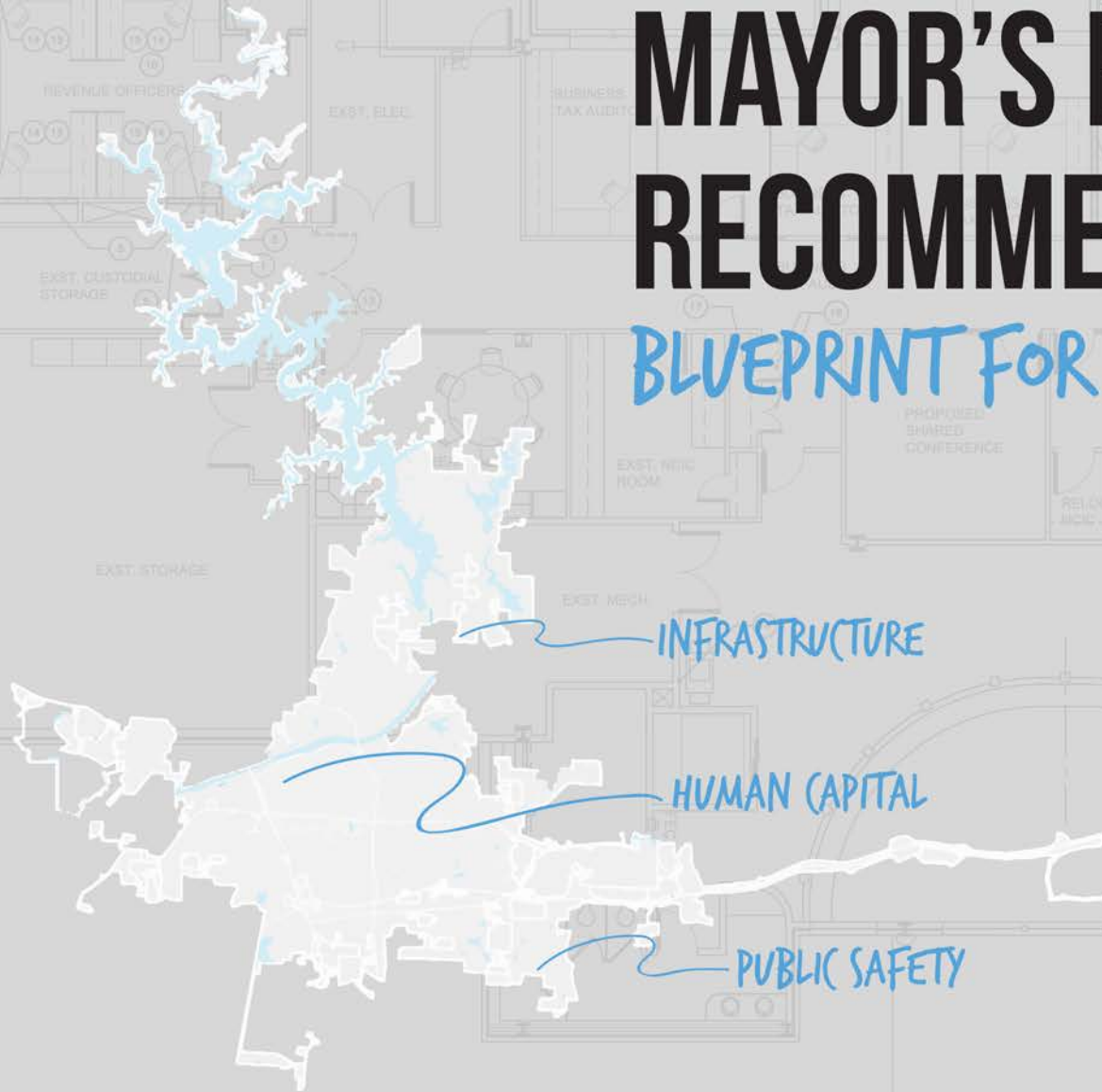


FISCAL YEAR 2018

MAYOR'S BUDGET RECOMMENDATIONS

BLUEPRINT FOR SUSTAINABLE SUCCESS





The Budget Trinity





Operating Budgets

General Fund (GF)

\$ 148,211,715

Water & Sewer Fund (WS)

\$ 52,430,495

Total

\$ 200,642,210

Budgets and Funds



Reserve Funds for Future Improvements
Public Works Capital Fund
Public Safety Capital Fund
Amphitheater Clearing Fund
Alabama Trust Fund
Gasoline Tax Fund
CDBG – Disaster Recovery
Bond Proceeds



Highlights

General Fund

- \$1 residential garbage rate increase
- \$2 non-residential garbage rate increase
- 5% budget cuts for all departments
- Reduction of **\$544,081** in agency funding*
- Contingency of **\$282,514**

Water & Sewer Fund

- 3% W&S rate increase
- 5% budget cuts for all departments

*2018 calendar year reduction total



Highlights

Salary Recommendation

- **1.1%** Cost of living adjustment for all employees
- One full step increase for eligible employees (**1.5%**)
- One **adjustment step** increase for all **Police & Fire** Employees with **8** years of service or more (**1.5%**)
- Recommending a **pay plan study**
- **Two new positions** (21 requests across 7 Depts.)
 - Revenue Officer, Senior (Pay Grade 18)
 - Senior Planner (Pay Grade 18)
 - Will address short-term rentals



Highlights

Potential Plan Design Changes	Potential Savings
Enrollment in the Rx Specialty Program (Option 2 only)	\$ 72,420
Enrollment in the Source Rx Formulary Program	359,465
Increase specialist, ER and Rx co-payments (Option 1)*	150,000
Adjustments to deductibles, out of pocket maximums and co-insurance (Option 2)	101,000
Total Potential Savings	\$ 682,885

*Increases specialist co-pay from \$35 to \$40

*Increases ER co-pay from \$50 to \$65

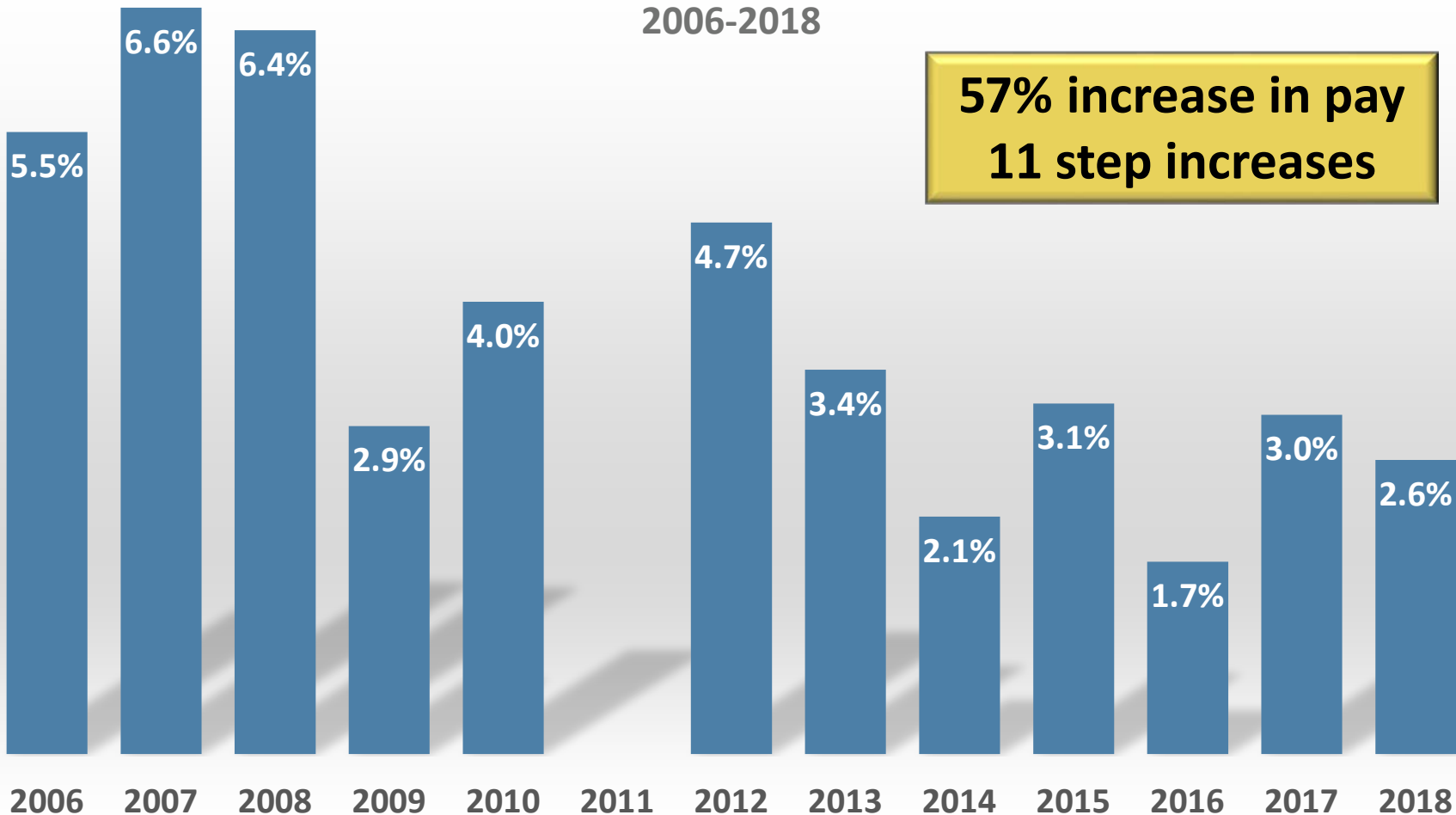
*Increases Rx co-pay from \$15/\$40/\$55 to \$15/\$45/\$65



Salary Increase Trends

Exempt/Public Safety

Cola & Step Increases
2006-2018



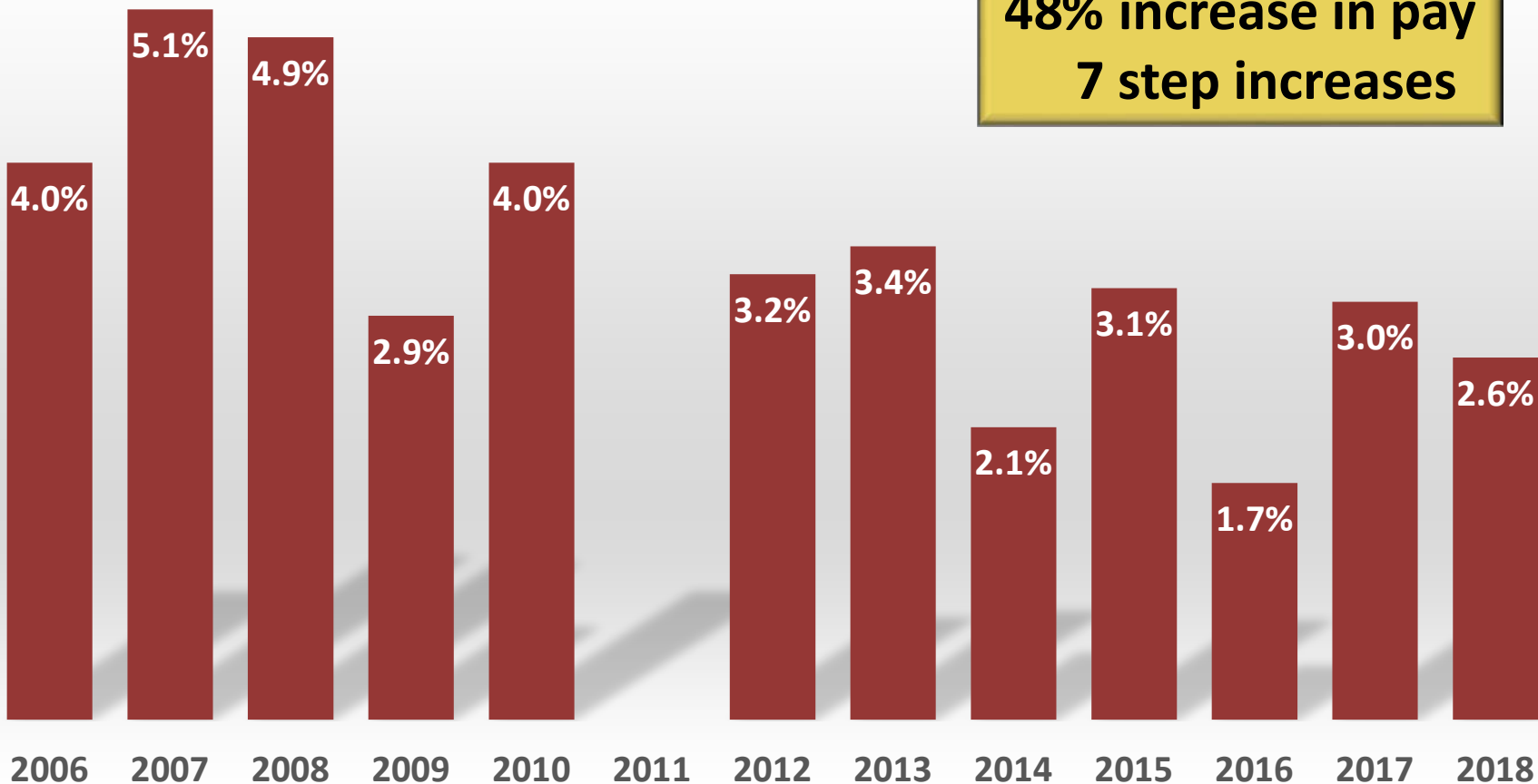


Salary Increase Trends

Non-Exempt

Cola & Step Increases
2006-2018

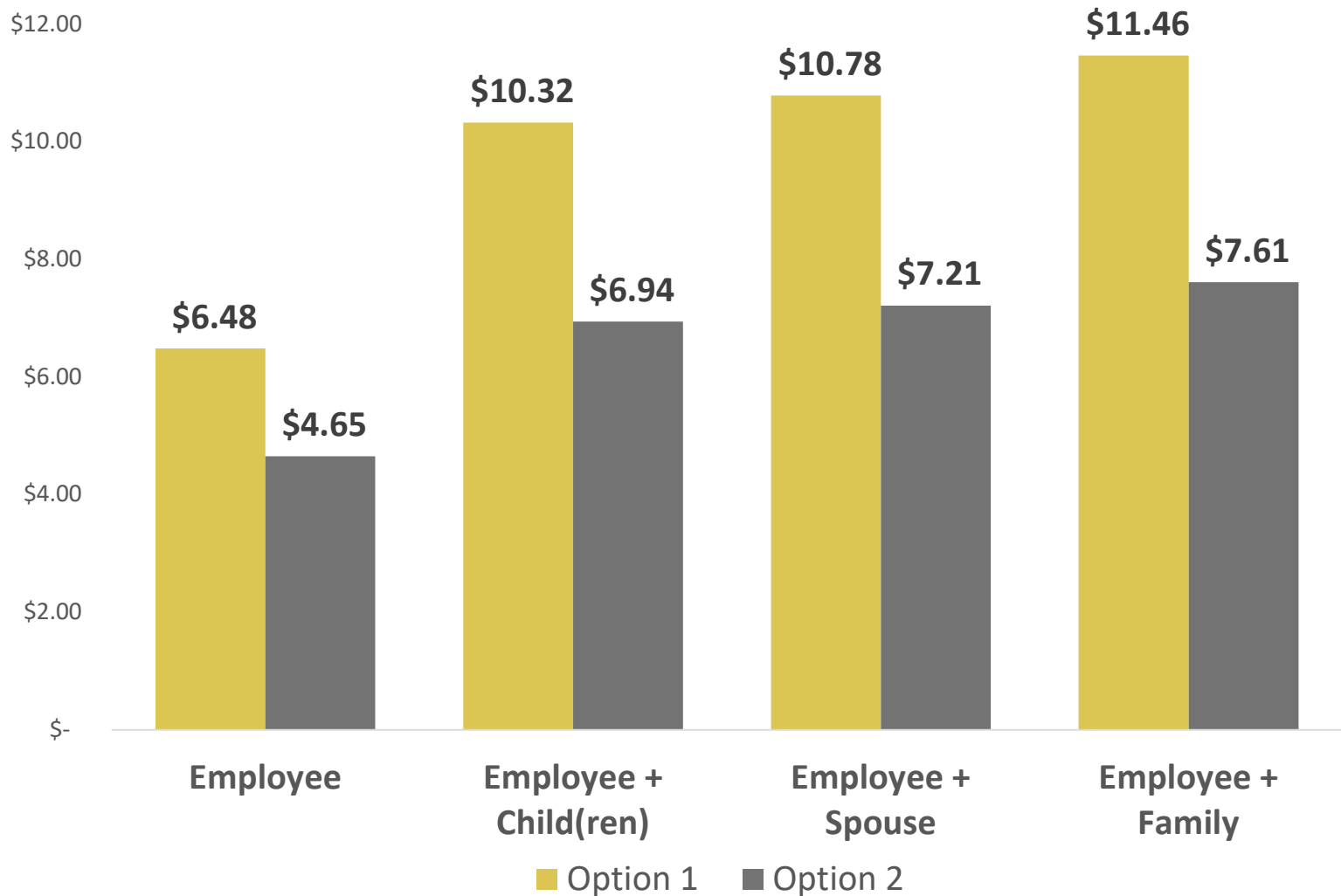
**48% increase in pay
7 step increases**





Health Insurance Impact

Bi-Monthly Employee Premium Increases



**Option 2 is a lower premium plan with higher deductibles, out of pocket maximums and co-pays*



Health Insurance Impact



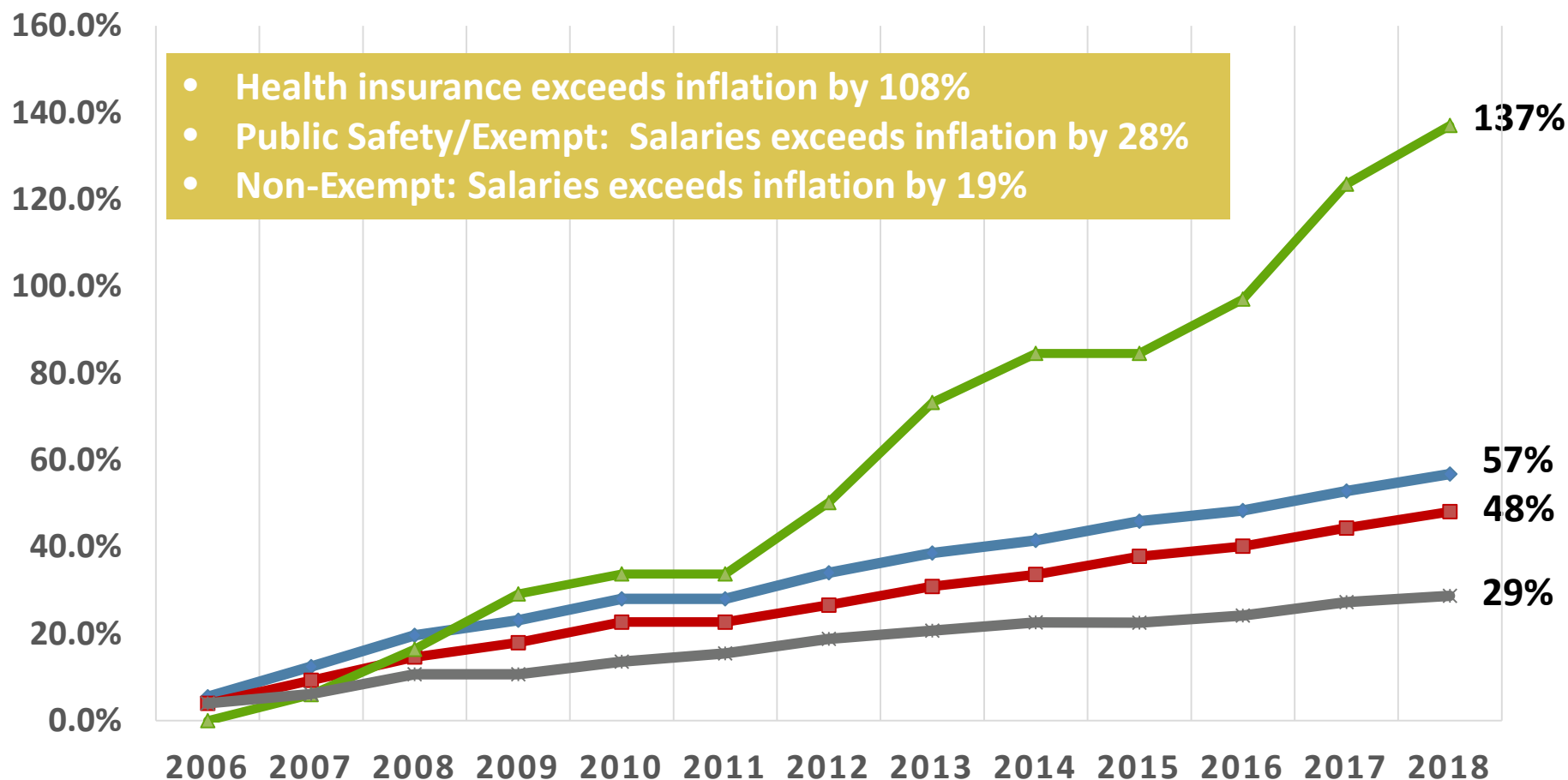
Employee	\$155.52	\$111.60
Employee +Children	\$247.68	\$166.56
Employee + Spouse	\$258.72	\$173.04
Employee + Family	\$275.04	\$182.64

**Option 2 is a lower premium plan with higher deductibles, out of pocket maximums and co-pays*



Salary vs. Health Insurance vs. Inflation

Exempt/Public Safety Salaries Non-Exempt Salaries
Health Insurance Premiums National Inflation





Mercedes-Benz

**Since 2006, the City's
population has expanded by
22,976 which is a 30 percent
increase**





**“Seeing and believing are
both often wrong.”**

Robert McNamara



21st Century Economy

20th Century Revenue Code

- E-commerce is growing by **23%** annually
- **51%** of Americans prefer to shop online
- **2 in 5** online shoppers say they couldn't live without online shopping
- **45%** of all online sales are done through **marketplaces** such as Amazon



82%

of smartphone users turn to their phones inside a store when making purchase decisions.¹



- Millennials (24-35) and Generation X(36-52) spend 6 hours per week shopping online
- Baby Boomers (53-71) spend 4 hours per week shopping online
- Seniors(65 and older) spend 2.5 hours per week shopping online
- 67% of Millennials and 56% of Generation X prefer to shop on online rather than in-store.



- Estimated 60,000 residents in Tuscaloosa County are college age or younger (30% of population)
- Average amount (national) spent each year online: **\$1,338**. Using this analysis, City loses **\$5,312,730** in revenues
- Only **\$415,000** received through Simplified Sellers Use Tax



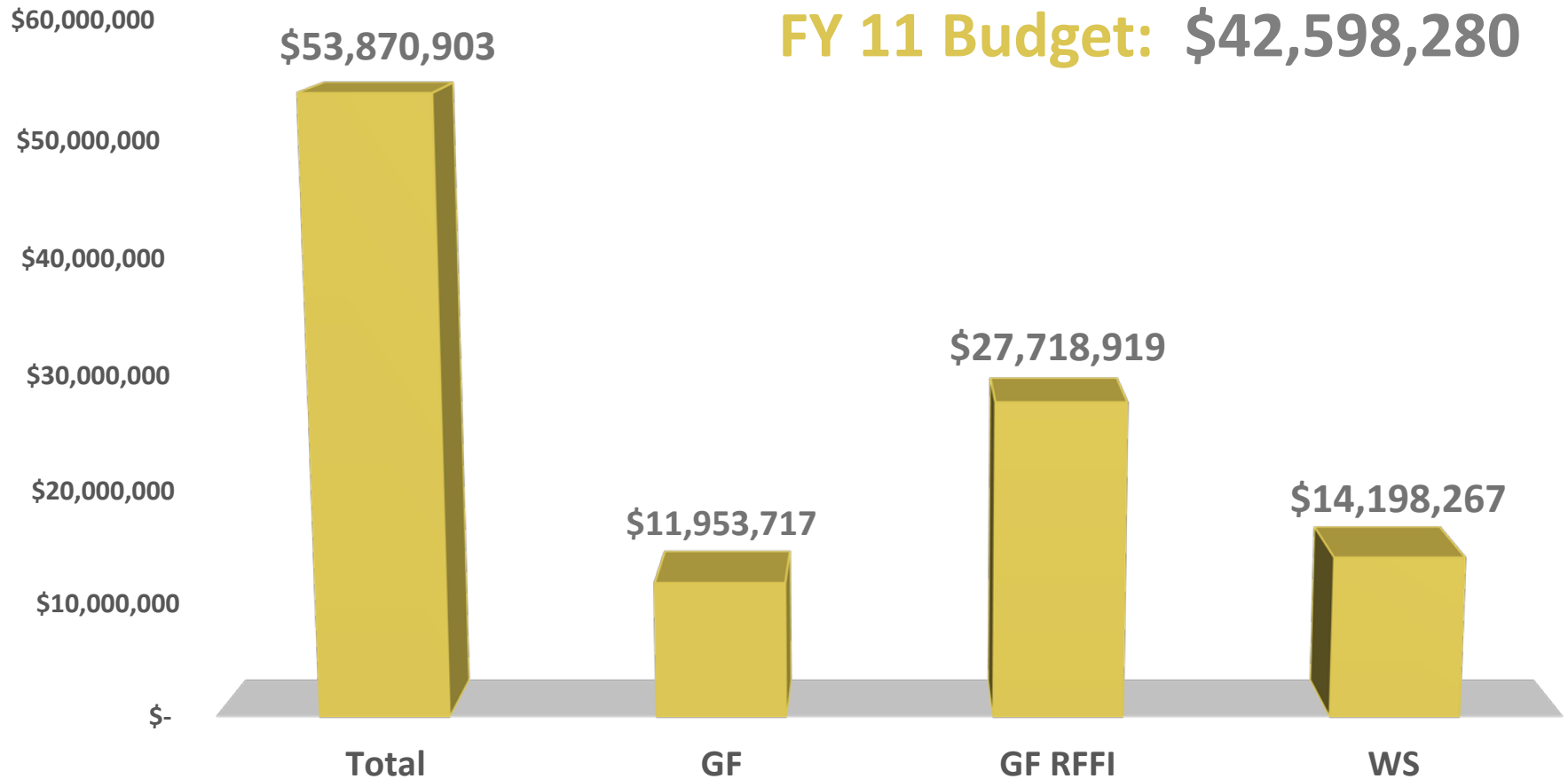
CARVANA



General Fund



Undesignated Reserves



Reserves are based on the FY 2016 and FY 2010 annual audits



Revenue Highlights

Environmental Services

- Recommending a **\$1 per month** rate increase for residential and a **\$2 per month** increase for non-residential
- Each \$1 yields nearly **\$275,000** annually in revenues to be used to offset increases in much needed operational expense

Proposed Residential	Proposed Non-Residential
\$20.35	\$30.35



If the monthly subsidy was eliminated:

Residential - \$27.42 (\$7.07)

Commercial - \$37.42 (\$7.07)

What rates are needed for Environmental Services to pay for itself?

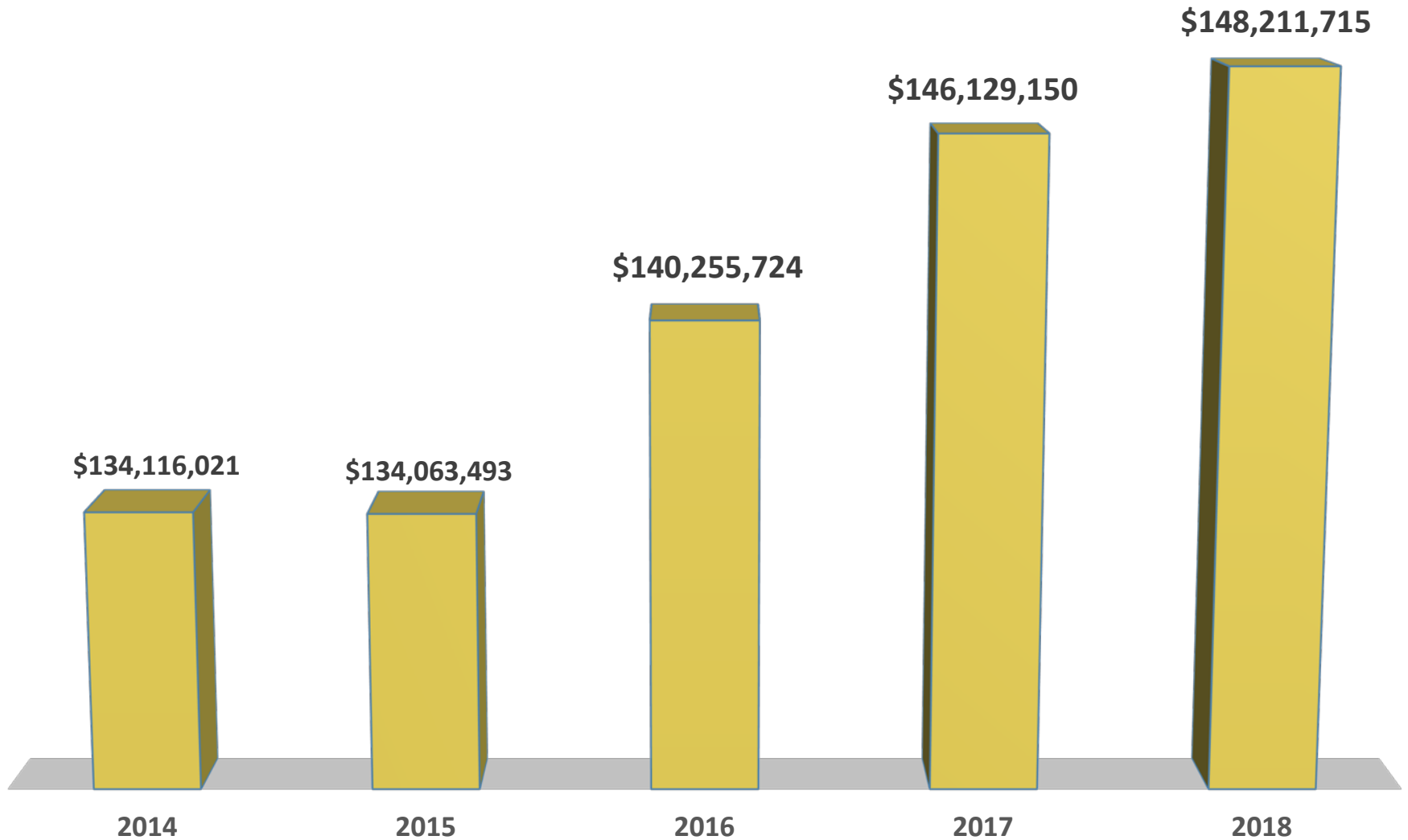
Charges for services	\$ 5,805,000
Operating expenses	\$ 6,910,061
Vehicles/Equipment	<u>\$ 889,000</u>
Total GF subsidy*	<u>\$ 1,994,061</u>

Annual customer savings: \$ 84.85 annually

* Does not include allocation of overhead costs for internal services provided

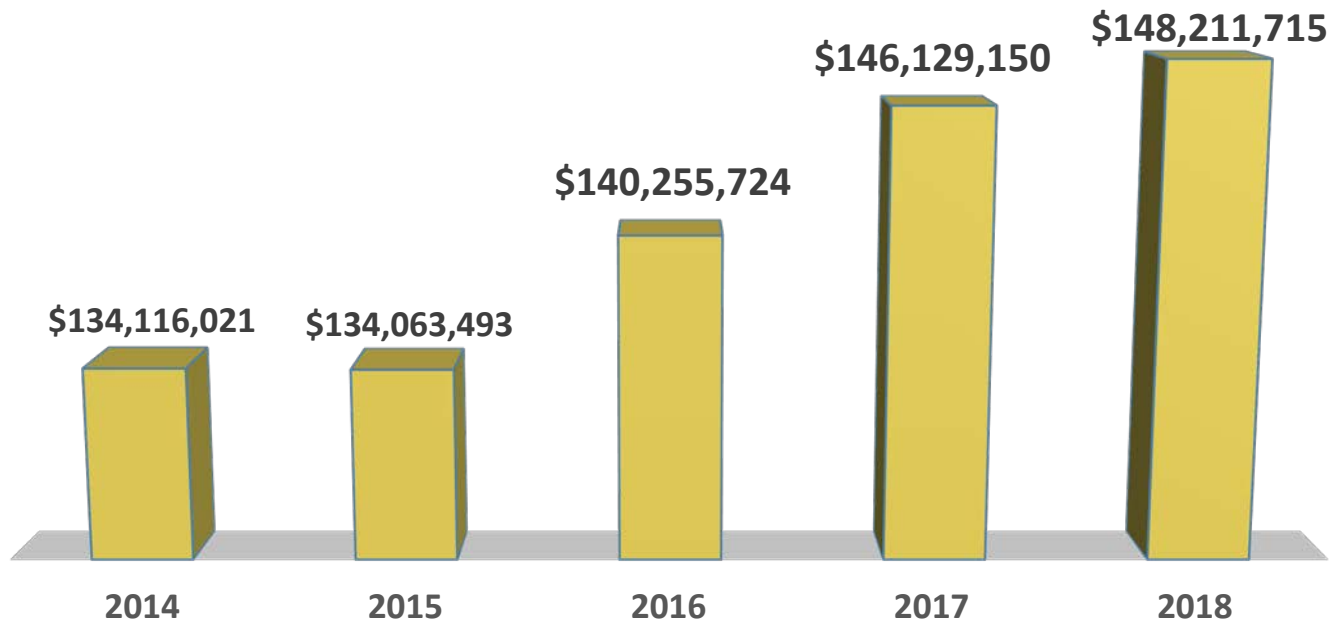


Revenue History





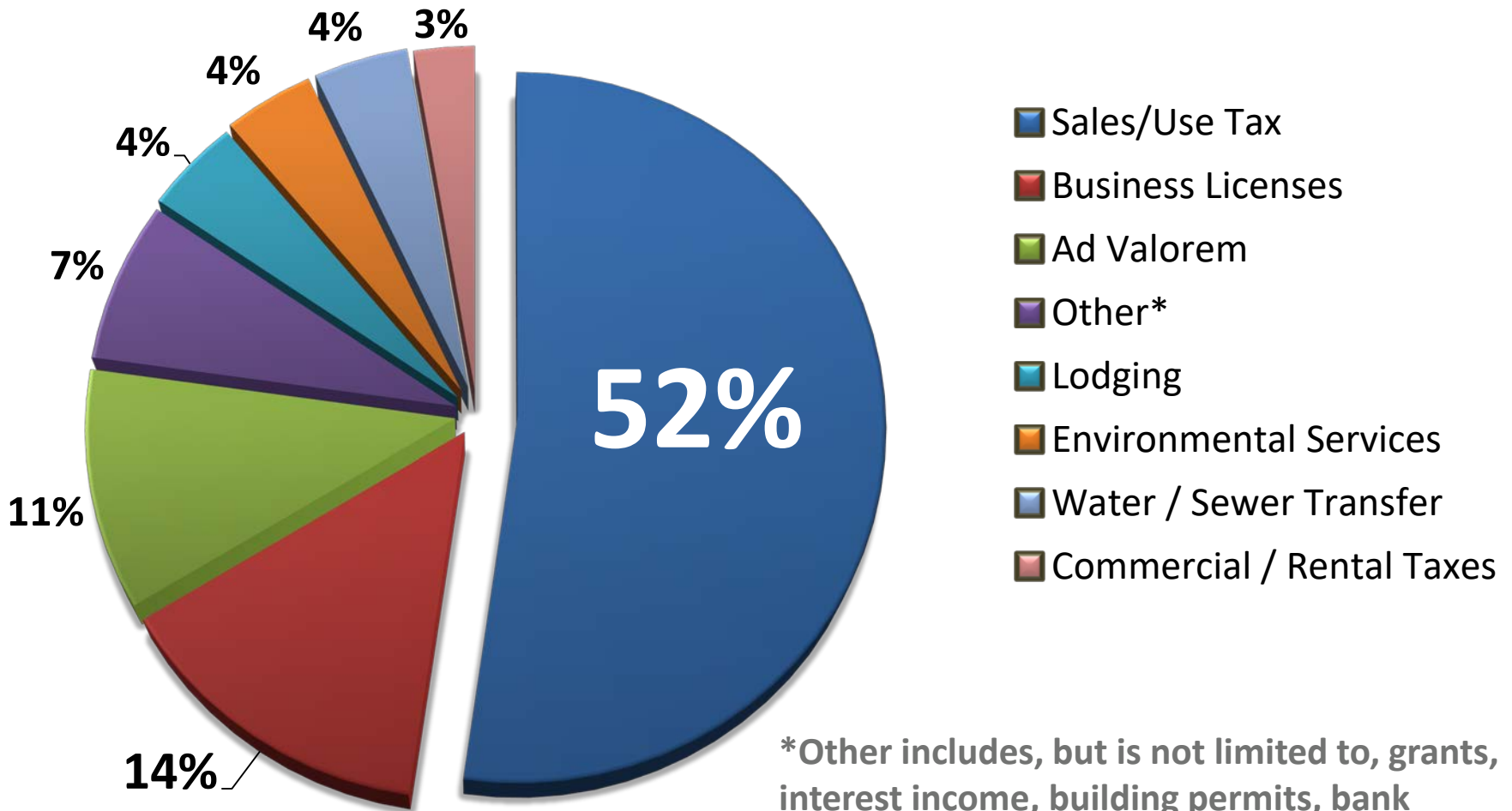
Revenue History



- GF increase is \$14,095,694 (10.5%)
- \$3.2 million is passed through to the Tuscaloosa City Schools (23%)
- \$2.9 million is WS capital reimbursement fee (\$580,000 annually)
- \$2.7 million in sales tax increases (\$540,000 annually)
- \$2.2 million in county sales taxes (\$440,000 annually)
- \$2.2 million in ad valorem (\$440,000 annually)



Revenue Sources



*Other includes, but is not limited to, grants, interest income, building permits, bank excise tax, transfers, road and bridge tax, inspection fees, & cost reimbursements

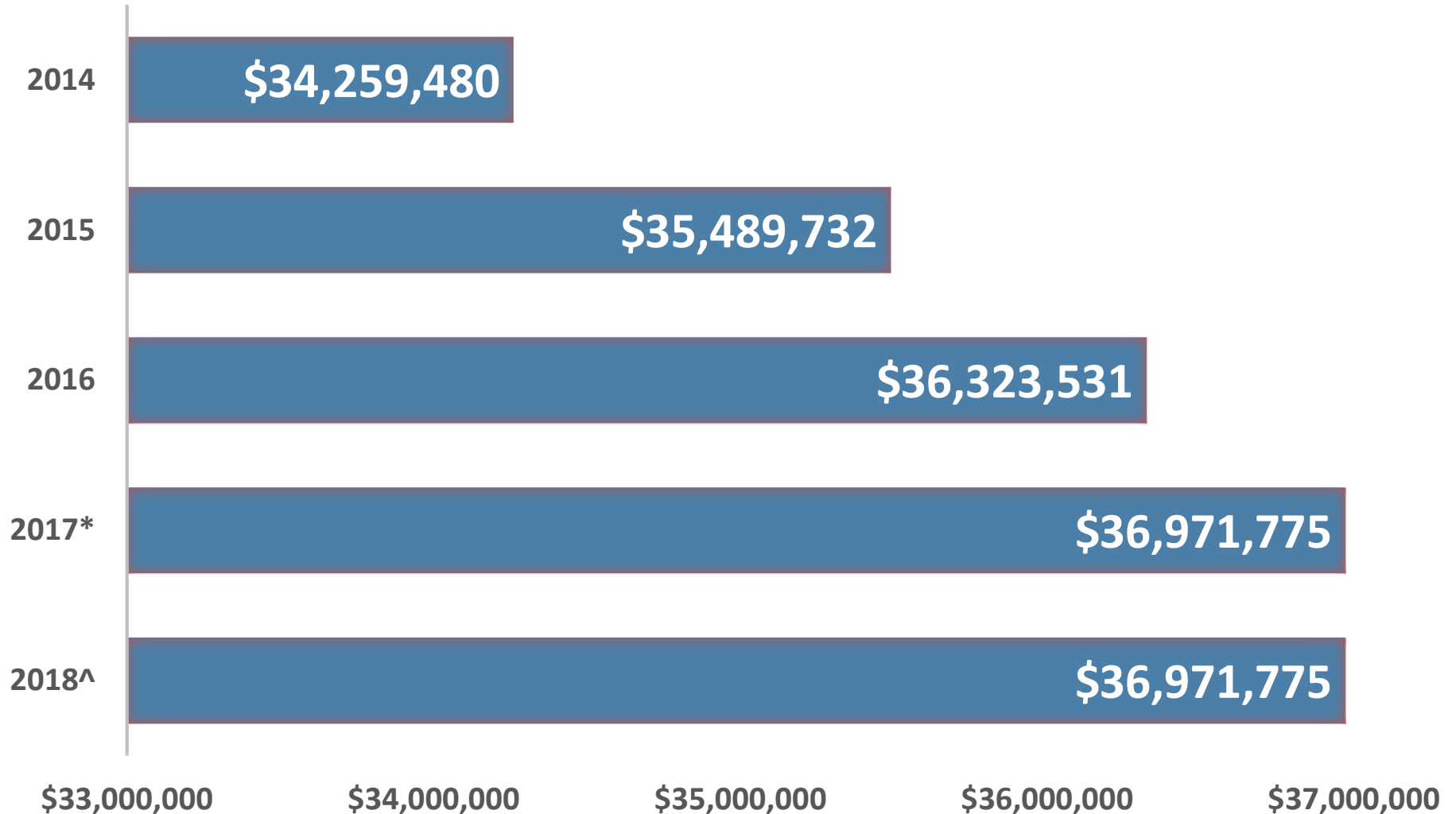


Major Discretionary Revenues

Discretionary Taxes	FY 2018 Proposed	FY 2017 Budget	Difference
City Sales Tax	\$36,971,775	\$36,464,000	\$507,775
Business License	\$19,090,000	\$19,300,000	(\$210,000)
County Sales Tax	\$16,273,000	\$16,400,000	(\$127,000)
Ad Valorem Tax	\$14,794,743	\$14,500,000	\$294,743
Water/Sewer Transfer	\$6,369,886	\$6,070,211	\$299,655
Rental License Tax	\$3,160,000	\$3,100,000	\$60,000
Use Tax	\$3,258,000	\$3,060,000	\$198,000
Liquor Tax	\$1,549,000	\$1,500,000	\$49,000
Total	\$101,466,404	\$100,394,211	\$1,072,193



City Sales Taxes



*Projected collections per Accounting & Finance Department

^FY 2018 budget based on FY 2017 projections



How Does Our Sales Tax Compare?

- City sales tax represents 25% of budgeted GF revenues and nearly 37% of major discretionary revenues
- If you include the City's share of the County-wide tax, then the City's rate is 2.57%
- The cities listed are city sales tax only and **exclude** either their county-wide sales taxes or occupational taxes they collect

City	Population	City Rate	Combined Rate
Mobile	192,904	5.00%	10.00%
Huntsville	193,079	4.50%	9.00%
Birmingham	212,157	4.00%	10.00%
Homewood	25,613	4.00%	10.00%
Dothan	68,468	4.00%	9.00%
Auburn	63,118	4.00%	9.00%
Decatur	55,072	4.00%	9.00%
Gadsden	35,837	4.00%	9.00%
Opelika	29,869	4.00%	9.00%
Bessemer	26,511	4.00%	10.00%
Phenix City	37,132	4.00%	9.00%
Enterprise	28,024	4.00%	9.00%
Montgomery	200,022	3.50%	10.00%
Madison	47,959	3.50%	9.00%
Florence	39,959	3.50%	8.50%
Prattville	35,606	3.50%	9.50%
Hoover	84,978	3.00%	8.00%
Vestavia	34,688	3.00%	9.00%
Alabaster	32,948	3.00%	9.00%
Tuscaloosa	99,543	2.00%	9.00%



How Does Our Sales Tax Compare?

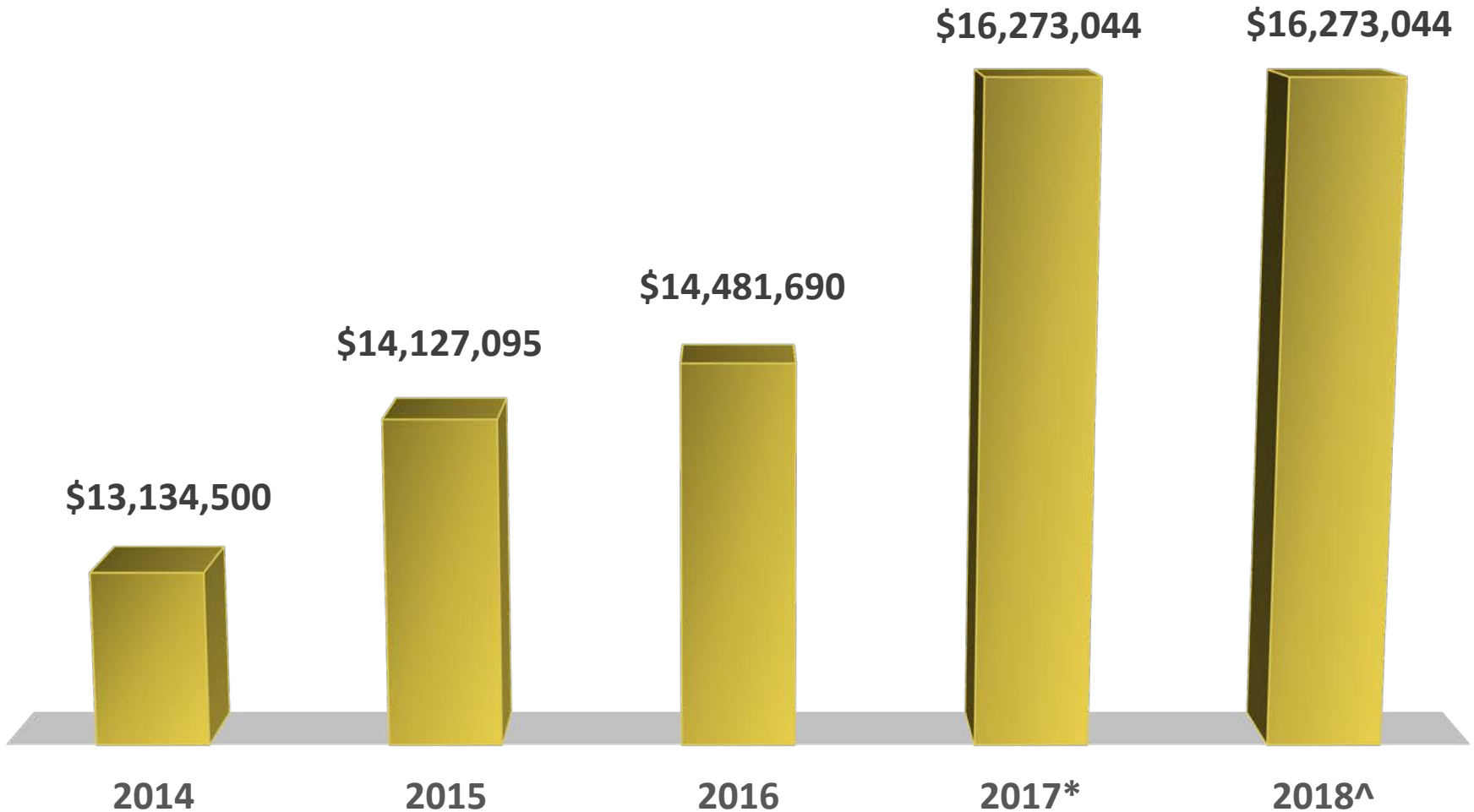
“If we had their current city sales tax rate, then we would have an additional \$_____ to invest across the City annually¹”

Mobile (5%):	\$55.5 million
Huntsville (4.5%):	\$46.2 million
Auburn (4%):	\$37.0 million
Montgomery (3.5%):	\$27.7 million
Hoover (3%):	\$18.5 million

¹Based on the City’s sales tax rate that 1 percent equals \$18.5 million for FY 2018



County Sales Tax

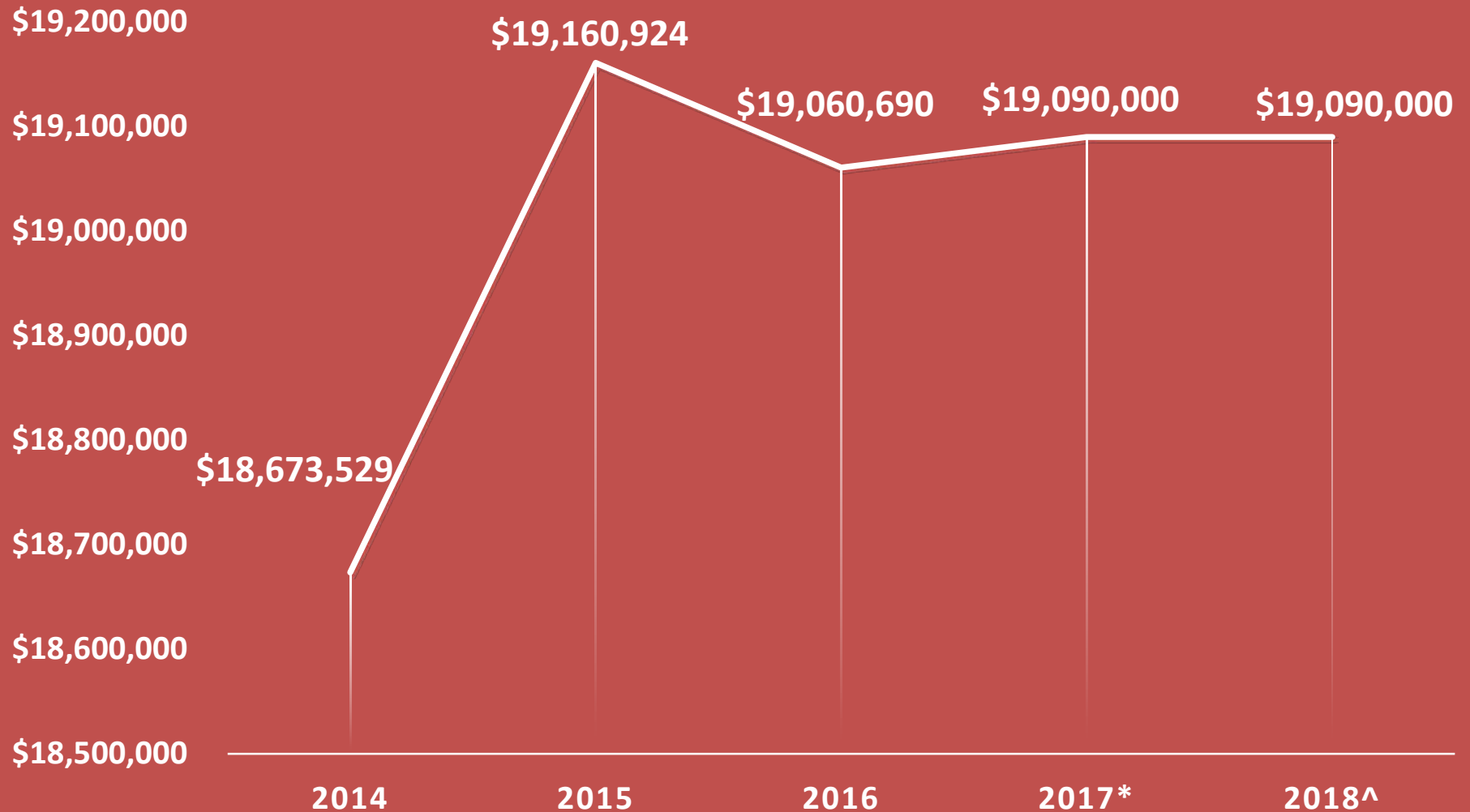


*Projected collections per Accounting & Finance Department

^FY 2018 budget based on FY 2017 projections



Business Licenses

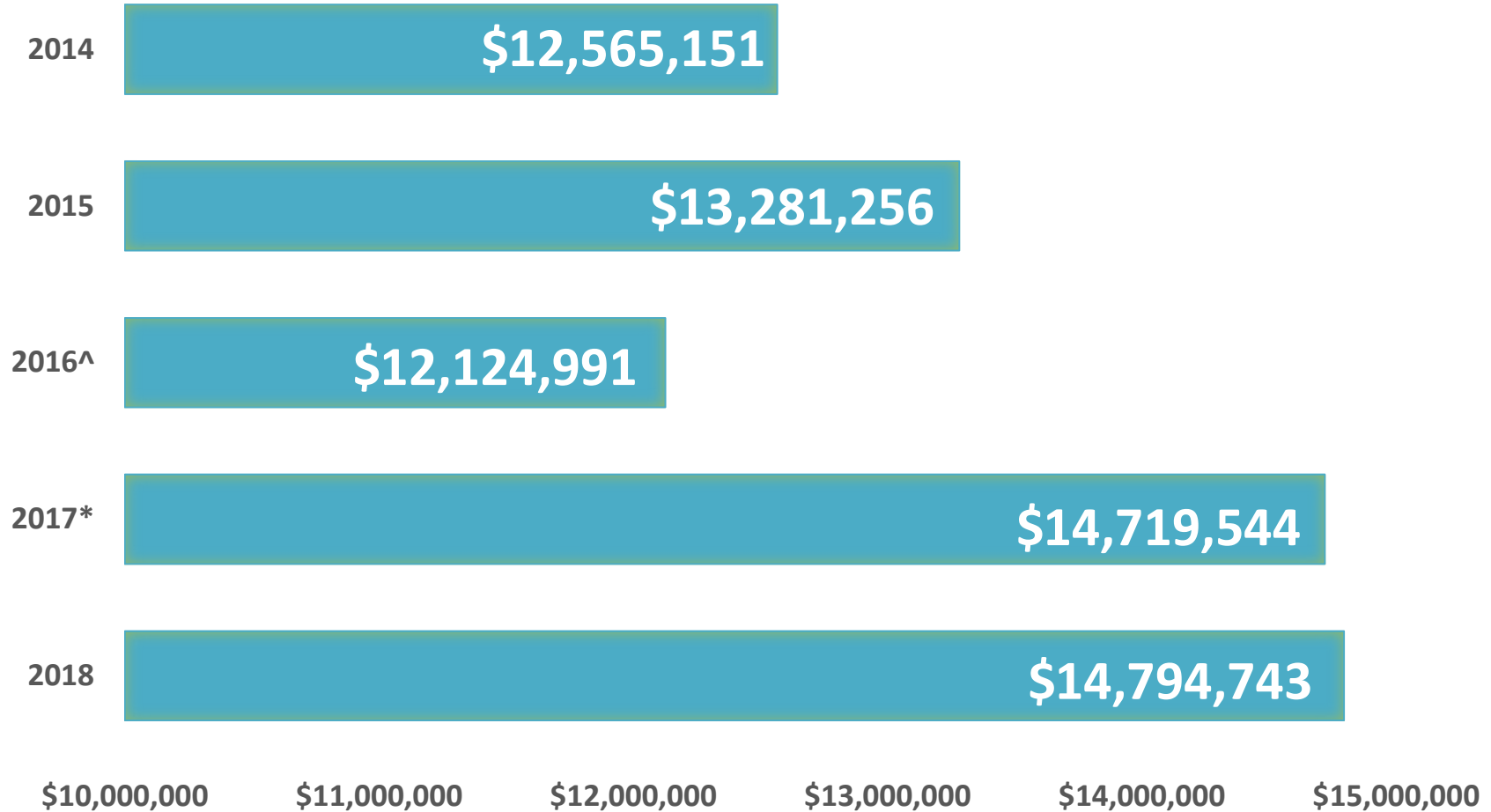


*Projected collections per Accounting & Finance Department

^FY 2018 budget based on FY 2017 projections



Ad Valorem Tax

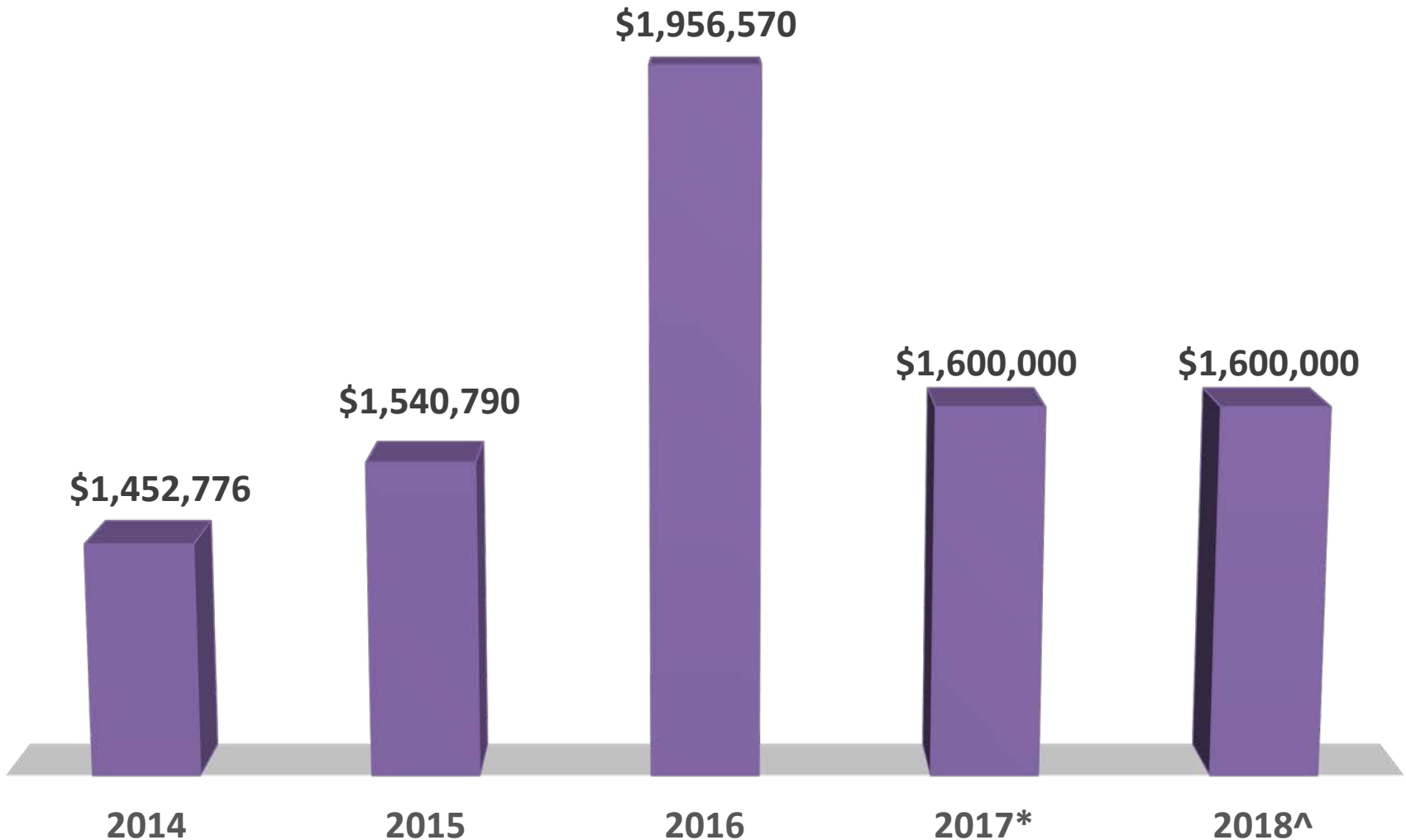


*Projected collections per Accounting & Finance Department

^FY 2016 amount lower due to annual audit accrual



Building Permits



*Projected collections per Accounting & Finance Department

^FY 2018 budget based on FY 2017 projections



Expenditure Highlights

Every department reduced non-personnel operating budgets by 5% (**\$1,055,451** in reductions)

Recommending a 9 month hiring freeze beginning January 1, 2018 (**\$1,500,000** in estimated savings)

The following agencies were reduced by **5%**:

- PARA (**\$227,983** decrease)
- BOE (**\$153,650** decrease)
- IDA (**\$22,000** decrease)
- TPL (**\$96,963** decrease)
- TTSC (**\$53,485** decrease)



Expenditure Highlights

Pay plan study with an estimated cost is **\$138,000**

Open Enrollment Portal with an estimated cost of **\$50,000**

Workers' compensation increased by **\$300,000**

Tuscaloosa Regional Airshow is April 2018 has an estimated cost of **\$269,365**

City's **bicentennial** costs are an estimated **\$200,000**

*tourism bid fee funds to cover the City's share of the cost



Expenditures By Department

Infrastructure & Public Services	\$ 33,245,775	22.4%
Police	\$ 31,071,099	21%
Other Operating ¹	\$ 28,104,507	19%
Fire & Rescue	\$ 22,584,215	15.2%
Agencies	\$ 12,607,414	8.5%
Information Technology	\$ 5,018,714	3.4%
Accounting & Finance ²	\$ 4,244,005	2.9%
Office of Urban Development	\$ 3,907,269	2.6%
Human Resources ³	\$ 2,478,858	1.7%
Office of the City Attorney ⁴	\$ 1,748,967	1.2%
Mayor/Clerk/Communications	\$ 1,176,956	0.8%
Municipal Court	\$ 1,036,490	0.7%
Federal Programs	\$ 666,457	0.4%
Council	\$ 320,988	0.2%

¹ Includes debt service and intergovernmental tax pass through

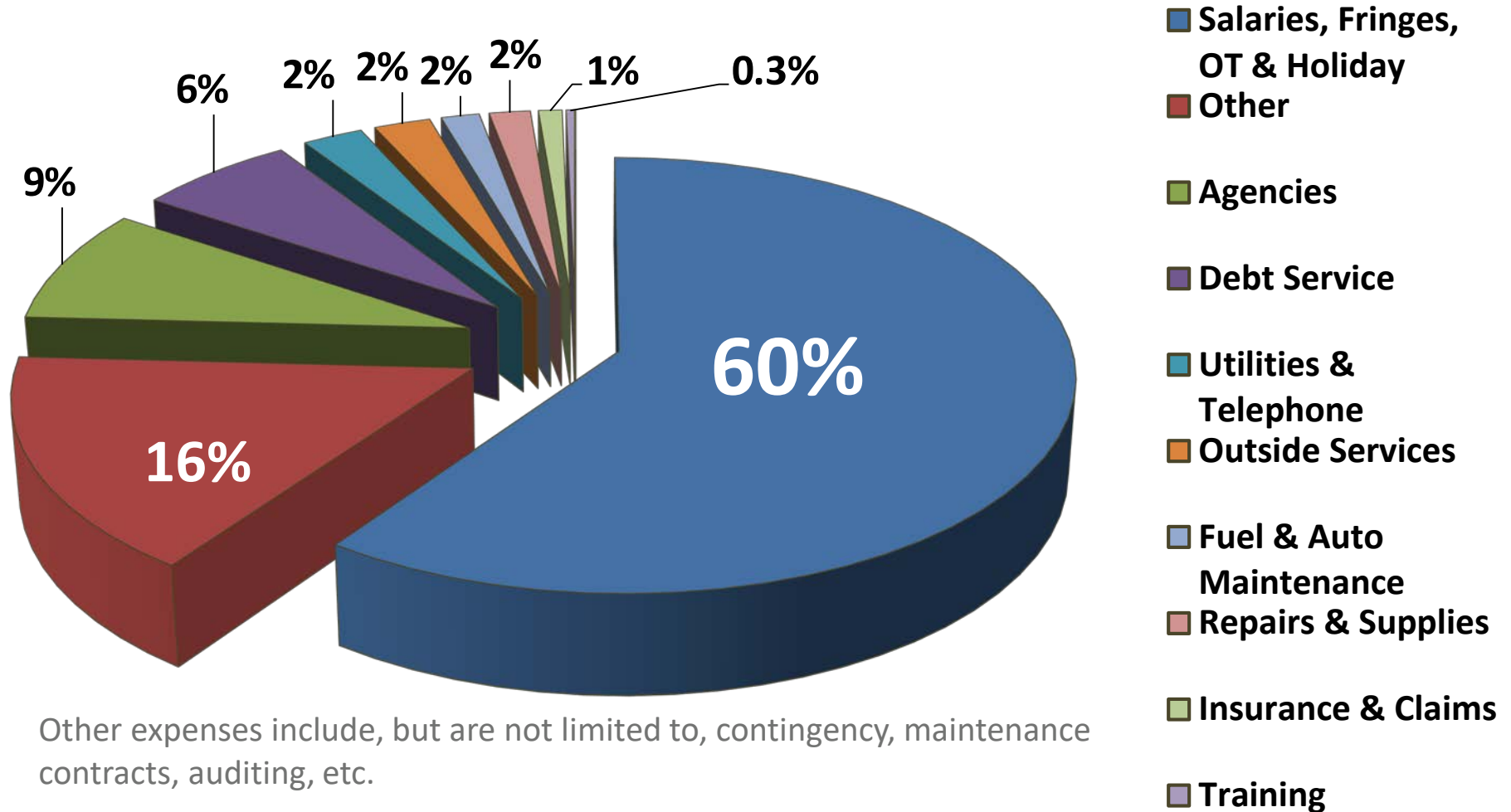
² Includes all property and liability insurance for the City

³ Includes workers' compensation claims

⁴ Includes damage claims and judgements



Expenditures By Type





How Much Has Really Changed?

	2007	2018
Salaries, Benefits, & Overtime	60%	60%
Other	22%	21%
Agencies	11%	9%
Debt Service	4%	6%
Utilities & Telephone	1%	2%
Auto Fuel & Maintenance	2%	2%



Vehicles & Equipment

GF – lease payments	\$ 326,940
FY 2017 police salary savings	\$ 500,000
TRA de-obligated funds	\$ 1,203,890
Public Safety Capital Fund	<u>\$ 839,014</u>
Total	\$ 2,869,844





Tuscaloosa County



- E-911 contribution FY 18 is \$51,250 less than FY 17
- **City share (42.5%) of capital expenses for new building: \$586,468**
 - \$117,000 in debt service (5 years)
 - Strategic Re-Alignment
 - Reduce personnel cost by **\$205,000**
 - Reduce non-emergency calls into E-911
 - Enhance medical dispatching



**Water & Sewer
Fund**



History

Fiscal Year	Budgeted Revenues	Budgeted Expenses
FY 2018 ¹	\$49,470,412	\$52,430,495
FY 2017	\$47,833,814	\$52,842,063
FY 2016	\$47,952,451	\$52,309,169
FY 2015	\$44,490,855	\$47,384,869
FY 2014	\$41,774,826	\$45,610,511
FY 2013	\$41,066,667	\$44,550,301

¹Without depreciation, expenses would be \$43,430,495



Revenue Highlights

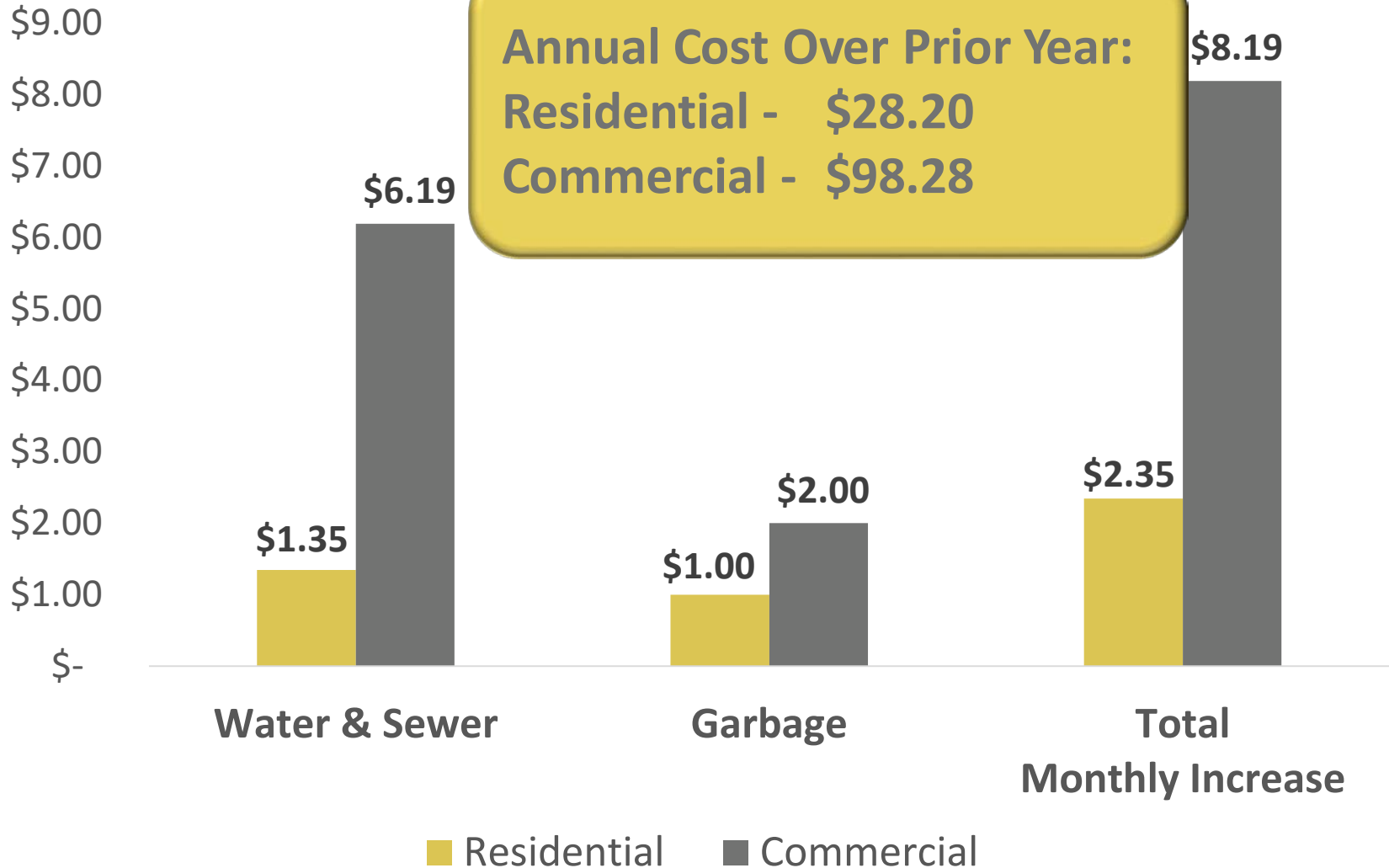
Recommending a 3% WS rate increase

- Each % yields about **\$450,000**
- Results in an additional **\$1,350,000** in revenues that will continue to provide for much needed capital repairs and operating expenses
- Average monthly residential WS bill is **\$44.84***
- Average monthly commercial WS bill is **\$206.39***

*Does not include garbage rates



How Do These Rate Increases Impact Our Customers Each Month?





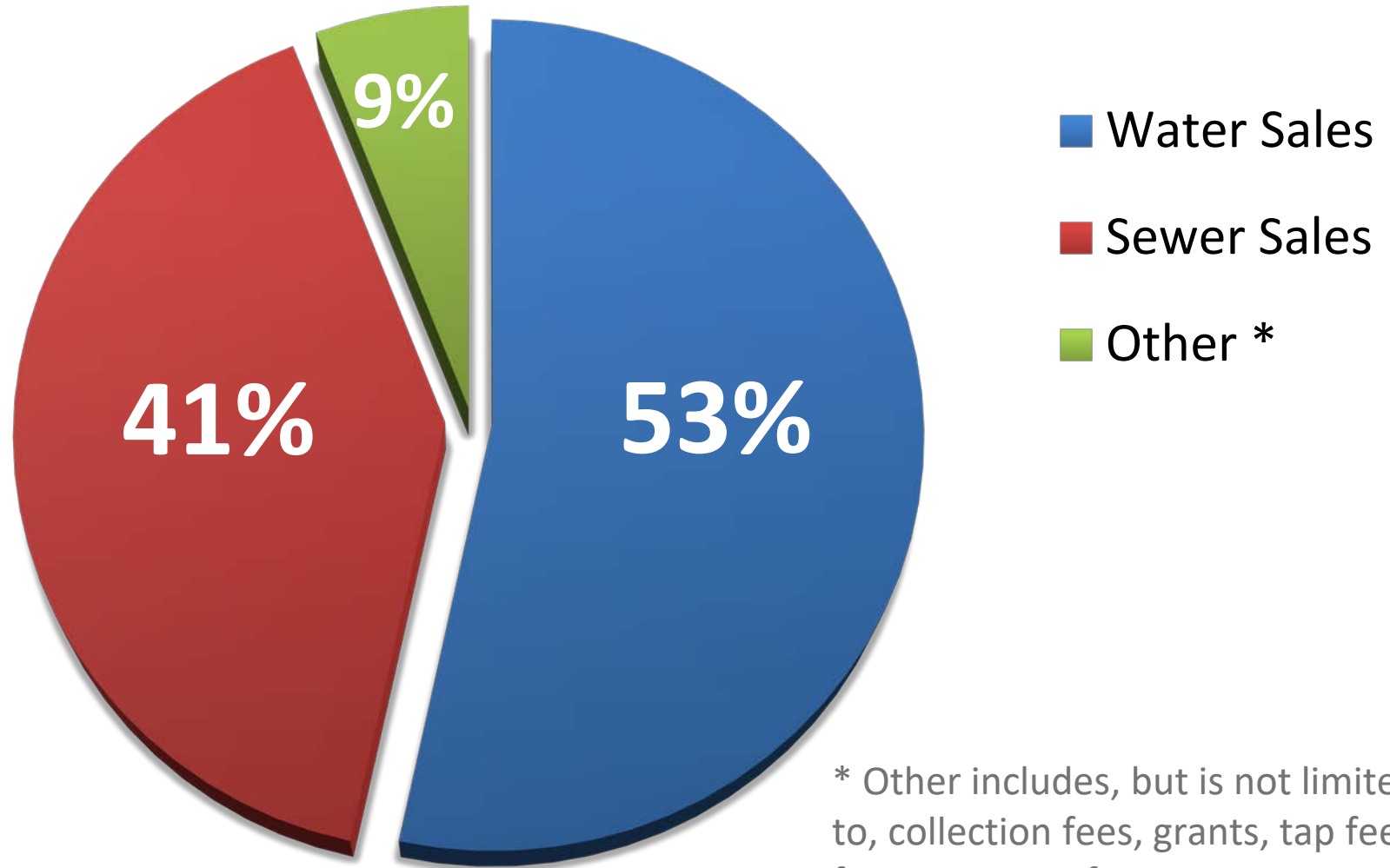
Revenue Comparison

Revenues	FY 2017 Budget	FY 2018 Budget	Change	% Change
Use of Property	\$20,000	\$26,000	\$6,000	0.0%
Charges for Services	\$47,813,674	\$47,993,674	\$1,584,854*	3.3%
Interfund Transfer	\$50,140	\$45,384	(\$4,756)	(9.5%)
Other Revenues	\$ -	\$500	(\$500)	100%
Total	\$47,883,814	\$49,470,412	\$1,586,598	3.3%

*Increase from FY 2017 budget mainly due to a 3% rate increase



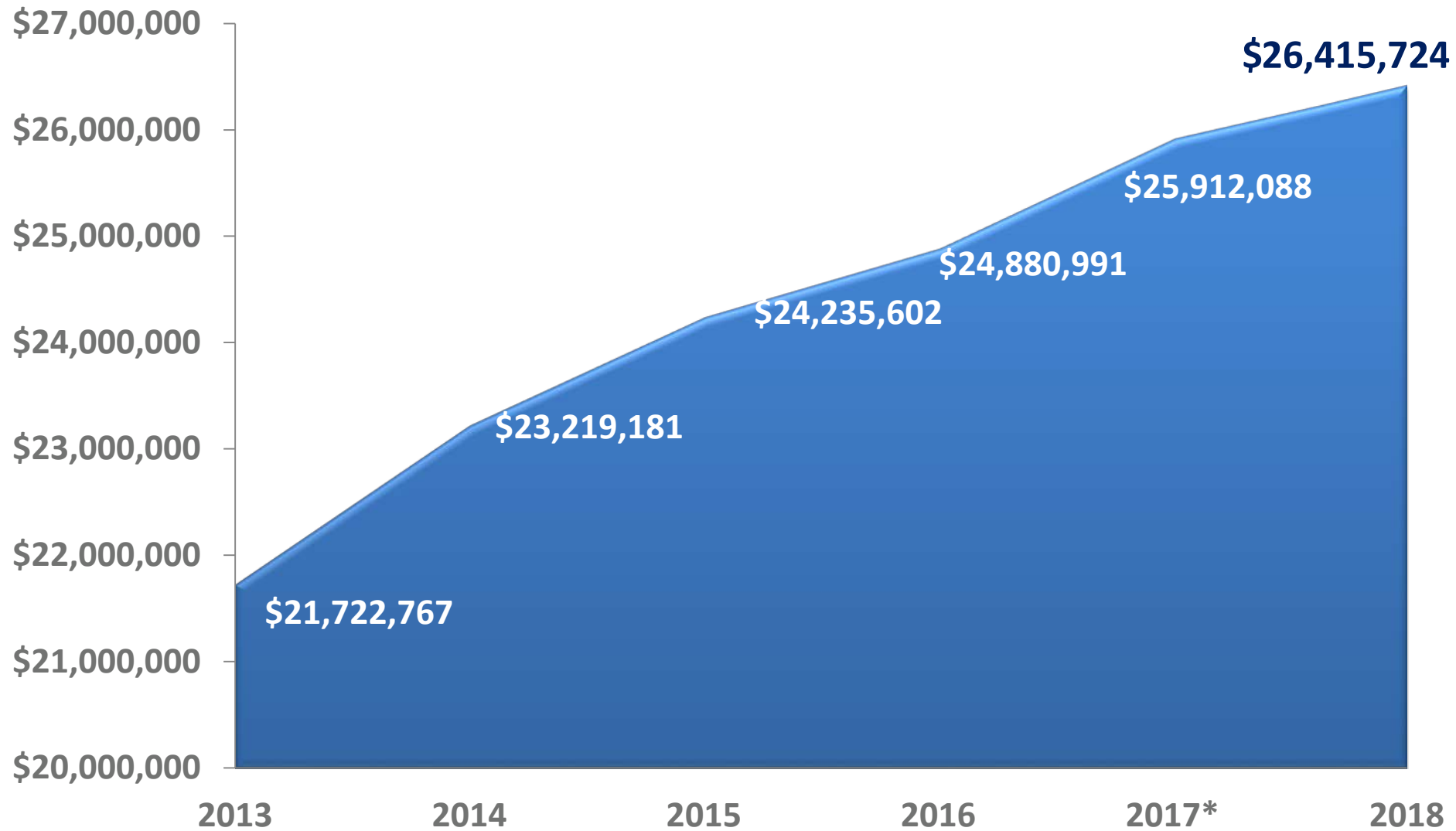
Revenue Sources



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



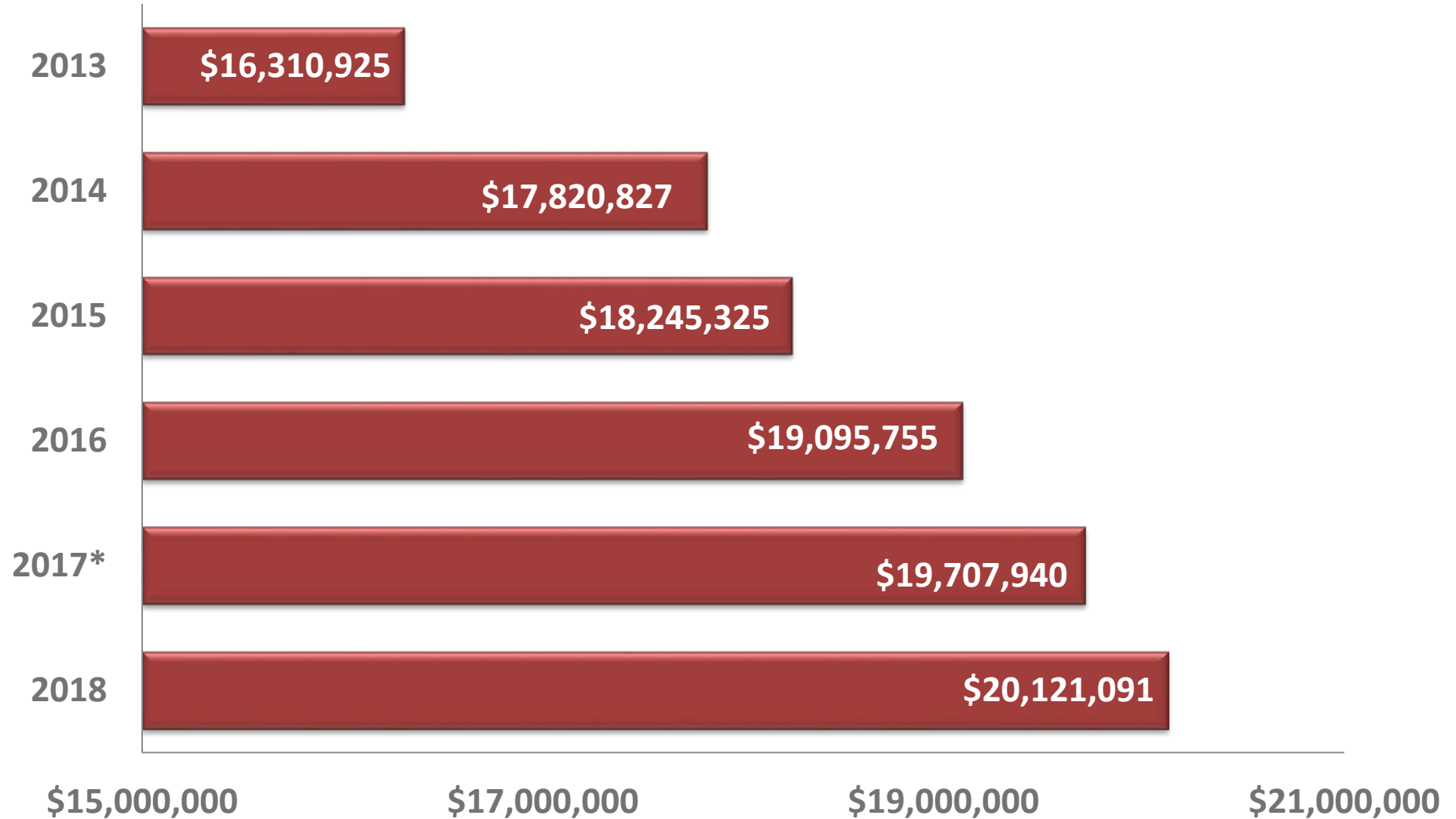
Water Sales



*Projected sales per Accounting & Finance Department



Sewer Sales



*Projected sales per Accounting & Finance Department



Expenditure Highlights

Every department reduced non-personnel operating budgets by 5% (**\$635,072** in reductions)

No hiring freeze for Water & Sewer employees

\$650,000 budgeted for vehicles & equipment

Decision to lease certain vehicles and equipment resulted in stretching funds used for capital investments further

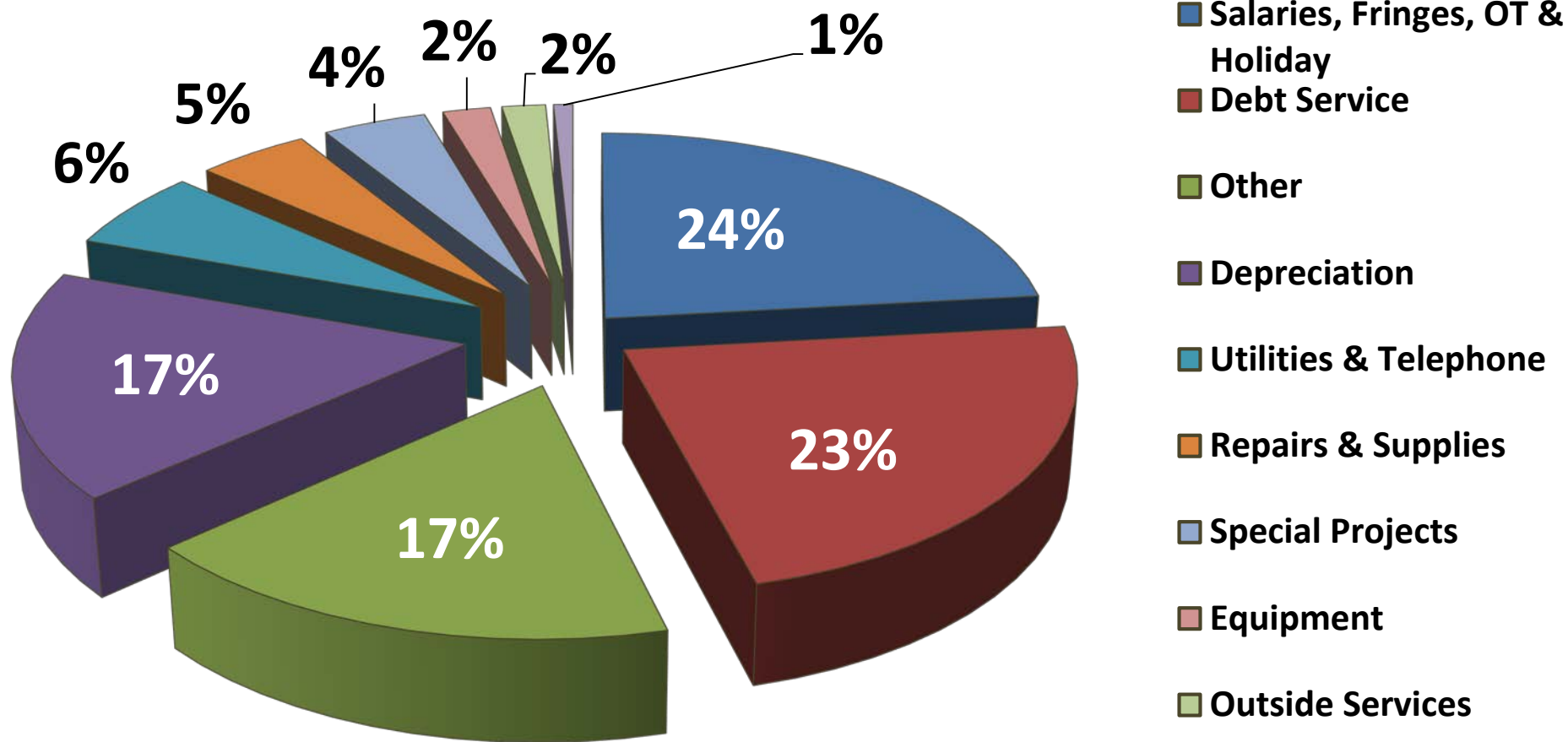


Expenditures by Department

Other Operating	\$ 27,362,008	52%
Infrastructure & Public Services	\$ 23,622,274	45%
Office of Urban Development	\$ 941,991	2%
Accounting & Finance	\$ 504,222	1%



Expenditures By Type



Other expenses include, but are not limited to, transfers to other funds, chemicals, tip fees, and auditing etc.

For FY 2018, \$11,920,314 is allocated towards salaries, fringes, holiday and overtime.



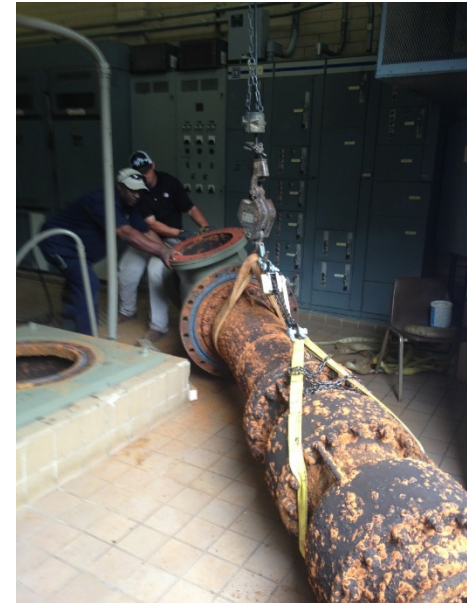
How Much Has Really Changed?

	2007	2018
Salaries, Benefits, & Overtime	27%	24%
Other	34%	44%
Debt Service	30%	23%
Utilities & Telephone	7%	6%
Equipment	1%	2%
Auto Fuel & Maintenance	1%	1%



Vehicles & Equipment

Lease Payments	\$ 126,570
Process Equipment	\$ 258,500
Capital Repairs	\$ 833,580
Vehicle Allocation	<u>\$ 650,000</u>
Total	\$ 1,868,650





Budget Team



Walt Maddox
Mayor

Mike Wright
Chief Financial Officer

Susan Snowden
Deputy Chief Financial Officer

Katy Metcalfe
Director of Budgets &
Strategic Planning

Ashley Price
Budget Manager



2017 Budget Hearing Schedule

Daugherty Conference Room

Friday, August 25, 2017

8:00am – 8:30am

Overview

8:30am – 9:30am

Police

9:30am – 10:30am

Fire

10:30am – 11:30am

Urban Development

11:30am – 12:15pm

Accounting & Finance



2017 Budget Hearing Schedule

Daugherty Conference Room

Tuesday, September 5, 2017

8:15am – 8:45am

Federal Programs

8:45am – 9:15am

Mayor/Clerk/Council &
Communications

9:15am – 10:15am

Human Resources

10:15am – 10:45am

Municipal Court

10:45am – 11:15am

Office of the City Attorney

11:15am – 11:45am

Agency Funding



2017 Budget Hearing Schedule

Daugherty Conference Room

Tuesday, September 12, 2017

8:00am – 10:00am

Infrastructure & Public
Services

10:00am – 11:00am

Information Technology

11:00am – 12:00pm

Vehicles & Equipment

12:00pm – 12:30pm

Budget Wrap Up