

City of Tuscaloosa

COUNCIL
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District 1
HARRISON TAYLOR
District 2
President Pro Tem
CYNTHIA LEE ALMOND
District 3



WALTER MADDOX
Mayor

COUNCIL
MATT CALDERONE
District 4
KIP TYNER
District 5
EDDIE PUGH
District 6
SONYA MCKINSTRY
District 7

Memorandum

To: Members of the Tuscaloosa City Council
From: Mayor Walter Maddox 
Re: 2015 General Fund and Water and Sewer Fund Budget Recommendations
Date: August 26, 2014

I have attached my 2015 budget recommendation for the General Fund and the Water and Sewer Fund. My comments and recommendations are summarized as follows:

1. The \$132,063,208 General Fund budget includes a Contingency balance of \$301,780. The Water and Sewer Fund budget includes revenues of \$44,490,855 and expenses of \$47,384,869.
2. In the 2014 fiscal year, both the City Sales Tax and the County Sales Tax collections are projected to be less than the amounts budgeted. Therefore, we think it is important that the 2015 General Fund revenue budgets be level funded, based on the projected collections for 2014. Ad Valorem Tax and Lodging Tax were increased slightly due to known additions on the horizon in 2015.
3. The 2015 budget includes a \$1 adjustment on garbage rates in October of 2014, to be followed by another 65 cents the next year.

4. The Water and Sewer Fund's transfer to the General Fund for services provided is slightly higher in 2015 due to two additional departments being taken into account for the first time: the City Council and the TDOT-Fleet Maintenance division.
5. On the expenditure side, the employee cost of living raise of 1.6 percent and step raises (one step only) are included.
6. The only additional employee included is a second Internal Auditor who will concentrate on water and sewer issues. The Internal Auditor is budgeted in the Mayor/Clerk department, with the Water and Sewer Fund reimbursing the full cost.
7. Health insurance premiums remained unchanged, due to 2014 being a very good year following the conversion to tier rates.
8. City funded agencies were level funded.
9. All of the quarterly jail expenditures will be paid out of the Corrections Fund in 2015.
10. Very little equipment was included in the 2015 General Fund budget. We are utilizing refunding savings on the 2006 and 2007 issues and expected savings on the upcoming 2005 refunding to establish two new permanent funds. The Public Safety Capital Fund and the Public Works Capital Fund will utilize refunding savings to catch up on equipment purchases and make capital improvements.
11. As part of the 2015 budget process, we met with every department head to discuss "take home" vehicles. We reviewed the mileage driven to and from work each day, as well as the number of times each person was called out during the past twelve months. In some departments, we estimate that the cost of driving vehicles to and from work accounts for over 25 percent of the Auto Fuel budgets. We are currently developing an updated policy.
12. The 2015 budget includes a three percent increase in water and sewer rates, which would be the lowest percentage increase in recent years.

I would like to thank the City's department heads for their assistance in this year's budget process. I would also like to thank the Finance Department staff, the Internal Auditor and the Revenue Director for their contributions to my annual recommendation.

Mayor's Recommendation FY 2015 Operating Budgets



General Fund
Water and Sewer Fund



Philosophy

- The Budget will be the City's blueprint to improve the quality of life for all citizens
- The Budget will provide the mechanism to achieve the **Core Values** of our administration
- The Budget will be conservative to ensure healthy reserves and sound financial practices



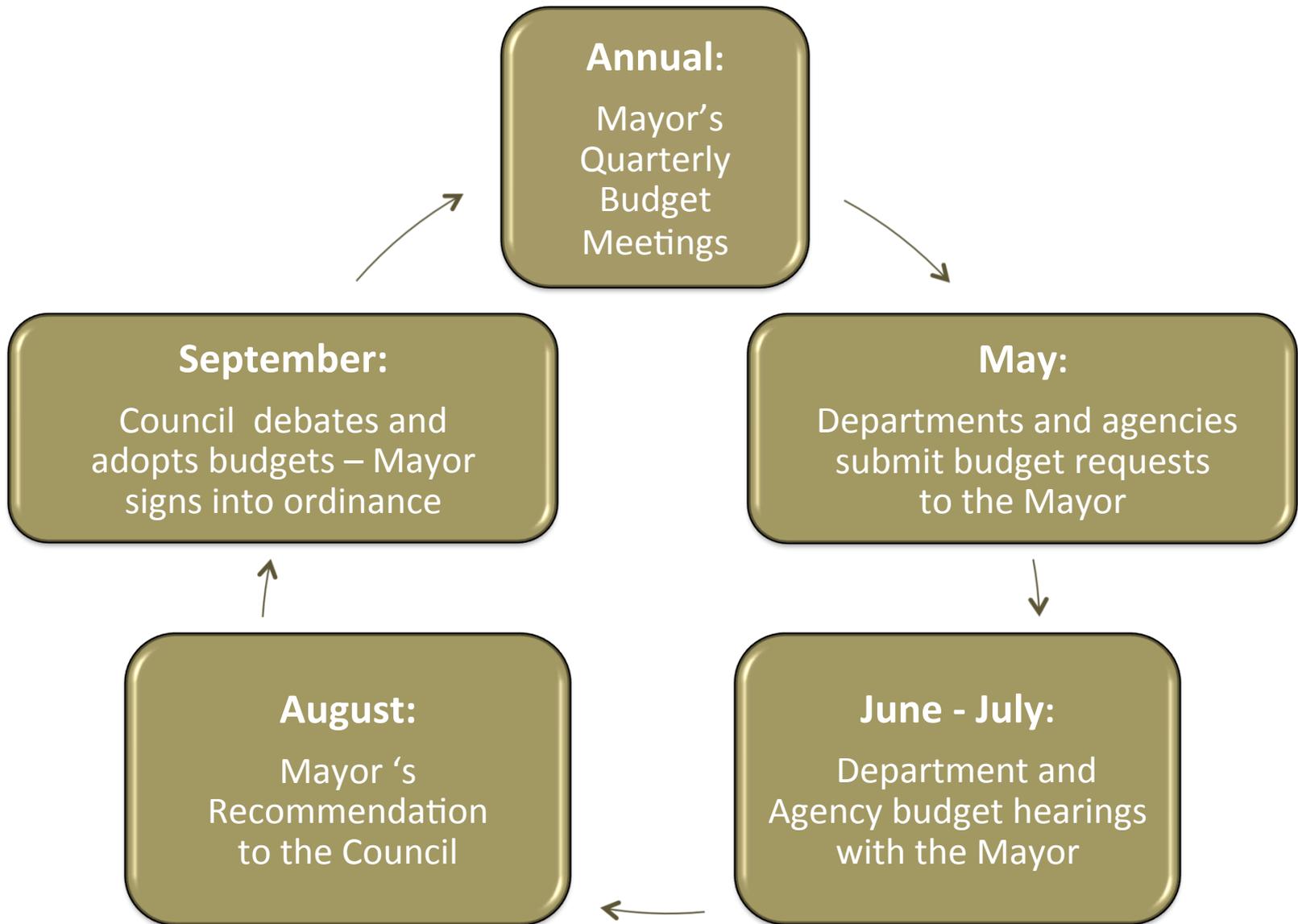
Major Challenges

- City Sales Tax collections are marginally above prior year, and below Fiscal Year (FY) 2014 budgeted projections
- County Sales Tax collections are below prior year and FY 2014 budgeted projections
- Incorporating the costs of the Affordable Care Act (ACA)
- Replacing equipment and upgrading technology needs



Budget Basics

Operating Budget Calendar



Primary Budgets

General Fund

- Operating Budget (GF)
- ↓
- Reserve Fund for Future Improvement (GF RFFI)

Water and Sewer

- Operating Budget (WS)
- ↓
- Reserve Fund for Future Improvement (WS RFFI)

Special Revenue and Project Budgets



CDBG / Home



**CDBG
DR 1 and DR 2**



**Amphitheater
Clearing Account**



**Alabama Trust
Fund**



Gasoline Tax



**Insurance
Proceeds**



Grants



Bond Proceeds



Primary Budgets

Operating Budgets (2015 Recommendation):

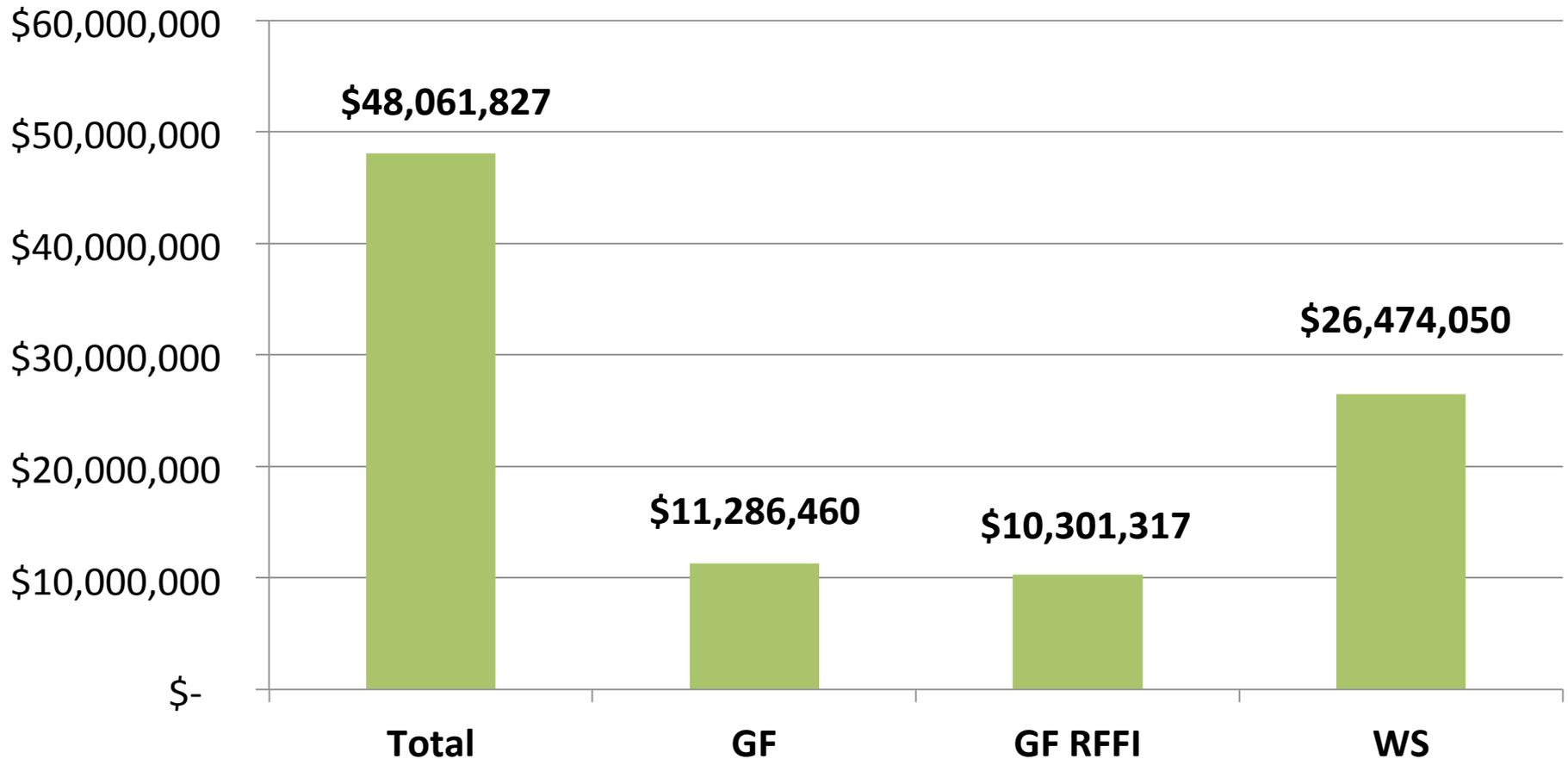
General Fund (GF)	\$ 132,063,208
Water and Sewer Fund (WS)	\$ 47,384,869

Capital/Infrastructure Budgets (8/19/14):

General Fund Reserve Fund for Future Improvements (GF RFFI) (excludes bond proceeds)	\$ 29,410,424
Water and Sewer Reserve Fund for Future Improvements (WS RFFI) (excludes SRF/DWSRF, and bond proceeds)	\$ 23,439,247



Undesignated Reserves for Primary Budgets



Reserves estimates are based on the FY 2013 annual audit.



General Fund Operating Budget

General Fund Budget History

\$132,063,208

\$132,241,308

\$128,310,646

\$129,828,110

\$112,124,694

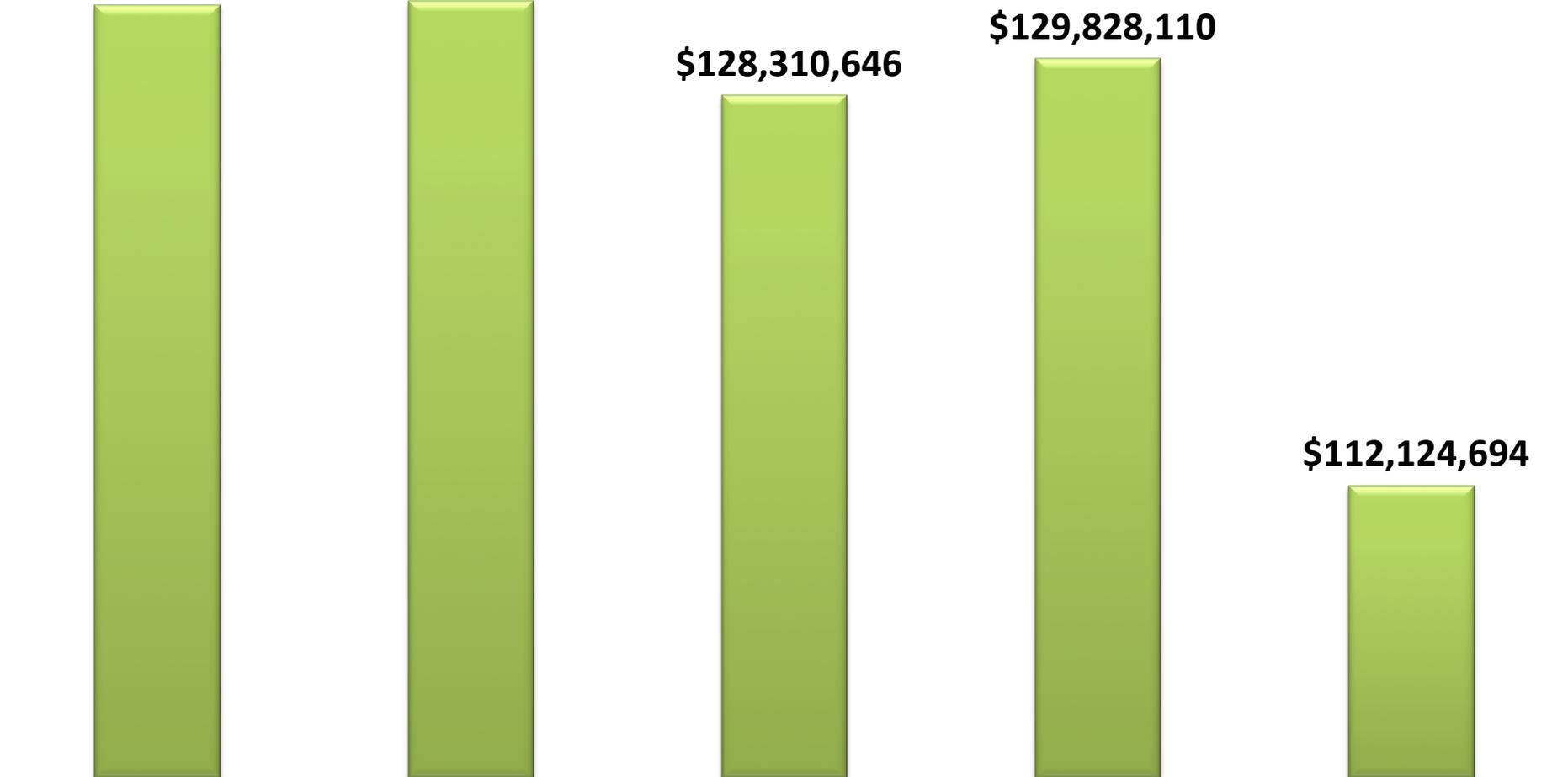
2015

2014

2013

2012

2011



General Fund Major Revenues

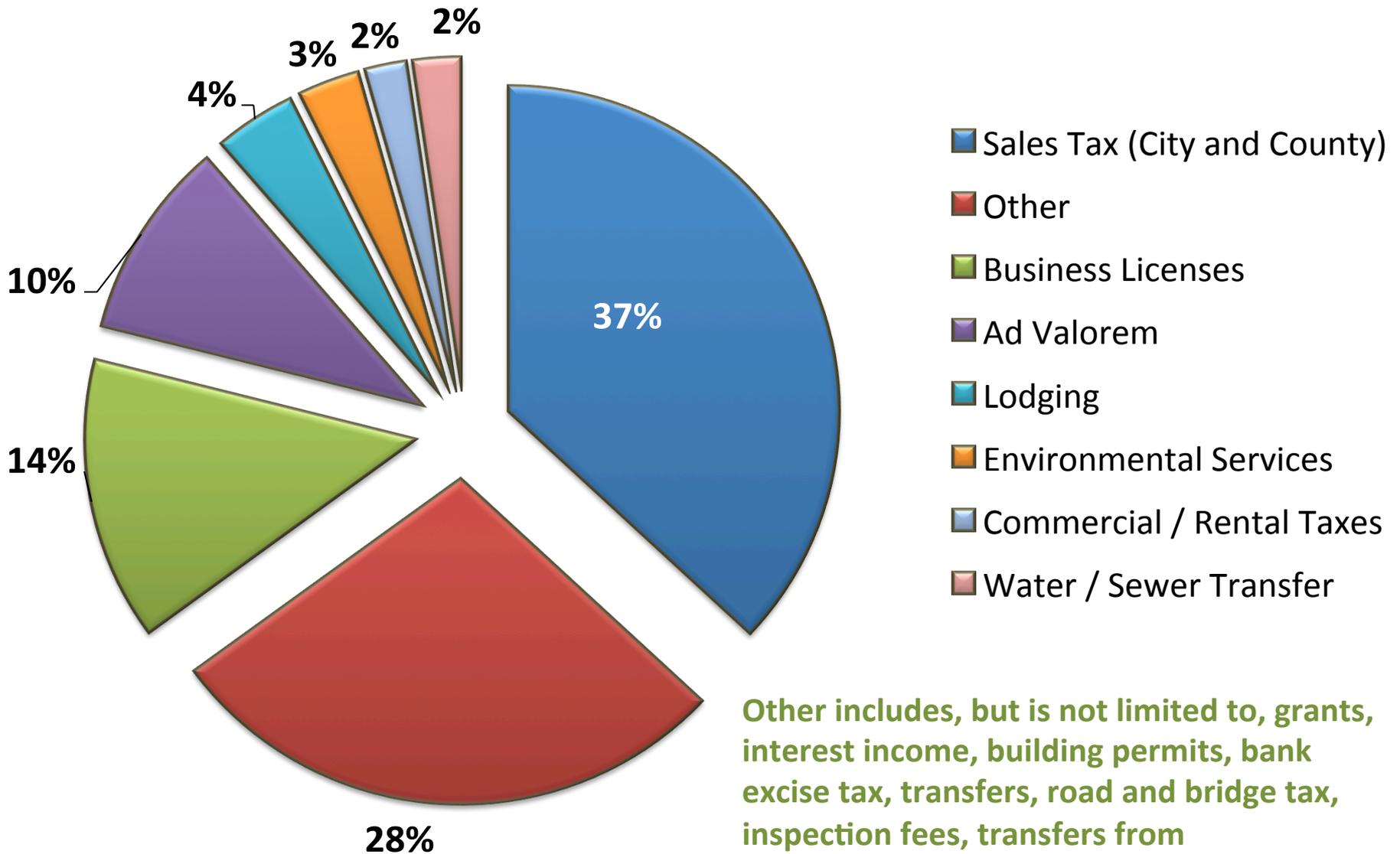
Revenues	FY 2015	FY 2014	Increase or Decrease	% Change
¹ Taxes	\$62,507,500	\$61,495,000	\$1,012,500	1.6%
Licenses And Permits	\$22,117,000	\$21,836,500	\$280,500	1.3%
Fines And Penalties	\$1,574,000	\$1,551,500	\$22,500	1.5%
Use Of Property	\$5,500	\$6,000	-\$500	-8.3%
Charges For Services	\$5,000,000	\$4,530,000	\$470,000	10.4%
² Intergovernmental Revenues	\$26,924,106	\$28,095,877	-\$1,171,711	-4.2%
³ Other Operating	\$4,082,700	\$3,682,355	\$400,345	10.9%
Inter-fund Transfers	\$8,322,402	\$7,566,265	\$756,137	9.9%
Cost Reimburse	\$1,530,000	\$1,800,000	-\$270,000	-15.0%
Total	\$132,063,208	\$130,563,497	\$1,499,711	1.1%

¹ Excludes the City's share of the County-wide sales tax

² Includes the City's share of the County-wide sales tax

³ Includes the first time budgeting of the City Schools' share of the County-wide sales tax (pass-through)

General Fund Revenue Sources



Other includes, but is not limited to, grants, interest income, building permits, bank excise tax, transfers, road and bridge tax, inspection fees, transfers from Amphitheater Funds, & cost reimburse.

Major Discretionary Revenues

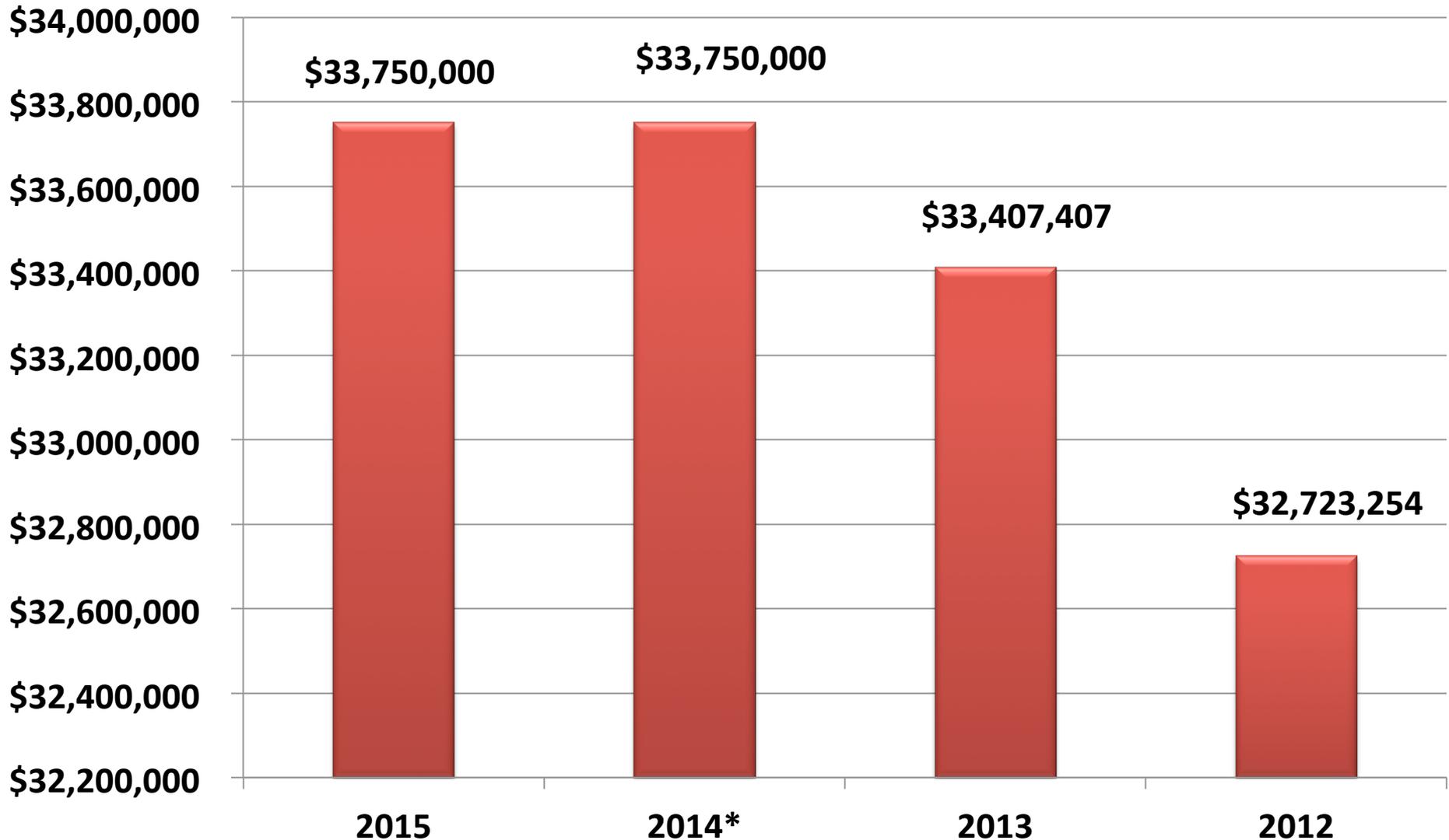
Discretionary Taxes	FY 2015 Proposed	FY 2014 Budgeted	Difference
City Sales Taxes	\$ 33,750,000	\$ 34,225,000	\$ (475,000)
Business Licenses	\$ 18,800,000	\$ 18,800,000	\$ -
County Sales Taxes	\$ 13,200,000	\$ 14,000,000	\$ (800,000)
Ad Valorem Tax	\$ 12,850,000	\$ 12,520,000	\$ 330,000
Water/Sewer Transfer	\$ 3,258,401	\$ 2,801,968	\$ 456,433
Rental License Tax	\$ 2,600,000	\$ 2,550,000	\$ 50,000
Use Tax	\$ 2,770,000	\$ 2,400,000	\$ 370,000
Ad Valorem Tax (Vehicle)	\$ 1,400,000	\$ 1,400,000	\$ -
Total	\$ 88,628,401	\$ 88,696,968	\$ (68,567)



“Belief and seeing are often both wrong”

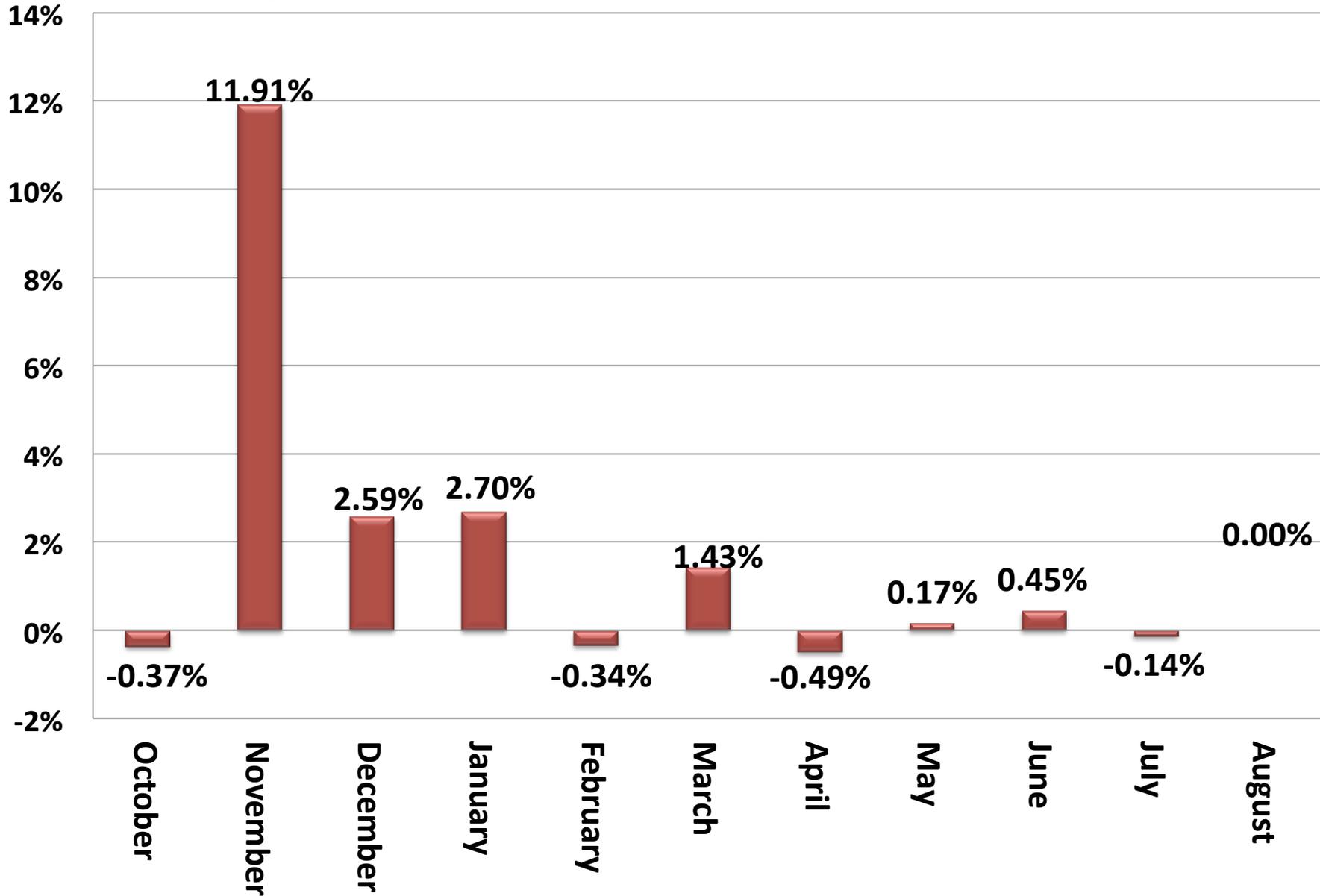
Robert McNamara

Projecting City Sales Tax

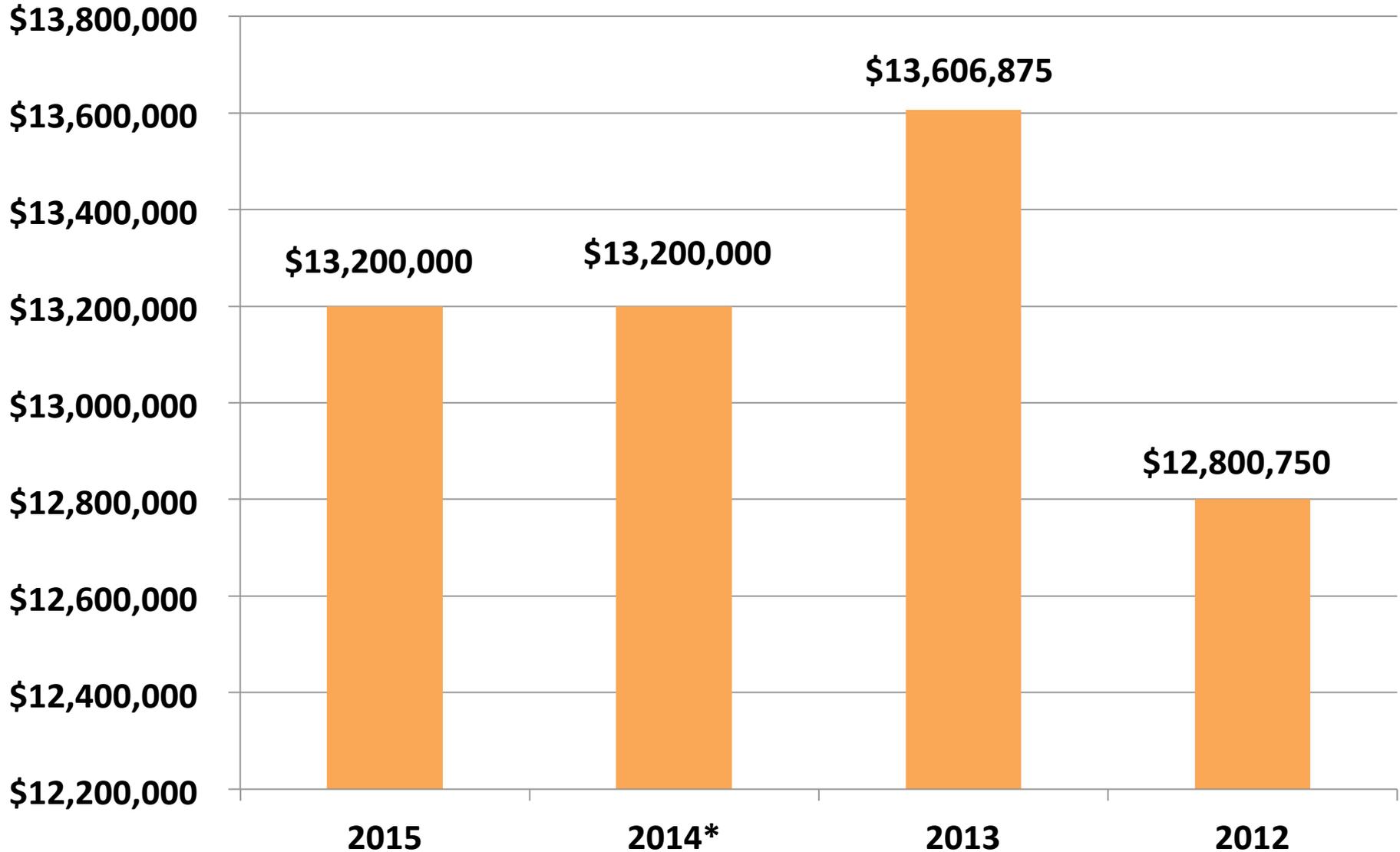


*The Revenue Department projects actual collections to be \$33,750,000.
FY 2015 is projected to be level with FY 2014 collections.

City Sales Tax: Prior Year

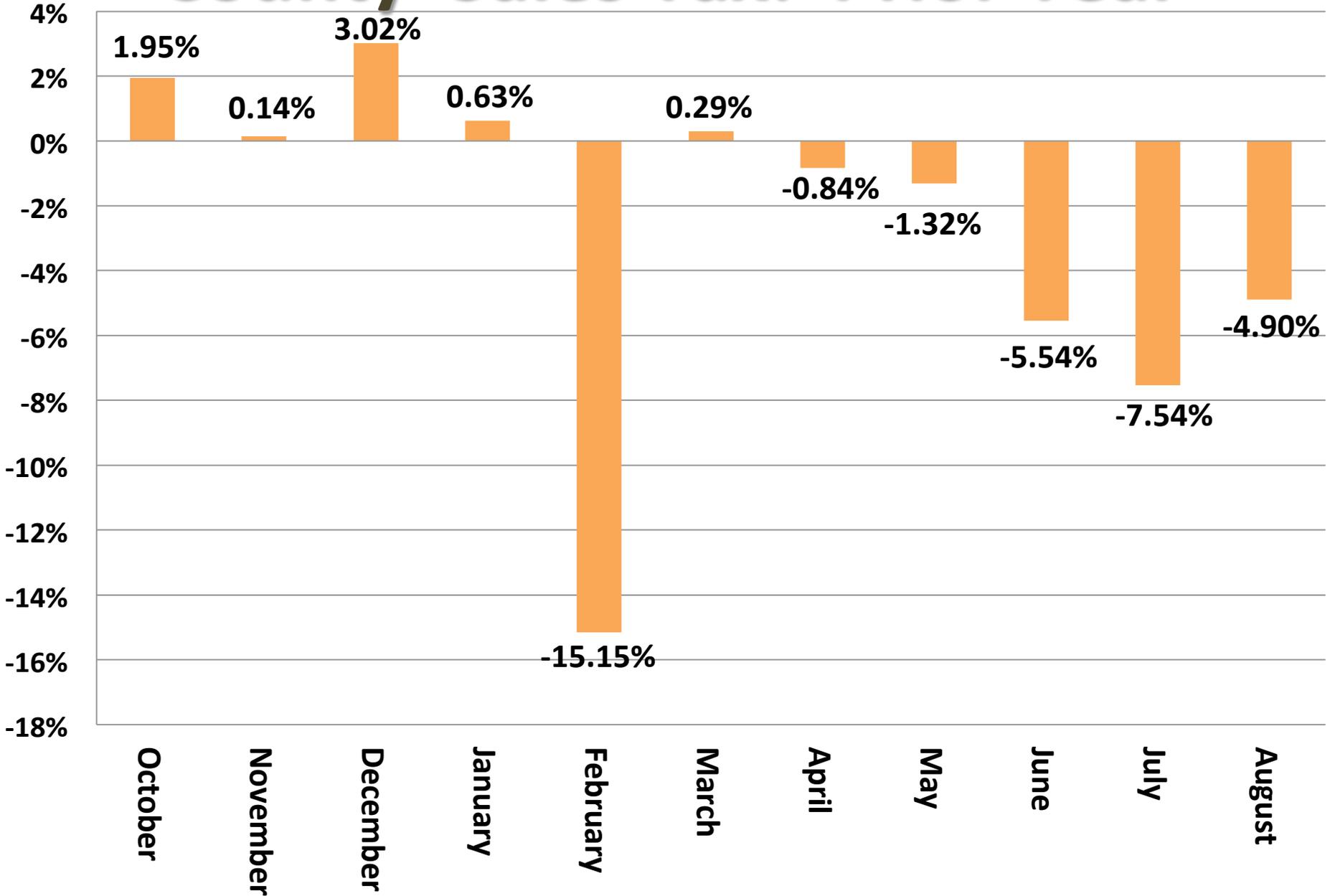


Projecting County Sales Tax

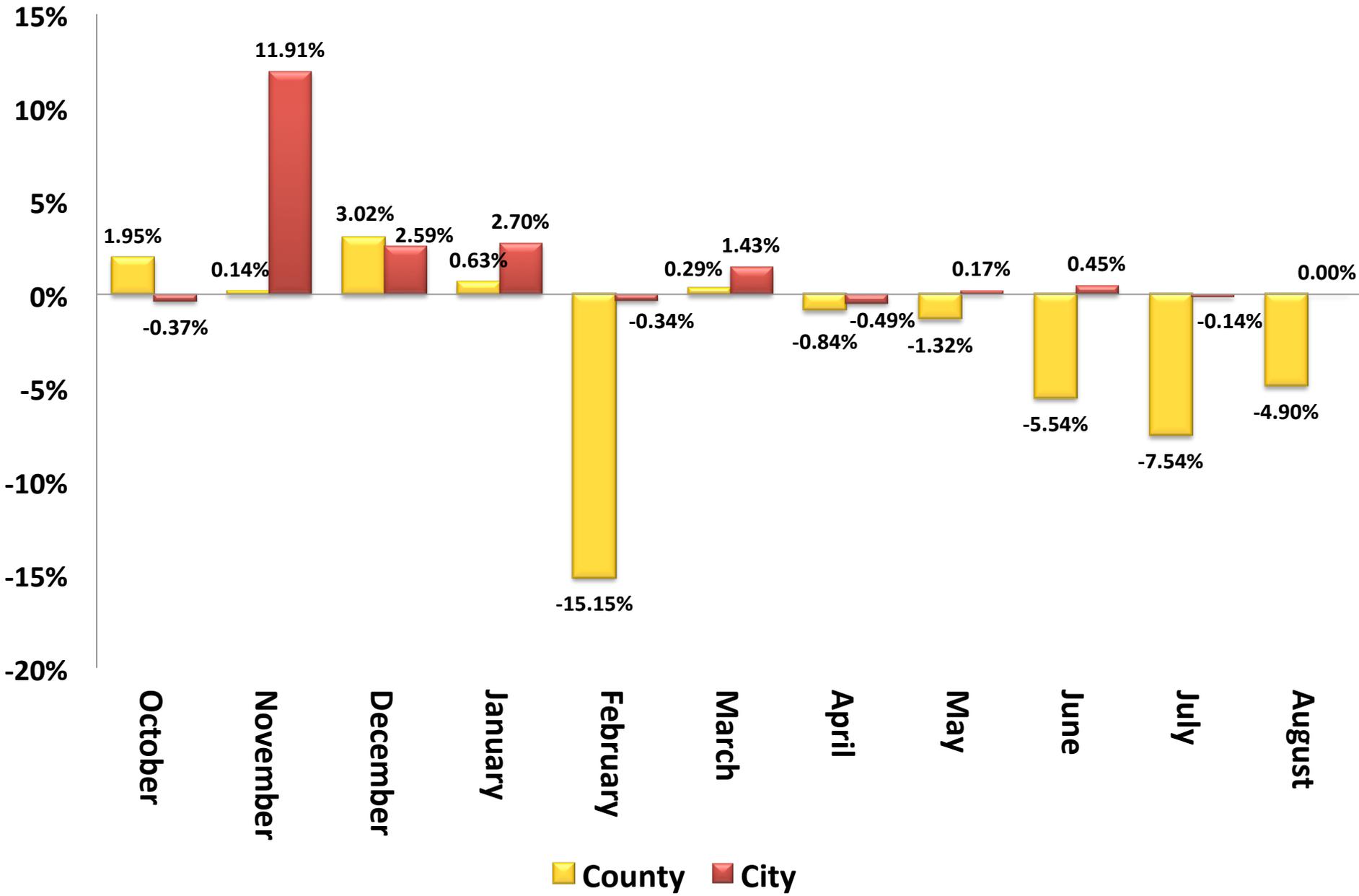


*The Revenue Department projects actual collections to be \$13,200,000.
FY 2015 is projected to be level with FY 2014 collections.

County Sales Tax: Prior Year



City / County Comparison



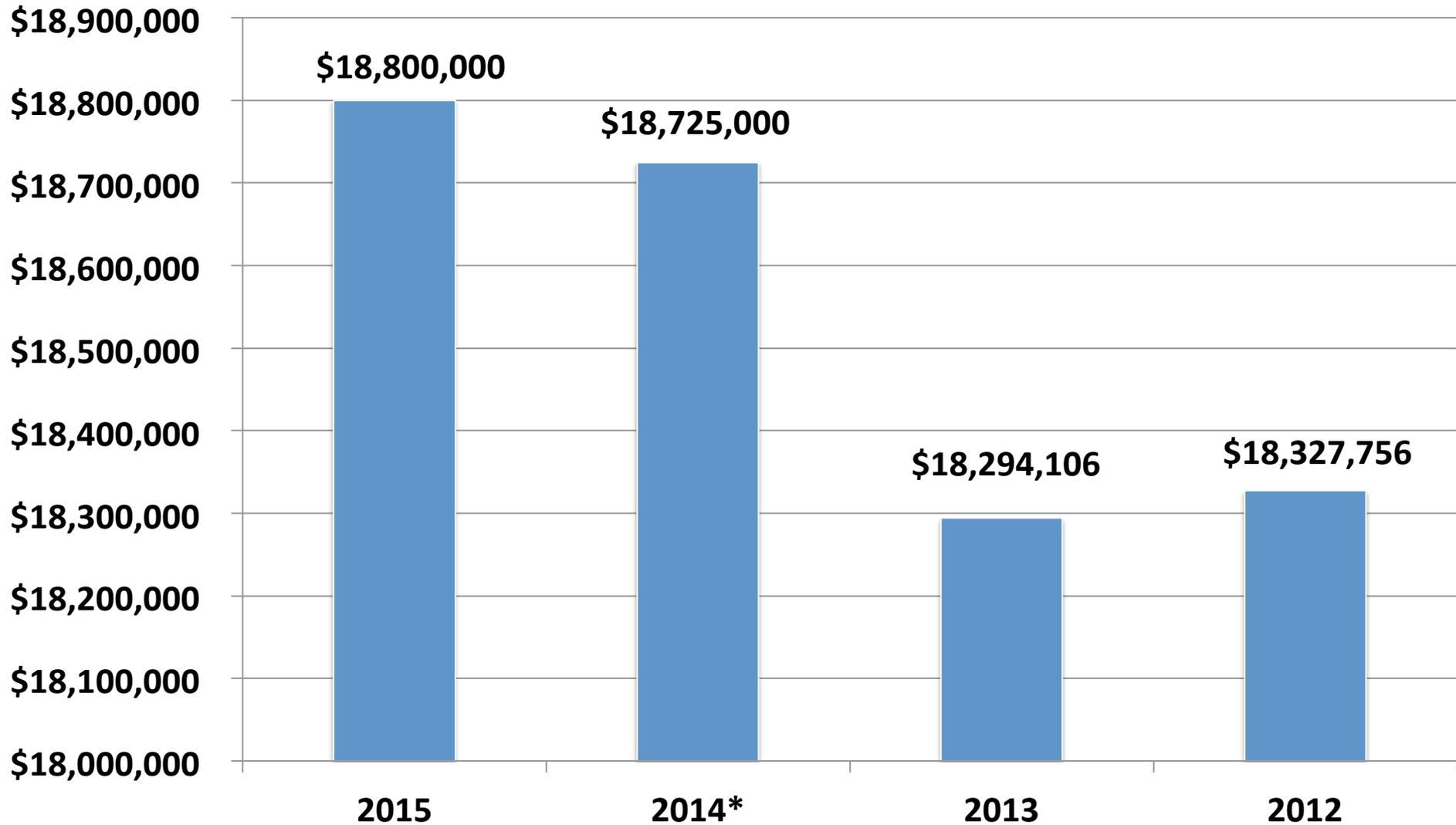
City	Population	City Rate	Combined Rate
Mobile	194,822	5.00%	10.00%
Huntsville	183,739	4.50%	9.00%
Birmingham	212,038	4.00%	10.00%
Dothan	67,382	4.00%	9.00%
Auburn	56,908	4.00%	9.00%
Decatur	55,996	4.00%	9.00%
Gadsden	36,674	4.00%	9.00%
Opelika	27,825	4.00%	9.00%
Bessemer	27,289	4.00%	10.00%
Phenix City	36,185	3.75%	9.00%
Montgomery	205,293	3.50%	10.00%
Madison	44,972	3.50%	9.00%
Florence	39,447	3.50%	9.00%
Prattville	34,873	3.50%	10.00%
Enterprise	27,789	3.50%	9.00%
Hoover	83,412	3.00%	9.00%
Vestavia Hills	34,090	3.00%	9.00%
Alabaster	30,991	3.00%	9.00%
Homewood	25,262	3.00%	9.00%
Tuscaloosa	95,334	2.00%	9.00%

City Sales Taxes

- Represents nearly 25 percent of GF revenues and nearly 40 percent of discretionary revenues
- If you include the City's share of the County-wide tax, then the City's rate is 2.25 percent – The 19 other cities exclude either their county-wide sales taxes or occupational taxes

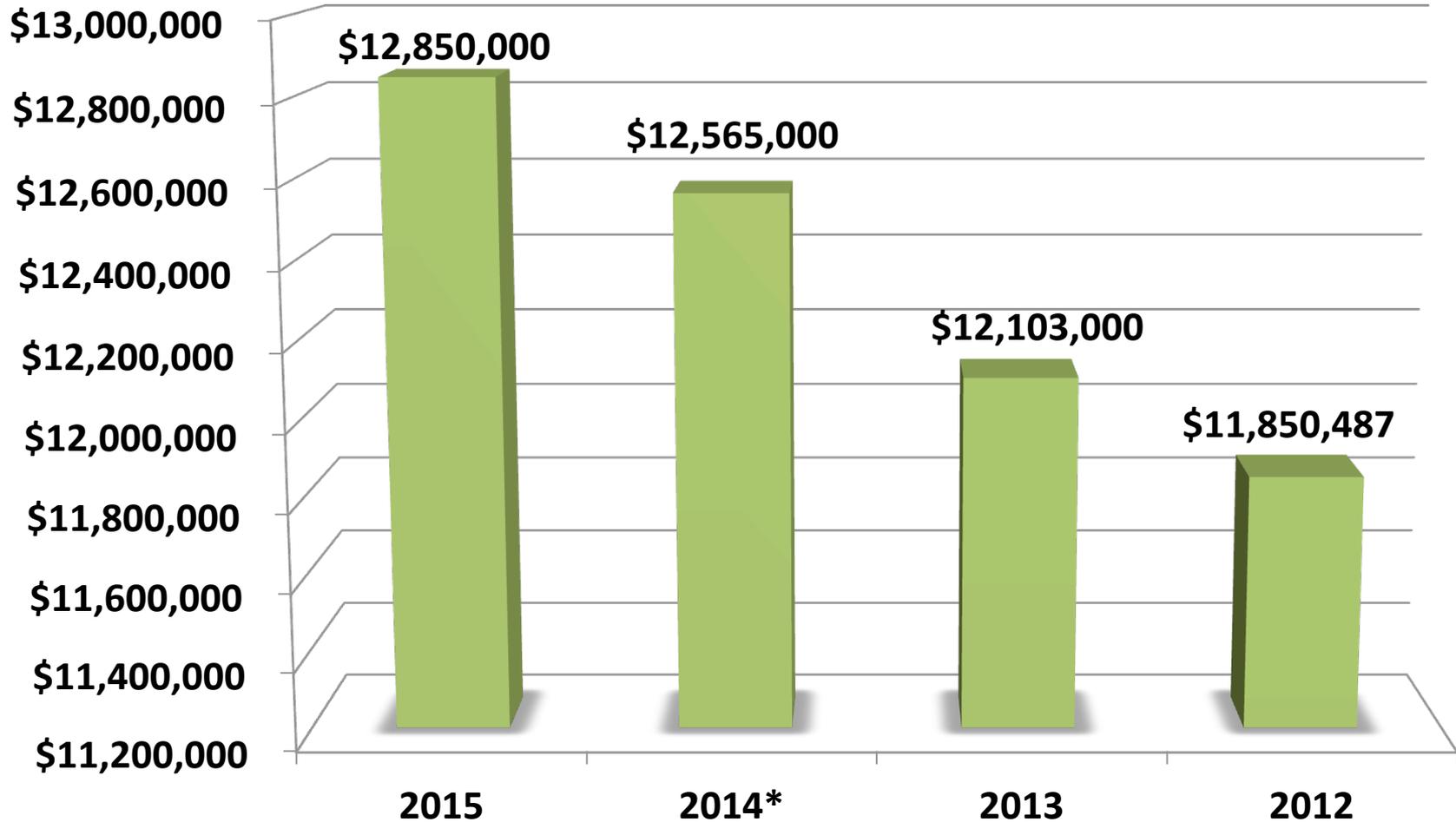
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Alabaster	30,991	3.00%	9.00%
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Tuscaloosa*	95,334	2.00%	9.00%

Projecting Business Licenses



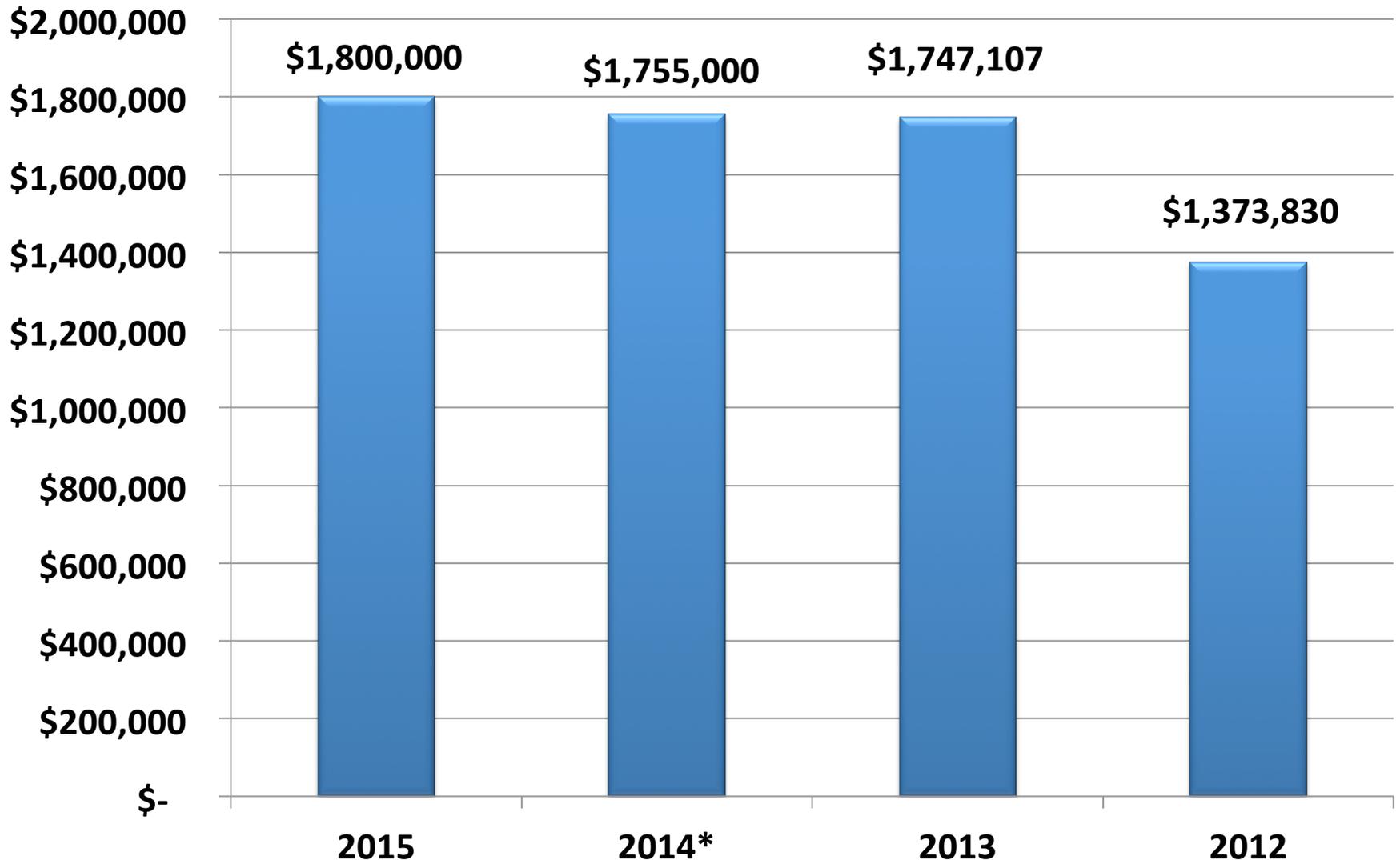
*The Revenue Department projects actual collections to be \$18,725,000.
FY 2015 is 0.4% above FY 2014 projected collections.

Projecting Ad Valorem



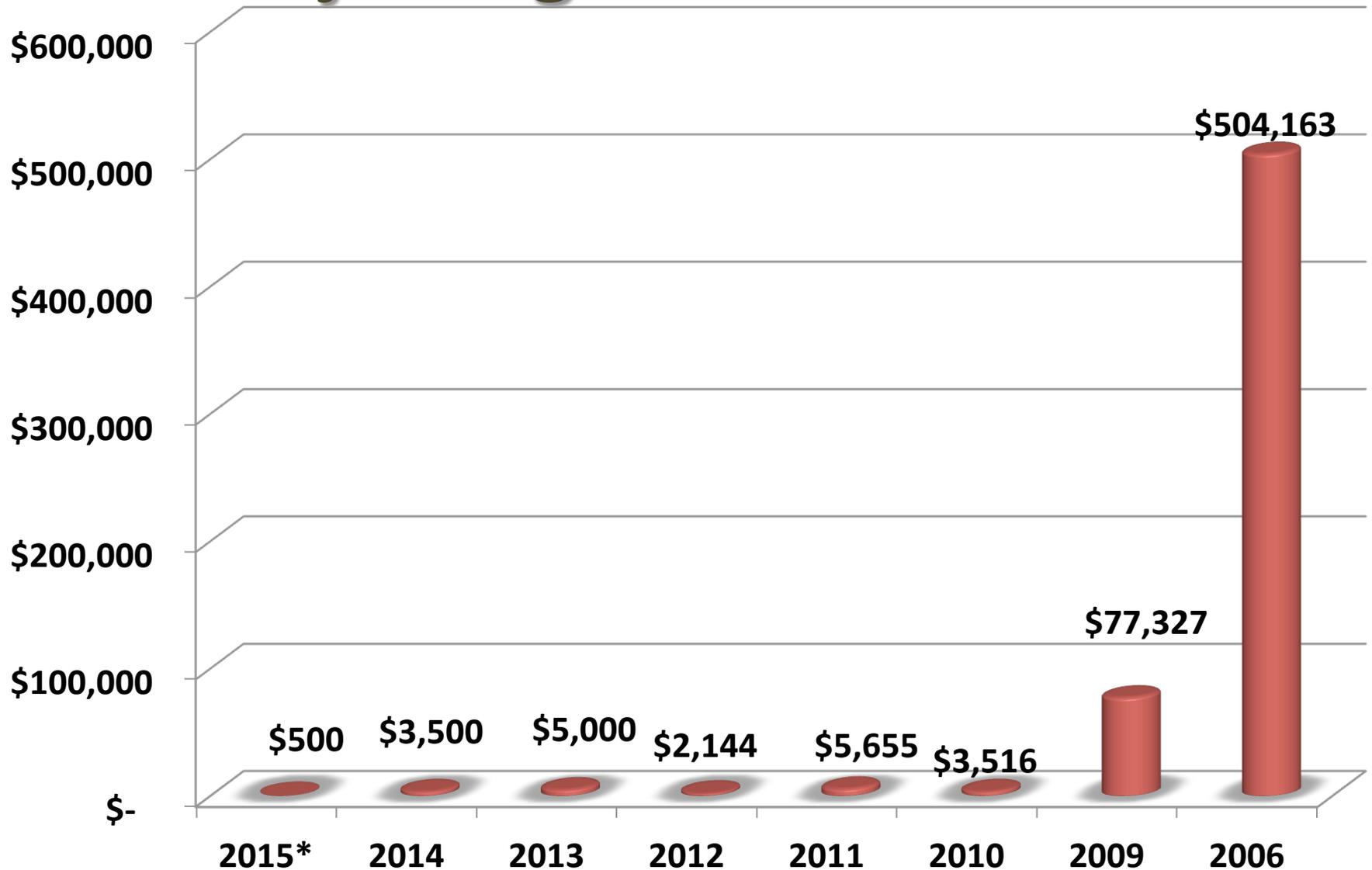
*The Revenue Department projects actual collections to be \$12,565,000.
FY 2015 is 2.3% above FY 2014 projected collections.

Projecting Building Permits



*The Revenue Department projects actual collections to be \$1,565,000.
FY 2015 is 2.6% above FY 2014 projected collections.

Projecting Interest Income



*The Revenue Department projects actual collections to be \$500.

GF Department Expenditures

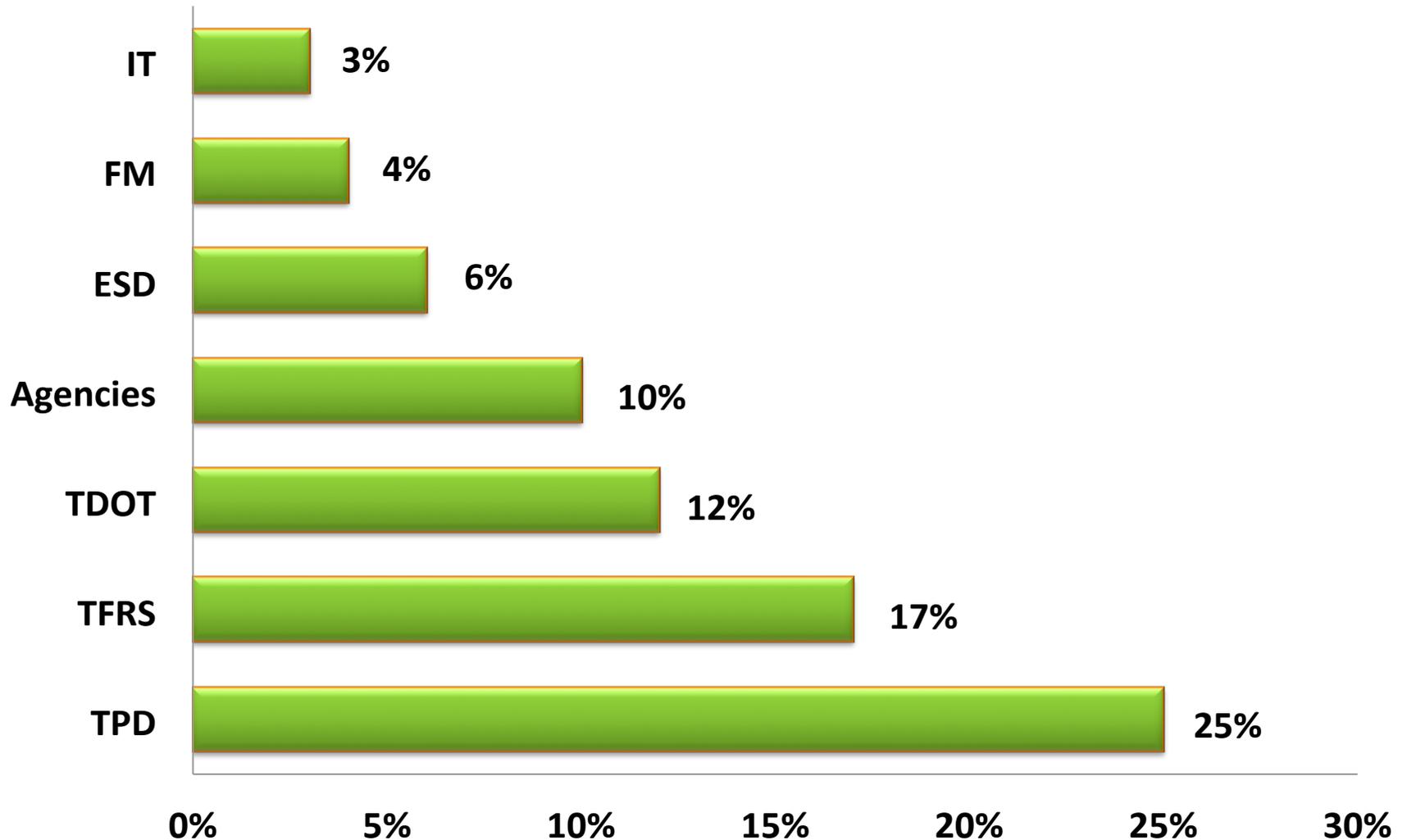
Police	29,452,500
Fire & Rescue	20,723,135
TDOT	14,123,890
Agencies	12,250,470
Environmental Services	6,943,176
Facility Maintenance	4,765,734
Information Technology	3,757,652
Finance and Purchasing ³	2,434,463
Planning and Developmental Services	2,190,245
Human Resources ¹	1,940,530
City Attorney ²	1,629,981
Arts and Entertainment	1,482,777
City Engineer	1,466,803
Mayor/Clerk/311/Communications	1,422,437
Revenue	1,065,901
Recovery	1,051,956
Municipal Court	1,005,530
Federal Programs	620,359
Economic Development	411,702
Emergency Management	337,921
Council	313,886

¹ Includes Workers' Compensation Fund

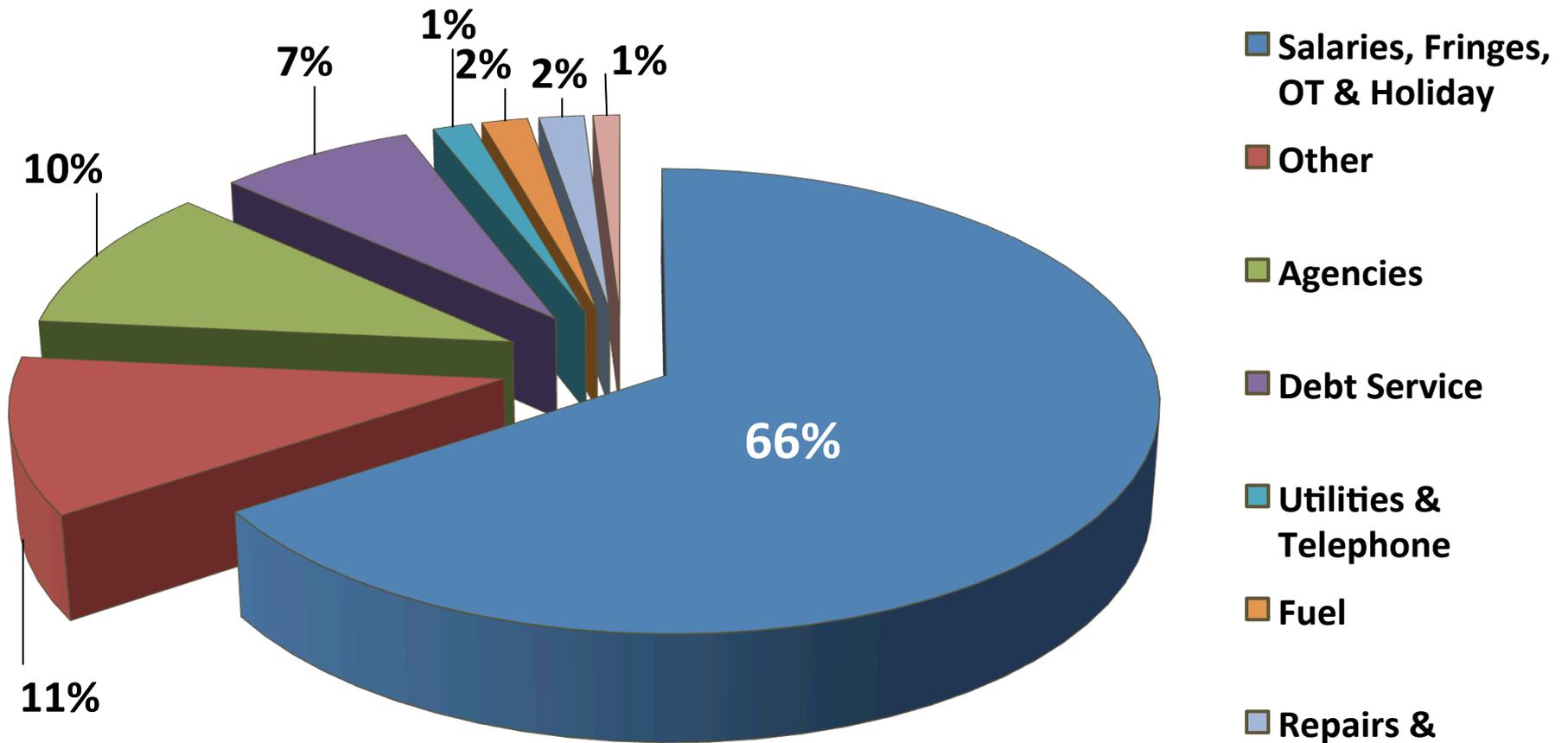
³ Includes City Liability and Property Insurance

² Includes Damage Claims Fund

GF Major Department Expenditures



General Fund Expenditures



Other expenses include, but not limited to, contingency, property insurance, auditing, etc. (excludes school transfers)

For FY 2015, \$78,644,877 is allocated towards salaries, fringes, holiday and overtime.



Invest in Our People



Tuscaloosa **311**.com

Make One Call to City Hall

Review: Cost of Living Adjustments (COLA) and Step Increases

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
COLA	2.5%	3.6%	3.4%	2.9%	4.0%	0.0%	1.7%	3.4%	2.1%
Exempt/Public Safety Step Raise	3.0%	3.0%	3.0%				3.0%		
Non-Exempt Step Raise	1.5%	1.5%	1.5%				1.5%		
Total: Exempt/ PS	5.5%	6.6%	6.4%	2.9%	4.0%	0.0%	4.7%	3.4%	2.1%
Total: Non-Exempt	4.0%	5.1%	4.9%	2.9%	4.0%	0.0%	3.2%	3.4%	2.1%

*FY 2011 contained a negative COLA based on the consumer price index – southeastern region

Ten Year Salary Review

	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	% Change 2004 to 2014
Police Officer	\$28,501	\$35,041	\$35,917	\$37,210	\$38,475	\$39,591	\$41,175	\$41,175	\$41,875	\$43,299	\$44,208	55.11%
Firefighter	\$26,673	\$35,041	\$35,917	\$37,210	\$38,475	\$39,591	\$41,175	\$41,175	\$41,875	\$43,299	\$44,208	65.74%
Crew Worker	\$17,533	\$22,867	\$23,438	\$24,282	\$25,108	\$25,836	\$26,869	\$26,869	\$27,326	\$28,255	\$28,849	64.54%
ESD	\$16,619	\$21,852	\$22,398	\$23,205	\$23,994	\$24,689	\$25,677	\$25,677	\$26,113	\$27,001	\$27,568	65.88%



Salary/Benefits Recommendations

- COLA – 1.6 Percent
- Step Increase – 1.5 Percent
- Absorb Health Insurance Increases
- Absorb Affordable Care Act Taxes





Salary/Benefit Costs

	General Fund	Water/Sewer	Total
COLA	\$ 1,418,088	\$ 215,156	\$ 1,633,244
Step Increase	\$ 823,359	\$ 124,790	\$ 1,294,431
Total	\$ 2,241,447	\$ 339,946	\$ 2,581,393

ACA Excise Tax	\$ 7,000.00
ACA Reinsurance Support Tax	\$ 200,000.00
Total	\$ 207,000.00

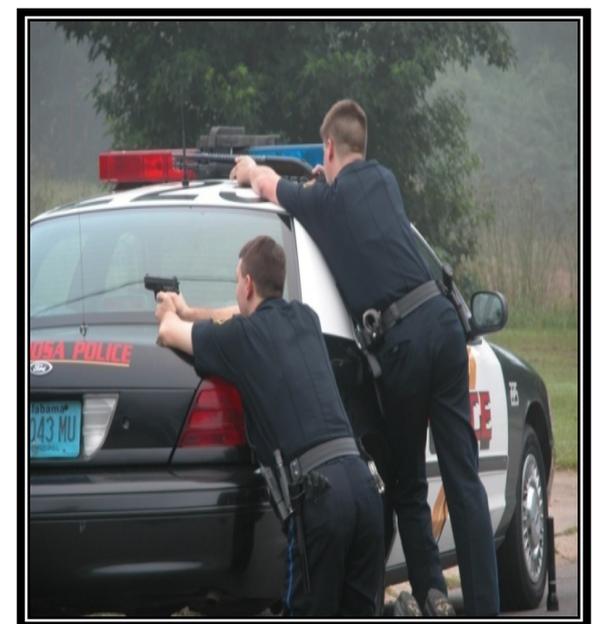
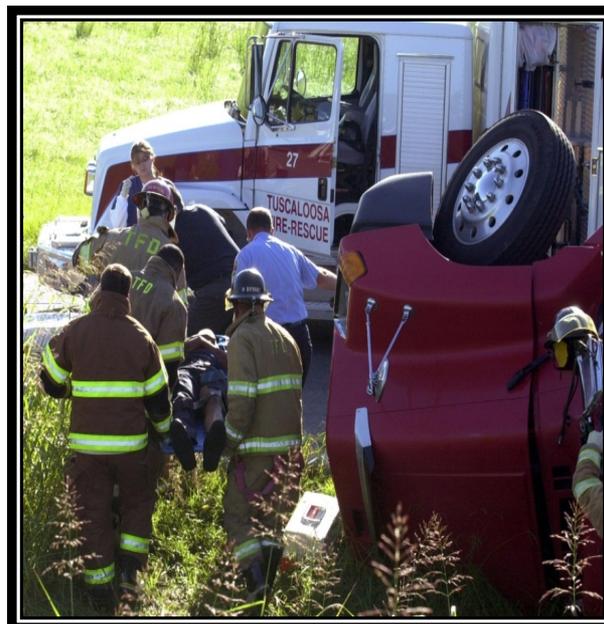
COLA cost estimates include overtime and retirement costs

Policy Amendments

- Authorize conversion of accrued SAIL to retirement service credit for Retirement System of Alabama Tier One employees (enrolled prior to January 1, 2013)
- Authorize the application of SAIL to direct family members under certain circumstances
- Amend the City's Take Home Vehicle Policy to reduce fuel costs, auto maintenance and depreciation

Future Projects for Employees being explored for FY 2016

- Modernize specialty pay within TPD and TFRS
- Create a promotional system within Environmental Services Department



Employee FAQs

Q: Why hasn't the City granted a pay increase in several years?

A: **The City has included a COLA in eight of the past nine budgets which totaled 23.6 percent. In the last 8 FY's, a step increase was authorized in FY 06, FY 07, FY 08 and FY 12.**

Q: Why is the City using revenues on building the City Walk, upgrading parks, remodeling the Council Chambers or operating the Amphitheater and not investing in employees?

A: **The vast majority of capital projects and event operations are performed with special revenue funds, dedicated tax sources or through program income. Some recent examples are Alabama Trust Fund, Lodging Tax, CDBG DR, ticket sales.**

Employee FAQs

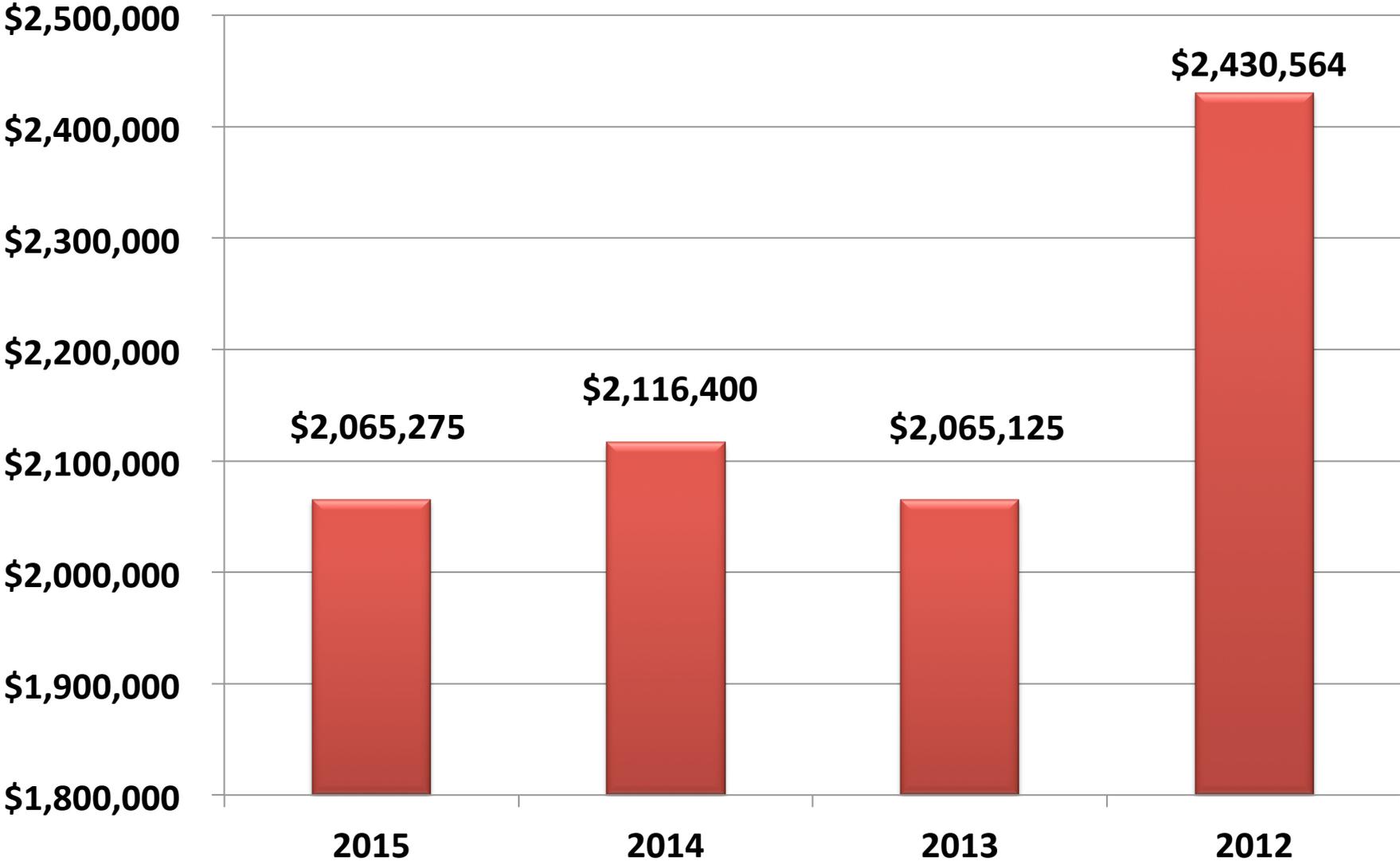
Q: Where does the Council invest its discretionary funding?

A. **Over 80 percent of discretionary revenues go into salary, insurance and retirement benefits**

Q. Why have vehicle purchases and technology upgrades slowed in the past few years?

A. **With slowing tax revenues, coupled with the financial impact of the tornado, the City has placed the majority of its discretionary revenues on continuing COLAs to keep the Pay Plan current**

General Fund Fuel Costs



The FY 2015 budget reflects \$3.00 per gallon for unleaded and \$3.25 per gallon for diesel, which is the same amount budgeted per gallon in FY 2014.



GF Budget Highlights

- Provides prior year collections for Sales Taxes and several major discretionary revenue sources
- Provides agencies level funding (i.e. FY 2013 levels)
- Provides \$8,870,139 for debt service which is only 6.7% of budget, giving Tuscaloosa one of the lowest per capita debt ratios in Alabama
- Provides a contingency budget of \$301,780.



One-Time Revenue Sources

- Common types of one-time revenues are bond proceeds, insurance proceeds, and sale of property
- One-time revenue sources are to be used for non-recurring expenses in the GF Operating Budget
- The sale of “old” Fire Station One and the airport industrial promotional building are potential revenue sources, but are NOT included

2006/2007 Warrant Proceeds

Airport Improvements	\$ 351,000	Transfer to Airport Improvement Account
TFRS Equipment Grant	\$ 250,000	Transfer to PS Capital Fund
TDOT Equipment/Vehicle	\$ 366,250	Transfer to PW Capital Fund
Environmental Services	\$ 255,000	Transfer to PW Capital Fund
TFRS Equipment Debt	\$ 128,000	
Chillers	\$ 24,750	Transfer to FM Implementation (RFFI)
Total	\$ 1,375,000	

2005 Warrant Issue

Chillers	\$ 200,000	Transfer to FM Implementation (RFFI)
TFRS Rescue Truck	\$ 245,000	Transfer to PS Capital Fund
TPD Patrol/Investigator Vehicles	\$ 555,000	Transfer to PS Capital Fund
Total	\$ 1,000,000	

2005 Warrant Issue will likely go to the market in October/ November 2014. Present Value Savings have been projected from \$900,000 - \$1,300,000

Recovery Insurance Proceeds

In-Car Video (TPD)	\$ 45,000	Transfer to PS Capital Fund
PDS Vehicles (2)	\$ 40,000	Transfer to PW Capital Fund
OCE Vehicle	\$ 20,000	Transfer to PW Capital Fund
Total	\$ 105,000	

Radio Dispatch Console Upgrade

- One of three major components of the City's public safety radio system
- Support for the system ends January 2017
- Procurement process can last as long as a year



Radio Dispatch Console Upgrade

Projected Cost: \$756,172.00

Motorola lease to purchase terms were offered as follows:

- Two year deferred payment (FY 17)
- 5 year term (FY 17 – FY 22)
- Annual debt service payments: \$160,274.44
- Total Interest: \$45,200.20
- No Penalty for pre-payment of debt service





Tuscaloosa Amphitheater

The Amphitheater Operations are projected to be funded by the Amphitheater Clearing Account (sponsorships, box seating, concessions, merchandise and ticket sales)



Amphitheater / River Market Task Force Report

Mayor's Recommendation to the Tuscaloosa City Council



July 2008

Funding

(based on 2 percent lodging tax)

	3% Growth	4% Growth
FY 2010	\$ 824,000	\$ 832,000
FY 2015	\$ 955,242	\$ 1,012,255
FY 2020	\$ 1,107,387	\$ 1,231,563
FY 2025	\$ 1,283,765	\$ 1,498,385
FY 2030	\$ 1,488,236	\$ 1,823,014
FY 2035	\$ 1,725,273	\$ 2,217,976
FY 2039	\$ 1,941,810	\$ 2,594,718

FY 15: \$1,084,533

For the past ten years, the lodging tax has averaged 6.74 percent in annual growth

Economy is Trending Upward



EMBASSY SUITES
HOTELS®



Mercedes-Benz

Economy is Trending Upward

07/28/14



Major Community Events





Water and Sewer Operating Fund

W&S Fund Budget History

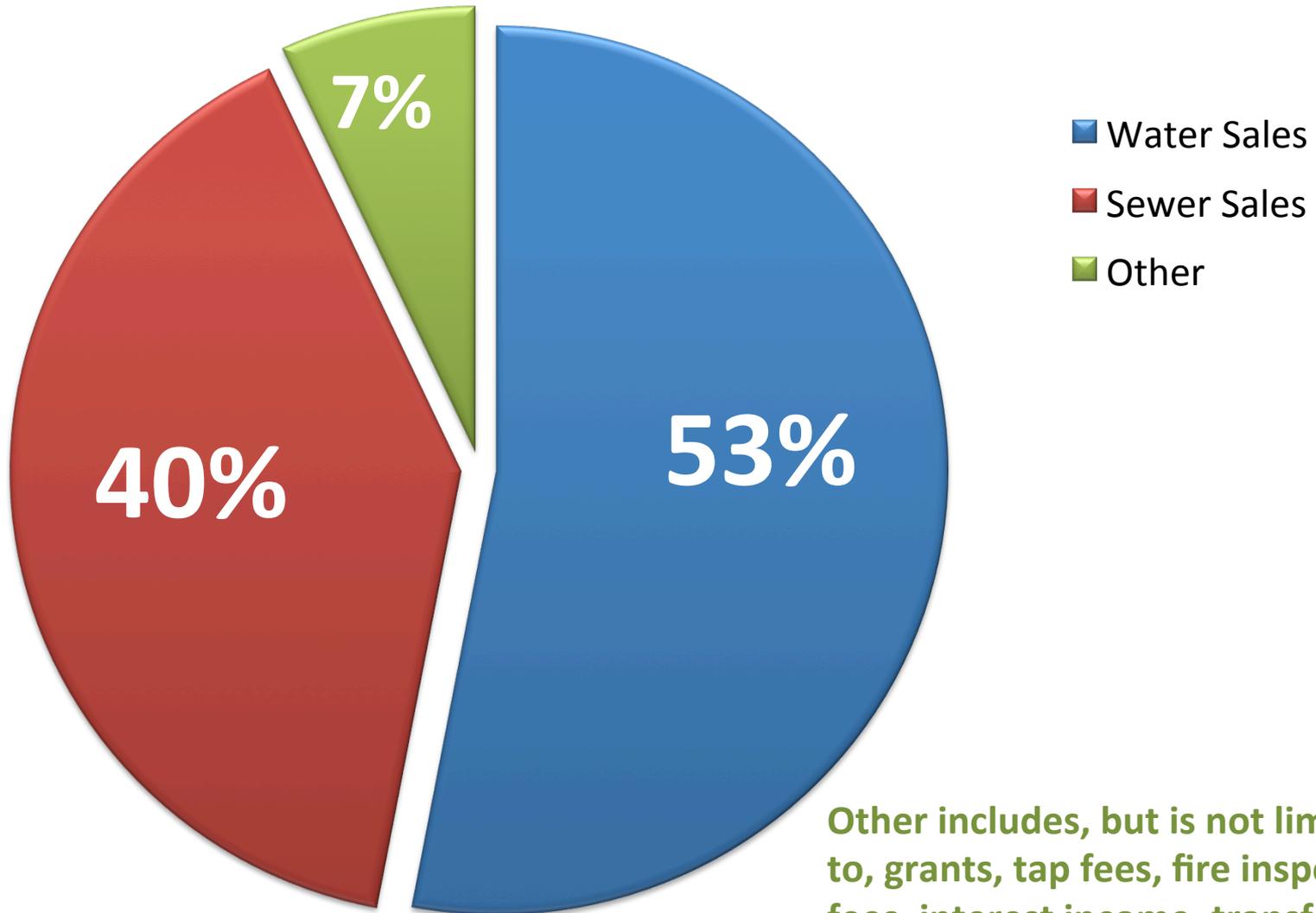
Fiscal Year	Revenues	Expenses
FY 2015 ¹	\$44,490,855	\$47,384,869
FY 2014	\$41,774,826	\$45,610,511
FY 2013	\$41,066,667	\$44,550,301
FY 2012	\$39,013,759	\$42,047,269

¹Without depreciation, expenses would be \$38,984,869

W&S Revenues

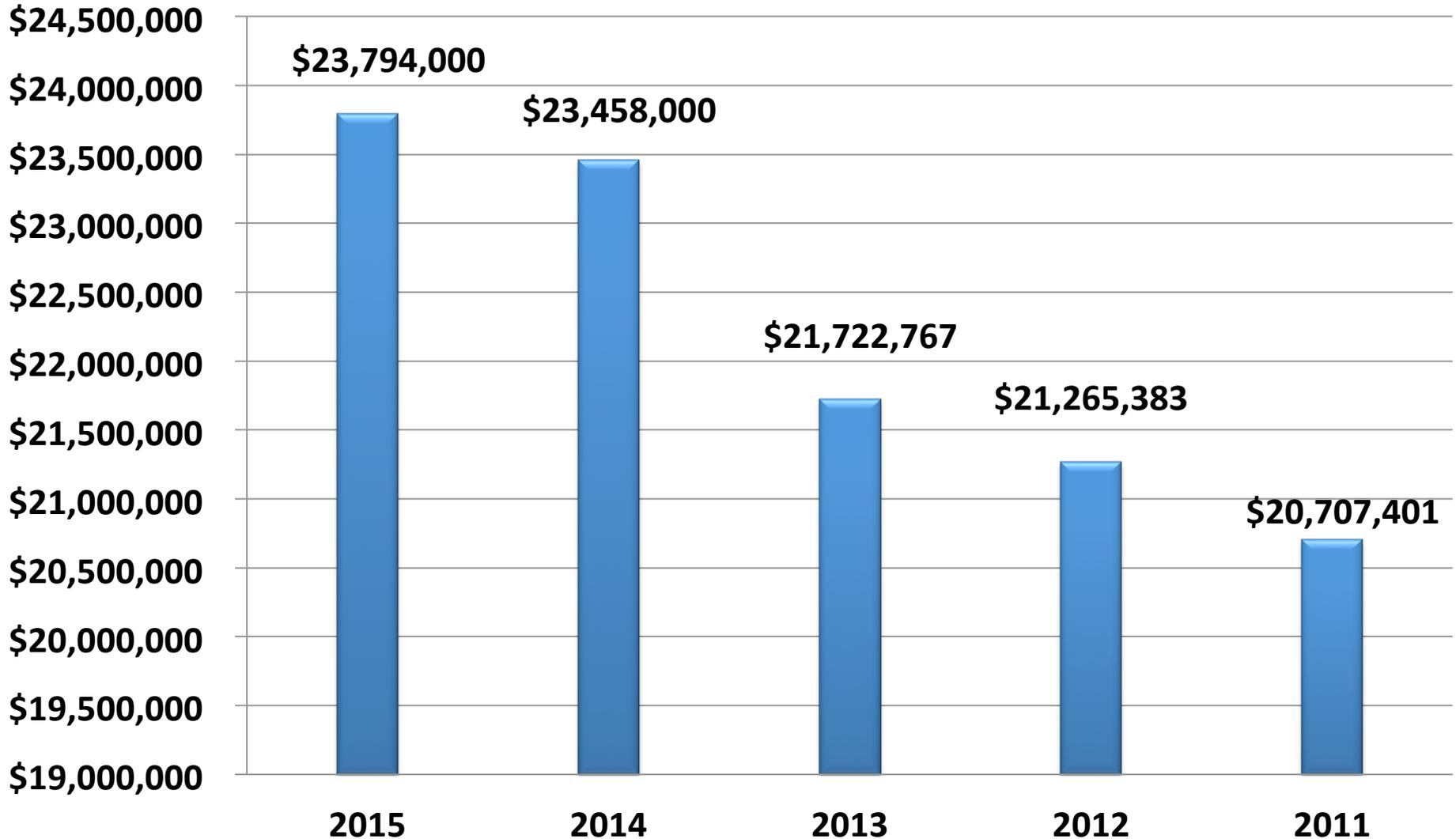
Revenues	FY 2015	FY 2014	New Revenues	% Change
Use of Property	\$13,200	\$13,200	\$0	0%
Charges for Services	\$44,423,512	\$41,699,100	\$2,724,412	6.5%
Interfund Transfer	\$54,143	\$54,526	-\$383	-.07%
Cost Reimburse	\$0	\$0	\$0	0%
Total	\$44,490,855	\$41,766,826	\$2,724,029	6.5%

W&S Revenue Sources

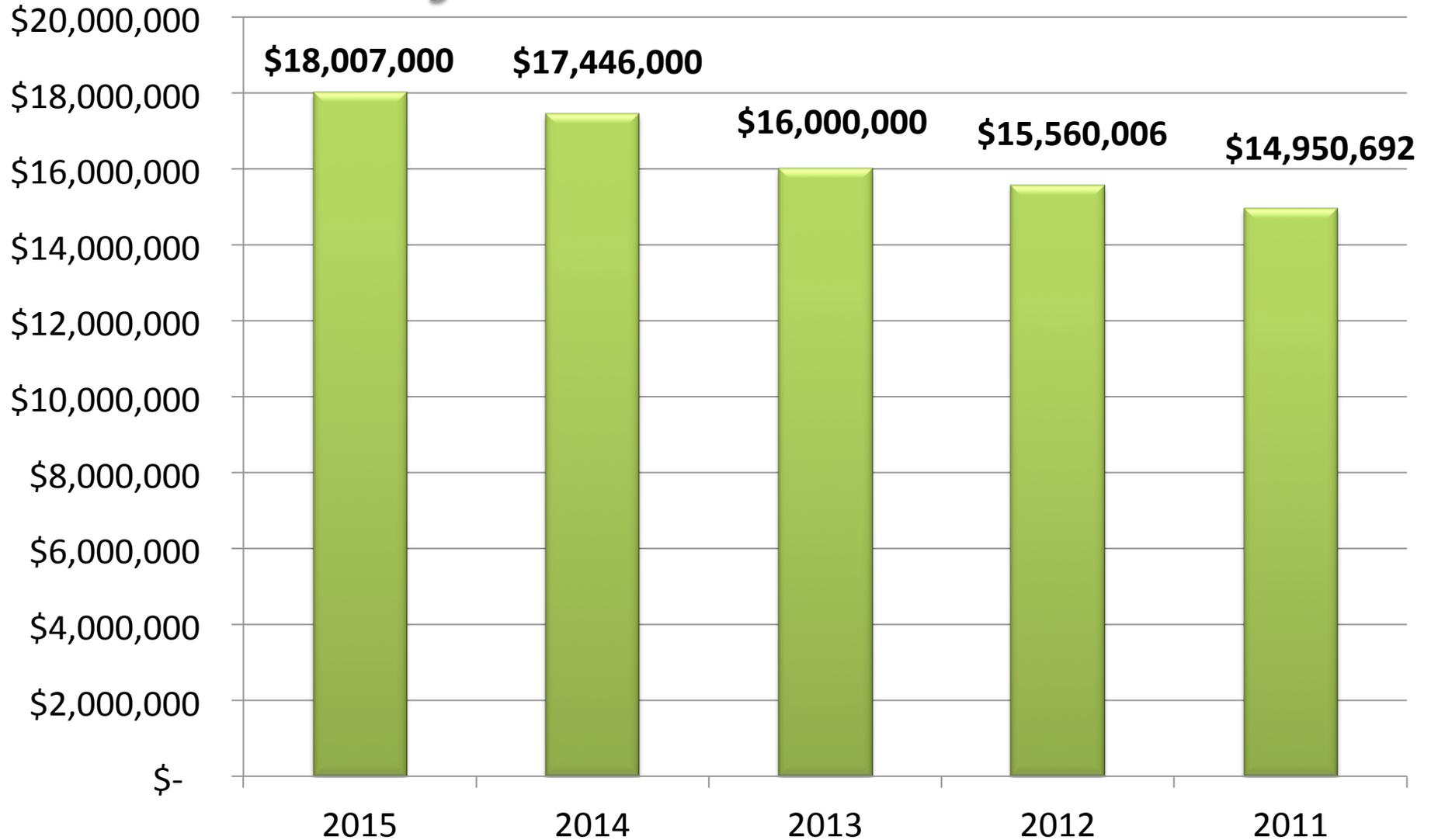


Other includes, but is not limited to, grants, tap fees, fire inspection fees, interest income, transfer, cost reimburse

Projected Water Sales



Projected Sewer Sales



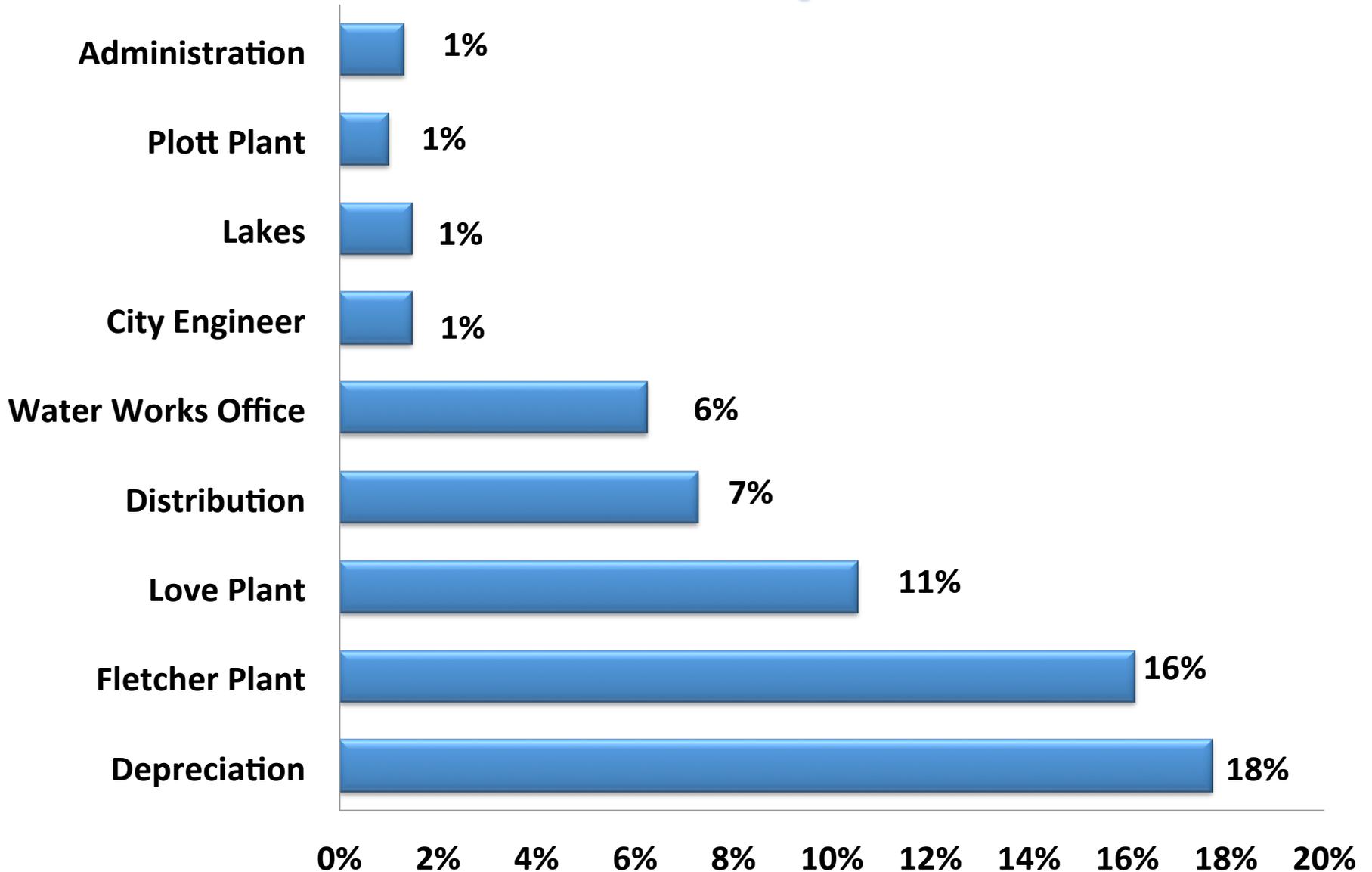
W&S Division Expenditures

Division	FY 2015
Fletcher Plant ¹	\$7,663,050
Love Plant	\$4,986,201
Water Distribution	\$3,450,796
Water Works Office ²	\$2,960,063
City Engineer	\$904,582
Administration	\$694,059
Lakes	\$693,271
Plott Plant	\$622,300

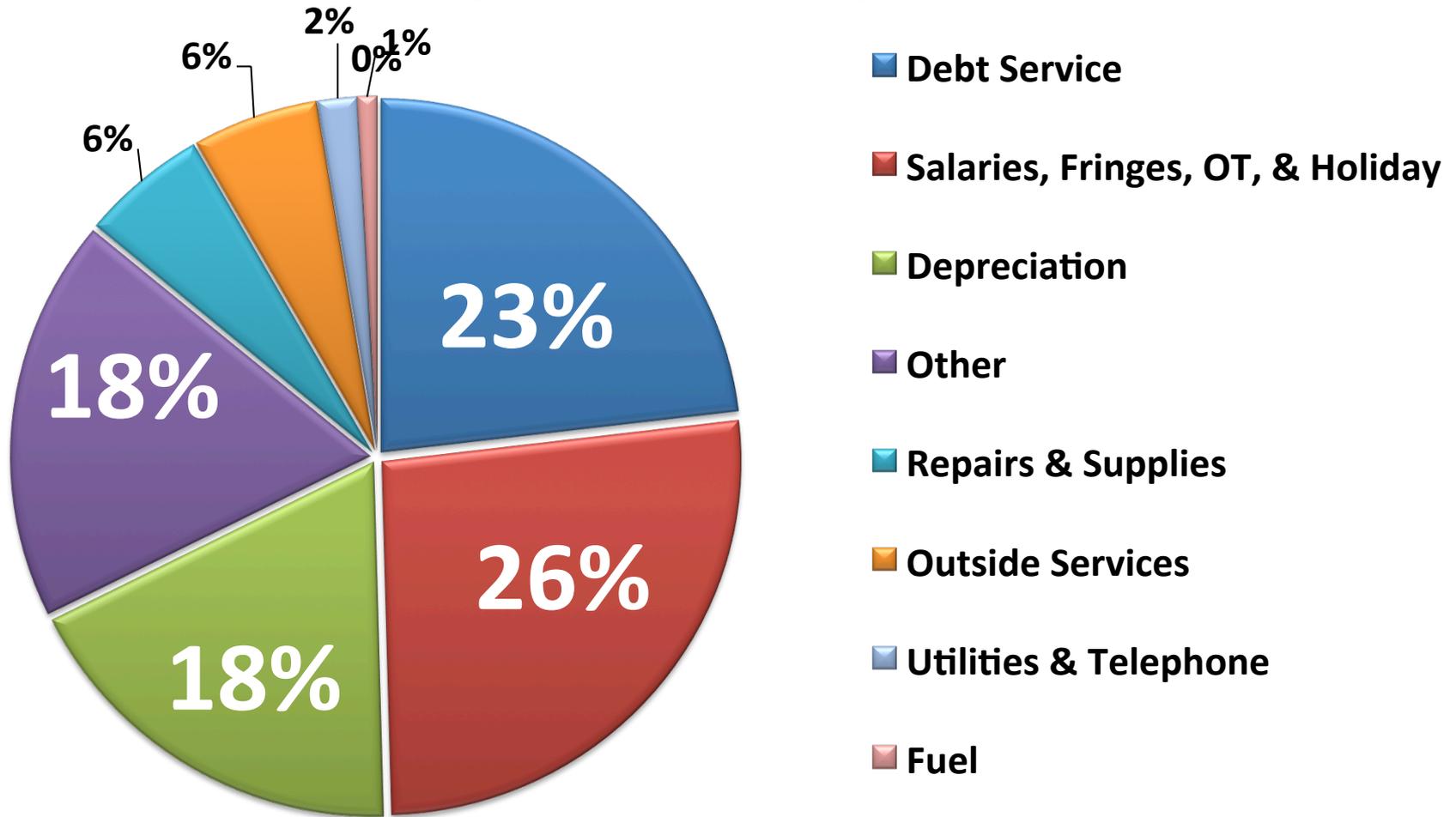
¹ Includes sewer lift station and sewer distribution

² Includes meter readers

W&S Division Expenditures



W&S Projected Expenditures



Other includes, but is not limited to, transfers out, equipment, chemicals, fuel, maintenance, travel, damage claims, bad debts, and uniforms

For FY 2015, \$12,284,252 is allocated towards salaries, fringes, holiday and overtime

Budget Team



Mike Wright, CPA
Finance Director



Linda McKinney, CPA
Revenue Director



Derek Reeves
Associate Finance Director



Carly Standridge, CPA
Internal Auditor



Department Heads



Finance Committee

2015 Budget Hearing Schedule

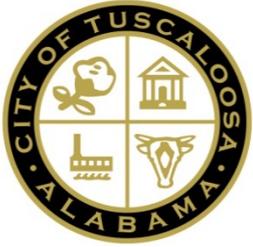
Daugherty Conference Room

Tuesday, September 2, 2014

- 9:00am – 9:30am:** Overview
- 9:30am – 10:00am:** General Fund Revenues
- 10:15am – 11:30am:** Review Internal Departments
(Finance, Revenue, HR, IT, Mayor/Clerk, Council, Federal Programs, and OCA)

Tuesday, September 9, 2014

- 8:00am – 9:45am:** Review External Departments
(Planning & Development, Economic Development, TDOT, A&E, OCE, Recovery, and Environmental Services)
- 10:45am – 11:45am:** Review Water & Sewer Department
- 4:00pm – 5:00pm:** Vehicles



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Tuesday, September 16, 2014

- 9:00am – 11:00am:** Review Public Safety Departments
(Police, Fire & Rescue, Municipal Court, & EMA)
- 11:15am – 12:00pm:** Agency Funding
- 12:10pm – 1:00pm:** Budget Wrap up

Tuesday, September 23, 2014

- 6:00pm** Council Adoption