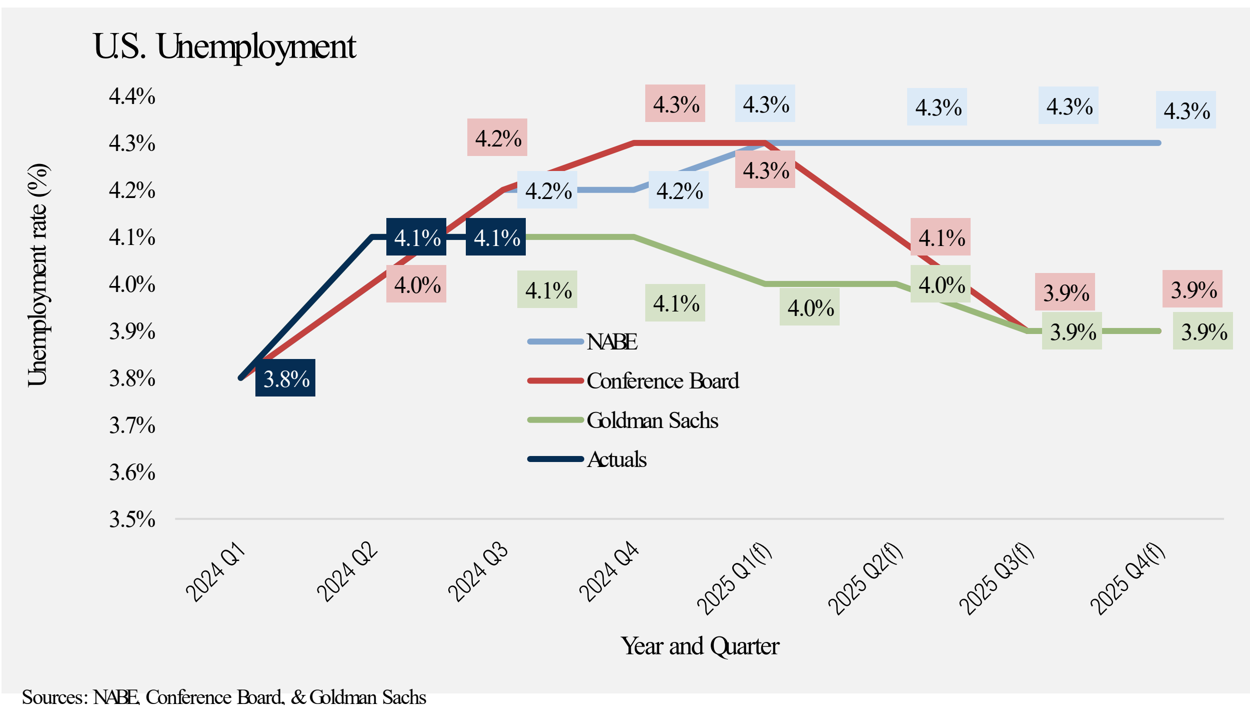


Figure 2.2 | U.S. Unemployment

Coming out of the pandemic restrictions of 2020, economic activity increased in 2021, and inflation took off. The initial response was to avoid disrupting the economic recovery while positioning inflation as a transitory response to global supply chain disruptions. In doing so, the Fed likely fell behind in responding to inflation and spent much of 2022 playing catch up. Aggressive rate increases pushed interest rates higher but did not significantly impact general economic conditions. The Federal Reserve has signaled the belief that interest rates may have peaked. However, they continue to indicate a willingness to be more restrictive in their policy stance if inflation moves unexpectedly higher. If the economy continues its current and anticipated future path, monetary policymakers expect to begin to cut the policy rate in the second half of 2024. Expectations are for three or four rate cuts of 25bps each.

Note that this is a bit of a middle ground, a Goldilocks scenario expectation. Any surprise upside to inflation would make rate cuts challenging to justify, and any significant economic disruption in the form of a recession may necessitate a more aggressive rate cut schedule.

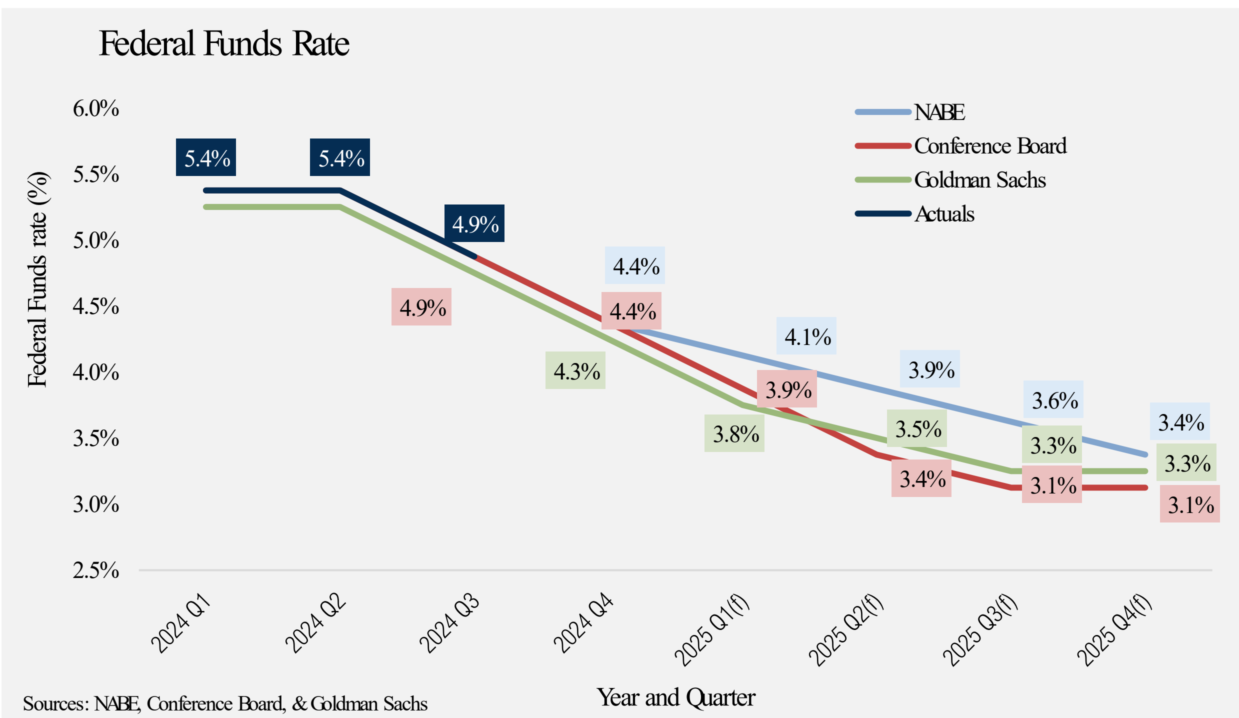


Figure 2.3 | Federal Funds Rate

Inflation has moved generally lower through 2023, except for some stickiness in services inflation. Some disinflationary forces, specifically in housing services (rents and owner-imputed rents), are yet in the data but seem inevitable. That is, there is reasonable confidence that inflation is trending in the right direction towards the Fed's 2% year-over-year target. Most groups expect these disinflationary forces to persist through 2024.

We continue to expect the pace of disinflation to be a bit slower than the path presented below. The path to 2% will likely experience some natural ebbs and flows. With growth above trend through 2023 and unemployment rates below 4%, some inflationary pressures from below persist. The policy path is further complicated by the reality that every communication that signals inflation is easing, and they are considering future rate cuts serves to ease financial conditions and reassure consumers, which further supports inflationary pressures. While we don't expect 2024 to be a year of sudden policy shifts, we do expect it to be difficult for policymakers to manage what will be a more subtle approach to rate changes and communication strategies. We hope year-over-year inflation returns to 2% in 2025 rather than 2024.

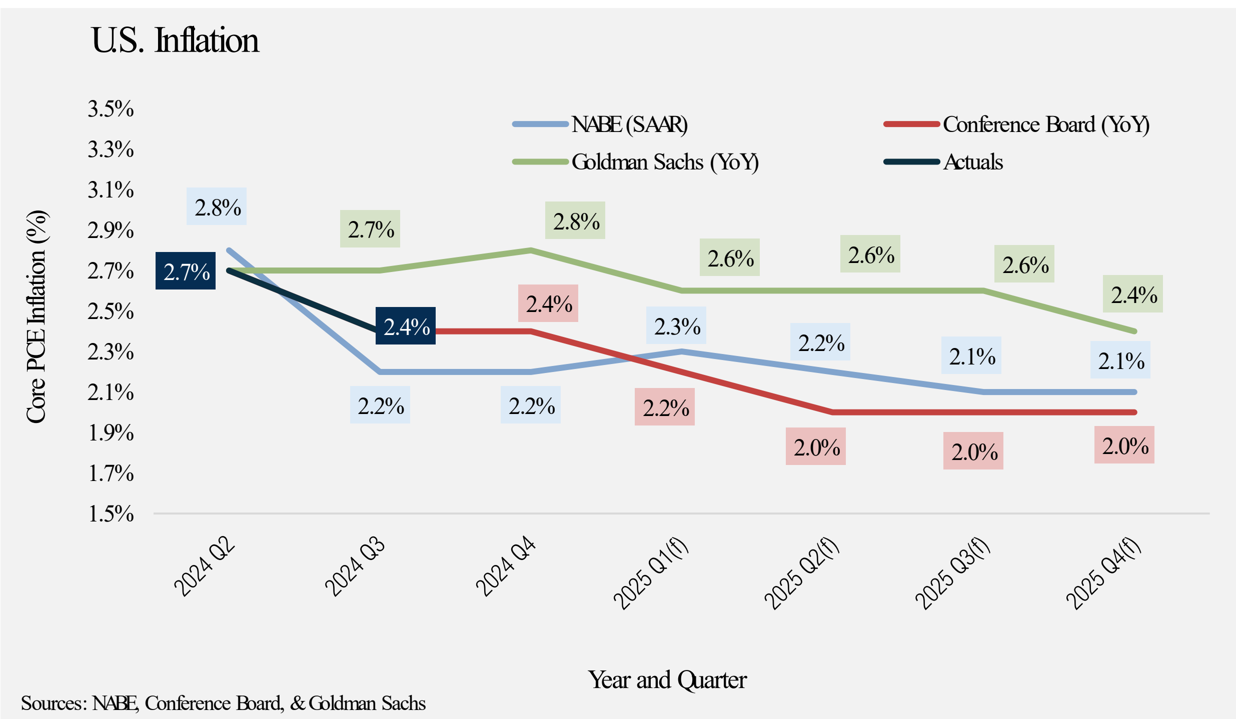


Figure 2.4 | U.S. Inflation

OKLAHOMA ECONOMIC AND EMPLOYMENT OUTLOOK

Oklahoma was among the top performing state economies in 2023 posting an impressive growth rate of 7.2%. Oklahoma was joined by a handful of commodity states at the top of the growth chart as agriculture and energy economies outperformed. In fact, Oklahoma's oil and natural gas industry accounted for 56% of 2023 growth (4.04 percentage points) with the remaining sectors contributing 44% of total growth (3.17 percentage points). The pace of growth slowed as expected in 2024, but the residual strength of 2023 lingered sufficiently to allow the state's economy to expand through the year. The state's economy is approaching the $215 billion threshold and retains some relative strengths heading into 2025.

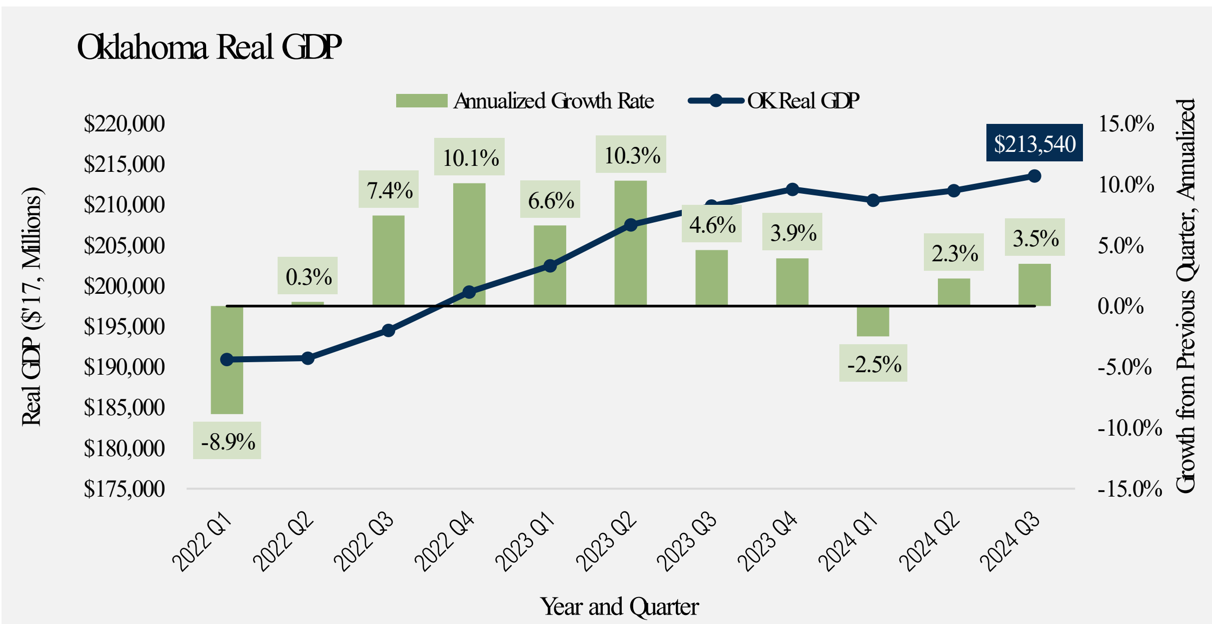


Figure 3.1 | Oklahoma Real GDP

As discussed previously, the Federal Reserve was largely successful in reducing the excess job openings per unemployed person without entirely disrupting the economy's ability to create new jobs. This policy tightening combined with local economic realities to have a differential effect across states. Oklahoma's labor market remains defined by more job openings than unemployed persons (0.6 unemployed persons per job opening) while other states including California, Nevada, Washington, and Illinois now have more unemployed persons than open jobs. The map below highlights these differences.

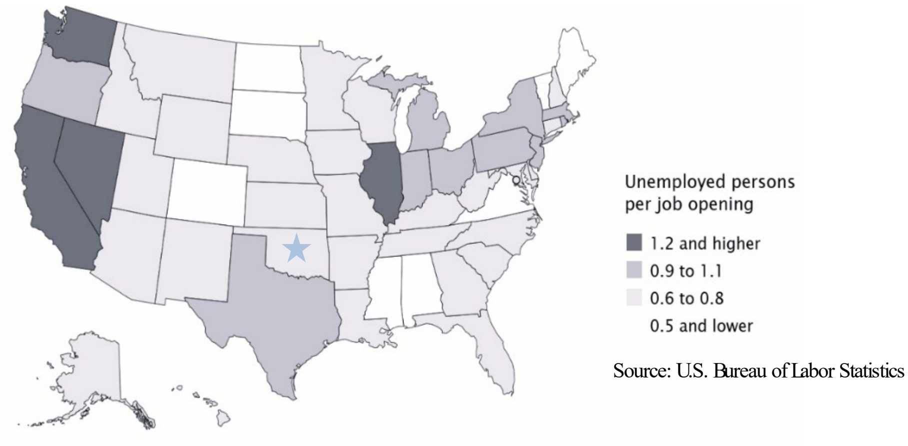


Figure 3.2 | Unemployed persons per job opening

States with higher unemployment than job openings are generally seeing state unemployment rates move higher as further tightening in the labor market takes the form of job losses rather than excess demand reduction. In October 2024 Oklahoma had an estimated 0.6 workers per open job. With more jobs than unemployed persons, pressure is maintained on the unemployment rate with Oklahoma's October unemployment rate at 3.3%. In contrast, California, with 1.7 unemployed persons per job had an unemployment rate of 5.4%. While Colorado is a minor exception, the adjacent table of selected states illustrates the point that not all states are experiencing the labor market in the same way.

Labor Market Summary, October 2024		
State	Unemployed per Job	Unemployment Rate
CO	0.5	4.1
AR	0.6	3.3
OK	**0.6**	**3.3**
KS	0.7	3.4
LA	0.7	4.1
TX	1.1	4.1
NV	1.2	5.7
WA	1.3	4.7
IL	1.3	5.3
CA	1.7	5.4

Source: U.S. Bureau of Labor Statistics

Figure 3.3 | Labor Market Summary, October 2024

As we transition into the outlook for Oklahoma and Oklahoma City a few points bear repeating. First, households, especially households at the lower end of the income distribution, are out of savings and stretched thin on credit. This creates a headwind for the Oklahoma economy heading into 2025. However, robust growth in 2023 led to a year of moderate growth in 2024. The residual effects of successive years of economic growth offer a modest tailwind heading into 2025. Finally, if households have to rely more heavily on labor income in 2025 as expected, Oklahoma is in a favorable position as there remains more jobs open than unemployed persons. That is, Oklahoma is on reasonably stable footing heading into another year of economic uncertainty. Whether we can retain our footholds through the year remains to be seen.

After expanding by 7.2% in 2023, we estimate the state economy grew at an annual rate of 4.2% in 2024 and expect strong statewide growth of 4.0% in 2025. Real personal income growth will be a bit more modest at 2.9% growth in 2025. Note that Oklahoma is one of fifteen states where personal income exceeds gross domestic product. [2] This reflects the composition of income and indicates that a substantial share of statewide income is derived from economic activity outside the state. Namely, income is derived either from dividends, interest, and rents generated by economic activity outside the state borders and/or from federal transfer receipts such as veteran's benefits, social security, and other income supplements.

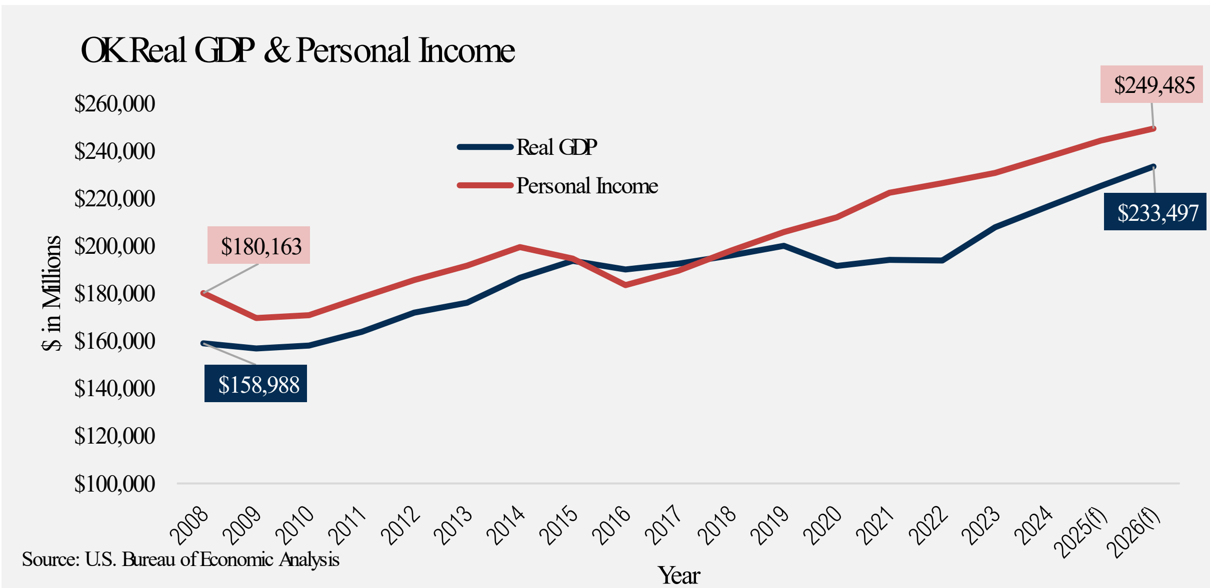


Figure 3.4 | OK Real GDP & Personal Income

Population growth rates in Oklahoma slowed significantly in the middle of the previous decade as strength in the state's oil and natural gas industry waned. As the decade came to a close population gains picked up and accelerated through the post-pandemic population shuffle. Population gains are expected to hold right at or just under 1% per year through the forecast period. The state's population surpassed 4.0 million persons in 2022 and will approach 4.2 million persons by 2027.

[2] The other states are Alabama, Arkansas, Idaho, Kentucky, Louisiana, Maine, Mississippi, Missouri, Montana, South Carolina, South Dakota, Vermont, West Virginia, Wyoming.

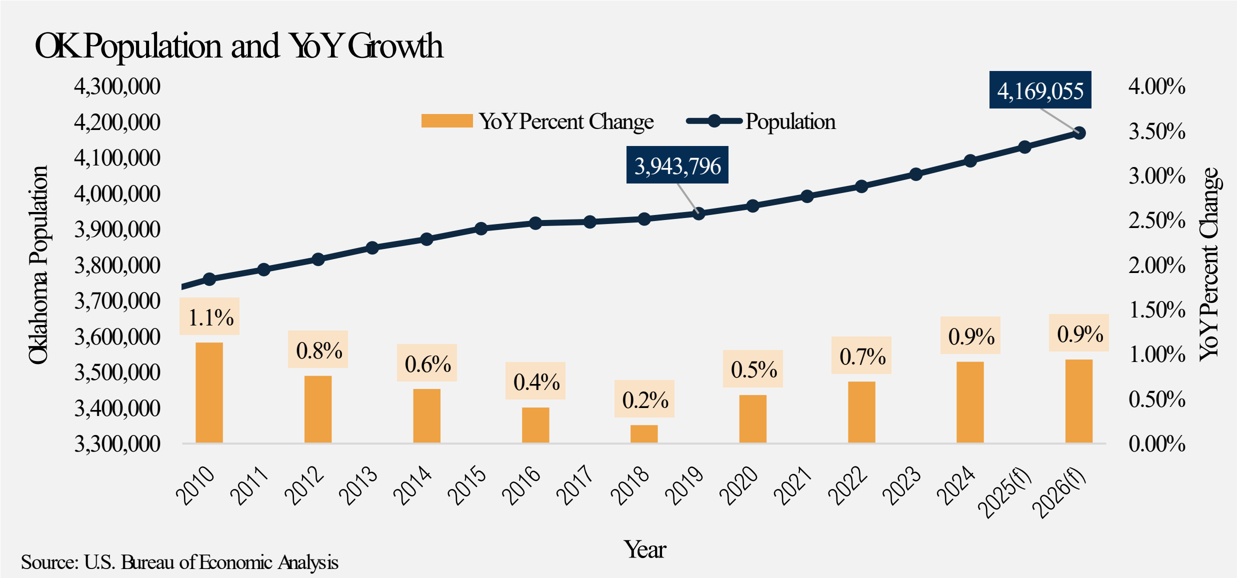


Figure 3.5 | OK Population & Year Over Year Growth

With personal income growth expected to exceed population growth, real per capita personal income is expected to enjoy strong growth of 1.9% in 2025 and 1.1% in 2026. Real per capita personal income will approach $60,000 by the end of the forecast period and likely move past that threshold in 2027. Real per capita personal consumption expenditures will grow more slowly than personal income and will approach $43,000 by 2027. Note that real per capita personal consumption expenditure growth of 0.8% in 2025 and 0.5% in 2026, together with expected inflation and population growth, helps to set an initial expectation for state sales tax growth.

Much of the stickiness in national measures of inflation is tied to specific sectors including housing services and automobile costs. Because real estate markets differ across geographies, so too do local measures of inflation. The Bureau of Economic Analysis combines national inflation data with regional price parity data to create state specific measures of inflation. The BEA estimates that inflation in Oklahoma fell back to trend at 1.7% in 2024 and we expect it to hold through 2025 and 2026. The unemployment rate ticked up modestly in 2024 to 3.4% and we expect it to move only modestly higher in 2025. The labor market in the state remains characterized by more job openings than unemployed persons suggesting the labor market should be able to absorb some additional labor market weakness without moving the unemployment rate markedly higher.

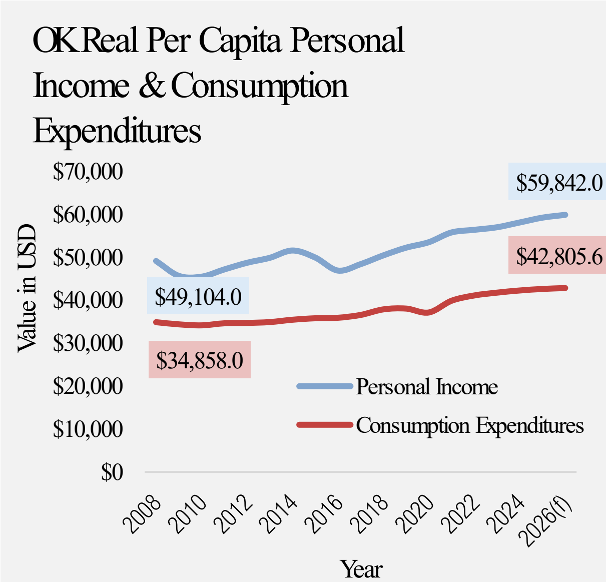


Figure 3.6 | OK Real Per Capita Personal Income & Consumption Expenditures

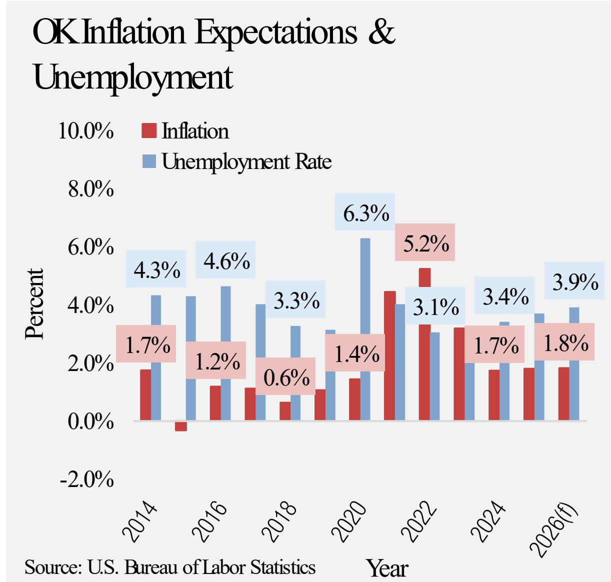


Figure 3.7 | OK Inflation Expectations & Unemployment

Oklahoma nonfarm employment growth outperformed expectations in 2024 with nonfarm employment up 1.7% for the year with some modest slowing as 2024 turned to 2025. We expect nonfarm employment growth of 1.8% in 2025 with job creation to accelerate in the second half of the year. The goods sector, led by construction, is expected to be particularly strong and will be joined by specific industry strength in the services sector. A full breakdown of expected employment growth by industry is available in the appendix table.

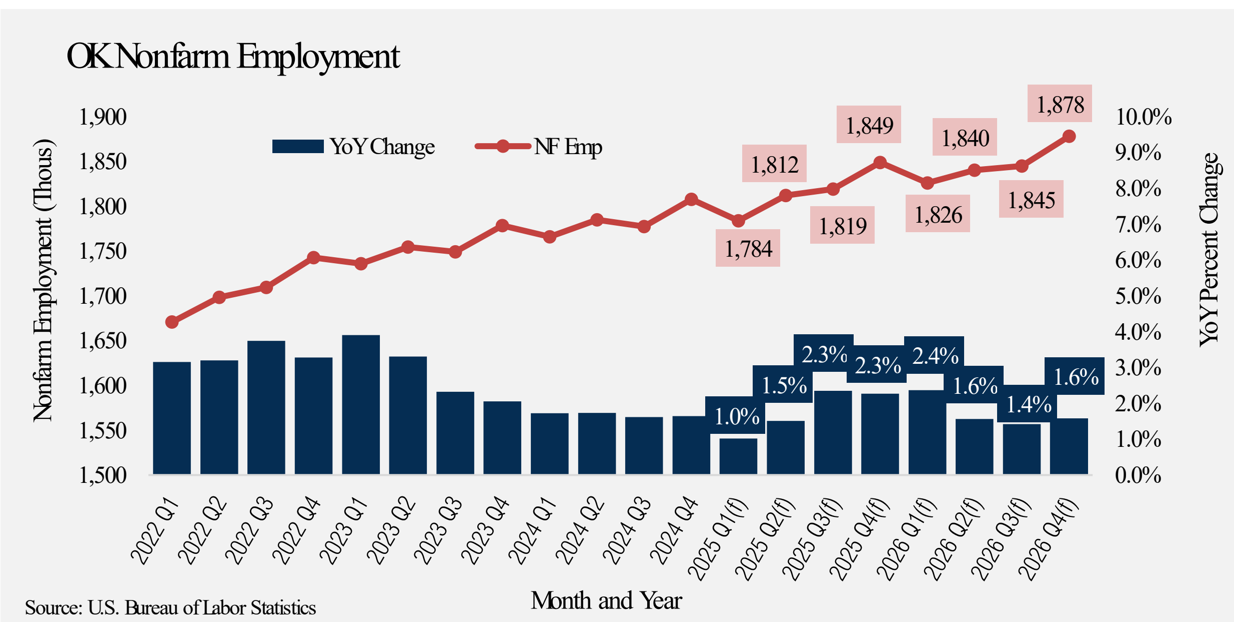


Figure 3.8 | OK Nonfarm Employment

OKLAHOMA CITY ECONOMIC AND EMPLOYMENT OUTLOOK

Oklahoma City accounts for an increasing share of the state's total economic activity. The city's favorable position along the I-35 corridor, faster than average population growth, and increasingly diverse industry mix all lead to consistent growth in excess of the state average and therefore to a larger share of the state's economic pie. The MSA accounted for 37% of state GDP in 2001 and 39.2% in 2023. Over the same period, the MSA population grew from 32% of the state's total population to 36.5%. We expect population gains to continue through the forecast period while the metro's share of state GDP will hold near 39%.

Inside the MSA a different trend is emerging. As the metroplex grows it is carrying people and economic activity away from the MSA center. The southern and western areas of the MSA have particularly benefited from this trend. In 2001, Oklahoma County accounted for 80.2% of the metro's GDP, but accounts for only 69.5% of MSA GDP in 2023. Similarly, Oklahoma County population accounted for 60% of MSA population in 2001 but only 54.7% of metro area population in 2023.

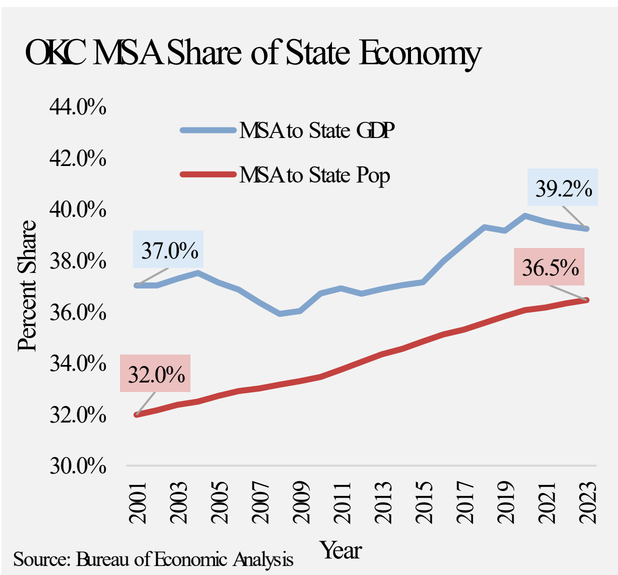


Figure 4.1 | OKC MSA Share of State Economy

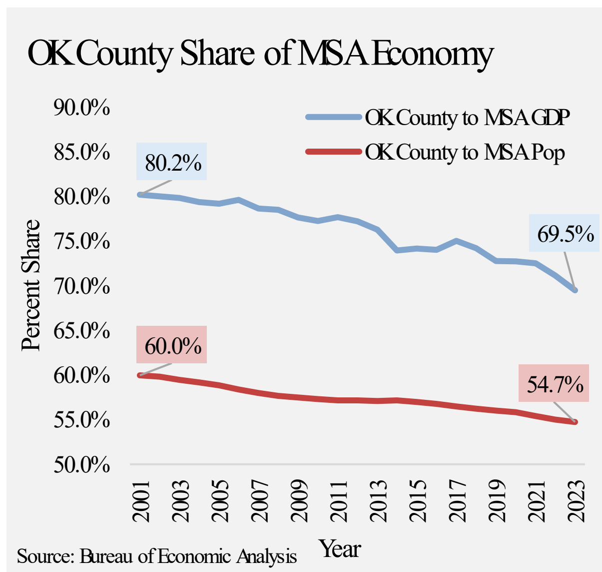


Figure 4.2 | OK County Share of MSA Economy

The Oklahoma City MSA labor market was more resilient than anticipated in 2024, sustaining the pace of job creation and seeing the unemployment rate increasing only slightly. Labor market estimates (subject to a forthcoming revision) indicate the Oklahoma City MSA added an average of 1,373 jobs per month in 2024, consistent with historical performance in growth years. The unemployment rate averaged 3.2% for the year, up from 3.0% in 2023.

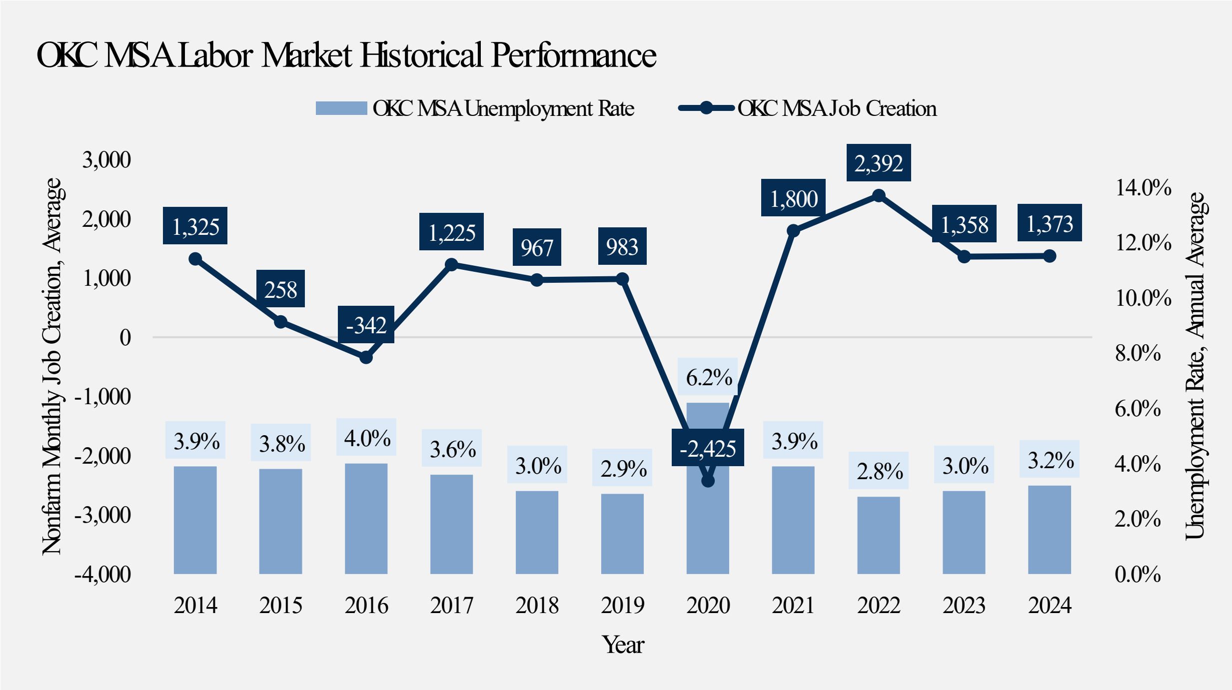


Figure 4.3 | OKC MSA Labor Market Historical Performance

A relatively strong labor market and performance in 2024 combined with the continued geographic strength of being located along the I-35 corridor should provide secure economic footing heading into 2025. We do expect the forces of geography to continue to favor the Oklahoma City population with growth MSA population growing at 1.2% in 2025 and again in 2026, comfortably carrying MSA population past 1.5 million persons. We also expect population growth to be disproportionate on the south and west sides of the metro area with Oklahoma County's share of MSA population falling to 54% in 2026.

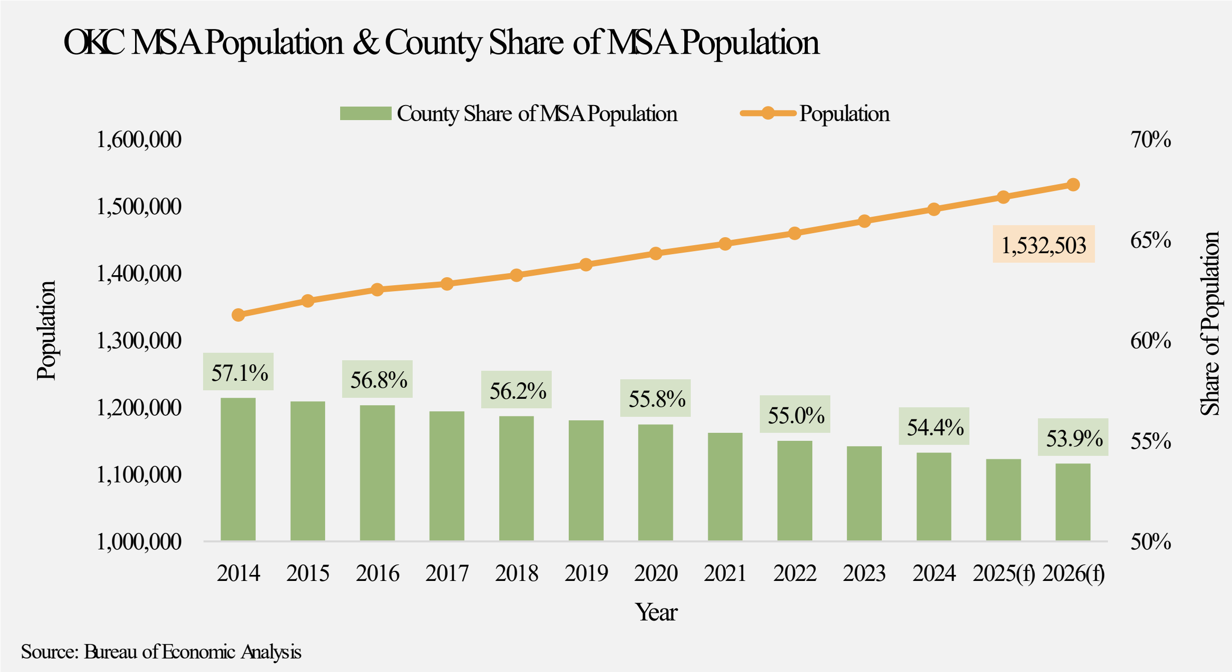


Figure 4.4 | OKC MSA Population & County Share of MSA Population

Oklahoma's population distribution skews a little young and a combination of population growth and the existing population aging into the labor force are expected to support labor force growth over the forecast period. We expect the Oklahoma City MSA labor force to grow by 2.0% in 2025 and 2.2% in 2026 as the unemployment rate rises from 3.2% in 2024 to 3.4% in 2025 and 3.5% in 2026 respectively. For context, the Oklahoma City MSA labor force added 19,000 labor participants in 2024 with an additional 16,000 workers expected to join the metro area labor force in 2025. The Oklahoma City MSA has 21.4% of its population in the prospective labor force age range of 10-24 compared to just 19.4% of the U.S. population in the same age range.

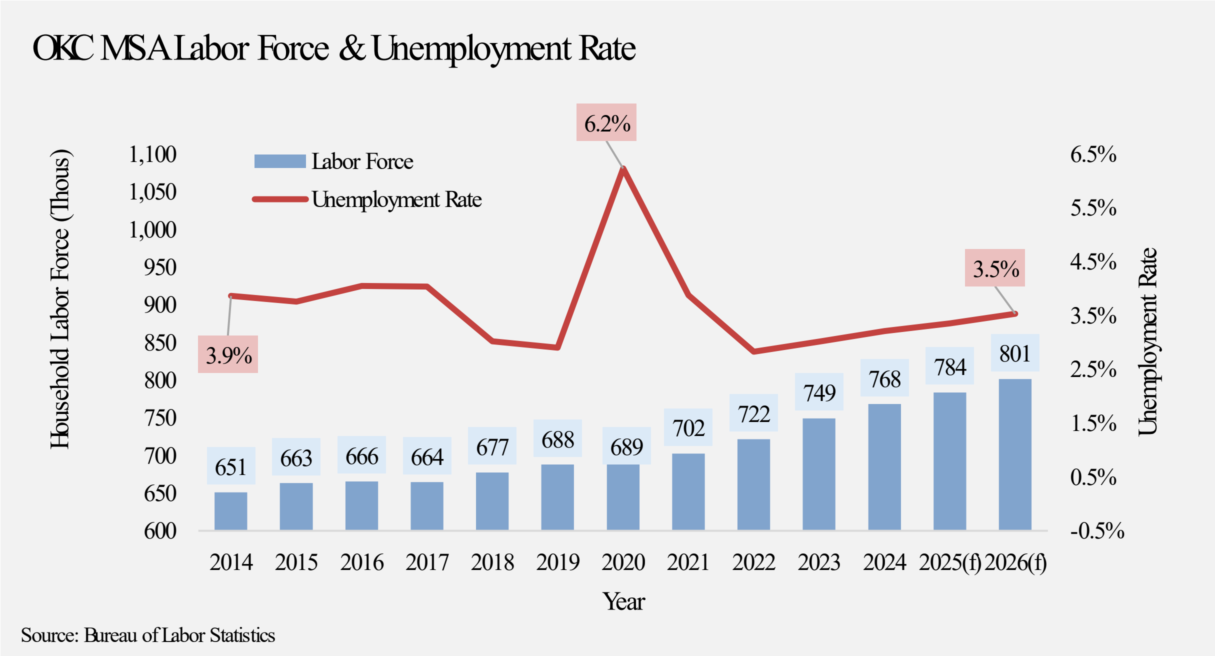


Figure 4.5 | OKC MSA Labor Force & Unemployment Rate

Modest economic growth in excess of projected population growth should allow both real per capita income and real per capita personal consumption expenditures to grow in 2025. Real per capita personal income will approach $60,000 in 2024 with initial estimates suggesting Oklahoma City MSA real per capita income about 2% higher than the U.S. measure and 4% higher than the state average.

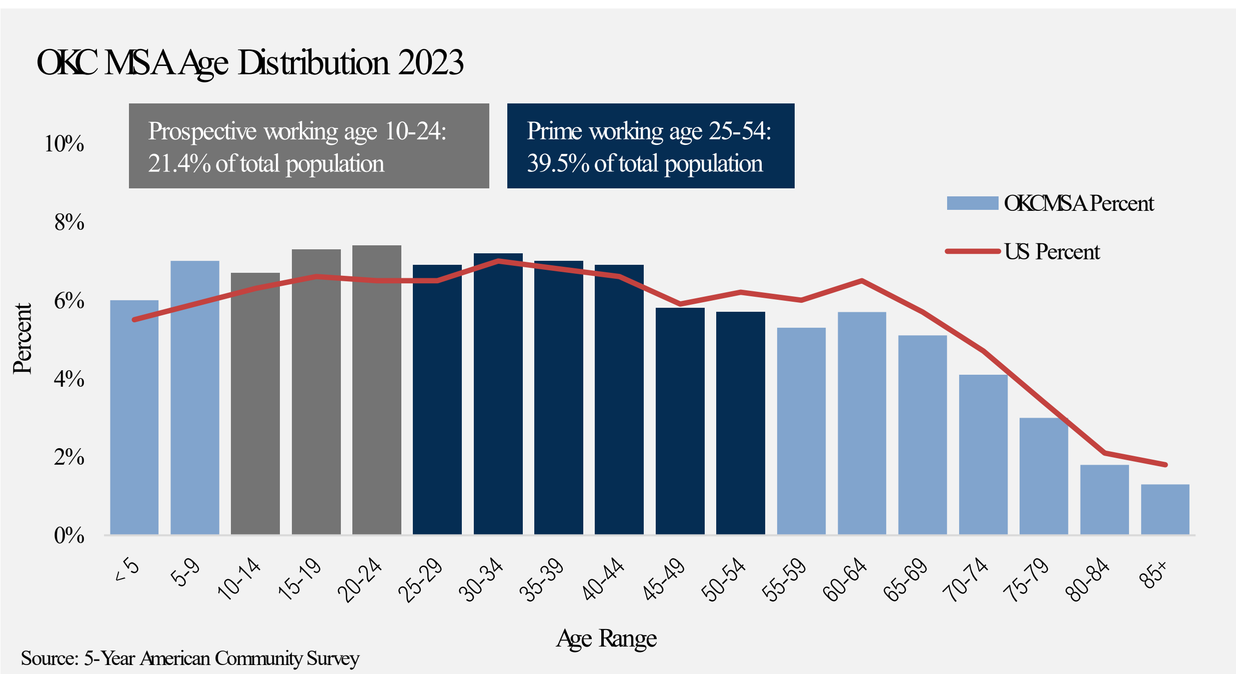


Figure 4.6 | OKC MSA Age Distribution 2023

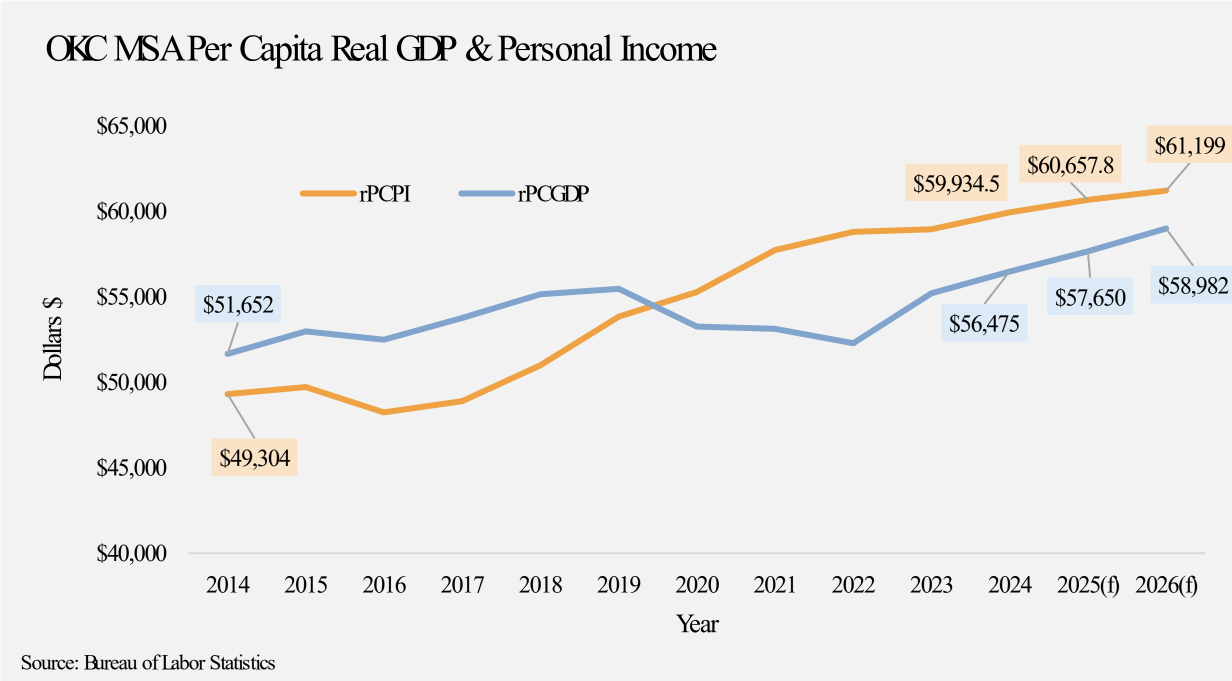


Figure 4.7 | OKC MSA Per Capita Real GDP & Personal Income

Oklahoma City MSA nonfarm employment growth outperformed expectations in 2024 as employers added jobs despite weakening household balance sheets. The Oklahoma labor market remains somewhat tilted towards employees as there remain more job openings than unemployed persons in the labor force. The pace of job gains did slow somewhat to the end 2024, but we expect the pace of job gains to pick up to end the year as the economy moves into 2026.

We expect year-over-year growth to average 1.8% for the year with 2025 Q4 up 2.5% from 2024 Q4. This represents an expectation of 18,230 new jobs through the year with the largest absolute growth from the health and education sector (+6,222 jobs) followed by trade, transportation, and utilities (+2,849) and leisure and hospitality (+2,107). The graphics on the following page provide a summary of expected nonfarm employment growth as well as detailed forecasts by industry.

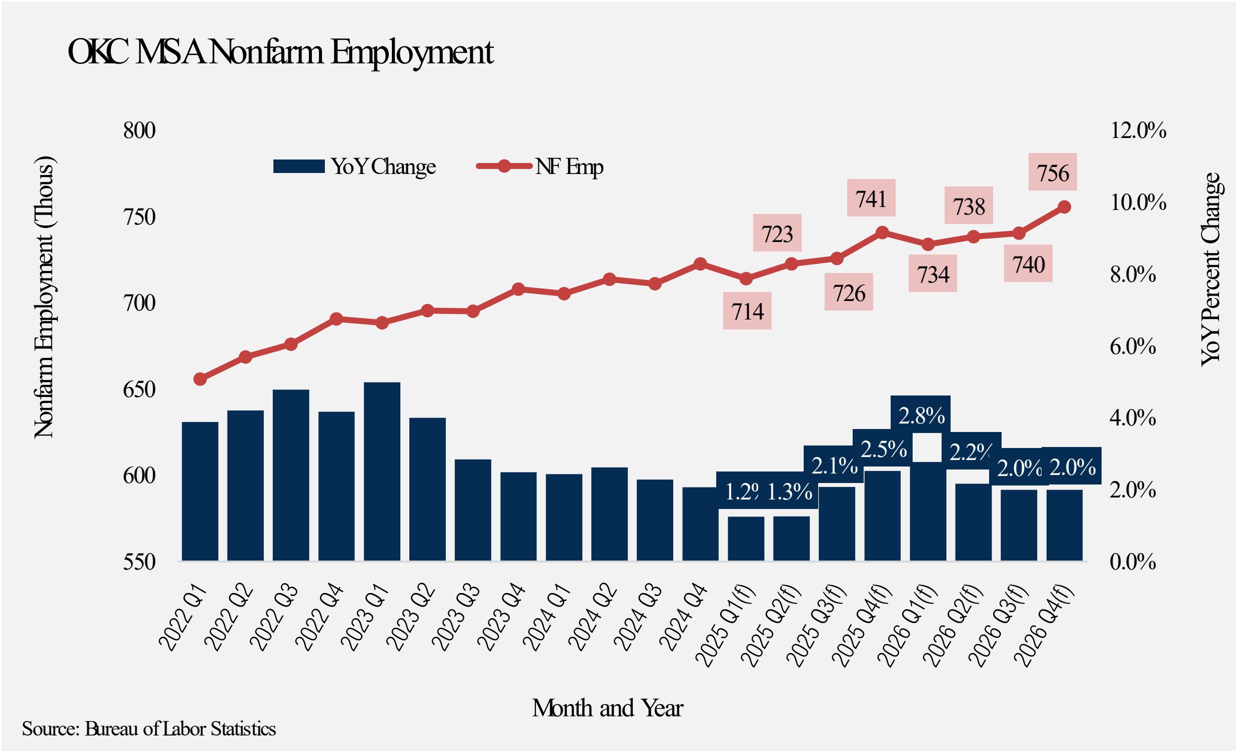


Figure 4.8 | OKC MSA Nonfarm Employment

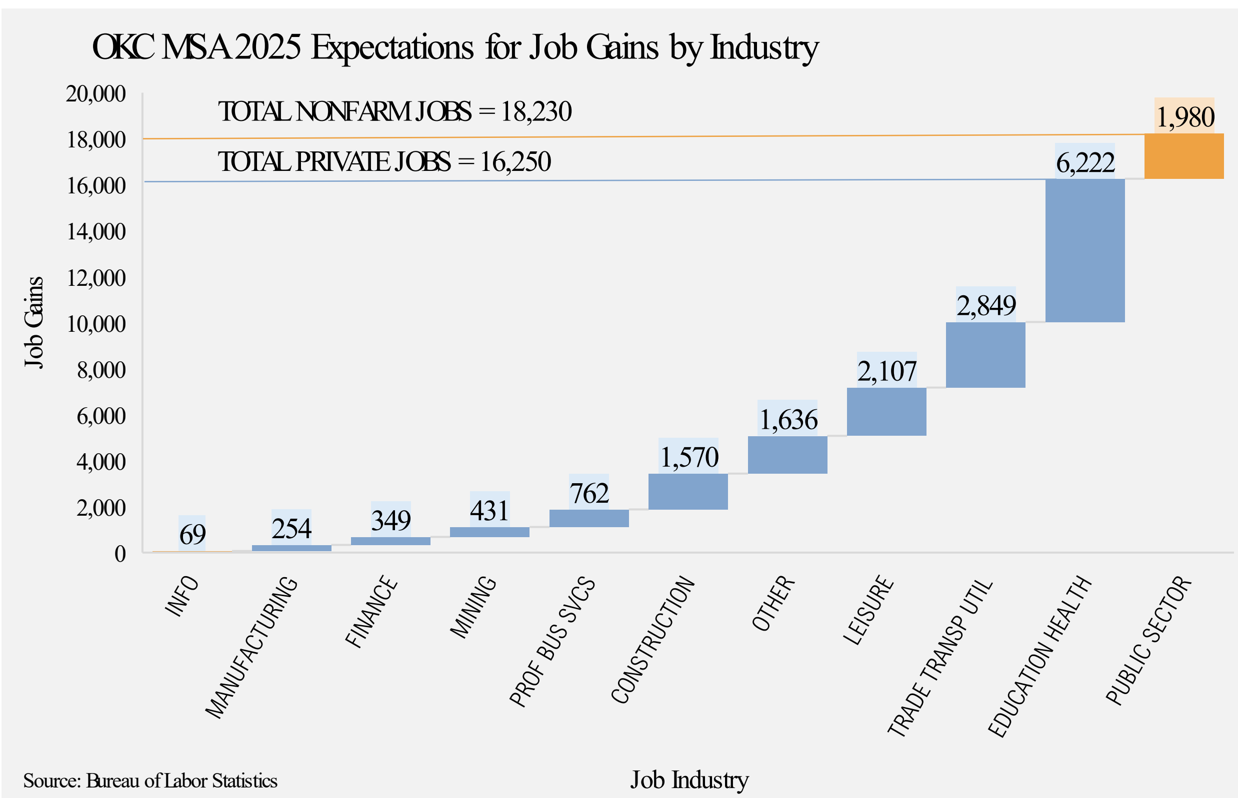


Figure 4.9 | OKC MSA 2025 Expectations for Job Gains by Industry

OKLAHOMA CITY FINANCE OUTLOOK

In the 2024 budget workshop, we discussed the deteriorating health of consumer balance sheets and the expectation that FY 2025 would experience modest declines from the previous year in the first half of the year before offsetting these losses in the second half of the year. Depending on the depth of the first half declines and the timing of the rebound we suggested, for planning purposes, a FY 2025 sales tax growth range of 0.7% to 2.1%.

The pattern has largely played out as expected. Negative growth in the first half of the fiscal year created a gap relative to the same period the previous year. The gap was initially overstated as remitters and the tax commission worked to correctly implement the state's grocery tax exemption. Positive growth in the December and January checks (also likely overstated as the tax commission worked to correct previous months) has moved the year-to-date collections back towards breakeven. We expect both the February and March checks to show strong growth compared to the previous year and move the year-to-date total just back into positive territory. Whether or not the fiscal year can hold that positive ground or even sneak into the lower end of the original planning range (0.7%) will depend on the fourth quarter strength.

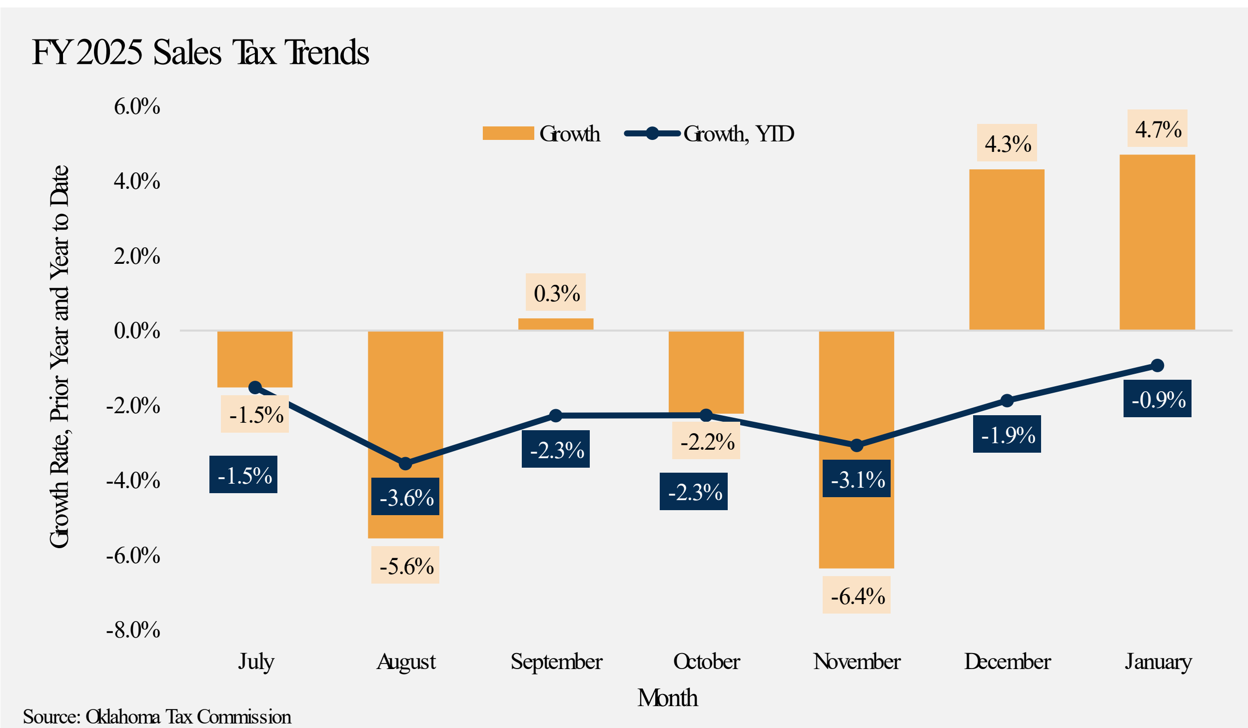


Figure 5.1 | FY 2025 Sales Tax Trends

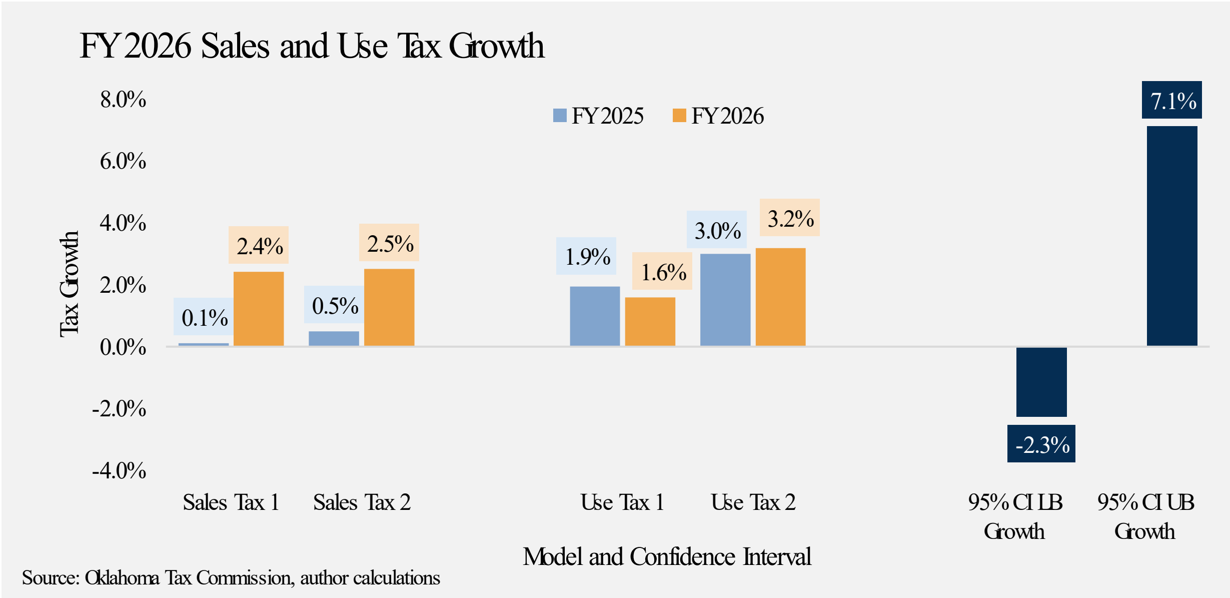


Figure 5.2 | FY 2026 Sales and Use Tax Growth

FY 2026 projections are built around the economic forecast presented above. Two models are presented that represent the central tendency of the many models specified. They should be interpreted as baseline expectations of where collection trends are headed assuming no outside disruption.

The sales tax models anticipate finishing FY 2025 just in positive territory (0.1% to 0.5% growth). The third quarter should provide strong growth with the year-end determined by fourth quarter performance. Models are consistent in expecting trend growth in FY 2026 of 2.5% growth. Use tax models anticipate ending FY 2025 up 1.9% to 3.0% with FY 2026 growth of 1.6% to 3.2%. For context, the 95% confidence interval for FY 2026 sales tax growth is -2.3% to 7.1% growth.

A word of caution is warranted in planning for the coming fiscal year. Both the economic forecast and the sales/use tax forecasts are moving towards a year of "average" performance. History suggests, however, that average performance is seldom realized. Instead, the average is a combination of periods that exceed and then fall short of average expectations. The coming fiscal year is interesting in that a case can be made to both the downside and the upside. On the downside, any further disruption to consumer balance sheets could have an immediate impact on household spending. On the upside, Oklahoma heads into the year with a healthy labor market, strong population growth, and the prospect of growth centric economic policies. The advice of last year remains relevant this year: plan for average growth and proceed with caution.

APPENDIX TABLES

U.S. Macroeconomy Outlook, Quarterly

Year		2023				2024				2025(f)			
Quarter		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)
REAL GDP	Actual	2.8%	2.5%	4.4%	3.2%	1.6%	3.0%	3.1%					
	Conference Board (f)	2.8%	2.5%	4.4%	3.2%	1.6%	3.0%	3.1%	0.9%	1.2%	1.8%	2.2%	2.3%
	NABE (f)	2.8%	2.5%	4.4%	3.2%	1.6%	3.0%	3.1%	2.0%	1.9%	1.9%	2.0%	2.1%
	Goldman Sachs (f)	2.8%	2.5%	4.4%	3.2%	1.6%	3.0%	3.1%	2.5%	2.4%	2.4%	2.4%	2.4%
UNEMPLOYMENT RATE	Actual	3.5%	3.6%	3.7%	3.7%	3.8%	4.0%	4.2%					
	Conference Board (f)	3.5%	3.6%	3.7%	3.7%	3.8%	4.0%	4.2%	4.3%	4.3%	4.1%	3.9%	3.9%
	NABE (f)	3.5%	3.6%	3.7%	3.7%	3.8%	4.0%	4.2%	4.2%	4.3%	4.3%	4.3%	4.3%
	Goldman Sachs (f)	3.5%	3.6%	3.7%	3.7%	3.8%	4.0%	4.2%	4.1%	4.0%	4.0%	3.9%	3.9%
FED FUNDS RATE	Actual	4.9%	5.1%	5.4%	5.4%	5.4%	5.4%	4.9%					
	Conference Board (f)	4.9%	5.1%	5.4%	5.4%	5.4%	5.4%	4.9%	4.4%	3.9%	3.4%	3.1%	3.1%
	NABE (f)	4.9%	5.1%	5.4%	5.4%	5.4%	5.4%	4.9%	4.4%	4.1%	3.9%	3.6%	3.4%
	Goldman Sachs (f)	4.9%	5.1%	5.4%	5.4%	5.4%	5.4%	4.9%	4.3%	3.8%	3.5%	3.3%	3.3%
CORE PCE INFLATION	Supercore Actual	4.1%	4.0%	3.2%	2.5%	2.4%	2.1%	2.2%					
	Actual	4.9%	4.6%	3.9%	3.2%	3.0%	2.7%	2.7%					
	Conference Board (YoY, f)	4.9%	4.6%	3.9%	3.2%	3.0%	2.7%	2.4%	2.4%	2.2%	2.0%	2.0%	2.0%
	NABE (SAAR, f)	4.9%	4.6%	3.9%	3.2%	3.7%	2.8%	2.2%	2.2%	2.3%	2.2%	2.1%	2.1%
	Goldman Sachs (YoY, f)	4.9%	4.6%	3.9%	3.2%	3.0%	2.7%	2.7%	2.8%	2.6%	2.6%	2.6%	2.4%

Source: Federal Reserve Economic Data, Bureau of Economic Analysis, Conference Board, National Association of Business Economists, Goldman Sachs

Table 1.1 | U.S. Macroeconomy Outlook, Quarterly

Oklahoma Macroeconomy & Labor Market Outlook, Annual

	Year		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024(f)	2025(f)	2026(f)
MACRO OUTLOOK	REAL GROSS DOMESTIC PRODUCT*	Value	$186,574	$193,793	$190,094	$192,539	$196,031	$200,072	$191,561	$194,133	$193,941	$207,923	$216,687	$225,256	$233,497
		Y/Y growth	6.0%	3.9%	-1.9%	1.3%	1.8%	2.1%	-4.3%	1.3%	-0.1%	7.2%	4.2%	4.0%	3.7%
	REAL PERSONAL INCOME*		$199,540	$194,705	$183,586	$189,624	$198,042	$205,867	$212,055	$222,512	$226,515	$230,880	$237,554	$244,468	$249,485
			4.0%	-2.4%	-5.7%	3.3%	4.4%	4.0%	3.0%	4.9%	1.8%	1.9%	2.9%	2.9%	2.1%
	REAL PERSONAL CONSUMPTION EXPENDITURES*		$137,162	$139,549	$140,567	$143,269	$148,652	$149,960	$147,181	$159,052	$165,111	$169,192	$172,793	$175,909	$178,459
			2.2%	1.7%	0.7%	1.9%	3.8%	0.9%	-1.9%	8.1%	3.8%	2.5%	2.1%	1.8%	1.4%
	POPULATION		3,871,583	3,901,051	3,916,821	3,920,455	3,928,494	3,943,796	3,965,234	3,991,634	4,019,271	4,053,824	4,090,969	4,130,178	4,169,055
			0.6%	0.8%	0.4%	0.1%	0.2%	0.4%	0.5%	0.7%	0.7%	0.9%	0.9%	1.0%	0.9%
	REAL PER CAPITA PERSONAL INCOME		$51,540	$49,911	$46,871	$48,368	$50,412	$52,200	$53,478	$55,745	$56,357	$56,954	$58,068	$59,191	$59,842
			3.4%	-3.2%	-6.1%	3.2%	4.2%	3.5%	2.4%	4.2%	1.1%	1.1%	2.0%	1.9%	1.1%
	REAL PER CAPITA CONSUMPTION EXP		$35,428	$35,772	$35,888	$36,544	$37,840	$38,024	$37,118	$39,846	$41,080	$41,736	$42,238	$42,591	$42,806
			1.6%	1.0%	0.3%	1.8%	3.5%	0.5%	-2.4%	7.3%	3.1%	1.6%	1.2%	0.8%	0.5%
	IMPLICIT REGIONAL DEFLATOR		89.1	88.9	89.9	90.9	91.5	92.5	93.8	98.0	103.1	106.4	108.2	110.2	112.2
			1.7%	-0.3%	1.2%	1.1%	0.6%	1.1%	1.4%	4.4%	5.2%	3.2%	1.7%	1.8%	1.8%
	INFLATION		1.7%	-0.3%	1.2%	1.1%	0.6%	1.1%	1.4%	4.4%	5.2%	3.2%	1.7%	1.8%	1.8%
			-	-	-	-	-	-	-	-	-	-	-	-	-
	TOTAL FT AND PT EMPLOYMENT		2,273,648	2,287,838	2,287,131	2,291,944	2,312,261	2,309,379	2,265,288	2,311,442	2,382,391	2,455,127	2,496,282	2,540,935	2,584,108
			1.1%	0.6%	0.0%	0.2%	0.9%	-0.1%	-1.9%	2.0%	3.1%	3.1%	1.7%	1.8%	1.7%
LABOR OUTLOOK	HOUSEHOLD UNEMPLOYMENT**		78	79	85	84	60	58	116	75	58	63	68	75	81
			-	0.8%	8.0%	-1.3%	-28.3%	-3.5%	100.3%	-35.4%	-22.4%	8.8%	8.1%	10.0%	7.5%
	HOUSEHOLD EMPLOYMENT**		1,720	1,751	1,743	1,740	1,771	1,785	1,727	1,791	1,845	1,900	1,931	1,958	1,987
			-	1.8%	-0.4%	-0.2%	1.8%	0.8%	-3.3%	3.7%	3.0%	3.0%	1.7%	1.4%	1.5%
	HOUSEHOLD LABOR FORCE**		1,798	1,829	1,828	1,824	1,831	1,843	1,843	1,866	1,904	1,963	2,000	2,033	2,068
			-	1.7%	-0.1%	-0.2%	0.4%	0.7%	0.0%	1.3%	2.0%	3.1%	1.9%	1.7%	1.7%
	CIVILIAN POPULATION**		2,948	2,974	2,990	2,990	2,999	3,016	3,031	3,056	3,085	3,123	3,162	3,196	3,223
			-	0.9%	0.6%	0.0%	0.3%	0.6%	0.5%	0.8%	1.0%	1.2%	1.3%	1.1%	0.9%
	UNEMPLOYMENT RATE		4.3%	4.3%	4.6%	4.6%	3.3%	3.1%	6.3%	4.0%	3.1%	3.2%	3.4%	3.7%	3.9%
			-	-	-	-	-	-	-	-	-	-	-	-	-
	EMP / POP RATIO		58.3%	58.9%	58.3%	58.2%	59.1%	59.2%	57.0%	58.6%	59.8%	60.8%	61.1%	61.3%	61.6%
			-	-	-	-	-	-	-	-	-	-	-	-	-
	LABOR FORCE PARTICIPATION RATE		61.0%	61.5%	61.1%	61.0%	61.1%	61.1%	60.8%	61.1%	61.7%	62.9%	63.2%	63.6%	64.1%
			-	-	-	-	-	-	-	-	-	-	-	-	-

*$Mil, 2017, **Thous

Source: Bureau of Economic Analysis, Bureau of Labor Statistics: Local Area Unemployment Statistics

Table 1.2 | Oklahoma Macroeconomy & Labor Markt Outlook, Annual

Oklahoma City Macroeconomy & Labor Market Outlook, Annual

		Year		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024(f)	2025(f)	2026(f)
OKLAHOMA CITY	MACRO OUTLOOK	REAL GDP*	Value	$69,106	$72,005	$72,190	$74,419	$77,047	$78,361	$76,135	$76,699	$76,312	$81,586	$84,467	$87,280	$90,390
			Y/Y growth	6.4%	4.2%	0.3%	3.1%	3.5%	1.7%	-2.8%	0.7%	-0.5%	6.9%	3.5%	3.3%	3.6%
		REAL PERSONAL INCOME*		$65,965	$67,578	$66,344	$67,686	$71,240	$76,075	$79,030	$83,333	$85,814	$87,093	$89,642	$91,834	$93,787
				4.3%	2.4%	-1.8%	2.0%	5.3%	6.8%	3.9%	5.4%	3.0%	1.5%	2.9%	2.4%	2.1%
		POPULATION		1,337,930	1,359,199	1,375,508	1,384,267	1,397,154	1,413,004	1,429,940	1,443,830	1,459,957	1,477,926	1,495,664	1,513,967	1,532,503
				1.2%	1.6%	1.2%	0.6%	0.9%	1.1%	1.2%	1.0%	1.1%	1.2%	1.2%	1.2%	1.2%
		REAL PER CAPITA PERSONAL INCOME*		$49,304	$49,719	$48,233	$48,897	$50,989	$53,839	$55,268	$57,717	$58,779	$58,930	$59,935	$60,658	$61,199
				3.0%	0.8%	-3.0%	1.4%	4.3%	5.6%	2.7%	4.4%	1.8%	0.3%	1.7%	1.2%	0.9%
	LABOR OUTLOOK	HOUSEHOLD UNEMPLOYMENT**		25	25	27	27	20	20	43	27	20	23	25	26	28
				-	-1.0%	8.2%	-0.5%	-23.7%	-2.5%	115.1%	-36.6%	-25.1%	10.7%	9.3%	6.5%	7.7%
		HOUSEHOLD EMPLOYMENT**		626	638	639	638	657	668	646	675	701	727	743	757	773
				-	2.0%	0.0%	-0.2%	3.0%	1.7%	-3.2%	4.5%	3.9%	3.6%	2.3%	1.9%	2.1%
		HOUSEHOLD LABOR FORCE**		651	663	666	664	677	688	689	702	722	749	768	784	801
				-	1.9%	0.4%	-0.2%	1.9%	1.5%	0.2%	1.9%	2.7%	3.8%	2.5%	2.0%	2.3%
		UNEMPLOYMENT RATE		3.9%	3.8%	4.0%	4.0%	3.0%	2.9%	6.2%	3.9%	2.8%	3.0%	3.2%	3.4%	3.5%
				-	-	-	-	-	-	-	-	-	-	-	-	-
OKLAHOMA COUNTY	MACRO OUTLOOK	NOMINAL PERSONAL INCOME		$36,661	$37,558	$37,397	$38,396	$40,102	$44,226	$46,665	$51,408	$57,149	$59,010	$61,391	$63,943	$66,372
				6.3%	2.4%	-0.4%	2.7%	4.4%	10.3%	5.5%	10.2%	11.2%	3.3%	4.0%	4.2%	3.8%
		POPULATION		764,447	774,239	780,833	781,617	785,715	791,596	798,241	799,845	803,103	808,866	813,774	819,028	825,506
				1.3%	1.3%	0.9%	0.1%	0.5%	0.7%	0.8%	0.2%	0.4%	0.7%	0.6%	0.6%	0.8%
		PER CAPITA PERSONAL INCOME		$47,958	$48,509	$47,894	$49,124	$51,039	$55,869	$58,459	$64,273	$71,160	$72,954	$75,440	$78,072	$80,402
				-	-	-	-	-	-	-	-	-	-	-	-	-
		COUNTY SHARE OF MSA POPULATION		0.57	0.57	0.57	0.56	0.56	0.56	0.56	0.55	0.55	0.55	0.54	0.54	0.54
				0.1%	-0.3%	-0.3%	-0.5%	-0.4%	-0.4%	-0.4%	-0.8%	-0.7%	-0.5%	-0.6%	-0.6%	-0.4%

*$Mil, 2017, **Thous

Source: Bureau of Economic Analysis, Bureau of Labor Statistics: Local Area Unemployment Statistics

Table 1.3 | Oklahoma City Macroeconomy & Labor Market Outlook, Annual

Oklahoma Employment by Sector Outlook, Quarterly

Year		2023				2024				2025(f)				2026(f)			
Quarter		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)
NONFARM	Value (thous)	1,735.8	1,754.5	1,748.9	1,778.3	1,765.7	1,784.8	1,777.2	1,807.6	1,783.7	1,811.7	1,818.9	1,848.6	1,825.9	1,840.0	1,844.8	1,877.8
	Q4/Q4 growth	3.9%	3.3%	2.3%	2.1%	1.7%	1.7%	1.6%	1.6%	1.0%	1.5%	2.3%	2.3%	2.4%	1.6%	1.4%	1.6%
PRIVATE		1,379.4	1,396.3	1,397.9	1,408.5	1,399.7	1,416.2	1,418.7	1,431.2	1,415.4	1,436.8	1,451.4	1,465.6	1,451.4	1,465.3	1,477.2	1,492.0
		4.5%	3.6%	2.1%	1.8%	1.5%	1.4%	1.5%	1.6%	1.1%	1.4%	2.3%	2.4%	2.5%	2.0%	1.8%	1.8%
GOODS		250.0	253.8	254.2	256.6	259.5	260.4	261.9	263.8	263.3	266.8	271.5	275.1	276.7	279.9	283.7	286.2
		4.8%	4.6%	3.1%	3.3%	3.8%	2.6%	3.0%	2.8%	1.4%	2.5%	3.7%	4.3%	5.1%	4.9%	4.5%	4.0%
SERVICES		1,485.8	1,500.7	1,494.6	1,521.7	1,506.2	1,524.4	1,515.3	1,543.8	1,520.4	1,544.8	1,547.4	1,573.6	1,549.2	1,560.1	1,561.1	1,591.6
		3.8%	3.1%	2.2%	1.8%	1.4%	1.6%	1.4%	1.4%	0.9%	1.3%	2.1%	1.9%	1.9%	1.0%	0.9%	1.1%
MINING		32.5	32.1	31.5	31.2	32.2	32.2	32.2	32.4	32.2	31.9	32.7	33.6	34.3	34.4	35.1	35.7
		10.1%	5.8%	0.6%	-1.0%	-0.9%	0.4%	2.4%	4.0%	0.0%	-1.0%	1.4%	3.7%	6.5%	7.8%	7.4%	6.4%
CONSTRUCTION		80.1	82.2	83.5	85.2	86.2	88.0	90.3	91.7	91.2	94.2	97.0	98.2	98.2	101.3	104.1	105.3
		2.7%	3.3%	3.3%	6.1%	7.7%	7.0%	8.1%	7.5%	5.8%	7.1%	7.4%	7.1%	7.7%	7.5%	7.3%	7.3%
MANUFACT		137.5	139.5	139.3	140.2	141.1	140.2	139.3	139.8	139.9	140.7	141.9	143.3	144.2	144.2	144.5	145.2
		4.8%	5.2%	3.5%	2.6%	2.7%	0.5%	0.0%	-0.3%	-0.9%	0.4%	1.8%	2.5%	3.1%	2.5%	1.8%	1.3%
TRADE TRANSPORT UTILITIES		320.6	320.2	319.5	325.9	319.1	319.8	316.8	321.7	315.0	318.4	320.0	328.2	320.5	322.1	323.8	332.7
		0.7%	0.7%	-0.7%	-1.0%	-0.5%	-0.1%	-0.8%	-1.3%	-1.3%	-0.4%	1.0%	2.0%	1.8%	1.2%	1.2%	1.4%
INFORMATION		18.0	18.5	17.8	17.4	17.0	16.9	16.7	16.7	16.7	17.0	17.0	17.0	16.8	16.8	16.6	16.5
		3.8%	3.0%	-1.3%	-3.3%	-5.9%	-8.6%	-6.2%	-4.1%	-1.4%	0.6%	1.5%	1.9%	0.6%	-1.1%	-2.2%	-2.8%
FINANCE		82.6	83.9	84.2	85.1	84.3	84.1	83.6	83.5	82.6	83.2	83.5	83.8	83.4	84.1	84.5	84.9
		3.6%	3.3%	2.4%	3.1%	2.0%	0.2%	-0.6%	-1.9%	-1.9%	-1.0%	-0.2%	0.4%	0.9%	1.1%	1.2%	1.3%
PROF BUSINESS SERVICES		208.8	211.3	209.2	207.3	202.9	205.7	207.2	207.9	204.2	207.5	209.8	210.6	206.7	208.1	209.5	210.4
		5.4%	3.8%	0.5%	-1.6%	-2.8%	-2.7%	-1.0%	0.3%	0.6%	0.9%	1.3%	1.3%	1.2%	0.3%	-0.2%	-0.1%
EDUCATION HEALTH		253.7	255.5	259.5	264.4	266.8	268.5	269.3	272.3	270.6	271.9	274.0	277.3	276.5	277.1	278.9	282.4
		6.8%	5.9%	5.4%	5.2%	5.2%	5.1%	3.8%	3.0%	1.4%	1.2%	1.7%	1.9%	2.2%	1.9%	1.8%	1.8%
LEISURE		176.1	182.3	182.4	181.1	181.1	190.2	191.5	193.5	190.3	198.4	200.9	198.5	195.4	201.0	203.2	201.5
		6.4%	3.8%	2.7%	3.4%	2.8%	4.4%	5.0%	6.8%	5.1%	4.3%	4.9%	2.6%	2.7%	1.3%	1.2%	1.5%
OTHER		69.6	70.9	71.0	70.7	69.0	70.6	71.7	72.0	72.7	73.5	74.7	75.1	75.5	76.0	77.0	77.3
		6.4%	5.1%	3.8%	2.7%	-0.9%	-0.4%	1.0%	1.9%	5.4%	4.1%	4.2%	4.3%	3.8%	3.5%	3.1%	2.9%
GOVERNMENT		356.4	358.2	350.9	369.8	366.0	368.6	358.4	376.4	372.5	374.0	364.5	382.4	378.5	378.4	368.6	386.6
		1.8%	2.2%	3.1%	3.2%	2.7%	2.9%	2.1%	1.8%	1.8%	1.5%	1.7%	1.6%	1.6%	1.2%	1.1%	1.1%

Source: U.S. Bureau of Labor Statistics

Table 2.1 | Oklahoma Employment by Sector Outlook, Quarterly

Oklahoma City Employment by Sector Outlook, Quarterly

Year		2023				2024				2025(f)				2026(f)			
Quarter		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)
NONFARM	Value (thous)	688.5	695.4	695.1	707.9	705.2	713.6	711.0	722.6	714.0	722.6	725.7	740.8	733.8	738.2	740.2	755.6
	Q4/Q4 growth		4.0%	2.8%	2.5%	2.4%	2.6%	2.3%	2.1%	1.2%	1.3%	2.1%	2.5%	2.8%	2.2%	2.0%	2.0%
PRIVATE		558.8	564.8	566.9	573.1	572.0	579.4	580.6	584.3	576.8	586.0	593.0	600.5	594.9	600.2	606.5	615.0
			4.4%	2.8%	2.2%	2.4%	2.6%	2.4%	1.9%	0.8%	1.1%	2.1%	2.8%	3.1%	2.4%	2.3%	2.4%
GOODS		80.3	80.9	80.8	81.1	82.4	82.6	83.1	82.9	81.9	82.9	84.2	85.2	85.5	86.6	88.0	89.0
			4.3%	1.8%	1.0%	2.6%	2.2%	2.8%	2.2%	-0.6%	0.3%	1.3%	2.7%	4.3%	4.5%	4.5%	4.5%
SERVICES		608.1	614.5	614.3	626.8	622.8	631.0	627.9	639.7	632.1	639.7	641.6	655.6	648.3	651.6	652.3	666.6
			4.0%	3.0%	2.7%	2.4%	2.7%	2.2%	2.1%	1.5%	1.4%	2.2%	2.5%	2.6%	1.9%	1.7%	1.7%
MINING		11.3	10.9	10.6	10.5	10.8	10.6	10.6	10.6	10.6	10.4	10.7	11.0	11.2	11.2	11.6	12.0
			4.1%	-3.0%	-6.8%	-3.8%	-2.4%	0.0%	1.0%	-2.0%	-1.9%	0.7%	4.1%	5.7%	7.4%	8.6%	9.1%
CONSTRUCTION		33.3	33.8	33.8	34.1	34.5	35.1	35.9	36.4	36.0	36.9	37.6	37.9	37.9	38.9	39.7	40.0
			4.5%	1.8%	2.7%	3.5%	3.7%	6.2%	6.5%	4.6%	5.2%	4.7%	4.3%	5.1%	5.3%	5.4%	5.6%
MANUFACT		35.8	36.1	36.4	36.5	37.1	36.9	36.6	36.0	35.3	35.5	35.9	36.2	36.4	36.5	36.7	36.9
			4.0%	3.2%	1.8%	3.8%	2.1%	0.5%	-1.5%	-5.0%	-3.7%	-1.9%	0.7%	3.1%	2.7%	2.4%	2.0%
TRADE TRANSPORT UTILITIES		125.9	125.4	125.6	129.3	126.6	126.4	125.6	128.0	125.5	126.2	126.7	130.8	128.7	128.6	129.6	134.1
			0.7%	-0.4%	-0.3%	0.6%	0.8%	0.0%	-1.0%	-0.9%	-0.2%	0.9%	2.2%	2.5%	1.9%	2.2%	2.5%
INFORMATION		6.1	6.4	6.3	6.2	6.2	6.2	6.2	6.1	6.0	6.1	6.1	6.2	6.1	6.1	6.0	6.0
			8.5%	5.6%	3.9%	0.5%	-2.1%	-1.6%	-2.1%	-2.4%	-2.2%	-0.9%	1.1%	0.9%	-0.7%	-2.1%	-2.7%
FINANCE		36.9	37.1	37.3	37.5	37.1	36.8	36.9	36.8	36.4	36.7	36.9	37.1	36.9	37.3	37.6	37.9
			2.2%	1.7%	1.7%	0.6%	-0.8%	-1.1%	-2.0%	-2.0%	-0.4%	0.0%	0.9%	1.6%	1.6%	1.9%	2.0%
PROF BUSINESS SERVICES		93.1	94.1	94.0	93.1	90.3	91.8	92.0	91.6	89.2	90.6	91.9	92.3	89.9	90.1	90.8	91.2
			5.3%	2.4%	-0.5%	-3.1%	-2.4%	-2.2%	-1.7%	-1.1%	-1.4%	-0.1%	0.8%	0.8%	-0.5%	-1.2%	-1.2%
EDUCATION HEALTH		109.6	110.7	112.7	116.2	119.8	121.5	122.3	123.9	124.0	125.9	127.7	130.1	130.7	132.1	133.8	136.1
			8.4%	7.6%	7.8%	9.3%	9.8%	8.6%	6.6%	3.5%	3.6%	4.4%	5.0%	5.4%	4.9%	4.7%	4.7%
LEISURE		76.7	79.5	79.6	79.0	79.1	82.6	82.9	83.3	81.5	84.9	86.2	85.4	83.5	85.4	86.5	86.1
			4.2%	3.0%	3.2%	3.2%	3.9%	4.1%	5.3%	3.0%	2.7%	4.0%	2.5%	2.5%	0.7%	0.4%	0.8%
OTHER		30.1	30.7	30.6	30.6	30.5	31.4	31.7	31.9	32.2	32.8	33.2	33.5	33.6	34.0	34.3	34.5
			5.5%	4.4%	3.1%	1.3%	2.3%	3.5%	4.0%	5.5%	4.6%	5.0%	5.1%	4.3%	3.5%	3.2%	3.2%
GOVERNMENT		129.6	130.6	128.2	134.8	133.2	134.2	130.4	138.3	137.3	136.6	132.7	140.3	138.9	138.1	133.7	140.6
			2.5%	2.9%	3.6%	2.8%	2.7%	1.7%	2.6%	3.1%	1.8%	1.8%	1.4%	1.2%	1.1%	0.7%	0.2%

Source: U.S. Bureau of Labor Statistics

Table 2.2 | Oklahoma City Employment by Sector Outlook, Quarterly

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 most pressing financial issues they will be facing over the next five years. If an issue is resolved, it is removed from the list. Issues with successful outcomes were able to align financial resources with long-term service objectives and were made possible by identifying those issues early so that staff could develop strategies and make recommendations to the City Council. To share those accomplishments and close the communication loop, 17 Successful Outcomes 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. 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, City operations, or funding sources are highlighted for additional attention and begin on page 77. This year we are highlighting seven major issues for additional attention. Most of these issues are cross-cutting and impact multiple departments, such as employee recruitment, and classification and compensation; a growing demand for technology; and homelessness. The discussion on each issue includes possible directions or next steps to stimulate conversation and action.

Department Issues. Overall, there are a total of 58 issues that departments are facing, including the seven 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; 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 tax would require a vote of the people to enact. 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.

MOBILE INTEGRATED HEALTHCARE

DEPARTMENT:

Fire

OVERVIEW:

To meet the growing demands of alternative response to behavioral health related incidents, overdose challenges and an alternative to policing the City has allocated funding to the Fire Mobile Integrated Healthcare (MIH) program which includes Crisis Response Teams (CRT), Crisis Call Diversion (CCD), and Alternative Response Teams (ART).

STATUS:

Fire has hired a MIH program manager for the program and several staff positions. The goal is to have a soft roll out for Oklahoma City Police Department (OCPD) officer request response in November and CCD assisting with 911 calls in February 2025.

FUNDING SOURCE:

General Fund, Special Purpose Fund

COST:

$2.1 MILLION

ARPA – SMALL BUSINESS SUPPORT

DEPARTMENT:

Economic Development

OVERVIEW:

Nearly all of the $22 million dedicated to small business support from the Fiscal Recovery Funds received through the American Rescue Plan Act (ARPA) for COVID-19 response, has been spent on programs supporting small businesses and nonprofits, minority and disadvantaged businesses, and individual job training. The Fiscal Recovery Funds Business Support Program, managed by the Alliance for Economic Development of Oklahoma City, utilized these ARPA funds to develop technical assistance and business accelerator programs, as well as workforce and job training services in several skills categories to provide training to individuals in areas such as IT support, retail, culinary arts, and project management.

STATUS:

Since inception, the business support services programs have assisted over 1,000 small businesses and nonprofits through technical assistance and over 900 individuals have received workforce development training. These programs have helped business owners and individuals grow and improve financial sustainability.

FUNDING SOURCE

Grants Management Fund

Cost: $22 million

HOTEL OCCUPANCY TAX INCREASE

DEPARTMENT:

Finance

OVERVIEW:

On August 27, 2024, Residents voted to increase to the hotel occupancy tax rate. This tax increase included dedicated funding to support tourism promotion and development and capital maintenance needs at the Fairgrounds and the Convention Center. This is directly related to the recently highlighted issue of Capital Planning and Infrastructure that called for identification of funding sources to maintain City facilities. The passage of the rate increase shows the trust our residents have in the City to deliver what is promised and will help address infrastructure needs at these two locations.

STATUS:

The tax increase went into effect on October 1, 20024.

FUNDING SOURCE:

General Fund

PROJECTED REVENUE:

$11.6 MILLION

FIRE STATION GENERATOR UPDATE

DEPARTMENT:

Fire

OVERVIEW:

The City allocated $1.5 million in ARPA funding for back-up generators to be added to existing Fire facilities without such accommodations.

STATUS:

The contract was awarded in November 2024 and the project is currently in process.

FUNDING SOURCE:

American Rescue Plan Act (ARPA)

COST:

$1.5 million

FIRE STATION RENOVATIONS

DEPARTMENT:

Fire, General Services

OVERVIEW:

The City allocated $2 million in ARPA funding for renovations and updates to existing fire facilities or additional fire facility needs.

STATUS:

Public Works has assisted Fire on this project and several fire facilities plans are in the Request for Proposal (RFP) phase and moving toward awarding contracts.

FUNDING SOURCE:

American Rescue Plan Act (ARPA)

COST:

$2 million

PARKING LOT 4 CONSTRUCTION PROJECT

DEPARTMENT:

Airports

OVERVIEW:

Parking Lot 4 at OKC Will Rogers International Airport is nearing completion. Parking activity has increased proportionally to passenger traffic counts causing our lots to reach capacity. The Trust partnered with a local architect to design a canopy covered parking lot to increase parking availability by 616 spaces. The new lot was a repurposing of an existing rental car storage area. Utilizing canopies, the Airport is providing more opportunities for passengers to have protected parking.

STATUS:

Construction is nearly complete and is in the final stages of the punch list. It is anticipated to be opened for public parking by the end of the calendar year.

FUNDING SOURCE

Local Funding

Cost:

$5.9 million *estimated

FORBES 2024 BEST EMPLOYERS BY STATE

DEPARTMENT:

Human Resources

OVERVIEW:

In August 2024, Forbes released its 2024 Best Employers by State. Forbes partnered with Statista to survey more than 160,000 employees working for companies with at least 500 people in the United States. Forbes listed 35 companies in Oklahoma with 19 headquarters in Oklahoma. The City of Oklahoma City was 34th on the list.

EMPLOYEE PERFORMANCE AND LEARNING MANAGEMENT SYSTEMS

DEPARTMENT:

Human Resources

OVERVIEW:

Oracle Performance and Oracle Learning launched in July 2023, enhancing the City's approach to performance and talent development. Oracle Performance enables online performance evaluations, focal point review periods, check-ins, mid-year reviews, and self-evaluations. It incorporates tiered competencies, a consistent rating scale, and tools for aligning strategic business, performance, and career development goals. Oracle Learning provides employees with tools to enroll in courses, and manage their learning. This system is foundational to the City's talent development strategy. Compliance courses are being assigned, with reporting available to reduce non-completion risks.

STATUS:

Online performance evaluations and the transition to Oracle Learning have been implemented. Employees are enrolling in City courses through Oracle Learning. Calibration sessions, Talent Reviews, Job Profiles, and Dynamic Skills are under development but not yet completed.

FUNDING SOURCE:

Performance Management is funded with Information Technology Finance Management Systems Projects

Learning Management is funded by the General Fund.

COST:

$340,000 and $169,828.97 respectively.

MAPS 4

DEPARTMENT:

MAPS Office

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. In 2022, the MAPS 4 program budget was revised to be $1.078 billion.

STATUS:

A design contract has been issued on all of the sixteen MAPS 4 Projects: Animal Shelter, Beautification, Civil Rights Center, Downtown Arena, Diversion Hub, Fairgrounds Coliseum, Family Justice Center, Innovation District, Multipurpose Stadium, Parks, Bike Lanes/Sidewalks/Transit, and Youth Center. MAPS has partnered with the Oklahoma City Housing Authority for developing and operating affordable housing. The Fairgrounds Coliseum is in the construction phase.

FUNDING SOURCE:

MAPS 4 sales tax began on April 1, 2020

PROJECTED REVENUE:

$1.078 billion over eight years

BETTER STREETS SAFER CITY

CAPITAL IMPROVEMENTS FUNDING

DEPARTMENT:

Public Works, Parks, Planning

OVERVIEW:

The Better Streets, Safer City Program approved by voters in 2017 included a $967 million General Obligation (GO) Bond package and a one-cent temporary sales tax which expired in March 2020. These funding sources provided for various capital improvements including streets and sidewalks, trails and bicycle amenities, traffic systems, bridges, parks, drainage, economic development, public safety facilities, libraries, transportation systems, Civic Center complex improvements, maintenance facilities, and the downtown arena.

STATUS:

$622 million in GO Bond funds have been sold as of 2023; 260 sales tax projects have been completed, with 15 projects currently in construction and 10 in design. Completed projects in the last four years include 13 miles of new trails, 40 miles of new sidewalks, 24 miles of on-street bike lanes, and 499 miles of streets resurfaced.

FUNDING SOURCE:

GO debt is repaid through property tax; one-cent temporary sales tax

REVENUE COLLECTED:

$967 million in GO bond funds; $264 million in sales tax

FIRE FACILITIES RENOVATION TEAM

DEPARTMENT:

Fire, General Services

OVERVIEW:

The Fire Department maintains 48 buildings, most of which house firefighters 24 hours a day. There is a continuous need to update, remodel, and improve the living conditions at these locations. The Fire Department worked with the General Services Department to build a team of specialists that will undertake most of the building improvements. This team will consist of a Senior Project Manager, a Carpenter, two Skilled Trade Workers, an Electrician, a Plumber, and an HVAC Specialist.

STATUS:

Hiring has been difficult for the electrician and plumbing positions. The other personnel have been hired. Renovation of Fire Station 15 began in Fall 2024. Numerous other projects have been completed at other stations and Fire Department facilities.

FUNDING SOURCE:

General Fund

COST:

$615,000 annually

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 FY18 and the Better Streets, Safer City use tax expired in FY20. When the MAPS 4 program and sales tax were 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:

MAPS 4 use tax began on April 1, 2020

FUNDING SOURCE:

MAPS 4 use tax started being collected in Spring 2020

COST:

$19-$24 million annually

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. The City collects this information by conducting an annual Resident Survey, which gathers the needs and desires of residents to ensure the City's commitment to representing the entire population. Based on the results from the Resident Survey, resident satisfaction on the quality of customer service from City employees has increased from 56% in 2016 to 59% in 2023, and the quality of services provided by the City increased from 57% in 2016 to 64% in 2023. The positive interactions that residents have with City employees are critical to maintaining resident trust and are key indicators of how well the City is meeting the needs of residents. Providing high-quality service helps improve the quality of life in Oklahoma City and helps to make it an attractive place for residents, visitors, and businesses.

STATUS:

Significantly improved

FUNDING SOURCE:

All City funds

LIVESCAN FINGERPRINT EQUIPMENT

DEPARTMENT:

Municipal Court

OVERVIEW:

State statute requires that fingerprints be obtained on certain offenses and provided to the Oklahoma State Bureau of Investigation to maintain an accurate offender history. The LiveScan fingerprint equipment allows Municipal Court to collect fingerprints from individuals who were issued a citation for a reportable offense and were released in the field.

STATUS:

LiveScan fingerprint equipment has been purchased. (Currently awaiting installation and training.)

FUNDING SOURCE:

General Fund

COST:

$22,817

EMBARK RAPID NW LAUNCH

DEPARTMENTS:

Public Transportation & Parking

OVERVIEW:

With the final design for the NW Bus Rapid Transit being completed in early 2022, the department, working alongside other City departments, has successfully completed the construction of all 32 platforms, received all 9 buses, coordinated the installation of transit signal prioritization throughout the RAPID corridor, and added OKC's first bus lane along Classen and Northwest Expressway. This, plus the hiring of 21 additional operators, operator training, development of standard operating procedures, and safety plans all led to a ribbon cutting in December 2023.

STATUS:

Launch of RAPID NW service and reaching the milestone of serving over 250k riders in 6 months.

FUNDING SOURCE:

GO Bonds, Better Streets Safer City Sales Tax; Grants

COST:

$17,120,497.35

FTA GRANT AWARDS

DEPARTMENT:

Public Transportation & Parking

OVERVIEW:

Successful submittal and award of $4.3 million to purchase new Compressed Natural Gas (CNG) buses, allowing us to replace the last remaining diesel buses in our fixed route fleet.

Successful submittal and award of $5.8 million RAISE grant to support the A&E design work for future EMBARK facilities. The grant also funded the long-range feasibility study of EMBARK's downtown transit center.

STATUS:

The CNG Bus project is in latest TIF (FY24-Amendmendt #1). The RAISE grant was received/ executed on 9-20-24.

FUNDING SOURCE:

The CNG Bus project is a 85/15 split. $4,278,772 is federal dollars; $755,077 is Capital Reserves.

The RAISE grants is an 80/20 split. $5,840,000 is federal dollars; $1,460,000 is Capital Reserves

COST:

The CNG Bus project total amount of this grant is $5,033,849.

The RAISE grants total amount of the project is $7,300,000

MAPS 4 BUS STOPS

DEPARTMENT:

Public Transportation & Parking

OVERVIEW:

Funding for planned growth, bus stop improvements, advanced transit capabilities, and enhanced bus service.

STATUS:

Installation of MAPS 4 Phase 1 bus stop shelters currently being installed.

FUNDING SOURCE:

GO debt is repaid through property tax; one-cent temporary sales tax

COST:

$88,031,100

FY25 $26,002,500

FY26 $10,805,800

FY27 $31,306,900

FY28 4,899,100

FY29 $15,016,800

HIGHLIGHTED ISSUE

HOMELESSNESS

In April 2019, Mayor David Holt established a Task Force on Homelessness to address our community's growing social justice concerns. The Task Force developed the "Strategies to Address Homelessness" and hired a dedicated position to work with Clutch Consulting to drive action and system improvements. In April 2023, the City launched the Key to Home Partnership ("the Partnership"), a public-private collaborative, involving over 50 organizations who are working together in new ways to address homelessness. The Partnership developed a two-year road map to implement interventions to address homelessness. The City serves as the lead agency guiding efforts to develop additional pathways to housing and support system-wide strategies for reducing homelessness. The Partnership's novel approach leverages private donations from the community to fully maximize public funds allocated to reduce homelessness in OKC.

This year during the annual Point in Time count, 1,838 people experiencing homelessness were counted representing a 28% increase from 2023. With the expiration of the COVID-era funding, and more pressure on the housing market, significant increases in homelessness have been common across the United States. Just three months after the launch of a targeted project to reduce chronic, unsheltered homelessness, The Encampment Rehousing Initiative demonstrated success by reducing the target population by 16%. In addition to this reduction, the Partnership is focused on improving efficiencies across the homeless response system to improve data quality, strategic direction, and resource alignment. To transition from grant compliance into a performance and outcome driven system, staff capacity to support this effort must be increased.

The Partnership is making great strides toward achieving the benchmarks laid out in the initial road map. In the last year, 18 encampments have been closed, and The Partnership has surpassed 50% of the two-year goal of housing 500 people. Much of the success the Partnership has achieved is due to investments that allowed us to expand capacity of the Management Team embedded at the City of OKC. Leveraging grants and private donations have allowed us to bring on dedicated positions to execute community education campaigns and build partnerships to help ensure a successful launch of new interventions with broad community support.

POSSIBLE DIRECTION AND NEXT STEPS

- **Continued implementation of Homelessness Strategies Plan:** To build on the collaborative progress achieved thus far, additional investments in staffing are needed. Currently, three positions are privately funded with the goal to be absorbed by the City within the next two years. Additionally, system strategy support from Clutch Consulting requires a 50% match to extend their contract. The City has a contract with Mental Health Association Oklahoma to provide added outreach capacity and this contract will need to continue over the next five years. Lastly, additional investments in inclement weather contingency plans are needed to ensure that people experiencing homelessness have access to safe shelter.

- **Expand Focus to Key Priorities – GF:** System modeling is an annual exercise where data is pulled to understand the current demands on the homeless response system and the interventions that have the largest impact on meeting these demands. Funding will be needed to support costs associated with maintaining built capacity and increasing housing exits.

HIGHLIGHTED ISSUE

CAPITAL PLANNING AND INFRASTRUCTURE FUNDING

The City supports a large network of infrastructure and capital equipment. Historically, these needs have been funded through both pay-as-you-go financing such as sales and use taxes, and debt financing such as General Obligation (GO) Bonds. Many of these sources provide for the acquisition of new assets, but not maintenance and repair. While the City has been successful in securing voter-approval for capital funding initiatives, future success is not guaranteed, and many maintenance and repair needs go unaddressed. Recently, the City has faced increased pressure in funding capital needs due to various issues such as supply chain disruptions, inflation, and labor shortages. These issues disrupt the City's capital planning process and diminish the impact of its funding sources. In addition, on December 12, 2023, Oklahoma City voters approved the funding of a new basketball arena from a one cent dedicated sales tax, which will take effect after the MAPS 4 tax expires in 2028. Although the successful sales tax initiative will provide for the construction of the new arena, sufficient funding sources for ongoing maintenance will still need to be identified to effectively manage existing infrastructure, reliably and provide for the acquisition of new capital assets. The City must conduct a comprehensive and integrated capital planning process and evaluate opportunities for securing dedicated and sustainable capital funding sources.

POSSIBLE DIRECTION AND NEXT STEPS

Capital Improvement Plan. The Five-Year Capital Improvement Plan (CIP) is a comprehensive listing of all capital projects scheduled for the next five years. The impact of projects on the operational budget is considered, but more thorough estimates should be obtained. While the CIP intersects with departmental planning efforts, it should be more meaningfully integrated with these processes to produce an accurate picture of the City's planned development and any gaps.

Capital Asset Inventory. The Finance Department maintains an inventory of all City capital assets for use in depreciation calculations in financial reporting. This valuable information source should be enhanced and better leveraged to support strategic decision-making in the allocation of resources to maintenance and repair needs.

Identification of Funding Sources

- **Capital Maintenance Reserve.** In April 2022, City Council adopted updated financial policies that established a Capital Maintenance Reserve Fund and General Fund operating reserves more than 22% that may be transferred to ensure that City facilities are well maintained.
- **General Obligation (GO) Bond Funding.** General Obligation (GO) Bonds are one of the City's primary funding sources for infrastructure and capital projects. GO Bonds were last issued in 2017 and the last sale from the 2017 authorization is planned for 2026. The City is planning on advancing a new GO Bond proposal in 2025 with projects impacting a variety of community infrastructure needs. Planning for the new bond authorization involves input from the Mayor, City Council, community stakeholders, property owners and residents. City Departments maintain lists of projects that serve as a starting point to develop the categories for Bond propositions. Projects will be prioritized using a multi-factor rating system that ensures projects serving the greatest needs and creating the greatest impacts are identified for inclusion. The City plans to hire a consultant PR firm to develop and implement an enhanced public information and education process and will employ new tools to supplement those used in the last GO Bond initiative, such as a digital engagement platform, virtual meetings, in-person outreach and work with community partners. After the bond propositions are finalized and before the GO Bond election, additional public information and outreach efforts will inform residents and prepare them to vote.
- **Review Mill Levy Rates.** State law restricts municipalities to utilizing ad valorem taxes to fund a debt service fund used to repay outstanding GO Bond debt. The City has a practice of maintaining a mill levy rate of around $16 per $1,000 of net assessed value. This practice should be reviewed to ensure that it recommends a rate commensurate with the community's infrastructure needs.

HIGHLIGHTED ISSUE

EMPLOYEE RECRUITMENT, ENGAGEMENT, AND RETENTION

Oklahoma City continues to have one of the lowest unemployment rates of large cities. While a low unemployment rate is a sign of a strong economy, there are challenges for employers such as employee turnover, impacts on service delivery and the need to increase wages and benefits. Departments have trouble filling and retaining employees in various fields especially in specialized, highly skilled positions, skilled trades positions and positions requiring commercial driver licensure.

POSSIBLE DIRECTION AND NEXT STEPS

- **Revised Human Resources (HR) Department Organizational Structure**. Decentralizing many employee-related efforts to field departmental HR Business Partners, who will have accountability to and enhanced support from the HR Department, will help the City achieve efficiencies of scale, provide consistent employment practices and improve the employee experience.
- **Employer Branding and Recruitment Outreach.** Human Resources will continue its efforts to brand the City as an employer of choice, a fair chance employer, and an employer that values diversity and inclusion. These efforts will include use of technology to streamline processes and recude time-to-fill and time-to-hire, and enhance the applicant experience. HR will obtain the services of a vendor to expand job postings beyond traditional sources to intentionally reach diverse candidates.
- **Internal Mobility.** Human Resources will foster career growth and internal mobility by creating a Registered Apprenticeship Program and expanding the City's Internship Program. Leveraging new technology to further develop and implement a robust learning and development program will encourage and support employee development. Succession planning and employee retention will be supported through mapped career pathways supported by competency-based training and a leadership training program for aspiring, new, and established leaders, as well as implementation of talent reviews to assess potential, performance, and individual readiness to fill critical roles within the organization.
- **Classification and Compensation Study.** The City completed the 2023 Class Comp Study and has seen historic increases in pay over the last four years. The results confirmed overall that the City's classification and compensation structure is competitive. However, low unemployment rates will continue to pose challenges attracting and retaining talent. HR is evaluating options to provide real time data to maintain competitiveness in the market.
- **State Minimum Wage.** An emerging issue is the potential upcoming ballot initiative to increase Oklahoma's state minimum wage. Currently, the cities pay structures are well positioned initially to offset the initial effects of any increase. However, as the proposed scale of increase takes affect in years 4 and 5, some adjustments will be required to the PT plan. Additionally, the increase in minimum wage may also put pressure on our current wage scales to attract and retain a quality workforce.
- **FLSA Changes.** Human Resources is tracking the upcoming FLSA changes that increase the minimum amount that can be exempt from overtime. Classification and Compensation is reviewing the impact and will determine any recommendations to address the changes to FLSA.
- **Employee Engagement Survey.** The City launched the first employee engagement survey in 2022 to measure engagement, sense of belonging, and sentiment regarding key elements of the organization and work environment. Department implemented engagement plans based on survey feedback and the City achieved positive year over year increase.
- **Benefit Program Offerings**. The HR Department contracted with a consultant to review and recommend changes and enhancements to the City's benefit program. In conjunction with our consultant, the City has been able to negotiate for favorable pharmacy rebate terms. In addition, the City successfully replaced the HMO plan with a self-funded EPO plan in 2024. These changes highlight the ongoing proactive approach the City has initiated to keep the medical inflation below the national rate. However, prescription drug costs and the emergence of specialty drugs will place increased pressure to control costs. The City will look to add programs, evaluate savings opportunities, and wellness initiatives with the goal of a healthier workforce and better, less invasive health outcomes.

HIGHLIGHTED ISSUE

GROWING DEMAND FOR TECHNOLOGY

The City strives to provide high-quality and efficient services to residents which increasingly requires the expanded use of technology. Over the last five years, City departments' technology service, support, and security compliance needs have greatly increased. The Information Technology (IT) Department has continued to experience challenges in attracting, hiring, and retaining qualified IT professionals required to meet the increasing demand.

As of mid-FY24, the IT Department has a 16% vacancy rate (21 positions out of 131) with several vacant positions in critical support areas. These staffing vacancies are impacting IT internal service to City departments and causing burnout for IT staff working to maintain service levels for enterprise systems. Also, with 28% of the City IT Department staff having 20+ years with the City, including 43% of City IT Department leadership, there is a high risk over the next five years of losing substantial institutional technical knowledge and expertise.

In addition, technology delivery continues to shift to cloud solutions and focused software as a service (SaaS) offering with increasing costs. The procurement of new SaaS solutions and the changeover of existing systems to cloud-based services come at a premium cost compared to traditional on-premises software costs. This transition is usually mandated by vendors as they end support for on-premises software and update the associated licensing models.

POSSIBLE DIRECTION AND NEXT STEPS

- **Continue Development of Specialized IT Department Job Titles.** The City will continue to develop more specialized and modernized IT department job titles and evaluate compensation.

- **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.

- **Continue to Seek to Maximize Existing Technology Investments.** The City is committed to improving service levels and creating efficiencies and cost savings through technological innovation. We will continue to ensure that technology investments are made efficiently and effectively to provide high quality services to our residents.

HIGHLIGHTED ISSUE

PUBLIC SAFETY PARTNERSHIP

In August 2023, the OKC Public Safety Partnership was announced in a continued effort to enhance crisis intervention, refine de-escalation, and promote community engagement in law enforcement policies. The Partnership is a collaboration among City Council Members, city leaders, OKC Police and Fire Departments, community members, subject matter experts, and other stakeholders. In May 2022, Council received a consultant created report that was informed by the work of the Law Enforcement Policy Task Force and Community Policing Working Group. This report contained 39 recommendations. In July 2022, the City funded a full-time position to ensure sustained focus on implementing these recommendations. As such, the Public Safety Partnership has been established and is progressing on all recommendations, several of which are implemented.

A fully implemented recommendation includes the establishment of the Community Public Safety Advisory Board (CPSAB). Passed by a resolution resented to City Council in August 2022, this board serves as a permanent independent committee that reviews the complaint investigative process and results of completed department investigations involving Oklahoma City Public Safety Officers. This board plays an integral role in enhancing community trust through transparency, education, and communication. The establishment, work, and support of the CPSAB represents the full implementation of four recommendations.

As the City continues to focus on addressing the mental/behavioral health needs of our community, an additional planned component is Mobile Integrated Health (MIH). MIH is the coordination of behavioral/mental health care that will include Crisis Call Diversion (CCD), Crisis Response Teams (CRT), and Alternative Response Teams (ART). The goal of this program is to reduce unnecessary police contact by connecting residents to mental health professionals when 911 is called due to a mental health crisis. MIH will help our residents receive needed medical assistance while conserving public safety resources.

As the City Manager's Office, Police Department, and Fire Department continue to implement innovative solutions that will reflect the unique needs of the community, it has been determined that to support the consultant recommendations these efforts will have ongoing costs associated with them and are expected to extend through several years.

POSSIBLE DIRECTION AND NEXT STEPS

The City has engaged a PR firm to work with City staff to assist in creating and executing our Public Safety Partnership community engagement plan. In alignment with recommendations, the goal is to strengthen public confidence in the Oklahoma City Police Department (OKCPD) by engaging in a comprehensive education campaign that will provide regular updates and gather concerns.

- As the City invests in the integration of the Records Management System and Computer Aided Dispatch, one of the goals of OKCPD is to ensure that the system allows for coordination to respond to mental health issues by identifying frequent callers and needs for specialized responses.

HIGHLIGHTED ISSUE

PUBLIC TRANSPORTATION SYSTEM INVESTMENTS

Operating budget funding

- Bus Rapid Transit (BRT) – funding to support operations and maintenance of MAPS 4 BRT alignment.
- Transit Signal Prioritization (TSP) – implementation and maintenance of existing Traffic Signal. Prioritization (TSP) systems and additional TSP being implemented as part of MAPS 4 initiatives. The TSP system coordinates the requests for signal phasing for equipped vehicles such as buses, streetcars and public safety vehicles.
- Bus Shelter Maintenance – additional maintenance staff and supplies to clean and maintain the new shelters being added from MAPS 4 initiative.
- OKC Streetcar – spare parts for maintaining streetcar fleet in a state of good repair.
- Micro Transit – funding to support operations and maintenance of MAPS 4 micro transit service.

Capital investment funding

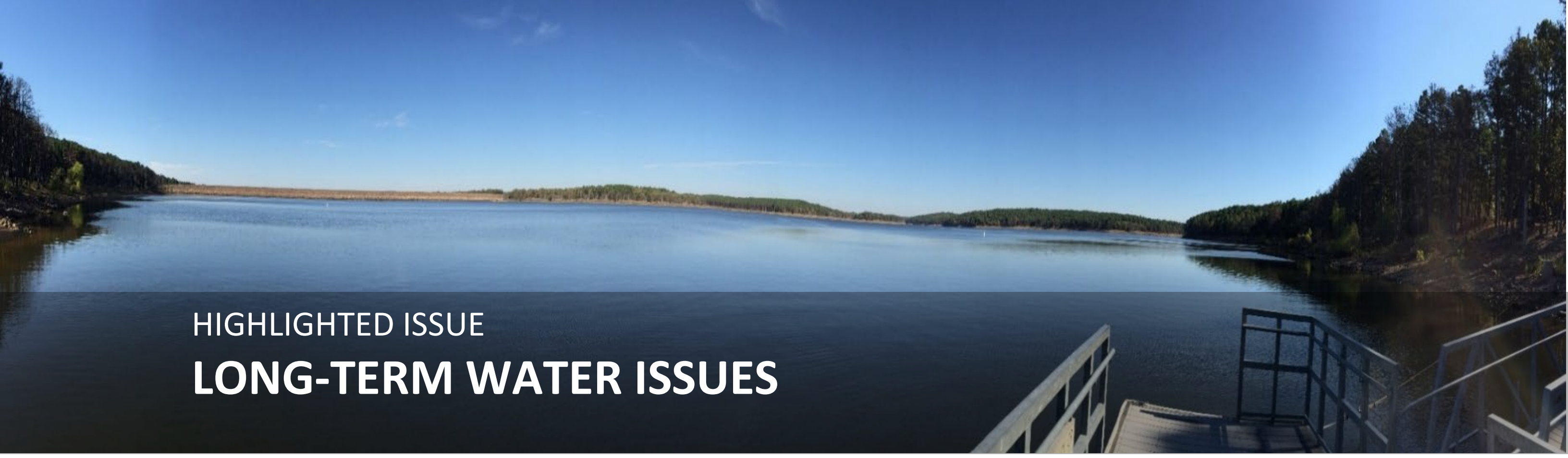
- EMBARK Headquarters –construction costs for new transit headquarters and maintenance facility.
- OKC Streetcar – the OKC Streetcar system has major components that need replacement, such as propulsion equipment to maximize the overall useful life of the system.
- Pedestrian Access – construction cost for new sidewalk connections to existing bus stops.
- Grant Funding – local Match funding for Federal Transit Administration (FTA) grants to support transit for the Los Angeles 2028 Summer Olympics.

RTA and Regional Transit Initiatives

- Regional Transportation Authority(RTA) system vision plan adopted, alternative analysis studies for north/south corridor and east corridor complete
- Finalize station locations.
- Continue to work toward dedicated funding.

POSSIBLE DIRECTION AND NEXT STEPS

- The Public Transportation and Parking Department will seek funding via the General Obligation (GO) Bond election and continue to seek competitive FTA grant funding for capital investments for new facilities, thereby leveraging local funding to provide the required local match with the FTA providing 50% or more of the funding.
- The Public Transportation and Parking Department will continue to evaluate financing strategies for new expanded transit facilities.
- The Public Transportation and Parking Department will continue to work to identify alternative revenue sources for future increased operating costs.
- RTA to work with member cities to evaluate timing of a potential vote for dedicated funding for regional transit.



HIGHLIGHTED ISSUE

LONG-TERM WATER ISSUES

Increasing Costs and Shortages of Services and Supplies
The Utilities Department has faced significant cost hikes in services and supplies, such as a nearly 500% increase in chlorine prices. Record-high inflation, supply chain challenges, raw material availability, rising fuel/energy costs and labor shortages have elevated operational and maintenance expenses and capital construction costs.

Regulatory Issues
Recent EPA focus on PFOA/PFOS regulation poses operational and capital challenges necessitating adjustments in monitoring and potential treatment and biosolid disposal methods. Impacts of regulations may cause the Utilities Department to look at an alternative to biosolids land application, which could cost hundreds of millions of dollars for capital improvements and millions of dollars per year in operational costs. OCWUT is comprehensively categorizing lines through analysis and potholing by developing a plan for lead and galvanized line replacements excluding the customer-owned portion with a specified timeline or percentage for annual replacements subject to state approval. Routine operations include proactive replacement of identified lead service lines during small water line replacements and repairs.

Staffing Challenges
With a persistent 12% vacancy rate with over 100 vacant positions in recent years doubled the industry median of 7% in recruiting, hiring and retaining a qualified workforce poses a challenge affecting the Utilities Department's ability to ensure service reliability.

POSSIBLE DIRECTION AND NEXT STEPS

- The Utilities Department is securing financing for its ten-year capital improvement program by using a Bank Note for specific large projects.
- The Utilities Department is utilizing federal and state grants, including loan forgiveness and cost-share grants to implement projects addressing regulatory needs like lead service line inventories.
- To sustain water, wastewater and solid waste management programs the Utilities Department is crafting a long-range capital program option and financial plans
- The Utilities Department is employing various strategies to attract and keep a skilled workforce such as internship programs, career fairs, temporary labor agencies and an onboarding program offering a comprehensive introduction to the Utilities Department and growth opportunities within the organization.

DEPARTMENT LIST OF FORECAST ISSUES

Department	Issue	Facility	Fleet	Personnel	Services	Materials	Page No.
Airports	Construction of Additional Public Parking	●					86
	Maintain and Improve Existing Building Systems and Aging Infrastructure	●					86
	Federal Inspection Station (FIS) Facility Buildout	●					87
	AAR Hangar	●					87
City Auditor	Contracted Information System Audits	●		●	●	●	87
	Timely Audit Responses			●	●		87
	Automated Audit Workpaper Software			●	●		87
City Clerk	Enterprise Records Management System				●		88
	Operation of New Archives and Records Facility	●		●			88
City Manager's Office	Implications of Increasing Operation Costs		●	●	●	●	88
	new LA28 Olympics in OKC	●		●	●	●	88
	new 2025 General Obligation Bond	●					89
	new New Oklahoma City Arena	●		●		●	89
	Homelessness	●		●			77
	Public Safety Partnership	●		●			81
Development Services	Development Process Improvement				●		90
	new Safety, Security and Staffing			●	●		90
	new Building Maintenance	●		●		●	90
Economic Development	new Economic Development Funding	●			●	●	91
Finance	Capital Planning and Infrastructure Funding	●				●	91
Fire	Fire Facility Management	●			●	●	91
	Maintaining Operation of all Apparatuses		●	●			92
	Emergency Medical Services Programs	●					93
General Services	Facility Asset Management				●	●	94
	Facility Capital Maintenance	●		●		●	94
	Fleet Services		●	●	●		95
Human Resources	Human Resources Service Level			●	●		95
	new Occupational Health Forecast Issues			●	●		96
	Employee Recruitment, Engagement, and Retention Strategies			●	●		79
Information Technology	Technical Staff Recruitment and Retention			●	●	●	96
	Expansion of Technology and Increasing Software Costs			●	●		96
	Cybersecurity			●	●		97
	Growing Demand for Technology			●	●	●	80

DEPARTMENT LIST OF FORECAST ISSUES

Department	Issue	Facility	Fleet	Personnel	Services	Materials	Page No.
MAPS Office	Project Cost Increases	●				●	97
Municipal Counselor	Increased Client and Capital Needs			●	●		97
Municipal Court	Relocation of the County Detention Center	●		●	●	●	98
	Enhanced Technology				●	●	99
	Facility Needs	●		●	●		99
Parks and Recreation	*new* New Park Assets	●			●	●	100
	Capital Maintenance	●			●	●	100
	Operating and Maintenance Costs				●	●	101
Planning	Affordable Housing	●		●	●	●	102
	Homelessness System Transformation	●		●	●	●	103
	new Ongoing Support for Homelessness Initiatives			●	●	●	103
	new Comprehensive Plan Implementation			●	●		103
Police	OCPD Headquarters Annex and Parking Facility	●		●	●		104
	Police Storage Facility	●					105
	New Regional 911 Center	●		●	●		105
Public Information and Marketing	*new* Accessible Digital Services				●		105
	new Public Information and Engagement				●	●	105
Public Transportation and Parking	OKC Moves & MAPS 4 Transit Projects Implementation	●	●	●	●	●	106
	Public Transportation System Investments		●	●	●	●	82
Public Works	*new* General Obligations Bonds/ Infrastructure Funding	●			●	●	107
	Bridge and Drainage Infrastructure			●	●		111
	Street Infrastructure Dedicated Fund Source			●	●		112
	Inflation for Infrastructure Construction Projects	●			●	●	112
Utilities	Utilities Long-Term Water Issues	●		●	●	●	87

AIRPORTS

Construction of Additional Public Parking

The OKC Will Rogers International Airport has seen an uptick in passenger activity during the summer peak period. Trip durations are shorter, causing closures in the parking garages.

Currently, overall parking demand is at 75% average capacity and near 100% capacity during peak travel times. Furthermore, covered parking does not meet demand of the traveling public. By 2030, using conservative forecasting numbers, OKC Will Rogers International Airport may be underserving covered parking demand by 35% if no additional parking is built.

In 2024, Oklahoma City Airport Trust (Trust) solicited the architectural services of Allford Hall Monaghan Morris to create a preliminary conceptual design and report to address this parking need. Staff agreed with the conclusion of the report that a five-bay, five-story garage was needed to meet the needs of the current traveling public and give room for growth to future terminal expansion projects.

The proposed structure will tie into the current parking garage and increase overall parking efficiency with a new ramp. The new parking garage will utilize the current passenger tunnel as well as adding 1 to 3 new elevators. Approximately 2,000 – 2,200 net spaces will be added with a rough estimated construction cost of $80-85 million. Construction is expected to begin in FY27 and be completed by FY29.

Maintain and Improve Existing Building Systems and Aging Infrastructure

Some of the Airport Department's building systems and infrastructure at OKC Will Rogers International 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.

The OKC Will Rogers International Airport currently has 21 passenger boarding bridges with 17 bridges that have currently reached the useful live. In FY24, six bridges will be replaced, while the rest of the bridge replacements will occur in the next five years. The FY25-FY29 Capital Improvement Plan includes $359 million of funding for projects that prioritize safety, lease requirements, paving, and compliance. Additional projects will be incorporated though the evaluation of a lifecycle analysis versus a repair cost benefit.

The Infrastructure Investment and Jobs Act of 2021, referred to as the Bipartisan Infrastructure Law (BIL), made grant funding available through a competitive process by establishing the Airport Terminal Program (ATP) and yearly allocation for Airport Infrastructure Grants (AIG) has made additional grant funds available for Airport infrastructure projects for FY23-FY27. The OKC Will Rogers International Airport is seeking grant funding opportunities through these new grant programs to fund infrastructure improvements. In FY24, the OKC Will Rogers International Airport was awarded a $9 million grant under the ATP for the replacement of eight passenger boarding bridges.

The Trust is replacing the mechanical, electrical, and plumbing systems within the Will Rogers tunnel walkway due to the age of the system, maintenance requirements, and parts availability. Current coverage of heating and cooling is spotty throughout the walkway. Electrical panels are obsolete, and the heating and air conditioning piping is over 30 years old. The walkway is utilized by the public to travel safely under the arrival and drop-off zones to and from the parking lots. This tunnel also provides a climate-controlled space ensuring that passengers can be protected from the elements. The Trust authorized a contract for professional services on February 23, 2023, estimated at $200,057. The estimated total cost of construction is $2.5 million.

At Wiley Post Airport, portions of the airfield, the terminal parking lot, and many tenant areas have experienced slow drainage, resultant ponding, and occasional flooding during particularly heavy rains. The parking lots and many T-hangar tenants have been impacted by deep ponding. The drainage study, conducted in March 2015, provided for the consultant to conduct an in-depth study to address the ponding and flooding in the concerned areas. At the completion of this study, the Airport was presented with 3 options of construction phasing. The current estimated construction cost for the entirety of this project is $7.7 million.

Runway 17R/35L widening is shown on the currently approved master plan and airport layout plan for Wiley Post Airport. Widening runway 17R/35L to 100 feet will accommodate current jet-based aircraft that frequently are diverted to this runway during normal daily operations. In this scenario, the increased width to 100 feet will call for safe operation of the existing and future fleet. The design was awarded in January of 2022. A construction contract was awarded on August 24, 2023, with construction starting in July 2024. The construction cost is estimated at $11.3 million.

Federal Inspection Station (FIS) Facility Buildout

The OKC Will Rogers International Airport does not currently offer international service due to the lack of an operational Federal Inspection Station (FIS). The Trust, with the recently completed Terminal Expansion Project, provided a shell space for future development of a FIS. Customs and Border Patrol (CBP) has agreed to staff this facility if the Trust builds out the space. The project will enable the Trust to attract international non-stop service, which in turn will increase total passengers and revenues for the Airport. The design of this project was awarded in July 2023 for $900,000. Construction of the project started in May 2024 and is scheduled to be completed by January 2025 and operational by the end of February of the same year. The project is $11.5 million.

AAR Hangar

The Trust will construct a new $40 million hangar for AAR at the OKC Will Rogers International Airport. The hangar will accommodate and allow AAR to meet growing demand for their Aircraft Maintenance Repair and Overhaul (MRO) services. One of AAR's largest customers, Alaska Airlines, requires additional hangar space to meet the MRO requirements of their fleet. The airline industry is changing from less than 100- to 200-seat aircrafts, such as the Boeing 737. Alaska Airlines is experiencing increased utilization of 737 type aircrafts and requires additional hangar space to meet those needs. The Oklahoma City AAR MRO facility is a preferred location to expand adjacent to maintenance hangars utilized by Alaska Airlines. The new hangar will provide a 3-bay, 737 capability with increased shops, parts, and office space to accommodate the current and forecasted requirements. The project will be funded by the State of Oklahoma and AAR. The Trust will manage construction of the hangar. Construction began in July of 2024 and is expected to complete early 2026 at an estimated construction cost of $34.6 million.

CITY AUDITOR

Contracted Information Systems Audits

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. Increasing information system complexity, combined with rapid technological advancement and security threats increasing in both number and sophistication, is expected to further increase the need for contracted information system audits.

Timely Audit Responses

Timely identification of internal control weaknesses, loss exposures, and operational improvements through audits is critical to maintaining public trust in City operations. Continued growth in the size, scope, and complexity of City operations is expected to create the need for additional audit positions to enable timely audit responses to programs and operations requiring such services.

Automated Audit Workpaper Software

Internal audit functions are increasingly using automated audit workpaper software to increase efficiency and productivity in completing audits. The increasing need for audit services resulting from continued growth in City operations, combined with limitations on funding available to increase staffing, is expected to create the need to pursue cost effective alternatives to increasing efficiency and productivity without increasing staffing levels.

CITY CLERK'S OFFICE

Enterprise Records Management System

The City Clerk's Office initiated 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 will be automated and applied through this system. An RFP was issued August 13, 2024 and responses are now being evaluated. It is critical to obtain a records management system prior to opening the new archives and records facility. The system is estimated to cost between $250,000 and $300,000.

Operation of New Archives and Records Facility

The City Archives and Records Facility Project was approved by voters as part of the 2017 General Obligation (GO) Bond package. A central facility for City records creates a need for funding to staff, purchase equipment, and operate the facility. The central facility must have the capacity to securely store records over the short and long term. The facility will require data storage and computers, shelving and archival boxes, office furniture, and staffing to provide records management services. The facility will be constructed at the Central Maintenance Facility Campus. Additional consideration should also be made for a dedicated vehicle for transporting records between the facility and the downtown City campus.

CITY MANAGER'S OFFICE

Implications of Increasing Operation Costs

Municipalities across the country are experiencing rising costs to provide essential services to their residents. One of the most significant challenges is the ongoing inflation, which has driven up the prices of goods and services like fuel, construction materials, and utilities. This directly impacts the cost of maintaining infrastructure, operating facilities, and providing public services. Specific examples of these higher operating costs include chemicals used to treat water, e.g. drinking water, and River Sports facilities which have seen threefold increases in costs.

Additionally, the rising cost of labor including wages and benefits of City staff as well as contracted services, further shrinks municipal budgets available to provide services. City staff wages increased over the last three years from 3.78% to as high as 8% annually for some bargaining units. These increases have exceeded revenue growth, which performs at about 3% on average. These increases are likewise mirrored in our contracted services for everything from software to streetcar operations, which have seen similar increases in their contract rates.

new

LA28 Olympics in Oklahoma City

Oklahoma City is expected to be the site of two Olympic sports in 2028 - Devon Park (USA Softball) for women's softball and Riversport (Whitewater Center) for whitewater slalom canoe/kayak. Both facilities will require infrastructure, repairs, updates, and amenities to prepare them to hold these competitions. The City Manager's Office anticipates funding needed capital projects for both facilities through the 2025 General Obligation Bond and various other sources. In addition to capital costs associated with physical improvements, the City will be required to plan for and coordinate, ensuring our city can accommodate an influx of hundreds of thousands of visitors staying for several weeks. Cost impacts include demand on law enforcement, traffic management, utilities, transit, parks and recreation, the Public Information office, and various facility and service contracts.

The Greater OKC Chamber will be creating an organizing committee that will oversee private donations, participation, and planning in coordination with LA28. The City has a team of staff in the City Manager's Office coordinating City services and contracting for improvements for both venues. Planning for this activity will involve many staff across multiple departments, coordinating with partners like the Greater OKC

Chamber, VisitOKC, Downtown OKC, and local businesses and community members. City departments that will be impacted and engaged leading up to, during and well after the competitions will be Police, EMBARK, Public Works, Parks and Recreation, Public Information and Marketing, and Utilities.

2025 General Obligation (GO) Bond

With the current GO Bond Authorization (2017) winding down and the next authorization vote pending in 2025, funding for infrastructure such as Public Safety facilities, Parks and Recreational facilities, public buildings, and event facilities are critical. The primary source of funding for public infrastructure is the General Obligation Bond (GO Bond) program.

New Oklahoma City Arena

Oklahoma City voters overwhelmingly approved a new chapter in Oklahoma City's renaissance with the passage of an extension of the MAPS one-cent sales tax for a new arena. The current arena was built over 25 years ago and no longer meets the requirements for an NBA franchise or for modern concerts and events. Management and design contracts have been awarded for the new arena. A site has been chosen and preparations are underway to begin construction in 2026. A construction management team will be chosen in early 2025 to lead the construction efforts.

The site has been determined to be on the Cox Convention Center (Prairie Surf Studios) site. Demolition will start in the first quarter of 2025. A demolition contractor will be selected through competitive bidding and will take 6 to 9 months to complete. During the demolition, disruptions will be seen in traffic, pedestrian access, and streetcar operations. The proximity of the building to the street and removal of the pedestrian bridge on Sheridan will require periods of closure on Sheridan between Gaylord Boulevard and Robinson Avenue. This closure will be limited to the shortest time possible. Noise may also be an issue.

Prior to demolition, utility relocations will be required. OG&E and Cox Communications are currently working on a relocation plan for lines within and adjacent to the site. Plans are being executed to transfer vicinity heating and cooling from the current plant at the Cox Convention Center to the Paycom Arena. Additionally, the Distributed Antenna System (DAS) is being relocated to the MAPS 3 Convention Center. The DAS provides dense phone connections for events in Paycom.

A Project Management Consultant (CAA/ICON), specializing in arenas, has been hired to lead the project for the City. The architectural team of TVS/Manica has been hired to complete the design and construction plans and oversee construction.

Because of the complexity, size, and specialization of the project, an alternate project delivery method known as Construction Manager at Risk (CMaR) will be used. A construction management team will be hired based on qualifications and will be integral with the design of the project. This will help the design team to understand costs, constructability, and availability of materials to help keep the project within budget and complete it on schedule. However, all subcontractor trades (electrical, steel, plumbing, etc.) will continue to be bid through the normal bidding process.

The arena will be funded using the MAPS one-cent sales tax. Sales tax collections will begin on April 1, 2028 and will continue until March 31, 2034. It is expected the City, through the Oklahoma City Public Property Authority (OCPPA), will use Sales Tax Anticipation Bonds to advance funding for the construction. In order to keep interest payments as low as possible, various financing structures and phases will be evaluated.

Homelessness

(Highlighted Issue – Page 77 for additional information)

Public Safety Partnership
(Highlighted Issue – Page 81 for additional information)

DEVELOPMENT SERVICES

Development Process Improvement
The Development Services Department is committed to driving process improvement, particularly by overhauling the permitting process within the next five years. Currently, Oklahoma City's plan review and permitting processes are decentralized, with separate functions managed by different departments, leading to confusion and inefficiencies for developers and residents. To address these issues, a consultant is working closely with City departments to evaluate the existing procedures, analyze technology impacts, and recommend strategies for improvement. This review, expected to be completed in early 2025, will offer solutions to streamline communication between applicants, staff, and stakeholders and minimize the time from application to permit issuance. The department expects recommendations to improve customer experience and efficiencies will include expanding staffing, upgrading software, and integrating AI tools to optimize plan reviews, perform code compliance checks, and reduce review times. Implementing these recommendations can help create a more transparent, efficient, and customer-friendly permitting process that supports the city's growing development needs.

Safety, Security, and Staffing
Maintaining safety and security for staff, the public, and facilities is a top priority for the Development Services Department, especially as Oklahoma City's population growth over the past five years has led to a rising demand for environmental code enforcement. To meet these challenges, the department is proposing to implement several key initiatives. First, a full-time security guard will be added. Security personnel is needed at the animal shelter to ensure the safety of staff, animals, and visitors in the shelter's high-traffic environment. Additionally, the department will need to hire a full-time specialized Training and Safety Specialist responsible for providing tailored safety training to each division: Animal Welfare, Code Enforcement, and the Development Center. This role will equip staff with the necessary safety protocols, compliance standards, and risk mitigation strategies to foster a safer working environment across all functions.

The Code Enforcement Division is particularly impacted by increased violations, rising abatement costs, and staffing shortages, with the number of field inspectors reduced from 27 in FY17 to 23 today. Despite this reduction, the department continues to manage an average of 79,000 inspections annually. The increased call volume and additional responsibilities stretch resources thin. New demands, such as non-nuisance inspections, short-term rental regulation, and dilapidated sign abatement, further strain the team. Technology enhancements are critical to help inspectors handle these mounting workloads, but staffing shortages could still result in backlogs and reduced service quality.

In addition, the Animal Welfare Division will need to expand its team to fully support its growing services and prepare for the opening of the new animal shelter anticipated mid-2026. Key positions to be added include a Field Unit Operations Supervisor, Veterinarian Assistant, two full-time Pet Placement Coordinators, and a full-time Volunteer Coordinator are needed. Expanding the Community Spay/Neuter Program will also be essential to maintaining the shelter's success, as this program has significantly contributed to reducing animal intake and increasing the live release rate. Additional funding and staffing will be necessary to fully realize the benefits of the new shelter and continue improving animal welfare services citywide.

Building Maintenance
Building maintenance is a critical aspect of the five-year forecast for the Development Services Department, particularly with the upcoming construction of a new animal shelter. This modern facility will require an enhanced maintenance and security program to ensure that it remains fully operational and safe. The

Development Services Department will need to allocate additional funding for ongoing repairs and maintenance services, with a focus on exploring the benefits and efficiencies of creating a dedicated full-time maintenance team to handle the unique needs of the new shelter. Regular upkeep and preventive maintenance will be prioritized to avoid disruptions to shelter operations and to maintain high standards of cleanliness and functionality. The Development Services Department will also explore implementing a third-party cleaning service to help manage the shelter's sanitary needs, ensuring a clean and healthy environment for both animals and staff. Moreover, a comprehensive security plan will be developed for the new facility, anticipating the integration of upgraded security and safety measures, such as surveillance systems, personal emergency protection, and access controls. These enhancements in building maintenance, safety, and security are essential to sustaining the long-term success of the new animal shelter, protecting the City's investment, and ensuring a safe and clean environment for animals, staff, and visitors alike.

ECONOMIC DEVELOPMENT

new

Economic Development Funding

Limited resources and competing needs create constraints in the City's Economic Development programs. General Obligation-Limited Tax (GOLT) Bond funds are used to provide incentives for the creation of new-to-market quality jobs, to assemble large sites suitable for recruiting industrial and manufacturing employers, and for assisting in the development of affordable housing. While each of these programs has seen successes, additional resources would allow for the expansion of these programs that would greatly benefit Oklahoma City businesses and residents. Planning is underway for the next bond authorization and there is opportunity to consider additional funding for these programs.

FINANCE

Capital Planning and Infrastructure Funding

(Highlighted Issue – Page 78 for additional information)

FIRE

Fire Facility Management

The Oklahoma City Fire Department (OKCFD) has 46 facilities, which include 12 fire stations that are 40 years or more old, seven that are 50 years or more old, and two that are more than 70 years old. These older facilities need renovation and frequent repairs.

As part of an accreditation process, in June of 2023 the department commissioned a Fire Station Location and Deployment Study and Standard of Cover. The Fire Department's physical resources (including facilities) were sufficiently reviewed to provide insight and recommendations about future needs and changes. Comprehensive analyses were completed regarding fire station locations for various travel time alternatives. These strategies provided the department and the City with the greatest flexibility to establish the desired service levels and plan for the investment to accomplish operational initiatives. The solution with the greatest likelihood of near-term implementation that best balances performance, risks, and cost outlined in the Executive Summary of this study is that the Fire Department adopt a 41-station configuration, which would require the additional construction of three new fire stations. The three new fire stations have been added as priority in the 2025 GO Bond assessment.

The OKCFD needs an updated comprehensive facilities assessment, which will be included in the FY27 budget. In 2015, MA+ Architecture provided a comprehensive facilities assessment, with the goal to "identify conditions and recommendations, that when 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 bring each station up to modern standards. The Study identified three fire stations in need of being rebuilt, which were included in the 2017 General Obligation (GO) Bond package. Conducting a new assessment would provide the information needed to identify current priorities to make informed decisions.

The Fire Fleet Maintenance & Logistics Center is 50 years old and in need of replacement. This is the top priority for the 2025 GO Bond assessment. The department has centralized its maintenance and logistics function in this one location and has increased the size of its fleet. These factors, along with the current facility's need for constant repair, create the need for a larger and modern facility. The department's Special Operations Section manages multiple specialized pieces of equipment and apparatus, which are utilized to fulfill the mission of the department's Technical & Urban Search & Rescue Functions. These assets are currently stored in multiple locations throughout the city. Many of these facilities are aging and in disrepair. There is a need for a centralized Special Operations Facility that can adequately and securely house these assets. The Fire and Police Departments are currently in the process of building a new joint PSTC (Public Safety Training Center). When the new PSTC is completed, the Fire Department intends to utilize the current Fire Training Facility to meet other departmental needs. These needs will include housing mental and physical "wellness" resources and functions (Licensed Professional Counselor, Peer Support Team Leadership, Wellness Lieutenant, Athletic Trainer, Chaplain, etc.) in one central location. This facility will also be used to support the Public Safety Communications Center (PSCC) and Regional Multi-Agency Communications Center (RMACC). This will require remodeling and renovating the facility.

In addition, the OKCFD will be providing new services, such as the Supplemental Emergency Medical Services (EMS) Transport Service, and is proposing providing key components of a new Integrated Healthcare System. These new services and programs will require additional office and administrative space for the additional civilian employees and firefighters needed to perform these functions. Currently the Fire Department is renting office space for the Wellness Center and the Mobile Integrated Healthcare (MIH) Program office space.

Maintaining Operations of all Apparatus

The Fire Department currently has 933 Operations-Suppression personnel that staff the department's 38 fire stations. All fire stations have Advanced Life Support (ALS) capabilities provided through 34 engines, four ALS brush pumpers, and one EMS Officer (751). The remainder of the response apparatus can provide Basic Life Support (BLS), which are five engine companies, 13 ladder companies, one medium rescue and one hazardous materials company, 12 BLS brush pumpers, six heavy tankers, one air supply unit, six Battalion Chiefs, one Customer Service Liaison (CSL), and one Shift Commander. The Fire Suppression Division consists of three different shifts that work a 24-hour modified Kelly shift schedule, a scheduling system common among fire departments. The work schedule requires that each shift work three 24-hour shifts with a 24-hour break in between the first and second shift, followed by 96 hours off after the third 24-hour shift. This equates to a 56-hour work week or 216 hours in a 27-day cycle. Each shift is staffed with 311 personnel with a daily minimum staffing based on the Collective Bargaining Agreement (CBA) of 241 personnel.

OKCFD has a minimum staffing model based on the CBA, which requires four personnel on all ALS engine companies, 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 one on the CSL Unit, one on the EMS Officer Unit, and two on each Battalion Chief vehicle. This overstaffing of personnel is designed to cover days off for vacation and holiday leave and attempt to offset long-term leave such as sick leave, on the job injuries, and administrative leave. It is also designed to minimize overtime due to a daily requirement of 66 guaranteed day off slots based on an arbitrator's ruling. Long-term leave due to injury, unexpected Family Medical Leave Act (FMLA) leave used, sick leave, or vacancies are not factored into the arbitrator's calculation of the guaranteed day off slots. A five-year review of the data indicates OKCFD averages 30 leave slots per day for this type of leave. 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 primary budget challenge for the department. Any restrictions placed on the department to manage minimum staffing levels by taking apparatus out of service will have significant, determinantal impact on the City's budget.

Emergency Medical Services Programs

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 EMSA: the Board of Trustees, EMSA, the City Governments, and the Office of the Medical Director. The primary objective of EMSA is to provide operational oversite by ensuring their system complies with the response time requirement, which is currently 10 minutes and 59 seconds for Priority 1 calls and 24 minutes and 59 seconds for Priority 2 calls.

Since the EMSA Trust Indenture has recently been updated and now allows beneficiary cities to provide supplemental Emergency Medical Services (EMS) transport services, the City of Oklahoma City has entered into an agreement with EMSA to provide EMS transport supplemental services. The City and EMSA developed a comprehensive operational EMS plan to better meet the needs of the community. The pandemic exposed vulnerability within the EMS transportation plan in that the City has no means of providing supplemental EMS transport services. The Fire Department has purchased and equipped four ambulances, hired four EMS supervisors, and hired 13 Paramedics and 16 Basic Emergency Medical Technicians (EMTs) to commence supplemental EMS transport services. In May 2024, the Oklahoma City Fire Department received an Oklahoma State Transporter License and in June 2024, the first EMS transport unit went operational. Digitech has been contracted to manage EMS transport billing and the contract with EMSA is in the process of being finalized.

Additionally, when EMS was originally designed, its purpose was to provide pre-hospital patient care for those suffering from medical and trauma conditions and then transport them to hospital emergency departments. The need to diversify from a transport service to a fully integrated component of the healthcare system has become evident. Systems in the U.S. and Canada have demonstrated that patients are better served when EMS is allowed to provide patient navigation throughout the healthcare system. The Fire Department is also recommending that protocols be developed in accordance with Oklahoma state law, allowing EMS to refuse unnecessary transport to a comprehensive facility based on guidelines established by the Office of the Medical Director, as this will help reduce needless patient transport and ease the burden on hospital emergency rooms.

The Oklahoma City Fire Department has received budget authority to modernize its current traditional EMS system to maintain outstanding pre-hospital patient care and transport and alternative response to behavioral health and to provide the following critical functions and benefits through the Mobile Integrated Healthcare (MIH) Team. MIH will serve the community through the following initiatives:

- *Crisis Response Team (CRT):*
    - Implementing a Crisis Response Team would provide a co-response alternative resource to behavioral health that is anticipated to result in improved care with appropriate resources for those experiencing low-acuity mental health crises or behavioral health-related calls. The Fire Department will lead this initiative by delivering a non-violent, non-law enforcement response directly to the person in need. Each CRT is staffed with an Oklahoma City Fire Mobile Integrated Healthcare (MIH) Paramedic and a Mental Health Professional (MHP).
    - The Crisis Response team will also serve as an Overdose Response Team. The response model incorporates five key strategies:
        - Provide overdose reversal education or make referral to opioid reversal medication sources.
        - Provide short-term medication assisted recovery to patients who meet a defined, medically supervised criteria.
        - Provide referral sources for US Food and Drug Administration (FDA) approved medications used to treat Opioid Use Disorder and to link participants to ongoing care sources.
        - Provide recovery support peer services.
        - Provide community pre-hospital health-care provider follow-up and support.

- *Community Advocacy Program (CAP):*
    - With the initial pilot program being established in 2019, CAP works to decrease emergency service consumption by residents who chronically use 911 as a resource to help them with non-emergency services. Included within these non-emergency services are mobility, housing, nutrition, elder care, mental health, and substance abuse issues. CAP accomplishes its mission by establishing a mentoring relationship with residents. As the resident's issues are resolved, the advocate works to educate the resident on the availability of existing community resources and the availability of methods of search for community assistance.

- *Alternative Response Team (ART)*
    - ART is a low-acuity behavioral response team. The goal of ART is to provide specialized, immediate responses to behavioral health calls, reducing the burden on traditional emergency services and improving outcomes for individuals experiencing behavioral health crises.

- *Crisis Call Diversion (CCD)*
    - The Crisis Call Diversion (CCD) Team's goal is to reduce unnecessary police contact by connecting people to mental health professionals when someone contacts 911 due to a behavioral health crisis or other health or social service need. CCD will help the community conserve public safety resources and reduce the reliance on police by first determining whether law enforcement is necessary for the response. Diversion Dispatchers are mental health professionals who can facilitate a response that helps link the person in need to services for treatment and will also be able to ascertain information from the caller such as psychiatric history, treatment compliance, current medications, or symptoms.

GENERAL SERVICES

Facility Asset Management

The General Services Deparment is striving to transition from preventive maintenance to more effective and efficient predictive maintenance to reduce facility/mechanical downtime by using a work order system to schedule preventative maintenance. Additional licensed skilled trades personnel are needed to accomplish predictive maintenance and eventually eliminate deferred maintenance in existing and newly constructed City facilities. The greatest need currently exists in the electrical, HVAC, and plumbing systems.

The industry standard for square footage maintained per full-time equivalent (FTE) is 50,000 square feet. The Building Management Division (BMD) currently has 32 budgeted full-time maintenance and skilled-trades personnel. BMD is presently maintaining 68,694 square feet per full-time maintenance position.

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 included an extensive inspection of each facility's mechanical, plumbing, and electrical systems; the roof and gutter systems; structural assessments; the building envelope (exterior) systems; code compliance; and ADA compliance. The goal of the study was to provide City staff with a planning tool that would assist in making annual funding decisions regarding which facility upgrades should be addressed in a given fiscal year.

The consultant submitted the final report in January 2022. The report provided the estimated cost of $31.6 million to make required upgrades to the 88 facilities, and did not include repair costs estimated at less than $5,000. Given this estimate, a long-term funding source/plan is needed to make needed repairs to the City's facilities.

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 (GO) Bonds. As the facilities age, capital maintenance is needed to extend the life of the facility. A method of reliably financing maintenance and repairs for the facilities listed below will remain a challenge for the City.

- *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. There are existing maintenance needs at the Paycom Center, Bricktown Ballpark, and the Bricktown Canal.

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

- *Other City Facilities*
  Past General Obligation (GO) Bond authorizations provided funding for many new buildings and facility improvements throughout the city. The Fire Department has 48 facilities of various ages, which now require approximately $23 million in repairs. A Fire Station Renovation Program was approved in the FY23 budget, which will fund renovations at those stations most in need of remodeling. Currently, a project to expand and renovate Fire Station 15 is underway.

Fleet Services

The Fleet Services Division consists of one Manager, one Unit Operations Supervisor (UOS), three Equipment Service Workers, 17 Master Mechanics, and two Service Writers for a total of 24 positions. For the size of the general fleet, the Vehicle Maintenance Division is severely understaffed. The current equipment inventory in the general fleet is 2,380.

Manpower studies have been accomplished within the fleet maintenance industry and a general recommendation is that one mechanic can support 60-120 vehicle equivalents (VEs). VEs are a relative way of looking at the fleet. A standard sedan is the base unit and is assigned a VE value of 1.0. All other vehicle types in the fleet are assigned a VE value that represents the manpower required to maintain them in relation to a standard sedan. For instance, an asphalt patching truck is assigned a VE of 12.0. This means that maintaining an asphalt patching truck requires 12 times the manpower than it would to maintain a standard sedan. With Fleet Service's current staffing, the ratio of VE's per mechanic is 359 VE's per 1 mechanic. Fleet Services has met with industry consultants whose experience with comparable municipal clients has underscored the acute problem the City faces with understaffing in the division.

The National Automotive Fleet Association (NAFA) recommends 1-1.5 work bays per mechanic and two bays per heavy truck mechanic. Fleet Services operates out of Central Maintenance Facility Building 8. With 21 available work bays, Building 8 is at maximum capacity. By the NAFA recommendations, the shop should have 30 bays for mechanics.

HUMAN RESOURCES

Human Resources Service Level

According to the SHRM Benchmarking-Human Capital Report, published by the Society for Human Resources Management 2022, "HR departments have a median of 1.3 employees per 100 in the workforce." This equates to 71 Human Resources (HR) positions for a workforce of 5,117 budgeted positions. The prior benchmark hovered for decades at 1 employee per 100 in the workforce or 50 positions for the City. The HR Department is currently authorized for 36 positions, or approximately 51% of the recommended staffing, to cover a highly complex HR environment with multiple unions, citywide and department-specific employment policies, staffing and engagement issues, training challenges, Family Medical Leave (FMLA) coordination, multiple pay plans, benefit plans, and operations covering hundreds of job classifications. The department's service volume and output capacity is directly correlated to current staffing levels. The Human Resources Department's processing times for various functions are severely limited to the current staffing levels. Some of the HR programs that are impacted include hiring, training, management consultation and employee relations support, occupational health clinic, as well as classification and compensation issues.

new

Occupational Health Forecast Issues

- *Budget for SSM Contract*
  For several years, the level of funding for SSM Health services, which include drug screening, breath alcohol testing, laboratory services, radiology services, and nursing services, has been insufficient. Contingency funds have had to be allocated or moved from other sections. The recommended level would be last fiscal year's actual expenditure plus an additional 3% increase per fiscal year.

- *Electronic Medical Record (EMR) System*
  If pricing increases on the annual contracting prices, the City's Occupational Health Clinic may not have enough funding to run the electronic medical records system. Pricing has increased over the past several years on all EMR platforms from contacting multiple companies during the exploration phase.

- *Medical Equipment*
  The clinic utilizes various medical equipment daily. The spirometer is starting to not last as long on its batteries. We anticipate having to replace over the next 1 to 2 calendar years. Also, the audiometric equipment may run into possibly not being able to be repaired within the next five years.

Employee Recruitment, Engagement and Retention Strategies
(Highlighted Issue – Page 79 for additional information)

INFORMATION TECHNOLOGY

Technical Staff Recruitment and Retention

The Information Technology (IT) Department has continued to experience challenges in attracting, hiring, and retaining qualified IT professionals. Qualified individuals are expecting pay rates beginning at or above mid-step of the established position salary range. Further, competition from private agencies and pay rates above City ranges impedes the department's ability to retain knowledgeable and experienced technology staff.

Currently, 28% of the City IT Department staff have 20+ years with the City, which includes 43% of City IT Department leadership. Also, IT has an 18% vacancy rate (24 positions out of 131) with several of these vacant positions in critical support areas. These staffing issues are impacting IT internal service to City departments and causing burnout for IT staff working to maintain service levels for enterprise systems. As a result, there is a high risk over the next 5 years of losing substantial institutional technical knowledge and expertise which will impact the City's financial investments in technology.

Expansion of Technology and Increasing Software Costs

The City strives to provide high-quality and efficient services to residents, which increasingly requires the expanded use of technology. Over the last five years, departments' technology services, support, and security compliance needs have greatly increased. The department continues to struggle to maintain the staffing levels necessary to meet the expanded service and to support the demand. 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 staffing levels commensurate with the continued technology expansion and increasing complexity.

In addition, technology delivery continues to shift to cloud solutions and focused software as a service (SaaS) offering with increasing costs. The procurement of new SaaS solutions and the changeover of existing systems to cloud-based services come at a premium cost compared to traditional on-premises software options. This transition is usually mandated by vendors as they end support for on-premises software and update the associated licensing models. Over the next five years, the operational funding costs for technology systems used in the City will have a significant financial impact.

Cybersecurity

Cybersecurity is one of the highest priorities for the IT Department to protect City systems and data and to meet federal regulations and mandates for several departments including Utilities, Airports, Public Transportation & Parking (EMBARK), and Public Safety (Municipal Court, Police, Fire, and 911). The expansion and decentralization of information technology across the City increases risks in monitoring security compliance, executing effective system maintenance, and ensuring cost-effective technology investments. The department continues to see significant security breaches for municipal governments around the nation. Over the next five years, as security risks continue to increase, the department must ensure effective Governance, Risk, and Compliance (GRC) oversight of all City systems.

Growing Demand for Technology

(Highlighted Issue – Page 80 for additional information)

MAPS OFFICE

Project Cost Increases

Since 2021, global supply chain issues, price increases, and long lead times for material delivery continue to plague the construction industry, resulting in extended project schedules and overruns. Global events such as rising energy costs, tariffs on construction materials, major weather events, the war in Ukraine, and ongoing COVID concerns all have a significant impact on the construction industry.

Nationwide, the inflation rates for materials were 41.2% in 2022 and 31% in 2021. The Oklahoma City construction market has 20-40% price increases on materials and a 6.7% increase in labor costs in 2022. Consequently, cost estimates are becoming difficult to predict and can lead to higher bids than expected. As a result of cost uncertainties, the MAPS 4 Fairgrounds Coliseum construction contract only received two bids, compared to the 4-6 bids previous large MAPS projects typically received. The Fairgrounds Coliseum contract was awarded $23 million, or 22%, over the estimate.

MUNICIPAL COUNSELOR'S OFFICE

Increased Client and Capital Needs

According to the Greater Oklahoma City – At a Glance, the Oklahoma City Metropolitan Statistical Area (MSA) has increased 17% from 2010-2023, adding 217,000 residents. According to Macrotrends, the City's population has an estimated growth of .88% from 2023 to 2024. Oklahoma City also ranks as one of the top 20 largest cities in the United States.

The Municipal Counselor's Department continues to meet requests for additional legal support services from multiple clients. As the City's growth trend continues, the need for legal services will also continue to grow. As a result, the department will need to develop a plan to provide not only the additional programs and needs of the City and its departments, but also the additional employees it will take to service those needs. Over the last two years, the department has reallocated personnel to best serve the City and its departments but is now facing the fact that it may not have the adequate number of personnel to keep up with client needs and demands.

Examples of increased client needs include, but are not limited to:

- *The City's continued emphasis on growth and development.*
  Currently, the Municipal Counselor's Office provides advice to the City regarding the expenditure of hundreds of millions of dollars for economic and community development programs and tax increment financing incentives, tackling complex legal issues involving title/land and banking law, to ensure that the City meets the legal requirement of obtaining adequate consideration and accountability from private actors in exchange for the expenditure of public funds.

- *Increased client needs by the OKC Fire Department.*
  With the addition of the emergency medical services program and the mental health and substance abuse programs, there is an additional health law and regulatory law element not represented in the department currently. Client services will be negatively impacted if more personnel are not hired to assist with providing employment and labor legal services to all City departments and some trusts, as well as the Fire Department general counsel representation.

- *Increase in litigation matters (comprised of state and federal lawsuits, claims, and collections).*

- *New and expanded social programs in which the City is engaging.*
  These programs include low-income housing, mental health facilities, cultural and historical centers, wellness centers, alternative justice, and economic development. Each program expands the areas of applicable laws and regulatory compliance and creates a need for the creation of ordinances and legal documents, new and additional clients to advise and operators with whom to contract, liability analysis and exposure, and legal representation and support.

This plan will require an estimate of the number of new employees needed to provide these legal services and completion of the build-out of available space to properly accommodate current and future employees.

The Municipal Counselor's Department currently has three approved and budgeted Capital Improvement Projects (CIPs) in place that will convert library space into five offices and is expected to begin in Fall 2024. Other CIPs that will begin after the completion of the library conversion include protective glass in the City Hall reception area and increasing the size of the City Hall 4th floor men's restroom. These pending projects will be considered during the assessment.

MUNICIPAL COURT

Relocation of the County Detention Center

Voters have approved the construction of a new Oklahoma County Detention Center, and the new location continues to be a concern for the Municipal Court Department. Stakeholders have been tasked with identifying solutions to relocate the jail or use the existing location. Oklahoma City Municipal Court prisoners are housed in the Oklahoma County Detention Center and are 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 detention center to Municipal Court using vehicles. If the jail is relocated or other detention services are contracted, audio-video equipment will be needed to conduct court hearings at the new facility 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 detention center and the Municipal Court building. If the jail is relocated outside of the downtown area, the City will 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 transport prisoners, and the increase in staff time associated with travel and/or frequency of trips.

If the new detention facility supports off-site court sessions, additional staff and computer equipment will be needed, as well as a vehicle to transport staff and equipment to the off-site location.

Enhanced Technology

The Municipal Court Department would like to offer additional processes online for the public to show proof of compliance with citations issued for no state driver's license in possession, expired tags, failure to show proof of insurance, etc. The department estimates the cost of development would be approximately $100,000, plus annual maintenance costs.

The Municipal Court Department implemented the existing court case management system in 2016. However, the software purchase contract was executed in 2004, making the technology dated. The software design concept limits system customization for situations that are unique to Oklahoma City Municipal Court because the software is used by multiple court jurisdictions across the nation. Additionally, the vendor offers limited after-hours technical support. The department will work with the Information Technology Department to determine an estimated cost and develop a Request for Proposal.

Criminal justice reform initiatives have changed the landscape in how courts are handling cases. However, the deployment of cite and release efforts makes it difficult to maintain the most accurate offender history for the Oklahoma State Bureau of Investigations, as required by statute. The Municipal Court Department has purchased a Livescan device, which could be very beneficial for collecting fingerprints from individuals who may have only received a citation and were released in the field for a reportable offense. An interface is needed to send and receive the Offender Tracking Number and transmit the case disposition information to the Oklahoma State Bureau of Investigations. Further, an additional Court Officer position is needed to perform this function. The estimated cost of purchasing the equipment, software, and adequately training staff would be approximately $35,000, plus annual maintenance costs. The cost of additional staff is approximately $65,000.

Facility Needs

The Municipal Court Department has outgrown the current building as specialty programs and additional staff require more office space than is available in the existing building. An annex would allow the department to accommodate additional staff and provide office space for the Public Defender's Office and community partner agencies so the most vulnerable patrons can obtain the services they need during their visit. The Municipal Court Department would like to have a drive-through customer service window for officers, patron convenience, and patrons with disability.

Employee safety and the distance from the building to the employee parking lot is a continued concern, particularly for employees who enjoy the flexibility of 9- and 10-hour shifts when the days are short, and it is dark in the morning and evening. An annex with on-site parking, on the former site of the previous Municipal Court/Oklahoma City Police Department (OCPD) building, would help mitigate this concern.

The exterior pay windows and the front counter customer service windows need to be remodeled to abate significant ergonomic and operational challenges. It is important to provide a safe, comfortable, and efficient workspace for staff and the patrons they serve.

Additionally, criminal justice reform has changed how the department interacts with customers. Many court processes and transactions are more complex and require a significant amount of time to complete. A remodel to the Compliance and Enforcement Services area, which will include a customer counter design, would eliminate the need to have the customer stand during the full review of their court obligations and completion of their paperwork and offer a private area to discuss the customer's financial ability to pay and payment plan options.

Also, the current path for defendants in custody to enter the courtroom for jail arraignment is through the north end of the Community Outreach, Compliance, and Enforcement work section, passing through the work area near workstations. Reconfiguration is needed to separate the work area and create a secure hallway for defendants in custody to enter the courtroom.

Building Management is working on a project cost for the remodel.

PARKS AND RECREATION

New Park Assets

City parks, open spaces, trails, and attractions improve residents' physical and psychological health, strengthen communities, and make the city and neighborhoods more attractive places to live, work, and play. The Parks and Recreation Department is committed to meeting residents' desire to have well-maintained parks and to providing quality opportunities to promote healthy living by providing convenient, attractive, and relevant options to enjoy Oklahoma City's parks, open spaces, and cultural and recreational facilities. New, modern facilities will be inviting, comfortable, and enticing for residents to use for recreation programs and purposes to meet the changing trends and needs of a diverse and growing community. The need for these new facilities will continue to be a priority for future bond programs.

As the population of the city continues to grow and expand outward from the city core, the Parks and Recreation Department needs to increase the number of parks and facilities to meet the growing demands. Many areas outside of the city core have a very limited number of parks. These service areas have approximately 400 square miles where the population is underserved or not served. To provide services to these future residents the Parks and Recreation Department should start evaluating future park locations now and planning for additional capital investment, operational funding, and staffing needs.

Several smaller existing recreational facilities should be replaced with regional health/wellness/recreation centers that include indoor aquatic facilities in the coming years. Most have limited programmable space and usability to meet current trends and needs. The large regional, multigenerational centers will complement the MAPS 3 and MAPS 4 Senior Health and Wellness Centers and MAPS 4 Youth 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 habits by acquainting all generations with active, healthy lifestyle options.

Capital Maintenance

The City's park system is challenged by an aging infrastructure to include parks, recreation centers, aquatic facilities, botanical gardens, senior centers, and the Bricktown Canal that are all in immediate need of improvements. The MAPS 4 Program will provide funding for some of the needed infrastructure updates to existing assets, however these are limited to programming enhancements and improvements within community and neighborhood parks and two specified soccer facilities. Many of the Park Department's infrastructure needs are in regional, special use, or nature parks that are not eligible for MAPS 4 funding. Funding is needed for renovation, ongoing maintenance, and upgrades to Parks facilities as follows:

- Utilizing the recently completed Facility Assessment Report, a determination must be made to keep existing recreation facilities and upgrade them to meet community needs or remove these facilities from the City inventory if they have outlived their useful life and no longer serve a greater community purpose. While the department is moving to a multigeneration center model, many of these centers will need an interim investment to continue their operations until future centers can be built.

- Existing aquatic facilities are beyond their intended lifecycle and need to be completely replaced or modernized. The Northeast Park Community Pool needs to be resurfaced and new concrete decking surrounding the pool 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 who want to play and recreate.

- Parks and green spaces across the city have aging infrastructure needs including roadways and bridges, park shelters, sports courts, play structures, walkways and trails, site furnishings, lighting systems, landscaping, and irrigation.

- With the possibility of Oklahoma City hosting Olympic events in 2028, a large influx of visitors to the downtown area is anticipated. The Bricktown Canal and Regatta Park will be a prime destination for visitors and media alike. The canal was constructed over 25 years ago as part of MAPS 1 and needs maintenance and upgrades to the canal itself and to the adjacent spaces. The canal basin needs painting, the area needs additional site furnishings; visitor comfort amenities, sidewalk and lighting adjustments; ADA improvements; painting of rails and bridges; and additional security cameras. There are other general repairs and updates needed in the landscapes and drainage. At the south end of the canal, stairs need to be installed to improve the movement of people from the canal level down to the Oklahoma River inlet. All the water features need to be refreshed and need new recirculation mechanisms.

- The urban tree canopy across the City continues to age and suffer due to extreme weather conditions and events. New park development provides for additional trees to be added to the overall canopy, however there is currently no plan to address the replacement of older trees in the existing urban tree canopy. Funding to study the replacement needs, develop a planting plan, then plant and maintain replacement trees is vital to protect a healthy and thriving urban tree canopy.

- The nearly 100 miles of multipurpose trails across the city are mostly asphalt construction and have only been constructed with concrete in recent projects. These asphalt trails will require substantial capital maintenance beginning within the next decade, as asphalt deteriorates at a much more rapid pace without the continuous compaction from large vehicles that typically occurs on roadways. Due to the design and construction of these asphalt trails, traditional asphalt rehabilitation methods will be costly. This ultimately may lead the City to consider rebuilding these trails with concrete, with an expected useful life of 50+ years, to mitigate this ongoing capital maintenance burden.

Operating and Maintenance Costs

The City's operating budget relies heavily on Sales and Use Tax, which fluctuates with the economy and poses greater challenges for operations than if the operating budget were supported by additional, more consistent and stable financial resources, such as Property Tax. Without a consistent and reliable source of revenue to support operations and maintenance, fluctuations in staffing and levels of service will continue to negatively affect the confidence and satisfaction of the public.

Over the last several years in the annual resident survey, residents have prioritized opportunities for improvement in parks as:

- Maintenance of City parks.
- Availability of information about the Parks & Recreation Department programs.
- Walking and biking trails in and throughout Oklahoma City.
- Quality of City parks near neighborhoods.

Without an avenue to stabilize the Parks and Recreation Department's budget through economic downturns and additional budget allocations for new park and recreation elements, financial pressures to consistently provide outstanding services to residents will continue to increase. The Parks and Recreation Department strives to provide top-tier services to residents, but this requires an operating budget that can support existing park resources, as well as the addition of new capital projects.

Although the City is continuing to add new and exciting recreational opportunities for residents through capital improvement programs, funding to support the ongoing operation and maintenance of new elements has not been proportionately added to the operating budget. Capital projects, such as those in the MAPS 1 and MAPS

3, Better Streets Safer City, and General Obligation (GO) Bond programs and the Development Impact Fees, have resulted in new unfunded operational and capital needs.

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

The miles of multipurpose trails in the city continue to increase with capital projects; however, maintenance funds and staffing have not increased to maintain and repair the trails. Parks will not be able to continue to maintain trails to the standards that our residents demand if we do not invest in the necessary staff and operational funds.

Educated and talented recreation staff is essential for providing outstanding programs. The Parks and Recreation 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 offering at each site. As the demand for program offerings continue to increase, a major limitation will be maintaining levels of service with current staffing levels and proficiencies, as the Parks and Recreation Department is already struggling to provide the current service levels due to staffing needs.

Maintaining the city's urban forest within its 170+ parks, 3,592 miles of center medians and right of ways, and over 100 miles of paved multi-use trails is critical in protecting a healthy and thriving urban tree canopy. The Parks and Recreation Department's Urban Forestry Services Program is tasked to do this, currently only staffed by eight employees. The Urban Forestry Best Management Practices for Public Works Managers recommends cities with a population between 500,000 and 1,000,000 should have an average of 22 employees in their urban forestry programs. The current need for this additional staffing will only become more exaggerated as new trees are introduced through new park development and reforestation efforts, as the city's tree maintenance is already at insufficient levels.

PLANNING

Affordable Housing

The Planning Department completed the Strategies to Reduce Homelessness and Housing Affordability studies in 2021. These studies articulate the need for increased investment to provide affordable housing for 40% of the community that earn less than 80% of the area median income. Some housing programs are currently implemented by the City's Housing and Community Development Division; however, efforts are limited based on availability of federal grant dollars as well as federal requirements for use of those dollars.

The development of a follow-up Housing Affordability Implementation Plan (HAIP) for the City is now nearing completion. Although a HAIP's focus is to leverage existing resources and partners and to build on existing administrative structures, more resources will be needed to achieve effective changes and implement new tools. Funding to support increased affordable housing efforts will be pursued through the upcoming 2025 Bond. The scale and outcome of this effort will drive some programs and priorities.

HAIP recommendations include establishing a Principal Housing Officer position that would coordinate housing efforts across City departments and with existing partner agencies, and work to develop new partnerships, including a relationship with a national partner agency (such as Grow America, LISC, or Grounded Solutions, etc.) that can provide some of the skills, training, and expertise (and assist in leveraging additional resources) in implementation of housing programs. Although specific costs associated with the HAIP recommendations are unknown at this time, the need for commitment of additional financial resources is clear as supporting safe and well-maintained affordable housing continues to be a growing community need.

Homelessness System Transformation

Between 2019-2021, the Mayor's Homelessness Task Force worked to identify strategies to address homelessness. Subsequently, the City hired a consultant to help develop an implementation plan to transform the City's homeless system so that homelessness can become rare, brief, and non-recurring in the city. The City of Oklahoma City serves as the Lead Agency that manages U.S. Department of Housing and Urban Development (HUD) funding and the City's Continuum of Care (CoC) Board, now rebranded as the "Key to Home Partnership." Measures to achieve system transformation included restructuring this Board and positioning the City in a leadership and management role by shifting some of the contracted services and responsibilities from non-profits to City staff within the City's Homelessness Services Program of the Planning Department. System transformation will require additional resources to build, lead, and sustain these efforts over time.

- Additional Staff Resources Needed
  - Plans for a fully operational and staffed Homelessness Services Program envisioned the addition of 11.5 FTEs (including 4 data management positions to be absorbed from the Homeless Alliance to manage the Homeless Management Information System (HMIS) and Coordinated Entry System).
    - Five of the 11.5 FTEs are being filled as overage positions in FY24 funded through a combination of federal grant and General Fund dollars. One of these is temporarily being paid for by donated private funds.
    - Of the remaining 6.5 positions, 1.5 will be contracted through a professional services agreement paid with federal grant funds, 2 are unfunded, and 3 are temporarily funded for two years with private dollars. To fill the 2 unfunded, vacant positions and convert the 3 temporarily funded positions to permanent status, General Funds will be needed at an estimated annual cost of $450,000 per year.

Ongoing Support for Homelessness Initiatives

- The City and the Inasmuch Foundation have partnered to fund a contract with Clutch Consulting. A contract renewal for 2026 is needed, with the City's cost estimated to be $150,000.
- The City provided approximately $250,000 to local shelters providing emergency winter shelter last year. This will be needed annually at an expected cost of $250,000-$300,000. This need is expected to decrease over the long term as chronic unsheltered individuals are housed.
- The City launched a pilot Homeless Outreach Team (HOT) Program with the Mental Health Association of Oklahoma in 2023 that is expected to last for three years at a cost of $572,567 per year. The City may wish to continue this program after the pilot term ends on a year-by-year basis and will evaluate the need to modify the scope by reducing or expanding services as needed. This team responds directly to Action Center calls related to homelessness.
- The Key to Home Board developed a road map through 2028. Homelessness is increasing and is a top concern across the country. An increase in General Fund support is needed to drive the transformation in the City's homeless response system. General Fund investment assists the City in leveraging additional federal funds and in securing private funds to expand initiatives in reducing homelessness. In 2023, $2.0 million from the General Fund was contributed to provide housing subsidies and utility assistance for two years. A continued General Fund contribution of $1.0 million per year is envisioned for this effort.

Comprehensive Plan Implementation

The Citywide Comprehensive Plan (planokc) establishes goals for guiding sustainable and healthy growth of the City's community and economy while protecting and enhancing the residents' quality of life. The Plan specifies multiple actions, strategies, and initiatives aimed to further develop and grow the economy and tax base; fully utilize existing properties and infrastructure; advance environmental sustainability; improve connectivity and compatibility of new development; and maintain and renew vitality of commercial districts.

The planokc'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 planokc over time, including a multi-year process to develop new zoning regulations.

The development of the new zoning code has revealed deficiencies in the City's ability to enforce both current and future landscape regulations and compliance with special zoning district regulations. For example, a project's required landscaping may be approved at initial inspection but if the landscaping dies over time, there is no inspection or enforcement to require replacement landscaping. Also, in the past, there were special zoning inspectors dedicated to overseeing the city's historic districts and special design districts, such as the Downtown Design District or the Stockyards Urban Design District, but over time, these positions (and associated expertise) have been reassigned or lost through attrition. Without these inspections to close the loop, approvals that have been reviewed against established regulations and guidelines are not always enforced when projects are completed. As the new zoning code is expected to include more robust regulations for landscaping, environmentally sensitive areas, tree preservation, and other related topics, additional staff will be needed to provide the inspections and enforcement necessary to realize the full benefits of the new code.

POLICE

OCPD Headquarters Annex and Parking Facility

The forensic sciences are rapidly advancing and there is an ever-increasing demand for their services by the criminal justice system. To meet that demand, it is expected the number of crime scene investigators, digital imaging specialists, and forensic scientists employed by the Police Department will increase over time. These personnel are currently housed in 616 Colcord Drive, a building which was originally a parking garage that was converted for the purpose of housing the Police Department's laboratory and support services many years ago. The infrastructure of that facility is failing and there is insufficient space for the work groups assigned there to expand. A new Forensic Science Center (FSC) is needed to support the expansion of these work groups, and their equipment needs.

A Real-Time Information Center (RTIC) is a nationally recognized tool which enhances public safety by combining advanced law enforcement technologies, police officers, and crime analysts to drive informed action and decision-making. This modernized approach to law enforcement facilitates the rapid and accurate identification of criminal suspects and allows resources to be deployed in a coordinated response to make apprehensions or disrupt crimes as they occur. A conference room/task force room in Police Headquarters was converted to house the new RTIC and there are no other large, designated workspaces within the building. Further, the space is not adequate to support the needs of the RTIC as it begins expanding. The current space cannot accommodate any increases in either equipment or staffing. By identifying space outside of headquarters for the RTIC, this would allow the conference room to return to a large workspace for employees and meet the need for an adequate RTIC facility.

The Wellness Unit has grown exponentially within the last year and their space within Police Headquarters is no longer adequate to support their staffing. In one office, the three Wellness Unit sergeants and unit supervisor are housed. When the Licensed Professional Counselor (LPC) and Chaplain were recently added to the team, the first-floor conference room at Police Headquarters was converted into temporary office space for them, but they are separated from the rest of the Wellness Unit. Relocating the entire Wellness Unit to one space would provide the unit with the space necessary to best meet the needs of the employees they serve, allow the unit to operate cohesively in a shared workspace, and ensure the privacy of all employees they interact with; however, there is no additional space in headquarters that can be expanded or converted to accommodate their work group.

The Police Department's downtown campus is in desperate need of a new building to meet the needs of the work groups described above, as well as the Professional Standards Program, which is also housed in the building at 616 Colcord Drive. A new downtown police station is also needed as the downtown area continues to grow and expand. This function could also be housed within this new facility. The Police Department is moving toward developing a concept master plan to put an annex and parking facility on the north side of Colcord Drive, the footprint of which would occupy the land where the old headquarters building previously stood and the old City jail building still stands. This annex would allow the department to keep units and resources accessed by all members of the Police Department in a centralized location, while also providing the space for expansion as the City and Police Department continues to grow. We recognize the value of preserving the rich history of our City and our Police Department and are committed to collaborating with key stakeholders to preserve some historical elements of the jail, if needed. The estimated cost of the new Annex is $52 million, and the current estimated cost of the new Parking Facility is $26 million.

Police Storage Facility

The Police Department's specialized equipment, such as the Police and Fire Mobile Command Center, Tactical Unit trailer, and Bomb Squad trailer require a secure, sheltered facility for storage. The Police Department has space at SW 15th Street and South Portland Avenue and the general maintenance building at 100 N Shartel Avenue to store equipment but has outgrown both of those facilities. Additional space was leased to house Bomb Squad and Tactical Unit equipment until a long-term solution is implemented. Additional secure storage space is needed to safely store the equipment and preserve its longevity. The current estimated cost of the additional space required is $6.0 million.

New Regional 911 Center

The current 911 Center is undersized in meeting the City's current needs and, due to its type of construction, does not easily allow for future expansion. Replacing the current 911 Center with a larger facility would allow an opportunity to regionalize 911 dispatching amongst the multiple agencies that neighbor Oklahoma City to ensure safe and efficient public safety communications and coordination. The new 911 Center would also fill several gaps the department is facing with coordination by housing 911 operations and public safety IT support together. In addition, the current underground Regional Multi-Agency Coordination Center (RMACC) has significant issues and there is a possibility the RMACC can be relocated to the current 911 Center once the new 911 facility is constructed. The current estimated cost of the new facility is $46.5 million.

PUBLIC INFORMATION AND MARKETING

new

Accessible Digital Services

The US Attorney General signed a final rule updating its regulations for Title II of the Americans with Disabilities Act (ADA). The new rule obligates state and local governments to ensure their online services are accessible. The rule change means that the U.S. Department of Justice (DOJ) can now bring action against state and local government agencies that fail to meet ADA requirements for online services. All digital tools and services must meet or exceed WCAG 2.1, Level AA. This includes all third-party public-facing digital applications (Accela, payment platforms, mobile apps), social posts (alt-text, captioning), live-streaming (captioning), websites, forms and data.

new

Public Information and Engagement

The demand and expectation for public engagement has increased over the last five years. Whether it's the MAPS Office asking residents where trees are needed, the Planning Department researching communities' needs for new trails and sidewalks, or the Public Works Department working to improve neighborhoods with a streetscape project, the demand to work alongside and listen to residents, stakeholders, and constituents is now an essential project requirement. The City must create and provide staff with engagement resources that create or combine efforts for effective, consistent, and meaningful public outreach. Because of the importance of communications in outreach and engagement, the Public Information and Marketing (PIM) Division has, over the years, naturally shifted its role to help departments, but the needs are greater than the current department structure and capacity. PIM proposes creating an Office of Engagement Division that will include new positions, rebranding PIM to better align with the roles and responsibilities and creating a framework for structured public engagement.

PUBLIC TRANSPORTATION AND PARKING

OKC Moves & MAPS 4 Transit Projects Implementation

OKC Moves is a bus study conducted for the Public Transportations & Parking Department (EMBARK) by nationally recognized firm, Nelson Nygaard. The recommendations were received by the Central Oklahoma Transportation & Parking Authority (COTPA) Board in March 2022. The study identified recommendations for optimizing the transit system, expanding service in some areas, and integrating the City's first Bus Rapid Transit (BRT) line – RAPID NW. The plan included short-term recommendations that have be implemented with EMBARK's existing budget. The OKC Moves plan also prioritized long-term recommendations to improve the frequency of the system that would require additional funding.

In December 2023, EMBARK successfully launched Phase I of the OKC Moves transit plan which integrated the Northwest Bus Rapid Transit (RAPID NW) service with the current fixed route system and realigned some existing routes. Full implementation of OKC Moves addresses regional growth, integration with the MAPS 4 Program's transit projects, supports economic development, and responds to customer and community priorities. Once fully implemented, Oklahoma City will have a transit system capable of exceeding today's service demands and meeting tomorrow's mobility needs. The OKC Moves implementation costs included in this forecast issue are not inclusive of all OKC Moves recommendations, but rather the incremental implementation of OKC Moves expected over the next five years.

- *Improved Frequency*
  Providing meaningful mobility options requires useful, accessible, and reliable services. The OKC Moves recommendation will improve the frequency on most routes, reduce wait times at stops, and make more efficient trip connections. Improvements include increasing the frequency of Saturday service from 60 minutes to 30 minutes. Research shows that improved frequency correlates with higher ridership and greater diversity of customers. The estimated annual operating cost is $2.2 million.

- *Improved Service Span*
  OKC Moves recommends increasing operating hours on existing EMBARK routes. Shift workers play a critical role in supporting the region's economy. Except for the existing five weeknight bus routes, research reveals that EMBARK's current service span is inadequate to meet the commuting needs of its core ridership, further impairing their travel options and access to better jobs, medical care, and everyday services. Improvements would include expanding weeknight service hours from 7 pm to 10 pm on all routes with the option to later extend to midnight. The estimated annual operating cost to expand service hours from 7pm to 10pm is $3.0 million.

- *MAPS 4 BRT /EMBARK RAPID*
  Planning studies have identified the corridors for the MAPS 4 Bus Rapid Transit line that run from Northeast OKC to South OKC. The MAPS 4 Implementation Plan anticipates the improvements required for the BRT lines to be operational by 2029, indicating some additional operational funding will be needed in 2028 to begin standing up the BRT operations. The BRT corridor is estimated to cost approximately between $9 - 11 million annually to operate. Improvements would include adding and restructuring existing bus routes to serve additional locations with more crosstown service and integration with the MAPS 4 BRT corridor. Capital costs include fleet expansion, stations, traffic signal prioritization, and professional services. MAPS 4 includes $61 million for the new BRT line – northeast

and south. Additional funding is being pursued through the Federal Transit Administration's Capital Investment Grant Program. EMBARK will pursue funding through a competitive grant program called Small Starts. The initial application packet and ridership modeling are currently in process. The estimated annual operating cost for both BRT lines is $9.0 million, and the estimated one-time capital cost is up to $54.0 million (in addition to the $61.0 million in MAPS 4 funds).

- ***Arena/EMBARK Intercity Transit Hub***
  The City of Oklahoma City approved a development agreement for the City's new arena between the City and PBC Sports and Entertainment, LLC (PBCS&E), owners of the Oklahoma City Thunder, and the Oklahoma City Blue. The agreement identifies the City-owned former site of the Cox Convention Center as the site of the new arena. The agreement has also allocated approximately 1.4 acres of the site to be reserved for a potential intercity transit hub. Architectural and engineering services will be needed to facilitate the design and construction of the intercity transit hub that will be owned and operated by EMBARK. The estimated one-time cost for A&E services is $1.1 million.

- ***New Transit Headquarters and Maintenance Facility***
  The OKC Moves recommendations for service expansion are incremental and require flexibility to integrate existing transit services with new mobility options on the horizon from the MAPS 4 Program. The proposed incremental improvements can be implemented in unique packages. However, full implementation of OKC Moves and the addition of MAPS 4 Bus Rapid Transit (BRT) lines are contingent on constructing a new, expanded operations and maintenance headquarters. EMBARK's current facilities exceed capacity. In 2023, EMBARK was awarded a $5.6 million Rebuilding American Infrastructure with Sustainability and Equity (RAISE) discretionary grant, which funds the preliminary and final design services, currently in progress, for expanding headquarters. The estimated one-time capital cost is $86.0 million.

Public Transportation System Investments
(Highlighted Issue – See page 82 for additional information)

PUBLIC WORKS

new

General Obligations Bonds / Infrastructure Funding
With the current GO Bond Authorization (2017) winding down and the next authorization vote pending in 2025, funding for infrastructure such as bridges, drainage, paving, and facilities are critical. The primary source of funding for public infrastructure is the General Obligation Bond (GO Bond) Program.

Bridge and Drainage Infrastructure
Bridge infrastructure includes 603 bridges, owned and maintained by the City, with 100% needing some type of maintenance or repair. Three bridges in the city are currently closed to traffic and the list of needs is increasing. There are 106 bridges that have been identified as requiring upgrades to maintain or improve the life of the bridge. There are 93 bridges requiring reconstruction or replacement to improve the vertical clearance, horizontal clearance, or roadway width to meet updated requirements. The City is responsible for City-owned bridges and for the maintenance, repair, and replacement of bridge decks on City streets that cross Oklahoma Department of Transportation (ODOT) rights-of-way. The 2007 GO Bond authorization included $20.0 million for 17 listed projects and the 2017 GO Bond authorization included $27.0 million for 13 listed projects. The total request for the proposed 2025 GO Bond is $175.4 million for 58 bridges.

The Oklahoma City drainage infrastructure system includes the Oklahoma River's dam and lock systems, other City-owned drainage channels, and various Storm Water Quality Division assets. An initial drainage basin study is currently underway to develop a long-term drainage capital improvement plan (CIP). The five-year CIP plan for repairs and refurbishment of structures on the Oklahoma River is estimated at $4.3 million over the next five years. The State of Oklahoma has indicated that the Oklahoma City storm water discharge permit will be impacted within the next five years with new storm water quality requirements. Improvements are conservatively estimated at $13.0 million over the next 5 to 10 years.

The 2007 GO Bond authorization provided $33.0 million for 18 listed drainage projects. The 2017 GO Bond authorization provided $62.0 million for 20 listed projects. The total request for the proposed 2025 GO Bond is $331.7 million for 113 projects. Storm Water Drainage Utility funds may also be used on certain capital projects but primarily address maintenance needs of storm water quality, channel cleaning, and mowing.

Streets Infrastructure Dedicated Fund Source
General Obligation (GO) Bonds have been the primary source of funding for streets infrastructure. Additional temporary funding for streets infrastructure was provided by the Better Streets, Safer City sales tax program. These two programs primarily address capital-related infrastructure and not the ongoing maintenance needs that are funded in the Public Works operating budget. The funding provided from the Better Streets Safer Cities sales tax for streets projects has been fully allocated. In the past three fiscal years, the Public Works Department has been able to resurface an average of 100+ miles of streets, nearly doubling the efforts of past years because of the temporary sales tax program.

The condition of streets in Oklahoma City has seen steady improvement, as evidenced in the Paving Condition Index (PCI). The 2023 Resident Survey indicated an improvement in satisfaction, although the overall rating remains very low compared to the City's peer cities.

A dedicated funding source, in addition to GO Bonds, for streets improvements and maintenance would allow the Public Works Department to repair or replace already identified infrastructure needs that are currently unfunded. Some of the needs include street resurfacing projects, continued implementation of radar detection traffic intersection controls, traffic striping, battery backup for signalized intersections, innovative asset management techniques, and additional maintenance staffing. The total request for the 2025 GO Bond is $2.0 billion for 625 projects.

Inflation for Infrastructure Construction Projects
The Public Works Department has seen significant cost increases for construction in recent years. Although the rate of inflation has slowed, it is still above historical averages and continues to affect the Public Works Department. According to the Engineering News Report, calendar years 2021, 2022, and 2023 construction costs increased 7.4%, 5.6%, and 2.6% respectively. CBRE, a global real estate firm, reports CY22, CY22, and CY23 construction cost increases were 11.5%,12.2%, and 4.9% respectively with a 10-year average of 3.5%. These cost pressures make it challenging to complete current GO Bond and sales tax projects within the previously established budgets, which were developed eight to nine years ago. Rapidly escalating costs also present challenges in developing cost estimates for the 2025 GO Bond authorization and negatively impact the Public Works Department's annual operations and maintenance budgets.

UTILITIES

Utilities Long-Term Water Issues
(Highlighted Issue – Page 83 for additional information)

SECTION 6

GENERAL FUND REVENUES

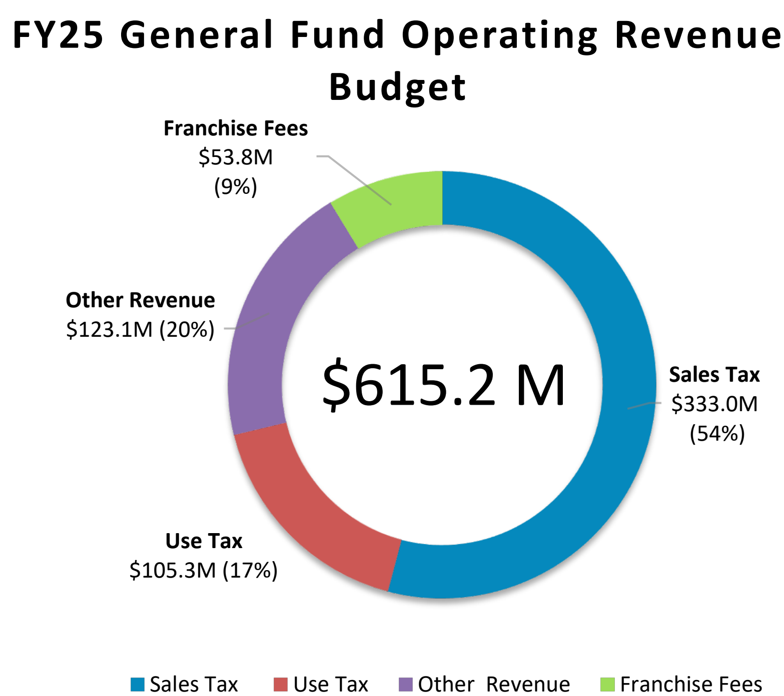
TRENDS AND FORECAST

FIVE-YEAR FORECAST

FISCAL YEAR 2026-2030

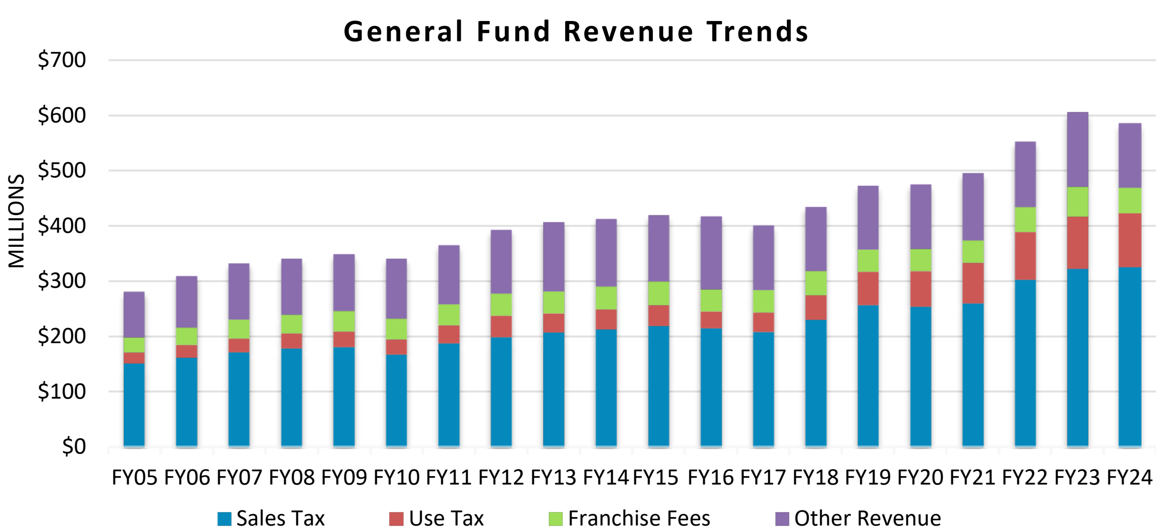
OPERATING REVENUE OVERVIEW

The General Fund is supported by a wide array of revenue sources. In fact, there are 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 FY25 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. These are non-operating funds for capital projects and are therefore 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 coming 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.



REVENUE TRENDS

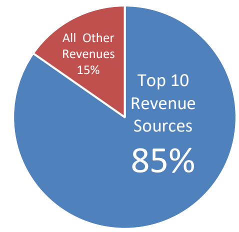
The chart below displays the revenue growth trends in the General Fund over the last 20 years. Sales tax growth, the largest category in blue, was driven by changes in population, economic health, movement of retail operations to Oklahoma City, and sales tax rates. Use Tax, in red, has grown over 500% 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 six 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, water, and weather, have influenced consumer consumption. Other revenue, in purple, is made up of various sources, but is also influenced by population growth, 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 85% of the General Fund revenue budget. Two of the top 10 revenues are taxes, sales tax and use tax. These two taxes make up 71% of the General Fund budget. Revenue from franchise fees accounts for two of the top 10 revenue sources, which comprise 6% of the 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 FY25 Operating Revenue Budget



Revenue Source	FY24 Budget	% of GF	Category
Sales Tax	$332,958,868	54%	Sales Tax
Use Tax	$105,295,496	17%	Use Tax
OG&E Franchise Fee	$31,086,082	5%	Franchise Fees
Fire Wage Adjustment	$13,311,820	2%	Other Revenue
Police Wage Adjustment	$10,220,923	2%	Other Revenue
Public Works TMS Charges	$6,511,677	1%	Other Revenue
ONG	$7,212,295	1%	Franchise Fees
Building Permits	$5,219,804	1%	Other Revenue
Court Costs	$4,451,245	1%	Other Revenue
Commercial Vehicle Tax	$4,742,360	1%	Other Revenue
TOTAL	**$521,010,570**	**85%**	

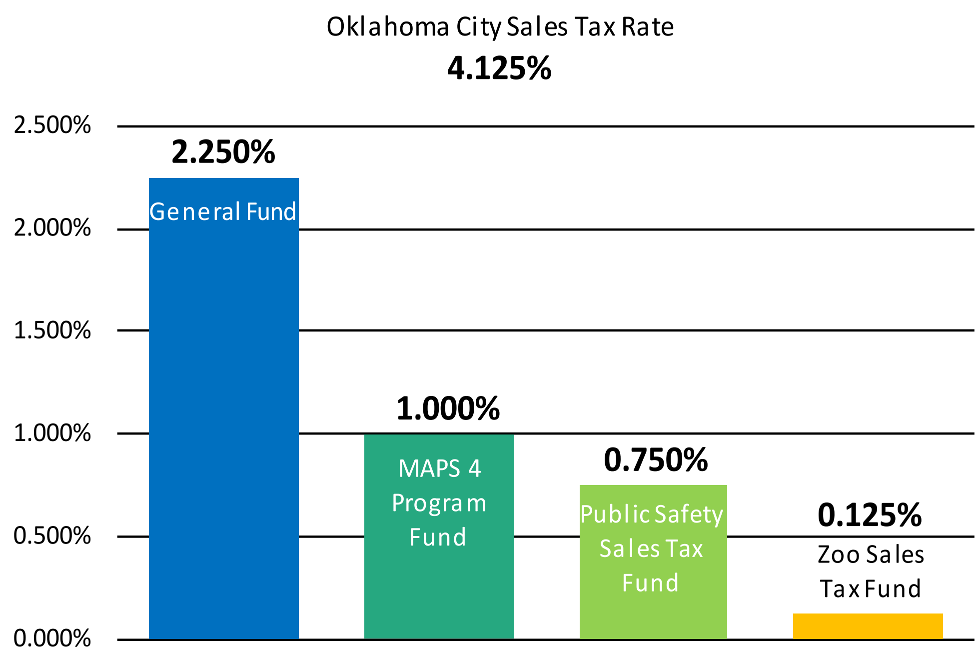
The sections that follow focus on the trends and projections of each revenue category and what may be influencing recent trends and future projections.

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 OTC. The OTC 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 in 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 1.50% sales tax levy.

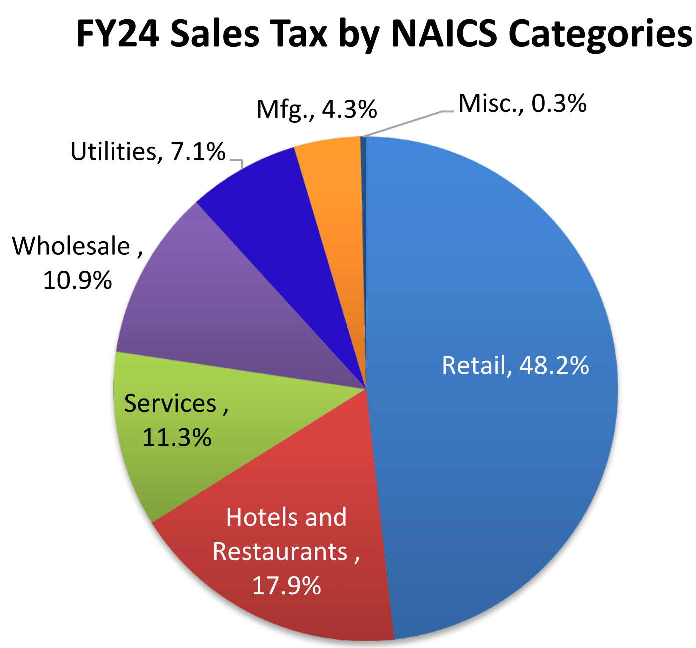
The City's 4.125% sales tax levy is divided between the various funds. The General Fund receives 2.250% and is the single largest revenue source for the General Fund, which funds day-to-day operations. In September 2017, voters passed the temporary 27-month, 1.0% Better Streets, Safer City tax to address 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 1.0% 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.

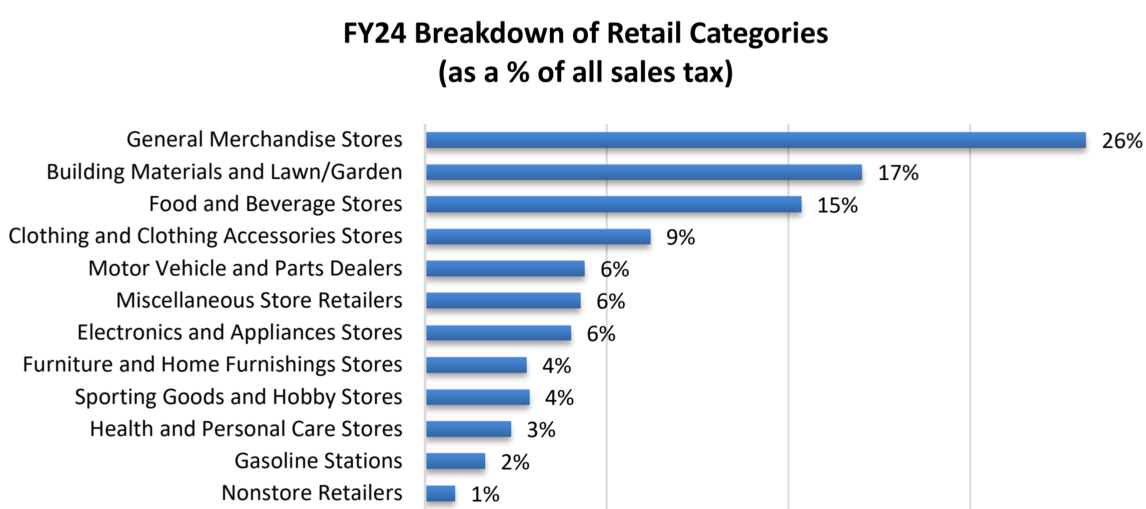


SALES TAX REVENUE BY NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS)

The OTC categorizes all vendors who remit sales tax using the North American Industry Classification System (NAICS). NAICS classifies businesses 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.

The charts below illustrate the most significant sectors of Oklahoma City's sales tax base for FY24. As shown in the pie chart, the retail sector represents just under half of all taxable sales. The NAICS 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 below.



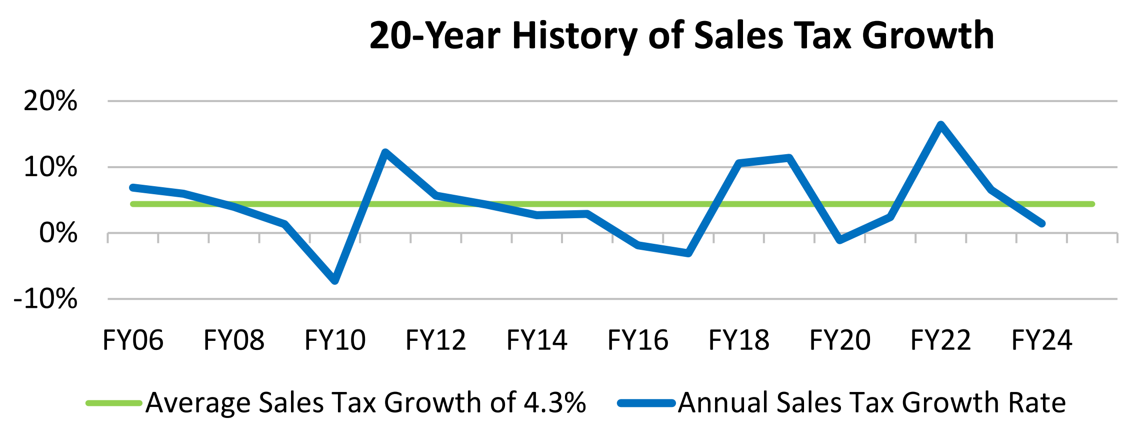


One limitation of the system is that a business can only be classified in one NAICS category, even if the business sells multiple types of goods. For example, the sales tax from a superstore (e.g., Walmart, Target, etc.) on groceries is shown as General Merchandise Stores rather than Food and Beverage Stores because most of these stores are classified as General Merchandise retailers. Likewise, the sales tax on a pair of jeans purchased from a sporting goods supplier would show under Sporting Goods and Hobby Stores rather than Clothing and Clothing Accessories Stores.

The amount and mix of retail activity can shift over time due to changes in consumer habits, economic conditions, and tax law changes. Other factors that can affect retail activity include the 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. Monitoring and understanding retail sales is 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 emerging trends.

SALES TAX OPERATING REVENUE FORECAST

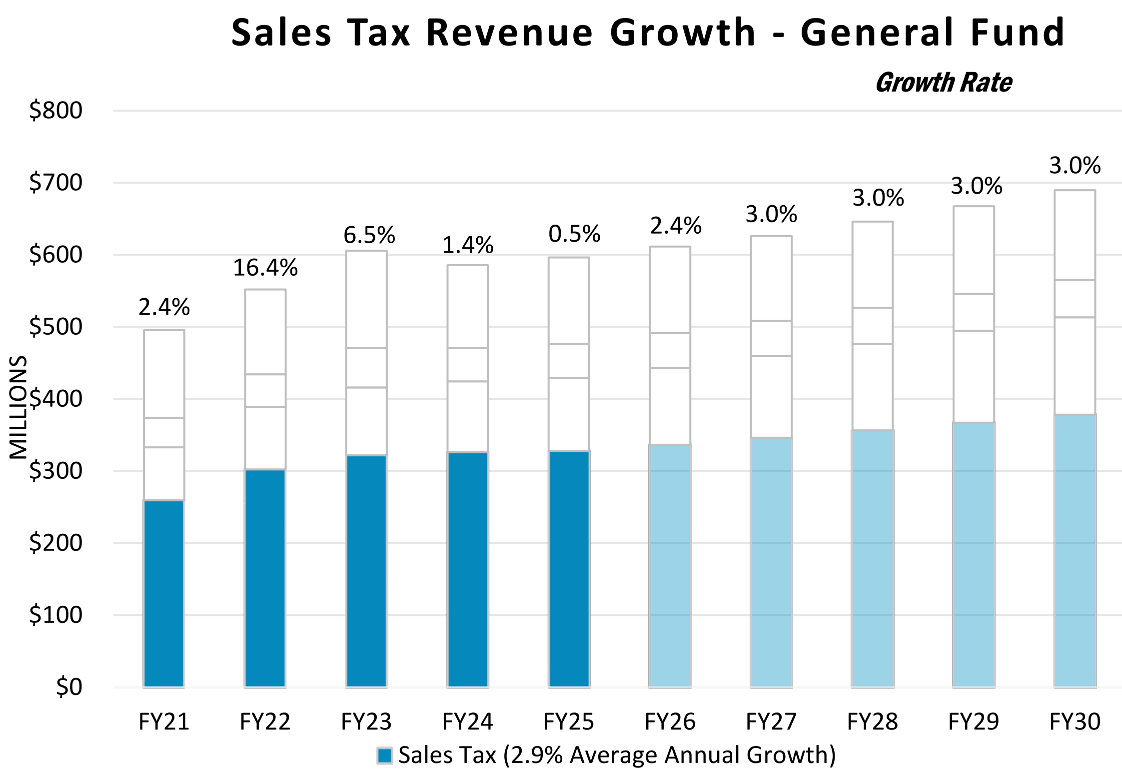
Even before the permanent ¼ cent sales tax increase that went into effect January 1, 2018, sales tax has consistently made-up majority of all General Fund revenue. Uncertainty in the economy makes projecting sales tax challenging. Some common points of inquiry are how will the national economy perform, 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 difficult 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 because those prices result in lower exploration and production activity and decreased employment in the sector. Oil and gas have proven to have a significant impact on the local economy, even as other industries such as health care have grown. Employment in many other sectors, such as construction, manufacturing, and financial services, is influenced by the underlying strength of the oil and gas industry. The trend continues to be analyzed since Oklahoma City has maintained one of the lowest unemployment rates in the nation, at an average of 4.12%, over the past 20 years.

The City consults with Dr. Russell Evans, Partner and Chief Economist at the Thorberg Collectorate, when developing sales tax growth projections. Preliminary discussions about the forecast were used in the projection for sales tax growth for the remainder of FY25 and for FY26. Based on those discussions, sales tax growth in FY26 is expected to be minor at 2.43% over FY25.

In the last four years of the forecast, Sales Tax is projected to grow at 3.0%, the 10-year average growth rate with the ¼ cent increase excluded. Excluding the FY18 rate increase from the growth rate more accurately represents the underlying change in collections. When the five years are combined, the average growth rate for sales tax is projected to be 2.9% annually. This projection results in a FY26 sales tax budget of $336.1 million, which increases to $378.3 million in FY30.

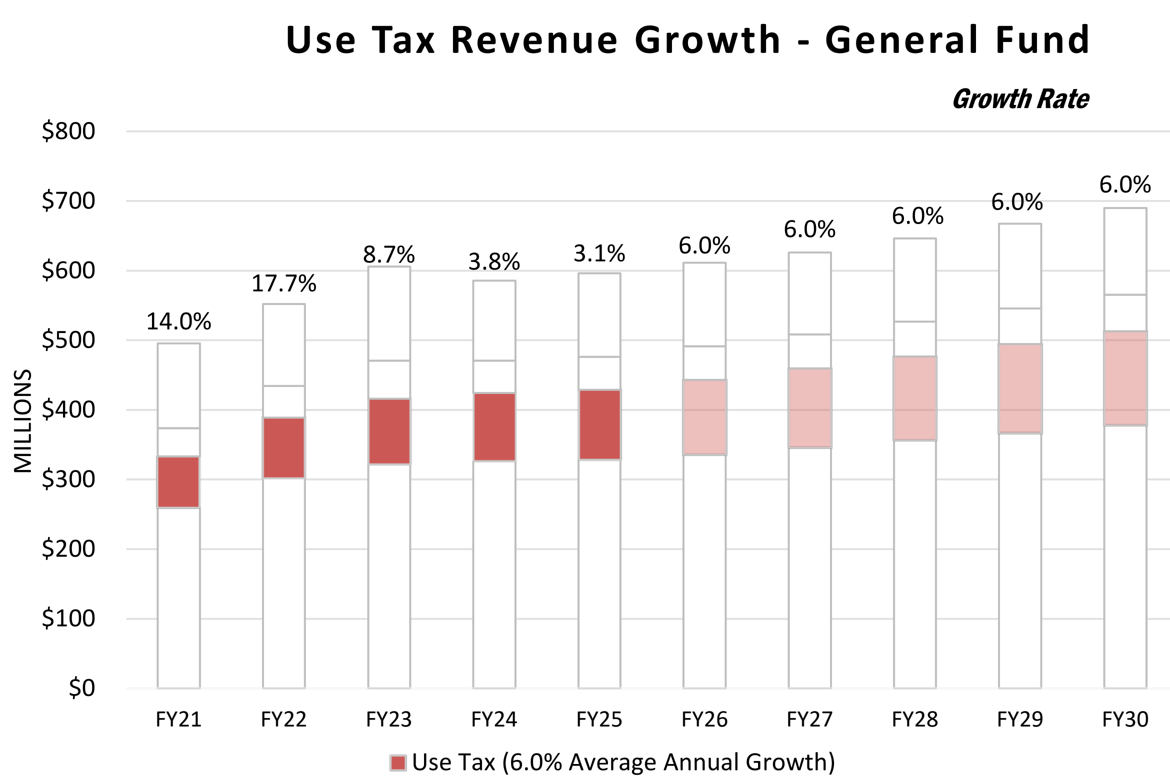


USE TAX

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. Sales tax on online purchases shipped to Oklahoma is levied as a use tax. Since the City began collecting taxes from online sales in FY18, use tax collections have become increasingly dominated by online retail activity, and it is expected that use tax will grow to resemble sales tax more over time.

USE TAX REVENUE FORECAST

Use tax has historically been very volatile, with significant swings from declines to double-digit growth. In FY25, use tax is expected to grow 3.1% 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 FY26, use tax is projected to grow 6.0% as the transition from shopping at traditional brick and mortar stores to online vendors continues. For FY27-FY30, growth is projected below the 10-year average rate (excluding the ¼ increase) at 6.0%, as use tax activity increasingly begins to mirror sales tax. When the five years are combined, the average growth rate for use tax is projected to be 6.0% annually.



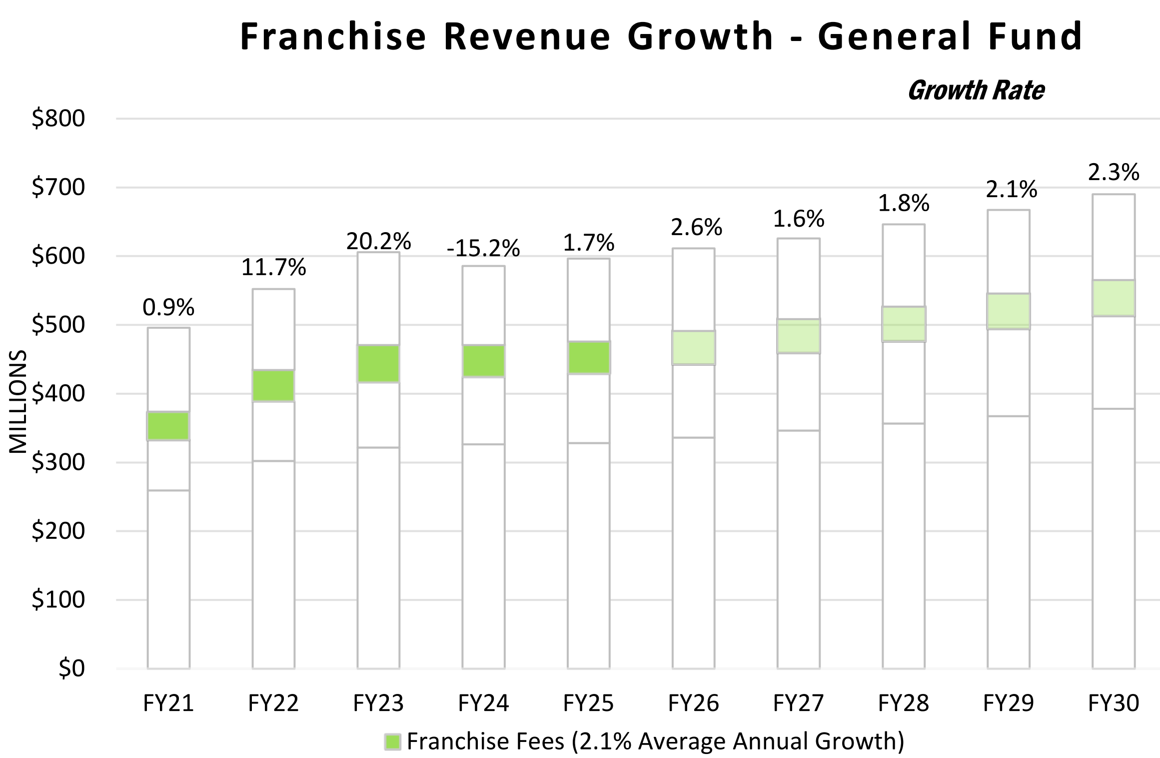
FRANCHISE REVENUES

Franchise revenues are generally derived 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 (OG&E) and Oklahoma Natural Gas (ONG), remit fees to the City that typically comprise about 76% of all franchise revenue and 6% 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 in recent years as subscribers follow a national trend of cancelling cable TV services and opting for online video services. As telephone landlines become less common, revenue from that sector continues to 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 FY25 1.7% higher than FY24. OG&E is the largest franchise remitter and is consistently the third largest revenue source in the General Fund. From FY26-FY30, OG&E is projected to grow 3.54%. Cable franchises are expected to continue to decline over the next five years, which brings the overall average growth for franchise revenue down to 2.1% annually. The FY26 projected budget for franchise revenue is $48.4 million and increases to $52.3 million in FY30.



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 are the eighth largest revenue source in the General Fund and are projected to increase 0.39% in FY25 . We have seen a decrease in current years due to a slowdown in home construction in the current high interest rate environment. Building permit revenue is 1% of the total General Fund revenue budget. From FY26-FY30, building permit revenue is expected to increase 0.36% 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% of the General Fund revenue budget.

- **Services & Administrative Charges**
  Three of the top 10 revenues in the General Fund are in this category: the Police and Fire wage adjustments and Public Works administrative charges. The wage adjustments 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 1.5%, annually from FY26-FY30. Public Works administrative charges are to account for time that the department's staff spend on projects expensed from other funds, primarily the GO Bonds Fund. 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 7% 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 0.32% annually.

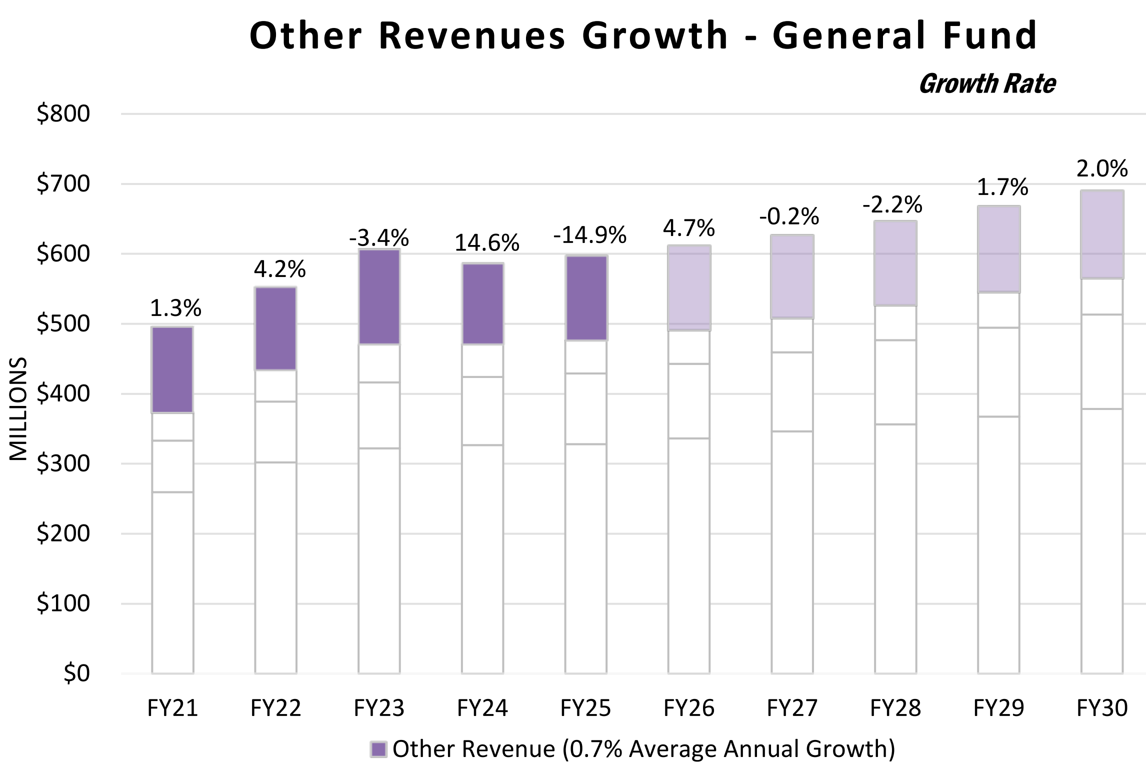
- **Fines**
  This revenue category includes fines imposed for municipal traffic and parking violations, fines imposed for violations of other municipal ordinances, and revenue from court costs. Court costs are the nineth largest source of revenue, accounting for 1% of the General Fund revenue budget. However, court costs have been declining for the last five years due to fewer citations being issued and case filings. The category is expected to continue to decline at 9.6% annually from FY26-FY30.

- **Other Revenues and Intra-fund 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 2.0% of the General Fund revenue budget. Transfers make up a small portion of the General Fund budget and are not expected to grow from FY26-FY30. The Other Revenue category is expected to increase 0.7%, annually, from FY26-FY30.

- **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. Commercial vehicle tax is the tenth largest revenue source in the General Fund budget at 1%. In total, Other Taxes account for 26% of the General Fund. This category is projected to grow 1.54% annually from FY26-FY30.

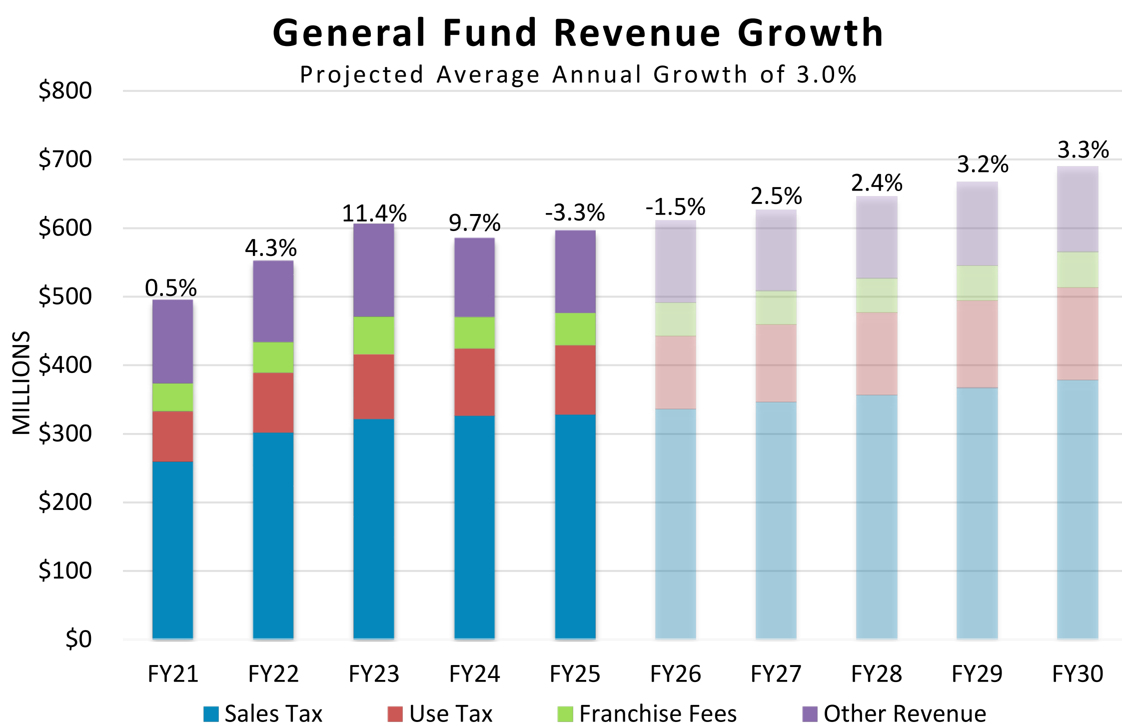
OTHER GENERAL FUND REVENUES FORECAST

Overall, this group of other revenues makes up 20% of General Fund revenue. An increase of 0.7% was projected over the forecast period and was largely based on long-term average growth patterns. The FY26 projected budget for other general fund revenues is $120 million, which increases to $124.4 million in FY30.



OVERALL REVENUE FORECAST

When all categories are combined, General Fund revenues are expected to grow at about 3% per year over the next five years. To put that in dollar terms, the General Fund is expected to grow from anticipated revenue of $611.4 million in FY26 to $690 million in FY30.



FIVE-YEAR FORECAST

FISCAL YEAR 2026 - 2030

SECTION 7

GENERAL FUND EXPENSES

TRENDS AND FORECAST

FIVE-YEAR FORECAST

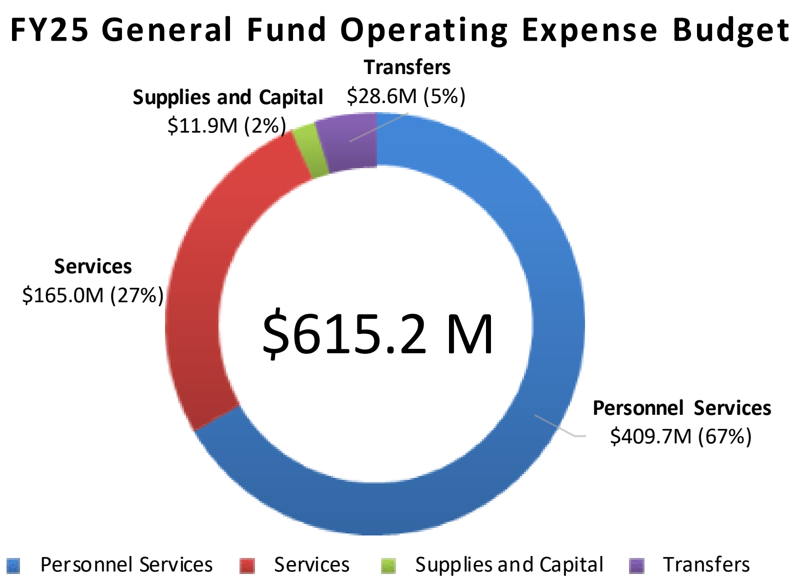
FISCAL YEAR 2026-2030

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.

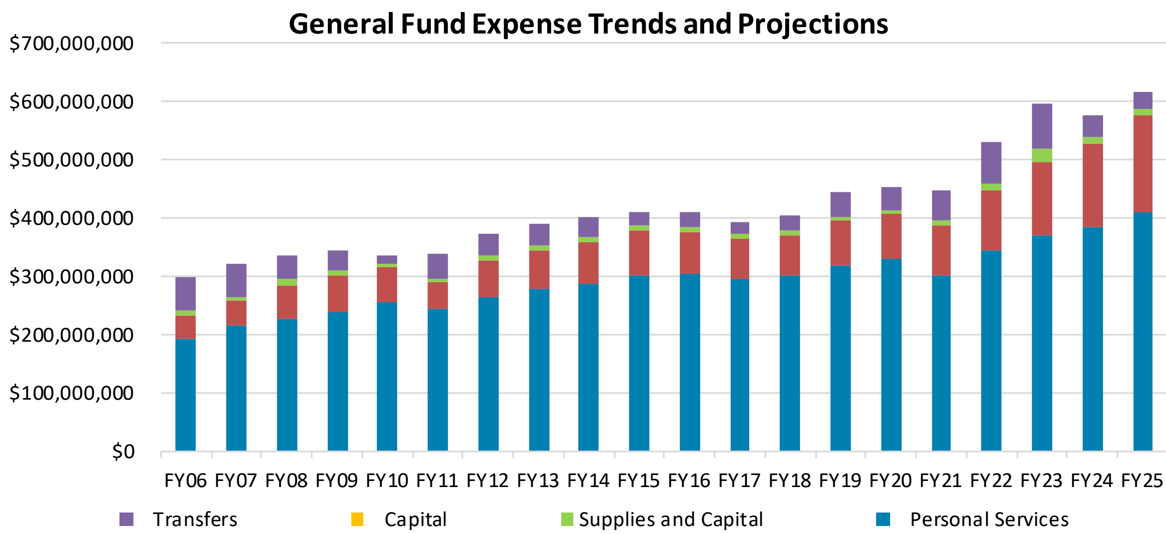
FY25 BUDGET

The City budgets according to four general categories: Personal Services, Other Services, Supplies and 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.



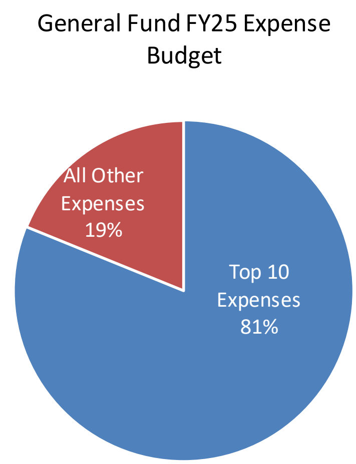
EXPENSE TRENDS

The chart below displays the expense trends in the General Fund; expenses have grown 215% over the last 20 years. Personal Services, the largest category, is driven by the number of employees and their pay and benefits and has grown 221% over the past 20 years. The Other Services category grew 449%, 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 in this category has been the shift to contracting out services once performed by City employees, which moves the associated expenses from the Personal Services to the Other Services category. Transfers grew 50% and include the movement of funding from the General Fund to other funds and City entities, such as trusts. The smallest category, Supplies and Capital, grew 175% over the 20-year period and encompasses the purchase of various materials and equipment, and capital improvements.



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, four of the top 10 line-items are from the Personal Services category and equal 62% of the General Fund budget. The Personal Services items in the top 10 are salaries and wages, health insurance, retirement and pension contributions, and retiree insurance (aka Other Post-Employment Benefits or OPEB). The four largest line items in the Other Services category represent 15% 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 and equipment. The two largest items from the Transfers category represent 4% of the General Fund budget and include annual transfers to the Oklahoma City Public Property Authority (OCPPA) for the management contract with ASM for the convention center, Paycom Center, and Prairie Surf Studios; and transfers to the Capital Improvement Fund for various capital projects.



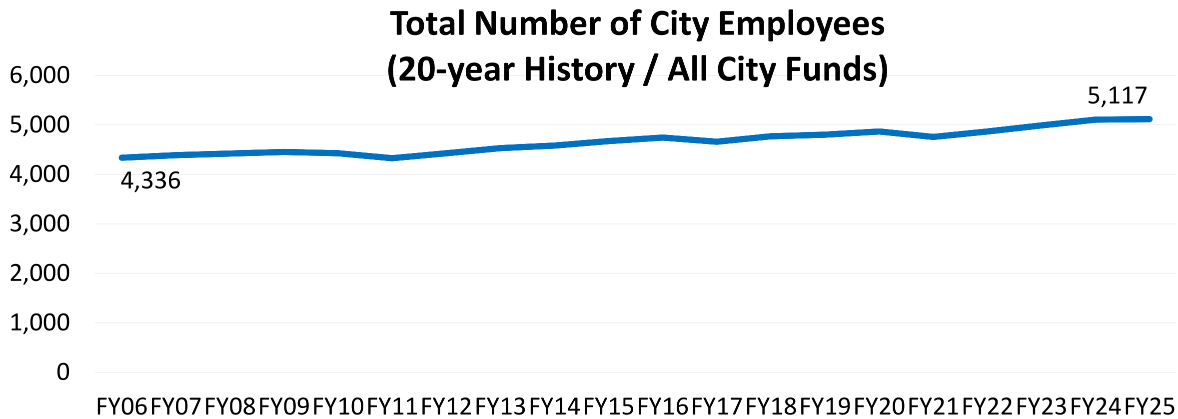
Expense	FY25 Budget	% of GF	Category
Salaries and Wages	$286,718,680	47%	Personal Services
Health and Welfare Insurance	$50,580,019	8%	Personal Services
Payments to COTPA	$39,599,283	6%	Other Services
Retirement/Pension Contributions	$30,595,833	5%	Personal Services
Chargeback - IT	$28,773,358	4%	Other Services
Payment to OCEDT	$18,527,145	3%	Other Services
Transfer to OCPPA	$15,966,081	3%	Transfers
Chargeback - Risk Management	$10,169,728	2%	Other Services
OPEB Expense	$12,314,341	2%	Personal Services
Transfer to Capital Improvement Fund	$5,792,302	1%	Transfers
TOTAL	**$499,036,770**	**81%**	

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

PERSONAL SERVICES

At 67% of the FY25 General Fund operating budget, Personal Services are the primary driver of expenditure growth in the General Fund. Personal Services include salaries, insurance, retirement contributions, parking, uniform and tool allowances. The two main factors influencing growth are the number of employees and their pay and benefits. Four of the top 10 expenses are in this category: salaries and wages, health and welfare insurance, retirement and pension contributions, and Other Post-Employment Benefits (OPEB), which is healthcare insurance for retirees. Salary reserve, which is budget authority held in reserve to ensure that all employees are regularly compensated, is a significant budgeted item, but is excluded from the top 10 because money is not spent from these accounts.

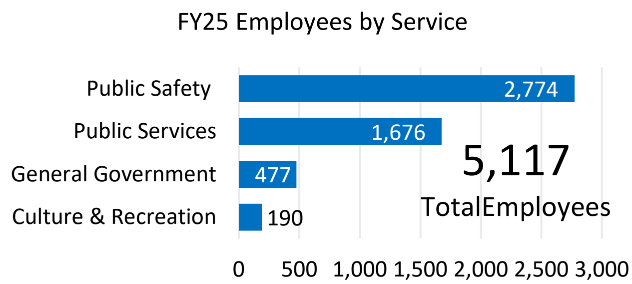
The FY25 budget increased the number of positions by 9, or 0.18%, to 5,117, with most of the increases coming from the Fire Department.



Employee count tends to go up and down with economic cycles as shown in the chart above; but overall, the number of City employees has remained relatively stable, growing only 18.5%, or 798 budgeted positions, over the last 20 years. The City has managed to control growth by gaining efficiencies through use of technology, contracting out services to industry experts such as ASM for management of the convention center, Paycom Center, and Prairie Surf Studios venue, and reprioritizing services.

Change in Employee Count over last 20-years		
Public Safety	422.0	17.9%
Public Services	305.0	22.2%
General Government	71.0	17.5%
Culture and Recreation	0.0	0.0%
Total Change	798.0	18.5%

In terms of distribution of City employees among the various categories of services the City provides, the largest group is Public Safety, which makes up 54% of the City's workforce and includes Fire, Police and Municipal Courts employees. Second largest, at 33% of all employees, is Public Services, which includes the Utilities, Public Works, Airports, Public Transportation and Parking, Development Services, and Planning Departments. General Government comprises 9% and is made up of the employees in the Mayor and City Council, City Manager's Office, City Clerk, City Auditor, Municipal Counselor's Office, Finance, Information Technology, General Services and Human Resources Departments. Culture & Recreation makes up 4% and consists of the Parks and Recreation Department.



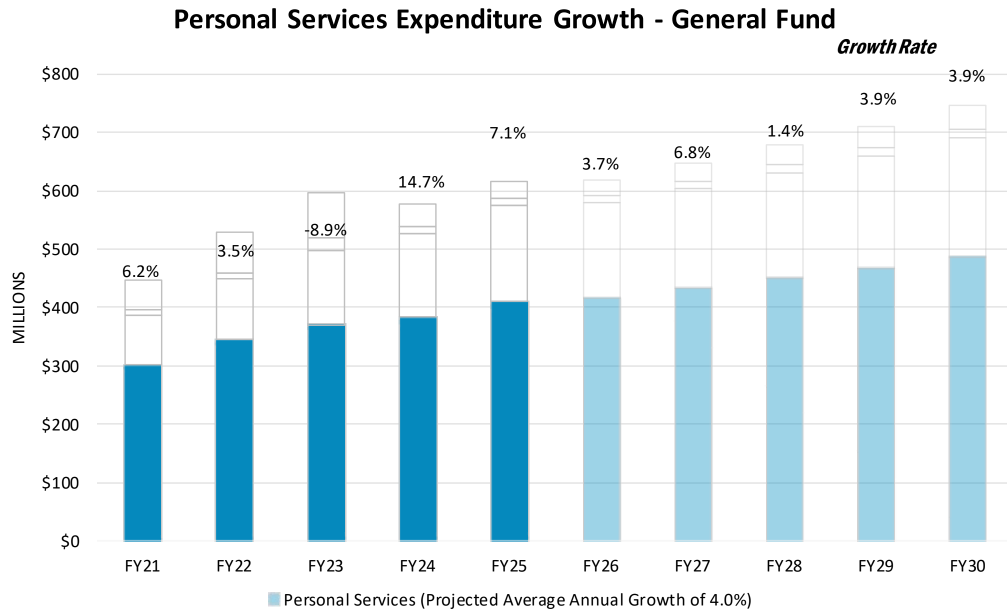
The total number of City employees under-represents the full level of service in these areas due to two factors. First, these figures only count City employees and do not include employees of the City's trusts. The Oklahoma City Zoological Trust has about 213 full-time employees. The Oklahoma City Public Property Authority has about 91 full-time employees working at the City's golf courses who would fall in the Culture & Recreation category. There are also 333 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 contractors providing City services, such as ASM staff who operate the convention center, Paycom Center, and Prairie Surf Studios; employees of Waste Management, Inc. who provide much of the City's trash service and INFRAMARK employees 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 detail the changes to a group's pay plan, benefits, and rules for handling pay-related matters, such as overtime. In the FY25 Budget, the American Federation of State, County, and Municipal Employees (AFSCME) represents 1,378 general positions. The Fraternal Order of Police (FOP) represents the 1,234 uniformed Police positions. The International Association of Fire Fighters (IAFF) represents the 1,022 uniformed Fire positions. The remaining 1,473 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 was 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 projections for the future. The projected annual growth rate reflects an average of 4.4% from FY26 though FY30. Increases to position-related expenses were based primarily on average annual increases from the last five years and after adjusting for inflation, and ranges from 4.00% for personal services to 1.40% for insurance. Over the five-year forecast period, the average growth is projected at 4.0% annually for Personal Services with a projected budget of $409.6 million in FY26 that grows to $484.4 million in FY30.



OTHER SERVICES

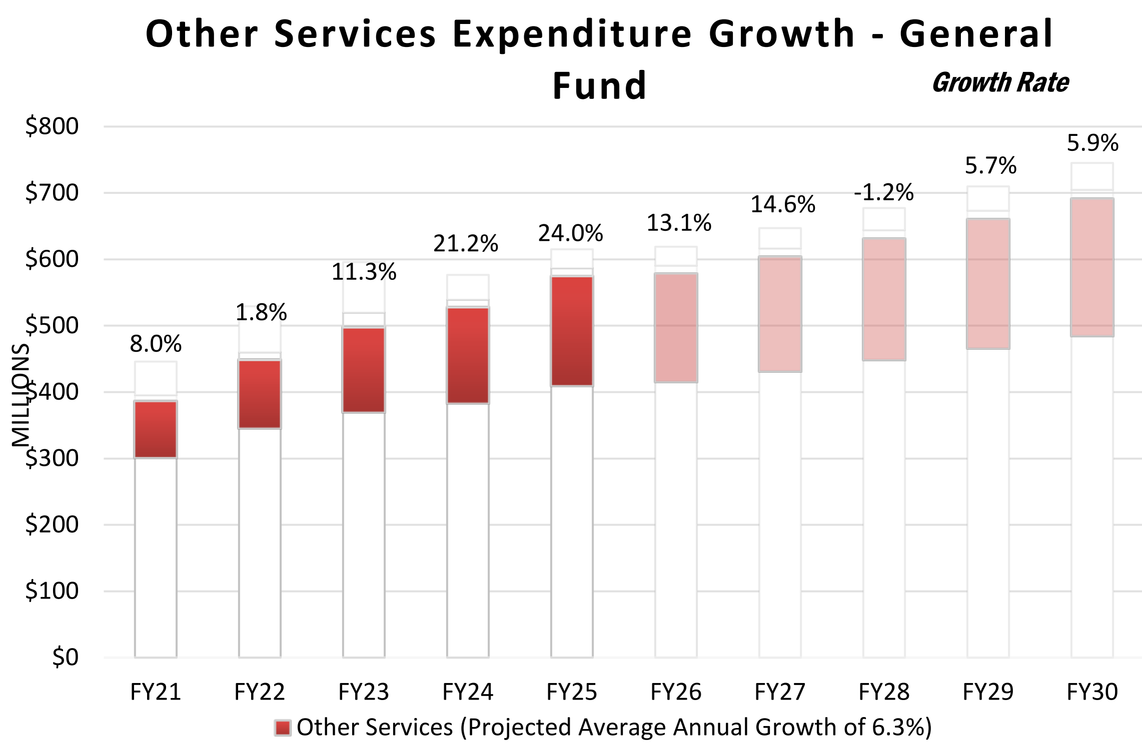
Other Services include expenditures for service contracts, utilities, printing, employee training, vehicle repairs, professional services, and chargebacks. Chargebacks are charges between internal City agencies for services such as vehicle maintenance, printing services, information technology support, workers compensation, and property and liability insurance. The FY25 budget for Other Services totals $165 million or 26% 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. Those four line items constitute 59% of the category budget and 15% 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 8.0% per year, which is lower than the average annual growth rate over the last five years, under the assumption that the high inflation over recent months will subside in the future. Adjustments to the growth rates for specific items are made as needed. The average growth for Other Services is projected to be 6.3% annually over the next five years with a budget of $163 million projected in FY26 that increases to $206 million in FY30.

FUTURE EXPENDITURES FOR NEW OR ENHANCED SERVICES

In FY26, $1.2 million was added to the City's payment to COTPA, of which $1.1 million is for increased personal expenses. Projections are continually being refined by staff and will be adjusted accordingly each year.



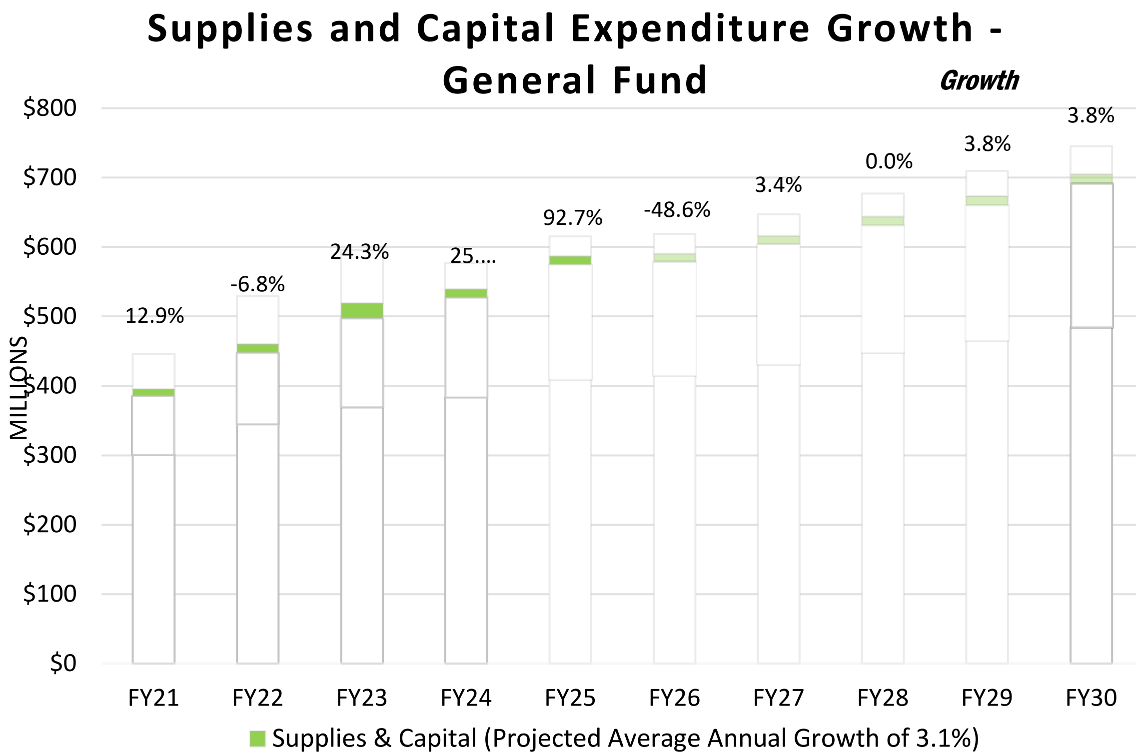
SUPPLIES AND CAPITAL

For the 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 for 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, such as the replacement of large equipment, have generally been minimal in the General Fund. Most capital projects not funded by dedicated sources, such as GO bonds or dedicated sales taxes, are funded in the Capital Improvement Fund. The Capital Improvement Fund is funded primarily through transfers from the General Fund, and those transfers are included in the Transfers expense category.

SUPPLIES AND CAPITAL FORECAST

From FY26 to FY30, most expense items are projected to grow 4.23% annually. When averaged over the five-year forecast period, the growth is projected to be 3.1% annually for Supplies and Capital with a projected budget of $11.9 million in FY26 that increases to $13.9 million in FY30.

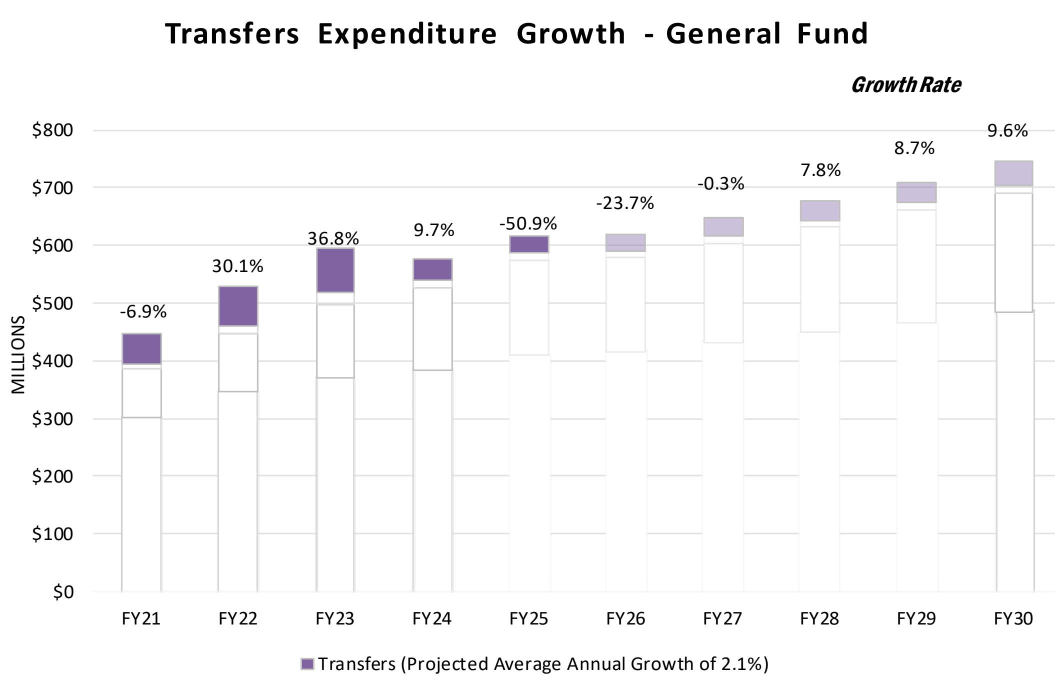


TRANSFERS

General Fund Transfer costs reflect the fund's direct financial support of several services for which the dedicated funding sources are insufficient to meet City objectives. The FY25 General Fund budget includes $28.6 million in Transfers, which is 5% of the total budget. Two of the top 10 line-item expenses are in this category: a $16 million transfer to the OCPPA for the ASM management contract, and $5.8 million in transfers to the Capital Improvement Fund. These items combined comprise 4% of the total General Fund budget.

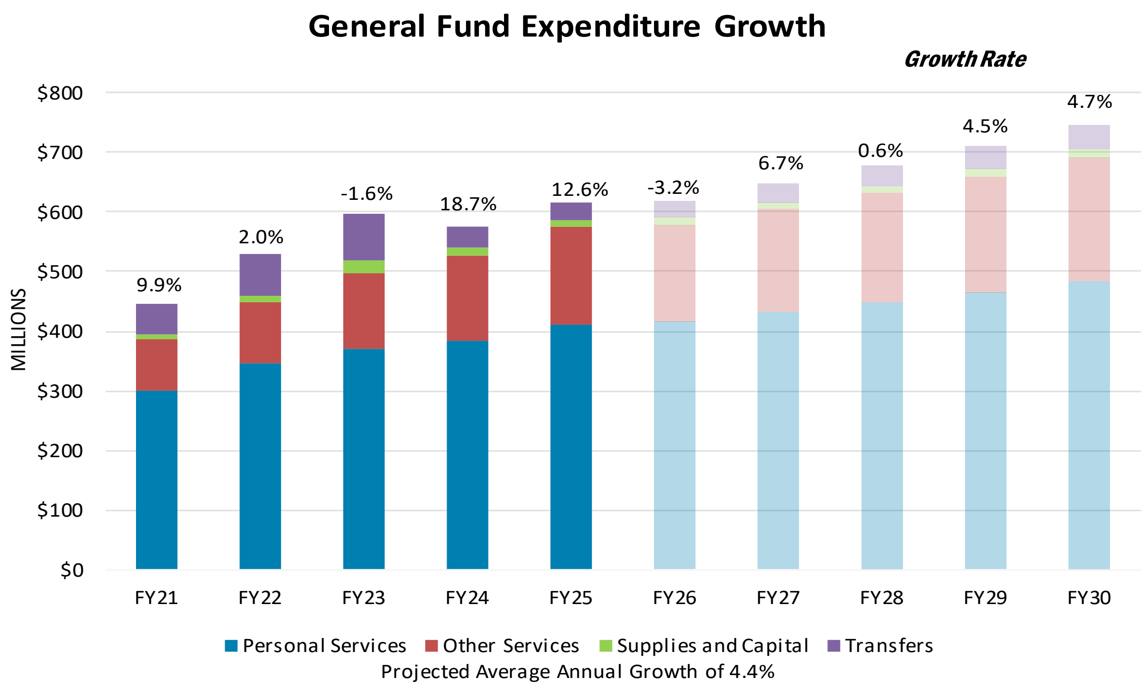
TRANSFERS FORECAST

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 2.1% annually, with the Transfers budget increasing from a projected $28.5 million in FY26 to $40. 4 million in FY30.



OVERALL EXPENDITURE FORECAST

When all the categories are combined, General Fund expenses are projected to grow 4.4% annually over the next five years. The FY26 budget is projected to be $622.3 million which increases to $750.9 million in FY30.



SECTION 8

GENERAL FUND

REVENUE/EXPENDITURE GAP

FIVE-YEAR FORECAST

FISCAL YEAR 2026-2030

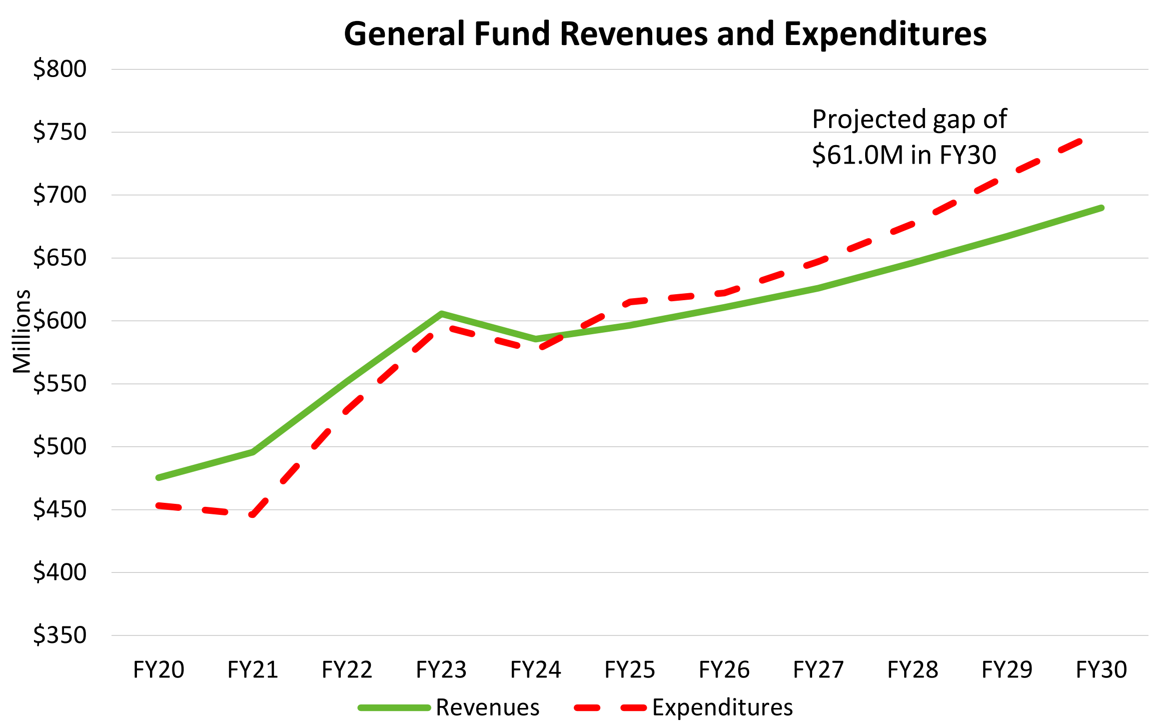
PROJECTED REVENUE/EXPENDITURE GAP

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. The local economy experienced a mini boom with growth of 8.9% in 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. Most recently, the COVID-19 pandemic slowed growth to 0.5% in FY20. Federal stimulus plans and a return to in-person shopping spurred consumer spending which helped produce growth of 4.3% in FY21, 11.4% in FY22, and 9.7% in FY23. This trend continued throughout the first half of FY24 but slowed down during the second half of the year leaving a growth rate of -3.3%. The first half of FY25 continued the negative trajectory but has started to make a turn for the better starting the second half of the year. FY25 is looking to end the year at -1.5% with FY26 having a 2.5% growth.

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

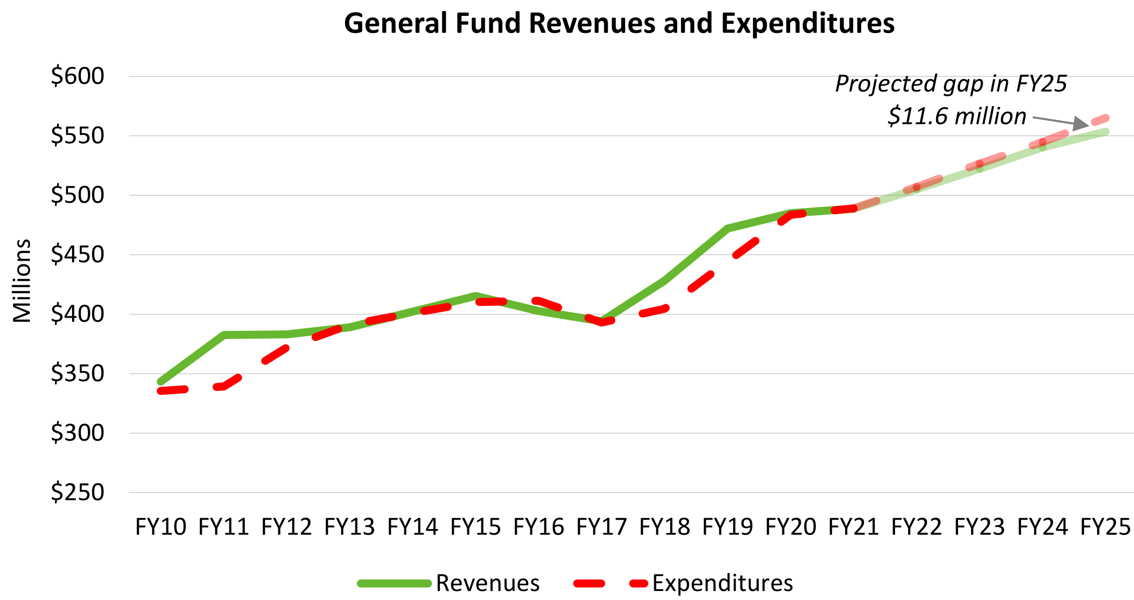
Current operating and capital issues facing the City will require careful planning to ensure a sound financial future. The Five-Year Forecast is one of the tools used to plan for continued financial health by facilitating the development of long-term strategies within the framework of the resources available.

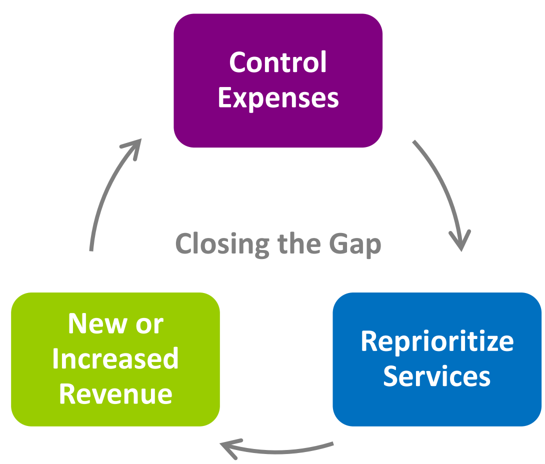
Through FY30, revenues are expected to average 3.0% growth annually. Expenditures are expected to grow at an average rate of 4.4% annually. The difference between the two growth rates is reason for concern, although any gap between revenues and expenditures will be closed each year so that the city has a balanced budget. The projected gap, if no adjustments to revenue or expenses are made, grows to $61.0 million in FY30. The General Fund Revenues and Expenditures chart below shows five years of actual figures (FY20-FY24) and projections for FY25-FY30. 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, additional funding was put into reserve.



CLOSING THE GAP

State law mandates that a budget be balanced, or that revenue exceeds expenses, and every year the City must work to close any gaps. Projections are an informed guess based on the information available at the time, and while they are almost always inaccurate, projections provide a plan from which to work and bring attention to items that need to be addressed. The graph below is the General Fund gap projection for FY25 from five years ago. Expenses were projected to be $565.1 million and revenue $553.5 million. The FY25 operating budget ended up being $615.2 million, well above both the projected revenues and expenses from five years ago. One major event that has occurred in the last five years that would not have been projected at the time was the COVID-19 pandemic and the subsequent fiscal stimulus programs, that resulted in historic levels of sales and use tax collections for the City. 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 power to close the gap. Since Personal Services make up the majority of General Fund costs, controlling growth in this area will be key to maintaining financial balance. The most effective means to achieve a balance between controlling personnel costs and maintaining competitive salary and benefit packages will be to limit salary and benefit growth to within the approximate growth rates of City revenues. The City continues to find ways to limit 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 reductions in service levels.

Another option is for City leaders to continue reprioritizing municipal 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.

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

Controlling professional services costs and wage growth will be key to maintaining financial balance in the General Fund.

CONCLUSION

As Oklahoma City continues its mission of providing our residents with essential services and quality of life improvements, planning a sustainable financial model is critical to maintaining our service levels.
OKC is known for ambitious capital projects that have transformed our skyline and our residents opportunities to work and play in one of the top 20 largest cities. The challenge ahead will be to maintain our facilities and infrastructure while we continue to construct new projects. Additionally, the services being provided will also change, as the needs of our residents and expectations of their local government evolve.
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 2026-2030

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