



of those seven had \$4.4 million in FY 99-00. Shanklin asked what the big contributor was to that \$4 million. Endicott said it is the use tax, camping fees, income to the City from the citizens purchasing license plates for their vehicles; and building permits. There is a decrease in interest income. The use tax is up \$250,000; building permits are up \$51,000 over last year due to construction of a new Lowe's, Home Depot, Wal-Mart and a couple of other major retail businesses.

Water revenue makes up another part of the deficit. Current estimated income from water sales is \$10.7 million, or \$600,000 more than last year; however, \$12.1 million was budgeted as income from this source and it does not even come close. Shortages in carryover and water sales are estimated at \$2 million.

Sewer revenue remains fairly consistent and it may be about \$30,000 less than was budgeted.

Refuse revenue is estimated at \$6,278,638. This includes landfill revenue and a recent rate increase. Shanklin said he thought the income from the landfill fees was down about \$500,000. Endicott said the income is up on the refuse portion.

Mayor Powell asked that staff take appropriate action regarding refuse blowing away when dumpsters are being emptied into the sanitation trucks. He said an effort is being made by many to pick up litter and this makes that task harder than necessary; it is not usually done by City crews, but by the others.

Moeller asked the reason of the high franchise tax in 2000-2001. Laura Smith, Financial Services Supervisor, said it was a very hot summer and a very cold winter, which caused high electric and gas bills.

Shanklin said he understood that \$52,000 had been received in payments for nuisance abatement and asked where that was reflected and if it could be given to Neighborhood Services to continue their mission. Mitchell recommended transferring funds from another department to Neighborhood Services and he will bring an agenda item to approve such a transfer. Moeller said she, Hanna and Devine attended an economic development seminar in Oklahoma City and Midwest City officials have a method to borrow from each other and pay it back with interest. She asked that staff see if there is any merit in that system.

Executive Summary of the Financial Report was reviewed showing sales tax being up 2.13% or \$188,458 for the first seven months as compared to last year, and budgeted revenue of \$15,492,773 should be met. Franchise tax is down \$1,494 year to date; projecting an overall deficit of \$116,107. Shanklin asked if Southwestern Bell pays anything for the computer-related lines which generate more revenue. Vincent said the legal office is looking into this issue regarding Southwestern Bell and Lawton Cablevision.

Endicott continued his review: Police fines are up 0.04% year to date, or \$500; a deficit of \$109,991 is projected. All Other revenue is up 14.4%, for \$282,992; an overall increase is projected to be \$426,822. In the Enterprise Fund, water revenue is down .96% or \$63,765 as compared to this time last year; an overall deficit of \$1,396,805 is expected in this category. Sewer revenue is down 3.32% compared to last year, or \$83,693. Budgeted revenue was increased 2% for the fiscal year and a deficit of \$30,000 is projected in sewer. Refuse revenue is up 12.62%, or \$311,947, for the year. The City Council approved a \$1.50 rate increase that would generate \$600,000. In addition, the budgeted refuse revenue was increased by 2%, however, an overall deficit of \$35,976 is projected for the fiscal year. Landfill fees have increased 7.34% or \$65,000 over last year; we are projecting an increase over budgeted revenue of \$7,448. Endicott said the landfill fees were down \$500,000 because of certain carriers taking garbage out of town.

Discussion was held on a commercial refuse collection firm taking refuse to their landfill in Texas. Members asked that staff contact that firm to see if they would be interested in using Lawton's landfill. Shanklin pointed out the City receives an availability charge from those customers and that the City may not have sufficient equipment to serve them all. Mike Shaw, Deputy Public Works Director, said the City had adequate equipment and the City charges an availability fee whether a business uses the City's trash service or not.

Endicott's review continued: Total general fund budget revenue for FY 02-03 is shown to be \$46,337,929. Projected revenue is \$45,082,394, or a difference of \$1,255,535. There is also a projection on \$138,000 to be set aside as a reserve (\$.50) from the refuse fees. Bass asked what the reserve account from the fifty cents would be used for. Endicott said it will be discussed at tomorrow night's Council meeting.

Endicott said the January numbers look a little better and the current projected deficit is \$2,141,289; in December it was \$2,509,521. Efforts by Council and staff have been made to bring down the deficit. The overall deficit, including the health plan deficit of \$471,000, comes to \$2,612,289.

Shanklin asked if we are down \$2.6 million. Endicott said we are projecting that by the end of the year, if no action is taken, we would be in the hole \$2.6 million on the general fund and the health plan. Mayor Powell said that is including the health plan and Endicott said yes. Endicott said it is significantly better than it was last month when it was much closer to \$3 million including the health plan. Shanklin said the City paid the extra for the health plan

costs that benefit the employees; the employees did not pay it.

Baxter said he wanted people to know that the City is not \$2.6 million in the hole; we have already corrected 99% of this situation and he wanted that relayed out to the public. Mayor Powell said Baxter's statement in his opinion was a true and correct statement, there is not a deficit there today. Baxter said there is a \$110,000 deficit but that is a far cry from \$2.6 million. Endicott agreed and said right now if the Council decided to do nothing other than what has already done, we would only be \$110,000 short.

Endicott said use of capital outlay funds for operation will help, as will additional income from water sales to Geronimo and a rate increase at Goodyear, and increased Library fines. In addition, we have looked at the cash balance sheet for capital outlay and believe there will be an additional \$244,563. The total capital outlay at this point \$1,296,563; if Council chose to set aside the entire capital outlay, that would bring up that \$2 million another \$244,000 and that would address the entire deficit and add another \$100,000 toward the carryover. Baxter asked if that included taking care of the health plan. Endicott said yes.

Endicott said we believe through reducing expenditures in both the enterprise fund and the general fund we can save \$1.4 million for the rest of the year. Endicott said he thought that was pretty optimistic; everyone is being asked not to spend any more in the second half of the year than they spent in the first half, and if that holds true, this \$1.4 million will work. Hanna said the City Manager can make it hold true. Endicott said they are doing everything they can to make sure it does.

Endicott said on capital outlay, we have been telling Council we have a list of the capital outlay that was going to be purchased or was purchased and what was left over; what has not been purchased is \$1,052,000. Council has already taken action to say when you need that money, come back and request it. Mayor Powell said tell them what it is for and then let them take action. Bass asked if this is the rolling stock money. Endicott said yes, it is dedicated for rolling stock capital outlay and it is collected each month.

Shanklin said a deficit to him meant he did not have that \$2.6 million in his pocket. He asked if these numbers will put it in there. Endicott said if we do not purchase \$1,052,000 by the end of the year we will have that \$1,052,000 in our pocket. Shanklin said this \$2.6 million that will be expected, that is above all our contributions and our employees contributions the rest of the fiscal year; we will be down that \$2.6 plus \$400,000 more, or \$3 million more going out than coming in. Baxter said it is \$2.141 plus \$447,000 that comes out at \$2.612 million. Shanklin said we have already put the \$471,000 in and are still looking at another \$2.6 million.

Endicott said the money is coming in every month and compared to our budget on June 30 we would be \$2.6 million, including the health plan, if no actions were taken, we would have \$2.6 million less in our pocket than we said we would have by June 30. He said we are not \$2.6 million short right now, but we would be by June 30 if we do nothing. Shanklin asked if that was the whole budget or the health plan budget. Endicott said the general fund budget including the health plan; the general fund is subsidizing the health plan. Shanklin said the city was having to contribute too much to the health plan.

Endicott said additional options that we have tried to identify, for no other reason than to make sure the Council is aware of all of the different funds out there and what the cash balances are and what is the projected income. #3: There is a possible \$1.3 million out of sewer rehab funds if the Council so chose could be used to address the deficit. However, this is a dedicated fund like capital outlay and two others.

Baxter said we have not touched that money and it does not look like we are going to need to touch that money at the present time. Endicott agreed. Bass asked if the start up money came from the CIP. Baxter said \$3.3 million of it cannot be touched since it was designated CIP money. Endicott said it was actually \$5,753,310 from the 1990 and 1995 CIP. Moeller said for the record, if there is any way we can not do it, she would rather not even consider touching that money because we need to keep going, there is too much that needs to be done.

Mayor Powell said he would like to ask one more time, the Council does not have to touch any money period to meet all the needs that we have during this fiscal year, is that a true and correct statement. Endicott said other than the \$110,000; we are saying \$2.6 million and you have already addressed \$2.5 million. Mayor Powell said that is correct so nothing has to be done. Mayor Powell said he understood the reason this was being brought was for informational purposes, to lay it out there and let you know, but he emphasize nothing has to be touched, this budget is OK, and asked if he was right. Endicott said you are correct. Mayor Powell said thank you.

Endicott said the drainage maintenance fund is projected to have a \$490,000 balance by the end of the year. There is about \$200,000 that should not be touched. Mayor Powell asked for an explanation of that. Endicott said the expenditures are more than the actual revenue by \$200,000 so they would have no money to start out with next year and they could not do anything until the money came in. Mayor Powell said sewer rehab has done an excellent job, and the drainage maintenance people do also; the drainage ditches look better than they have for many years.

Endicott said the wastewater maintenance fund has \$139,000 and this would really not be available but it is shown

since this is providing information. #6 - Capital Improvement Fund, Fund 35, this is kind of a catch all for capital improvement projects and we are projecting there will be an undedicated portion of that fund of \$52,000 by the end of the year. #7 - Bicycle Network has \$30,000 remaining in that fund. #8 - Community Oriented Policing - There is \$20,000 and it seems this money can be used to fund salaries and would free up that amount in the actual general fund salaries. Hanna asked if the program would continue. Endicott said this is a grant that was given and \$20,000 remains.

Endicott said three employee groups are listed on longevity. In June each of these groups will receive the combined total amount of \$734,164. #10 - Council Contingency - \$49,000. #11 - Utility Bill Surcharge - This is put on for information and it is not being recommended. All of these that have been talked about for Items G 3 - 11 total \$3,174,351

Endicott said Council received a briefing regarding the health plan deficit of \$471,000. There were recommendations that the City increase its contribution by \$125,000, increase the deductible from \$250 to \$500 and increase the dependent and retiree contributions, which would generate approximately \$226,000. At a subsequent meeting the City Council declined to make any changes in health plan funding, therefore, we are still looking at a \$471,000 deficit.

Endicott said the City is currently allocating \$.50 of the \$1.50 refuse fee into a reserve fund and \$80,600 has been collected so far this year and placed into that fund.

Endicott said in conclusion, this is provided for information purposes. The intent was to try to bring to Council any fund that was out there that we thought had a significant balance or even a smaller balance but for information reasons the Council needed to know this information.

Moeller said the carryover was recommended to be a certain amount and the reserve. She asked what those recommendations were. Endicott said it depends on the definition of reserve and carryover, and some times we use those two terms interchangeably. Endicott said as he understood what the Council wanted for reserve was a fund set aside for non-recurring expenses that may happen; a carryover can do the same thing.

Mitchell said he would define the difference between reserve and carryover as this: carryover is something you might use to offset expenditures in next year's budget, whereas a reserve is something that is dedicated to be off-budget, so to speak, and would not necessarily cover expenditures but would be available should there be an emergency. Endicott said the proposed policy speaks to non-recurring expenses.

Endicott said there are several cash flow statements in the packet for information.

Moeller said the information is wonderful and she commended Endicott and Mitchell on bringing it to the Council.

Haywood asked if the most we would be in the hole if nothing else is done would be \$110,000. Mitchell said if everything stays the way we say it will stay, and things may change up or down, the revenues could be up, the expenditures could be down even more or go up a little bit, but if everything stays as we think it will, then we should be right on target for balancing the budget by the end of the year.

Mitchell asked if Council found this format useful and if they would like to do something like this as we start next year's budget process. Mayor Powell said we will have to have budget workshops without exception aside from regular meetings.

There being no further business to consider, the meeting adjourned at 6:05 p.m. upon motion, second and roll call vote.