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MAYOR

April 11, 2012

Ms. Bess Rich
Mobile City Council
City of Mobile

Dear Ms. Rich;

Below are answers to all the questions you had about the budget subsequent to the Finance Committee Meeting on Tuesday, March 27, 2012.

Very truly yours,

Mayor Samuel L Jones

1. What is causing the City to be operating with higher costs than last year, year to date?

Using the latest monthly financial statements, many of the increases are due to timing of payments. Increases in public safety are due in large part to necessary personnel costs for the five month period over last year. This does not apply to public services whose personnel costs were down but the cost of concrete; higher gasoline and repair costs; and mandated Chastang Landfill costs were higher this year. Finance costs were higher solely due to the hiring of accountants to properly manage the grant funds taken over by the city from the Housing Board. Grant monies should help us recover these costs. Transfers to Employee Health Care Fund are higher due to higher benefits. We have discussed the increase in these costs. The transit system transfer is the other increased cost also. The line item is also over budget. We monitor these costs through CitySmart. The transportation program for the disabled and increased fuels are the major components of the increase.

2. There are 304 vacant positions that are budgeted, but these jobs have not been filled for three years. Why would you factor those in a budget?

Not all the vacant positions are three years old. We do not track vacancies by the time they have not been filled. It does not matter how much the cost of the vacancies or the number because we budget the salaries both and the attrition so the net affect would be zero to the budget.

3. a) If everyone has a sales tax higher than 9% and we stay at our current rate, have there been any studies that show that if a municipality has a lower sales tax, it would encourage economic development especially for big ticket items such as cars and furniture?

We are not aware of any studies. I contacted Dr. Philip Forbus, an economics professor at South Alabama to see if he knows of any. He did not know of any studies on that subject precisely. He stated that the quality of the labor force, education system and the local environmental issues were more important than the local sales tax rates.

- b) Are there studies/projections to show big ticket item sales would take place in our city versus the loss of sale for lack of competition?

We are not aware of any studies but to address the two big ticket items in question (cars and furniture sales), I have reviewed taxes received over the past four calendar years for those two types of industries. Between 2008 and 2009 there was a slight decrease in sales as in all business due to the economy. During the time we had a 10% tax rate those sales remained constant and even a slight increase. As far as competition with other jurisdictions, Car sales do have a special clause in the ordinance which states that a car purchased in Mobile pays the automotive rate in Mobile but will be given a refund of the difference when registered in a municipality that has a lower rate. That was put in place to level the playing field with automobile dealers in Baldwin County and surrounding areas. Since sales tax is based on point of delivery, Furniture sales tax would always be based on the rate of where the furniture is delivered.

4. The Administration is requesting \$7 million worth of capital. Is that included in the \$29 million deficit? (You said no at the meeting.).

No, not in the "No Revenue, No Cuts" worksheet but it was included in the last chart on adding a one cent tax in May.

5. Has there ever been a time when Mobile Police Department met national FBI standards regarding the number of police officers per citizen

No, but we have made some progress toward meeting the standard. As indicated in the salary comparison analysis, we are 105 officers short based on the standard of 2.5 officers per 1,000 residents. As indicated by the chart, Birmingham is budgeted for 900 officers giving them a ratio of 3.7 per 1,000; Montgomery is budgeted for 524, a ratio of 2.55. Since 2002 our budgeted strength has only grown to 565 officers, yet our population is greater than Birmingham. See attachment.

6. Mrs. Barbara Malkove said the City's Accounting Management Program is inefficient and needed upgrading. What is the cost of this upgrade and the projected time to upgrade the software?

Currently our records are kept in Oracle, Datapoint, Excel and other third party applications. We need to have a fully integrated software system that allows for all financial information to come from the same system. Modules are also available that would manage fleet/fuel and online permitting that currently run on antiquated systems

that are not integrated with other financial systems. The cost and timeline depend upon the number of modules we implement but we would want to do a phased-in approach with accounting and payroll being the first modules deployed. The cost would also depend on whether we use cloud technology or have all applications installed in-house. Cloud is not only less expensive but provides disaster recovery. The total cost for all modules required would be between \$1-\$3M and take 12-18 months but the core system could be completed in 3-6 months. This cost could be offset substantially by the Oracle maintenance that we currently pay. Attached is some information provided by Tyler Technologies concerning their assessment of the City's current system that was done in 2010.