



OFFICE OF THE MAYOR FACT SHEET

Mayor Stimpson Presents Fiscal Year 2015 Budget

♦ Cycle of Positive Change ♦

August 19, 2014

“Over the last 10 months, my Administration has made great strides in implementing a cycle of positive change for Mobile. With citizen input and leadership from city department heads, I am presenting a budget that redirects long needed capital resources towards fixing the broken parts of our city, enhances basic services for our citizens and gives city employees a deserved raise. As we improve our quality of life, grow the city and generate more revenue – Mobile will continue moving down the path of becoming the safest, most business and family-friendly city in America by 2020.”

- Mayor Sandy Stimpson

Mayoral Action: Cycle of Positive Change - Mayor Stimpson is presenting a balanced, fiscally responsible 2015 budget that keeps general fund expenditures close to 2014 while beginning to achieve the goals of:



- ✓ Addressing the city's capital and infrastructure needs;
- ✓ Giving the city employees a significant and long overdue raise;
- ✓ Delivering better basic services to the citizens of Mobile;
- ✓ Developing and implementing a comprehensive city strategic plan;
- ✓ Fostering neighborhood cohesion and public safety;
- ✓ Cleaning-up our city through blight, litter and storm water initiatives;
- ✓ Improving parks, recreational opportunities and public spaces; and,
- ✓ Creating greater mobility and accessibility across the city.

Budget Highlights:

- **Capital Improvements:** A **400%** increase (\$3,513,000 in 2014 to **\$14,345,000** in 2015) in directed capital allocations for backlogged infrastructure improvements, repairs and equipment, such as:
 - (\$750,000) Litter Trap for Dog River and Litter Vessel for our littered waterways;
 - (\$3,200,000) Additional 100 New Police Cars in 2015;
 - (\$2,000,000) New Fire-Rescue Vehicles;
 - (\$750,000) New Public Works Vehicles;
 - (\$3,000,000) Park Improvements and Repairs;
(Fields, Lights, Restrooms, Dog Parks, Splash Pads, Walking/Bike Trails, Playgrounds, etc.)
 - (\$4,000,000) Maintenance and Repair of Streets, Drainage, Buildings, etc.
- **Compensation Adjustments:**
 - **Pay Raises:** Two pay raises for employees.
 - 2.5% Cost of Living Adjustment (COLA) – October 2014
 - 2.5% Merit Raise – April 2015
 - **Health Care:** Adjustments are being made to the cost-sharing model of the employee and retiree health plans, due to non-compliance of the city's cost-sharing policy and inconsistencies with societal and market averages.
- **Performance Contracts:** The city recommends funding those organizations that provide a specific service for the city and funding other qualified non-profits through the United Way of Southwest Alabama (social services) and the Community Foundation of South Alabama (arts and culture) for one year only – ensuring city funds stay in the city and have collective and measurable impact.

Budget Hot Topics:

Penny Sales Tax (1¢ sales tax generates \$30 million in revenue annually, expires July 31, 2015):

- As stewards of the people's money, focused on pro-growth policies and identifying efficiencies -- we must begin to wean the city off of its dependency on such a tax.
- The City of Mobile cannot sustain one of the highest sales tax rates in the State and Country.
- A year-by-year assessment of the city's fiscal needs and productivity will help identify if a full or partial 1¢ is even necessary.
- To deliver the capital commitments in the 2015 budget, Mayor Stimpson is calling on the City Council to extend for 2 months the temporary 1¢ sales tax through September 30, 2015 (end of FY 2015).
- The citizens of Mobile need to have their voice heard regarding the long-term future of any additional sales tax. If the citizens support such a tax, Mayor Stimpson asks that the City Council commit to working with the Administration to identify the capital expenditure plan for the tax.

Performance Contracts:

- The purpose of performance contracts is to partner with organizations that provide a service that the city needs and cannot otherwise provide for itself.
- Performance contracts have morphed into a collective of both organizations providing services for the city -- and charitable, non-profit organizations in need of funding. For many years, the city has been one of the largest funders of benevolent organizations in the City of Mobile. There is no doubt that every organization the city previously funded is an important part of our community.
- We can no longer sustain previous years' funding levels and accomplish what we need to with the delivery of services to the citizens and making headway on the backlog of desperately needed capital projects.
- The city recommends funding those organizations that provide a specific service for the city and funding other qualified non-profits through the United Way of Southwest Alabama (social services) and the Community Foundation of South Alabama (arts and culture) for one year only – ensuring city funds stay in the city and have collective and measurable impact.
- The Administration will share all the application information provided to the city with the United Way and Community Foundation to help them make funding determinations.

Compensation Adjustments:

- In the area of employee compensation, we need to be fair to both the employees and the public. We need to be balanced. We also need to be competitive. But, we are not.

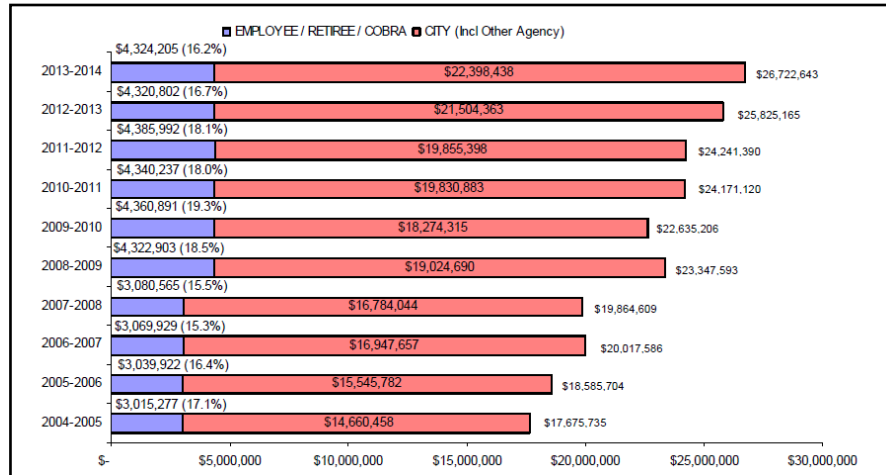
Pay Raises:

- In order to provide the citizens improved basic services, the City of Mobile needs to be able to attract and retain quality personnel. If we take care of our employees, they will take care of the citizens. To do so, our employees must be competitively compensated.
- We have high expectations for our employees and will be requiring more productivity from them as we are able to improve their compensation and give them better training.
- Mayor Stimpson is planning on giving two pay raises in Fiscal Year 2015.
 - 2.5% Cost of Living Adjustment (COLA) – October 2014
 - 2.5% Merit Raise – April 2015
- These pay raises are partially funded by the department heads' meticulous management of head-count and overtime.

Cost Sharing in Health Plan:

- The city has a very generous health plan with a very high level of coverages.
- The city has a funding policy which requires the employee to cover at least 20% of the cost of health care, but the city has not increased the employee or retiree cost since 2009 (currently 16.2%).
- 2013-2014 was Mobile's costliest year (\$26,722,643) and the cost of the Health and Dental Plan stands to continually increase.

City of Mobile's Health Care Costs (2004-2014)



• Active Employees (Changes begin January 1, 2015):

- The city will increase the employees' monthly plan from \$54 to \$69 for single coverage and \$140 to \$178 monthly for family coverage. Cost sharing of 20% would adjust automatically.
 - Total annualized increase is \$180 for single coverage and \$456 for family coverage.
- Inpatient hospital deductible moves from \$100 to \$125.
 - Physician and other health care workers copays move from \$40 to \$50 and \$20 to \$25. Calendar year deductible moves from \$200 to \$250.
 - Calendar year out of pocket maximums move from \$1,000 to \$1,250 for single coverage and \$2,000 to \$2,500 for family coverage.
- Implementation of a tobacco monthly surcharge of \$50.
- The city will cover the first year premium increase for employees making \$40,000 or less.
- New hires would have a cost sharing of 40%, with no retiree coverage and no retiree subsidy.

• Medicare Retirees (Changes begin January 1, 2015):

- Mobile is one of the few, if not only, cities in America who covers Medicare Retirees.
- Medicare Retirees would have coverage eliminated, with the city providing a \$175 monthly subsidy for the purchase of C Plus or similar supplemental coverages. All subsidies would expire in four years.
- The city will offer assistance in determining what type of supplemental coverage is best.
- Full shift to Medicare will occur in April 2015 after four months on Non-Medicare Retiree plan.

• Non-Medicare Retirees (Changes begin January 1, 2015):

- Cost sharing moves monthly plan from \$54 to \$103 for single coverage and \$140 to \$210 for family coverage. Cost sharing would adjust automatically.

Reserve Policy:

- The city will maintain the 2% (of budget) legal reserve requirement of \$4,542,752 in 2015.
- The city must act responsibly and develop a reserve policy to ensure it has sufficient general fund reserves to withstand future economic recessions and unanticipated events, such as storms.
- The city can no longer expect to use tax increases as the answer to unforeseen circumstances that a disciplined and sizeable reserve could otherwise address.

Fee Waivers:

- The city is introducing a new “Fee Waiver” policy and setting aside a cost center of \$400,000.
- Past fee waivers (including rental fees, utilities and overtime) exceeded \$3 million annually without accountability in the budget.
- The administration will work with the City Council to institute a fair, balanced and transparent process by which any organization requesting a fee waiver can apply with the City Clerk’s office for consideration by the Council.
 - The City Council holds both a fiduciary and financial duty to citizens. As such, the Administration believes they hold the power to accept or deny the waiver of rental fees for city owned facilities that may otherwise generate revenue.
 - The Administration will hold the right to waive rental fees for city sponsored events involving city personnel.
 - The new cost center will allow the City Council to approve/deny fee waivers for overtime or other hard costs incurred by the city in support of an organization’s event and charge that waiver against the cost center. This helps offset the cost of an event and maintains departmental budget integrity.
 - The new process will be implemented and communicated to the public by October 1, 2014.

Debt Service Increase:

- Despite the fact that the city’s debt service obligations rose \$3,116,633 in 2015 (\$22,882,198 in 2014 to \$25,998,831 in 2015), the Mayor was able to submit a balanced budget addressing three primary goals of: redirecting long needed capital resources towards fixing the broken parts of our city; improving basic services for our citizens; and, giving city employees a deserved raise.

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