



May 13, 2017

Honorable Mayor and City Council:

I am pleased to provide the City Council with the recommended operating and capital improvement plans for Fiscal Year 2018 (July 1, 2017 to June 30, 2018). These spending plans reflect our bold agenda to continue our commitment to provide quality services and amenities to our residents, while preserving our long-term financial viability.

The City Council and Broken Arrow Municipal Authority (BAMA) are scheduled to review the proposed budget at a special meeting on May 22, 2017. A public hearing is scheduled for the June 5, 2017 regular meeting with adoption of the Budget scheduled for a meeting of the City Council in mid-June to be determined.

The Municipal Budget has been prepared in accordance with all approved City ordinances and applicable policies. The budget message succinctly provides the governing body details of the proposed Fiscal Year Financial Plan.

Budget Overview

The development of the City's operating budget involves three phases: 1.) formulating budget requests by all our Departments; 2.) Executive Review with the Assistant City Manager's Team (Finance) and City Manager; and 3.) City Council review and adoption. This annual process starts in early January and concludes by June 30.

Our FY 2017-2018 Budget has a total of 27 different funds. We decreased our funds by one over FY 2016 -2017 through the liquidation of the Police Reserve Fund. We increased our funds last year by three when we added: Special Revenue Funds: Street Sales Tax (Fund 043), Police Sales Tax (Fund 044) and Fire Sales Tax (Fund 045). These funds were created pursuant to the passage of the Vision 2025 renewal tax on November 10, 2015 that provided for a total of fifty-five hundredths of a penny sales tax (0.55%) which allocated twenty-five hundredths (0.25%) to Streets and thirty hundredths (0.30%) to be split equally between Police and Fire. As noted in last year's budget message, all activities of the Police and Fire Departments have been removed from the General Fund and incorporated within these funds. The breakdown of all the funds include:

- The General Fund.
- Three (3) Enterprise Funds (the Broken Arrow Municipal Authority, the Broken Arrow Economic Development Authority and Battle Creek Golf Course).
- Four (4) Capital Improvement Funds (the Sales Tax Capital Improvement Fund and the General Obligation Issue Funds of 2008, 2011 and 2014).
- The Debt Service Fund.

- Two (2) Internal Services Funds (Employee Group Health Care and Workers Compensation).
- 16 Special Revenue Funds that have a specific revenue source and rules that govern expenditures related to each fund. Included in the category are the funds created by the Vision 2025 Renewal Sales Tax: street sales tax, police sales tax, and fire sales tax.

City Fiscal Policies

The City Council has established budgetary policies that provide direction for the City Administration to follow as the budget is prepared and administered through the fiscal year. They include:

Resolution Number 421 approved January 9, 2006, designates an Emergency Reserve Fund Balance policy for the City's General Fund. The Resolution specifies that the target Emergency Reserve Fund Balance for the General Fund will be ten (10) percent of operating revenues.

Resolution Number 422 adopted January 9, 2006, regarding an Emergency Reserve Fund Balance that sets a prudent reserve level in BAMA to be funded by water, sanitary sewer, stormwater and sanitation. Late last year it was recommended and Council agreed that the total BAMA Emergency Reserve Fund Balance be amended and made up of three (3) months of operating expenses of water, sanitary sewer, stormwater, and sanitation. No formal action has been taken to-date. Therefore, the Administration plans to come forward with a resolution for Council's consideration to effectuate.

Broken Arrow's Fiscal Condition

Several of the City's revenue streams are largely influenced by overall economic conditions. The gradual national recovery has started to improve since early 2017, but we continue to recover here in Oklahoma. Plus, to-date, besides a state-wide sales tax compact with Amazon, little has been done to address e-fairness nationally to "level" the playing field for brick and mortar businesses in competition with internet sales. The Amazon agreement was signed by the State of Oklahoma in March, and we should start to receive the use tax in the May/June timeframe. This will help, but our over-dependency on sales tax for General Fund operations continues to be a major concern for the Administration. However, there are several encouraging signs at the national, state, and local levels to include: continued and improving home sales and job growth at the national level and slightly improved growth at the state level, healthy gains in the stock market indicating the recovery is behind us to a certain extent.

Oklahoma is the last state in America that relies solely on sales tax as its major source to fund General Fund operational expenses for municipalities. This outdated model requires the Administration to annually predict how sales tax will increase/decrease, and we do this based on previous tax collections.

Without question, it is extremely challenging for city leaders to accurately estimate revenues in such a volatile system. Because our state continues to use this antiquated business model, we spend an inordinate amount of time chasing sales tax type businesses. Couple this with a major shift in the way consumers are spending via the internet, which leads to unpredictable sales tax projections; missed projections lead to cuts in operational

expenditures that ultimately affect the level and breadth of services we provide the community. Therefore, we must continue to advocate for a better municipal funding model to the Oklahoma Legislature and Governor. Moreover, we need to figure out how to get access to a level playing field with internet sales that directly compete with our “brick and mortar” businesses. The new agreement between the State of Oklahoma and Amazon will help. However, until there is some type of “e-fairness” Bill passed at the federal level, our local stores (brick and mortar) will be at a competitive disadvantage.

Proposed FY 2018 Municipal Budget

The proposed budget includes planned expenditures of \$248,413,381, an increase of \$59,422,057 or 31.46% over the Fiscal Year 2016-2017 originally budgeted expenditures of \$188,971,324. As noted below and on the following pages, are explanations of our proposed expenses:

- Total Operational Expenses -- \$108,298,702 – Increase of \$7,528,878 or 7.47%
- Capital Outlay -- \$113,985,579 – Increase of \$50,862,979 or 80.58%
- Debt Service -- \$26,129,100 – Increase of \$1,050,200 or 4.19 %

The increase in capital outlay is due primarily to increased budgeted expenditures for the General Obligation Bond (GOB) Funds created by a vote of the citizens of Broken Arrow in 2014. The increase includes \$18,435,000 from the 2014 authorization that is anticipated to be sold in the first half of FY 2018 as well as the budgeting of \$30,103,000 in utility projects financed through loans from the Oklahoma Water Resources Board. Additionally, the budgeted expenditures reflect uncompleted capital projects from FY 2017. Previously, uncompleted projects were re-budgeted through a budget amendment after the start of the previous fiscal year.

I. General Fund

1. Revenues and Expenditures

- This is my second budget preparation as Broken Arrow’s City Manager and with a full budget cycle under my belt, I have a much clearer picture of our organization’s revenues and expenditures. My concern continues to be sales tax revenue for operations. Notwithstanding, we spent a considerable amount of time this cycle preparing the FY 2018 spending plan by reviewing each department’s requests and justifying them based on the actual average usage over a 3-year period.
- The total proposed budget, which includes expenditures, transfers out and budgeted ending Reserved and Unreserved Fund Balances for the General Fund is \$84,142,915.
- The total proposed expenditures, including transfers is \$72,176,400, an increase of \$711,000 or 0.99% over the FY 2016-2017.

- As a point of interest, in addition to the new Public Safety Sales Tax passed in November 2015, the Council adopted an ordinance dedicating at least 36.7% and 30.7% of General Fund revenues to the Police and Fire Sales Tax Funds respectively. The amount to be transferred to these funds in FY 2018 is \$38,588,400, an increase of \$491,400 from the FY 2016-17 budgeted transfers to the Police and Fire Sales Tax Funds.
- With regards to General Fund operating revenues, we did realize an overall increase in FY 2016-2017 over FY 2015-2016. Sales tax is projected to only increase 1.77% this year instead of the 3% budgeted. The Finance Department estimates that overall revenues for the upcoming year will increase 1.29 % or \$729,300 over year that ends on June 30, 2017.
- In terms of estimating future revenue growth, the Finance Department utilizes historical data. The proposed Budget includes sales and use tax and tobacco tax growth at 1.5% with franchise tax growth at 3.84% and the remaining revenues remaining at 2016-2017 levels.
- Based on the above-referenced action items and other steps taken throughout Fiscal Year 2016-2017, the City anticipates the Emergency Reserve Fund Balance will meet the required balance at the end of FY 2017-2018.

2. General Fund - Personnel Considerations

Currently, the City has a total of 801 full-time employees, City-wide. In our General Fund, we have 168. Additionally, there are 208 full-time employees in the Police Sales Tax Fund and 177 full-time employees in the Fire Sales Tax Fund.

Based on my continued observations of operations, it's clear that additional employees are needed in *certain* City departments to maintain (and in certain instances enhance) operations and services we provide to the community. More specifically, in our non-public safety related departments. Last year, the City added 8 new positions in the General Fund. The FY 2018 Budget calls for increasing the number of new positions in General Fund by 9, which will bring the total number of employees in the General Fund to 177.

Personnel Expenses as a percentage of the total budget:

- Personnel expenses make up 71.5% of the General Fund.
- 88.3% of the Police Sales Tax Fund.
- 91.72% of the Fire Sales Tax Fund.

- Personnel expenses for all funds of the City and Public Trusts are 62.74% of the total City budget, excluding capital outlay, debt service and operating transfers out.

A. Operational and Administrative Departments Personnel

In an on-going effort to address our staffing challenges to serve our citizens, my budget proposes the creation of 9 new full-time positions in the General Fund. The proposed new positions include:

- Street Department – Two Traffic Signal Technicians. The City has a vast amount of traffic signals and street lights to maintain, and additional personnel are needed to adequately maintain our system. *Note: These two positions are dependent on Council approving an increase in the monthly street light charge from \$1.00 to \$1.50.*
- Parks and Recreation Department – One Crew Leader for day-to-day maintenance and one Recreation Technician to help work with groups that use our facilities is needed. Also, adding \$6,000 for a Seasonal Parks Maintenance Worker.
- Information Technologies – One new Desktop Support Technician. Additional day-to-day user support is needed.
- City Manager – A Communications Coordinator and Tourism Sales and Marketing Coordinator. The additional communications employee will help us meet day-to-day demands of managing transparency and social media. The Sales position was recommended in the recently completed tourism asset report.
- Development Services – Includes two actions. First, is adding one new code enforcement officer. The other is changing a part-time administrative position in the One Stop Division to a full-time position. Both positions are needed to meet department operational demands; primarily inspections.
- City Clerk – Court Administrative Clerk. Additional help for the court and the new position will manage the soon to be created Community Service Program in the Court.

B. Vision 2025 Renewal– Police and Fire Departments Personnel

Back in November 2015, Broken Arrow voters overwhelmingly approved perpetually repurposing a portion of the Vision 2025 sales tax to add 20 new police officers and 20 firefighters over a 5-year period. The City began collecting the repurposed sales tax in January 2017 (the first check for the new tax was received in March 2017). Part and parcel to the repurposing of the sales tax was the passage of City Council Ordinance 3360 that dedicates a certain percentage of current General

Fund Revenues (\$57,252,800) to separate funds set up for police and fire. The percentages are 36.7% (\$21,011,800) for police and 30.7% (\$17,576,600) for fire. Any balances remaining from annual expenditures must stay in the respective funds.

Both chiefs have presented plans for recruitment of new personnel and the use of initial Vision funds for capital improvement expenditures.

1. Police Fund

Five new police officers are included in the FY 2018 budget. Once hired and after completing the academy later this year, this will bring the number of police officers hired from the repurposed tax to 10. Please note that we have a police academy starting in October/November time frame that will have 8 cadets (3 to fill current vacancies and 5 from Vision Tax) I am considering adding four additional spots for the academy that will be paid for from Vision Tax. Adding the additional 4 positions will depend on available funding, and I'll update the Council after Labor Day.

Also, let me point out that included in the police budget for this year is one new Animal Control Officer. This new position is vital to meeting day-to-day departmental operational demands.

2. Fire Fund

Regarding the Fire Department, pursuant to receiving two SAFER grants, and with the class that graduates from the academy in late June, we will have all 20 firefighters hired early from the repurposed Vision Tax. The Fire Department also receives a portion of a Wagoner County Sales Tax dedicated to fire departments in Wagoner County. The funds allocated to the Broken Arrow Fire Department are limited to expenditures related to Wagoner County operations. Information related to these funds are included in the Fire Department portion of the budget.

C. Salary Increases Proposal

Regarding a salary increase employees, let me recap what was approved last year. I recommended that adding additional employees was the organization's top priority. Thus, non-union employees received a 2% stipend of their base salary. Additionally, those that were eligible received a 2.5% salary step increase; provided they received a satisfactory performance review.

Currently, the City has an eighteen-year (18) step plan for all non-union employees. Department Directors have a 10-year step plan. Based on a review of HR records, 500 (62.4%) City employees are still in the step plan.

For FY 2018, we have sufficient growth primarily through departmental budget savings and an overall increase in revenues to support a pay increase. Please allow me to point out that sales tax alone is not sufficient to cover the cost of the proposed increases. I want to emphasize this point because the type of savings in departmental expenses and growth in other revenues besides sales tax is not going to be an annual occurrence. Accordingly, I am recommending our non-union employees receive a 2% cost of living increase.

Concerning unionized employees, any increase in wages and compensation should be based on: 1.) what's available in each respective fund that was created two years ago; and 2.) will be agreed to vis-à-vis collective bargaining.

3. Work Plan Highlights

Setting long-term strategic visioning goals is one of our most important responsibility as city leaders. Some of the most important areas of focus include: Communications and Transparency, Economic Development, Public Safety, Infrastructure, and Enhancements of Current Services. The following are some highlights for the upcoming Fiscal Year:

A. Communications and Transparency.

One of the most important responsibilities we have as city leaders is to keep our citizens informed of what's happening in City Hall and around the community. While we currently do a great job of transparency, to continue our on-going efforts, we will undertake the following initiatives:

1. Annual Citywide Financial Newsletter – We delivered the first edition of the Newsletter in September 2016. The newsletter will go out again this year around the same time frame. This new tool will provide our citizens with a plethora of information on revenues, expenditures, comparison of tax rates, utility costs, and work plans. An added feature will be what was accomplished last fiscal and what is planned for FY 2018.
2. New Communication Initiatives:
To keep our community informed, the Administration will implement the following initiatives: add a highlight show spotlighting individual city council members; a new monthly segment from the City Manager's Office with operational and community updates. Recommend the Council hold at least one regular meeting each quarter in a different ward of the City. Take our meetings to the community. Finally, we will also continue our efforts to enhance our usage of the various social media platforms; especially the Next-Door App.

B. Economic Development.

One of the most important non-public safety functions in the organization is economic development (ED) recruitment and retention. I need to start by acknowledging the outstanding efforts of our Economic Development Corporation (EDC). I consider them the “tip-of-the-spear” as this entity leads our day-to-day ED activities. This public-private partnership is the best model in my opinion. The City has used this model for approximately 10 years. Experience has taught me that ED is a “team sport” and cannot be accomplished by one person. It takes a model that includes: recruitment/retention efforts for quality jobs, retail/commercial, and downtown redevelopment. Our current model has these elements. The EDC works closely with our ED Coordinator, Norm Stephens. Who, by the way, also does an outstanding job for our organization. Norm’s primary focus is always ED. However, he also serves as a liaison from the City Manager’s Office to work with all City Departments to ensure approved development agreements are implemented and address issues with developers and builders.

Through these efforts, we help bring business and industry to our City which, in turn, generates the revenues needed to run our city. I like to think that ED is the fuel that drives the municipal engine. We have a great ED model, and many exciting activities are happening in our City. Here are some highlights for FY 2018:

1. Rose District Improvements.

New/additional Retail and Commercial.

New businesses are opening each month. Plus, the City will work with two developers on the following projects:

- a. Redevelopment of our property on North Main (Former Assembly of God Church). At the time of this writing, the City is considering the approval of an agreement with a developer to lease the City’s property and build a 131,000 +/- SF multi-use project that will bring additional retail/commercial to our downtown and City, along with much needed new housing. This project will take 18 months to two years to complete. As part of our obligation, we will complete various infrastructure improvements around the site.
- b. Redevelopment of the Former Presbyterian Church on North Main. The former facility will be converted to a restaurant and office space (8,000 SF). The City has committed to assist the developer with the upgrading of the water line and add on-street parking.

2. Downtown Public Improvements.

- a. Phase V of the Downtown Streetscape Project could start in the spring/early summer of 2018 and will include one additional block of redevelopment to the north. This public project is part of the economic development agreement currently be negotiated above.

- b. Starting in late July timeframe we will complete various road repairs throughout the downtown. Funds will come from 2011/2014 General Obligation Bonds and Vision Funds.
 - c. Complete various waterline upgrades in the downtown.
3. Rose District/Downtown Residential.

In the fall of 2016, we embarked upon a public process to entice new and revitalized housing in the downtown area. The main goals are two-fold: create new opportunities for development; and increase the residential density to support the retail and commercial investments. The consulting firm of ADG was hired to assist the City with implementation of a comprehensive plan. The process is well underway and the Council will consider a plan by the Fall of 2017 for a new Downtown Residential Overlay District. This initiative will certainly take time and a comprehensive effort, but in the next five years with a concerted effort we can transform our downtown's residential.
4. New Conference Center.

The new Conference Center is scheduled to open in September of this year, with bookings to begin in November. An important aspect of this project will be developing a long-term partnership with the operator to attract conferences and trade shows to our city. Also, the street and traffic improvements along Albany to support vehicular and pedestrian traffic will be completed in late August.
5. Innovation District.

The City announced this past March plans to proceed with the creation of the new District. The plans for this initiative date back over two years and originated out of visioning sessions between the City, Chamber, and EDC. The application to the Economic Development Administration (EDA) for technical assistance has been submitted. The City has committed \$50,000 for the matching grant to help develop the district's concept plan. If EDA awards the grant, we will hire a consulting firm to assist us in this endeavor. The next step, after the technical assistance phase, will be to determine cost estimates for the district's infrastructure and then apply for grant funding from EDA. Submitting the grant will require a local match so we must commit local resources to this endeavor.

C. Public Infrastructure Endeavors

1. Vision 2025 Renewal - Street Repairs.

The City is now collecting the repurposed Vision 2025 funds for street and road maintenance work. It is estimated that the tax will generate approximately \$3.1 million annually. City Council accepted the Pavement Condition Index Report (PCI) back in December 2016. Each year during the budget process, the Administration will provide

the City Council with the streets/roads to be repaired with the new tax funds.

Please recall that the report states that we will need around \$6.2 million annually to keep our PCI number above the optimal goal of 70. This Fiscal Year our Streets and Stormwater Department will begin implementing a work-plan for use of the funds. Work to be completed with the funds include: asphalt and concrete street repairs. This will *always* be our primary focus; this work will be completed with in-house staff and by way of contract. Also, curb repairs and installation when necessary. Finally, the funds can also be used for installation of new traffic signals and existing road intersection widening.

2. Completion of the 2011 and 2014 General Obligation Bond Projects. We will continue working towards completion of the remaining projects in these two packages. We have \$30,140,000 left to sell in the 2014 package. Our recommendation is to issue \$18,435,000 in the fall of 2017 and the balance in the fall of 2018.
3. 2018 General Obligation Bond (GOB) Package.
I am recommending to City Council that we submit a General Obligation Bond (GOB) package to our voters in August 2018. If you agree, we will spend FY 2018 vetting possible projects, initiatives, and acquisitions (i.e. apparatus, vehicles, and facilities, etc.) to come up with a final package. This will be an exciting opportunity for our community to consider a package of projects and initiatives that continue our reinvestment in infrastructure and enhance the quality of life in our community.
4. Parks and Recreation.
In Fiscal Year 2018 the Parks and Recreation Department will continue to maintain the park system at a high standard. This will be accomplished, partly, by the installation of new air conditioning systems at many park facilities (\$210,000), improved flooring at Nienhuis and Central Community Centers (\$23,000), added security cameras to The Rose District Plaza (\$10,000), resurfacing of swimming pool slides (\$80,000), resurfacing pedestrian trails (\$30,000), and resurfacing the Jackson Park splash pad (\$13,500). In addition to maintaining the current parks infrastructure, it is proposed that special projects be implemented. These include the relocation of the Vietnam War Memorial from Central Park to Veterans' Park (\$125,000), construction of the Memorial Park adjacent to the existing Indian Springs Mini-Park (\$140,000), and the design and installation of four professional sand volleyball courts at Nienhuis Park (\$150,000). These projects will allow the City of Broken Arrow to continue to provide a safe, fun, and quality recreation experience for citizens and visitors to Broken Arrow.

Additionally, implementation of the general obligation bond projects will continue into FY 2018. Projects will include construction of the Rose West “dog” Park (\$473,000); lighting of four soccer fields, new playground, new fencing, irrigation systems, and a park entry sign at Indian Springs Sports Complex (\$1,800,000), a splash pad and playground will be added to Leisure Park (\$368,000). The Events Park will see picnic shelters, restroom, and a playground installed. Additionally, the adult softball complex will be under construction (\$5,000,000). The implementation of the pedestrian trail plan “GO Plan” will continue to be a high priority (\$1,000,000). Parks throughout Broken Arrow will have improvements made, courtesy of the general obligation bond programs (\$1,500,000).

D. Creation of Community Service Program (CS)

My goal in FY 2018 is the creation of a new program within our Court system to offer eligible individuals the option of performing community service. The program would be administered in our Municipal Court. Those individuals that chose this opportunity will work with city departments (mainly Streets and Parks). They will also help coordinate completing CS with private non-profits in the area.

E. Center for the Creative Arts

The City has committed GO Bond and Vision funds for this initiative. The Arts Committee is currently working on the development of a cost estimate for Phase I and II. I am seeking Council’s guidance on committing operational funds towards the new facility.

F. Technology

The time has come to seriously consider upgrading our organization’s software packages. Included in the STCI budget are funds to hire a consultant to complete what is called an Enterprise Resource Planning (ERP) assessment of our software needs. We need an integrated management of core business processes, often in real-time and mediated by software and technology. I understand the last time this was done organization-wide was in the early 1990s. The ERP system integrates varied organizational systems and facilitates error-free transactions and production, thereby enhancing the organization’s efficiency. The consultant will look at our financial packages (i.e. general ledger, accounting, payroll, utility billings, etc.), Public Safety computer-aided design, Development Services, Public Works management, and Human Resources operations. This will be an extremely expensive initiative and require multiple years for implementation.

END OF GENERAL GOVERNMENT SECTION

II. Broken Arrow Municipal Authority (BAMA)

1. Revenue and Expenditures

- The total available revenues from all sources for the Broken Arrow Municipal Authority is \$95,714,791.
- Total proposed expenditures, including transfers is \$94,344,800.
- The proposed BAMA budget is \$32,767,000 or 52.22% more than Fiscal Year 2016-17.
- The primary reason for the increase is the inclusion of \$30,103,000 in utility capital projects funded through loans from the Oklahoma Water Resources Board.

2. Budget and Work Plan Highlights

A. Utility Rates

In the Fall of 2016, the City Council approved the concept of a 5-year rate model for BAMA and the related increases for utility services. The first year of the model has been approved. Council will consider the Year 2 increases in October; to be effective in November. As part of this process Council will amend its policy regarding Emergency Reserve Fund Balance to require a three month or 90-day reserve as opposed to the previous requirement of six months for water, sewer and sanitation and four months for stormwater.

The rate model covers the reasonably estimated expenses for operations and pay-as-you-go capital improvements. It also covers the debt-service needed to fund \$90 million of our \$140 million capital improvement plan approved in 2016.

The five-year rate model was approved on November 7, 2016. It, calls for water to increase 5.5%, sewer 7.0%, and the stormwater fee 9.0% effective November 1, 2017. Finally, I am asking for your approval of an increase in the monthly Street Light charge from \$1.00 per month to \$1.50. The proposed increase will generate approximately \$226,600 annually. In short, additional funding is desperately needed to maintain our signals and street lights. If approved, the additional funding will help pay for supplies and materials. This will free up existing appropriated funds to add two additional Traffic Maintenance Technicians in the Street and Stormwater Department.

B. Remaining Capital Projects: Bonds vs. Rates

Last fall, the notion of going to the voters for a GO Bond for the remaining \$50 million for water and sewer projects was discussed. The goal was to determine the most financially viable way to come up with the funding needed for the necessary work. In a series of meetings with our Financial Advisors, we have determined that it is a more cost-effective way to proceed with adjusting rates to provide debt service. Currently, our property tax mill levy is 16.92. This includes debt service and judgments. Approval of \$50 million in GOBs for water/sewer would be an increase in the mill rate to 23.86, taking our levy to the level of the City of Tulsa. I am concerned how this would affect the GO Bond package in 2018 and do not recommend this route to fund the remaining projects.

Therefore, since we do not need all the funds now, we can secure funding from the Oklahoma Water Resources Board (OWRB) and only borrow the funds needed and make interest payments over the multiple years of the projects until all work is complete. You may recall this is what we did for our new Water Treatment Plant a few years ago.

C. Capital Improvement Projects

I have included \$4.15 Million in the budget for new “pay as you go” capital projects. Several of the highlights of “pay as you go” include:

- Facility needs assessment \$150,000.
- New street sweeper \$310,000.
- Grapple Truck \$190,000.
- Bridge and Drainage Projects estimated around \$200,000 are included in the budget to address erosion and siltation issues around specific key drainage structures and culverts typically located under an arterial street.
- Four (4) Bay Storage Building is scheduled to be constructed in conjunction with the potential purchase of the property adjacent to the present Streets and Stormwater Department location. The new facility is estimated to be on the order of \$250,000.

D. Recycling

Presently the Citizen’s Recycling Committee is holding meetings to review solid waste disposal operations; with a keen eye on opportunities to implement a recycling program. The Committee’s report to Council is due in the summer of 2018. Implementation of any approved recommendations will begin in FY 2018.

3. BAMA Personnel

Currently there are 248 employees in our BAMA departments. As part of the approval of the 5-year rate model, the Council approved approximately 34 new positions for BAMA departments. The first 8 positions (what I call Year 1) have been filled. Those positions included:

Year 1 Rate Increase Positions:

- Water Utilities - One Crew Supervisor and two Service Workers.
- Sewer Utilities - One Crew Supervisor and one Service Worker.
- Stormwater Utilities - One Crew Supervisor, one Service Worker, and one Equipment Operator.

Below are the positions to be added in Year 2 and several new positions in addition to the rate increase positions for BAMA operations. Please note that the *rate increase approved positions* will not be filled until after the rate increase goes into effect next November. Also, as part of the budget review process, I made the decision to no longer contract out concrete repair work for utilities and stormwater departments. Timely completion of the repair work is an area of operations that needs improvement. Thus, the funds previously budgeted in the utility miscellaneous contracts budget will be used to implement a new 3-person concrete crew that will complete this work.

A. Current Budget & Year 2 Rate Increase Positions

The Budget proposes the creation of 11 new full-time positions. The new positions include:

- General Services (Sanitation) – One Dispatcher/Customer Service Representative. Need this position to help with administration of our collection program.
- General Services (Fleet Maintenance) – One Mechanic. This position is needed to help adequately maintain our fleet of vehicles and equipment.
- Stormwater Utilities - One Construction Supervisor, one Equipment Operator, and one Service Worker. New crew. Positions created from existing funds in the budget. Will address concrete repairs throughout the city; mainly utility work. Also, needed to maintain our assets and systems.
- Year 2 Rate Increase Positions (Effective November 2017):
 - Engineering & Construction - One Project Engineer. New position is needed to manage City and BAMA construction projects.
 - Sewer Utilities - One Crew Supervisor and three Service Workers. New crew will help maintain our systems.
 - Stormwater Utilities - One Assistant Director. One of two city departments that does not have a #2 type position. This department needs assistance with leadership and management of day-to-day operations.

In terms of salary increases, let me mention with what we did last year. Non-union employees assigned to BAMA received the same changes in pay as those assigned to the General Fund, a 2% stipend in addition to the salary increase of 2.5% for those employees eligible for a step increase that received a satisfactory performance review.

This year, as I am doing for General Fund Personnel, I am recommending that BAMA non-union employees receive a 2% cost of living increase.

4. BAMA Work Plan Highlights

Recently, the Authority established a 5-Year, Capital Improvement Program (CIP) specifically developed to address the community's aging utility infrastructure that has resulted for a variety of reasons, including first and foremost the community's rapid growth over the past 50 plus years. The Utility CIP defines approximately \$140 million of water, wastewater and stormwater capital improvements for FY 2017-2021. FY 2018 identifies \$30,350,000 worth of utility infrastructure capital improvement projects at some stage of planning, design or construction. The following are some highlights for the upcoming Fiscal Year.

A. Water System Capital Improvements:

Water system capital improvements include improvements to the Verdigris River Water Treatment Facility, the transmission and distribution system, booster pump stations and storage facilities.

1. Verdigris River Plant Pretreatment (Plate Settler) Basin Expansion. The design of this project is scheduled to start immediately. It will enhance the plant's capability to treat raw water from the Verdigris River. Currently, our plant is rated 20 million gallons per day (MGD). During the peak summer months, the quality of the Verdigris River has had a negative effect on the plant's production. This expansion to the Pretreatment Basin will provide additional treatment capacity and improve the plant's rated capacity to approximately 30 MGD.

2. New 2 to 3 Million Gallon Storage Tower.

As our community continues to grow, our need to store additional treated water likewise grows. Presently, we only have 1 million gallons (MG) of stored water in the southern portion of the city. This storage facility is located just south of New Orleans Street and west of Elm Place. Staff has located a few potential locations for a second facility that could store an additional 2 MG to 3 MG of water in the south portion of the distribution system. The acquisition of property and design are scheduled to commence early this Fiscal Year.

B. Wastewater System Capital Improvements:

The community's wastewater system is aging more severely due to the harsh environment and conditions that the systems function in. The Authority is focusing a significant amount of its attention on these systems, which include the Lynn Lane Wastewater Treatment Facility, the Haikey Creek Wastewater Treatment Facility, the city-wide collection system that includes nearly 30 lift stations.

1. Lynn Lane Plant Preliminary Treatment Upgrade.
This is a critical project at the plant that includes constructing a new headworks and grit removal facility as well as adding air stripping units to assist in the odor control issues that are inherent at a large wastewater treatment facility. The construction plans have been sent to the Oklahoma Department of Environmental Quality (ODEQ) for a Permit to Construct. The project is scheduled to advertise for bids at the end of this current Fiscal Year with a construction start date at the beginning of FY 2018.
2. Lynn Lane Plant Aerobic Digester Upgrade.
The aerobic digesters at the Lynn Lane Plant use fine-bubble aeration to assist in the treatment process. This aeration system is not functioning to the desired standards required to perform the necessary operation in a satisfactory manner. Modifications from a fine bubble system to a course bubble system are expected to enhance and improvement the treatment operations significantly. The Oklahoma Department of Environmental Quality (ODEQ) has approved a Permit to Construct the improvements and the project has already been advertised. An early FY 2018 start of construction date is anticipated.
3. Haikey Creek Wastewater Treatment Plant Flow Equalization Basin Addition.
With the continued growth in the south part of Tulsa and the south and central parts of Broken Arrow, the Haikey Creek Wastewater Plant is expected to see increased wastewater flows. To offset this increased flow, specifically during rain events, a second Flow Equalization Basin (FEB) is under construction. This basin is anticipated on increasing our current plant FEB capacity from 12 million gallons (MG) to 30 MG. The project construction is expected to continue the entire year.
4. County Line Trunk System Replacement Project.
The County Line Trunk sewer is the main collection system pipeline that collects and transports wastewater from the northern and eastern reaches of our wastewater system to the Lynn Lane Treatment Plant. This is the largest pipeline in the entire collection system and original construction was in 1984. The far south extents of the line from Washington Street to the plant are experiencing severe deterioration. Presently, the design is nearing completion and

acquisition of additional easements is expected to begin soon. Construction is expected to occur in the spring of next calendar year.

5. Haikey Creek Force Main Upgrade.

The Haikey Creek Lift Station has been a source of continued operational problems. Several years ago, the Regional Metropolitan Utility Authority (RMUA) devised a plan of action to remediate the aged and deteriorated lift station and force main system. A new lift station has been constructed and was placed into service this past fiscal year. Now, the second step is nearing construction. This step is to add a second parallel 36-inch diameter force main that runs approximately three and one-half miles from the lift station in Haikey Creek Park to the plant. The construction of this second phase is expected to begin in FY 2018.

III. Sales Tax Capital Improvement Fund

The Sales Tax Capital Improvement (STCI) Fund was established in 1970 and is funded by a 0.5% sales tax. The fund pays for a variety of public improvements including vehicles, police units, fire trucks, ambulances, construction equipment, computer equipment, building improvements, road maintenance and park improvements. Historically throughout the fiscal year it is accessed for unanticipated capital expenditures that require immediate attention. A substantial fund balance is maintained to ensure funding is available for emergency capital expenditures.

Sales tax revenue for FY 2017-2018 is estimated at \$7,150,000. The beginning fund balance is \$5,982,889, of which \$900,000 is Reserved for Debt Service. Some of the proposed new capital projects or acquisitions that total \$5,276,400 include the following:

- New Police Vehicles \$300,000.
- Eagle Creek street rehabilitation project is underway. The Streets Department has prepared the surface for a micro-surface preventive application. The project will be advertised for public bids later in May 2017 and scheduled for construction at the beginning of FY 2018. Anticipated cost is \$175,000.
- Comprehensive Plan Update is in progress. The Request for Proposals (RFP) has been advertised and the Selection Committee received eight proposals and is currently scoring the responses and will schedule interviews. A contract to update the Plan is expected by early Fall in an amount around \$197,700.
- For Economic Development opportunities, \$1 million has been budgeted for this year. *Note: any funds not used carry over to the next year.*
- \$150,000 has been included for the professional assistance needed with the possible creation of TIF Districts.
- IT will invest \$240,000 for ERP Consultant and Point to Point High-Speed Wireless projects.

- \$55,000 has been allocated to complete the consulting work associated with the Downtown Residential Overlay District Initiative.
- The Parks Department will invest nearly \$665,000 in HVAC for Central Park Community Center, Nienhuis Swimming Pool and Skate Park Lighting and various new vehicles and equipment.
- The Street and Stormwater Department will receive just over \$1.2 million for projects and new vehicles and equipment.
- \$40,000 has been allocated for new communications equipment in the City Manager's Department.
- Fire Department. With the Vision 2025 Sales Tax (Repurposed) we will spend over \$700,000 on various capital needs.
- Debt service to pay for the Bass Pro Building is \$1,850,000.

Total expenditures are projected to be \$8,804,200 and the ending fund balance is projected to decline to \$4,385,689.

IV. Broken Arrow Economic Development Authority

The Broken Arrow Economic Development Authority was created to encourage development of industry, commerce, and other related activities on behalf of the City.

There is presently no general-purpose funding source for BAEDA. Thus, expenditures are ultimately funded through the General Fund, BAMA or the Sales Tax Capital Improvement Fund.

The sole direct revenue source for BAEDA is revenue generated from the Downtown Tax Increment Financing District. Those revenues are restricted to fund the debt service within the TIF and repayment of TIF expenditures.

For Fiscal Year 2017-18 transfers from General Fund and BAMA total \$1,200,000. These transfers pay for contractual agreements with the Economic Development Corporation, economic development programs managed by the Tulsa Metro Chamber, and economic development incentives.

VIII. Future Operational and Budget considerations:

- Consideration and possible implementation of the recommendations from the City-wide Sustainability Recycling Committee.
- Prepare for the next round of General Obligation Bonds (Possible vote in August of 2018).
- Continue working with local and state officials to implement a better taxation funding model for revenues to pay for municipal operations.
- Finalize and implement the proposed Downtown Residential Overlay District Plan.
- Implementation of our long-term comprehensive BAMA capital improvement program.

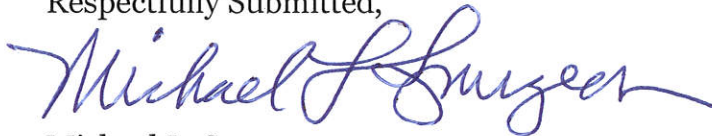
- Consideration of on-going operational support for the proposed Center for the Creative Arts Facility.
- Providing funds for maintaining Tulsa Transit Routes in the City to downtown Tulsa.

Conclusion

This year's budget is the product of many hours of work by the entire City Leadership Team and staff. The Department Directors and their staffs prepared their individual budgets. Staff members from our Finance Department contributed many hours to prepare the Budget. Special recognition goes to Tom Caldwell, Tom Cook, Robin Tai, and Alicia Glanz for their many hours of commitment and dedication to this budget.

The Budget Message is lengthy. However, any citizen that takes the time to read it will be able to clearly know our current financial condition, the decisions made regarding how we are spending taxpayers' money, the plan of work for both General Government and BAMA for FY 2018, and the challenges and opportunities that lie before us. This team has produced a budget that embodies the City Council's commitment to financial discipline at all levels of the organization. The teamwork demonstrated in preparing this budget is an outstanding example of how the City employees are working to serve the best interests of the City of Broken Arrow.

Respectfully Submitted,



Michael L. Spurgeon
City Manager

cc: Russell M. Gale, Assistant City Manager – Administration
Kenneth D. Schwab, Assistant City Manager – Operations
Tom Caldwell, Finance Director
Department Directors
Krista Flasch, Communications Director