

CITY OF OWASSO, OKLAHOMA  
ORDINANCE NUMBER 1039

AN ORDINANCE AMENDING THE PROVISIONS OF PART 7, FINANCE AND TAXATION, CHAPTER 2, SALES TAX, SECTION 7-206, EFFECTIVE DATE, SECTION 7-207, PURPOSE OF REVENUES AND SECTION 7-208 TAX RATES; SALES SUBJECT TO TAX, OF THE CODE OF ORDINANCES OF THE CITY OF OWASSO, OKLAHOMA, BY LEVYING AND ASSESSING A SALES TAX OF ONE-HALF (1/2%) PERCENT IN ADDITION TO ALL OTHER EXCISE TAXES LEVIED AND ASSESSED UPON THE GROSS PROCEEDS OR GROSS RECEIPTS DERIVED THEREFROM, PROVIDING FOR THE USE OF THE PROCEEDS THEREOF TO BE RESTRICTED AS FOLLOWS: THIRTY FIVE (35%) PERCENT (.175 CENTS) TO OWASSO POLICE SERVICES, THIRTY FIVE (35%) PERCENT (.175 CENTS) TO OWASSO FIRE SERVICES, AND THIRTY (30%) PERCENT (.15 CENTS) TO THE OWASSO STREET DEPARTMENT; PROVIDING FOR REQUIREMENT OF APPROVAL BY A MAJORITY OF THE QUALIFIED REGISTERED VOTERS VOTING AT AN ELECTION HELD FOR SUCH PURPOSES AS PROVIDED BY LAW; PROVIDING PROVISIONS SEVERABLE; AND DECLARING AN EFFECTIVE DATE.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF CITY COUNCIL OF THE CITY OF OWASSO, OKLAHOMA, THAT, TO WIT:

The Owasso Code of Ordinances, Part 7, Finance and Taxation, Chapter 2, Sales Tax, Section 7-206, Effective Date, Section 7-207, Purpose of Revenues, and Section 7-208, Tax Rates; Sales Subject to Tax, shall be amended as follows:

**SECTION 1:** Section 7-206 shall be amended to read as follows:

7-206            EFFECTIVE DATE

The provisions of this Ordinance shall become effective on and after April 1, 2015, subject to approval by a majority of the qualified electors of the City voting on the same in the manner prescribed by law.

**SECTION 2:** Section 7-207 shall be amended to read as follows:

7-207            PURPOSE OF REVENUES

1. It is hereby declared to be the purpose of the first and second cent sales taxes to provide revenues for the support of the functions of municipal government of the city.
2. It is hereby declared to be the purpose of the third cent tax to provide revenues to finance or fund capital projects and related costs, to include debt service on obligations issued to finance said capital projects; said projects to be reviewed by the Capital Improvements Committee, approved by the City Council by resolution, with

oversight given by the Citizens' Watchdog Committee established by the City Council, and subject to competitive bidding as required by law.

3. It is hereby declared to be the purpose of the one-half cent tax to provide revenues to fund appropriations as follows:

- A. Thirty-five percent (35%) of the one-half cent tax shall be restricted to Owasso Police Services;
- B. Thirty-five percent (35%) of the one-half cent tax shall be restricted to Owasso Fire Services, and
- C. Thirty percent (30%) of the one-half cent tax shall be restricted to Owasso Street Department.

**SECTION 3:** Section 7-208 shall be amended to read as follows:

7-208            TAX RATE; SALES SUBJECT TO TAX

There is hereby levied an excise tax of three and one-half percent (3.5%) upon the gross proceeds or gross receipts derived from all sales taxable under the Oklahoma Sales Tax Code including but not exclusive of the following:

1. Tangible Personal Property
2. Natural or artificial gas, electricity, ice, steam, or any other utility or public service except water and those specifically exempt by this chapter;
3. Transportation for hire of persons by common carriers, including rail roads, both steam and electric, motor transportation companies, taxicab companies, pullman car companies, airlines and all other means of transportation for hire;
4. Service by telephone and telegraph companies to subscribers or users, including transmission of messages, whether local or long distance. This shall include all services and rental charge having any connection with transmission of any message;
5. Printing or printed matter of all types, kinds, and characters and the service of printing or overprinting, including the copying of information by mimeograph or multigraph or by otherwise duplicating written or printed matter in any manner, or the production of microfiche containing information on magnetic tapes furnished by customers;
6. Service of furnishing rooms by hotel, apartment hotel, public rooming house, motel, public lodging house or tourist camps;
7. Service of furnishing storage or parking privileges by auto hotels and parking lots;

8. Selling, renting or otherwise furnishing computer hardware or software or coding sheets, cards, or magnetic tapes on which prewritten programs have been coded, punched, or otherwise recorded;
9. Food, confections and all drinks sold or dispensed by hotels, restaurants, or other dispensers, and sold for immediate consumption upon the premises or delivered or carried away from the premises for consumption elsewhere;
10. Advertising of all kinds, types and character, including any and all devices used for advertising purposes and the servicing of any advertising devices, except those specifically exempt by this chapter;
11. Dues or fees to clubs including free or complimentary dues or fees which shall have the value equivalent to the charge that would have otherwise been made, including any fees paid for the use of facilities or services rendered at a health spa or club or any similar facility or business;
12. Sales of tickets, fees or other charges made for admission to or voluntary contributions made to places of amusement, sports entertainment, exhibition, display or other recreational events or activities, including free or complimentary admissions which shall have the value equivalent to the charge that would have otherwise been made;
13. Charges made for the privilege of entering or engaging in any kind of activity, when no admission is charged spectators, such as tennis, racket ball or hand ball courts;
14. Charges made for the privilege of using items for amusement, sports, entertainment or recreational activity such as trampolines or golf carts;
15. The rental of equipment for amusement, sports, entertainment or other recreational activities, such as bowling shoes, skates, golf carts, or other sports and athletic equipment;
16. The gross receipts from sales through any vending machine, without any deduction for rental to locate the vending machine on the premises of a person who is not the owner or any other deductions therefrom;
17. Gross receipts or gross proceeds from the rental or lease of tangible personal property, including rental or lease of personal property when the rental or lease agreement requires the vendor to launder, clean, repair or otherwise service the rented or leased property on a regular basis, without any deduction for the cost of the service rendered. Provided if the rental or lease charge is based on the retail value of the property at the time of making the rental or lease agreement and the expected life of the property, and the rental or lease charge is separately stated from the service

cost in the statement, bill or invoice delivered to the consumer, the cost of services rendered shall be deducted from the gross receipts or gross proceeds;

18. Any licensing agreement, rental, lease or other device or instrument whereby rights to possess or exhibit motion pictures or filmed performances or rights to receive images, pictures, or performances for telecast by any method are transferred. Provided, persons regularly engaged in the business of exhibiting motion pictures for which the sale of tickets or admissions is taxed under this chapter shall not be deemed to be consumers or users in respect to the licensing or exhibiting of copyrighted motion picture features, shorts, cartoons and scenes from copyrighted features and the sale or licensing of such films shall not be considered a sale within the purview of this chapter;

19. Flowers, plants, shrubs, trees and other floral items, whether or not same was produced by the vendor, sold by persons engaged in florist or nursery business in this state, including all orders taken by an Oklahoma business for delivery in another state. Provided, all orders taken outside this state for delivery within this state shall not be subject to the tax levied by this chapter;

20. Tangible personal property sold to persons, peddlers, solicitors or other salesmen, for resale where there is likelihood that this state will lose tax revenue due to the difficulty of enforcing this chapter because of:

- a. The operation of the business;
- b. The nature of the business;
- c. The turnover of independent contractors;
- d. The lack of place of business in which to display a permit or keep records;
- e. Lack of adequate records;
- f. The persons are minors or transients;
- g. The persons are engaged in service businesses; or
- h. Any other reasonable reason;

21. Any taxable services and tangible personal property including materials, supplies and equipment sold to contractors for the purpose of developing and improving real estate even though such real estate is intended for resale as real property are hereby declared to be sales to consumers or users and taxable; and

22. Any taxable services and tangible personal property sold to persons who are primarily engaged in selling their services, such as repairmen, are hereby declared to be sales to consumers or users and taxable.

**SECTION 4: PAYMENT OF TAX**

The tax levied by this Ordinance shall be paid to the Oklahoma Tax Commission in the manner and form prescribed by state sales tax law of the State of Oklahoma.

**SECTION 5: SEVERABILITY**

If any part or parts of this ordinance are deemed unconstitutional, invalid or ineffective, the remaining portion shall not be affected but shall remain in full force and effect.

**SECTION 6: CODIFICATION**

The City of Owasso Code of Ordinances is hereby amended as shown above and codified in Part 7, Chapter 2, Section 7-206, 7-207 and 7-208.

**PASSED** by the City Council of the City of Owasso, Oklahoma on the 21st day of October, 2014.

ATTEST:



Sherry Bishop  
Sherry Bishop, City Clerk

Jeri Moberly  
Jeri Moberly, Mayor

( S E A L )

**APPROVED** as to form and legality this 23rd day of October, 2014.

Julie Lombardi  
Julie Lombardi  
City Attorney



APPROVED BY COUNCIL  
OCT 21 2014

**TO:** The Honorable Mayor and City Council  
City of Owasso

**FROM:** Warren Lehr  
City Manager

**SUBJECT:** Resolution No. 2014-11 Calling for a Special Election  
Ordinance No. 1039

**DATE:** October 17, 2014

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**BACKGROUND:**

Currently Owasso Police Services, Fire Services, and the Streets Department operated by the City of Owasso are funded from revenues collected and deposited in the General Fund. The primary revenue source for the General Fund is the municipal sales tax. The City of Owasso has a three percent (3 cents) sales tax levied on the sale of eligible goods and services. Two cents of that tax is utilized for city operations and one cent is restricted for funding capital improvement projects. Currently, one cent of sales tax is projected to generate approximately \$8 million annually. From the two cents sales tax dedicated to operations, the city must fund all programs and services excluding water, wastewater, court services, ambulance services and refuse operations. The two cent sales tax must pay for streets, drainage, parks, administration, police, fire, planning, engineering, the community center, etc. and all insurances, fees, and other needs of a \$24 million business. Defining what are considered to be core services in a growing community is difficult. Often, conflicting priorities force core services to compete with each other for a limited funding source.

A growth-mode city faces challenges on every front to maintain and improve services while functioning within a financial framework that inhibits the community from "keeping up" with that growth and the resulting demand on its departments. Over the last several years, a goal of the staff has been to develop additional efficiencies and/or revenues for municipal operations in Owasso.

Oklahoma is currently the only state in the nation which statutorily requires cities and towns to fund their general funds with the sole source being sales tax. Sales tax is a volatile revenue source that fluctuates with the trends of the national economy. The system, as is, dictates that a growing city will be behind in its ability to fund improved or expanded services. It is clearly apparent that in order to meet the citizens' growing demand for services, there must be a consideration of additional revenues for operations. Owasso citizens have recognized these needs in past years when they gave overwhelming support for the first penny sales tax (1968), the second penny sales tax (1973), and the third penny sales tax for funding of capital improvements (1983).

Current funding sources are inadequate to meet the essential needs of the city due to our past, present, and anticipated future growth. While the General Fund revenues are increasing each year, the amount of money needed to fund public safety and transportation services grows at

an unsustainable rate. We are unable to keep up with those needs and continue to meet the increasing demand for other municipal services.

Currently the Police services, Fire Services and Streets Department budgets account for almost 60% of the city's 2 pennies allocated for the general fund budget. This does not include the 3<sup>rd</sup> penny dedicated solely to capital improvements projects. While those combined divisions currently utilize the majority of general fund allocations, each is lacking in adequate manpower, equipment, facilities and other resources needed to provide services necessary to Owasso citizens.

The above figures are not intended to indicate that the city is not meeting its obligations to serve the citizens, but rather to indicate that it is not realistic to expect that increasing demands for services can continue to be met without the financial resources required for those tasks.

#### **PROPOSED SOLUTION:**

Various solutions were reviewed and time frames were developed. Possible solutions considered were increased fees for services in all areas of municipal services, a reduction in some levels of existing services, the elimination of some existing services, the privatization of certain city services and an increase in the city's basic revenue source (sales tax). Staff ultimately agreed that the most feasible and impactful solution would be to ask the voters for an additional .5 cent sales tax. This solution has the least adverse impact on the citizens due to Owasso being a retail shopper's destination with the majority of our sales tax revenues coming from non-citizens. This recommendation also includes the elimination of the public safety capital fee on every Owasso utility customer's monthly bill, saving each utility customer \$36 per year.

Additional revenues from the 1/2 penny in sales tax should be dedicated to police, fire and streets in the following manner:

- 35% (.175 cents) to the Police Services budget,
- 35% (.175 cents) to the Fire Services budget and
- 30% (.15 cents) to the Streets Department budget.

This allocation is estimated to produce approximately \$4 million additional dollars in the first year allowing for a potential \$1.4 million each to both police and fire and \$1.2 million to streets.

The additional 1/2 penny would not be subject to a sunset or expiration and the revenues could be used by these divisions for any purpose. Personnel, equipment, facilities, training, etc. would all be allowed expenditures. The dedicated monies collected annually from the 1/2 penny would roll over from one budget year to the next for each division allowing for the opportunity to forecast budget needs and make large acquisitions over more than one fiscal year.

It is the intention to recommend that the general fund allocation to operating budgets for Police Services, Fire Services and Streets continue to be maintained at the current funding levels and that new revenues generated from the 1/2 penny would be in addition to the departments' current adopted budgets.

**COLLABORATION:**

There have been months of discussion and collaboration among Owasso's elected officials, staff members, citizen groups and representatives from the local IAFF and FOP unions for the purpose of finding needed answers to Owasso's growing concerns in the areas of public safety and transportation infrastructure. While the addition of a 1/2 penny sales tax does not cure all the needs of our city, it certainly gets us moving in the right direction in a manner consistent with responsible financial management and consideration for all Owasso citizens. The efforts and considerations of all of the participants have made this process successful up to this point and our hope is that similar efforts will convince Owasso citizens to reinvest in their community for their future.

**TIMELINE:**

Currently staff is conducting community meetings at various locations throughout Owasso for the purpose of informing the citizens of this proposal. Community meetings will continue to be presented through the end of the year up until the election date.

The Owasso City Council is required by Oklahoma Law to pass a resolution calling for the election and have in place an ordinance outlining the specific ballot language by November 13, 2014, and delivered to the Tulsa County Election Board in order to conduct a special election on January 13, 2015.

If the ballot measure were to pass by a majority vote, the new tax rate would take effect on April 1, 2015 as long as the election is certified 60 days prior to the effective date. This date coincides with the Oklahoma Tax Commission's quarterly calendar and will allow them to make notification to all necessary vendors in the taxing jurisdiction.

As stated in the proposed solution above, the recommendation includes the elimination of the existing fee dedicated to the public safety capital fund. That fee is established by ordinance and could be removed by council action should the voters approve the sales tax increase. In the interim, a resolution will be presented for council consideration at the November 4, 2014 meeting that would assure the public of the council's desire and intent to repeal the public safety capital fund fee.

**ORDINANCE:**

If approved by the voters, Ordinance No. 1039 would increase the sales tax rate from 3.0% to 3.5% effective April 1, 2015. The ordinance also states that the purpose of the new tax would be to fund appropriations as follows:

- 35% for Police,
- 35% for Fire, and
- 30% for Streets.

**RESOLUTION:**

Resolution 2014-11 calls the election and creates the Proposition language. Additionally the resolution establishes the intent of the Council not to reduce the general fund appropriations to the police, fire and street departments in future years.

**RECOMMENDATION:**

Staff recommends Council approval of Ordinance No. 1039 increasing the sales tax rate by 1/2% and restricting the use of those funds to the police, fire and street departments.

Staff recommends approval of Resolution No. 2014-11 calling a special election for January 13, 2015 submitting to the voters the 1/2 penny sales tax increase.

**ATTACHMENTS:**

Ordinance No. 1039

Resolution No. 2014-11