

## Transcript

### ***On West Gray, Episode 10, The Budget Process w/Anthony Francisco & Kim Coffma***

**Runtime: 30 minutes 27 seconds**

Tiffany Vrska 0:16

What's up, everybody? Welcome to On West Gray, the monthly podcast about all things local government in the city of Norman. I'm your host, Tiffany Vrska, Chief Communications Officer for the city of Norman, and we appreciate you tuning in. Today we have a pair of guests with us from the Norman finance department, director Anthony Francisco and budget manager Kim Coffman. Thank you both for being with us today.

Kim Coffman 0:38

Happy to be here.

Anthony Francisco 0:39

Thank you.

Tiffany Vrska 0:40

Now, we wanted to have you on today to discuss a wildly popular topic in local government: money. Today, we'd like to give listeners an overview of what the budget process looks like, which we're right in the middle of right now, and all that that entails. As our agency operates off of tax dollars, we run into a lot of questions about how we come into and how we spend money at the city of Norman. So we appreciate the opportunity to share as much information as we can about that. So let's jump right in. So the budget process: each year, the city of Norman City Council approves a budget and this must be done before the start of the fiscal year, which is on July one. Is that correct? And can you tell us about this process, how it works, when it starts, and what it consists of?

Anthony Francisco 1:24

That is correct. Our fiscal year, and that's a pet peeve of mine, by the way, it is a FISCAL year, f-i-s-c-a-l, not a PHYSICAL year, p-h-y-s-i-c-a-l, that's two different words, starts on July the first and ends on June the 30th. So yes, we are right in the middle of preparing the budget for the fiscal year that starts July one of 2023 and ends on June 30 of 2024.

Tiffany Vrska 1:59

Okay, and so you'd say you're kind of in the middle of preparing. So what does that process look like? I mean, we have, I believe, 14 major departments here at the city. And you guys are kind of in charge of making sure that everyone's budget looks right, that the funds are looking on par with what we're expecting next year. So what does that look like for you guys? How much work is that?

Anthony Francisco 2:24

It's quite a bit of work, that's coordinated by Kim and her staff, because the council only meets twice a month. We have deadlines that the council has to vote to adopt that budget at their meeting at least seven days before the start of the fiscal year.

Tiffany Vrska 2:44

I mean, there's requests that come in, is that right through the different departments, what does that look like? And what's the timeline like? I mean, I know that you all are incredibly busy around the springtime, as we're gearing up for those deadlines.

Anthony Francisco 2:57

Yeah, our budget process is actually a kind of a year round process. We're getting input from the council. Council members are getting input from their constituents throughout the course of the year leading up to that budget adoption process. So we have sent out requests, departments have given us requests that will feed into that fiscal year budget throughout the throughout the year. And we're right in the middle of that process right now.

Tiffany Vrska 3:31

So I guess initially, it starts with kind of goals or strategic vision from the council, taking that into account, all of the departments kind of try to adhere to what they're envisioning and model their requests for that. And then they come in to finance and you all work with the city manager. Is that right?

Anthony Francisco 3:51

Yes. We have a process. That's kind of like the the federal process where there is an executive budget in the case of the federal government. That is the President's budget that's presented to the Congress. In our case, the executive is the city manager. So we're right now we are we are preparing the city manager's budget that we will be presented to the city council in April.

Tiffany Vrska 4:20

All right, and it's not uncommon, you know, you take the first draft, maybe in April, and then if there's some revisions or some different ideas that council may have, during the presentation, maybe take them another draft and--

Anthony Francisco 4:35

Absolutely. By the process, when I say that the city manager's budget will be presented to the council in April, but the council actually adopts the budget in June, there will be amendments to the city manager's proposed budget. And any amendment that the council wants to make to the executive budget to the city manager's budget has to be adopted by a city council formal amendment process in June.

Tiffany Vrska 5:04

Gotcha. So on average, how much money do we have to work with year to year at the city of Norman, and how many requests for funding are received through your department?

Anthony Francisco 5:17

How many requests are in the, I'm gonna say, half a billion dollar range. The actual overall budget is about a quarter of billion dollars, \$250 million. And the general fund is the largest of the funds of the city, there's about 26 funds. The general fund is about \$100 million of that in this fiscal year. But the requests are at least twice that.

Kim Coffman 5:48

And to put some numbers to those requests for the fiscal year, we're about to start in July, we had 638 requests from department heads. 94 of those requests were for new positions. And then we had some reclass requests and things like that. But yeah, there were quite a few

Tiffany Vrska 6:07

94 of those for new positions, it's because we operate on a lean staff here at the city, right?

Anthony Francisco 6:12

We're a very lean city operation. And I will say that while there were 94 requests made, maybe 5 or 10 of them will actually be approved. They're all justified in their own way. It's just that we don't have the resources or the money to pay for all of those requests. So we have to make prioritization decisions at

the city manager level, at the department level, and ultimately at the council level, for what the higher priority will be for final funding.

Tiffany Vrska 6:49

Right. Budget season is all about prioritizing, right? So which departments typically received the most funding and why, if there's even an answer to that question.

Anthony Francisco 7:00

It is the areas that the citizens would think the highest priorities and larger budgets are in the larger departments, police, public works, fire, which is emergency response, parks, those things that the citizens see. Services that the citizens would demand are the largest areas. Now, I should say that our utility departments are actually not in the general fund. Our utility departments, water, sewer, wastewater, sanitation, are what you might think of as sub businesses of the city. Think of the city as a business conglomerate, like Google owns YouTube. The city owns a water business, and the city owns a sewer business. But understand that the taxpayers of the city are not paying for those utility enterprises. The users of those services are paying for those services separately from the taxpayer funds of the general fund. And they are segregated out into a water fund, or a sewer fund, or a sanitation fund that is separately providing those services to their customer bases that are separate from the general populace of the city. And that's important in a city like Norman, because remember that Norman is a large 180 square mile area. But the water utility is only serving about 1/3 of that area. It would be unfair then, for the taxpayers of the city, to pay for services that are not being provided to all of those areas of the city. So they're separated out and only paid for by the users of those utilities.

Tiffany Vrska 9:12

Got it. And so you had mentioned earlier on that there's about 26 funds. So are you referring to these utility funds as one of those 26?

Anthony Francisco 9:24

Three of those 26

Tiffany Vrska 9:25

3 of those 26. Can you speak a little bit more to these? I think that in public meetings they refer to a lot as different pots of money. So can you talk a little bit more about that and why they exist and maybe give some examples of those.

Anthony Francisco 9:43

They exist because there are legal restrictions on how those funds can be used. So for example of those 26 funds, a lot of them are special revenue funds. So for example, there's been a lot of discussion about the seizures fund lately. When the police do what are called interdictions and seize funds from potential offenders, those funds are received by the city, but segregated out into the seizures fund, because they cannot be used for anything other than public safety or emergency response services, so they are not in the general fund, and they cannot be used for anything other than those legally segregated purposes.

Tiffany Vrska 10:38

Okay, and the general fund that you refer to, I believe you said that that was the largest fund. Are there restrictions on how those funds can be spent?

Anthony Francisco 10:48

They can be used for any governmental purpose, and that's why they are in the general fund. They can be used for anything that serves the public, and that cannot be denied to anyone. So for example, streets, or parks, anybody that is in Norman can drive on the streets of the city. They cannot be denied to anyone. And so therefore, they are in the general governmental area, as opposed to the water services of the city, for example, that if you don't pay your water bill, your water gets turned off. But they can only be provided to that user of the water utility.

Tiffany Vrska 11:33

Okay. So 26 funds, you guys have your work cut out for you. How, if at all, have you seen the budget process change over the years? How long have you been with us, Anthony?

I have been with the city for about 26 years.

Okay. And Kim?

Anthony Francisco 11:46

I've been with the city almost five years.

Tiffany Vrska 11:52

All right. So how have you guys seen it change if it's changed?

Anthony Francisco 11:57

Oh, it changes every year. There are certainly different priorities every year. About three or four years ago, the council wanted to add a second public hearing. So there is a legal mandate that before the budget is adopted, there has to be a public hearing where any resident can come and talk about what their priorities are for the budget, but council wanted to have an earlier public hearing. And so that was added to the budget process about five or six years ago.

Tiffany Vrska 12:29

Okay. And, I mean, I know that we're really big on public participation. But they're not only limited to the public hearings as part of the budget, I mean, we hear from citizens and council members hear from citizens, all year round, you know, if they have something that's important to them, or a concern, they're certainly welcome to call or email or swing by and discuss that further. And I really love that about the city of Norman. So working in public information, we come into a lot of questions that are actually related to funds at the city regarding transparency. So I believe that you had said, Anthony, at Citizens Academy, that transparency is the heart of finance. Is that right? Did I get that, right? Talk to me about how we're an open book and how you know, these records and documents are available for folks to review at any time.

Anthony Francisco 13:28

We believe that finances are the heart of the open records act. So yes, everything that we do in the finance department is an open record. We believe that we will provide that information in whatever format a requester wants it. So when I'm telling you that the general fund is \$100 million dollars, we will break that down and it is broken down in the budget document by department or by fund or by previous year, or for the next five years what we predict will be spent in the capital budget, or a departmental budget over the next five years. Those are just projections. The budget is adopted for a given fiscal year. But we project out if we're staying on the course that we are on where we will be over the next four or five years.

Tiffany Vrska 14:32

And you had mentioned, you know, capital fund, capital projects, for folks that may not know, what does that refer to?

Kim Coffman 14:40

Well, the capital fund is funded by our capital sales tax. It's...I'm gonna get the percentage wrong...

Anthony Francisco 14:48

Seven-tenths of 1 percent.

Kim Coffman 14:48

Thank you. And that funds all of our capital outlay for our general fund and our special revenue funds, capital outlays typically, you know, for less than \$10,000 used for less than five years, that would include like computers, vehicles, things like that. And those pieces of equipment that capital outlays paid for out of the general and special revenue funds, but then reimbursed by the capital fund, about 27% of our sales tax projection for each year. And then capital versus capital projects, which are usually more than \$100,000, sometimes less, we would use them for more than five years. And they're usually fixed to the ground. So they'll be buildings, streets, things like that.

Tiffany Vrska 15:38

Okay, I'm probably jumping all over the place here, but this is fascinating to me, because I'm not a numbers person. Tell me when you're talking about like projections and the five years out, I mean, that seems like quite some time. How do you guys do these projections? I mean, what goes into the process?

Anthony Francisco 15:55

It's an educated guess, if you will, but it's formula based. So here's what the budget is now. And we predict that it's going to grow by 1% in the operations area, or by 5%, in the salary and benefit area. And so you just, here's what the budget is this year, if that grows by 5% per year, here's where we're going to be. And that's a very useful, educated guess, if you will, because if you if you stay on the course, and the expenditures are growing by 5%, but the revenues are only growing by 2%, then we're on a course that is not sustainable. We have to make course corrections over the next two or three or five year period.

Tiffany Vrska 16:51

Okay, gotcha. So how do we prepare to fund the unknowns? You know, we just went through a recent tornado, and we're going through the debris pickup, and we may or may not come into state or federal monies for that. So how do we prepare for things that are not budgeted, but maybe pretty costly?

Anthony Francisco 17:14

Every fund of the city has to have a positive fund balance. And I like to think of the fund balance as the savings account, if you will. By definition, it is revenue less expenditures, in the balance of those revenues over those expenditures. But if, in fact, you have a positive fund balance, only the council can appropriate, and that is the action of taking money out of the savings account, and putting it into the

expenditure account. Okay, the checking account, if you will. Only the council can appropriate money, take it out of the savings account, putting it into the checking account. And that act of taking money and appropriating it is putting money from the savings account into the expenditure account.

Tiffany Vrska 18:11

Got it. So making sure that we're trying to maintain a healthy savings account, as you would call it allows us to prepare for emergencies.

Anthony Francisco 18:21

If you have a savings account, when emergencies come up that you have not had expected like a tornado, then the council can appropriate money to cover those unexpected expenditures.

Tiffany Vrska 18:38

Got it. So I think that you touched a little bit before on the water fund. Right? So we've been talking more and more about the election that'll be coming up. The uniqueness of Norman is that I think that we are the only city in the state that sets utility rates by vote. So we'll have another vote on that, I believe in June. But you had spoken recently about how an unhealthy fund, you know water fund, can really put a strain on the health of our finances. I believe we use the word dire or at least were quoted in the paper using the word dire. So can you speak a little bit to that, and what that looks like, how it might affect our organization?

Anthony Francisco 19:28

We talked about how we are making projections on where we will be over the next five or so years if we stay on the course that we're on. While the water fund does not have a healthy projected fund balance over the next three to five years, we know this. We know that if we stay on the course that we are on, providing services to our water customers at the rate that we are on now, we're going to go into the red. We don't have a healthy fund balance in the water fund. And we're only doing the things that we know we need to do. Providing water services such that our water customers can expect to have healthy drinking water, clean drinking water, and where those services are being delivered through pipes, if you will, okay. And I know that Chris Mattingly, the water director, can provide information about that a lot better than I can. But it's a lot of money.

Tiffany Vrska 20:33

We had them on last month, and they talked about all money.



Anthony Francisco 20:37

It's a lot of money if you provide those services, and make sure that those pipes are in a good working standard. We don't have the ability right now to continue to provide those services at the rate that we are, and now we need more money. Okay. From the financial perspective, it's all about the money, it's all about the dollars and cents. Well, as you say, Norman is the only city in the state of Oklahoma that the water customers don't have the ability to provide those services without a vote of the people to provide adequate water rates. So we have to go out to the voters. And in many cases, the voters may not be customers of the water utility. But they have to approve the water rates to provide those adequate resources.

Tiffany Vrska 21:42

Right. And that's an interesting dynamic there. So, you know, we get a lot of questions when we put on the Citizens Academy, or Bryce and I are lucky enough to monitor our social media pages and good stuff like that. So we get a lot of questions, you know, these buildings are going up, you know, but why are we not saying that we don't have any money to fix water pipes and things like that? I mean, can you speak a little bit to that? I it may have to do with those 26 different funds you were talking about. But can you switch and rearrange those? Or what does that look like?

Anthony Francisco 22:18

You cannot. Remember, there is a legal restriction, there is an ordinance that said, for example, the Norman Forward fund, is building the nice, beautiful new library facility, or the Young Family Athletic Center facility. But there is a voted on sales tax that's paying for those facilities that cannot be used for anything other than those facilities. Those funds cannot be used for water or for sewer. So you can be healthy over here, building very nice facilities that our voters wanted, but unhealthy over here for the basic service of providing water.

Tiffany Vrska 23:04

Got it. Okay, that makes sense. Now, I think Chris, Chris would be upset with me, but is it six or seven years we haven't passed an increase on the water rates? Is that correct?

Anthony Francisco 23:20

I believe it's 11 years. I think the last water rate increase was in 2012.

Tiffany Vrska 23:26

Okay, so folks will have an opportunity to learn more about that and weigh in at the polls in June. And then we also have an immediate next vote even before that we'll have a vote in May, the hotel/motel rates. What will that do for us? And how will it impact the city's budget, if at all?

Anthony Francisco 23:48

The room tax is another one of those segregated out funds that can only be used for the attraction of tourism to the city. So yes, there is a proposal to increase the room tax, but it can only be used for the attraction of tourism to the city. So it wouldn't be proper to say it doesn't benefit the city. But it only benefits the tourism attraction portion or services of the city.

Tiffany Vrska 24:26

Okay, and that I think we should touch on something else as we're talking about revenues and expenses and these different pots of money. There's something else that makes Oklahoma unique in that we as a city government cannot use property taxes in our operating budget. Is that correct? Can you speak a little bit about that?

Anthony Francisco 24:50

Oklahoma, by the state constitution, is the only state in the United States that cities do not get property tax for operations. So, we can only use property taxes to repay voter approved general obligation bonds. So when folks talk about their property taxes, that does not pay for police or for parks, or for water or sewer. That is only paying for the repayment of voter approved general obligation bonds, for things like widening streets, or paying for a new park, but it is not paying for the operations of any city operation.

Tiffany Vrska 25:35

So what do we, what taxes do we rely on here in city government to fund operations?

Anthony Francisco 25:43

We are almost wholly reliant on sales tax for operations of the city's general governmental operations.

Tiffany Vrska 25:50

What do you all want people to know most about the finance department? What you do, or what your business is like?

Kim Coffman 25:59

Just from my perspective, related directly to the budget, I'd love to encourage the public to go to our website, go to Finance and Budget, and we have a new tool to help users, you know, go through our budget and see what they want to see. It's the digital budget book. And I think it's way under utilized, but they can really tailor their experience to their specific needs. And it's a great tool to see what's going on what our priorities are. And again, that's on our website.

Tiffany Vrska 26:28

All right, and I have to give you guys a shout out, I know that you are very humble, but that you receive all kinds of accolades and honors every year for the work that you do. I know the budget book is very impressive, and it's one of the thickest ones that I've ever seen. But I appreciate all of the information in there and the job that your staff does, but I have to ask you to Anthony, what would you like folks to know about your department?

Anthony Francisco 26:55

I would like folks to know that we are an open book. And that, yes, the budget document is thick. But all of the information is in there. And we want folks to know that it is online. And we want folks to know how to find their way around that thick budget document, that there is something in here for everyone's information. But you may only be interested in one thing. Where is that thing in the budget document? Where is that thing in the accounting statements that you want to know about? And we'll help you find your way and navigate your way around this big budget document or those accounting statements to know what you want to know. It's public information, and it is there.

Tiffany Vrska 27:42

Yes. And you all are very patient with the people who aren't numbers, people like me, and lots of awesome graphs and charts in there to break things down. So it doesn't have to be so scary and intimidating. Well, we appreciate you all greatly. Is there anything else that you'd like to share?

Anthony Francisco 27:59

So if your electric bill increased in the last eight years, so did the water rates. Okay, so did the power bills to power those water wells. Those increased cost, but our revenues are flat.

Tiffany Vrska 28:16

I was looking here for an email this morning that I got from Mr. Mattingly. And he had said that electricity for the water treatment plant and the water wells increased \$355,000 since last year, and he also said chemicals at the water treatment plant are up \$200,000.

Kim Coffman 28:35

Part of that's related to an increase in electricity rates. But yes, costs are going up every year. And since we haven't had a rate increase since 2015, there's no way the revenue can keep up with the growing costs of you know, the water, sewer, trash operations.

Tiffany Vrska 28:52

Yes. And we definitely need to make sure that we have clean, reliable drinking water. Right. I will just thank you guys for joining us today on the show. We appreciate you. And we'll be on the lookout for more news and updates during the budget season. The public hearings that you guys talked about. We'll make sure that we get that information out there. And we appreciate your time, Kim and Anthony.

Kim Coffman 29:14

Thank you very much very much.

Anthony Francisco 29:15

Thank you very much very much.

Tiffany Vrska 29:16

Be sure to head over to [Norman OK.gov](https://NormanOK.gov) to see the latest city events, happenings, and initiatives. Kind reminder that we will have an election on May 9, 2023, concerning Hotel/Motel rates for which Norman residents are exempt with proof of residency. Be sure you're registered to vote by April 14 to cast a ballot in that election. You can learn more at [NormanOK.gov](https://NormanOK.gov). Questions or commentary about On West Gray can be sent into [PublicAffairs@NormanOK.gov](mailto:PublicAffairs@NormanOK.gov). Shoutouts to our producer and editor, Mr. Bryce Holland, of the city of Norman communications office. Until next time, stay engaged, stay informed and always remember to vote. I'm Tiffany Vrska. Thank you for tuning in to on West gray.

Transcribed by <https://otter.ai>