

Fiscal Year 2021 Budget Speech - April 22, 2020

Thank you Mister Chairman. I first want to thank each of you for your help this budget cycle in establishing clear priorities and working with our Finance and Mayor's Office teams to identify ways to accomplish them. This is now the fourth budget we have developed using that collaborative approach, and I think this one is probably the one in which that approach proved most valuable.

I say that because the budget all of us spent much of the last year developing is not being presented tonight. We spent the first half of our fiscal year tracking the execution of the priorities we spelled out in the Fiscal Year 2020 budget. In December, we met to establish priorities moving forward. We continued to work on those and refine those through January and February and into March.

But the events of March and April have caused a significant change in what we were planning to do. Because of years of working together closely - and in prioritizing over and over again the safety of the citizens of Tulsa, as well as the ability of our team at the City of Tulsa to serve them - I believe this budget reflects our shared priorities for the year ahead.

While in years past, this speech was about exciting new initiatives and opportunities for us to better serve Tulsans, the budget before you is about one thing: working as a team to continue serving Tulsans at existing levels.

Our revenue picture is challenging. As you know, we are a city residing in the only state in the nation that does not allow cities to use property tax for operations. This forces us into an over-reliance on sales tax. Because of this very dynamic, the Brookings Institution recently ranked Tulsa as one of the ten city governments in America most likely to be adversely impacted by the current pandemic event.

Historically, two of the best indicators for sales tax performance in Tulsa are regional employment and crude oil prices. Unemployment claims have spiked in an unprecedented way. Crude oil prices have plummeted.

In a city that prides itself as an entertainment destination, screenings at our airport are down 95%, restaurants are currently restricted to take-out and delivery, and large-scale events like concerts and conventions are shuttered across the country.

Given these dynamics, the proposed budget total is \$828.5 million, which includes all city funds - including operating funds and our capital improvements program. General Fund revenues, which fund most of our core services, are projected to decline by \$12.9 million from the current budget year to \$256.6 million.

In the midst of both a public health crisis and an energy industry crisis, we are only able to propose a budget that maintains existing service levels because of two things: our employees sacrificing their own pay, and elected officials over the last decade saving when we could have spent - building up cash reserves for a day just like today.

As an aside I want you to know that the response from our team at the City since furlough days were announced last week has been remarkable. Following the announcement, I fully expected an angry response. Instead, nearly every email I received from members of our team spoke to

the need for us to pull together and get through this together. It showed the true servant leadership of our team at the City of Tulsa, and I have never been prouder to serve our employees than on that day. They are extraordinary people, and I appreciate City Auditor Cathy Carter joining me to take the same pay reduction as we stand with them.

I also want to thank our public employee unions who have stepped up and worked with us to establish these plans for their members. Their cooperation has been reflective of the members they serve.

Given our reliance on reduced employee pay to continue existing service levels, there are no new programs or positions in this budget. I can not in good conscience propose anything new until we have restored pay to pre-furlough levels for those employees making this sacrifice.

At the outset of the pandemic, we instituted a hiring freeze and that will continue. We have frozen employee travel for both safety and budgetary reasons.

Our current public safety staffing levels in both the Tulsa Police Department and the Tulsa Fire Department have been hard-earned over years of diligence by this Council and our training teams in the departments. While I know our long-term goal has been to fund academies at the maximum level possible to reach our staffing level goals, that is not possible in this environment. At the same time, we do not want to squander years of work to build up those staffing levels if we can avoid it.

So the budget before you preserves our ability to cover attrition within our public safety departments through academies - not at the levels we would like, but at the levels we need.

On the topic of public safety, I know that we discussed recently the allocation of funds for Police Department community outreach and engagement. Because of our \$12.9 million General Fund revenue reduction, those funds are not included in this budget. I share your desire to fund that initiative, and once our ability to fully pay employees is restored we should commit the funds necessary to proceed with that program. In the meantime, we will utilize existing Tulsa Police Department resources to advance our community policing initiatives.

I also want to be clear that while our goal is to preserve existing service levels, the way in which those services are delivered may necessarily change. You can't reduce working hours by 10% for non-sworn employees without changes to how people spend their work days. But the goal is for the critical services provided by the City of Tulsa to continue.

In the midst of all this, we do have some good news for Tulsans.

This budget continues the existing level of mowing on public rights of way and medians.

And thanks to years of responsible planning by the Tulsa Metropolitan Utility Authority and votes by this Council to set rates that cover the cost of service, there will be no rate increase for water service in the coming year. We have also significantly reduced the sewer and stormwater rate increases that were in the adopted FY21 plan. The lack of any increase in water rates is a welcome reminder of where we can be after years of paying down debt and catching up with the cost of service delivery.

One footnote I want to add as you review the budget regards an accounting change implemented this year which can cause some of the year-to-year numbers to look like dramatic

increases, when in fact they are not. Both FY21 and FY22 reflect a cost allocation accounting change which moves departments with allocated budgets in separate funds to one fund, the General Fund. Those departments will have combined funding in one place to make it easier for department personnel to manage their budgets and to improve the purchasing process. Services provided to operations outside of the General Fund will be charged for services received. The impact from the changes adds approximately \$30 million to both revenues and expenditures in FY21 and FY22, and explains why the General Fund budget and resources appear to increase when actually a decline is projected. This will allow departments to charge their expenditures to a single fund with a single reimbursement from enterprise funds, instead of requiring them to do that with every single expenditure as they do now.

In closing, I am reminded of the admonition I frequently received from my City Council colleague David Patrick: the budget is a planning document, not something chiseled in stone. You plan as best you can with the information you have available at the time, and if you need to adjust as the year goes along you have an amendment process to do that.

The current mix of economic crises is unprecedented for our city. We do not have an easy road map to follow. So the best way to proceed is with caution, day by day. This budget reflects our best projection for the year ahead, but I will work with the nine of you throughout the year to adjust it as we see fit to continue serving the citizens of Tulsa to the best of our ability.

And while we are in a challenging time, it is important to remember that we are only a few months removed from announcing the largest economic development investment in city history, that the two largest new employers in the history of our city are building campuses in Tulsa, and that the private sector has announced over one billion dollars of investment in Tulsa in just the last three years. These things do not happen if the fundamentals of your local economy are not strong, and we continue to work with businesses - even in the midst of a global economic crisis - who want to invest in Tulsa.

As announced earlier this week, and in true Tulsa fashion, many of the best private sector minds in Tulsa have committed their time and expertise to serve on a Mayor's Economic Recovery Advisory Committee that will help guide us through this near term difficulty and allow us to emerge even stronger on the other side.

The long-term picture for our city remains bright, but we must pursue a responsible course in the near term to get there. The budget presented today seeks to do just that.

I would like to thank staff in the City Council and Mayor's Office, and especially our Finance Department team for their work on this budget. They ended up having to do a year's worth of work in about 6 weeks as we adjusted to the current economic environment, and I am very grateful for their commitment to developing this budget proposal.

Thank you.