

Task Force on Municipal Finance Members

Rep. Dan Sullivan, Chairman

Sen. Patrick Anderson, Vice Chairman

Terry Simonson, Chief of Staff, Office of the Mayor, City of Tulsa

Michael Clingman, Director, Office of State Finance

Carolyn Stager, Executive Director, Oklahoma Municipal League

Cathy O'Connor, Assistant City Manager, City of Oklahoma City

Lawrence Mitchell, City Manager, City of Lawton

Joe Don Dunham, Finance Director, City of Altus

Dawn Cash, Director, Tax Policy and Research Division, Oklahoma Tax Commission

Staff

Dawn Marks, Committee Staff – Research

Mark Harter, Committee Staff – Legal

Ryan Bair, Committee Staff – Legal

Mark Tygret, Committee Staff – Fiscal

Introduction

House Bill 2653, passed in the 2010 session, created the Task Force on Municipal Finance to examine municipal finance and the laws governing it. The measure instructed task force members to give specific attention to sources of revenue available to municipal government, requirements for sinking funds, laws governing separate accounts within municipal general funds, laws governing investment or other use of municipal revenues, laws regarding establishment of reserve funds and any other matters related to municipal finance members find relevant.

The measure also instructs members to provide a final report with any recommendations for law changes to the governor, speaker of the Oklahoma House of Representatives and the president pro tempore of the Oklahoma State Senate no later than January 31, 2011.

Recommendations

The nine-member task force met six times between September 16, 2010, and December 13, 2010. Members heard presentations from persons who work for municipalities, city officials, state officials, economists, House of Representatives staff and county officials.

Chairman Sullivan requested comments and recommendations from members, which can be found in the appendices along with comments from nonmembers. An overview of members' recommendations is as follows:

Recommendation 1: Seek an amendment to the Oklahoma Constitution to allow municipal governments to receive ad valorem levies for operations thus giving municipalities the chance for more diversified revenue sources.

Recommendation 2: Amend Title 62, Sections 445-447 to allow municipalities to determine the use of sinking fund surpluses.

Recommendation 3: Amend Title 19 Section 1501 to allow counties and municipalities to enter into joint purchasing agreements. Also work to allow greater flexibility between counties, school districts and municipalities for pooling of resources and elimination of overlapping services and programs.

Recommendation 4. Support efforts to collect sales and use taxes owed and provide the Oklahoma Tax Commission with the resources to enforce collection. As part of that, support federal legislation to make catalog and internet retailers collect sales tax.

Recommendation 5: Ask the Oklahoma Tax Commission to work with the Oklahoma Municipal League to look at ways to reduce fraud and enhance sales tax collection.

Recommendation 6: Continue to monitor issues related to collection of sales and use tax to maintain flexibility for municipalities to audit and collect delinquencies.

Recommendation 7: Commission a statewide growth management plan to establish goals for economic growth throughout the state and consider using a portion of state sales tax for capital improvement to support economic development and job creation. Continue to support municipal economic development efforts with elimination of disincentives.

Recommendation 8: Allow municipalities up to five years to make equal installment payments on judgments. Current law is three years.

Recommendation 9: Amend statute to include municipal employees who, upon conviction of a felony in which the municipality incurs costs in defense thereof, to surrender to the municipality the employee's pension for the expenses incurred by the municipality.

Recommendation 10: Review and propose sun setting of some of the sales tax exemptions.

Recommendation 11: Eliminate or restructure binding interest arbitration.

Recommendation 12: Encourage the legislature to study the use of property and sales tax and make a comprehensive analysis of how all taxes can work together to solve local problems.

Recommendation 13: The task force looks forward to receiving the recommendations of The Oklahoma Academy town hall on municipal government and encourages consideration of those items.

Index of Appendices

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ENROLLED HOUSE
BILL NO. 2653

By: Sullivan and Tibbs of the
House

and

Crain of the Senate

An Act relating to municipal finance; creating the Task Force on Municipal Finance; providing for membership; requiring organizational meeting; providing for selection of chair and cochair; prescribing quorum requirement; providing for inapplicability of Oklahoma Open Meeting Act; prescribing requirement for meeting notices; providing for travel reimbursement; specifying reimbursement method for legislator members; providing for staff assistance; prescribing scope of inquiry by Task Force; requiring final report; specifying date of report; providing for termination of Task Force; providing for codification; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 350 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. There is hereby created the Task Force on Municipal Finance.

B. The Task Force shall be composed of nine (9) persons to be selected as follows:

1. The Governor shall appoint two persons representing municipalities as follows:

- a. one person representing a municipality with a population of less than fifty thousand (50,000) persons, and
- b. one person representing a municipality with a population in excess of fifty thousand (50,000) persons but not in excess of one hundred thousand (100,000) persons;

2. The Speaker of the Oklahoma House of Representatives shall appoint:

- a. one person representing a municipality with a population in excess of one hundred thousand (100,000) but not in excess of four hundred thousand (400,000) persons according to the latest Federal Decennial Census, and
- b. a member of the Oklahoma House of Representatives;

3. The President Pro Tempore of the Oklahoma State Senate shall appoint:

- a. one person representing a municipality with a population in excess of four hundred thousand (400,000) persons according to the latest Federal Decennial Census, and
- b. a member of the Oklahoma State Senate;

4. One member to be appointed by a statewide nonprofit organization the membership of which consists primarily of municipalities organized under the laws of the State of Oklahoma and which organization supports the functions of such municipalities;

5. One member who shall be the Director of the Office of State Finance or a designee; and

6. One member to be appointed by the Oklahoma Tax Commission.

C. Members of the Task Force shall serve at the pleasure of the appointing authority. Vacancies shall be filled in the same manner as the original appointment.

D. The Task Force shall hold an organizational meeting not later than September 30, 2010.

E. The Task Force shall select from among its membership a chair and cochair.

F. A quorum of the members present at a meeting of the Task Force shall be sufficient to conduct any business or to take any action authorized or required.

G. The Task Force shall be exempt from the Oklahoma Open Meeting Act, but shall provide a reasonable notice of its meetings at least seven (7) days prior to a meeting. The notice shall be posted electronically on the website of the Oklahoma House of Representatives or the Oklahoma State Senate or both. Notices may be posted at such location or locations within the Oklahoma State Capitol as the Task Force may direct.

H. Travel reimbursement for members of the Task Force who are legislators shall be made pursuant to Section 456 of Title 74 of the Oklahoma Statutes. Travel reimbursement for other members of the Task Force shall be made by the respective appointing authorities pursuant to the State Travel Reimbursement Act.

I. Staff assistance for the Task Force shall be provided by the staff of the Oklahoma House of Representatives and the Oklahoma State Senate.

J. The Task Force shall be exempt from the Oklahoma Open Records Act.

K. The Task Force shall examine the laws governing municipal finance for all forms of municipal government and shall give specific attention to:

1. The existing sources of revenues available to municipal government;

2. The requirements for establishing and maintaining sinking funds;

3. The laws governing the creation and maintenance of separate accounts within municipal general funds;

4. The laws governing the investment or other use of municipal revenues;

5. The laws governing the establishment of municipal reserve funds similar to the Constitutional Reserve Fund created pursuant to

Section 23 of Article X of the Oklahoma Constitution for the State of Oklahoma; and

6. Such other matters related to municipal finance as the Task Force may deem to be relevant.

L. The Task Force shall make a final report containing any recommendations for changes in the law governing municipal finance to the Governor, the Speaker of the Oklahoma House of Representatives and the President Pro Tempore of the Oklahoma State Senate not later than January 31, 2011.

M. The Task Force shall terminate by operation of law on February 1, 2011.

SECTION 2. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Appendix A

Passed the House of Representatives the 9th day of March, 2010.

Presiding Officer of the House of
Representatives

Passed the Senate the 5th day of April, 2010.

Presiding Officer of the Senate

RECOMMENDATIONS FOR INCLUSION IN MUNICIPAL FINANCE TASK FORCE REPORT

The objectives to be achieved from these recommendations are these:

- Provide cities with options for local policy makers to consider to improve their financial position
 - Provide cities with flexible choices should they exercise their options
 - To provide multiple benefits from the choices selected such as improved debt management, improved risk management, operational cost savings, and potential revenue enhancements
1. Adoption of amendatory language to Title 620 Sections 445-447 regarding the usage of surplus funds in a Sinking Fund
 2. Removal of mandatory language contained in HB 2359 in the last legislative session requiring municipalities to contract with the Oklahoma Tax Commission for the collection of sales and use tax. Return the language to authorizing but not requiring municipalities to contract with the Oklahoma Tax Commission
 3. Amend Title 19-Section 1501 to allow counties and municipalities to enter into joint purchasing agreements
 4. Amend Title 62- Section 431 – 435 to allow municipalities up to 5 years to make equal installment payments on judgments. Current law is 3 years.
 5. Seek to reestablish municipal access to local property tax revenues by amending the Oklahoma Constitution to allow optional ad valorem levies for municipal government.

6. Amend Title 68 – Article 26 – Section 2601 to allow municipalities to determine charges based on local costs and standards by authorizing municipalities to tax up to but not exceeding 5% of utility gross receipts. Current law is 2%

7. Amend statute to include municipal employees who, upon conviction of a felony in which the municipality incurs costs and expenses in defense thereof, to surrender to the municipality the employee's pension for the expenses incurred by the municipality.

Terry A. Simonson

I urge the Oklahoma Legislature and members of the Municipal Finance Task Force to support efforts to collect sales and use taxes that are currently owed but not being paid. This includes providing adequate resources to the Tax Commission to properly enforce the obligation retailers have to charge and remit sales taxes and supporting efforts, including the enactment of federal legislation, to make catalog and internet retailers collect use tax on sales made into Oklahoma.

Thank you.

Michael Clingman, Director,
Office of State Finance



Champions For Effective Local Government

OKLAHOMA MUNICIPAL LEAGUE, INC.

201 N.E. 23rd Street ♦ Oklahoma City OK 73105

405-528-7515 ♦ 800-324-6651 ♦ 405-528-7560 Fax

From: Carolyn Stager, OML Executive Director
To: Legislative Finance Task Force
Subject: Recommendations for Final Report from the Task Force to Governor,
Pro Tempore & Speaker
Date: November 18, 2010

RECOMMENDATIONS:

1. Reinstate penalties either criminal or civil for any vendor who willfully or intentionally fails to remit sales tax.
(November 1, 2002 this provision was repealed from state statutes, 68 O.S. Section 136(f)).
2. Ad Valorem Tax: Seek to re-establish municipal access to local property tax revenues to provide a more stable and balanced revenue base. Amend the Oklahoma Constitution to allow local option ad valorem levies for municipal government.
(Counties who receive the largest share of ad valorem now also have a county sales tax option---75 of the 77 counties currently now have a county sales tax). Also, more and more cities are cooperating with schools to assist in local projects acting in the best interest of the community as a whole. County option sales tax along with schools also enjoying sales tax benefit further erodes the "one" basic source of revenue for cities and towns.
3. Broaden the sales tax base to include services in line with the economic shift from goods to service based economy.
4. Change the exiting method that provides for sales tax exemptions and make it a "reimbursement" requirement to help reduce the abuse that currently exists.
(This not only benefits the municipalities but also the state of Oklahoma sales tax income). Additionally, it will preclude those individuals that currently purchase items utilizing a sales tax exemption benefit for items that are not for resale to have to take an additional step and sign an affidavit prior to being issued a refund.
5. Increase efficiencies and transparency of the Oklahoma Tax Commission (OTC). Partner with municipalities to increase local sales tax compliance. Allow for third party audits. Encourage the state to adequately fund the Oklahoma Tax Commission to allow them adequate resources to ensure all revenues due to cities (and the state) are properly collected and equitably dispersed.
6. A review and proposed sun setting of some of the 149 sales tax exemptions. Enact a 'moratorium' against future sales tax exemptions unless equivalent new funding sources for municipal governments are included as a part of the new exemption.
7. Continue to pursue means to increase collection of remote sales and use taxes owed to municipalities.

8. Eliminate binding interest arbitration. Although not discussed by the Task Force, legislation enacted in 1994 by the legislature enacted amendments to the Fire and Police Arbitration Act which allowed an interest arbitrator (unelected by the voters of the community) to establish a legally enforceable contract if the voters approved the deal in a special election. The vote of the people option is not contained within the constitutional text (Article 20, Section 20 states that only the municipal government body---the duly elected mayor and council members/trustees---can legally bind the local government and thereby require the expenditure of public funds. This binding interest arbitration has cost cities and towns across the state hundreds of thousands of dollars as the result of outside people making decisions for the locally elected officials.



**The City of
OKLAHOMA CITY**

TO: The Task Force on Municipal Finance
FROM: Catherine O'Connor, Assistant City Manager
DATE: December 1, 2010
SUBJECT: Comments for the Task Force Report

I have two comments I would like included in the report:

1. Amend the State Constitution to allow cities to receive an ad valorem mill levy for operations through a local option election. This mill levy would be in addition to the current apportionment of the mill levy. The property tax is a much less volatile source of revenue than sales tax and would help stabilize and strengthen the delivery of essential municipal services such as fire and police protection. The current municipal finance structure creates an unhealthy situation of cities competing against one another for limited sales tax revenues. A more diverse municipal revenue stream would help to refocus economic development efforts towards creating high-paying jobs instead of chasing retail sales tax revenues.
2. Continue efforts to enact the Main Street Fairness Act. It is essential to continue efforts to require remote-sellers that sell goods in Oklahoma to remit sales taxes on these purchases. The fastest growing segment of retail sales are sales made over the internet. Cities continue to lose an immeasurable amount of revenue from these purchases. The enactment of the Main Street Fairness Act will also level the playing field for retailers who are located in the municipality, helping to strengthen the local economy. Any changes in Oklahoma State law that enhance our ability to require the collection of sales taxes from remote sellers should also be pursued.

Thank you for the opportunity to submit my comments to the report.



Office of the City Manager

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A TALE of TWO TAXES
 Larry Mitchell, Lawton City Manager
 November 1, 2010

The dark shadows of the deepest national recession in the past seventy five years have reached many of our largest cities in Oklahoma. During the past twenty four months, city after city has had no choice but to freeze wages and hiring, reduce the number of public safety employees, and cut capital spending on critical street, water, and sanitary sewer projects. In light of the size and scope of this current economic downturn, it is no accident that Oklahoma taxing policy and the resulting appropriation of those tax revenues by the State, County, and City governments of Oklahoma are being examined, evaluated, and debated. Today, not only is the Governor's Municipal Task Force discussing the pros and cons of how cities in Oklahoma are financed, the Oklahoma Academy recently set aside three days in November to conduct a Town Hall Meeting on Municipal Government. Those two independent groups will undoubtedly produce a set of long-term policy recommendations for the State Legislature and the new Governor to consider in the upcoming 2011 session.

Comanche County, not to be outdone by the tax policy discussion in the OKC metro, has engaged in a public debate of its own concerning a proposal to hold a sales tax election that would raise economic development funds for all of the rural communities at the expense of the City of Lawton. The concept or theory is that all of their residents shop in Lawton which produces sales tax revenue for Lawton that is not shared with the rest of the communities in the county. The promoters also argue that Lawton's population so dominates the retail market that no self-respecting business would dare venture into the rural county-side for fear that their products and pricing could not match or compete with franchised corporations; such as Wal-Mart, Lowe's, or Olive Garden. This plan is so well conceived that the small community leaders of Cache, Elgin, Geronimo, and Medicine Park believe that their rural neighbors can simply outvote their oversized and apathetic big brother come Election Day.

Providing efficient, effective, and responsive service. Promoting a quality of life based on harmony and cooperation.
 Creating leadership and opportunity for southwest Oklahoma.

The big brother's response is not surprising but measured with the subtle reminder that the Lawton Industrial Park that includes Goodyear, Republic Paper, and Bar-S Foods is conspicuously located within the Cache School District and generates significant property tax revenues to benefit those well financed rural educational programs. In addition, every property owner in the City of Lawton pays property taxes that fund eighty percent (80%) of the Comanche County general fund budget and eighty percent (80%) of the County Sheriff's operating expenses. Despite these huge imbalances, Lawton residents have also historically voted to pass bond issues that directly benefited the operation of a county jail, funded improvements to the county fairgrounds, and provided economic development funds for an industrial park in Elgin.

This little case study of a rural town in Comanche County clearly illustrates the great divide that exists between the sales tax/property tax debate in Oklahoma. It's as if sales tax issues reside on one side of the Red River and all of the property tax issues sit on the other. We, as government officials, talk and act differently depending on the revenue source and how it may or may not affect a city, a school district, or a county. Oklahomans are also guilty of having a built-in bias about how sales tax and property taxes can be used. It's perfectly okay to use sales tax to fund county government operations or fund school improvements but cities are strictly limited on the use of property taxes. This Oklahoma philosophy runs counter to virtually every other state in the country.

The psychological, political, financial, and emotional arguments for and against changes in the Oklahoma Tax System that generates operating revenues for municipal government must be done comprehensively if true reform and future success is to be realized. We must be willing to tear down the invisible wall that currently exists and recognize that a certain level of tax effort is required to fund governmental services. In addition, there are other policies and regulatory methods that could enhance the ability of cities and towns to finance their daily operations and capital improvements. Generally, those efforts would include; giving more local control and enabling authority to local governments, allow cities, counties, and school districts to "pool" purchasing activities, modernize the state tax system, blend the sales tax/property tax revenue stream to provide more flexibility, and restrict legislation that transfers new

responsibilities to local government.

Finally, I believe that the State of Oklahoma should actively seek a renewal of the federal government's role in funding capital infrastructure programs and projects that support economic development efforts in our cities and towns. The Federal, State, and Local partnerships that worked so well from 1950-1975 must be restructured and strengthened so that Comanche County can actively compete and succeed in the global markets of the world. A comprehensive analysis of the current tax systems coupled with a restructuring of how state agencies can work cooperatively with county and city governments would also be a step in the right direction. I believe that County government may be the logical place to modernize the non-existent relationships between the numerous cities, school districts, and rural water associations that reside within their boundaries.

Exhibits:

1. City Manager list of recommendations and possible legislative changes
2. City of Lawton Sales Tax and Fuel Tax Allocations for 2010
3. Neal Peirce article entitled;" Feds listening to cities, regions" dated 11/7/2010

Exhibit 1: Governor's Municipal Finance Task Force 2010

November 1, 2010

1. **Rebuild State, Regional & Local Partnerships:**
Actively work to rebuild the Federal, State, and Municipal partnership to create sustainable communities.
2. **Comprehensive State-wide Growth Management Plan:**
Commission a comprehensive State-wide Growth Management Plan to establish strategic goals for economic growth and job creation throughout the State.
3. **Regionalism – Profit Centers:**
Create new roles and responsibilities for County Government, to include a clearinghouse for the coordination of programs for cities, towns and their rural partners.
4. **Revenue Sharing – State/Regions:**
Legislature should consider using $\frac{1}{2}$ cent of State Sales Tax to provide targeted capital improvement programs to support economic development/job creation activities.
5. **Inter-Local Agreements – Greater Flexibility:**
Allow greater flexibility between counties, school districts, and municipalities that encourage the “pooling” of resources and eliminate overlapping services and programs.
6. **Review Taxation Policy – Prohibitions on Property Tax:**
Introduce legislation that “blends” the use of property tax and sales tax. Make a comprehensive analysis of how all taxes can work together to solve local problems.
7. **Legislation providing Greater Latitude – Local Options:**
Historically, the legislature has entertained hundreds of bills that adversely impart the financial standing and health of cities and towns. Eliminate unfunded mandates whenever possible.
8. **Reverse Disincentive for Economic Development:**
Recently passed legislation, SB 751 and HB 1786, is movement in a positive direction. The State must become a full partner in the economic development efforts of municipalities.
9. **Constructively Evaluate State Agency Objectives:**
Encourage all state agencies and departments to work collectively and in concert with State-wide strategic goals that mutually benefit all parties.

Exhibit 2: Sales Tax Allocation 2010



Exhibit 3: The “Feds” Actually Listening to Cities, Regions

Neal Peirce / Nov 04 2010

WASHINGTON — For years I’ve been among those bemoaning the “silo” effect of federal departments that rarely discuss or line up their field operations. The result is a significant waste of money plus lost opportunities to make the national government’s programs — for roads and housing and environmental protection, for example — work in tandem and produce better results.

But a new leaf has been turned by the Obama administration — a legacy one hopes will outlast the president’s current tough political roller-coaster ride.

The new leaf is the presidentially-blessed efforts of the agencies in charge of urban development, transportation and environmental protection — with agriculture and energy watching with interest — to assemble members of their separate staffs around the same table. Their assignment: to select winners in a series of highly competitive grant programs, cumulatively titled Partnership for Sustainable Communities.

In October \$409.5 million was awarded to several dozen entries — out of 1,000-plus applications — for programs the president says are “designed to get the biggest bang for our tax dollar buck.”

The dynamics differ radically from standard federal grant-in-aid programs — administered by formula, or if competitive at all, by officials focused exclusively on their own subject area and often oblivious to potentially negative side effects.

The new approach, says Housing and Urban Development Secretary Shaun Donovan, is “bottom-up,” tapping insight and innovation from the field, rather than “the old Washington playbook of dictating how communities invest their grants.”

And the federal officials even invited representatives of 14 foundations, with decades of experience in local community-building, to sit at the judging table with them.

One winner was Northeast Ohio, where the Cleveland-Akron region has been literally at the economic precipice, triggered by industrial shrinkage, exacerbated by decades of suburbs pulling population out of the central cities. The area’s “Regional Prosperity Initiative,” joined by virtually all the area’s major city and county governments, housing authorities and key transportation agencies, won a joint housing-transportation grant of \$4.2 million.

The Northeast Ohio coalition set goals and strategies to re-energize struggling communities, provide mobility counseling for poor families, train a 21st century workforce, adopt a “fix-it-first” housing strategy, and coordinate land use planning with a goal of an environment — and tax base — that’s sustainable.

Will the grant reverse Northeast Ohio’s negative course? There’s no telling now. But the fact the local agencies could and did work together in the competition, engaging Cleveland State University in their effort, raising \$2.4 million matching funds on their own, suggests a heartening breakthrough toward regional cohesion and strategic thinking.

One of the most imaginative planning grants went to the “Grand Boulevard Initiative,” an effort to convert the San Francisco Bay area’s El Camino Real, a 43-mile state highway marked by low-grade strip commercial development, with few efficient concentrations of housing and jobs, into a boulevard-like “complete street.” Five local towns will work together to revise their land use plans and focus future development near transit stops.

Many of the grants were also for construction, some under the Transportation Department’s “TIGER” grant program. Atlanta, for example, received \$47 million to create a streetcar line between the Centennial Olympic Park downtown and the Martin Luther King, Jr. historic district. Long a foot-dragger on public transit, Atlanta was “a fabulous example,” Transportation Department official Beth Osborne explains, by coming back with a strong (\$20 million) local pledge after failing with smaller local commitment in an earlier round.

A major share of the applications were for small towns and rural areas — for example \$1.3 million for a Colorado Sustainable Main Streets Initiative to help three small communities plan redevelopment of their struggling downtowns, focusing on pedestrian-friendly transit, historic preservation, affordable housing and arts and culture.

Will Washington check on the results of all these grants? Yes, says Shelley Poticha, a key Housing and Urban Development Department official coordinating the awards. “We’re ramping up to ask our awardees to set up benchmarks, establish goals, model the results. This needs to be a new age of data and information.”

The big hope, Poticha adds, is “to help cities and regions be strategic — helping them come out of the recession with resilient game plans.” And to “allow local officials,” says Donald Borut, executive director of the National League of Cities, “to help define federal policy in a way we rarely see.”

But are these awards “game changers” for the federal bureaucracy itself? The process wasn’t easy. Officials had to learn other departments’ lingo, acronyms, and processes. And for career bureaucrats, there are still no personnel performance points for working cooperatively with other departments.

And then there’s Congress, with its constant political tug to fund earmarked, unvetted projects.

Still, a window to a more responsive, pro-town, pro-city, pro-region federal government, has been opened. Let’s hope neither old-fashioned pork barrel practices, nor the bitterly negative politics of these times, slam it shut.

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City of
ALTUS

ALTUS, OKLAHOMA 73521 – (580) 477-1950

A Proud Heritage
A Promising Future To Share!

Joe Don Dunham
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Memorandum

Date: December 15, 2010

To: Municipal Task Force Members

From: Joe Don Dunham, Finance Director

Re: Recommendations for Report

At the current time I have three recommendations and three additional areas of examination for the Task Force Report which is to be submitted to the Governor, the Speaker of the Oklahoma House of Representatives and the president Pro Tempore of the Oklahoma State Senate. They are as follows:

1. Change the current legislation to give municipalities the ability to ask local voters for Ad Valerom Taxes for general fund operations. If approved at the local level, this will give municipalities a more diversified, more stable revenue stream. This will also open up additional venues for municipalities to entice manufacturing businesses to their areas, which will boost economic development for those areas and the state of economy as a whole.
2. Change the current legislation and/or policies which govern the collection of sales tax. All sales taxes should be collected at the point of purchase on all sales. Any tax exempt sale should be requested from the Oklahoma Tax Commission in the form of a refund or reimbursement. This would greatly reduce fraud and enhance the collection of sales taxes legally owed. It would take the burden off the local merchant to determine if a sale is tax exempt and place it back in the hands of the Oklahoma Tax Commission where it should be. An example of this would be a customer would pay all sales tax when a product is purchased and then request a refund from the Oklahoma Tax Commission for any tax exempt purchase.
3. Effective November 1, 2002, the following language was removed from Title 68 Section 1361(f) and should be reinstated: “Any vendor who willfully or intentionally fails to remit the tax, after the tax levied by Section 1350 et seq. of this title was collected from the consumer or user, and appropriates the tax held in trust to his or her own use, or to the use of any person not entitled thereto, without authority of law, shall be guilty of the felony of embezzlement. Any holder of a direct payment permit who willfully or intentionally fails to remit the tax levied by Section 1350 et

seq. of this title and appropriates the tax held in trust to his or her own use, or to the use of any person not entitled thereto, without authority of law, shall be guilty of the felony of embezzlement.” This would make it a criminal offense to not remit sales tax collected. There is currently over \$47 million dollars due to the state and municipalities in sales taxes collected, but not remitted. This is nothing more than embezzlement and should be prosecuted. These organizations should face both criminal and civil penalties.

There are numerous other areas which need to be examined and possibly have legislation changes enacted. These areas have not yet been discussed in this forum but are important none the less. Just a few of these areas are as follows:

1. Legislation needs to look at the current sales tax exemptions. In the not to distant past there were as few as 12 exemptions, now there are as many as 148. These industries need to be evaluated to see if sales tax exemption status is warranted and justified. If they are not warranted and justified this exemption needs to be removed.
2. If we are looking at ways to reduce the cost to municipalities we would be remiss if we didn't examine both workers comp costs and the issue of binding arbitration. These two areas are direct costs to municipalities which they have no control over, but have a direct effect on the municipal budget and what can be accomplished within the municipality. This makes these costs unfunded mandates handed down by others.
3. During the last legislative session wording was changed to mandate the use of the Oklahoma Tax Commission for the collection of Municipality sales and use tax. This eliminates the ability for local control and is an issue. I believe this should to be changed back to the original wording to allow for local control. This being stated I understand this is a slippery slop, but is an important issue none the less. Giving municipalities the option of using another entity other than the Oklahoma Tax Commission, could entice the Oklahoma Tax Commission to be more accountable and responsive the needs of the Municipalities it serves.

I believe this Task Force is the first in many steps which need to be taken to improve the financial health of our municipalities and as a result the health of our State. As a Municipal Finance Director, I'm convinced Oklahoma municipalities are experts in squeezing all the benefits out of a dollar. We are already watching every penny we are spending but need help in generating more and new revenue sources to help provide greater stability of basic operations. The key to any healthy business or investment is diversification, and that is what municipalities need.

I want to point out that these recommendations are not mine alone. There have been a number of individuals, organizations, boards and committees thoughts outlined here. These recommendations come from city managers, finance directors, boards, such as the OML/OTC Liaison Board, and organizations, such as the Oklahoma Municipal League. These ideas have been discussed in numerous forums, such as the City Managers of Oklahoma Association, the Oklahoma Municipal League Conference, the Oklahoma Municipal Clerks, Finance Directors, and Treasurers Association Conference and the Oklahoma Academy Town Hall Meetings. The idea of these groups is these changes are a good start, but just a start on the correction of years of problems.

Oklahoma municipalities have lived under this stranded and unlevel situation for a number of years and I believe it is unrealistic to expect us to make recommendations to change our broken system in 6 months.

There needs to be legislation enacted to extend this Task Force, or develop a new one, to further examine the financial needs of Municipalities. We are just scraping the surface of our financial situation.

OTC recommends and supports changes to Oklahoma law which encourage “remote sellers” selling over the Internet and by mail order to collect tax on sales to customers in Oklahoma as well as the enactment of federal legislation to require out-of-state retailers collect use tax on sales made into Oklahoma. This levels the playing field so that local “brick and mortar” stores and remote sellers operate under the same rules. Further, the end result is a net gain for municipal finance.

November 18, 2010

Representative Dan Sullivan
Chairman, Legislative Task Force on Municipal Finance
Oklahoma House of Representatives
Oklahoma City, OK

Dear Chairman Sullivan,

Thank you for the opportunity to submit comments for the record and consideration by members of the Legislative Task Force on Municipal Finance. I have devoted thirty years of my professional career to the study and practice of economic and fiscal policy, and administration of government at the state, county, and municipal levels within this state. My goal today is to share policy analysis and recommendations I have formulated over these years to improve our state's overall economic health, and help ensure the most basic, essential public services on which citizens and businesses rely can continue to be provided in the most cost-efficient and effective manner possible. As indicated in the attached article, these two are inexorably linked. Simply put, you cannot have a healthy Oklahoma state economy without having healthy, functioning cities and towns.

BACKGROUND

Unfortunately, the business model under which cities and towns in our state are required to operate is broken. Oklahoma is the only state in the nation whose municipalities must rely on the local sales tax as their primary source of operating revenue. Over-reliance on the volatile local sales tax -- whose base has been steadily eroded over time due to legislated state sales tax exemptions, changes in our national economy, leakage from ever-growing internet sales, and problem compliance (underpayment and embezzlement by certain vendors, and fraudulent exemption claims by certain buyers) -- have placed municipal revenues under great stress. Meanwhile, growth in this revenue source has failed to keep pace with municipal labor costs. This has been especially true in the critical public safety area, which consumes the lion's share of municipal revenues and based on trends to date, threatens to crowd out all other essential local public services, including streets, parks, economic development, etc..., over time.

Since current levels of basic local governmental services cannot be sustained under this model, the missions of other important institutions who depend on these essential services -- such as education, health care, and virtually all commerce -- will likewise suffer, as will the state economy and state budget.

Under Oklahoma's municipal finance model, citizens of one community -- from which they consume public services -- often shop at a neighboring city, effectively paying for that neighboring city's local

government programs. Any private business would struggle to survive if its customers paid their competitor for services the provider had rendered.

The Oklahoma model creates a perverse incentive for municipal economic developers to focus their efforts on the pursuit of retail enterprise, rather than higher-paying primary industry. Retail activity produces local sales tax revenue needed to fund the service demands placed on the local government, while industry only produces additional service and infrastructure demands for the municipality but no new direct operating revenue.

When they do endeavor to recruit primary industry, Oklahoma municipalities find themselves at a competitive disadvantage relative to their competitor cities in other states, which can offer ad valorem tax breaks ours cannot. On the grand scale, this produces an inefficient mix of industries within Oklahoma, leaves us less competitive in the per capita income growth race with other states, and yields fewer dollars for state programs.

Ad valorem revenues are inherently more stable than sales tax revenues, and budgets which have more diverse sources of revenue are more stable than ones relying on less diverse set of revenues. Therefore, a municipal budget which includes both sales tax and ad valorem revenues would be more stable than one funded with sales tax alone, allowing for better long term planning and featuring fewer service disruptions over economic cycles, and more efficient, effective service delivery.

This pursuit of retail pits neighboring communities against one another as they fight to bring retailers to their particular locale. This in turn undermines and makes less likely the sort of regional cooperation required to work on large regional projects and save money /achieve economies of scale through coordinated service delivery and volume purchasing. In contrast, if cities received some ad valorem revenue for operating purposes, they would be more likely to combine efforts to attract important primary industry to their region, as each participating city would likely be the beneficiary of new tax paying homeowners who would move in to work in the new industry. Regional cooperation and cost savings would be more likely to occur.

A number of rural communities in our state lack almost any degree of retail commerce, and are as a result, incapable of providing some of the most basic modern services which citizens expect. This contributes to the demise of these communities, as young people move away to larger cities offering more public services and amenities. Making ad valorem revenue available for funding the governments of these rural communities could help these communities survive.

It is possible for taxpayers to deduct ad valorem taxes from their federal income taxes, while sales taxes paid cannot be so deducted. Thus an ad valorem tax based system allows some of our tax burden to be exported to the federal government.

RECOMMENDATIONS

- 1) For the above listed reasons, I recommend the Legislature take action to authorize municipalities to access the ad valorem tax as an additional source of operating revenues, on a local option basis, to suit local circumstances and preferences. One size does not fit all. Some communities might elect to substitute sales tax for ad valorem revenues, others might leave it as is, yet another might opt to add ad valorem revenues on top of existing sales tax dollars -- each in accordance with local voters' wishes.
- 2) The Legislature should cease granting exemptions to the state sales, and place sunset clauses on existing exemptions, to ensure periodic review and reauthorization.
- 3) I further recommend that Legislature over time modernize the state sales tax by broadening the base on which it is applied, to include personal and professional services. This would help reduce volatility of the tax, improve its revenue adequacy, reduce regressivity of the tax, and enable state policymakers to either reduce other state taxes (such as the income tax) to offset the increased revenues it would generate, or to preserve/increase funding support for critical state programs and services,
- 4) The Legislature should closely examine operations of the Oklahoma Tax Commission to ensure it has sufficient resources and the management structure to ensure sales taxes paid by citizens are indeed collected and remitted to the proper jurisdictions, and to reduce abuse by persons fraudulently claiming sales tax exemptions at the cash register. OTC must be held accountable and provide user-friendly reports to its customer municipalities, who can and should partner in sales tax compliance. I believe it is possible to inject competition into our system, by allowing cities to outsource collections of their local sales taxes, without disrupting our state's participation in the Streamlined Sales Tax Agreement, and that approach should be pursued. This might include having the OTC designate these third party collection firms as agents of the OTC.
- 5) At such time as the state budget recovers, the Legislature should revisit the apportionment of state transportation revenues to ensure they are used solely for transportation purposes, including increasing the allocation made to municipalities from its present meager share (4%). When this issue was last addressed, ODOT and County shares were increased significantly, but municipal roads (on which the majority of lane miles in the state are driven) were left out of the picture.
- 6) All willing counties and municipalities should be permitted to work together on road projects. At present, this sort of partnering is statutorily limited to only the two largest counties.
- 7) The Legislature should designate a permanent source of revenue for the State Emergency Fund, thereby enabling the State to timely pay (within 30 days) to municipalities its 12 ½% share of FEMA approved expenses, resulting from presidential-declared natural disasters. I would recommend this be interest earned from the Constitutional Reserve (Rainy Day) Fund, which voters approved in large measure to deal with emergencies.
- 8) The Legislature should take care to ensure the newly enacted Municipal Fiscal Impact Act – which is designed to identify and slow down consideration of unfunded mandates, by making known their cost – is implemented and allowed to become permanently engrained in the legislative process. Passage of unfunded mandates can harm municipalities, and lead to local tax and fee hikes or service reductions.

- 9) The Legislature should review and amend statutes which drive upward the cost of personal services – municipalities’ largest single category of expense – beyond the growth in local revenue sources to sustain such expenses;
- 10) Cities and towns should be encouraged to help themselves, including implementing best practices in budgeting, such as:
- a) avoiding use of one time revenues for ongoing operations;
 - b) adopting a multi-year focus when budgeting to determine out-year costs of new initiatives;
 - c) measuring the operating and maintenance cost associated with construction of new facilities;
 - d) creating and funding over time local Rainy Day Funds, to help deal with emergencies and economic downturns, provided that balances in such funds must be excluded from consideration as “available” during collective bargaining processes; and,
 - e) diversifying local revenue sources by increasing reliance on service fees, such as EMS fees, streetlight fees, recycling fees, mosquito spraying fees, etc... to suit local circumstances, working within each city’s own legal authority.

In closing, thank you again for the opportunity to comment on municipal finance issues in our state, and for your time and effort devoted to this important topic. Please feel free to contact me if I may be of service to you.

Sincerely,

Doug Enevoldsen
City Manager
City of Bixby

Attachment: “Healthy Cities, Healthy Oklahoma”
“Healthy Cities, Healthy Oklahoma” Doug Enevoldsen, November 2010

Cities and towns are the backbone of Oklahoma’s economy, and the state’s health is critically dependent on their well-being. Virtually all commerce, common education, higher education, health care, state, and even many county government services take place inside a city or town. Those institutions cannot fully achieve their own respective missions if their host cities are not healthy, functioning entities. We are all in this together.

Ours is the only state in the nation whose municipalities are required to operate primarily on the sales tax, a highly volatile revenue source whose base has steadily been eroded over time through legislated tax exemptions and rising Internet sales.

Because they are so reliant on sales taxes to pay their daily bills, most cities and towns focus the bulk of their efforts on attracting retail sales instead of industries which feature higher-paying jobs, or adding rooftops. This is understandable, since the latter pursuits increase demands on municipal services without directly providing commensurate operating revenues. However, this ultimately results in a less diversified, less prosperous Oklahoma economy, as UCO economist Mickey Hepner has pointed out in a recent analysis (see below).

Pursuit of retail also pits communities against one another since there is only so much of the retail pie to go around, creating an unhealthy competition which undermines regional collaboration which might otherwise emerge, and limits cost savings opportunities for all.

Last year, the Coalition of Tulsa Area Governments developed a statewide initiative known as “Healthy Cities, Healthy Oklahoma”, to promote awareness of the plight of municipal finance in our state and its critical link in our state economy. In response to our request to “stop the bleeding”, lawmakers adopted HB 3054, the Municipal Fiscal Impact Act, a simple, but important new law requiring that the Legislature measure the fiscal impact of proposed laws on cities and towns before adopting them. Unfunded mandates can be very harmful to financially-strapped local governments.

We also asked lawmakers to stop enacting sales tax exemptions that do not pay for themselves, and to create a legislative Task Force on Municipal Finance to produce recommendations for reform. That group’s report is due early next year. Fortunately, they will have at their disposal the impressive set of policy analysis and recommendations forthcoming from this month’s 2010 Oklahoma Academy Town Hall conference, whose focus was also our state’s beleaguered municipal finance system. The work of over 100 citizens from throughout our state, I hope the Academy’s fine work product will receive the serious consideration it deserves, now and in the coming years.

The Tulsa Metro Chamber recently concluded a three month strategic planning process involving a diverse array of officials from throughout northeast Oklahoma to produce a unified “One Voice” legislative agenda. One of their top recommendations? “Support legislation allowing municipalities to diversify their sources of revenues to fund essential local government operations”.

I personally believe this effort will need to include allowing local governments access to the more stable ad valorem revenues type on a local option basis, to suit local circumstances and voter preferences, with revenues possibly dedicated for public safety.

Lawmakers should also take steps in the future to broaden the sales tax base (on which local sales tax is applied, as well) to include personal and professional services, either using the additional state revenues to lower the state income or other tax, or to preserve essential state programs and services. Similarly, when state revenues recover sufficiently to allow for same, lawmakers should increase the relatively meager share (only 4 percent) of state transportation revenues currently being allocated towards municipal streets, since these carry the majority of road miles actually driven in our state.

Experts advise that the solution to municipal finance woes in our state will require attention on both sides of the balanced budget equation, i.e., not only revenues but also expenses. In that regard, they suggest lawmakers revamp state laws which either help drive up the cost of local government services

(including procurement of that most important input, personnel) and/or which impede cost sharing arrangements from forming.

City officials recognize that the current municipal finance structure was not formed overnight, and it will realistically take some years to reform it. The budget situation in many Oklahoma cities and towns is in critical condition, and work must begin now to get our cities, and in turn our state, healthy.

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Monday, November 22, 2010 Okpolicy.org

A Smarter Way To Fund Municipal Government, by Mickey Hepner

The property tax is, quite possibly, the most unpopular tax in Oklahoma. You might be surprised to learn though, that increasing property taxes could help stimulate our state’s economy.

How can this be? After all, we’ve been told for years that higher taxes must be bad. Well, it is important to note that this is not just about higher taxes, it is really about smarter taxes.

According to data provided by the U.S. Census Bureau and the U.S. Bureau of Economic Analysis, Oklahomans’ property tax burden (property taxes as a percentage of personal income) is one of the lowest in the nation— ranking 48th out of the 50 states. In fact, Oklahomans’ property tax burden is just one-half of the national average. This low reliance upon property taxes though, means that Oklahoma’s governments have to rely more heavily than most on sales taxes. Oklahomans’ general sales tax burden is actually the 13th highest in the nation.

It is this reliance upon sales taxes, especially at the local level, that can create some perverse economic development incentives. It turns out that Oklahoma’s municipalities are much more reliant upon sales taxes than most other states. In fact, for general operations, Oklahoma’s municipalities are almost exclusively reliant upon sales taxes. A recent report by the National League of Cities finds that Oklahoma’ municipalities rely upon general sales taxes for 40% of their revenue—more than twice the national average of 15%. Furthermore, Oklahoma’s municipalities receive only 3% of their revenue from property taxes, compared to 32% for cities in other states.

This heavy reliance upon sales taxes is troublesome for two reasons. First, since cities are so dependent upon sales tax revenues to provide services to their residents, cities have a powerful incentive to focus their economic development efforts on attracting industries, like retail, that can boost sales tax collections. Unfortunately, retail is not a very beneficial, or long-term productive, source of economic development. While new retail establishments do create new jobs, these jobs typically offer below-average wages and the profits from these establishments tend to flow to out-of-state corporations. Consequently, our over-reliance upon sales taxes encourages cities to focus on low-wage job growth and the exporting of profits, and not products, into the economy.

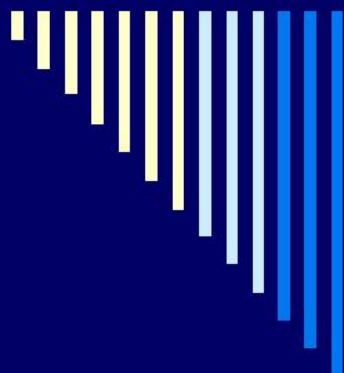
Conversely, if cities were more reliant upon property taxes instead of sales taxes, like the rest of the nation, then the incentives for cities differ significantly. Cities would then have an incentive to focus on attracting high-

wage jobs as those jobs and industries would bring higher property values, and subsequently higher property tax collections.

There is another reason why Oklahoma municipalities' reliance upon sales taxes is harmful. Nearly one-half of all married couples, and one-third of all taxpayers, itemize deductions on their federal income tax returns. Most of these taxpayers though, are unable to deduct their sales tax payments. However, they are allowed to deduct their income tax payments.

To see why this matters, consider this example. Suppose a city raised property taxes on a household by \$100 but lowered their sales tax liability by \$100. If this household itemizes deductions then their federal deductions have just risen by \$100. In the 25% tax bracket this amounts to a \$25 reduction in federal taxes. Notice, that the household is paying the same amount in state and local taxes, and receiving the same amount of services...but their total tax burden has fallen (thanks to the additional deductions). In other words, relying more upon property taxes allows municipalities to lower the tax burdens facing their residents without sacrificing municipal services.

In many ways, our municipalities are the economic engines of our state that work to facilitate commerce and lift our people higher. However, our poorly constructed municipal tax structure is keeping that engine from working as effectively or efficiently as it should. If the Legislature would grant municipalities greater authority to replace some of their sales tax with a larger property tax...it would be an important step in the right direction.



Task Force on Municipal Finance

Rep. Dan Sullivan, Chair
Sen. Patrick Anderson, Vice-Chair

October 7, 2010



Oklahoma Constitution and State vs. Local Revenues

- ❑ State is prohibited from levying ad valorem taxes (Article X, Section 9)
- ❑ Political subdivisions (counties, cities, towns, school districts) levy ad valorem taxes for general obligation bonds
- ❑ Legislature has the power to allow counties, cities and towns to raise revenue (Article X, Section 20)
- ❑ Legislature authorizes cities and towns to raise revenue pursuant to 68 O.S. Sections 2701 et seq.
- ❑ Legislature authorizes counties to levy sales tax pursuant to 68 O.S. Sections 1370 et seq



General Fund Millage Rates: Counties, Cities, Towns and School Districts

- ❑ Millage rates contained in various sections from Article X of the Oklahoma Constitution
- ❑ Article X, Section 9 contains the general fund levy for counties and other local government entities
- ❑ County excise board/budget board has jurisdiction over a 15 mill levy
- ❑ 5 mills dedicated to school district
- ❑ 10 mills can be allocated among county, cities, towns, school district
- ❑ Historically, this millage has become the 10 mill levy for the county general fund



Allocation of the 15 Mill Levy

- 5 mills dedicated to the school district
- 10 mills could be allocated among the county, cities, towns or school district
- Any reduction of the 10 mill levy would reduce the revenue for the county general fund
- County excise board is responsible for this allocation process



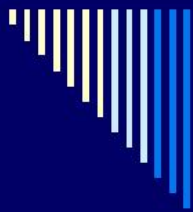
Modification of Millage Rates

- ❑ Because millage rates are authorized in the Oklahoma Constitution, modifying the authorized rates requires an amendment to the Constitution
- ❑ Statutory millage rates are either allocations within the constitutional rate structure or could be considered as in conflict with the Oklahoma Constitution
- ❑ Historically, changes in millage rates have been accomplished by proposed amendment to the Oklahoma Constitution



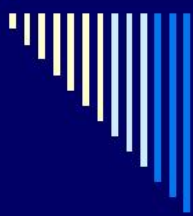
Cities and Towns May Tax Based Upon Powers of Legislature

- ❑ Oklahoma Constitution gives broad authority for Legislature to impose taxes
- ❑ Municipalities can levy taxes based upon grant of statutory authority
- ❑ 68 O.S. Section 2701 does not limit the rate of taxation for municipalities
- ❑ Levies are voter controlled
- ❑ Simple majority approval



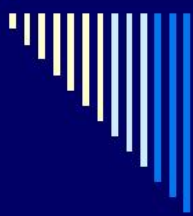
Counties Have Specific Statutory Authority

- ❑ Legislature has granted the power for counties to levy sales taxes
- ❑ Counties can levy sales tax for general fund
- ❑ Levy subject to simple majority voter approval



Oklahoma Constitution Limits Debt Incurred by Counties, Cities, Towns and School Districts

- ❑ Article X, Section 26
- ❑ 10% of the taxable value of the jurisdiction
- ❑ 3/5 voter approval requirement for debt issued pursuant to this section
- ❑ Limitation applies when property tax revenues are the source for repayment (general obligation bonds)
- ❑ Specific sections of the Oklahoma Constitution provide for ability to issue debt using a repayment system other than ad valorem tax (not governed by Article X, Section 26)



Oklahoma Constitution: Article X, Section 28

- Provides for creation of sinking fund for:
 - Payment of interest
 - Payment of bonds
 - Payment of judgments



Sinking Fund Millage Rates

- Sinking funds created to repay debt—
general obligation bonds
- Sinking fund millage rates fluctuate
based on annual debt payment
requirements and the taxable value of
the jurisdiction that borrowed the money
- $\text{Debt Service } \$ / \text{Taxable Value of}$
 $\text{Jurisdiction} = \text{Sinking Fund Millage Rate}$
- 1 Mill = .001



Computation of Sinking Fund Millage Rates


- ❑ Assume \$5,000,000.00 in principal borrowed for 25 years
- ❑ Assume 3% interest rate
- ❑ Assume level amortization
- ❑ Divide annual debt service (principal and interest) by the taxable value of the jurisdiction for that year (fiscal year)
- ❑ Market values can increase or decrease
- ❑ Taxable values can increase or decrease
- ❑ Debt payment must be made regardless of the changes in taxable value
- ❑ Sinking fund millage rate adjusts to compensate for the changes in the taxable value of the jurisdiction



Sinking Fund Millage Rate Changes: An Example**

- Year 1 of the Amortization Period
- $\$284,526.84 / \$25,000,000.00 =$
- 0.0113810736
- Year 5 of the Amortization Period
- $\$284,526.84 / \$12,500,000.00 =$
- **0.0227621472**

****This slide contains a correction from the October 7 presentation to reflect accurate annual debt service requirements and a revised sinking fund millage rate.**



Why Would a Sinking Fund Have a Surplus?

- Error in computation of the sinking fund rate (rate too high)
 - Error in computation of the principal and interest payment (the numerator)
 - Error in computation of the taxable value (the denominator)
- All taxpayers make full payment as required by the levy (no delinquencies or “skips” of any kind)
- Coverage ratio means more revenue is authorized by the levy than just principal and interest and if more tax revenue collected than required for payment of debt each year, a surplus would result



Surplus Balance in Sinking Funds

- Statute authorizes transfer of a surplus from a sinking fund to the general fund
- 68 O.S. Section 445
- Approval by excise board
- Notice by publication is required



Conclusion

- ❑ Legislature has power to authorize its political subdivisions to raise revenue
- ❑ Access to the property tax base is controlled by provisions in Article X of the Oklahoma Constitution—including use of property tax revenue for the general funds of counties, cities and towns
- ❑ Sinking fund millage rate connected to debt issuance
- ❑ Sinking fund millage rates designed to fluctuate in order to ensure payment of principal, interest or other authorized costs of a debt issuance
- ❑ Current law allows transfer of sinking fund surplus to general fund if statutory procedures are followed

Municipal Funding Resources

Who pays for the current year's budgetary costs of operating the government?

1. Current year resource providers
 - Current year taxes, charges for services, and other resources generated in current year
2. Future year resource providers
 - Loan or debt proceeds and lease purchase agreements
3. Past years' resource providers
 - Appropriated fund balance



Current Year Resource Providers

Definition: Proceeds of revenues earned from or assessed to the current fiscal year taxpayers and ratepayers.

- ▶ Revenues:
 - Sales and use tax (restricted or unrestricted – voter approval)
 - Property tax (limited to G.O. bonds and judgment debt service)
 - Franchise fees (from utility and cable companies)
 - State shared revenues (street and alley taxes, alcoholic bev tax)
 - Federal and state grants (come with restrictions and limitations)
 - Fees and permits (designed to cover cost of licensing activity)
 - Charges for services (may include profit component)
 - Municipal court fines and forfeitures (limited by state law)
 - Interest on investments and other miscellaneous revenues
 - Transfers from other funds or entities (watch for self-imposed limitations)

Future Year Resource Providers

Definition: Proceeds of borrowings used to fund current year costs that will require resources from future year taxpayers and ratepayers to pay off.

- ▶ Borrowings:
 - Lease purchase obligations
 - Non-appropriation clause needed for municipalities
 - Proceeds from general obligation bonds
 - Requires voter approval
 - Funding for capital projects and improvements
 - Proceeds from revenue bonds and notes
 - Normally issued by public trusts
 - Normally does not require voter approval
 - Judgment funding bonds
 - Requires court approval

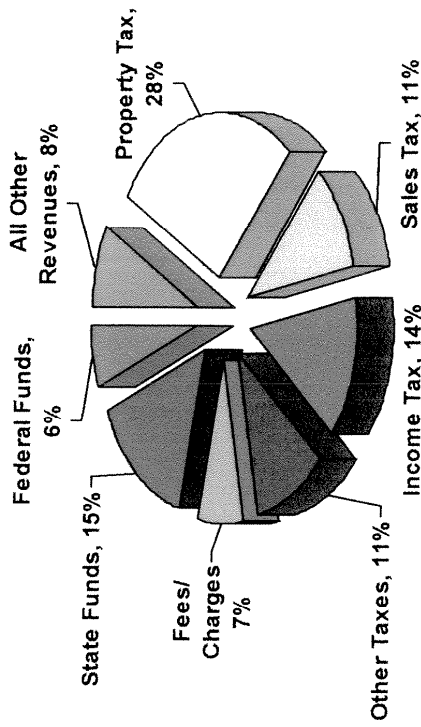
Past Years' Resource Providers

Definition: Use of uncommitted fund balances carried forward from prior years that resulted from the accumulation of prior periods' unexpended and unencumbered resources.

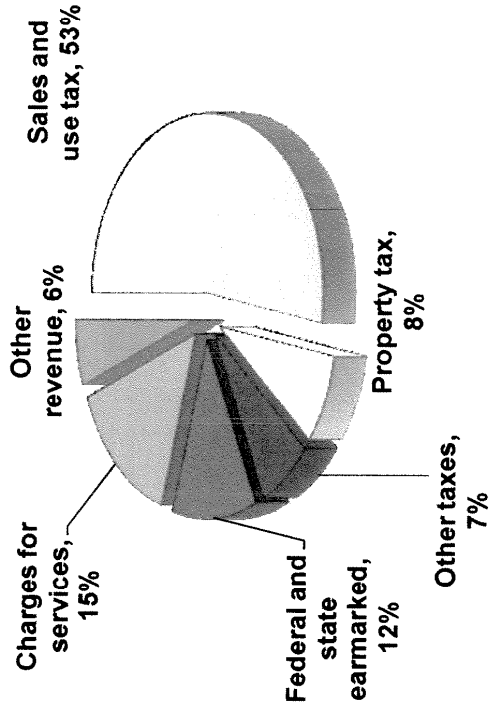
- ▶ Restricted carryover fund balances
 - Restricted sales tax funds
 - Cemetery care funds
 - Street and alley funds
 - Bond proceeds funds
 - Sinking funds
 - Permanent funds
- ▶ Unrestricted carryover fund balances
 - General Fund
 - Enterprise funds

Comparison of U.S. vs. Oklahoma

US Municipal Revenue Sources



Okla. Municipal Revenue Sources



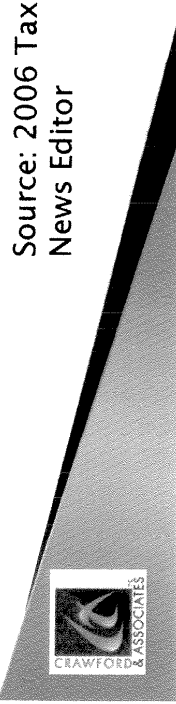
The “Walmart” Effect on Sales Tax

Annual Sales Tax Revenue Per Person Per Penny (PPPP) – Makes comparisons possible regardless of size of city or rate of tax

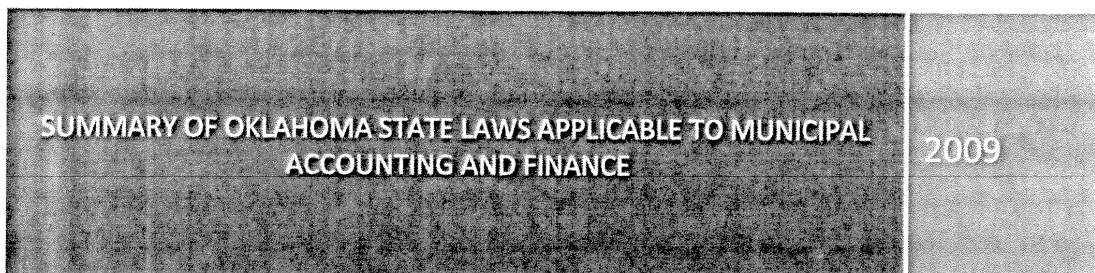
The average PPPP in a Walmart City is \$139


The average in a non-Walmart City is \$72

Example: For a 3,000 population municipality with a 3 cent sales tax rate, this means the difference in annual sales tax revenue of \$603,000 (\$1,251,000 in Walmart City and \$648,000 in non-Walmart City)



Source: 2006 Tax Report by Wayne Trotter, Pottowatomie County News Editor



Developed by  ASSOCIATES

SUMMARY OF OKLAHOMA STATE LAWS APPLICABLE TO MUNICIPAL ACCOUNTING AND FINANCE	2009
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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Dual Office Holding, Nepotism, and Bonds	11 O.S. § 8-105-06	<p>A member of the governing body shall not receive compensation for service in any municipal office or position other than their elected office.</p> <p>No elected or appointed official shall appoint or elect any person related by affinity or blood within the third degree to any governing body member of themselves.</p> <p>The municipal treasurer and any officer or employee designated to sign warrants or checks and any others designated by ordinance shall give a performance bond within 10 days of appointment or election in an amount determined by the governing body. Municipality shall pay the premium.</p>
Elected Officials Compensation	11 O.S. § 9 -116	Compensation shall be fixed by ordinance for all elected officials.
Retirement Contributions	11 O.S. § 49-122 & 50-109	<p>Minimum payment to the State Plans for paid firefighters and police officers is 21 %. A maximum of 8% can be withheld from the employee and at least 13% employer contribution. Such employee deductions are considered income tax deferred under IRC 414(h).</p> <p>For volunteer firefighters, municipality shall contribute \$60 per year per volunteer. Municipalities with under \$25,000 of annual general fund revenue are exempt.</p>
Independent Contractors	11 O.S. § 8-115	An attorney, engineer, or member of a profession who performs duties required or permitted by statute as an attorney, prosecutor, judge, engineer, or other professional for a state or local government pursuant to a retainer or service contract shall be presumed to be an independent contractor and not an employee for all purposes, including IRS income and employment tax treatment.

SUBJECT: PUBLIC TRUSTS/AUTHORITIES

TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Trusts for Furtherance of Public Functions	60 O.S. § 176-180	Trusts may be created by express approval of 2/3rds of the membership of the governing body. These trusts are considered separate legal entities from their beneficiaries.

SUMMARY OF OKLAHOMA STATE LAWS APPLICABLE TO MUNICIPAL ACCOUNTING AND FINANCE	2009
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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>Trusts are prohibited from engaging in any activities in which the beneficiary is prohibited.</p> <p>Beneficiary may lease its property to the trust after acceptance of beneficial interest.</p> <p>Beneficiary may convey title of airport property to industrial development authority for selling purposes in relation to industrial development.</p> <p>Trustees shall be appointed by the governing body of the beneficiary.</p> <p>Amendments to the trust require 2/3rds vote of trustees.</p> <p>Other trust limitations are discussed elsewhere throughout this document, including:</p> <ul style="list-style-type: none"> • Debt restrictions • Competitive bidding • Budget requirements • Annual audit requirements • Conflict of interest
Industrial Development Trusts	62 O.S. § 651-664	<p>Governed separate from Title 60 trusts, as discussed above.</p> <p>Trustees are appointed by the beneficiary's governing body.</p> <p>Revenue bonds require voter approval. Issued by trustee resolution. Interest limited to 10%. Revenue bonds shall not be a general obligation of the municipality; and are payable solely from the trust's gross revenues.</p> <p>All contracts for \$2,000 or more for materials, supplies, equipment or construction shall be awarded through publicly advertised bids to the lowest and best bidder.</p>

SUBJECT: MISCELLANEOUS PROVISIONS

TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Audit Requirements	11 O.S. §17-105-113; 60 O.S. § 180.1-.3	<p>Municipalities</p> <ul style="list-style-type: none"> ○ 2,500 or more population and \$25,000 of annual

SUMMARY OF OKLAHOMA STATE LAWS APPLICABLE TO MUNICIPAL ACCOUNTING AND FINANCE	2009
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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>general fund income, municipality must order a financial statement audit no later than 30 days after year end.</p> <ul style="list-style-type: none"> ○ Under 2,500 population, and more than \$25,000 income to its general fund, and for whom an annual financial statement audit is not required by another law, regulation or contract, may have either a financial statement audit or an agreed-upon procedures attestation engagement. ○ Less than \$25,000 of annual general fund income, no audit or attestation requirements exist. ○ Within 30 days of receipt of audit or attestation report, municipality will publish a notice of availability of the report for public inspection. Failure to submit when required causes gas excise tax to be withheld. If not provided within 2 years of fiscal year close, gas tax is given to the county. ○ Copies of the audit report to be supplied with annual survey form and \$40 check to the State Auditor within six months of year end. <p>Public Trusts</p> <ul style="list-style-type: none"> ○ Trusts with beneficiaries having population of 2,500 or more than \$50,000 of annual revenue shall have an annual financial statement audit. ○ Trusts with beneficiaries having under 2,500 population and more than \$50,000 annual revenue, and for whom an annual financial statement audit is not required by another law, regulation or contract, may have either a financial statement audit or an agreed-upon procedures attestation engagement. ○ Less than \$50,000 of annual revenue, audit and attestation requirements may be waived upon approval of the State Auditor and Inspector. ○ Audit and attestation reports must be ordered within 30 days of year end and be filed with the State Auditor and trust beneficiary no later than 6 months after the close of its fiscal year.
Local Development Act	62 O.S. § 850-869	Provides for municipal creation of a local development district

SUMMARY OF OKLAHOMA STATE LAWS APPLICABLE TO MUNICIPAL ACCOUNTING AND FINANCE	2009
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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>or project that can be funded through various tax incentives or tax increment financing for a limited time.</p> <p>Provides for the issuance of tax apportionment bonds or notes subject to governing body approval.</p>
Record Retention Requirements	11 O.S. § 22-131	<p>A municipality may sell for salvage or otherwise destroy papers, documents and records after the following expiration dates:</p> <ul style="list-style-type: none"> • One year - parking citations • Two years - Court warrants, audited utility receipts/ statements and other billing records • Five years - Payroll and purchasing records, court records, paid bond records, checks, etc. • Ten years -Inventories, appropriation ledgers, cash receipt book and register for all funds • Fifteen years - Sewer and water improvement district records <p>None of the above records may be destroyed if they are subject to pending litigation.</p> <p>Records may be stored, as original, on photocopy, photograph, and microfilm or stored on optical disk.</p>
Failure to Hold Elections	11 O.S. § 16-103.1	<p>Failure to hold required municipal general and special elections for elective offices for a four year period shall result in the loss of state shared gas tax and vehicle registration fees.</p>

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INTRODUCTION

This guide has been developed by Crawford & Associates, P.C. from codified State statute publications and is intended to serve as a reference tool for quick identification of Oklahoma State laws applicable to municipal finance and accounting issues. This guide is not intended to an all-inclusive summary of all statutory provisions applicable to cities and towns, but it is designed to assist municipal official and auditors in identifying provisions of State law for further research. The topic areas addressed in this guide are as follows:

- [Forms of Municipal Government and Officers Duties](#)
- [Legally Required Funds](#)
- [Municipal Budgeting](#)
- [Deposits and Investments](#)
- [Revenue Restrictions](#)
- [Debt Restrictions and Limitations](#)
- [Payroll, Purchasing and Spending](#)
- [Public Trusts and Authorities](#)
- [Miscellaneous Provisions](#)

An important point to be noted is that this guide addresses Oklahoma State statutes only. Each local government may have a charter, code of ordinances, and/or resolutions that may provide more stringent requirements than these State laws. On subjects of local interest only (seek legal counsel advice on the definition of these items), where conflicts of law exist between State statutes and the local law, normally the local law will prevail. However, in subjects that are not of local interest only, generally the more stringent requirements will prevail, whether in State law or local law.

In monitoring compliance with legal requirements applicable to municipalities finance and accounting, one should become familiar with requirements that may go beyond State statutes, such as the following:

- Laws
 - Federal
 - State
 - Local
- Regulations
 - Federal Circulars
 - State Agency Regulations
 - Local Resolutions and Policy
- Grants and Contracts
 - Grant Awards
 - Trust Indentures
 - Bond or Note Indentures
 - Employment Contracts
 - Union Contracts
 - Purchase Contracts
 - Wills and Trust Documents

This reference guide, to be effectively used, requires annual update each legislative session. This version has been updated through the 2009 session of the Oklahoma Legislature.

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SUBJECT: FORMS OF MUNICIPAL GOVERNMENT AND OFFICERS' DUTIES

TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Incorporated Cities and Towns	11 O.S. § 2-101 – 7-107	<p>Any community of people residing in compact form may become incorporated as a town in the manner. If the resident population is one thousand (1,000) or more, a town or community of people residing in compact form may become incorporated as a city.</p> <p>Any community which has operated as an incorporated municipality for twenty-five (25) years or more but which does not have any evidence of its articles of incorporation shall be presumed to have incorporated as the statutory form of municipal government under which it has operated.</p> <p>Any city may become an incorporated town. A petition for a city to become an incorporated town, signed by at least thirty-five percent (35%) of the registered voters of the city, as shown by the preceding general election, shall be filed with the board of county commissioners of the county in which the city is located.</p> <p>Municipalities can be consolidated. By election of both municipalities, any two or more municipalities lying adjacent to each other may consolidate and become one municipal corporation.</p> <p>Municipalities can be dissolved voluntarily or involuntarily.</p> <p>Voluntary - An application for dissolution of a municipality, signed by not less than one-third of the registered voters residing in the municipality as shown by the preceding general election, can be filed with the governing body of the municipality. If the governing body of the municipality determines that the reasons for dissolution are good, it shall call for an election for the purpose of submitting to the registered voters of the municipality the question of whether or not the municipality should be dissolved.</p> <p>Involuntary - The district attorney for the county in which the municipal government is located may petition for involuntary dissolution of a municipality when the government of a municipality ceases to function by reason of the following: (1) General municipal elections have not been called in the municipality for two successive general municipal elections; or (2) A majority of all the members of the governing body fail to qualify for two successive general municipal elections.</p> <p>Incorporated Town</p> <p>A petition for incorporation of a town, signed by at least one-</p>

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>third (1/3) of the registered voters residing in the proposed town as shown by the preceding general election or by at least twenty-five (25) registered voters residing in the proposed town, whichever number is greater, shall be presented to the board of county commissioners of the county in which the proposed town is located. County shall call for an election.</p> <p>The officers to be elected shall be those provided by law applicable to the town board of trustees form of government. A town shall be divided into three (3) or five (5) wards.</p> <p>Incorporated City</p> <p>A petition for incorporation of a city, signed by at least thirty-five percent (35%) of the registered voters residing in the proposed city, as shown by the preceding general election, shall be filed with the board of county commissioners of the county in which the proposed city is located. County shall call for an election.</p> <p>A city to be operated under the statutory aldermanic form of government shall be divided into at least four (4) wards. A city to be operated under the statutory council-manager or statutory strong-mayor-council form shall be divided into four (4) or six (6) wards.</p> <p>Bonds - The municipal governing body shall require the municipal treasurer, any officer or employee designated by ordinance to sign municipal warrants or municipal checks, and any other officers and employees as the governing body may designate by ordinance, to give bond for the faithful performance of his duties within ten (10) days after his election or appointment, in such amount and form as the governing body shall prescribe. The municipality shall pay the premiums on such bonds.</p> <p>Nepotism - No elected or appointed official or other authority of the municipal government shall appoint or elect any person related by affinity or consanguinity within the third degree to any governing body member or to himself or, in the case of a plural authority, to any one of its members to any office or position of profit in the municipal government. The provisions of this section shall not prohibit an officer or employee already in the service of the municipality from continuing in such service or from promotion therein. A person may hold more than one office or position in a municipal government as the governing body may ordain. A member of the governing body shall not receive compensation for service in any municipal</p>

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>office or position other than his elected office.</p> <p>Required Training - Each person elected for the first time to a position of a municipality shall be required within one year after taking the oath of office to attend an institute for municipal officials consisting of 8 hours of training. A person elected to a municipal position who fails to satisfy the education requirements of this section shall cease to hold the position commencing at the next scheduled meeting of the governing body following the first year anniversary of the person's taking the oath of office.</p>
Municipal Charters	11 O.S. §8-101 – 8-114; § 13-101 – 13-115	<p>Any city or town containing a population of two thousand (2,000) inhabitants or more, as shown by the latest federal census or other census recognized by the laws of Oklahoma, may frame a charter for its own government.</p> <p>The mayor of an incorporated municipality can issue an order calling for an election on the question of whether or not the municipality shall frame a charter for its own government and elect a board of freeholders to prepare the charter when: (1) A petition signed by not less than twenty-five percent (25%) of the registered voters of the municipality, as shown by the preceding general election, is filed with the governing body; or (2) The governing body, by resolution, so directs. The board of freeholders shall prepare a charter for the municipality within ninety (90) days after their election. The charter shall be consistent with and subject to the Oklahoma Constitution and shall not be in conflict with the Constitution and laws relating to the exercise of initiative and referendum.</p> <p>Whenever a charter is in conflict with any law relating to municipalities in force at the time of the adoption and approval of the charter, the provisions of the charter shall prevail and shall operate as a repeal or suspension of the state law or laws to the extent of any conflict.</p> <p>Charter may be amended with voter approval. Amendments to a municipal charter may be proposed by: (1) An initiative petition, signed by a number of the registered voters residing in the municipality equal to at least twenty-five percent (25%) of the total number of votes cast at the preceding general election; (2) A resolution of the municipal governing body. The Governor shall approve the charter amendments if they are not in conflict with the Constitution and laws of Oklahoma. Upon approval, the charter as amended shall become the organic law of the municipality and supersede any existing charter and all ordinances in conflict with it.</p> <p>Officer Compensation - Where a municipality has adopted a</p>

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>charter and the charter does not address compensation of elective city officers, the compensation of such elective city officers may be fixed by ordinance.</p>
<p>Statutory Aldermanic</p>	<p>11 O.S. § 9-101 – 9-118</p>	<p>Governing Body – The governing body of a statutory aldermanic city shall consist of the mayor, who is elected at large, and one or two council members from each ward of the city. Other officers elected include, City Clerk, City Treasurer, Street Commissioner, and Police Chief/Marshal.</p> <p>Mayor - The mayor is not considered a member of the council for quorum or voting purposes; except that he or she may vote on questions under consideration by the council only when the council is equally divided. Mayor serves as the CEO. The Mayor also serves as the President of the City Council unless the Council has elected another member to be the President.</p> <p>Clerk - The city clerk shall be an officer of the city. The clerk shall serve as clerk for the council. The city clerk shall: (1) keep the journal of the proceedings of the city council; (2) enroll all ordinances and resolutions passed by the council in a book or set of books kept for that purpose; (3) have custody of documents, records, and archives, as may be provided for by law or by ordinance, and have custody of the seal of the city; (4) attest and affix the seal of the city to documents as required by law or by ordinance; and (5) have such other powers, duties, and functions related to his statutory duties as may be prescribed by law or by ordinance. The person who serves as city clerk may be employed by the city to perform duties not related to his position as city clerk. The salary, if any, for said duties shall be provided for separately by ordinance.</p> <p>Treasurer - The city treasurer shall be an officer of the city. Subject to such regulations as the council may prescribe, the city treasurer shall deposit daily funds received for the city in depositories as the council may designate. The city treasurer shall have such other powers, duties, and functions related to his statutory duties as may be prescribed by law or by ordinance. The person who serves as city treasurer may be employed by the city to perform duties not related to his position as city treasurer. The salary, if any, for said duties shall be provided for separately by ordinance.</p> <p>Compensation of Officers - The compensation of all elective city officers shall be fixed by ordinance.</p>
<p>Strong Mayor - Council</p>	<p>11 O.S. § 11-101 – 11-125</p>	<p>Governing Body – The governing body of a statutory strong-mayor-council city shall consist of the mayor, who is elected at large, and one (1) councilmember from each ward of the city.</p>

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		<p>The mayor shall serve as ex officio councilmember at large.</p> <p>CEO - Mayor serves as the CEO. The Mayor also serves as the President of the City Council and shall preside at meetings of the council and shall certify to the correct enrollment of all ordinances and resolutions passed by it. As councilmember at large, he or she shall have all the powers, rights, privileges, duties and responsibilities of a councilmember, including the right to vote on questions. The mayor may appoint himself, or the council or other authority may elect or appoint him, to other offices and positions in the city government, subject to regulations as the council may prescribe; but he may not receive compensation for service in such other offices and positions. The council may provide that the mayor shall hold ex officio designated administrative offices subordinate to the mayor as well as other designated compatible city offices. The mayor, subject to any regulations which the council may prescribe, shall contract for, purchase, or issue purchase authorizations for all supplies, materials and equipment for offices, departments and agencies of the city government. Every contract or purchase exceeding an amount to be established by ordinance shall require the prior approval of the council. The mayor may also sell or transfer to or between offices, departments and agencies, surplus or obsolete supplies, materials and equipment, subject to regulations as the council may prescribe.</p> <p>Clerk - The city clerk shall be an officer of the city, appointed by the mayor. The clerk shall serve as clerk for the council. The city clerk shall: (1) keep the journal of the proceedings of the city council; (2) enroll all ordinances and resolutions passed by the council in a book or set of books kept for that purpose; (3) have custody of documents, records, and archives, as may be provided for by law or by ordinance, and have custody of the seal of the city; (4) attest and affix the seal of the city to documents as required by law or by ordinance; and (5) have such other powers, duties, and functions related to his statutory duties as may be prescribed by law or by ordinance. The person who serves as city clerk may be employed by the city to perform duties not related to his position as city clerk. The salary, if any, for said duties shall be provided for separately by ordinance.</p> <p>Treasurer - The city treasurer shall be an officer of the city, appointed by the mayor for an indefinite term. The council may provide by ordinance that the same person may hold both the office of city clerk and the office of city treasurer. Said council may also provide by ordinance that the city clerk shall be ex officio city treasurer and that an acting city clerk shall be ex officio acting city treasurer. Subject to such regulations as the</p>

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>council may prescribe, the city treasurer shall deposit daily funds received for the city in depositories as the council may designate. The city treasurer shall have such other powers, duties, and functions related to his statutory duties as may be prescribed by law or by ordinance. The person who serves as city treasurer may be employed by the city to perform duties not related to his position as city treasurer. The salary, if any, for said duties shall be provided for separately by ordinance.</p> <p>Departments - In a statutory strong-mayor-council city, there shall be a police department, a fire department, a department of law headed by a city attorney, and such other administrative departments, offices and agencies as the council may establish. Appointments and promotions in the service of a statutory strong-mayor-council city shall be made solely on the basis of merit and fitness; and removals, demotions, suspensions and layoffs shall be made solely for the good of the service. The council by ordinance may establish a merit system and provide for its organization and functioning, and provide for personnel administration and regulations of personnel matters. If and when the council establishes a merit system, it shall create a personnel department, the head of which shall be a personnel director appointed by the mayor for an indefinite term. The mayor may serve also as personnel director.</p> <p>Officers and Employees - All officers and employees of a statutory strong-mayor-council city shall be divided into the classified and the unclassified service. The unclassified service shall consist of: (1) The mayor and council members, one secretary of the mayor, if any, the municipal judge, and one clerk or secretary of the municipal court, if any; (2) All personnel appointed, elected or confirmed by the council; (3) Members and secretaries of boards, commissions and other plural authorities; (4) All personnel who serve without compensation; and (5) Persons appointed or employed on a temporary basis to make or conduct a special audit, inquiry, investigation, study, examination or installation, or to perform a temporary professional or technical service, subject to exclusions, limitations and regulations as may be prescribed by ordinance or personnel rules. All other officers and employees shall be in the classified service. Political appointments and promotions for reasons other than merit are prohibited for classified employees.</p> <p>Compensation of Officers - The compensation of all elective city officers shall be fixed by ordinance.</p>
Statutory Council-Manager	11 O.S. § 10-101 – 10-121	Governing Body – The governing body of a statutory council-manager city shall consist of one (1) council member from each ward of the city and one (1) councilmember at large. The

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>council shall elect from among its members a mayor and a vice-mayor. Except for the purposes of inquiry, the council and its members shall deal with the administrative service of the city solely through the city manager. The council and its members may not: (1) Direct or request the city manager or other authority to appoint or remove officers or employees; (2) Participate in any manner in the appointment or removal of officers and employees of the city, except as provided by law; or (3) Give orders on ordinary administrative matters to any subordinate of the city manager either publicly or privately.</p> <p>CEO - The city manager, appointed by the city council, serves as the CEO. The council may suspend or remove the city manager or acting city manager at any time by a vote of a majority of all its members. . The city manager shall contract for, purchase, or issue purchase authorizations for all supplies, materials, and equipment for offices, departments, and agencies of the city government, subject to any regulations which the council may prescribe. Every contract or purchase exceeding an amount to be established by the council shall require the prior approval of the council. The city manager may also sell or transfer to or between offices, departments, and agencies surplus or obsolete supplies, materials, and equipment, subject to regulations the council may prescribe.</p> <p>Clerk - The city clerk shall be an officer of the city, appointed by the city manager. The clerk shall serve as clerk for the council. The city clerk shall: (1) keep the journal of the proceedings of the city council; (2) enroll all ordinances and resolutions passed by the council in a book or set of books kept for that purpose; (3) have custody of documents, records, and archives, as may be provided for by law or by ordinance, and have custody of the seal of the city; (4) attest and affix the seal of the city to documents as required by law or by ordinance; and (5) have such other powers, duties, and functions related to his statutory duties as may be prescribed by law or by ordinance. The person who serves as city clerk may be employed by the city to perform duties not related to his position as city clerk. The salary, if any, for said duties shall be provided for separately by ordinance.</p> <p>Treasurer - The city treasurer shall be an officer of the city, appointed by the city council for an indefinite term. The council may provide by ordinance that the same person may hold both the office of city clerk and the office of city treasurer. Subject to such regulations as the council may prescribe, the city treasurer shall deposit daily funds received for the city in depositories as the council may designate. The city treasurer shall have such other powers, duties, and functions related to his statutory duties as may be prescribed by law or by ordinance. The person</p>

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>who serves as city treasurer may be employed by the city to perform duties not related to his position as city treasurer. The salary, if any, for said duties shall be provided for separately by ordinance.</p> <p>Departments - In a statutory council-manager city, there shall be a police department, a fire department, a department of law headed by a city attorney, and other administrative departments, offices and agencies as the council may establish.</p> <p>Compensation of Officers - The compensation of all elective city officers shall be fixed by ordinance.</p>
Statutory Town	11 O.S. § 12-101 – 12-114	<p>Governing Body – The town board of trustees shall consist of either three (3) or five (5) trustees who shall be nominated from wards or at large and elected at large. The governing body may submit to the voters the question of whether the town board shall consist of either three (3) or five (5) trustees. The board of trustees may, by ordinance, provide for the nomination and election at large of the trustees of a statutory town board of trustees form of government.</p> <p>Mayor - Mayor serves as the CEO and the President of the town board. The board of trustees shall elect from among its members a mayor. The mayor shall have all the powers, rights, privileges, duties and responsibilities of a trustee, including the right to vote on questions.</p> <p>Clerk - The town clerk shall be an officer of the town. The clerk shall serve as clerk for the board of trustees. The town clerk shall: (1) keep the journal of the proceedings of the town board; (2) enroll all ordinances and resolutions passed by the trustees in a book or set of books kept for that purpose; (3) have custody of documents, records, and archives, as may be provided for by law or by ordinance, and have custody of the seal of the town; (4) attest and affix the seal of the town to documents as required by law or by ordinance; and (5) have such other powers, duties, and functions related to his or her statutory duties as may be prescribed by law or by ordinance. The person who serves as town clerk may be employed by the town to perform duties not related to his position as town clerk. The salary, if any, for said duties shall be provided for separately by ordinance.</p> <p>Treasurer - The town treasurer shall be an officer of the town. The town treasurer shall: (1) maintain accounts and books to show where and from what source all monies paid to him or her have been derived and to whom and when any monies have been paid; (2) deposit daily funds received for the town in depositories as the board of trustees may designate; and (3)</p>

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>have such other powers, duties, and functions related to his statutory duties as may be prescribed by law or by ordinance. The person who serves as town treasurer may be employed by the town to perform duties not related to his position as town treasurer. The salary, if any, for said duties shall be provided for separately by ordinance. The books and accounts of the town treasurer shall be subject at all times to examination by the board of trustees.</p> <p>Compensation of Officers - The compensation of all elective city officers shall be fixed by ordinance.</p>

SUBJECT: LEGALLY REQUIRED FUNDS

TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Sinking Funds	Art. 10, § 5.28, OK Constitution; 62 O.S., § 431-451	Sinking funds shall be used for the levy of additional revenue for (1) payment of interest as due (2) payment of bonds as due and (3) payment of judgments required to be paid. This is applicable to municipalities, not public trusts/authorities.
Cemetery Care Fund	11 O.S. § 26-109	12.5% of revenue from lot sales and interments from municipally owned cemeteries shall be segregated in a permanent fund entitled "Cemetery Care Fund" and the principal of the fund restricted to purchasing cemetery land or making cemetery capital improvements. Interest may be used for same purpose or for cemetery care and maintenance.
Cemetery Perpetual Care Fund	11 O.S. § 26-201	A trust fund required for donations or bequests made for special care to specific lots, monuments or mausoleums. Only the interest from investment of principal may be used, unless otherwise specified by the donor. Often involves a district court and trustee.
Airport Fund	3 O.S. § 65.12 - 65.13	Requires all revenues obtained by a municipality from ownership, control, or operation of an airport facility to be accounted for in a separate fund. The revenue is restricted to airport operations. Municipalities in counties with population over 230,000 need not establish a separate fund. Federal and state aid for airports shall be kept in separate funds unless otherwise prescribed by the granting agency.
Hospital Fund	11 O.S. § 30-104	Municipal hospital revenue shall be paid to municipal treasurer to be deposited in a separate account in the treasury to be

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		designated a "hospital fund".
Limited Purpose Sales Tax Fund	68 O.S. § 2701	Sales tax approved by the voters and levied for a limited purpose shall be deposited in a "limited purpose fund" and used only in accordance with authorizing ordinance. All other sales tax shall be deposited in the General Fund. Fund must be interest bearing and retain the interest.
Recreation Grant or Donation Fund	11 O.S. § 33-109	Money derived from recreation grants, gifts or bequests shall be deposited by the municipal treasurer in a separate continuing fund, unless otherwise specified by the donor or grantor, and be used for the specified recreation purposes.
Special Assessment Funds	11 O.S. § 36-221 & 37-226	Collections from special assessment district projects shall be deposited in a separate fund and used to pay off any assessment bonds principal and interest as due. Any remaining surplus after all bonds have been retired shall be used only for the purpose of repairing or maintaining the improvements for which the assessment was made.
Retirement/Pension Fund	11 O.S. § 48-101 - 48-106	Single employer pension or retirement moneys of a municipality must be accounted for in a separate fund. The fund shall be known as the "Employee Retirement System of _____". Payments into this fund by the municipality must be appropriated by the governing body.
Federal Assistance Funds	68 O.S. § 3003B	All funds received by a municipality from the federal government pursuant to the distribution of funds by the State shall be deposited in a fund separate and apart from all other funds.

SUBJECT: MUNICIPAL BUDGETING

TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Municipal Budget Act	11 O.S. § 17-201 - 17-218	<p>Act applies to municipalities that have opted, <u>by resolution</u>, to come under the Act's provisions. Key features include:</p> <p>Budget Options:</p> <ol style="list-style-type: none"> 1. Fund-based budget (budget for each separate fund) 2. Purpose-based budget (Crosses multiple funds) <p>Legal Deadlines:</p> <ol style="list-style-type: none"> 1. CEO prepared budget submitted to governing body (30

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>days prior to start of fiscal year)</p> <ol style="list-style-type: none"> 2. Public hearing on proposed budget (15 days prior to start of fiscal year) 3. Publish budget summary and notice of public hearing (5 days before hearing) 4. Adoption by governing body, <u>by resolution</u>, (7 days prior to start of fiscal year) 5. Submission to State Auditor & Inspector (within 30 days after start of fiscal year) <p>Fund-Based Budget Provisions:</p> <ul style="list-style-type: none"> • Required Content for Fund-Based Budgets: <ol style="list-style-type: none"> 1. Budget Message 2. Budget Summary 3. Fund Budgets, in tabular form by department and object account category 4. Three years of fund budgets (revenues and expenditures) - prior year actual, current year budget, and proposed budget year • Requires annual budget for general fund and all other funds established by the governing body, except for grant funds and capital project funds that can be budgeted one time at start of project. • Must be balanced (i.e. est. revenues + appropriated fund balance = appropriations). • Accounting for expenditures must at least be at the object category level within each department as follows: <ol style="list-style-type: none"> 1. Personal services 2. Materials and supplies 3. Other services and charges 4. Capital outlay 5. Debt service 6. Interfund transfers • The legal level of expenditure and encumbrance control is department appropriation total within a fund, if not established at a lower level by resolution. • Cannot have expenditures + encumbrances exceed 90% of est. revenues until revenues received + beginning fund balance is least 90% of estimate. • Budget amendments can be made anytime: <ol style="list-style-type: none"> 1. Transfers - can be approved only by CEO/designee if by resolution

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		<p>2. Supplemental or Fund Decreases - requires governing body approval and submission to State Auditor's Office</p> <ul style="list-style-type: none"> • Sinking fund estimate of needs to be filed with county excise board. <p>Purpose-Based Budget Provisions:</p> <ul style="list-style-type: none"> • Each municipality shall adopt an appropriation for each purpose as established by the governing body; • In all cases the appropriations shall not exceed the income and revenue provided by the governing body from estimated revenues and appropriated fund balance; • The adopted budget shall be in effect on and after the first day of the fiscal year to which it applies. The budget as adopted and filed with the State Auditor and Inspector shall constitute an appropriation for each purpose as defined by the governing body, and the appropriation thus made shall not be used for any other purpose except as provided by law; • The chief executive officer, or designee, as authorized by the governing body, may transfer any unexpended and unencumbered appropriation or any portion thereof from one purpose to another; except that no appropriation for debt service or other appropriation required by law or ordinance may be reduced below the minimums required; • No encumbrance or expenditure may be authorized or made by any officer or employee which exceeds the available appropriation for each purpose as defined by the governing body; • The governing body may amend the budget to make supplemental appropriations to any purpose up to the amount of additional unappropriated income and revenues which become available during the fiscal year; • If at any time during the budget year it appears probable that revenues available will be insufficient to meet the amount appropriated, or that due to unforeseen emergencies there is temporarily insufficient money to meet the requirements of appropriation, the governing body shall take action as it deems necessary through budget amendments; and • A budget amendment as provided in this section authorizing supplemental appropriations or a decrease in the total appropriation of funds shall be adopted at a meeting of the governing body and filed with the

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		municipal clerk and the State Auditor and Inspector.
Estimate of Needs Laws	68 O.S. § 3001-33 & 62 O.S. § 461	<p>Act is applicable to all municipalities that have not opted, by resolution, to come under the provisions of the Municipal Budget Act in Title 11. (Also, allows municipalities to prepare an annual budget in a form other than the Estimate of Needs) If the Estimate of Needs is used, the statute requires budget only for General Fund and Sinking Fund at the budget filing date; and, "cash fund" budgets for certain other funds only as cash is received. Key features of the budget include:</p> <p>Legal Deadlines:</p> <ol style="list-style-type: none"> 1. Prepare financial statement for close of prior year (1st Monday in August) 2. Prepare estimate of needs forms (by September 1) 3. Submit financials and needs estimate to county excise board <ol style="list-style-type: none"> A. Incorporated towns by August 22 B. Cities by August 27 4. Publication affidavit filed at least 5 days after budget filing <p>Required Budget Content:</p> <ol style="list-style-type: none"> 1. Financial Statements /Estimate of Needs is a required form (automated format on disk available) available from the State Auditor's Office (short form for towns under 1000 population) 2. Sinking Fund Budget included on the form 3. Cash Fund Appropriation forms from the State Auditor 4. Budget Amendment forms also from the State Auditor <p>Other Provisions:</p> <ul style="list-style-type: none"> • Estimated revenue of General Fund is limited to 90% of prior year recurring revenue plus unencumbered and unreserved fund balance carry-over. • Long form requires budget to be departmentalized with the following objects: <ol style="list-style-type: none"> A. Personal services B. Maintenance and operations C. Capital outlay • Public utilities may be operated in a separate fund without appropriation • Budget amendments: <ol style="list-style-type: none"> A. Transfers within same fund - department head and/or governing body approval required and excise board written notification B. Supplemental or Fund Decreases - decreased department head and/or governing body approval and approval by the county excise board

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Public Trusts (Authorities) Budgets	60 O.S. § 176g	<p>Public trusts created pursuant to Title 60, Section 176 shall file annually with their respective beneficiaries a copy of certain financial documents, including a budget. Amendments to the adopted budget shall be approved by the trustees and recorded in the minutes.</p> <p>(This appears to establish only a requirement to prepare and file an annual budget and approve budget amendments. It does not state the form of the budget nor set a legal spending limit. The primary purpose is to serve as a financial plan.)</p>

SUBJECT: DEPOSITS AND INVESTMENTS

TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Deposits of Public Funds	62 O.S. § 511-516	<p>All funds coming into the treasurer's possession shall be deposited daily (not later than the immediately next business day) in banks, trust companies, credit unions or savings and loan associations as designated by the State.</p> <p>Deposits cannot exceed the federal insurance limit unless secured by acceptable collateral.</p> <p>Demand accounts must be established in banks, etc. within the State of Oklahoma.</p> <p>Unless otherwise provided by law, interest earnings shall be prorated by fund source.</p>
Utility Deposits	11 O.S. § 35-107 & 11 O.S. § 17-101	<p>Deposits for utility service shall be refunded or credited to the customer upon termination of service or at an earlier date as allowed by the municipality. No interest is required to be paid to customer.</p> <p>One year after termination, if deposit refund check for \$5 or less remains un-cashed, municipality may cancel the check and deposit the monies in either the utility fund or General Fund.</p> <p>One year after termination, if deposit refund check for over \$5 remains un-cashed, municipality shall send a written notice to customer at last known address and inform them that the deposit will be paid over to the municipality if not claimed</p>

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		within 90 days of the date of the notice. If not claimed after 90 day period, municipality may pay deposit amount to the utility fund or General Fund.
Collateral Requirements	62 O.S. § 517 & 348.1	<p>Collateral, valued at market value, is required to secure uninsured deposits.</p> <p>Includes a requirement that the treasurer shall review and determine the market value of the pledged collateral not less than quarterly.</p> <p>The securities and investments that may be accepted are as follows:</p> <ul style="list-style-type: none"> ➤ Obligations, including letters of credit, of the U.S. Government, its agencies and instrumentalities; ➤ Obligations of the state or of a county, municipality, or school district of this state or of an instrumentality thereof; ➤ General obligation bonds of any other state of the U.S.; and ➤ Surety bonds and letter of credit, under certain specified conditions. <p>Establishes treasurer's duties in the event of a default or insolvency of a public depository.</p> <p>Provides for treasurers complying with the Act to not be held liable for any loss arising from the default or insolvency of a public depository in the absence of negligence or malfeasance on the part of the treasurer.</p> <p>Banks cannot be approved as custodian for its own securities used as collateral for public deposits in such bank.</p>
Investment of Funds	62 O.S. § 348 6 O.S. § 2042 11 O.S. § 17-101	<p>Written investment policy, ordinance or resolution required for investment.</p> <p>Municipalities, in accordance with policy, may invest in</p> <ol style="list-style-type: none"> 1. Obligations of the U.S. government, it agencies or instrumentalities 2. Insured or collateralized CDs within the State, only insured CDs out of State 3. Negotiable CDs with limitations 4. Prime banker's acceptances with limitations 5. Prime commercial paper with limitations 6. Repurchase agreements with collateral 7. SEC regulated money market funds and which

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		<p>investments are restricted to the items 1-6 above</p> <ol style="list-style-type: none"> 8. Obligations to the payment of which the full faith and credit of this state is pledged 9. County, municipal or school district ad valorem tax funded debt 10. Bonds, notes or money judgments of a county, municipality or school district 11. Revenue anticipation notes of a public trust of which the municipality is beneficiary 12. Securities lending programs with limitations 13. Any bond, note or other debt of any public trusts of which the municipality is sole beneficiary or other entities whose governing boards were appointed by the municipality (excludes industrial development bonds) 14. Notes or bonds secured by mortgage or trust deed insured by the FHA, debt issued by the Federal Housing Administrator, and obligations of national mortgage associations are allowable investments under Title 6.
Sinking Fund Investments	62 O.S. § 541-545 & 562	<p>Investments limited to:</p> <ol style="list-style-type: none"> 1. U.S. Treasury bills, notes and bonds and Postal Savings certificates 2. State of Oklahoma bonds and notes 3. Interest bearing deposit account 4. Bonds or judgments of a court of record of the same municipality 5. Current warrants of own municipality <p>Limitations are placed on when and under what circumstances investments can be sold from the sinking fund.</p> <p>Interest on sinking fund investments must be placed first in the sinking fund; but, may then be credited or transferred to the general fund.</p>
Public Trust (Authorities) Investments	62 O.S. § 72.4a & 60 O.S. § 175.24g	<p>Public trust moneys in financial institutions must be in fully insured or collateralized CDs or other evidences of deposit. Not applicable to revenue bond issue accounts covered by indenture.</p> <p>Trust agreement authorizing investments in U.S. government issued or guaranteed obligations may also be invested by the trustee in any open or closed end investment trust or mutual fund made up solely of such government securities and repurchase agreements fully collateralized with such government securities.</p>

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		The Title 60 public trusts are not limited by the same investment limitations of their municipal beneficiary.

SUBJECT: REVENUE RESTRICTIONS

TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Ad Valorem (Property) Tax	Art. 10, § 9, 10, & 35, OK Constitution & 62 O.S. § 361-5	<p>Assessed value shall not exceed 35% of estimated fair value. Levies must be approved by the voters, except for a general 15 mill levy in each county which includes 5 mills for schools and the remaining 10 may be apportioned by the County Excise Board to the county, cities/towns and the school districts in the county.</p> <p>Municipalities are limited in their ability to levy ad valorem (property) taxes (subject to voter approval) to the following:</p> <ol style="list-style-type: none"> 1. Principal and interest on general obligation bonds 2. Principal and interest on court judgments over \$200 3. 5 mills for municipal hospitals 4. 5 mills for repaying bonds issued for securing or developing industry
Sales Tax	68 O.S. § 2701-06	<p>Municipalities may levy sales taxes (subject to voter approval) for both general and specific purposes. No statutory limit is set on the tax rate.</p> <p>Revenues from a general sales tax are to be deposited and recorded initially in the general fund. Expenditures are not limited as to purpose other than for the good of the public.</p> <p>Revenues from a limited purpose sales tax must be accounted for in a separate limited purpose sales tax fund. Interest from investment of this fund must be retained in the fund. Expenditures are limited to the purposes set forth in the taxing ordinance.</p> <p>Municipalities may not propose taxing ordinances more often than 3 times in any calendar year or twice in any six month period.</p> <p>Municipalities may provide an ordinance for the enforcement</p>

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		and collection of sales taxes, including penal and civil actions, to enforce payment. State may keep up to 1 3/4 % of collections for administering the collection and remittance process.
Municipal Taxing Authority	68 O.S. §. 2601-05, 2701	<p>Municipalities may assess, by ordinance, an annual tax not exceeding 2% on the gross receipts from residential and commercial sales of power, light, heat, gas, electricity or water. This tax shall be in lieu of any other franchise, license, occupation, or excise tax levied by the municipality.</p> <p>This tax shall not apply to any person, firm, association or corporation operating under a valid franchise from the municipality.</p> <p>The tax levied under this provision shall be levied for a term of not-to-exceed one year, and shall be payable monthly.</p> <p>Incorporated municipalities are authorized to tax as provided by the state legislature for the following:</p> <ul style="list-style-type: none"> • Uniform income tax on residents • Uniform sales tax • Limited motor vehicle tax
Cemetery Revenues	11 O.S. § 26-109	At least 12.5 % of revenue from sales of cemetery lots and from interments shall be limited for purchasing cemetery land and for cemetery capital improvements. Interest from the investment of the 12.5 % principal is limited to the same purpose above plus costs of cemetery upkeep and maintenance.
State Shared Street & Alley Tax Revenue	11 O.S. § 36-114	State shared revenue from the State motor fuel tax and the motor vehicle license and registration tax may be expended only for construction, maintenance, repair, improvement, or lighting of streets and alleys. Revenues may be deposited in and paid from either a street and alley fund of a street and alley account of the general fund.
Municipal Court Fines & Costs	11 O.S. § 14-109 -111	<p>Penal ordinances must be compiled and published in permanent form not less than once every 10 years. Biennial supplements must be published every 2 years, and filed with the county law library.</p> <p>Maximum fines limits:</p> <ul style="list-style-type: none"> • <u>Courts of Record - maximum fines:</u> <ul style="list-style-type: none"> ○ \$1,000 for wastewater/stormwater regulation violations ○ \$1,250 for alcohol or drug related traffic

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		<p>offenses (\$50 of each alcohol-related fine shall be used to defray costs alcohol related enforcement)</p> <ul style="list-style-type: none"> ○ prostitution related offenses which may not exceed: <ul style="list-style-type: none"> ▪ \$2,500 upon first conviction ▪ \$5,000 upon second conviction ▪ \$7,500 upon third and all subsequent convictions ○ all other offenses - may not exceed \$1,200 <p>• <u>Courts not of Record - maximum fines:</u></p> <ul style="list-style-type: none"> ○ \$200 for traffic-related speeding and parking citations ○ \$800 for alcohol-related or drug-related offenses(\$50 of each alcohol-related fine shall be used to defray costs alcohol related enforcement) ○ \$1,000 for wastewater/stormwater regulation violations ○ \$750 for all other offenses ○ Maximum court costs \$30 <p>• No fines of more than \$50 allowed if penal ordinances have not been compiled and published as required</p> <p>• Maximum fine of \$10 plus \$15 court costs for any speeding citation for speeding of no more than 10 mph on a national or state highway on the outskirts of town</p> <p>• Labor to work off fines must be calculated at a rate of not less than \$50 per day</p> <p>Administrative fees:</p> <ul style="list-style-type: none"> • A municipal court which collects a penalty assessment or other state fee from a defendant pursuant to state law may retain eight cents (\$0.08) of such monies and may also retain all interest accrued thereon prior to the due date for deposits as provided in state law. The fee shall be deposited as determined by the municipal governing body. • A municipal court in a municipality having a basic law enforcement academy approved by the Council on Law Enforcement Education and Training pursuant to the criteria developed by the Council for training law enforcement officers may retain as an administrative fee two percent (2%) of any penalty assessment or other state fee imposed by state statute. The two

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		percent (2%) administrative fee shall be deducted from the portion of the penalty assessment or other state fee retained by such municipality.
E-911 Fees	62 O.S. § 28.11-.21	Municipalities may impose, by ordinance, a fee not to exceed 15% of the tariff rate for emergency telephone service. Revenue is restricted to fund the costs associated with the operation of the emergency telephone service.
Meter Deposit Investment Income	11 O.S. § 35-102.1	The proceeds from any investment of meter deposit funds and any related earnings shall be placed in the fund from which the operation and maintenance expenses of the utility, for which they collected, are paid.
Water Sales Outside Corporate Limits	11 O.S. § 37-119 & 119a	All water sold to persons or entities outside the corporate limits shall be sold under written contract which provides for annual review of costs and rates to permit rate changes. Rates are limited to the costs attributable to maintaining the ability to provide water to the purchaser. Municipalities selling water outside corporate limits must implement an enterprise accounting system or may have to pay for such an accounting to the purchaser.

SUBJECT: DEBT RESTRICTIONS AND LIMITATIONS

TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Constitutional Debt Limitations	Art. 10, § 26 – 28, OK Constitution	No municipality shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for the year without assent of three-fifths of the voters. Total indebtedness not to exceed 10% of total assessed valuation. Applies primarily to general obligation bonds. Municipality shall provide for an annual tax sufficient to pay principal and interest on the bonds from the sinking fund for a term of not more than 25 years. Municipalities may become indebted in a larger amount than 10% of assessed value for the purpose of purchasing, constructing, or repairing public utilities or streets.

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>Individual or joint water project indebtedness, approved by the voters and secured by water revenue, may be issued for a period of not more than 30 years and are not included in the 10% limit.</p> <p>Revenue bonds may be issued by a municipality, with certain limitations and voter approval required under certain circumstances. (See Art. 10, S. 27B)</p>
General Obligation Bonds	62 O.S. § 351-354, 399-403, 411-412, 423-426 11 O.S. § 22-128, 37-107 62 O.S. § 498.1	<p>G.O. bonds must be sold at least at 99% of par plus accrued interest.</p> <p>Principal may not start maturing for two years after issuance date.</p> <p>Requires uniform maturities of principal or level debt service payments annually.</p> <p>Interest on general obligations bonds are limited to 10% except for general obligation special assessment bonds which are limited to 6%. Interest may not be payable more often than semiannually.</p>
Public Trusts (Authorities) Indebtedness	60 O.S. § 176	<p>No municipal trust may become indebted unless approved by 3/4 vote of the governing body of the beneficiary.</p> <p>No bonds may be sold for less than par unless approved by 3/4 vote of trustees and governing body members of beneficiary. Under no circumstances will bonds be sold at less than 65% of par.</p> <p>Original purchaser discount (fees) shall not exceed 4% and interest rate shall not exceed 14%.</p>
Rental or Lease Obligations	62 O.S. § 430.1	<p>Any rental contract extending beyond June 30 of the fiscal year shall contain provisions for mutual ratification of renewal. Lease contract is in effect only valid through availability of current year revenue per the Constitution.</p> <p>Lease agreements where title is to be acquired by the municipality shall state the purchase price and be limited to 10% simple interest.</p>
Special Assessment Bonds	11 O.S. § 32-105 -114, 36-216 - 406, 37-222 - 231, 39-115 -116, & 40-106 -110	<p>Special assessment bonds are limited to unpaid assessments remaining after 30 days of ordinance and are limited to 12% interest until maturity and 15% after maturity. Certain types of assessment bonds have different rate limitations.</p> <p>Obligation shall in no way become a liability of the municipality;</p>

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>and, is solely payable from assessments. Bonds are mandatory callable when sufficient funds are available from assessments.</p> <p>Central business redevelopment districts may issue bonds funded by tax increment financing. These bonds are not general obligations of the government and are solely payable from the incremental property taxes generated by the district projects.</p>
Municipal Utility Revenue Bonds	11 O.S. § 22-150 -158	<p>Implementing legislation pursuant to Article 27B of the State Constitution.</p> <p>Requires 3/4 approval of the governing body and under certain circumstances requires voter approval.</p> <p>Interest rate limited to 14% and other similar public trust debt limitations.</p>
Judgments	Art. 10, § 28, OK Constitution; 62 O.S. § 431-435 & 361-365	<p>Judgment defined as a final determination by any court of competent jurisdiction in any action or proceeding to determine the rights of parties.</p> <p>Includes all judgments meeting the definition over \$200.</p> <p>Judgments are repaid through the sinking fund in three equal installments plus interest.</p> <p>Interest rate on judgments shall be equal to the annual average U.S. Treasury Bill rate of the preceding year as certified by the State Treasurer plus 4%, not to exceed a total rate of 10%. (See 12 O.S. § 727)</p>

SUBJECT: PAYROLL, PURCHASING AND SPENDING

TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
Use of Public Funds	Art. 10, §14, 15 & 17 OK Constitution	<p>Municipalities may not become a stockholder in any company, association, or corporation; nor may it obtain or appropriate money for, or levy any tax for, or loan its credit to any corporation, association or individual.</p> <p>Taxes shall be levied and collected by general laws and used for <u>public purposes only</u>.</p> <p>Municipalities may not make a donation by gift in any way to</p>

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		any company, association, or corporation. (Exception is made in 11 O.S. Section 22-125 for gifts of money for buildings or construction or real property to college or school within the municipality.)
Transfers to Public Trusts	60 O.S. § 176a	No funds of the trust beneficiary derived from sources other than the trust property, or the operation thereof, shall be charged with or expended for the execution of the trust, <u>except by express action of the legislative authority of the beneficiary prior to the charging or expending of the funds.</u>
Competitive Bidding Act	61 O.S. § 101-136	Applicable to both municipalities and their public trusts. Public construction contracts exceeding \$50,000 shall be let and awarded to lowest responsible bidder through open competitive bidding that meets the requirements of the Act. Public construction contracts less than \$50,000 shall be let and awarded to the lowest responsible bidder by receipt of written bids. Public construction contracts for minor maintenance or repairs that are less than \$2,500 may be negotiated with a contractor without bidding. Public construction contracts include any public improvements and construction or repair or maintenance to buildings. May be waived by 2/3 vote of all members if emergency exists. Such contracts shall be awarded to the lowest responsible bidder after solicitation of sealed bids and a written contract will be executed. If awarded to someone other than the lowest bidder, a publicized statement setting forth the reasons is required and must be kept in official records.
Competitive Bidding – Public Trusts	60 O.S. § 176h	Public trusts have further statutory bidding requirements in addition to the Competitive Bidding Act. <u>Contracts for construction, labor, equipment, materials or repairs</u> in excess of \$25,000 shall be awarded to the lowest and best competitive bidder, pursuant to a public invitation to bid which shall be published. Trustees may, in formal documented action, waive bidding if an emergency exists in order to avoid loss of life, substantial damage to property, or damage to the public peace and safety.
Payroll Purchase Orders	62 O.S. § 304.1	Appears to provide for but not require the certification of payroll payments by the governing body through a payroll purchase order. If this statute is followed, an itemized payroll statement from each department certified with an affidavit by both the department head and the city clerk. Only the totals by

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TOPIC	STATUTORY REFERENCE	SUMMARY OF STATUTORY PROVISIONS
		<p>appropriation account and fund need to be included in the purchase order which may be encumbered the date approved by the governing body or the date payments are made.</p> <p>Payroll taxes, retirement and other contractual benefit payments to outside entities may be paid without a purchase order or further approval of the governing body,</p>
Purchase Orders and Encumbrances	62 O.S. § 310.1-310.9	<p><u>Unless otherwise provided by ordinance</u>, municipalities are required to follow the provisions of this Act when making acquiring goods and services.</p> <p>Purchase orders shall have written approval of a purchasing officer and an encumbering clerk prior to release.</p> <p>Invoices are required, after satisfactory delivery, and shall be itemized.</p> <p>The individual receiving satisfactory delivery of merchandise shall acknowledge that fact by <u>signing</u> the invoice or delivery ticket; and, no purchase order shall be approved for payment by the governing body unless the required signed invoices or delivery tickets are attached.</p> <p>The invoices, along with attached supporting documentation, shall be submitted to and examined by the <u>governing body</u> for review of legality. The governing body shall approve the invoices for payment in the amount determined just and correct. <u>As an alternative</u>, a municipality may, <u>by ordinance</u>, authorize the CEO or their designee to approve the invoices for payment as long as adequate internal controls are present in the ordinance.</p> <p>Every contract with an architect, contractor, engineer or supplier of materials for \$25,000 or more shall be accompanied by a sworn statement per 74 O.S. § 3109.</p> <p>Blanket purchase orders for recurring purchases, approved by the governing body, may be used. No limit on blanket P.O. amount for municipalities. Before transacting the purchase pursuant to a blanket purchase order, the order shall be submitted to the governing body for approval.</p> <p>Unencumbered balances at the close of the fiscal year may remain open as a credit until September 30, next. Municipality shall, anytime in July, publish a notice for two consecutive times in a daily paper or once in a weekly paper to inform vendors " that all invoices and documentation pertaining to a purchase order or contract for goods or services provided prior to July 1 for that fiscal year must be provided to the municipality by</p>

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		September 30 or it will be void and barred from payment".
Payment of Invoices	11 O.S. § 17-102-04; 17-114; 22-134 62 O.S. § 505; 471-485; 488; 551-555; 601-605	<p>Invoices must be in writing and examined per the Purchase Order Act or municipal ordinance.</p> <p>Employee claims for payment or reimbursement must be in the form of a written statement and include all receipts supporting the amount expended and/or claimed.</p> <p>Invoices may be paid by warrant, check, wire transfer, direct payroll deposit, or other disbursement method of the Federal Reserve.</p> <p>Warrant or check shall be signed by the officers designated in the ordinance, or in absence of such officer, by the municipal treasurer.</p> <p>Facsimile signatures may be used in lieu of manual signatures provided the authorized signing officer has filed and certified their signature with the Secretary of State.</p> <p>Warrants and checks not paid within one year of issuance may be voided. Certain public notices are required for warrants.</p> <p>Municipalities may use "uniform jacket" to include multiple invoices or contract estimates and supporting documentation related to a contract. The jacket will contain the necessary approvals on its face.</p> <p>Any municipal document, other than warrants, checks or drafts, relating to purchasing or accounts payable may be approved by the municipality by an electronic process in lieu of a manual written approval.</p> <p>Petty cash funds may be used in amounts established <u>the governing body</u>. The petty cash fund shall be reimbursed by using itemized vouchers or voucher slips and processed in the same manner of other payments for goods or services.</p>
Payments of Billings from Public Utilities	62 O.S. § 305.1	<p>If authorized by the governing body, municipalities may pay regular periodic billings of any municipal utility or of any public utility whose rates are controlled by the Corporation Commission or any other public regulatory body of any utility coop for utility services without the need for a purchase order or invoice.</p> <p>No late charge shall be attached or discount denied the municipality on any such bill until a 30-day period has lapsed from the receipt of the bill.</p>

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Misappropriation of Funds	62 O.S. § 371-374	<p>Any officer who orders or directs payment to a claim they know to be fraudulent, void or unauthorized, and every person who having notice of the facts is a participant in the illegal transaction shall be held jointly and severally liable to the person damaged and the municipality for <u>triple the amount of money or property involved</u> to be recovered by the municipality or any resident or taxpayer.</p> <p>Within two years of transfer of municipal property or funds, ten resident taxpayers may file a written petition demanding proper proceedings at law or in equity be initiated by the governing body to recover such sums as may have been paid illegally. After notice, if governing body fails to act within six months, an affected resident may initiate, with the State as plaintiff, a lawsuit to recover. In this event, the municipality will be made the defendant, and 1 /2 of the value of the money or property recovered shall be paid to such resident as a reward.</p>
Conflicts of Interest	11 O.S. § 8-113; 60 O.S. §178.8; 62 O.S. § 371	<p>Municipalities</p> <p>No municipal officer, employee who can enter involved with purchase decisions, or spouse thereof that has more than a 25% ownership in a business shall engage in any business transactions with the municipality. This includes acquiring any surplus property of the municipality or any of its public trusts unless offered for sale to the public.</p> <p>Municipalities may not contract, directly or indirectly, with a member of the governing body. Exceptions include: contracts with utilities governed by the Corporation Commission; contracts or deposits with financial institutions; and, for cities/towns under 2,500 population, contracts with only businesses of its type within 5 miles of city/town limits, limited to \$500 per transaction and \$10,000 annually. The related party business transactions annual limit has been modified to indicate that the \$10,000 annual limit will not apply if the municipality purchases items from the business that are also sold to the regular public in the normal course of business and the price charged to the municipality does not exceed the price charged to the general public.</p> <p>Public Trusts</p> <p>A conflict of interest will exist in a contractual relationship between the trust and a trustee or any for profit corporation of which the trustee or any member of their immediate family is an officer, partner or owner for goods and services or other contracts. If done through competitive bidding and relationship is publicly disclosed, the trustee is subject to removal. A compilation of all such related party transactions must be maintained. Certain exemptions apply, including: loaning money to the trust, buying trust obligations, legal advertising,</p>

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		banking services, and the sale of public utilities to the trust.
Governmental Tort Claims	51 O.S. § 151-167	<p>Liability Limits for Tort Claims:</p> <ul style="list-style-type: none"> • \$25,000 for any claim or claimant for property loss per occurrence • \$125,000 - \$200,000 total for any claimant for any other loss per occurrence • \$1,000,000 for all claims arising out of a single occurrence • No punitive or exemplary damages may be awarded <p>Claims must be presented within 1 year of the date the loss occurs or it is barred.</p> <p>Claim must be filed in writing with the clerk of the governing body.</p> <p>Settlements in excess of \$10,000 not covered by insurance shall be approved by the district court and be entered as a judgment. For judgments under this provision, the manner of payment must follow the 3-year sinking fund tax levy process unless the court approves alternative funding periods of between 1 and 10 years.</p>
Reverse Auction Bidding	11 O.S. §17-115	<p>A municipality or any public trust of which the municipality is beneficiary is authorized to use a reverse auction bidding procedure to obtain bids for the purchase of goods or services of any type of kind. The reverse auction shall be a real-time bidding process taking place at a previously scheduled time and Internet location and for a previously established duration, in which multiple suppliers, anonymous to each other, submit bids to provide the goods or services. The reverse auction procedure may be used as an alternative to any state law applicable to the purchase of the goods or services.</p> <p>All bids submitted electronically through the reverse auction bidding process pursuant to this section are subject to the same public disclosure laws that govern bids received pursuant to any other law of this state governing procurement procedures for a municipality or public trust.</p>
Payroll and Fair Labor Standards Act	61 O.S. § 3	<p>Fair Labor Standards Act (29 U.S.C., Sections 201-209) are to be followed by public employers and sets a normal work day as 8 hours and normal work week of 40 hours. Exceptions for longer work periods for public safety and certain other employee groups.</p> <p>Act addresses: Minimum wage, overtime compensation, child labor, pay equality and recordkeeping.</p>



Leonard Sullivan

Oklahoma County Assessor's Office
 320 ROBERT S. KERR #313
 OKLAHOMA CITY, OK 73102

WWW.OklahomaCounty.org/assessor



FOR IMMEDIATE RELEASE
 October 28, 2010

FOR MORE INFORMATION CONTACT
 Leonard Sullivan or Larry Stein
 (405) 713-1203
 (405) 361-9307 cell

Sullivan Urges State 'Keep Your Promise' ***Pay Your \$40 Million Debt to Oklahoma Counties*** **State Ignoring Obligation to County Government**

"It's time for the State of Oklahoma to start paying the \$40 million debt it owes to county government caused by the failure of the state to pay for previously approved tax break plans for businesses before discussion of any future tax breaks," said Oklahoma County Assessor Leonard Sullivan.

"Currently the State of Oklahoma has failed to pay more than \$40 million in double homestead reimbursement and they haven't paid this debt owed to counties since 2002. Because the way Art. 10 Sec. 6B of the Oklahoma Constitution reads the reimbursement to counties for the five-year manufacturing exemption and additional homestead exemptions when monies in the fund are insufficient to make all payments, the manufacturers' reimbursement receives priority and counties remain unpaid," Sullivan said.

"It is amazing to me that the State of Oklahoma continues in failing to pay its obligations but insists the legislature is balancing the budget. No they are not. They are ignoring reimbursements due county government. This obligation is a failure of fiscal responsibility. This kind of bookkeeping jujitsu is irresponsible. By refusing to recognize, ignoring and failing to pay the financial obligations of the State of Oklahoma it easy to balance a budget. But in any household in our state, if citizens refused to pay their obligations for mortgages, car payments or credit card obligations, those families would lose everything through bankruptcy and lawsuits," Sullivan said.

"It's very easy to balance a budget if you ignore your obligations. Any Oklahoma family would realize a windfall and their paycheck would stretch much farther if they could imitate the legislature's option to ignore paying this debt to the state's 77 counties. I'm sure every family would have more check than month left at the end of the month by ignoring bills. But most families don't get to ignore debts owed like the state has repeatedly done," Sullivan said.

"Each year the expenses for counties grow for housing jail inmates and the cost of hiring good people to bring Oklahoma Counties into the technological age, but the state fails to pay the money owed to counties to reimburse them for the double-homestead

--more--



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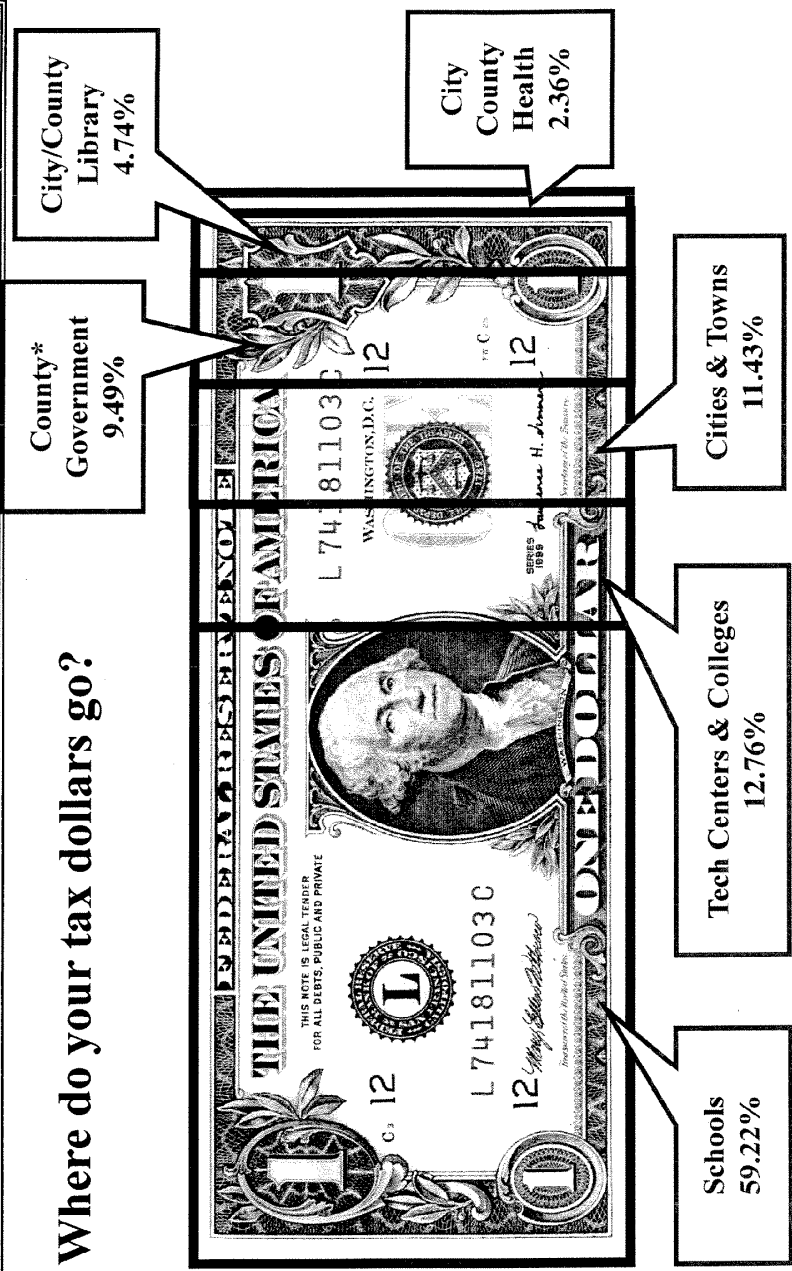
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Oklahoma County Property Tax Dollar Breakdown 2009-2010



*County portion represents all County Offices: Assessor, Clerk, Commissioners, Court Clerk, Sheriff, Treasurer, and other essential county services.

Prepared by Oklahoma County Assessor Leonard Sullivan



BREAKDOWN OF FUNDS OWED OKLAHOMA COUNTY

YEAR	COUNTY'S PORTION	CITY/COUNTY HEALTH & LIBRARY	LOCAL SCHOOLS & VO TECHS PORTION	TOTAL AMOUNT
2002	\$ 94,419.09	\$ 71,065.19	\$ 701,608.24	\$ 867,092.51
2003	\$ 95,406.76	\$ 71,808.56	\$ 691,460.17	\$ 858,675.49
2004	\$ 93,371.88	\$ 70,277.00	\$ 691,054.09	\$ 854,702.98
2005	\$ 94,986.80	\$ 71,492.48	\$ 702,365.11	\$ 868,844.40
2006	\$ 92,188.20	\$ 69,386.09	\$ 683,569.07	\$ 845,143.36
2007	\$ 87,537.65	\$ 65,885.83	\$ 645,095.84	\$ 798,519.32
2008	\$ 83,535.75	\$ 62,873.77	\$ 610,392.43	\$ 756,801.95
2009	\$ 80,260.57	\$ 60,408.68	\$ 638,713.26	\$ 779,382.50
TOTAL	\$ 721,706.69	\$ 543,197.60	\$ 5,364,258.22	\$ 6,629,162.51

* Art. 10 Sec. 6B of the Oklahoma Constitution provides for the reimbursement to counties for the "Five-Year Manufacturing Exemption and additional homestead exemptions". When monies in the fund are insufficient to make all payments the manufacturers' exemption reimbursement receives priority and counties remain unpaid.

Breakdown of Reimbursement Loss to Counties
2002 - 2008

County	Tax Year 2002 Loss of Reimb	Tax Year 2003 Loss of Reimb	Tax Year 2004 Loss of Reimb	Tax Year 2005 Loss of Reimb	Tax Year 2006 Loss of Reimb	Tax Year 2007 Loss of Reimb	Tax Year 2008 Loss of Reimb	Tax Year 2009 Loss of Reimb	Tax Years 02-09 Loss of Reimbursement
Osage	\$ (47,725.11)	\$ (41,401.39)	\$ (41,270.55)	\$ (46,564.67)	\$ (44,135.52)	\$ (44,025.50)	\$ (43,703.66)	\$ (40,351.66)	\$ (349,178.06)
Ottawa	\$ (61,544.80)	\$ (52,883.56)	\$ (51,735.76)	\$ (47,569.52)	\$ (41,746.02)	\$ (40,611.54)	\$ (43,875.22)	\$ (45,362.63)	\$ (385,329.05)
Pawnee	\$ (24,712.03)	\$ (23,412.61)	\$ (22,938.70)	\$ (21,516.20)	\$ (20,482.39)	\$ (21,527.33)	\$ (24,211.96)	\$ (24,603.66)	\$ (183,404.88)
Payne	\$ (66,390.21)	\$ (59,887.18)	\$ (55,608.39)	\$ (60,286.96)	\$ (57,280.26)	\$ (56,852.00)	\$ (52,253.74)	\$ (49,070.76)	\$ (457,629.50)
Pittsburg	\$ (109,237.69)	\$ (106,999.97)	\$ (101,820.33)	\$ (104,773.44)	\$ (98,690.62)	\$ (91,936.33)	\$ (87,265.39)	\$ (82,491.00)	\$ (783,214.77)
Pontotoc	\$ (77,032.58)	\$ (74,166.35)	\$ (67,585.58)	\$ (65,491.37)	\$ (60,809.70)	\$ (57,020.92)	\$ (51,637.00)	\$ (45,791.00)	\$ (499,534.50)
Pottawatomie	\$ (112,969.62)	\$ (109,774.60)	\$ (104,965.35)	\$ (101,312.59)	\$ (97,293.56)	\$ (94,096.55)	\$ (92,828.03)	\$ (87,939.74)	\$ (801,180.04)
Pushmataha	\$ (22,276.81)	\$ (21,776.28)	\$ (22,873.21)	\$ (22,970.24)	\$ (21,290.83)	\$ (19,822.35)	\$ (18,960.51)	\$ (18,866.16)	\$ (168,836.39)
Roger Mills	\$ (1,264.67)	\$ (1,297.15)	\$ (1,001.05)	\$ (1,187.34)	\$ (962.75)	\$ (934.88)	\$ (756.90)	\$ (699.55)	\$ (8,104.29)
Rogers	\$ (92,515.78)	\$ (93,502.20)	\$ (99,678.57)	\$ (99,146.00)	\$ (97,150.00)	\$ (89,362.00)	\$ (86,292.12)	\$ (87,589.88)	\$ (745,236.55)
Seminole	\$ (68,775.71)	\$ (64,063.71)	\$ (62,592.02)	\$ (65,321.35)	\$ (61,221.71)	\$ (57,253.93)	\$ (53,675.53)	\$ (51,079.45)	\$ (483,983.41)
Sequoyah	\$ (100,161.00)	\$ (98,177.00)	\$ (92,538.00)	\$ (90,593.00)	\$ (82,391.00)	\$ (74,827.00)	\$ (72,579.00)	\$ (69,921.00)	\$ (681,187.00)
Stephens	\$ (98,350.08)	\$ (97,231.56)	\$ (95,404.16)	\$ (97,205.06)	\$ (89,448.76)	\$ (84,164.27)	\$ (77,043.42)	\$ (77,227.69)	\$ (716,075.00)
Texas	\$ (10,427.01)	\$ (8,716.00)	\$ (8,986.18)	\$ (7,074.10)	\$ (6,883.13)	\$ (6,752.77)	\$ (5,879.30)	\$ (5,674.43)	\$ (60,392.92)
Tillman	\$ (15,973.04)	\$ (14,645.36)	\$ (14,476.49)	\$ (12,458.85)	\$ (13,294.10)	\$ (13,178.17)	\$ (11,491.65)	\$ (10,401.39)	\$ (105,919.05)
Tulsa	\$ (97,403.00)	\$ (1,021,854.00)	\$ (1,040,993.00)	\$ (993,998.00)	\$ (880,238.00)	\$ (834,843.00)	\$ (813,742.00)	\$ (800,169.00)	\$ (7,363,240.00)
Wagoner	\$ (93,565.86)	\$ (95,909.41)	\$ (91,546.06)	\$ (109,011.99)	\$ (107,116.74)	\$ (112,297.91)	\$ (119,275.91)	\$ (110,404.16)	\$ (839,128.04)
Washington	\$ (72,806.43)	\$ (69,260.52)	\$ (68,079.97)	\$ (65,830.88)	\$ (66,680.33)	\$ (59,080.93)	\$ (56,612.13)	\$ (54,997.58)	\$ (513,348.77)
Washita	\$ (8,290.95)	\$ (7,480.59)	\$ (7,953.40)	\$ (8,813.58)	\$ (7,954.56)	\$ (6,304.82)	\$ (6,494.43)	\$ (6,752.38)	\$ (60,044.71)
Woods	\$ (11,939.76)	\$ (10,999.85)	\$ (10,109.88)	\$ (10,159.75)	\$ (8,822.72)	\$ (8,307.95)	\$ (7,501.96)	\$ (7,390.00)	\$ (75,231.87)
Woodward	\$ (20,271.79)	\$ (19,869.86)	\$ (18,101.60)	\$ (19,421.55)	\$ (18,873.00)	\$ (15,334.35)	\$ (14,145.78)	\$ (13,384.19)	\$ (139,402.12)
TOTALS	\$ (5,008,101.21)	\$ (4,978,690.92)	\$ (4,909,282.55)	\$ (4,974,256.04)	\$ (4,704,809.54)	\$ (4,507,582.40)	\$ (4,344,360.97)	\$ (4,270,215.17)	\$ (37,697,298.80)
Note:	As reported to the Oklahoma Tax Commission by the counties on Form OTC 916, Claim for Reimbursement for Additional Homestead Exemption Allowed Certain Classes of Taxpayers.								

Loss of AHS Reimb.xls
02-09 Loss of Reimb

Breakdown of Reimbursement Loss to Counties
2002 - 2008

County	Tax Year 2002 Loss of Reimb \$	Tax Year 2003 Loss of Reimb \$	Tax Year 2004 Loss of Reimb \$	Tax Year 2005 Loss of Reimb \$	Tax Year 2006 Loss of Reimb \$	Tax Year 2007 Loss of Reimb \$	Tax Year 2008 Loss of Reimb \$	Tax Year 2009 Loss of Reimb \$	Tax Years 02-09 Loss of Reimbursement \$
Harmon	\$ (3,512.82)	\$ (3,257.55)	\$ (2,858.46)	\$ (3,277.87)	\$ (3,086.53)	\$ (2,823.84)	\$ (2,216.36)	\$ (1,844.64)	\$ (22,878.09)
Harper	\$ (1,465.68)	\$ (1,410.73)	\$ (1,256.25)	\$ (1,469.21)	\$ (1,207.47)	\$ (1,077.31)	\$ (1,153.48)	\$ (957.27)	\$ (9,997.40)
Haskell	\$ (24,115.41)	\$ (25,861.35)	\$ (23,510.05)	\$ (25,087.76)	\$ (23,581.76)	\$ (22,397.95)	\$ (21,407.16)	\$ (20,119.39)	\$ (186,080.86)
Hughes	\$ (33,973.53)	\$ (31,475.31)	\$ (29,280.26)	\$ (28,608.81)	\$ (28,705.02)	\$ (29,437.59)	\$ (28,836.75)	\$ (26,619.67)	\$ (236,936.94)
Jackson	\$ (19,614.80)	\$ (20,243.02)	\$ (20,482.11)	\$ (19,584.58)	\$ (18,584.61)	\$ (17,364.87)	\$ (15,223.63)	\$ (14,442.70)	\$ (145,540.32)
Jefferson	\$ (6,931.53)	\$ (6,610.28)	\$ (6,363.45)	\$ (6,415.56)	\$ (5,689.53)	\$ (5,363.63)	\$ (5,292.24)	\$ (5,400.86)	\$ (48,067.06)
Johnston	\$ (27,972.77)	\$ (26,060.55)	\$ (23,546.41)	\$ (23,702.80)	\$ (21,770.92)	\$ (22,166.50)	\$ (22,481.74)	\$ (22,941.09)	\$ (190,642.78)
Key	\$ (58,238.17)	\$ (2,512.04)	\$ (51,322.14)	\$ (2,593.99)	\$ (50,556.12)	\$ (48,191.63)	\$ (47,290.95)	\$ (44,205.45)	\$ (408,565.10)
Kingfisher	\$ (11,964.07)	\$ (12,130.96)	\$ (12,064.34)	\$ (12,167.44)	\$ (2,940.24)	\$ (3,037.54)	\$ (2,283.87)	\$ (1,740.94)	\$ (21,058.66)
Kiowa	\$ (31,460.20)	\$ (28,353.68)	\$ (26,375.11)	\$ (24,215.88)	\$ (22,268.42)	\$ (21,291.64)	\$ (19,135.90)	\$ (18,319.90)	\$ (191,420.73)
Latimer	\$ (77,745.96)	\$ (79,644.61)	\$ (80,998.33)	\$ (78,374.40)	\$ (76,188.86)	\$ (73,207.87)	\$ (72,419.55)	\$ (68,482.29)	\$ (607,061.90)
LeFlore	\$ (64,596.71)	\$ (63,105.28)	\$ (60,778.40)	\$ (58,762.20)	\$ (57,380.03)	\$ (50,608.92)	\$ (46,206.78)	\$ (44,186.27)	\$ (445,624.59)
Lincoln	\$ (51,975.32)	\$ (46,151.65)	\$ (46,001.15)	\$ (52,359.40)	\$ (50,186.95)	\$ (48,980.21)	\$ (45,636.99)	\$ (42,364.43)	\$ (383,656.10)
Love	\$ (18,960.07)	\$ (17,516.83)	\$ (16,487.34)	\$ (17,443.09)	\$ (15,522.15)	\$ (15,719.00)	\$ (15,016.63)	\$ (15,538.31)	\$ (132,203.42)
McClain	\$ (98,382.00)	\$ (94,287.24)	\$ (92,158.00)	\$ (92,930.00)	\$ (90,394.00)	\$ (90,024.00)	\$ (85,186.99)	\$ (85,696.57)	\$ (729,068.77)
McCurtain	\$ (29,942.90)	\$ (30,542.99)	\$ (29,499.33)	\$ (35,629.54)	\$ (35,574.80)	\$ (35,087.00)	\$ (32,664.16)	\$ (31,435.37)	\$ (260,376.09)
McIntosh	\$ (5,057.53)	\$ (5,732.72)	\$ (5,509.49)	\$ (5,388.84)	\$ (4,799.16)	\$ (4,328.34)	\$ (3,961.30)	\$ (3,868.04)	\$ (38,645.42)
Marshall	\$ (16,977.48)	\$ (16,644.23)	\$ (15,466.82)	\$ (16,029.47)	\$ (14,605.30)	\$ (13,477.80)	\$ (13,463.78)	\$ (12,991.09)	\$ (119,655.97)
Mayes	\$ (61,847.03)	\$ (61,167.35)	\$ (63,938.06)	\$ (66,943.43)	\$ (64,420.57)	\$ (64,139.17)	\$ (63,320.68)	\$ (59,472.38)	\$ (505,248.67)
Murray	\$ (35,010.83)	\$ (34,888.93)	\$ (33,039.45)	\$ (31,821.17)	\$ (29,134.45)	\$ (26,918.62)	\$ (25,827.60)	\$ (25,063.82)	\$ (241,704.87)
Muskogee	\$ (121,388.19)	\$ (117,689.44)	\$ (116,018.42)	\$ (126,059.03)	\$ (121,260.27)	\$ (119,277.67)	\$ (111,420.51)	\$ (105,333.99)	\$ (938,447.52)
Noble	\$ (11,034.05)	\$ (11,432.58)	\$ (11,455.97)	\$ (11,840.43)	\$ (11,817.44)	\$ (11,778.20)	\$ (12,885.52)	\$ (12,259.68)	\$ (94,503.87)
Nowata	\$ (33,051.38)	\$ (29,006.90)	\$ (29,325.52)	\$ (27,222.59)	\$ (28,050.21)	\$ (28,370.38)	\$ (26,756.10)	\$ (24,937.00)	\$ (226,720.09)
Oklfuskee	\$ (28,538.43)	\$ (30,958.24)	\$ (30,147.12)	\$ (27,202.79)	\$ (27,834.67)	\$ (26,341.46)	\$ (23,973.69)	\$ (23,812.00)	\$ (218,808.40)
Oklahoma	\$ (867,029.51)	\$ (861,852.04)	\$ (854,702.98)	\$ (868,844.40)	\$ (845,312.01)	\$ (798,519.32)	\$ (756,801.95)	\$ (779,382.50)	\$ (6,632,444.71)
Oklmulgee	\$ (68,115.74)	\$ (68,630.59)	\$ (70,408.06)	\$ (72,854.34)	\$ (69,318.66)	\$ (66,055.73)	\$ (68,843.00)	\$ (68,921.46)	\$ (553,147.58)

Loss of AHS Reimb.xls
02-09 Loss of Reimb

Breakdown of Reimbursement Loss to Counties
2002 - 2008

County	Tax Year 2002 Loss of Reimb	Tax Year 2003 Loss of Reimb	Tax Year 2004 Loss of Reimb	Tax Year 2005 Loss of Reimb	Tax Year 2006 Loss of Reimb	Tax Year 2007 Loss of Reimb	Tax Year 2008 Loss of Reimb	Tax Year 2009 Loss of Reimb	Tax Years 02-09 Loss of Reimbursement
Adair	\$ (38,129.00)	\$ (39,731.00)	\$ (36,005.00)	\$ (36,738.00)	\$ (34,684.00)	\$ (35,870.00)	\$ (36,514.00)	\$ (38,298.00)	\$ (295,969.00)
Alfalfa	\$ (3,487.46)	\$ (3,536.86)	\$ (3,539.41)	\$ (3,649.73)	\$ (3,754.84)	\$ (3,202.99)	\$ (3,006.08)	\$ (2,566.94)	\$ (26,744.31)
Atoka	\$ (34,965.36)	\$ (37,948.97)	\$ (33,183.63)	\$ (35,818.83)	\$ (32,811.57)	\$ (30,919.06)	\$ (35,801.09)	\$ (35,135.82)	\$ (276,584.33)
Beaver	\$ (1,088.15)	\$ (730.88)	\$ (729.49)	\$ (604.99)	\$ (559.29)	\$ (598.97)	\$ (1,219.69)	\$ (1,194.89)	\$ (6,726.35)
Beckham	\$ (15,532.22)	\$ (15,404.91)	\$ (15,071.47)	\$ (13,272.30)	\$ (11,631.40)	\$ (10,782.65)	\$ (10,567.52)	\$ (10,364.53)	\$ (102,627.00)
Blaine	\$ (4,447.84)	\$ (5,262.98)	\$ (5,738.92)	\$ (5,975.98)	\$ (5,431.30)	\$ (4,930.01)	\$ (4,507.89)	\$ (4,247.89)	\$ (40,542.81)
Bryan	\$ (74,606.09)	\$ (73,686.77)	\$ (70,078.93)	\$ (74,276.40)	\$ (67,929.58)	\$ (62,219.87)	\$ (58,038.08)	\$ (55,940.00)	\$ (536,375.72)
Caddo	\$ (44,488.94)	\$ (45,912.22)	\$ (47,119.66)	\$ (49,457.90)	\$ (48,205.84)	\$ (44,205.38)	\$ (44,156.15)	\$ (44,847.53)	\$ (368,393.62)
Canadian	\$ (37,064.35)	\$ (36,762.55)	\$ (34,138.88)	\$ (36,220.37)	\$ (36,620.10)	\$ (35,909.95)	\$ (35,579.19)	\$ (34,874.74)	\$ (287,170.13)
Carter	\$ (75,869.58)	\$ (76,663.46)	\$ (78,595.54)	\$ (88,897.30)	\$ (84,142.15)	\$ (81,490.00)	\$ (78,936.67)	\$ (73,015.00)	\$ (637,609.70)
Cherokee	\$ (73,756.89)	\$ (71,101.76)	\$ (68,778.07)	\$ (71,457.72)	\$ (68,996.18)	\$ (65,009.98)	\$ (59,456.75)	\$ (56,734.61)	\$ (535,291.96)
Choctaw	\$ (42,257.98)	\$ (38,837.04)	\$ (37,967.33)	\$ (34,738.43)	\$ (33,458.60)	\$ (30,384.04)	\$ (27,117.93)	\$ (25,671.79)	\$ (270,433.14)
Cimarron	\$ (1,780.34)	\$ (1,342.86)	\$ (1,862.47)	\$ (2,226.82)	\$ (2,305.96)	\$ (2,254.02)	\$ (2,212.42)	\$ (2,300.58)	\$ (16,085.47)
Cleveland	\$ (80,779.52)	\$ (79,719.69)	\$ (79,536.51)	\$ (91,202.22)	\$ (88,895.88)	\$ (95,182.71)	\$ (95,263.93)	\$ (98,393.16)	\$ (708,953.62)
Coal	\$ (14,594.69)	\$ (13,775.62)	\$ (13,958.84)	\$ (15,254.10)	\$ (14,730.76)	\$ (13,859.08)	\$ (13,279.98)	\$ (12,037.27)	\$ (111,490.34)
Comanche	\$ (78,688.18)	\$ (79,566.16)	\$ (79,656.79)	\$ (96,459.94)	\$ (97,457.28)	\$ (97,648.48)	\$ (93,098.17)	\$ (93,496.74)	\$ (716,111.74)
Cotton	\$ (12,652.58)	\$ (11,158.58)	\$ (10,242.78)	\$ (8,851.58)	\$ (7,714.58)	\$ (6,677.01)	\$ (5,627.56)	\$ (5,109.66)	\$ (68,034.35)
Craig	\$ (31,428.58)	\$ (33,593.30)	\$ (33,039.53)	\$ (33,080.46)	\$ (30,123.72)	\$ (28,838.67)	\$ (26,598.57)	\$ (25,929.94)	\$ (242,632.77)
Creek	\$ (86,591.21)	\$ (86,046.59)	\$ (86,271.97)	\$ (89,390.48)	\$ (85,898.11)	\$ (91,722.92)	\$ (91,270.58)	\$ (91,833.99)	\$ (709,025.85)
Custer	\$ (17,586.46)	\$ (19,866.86)	\$ (18,692.43)	\$ (24,098.45)	\$ (21,178.23)	\$ (20,471.52)	\$ (20,066.10)	\$ (17,830.79)	\$ (159,790.84)
Delaware	\$ (74,476.74)	\$ (71,623.24)	\$ (68,085.00)	\$ (70,979.46)	\$ (72,205.18)	\$ (72,374.17)	\$ (66,827.44)	\$ (65,373.51)	\$ (561,944.74)
Dewey	\$ (1,585.02)	\$ (1,594.36)	\$ (1,961.49)	\$ (1,959.13)	\$ (1,574.84)	\$ (1,587.13)	\$ (1,390.23)	\$ (1,458.02)	\$ (13,110.22)
Ellis	\$ (2,717.87)	\$ (2,769.08)	\$ (3,158.92)	\$ (3,770.69)	\$ (3,727.90)	\$ (4,024.59)	\$ (3,614.83)	\$ (3,526.00)	\$ (27,309.88)
Garfield	\$ (50,297.53)	\$ (58,181.78)	\$ (57,916.63)	\$ (59,822.95)	\$ (57,277.42)	\$ (50,930.31)	\$ (50,494.30)	\$ (49,246.18)	\$ (434,167.10)
Garvin	\$ (65,098.15)	\$ (60,760.18)	\$ (58,356.56)	\$ (57,992.34)	\$ (53,761.97)	\$ (51,989.28)	\$ (48,672.33)	\$ (46,447.96)	\$ (443,078.77)
Grady	\$ (90,702.16)	\$ (90,343.40)	\$ (85,610.80)	\$ (87,004.94)	\$ (85,515.38)	\$ (80,735.54)	\$ (72,413.86)	\$ (75,378.91)	\$ (667,704.99)
Grant	\$ (941.41)	\$ (1,024.08)	\$ (996.46)	\$ (1,023.33)	\$ (979.52)	\$ (917.00)	\$ (989.60)	\$ (1,354.54)	\$ (8,205.93)
Greer	\$ (16,693.40)	\$ (14,972.40)	\$ (14,078.66)	\$ (13,077.00)	\$ (12,164.15)	\$ (11,576.91)	\$ (10,463.77)	\$ (10,462.07)	\$ (103,478.36)

Loss of AHS Reimb.xls
02-09 Loss of Reimb

10/25/2010



How the Department of Central Services can help your city save money

Federal Surplus (Property reutilization)

- Trailers—used for emergency management centers, storage, offices and housing
- Cars & Trucks—can partner with Fleet management division for leasing as well as purchases
- Large Equipment—backhoes, forklifts, etc
- Tools—saws, wrenches etc
- Emergency equipment—generators, tents, lanterns, stoves
- Housewares—dishes, pots & pans, dishwashers, stoves, refrigerators
- Weapons for law enforcement (police departments)
- Miscellaneous—boots, gloves, coats, blankets, sleeping bags

State Surplus

- Office furniture & chairs
- Cars & Trucks
- Large equipment—graders, tractors, dump trucks etc
- Computers—P.C.'s, laptops
- Destruction services for P.C. hard drives that have sensitive data
- Disposal services for surplus property through our on-line auction and Oklahoma City live auction

Other Services

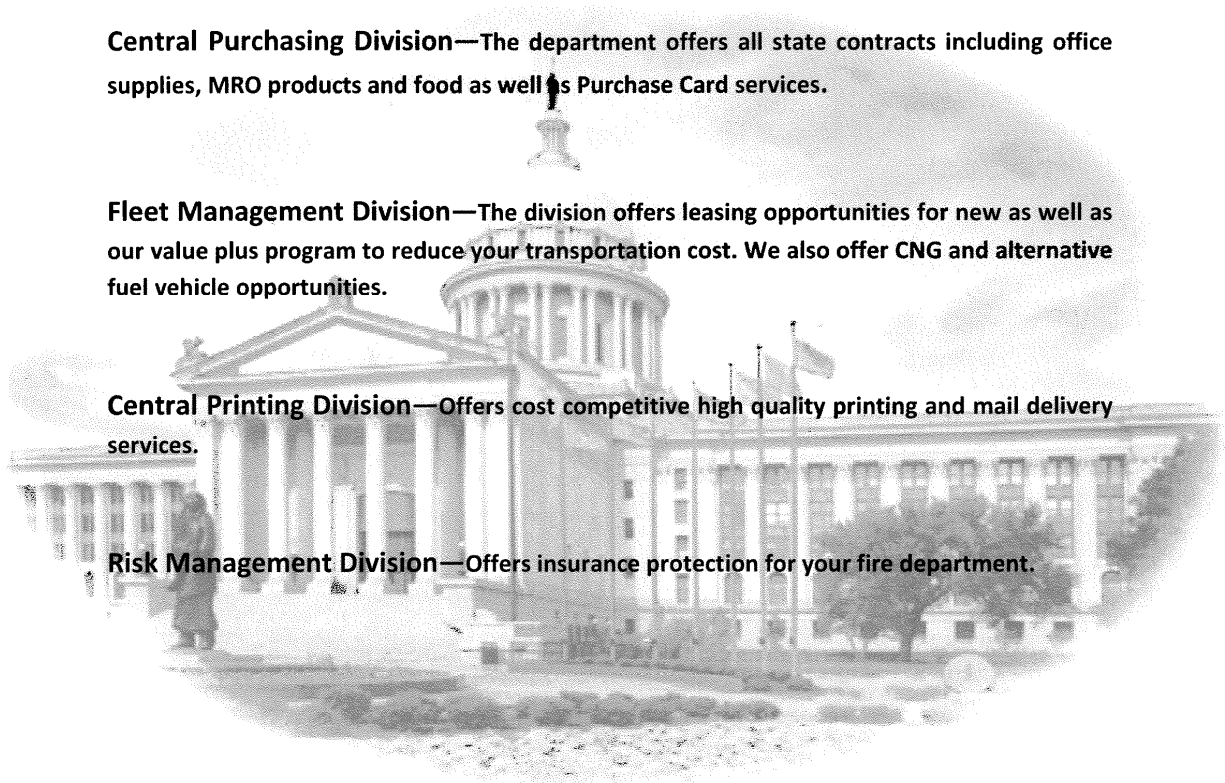
Construction and Properties Division—We offer construction solutions and professional services on demand through statewide contracts in place. Services such as engineering, remediation, architectural services and the Oklahoma roofing program.

Central Purchasing Division—The department offers all state contracts including office supplies, MRO products and food as well as Purchase Card services.

Fleet Management Division—The division offers leasing opportunities for new as well as our value plus program to reduce your transportation cost. We also offer CNG and alternative fuel vehicle opportunities.

Central Printing Division—Offers cost competitive high quality printing and mail delivery services.

Risk Management Division—Offers insurance protection for your fire department.



JOINT PURCHASING BY POLITICAL SUBDIVISIONS

COUNTIES:

Contiguous counties are authorized to conduct "pooled" or joint purchases under the statute which governs county purchasing: 19 O.S. 2001, Sections 1500 et seq.

19 O.S. 2001, Section 1501, provides as follows:

§19-1501. Duties of county purchasing agent - Requisition of purchase orders.

A. The county purchasing agent:

1. Shall, within the amount of the unencumbered balance, make all purchases that are paid from county funds for the various institutions, departments, officers, and employees of the county, except at public auctions and as otherwise provided for by law;

2. May make purchases for political subdivisions of this state within the county if authorized by appropriate action of the governing board or body of the political subdivision affected;

3. Shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except:

[a. through n. omitted]

o. when an item or items have been competitively bid by a county, or on behalf of a group of ~~contiguous~~ counties, provided:

(1) the notice to bidders shall list each county which may participate in the purchase of the item or items being bid,

(2) the notice of bid is advertised, as provided by law, in each of the counties which may participate in the purchase of the item or items,

(3) all vendors on the list of qualified bidders of each participating county who offer the item or items for sale received notice of the bid request, and

(4) the vendor awarded the bid is willing and able to provide the item or items at the bid price,

p. counties may participate in a nationwide purchasing program sponsored by the national association representing counties, or

[remaining provisions omitted for brevity]

MUNICIPALITIES:

There is not a specific provision in the Oklahoma Municipal Code which addresses the issue of pooled purchasing either between municipalities or among one or more counties and one or more municipalities.

Provisions of 62 O.S. 2001, Sections 310.1 et seq prescribe requirements for municipal purchasing procedures **unless a municipal ordinance provides otherwise.**

The Interlocal Cooperation Act, 74 O.S. 2001, Section 1001 et seq., provides a method for political subdivisions to enter into agreements.

The Interlocal Cooperation Act cannot be used to indirectly perform any act which could not be performed directly and independently by any of the parties to such an agreement.

COMPETITIVE BIDDING REQUIREMENTS

If a public contract (whether for purchase of goods or services or for construction of public improvements) would otherwise require competitive bidding, a pooled purchasing agreement cannot be used to circumvent a competitive bidding requirement.

AG Opinion No. 08-33 construes a joint purchasing agreement between an Oklahoma public school district and a Texas purchasing cooperative. The Opinion concludes that such a contract must comply with the provisions of the Public Competitive Bidding Act of 1974 in all respects and to the extent the agreement does not comply with that Act, it is not valid.

The Opinion stated in Footnote 2 that “We [the Office of the Attorney General] offer no opinion as to the validity of contracts for cooperative purchasing which are not for public construction, as that term is defined in the Competitive Bidding Act.”



MOVING IDEAS INTO ACTION

muni.ok.gov**An Oklahoma Academy for State Goals Town Hall Conference on Municipal Governance**

November 14 – 17, 2010

Embassy Suites Hotel & Conference Center, Norman

Overview and Summary for Task Force on Municipal Finance

Preparation for Town Hall...

- Topic decided at June 2009 Academy Board Retreat.
- Research began in late 2009; NLC, OML, Councils of Government and others were contacted to determine key fiscal and regulatory issues facing municipalities.
- Town Hall Planning Committee convened in February 2010; met seven times and identified and secured keynote speakers and sponsors for the Town Hall (Mike Neal and Craig Knutson, co-chairs).
- Research Team identified and contacted over 70 people/organizations to participate and contribute, at the minimum, an article for our Town Hall resource document. Over twenty separate municipal governments contributed their thoughts, several leadership organizations and chambers of commerce did the same, culminating in a 200 page document.
- The background resource document was sent to each participant (over 120) six weeks in advance of the Town Hall; attendees were instructed to read the document in advance as many of the questions that would be discussed/debated through the panel process would stem from a number of the articles. Supplemental articles (newspaper, magazine, research) were shared with attendees upon arrival.
- The resource document was segmented into key topic areas: Municipalities and the Law; Municipal Challenges; Municipal Finance; Municipal Revenues; Municipal Expenses; Other Governments (COGs, Tribal); and Youth, Chambers and Leadership. We relied heavily upon the OML to provide timely data and contact information for many of the people we contacted.

Town Hall Conference...

- The discussion outline, covering two full days of deliberation (8am-5pm, Monday and Tuesday), covered the Efficient Provision of Services; Economic Development and Revenues; Tax Structure; and Expenditures.
- Five discussion Panels, containing 22-25 attendees, addressed a total of twenty questions; all Panels addressed the same questions within the same time period and those comments/recommendations were reviewed and synthesized into a DRAFT report by our Report Chairs late Tuesday night
- The DRAFT Report, shared with the attendees the final morning of the Town Hall, represented the synthesis and consensus findings of discussions and recommendations from all five panels. Each Panel, therefore each attendee, reviewed the final report and developed prioritized amendments that were presented and either accepted or rejected at the final plenary session.
- The Town Hall concluded yesterday morning; it will be a few weeks before we have all the final edits inserted and we allow for minority reports should any panel feel particularly strong about a

•1•

recommendation not making the final report. Any minority reports must be submitted within one week of the conclusion of the Town Hall.

Overview of general findings... **DRAFT!**

- The following represents just a few of the many topics incorporated into recommendations.

EFFICIENT PROVISION OF SERVICES:

The outsourcing of certain public services (trash, mowing, road maintenance, etc.);
The relaxation of municipal purchasing authority (increased purchasing power);
Broadening the revenue base to reduce the reliance on sales tax revenues;
Reforming of pension systems; addressing employee healthcare coverage;
Utilize a long-term budgeting (2-5 years) process; and
Enhance professional development for municipal employees.

ECONOMIC DEVELOPMENT/REVENUES:

Municipalities must have alternative revenue streams (ad valorem most often cited);
Capture all Internet/Catalog-based tax collections
The “sunsetting” of all sales tax exemptions with renewal provisions;
Create a “closing fund” to facilitate bringing new businesses to the State;
Improve the efficiencies/processes with which OTC collects and distributes revenue; and
Improve funding and available technology to ensure uniform access to broadband services.

TAX STRUCTURE:

Expansion of the sales tax base to include personal/professional services;
Revising the distribution formula for state transportation funds (toward municipalities);
Diversion of ad valorem taxes to municipalities;
A greater reliance on special fees (traffic, franchise, ambulance, licensing);
Expanded emphasis and resources directed to sales tax collections and enforcement (OTC);
Faster collection of sweep accounts by OTC from merchants.

EXPENDITURES:

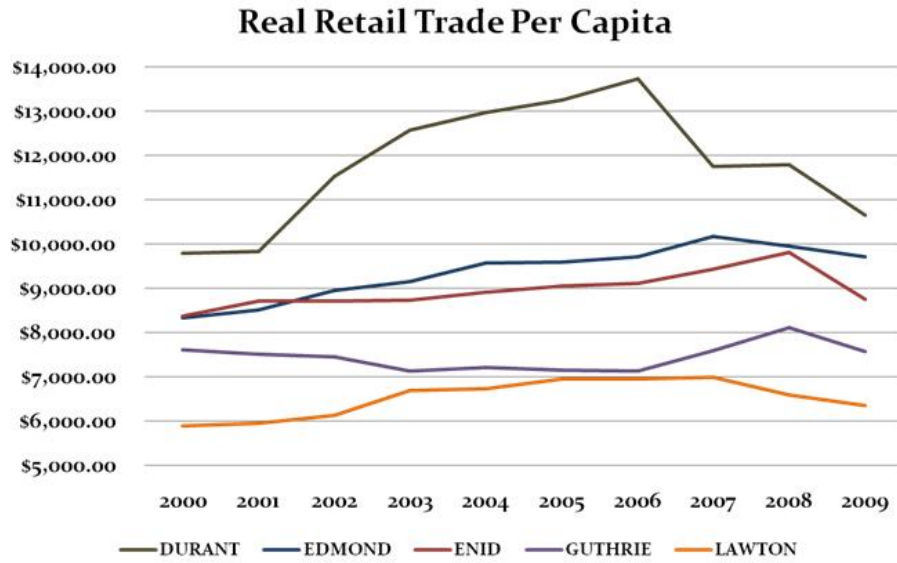
A moratorium on state law that pre-empts local control on issues (tobacco, etc.);
Discouraging the use of one-time revenues for on-going municipal operations;
Establishment of a Municipal Rainy Day Fund;
Consideration of operating and maintenance costs for all capital projects;
Removal of population limits on inter-local agreements; and
Provide incentives for regional development partnerships in developing comprehensive and capital improvement planning.

OVERALL SUMMARY FINDINGS:

- Broaden and modernize the sales tax;
- Allow local option to adopt property tax for municipal operations;
- Encouraging/inciting greater cooperation between local governmental units;
- Modernize and streamline the sales tax collection division of OTC; and
- Recalibrate the distribution formulas of transportation funds.



The State and Municipal Tax Base



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Comments on Municipal Finance

Russell R. Evans

Director and Research Economist
Center for Applied Economic Research
Oklahoma State University – Stillwater
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<http://www.spears.okstate.edu/caer>



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The State and Municipal Tax Base

- Has shifted away from the Property Tax
- In 1902, the Property Tax accounted for:
 - 45% of state government revenue
 - 68% of combined state and local revenue
 - 42% of combined national, state, and local revenue
- In 1992, the Property Tax accounted for:
 - 1.2% of state revenue
 - 18% of combined state and local revenue
 - 8% of all government revenues

➤ Source: J.J. Wallis, A History of the Property Tax in America



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The State and Municipal Tax Base

- At the state level, the previous century saw the property tax displaced by income and sales taxes
- At the county, school district, special district level, the property tax continues to be the principal source of revenue
- The property tax appears to be a viable, low cost revenue stream for local governments...but would it work at the municipal level?



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The State and Municipal Tax Base

- The primary source of revenue for municipal operations in Oklahoma is the retail sales tax
 - Municipalities argue that this tax base is volatile, complicating the budget process
 - The reliance on the retail sales tax can also distort economic development incentives
 - The reliance on the retail sales tax distorts community development cost/benefit calculations
-



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The State and Municipal Tax Base

- Concluding Comments:
 - Property tax may be a viable source of general revenue funds – the fact that it is a terrifically unpopular tax probably helps

 - Municipal Bond rates may be positively impacted by inclusion of a more stable tax source

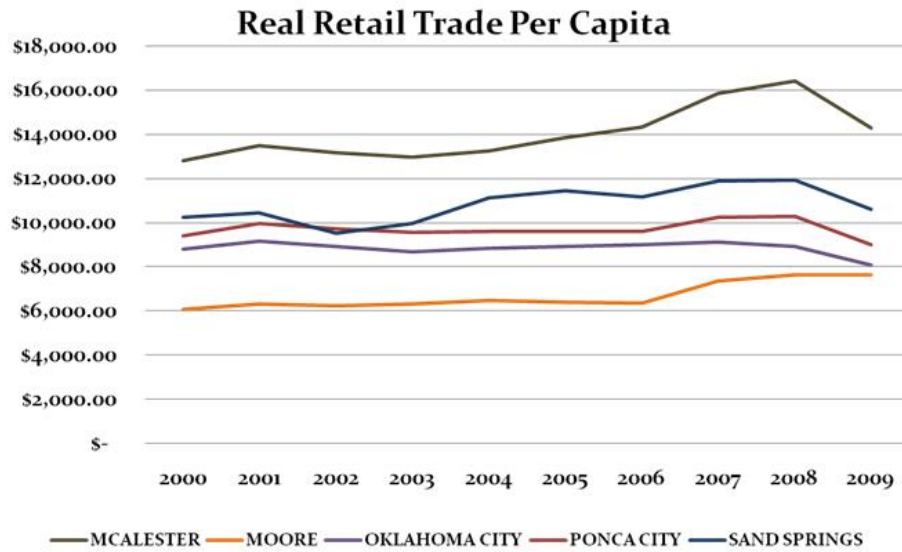
 - Property tax likely to work best in jurisdictions that approach the municipal corporation paradigm
-



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The State and Municipal Tax Base

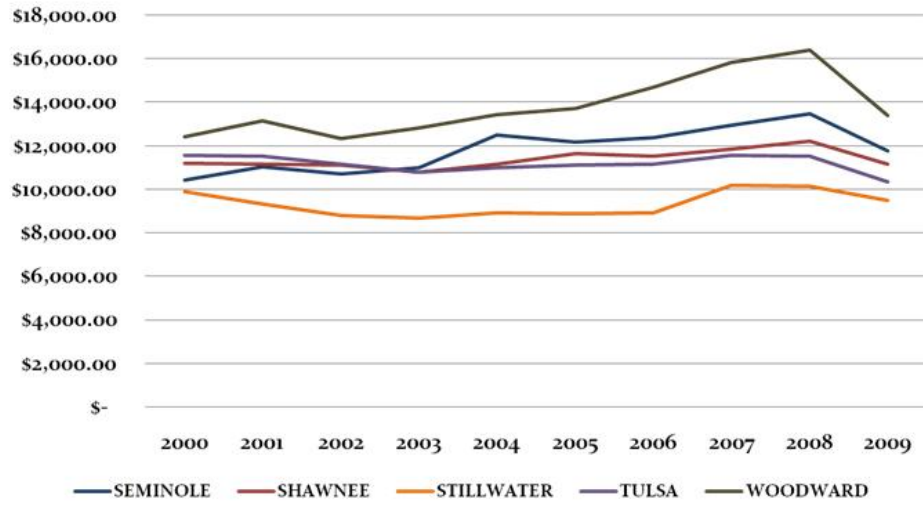


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The State and Municipal Tax Base

Real Retail Trade Per Capita



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The State and Municipal Tax Base

- Could a property tax work as a revenue source for general municipal operations?
- Statutory Incidence – who pays the tax bill?
- Economic Incidence – who bears the tax burden?
- We do not know the economic incidence of the property tax!



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The State and Municipal Tax Base

- Two possibilities: the Capital View and the Benefit View

- Capital View: Property tax acts as a tax on capital, causes an out-migration of capital to equalize after-tax returns across regions
 - This would have negative impacts on economic growth
 - This would imply that the tax on property is potentially a progressive tax



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The State and Municipal Tax Base

- Two possibilities: the Capital View and the Benefit View

- Benefit View: the property tax is a user fee for locally provided goods and services; following a municipal corporation model, stakeholders (property owners) only vote for projects that increase the value of their property
 - Property tax increases could stimulate economic growth
 - Property tax is a user fee



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The State and Municipal Tax Base

- Two possibilities: the Capital View and the Benefit View
- Public Finance economists are almost 40 years into this debate with no conclusive resolution in sight!
- Maybe there is no one right answer – maybe it is different in different cities
 - It might even be different for different levies that make up the property tax



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The State and Municipal Tax Base

- In Oklahoma the property tax is generally comprised of:
 - County levy
 - School district levy
 - Career tech levy
 - Other

- Under the Capital View of the property tax, capital should flee jurisdictions with high (relative to the regional or national average) tax rates



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The State and Municipal Tax Base

➤ We investigate for Oklahoma County

School District, 2008	Total Valuation, % of County		Facilities	API, State Total = 1279
	Total Valuation	Total		
OKC	\$1,786,215,690	34.06%	K-12	1074
Edmond	\$1,247,113,876	22.81%	K-12	1449
Putnam City	\$885,707,748	16.81%	K-12	1281
Mid-Del	\$438,591,008	8.49%	K-12	1302
Western Heights	\$227,324,271	3.94%	K-12	1090
Choctaw	\$163,380,118	2.97%	K-12	1312
Deer Creek	\$166,037,364	2.78%	K-12	1488
Luther	\$72,024,124	1.67%	K-12	1230
Moore	\$70,822,973	1.33%	K-12	1385
Harrah	\$62,468,979	1.19%	K-12	1310
Oakdale	\$58,983,612	0.94%	K-8	1470
Millwood	\$34,717,695	0.68%	K-12	945
Crooked Oak	\$38,371,130	0.67%	K-12	1018
Jones	\$30,195,265	0.52%	K-12	1259
Piedmont	\$24,097,402	0.43%	K-12	1416
Bethany	\$12,745,824	0.24%	K-12	1422
Crutcho	\$10,667,830	0.22%	K-8	641
Mustang	\$7,327,802	0.12%	K-12	1362
Mcloud	\$6,365,510	0.12%	K-12	1275



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The State and Municipal Tax Base

School District, 2008	Net Valuation	County Rate	School District Rate	CareerTech Rate	DASDRT	DACTECHRT
OKC	\$1,734,580,222	23.18	52.48	15.45	(9.48)	1.45
Edmond	\$1,220,056,252	23.18	66.23	15.69	4.27	1.69
Putnam City	\$858,874,911	23.18	60.72	15.69	(1.24)	1.69
Mid-Dei	\$418,631,144	23.18	65.05	17.3	3.09	3.30
Western Heights	\$225,014,196	23.18	57.92	5.08	(4.04)	(8.92)
Deer Creek	\$163,046,368	23.18	76.08	15.69	14.12	1.69
Choctaw	\$154,261,735	23.18	66.66	16.24	4.70	2.24
Luther	\$70,886,600	23.18	56.19	16.24	(5.77)	2.24
Moore	\$67,960,941	23.18	67.41	5.08	5.45	(8.92)
Harrah	\$60,024,314	23.18	57.6	16.24	(4.36)	2.24
Oakdale	\$58,478,251	23.18	59.52	0	(2.44)	(14.00)
Crooked Oak	\$38,035,196	23.18	57.90	15.45	(4.06)	1.45
Milwood	\$33,607,078	23.18	59.55	15.69	(2.41)	1.69
Jones	\$28,637,254	23.18	64.3	16.24	2.34	2.24
Piedmont	\$23,248,353	23.18	74.51	15.72	12.55	1.72
Bethany	\$12,227,320	23.18	67.58	15.72	5.62	1.72
Crutcho	\$10,420,521	23.18	48.18	17.3	(13.78)	3.30
Mustang	\$7,024,802	23.18	68.42	15.72	6.46	1.72
McLoud	\$6,016,827	23.18	50.93	15.47	(11.03)	1.47



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The State and Municipal Tax Base

- Our model:
 - Test the relationship of the net valuation of property within a school district to changes in the districts average property tax rate
 - Find the conclusion varies based on the classification of the school district: city, suburb, rural
 - Conclusion: Property tax incidence likely varies across jurisdictions – it may be a good source of general revenue funds in one jurisdiction and not in another
-

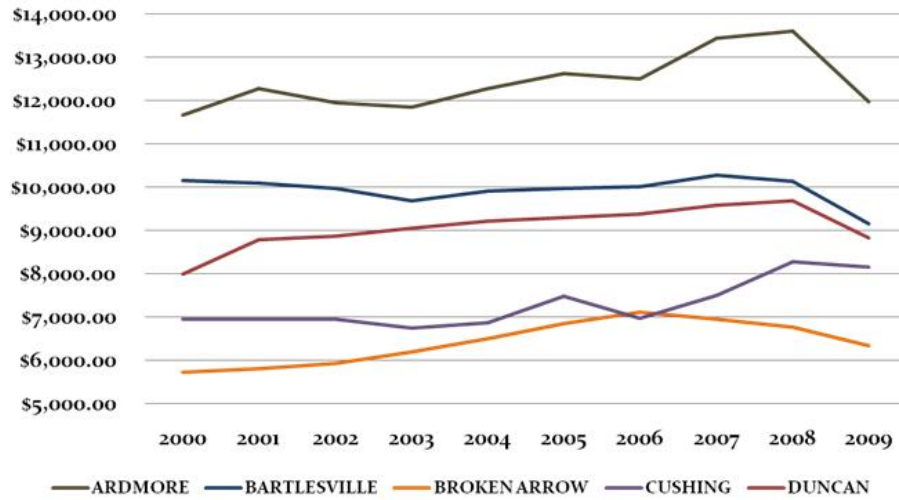


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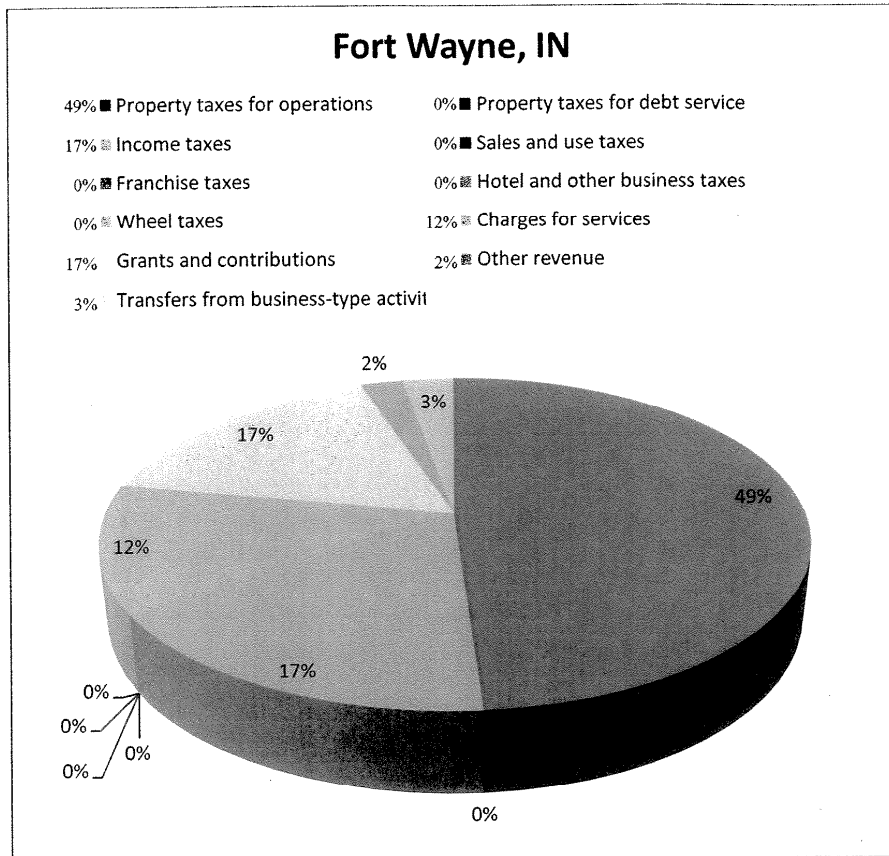


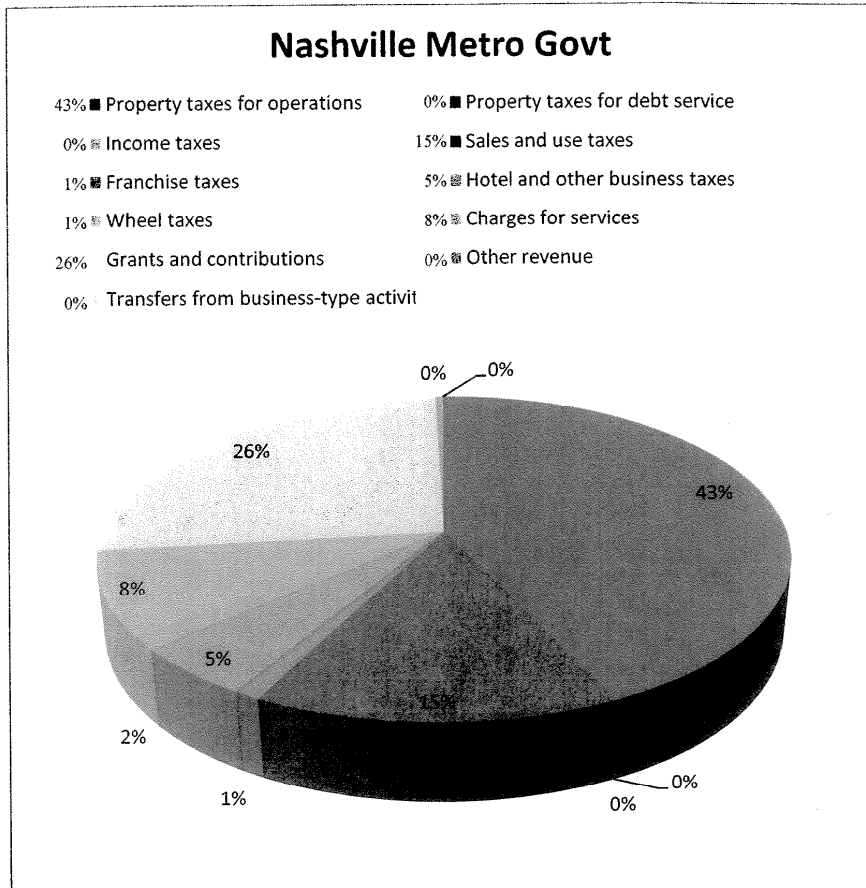
The State and Municipal Tax Base

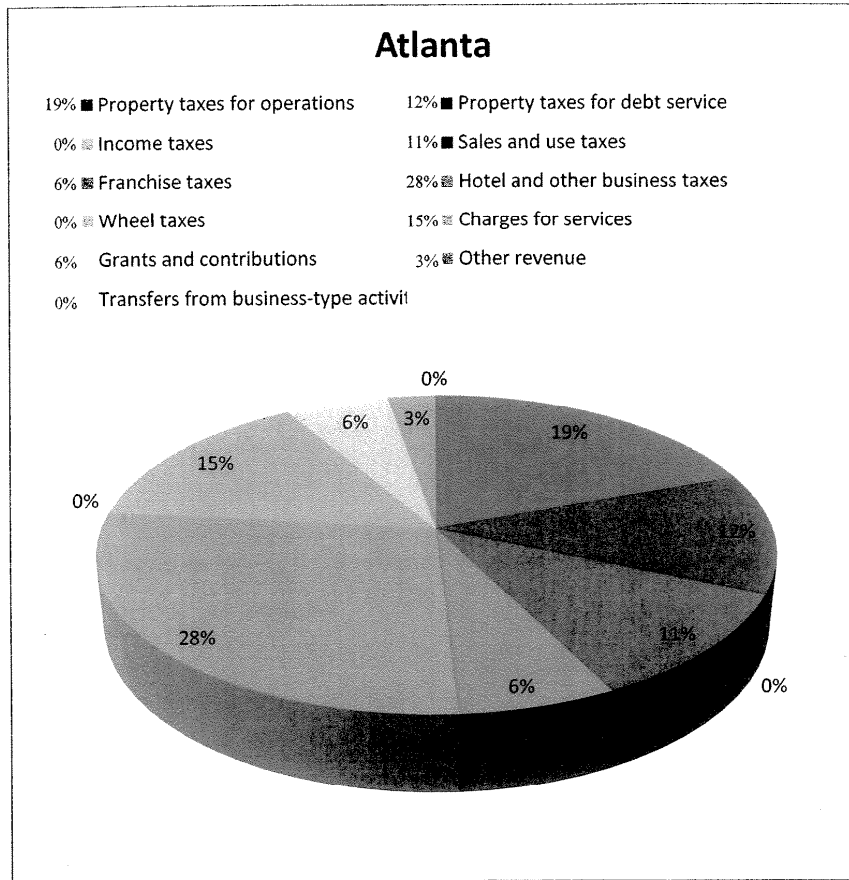
Real Retail Trade Per Capita

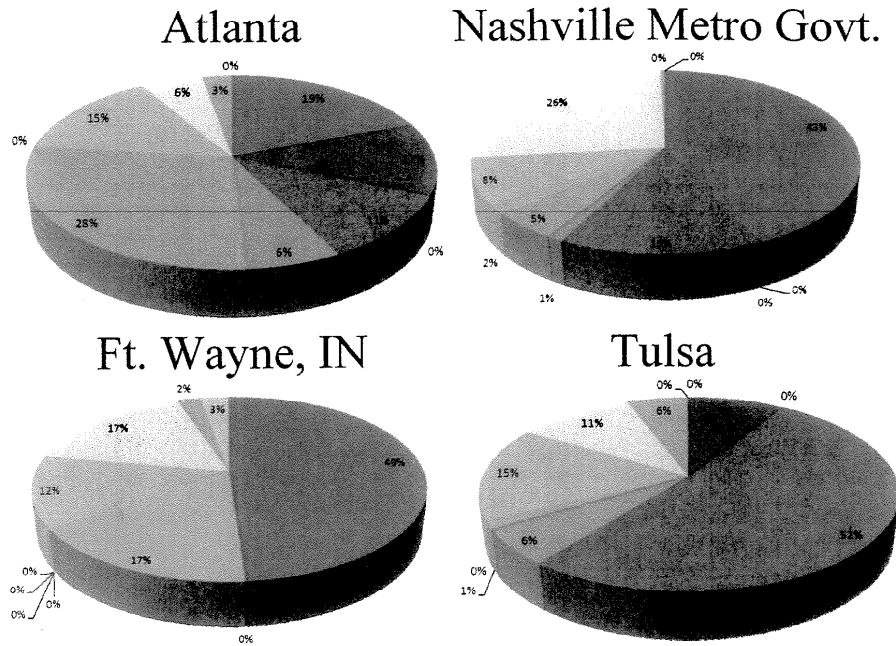


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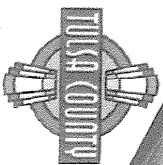


- Property taxes for operations
- Property taxes for debt service
- ▨ Income taxes
- Sales and use taxes
- ▨ Franchise taxes
- ▨ Hotel and other business taxes
- ▨ Wheel taxes
- ▨ Charges for services
- ▨ Grants and contributions
- ▨ Other revenue
- ▨ Transfers from business-type activities

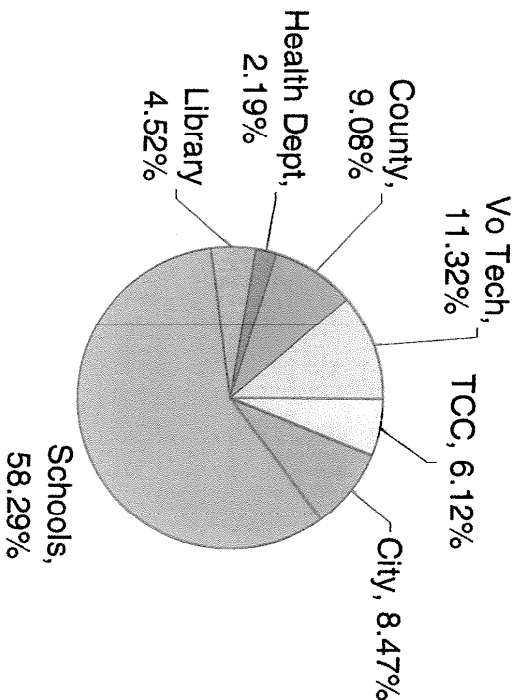


Ad Valorem Tax Levies Tulsa County

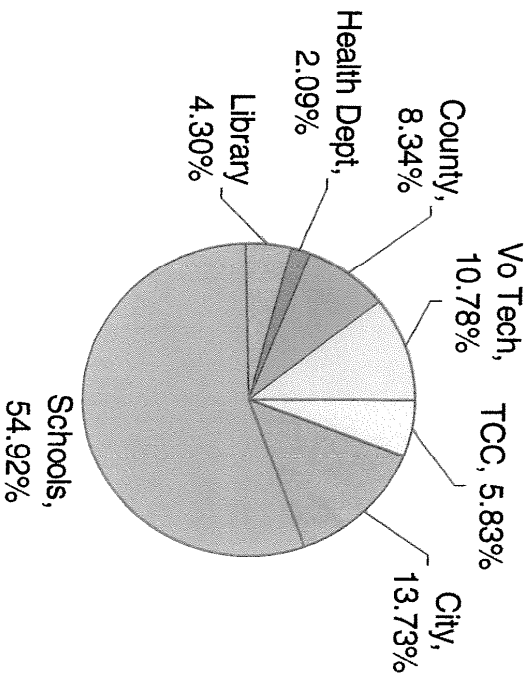
Source: County Fiscal Office



FY 2005-2006



FY 2010-2011



Note: Largest growth has been Incorporated Cities (13.73% - 8.47% = 5.27%) as a portion of countywide property taxes.
 Largest decrease has been Schools (54.92% - 58.29% = 3.37%).

