Honorable Mayor Mark Nash
Members of the Edmond City
Council

FY 2026-2027 Budget Message

Mayor Nash and Members of the City Council:

I am pleased to present the proposed annual budget for Fiscal Year (FY) 2026-2027 to the Edmond City Council. This budget is developed through the leadership of the Edmond City Council, coordination with various community committees, and contributions from the dedicated City staff. Our ongoing internal mission, *Trustworthy Service through Continuous Improvement,* as reflected in our eight core values of *Accountability, Communication, Customer Service, Inclusion, Innovation, Integrity, Professionalism* and *Teamwork* continues to be the foundation for the culture of our organization. This proposed budget represents guidance for the delivery of City services, support of local community agencies and ongoing programming improvements for the benefit of Edmond residents.

State law requires Edmond and all cities in Oklahoma adopt a budget for the coming year at least seven (7) days prior to the beginning of the budget year (July 1, 2026). A public hearing on the proposed budget is to be held no later than fifteen (15) days prior to the beginning of the budget year.

Overview

The total FY 2026-2027 proposed budgeted costs are $485,340,001 which reflects a 17.5% increase compared to the prior year adopted budget. This increase is driven primarily by our non-operating funds related to economic development and increases to capital projects.

The City's sales tax rate is 8.25% which remains one of the lowest rates in the Oklahoma City metro area. This rate consists of our local Edmond tax rate of 3.75% that stays in Edmond, plus a 4.5% State tax rate that goes to the State of Oklahoma. Edmond is the fifth largest city in Oklahoma by population behind Oklahoma City, Tulsa, Norman and Broken Arrow. In terms of growth in collections of sales and use tax as of April, 2026, Broken Arrow, Tulsa, Oklahoma City, Norman and Edmond have seen growth in collections of 4.08%, 3.78%, 3.45%, 2.67% and 1.42% respectively.

The City is funded primarily through sales and use tax. Oklahoma is the only state in the country in which property tax is not available for general city operations. As of April 2026, sales tax collections have increased 0.49% compared to the prior fiscal year, with a conservative 0% budget projection. Use tax collections increased 5.67% over the prior fiscal year, compared to a budgeted increase of 4%. Year-to-date combined sales and use tax collections increased 1.42% over the prior fiscal year. Budget projections for FY 2026-2027 are set at 0% for sales tax and 4% for use tax.

The General Fund in Edmond is funded by a 2% Sales Tax. 1% of that 2% is a permanent tax and the other 1% is a temporary tax that was set to expire in March of 2027. The temporary 1% tax was approved for renewal by Edmond voters in November of 2025 and is now set to expire in

March of 2037. Along with the 1% General Fund tax rate, a 0.50% temporary special purpose tax for Capital Improvements was renewed and is now set to expire in March of 2037.

Permanent special purpose sales taxes approved by voters in 2000 continue to provide critical revenue for our Fire Public Safety Fund, Police Public Safety Fund and Capital Improvement Fund. These rates include a 0.25% tax dedicated to Fire Public Safety, 0.125% tax dedicated to Police Public Safety and 0.75% tax dedicated to Capital Improvements. In addition to the rates specifically dedicated above, the City's Fire and Police Funds receive two-thirds of all revenue designated for General Fund use. For FY 2025-2026 approximately $25 million was transferred to Fire and $32 million was transferred to Police out of the General Fund.

Financial Health

The CPA firm of Crawford & Associates P.C. prepares a financial statement analysis tool using indicators of the City's financial health and success. This analysis is known as the "Performeter" and is based on the previous fiscal year-end (FYE) audited financial statements. For FYE 6.30.25, the overall Performeter rating was 6.7 out of a possible 10. The report noted that Edmond's overall financial health is well above satisfactory.

The Performeter evaluates the City's financial condition in 3 areas:

1) Financial Position: 4.4 out of 10
   Financial Position Ratings illustrate a "point in time" measure of the entity's financial status, solvency, and liquidity. Measurements of this indicator are Unrestricted Net Position, General Fund Unassigned Fund Balance, Capital Asset Condition, Pension Plan Funding Ratio, Other Post- Employment Benefits (OPEB) Plan Funding, Assets to Debt, Current Ratio and Quick Ratio. The ranking this year remained consistent with the history of this score over the last 4 years.

2) Financial Performance: 8.2 out of 10
   Financial Performance Ratings illustrate a "look back" measure as to whether the entity's financial position has been improving, deteriorating, or remaining steady. Measurements of this indicator are Change in Net Position, Interperiod Equity, Business-Type Activity's Self- Sufficiency, Debt Service Coverage and Sales Tax Growth. The ranking this year was strong, scoring a 7.9 In Change of Net Position, a score of 10 in Interperiod Equity, a score of 10 in BTA Self- Sufficiency, and a score of 10 in Debt Service Coverage. The lowest score in this category was Sales Tax Growth, which scored a 3.6. This is the measure of the state of our local economy by comparing revenue collected to the prior year in terms of the change per one-cent tax. The City's net position increased by approximately $62.6 million, or 5.8% from the prior year.

3) Financial Capability: 7.6 out of 10
   Financial Capability Ratings illustrate a "look forward" measure of the government's ability to obtain resources in the form of revenues or borrowings in order to finance the services its constituency requires. Measurements of this indicator are Revenue Dispersion, Debt Service Load, Bonded Debt Per Capita, Legal Debt Limit Remaining, Property Taxes Per Capita and Local Sales Tax Rate. This indicator shows that approximately 14 cents of every dollar spent on non- capital items was used for debt service, there is no general bonded debt outstanding, 100% of the general bonded debt legal limit remains, no property tax is levied, and the sales tax rate is at 3.75%. The city is in a strong position to obtain additional resources looking forward.

The annual Performeter is available for review on the city website at edmondok.gov.

Economic Outlook

Edmond's budgeting process is affected by local economics but also by global economic conditions. Low job creation held the national unemployment rate at around 4.5% through the end of 2025. Sales and use tax collections locally slowed in FY 2025-2026 and remain relatively flat for the current fiscal year; inflation rates are between 2.4 and 3.3% nationally and low consumer confidence surrounding a possible recession have caused a very cautionary view of budgeted expenditures.

We continue to experience increased costs for construction and maintenance. Higher gasoline prices have caused total consumer credit and debit card spending to increase 4.5% year over year as of March 2026. The rapid rise in gasoline prices not only increases costs to provide city services but also affects discretionary spending. Generally, when gas prices rise, spending on durables and groceries is negatively impacted. Larger income tax refunds are providing a meaningful short-term boost for the economy. Tax refund increases could offset at least five months of increased gas prices.

The city will approach FY 2026-2027 with a high level of caution and review actual expenditures frequently to maintain adequate reserves to address emergencies and shortfalls.

Possible revenue sources include seeking alternative sources such as increased grant assistance and evaluation of internal departments' levels of self-sufficiency through rate studies. Cautious expenditure management will be implemented to include more frequent evaluation of budget (staying within the budgeted expenditures), evaluation of non-essential expenditures, timing of capital project expenditures and delay of expenditures to maintain necessary liquidity levels. Focus on staffing levels to provide essential City services and maintenance of adequate reserves to cover unexpected emergencies and shortfalls will be a priority.

Financial Plan
General Fund

The major source of funding for the General Fund is sales and use tax.

Sales and use tax revenues are budgeted conservatively due to the volatile nature of this type of tax. Historically, Edmond has seen steady growth in sales and use tax collections for decades. However, due to the lack of growth for FYE June 30, 2025, and the economic uncertainty nationwide, FY 2026-2027 sales and use tax growth is budgeted at 0% and use tax growth is estimated at a conservative 4%. Long term sales and use tax revenues have been estimated at 1% growth for fiscal years 2027-2028 through 2030- 2031; use tax revenues have been estimated at 4% growth for fiscal years 2027-2028 through 2030-2031.

The City does not levy nor receive property tax. A property tax is not available as a method for municipalities to fund operations in Oklahoma. Oklahoma law does allow cities to levy a property tax to fund capital projects, this is done through voter approved general obligation bonds. The City of Edmond currently does not use property tax to fund general obligation bonds as a funding source.

The General Fund is used to finance many City departments. Expenditures for Park and Recreation, Street Maintenance & Construction, Municipal Court, Senior Citizens Center, Community Impact Support, Emergency Management, Housing and Community Resources, Planning, Festival Marketplace, Building & Safety Services, Cemetery, City Council, and the Historical Society, are financed through the General Fund.

A formal policy was established in 2011 stating the city will strive to maintain an Unassigned Fund Balance in the General Fund of ten percent (10%) of General Fund sources be maintained in unassigned funds (Reserve for Emergencies and Shortfalls). At the end of the current budget year, this percentage is estimated to be 6.24% with a projected increase to 8.35% by the end of FY 2026-2027. To keep these percentages in perspective, it should be noted that *maximum* expenditures are budgeted with the assumption that all budgeted amounts will be spent, and lower-than-expected revenues are budgeted to present the most conservative budget estimates. Net deficit in the General Fund unassigned reserves would be funded by reductions in spending from the General Fund or transfers from Utility Funds if those funds are available from that source.

Appropriated Funds

The City budget is composed of approximately 46 budgeted funds. The General Fund, which is made up of 11 different departments, 19 Special Revenue Funds, 8 Capital Project Funds, 8 Utility Funds, 3 Other Enterprise Funds and 7 Internal Service Funds. These funds are presented in detail in the body of the budget book. The Utility Funds are the largest funds and represent over 57% of total revenue and over 52% of total expenditures.

Five-year forecasts are analyzed for each fund. The impact of the long-range financial plan is to forecast projected revenues and expenditures over a long-term period using assumptions about economic conditions, future spending scenarios and other variables based on City Council strategic plans. The City considers long-term service objectives in conjunction with financial capacity to determine timing and volume of projects and improvements for the City. Strategies are developed to achieve long-term sustainability considering the government's service objectives and financial challenges. The city bases long-term plans on historic activity, adjustments for anticipated economic challenges such as inflation, citizen input, programmatic changes, consultant recommendations, new projects desired, and priorities of the governing body.

A City Council strategic plan session is held semi-annually. This is a public meeting that is open to citizens of Edmond and is in a setting conducive to public input. At the semi-annual sessions, priorities are reviewed, evaluated, and adjusted based on detailed discussions and updated information, both financial and non-financial.

Social Impact

The City supports local non-profit organizations financially through grants from our General Fund. The Community Agency Review Committee (CARC) accepts, reviews applications, then recommends recipients for awards of City grants. CARC funding recipients must provide a direct and distinct benefit to the City, include a properly chosen Board of Directors that meets at least quarterly, submit financial statements, statistical reports and have financials audited annually, provide a statement of budgetary needs, and submit for approval the contract services application form. In addition to the CARC recommendations, financial support is provided to the annual Libertyfest celebration, city art, the Edmond Historical Society (museum) and the

Guthrie/Edmond Regional Airport. The financial impact on the budget is roughly $2.2 million:

Social Agencies	$1,170,000
Community Impact Groups	$ 456,750
Culture/Art	$ 213,210
Guthrie/Edmond Airport	$ 350,000

The city values the input of numerous community members and their commitment to assist in community services for the benefit of our community at large.

Debt Service

The city currently utilizes loan proceeds to finance ongoing utility service capital improvement projects and general City-wide projects. The city is allowed to utilize General Obligation (GO) Bonds but currently does not have outstanding GO debt.

The city maintains great focus on continuous improvement to utility infrastructure. The City Water and Wastewater capital projects are proactive for continuous provision of safe drinking water and an ample water supply to Edmond residents. Routine engineering studies, scheduled line replacement, and pump and well maintenance and repair are funded annually to ensure uninterrupted, quality service. Many of the water and wastewater projects have funding secured through various loan programs or through annual cash funding with the exception of the last phase of the water treatment plant expansion. Projected costs for these projects are estimated to be over $265 million. The city has secured low-cost Oklahoma Water Resources Board (OWRB) funding along with Oklahoma State and Federal grant funding to cover much of the cost of these major improvements. Debt service for FY 2026-2027 is estimated at approximately $48 million that is secured by a Junior Lien-Utility Revenue plus the city 2% sales tax.

The 2000 Capital Improvement Fund (CIP) has provided the primary financing for capital improvements in Edmond for many years. The 0.75% sales tax was initially approved by the voters in 1996 and made permanent in 2000. This fund provides approximately $17 million in tax revenue annually. The debt service secured by this tax is estimated to be $12 million or 71% of the sales tax collected.

Capital Improvement

Capital improvements in the City are funded primarily by two dedicated sales tax sources. The 2000 CIP fund (discussed above) which is a 0.75% permanent sales tax, and the 2017 CIP fund which is 0.5% sales tax approved by voters in 2016. The 2016 vote approved a repurpose of the 2012 Public Safety Center tax for a ten-year period for capital projects that started in April of 2017. The 2017 CIP funding will expire in April of 2027. In November 2025 the renewal of this tax was approved by voters for the re-purpose of street projects. The collections for this new 2027 CIP Fund will start in April of 2027. In 2016, A Citizens Task Force identified many projects for consideration using these funds. The Capital Improvement Project (CIP) Advisory Board was expanded to include members of this task force, and the Board now reviews and makes recommendations for projects for both capital improvement sales tax funds. Both funds are utilized to address City-wide capital needs.

These two funds collect approximately $30 million annually. The City's CIP Advisory Board meets monthly to review and make recommendations for spending, which are forwarded to City Council for consideration. As the City's population continues to grow and as the age and amount of

infrastructure increases, so do the demands on streets, parks and new facility needs across the city.

Anticipated projects for the 2000 CIP fund include:

2000 CIP Funding Priorities 2026-2027	
	Millions
Streets & Highways	11.60
Trails	3.48
History Museum Building Improvements	0.20
Total	15.28

Anticipated projects for the 2017 CIP fund include:

2017 CIP Funding Priorities 2026-2027	
	Millions
Streets & Highways	6.0
Trails	2.9
Fire Station #3 Construction	8.5
Police Arcadia Lake Station	5.0
Total	22.40

The Edmond City Council meets semi-annually to review their Strategic Plan. The Council continuously reviews and adjusts the five-year plan to meet the needs and wants of the citizens of Edmond. The city has other dedicated sales tax revenue streams that contribute to capital improvements. The Park tax and the Public Safety Funds of Fire and Police each have dedicated revenue streams to help fund capital improvements.

Other Capital Outlay

The Park Fund has a dedicated 0.125% sales tax that is used for capital improvements to parks. This fund has a 2026-2027 capital outlay budget of $2 million. Projects include the upgrades of the Pavillion and Dock at Hafer Park, YMCA Pool Major Maintenance improvements to neighborhood playgrounds and maintenance of existing capital items such as tennis court resurfacing.

The Fire Public Safety Fund has a dedicated 0.25% sales tax that is primarily used for personnel, equipment and department needs. In addition, the Fire Fund receives 30% of all General Fund tax collections. From the General Fund contributions, anticipated capital expense items are for major equipment, machinery and tools, totaling over $645,000.

The Police Public Safety Fund has a dedicated 0.125% that is primarily used for personnel, equipment and department needs. In addition, the Police Fund receives 36.8% of all General Fund tax collections. From the General Fund contributions, the Police department has anticipated minor building repairs, and equipment totaling $147,000.

The city has committed over $213,000 in FY 2026-2027 to support art in the city. City Ordinance provides for, "a means to fund the acquisition of works of art by the City, which art shall become

the City's collection, to create a Visual Arts Commission (VAC), to provide a means to select works of art for the collection, to provide for the display of the collections and to provide for the maintenance and repair of the work of art in the collection". The Art in Public Places Fund receives donations from individuals, corporations, civic clubs, and the City of Edmond. The VAC approves private donations, and the city matches one- half of the cost of an art piece up to $30,000 per piece. Additionally, the city fully funds the operations of the Park Conservancy Trust, a Title 60 Public Trust that maintains public art located throughout the city.

The Edmond Public Works Authority provides electric, water, wastewater and solid waste services to the City. Total capital outlay for 2025-2026 for the Authority is estimated at over $62 million. Funding for these capital improvements comes from a combination of loan proceeds and utility rates.

A detailed analysis of all capital outlays by fund and a summary of total capital outlay are included in the budget book.

Operating Cost Coordination

Infrastructure maintenance and improvements are continuously reviewed to maintain the quality-of- life Edmond residents expect. CIP funding capacity is leveraged to interact with the operating budget in a way that improves infrastructure conditions and reduces maintenance costs in the operating budget. The Edmond Public Works Authority performs regular rate studies to balance consumer rates while maintaining state of the art electric and water infrastructure. Regular maintenance of streets, intersection improvements and community partnerships help maintain the lowest cost effect on the operating budget.

Conclusion:

The City of Edmond has approached the FY 2026-2027 budget process with an emphasis on transparency and openness. Thanks to our citizens input into a renewed budget review along with city council support to provide a budget that is accessible and accountable to the public. Our internal culture remains focused on the provision of services to the residents of Edmond. Thank you to our City Council for their vision and leadership to develop and maintain accountability to the taxpayers of Edmond.

Respectfully submitted,

A.J. Krieger
City Manager