

FINANCIAL PLANNING REPORT – ESTIMATING REVENUES

During this difficult financial planning time, OMMS has requested expert input from around the state concerning the budgeting process for the upcoming year. How do we project revenues during a time of financial uncertainty? All cities and towns will face this challenge, and we wanted to at least offer some suggestions from others who are facing this issue, with their recommendations.

(We'll plan to have additional update concerning financial issues, and any input you can offer will be shared with our member cities to assist all of us in making better decisions. Clearly, many cities may need an aggressive plan to deal with revenue reductions in the months ahead).

REVENUE PROJECTIONS

City 1 – Stillwater (population 50,000)

Melissa Reames, Deputy to the City Manager, has provided the Stillwater City Council with a detailed analysis of the impact of Covid-19 on future budgetary planning, and the meeting is available on the OMMS website: <https://www.okmms.org/covid-19-resources>.

The presentation includes a review of a number of other cities in Oklahoma, and also some specific planning tools that are being implemented in Stillwater, including:

1. Six areas of focus during financial downturn
 - a. Personnel
 - b. Reduce Capital Spending
 - c. Reduce Materials or contractor costs
 - d. Create More advantageous inflows and outflows of cash
 - e. Get new resources
2. Specific Budget Considerations
 - a. Evaluation of construction capital projects for timing and federal stimulus
 - A. Project funds could be redirected by council/trustees
 - b. Elimination of non-essential expenditures
 - A. Travel
 - B. Food
 - C. Training
 - D. Overtime
 - E. Office Supplies
 - F. Anything beginning with miscellaneous

- c. Preparation of 25% and 40% reduced departmental operating budgets for FY2021
 - A. No ideas are off the table at this point
 - B. Shifting expenditures to restricted funds where allowed
 - C. Personnel impacted from the open position stand point
 - d. Revenue projections
 - A. Sales tax
 - 1. 50% loss - \$1 million monthly; \$12 million annually
 - 2. Dedicated sales tax to SUA and ½ cent transportation reduced
 - B. Utility Sales
 - 1. Anticipate a 23% drop in usage
 - 2. Effects sales tax collections
 - 3. Effects transfer
 - 4. Dedicated sales tax reduced
 - e. Federal/State stimulus
 - A. Investigating federal stimulus through state agencies
 - B. Federal stimulus directed at metropolitan areas
 - C. Apportionment methodology to small municipalities under development
 - f. Grants
 - A. Active investigation underway
 - B. Interviews with grants consultant April 14 and 15
 - C. Grants consultant paid flat fee plus commission
 - g. Transfers
 - A. RSF transfer – not in resolution; trustees can redirect
 - B. Water/wastewater - funds established per resolution; trustees can redirect with new resolution
 - h. Reserves
 - A. Council/trustees can direct the use of reserves
 - B. Once used need to be repaid
 - C. Single infusion of capital
 - D. Safeguard against additional hazard
3. What does the City plan for and how do we proceed?
- a. Questions and assumptions
 - A. How long will the recovery period be?
 - 1. Assumption – less than five years
 - B. What factors indicate recovery is achieved?
 - 1. Declarations lifted
 - 2. Businesses reopen
 - 3. New businesses back fill permanently closed businesses
 - 4. Events such as graduations, weddings, reunions and funerals resume
 - 5. Sales tax achieves a degree of stability

C. What factors effect recovery?

1. Will OSU students return to Stillwater and when?
2. Will events such as the Arts Festival, graduations, athletics, conferences, OSU homecoming, Merry Mainstreet, etc. be held on schedule?
3. Which businesses survive the downturn?
4. How many residents leave Stillwater?
5. Did Stillwater get a complete count on the census?
6. Will commercial air survive in Stillwater?
7. How much federal stimulus will Stillwater receive?

Melissa has also shared the article “Cash is King” and her actual notes that she used for her meeting. She has been gracious enough to share this information. Find all materials at www.okmms.org.

City 2 – Sand Springs (population 20,000)

Finance Director Kelly Lamberson reports that they have attempted to project the impact of the economic downturn by estimating sales tax revenues by category, all while coming to a conclusion of a 24% possible decline in total sales tax. The projections are based on the Oklahoma Tax Commission tax codes as follows:

Category	Projected % Reduction from Prior Year
Hotels and Restaurant	- 65%
Manufacturing	- 20%
Other Miscellaneous	- 10%
Services	- 10%
Utilities	0
Wholesale	- 20%
Retail:	
Apparel & Accessories	- 10%
Auto Parts & Supplies	- 10%
Building Materials & Lawn & Garden	- 10%
Convenience Stores	- 10%
Direct Sales	- 10%
Electronics & Appliances	- 50%
Food Stores	0
Furniture & Home	- 50%
General Merchandise	- 30%
Miscellaneous Retail	- 10%
Pharmacies & Health Stores	0
Sporting Goods & Hobby Stores	- 10%
TOAL OVERALL REDUCTION	- 24%

Based on the actual dollar amounts in each, an overall sales tax reduction of 24% (or \$3,297,000) is projected. Please email if you would like a working spreadsheet for actual computations.

*To access your city or towns confidential sales tax report to determine the actual amounts received in each of the listed categories, contact Dave Francis with Oklahoma Tax Commission at dfrancis@tax.ok.gov and inform him that your city wants access to their city/town's confidential sales tax reports. It is simple to set up and extremely helpful.

City 3 – Afton (population 1,100)

Steve Garrett, OMMS Regional Representative for Northeast Oklahoma who has been working with Afton for the last several years, reports that for a town the size of Afton, there are limited sales tax generators. In preparing for the next year's budget, Afton will prepare for a 25% reduction in sales tax and be prepared to have a balanced budget based on that amount of reduction.

ADDITIONAL INFORMATION IS NEEDED:

In order for all of us to better deal with the upcoming financial issues, please email us:

- a. Any thoughts you may have that will benefit others
- b. Any specific plans you have composed that would assist others!
- c. Any information from outside sources that will benefit all of us.

As we know, we all make better decisions with more information and all of our cities and towns are facing very similar issues – our solutions will be similar also.

Questions or comments, please contact OMMS at executivedirector@okmms.org.