

9/29/19 Update FY 2020 Budget Overview

The City is financially better off today than it ever has been! If proposed as is, the FY2020 budget will be the first-ever self-sustaining budget without the need of Utility profits paying government expenses.

Downplaying significant progress is par for the course; however, it is not as important for Council to understand this fact as it is for you. Holding future elected officials accountable to continue a transparent strategic budget process is paramount. Utility funds and tax funds are not the same and this mindset has prevented critical investments in utility upgrades, facility infrastructure, personnel needs and protecting our quality of life. We cannot afford to go backwards.

The 2-page handout Councilman Brown shared during last work session:

Page 1:

GENERAL GOVT BUDGET VS ACTUAL ANALYSIS FOR 2020							
	2016	2017	2018	2019	2020	▲ from '17-'19	
REVENUES							
General Govt. Budget	\$24,043,399	\$26,940,979	\$27,245,572	\$29,434,005	\$30,734,433	\$2,493,026	9.25%
General Govt. Actual	\$24,016,381	\$27,156,545	\$27,246,000	\$28,651,162		\$1,494,617	5.50%
DIFFERENCE	-\$27,018	\$215,566	\$428	-\$782,843			
EXPENSES							
General Govt. Budget	\$24,219,413	\$23,688,861	\$25,320,695	\$27,736,483	\$29,938,702	\$4,047,622	17.09%
General Govt. Actual	\$23,474,490	\$21,976,689	\$25,448,159	\$25,411,886		\$3,435,197	15.63%
DIFFERENCE	-\$744,923	-\$1,712,172	\$127,464	-\$2,324,597			
Expense vs Revenue Budget	-\$176,014	\$3,252,118	\$1,924,877	\$1,697,522	\$795,731		
Expense vs Revenue Actual	\$541,891	\$5,179,856	\$1,797,841	\$3,239,276			

Explained: "Budget" vs "Actual" figures. Actual figures should be used in determining trends. As explained in the last four annual budget presentations, the City took over its own operating expenses from the Utility Department and reduced the amount of Utility transfers needed to cover its government expenses to zero. Obviously when this correction is made, City expenses are going to increase. Not because we're adding so many more expenses but because we're reporting it correctly.

Every year since then, this administration has continued to correct expenses in each department in order to manage and more accurately report a transparent budget. For example, during the Public Works budget presentation, Richard Johnson explained that two employees

have been paid from the electric dept when this should have been expensed to the building maintenance department under Public Works.

As far as managing Revenue, we can only make educated estimations based on trends. It's only a tool and will be what it will be. Because the City divided up expenses and revenues by department, we have been able to identify areas where the City needed to increase fees and invested in ways to increase revenue opportunities.

Here is what the year-end figures would look like if corrections were never made and left as it was before this term:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
City Surplus	\$4,861,460	\$4,216,218	\$3,936,051

And it be continuing the optics of a financially sustainable City leaving utility profits so low it could not afford proper maintenance and upgrades.

The second page of the handout from Councilman Brown:

Department Trends 2017-2020 (adjusted for Cap. Purchases and Improvements)							
		Actual		Budgeted		△ from '17-'20	Increase
		2017	2018	2019	2020		
Police Department		\$5,001,417	\$5,606,688	\$6,439,101	\$6,982,773	\$1,981,356	39.62%
	Salaries	\$3,028,151	\$3,195,469	\$3,629,613	\$3,952,370	\$924,219	30.52%
Fire Department		\$393,773	\$511,335	\$627,375	\$525,013	\$131,240	33.33%
	Salaries	\$139,969	\$143,660	\$151,467	\$155,350	\$15,381	10.99%
Economic & Community		\$934,546	\$1,219,386	\$985,778	\$926,685	-\$7,861	-0.84%
	Salaries	\$164,794	\$134,404	\$149,309	\$128,500	-\$36,294	-22.02%
Civic Center	(net loss)	\$100,577	\$223,186	\$132,854	\$215,172	\$114,595	113.94%
	Salaries	\$102,928	\$114,407	\$118,113	\$159,000	\$56,072	54.48%
Nix Center	(net loss)	\$279,184	\$274,010	\$292,999	\$372,626	\$93,442	33.47%
	Salaries	\$152,923	\$157,356	\$169,908	\$184,140	\$31,217	20.41%
Parks and Rec	(net loss)	\$1,315,290	\$1,611,033	\$1,796,269	\$2,078,486	\$763,196	58.02%
	Salaries	\$914,156	\$1,032,120	\$1,187,667	\$1,319,345	\$405,189	44.32%
Fairhope Docks		\$0	\$2,511	-\$38,480	\$80,345	\$80,345	3199.72%
	Salaries	\$0	\$56,034	\$107,342	\$128,180	\$128,180	228.75%
Golf Operations		\$271,102	\$492,387	\$512,135	\$721,111	\$450,009	165.99%
	Salaries Clubhouse	\$298,131	\$320,416	\$428,876	\$411,730	\$113,599	38.10%
	Salaries Grounds	\$294,967	\$303,511	\$367,755	\$405,995	\$111,028	37.64%
Planning		\$222,946	\$288,372	\$398,267	\$580,828	\$357,882	160.52%
	Salaries	\$294,622	\$335,625	\$392,723	\$530,220	\$235,598	79.97%
Building		\$783,618	\$784,626	\$1,146,080	\$593,320	-\$190,298	-24.28%
	Salaries	\$360,565	\$417,869	\$480,256	\$499,691	\$139,126	38.59%

The handout does not include how departments were restructured, the deficit in full-time employees due to lack of hiring during unprecedented growth, population growth for perspective and includes only two years (2017 & 2018) of actual figures.

It's also important to note that Economic & Community Development and Fairhope Docks were newly created departments this term. There is no comparison, and both were needed. The Econ/Comm Dev department has been restructured several times this term and responsible for helping secure over \$22M in funding for the City and Utility needs which taxpayers will not have to pay. After taking back the management of Fairhope Docks, the City has successfully created a more environmentally healthy marina. Income from boat slips and gas sales have enabled the City to pay for facility upgrades. After only 16 months in operation, the marina revenue started paying for all day-to-day expenses including salaries.

I have also communicated over the years the fact that the Police and Fire Department cannot financially sustain their respected jurisdictions without equitable funding due to population growth.

During the 2017 budget presentation, I included the following comparison of sworn officers by population. This is when I started adding more officers to the budget. In 2019, we have 41 sworn officers.

CITY	POPULATION	SWORN OFFICERS	City-Data.com 2016 crime index (National Average is 275)
Prattville, AL	35,317	83	270.1
Vestavia Hills, AL	34,124	82	73.6
Alabaster, AL	31,545	61	135
Fairhope, AL	32,663	36	203.6
Opelika, AL	29,171	84	465.6
Enterprise, AL	27,772	52	241.7
Bessemer, AL	26,949	118	1,164.9
Homewood, AL	25,802	70	298.5
Northport, AL	24,709	59	278.2
Daphne, AL	24,395	50	127.6

Salary increases are inevitable when trying to catch up on hiring. This deficiency has ended up costing the City and our Utilities far more than the salary increases with the long-term neglected maintenance and upgrades. The fix will be exponentially more expensive due to poor planning.

	CITY FULL-TIME EMPLOYEES								Total Change 2012-19	Notes
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019		
POPULATION	14,184	16,385	16,794	18,089	18,730	19,421	22,085	N/A	7,901	41% Population Growth 2010-2018
GEN GOV ADMIN	32	36	28	27	28	27	28	30	-2	
Judicial	3	2	2	2	2	2	3	3	0	
Building	8	8	5	7	9	8	9	10	2	
Planning	4	5	5	5	5	7	5	7	3	Replaced director with 2 managers.
POLICE	44	48	46	46	45	49	51	61	17	ALL full-time Employees in dept.
DISPATCH	18	17	18	17	14	15	12	13	-5	
STREETS	36	39	39	41	46	42	42	37	1	
SANITATION	19	17	21	22	20	19	22	27	8	Added to obtain 99% on-time
FACILITIES MAIN.	0	0	0	1	2	2	3	6	6	Lacking before this term
FLEET	4	3	4	5	6	7	7	7	3	
GOLF	14	15	16	18	20	19	19	14	0	
RECREATION	19	24	23	25	26	29	28	18	-1	
MARINA	0	0	0	0	0	0	3	2	2	New department
NIX	14	9	10	11	12	11	11	4	-10	
CIVIC	1	2	2	2	2	2	2	2	1	
MUSEUM	1	1	1	1	1	2	2	2	1	
ECON & COMM DEV	0	0	0	0	0	2	2	2	2	New department
Total	217	226	220	230	238	243	249	245	28	
Total % Change		4.15%	-2.65%	4.55%	3.48%	2.10%	2.47%	-1.61%	12.90%	

With 32% population growth from 2012-2016, the City increased FT employees by only 9.7% (5.3% from 2013-2016). The lack of hiring in needs to keep up with citizen services was ignored.

Councilman Conyers' Handout

	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
<i>Gas Fund</i>	\$ 7,358,052	\$ 6,276,645	\$ 6,342,735	\$ 6,718,321	\$ 7,026,000
<i>Electric Fund</i>	\$ 20,523,934	\$ 20,215,093	\$ 20,737,767	\$ 20,890,411	\$ 21,506,946
<i>Water Fund</i>	\$ 6,419,440	\$ 6,891,473	\$ 7,271,716	\$ 7,313,269	\$ 7,698,815
<i>Sewer Fund</i>	\$ 3,984,381	\$ 4,264,784	\$ 4,329,389	\$ 4,368,758	\$ 4,592,273
Utilities	\$ 38,285,807	\$ 37,647,995	\$ 38,681,607	\$ 39,290,759	\$ 40,824,034
City General Fund	\$ 21,911,228	\$ 24,043,399	\$ 26,940,979	\$ 27,245,572	\$ 29,376,805
TOTAL REVENUES	\$ 60,197,035	\$ 61,691,394	\$ 65,622,586	\$ 66,536,331	\$ 70,200,839
<i>Gas Fund</i>	\$ (4,524,012)	\$ (4,216,965)	\$ (4,800,909)	\$ (4,689,296)	\$ (5,327,187)
<i>Electric Fund</i>	\$ (16,943,809)	\$ (16,340,087)	\$ (16,868,114)	\$ (17,102,057)	\$ (17,535,025)
<i>Water Fund</i>	\$ (3,026,739)	\$ (3,445,336)	\$ (3,637,144)	\$ (3,393,540)	\$ (3,775,510)
<i>Sewer Fund</i>	\$ (3,432,704)	\$ (3,937,268)	\$ (4,303,887)	\$ (4,096,449)	\$ (4,253,266)
Utilities	\$ (27,927,264)	\$ (27,939,656)	\$ (29,610,054)	\$ (29,281,342)	\$ (30,890,988)
City General Fund	\$ (22,466,036)	\$ (24,219,413)	\$ (23,688,861)	\$ (25,448,159)	\$ (28,445,534)
TOTAL EXPENSES	\$ (50,393,300)	\$ (52,159,069)	\$ (53,298,915)	\$ (54,729,501)	\$ (59,336,522)
<i>Gas Fund</i>	\$ 2,834,040	\$ 2,059,680	\$ 1,541,826	\$ 2,029,025	\$ 1,698,813
<i>Electric Fund</i>	\$ 3,580,125	\$ 3,875,006	\$ 3,869,653	\$ 3,788,354	\$ 3,971,921
<i>Water Fund</i>	\$ 3,392,701	\$ 3,446,137	\$ 3,634,572	\$ 3,919,729	\$ 3,923,305
<i>Sewer Fund</i>	\$ 551,677	\$ 327,516	\$ 25,502	\$ 272,309	\$ 339,007
Utilities	\$ 10,358,543	\$ 9,708,339	\$ 9,071,553	\$ 10,009,417	\$ 9,933,046
City General Fund	\$ (554,808)	\$ (176,014)	\$ 3,252,118	\$ 1,797,413	\$ 931,271
TOTAL SURPLUS (before transfers)	\$ 9,803,735	\$ 9,532,325	\$ 12,323,671	\$ 11,806,830	\$ 10,864,317
<i>Gas Fund</i>	\$ 1,326,575	\$ 770,119	\$ 750,000	\$ 468,000	\$ 255,000
<i>Electric Fund</i>	\$ 500,000	\$ 1,050,908	\$ 1,235,000	\$ 652,667	\$ 715,000
<i>Water Fund</i>	\$ -	\$ 1,130,055	\$ 900,000	\$ 1,000,000	\$ 746,000
<i>Sewer Fund</i>	\$ -	\$ -	\$ -	\$ -	\$ -
UTILITY TRANSFERS	\$ 1,826,575	\$ 2,951,082	\$ 2,885,000	\$ 2,120,667	\$ 1,716,000

Changing the mindset of combining City and Utilities revenue and expenses as if both are the same pot of money has been a difficult challenge. A great deal of hard work has been invested in separating the two in order to create a City budget free of Utility subsidies and to enable our Public Utilities to afford the upgrades needed. It's become a broken record.

Combining Utility & City total expenses and revenue from the CAFR does not explain all the corrections made over the last three years. Here is the breakdown how utility transfers were

used in addition to the total amount the Utility dept paid from its operating account for City expenses:

	2015	2016	2017	2018	2019	2020 Budget
UTILITY TRANSFERS for Community Dev					1,128,000	513,000
UTILITY TRANSFERS for City Operation	1,826,575	2,951,082	2,885,000	2,120,667	510,000	1,716,000
Utility City Operation Expenses	2,442,631	2,797,227	ZERO	ZERO	ZERO	ZERO
Total Utility Subsidy City Operation	4,269,206	5,748,308	2,885,000	2,120,667	510,000	ZERO
(this total must be added as an expense for the City & added as additional Revenue for Utility!)					2019 Comm Dev for Purchase K-1	8% Net Profit Proposed for Comm Dev.

Before 2017, the City reported it was operating in the black when it was operating at around an almost \$6M deficit. The City required over half of utility profits to pay government expenses. The City has taken over its own expenses and does not require utility transfers or utility direct payments for operating. Because of this, The City has invested in more infrastructure than ever before, hired more full-time employees than ever before, has paid off its debt and has not borrowed a dime to do it!

That is the difference! I am puzzled as to why this significant financial improvement has been downplayed. Again, it's not as important for Council to understand the critical improvements made in order to afford everything that has been accomplished the last three years. It is very important that you understand it to hold future elected officials to continue transparent financial planning. We absolutely cannot afford to go backwards.