

# 2011 Quadrennial Revenue Review



The City of Auburn,  
Alabama







# The City of Auburn

## 2011 Revenue Review

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## City of Auburn

### **Vision Statement**

The City of Auburn is committed to being an attractive, environmentally conscious community that is progressive, responsible and hospitable.

This community desires for all citizens:

- ❖ safe and attractive neighborhoods with adequate housing,
- ❖ quality educational opportunities,
- ❖ diverse cultural and recreational opportunities,
- ❖ vibrant economic opportunities, and
- ❖ active involvement of all citizens.

### **Mission Statement**

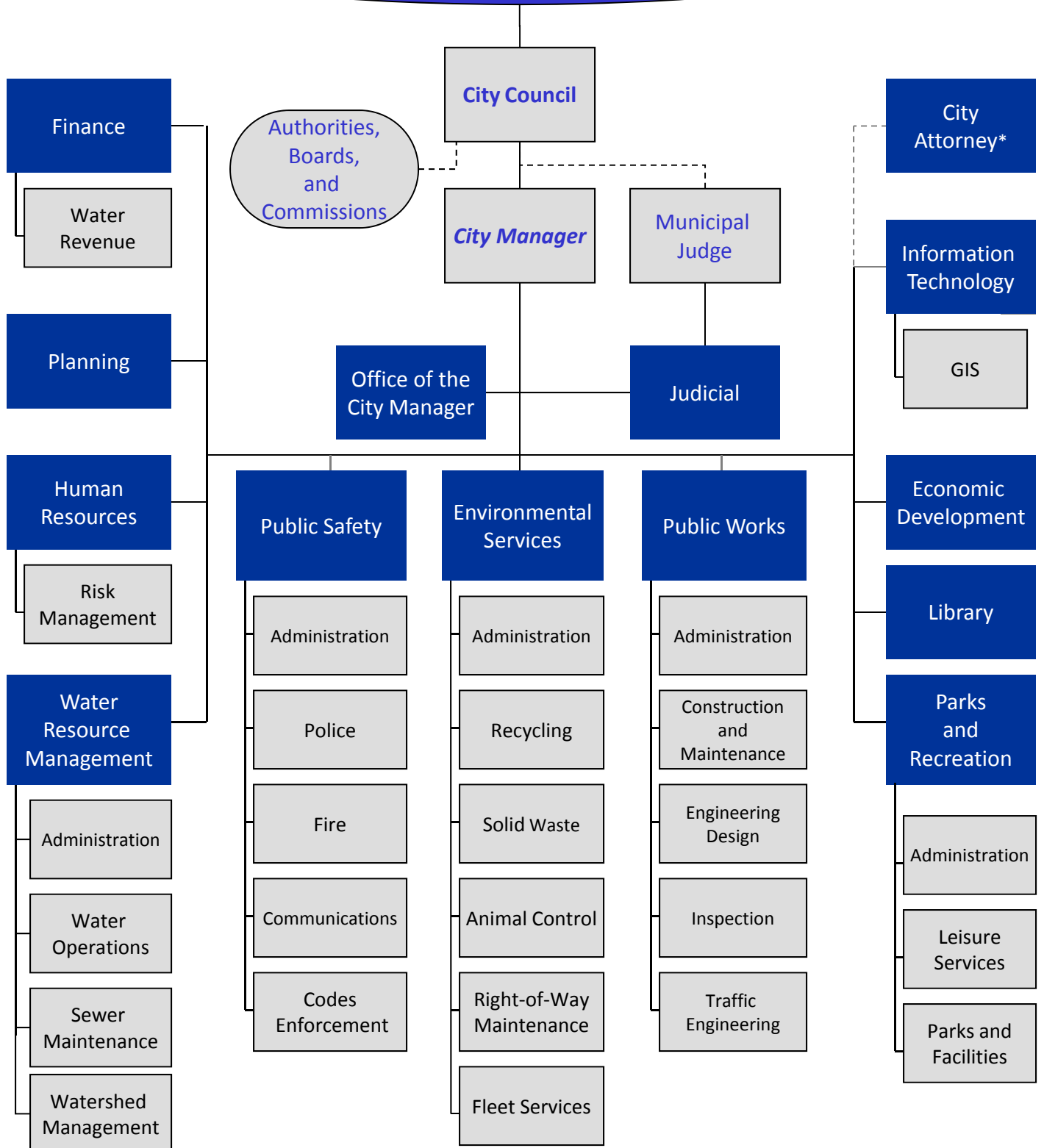
The mission of the City of Auburn is to provide economical delivery of quality services, created and designed in response to the needs of its citizens, rather than by habit or tradition. We will achieve this by:

- encouraging planned and managed growth as a means of developing an attractive built-environment and by protecting and conserving our natural resources;
- creating diverse employment opportunities leading to an increased tax base;
- providing and maintaining reliable and appropriate infrastructure;
- providing and promoting quality housing, education, cultural and recreational opportunities;
- providing quality public safety services;
- operating an adequately funded city government in a financially responsible and fiscally sound manner;
- recruiting and maintaining a highly motivated work force, committed to excellence;
- facilitating citizen involvement.



# Organization Chart

*Citizens of Auburn*



\* City Attorney services are contracted outside the organization

Legend:	Policy or Judicial Authority	Department	Division or Sub-Departmental Unit
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**City of Auburn**  
Home of Auburn University

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**MEMORANDUM**

**To:** City Councilmembers  
**From:** Charles M. Duggan, Jr., City Manager  
**Date:** March 30, 2011  
**Subject:** 2011 Quadrennial Revenue Review

It has long been the goal of this Council and City Management to anchor City services on a foundation of fiscal responsibility and financial conservatism. This pragmatic approach has served us well during the recent global economic uncertainty. To continue to operate from a strong economic position we must budget cautiously and take a careful look at our revenue realities. Therefore, the report before you presents the City's projected revenue position from now until FY2016 and examines how well those revenues fund the expenditures required to meet the objectives of the City Council, the Management Team, and the citizens of Auburn.

We begin, as part of this Introduction, with an update of the 2007 Revenue Review Key Decisions and a description of the results of that effort. Next, in the Revenue Environment section, we present a survey of the City's General Fund Revenue structure focusing on our four main revenue sources: Sales and Use Taxes, Occupational License Fees, Ad Valorem Taxes, and Business License Fees. It is in this section where we offer an assessment of the City's General Fund which includes projections of revenues and expenditures through FY2016 and details their effect on our fund balance over the next six years.

In order to properly evaluate the City's revenues, an analysis of our planned expenditures must take place. Thus, within the framework of this report we discuss the Expenditure Environment in the context of the City's Mission Statement and how the objectives of the City Council translate into funding for various projects and initiatives. Finally, we offer specific recommendations for changes to the revenue structure and propose areas for further study in order to achieve those objectives.

**Goals for the 2011 Revenue Review**

1. Evaluate the adequacy of the current General Fund revenue structure to support the City's ability to provide public services at the current level, based on historical trends and reasonable assumptions, as well as the capital needs of the City as adopted by the Capital Improvement Plan (CIP).
2. Identify revenue-related issues that need further study.
3. Develop recommendations for changes in the General Fund revenue structure to address any forecasted revenue deficiencies.
4. Develop recommendations for changes in the City's revenue administration processes where appropriate.

## **General Fund Overview**

In today's economic environment significant changes have taken place, and are still underway, with regard to the consumer and business behaviors that fueled strong growth over the past decade. Due to those changes, we project a level of revenue growth that is insufficient to provide the services and investments necessary to meet the objectives of the City Council and the needs of our citizens.

**Revenue Outlook:** Although serious, our situation is not dire and we are fortunate to have time to be proactive as we work to keep our economic position strong. The local economy is expected to improve, albeit not at the rapid pace seen earlier in the decade. Local sales tax revenues continue to rebound and are projected to be above budget for the biennium. Occupational License fee revenues show strong growth as new jobs are announced and the unemployment rate declines. Conversely, Ad Valorem tax revenue growth has slowed considerably from the double digit increases seen this past decade to single digit or flat growth projections for the foreseeable future. Business License revenues remain depressed and the slowdown in the building market is reflected in significant decreases in construction permit revenues.

In light of anticipated reduced, sluggish, or negative growth, in the different revenue areas, projections included in this review prudently assume, at best, an overall sustained, gradual, improvement to our local economy. General Fund revenues are detailed in the Revenue Environment section of this document (beginning on page 13), and include several assumptions used in the projections, summarized as follows:

- On average, locally levied tax revenue is projected to be 2.9% higher than budgeted in FY2011, and 3.8% higher than budgeted in FY2012. For projections FY2013 to FY2016, locally levied tax revenues increase by 2.6 - 2.7% annually. See page 25 for additional details. Sales tax revenues are anticipated to increase by 2.5% annually for the projection period.
- To enable us to evaluate the sufficiency of the current tax rates, no rate changes are included in the assumptions for the revenue projections.

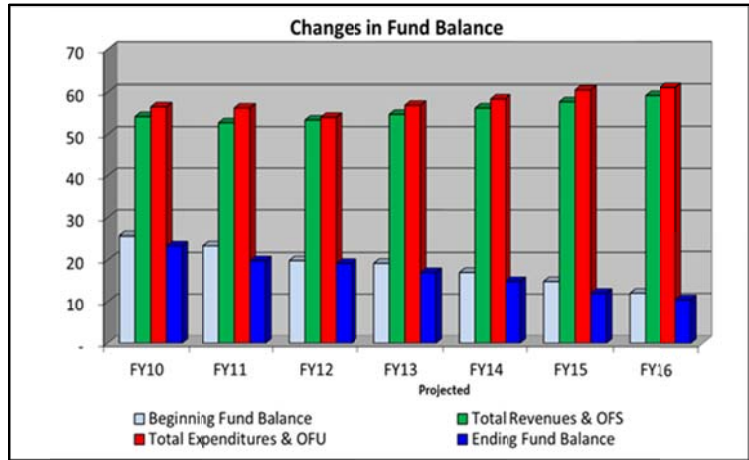
**Expenditure Outlook:** General Fund expenditures are detailed in the Expenditure Environment section of this document (beginning on page 27) and include several assumptions used in the projections, summarized as follows with more detail appearing below:

- Personnel costs will increase 3% annually; no cost-of-living adjustment is included, nor are new positions assumed.
- Departmental contractual services and commodities spending will increase by 2%, with additional increases projected for energy costs. The only additional costs included are for the operation of new facilities as they are constructed according to the CIP.
- Debt service expenditures are projected for debt issued to construct projects according to the CIP, including Auburn Technology Park West (\$2,800,000), replacement of Moores Mill and Gay Street bridges (\$8,028,500), and road/intersection projects (\$4,546,950).
- According to the CIP, expenditures from the General Fund on infrastructure projects will resume in FY2013. Projects funded conditionally, and dependent upon collection of sufficient revenues, are not included and could be delayed if resources are unavailable.
- Capital equipment replacement expenditures will also resume in FY2013.

The expenditure environment section of this document reviews several future expenditures tied to the City's objectives that were unfunded, underfunded, or funded through deficit spending (drawdowns on the General Fund Balance). A summary of those future expenditures and their funding status is as follows:

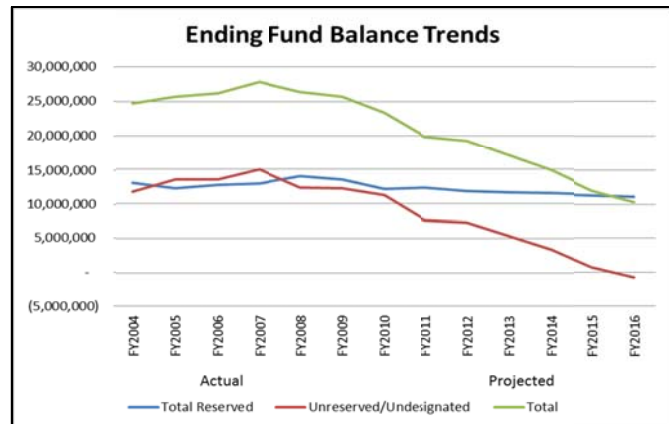
- *Auburn Technology Park West*: Current debt service capacity can only fund the next phase at \$2.8 million while the total estimate to finish the park is approximately \$5,000,000. To see the park to completion, an annual increase of debt service is required by an estimated \$282,000. This unfunded debt service is not included in the expenditure projections.
- *Land acquisition for a future technology park*: Estimated at \$8,000,000, this expenditure will need to be considered in the next five years as the available sites at existing parks become occupied. Assuming 5% interest over ten years, debt service is estimated at just over \$1.0 million annually, and is not included in the expenditure projections.
- *Expansion of commercial development activities*: additional staff and operating funds (minimum \$60,000 per year) are not included in the expenditure projections.
- *Road resurfacing and restriping*: The CIP currently includes funding for \$1.5 - 2.0 million in resurfacing annually; the City Engineer's recently completed 5-year Resurfacing Plan recommends an annual expenditure of \$3.0 million, based on calculations to resurface all streets according to a 20-year cycle. The \$1.0 - 1.5 million shortfall is not included in the expenditure projections.
- *Police facility expansion*: The Douglas J. Watson Municipal Complex will require replacement of the HVAC system and minor renovations prior to the expansion of the Police Division. Some future Five Mill capacity is available, but the CIP includes up to \$500,000 being financed by a federal grant program that will likely be discontinued by the current Congress.
- *Conditionally-funded capital projects*: The CIP contains an average of \$620,000 in projects that will be funded only upon receipt of sufficient revenues. All are important projects, but shrinking budget-to-actual variances (money budgeted but not spent each year) will decrease the availability of funding. Conditionally-funded projects are not included in the expenditure projections.
- *Grant-funded projects*: FY2013 - FY2016 of the CIP contain over \$3.8 million in projects for which the City will seek federal grants; these projects are primarily pedestrian and bicycle facilities and, based on past successes, would stand a reasonable chance of being funded. Budget constraints and soaring deficits at the federal level are likely to reduce the available funding and increase competition. The City needs to be prepared to either fund these projects locally or reconsider including them on the CIP.
- *Capital infrastructure investment and equipment replacement*: The short-term reliance on the Special Five Mill Fund to provide funding for infrastructure investment will end shortly and the cost of these projects will shift back to the General Fund in FY2013 (per the CIP), along with approximately \$750,000 in equipment replacement needs. While these costs are included in the expenditure projections, they are a significant contributing factor in the continued drawdown of the fund balance.

**Fund Balance Outlook:** As the City developed the past two biennial budgets a key component of management’s strategy was to rely on reserves to absorb the impact of the recession in order to reduce any potential decreases to the level of service enjoyed by our residents. The second key component of this strategy was to temporarily move the burden of transportation infrastructure and some capital equipment replacement to the Special Five Mill Fund and other special revenue funds where excess capacity was available. As we approach mid-biennium in FY2012, the City must begin preparing for the General Fund to resume spending on infrastructure. In FY2013 - FY2014, the City will need to spend almost \$2.8 million on capital equipment and infrastructure increasing to over \$5.5 million for the FY2015 - 2016 biennium. This necessary level of funding directly contributes to the projected drawdown of the fund balance.



	Actual	Projected					
	2010	2011	2012	2013	2014	2015	2016
<b>Reserved for:</b>							
Inventories	15,919	19,336	19,336	19,336	19,336	19,336	19,336
Prepaid expenses	4,010	14,588	14,588	14,588	14,588	14,588	14,588
Encumbrances	183,062	771,106	771,106	771,106	771,106	771,106	771,106
<b>Advances</b>							
Advance to IDB	2,537,853	2,462,853	2,377,853	2,211,353	2,044,853	1,878,353	1,711,853
Advance to Indian Pines	337,173	313,192	287,921	261,291	233,229	203,658	172,497
Advance to SWMF	216,892	216,892	173,514	130,135	86,757	43,378	-
Property for resale	4,131,127	4,131,127	4,131,127	4,131,127	4,131,127	4,131,127	4,131,127
<b>Total adjusted reserved fund balance</b>	<b>7,426,037</b>	<b>7,929,095</b>	<b>7,775,446</b>	<b>7,538,938</b>	<b>7,300,997</b>	<b>7,061,548</b>	<b>6,820,508</b>
Permanent Reserve	4,682,899	4,350,402	4,080,729	4,141,940	4,204,069	4,267,130	4,331,137
Unreserved/Undesignated	11,265,468	7,569,216	7,336,631	5,347,994	3,348,354	706,477	(814,221)
<b>Ending Fund Balance</b>	<b>23,374,404</b>	<b>19,848,714</b>	<b>19,192,806</b>	<b>17,028,872</b>	<b>14,853,420</b>	<b>12,035,155</b>	<b>10,337,425</b>
<i>Ending Fund Balance (excl. Perm. Res.) as % of Adj. Expenditures</i>	33.06%	27.53%	27.96%	22.64%	18.23%	12.83%	9.86%

Our fund balance composition has changed over the past several years, and it should be emphasized that the fund balance **does not** equal cash. The fund balance in the General Fund includes: 1) the Permanent Reserve, which is highly liquid but is currently being drawn down to level fund the school system, 2) amounts reserved for inventories, prepaid expenses, and encumbrances, which are projected based on historic averages, 3) property held for resale, which consists of



several outparcels at the mall, and 4) advances to other City entities, which the General Fund is recovering over various repayment plans. What remains after subtracting all of these items is the unreserved/undesignated fund balance. This is the amount available to finance other projects and operations, and is generally considered highly liquid. The table above shows the projected fund balance under the projected revenue and projected expenditure environments. Note that, beginning in FY2016, the projected unreserved and undesignated amount becomes negative; if that occurred, the permanent reserve would have to be tapped to finance ongoing operations.

The City Council has formally established the policy goal that minimum net ending fund balance (excluding permanent reserve) be equal to 20% of total expenditures or higher, with management's unofficial target being 25%. This strong reserve policy was adopted in recognition that more than 40% of the General Fund's total revenues are derived from a single source – sales tax, and that sales tax is highly sensitive to general and local economic conditions. Under the current projections, the ending fund balance falls below the Council's target in FY2014.

Even though the City's practice of conservatively projecting revenues and realistically planning for expenditures has typically resulted in better than expected performance, the City has been spending at a deficit since FY2008. These planned drawdowns of Fund Balance were acceptable and well-managed but cannot be sustained. Without higher-than-predicted revenue performance, or some combination of significant reductions in the cost of services and reductions in the planned capital and economic development investments, the drawdown of fund balance will continue.

### **Summary of Options and Proposals**

In order to proactively address the continued projected decline of our reserves, several options and/or proposals are included as part of this review.

1. Sales Tax Increase – Of the major revenue sources, only the top four (Occupational License, Business License, Property Tax and Sales & Use Tax) contribute the funds necessary to eliminate the spending deficit and fund the growth in Auburn City Schools. Sales Tax currently accounts for approximately 40% of General Fund revenues and is able to be changed by a vote of the City Council whereas Property Tax would additionally require legislative and voter approval. Increases in Business License and Occupational License fees are also available options but neither would be expected to raise sufficient revenue on its own. A detailed summary of each option, as well as comparative rates, begins on page 47. A one penny increase in Sales Tax would generate an estimated \$7.03 million annually, based on FY2010 actual receipts, and would still allow Auburn to remain competitive in commercial and retail development with our neighbors. If such an increase were split evenly between the City and ACS it would be sufficient to fund their short-term expansion needs and help with funding shortfalls brought on by the State's financial difficulties. The City's portion would eliminate the projected continued deficit spending, allow for street resurfacing projects to be aligned with the City's needs, to fund continued economic development activities, and reduce the amounts needed for future debt to fund such projects as the replacement of Moores Mill Bridge at I-85.

2. Business License – The proposed changes are not anticipated to generate any significant revenues but are proposed to more closely align our general issuance fee with the state guidelines, and, if deemed desirable, begin to equalize our Commercial and Residential Rental Business License fee rates. See page 49 for more information.
3. Liquor Wholesale Tax - Staff recommends increasing this tax from 3% to 7%. This will generate an estimated increase of \$117,583 in FY2012, and will help to offset the costs of providing public safety services to our alcohol establishments, especially downtown bars and restaurants, as well as bring this tax closer to those of our peer communities. See page 51 for more information.
4. E-911 Communications Fee – Staff recommends equalizing this fee to that charged in Lee County and Opelika. This will generate an estimated \$90,984, and will help cover the costs of operating the City’s 911 Call Center. Fees established to cover this cost currently generate about 2/3 of the Communications Division expenditures. See page 53 for more information.
5. Revenue Collection in the Police Jurisdiction – With an increase in policing needs in the police jurisdiction, the City Council needs to consider levying Sales & Use taxes and Business License Fees as allowed by law. Locations in the police jurisdiction, but outside the City limits, accounted for about 5% of all calls for service while contributing no revenue. The recommendation is to develop a more comprehensive study to determine the full consequences of police jurisdiction taxing and revenue collection. A detailed discussion of the initial research, including maps, incident counts and a comparison of the cost of services and revenue estimates, is presented on page 55.
6. Downtown Parking Revenues – In follow-up to the Downtown Parking Review presented to the Council in 2009, staff recommends revising the City’s parking ordinance with the intent of adjusting meter rates and enhancing enforcement and collection activities. Additional revenues will be used to fund parking-related capital projects, addressing a major priority in the Citizen Survey. See page 63 for more information.
7. Solid Waste Fund Rate Study recommendations - In order to continue providing excellent solid waste and recycling services, staff recommends increasing residential curbside collection rates by \$3.00 per month and backdoor collection rates by \$3.50 per month beginning in October, 2011, with future rate adjustments phased in as outlined in the 2011 Solid Waste Rate Study report presented earlier this week. Please see the report from the City’s consultant for additional information.
8. Sewer Fund Rate Study recommendations – To allow the City to continue planned capital improvements to the wastewater infrastructure, staff recommends increasing the average individually-metered residential service rate by \$1.20 per month beginning in October, 2011, with future rate adjustments phased in as outlined in the 2011 Sewer Rate Study Update presented earlier this week. Please see the report from the City’s consultant for additional information.

## Conclusion

In the 2011 Citizen Survey, our citizens continued to rank City services very highly and their satisfaction with the overall value received for their tax dollars was 33 percentage points above the national average. The priorities that our residents voiced in the survey inevitably translate into funding needs. To continue to pursue the hallmarks of our municipal government, excellence in the delivery of City services and high citizen satisfaction, some changes will be necessary. The recommendations put forth in this document are presented as a plan which allows the City to continue to earn the citizen's trust in responsibly providing essential government services. The proposals have been balanced to avoid undue impact on any single sector of our population and are intended to not hinder our local economy's ongoing recovery from the recession.

Sincerely,

A handwritten signature in cursive script that reads "Charles M. Duggan Jr.".

Charles M. Duggan, Jr.  
City Manager





## City of Auburn

### 2011 Revenue Review

#### Follow-up to 2007 Key Decisions

- |   | Yes      | No       |
|---|----------|----------|
| 1. Should the staff study the effect of a business license ordinance amendment to provide for a "small vendor" business license category? | <u>8</u> | <u>0</u> |

The Revenue Office studied the option of providing this license category by looking at how many existing taxpayers would be affected, analyzing the amount of revenue that would be lost for various fee levels of a proposed small vendor business license, and evaluating the impact of this additional license category on the administration of the business license ordinance. After completing this evaluation, City Staff discovered that the City of Auburn already made concessions within the City Code that promoted small businesses and created exemptions for many businesses that would potentially fit into this category. In addition, no cities within Alabama had implemented a "small vendor" business license category because of difficulty experienced while trying to define the term "small vendor". Therefore, since the City Code has concessions for small vendors, the City staff determined not to propose this category to Council for consideration.

- |  |          |          |
|--|----------|----------|
| 2. Should the staff study the effect of a business license ordinance amendment to provide for a "true up" of the first year's business license fee at the time the second year's business license is obtained? | <u>5</u> | <u>3</u> |
|--|----------|----------|

Research determined that this would be an administrative burden on both the taxpayer and the City (based on current staff size) to enforce and manage this method for calculating the business license fee. Staff believed the use of many estimates and valuations would be confusing to the first time business owner. Therefore this amendment was not pursued.

- |   |          |          |
|---|----------|----------|
| 3. Should the business license ordinance be amended to require a special license for a business to hold a going out of business or distressed merchandise sale? | <u>3</u> | <u>5</u> |
|---|----------|----------|

Based on the Council decision, the Finance Department did not to propose a special license for a going out of business sale.

- |   |          |          |
|---|----------|----------|
| 4. Should the City staff conduct a study to determine the most feasible (technologically and cost-beneficial) method by which to enable the City's taxpayers to file tax returns and remit tax payments via the Internet? | <u>8</u> | <u>0</u> |
|---|----------|----------|

The City staff researched this question and determined the State's online filing system for self-administered cities to be the best first step toward implementing a complete online filing package for the City of Auburn's taxpayers. The final phases of testing are currently in progress and the Finance Department expects to 'go live' within the next 60 days. This system will allow businesses to electronically file and pay sales, use, rental and leasing, and lodging taxes. As part of the broader

initiative, the Finance and Information Technology departments are continuing to develop a means by which the taxpayers can file business license returns and remit most City of Auburn taxes via the Internet.

5. Should the City staff conduct an analysis of building permit, planning, engineering and inspection fees to determine the adequacy of Auburn's fees as compared with those charged by other cities and the costs to provide these services?

7 1

Staff has conducted initial reviews of several of the fees for permitting and inspection services and determined that the fee schedules are not properly aligned with the cost of services provided. With the creation of the Neighborhood, Development, Growth and Infrastructure Business Unit, staff recommends waiting until any departmental reorganization has been finalized to revisit these fees.

## City of Auburn

### 2011 Revenue Review

#### Key Decisions

1. Should the City's Sales Tax rate be increased by 1 cent to provide additional funding for Auburn City Schools and infrastructure investment? *(Page 47.)*  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
2. Business License Fees – Commercial Rental *(Page 49.)*
  - a. Should the commercial rental license fees be increased to .50% of gross receipts for FY2012?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  - b. After FY2012, should the commercial rental license fees be increased over the next 4 years to bring the fees inline with residential rental license fees at 1.5% of gross receipts?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
3. Should the business license issuance fee be increased to \$10? *(Page 49.)*  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
4. Should the Liquor Wholesale Tax be increased to 7% of gross wholesales? *(Page 51.)*  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
5. Public Safety Fees – E-911 Fees *(Page 53.)*
  - a. Should the wired E-911 Fee be increased to equalize with the Opelika and Lee County rates?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  - b. If proposed legislation now under consideration (SB101 and HB114) is passed in a form that will reduce the City's Wireless E-911 revenues, should the wired E-911 rates be increased to offset this loss?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
6. Should staff pursue the the recovery of costs incurred in providing police services in the police jurisdiction, but outside City limits? *(Page 55.)*  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
7. Should staff study changes to the City's parking ordinance, with the intent of developing a comprehensive proposal for revisions to meter rates, penalties, and enforcement practices? *(Page 63.)*  
Yes \_\_\_\_\_ No \_\_\_\_\_

# City of Auburn

## Key Decisions (Continued)

8. Should Solid Waste Rates be increased to cover some or all of the costs associated with collection services?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please choose one of the following:

- a. Option 1 \_\_\_\_\_ (All Allocated Expenses & Replacements – No General Fund Subsidy) Residential Curbside waste pickup fee increase of \$5.00 and Residential Backdoor waste pickup fee increase of \$5.50.
- b. **Option 2 \_\_\_\_\_ (All Allocated Expenses & Replacements – \$350,000/yr General Fund Subsidy) Residential Curbside waste pickup fee increase of \$3.00 and Residential Backdoor waste pickup fee increase of \$3.50.**
- c. Option 3 \_\_\_\_\_ (Replacements but no Additional Allocated Exp – \$619,000-\$650,000/yr GF Subsidy) Residential Curbside waste pickup fee increase of \$1.50 and Residential Backdoor waste pickup fee increase of \$2.00.
- d. Option 4 \_\_\_\_\_ (No Add Allocated Exp or Replacements – \$619,000-\$650,000/yr GF Subsidy plus vehicles) Residential Curbside waste pickup fee increase of \$0.50 and Residential Backdoor waste pickup fee increase of \$1.00

9. Should Sewer Rates be increased to meet the projected system revenue requirements for the projected period?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please choose one of the following:

- a. **Option 1 \_\_\_\_\_ Residential monthly bill increase by an average of \$1.20 (6.9%)**
- b. Option 2 \_\_\_\_\_ Residential monthly bill increase by an average of \$0.68 (3.9%)
- c. Option 3 \_\_\_\_\_ Residential monthly bill increase by an average of \$1.68 (9.9%)

### Recommended Option

## City of Auburn

### **2011 Revenue Review**

#### *Revenue Overview*

#### **Purpose**

The purpose of the City's quadrennial revenue review is to conduct a comprehensive examination of the General Fund's revenue structure in order to determine its adequacy to finance the City's operations and capital plans for the current and subsequent biennial budget periods. The assessment of the General Fund revenue structure shall be performed within the context of:

- the Fund's long-term financial projections;
- the biennial budget in effect at the time of the revenue review;
- the approved long-term capital improvement plan in effect at the time of the review; and
- other relevant long-term planning documentation and information.

The revenue review process shall also examine Auburn's revenue structure in comparison with that of other Alabama cities of similar size and shall consider options for changes in Auburn's revenue structure for recommendation to the City Council. City staff may also make recommendations to the Council concerning revenue administration issues for additional study. In addition to the quadrennial revenue review, the City's revenue structure may be studied, and recommendations for changes therein developed, during the biennial budget process and the mid-biennium budget review process, as well as at other times as the City Manager may deem appropriate.

#### **General Fund Revenue Structure**

The City's General Fund revenue finances the basic services provided by the City: public safety, public works, environmental services, planning, parks and recreation, library, and general administrative services, including economic development. Consequently, the adequacy of the General Fund's revenue sources to support the level of services expected by citizens is a cornerstone of short-term and long-term financial planning.

The State of Alabama has the legal authority to establish the municipalities' revenue sources. The State may set maximum rates, require voter approval to increase specific revenue rates, or allow city councils to change revenue rates simply by ordinance. The State levies some taxes and fees which it shares with the counties and municipalities, calculating each local government's share by a legally mandated formula. For some revenue sources, such as property taxes and sales taxes, there is no direct correlation between the amount of tax paid and the amount of services received by the taxpayer. For other types of revenues, like parking fees and gasoline taxes, there is a direct relationship between the service provided and the fee paid.

Before deciding how much money to spend in providing services to citizens, the Council must know how much revenue is estimated to be available to finance the costs of those services. To develop those revenue estimates, the Finance staff maintains detailed records of General Fund revenues, by source, for each fiscal year. The staff analyzes revenue trends over years as a preliminary step in developing revenue projections for the budget. The revenue trend information is used in conjunction with information about the various economic factors that are likely to affect revenue growth to develop *estimates* of how much revenue the City is projected to have available in future years.

Alabama cities and counties are sales tax dependent; that is, sales tax revenue provides a significant percentage of the total revenues received. Auburn’s sales tax typically provides about 40% of the total General Fund revenue each year. This is an important factor in developing revenue estimates, since sales tax revenue is highly sensitive to changes in the economy. For example, if there is a recession that causes businesses and industries to lay off employees, people have less income to spend, which causes sales tax revenue to decrease. Likewise, if gasoline prices increase significantly some people will cut back their spending on other items and thus reducing sales tax revenue to the City.

To minimize the risks of sales tax dependency, it is important for the City to have a variety of revenue sources that are not as sensitive to changes in the economy as is sales tax. This rationale is the basis for the City’s concentrated effort to develop a diversified industrial base to generate revenue from occupation license fees and business license fees. Economic and non-economic factors interact, producing a synergy that has meant stability in all of the City’s revenue sources.

The top four revenue sources of the General Fund typically comprise about 75-80% of the total projected resources available to finance the annual expenditures of the Fund:

**Table 1.**

General Fund Revenue Sources	Audited Actual FY 2010		Mid-Biennium Projected Budget			
			FY 2011		FY 2012	
	Amount	As % of Total Rev	Amount	As % of Total Rev	Amount	As % of Total Rev
Sales tax	\$ 21,081,232	39.9%	\$ 21,250,000	40.6%	\$ 21,541,500	40.5%
Occupation license fee	8,448,505	16.0%	8,615,000	16.5%	8,873,000	16.7%
Business license fee	8,112,960	15.3%	8,059,500	15.4%	8,139,500	15.3%
Ad valorem (property) tax	4,092,017	7.7%	4,226,150	8.1%	4,278,067	8.0%
<b>Total - Top 4 sources</b>	<b>41,734,714</b>	<b>78.9%</b>	<b>42,150,650</b>	<b>80.6%</b>	<b>42,832,067</b>	<b>80.6%</b>
Total Revenues	\$ 52,895,467	100.0%	\$ 52,294,284	100.0%	\$ 53,155,597	100.0%

In order to help management understand these important sources of income to the City of Auburn and prepare for how fluctuations to these income streams impact the ability of the City of Auburn to provide basic services, school funding and future projects, the following pages contain detailed information concerning the top four revenue sources: sales and use tax, occupation license fee, business license fee and Ad Valorem tax.

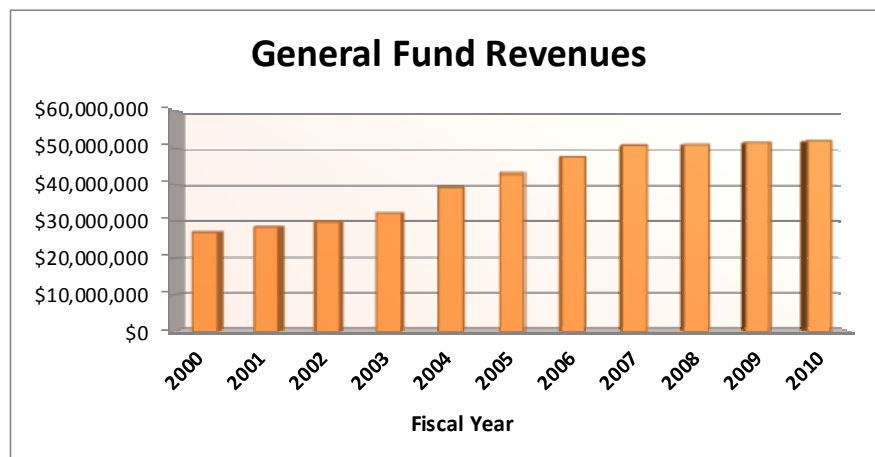
Since the last Revenue Review in 2007 two significant changes have occurred in the general fund accounting that affects total revenue for this fund.

First, an enterprise fund was created at the beginning of fiscal year 2009 to account for the solid waste and recycling activities of the City of Auburn. The solid waste collection fees were moved out of the General Fund revenues to the Solid Waste Management Fund. This decreased revenues in the General Fund by approximately \$3 million each fiscal year.

Second, at the beginning of 2009 all grant funding was moved to a special revenue fund. This modification actually made the general fund revenues more predictable as grants tend to be an irregular source of income designed for particular projects or assets.

All the numbers appearing in the document have been adjusted to reflect these two changes creating comparable totals.

**Total revenue of the General Fund** has seen robust growth since fiscal 2001, increasing 57.5% from \$31.7 million to \$49.9 million, an average annual increase of 11.5%. General Fund revenue per capita has increased during this period (FY01 – FY06) from \$718 to \$1,000; this increase is the result of the sales tax rate increase in 2003, the solid waste collection fee increase for back yard services in 2004, and the lodging tax increase in 2006, as well as vigorous growth in the City’s economy and a modest increase in price levels. During the fiscal years 2007-2009 the local, regional and national recession affected most areas of revenue for the City of Auburn. Revenues continued to grow in 2007 by 7.8%, led by sales tax revenue. During fiscal year 2008 revenues remained level, increasing only .43% or \$218,205. This decline in the growth of the City’s revenue combined with the unstable market environment increased the importance of budget management while intensifying the complexity and unpredictability of revenue levels. Since 2008, Auburn’s overall economy has rallied from the economic downturn of the recent years and grown in a steady pattern from fiscal year 2009 stretching into 2011 (see page 24 for more detailed information on revenue history). Staff is conservatively optimistic that this trend will continue. The chart below shows total General Fund revenue from 2000 through 2010 not including other financing sources.



**Sales and Use tax** has still not rebounded from its peak in fiscal year 2007 (\$21,647,519), but fiscal year 2010 saw a steady increase in sales tax at 3.9% growth from the prior year. The City has seen a continued increase in fiscal year 2011; with a winning football season and good

Christmas sales the pattern is very positive at growth of 4.5% over FY2010. Total annual sales tax collected for 2010 was \$20,781,087, up 3.9% from fiscal year 2009.

<i>Sales taxes</i>	FY2006	FY2007	FY2008	FY2009	FY2010
		<i>Base Year</i>			
Year to date (YTD)	\$ 20,805,169	\$ 21,706,790	\$ 21,044,830	\$ 20,143,854	\$ 21,058,710
<i>YTD-change from prior year</i>		901,621	(661,960)	(900,976)	914,856
<i>Change from FY07</i>		n/a	-	(1,562,936)	(648,080)

**Occupation license fee** revenue tends to follow general unemployment trends in the local area. However, with the stability of Auburn University and the diversified mix of commercial and industrial base within the City, collections of occupation license fee saw very little fluctuation overall during the recession. The City’s ability to recruit new industries even in the economic downturn played an important role in stabilizing this revenue source. The last five years have seen average growth in occupation license fee income of 4.5%. Fiscal year 2010 saw collections rise to \$8.5 million. With the continued announcements of companies such as GE Aviation and Viper Motorsports investing in the City of Auburn this revenue source has a stable economic outlook.

**Business License fees** are a lagging indicator of the economy because the current year’s license fees are based on the amount of the business’ previous year’s gross receipts. Typically, this revenue source reflects changes in the prior year’s economic conditions, an increase or decrease in the number of businesses conducting operations in Auburn, the success of individual businesses, and the Finance Department’s business license enforcement efforts.

Included within the amount listed in Table 1 are General Business License fees, Franchise fees, and Residential and Commercial rental tax. Under a recent change, State law requires all fees based on gross receipts to be collected annually; therefore, the majority of these fees are collected in January and February of each year. General Business License fees revenue has shown average growth of 8.2% over the past five years with slowing of the progress in fiscal years 2010 and 2011. This fee comprises the greatest annual collection in this category; for fiscal year 2010 general City businesses remitted \$5,494,869. Franchise fees are established by agreement. The City has standing contracts with utility and telecom companies based on gross receipts or cost per feet for use of the right-of-ways across Auburn. These agreements are renegotiated as they lapse and can vary in complexity and length with each enterprise. At September 30, 2010, these agreements totaled approximately \$960,000 each year. With the introduction and growth of the telecom industries in this market, revenues could have a high probability of increasing over time; however, the powerful lobbying efforts by this industry have complicated and diluted this revenue stream. The last large contributor to business license fees are companies or individuals that rent to the Auburn residential community. Annualizing a change in timing of remittances, collections have increased by an average 7.6% per year in the last five years earning \$1,158,176 in fiscal year 2010.

**Ad Valorem taxes** have seen steady increases in the last four years. With the presence of a highly acclaimed City education system, strong economy, major university and ample recreational opportunities, the City of Auburn is a highly desirable place to live and work. The City of Auburn has benefited from this stable base and been able to weather the housing crisis



with minimal effect on real estate values in the City limits. This is advantageous in multiple ways since Ad Valorem not only provides revenue to the City's General Fund, but also to the City's Debt Service Fund and to Auburn's Board of Education. In fiscal year 2010, Ad Valorem taxes collected for the general fund equaled \$3,704,717, an increase over the prior year of 6.3%. Prior to fiscal year 2010, this revenue source saw double digit increases each year; however, growth continues to slow in fiscal year 2011 to an increase of about 1%.

***Less significant (in terms of percentages of total revenue) General Fund revenue sources*** include court fines; building permit fees; lodging, gasoline, liquor and cigarette taxes; interest on idle funds; other fees for services; and revenues shared by the State government. Of these less significant revenue sources, the Public Safety fee charged to Auburn University for services provided by the police and fire divisions on campus has a substantial impact to the General Fund revenues at \$2 million in fiscal year 2010. This agreement continues to be negotiated as changes in services provided occur.

The City of Auburn's General Fund has a relatively diversified revenue base. Although the General Fund is heavily reliant on sales tax revenues, the significant percentages of revenue generated by occupation license fees and business license fees are mediating factors. With the exception of property taxes, a significant majority of the remaining revenue sources can be changed by vote of the Council, which gives Auburn the flexibility to respond to changing economic conditions in the City. The City's conservative budgetary approach and effective use of the budget to control expenditures has provided an adequate fund balance to see the City through possible natural disasters as well as short-lived economic challenges. Taking this prudent approach means that constantly increasing tax and fee rates is not necessary.

## Sales and Use Tax

### General Description:

Sales taxes are levied on gross receipts resulting from the retail sale of tangible personal property within the corporate limits or police jurisdiction of a municipality. Use taxes are levied on gross receipts resulting from the retail sale of tangible personal property outside of a municipality that is subsequently brought into a municipality for use, storage or consumption by the purchaser. The City's sales and use tax rate is 3.0%. The State sales tax rate is 4% and the county sales tax rate is 1%, for a combined sales tax rate within the City of 8.0%. This rate is comparable to that levied in our neighboring city and compares favorably with other Alabama cities nearby. The City sales tax is administered by the Finance Department staff. Growth in sales tax revenue is attributed to the economic development of the City.

### Authority by which revenue imposed (State or City Code section):

State Code: §11-51-200 through 207 §40-23-2 and §40-23-61

City Code: §12-81

### Process required for rate change:

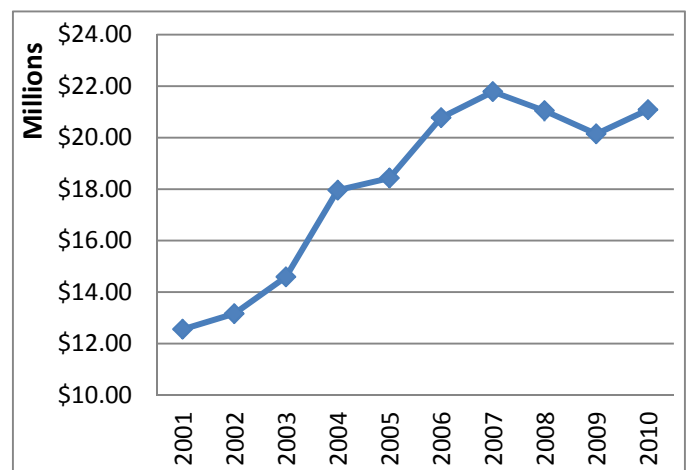
Ordinance change; Council approval

### Date and ordinance number of last rate change:

May 6, 2003 (Ord. #2118) changed the sales tax rate for the City of Auburn from 2.5% to 3.0%.

**Remitted by:** Business owners generally monthly, but in some rare circumstances there are collections of sales tax on a quarterly or annual basis.

Ten-year History			
Fiscal Year	Revenue	Rate	% change
2001	12,554,602.45	2.5%	
2002	13,160,761.16	2.5%	4.8%
2003	14,589,314.80	2.5%, 3%	10.9%
2004	17,959,076.45	3%	23.1%
2005	18,429,012.64	3%	2.6%
2006	20,773,723.96	3%	12.7%
2007	21,784,156.76	3%	4.9%
2008	21,044,830.43	3%	-3.4%
2009	20,143,853.98	3%	-4.3%
2010	21,081,231.64	3%	4.7%



### Rates charged by other Alabama cities (in total):

Montgomery – 10.0%

Birmingham – 10.0%

Opelika – 8.0%

Tuscaloosa – 9.0%

Dothan – 9.0%

### Increase in current rates would yield (based on 2010 revenues):

¼% - \$1.76 million annually

½% - \$3.51 million annually

1% - \$7.03 million annually

## Occupational License Fee

### General Description:

A license fee assessed against a person that engages in any trade, occupation, or profession within the City for the privilege of engaging in such activities. The City's occupational license fee is 1% and is half a percent (.5%) less than that levied in our neighboring city. The City occupational license fee is administered by the Finance Department staff. Growth in occupational license fee revenue is attributed to business expansion and economic development of the City.

### Authority by which revenue imposed (State or City Code section):

State Code: §11-51-90

City Code: §12-34

### Process required for rate change:

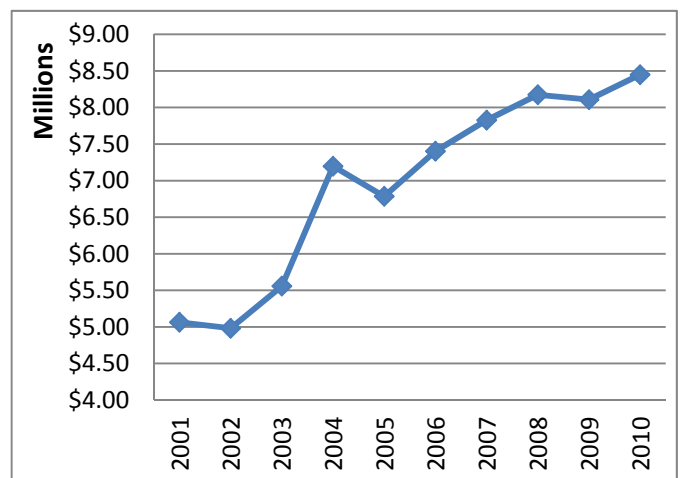
Ordinance change; Council approval

### Date and ordinance number of last rate change:

Jan 20, 1970 (Ord. #416) set the Occupational license fee in the City of Auburn 1.0% of gross wages.

**Remitted by:** Business owners and individuals employed by the Federal government on quarterly basis

Ten-year History			
Fiscal Year	Revenue	Rate	% change
2001	5,063,471.96	1.0%	
2002	4,981,415.09	1.0%	-1.6%
2003	5,557,851.15	1.0%	11.6%
2004	7,197,943.09	1.0%	29.5%
2005	6,785,102.64	1.0%	-5.7%
2006	7,402,470.13	1.0%	9.1%
2007	7,826,656.41	1.0%	5.7%
2008	8,174,202.00	1.0%	4.4%
2009	8,107,024.32	1.0%	-0.8%
2010	8,448,504.92	1.0%	4.2%



### Rates charged by other Alabama cities (in total):

Montgomery – 1.5%

Birmingham – 1.0%

Gadsden – 2.0%

Opelika – 1.5%

### Increase in current rates would yield (based on 2010 revenues):

⅛% - \$1.06 million annually

¼% - \$2.11 million annually

½% - \$4.22 million annually

## Ad Valorem – Property Tax

### General Description:

A tax levied upon the appraised value of real and personal property located inside the corporate limits of a municipality. The City’s property tax rate is 26 mills with 16 mills going to education. The State property tax rate is 6.5 mills and the county property tax rate is 21.5 mills, for a combined property tax rate within the City of 54 mills. This rate is comparable to that levied in our neighboring city. The City property tax fee is administered by the Lee County Revenue Commissioner’s Office. Growth in property tax revenue is attributed to geographical expansion (annexations) and increased property development in the City.

### Authority by which revenue imposed (State or City Code section):

State Code: §11-51-1 and §11-51-42

City Ordinance: #94

### Process required for rate change:

Legislature approval

Ordinance change; Council approval

Citizen Approval

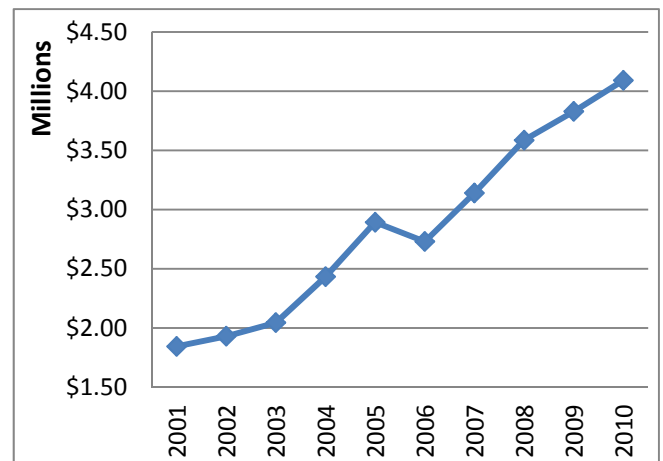
### Date and ordinance number of last rate change:

Oct. 1, 1996 (Ord. #1628) established an additional 6 mills, for a total of 11 mills, for the additional special school tax

**Remitted by:** Lee County Revenue Commissioner on a monthly basis

#### Ten-year History

Fiscal Year	Revenue	Rate	% change
2001	1,844,582.12	5 mills	
2002	1,930,709.50	5 mills	4.7%
2003	2,045,241.78	5 mills	5.9%
2004	2,433,164.01	5 mills	19.0%
2005	2,893,435.93	5 mills	18.9%
2006	2,730,686.66	5 mills	-5.6%
2007	3,140,581.32	5 mills	15.0%
2008	3,586,577.23	5 mills	14.2%
2009	3,828,736.81	5 mills	6.8%
2010	4,092,017.37	5 mills	6.9%



### Rates charged by other Alabama cities (in total):

Montgomery – 36.5 mills

Birmingham – 69.5 mills

Hoover (Jeff. Co.) – 72.6 mills

Vestavia Hills (Jeff. Co.) – 92.6 mills

Vestavia Hills (Shelby Co.) – 79.3 mills

Dothan – 33 mills

Opelika – 54 mills

Mt. Brook – 99 mills

Hoover (Shelby Co.) – 66.5 mills

### Increase in current rates would yield (based on 2010 revenues):

¼ mill - \$204,600 annually

½ mill - \$409,201 annually

1 mill - \$818,403 annually

## Business License Fee

### General Description:

A license fee levied against any company or person conducting business in the City. The City's business license fee for most new businesses is \$100, plus a \$5 issuance fee. The renewal fee is based on the business's prior year's gross receipts and varies depending on the type of business; however, certain categories have flat renewal fee. These rates are comparable to those levied in our neighboring city. The City business license fee is administered by the Finance Department staff. Growth in business license revenue is attributed to business expansion and economic development of the City.

### Authority by which revenue imposed (State or City Code section):

State Code: §11-51-90 to §11-51-185

City Ordinance: #885

### Process required for rate change:

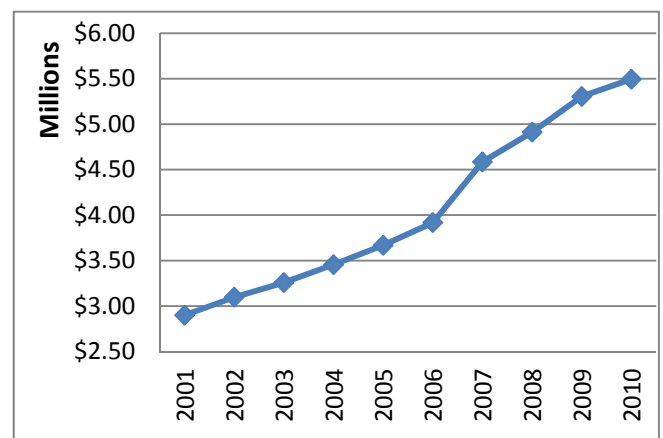
Ordinance change; Council approval

### Date and ordinance number of last rate change:

Oct 16, 2007 (Ord. #2521) changed the due date and penalty amounts for renewals and added a delivery services category

**Remitted by:** Business owners on an annual basis

Ten-year History			
<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2001	2,898,315.32	GR and Flat	
2002	3,096,276.70	GR and Flat	6.8%
2003	3,257,389.92	GR and Flat	5.2%
2004	3,454,303.99	GR and Flat	6.0%
2005	3,667,937.68	GR and Flat	6.2%
2006	3,916,911.99	GR and Flat	6.8%
2007	4,584,524.34	GR and Flat	17.0%
2008	4,911,150.90	GR and Flat	7.1%
2009	5,304,898.42	GR and Flat	8.0%
2010	5,494,868.43	GR and Flat	3.6%





## City of Auburn

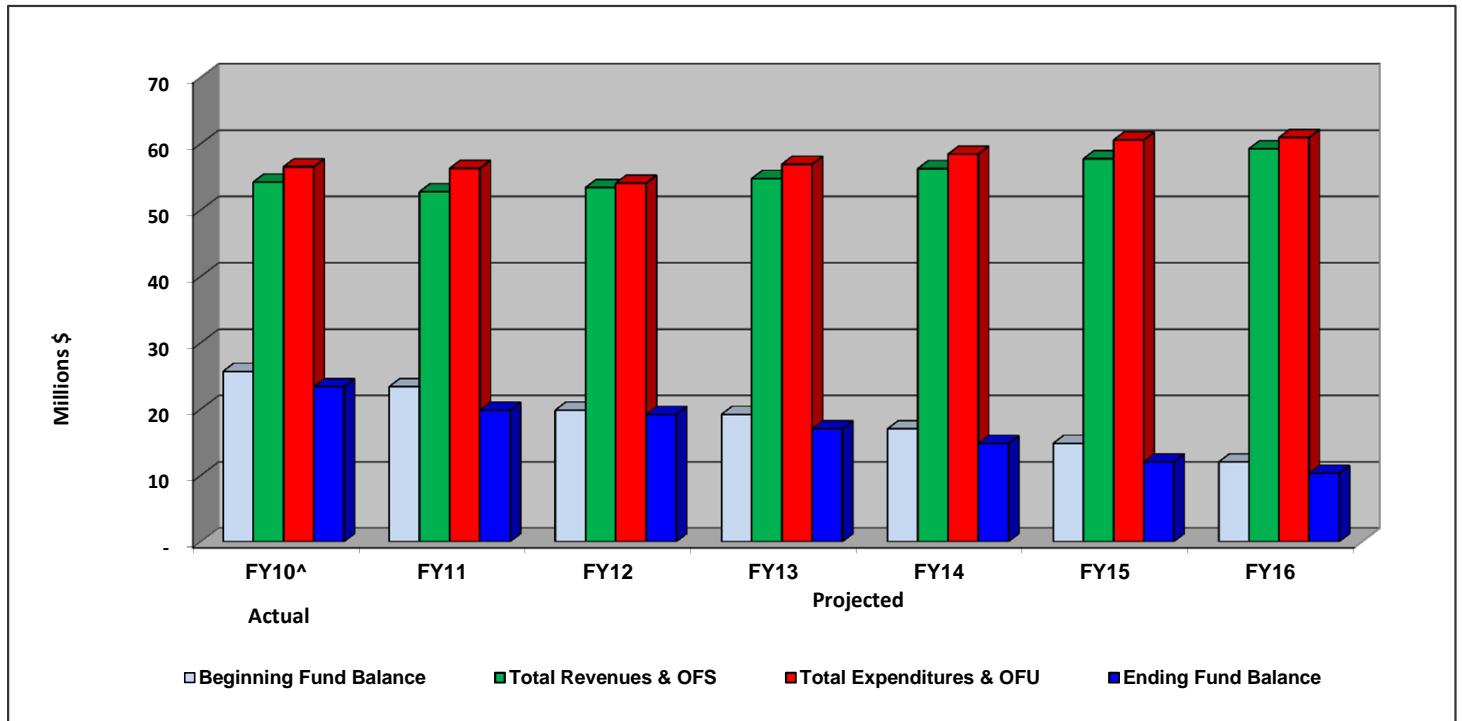
### General Fund (Fund 100 only) - Changes in Fund Balance

The City Council's approach to determining the level of fund balance to be maintained in the City's General Fund is two-fold: 1) a strong budget administration and monitoring process that enables timely management responses to changing economic conditions; and 2) commitment to taxation levels that will support the provision of services and facilities, as well as provide appropriate reserves. Management strives to maintain a fund balance that is 20-25% of expenditures. In 2001, the Council created a Permanent Reserve, to be used only in times of natural disaster or significant, unexpected economic stress. Maintaining strong reserves is a strategy that has worked well over the years. In the 1990s, this approach sustained the City during recovery from hurricanes and is helping to mitigate the effects of the current recession.

	<b>Actual Audited</b>		<b>Projected</b>				
	<b>FY10<sup>^</sup></b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
	\$	\$	\$				
<b>Beginning Fund Balance*</b>	<b>25,686,771</b>	<b>23,374,405</b>	<b>19,848,716</b>	<b>19,192,808</b>	<b>17,028,872</b>	<b>14,853,420</b>	<b>12,035,155</b>
Revenues	52,114,937	52,294,284	53,155,567	54,511,225	56,006,932	57,493,825	58,973,182
Other Financing Sources (OFS)	2,111,250	466,250	241,250	244,650	248,118	251,655	255,263
<b>Total Revenues &amp; OFS</b>	<b>54,226,187</b>	<b>52,760,534</b>	<b>53,396,817</b>	<b>54,755,875</b>	<b>56,255,050</b>	<b>57,745,480</b>	<b>59,228,445</b>
Expenditures	46,971,169	48,201,717	45,793,564	48,298,435	49,592,028	51,508,842	51,655,326
Other Financing Uses (OFU)	9,567,384	8,084,506	8,259,161	8,621,377	8,838,474	9,054,903	9,270,849
<b>Total Expenditures &amp; OFU</b>	<b>56,538,553</b>	<b>56,286,223</b>	<b>54,052,725</b>	<b>56,919,811</b>	<b>58,430,502</b>	<b>60,563,745</b>	<b>60,926,175</b>
<i>Excess of Revenues &amp; OFS over Expenditures &amp; OFU</i>	(2,312,366)	(3,525,689)	(655,908)	(2,163,936)	(2,175,452)	(2,818,265)	(1,697,730)
<b>Ending Fund Balance</b>	<b>23,374,405</b>	<b>19,848,716</b>	<b>19,192,808</b>	<b>17,028,872</b>	<b>14,853,420</b>	<b>12,035,155</b>	<b>10,337,425</b>
Less: Permanent Reserve Fund**	4,682,899	4,350,402	4,080,729	4,141,940	4,204,069	4,267,130	4,331,137
<b>Net Ending Fund Balance</b>	<b>18,691,506</b>	<b>15,498,314</b>	<b>15,112,079</b>	<b>12,886,932</b>	<b>10,649,351</b>	<b>7,768,024</b>	<b>6,006,288</b>

*Net Ending Fund Balance as a % of Expenditures and OFU*

33.06%      27.53%      27.96%      22.64%      18.23%      12.83%      9.86%



\* Beginning fund balances include the Permanent Reserve.

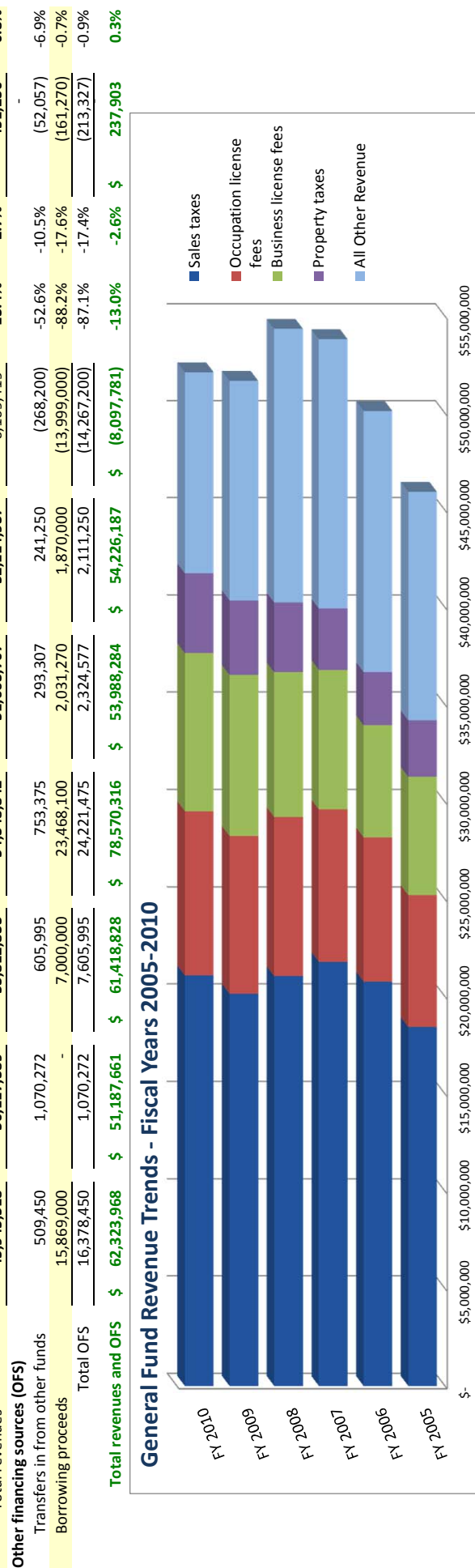
\*\* Permanent Reserve interest earnings are compounded at an estimated 1.5% annually.

<sup>^</sup> For easier trend analysis, revenues and expenditures do not include approximately \$13.3 million due to debt restructuring transactions occurring in 2010. This occurred to take advantage of the current downward trend in lending rates and reduce the City's interest costs.

**City of Auburn**

*General Fund (Fund 100 only) - Revenue History*  
Fiscal Years 2005-2010

Revenues	Actual (Audited)						Increase FY10 > FY05		Increase FY10 > FY09	
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Amount	As %	Amount	As %
Sales taxes	\$ 18,429,013	\$ 20,773,724	\$ 21,784,156	\$ 21,044,830	\$ 20,143,854	\$ 21,081,232	\$ 2,652,219	14.4%	\$ 937,378	4.5%
Occupation license fees	6,785,103	7,402,470	7,826,657	8,174,202	8,107,024	8,448,505	1,663,402	24.5%	341,481	4.2%
Business license fees	6,080,533	5,770,776	7,182,638	7,443,091	8,277,159	8,122,444	2,041,911	33.6%	(154,716)	-2.1%
Property taxes	2,893,436	2,730,687	3,140,582	3,586,677	3,828,737	4,092,017	1,198,581	41.4%	263,281	7.3%
Solid waste collection fees*	2,441,380	2,557,582	2,665,251	2,762,401	-	-	(2,441,380)	-100.0%	-	n/a
Court and parking fines	1,013,374	1,083,225	1,335,799	1,471,164	1,411,047	1,323,298	309,924	30.6%	(87,749)	-6.0%
Construction permits	794,430	942,508	1,015,305	674,493	866,284	495,582	(298,848)	-37.6%	(370,703)	-55.0%
E-911 fees	429,971	415,753	429,522	530,753	553,486	570,795	140,824	32.8%	17,310	3.3%
Rental and leasing tax	426,891	499,315	488,266	484,973	427,743	408,718	(18,173)	-4.3%	(19,026)	-3.9%
Public safety charges	2,032,035	2,165,192	2,295,703	2,373,847	2,335,554	2,390,973	358,938	17.7%	55,419	2.3%
Interest	449,946	814,558	811,561	572,988	415,463	244,203	(205,743)	-45.7%	(171,260)	-29.9%
Lodging taxes	668,094	1,085,062	1,369,273	1,425,637	1,184,540	1,253,511	585,417	87.6%	68,970	4.8%
State shared taxes	774,585	1,040,720	919,494	950,199	1,166,771	654,127	(120,458)	-15.6%	(512,644)	-54.0%
Grants^	520,061	321,314	235,479	450,412	-	-	(520,061)	-100.0%	-	0.0%
Corrections "fund" fees	168,531	181,448	210,383	203,802	207,270	232,024	63,493	37.7%	24,754	12.1%
Other Fees for Services	418,174	688,228	604,317	997,858	1,194,710	1,239,336	821,162	196.4%	44,626	4.5%
Other revenues	1,619,961	1,644,827	1,498,447	1,201,514	1,544,064	1,558,173	(61,788)	-3.8%	14,109	1.2%
<b>Total revenues</b>	<b>45,945,518</b>	<b>50,117,389</b>	<b>53,812,833</b>	<b>54,348,842</b>	<b>51,663,707</b>	<b>52,114,937</b>	<b>6,169,419</b>	<b>13.4%</b>	<b>451,230</b>	<b>0.8%</b>
<b>Other financing sources (OFS)</b>										
Transfers in from other funds	509,450	1,070,272	605,995	753,375	293,307	241,250	(268,200)	-52.6%	(52,057)	-6.9%
Borrowing proceeds	15,869,000	-	7,000,000	23,468,100	2,031,270	1,870,000	(13,999,000)	-88.2%	(161,270)	-0.7%
<b>Total OFS</b>	<b>16,378,450</b>	<b>1,070,272</b>	<b>7,605,995</b>	<b>24,221,475</b>	<b>2,324,577</b>	<b>2,111,250</b>	<b>(14,267,200)</b>	<b>-87.1%</b>	<b>(213,327)</b>	<b>-0.9%</b>
<b>Total revenues and OFS</b>	<b>\$ 62,323,968</b>	<b>\$ 51,187,661</b>	<b>\$ 61,418,828</b>	<b>\$ 78,570,316</b>	<b>\$ 53,988,284</b>	<b>\$ 54,226,187</b>	<b>\$ (8,097,781)</b>	<b>-13.0%</b>	<b>\$ 237,903</b>	<b>0.3%</b>



\* The Solid Waste collection fees were moved to the Solid Waste Management Fund during FY 2009.  
^ Grant funding was moved from the General Fund to its own Special Revenue Fund during FY 2009.



**City of Auburn**  
**General Fund (Fund 100 only) - Revenue and Expenditure Projections**  
**Fund 100 only**

Revenues	2010 Actual (audited)*	2011 Budget	Actual at Feb 28 11	% of Budg at 41.7% of yr	Percent change		2013-2016 Projection Factors	2011 Mid Bi. Projected	2012 Projected <sup>^</sup>	2013	2014	2015	2016
					Historical 5-yr avg	1 yr <sup>▲</sup>							
Sales taxes	\$ 21,081,232	\$ 20,625,000	\$ 9,714,416	47.1%	2.9%	4.5%	2.5%	\$ 21,250,000	\$ 21,541,500	\$ 22,080,038	\$ 22,632,038	\$ 23,197,839	\$ 23,777,785
Occupation license fees	8,448,505	8,256,000	3,982,528	48.2%	4.9%	4.2%	3.5%	8,615,000	8,873,000	9,183,555	9,504,979	9,837,654	10,181,972
Business license fees	8,122,444	8,149,500	6,650,275	81.6%	6.7%	-2.1%	3.2%	8,059,500	8,139,500	8,399,964	8,668,763	8,946,163	9,232,440
Property taxes	4,092,017	4,126,150	3,693,080	89.5%	8.3%	7.3%	1.9%	4,226,150	4,278,067	4,357,211	4,437,820	4,519,919	4,603,538
Court and parking fines	1,323,298	1,040,000	457,939	44.0%	6.1%	-6.0%	2.5%	1,072,000	1,108,640	1,135,802	1,163,629	1,192,138	1,221,345
Construction permits	495,582	630,000	168,275	26.7%	-7.5%	-55.0%	0.0%	475,000	480,000	480,000	480,000	480,000	480,000
E-911 fees	570,795	545,000	221,383	40.6%	6.6%	3.3%	0.0%	540,000	435,000	435,000	435,000	435,000	435,000
Rental and leasing tax	408,718	411,000	182,445	44.4%	-0.9%	-3.9%	2.0%	411,000	441,000	449,820	458,816	467,993	477,353
Public safety charges	2,390,973	2,317,000	1,340,543	57.9%	3.5%	2.3%	1.1%	2,577,000	2,579,000	2,607,369	2,636,050	2,665,047	2,694,362
Interest	244,203	255,628	55,140	21.6%	-10.2%	-29.9%	0.0%	167,130	166,840	166,840	166,840	166,990	167,040
Lodging taxes	1,253,511	1,151,000	600,944	52.2%	17.5%	4.8%	2.0%	1,376,000	1,403,500	1,431,570	1,460,201	1,489,405	1,519,194
State shared taxes	654,127	674,140	277,262	41.1%	-2.8%	-54.0%	5.9%	632,140	635,640	672,952	712,454	754,275	798,551
"Corrections fund" fees	232,024	200,000	84,324	42.2%	7.5%	12.1%	5.0%	200,000	210,000	220,500	231,525	243,101	255,256
Other Fees for Services	1,239,336	1,142,750	495,282	43.3%	9.2%	4.5%	n/a	1,172,750	1,172,206	1,189,285	1,206,757	1,224,632	1,242,919
Other revenues	1,558,173	1,456,214	638,949	43.9%	-3.4%	1.2%	n/a	1,520,614	1,691,674	1,701,270	1,811,959	1,873,668	1,886,426
<b>Total revenues</b>	<b>52,114,937</b>	<b>50,979,382</b>	<b>28,562,787</b>	<b>56.0%</b>	<b>2.3%</b>	<b>0.8%</b>		<b>52,294,284</b>	<b>53,155,567</b>	<b>54,511,225</b>	<b>56,006,932</b>	<b>57,493,825</b>	<b>58,973,182</b>
<b>Other financing sources (OFS)</b>													
Transfers in from other funds	241,250	466,250	164,583	35.3%	-10.5%	-6.9% gas tax only		466,250	241,250	244,650	248,118	251,655	255,263
Borrowing proceeds	1,870,000	-	-	n/a				-	-	-	-	-	-
<b>Total OFS</b>	<b>2,111,250</b>	<b>466,250</b>	<b>164,583</b>	<b>35.3%</b>				<b>466,250</b>	<b>241,250</b>	<b>244,650</b>	<b>248,118</b>	<b>251,655</b>	<b>255,263</b>
<b>Total revenues and OFS</b>	<b>54,226,187</b>	<b>51,445,632</b>	<b>28,727,370</b>	<b>55.8%</b>				<b>52,760,534</b>	<b>53,396,817</b>	<b>54,755,875</b>	<b>56,255,050</b>	<b>57,745,480</b>	<b>59,228,445</b>
<b>Expenditures</b>													
<b>Departmental</b>													
Personal	26,477,101	27,812,948		23.3%	3.7%			27,829,418	27,631,428	28,460,371	29,314,182	30,193,607	31,099,416
Contractual	4,513,744	4,717,567		25.2%	4.1%			5,036,054	4,859,994	5,134,898	5,306,843	5,486,224	5,569,319
Commodities	2,705,371	2,997,079		6.3%	4.3%			3,013,933	2,814,745	2,987,944	3,101,974	3,195,868	3,293,870
Capital Outlay	635,852	-		-30.0%	61.1%			1,439,890	-	750,000	772,500	795,675	819,545
Projects	19,981	115,000		-91.9%	-41.7%			115,000	15,000	15,300	100,606	15,918	16,237
Agency Support	218,016	262,274		201.7%	-5.4%			276,643	276,643	282,176	282,176	287,819	287,819
<b>Total Departmental</b>	<b>34,570,064</b>	<b>35,904,868</b>		<b>19.8%</b>	<b>4.4%</b>			<b>37,710,938</b>	<b>35,597,810</b>	<b>37,630,689</b>	<b>38,878,282</b>	<b>39,925,113</b>	<b>41,086,206</b>
<b>Non-departmental</b>													
General Operations	3,263,945	1,621,886		-47.8%	146.9%			1,612,812	1,581,294	1,561,714	1,609,153	1,677,228	1,726,626
General Ops Personal Services	106,208	125,829		24.8%	118.9%			125,829	124,802	102,655	83,804	74,988	76,207
PW Project Operations	1,792,632	531,147		32.2%	-34.4%			5,000	-	565,000	658,334	2,050,000	1,890,000
Outside Agencies	812,921	859,125		-31.0%	-32.7%			894,125	848,410	909,500	863,587	928,259	882,512
Debt Service	6,425,398	6,302,501		-66.2%	0.1%			7,853,013	7,641,248	7,498,869	7,528,877	6,853,254	5,993,776
<b>Total Non-Departmental</b>	<b>12,401,105</b>	<b>9,440,488</b>		<b>-55.5%</b>	<b>5.7%</b>			<b>10,490,779</b>	<b>10,195,754</b>	<b>10,667,745</b>	<b>10,713,747</b>	<b>11,583,729</b>	<b>10,569,120</b>
<b>Total Expenditures</b>	<b>46,971,169</b>	<b>45,345,356</b>		<b>-17.2%</b>	<b>4.7%</b>			<b>48,201,717</b>	<b>45,793,564</b>	<b>48,298,435</b>	<b>49,592,028</b>	<b>51,508,842</b>	<b>51,655,326</b>
<b>Other Financing Uses (OFU)</b>													
Transfers	2,516,625	2,084,246		481.2%	453.1%			1,033,746	1,208,401	1,390,801	1,409,505	1,428,711	1,448,434
Auburn City Schools	7,050,759	7,050,760		18.7%	0.9%			7,050,760	7,050,760	7,230,576	7,428,969	7,626,192	7,822,416
<b>Total OFU</b>	<b>9,567,384</b>	<b>9,135,006</b>		<b>163.9%</b>	<b>132.1%</b>			<b>8,084,506</b>	<b>8,259,161</b>	<b>8,621,377</b>	<b>8,838,474</b>	<b>9,054,903</b>	<b>9,270,849</b>
<b>Total Expenditures and OFU</b>	<b>56,538,553</b>	<b>54,480,362</b>		<b>6.8%</b>	<b>27.7%</b>			<b>56,286,223</b>	<b>54,052,725</b>	<b>56,919,811</b>	<b>58,430,502</b>	<b>60,563,745</b>	<b>60,926,175</b>
<b>Excess of Revenues &amp; OFS over Expenditures &amp; OFU</b>	<b>(2,312,366)</b>	<b>(3,034,730)</b>						<b>(3,525,689)</b>	<b>(655,908)</b>	<b>(2,163,936)</b>	<b>(2,175,452)</b>	<b>(2,818,265)</b>	<b>(1,697,730)</b>

<sup>^</sup> Projected fiscal years are based on the projection percentages listed.  
<sup>\*</sup> For easier trend analysis, Other Financing Sources and Other Financing Uses do not include approximately \$13.3 million due to debt restructuring transactions occurring in 2010. This occurred to take advantage of the current downward trend in lending rates and reduce the City's interest costs.

# City of Auburn

## Schedule of Tax and Fee Rates

<b>Revenue Source</b>	<b>Rates</b>				<b>Effective Date of Most Recent City Rate Change</b>	
	<b>City</b>	<b>County</b>	<b>State</b>	<b>Total</b>		
<b>General Fund</b>						
Sales Tax	general items 3%	1%	4%	8%	August 1, 2003	
	automobiles 1.1%	0.25%	2%	3.35%		
	manufacturing and farm machines 1.5%	0.25%	1.5%	3.25%		
Occupation License Fee	1%			1%	January 20, 1970	
Business License Fees	various percentages of gross receipts, \$100 minimum				January 1, 2000	
Ad valorem (property) tax	5 mills	21.5 mills	6.5 mills	33 mills	Prior to 1948	
Lodging Tax	7% (1% is committed to the Visitors Bureau)		2%	4%	13%	February 1, 2006
Cigarette Tax*	\$ .04 per pack		- 0 -	42.5¢	46.5¢	March 10, 1981
Rental and Leasing Tax	1 1/4% of lease amount on automobiles			1.5%	3.75%	April 1, 2001
	2 1/2% of lease amount on all other items			4%	6.5%	
	linens/clothing			2%	4.5%	
	video rental		10¢			
Gasoline Taxes*	2¢ per gallon (1¢ to General Fund, 1¢ to City Gas Tax Fund)		- 0 -	16¢	18¢	March 23, 1976
Building Permit Fees	Graduated base fee + additional fee.		Up			1990
Leased Parking	\$100/month, effective October 1, 2008				October 1, 2008	
Parking Fines	\$5, meter violation (\$10 if not paid in 48 hours) \$50, parking in leased space \$100, parking in handicapped space				November 5, 2002	
Library Fees	Overdue fees are \$.50 per day for DVD's and videos; \$.10 per day for all other items. Library cards for individuals <b>not</b> living in or working in the City or attending Auburn University are \$25 annually.				September 2008	
Planning Fees	various				January 1, 2003	
Inspection Fees	First and second inspections included in building permit fee; \$25 for third inspection; \$100				March 16, 2004	
<b>Five Mill Tax Fund</b>						
Ad valorem (property) tax	5 mills			5 mills	Prior to 1948	
<b>Special School Tax Fund</b>						
Ad valorem (property) tax	11 mills			11 mills	October 1, 1996	
<b>Additional School Tax Fund</b>						
Ad valorem (property) tax	5 mills			5 mills	October 1, 1960	
<b>Property Tax Summary</b>						
	City	County	State	Total		
General Fund	5 mills	6.5 mills	2.5 mills	14 mills		
Education	16 mills	5 mills	3 mills	24 mills		
Auburn district shoools		3 mills		3 mills		
Roads and bridges		3 mills		3 mills		
Debt retirement	5 mills			5 mills		
County hospital		2.5 mills		2.5 mills		
Veterans' pension			1 mill	1 mill		
Dependent children		1.5 mills		1.5 mills		
Totals	26 mills	21.5 mills	6.5 mills	54 mills		

\* The City also collects these taxes from businesses in the Police Jurisdiction at half the rate levied against businesses in the corporate limits

# City of Auburn

## 2011 Revenue Review

### *Expenditure Environment*

This section of the document contains the expenditure assumptions that form the foundation of the long-term financial projections. The Revenue Review is designed to present a conservative, yet balanced, look at the City's revenue position, and how well those revenues will fund the level of expenditures required to meet the objectives of the City Council, the Management Team, and our residents. The expenditure environment is discussed in the context of the City's Mission Statement and how the different objectives of the Council are translated into projects and initiatives. Following this narrative, you will find the City's Working Capital Improvement Plan (CIP) and a comprehensive debt service schedule. The debt service schedule includes existing debt to maturity, future debt as dictated by the CIP, and "other" debt, which are payments to other entities for the City's share of debt they incurred on cooperative initiatives. In addition, debt is also presented grouped by functional activity, to allow a more complete picture of the types of projects the debt was used to fund.

#### **Expenditure Environment and the Mission of the City of Auburn**

We undertake the Revenue Review to critically evaluate the capacity of the City's revenue sources to achieve the stated goals of the City Council and the City's administration. In the short-term we reflect these goals through the current Biennial Budget; in the medium term through the Capital Improvement Plan (CIP); and in the long-term through the City's Mission Statement. Thus, this section of the document provides an overview of the various expenditures proposed in the short- and medium-term (Biennial Budget and CIP) to meet the long-term objectives of the Mission Statement.

***The mission of the City of Auburn is to provide economical delivery of quality services, created and designed in response to the needs of its citizens, rather than by habit or tradition. We will achieve this by:***

***Encouraging planned and managed growth as a means of developing an attractive built environment and by protecting and conserving our natural resources.*** In 2009, the Office of the City Manager announced its intent to reorganize several departments whose services centered on growth and development-related issues and infrastructure provision. The Neighborhood, Growth, Development and Infrastructure (NGDI) Business Unit include Water Resource Management, Public Works, Environmental Services, and Planning Departments, and will include the Codes Enforcement Division of the Public Safety Department. While the City has done an excellent job in these individual areas, the strong growth we have experienced in Lee County, coupled with changing economic and environmental realities, require us to adapt our organization and workforce to operate more efficiently, cooperatively, and without duplication of services. A key part of this

initiative requires co-locating several of these departments, now spread across multiple sites, into a single facility. The Alabama Street facility, acquired by the Council in August of 2010, will not only have significant organizational advantages, but with the Bailey-Alexander Water Sewer Complex just down the road, also offer a convenient location for the development community and residents to obtain permitting and inspection services. A contract for the preliminary programmatic design has already been approved by Council, and the first phase of the facility renovation is expected to occur in FY2012. Currently, this first phase is budgeted at \$2,000,000 and will be funded, if approved by the voters, with the next Special Five Mill bond issue. Subsequent phases are not currently funded. The space vacated by these reorganized departments will be used to expand the Police Division offices. Additional operational costs for this new facility are estimated at \$150,000 annually and are included in the expenditure projections; at this time, no additional departmental spending is anticipated as savings are expected through the elimination of duplication and added efficiency.

***Creating diverse employment opportunities leading to an increased tax base.*** While cities across the country have responded to huge revenue declines and budget deficits through layoffs, furloughs, tax increases, and service reductions, Auburn has been fortunate to avoid many of these tough choices. This is due in part to our Council's support of an aggressive and innovative approach to economic development. The City's continued effort to attract and retain quality, technology-based industries has complemented the economic strength and stability provided by Auburn University, and helped buoy the City's fiscal position through the current recession.

While the City has announced several high-profile industrial projects in the past few years, it is important to recognize that we cannot rest on these accomplishments. Industrial development in the Southeast continues to be extremely competitive, and we must develop and market our technology parks in order to realize new jobs and revenue. The completion of Auburn Technology Park West (ATPW), at a cost of \$2,800,000, is currently on our CIP for FY2013 and debt service is included in the expenditure projections; revised estimates for the park's ultimate completion include an additional \$2,200,000 that is currently not funded. The construction of a new interchange to serve ATPW and Auburn's south side is underway; however, \$5,000,000 in additional funding for West Veterans Extension to further expand industrial access has not yet been identified. Additionally, the City will need to identify and secure significant acreage for the future construction of our fourth technology park in the next five years; this is conservatively estimated at \$8,000,000 and is currently not funded.

Commercial development continues to be vitally important as well. While the City has had some successes in commercial development, our efforts need to be increased if we are to remain competitive. With locally-levied sales taxes providing over 40% of the revenues to the General Fund, targeted commercial development activities, including additional staff and funding, will need to increase in the coming years. Additional funding for these

activities has not been included in the projections, as a funding source has not been identified.

The CIP and expenditure projections currently include only the completion of ATPW. Operational costs of the Industrial Development Board and Commercial Development Authority are projected to increase only .5% due to current budget constraints. In responding the 2011 Citizen Survey question of how or whether the City's efforts to pursue commercial and industrial projects should change in the future, 87% felt they should either stay the same or increase. With all of the above in mind, the Council will need to determine how best to move the City's economic base forward.

***Providing and maintaining appropriate infrastructure.*** While the general condition of our infrastructure is better than that of many of our peer communities, 43% of residents continue to identify street maintenance as the area of City maintenance requiring the most emphasis. Road reconstruction and resurfacing tied with downtown parking as their highest priority projects. In recent years, the City has undertaken numerous major projects in an effort to improve our transportation and utility infrastructure; residents have noticed these initiatives, as the number of residents who believe the City is building appropriate infrastructure to keep up with growth increased by 10%, according to the 2011 survey.

While the City has been able to keep up with infrastructure needs during the current downturn, it is important to keep in mind the management's budget strategy since the recession began. In 2008, in response to resident demands and declining revenues, infrastructure spending was funded largely through proceeds of the Special Five Mill bond referendum, not from the General Fund. This was anticipated to be a short-term measure and would not be sustainable beyond FY2012. As our infrastructure needs have been funded by the Special Five Mill for the past three years, adjusted General Fund expenditures on capital projects over the last three years have been at their lowest levels since FY2002.

In a recent report to the City Manager, the City Engineer recommended approximately \$3,000,000 in street resurfacing needs each fiscal year in order to properly maintain the City's road network; based on the current funding identified in the CIP, this results in an annual funding deficit of between \$1,000,000 and \$1,500,000. Under the current funding scenario, these unfunded resurfacing projects would aggregate until debt service capacity was available to fund a large-scale resurfacing effort in FY2016-FY2017.

Other long-term infrastructure needs are identified as well. The CIP (later in this section) shows all planned projects and their funding sources. Debt is proposed to fund several larger projects, most notably the replacement of Moores Mill Bridge. Also, in FY2013, the funding for several capital infrastructure projects will again be provided by the General Fund. Both the direct capital funding and debt service for the projects on the CIP are included in the long-term General Fund expenditure projections and are major contributing factors in the continuing drawdown of fund balance over time.

***Providing and promoting quality housing, education, cultural and recreational opportunities.*** The overwhelmingly positive results from the 2011 Citizen Survey continued to prove that the City Council and administration are heading in the right direction in providing services directed at maintaining a high quality of life in our city. Although citizen priorities for recreation-based projects continue to lag behind transportation infrastructure and public safety projects, our residents nevertheless demand quality parks and community-based recreation opportunities. The current CIP includes several recreation projects, as well as an increased emphasis on pedestrian and bicycle facilities. A major expansion of the Frank Brown Recreation Center and construction of the Senior Center will be presented to voters this year as part of the 2011 Special Five Mill Referendum.

Our City K-12 education continues to be among the best in the state, but fiscal pressure continues on Auburn City Schools (ACS) due to declining state revenues and increasing enrollment. In October of 2010, officials with ACS presented their concerns to the Council and, in the past several months, numerous meetings have been held between ACS and City officials regarding how best to address their funding needs in the future. While the long-term expansion plans are still being developed, it is clear that funding will be needed to purchase land and construct a new elementary school, as well as secure land for a future high school. The current estimate for these short-term needs is approximately \$17,500,000, and no funding capacity is available.

***Providing quality public safety services.*** The City's provision of public safety services has continually resulted in the efficient delivery of innovative, effective, high quality police and fire services. Residents recognize this as an area of government that adds to our high quality of life and overall satisfaction with police, fire, and ambulance service was 88% in the 2011 survey, compared with the national average of 80%. In every category measured, police services outperformed the national averages. The Citizen Survey statistics, coupled with our low crime rates, attest to the high level of skill and professionalism embodied in our Police Division. Our Fire Division delivers excellent services as well, and is able to do so with a high level of efficiency due to innovative programs, such as the Student Firefighter Program. Recent efforts at better integrating the City's Geographic Information System (GIS) into determining response areas have significantly reduced response times, while an ongoing effort to have onsite pre-fire building plans available in frontline vehicles will allow first responders to more safely and effectively operate in the field.

As with transportation and utility infrastructure, public safety services are increasingly feeling the pressures of population and area growth. Public Safety divisions have been roughly level funded since FY08 while service area and population have steadily increased. In Police and Fire Divisions, personnel costs account for roughly 90% of their overall budgets (65-75% in other City departments), leaving little flexibility for adjusting expenditures to meet challenges such as the rising cost of fuel (over \$300,000 in FY2010). Service area expansions due to frequent annexations and the rise of incidents in the police jurisdiction also add to costs. Additionally, the merger of the City's Police Division with Auburn

University's Department of Public Safety increased Police staff size by 40% requiring additional space and facilities.

While general operating and personnel costs make up the vast majority of public safety spending, facility expansion and equipment replacement needs remain the highest priority budgetary challenge. In the 2011 Citizen Survey, 52% of residents identified the expansion of police protection and facilities as their highest priority project. The relocation of the departments of the NGDI Business Unit to the future Alabama Street facility will allow our Public Safety divisions, primarily Police, to fully occupy the Douglas J. Watson Municipal Complex (DJWMC), more than doubling their current office space. Funding is tentatively included in the CIP for a portion of the eventual renovation of the DJWMC, but additional funds will be required to fully modify the existing facility to their needs.

Equipment replacement is another major need that is projected to become underfunded. The severe duty conditions in which emergency vehicles operate require an accelerated replacement schedule. Rapidly advancing technology, changing federal standards, and a continually evolving operating environment require constant attention to equipment, facilities and training needs. The CIP contains \$5,763,550 in public safety projects through FY2016, with \$1,508,550 of this amount funded either conditionally upon sufficient revenues or with potential grant funding. The current method of funding replacement equipment conditionally based on sufficient prior year revenue will not provide the stability of a dedicated funding level.

***Operating an adequately funded city government in a financially responsible and fiscally sound manner.*** One of the most concise measures of citizen satisfaction with government is whether they feel they receive good value for their money. The 2011 Citizen Survey found that 78% of Auburn residents are satisfied with the value they receive for their tax dollars, compared to the national average of 45%. In order to continue earning exceptional scores, an honest assessment of the City's long-term expenditure expectations is required.

**General Expenditure Environment:** General operating expenditures are projected to increase at a predictable rate, with the exception of escalating energy prices (both fuel and electricity). Realistic escalators for fuel and electricity components (7-10% and 5%, respectively) are included in the projections, while the general expenditure projections include 2% annual increases in other contractual and commodities accounts. Personal services, including wages and benefits, are projected to increase at 3%, and do not factor in a cost-of-living adjustment (COLA), or additional new positions. The assumption is that new positions or a COLA will only be considered if actual revenues are sufficiently in excess of projected revenues. Operating projections also include the additional costs of operating any new facilities as they are planned according to the CIP.

**Capital Equipment Replacement and Capital Projects:** In the current and previous biennial budget, the General Fund has been largely relieved of capital spending as these projects and equipment purchases were shifted to other funds with available capacity.

This was a key component of the strategy to deal with the recession, and was intended to be short-term. \$531,147 was budgeted in the General Fund for either capital equipment replacement or capital projects for the FY2011-FY2012 Biennial Budget. In FY2013, General Fund expenditures on capital assets are scheduled to resume. Generally speaking, \$750,000 (in 2011 dollars) in annual capital equipment replacement are required to optimize our fleet value and minimize service disruptions and maintenance costs. The CIP contains \$5,163,334 in General Fund capital projects from FY2013-FY2016. The resumption of General Fund capital expenditures is a significant component of the continued projected fund balance drawdown and will need to be considered in revenue decisions.

**Enterprise Activities:** The City's sewer operations have long been accounted for as a business-type activity, and rates have been set in order to recover operating and capital costs. In FY2009, the Council approved the staff recommendation to transition the City's solid waste and recycling activities to an enterprise fund as well. The purpose of this was to isolate the costs associated with those activities and better match the rates to the services provided. In October of 2010, a rate study was initiated to meet this objective. The recommendations from that study included a rate increase in order to reduce the General Fund subsidy of these activities over time and eventually provide for more efficient equipment replacement. The recommended rate and its impact on the General Fund are not included in the General Fund projections.

Our residents have consistently opted for increasing the availability and scope of our recycling program. According to the 2011 Citizen Survey, 30% of residents choose expanding the recycling program and facilities as their highest priority. As recycling activities are still overwhelmingly subsidized by solid waste revenues, any expansion to the recycling program will require additional funding, either through general taxes and revenues (General Fund subsidy) or rate increases. Over the long-term, it is anticipated that the costs associated with solid waste disposal will increase, even as recycling participation improves and commodity revenues increase. Improving the fiscal health of these business-type activities and reducing their reliance on General Fund revenues by more closely aligning their rates with their operating costs are key components of the City's long-term financial strategy.

**Debt:** Since FY2000, spending on debt service has increased from 4.7% of total adjusted expenditures to 11.7% in FY2010, and is currently budgeted at 14.4% in FY2011. While some of this increase results from moving solid waste expenditures into an enterprise fund, and refinancing debt from the Industrial Development Board (previously accounted for as a transfer), our debt levels are currently at their peak. While our debt levels are still very manageable, the City needs to avoid issuing further debt until capacity becomes available, with an ultimate target of debt service as 10% or less of total expenditures. Future debt issues are planned in accordance with available capacity and scheduled projects on the CIP, and include:



- \$2,800,000 in FY2013 to complete Phase II of Auburn Technology Park West;
- \$8,028,500 in FY2014 to replace Moores Mill Bridge at I-85 and Gay Street at Town Creek;
- \$4,546,950 in FY2015 for various road reconstruction and intersection improvement projects.

Also planned, but beyond the timeline of the CIP, is an additional borrowing of approximately \$9,000,000 to cover the estimated aggregate shortfall in annual resurfacing according to the 5-year resurfacing plan needs and actual projected funding levels. This is anticipated to occur in FY2016-FY2017. A more complete picture of the General Fund debt is included on page 45.

While our debt levels are elevated, they are still manageable and are scheduled to decrease as existing debt is retired at a faster rate than new debt is added. Meeting the expenditure needs arising from the planned resumption of General Fund capital spending in FY2013 will be an additional challenge.

***Recruiting and maintaining a highly motivated work force, committed to excellence.*** It is clear from the positive trends in the Citizen Survey that our employees continue to be the foundation of Auburn City government. With the third year of targeted budget reductions underway, staff continues to improvise and adapt, making better use of scarce resources. The Council has made a commitment that employees should be compensated commensurate with their expectations and those of the citizenry, should have opportunities through training and development for personal and professional growth, and should have excellent benefits. The City's reputation as a quality employer is reflected in the statistics on longevity. Over 30% of the City's regular workforce has been with the City for ten years or longer.

The classification and compensation study was performed in FY2009 to ensure the City was not only well-positioned to attract and retain a quality workforce at the time, but also to make sure that we would emerge from the economic downturn with our excellent staff intact. As the economy begins to recover, it is important to keep in mind that private sector opportunities will continue to improve, thereby creating a potential threat to our workforce. While the City has been forced to remove a cost-of-living adjustment (COLA) from the proposed budgets for FY2010-FY2012, it will become increasingly important to begin reconsidering this position as the economy and revenues rebound. While full funding of the merit plan is included in the assumptions for the expenditure projections, a COLA is not. Also not included is the addition of any new positions. As we continue to expect our employees to do more with less, we will need to consider at what point that will compromise delivery of services to citizens and the corresponding decrease in satisfaction levels.

***Facilitating citizen involvement.*** The City continues to offer numerous avenues for residents to get involved in the direction of their government. Whether through service on

one of the City's advisory boards or commissions, or through their participation in municipal elections or referendums, the priorities of our residents determine how and where their resources are directed. The municipal elections in 2010 reflected a desire to maintain the significant progress made over the last decade in economic development, community beautification, and the provision of basic services and the quality of our schools. More recently, the 2011 Citizen Survey gauged the priorities and demands of our residents, and most are reflected in tangible ways through our spending priorities. According to survey results, residents felt that the areas that should receive the most emphasis over the next two years were: 1) flow of traffic and congestion management, 2) the maintenance of City streets and facilities, and 3) the quality of the City school system. In responding to strong growth, residents also felt that City officials should concentrate our efforts on, according to the percentage of residents who rated the item as the highest priority, the City's school system (56%), traffic management (27%) and police protection (23%). This review presents a recommendation for funding school growth, while the expenditure projections continue to place an emphasis on transportation infrastructure and quality police and public safety services. The 2011 Special Five Mill referendum will again include a majority of road improvement projects, as well as projects which will facilitate the expansion of the Police Division.

### **General Fund Expenditure Assumptions**

The expenditure projections were built on assumptions of cost increases over time. Where possible, historical cost indexes were used to help estimate how costs would escalate. Projects on the CIP also impacted how and when certain expenditures, such as additional operating expenditures or debt service, would occur. The following assumptions were made in developing the expenditure projections:

1. FY2011 Approved Budget has been adjusted to reflect planned adjustments, including FY2010 carryover expenditures, principal refinancing, and other budgetary events.
2. FY2012 Approved Budget will remain as adopted, with the exception of adjustments planned to account for debt service and transfer budgets associated with the refinancing of debt owed by the Industrial Development Board.
3. Departmental Expenditures:
  - a. Personal Services expenditures will grow by 3% annually. This amount does not include a cost-of-living adjustment (COLA), nor the addition of any new positions. It is assumed that any COLA or new positions will only occur if revenues exceed the projected amount and will have little to no impact on ending fund balance.
  - b. Contractual Services will increase by 2% annually, with the exception of electricity line item accounts, which will increase by 5% annually.
  - c. Commodities will increase by 2% annually, with the exception of fuel line item accounts, which will increase by 10% over FY10 actual amounts, then 7% thereafter.
  - d. Additional operating expenditures to provide for new facilities, per the CIP, to include the Senior Center, Frank Brown Expansion, and the Alabama Street facility.

4. Debt service for debt issued to construct projects according to the CIP is amortized as follows:
  - a. Auburn Technology Park West, \$2,800,000 over 10-years at an assumed rate of interest of 5% with semi-annual payments.
  - b. Moores Mill Bridge at I-85 and Gay Street at Town Creek Bridges, \$8,028,500 over 15-years at an assumed rate of interest of 5% with semi-annual payments.
  - c. Road/Intersection Projects, \$4,546,950 over 10-years at an assumed rate of interest of 5% with semi-annual payments.
5. Projects listed on the CIP as funded contingent upon sufficient revenues are not included in General Fund expenditures. It is assumed that they will only be funded if revenues exceed projections and will have little to no impact on ending fund balance.
6. General Operations non-departmental spending will increase at rates similar to departmental, except for West Pace tax sharing payments, which will increase by 10% annually as buildout occurs.
7. Operational transfers to the IDB increase by 0.5% per year. Transfers to the other funds increase by 3% annually.
8. Transfers to the Board of Education increase by the same percentage as overall General Fund revenues.
9. Support for Outside Agencies increase 2% for each biennium, with the exception of the Convention and Visitors Bureau, whose appropriation increases at the same rate as the Lodging Tax projection.



# City of Auburn

## General Fund (Fund 100 only) - Expenditure History and Projections

Fiscal Years 2006-2016

Category	Actual (Audited)				Mid-Bien. Projected		Projected			% of Total Expenditures				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2006	FY 2011	FY 2016
<b>Departmental</b>														
Personal	23,015,907	23,929,007	26,006,304	25,532,874	26,477,101	27,829,418	27,631,428	28,460,371	29,314,182	30,193,607	31,099,416	45.4%	49.4%	51.0%
Contractual	4,059,663	3,978,653	4,098,960	4,334,871	4,513,744	5,036,054	4,859,994	5,134,898	5,306,843	5,436,224	5,569,319	8.0%	8.9%	9.1%
Commodities	3,057,112	3,248,932	3,984,964	2,594,733	2,705,371	3,013,933	2,814,745	2,987,944	3,101,974	3,195,868	3,293,870	6.0%	5.4%	5.4%
Capital Outlay <sup>^</sup>	2,306,566	2,230,910	1,163,444	394,674	635,852	1,439,890	-	750,000	772,500	795,675	819,545	4.5%	2.6%	1.3%
Projects	178,413	45,280	102,571	34,258	19,981	115,000	15,000	15,300	100,606	15,918	16,237	0.4%	0.2%	0.0%
Agency Support	91,772	89,737	86,545	230,375	218,016	276,643	276,643	282,176	282,176	287,819	287,819	0.2%	0.5%	0.5%
<b>Total Departmental</b>	<b>32,709,433</b>	<b>33,522,518</b>	<b>35,442,789</b>	<b>33,121,785</b>	<b>34,570,064</b>	<b>37,710,938</b>	<b>35,597,810</b>	<b>37,630,689</b>	<b>38,878,282</b>	<b>39,925,113</b>	<b>41,086,206</b>	<b>64.5%</b>	<b>67.0%</b>	<b>67.4%</b>
<b>Non-departmental</b>														
General Operations	941,664	1,062,183	2,924,670	1,322,014	3,263,945	1,612,812	1,581,294	1,561,714	1,609,153	1,677,228	1,726,626	1.9%	2.9%	2.8%
Gen.Ops. - Personal Services	62,364	51,649	44,552	48,516	106,208	125,829	124,802	102,655	83,804	74,988	76,207	0.1%	0.2%	0.1%
PW Project Operations	954,217	1,367,083	1,743,960	2,730,771	1,792,632	5,000	-	565,000	658,334	2,050,000	1,890,000	1.9%	0.0%	3.1%
Outside Agencies	1,647,115	1,371,446	1,410,281	1,207,208	812,921	894,125	848,410	909,500	863,587	928,259	882,512	3.2%	1.6%	1.4%
Debt Service*	5,378,585	6,142,549	7,535,057	6,419,251	6,425,398	7,853,013	7,641,248	7,528,877	7,498,869	6,853,254	5,993,776	10.6%	14.0%	9.8%
<b>Total Non-Departmental</b>	<b>8,983,945</b>	<b>9,994,910</b>	<b>13,658,521</b>	<b>11,727,761</b>	<b>12,401,105</b>	<b>10,490,779</b>	<b>10,195,754</b>	<b>10,667,745</b>	<b>10,713,747</b>	<b>11,583,729</b>	<b>10,569,120</b>	<b>17.7%</b>	<b>18.6%</b>	<b>17.3%</b>
<b>Total Expenditures</b>	<b>41,693,378</b>	<b>43,517,428</b>	<b>49,101,310</b>	<b>44,849,546</b>	<b>46,971,169</b>	<b>48,201,717</b>	<b>45,793,564</b>	<b>48,298,435</b>	<b>49,592,028</b>	<b>51,508,842</b>	<b>51,655,326</b>	<b>82.2%</b>	<b>85.6%</b>	<b>84.8%</b>
<b>Other Financing Uses (OFU)</b>														
Transfers**	2,222,309	2,372,396	2,326,308	2,856,780	2,516,625	1,033,746	1,208,401	1,390,801	1,409,505	1,428,711	1,448,434	4.4%	1.8%	2.4%
Auburn City Schools	6,795,523	6,795,523	6,795,523	6,988,003	7,050,759	7,050,760	7,050,760	7,230,576	7,428,969	7,626,192	7,822,416	13.4%	12.5%	12.8%
<b>Total OFU</b>	<b>9,017,832</b>	<b>9,167,919</b>	<b>9,121,831</b>	<b>9,844,783</b>	<b>9,567,384</b>	<b>8,084,506</b>	<b>8,259,161</b>	<b>8,621,377</b>	<b>8,838,474</b>	<b>9,054,903</b>	<b>9,270,849</b>	<b>17.8%</b>	<b>14.4%</b>	<b>15.2%</b>
<b>Total Expenditures and OFU</b>	<b>50,711,210</b>	<b>52,685,347</b>	<b>58,223,140</b>	<b>54,694,328</b>	<b>56,538,553</b>	<b>56,286,223</b>	<b>54,052,725</b>	<b>56,919,811</b>	<b>58,430,502</b>	<b>60,563,745</b>	<b>60,926,175</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>^</sup> Capital Outlay expenditures include capital lease payments from FY2005-FY2006

\* Debt service adjusted to exclude principal refinancings

\*\* Transfers adjusted to eliminate the effect of in/out transfers made to the Industrial Development Board for debt restructuring and borrowing proceeds.



**Working Capital Improvement Plan**  
Fiscal Years 2011-2016

The City of Auburn maintains a Capital Improvement Plan (CIP) which covers a six-year, or 3 biennia, period. This plan details both the timing and funding sources of various capital infrastructure needs of the City, as determined by the City's management team and professional engineering staff, and is reflective of the priorities of City Council and residents. Through annual updating and continual monitoring of infrastructure conditions, funding status and a changing urban environment, the CIP is a flexible tool for developing an attractive built-environment, while realizing the constraints imposed by limited resources.

The table below offers a summary of funding capacity from a number of sources, and is organized by year. Projects are grouped into category by type and the funding source available is identified by the color-coding in the table below. Only projects with an identified funding source appear in the first biennium, with the exception of those projects of low to medium priority which are funded conditionally based on sufficient revenues to the General Fund. The last four years represent a reasonable assumption of available funding, both from internal and external sources. The current recession has limited available funding from the General Fund in the current biennium as well as resulted in a more conservative outlook in future years as the availability of other revenue sources may become less certain.

The Working Capital Improvement Plan version includes updates for the current biennium, showing actual project costs and changes made to the adopted CIP based on changing infrastructure needs and funding availability. The Working CIP contains no conditionally funded projects in the current fiscal year.

Breakdown by Funding Source	FY11	FY12	FY13	FY14	FY15	FY16	Total
Alabama Department of Transportation/AOMPO	1,836,000	620,000	1,402,400	700,000	700,000	700,000	5,958,400
Other Capital Projects Funds	55,000	-	-	-	-	-	55,000
2009 5 Mill	3,925,873	-	-	-	-	-	3,925,873
Developer Contribution (Development Agreements)	866,145	120,000	153,000	-	-	-	1,139,145
Grant Funding Secured	628,786	-	-	-	-	-	628,786
Grant Funding Sought	-	5,074,400	1,315,000	456,000	1,213,000	868,175	8,926,575
Water Works Board	40,880	111,000	111,000	194,333	111,000	111,000	679,213
Sewer Fund	40,880	111,000	111,000	194,333	111,000	111,000	679,213
General Fund	462,662	-	592,000	658,334	2,050,000	1,890,000	5,652,996
Future 5 Mill	4,181,200	2,848,254	3,874,030	1,410,000	997,000	4,091,995	17,402,479
General Obligation Debt Issue - General Fund	-	-	2,800,000	8,028,500	3,102,323	1,444,650	15,375,473
General Fund, contingent upon sufficient revenues (conditional)	-	776,000	1,312,550	856,000	426,000	671,600	4,042,150
Solid Waste Management Fund	-	1,000,000	-	-	-	-	1,000,000
Funded by Lee County	1,346,836	-	-	-	-	-	1,346,836
Funded by Auburn University	125,000	-	-	-	-	-	125,000
<b>Total Projects</b>	<b>13,509,262</b>	<b>10,660,654</b>	<b>11,670,980</b>	<b>12,497,500</b>	<b>8,710,323</b>	<b>9,888,420</b>	<b>66,937,139</b>

Funding Source Key		Sewer Fund	Grant Funding Sought	General Obligation Debt
ALDOT/MPO	Grant Funding Secured	Other Capital Projects Funds	Water Works Board	W. Tech Cap. Projects Fund
General Fund Conditional	Future 5 Mill	2009 5 Mill	General Fund	Funded by Developer

Projects	FY11	FY12	FY13	FY14	FY15	FY16	Total
<b>Public Safety</b>							
Custom Pumper for Station 3	350,000						350,000
Remodel Fire Station 1	50,000						50,000
Frequency Expansion	25,000						25,000
Public Safety Security Camera System	40,000						40,000
Console Expansion		90,000					90,000
Fire Station Number 6		75,000	950,000				1,025,000
Antenna/Cable Relocation		50,000					50,000
Drafting Pit at Drill Field (Training Aid)			18,550				18,550
Back up Generator (Fire Station 1)			40,000				40,000
DJW Facility Renovation/HVAC/Energy Efficiency Retrofit			500,000				500,000
Energy Efficiency & Conservation Block Grant Portion			500,000				500,000
Custom Fire Pumper North			385,000				385,000
Public Safety Training Center Drill Towers			180,000				180,000
Custom Pumper for Station 4				425,000			425,000
Expansion of Current Burn Building				195,000			195,000
Replacement of Ladder 2					750,000		750,000
Back up Generators					90,000		90,000
Custom Pumper for Station 1						425,000	425,000
Haz Mat/ Rescue Vehicle						165,000	165,000
Classroom Building			35,000	400,000			435,000
	465,000	215,000	2,608,550	1,020,000	840,000	590,000	5,738,550

Leisure Facilities	FY11	FY12	FY13	FY14	FY15	FY16	Total
Frank Brown Expansion/Senior Center/Park	3,250,000						3,250,000
Yarbrough Tennis Center Court Resurfacing		50,000					50,000
Samford Pool Renovations			140,000				140,000
Duck Samford Baseball Renovations					497,000		497,000
Lake Wilmore Community Center					350,000	4,000,000	4,350,000
	3,250,000	50,000	140,000	-	847,000	4,000,000	8,287,000

<b>Funding Source Key</b>		<b>Sewer Fund</b>	<b>Grant Funding Sought</b>	<b>General Obligation Debt</b>
ALDOT/MPO	<b>Grant Funding Secured</b>	<b>Other Capital Projects Funds</b>	<b>Water Works Board</b>	<b>W. Tech Cap. Projects Fund</b>
<b>General Fund Conditional</b>	Future 5 Mill	<b>2009 5 Mill</b>	<b>General Fund</b>	<b>Funded by Developer</b>

<b>Projects</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>Total</b>
<b>Bridges</b>							
North Donahue Bridge Replacement & Roadway Widening	2,782,604						2,782,604
Lee County portion	1,346,836						1,346,836
Bent Creek Rd at Moores Mill Creek Bridge Maintenance	50,000			-			50,000
Moores Mill Road Bridge Replacement				7,536,500			7,536,500
ROW Acquisition - AOMPO-funded portion	880,000						880,000
ROW Acquisition - City portion	220,000						220,000
Gay St at Town Creek Bridge Replacement				492,000			492,000
	<b>5,279,440</b>	<b>-</b>	<b>-</b>	<b>8,028,500</b>	<b>-</b>	<b>-</b>	<b>13,307,940</b>

**Pedestrian & Bicycle Facilities**

Byrd St Sidewalk: MLK Blvd to Zellars Ave		80,000					80,000
Moores Mill Rd Multi-Use Path: CVS to Bent Brooke	27,000						27,000
EUD, Oak, Sanders & Zellars Sidewalks - SRTS Grant	151,849						151,849
S. College Street Sidewalk - City portion	38,100						38,100
ARRA Transportation Enhancement Grant	91,900						91,900
Downtown Pedestrian Improvements Project (EECBG)	101,700						101,700
Campus & Downtown Pedestrian Safety Project							-
Magnolia Avenue Segment - City Portion	125,000						125,000
Magnolia Avenue Segment - University Portion	125,000						125,000
Hamilton Rd M-U Path: Moores Mill Rd to Barkley Crest Dr		98,254					98,254
Wire Rd Bikeway: Cox Rd to Webster Rd			375,000				375,000
W. Glenn Ave Sidewalk: Hemlock Dr to N. Donahue Dr			233,000				233,000
Harper Ave Sidewalk: Ross St to Dean Rd			181,000				181,000
Camellia Dr Sidewalk: Wrights Mill Rd to Gay St			65,230				65,230
Lunsford Dr Sidewalk: 849 Lunsford to Bedell Ave			26,000				26,000
Janet Dr Sidewalk: Hollon Ave to Heard Ave				40,250			40,250
N College St Sidewalk: Drake Ave to Shelton Mill Rd				255,000			255,000
Drake Ave Sidewalk: Perry St to N. College St				124,000			124,000
Tucker Ave Sidewalk: Zellars Ave to Foster St				77,000			77,000
E University Dr Sidewalk: Glenn Ave to Samford Ave				69,750			69,750
N Donahue Dr M-U Path: Farmville Rd to Yarbrough School					475,000		475,000
Byrd St Sidewalk: MLK Blvd to Magnolia Ave						91,995	91,995
Annaloe Drive Sidewalk: Dean to University						314,000	314,000
Magnolia Ave Sidewalk: Byrd St to Beech St						76,600	76,600
Saugahatchee Greenway						868,175	868,175
	<b>660,549</b>	<b>178,254</b>	<b>880,230</b>	<b>566,000</b>	<b>475,000</b>	<b>1,350,770</b>	<b>4,110,803</b>

**Road Reconstruction**

Street Resurfacing and Restriping	511,000	595,000	1,300,000	1,300,000	1,300,000	1,300,000	6,306,000
Auburn-Opelika MPO portion			700,000	700,000	700,000	700,000	2,800,000
Glenn Ave Resurfacing/Widening: N College St to N Donahue Dr	148,000						148,000
Auburn-Opelika MPO portion	592,000						592,000
Farmville Road Resurfacing	91,000						91,000
Auburn-Opelika MPO portion	364,000						364,000
Moores Mill Rd Resurfacing: Dean Rd to Samford Ave		98,000					98,000
Auburn-Opelika MPO portion		392,000					392,000
Mrs. James Road Resurfacing: Farmville west to City Limits		57,000					57,000
Auburn-Opelika MPO portion		228,000					228,000
Shelton Mill Road Resurfacing			41,200				41,200
Auburn-Opelika MPO portion			164,800				164,800
Subdivision Completion Project - Subdivision Bond-funded	326,145						-
Hamilton Rd Improvements	47,500		88,200				88,200
Auburn-Opelika MPO portion			352,800				
N. Donahue Drive Resurfacing: Shug Jordan to School			46,200				
Auburn-Opelika MPO portion			184,800				
Bragg Ave Widening: N. Donahue to N College/Mitcham Ave					1,120,100		1,120,100
Cox Rd Improvements: Wire Rd to Veterans Blvd						510,400	510,400
Dean Rd Improvements: Thach Ave to Terrace Acres					400,000		400,000
N Donahue Dr Widening: Cary Dr to Bedell Ave						299,700	299,700
	<b>2,079,645</b>	<b>1,370,000</b>	<b>2,878,000</b>	<b>2,000,000</b>	<b>3,520,100</b>	<b>2,810,100</b>	<b>14,657,845</b>



Funding Source Key		Sewer Fund	Grant Funding Sought	General Obligation Debt
ALDOT/MPO	Grant Funding Secured	Other Capital Projects Funds	Water Works Board	W. Tech Cap. Projects Fund
General Fund Conditional	Future 5 Mill	2009 5 Mill	General Fund	Funded by Developer

Projects	FY11	FY12	FY13	FY14	FY15	FY16	Total
<b>Intersection Improvements</b>							
S College St/Longleaf Dr Intersection Improvements	95,000		824,500				919,500
Fairfield Development Agreement	40,000						40,000
E University Dr/Opelika Rd Intersection Improvements					456,000		456,000
S College St/Shug Jordan Pkwy Intersection Improvements					861,223		861,223
Hwy 14/Webster Rd Intersection Improvements						361,000	361,000
Hwy 14/Shug Jordan Pkwy Intersection Improvements						143,550	143,550
	135,000	-	824,500	-	1,317,223	504,550	2,781,273

<b>Future Roads</b>							
Longleaf Extension to Cox Road - Developer Portion	500,000						500,000
City portion (sewer, sidewalk and additional width; Fund 424)	55,000						55,000
Veterans Extension: Cox Rd to Tech Park West		4,994,400					4,994,400
Outerloop Corridor Study - Grant Funding					738,000		738,000
	555,000	4,994,400	-	-	738,000	-	6,287,400

<b>City Buildings/Facilities</b>							
City Hall Sealant and Wall Restoration Program	46,782						46,782
City Hall Roof Recoating			100,000				100,000
Downtown Parking Enhancements/Parking Deck Maintenance	110,269						110,269
Parking Meter Replacement		100,000			150,000		150,000
Public Works/Environmental Services Building	250,000	2,000,000					2,250,000
SWMF portion (pending revised cost estimate and avail. funding)		1,000,000					1,000,000
Surface Parking Expansion and Landscaping			400,000				400,000
Auburn Technology Park West - Phase II			2,800,000				2,800,000
Parking Deck Design			-	150,000			150,000
	407,051	3,100,000	3,300,000	150,000	150,000	-	7,107,051

<b>Drainage &amp; Watershed Improvements</b>							
Wright St Drainage Improvements	154,200						154,200
Darden Avenue Drainage Improvements	44,910						44,910
Green St at E University Dr Drainage Improvement	16,400						16,400
Opelika Rd at Guthrie's Drainage Improvements			145,000				145,000
Payne St Drainage Improvements			88,000				88,000
Mitcham Ave/Gay St Drainage Improvements			58,700				58,700
CIPP - Cured-In-Place-Pipe Drainage Improvements			50,000	50,000	50,000	50,000	200,000
Wetland Bank Study			55,000				55,000
Comprehensive Drainage Study						120,000	120,000
	215,510	-	396,700	50,000	50,000	170,000	882,210

<b>Traffic Signals/Signage</b>							
W Samford Ave/Shug Jordan Pkwy Traffic Signal Installation*		100,000					100,000
EdgeLit Street Signs - 8 Downtown Intersections	26,000						26,000
Dean/Annalue Traffic Signal	75,000						
S College St/Timberwood Traffic Signal Installation*		120,000					120,000
Wayfinding Signage Project		150,000					150,000
S College St/Shell Toomer Pkwy Traffic Signal Installation*			27,000				27,000
Mim's Trail/West Pace Dev. Agreement Portion			153,000				153,000
N College St/Farmville Rd Traffic Signal Installation*			130,000				130,000
Hwy 14/Willow Creek Traffic Signal Installation*				100,000			100,000
S College St/Beehive Rd Traffic Signal Installation*					165,000		165,000
Cox Rd/Wire Rd Traffic Signal Installation					100,000		100,000
N Donahue Dr/Farmville Rd Traffic Signal Installation*						130,000	130,000
* Pending ALDOT approval	101,000	370,000	310,000	100,000	265,000	130,000	1,276,000

<b>Other</b>							
Aerial Photography - GIS	40,880			83,334			124,214
Sewer Fund Portion	40,880			83,333			124,213
Water Works Board Portion	40,880			83,333			124,213
LED Streetlight Retrofit Project (EECBG)	238,427						238,427
GPS Utility Inventory Project - General Fund Portion		111,000	111,000	111,000	111,000	111,000	555,000
Sewer Fund Portion		111,000	111,000	111,000	111,000	111,000	555,000
Water Works Board Portion		111,000	111,000	111,000	111,000	111,000	555,000
Alabama St Retaining Wall		50,000					50,000
Comprehensive Traffic Study					125,000		125,000
Update ADT (Average Daily Traffic)					50,000		50,000
	361,067	383,000	333,000	583,000	508,000	333,000	2,501,067

<b>Total - Projects</b>	<b>13,509,262</b>	<b>10,660,654</b>	<b>11,670,980</b>	<b>12,497,500</b>	<b>8,710,323</b>	<b>9,888,420</b>	<b>66,937,139</b>
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## **Capital Improvement Plan - Future Projects** **Beyond Fiscal Year 2016**

*Projects appearing on the Capital Improvement Plan - Future Projects include projects for which no significant design or detailed cost estimation has been performed. Typically, these projects have been identified through one or more long-range studies or conceptual plans and are part of the City's long-term plans. As projects on the current CIP are completed, these projects are evaluated for further consideration and funding.*

### **Recreational Facilities**

- Town Creek Park Phase II
- Lake Wilmore Pool and Splash Pad
- Lake Wilmore Trails
- Jan Dempsey Community Arts Center Expansion
- Kiesel Park Improvements
- Performing Arts Center

### **Pedestrian & Bicycle Facilities**

- Hamilton Road Bike Lanes: Bent Creek to Moores Mill
- Shelton Road Multi-use Path
- Hwy 14 Bikeway: Webster Road to Shug Jordan
- East University Drive Multi-use Path
- North Donahue Dr Bikeway
- Cox Road Bikeway: Wire Road to Longleaf
- Glenn Ave Bikeway: EUD to Bent Creek Rd
- Webster Rd Bikeway
- Parkerson Mill Creek Greenway
- Rock Fence Rd Multi-use Path: Fairway to Ogletree
- Binford Dr Bikeway
- Harper Ave Bike Lanes
- Chadwick Lane Bikeway
- Magnolia Ave Sidewalk: Byrd St. to Donahue Dr.
- Perry St Sidewalk: Drake Ave. to Opelika Road
- Foster St. Sidewalk: Pleasant Ave. to Bedell Ave.
- N. Ross St Sidewalk: Opelika Rd. to Mary Ln.
- Opelika Road Sidewalk: Dean Rd. to Old Stage Rd.
- Opelika Road Sidewalk: EUD to Commerce
- Moores Mill Rd. Multi-use Path: Bent Brooke to E. Lake
- Annalue Sidewalk

### **Traffic Signal**

- Dean Road/Stage Road

### **Road Reconstruction**

- Samford Ave Widening
- Sandhill Road: Mill Creek to South College
- East Glenn Avenue Median
- Gay Street Widening: Ross to Dekalb
- Shug Jordan Pkwy: N. College to S. College
- Donahue Drive: Bragg to Bedell

### **Intersection Improvements**

- North Ross/Magnolia Avenue
- Hamilton Road/Bent Creek Road
- Byrd Street/Hwy 14
- North College/Drake
- Glenn Avenue/Dean
- Shug Jordan Pkwy/Ware Drive
- S College St/Samford Ave
- S College St/Southparke
- N College St/Shelton Mill Rd

### **Bridge Improvements**

- Bent Creek Rd at Moores Mill Creek

### **Future Roads**

- Southview Dr Extension
- Outerloop Rd: Cox Rd to Wire Rd
- N. Dean Rd. Extension: EUD to Academy Dr.
- Academy Drive Ext: Lee Scott to Shelton Mill

### **Other**

- Intelligent Transportation System Project
- Gay Street Streetscape Project
- South College Street Lighting: I-85 to Samford
- City Records Retention Facility
- Blue Sign Replacement Project







## Sales and Use Tax Rate

### Key Issue

Current total General Fund revenues are insufficient to meet the needs of Auburn City Schools and the objectives of the City Council and residents as they are expressed in investment initiatives and projects on the City's Capital Improvement Plan. The necessary expenditures to meet these objectives are discussed in greater detail in the Expenditure Environment section of this document.

### Analysis

**Legal Authority:** The Code of Alabama 1975 §11-51-200 through 207, §40-23-2, and §40-23-61 gives municipalities authority to levy sales taxes on the gross receipts resulting from the retail sale of tangible personal property and use taxes on gross receipts resulting from the retail sale of tangible personal property outside of a municipality that is subsequently brought into a municipality for use, storage or consumption by the purchaser. The Code of the City of Auburn §12-81 imposes sales and use tax rates of 3.0%, with the most recent change occurring in May of 2003 (an increase of 0.5%). An ordinance change and approval by a majority of the City Council is required to enact a rate change.

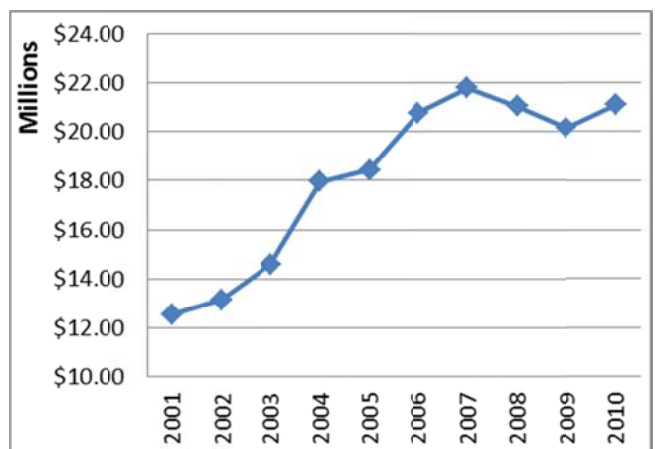
**Current Revenues:** Sales and Use tax receipts are the largest single revenue source for the City, accounting for about 40% of total General Fund revenues. The charts to the right show the changes in Sales and Use tax revenues over the past 10 years.

Because they are remitted monthly, Sales and Use receipts act as a barometer for the local economy and are highly susceptible to changes in consumer spending patterns. While recent improvements in receipts have led City officials to upgrade the forecasts for FY2011-FY2012 to \$21,100,000 and \$21,416,500 respectively, forecasts are still below the FY2007 peak.

Using FY2010 actual revenues, a 1% increase in the current rate would yield approximately \$7.03 million annually.

**Alternative Revenues:** While the other Top Four revenue sources (Occupational License and Business License Fees and Ad Valorem Taxes) have bases capable of supporting the infrastructure needs of the City and funding future growth of the school system, none present the opportunity for revenue enhancement found in Sales and Use taxes. Increases to the Occupational License and Business License fee may negatively impact the current economic recovery and make Auburn less competitive in industrial and commercial recruiting. Any proposed changes in Ad Valorem would require a legislative act at the state level and a local referendum.

Ten-year History			
Fiscal Year	Revenue	Rate	% change
2001	12,554,602.45	2.5%	
2002	13,160,761.16	2.5%	4.8%
2003	14,589,314.80	2.5%, 3%	10.9%
2004	17,959,076.45	3%	23.1%
2005	18,429,012.64	3%	2.6%
2006	20,773,723.96	3%	12.7%
2007	21,784,156.76	3%	4.9%
2008	21,044,830.43	3%	-3.4%
2009	20,143,853.98	3%	-4.3%
2010	21,081,231.64	3%	4.7%



**Rate Comparisons:** As seen in the table below, the sales tax rate currently compares very favorably with the rates in neighboring communities. When comparing to locations considered in competition with Auburn for retail and commercial development such as Montgomery or Prattville, Auburn’s rate is low. It is important to keep in mind the different tax structures in each state when making comparisons to municipalities in Georgia, where property tax rates are significantly higher.

<b>Comparison of General Sales Tax Rates among Selected Comparable Cities</b>						
Municipality	County	Sales Tax				Total
		City	County	State	SPLOST	
<b>Auburn</b>	<b>Lee</b>	<b>3.0%</b>	<b>1.0%</b>	<b>4.0%</b>		<b>8.0%</b>
<b>Opelika</b>	<b>Lee</b>	<b>3.0%</b>	<b>1.0%</b>	<b>4.0%</b>		<b>8.0%</b>
	Lee County^	n/a	3.0%	4.0%		<b>7.0%</b>
Phenix City	Lee	3.0%	1.0%	4.0%		<b>8.0%</b>
Smiths Station	Lee	1.0%	3.0%	4.0%		<b>8.0%</b>
Prattville**	Autauga	3.5%	2.0%	4.0%		<b>9.5%</b>
Lanett	Chambers	4.0%	1.0%	4.0%		<b>9.0%</b>
Valley	Chambers	4.0%	1.0%	4.0%		<b>9.0%</b>
	Jefferson County	n/a	2.0%	4.0%		<b>6.0%</b>
Birmingham*	Jefferson	4.0%	2.0%	4.0%		<b>10.0%</b>
Hoover*	Jefferson	3.0%	2.0%	4.0%		<b>9.0%</b>
Mountain Brook	Jefferson	3.0%	2.0%	4.0%		<b>9.0%</b>
Vestavia*	Jefferson	3.0%	2.0%	4.0%		<b>9.0%</b>
Montgomery	Montgomery	3.5%	2.5%	4.0%		<b>10.0%</b>
Birmingham*	Shelby	4.0%	1.0%	4.0%		<b>9.0%</b>
Hoover*	Shelby	3.0%	1.0%	4.0%		<b>8.0%</b>
Vestavia*	Shelby	3.0%	1.0%	4.0%		<b>8.0%</b>
Alexander City	Tallapoosa	3.5%	1.0%	4.0%		<b>8.5%</b>
Dadeville	Tallapoosa	3.5%	1.0%	4.0%		<b>8.5%</b>
Marietta, GA	Cobb	0.0%	2.0%	4.0%	1.0%	<b>7.0%</b>
Newnan, GA	Coweta	0.0%	3.0%	4.0%	1.0%	<b>8.0%</b>
Atlanta, GA	Fulton	1.0%	3.0%	4.0%	1.0%	<b>9.0%</b>
Alpharetta, GA	Fulton	0.0%	3.0%	4.0%		<b>7.0%</b>
Sandy Springs, GA	Fulton	0.0%	3.0%	4.0%		<b>7.0%</b>
Columbus, GA	Muscogee	0.0%	2.0%	4.0%	1.0%	<b>7.0%</b>
LaGrange, GA	Troup	0.0%	3.0%	4.0%	1.0%	<b>8.0%</b>

**Note:** these rates are for general sales only, not vending, car sales, or any specialized sales

^ County rate is for all sales made outside the Auburn/Opelika/Phenix City city limits and outside the Opelika/Phenix City Police Jurisdiction

\* denotes Cities that span multiple counties, listed separately for each county

\*\* Prattville added 1% Sales Tax, effective May 2011, ending April 2012

**Proposal**

Staff recommends an increase in the Sales and Use tax rate of 1.0%, increasing the total City rate to 4.0% and the total rate, including state and county, to 9.0%. The resulting increase in revenues would be divided between the City and Auburn City Schools; the City’s portion would largely be used to fund infrastructure investment and reduce the need to incur additional debt.



## Business License: Commercial Rental & Business License Issuance Fees

### *Key Issue*

State Code §11-51-90 authorizes all municipalities to license any exhibition, trade, business, vocation, occupation, or profession not prohibited by the Constitution or laws of the state which may be carried on in the municipality. This same code section authorizes the municipalities to charge a fee of not more than ten dollars (\$10) for the issuance of said licenses.

**Commercial Rental License Fee:** The commercial rental fee is the license tax levied on businesses engaged in the rental of commercial buildings to other businesses for a fee. The annual rate charged to entities engaged in this type of business activity is 1/40 of 1% of the gross rental receipts received during the previous year. This commercial fee is extremely low compared to the rate charged to the City's taxpayers who are engaged in the business of leasing residential property to others. This annual business license fee is 1.5% of gross rental receipts received during the previous year. Over the past years there has been strong opposition to the differences in the two rates for the same "type" of business activity. The question is whether the commercial rental business license fee should be increased to 1.5% of gross commercial property rental receipts which would equal the rate paid by those engaged in the rental of residential property.

**Business License Issuance Fee:** According to §11-51-90 (2) of the State Code, the issuance fee shall be increased once every five years by the Department of Revenue by an amount equal to the percentage increase, if any, in the U.S. Department of Labor's Producer Price Index during that five-year period rounded to the nearest dollar. In order to be in line with State Code and to cover the administrative cost of managing the issuance of business licenses in the City of Auburn, the City will need to comply with the initial increase authorized by the State four years ago. By increasing the business license issuance fee from \$5 to \$10, the city's revenue stream would increase by approximately \$25,000 a year.

### *Analysis*

**Commercial Rental License Fee:** Increasing the commercial rental fee business license rate to 1.5% of gross receipts over the next five years would considerably increase revenues. Using this rate on the gross receipts amounts submitted for the 2010 business license fees, the City would see an increase of over 450% in this revenue source over the next five years. There were several businesses paying the minimum license fee because the base gross receipts had to equal more than \$410,000 in order for the business license fee to be more than \$100. These businesses would experience the largest increase in their business license fee during the first year of implementation. The average business license fee for commercial rental was \$127 in 2010. Using the proposed model, the average business license fee for 2012 would be \$913. However, over the remaining four years of the increase, the average amount of the business license increases will be \$530 per year.

The chart at the bottom displays the proposed revenues with incremental increases implemented over the next five years. The charts includes an increase in gross revenues of 3% each year for the businesses

Staff research gathered from cities with a college presence, revealed no government that made distinctions in rates between residential rental and commercial rental as a business activity. Although the gross receipts from commercial rental and residential rental are taxed at the same rate, all rates appeared to be higher than the City's commercial rate and lower than the City's residential rate.

**Business License Issuance Fee:** The average cost to process a business license is approximately \$9.07. The current issuance fee is \$5. All cities registered with the Alabama Municipal Revenue Officer's Association, with the exception of three, have increased their business license issuance fee to \$10, the top amount set by the State of Alabama. By increasing the fee in January 2012, not only will the City capture more of the administrative cost to process all business licenses, but additional increases as allowed by the State could be treated in a more uniform manner.

**Proposal:**

1. **Commercial Rental License Fee** – The proposed rate change for commercial rental license fee should be implemented over the next five years, beginning October 1, 2012. The rate will move to .50% of gross receipts in 2012 and increase by .25% each year for the next four years until the rate reaches 1.5% of gross receipts, which will equal the residential rental license fee rate.

**Baseline Projection**

	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Projected Revenues	\$ 9,500	\$ 9,500	\$ 9,785	\$ 10,079	\$ 10,381	\$ 10,692

**Proposed rate increases to begin in FY2012**

	<u>New Rates</u>	<u>0.50%</u>	<u>0.75%</u>	<u>1.00%</u>	<u>1.25%</u>	<u>1.50%</u>
Projected Revenues	<u>9,500</u>	<u>62,128</u>	<u>95,301</u>	<u>130,470</u>	<u>167,725</u>	<u>207,139</u>
<b>Increase in Revenues</b>	<b>\$ -</b>	<b>\$ 52,628</b>	<b>\$ 85,516</b>	<b>\$ 120,391</b>	<b>\$ 157,344</b>	<b>\$ 196,447</b>

2. **Business License Issuance Fee** – The proposed rate for the business license issuance fee will rise to \$10.00 effective for the business licenses issued for 2012.

## Liquor Wholesale Tax

### Key Issue

The current rate for liquor wholesale tax does not provide sufficient revenues considering the additional demands businesses engaged in liquor sales place on the City's public safety resources. Auburn's current tax rate of 3% is significantly less than the rates in our peer communities.

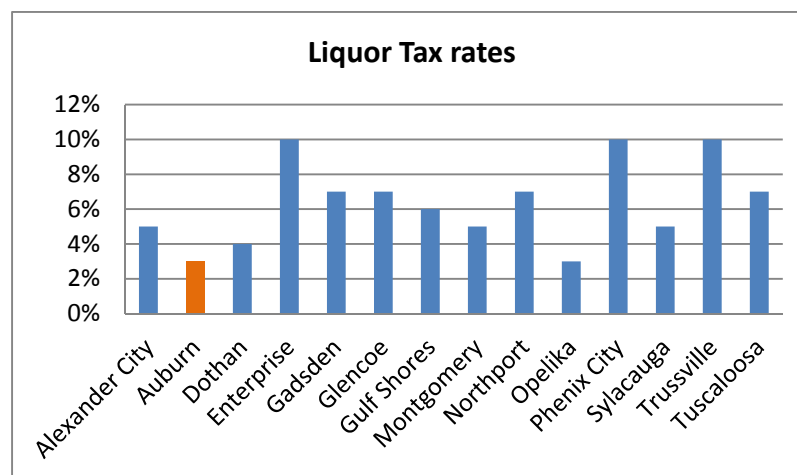
### Analysis

Licenses and taxes are levied to regulate an activity and/or to generate revenue. The State of Alabama allows municipalities to levy an additional tax on the sale of liquor within the municipality or the police jurisdiction. In April 2008, the City instituted a 3% tax on the wholesale liquor purchases. This tax was designed to serve both as a regulatory tax and a revenue generating tax.

**As a revenue generator:** For its first two full fiscal years the liquor wholesale tax has generated revenue of \$85,000 in 2009 and \$83,500 in 2010 for the City. This amount represents approximately 0.16% of the total general fund revenue for both years contributing very little to maintain the services provided by the City of Auburn.

**As a regulator:** The State of Alabama mandates that all liquor retailers licensed by the State ABC Board make their purchases solely from the State stores. Each month a report of the wholesale liquor purchases made by each retailer is distributed to the cities that request the report. Each month the report is reviewed and compared by City staff to liquor taxes remitted by each liquor retailer to ensure that the proper amount of tax is remitted. Additionally, an analysis of the amount of liquor purchased by each retailer is done to assess if there could be a potential problem of the business operating under an inappropriate license type. For example, upon review it is found that a retailer with a license designation as a restaurant consistently purchases as much liquor as a lounge; given that type of disparity, further inquiry and analysis will be performed. If the entity is found in violation of City or Alabama State Code, the City staff can pursue necessary means to bring the licensee into compliance. This could include protesting the renewal of the retailer's State license to sell liquor as a restaurant.

In accordance with State Code 28-3-1, several Alabama cities have chosen to levy a tax on the sale of liquor. The average wholesale tax among the sampled poll of cities is 6%. Rates for chosen cities are listed below.



Huntsville and Tuscaloosa charge a liquor tax on the retail sale of each drink and their rates are 10% and 7% respectively. As a regulatory item of tracking wholesale liquor sales within the City of Auburn, the tax has performed well. However, as a revenue generator, the tax does not contribute even 1/3 of a percentage point to the general fund. With the inherent additional cost of public safety demands associated with businesses whose primary activity is the retail sales of liquor aligning the cost of increased services with liquor consumption is a central concern. An increase in liquor tax would have minimal impact on the average citizen of Auburn. Retailers have the choice of adding this increase to the price of each sale of alcohol, but the change would have minimal effect on the consumer.

**Proposal**

The City staff proposes to increase the Liquor Wholesale Tax from 3% to 7%. This increase would generate additional revenues and align associated costs of services. Each additional percentage increase or decrease would change the revenue totals by approximately \$28,000.

**Baseline Projection**

	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
<i>Projected Revenues (3%)</i>	85,000	86,700	88,868	91,089	93,366	95,701
<b><i>Proposed rate = 7% wholesale implemented in FY12</i></b>						
<i>Projected Revenues</i>	<u>85,000</u>	<u>204,283</u>	<u>210,412</u>	<u>216,724</u>	<u>223,226</u>	<u>229,923</u>
<b>Increase in Revenues</b>	-	<b>117,583</b>	<b>121,544</b>	<b>125,635</b>	<b>129,859</b>	<b>134,222</b>

## E911 Service Fees

### Key Issue

The revenue collected from the City's locally levied E911 Service Fees does not sufficiently contribute to covering the costs incurred to operate and maintain the City's emergency 911 call center.

### Analysis

**Legal Authority:** Section 11-98-5 of the Code of Alabama 1975 gives a local E911 Board the power to set E911 services rates up to the threshold needed to run, and cover the expenditures of, a public safety answering point. The Public Safety Department's Communication Division operates the city's 911 call center, while the City Council acts as the local E911 Board. The comparative table below lists several similarly sized E911 boards in the State of Alabama and includes the current and proposed rates for the City.

#### E911 Rates and Fees Comparison

<b>Business Rates</b>		<b>Residential Rates</b>	
E911 Board	Rate per line	E911 Board	Rate per line
Hoover	5.08	Hoover	2.68
Decatur	4.35	Decatur	2.50
Vestavia Hills	4.35	Vestavia Hills	2.30
Prattville	3.50	Phenix City	2.00
Gadsden	3.48	Prattville	1.85
Florence	3.10	Gadsden	1.84
Opelika	3.05	Florence	1.70
Auburn - <b>Proposed</b>	3.05	Opelika	1.61
Phenix City	2.50	Auburn - <b>Proposed</b>	1.61
Auburn - <b>Current</b>	2.43	Mobile	1.24
Dothan	2.21	Auburn - <b>Current</b>	0.98
Huntsville	2.20	Dothan	0.84
Madison	2.20	Huntsville	0.82
Mobile	2.17	Madison	0.82
Tuscaloosa	0.50	Tuscaloosa	0.50
Montgomery	-	Montgomery	-
<b>Average</b>	2.76	<b>Average</b>	1.46

**Revenue History and Projections:** From FY2005 to FY2010, the City of Auburn has seen a decrease of 37%, or \$155,042, in the locally levied E911 service fee revenue, while the Public Safety Department's Communications Division costs increased by 45%, or \$259,834. City staff has conservatively projected that the E911 Service Fee revenues will have minimal to no decline per fiscal year, see the Baseline Projection table below, with annual projected revenues of \$237,500 in FY16 if the rates are left unchanged.

#### Baseline Projection

**Scenario:** Current rates left unchanged

Breakdown by subscriber type	FY11	FY12	FY13	FY14	FY15	FY16
Revenues from business	167,500	159,125	159,125	159,125	159,125	159,125
Revenues from residential	82,500	78,375	78,375	78,375	78,375	78,375
<b>Total Revenues</b>	<b>250,000</b>	<b>237,500</b>	<b>237,500</b>	<b>237,500</b>	<b>237,500</b>	<b>237,500</b>

**Additional Potential Issues:** At the beginning of the 2011 legislative session, two bills were introduced (**SB101** and **HB114**) that would decrease the E911 rates charged to wireless (cellular) subscribers from \$.70 to \$.65. These rates are not set by individual E911 boards but are set by the State to provide additional funding for the coverage of a 911 center’s costs. If passed, these rate changes would have an immediate large one-time decrease in wireless E911 revenues and then level out after the rate changes are in place.

**Proposal**

1. Staff recommends equalizing the fees to the current rates charged by the Lee County E911 board (\$3.05 per business line and \$1.61 per residential line) for implementation at the beginning of FY2012. The table below outlines the revenue projections if a rate increase is implemented, with a total increase in revenues of \$454,920 through FY2016 as compared to the current rates.

**Proposed rate change**

*Scenario: Proposed rates implemented for FY12*

<b>Breakdown by subscriber type</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
<i>Revenues from business</i>	167,500	199,725	199,725	199,725	199,725	199,725
<i>Revenues from residential</i>	82,500	128,759	128,759	128,759	128,759	128,759
<b>Total Revenues</b>	<b>250,000</b>	<b>328,484</b>	<b>328,484</b>	<b>328,484</b>	<b>328,484</b>	<b>328,484</b>
<b>Increase in Revenues</b>	-	<b>90,984</b>	<b>90,984</b>	<b>90,984</b>	<b>90,984</b>	<b>90,984</b>

2. Staff recommends, if **SB101** and **HB114** pass the Legislature, increasing the current rates to offset the loss in Wireless E911 revenues.

## Revenue Collection in the Police Jurisdiction

### **Key Issue**

The City's Police Division routinely performs law enforcement duties in the police jurisdiction, which extends up to three miles beyond the City's corporate limits. The City's Police Division has no legal requirement to provide services in this area, but elects to do so in cooperation with neighboring agencies and because doing so enhances the general safety of the areas within the corporate limits. While state law allows the levy of certain sales taxes and business license fees in the police jurisdiction to aid in recovering costs, at present only a very small amount of revenues in the form of wholesale fuel and cigarette taxes are collected. Police services provided to locations in the unincorporated police jurisdiction have been steadily rising, and in FY2010 accounted for roughly 5% of all calls for service. As the unincorporated areas surrounding the City continue to experience population growth, demands for service in these areas will continue to rise. There are also a number of commercial entities located in enclaves within City limits from which the City receives no direct revenues.

### **Analysis**

**Legal Authority:** Section 11-40-10(a) of the Code of Alabama 1975 establishes a municipality's police jurisdiction to cover all adjoining territory within three miles of the corporate limits. Sections 11-51-91 and 11-51-206 authorize the City to collect up to ½ the business license fees and sales and use taxes, respectively, of the City provided that the revenues collected do not exceed the cost of services provided. Numerous Attorney General Opinions (AGO) have affirmed this<sup>1</sup>, and Alabama courts have reiterated this principal and clarified the intent.<sup>2</sup>

**Defining Police Jurisdiction:** Staff does not recommend, for various reasons, extending any services outside Lee County, and prefers to establish police jurisdiction in cooperation with the Lee County Sheriff's Office and other neighboring jurisdiction, using logical geographic boundaries to determine which agency patrols which area. AGOs, citing Alabama Supreme Court rulings, have held that the three mile rule must be observed and that county lines are not barriers to the exercise of police powers within the police jurisdiction.<sup>3</sup> Using these criteria, the City's police jurisdiction extends beyond our preferred and customary patrol and response area. However, several cities and towns have reduced their corporate limits by local act, and these reductions typically have ended the police jurisdiction at county lines, highways or natural boundaries such as rivers or other bodies of water.<sup>4</sup> These acts have typically been crafted to provide manageable police jurisdiction boundaries for the purposes of public safety and municipal service provision, as well as aid the establishment of local taxation and licensing ordinances. If the City of Auburn desired to levy taxes or require business licenses in the police jurisdiction and avoid the problems associated with crossing county lines and limit the jurisdiction to points within three miles, a local act<sup>5</sup> would need to be approved by the State Legislature.

**Impact on Services:** AGO's and case law have held that if any taxes or fees are levied in the police jurisdiction, they must be applied equally across the entire jurisdiction and services must be provided equally to all areas as well. This would require an equal amount of services to be provided across the service area. The determination of the level of service provide in the police jurisdiction is solely the decision of the City Council.<sup>6</sup>

**Police Services in the Police Jurisdiction:** Calls have increased in recent years; while total Computer-Aided Dispatch (CAD) police-only entries have risen 31% from FY2006 to FY2010, police services to the police jurisdiction have increased 111%. A large number of these are provided to the various mobile

home parks. A recent update to the mobile home park inventory in the police jurisdiction found 37 separate parks with a capacity of over 2,543 residential units. In addition to the mobile home parks, there are several convenience stores, gas stations, used auto dealers, restaurants, lounges and retail businesses. In 2010, Police Division personnel responded to 6,411 incidents outside the corporate limits. Additionally, while no E-911 fees are collected from phone lines in the police jurisdiction, nor is the unincorporated population considered when the state distributes Wireless E-911 fees to the local Emergency Communications Districts (ECD), calls to 911 made from the police jurisdiction are routed to the City's 911 Center/Communications Division.

**Recovery of the Cost of Services:** A preliminary review of the legal requirements for the degree of cost accounting necessary to justify expenditures in providing services to the police jurisdiction indicates that the burden on City staff will be minimal. For the purposes of this analysis, a simple, conservative method of calculating costs based on a weighted average of call volume and standby capacity<sup>7</sup>, where actual service calls comprise 95% of the weighted total. The table below shows the total cost of providing police services to the City and an allocation of these costs to the police jurisdiction based on both direct service (% of services) and standby (equal % of areas and residences served). The Cost Recovery portion compares the revenue already collected through fuel and cigarette taxes with the costs of service provision, resulting in an estimated unrecovered amount of \$716,640, or 96% of total costs.

<b>Total Police Costs</b>	<b>\$ 11,361,984</b>		
<b>Cost Allocation</b>		<b>% in P.J.</b>	<b>Importance</b>
		<b>Weighted</b>	
<b>Direct Service (95%)</b>			
Police Calls for Service	4.9%	95.00%	4.7%
<b>Standby Capacity (5%)</b>			
Acreage	68.7%	1.25%	0.9%
Street Miles	47.5%	1.25%	0.6%
Parcels	18.3%	1.25%	0.2%
Homes	14.8%	1.25%	0.2%
	total P.J. portion		<b>6.5%</b>
	<b>Police Protection Cost in Police Jurisdiction in FY2010</b>		<b>743,990</b>
<b>Cost Recovery</b>			
<b>Current Revenues</b>			
Cigarette Tax		1,117	
Wholesale Fuel Tax		26,233	
	<b>Total Revenues Collected</b>		<b>27,350</b>
	<b>Unrecovered Costs</b>		<b>716,640</b>
	<i>% of unrecovered costs</i>		<i>96%</i>

**Estimates of Potential Revenues from the Police Jurisdiction:** Given the difficulties in navigating in the unincorporated areas due to lack of signage and inadequate lighting, Public Safety maintains a database of landmarks in the police jurisdiction to assist in responding to calls for service and track incident responses. Some of these landmarks are simple locations, such as cow or goat pastures, but



137 of these landmarks are ongoing commercial operations. Using this list, staff analyzed the applicable licenses that would be required and compared to like businesses in the City limits and conservatively estimated the revenues they would produce. In the case of utility companies, homesteaded parcels were used to determine the number of households served and gross receipts estimated based on remittances made to the City by these utilities; this ignores the utilities provided to commercial parcels and mobile home parks, resulting in an ultra-conservative estimate. Residential rental license fees on the mobile home parks and RV parks were estimated as well using comparable data from businesses within the City limits. Use taxes for the several manufacturers and one quarry were ignored. The result is a very conservative estimate of **\$589,184**, based on receipts from FY2010. This is well under the estimated cost of services provided. Following this analysis are maps indicating the location and concentration of businesses and mobile home parks in the police jurisdiction.

**Potential Issues with Revenue Collection in the Police Jurisdiction:** There are potential problems with collecting revenues in the police jurisdiction.

**Defining the Boundary:** The City is not interested in providing services outside of Lee County. Also, frequent annexations will create a moving target for revenue enforcement if the three mile rule is observed. In order to effectively provide services and efficiently collect revenues, the City would have to lobby our delegation to sponsor a local act limiting our police jurisdiction to an area mutually agreeable to the City and neighboring jurisdictions.

**Revenue Enforcement:** Obviously, expanding the area in which to collect fees and taxes presents additional enforcement issues and will likely lead to an increased burden on the City's Revenue Office staff.

**Political and Legal Considerations:** If the City determines to abandon portions of the existing police jurisdiction that will increase the burden on neighboring agencies. When the City of Opelika pulled their services from the unincorporated police jurisdiction, Lee County Sheriff's Office was forced to increase their presence in the area, and thus decrease their presence elsewhere. Also, a number of large and profitable businesses currently receive free police services in the police jurisdiction; if this changes, there may be political pressure and legal challenges.

### ***Proposal***

If the Council is interested in pursuing the collection of revenue from the police jurisdiction, staff will need to conduct additional research and investigate how other jurisdictions approach taxation and licensing in the police jurisdiction. Specifically, the following will need to occur:

1. Refine revenue estimates and identify enforcement needs.
2. Clarify what level of cost accounting will be required to justify revenue collection and what additional burden this will place on existing staff.
3. Determine support of local legislative delegation to sponsoring a local act limiting the police jurisdiction.

If, upon completion of these tasks, staff still recommends moving forward, the legislature would have to approve a local act limiting the police jurisdiction, and staff would present an ordinance (or series of ordinances) to implement the police jurisdiction initiative.

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<sup>1</sup> The Odenville Police Department May Provide Only Emergency Services in Its Police Jurisdiction If the Revenue Collected in the Police Jurisdiction “Reflects Reasonable Compensation” to the Town for the Cost of the Emergency Services Provided. The Monies Collected Must Do No More Than Recoup the Costs of Providing the Emergency Response Services, Ala. Att’y Gen. Op. No. 2008-007 (October 19, 2007). A.G No. 99-0104;

<sup>2</sup> Ex Parte City of Mobile, 37 So. 3d 150 (Ala. 2009) stated that a municipality may collect business license taxes from businesses within its police jurisdiction so long as the amount of the tax reflects only reasonable compensation to the municipality for expenses related to exercising supervision over the police jurisdiction. The tax may be no more than half of the tax collected from businesses within the corporate limits of the municipality. The tax may not be for the purpose of raising general revenue. Municipalities must only demonstrate the costs of service to the aggregate police jurisdiction rather than individual businesses within the police jurisdiction. There is no mandated method of determining this estimate; it is left to the municipality to determine.

<sup>3</sup> City May Not Reduce the Limits of Its Police Jurisdiction to an Area Less Than Those Limits Set by Statute, Ala. Att’y Gen. Op. No. 87-00305 (September 2, 1987). ; City of Birmingham v. Lake, 10 So. 2d 24 (1942); A.G. No. 83-00282;

<sup>4</sup> Act 98-302, p.496 s1., codified in Section 45-1-233. Act 92-260, p. 617, s1., codified in Section 45-13-160. Act 2000-471, p. 895, s1., codified in Section 45-1A-42. Act 97-865, ast sp.Sess., p. 205, 1-4, codified 45-2A-60.20.

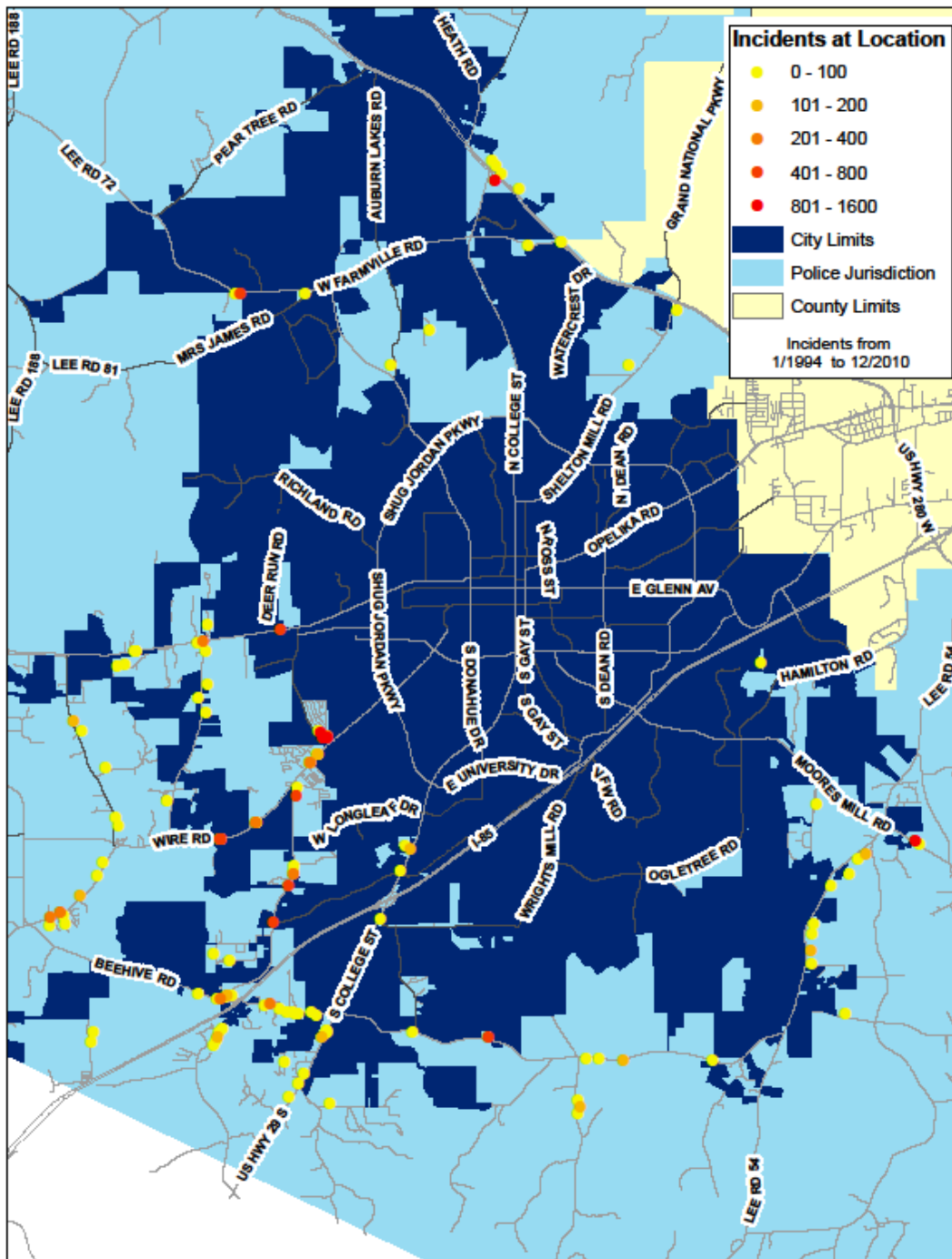
<sup>5</sup> Local Act Supersedes General Act When Local Act Limits the Extent of the Police Jurisdiction, Ala. Att’y Gen. Op. No. 98-00114 (March 26, 1998).

<sup>6</sup> A Municipality Is Not Required to Provide Sewer Service Outside Its Corporate Limits, Ala. Att’y Gen. Op. No. 2001-126 (April 22, 2004).

<sup>7</sup> A.G. No. 89-00057 stated that reasonable compensation also necessarily includes a consideration for the value of standby facilities.

## Public Safety Landmark Map – Businesses in Police Jurisdiction

This map illustrates the location of landmarks used by Public Safety to dispatch in the police jurisdiction and track incidents and are common geographic identifiers used in lieu of a reliable addressing and street sign system, as found in the county. Landmarks are nearly all businesses, but in some cases the landmarks may refer to long-time residences, or even livestock pastures. The color of the dot used is determined by the number of dispatches to that location (see legend inset).



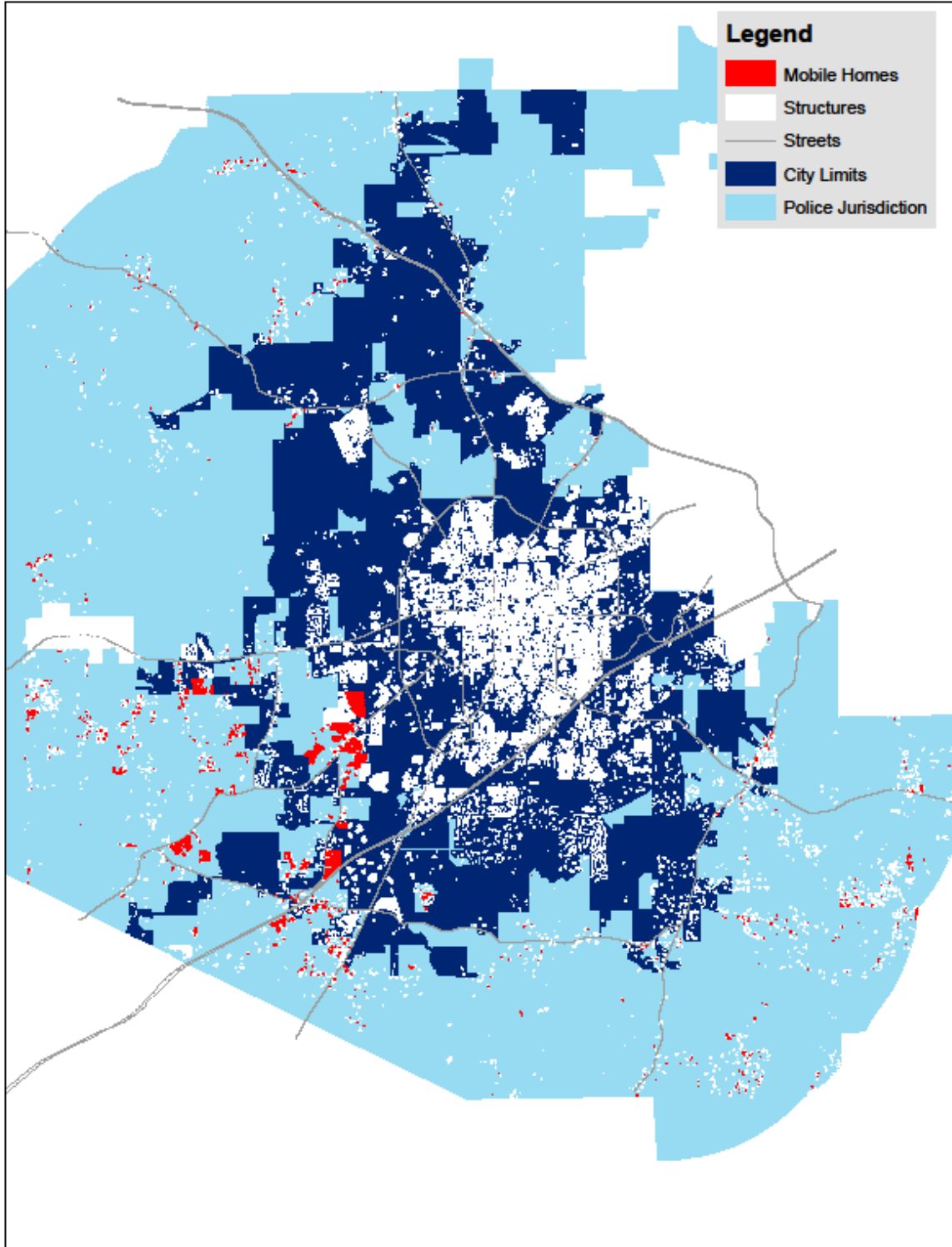
## Mobile Home Parks in Police Jurisdiction

*Mobile Home parks in the Police Jurisdiction but outside the City limits account for 20-25% of dispatches to the Police Jurisdiction. While no revenues are currently collected, the City can legally impose Residential Rental Business License fees on the owners of these parks, and preliminary estimates indicate the City could receive up to \$200,000 in revenues to help offset the costs of providing police services.*

<b>Park Name</b>	<b>Address</b>	<b># of lots</b>
ALLEN'S TRAILER PARK	55 LEE RD 59, Auburn	
ARROW HEAD TRAILER PARK	4477 LEE RD 137, Auburn	63
ARROW HEAD TRAILER PARK 2	3000 LEE RD 10, Auburn	101
BARRONS TRAILER PARK	2045 LEE RD 137, Auburn	116
BEEHIVE TRAILER PARK	1400 LEE RD 10, Auburn	unknown
BRENTWOOD ESTATES TP	3526 LEE RD 137, Auburn	35
CAMPUS TRAILER COURT	1865 LEE RD 137, Auburn	160
COLLEGE MOBILE HOME PARK	1987 LEE RD 137, Auburn	45
CONWAY ACRES TRAILER PARK (NEW, LOTS 100-399)	2038 LEE RD 137, Auburn	182
CONWAY ACRES TRAILER PARK (OLD LOTS 1-99&400+)	2330 LEE RD 137, Auburn	147
CONWAY FARMS TRAILER PARK	2110 LEE RD 137, Auburn	6
COTTON CREEK TRAILER PARK	900 LEE RD 9, Auburn	15
COUNTRYSIDE ESTATES TRAILER PARK	30 LEE RD 671, Auburn	11
DAWSON TRAILER PARK	2155 LEE RD 12, Auburn	32
DUBOSE TRAILER PARK	851 LEE RD 10, Auburn	13
FOURTEEN TRAILER PARK	29 LEE RD 676, Auburn	25
GENTILLY I TRAILER PARK(LOTS 1-499)	501 LEE RD 53, Auburn	324
GENTILLY II TRAILER PARK(LOTS 500+)	1960 LEE RD 137, Auburn	64
JERRY'S TRAILER PARK	1203 LEE RD 10, Auburn	12
MACANALLY TRAILER PARK	770 LEE RD 10, Auburn	4
MAGNOLIA ESTATES TP	3286 LEE RD 137, Auburn	14
MURPHY TRAILER PARK	719 LEE RD 10, Auburn	9
ORCHARD WAY TP	533 LEE RD 57, Auburn	202
PECAN ISLAND TRAILER PARK	765 LEE RD 10, Auburn	10
RED BIRD TRAILER PARK	3350 LEE RD 137, Auburn	3
SADDLEBROOK II TRAILER PARK	LEE RD 953	19
SADDLEBROOK TRAILER PARK	LEE RD 952, Auburn	22
SAND DOLLAR TRAILER PARK	1220 LEE RD 51, Auburn	14
SMITH'S TRAILER PARK	2017 LEE RD 137, Auburn	8
SOUTHRIDGE TRAILER PARK	676 LEE RD 191, Auburn	48
SUSANNA VILLAGE TP	838 LEE RD 672, Auburn	16
SWANNS TRAILER PARK (LOTS 1-399)	1617 LEE RD 12, Auburn	166
SWANNS TRAILER PARK II (LOTS 500+)	1885 LEE RD 12, Auburn	46
SWANNS TRIANGLE TP (LOTS 400-499)	1613 LEE RD 12, Auburn	20
TIGER TRAILER PARK	1945 LEE RD 137, Auburn	51
UNIVERSITY STATION	3160 HIGHWAY 14 W, Auburn	325
WHISPERING PINES TP	737 LEE RD 394, Auburn	16
WINDOVER FARMS TP	2727 LEE RD 12, Auburn	199
<b>Total lots</b>		<b>2543</b>

## Mobile Home Parks in Police Jurisdiction

*This map illustrates the locations and concentration of mobile home parks in the police jurisdiction but outside the City limits.*





## Downtown Parking Meter Rates and Enforcement Revenues

### **Key Issue**

Residents continue to identify a need for additional downtown parking; 55% of respondents identified additional downtown parking as one of the top two priority projects. While some short and medium-term projects will result in better utilization of current parking assets, in the long-term a new parking deck will be required. Current revenues from parking activities are insufficient to provide for the long-term capital needs, and the City's existing enforcement mechanisms are inadequate to optimize both revenues and adherence to the City's parking ordinance.

### **Analysis**

**Legal Authority:** The Code of Alabama 1975 § 32-5-1(e) gives the City authority to regulate parking. The *Alabama Rules of Judicial Administration* Rule 19(B) states that the governing body of a municipality shall have the power to establish a fine and cost schedule for the summary disposition of all municipal parking offenses. ARJA Rule 19 further states that, in municipalities retaining municipal courts (as does Auburn); municipal court magistrates shall administratively process all municipal parking offenses wherein a dispute arises. Attorney General Opinions (AGO) have held that municipal court magistrates may compel the owner of a ticketed vehicle to appear in court and enforce payment of fines, and that, if a defendant fails to appear, issue a supplemental summons followed by arrest in the event of another failure to appear.<sup>1</sup> Further penalties include additional fines and jail time, subject to the provisions of the Alabama Rules of Criminal Procedure. There are no prohibitions against impoundment or installation of immobilizing devices, or "booting", on vehicles in violation of a municipal parking ordinance.

**Enforcement of overtime parking violation:** Vehicles parked in violation of the City's overtime parking ordinances are subject to a written citation and fine of five dollars for the first violation, \$20 for the second, and \$40 for the third, provided that the successive violations occur in the same location at least two hours subsequent to the prior violation. If the fine is not paid within two days, the amount doubles. Violations in leased spaces are fined \$50 for each violation, although these rarely occur since the City installed new gated access and card readers designed to prevent access to the leased spaces. Tickets are handwritten by enforcement personnel and entered again by hand into the municipal court database in batches by municipal court staff. Tickets are recorded by license plate number. Unpaid tickets result in letters being sent to registered owners. The Municipal Judge estimates that approximately 35-40% of parking tickets due will be collected, and due to the lack of modern handheld technology, enforcement personnel have no efficient way of knowing whether a vehicle/registered owner parked in violation has outstanding tickets.

Except in rare circumstances, no further action is taken in order to collect these revenues or penalize the violators. Recently, due to the vigilance of enforcement personnel, records searches were done on several vehicles known to be habitually parked in violation of the ordinance; the four license plate searches returned a combined total of **117 outstanding parking tickets and \$1,550 in fines**. The City has **36,838 parking tickets outstanding, with penalties (under the current ordinance) owed totaling \$698,730**. In FY2010 alone, 4,890 tickets were not paid, resulting in \$92,370 in uncollected revenues, or about 62% outstanding.

**Current revenues and rates:** The City currently collects revenues from downtown parking activities through three different sources: meter revenue, parking space rental, and fines received for violating the parking ordinance. Meter rates are currently set at \$0.25/hour; spaces lease for \$100/month; and, as discussed below, fine revenue varies.

**Current and Future Downtown Parking Operational Costs and Capital Projects:** Future capital projects on the City's Capital Improvement Plan include upgrades to the parking meter system, renovations to the surface parking lots, and design of a future replacement deck. Currently, most of the capital projects are conditionally funded, and will compete against other projects for available resources. The personal services, commodities and contractual services costs are currently funded through the budgets of the Public Safety and Environmental Services Departments, and non-departmental accounts. The City does not currently dedicate revenues derived from parking activities to fund parking-related operational and capital costs. The table below shows a comparison of projected parking revenues and parking costs.

***Downtown Parking Expenditures and Revenues Comparison***

	Actual	Projected					
	FY10	FY11	FY12	FY13	FY14	FY15	FY16
<b>Revenues</b>							
Leased Parking	178,032	140,000	170,000	170,000	170,000	170,000	170,000
Metered Parking	78,676	87,000	87,000	91,350	95,918	100,713	105,749
Parking Ticket Fines	63,954	62,000	74,400	78,120	82,026	86,127	90,434
<b>Total Revenues</b>	<b>320,662</b>	<b>289,000</b>	<b>331,400</b>	<b>339,470</b>	<b>347,944</b>	<b>356,840</b>	<b>366,183</b>
<b>Expenditures</b>							
Personal Services	44,887	46,233	47,419	48,703	50,027	51,389	52,793
Contractual	28,898	43,435	28,988	44,558	30,144	45,749	31,371
Commodities (estimated)	10,680	11,000	11,175	11,355	11,541	11,731	11,928
Capital Outlay	140,815	20,000	185,000	500,000	15,000	150,000	15,000
Debt Service on Drive-thru	259,096	259,096	259,096	259,096	259,096	194,257	-
<b>Total Expenditures</b>	<b>484,375</b>	<b>379,764</b>	<b>531,678</b>	<b>863,712</b>	<b>365,807</b>	<b>453,126</b>	<b>111,092</b>
<i>Excess(deficit) of revenues over exp.</i>	(163,713)	(90,764)	(200,278)	(524,242)	(17,863)	(96,286)	255,091

**2009 Downtown Parking Review:** The 2011 Citizen Survey identified additional downtown parking as one of two highest priority projects for the City. However, demand studies have found that there is adequate capacity to meet current demand and that the City's downtown parking assets are underutilized. In presenting the 2009 Downtown Parking Review to the City Council in 2009, staff recommended a comprehensive strategy with four key principals:

1. Improve management and operation of existing public parking facilities.
2. Improve the appearance of existing public parking facilities.
3. Construct additional parking facilities
4. Reduce parking demand.

Significant steps have been taken in all areas. Ongoing maintenance and beautification projects have improved the overall appearance, while several projects aimed at improving the overall functionality of the off-street lots and parking deck have been successfully completed. Efforts to reduce overall demand have included coordinated efforts in cooperation with Auburn University to improve the Tiger Transit service, as well as the \$250,000 Downtown Pedestrian/LED Streetlight Project (approved by Council in February) and the upcoming Magnolia Avenue Pedestrian Improvements Project. Based on current demand, a new deck will not become necessary until 2020, although it is recommended to begin identifying funding sources as soon as practical.

Another key recommendation from the 2009 Downtown Parking Review was the deployment of new parking meter technology. Modern multi-space metering technologies will help to improve revenue collection and enforcement activities, while offering a substantially more convenient experience for



residents and visitors patronizing downtown businesses. These new systems will also facilitate pricing and time limit adjustments, which will help to optimize the turnover in the on-street spaces while encouraging use of the underutilized off-street spaces.

***Proposal***

In order to fund current and future downtown parking costs, staff recommends that further study be performed on optimal meter rate structures, meter and enforcement technologies, and penalty rates, with the intent of revising the City's Parking Ordinance to increase all or some of these amounts and provide more stringent penalties for non-payment of citations. Council will have an opportunity to review staff recommendations prior to any changes, and will ultimately vote to adopt any recommended revisions to the ordinance.

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<sup>1</sup> A.G. No. 2007-103.



# City of Auburn

## *2011 Revenue Review*

### *Future Considerations*

#### **Overview**

As of the publication of this document, information on several important revenue issues had not been fully developed, and therefore recommendations could not be offered as part of this review. This section of the document is intended to provide a general overview of the issues you, as the City Council, will be faced with in the near future, as well as a brief summary of the steps staff will be undertaking to develop recommendations and the timelines envisioned.

#### **School System Expansion Funding**

Depending on the direction that the City Council decides to take in changing future school system funding, the current funding formula will need to be revised. With the addition of enterprise funds and other accounting changes, the overall revenue base currently used to calculate the 13% of total General Fund revenues has changed sufficiently to warrant an evaluation of the formula in order to protect the schools' revenues and provide certainty for the City's budgeting process. Staff will develop recommendations for consideration prior to FY11-12 Mid-Biennium Budget Adjustment process.

#### **Planning and Development Fees and Related Revenue**

During the 2007 Revenue Review, Council elected to conduct an analysis of building permit, planning, engineering and inspection fees to determine the adequacy of Auburn's fees as compared with those charged by other cities and the costs to provide these services. Staff has conducted initial reviews of several of the fees for permitting and inspection services and determined that the fee schedules are not properly aligned with the cost of services provided.

The reorganization of departments within the Neighborhood, Growth, Development and Infrastructure Business Unit will significantly impact how permitting and inspection activities are handled. This will, in turn, impact the costs associated with these activities. Within the next two years, construction is expected to begin on the Alabama Street facility, which will house those departments involved in planning and development activities. Staff recommends waiting until the reorganization is complete and the new facility in operation before revisiting these fees.

#### **Enforcement Activities**

With the transition to a new Finance Director in March of this year, the City Manager has asked that current staffing and administrative priorities be examined to ensure that the City's financial activities are operating at peak efficiency. One component of this will be to ensure that we are optimizing our current auditing and enforcement efforts towards existing tax and fee payers. While the overwhelming percentage of Auburn's businesses reliably meet their obligation to the community, there are always a few that, either willfully or through a lack of understanding of our regulations, do not remit their fair share of municipal taxes or fees. FY2010 revenues from tax and fee-payer audits were at an all-time high, resulting in \$369,784 in collections that otherwise would have not been remitted. As the number of taxpayers increase, the demands on existing staff will continue to increase, and increased emphasis on enforcement will require either an expansion of current Finance capacity, a realignment of existing capacity, or increased utilization of outside contractors. It is management's intention to present a recommendation to the Council in FY2012.