

2023 City of Stillwater, Oklahoma Historical Financial Data Analysis

Briefing Document

4 July 2025

Stillwater, Oklahoma's financial health in Fiscal Year 2023 was characterized by growth in both governmental and business-type activities, driven by tax rate increases and strategic investments, despite rising operational costs in some areas. The City operates under conservative budgetary practices, emphasizing fiscal responsibility and long-term planning, and maintains reserve funds for emergencies.

Key Financial Highlights and Themes:

- **Overall Financial Position Improvement:** The City's total net position increased from \$367,305,000 in FY2022 to \$399,121,000 in FY2023, indicating an improving financial health. This trend is a positive indicator, though non-financial factors like tax base changes and infrastructure condition are also considered for a comprehensive assessment.
- **Government-Wide Financial Statements:** These statements, prepared using the accrual basis of accounting, provide a "complete financial picture of the City from the economic resources measurement focus." They include the Statement of Net Position (assets, deferred outflows, liabilities, deferred inflows, and net position) and the Statement of Activities (changes in net position).
- **Fund Financial Statements:** In addition to government-wide statements, the City also prepares fund financial statements, including the Balance Sheet for Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds. Proprietary Funds, such as the Stillwater Utilities Authority (SUA) and Airport Fund, have their own Statement of Net Position.
- **Governmental Activities Performance:**
 - **Increased Sales and Use Tax Revenue:** Sales and use tax revenue for Governmental Activities increased by \$7.4 million (19.9%) in FY2023. This significant rise was primarily due to an increase in the City's overall sales tax rate from 3.5% to 4%, and a dedicated sales tax rate for the Transportation Sales Tax Fund increasing from 0.5% to 1.0% effective July 1, 2022.
- **Grants and Contributions:** An increase in grants and contributions was observed in FY2023, attributed to donations from developers and private citizens for capital items (easements, Washington School Building, Block 34), and capital grant revenue from American Rescue Plan Act (ARPA) funds as expenditures were incurred.
- **Increased Public Safety Expenses:** Public safety expenses rose by \$2.7 million, largely due to a \$2.6 million increase in pension expense compared to FY2022.

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- **General Fund Balance Decrease:** The General Fund's fund balance decreased by \$0.4 million from FY2022 due to overall increases in public safety personnel expenditures and increased transfers to other funds. A significant portion of sales and use taxes, despite being up by \$7.5 million, were transferred to dedicated funds like the Transportation Sales Tax Fund (one-cent) and SUA (one-cent).
- **Transportation Sales Tax Fund Growth:** This fund saw its balance increase by \$7.1 million, directly benefiting from the dedicated one-cent sales tax for transportation improvements.
- **Business-type Activities Performance (Stillwater Utilities Authority - SUA and Airport):**
 - Increased Charges for Services: Business-type activities saw a \$7.1 million increase in charges for services in FY2023. The SUA contributed \$5.8 million of this increase, driven by higher electric power cost adjustment revenue and a 3% rate increase for electric, water, and wastewater utilities effective July 1, 2022, with an additional 3% for electric utility effective January 1, 2023.
- **Capital Grants and Contributions:** A \$1.2 million increase in capital grants and contributions was noted, including \$1.0 million in loan forgiveness from the Oklahoma Water Resources Board.
- **SUA Expense Decrease:** SUA expenses decreased by \$3.0 million in FY2023, largely due to the absence of significant costs associated with the February 2021 Winter Storm Uri event that impacted FY2022. However, this decrease was partially offset by a \$3.5 million increase in purchased power expense in FY2023 and ongoing increases in labor and material costs.
- **Airport Operations Expenses:** Airport operations expenses increased by \$1.2 million, primarily due to a \$0.7 million increase in fuel purchases for resale and a \$0.4 million increase in depreciation. The Airport received various grants for improvement programs, including the Airport Improvement Program, COVID-19 Airport Coronavirus Response Grant Program, and American Rescue Plan Act funds. Notably, the FAA is providing funding for a non-Federal Airport Traffic Control Tower (ATCT) using the FAA's Virtual Immersive Siting Tower Assessment (VISTA) process at Stillwater Regional Airport.
- **Budgetary Practices and Economic Factors:**
 - Conservative Budgeting: The City employs "conservative budgetary practices," estimating revenue based on historical data and current economic trends.
 - Sales and Use Tax Projections (FY2024): Sales and use tax budgets for FY2024 were increased by \$1.5 million and \$0.6 million respectively, anticipating continued upward

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trends. As of November 2023, collections were up \$1.0 million (6.13%) from the same period in FY2023.

- **Utility Rate Adjustments:** Utility rate adjustments were paused from spring 2019 to spring 2022 due to cost of service studies and economic hardships from the global health crisis. However, a resolution adopted on April 18, 2022, allows for an annual increase of 3% or the Consumer Price Index, whichever is less. Rate increases for electric, water, and wastewater utilities were approved effective January 1, 2024, based on updated cost of service studies.
- **Zero-Based Budgeting:** The City uses a "zero-based budgeting philosophy" for annual expenditure budgets, requiring departments to justify all expenses based on achieving departmental strategies and measuring against a rolling three-year average of actual expenditures.
- **Emergency Reserves:** The budget includes reserves for emergencies in the City's General Fund and electric, water, and wastewater utilities. Specific reserve targets are set, for example, \$11 million for the General Fund and \$15 million for Electric Utility.
- **Capital Assets and Debt:**
 - **Total Assets:** Total assets for the City reached \$579,241,000 in FY2023, up from \$541,503,000 in FY2022. Capital assets significantly contribute to this, totaling \$339,366,000 in FY2023.
 - **Debt Overview:** The City's long-term debt includes general obligation bonds, revenue bonds, notes payable, lease obligations, and subscription-based IT arrangements (SBITA). The Stillwater Utilities Authority has significant revenue bonds payable.
- **Stillwater Economic Development Authority (SEDA):** SEDA aims to improve the economic climate, including assisting in housing acquisition and redeveloping blighted areas. It recently entered into a redevelopment agreement with USA Rare Earth Magnets, LLC and USA Rare Earth Real Estate, LLC to finance \$7,000,000 of Development Capital Assistance, to be repaid through tax increment revenues.
 - **Debt Restrictions:** The Oklahoma State Constitution mandates voter approval for any City debt (excluding public trusts) that requires payments beyond the current fiscal year's revenue. No such debt was incurred in FY2023.
 - **Operational Indicators:**

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- **Public Safety Staffing:** The number of personnel in Public Safety decreased slightly from 206.0 in FY2022 to 203.5 in FY2023.
- **Utility Connections:** Electric connections increased to 22,143 in FY2023 from 21,941 in FY2022, and water connections increased to 19,366 from 19,230.
- **Water and Wastewater Treatment:** Water treated remained relatively stable at 2,434 million gallons, while sewage treated decreased to 1,483 million gallons in FY2023 from 1,851 million gallons in FY2022.
- **Landfill Usage:** Landfill usage continued its upward trend, reaching 22,650 tons in FY2023 from 22,147 tons in FY2022.

In summary, Stillwater's financial reporting indicates a robust financial year with increased revenues and net position, supported by strategic tax adjustments and utility rate increases. The City's commitment to conservative budgeting and investment in key infrastructure and services like public safety, transportation, and utilities appears to be driving positive financial outcomes, even as challenges like rising labor and material costs persist.

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