

Complete Our Streets Task Force

Report of Finance Committee

The members of the Finance Committee strongly feel that now is the time to summon the political will to take a visionary approach to once and for all begin to meet the long overdue needs of our city street infrastructure. We strongly advise the City of Tulsa elected leaders to take actions which are not made to simply “get by” but to make our transportation system one to be envied. Our system should be an inducement for families to move here and for economic development to flourish. We believe these recommendations offer the opportunity to do just that.

During the recent losing election regarding “The River Tax”, many opponents made the argument that Tulsa’s street needs should be dealt with first. The Finance Committee believes that now is the time for those opposed to The River Tax to stand up and support our recommendations to Complete our Streets. Our recommendations cover both the immediate need as well as a focus on the long term. Some of our proposals are approaches that our city has successfully used in the past. Some are new ideas that will require understanding and explanation. A knee jerk reaction of opposition will not be in the best interests of our City or towards the improvement of our streets.

The Committee has determined that approximately \$ 1.1 billion dollars are needed to return our streets to good repair as well as to keep them in good condition for the next decade. That figure does not include new construction street projects such as needed widening of arterial streets and significant improvement of numerous major intersections. Those new projects – estimated to cost an additional \$500+ million – will also have maintenance needs that will need to be addressed.

Obviously, that is a very large amount of money that can only be achieved through the approval of a plan that combines an increased dedicated sales tax, a large General Obligation Bond Issue, and State of Oklahoma assistance. We also believe that when this money is secured, there should be a new approach to managing long term street needs.

We recommend that the source of revenue for these projects should be the determining factor in their purpose and use, In other words, capital and current improvement project expenditures should be paid for out of long term indebtedness and sales tax revenues, other than from the 3rd penny, should be used primarily for continuing maintenance expenditures.

The Solution

Based on the above, we recommend the following to address the immediate SOLUTION:

1. A General Obligation Bond issue (utilizing 20 year bonds) of at least \$650 million should be placed before the voters on the general election ballot for the City elections in April, 2008, to allow the funding to be considered in the 2009 budget cycle. These bonds would be issued over approximately 5 years and, at the peak, would increase the millage rate in Tulsa approximately 15 mills. This would translate to an increase in property taxes of approximately \$12.50 per month for a house of \$100,000 assessed value. This would decrease fairly rapidly as currently outstanding bonds are paid off. In order to remove undue political influence from the process, a citizen's oversight committee would be responsible for making certain that the money is spent properly and that the priority of the suggested projects is determined correctly.

2. A permanent sales tax increase of one-half cent (\$0.005) should be voted on with the proceeds to be dedicated to the Public Works Department primarily for street repairs and maintenance. If it is determined that this needs to be temporary, the Finance Committee recommends that it be for not less than 10 years. This tax would generate approximately \$35 million per year (all figures were provided by the City Finance Department).

3. HB1776 began the process of redirecting money the State of Oklahoma collects from motor vehicle tags to roads and bridges. Once this law is fully operational, there will still be approximately 30 cents of every dollar of tag fees – or \$200 million per year – going to the general fund. There is going to be a bill introduced in the legislature next session to continue this reallocation with the remaining \$200 million to be allocated to local governments for streets. We recommend that the City of Tulsa mobilize its partner in its "One Voice" alliance to strongly support this effort. We know that the City has joined with the Municipal League in supporting their similar effort to have the state return one-half cent of its portion of the sales tax to local governments. While this would be supported by the Finance Committee if a significant portion were allocated to streets, we believe that the effort to reallocate the tag fees has more likelihood of success since it builds on HB1776 and is consistent with the attitude in much of the legislature that user fees, such as tag fees, should go back to support the related use, in this case, roads.

In order to accomplish recommendation #1, we strongly believe that a change of attitude must happen insofar as bonded indebtedness is concerned. For the past several decades, the powers that be decided that the ad valorem property tax mileage rate must remain constant. That decision kept the level of General Obligation Bonds fairly constant, increasing only to the extent that property values went up. Unfortunately, as inflation and energy cost increases caused equipment and construction costs to rise, the amount of "work" that was purchased by bond revenues declined. Therefore, fewer streets were built, refurbished, widened, and improved. The reason becomes apparent when we are told that within the past 3 years, the costs of asphalt and concrete have more than doubled.

We recognize that the City's normal bond election pattern would call for a GO bond vote in 2009. Such a bond issue would normally include other capital needs besides streets, such as sanitary sewers. We have been told that the "street" portion might be

approximately \$100 million. In looking at our Finance Committee's bond issue recommendation, it may be appropriate to include these other projects in the same election as a companion vote so that the others needs are met and another GO bond vote is not required a year after this recommended bond issue vote occurs.

Concerning sales taxes, it is very apparent that our city government lives and breathes from sales tax revenue. Our city has a permanent 2 cents and the temporary 1 cent that is periodically voted upon by the citizens of Tulsa for specific capital improvement projects. Due to more than a decade of steady declines or minimal increases in sales tax receipts within the boundary of Tulsa, our Tulsa City Government has recommended and approved budgets that allocated significantly less and less money for street maintenance.

We are not placing blame but pointing out the fact that our revenues have not increased in the same fashion that have the costs of maintaining our infrastructure. In fact, increases in salaries of employees have been granted to the detriment of maintenance budgets. Over the years, numerous capital projects have been deferred due to a lack of revenues. Those deferred projects then become more expensive over time. Our leaders have been dealt a difficult situation with decreasing revenues and increasing costs. The result is our present condition. To ignore it and not deal with it will be the death knell of the city as we want it to be. It is now our responsibility to do something about it.

Our Public Works Director, Mr. Charles Hardt very directly told our Finance Committee that "We are in a crisis mode". Many of Mr. Hardt's high level employees and engineers have been hired away by our neighboring cities. Salary increases of 40 to 60% to induce them to leave cannot be matched by the present financial allocation granted to the Department of Public Works. We urge the Council and the Mayor to make it a priority in the next budget that this department pay competitive wages to keep their key employees. Otherwise, their ability to carry out the ambitious plans in this report will be significantly impaired.

In this latter regard, our Committee spent considerable time examining the capacity of the Department of Public Works to effectively and efficiently spend the large influx of money our recommendations contemplate. While we believe that they have a plan to do so, considering their difficulties in hiring and the large amount of new money to be spend quickly, we recommend that the Administration and the City Council review the process by which the new money will be spent to assure themselves and the tax payers that we are adequately prepared to effectively and efficiently spend this money in an appropriately short period of time. We would also commend our recommendation regarding the use of the Oklahoma Turnpike Authority below.

Since sales taxes are so vital to the City, we recommend that the City Council and the Administration co-ordinate an all out effort to enable specific policies that encourage a growth of sales tax generating sales within our city limits. We also recommend that the City Council and the Finance Department determine the number of tax free entities operating within our city limits and the estimated amounts of avoided tax revenues that

those entities enjoy. It is in the City's best interests for it to understand the financial base from which its revenues are generated.

Political Will

We respectfully ask the City leadership to summon the political will to tell the citizens the hard truth about our City's finances and that there is only one way to fix our streets and that is to pay for them. It simply cannot be ignored. There are several other issues which affect the spending of any dollars dedicated to the streets problem which will also require some political courage on the part of our elected officials. This Committee will support each and every leader in this regard.

The Finance Committee sees the existence of a very real problem in that local neighborhood politics have been given too much decision making capability versus a more reasoned approach to determine priorities. The management of the Department of Public Works is put in a very difficult position when prioritizing is based upon the political vocal levels versus an evaluation of budgets and efficient use of limited revenues. Only the City Councilor from the affected area can stop this.

The Finance Committee was also informed that many neighborhoods have had influence to over-ride recommended maintenance projects with such things as more costly asphalt overlaying for aesthetic reasons. A crack and seal maintenance project accomplishes its goal of keeping water from penetrating asphalt – a process that results in forming a pot hole. Unfortunately, a crack and seal operation looks like a lot of misplaced black lines moving in all directions on the surface of a neighborhood road – not very attractive to some but very effective to seal cracks in that roadway. The City Councilors need to give political cover to the Department of Public Works and explain to their constituents that there are often good economic reasons to defer asphalt overlays.

Many present and past members of the Tulsa City Council have been very vocal about their support of awarding contracts solely to Tulsa based companies. Although this sounds terrific, it can be very short sighted when evaluated. Local contracting should always be encouraged but it should not be given preference status when a significant cost increase is the result.

Education of the Public

One significant impediment to the implementation of our recommendations is that many of our voters are not well informed about City finances and the various capital improvement needs. It is very apparent that the use of the television channel known as TGOV has an audience. The Committee recommends that this television channel needs to be given much more use to educate and inform our citizens, particularly about City finances and how capital projects are developed and determined to be necessary. Presently, the staff of the City Council is doing a very good job of coordinating the use of TGOV. It is recommended that the City Council be given increased capabilities to complete their responsibility of developing, marketing, and using the TGOV channel. For

one thing, the City Council is the part of our government that is closest to the voters. The Franchise Fee that is attached to our cable bill should be partially budgeted by the City Council to cover that expense.

Other Recommendations and Ideas

While we believe strongly that the above SOLUTIONS are vital and are the only sure way to actually meet our Task Force's goal of "Complete our Streets", we also recognize that beyond paying for street maintenance needs, there is a long term need to provide for additional street use for alternative transportation such as walking, bicycling, etc. as discussed elsewhere in our Task Force Report. The Committee believes that our purpose is to give a wide variety of alternatives that, if enacted responsibly, will have the ability to plan and fund our city's transportation needs far into the 21st century.

The following are ideas, several "out of the box" thoughts, and new concepts which we believe should be investigated by the City. We believe that many of them, in particular the Tulsa Transportation Authority, offer opportunities for new funding sources to make our transportation system not just adequate but First Class:

Tulsa Transportation Authority. It is the Finance Committee's recommendation that the City of Tulsa create a Tulsa Transportation Authority (TTA). The governing board would be created in similar fashion that the other Tulsa boards and authorities are created. The TTA would have several purposes. One would be to be an all encompassing planning authority covering all aspects of transportation within the City of Tulsa and meet those needs with sufficient capital funding. The planning aspect includes the implementation of appropriate forms of alternative transportation such as bicycling, walking, and mass transit. Obviously, interaction with INCOG will be of paramount necessity.

In order to provide additional capital funding, the TTA would have the ability to issue bonds, create revenue generating facilities, set user fees, maintain its systems, and determine the financial feasibility and operation of mass transit systems, including an interconnected light rail system. That being said, a merging of the Tulsa Transit Authority (Bus system) and Tulsa Parking Authority into the TTA would be a sensible pursuit. The TTA should also become a significant revenue source for moneys to pay for maintenance of the entire City of Tulsa street system. It would be intended that the public view TTA as working for it and protecting its interest similar to the Utility Board for water and sewer projects and maintenance.

It has been duly noted that a large number of people use the City of Tulsa's infrastructure for employment and recreation purposes but have chosen to live outside of our city limits. In years past, this loss of local residents was made up somewhat by their shopping within the City of Tulsa. With the growth of retail in the suburbs, that is no longer as prevalent. The result has been a decrease in sales tax revenues that used to compensate the City of Tulsa for this use of our infrastructure by non-Tulsans.

Until efforts to increase our sales tax related sales are successful, we have been given suggestions to consider a method(s) to allow for the sharing of the maintenance costs of our infrastructure. Most methods such as an employment tax or “head” tax are either too costly to implement or, in the opinion of the committee, too invasive into local businesses and too heavy-handed to enforce. However, to charge a user fee and use excess revenues to maintain the City of Tulsa’s streets seems to be a fair method of allowing the users to help maintain the system that they use. The TTA could be structured to accomplish that task.

Finally, there has been much talk about alternative forms of transportation. To this end, the TTA would have ability to consider the implementation of a light rail system connecting Tulsa to the various cities and towns around Tulsa such as Broken Arrow, Claremore, Owasso, Sand Springs, Sapulpa, Bixby, and Jenks. Many people forget that once a light rail or similar system is established, it is of prime importance to plan and coordinate a bus transit system with direct access to and from the light rail system. Simply bringing rail passengers to a delivery point is not enough. They need to have a public transportation system to go to and from commercial, business, shopping, and recreational areas throughout the cities that are tied into the light rail system.

Additionally, parking facilities for TTA customers will be necessary for automobiles as well as for bicycles & motorbikes. In keeping with the changing automotive landscape, those facilities will need to be built with equipment set aside for electric battery charging as well as natural gas filling facilities.

All the above underscores the need for an over-arching planning authority that coordinates all aspects of planning and funding such an arrangement. As mentioned previously, the TTA would become a key dedicated source of revenue to fund the street maintenance needs for the City of Tulsa. When those revenues became available to the city, a decision could be made to allow the dedicated sales tax to expire.

We note that the formation of TTA and giving it the ability to charge user fees might take special legislation from the State of Oklahoma, again reinforcing the need for our City leaders to cultivate good political relationships with the leadership in our state’s government.

Buying ODOT Roads to Build New Roads. In today’s competitive environment, municipal governments simply have to evaluate new methods of governing and paying for that governance. The Finance Committee looked at several “out of the box” ideas to evaluate. One such idea is for the TTA to purchase an existing expressway system from the Oklahoma Department of Transportation (ODOT). The purchase price would be paid for by issuing revenue bonds to be repaid by the tolls charged to use that system. It is further suggested that the negotiated deal with ODOT include the understanding that 100% of the purchase price would be spent by ODOT on projects currently being considered for the Tulsa area such as the Gilcrease Expressway, bridges across the Arkansas River, and the widening of I-44. User fees could not only pay for the bonds issued for the purchase but could be set to generate additional revenues for street work.

Additionally, if the purchased roads were commuter-heavy, this could be a mechanism to charge those living in the suburbs a fee for the use of our infrastructure.

Use of the Oklahoma Turnpike Authority. While many people do not appreciate turnpikes, there is no doubt that the Oklahoma Turnpike Authority (OTA) knows how to build roads fast and efficiently. For the City to have credibility with the voters regarding spending such large amounts of money, the issue of the capacity of the DPW to manage the expenditure of those moneys has to be addressed. When questioned, the leadership of the DPW said that they would solve their lack of manpower problem by hiring a few of what they called “Super Consultants” to oversee other consultants doing the actual engineering, designing, and contractor oversight. We recommend that the City explore using the OTA instead of Super Consultants or designate the OTA as The Super Consultant. We believe that their services could be provided much less expensively and that their flexible approach to road building would serve the City of Tulsa well.

Finally, the Committee recommends that the City investigate the formation of partnerships with the Oklahoma Turnpike Authority that could result in the construction, completion and expansion of the Gilcrease Expressway. There are many new methods of financing such relationships and those options should be thoroughly investigated. Many of those methods would not require the payment of tax moneys.

Oil and Gas Drilling in the City. Once again, a bit unorthodox but we believe that the City Government needs to consider those “out of the box” opportunities to determine new sources of revenue that are not related to increased or new taxes. One such opportunity might be to allow leasing of the City’s mineral rights for the exploration and production of oil and natural gas. Although members of the oil and natural gas industry will say that commercially productive amounts of oil and natural gas in the Tulsa area will probably not make a huge contribution to the city’s needs, one never knows.

New technologies and energy demands are providing new methods of making money in the energy industry. There are certainly drilling and production methods that are extremely safe for the environment and appropriate parameters can be required and enforced. There is no need for additional employees to monitor this activity – oversight can be acquired either on a contract basis or donated by appropriate private entities.

One simply has to look at the Dallas - Ft. Worth Airport for an example of significant money paid for drilling opportunities. The City of Oklahoma City has long encouraged drilling within its city limits. In fact, its airport has been the recipient of substantial royalty revenues for a long time. There is no reason that we should close the door on this opportunity.

Naming Rights. Another recommendation is to sell naming rights for capital projects such as parks, streets, bridges, or buildings. The Bank of Oklahoma Arena is a perfect example of this approach. Presently, there are arterial streets that also carry the names of entities that provide landscaping, tree planting, and significant visual improvements

Special Assessment Districts. The City of Tulsa's Charter allows for the creation of Special Assessment Districts by willing neighborhoods. After a very specific procedure is completed, an affirmative vote of the neighborhood and City Council will allow a specified area to voluntarily tax itself for specific purposes such as sidewalks, greenbelts, parks, street widening, bike lanes and/or trails, etc. The Committee recommends that a thorough public education be given to the public in order for them to understand this tool to help them determine the direction of their neighborhoods. The City of Tulsa and INCOG collectively have the capability to provide leadership and recommendations in order to enhance a neighborhood's quality of life.

The Finance Committee wishes to sincerely thank Mayor Kathy Taylor and her fine staff for all of the support and fast response to the Committees questions and needs. We also wish to thank the Director of the Department of Public Works, Mr. Charles Hardt for his patience with our questions and his candor regarding the state of affairs that relates to our infrastructure needs. We also wish to commend Mr. Paul Zachery for his thorough explanation of the various methods of evaluation and budgeting. City Finance Director, Mr. Mike Kier was invaluable in our needs to understand financing and tax needs from the perspective of the City of Tulsa. Councilor Bill Martinson and the City Council staff have been invaluable in educating this Committee and supporting our efforts to understand the history of our present state of affairs.

Finally, I wish to personally thank all of the members of the Finance Committee for their unbiased opinions, suggestions, and especially their commitment of time to participate in this process. The citizens of Tulsa are well served by their example. The members of the Finance Committee are Mr. Jack O'Brien, Mr. Steve Mitchell, Mr. John Weidman, Mr. Kell Kelly, Mr. Howard Barnett, Mr. Ron Bussert, and Mr. Dewey Bartlett. The Committee also wishes to thank Mr. John Piercey and Mr. Don Cannon for their input.

Submitted, this December 4, 2007.

Mr. Dewey F. Bartlett, Jr.
Chairman
Finance Committee of the Complete our Streets Task Force