



**2015  
REVENUE  
REVIEW**

**JULY 20, 2015**





# The City of Auburn

## 2015 Revenue Review

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**City of Auburn**  
Home of Auburn University

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**MEMORANDUM**

**To:** Mayor and City Council Members  
**From:** Charles M. Duggan, Jr., City Manager  
**Date:** July 20, 2015  
**Subject:** 2015 Revenue Review

The Auburn City Government's foundational principles of fiscal responsibility combined with financial conservatism have served the citizens well over the years. Our financial position remains very healthy; however, to continue to operate from a strong economic position we must continue to be vigilant in reviewing our revenue environment. In the past, this report has contained sections which update the Council on current and projected revenues to fund expenditures culminating in recommendations for changes in the revenue structure to better position Auburn for the future. This review will take a slight turn from that focus. Although the review includes sections that project revenues and the coverage of expenditures, it also highlights management's continued review of our current and future economic, political, and legal environment. It is important to apprise the Council of the challenges and opportunities we see in the near future. Therefore, this document will address some continued revenue questions that are unique to Auburn. It will also address recent concerns over changes in state legislation, complex taxpayer transactions surrounding audits, and the challenges of conducting business in the fast paced, growing economy in which Auburn resides. Although this is exciting and challenging, we struggle at times to keep pace with the technology and legal complexities. Since this report will be presented alongside the Mid-Biennium budget, we will refer you to that document for budget changes in the current fiscal year (FY2015) and an update to the following fiscal year (FY2016). Both documents contain financial information, but they should be treated as separate documents.

The 2015 Revenue Review is divided into four sections. This message lays out the different sections within the document and provides narrative which will provide a foundation for the remaining discussion or details. 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. Here, we offer an assessment of the City's General Fund which includes projections of revenues and expenditures through FY2020 and details their effect on our fund balance over the next five 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, which is an overview of four major expenditure components: operating expenditures, capital expenditures, school funding, and debt service. The discussion spans fiscal year 2015 through fiscal year 2020.

Finally, and in the Reference section, we have focused on selected revenues to offer insight into specific revenue items. This section, combined with the narrative below, will provide the Council with information on initiatives, areas of concern, explanation on complex regulatory areas, and recent legislative changes.

As an appendix to the body of this review we have provided Revenue Review Sheets which are a one page snapshot on many individual revenue sources.

### **Economic environment**

Today's economic environment is positive and staff is optimistic as we look to the future of Auburn. The local economy continues to expand; economic development is strong in both industrial and commercial sectors; and, over recent months, the City has seen strong sales tax growth, which is not the case for many Alabama cities. However, our significant growth in population provides challenges as well as opportunities. The City has only passed the first hurdle in meeting the rising enrollment demands of local education. Additionally, constant management of our debt is necessary for us to fund future infrastructure projects.

Fall is right around the corner, and specific to that time, there are three areas that we have highlighted within this document. The first is Game Day Rentals. Although we have provided informational memos in the past, we have taken this opportunity to update you on the current position and recent developments. The second is the licensing of ticket scalpers. In the spring and summer of 2014, a collaborative effort between the Public Safety and Finance Departments produced new rules and regulations surrounding the local ticket trade and business. In this document you have a reminder of the rules of conduct and what you can expect in the 2015 season. The third is enforcement of current rules of licensing and the remittance of proper taxes and fees during home football weekends. The Revenue Office of the Finance Department dedicates staff to walk the downtown and campus areas reminding outside vendors of rules and regulations, gathering information on new businesses, and answering questions of current business owners located in close proximity to the campus.

Throughout the year, utilizing both enforcement and education, we continue to lay the groundwork for a level playing field. One particularly challenging area of enforcement and education comes in the form of residential rental remittances. Every year the City receives complaints from various sources about aspects of this complex licensing fee. We have selected this topic as a focus for more detailed discussion to provide an explanation of the tax and the enforcement and education efforts surrounding it. Another taxing and enforcement question that continues to arise concerns the Police Jurisdiction. Finance (with the City Attorney) thoroughly reviewed the law and the actual land area to determine if it was feasible to tax in the Police Jurisdiction. We had help from an unlikely source in Alabama Power to determine some unknown factors. Additionally, during fiscal year 2015, the City had the opportunity to 'piggy-back' onto some State audits on the remittance of Use Tax. This has produced many questions surrounding Use Tax. A short write-up on piggy-back audits and a longer lesson on Use Tax are included in this document.

As an Alabama municipality, we operate within the framework set by the State. We can only tax, impose fees, collect, and enforce through powers granted by the State. Many of the rules and regulations surrounding revenue are inflexible; however, there are areas where the State Legislature has provided cities with a measure of freedom to set laws empowering local officials with the ability to guide their city in a certain direction. Over the recent legislative session, we have seen with increased occurrence the State exert control over various licensing and taxation areas that were once, or currently are, under local authority/governance. In 2013, the passage of the ONE SPOT legislation heralded an age of long sought convenience with the potential of information exchange and openness. This quickly became clouded with concerns over licensing control and collection. Included in this document is a summary of ONE SPOT, which contains an explanation of the system itself, the ONE SPOT committee and continued legislation. While we feel that convenience for our taxpayers is important, we also see that the legislation might be the beginning of a movement by the State to create a single entity which would establish rules, issue licenses, and enforce business licensing in the State of Alabama. While there are multiple advantages to the City and the business holder, we caution legislators and our Council to review the details and invite comment and collaboration from the municipalities around the state on any further legislation. It is important that the State legislators completely understand the consequences of these changes. Some good intentions can have unintended negative consequences. Much of our concern stems from the ability of Council to determine the types of businesses that can operate in the City limits and the right to monitor and review the financial data concerning those businesses. If financial data is redacted to the state level, management will have reduced information for economic development, planning, and management decisions. For Finance it will mean a reduction in the ability to adequately project revenues and understand the local businesses.

As an example of the concern, Act 2015-448 recently passed, establishing a method for non-nexus sellers to remit, on behalf of their customers, a non-nexus sellers use tax on items delivered into Alabama. This act provides that online or catalog sellers not physically located within the State can voluntarily remit an 8% use tax. After the Alabama Department of Revenue (ADOR) administrative fees are removed, 25% of the proceeds collected would be distributed to municipalities on a prorated basis according to their latest census population. The proceeds of this distribution would likely be significantly less than amounts collected if non-nexus sellers were required by law to collect and remit sales tax to the City at the normal rate. Furthermore, the non-nexus sellers that currently remit city taxes have the ability to stop remitting city taxes at 4% and sign up to remit with the State at the lower rate. In 2014, the City received approximately \$3.1 million in tax revenue from non-nexus business.

We will continue to be diligent in our review of proposed legal changes and recommendation to Council in support or opposition to legislation.

City staff is constantly reviewing processes and procedures for more efficiency and effectiveness. Currently we are studying credit card processing fees and the effects of limiting use of credit cards against high payments or initiating the use of a convenience fee and the effect that decision would have financially on City business.

**Conclusion**

The 2015 Revenue Review is designed as a guide to the City's revenues, including projections through fiscal year 2020. It offers an understanding of the City's financial resources and the forces that shape that revenue, both internal and external. Staff conducted this comprehensive review of our fees, charges for services, and taxes to ensure they are fair, necessary, and adequate to fund the services we provide.

The staff and I welcome any questions or comments you may have about the items presented.

Sincerely,

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

Charles M. Duggan, Jr.  
City Manager



**The City of Auburn**  
2015 Revenue Review

**The Revenue Environment**

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## City of Auburn

### *Revenue Review 2015*

#### Revenue Overview

##### **Purpose**

The purpose of the City's 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 present options for changes in the City's revenue structure for any future considerations that the council may desire. In addition to the 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.

##### **Goals for the 2015 Revenue Review**

- 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.
- Identify existing and potential administrative or process challenges to the General Fund revenue structure and estimate, if possible, their effect on future General Fund revenues.
- Identify potential revenue sources for future changes to the revenue structure.

##### **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. 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 revenues 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 the most recent 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 48% of the total General Fund revenue each year. This reliance is an important factor in developing revenue estimates, since sales tax revenue is 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. If gasoline prices increase significantly, some people will cut back their spending on other items, reducing sales tax revenue to the City. Consequently, the inverse can also occur creating spikes and dips in the revenue stream in a relatively short period of time.

To minimize the risks of sales tax dependency, it is important for the City to have a variety of revenue sources – to have other types of revenue in addition to sales taxes, including some 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, which can generate revenue from occupation license fees and business license fees. A high quality of life and placing first priority on an excellent public education system have attracted manufacturing companies and families for which Auburn is a bedroom community, in that the breadwinners' jobs are in other cities. 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 80% of the total projected resources available to finance the annual expenditures of the Fund.

General Fund Revenue Sources	Audited Actual		Biennial Budget			
	FY2014		FY2015		FY2016	
	Amount	As % of Total Revenues	Amount	As % of Total Revenues	Amount	As % of Total Revenues
Sales tax	34,303,569	48.0%	36,400,000	49.6%	36,690,000	49.6%
Occupational license fee	10,130,069	14.2%	10,177,000	13.9%	10,291,245	13.9%
Business license fee	9,373,220	13.1%	9,641,675	13.1%	9,925,000	13.4%
Ad valorem property tax	4,617,112	6.5%	4,658,970	6.3%	4,763,000	6.4%
<b>Total - Top 4 sources</b>	<b>58,423,970</b>	<b>81.7%</b>	<b>60,877,645</b>	<b>82.9%</b>	<b>61,669,245</b>	<b>83.4%</b>
Total Revenues	71,514,686	100.0%	73,392,567	100.0%	73,966,210	100.0%

To help management understand the importance of these revenue sources to the provision of City services, school funding, and capital projects and to prepare for potential fluctuations caused by legislative or economic changes, the following pages contain detailed summaries of each of the top four

individual sources of revenue: sales and use tax, occupation license fee, business license fee, and ad valorem taxes.

Since the last Revenue Review in 2011 two significant changes have occurred in the general fund accounting that affects total revenue for this fund.

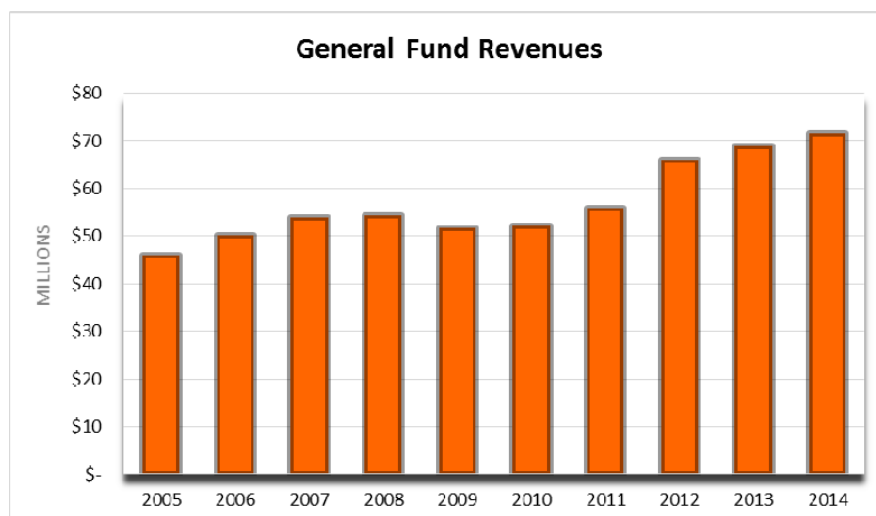
First, in 2011, the City Council passed an ordinance to increase the general sales and use tax rate from 3% to 4%. At the same time, the Council committed to a significant increase in additional funding for the Auburn City Schools. This rate increase and dedicated school allocation caused a 35% increase in sales tax collections from 2011 to 2012.

Second, State legislation mandated that beginning in the fiscal year 2014, E-911 fees were to be collected at the state level in addition to the Wireless E-911 fees. The fees are now combined in the Wireless E-911 fee account and remitted to the City twice a month. These changes in collection and accounting have increased the total revenues received from these funding sources by 26%.

**Total revenue of the General Fund** has experienced a 38.4% growth since fiscal 2010, from \$52.1 million in 2010 to \$71.5 million for 2014. This is an average annual increase of 7.7%. General Fund revenue per capita increased during the period FY10 - FY13 from \$969 to \$1,174; this increase was the result of the sales tax rate increase in 2011, as well as vigorous growth in the City’s economy. During the fiscal years 2010-2013 the local, regional, and national economies steadily rebounded from the recession, which affected almost all areas of revenue for the City of Auburn during the previous fiscal years.

In 2012, the City experienced an 18% increase in revenues due to the sales tax rate increase that went into effect in August of 2011. Bolstered by several new retail businesses opening in recent years, the City continued to experience an increase in sales tax revenue in 2013 despite the decrease in Auburn University football ticket sales and game attendance for that year.

Staff is conservatively optimistic that this trend will continue. The chart below shows total General Fund revenue from 2005 through 2014 not including other financing sources. Steady increases in revenue over the last five years are evident from this chart.



*Sales and Use tax* has steadily increased over the past five years. While the 2011 sales tax rate increase is the major reason for the growth in sales and use tax revenue, the opening of new retail businesses such as a Kia Automotive dealership and two Publix stores, has made a huge impact on the sales tax revenues. Total annual sales tax collected for 2014 was \$34,303,569, up 7.8% from fiscal year 2013.

<i>Sales taxes</i>	FY2010	FY2011 Base Year	FY2012	FY2013	FY2014	FY2015 Projected
Year to date	\$21,058,710	\$22,987,406	\$31,096,467	\$31,831,180	\$34,303,569	\$36,400,000
YTD - change from prior year		1,928,696	8,109,061	734,713	2,472,389	2,096,431
adjusting for FY11 increase			334,944	551,035	1,854,292	1,572,323

*Occupation license fee* revenue tends to follow general unemployment trends in the local area. Since the local unemployment rate has steadily improved over the past 5 years, the occupation license fees have maintained a steady increase. Moreover, with the stability of Auburn University and the diversified and increasing mix of commercial and industrial employers within the City, collections of occupation license fees grew across all sectors in recent years. Over the last five years, income from occupational license fees has grown an average of 5.0% per year. Fiscal year 2014 collections rose to \$10.1 million from \$8.4 million in 2010. With the opening of companies such as GE Aviation and SiO2 and the expansion of several of the current industries, this revenue source continues to have a stable economic outlook.

*Business license fees* are a lagging indicator of the economy because the fee is based on the amount of the businesses' previous year 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 above are General Business License fees, Franchise fees, Residential and Commercial rental tax and fees related to contractors conducting business within the City. The majority of these fees are collected in January and February of each year. General Business License fee revenue has shown an average annual growth of 2.6% over the past five years. This fee comprises the greatest annual collection in this category; for fiscal year 2014 general City businesses remitted \$6,107,189. Franchise fees are established by agreement. The City has standing contracts with utility and telecom companies based on gross receipts or cost per foot for use of the right-of-ways across Auburn. At September 30, 2014, these arrangements totaled approximately \$968,000 each year. With the introduction and growth of internet based alternatives in this market, revenues could have a high probability of decreasing over time. Powerful lobbying efforts by the telecommunications industry further complicate taxability of this market. These agreements are renegotiated as they lapse and can vary in complexity and length with each enterprise. 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 6.4% per year in the last five years, totaling \$1,527,020 in fiscal year 2014. The increase in the number of on-campus housing for students has slowed the rate of growth for this revenue stream.

We expect this revenue stream to follow the general economic trend with continued upward movement extending into the future.

*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. This contributes to a strong

tax base through growth in existing real estate values as well as expanded residential and commercial construction. Since 2010 this revenue source has had an average annual increase of 1.96% each year. This is beneficial in multiple ways since Ad Valorem not only provides revenue to the City's General Fund, but Auburn's Board of Education and the City's Debt Service Fund (dedicated to education beginning in FY16). In fiscal year 2014, Ad Valorem taxes collected for the General Fund equaled \$3,872,194. This was an increase over the prior year of 2.99%. This growth continues to increase into fiscal year 2015 to around 3.10%.

The expectation is that growth will remain stable as property continues to be developed and redeveloped in future years.

*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 \$2.5 million in fiscal year 2014. This agreement has been negotiated to increase by at least 2.5% each year.

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 have 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.

## City of Auburn

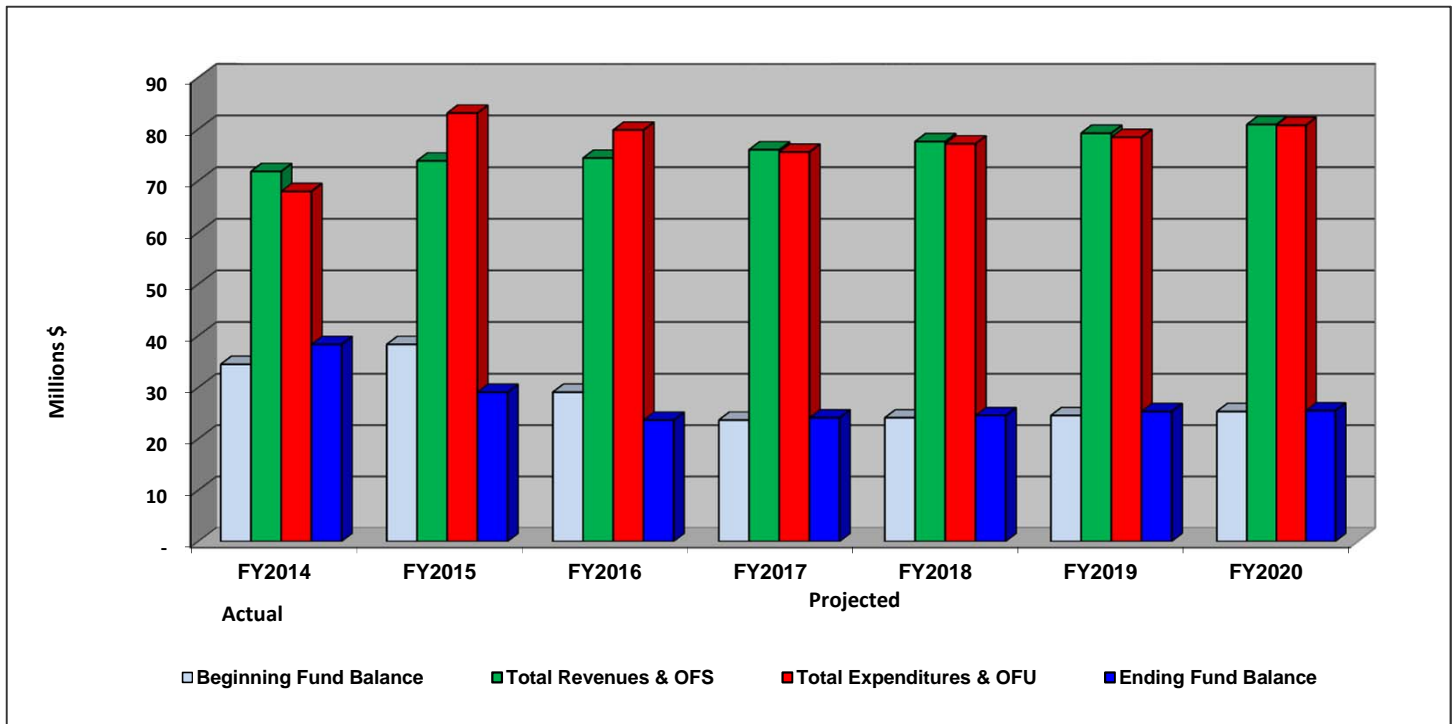
### General Fund (Fund 100 only) - Changes in Fund Balance

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. This approach sustained the City during recovery from hurricanes in the 1990's, helped to mitigate the effects of the recent recession and now aids in the continued support of our school system.

	<i>Actual</i> <i>Audited</i>	<i>Mid-Biennium</i> <i>Proposed Budget</i>		<i>Projected</i>			
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
	\$	\$	\$	\$	\$	\$	\$
<b>Beginning Fund Balance*</b>	<b>34,465,547</b>	<b>38,324,101</b>	<b>29,068,767</b>	<b>23,640,219</b>	<b>24,087,520</b>	<b>24,519,490</b>	<b>25,319,545</b>
Revenues	71,514,686	73,392,567	73,966,210	75,674,454	77,262,308	78,894,203	80,559,427
Other Financing Sources (OFS)	296,250	461,250	436,250	336,250	336,250	336,250	336,250
<b>Total Revenues &amp; OFS</b>	<b>71,810,936</b>	<b>73,853,817</b>	<b>74,402,460</b>	<b>76,010,704</b>	<b>77,598,558</b>	<b>79,230,453</b>	<b>80,895,677</b>
Expenditures	54,889,303	63,184,660	67,405,508	62,437,971	63,661,735	64,535,005	66,465,200
Other Financing Uses (OFU)	13,063,079	19,924,491	12,425,500	13,125,432	13,504,853	13,895,393	14,297,381
<b>Total Expenditures &amp; OFU</b>	<b>67,952,382</b>	<b>83,109,151</b>	<b>79,831,008</b>	<b>75,563,403</b>	<b>77,166,588</b>	<b>78,430,398</b>	<b>80,762,581</b>
<i>Excess of Revenues &amp; OFS over Expenditures &amp; OFU</i>	3,858,554	(9,255,334)	(5,428,548)	447,301	431,970	800,055	133,096
<b>Ending Fund Balance</b>	<b>38,324,101</b>	<b>29,068,767</b>	<b>23,640,219</b>	<b>24,087,520</b>	<b>24,519,490</b>	<b>25,319,545</b>	<b>25,452,641</b>
Less: Permanent Reserve Fund	4,102,889	4,115,718	4,126,007	4,187,897	4,250,716	4,314,476	4,379,193
<b>Net Ending Fund Balance</b>	<b>34,221,212</b>	<b>24,953,049</b>	<b>19,514,212</b>	<b>19,899,623</b>	<b>20,268,774</b>	<b>21,005,068</b>	<b>21,073,447</b>

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

50.36%	30.02%	24.44%	26.34%	26.27%	26.78%	26.09%
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\* Beginning fund balances include the Permanent Reserve.

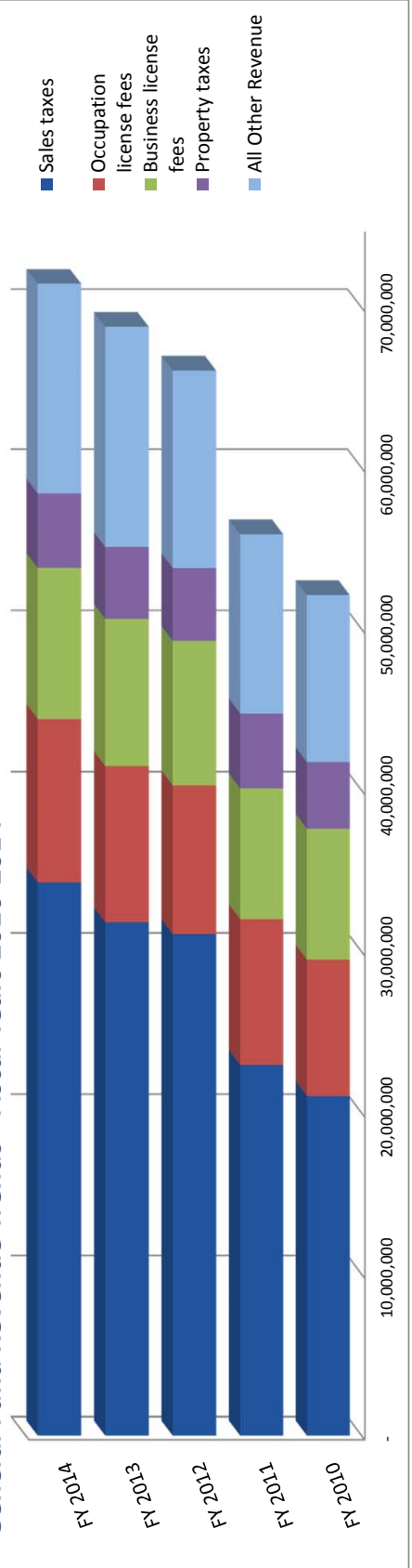
**City of Auburn**

*General Fund (Fund 100 only) - Revenue History*

Fiscal Years 2010-2014

	Actual (Audited)					Increase FY14 > FY10		Increase FY14 > FY13	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Amount	As %	Amount	As %
<b>Revenues</b>									
Sales taxes	21,058,710	22,987,406	31,096,467	31,831,180	34,303,569	14,159,715	70.3%	2,472,389	14.1%
Occupation license fees	8,448,505	9,033,443	9,221,981	9,683,892	10,130,069	2,023,045	25.0%	446,177	5.0%
Business license fees	8,122,444	8,105,396	8,968,498	9,134,646	9,373,220	1,096,061	13.2%	238,574	2.6%
Property taxes	4,133,857	4,646,463	4,514,480	4,459,732	4,617,112	788,375	20.6%	157,380	4.1%
Fines and forfeitures	1,323,298	1,247,137	1,430,449	1,447,029	1,406,624	202,847	16.9%	(40,405)	3.4%
Construction permits	629,600	511,992	1,004,948	835,481	991,176	176,514	21.7%	155,695	4.3%
Wireless E-911 fees	570,795	554,718	635,802	593,318	744,868	191,382	34.6%	151,550	6.9%
Other locally levied taxes	1,155,257	1,255,053	1,347,533	1,418,821	1,523,425	373,359	32.5%	104,604	6.5%
Public safety charges to AU	2,065,958	2,135,627	1,965,778	2,606,453	2,460,000	351,382	16.7%	(146,453)	3.3%
Interest	244,203	160,912	112,963	128,931	169,626	(245,838)	-59.2%	40,695	-11.8%
Lodging taxes	1,253,511	1,371,789	1,924,862	1,559,012	1,604,850	420,310	35.5%	45,838	7.1%
State shared taxes	634,809	830,381	1,028,308	1,770,416	1,031,679	(135,092)	-11.6%	(738,737)	-2.3%
Other charges for services	1,225,580	1,675,889	1,450,701	1,959,272	1,957,175	881,744	82.0%	(2,097)	16.4%
Other revenues	1,248,409	1,374,440	1,336,072	1,372,545	1,201,293	(432,825)	-26.5%	(171,252)	-5.3%
<b>Total revenues</b>	<b>52,114,936</b>	<b>55,890,646</b>	<b>66,038,842</b>	<b>68,800,728</b>	<b>71,514,686</b>	<b>19,850,979</b>	<b>38.4%</b>	<b>2,713,958</b>	<b>7.7%</b>
<b>Other financing sources (OFS)</b>									
Transfers in from other funds	241,250	471,317	241,305	338,681	296,250	2,943	1.0%	(42,431)	-12.5%
Borrowing proceeds	15,155,000	-	1,963,861	-	-	(2,031,270)	-100.0%	-	n/a
<b>Total OFS</b>	<b>15,396,250</b>	<b>471,317</b>	<b>2,205,166</b>	<b>338,681</b>	<b>296,250</b>	<b>(2,028,327)</b>	<b>-87.3%</b>	<b>(42,431)</b>	<b>-12.5%</b>
<b>Total revenues and OFS</b>	<b>\$ 67,511,186</b>	<b>\$ 56,361,963</b>	<b>\$ 68,244,008</b>	<b>\$ 69,139,409</b>	<b>\$ 71,810,936</b>	<b>\$ 17,822,652</b>	<b>33.0%</b>	<b>\$ 2,671,527</b>	<b>3.9%</b>

**General Fund Revenue Trends - Fiscal Years 2010-2014**



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

Revenues	2014		2015		Percent Change		2017-2020		2015		2016		2017		2018		2019		2020		
	Actual (audited)	Budget	Original Budget	Actual as of May 31	% of Budg at 66.7% of yr	Historical 5-yr avg	1 Yr ▲	Projection Factors	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget	Mid-Biennium Proposed Budget
Sales taxes	\$ 34,303,569	\$ 33,188,901	\$ 33,188,901	\$ 25,440,523	76.7%	14.1%	7.8%	3.0%	\$ 36,400,000	\$ 36,690,000	\$ 37,786,950	\$ 38,916,809	\$ 40,080,563	\$ 41,279,230	\$ 42,478,000	\$ 43,666,800	\$ 44,855,600	\$ 46,044,400	\$ 47,233,200	\$ 48,422,000	\$ 49,610,800
Occupation license fees	10,130,069	10,189,500	10,189,500	7,610,056	74.7%	5.0%	4.6%	1.0%	10,177,000	10,291,245	10,394,007	10,497,798	10,602,625	10,708,502	10,812,383	10,916,264	11,020,145	11,124,026	11,227,907	11,331,788	11,435,669
Business license fees	9,373,220	9,131,675	9,131,675	9,525,303	104.3%	2.6%	2.6%	2.3%	9,641,675	9,925,000	10,157,000	10,291,640	10,428,973	10,568,307	10,707,640	10,846,973	10,986,306	11,125,639	11,264,972	11,404,305	11,543,638
Property taxes	4,617,112	4,583,965	4,583,965	4,481,475	97.8%	4.1%	3.5%	2.3%	4,658,970	4,763,000	4,874,240	4,988,817	5,106,832	5,228,857	5,346,882	5,464,907	5,582,932	5,700,957	5,818,982	5,937,007	6,055,032
Fines and forfeitures	1,406,624	1,296,037	1,296,037	935,171	72.2%	3.4%	-2.8%	0.0%	1,347,037	1,329,000	1,379,000	1,379,000	1,379,000	1,379,000	1,379,000	1,379,000	1,379,000	1,379,000	1,379,000	1,379,000	1,379,000
Construction permits	991,176	520,200	520,200	723,647	139.1%	4.3%	18.6%	0.0%	800,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Wireless E-911 fees	744,868	560,400	560,400	521,989	93.1%	6.9%	25.5%	0.0%	600,000	600,000	610,000	610,000	610,000	610,000	610,000	610,000	610,000	610,000	610,000	610,000	610,000
Other locally levied taxes	1,523,425	1,408,400	1,408,400	1,187,949	84.3%	6.5%	7.4%	1.7%	1,598,900	1,469,370	1,494,200	1,522,042	1,550,544	1,577,725	1,605,906	1,634,408	1,662,910	1,691,412	1,719,914	1,748,416	1,776,918
Public safety charges to AU	2,460,000	2,521,500	2,521,500	1,891,125	75.0%	3.3%	-5.6%	2.0%	2,521,500	2,584,538	2,636,229	2,688,954	2,742,733	2,797,588	2,851,443	2,905,298	2,959,153	3,013,008	3,066,863	3,120,718	3,174,573
Interest	169,626	158,373	158,373	103,875	65.6%	-11.8%	31.6%	-2.4%	152,054	147,546	143,986	138,650	133,148	127,528	122,010	116,492	110,974	105,456	100,938	95,420	90,902
Lodging taxes	1,604,850	1,603,802	1,603,802	1,163,270	72.5%	7.1%	2.9%	1.0%	1,604,302	1,649,000	1,665,480	1,682,125	1,698,936	1,715,915	1,732,894	1,749,873	1,766,852	1,783,831	1,800,810	1,817,789	1,834,768
State shared taxes	1,031,679	711,295	711,295	647,679	91.1%	-2.3%	-41.7%	2.1%	1,022,803	782,100	798,353	811,764	826,336	840,907	855,478	870,049	884,620	899,191	913,762	928,333	942,904
Other charges for services	1,957,175	1,615,368	1,615,368	1,496,513	92.6%	16.4%	-0.1%	n/a	1,845,393	1,822,809	1,822,407	1,822,107	1,821,911	1,821,821	1,821,731	1,821,641	1,821,551	1,821,461	1,821,371	1,821,281	1,821,191
Other revenues	1,201,293	1,304,671	1,304,671	712,432	54.6%	-5.3%	-12.5%	n/a	1,022,933	1,062,602	1,062,602	1,062,602	1,062,602	1,062,602	1,062,602	1,062,602	1,062,602	1,062,602	1,062,602	1,062,602	1,062,602
<b>Total revenues</b>	<b>71,514,686</b>	<b>68,794,087</b>	<b>68,794,087</b>	<b>56,441,007</b>	<b>82.0%</b>	<b>7.7%</b>	<b>3.9%</b>		<b>73,922,567</b>	<b>73,966,210</b>	<b>75,674,454</b>	<b>77,262,308</b>	<b>78,994,203</b>	<b>80,559,427</b>	<b>82,115,281</b>	<b>83,730,135</b>	<b>85,345,000</b>	<b>86,959,854</b>	<b>88,574,708</b>	<b>90,189,562</b>	<b>91,804,416</b>
<b>Other financing sources (OFS)</b>																					
Transfers in from other funds	296,250	461,250	461,250	307,500	66.7%	0.2%	-12.5%	n/a	461,250	436,250	336,250	336,250	336,250	336,250	336,250	336,250	336,250	336,250	336,250	336,250	336,250
Borrowing proceeds	-	-	-	-	n/a	-20.0%	n/a	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total OFS</b>	<b>296,250</b>	<b>461,250</b>	<b>461,250</b>	<b>307,500</b>	<b>66.7%</b>	<b>-17.5%</b>	<b>-12.5%</b>	<b>n/a</b>	<b>461,250</b>	<b>436,250</b>	<b>336,250</b>	<b>336,250</b>	<b>336,250</b>	<b>336,250</b>	<b>336,250</b>	<b>336,250</b>	<b>336,250</b>	<b>336,250</b>	<b>336,250</b>	<b>336,250</b>	<b>336,250</b>
<b>Total revenues and OFS</b>	<b>71,810,936</b>	<b>69,255,337</b>	<b>69,255,337</b>	<b>56,748,507</b>	<b>81.9%</b>	<b>6.6%</b>	<b>3.9%</b>		<b>73,853,817</b>	<b>74,402,460</b>	<b>76,010,704</b>	<b>77,598,558</b>	<b>79,230,453</b>	<b>80,895,677</b>	<b>82,461,531</b>	<b>84,091,385</b>	<b>85,721,250</b>	<b>87,351,104</b>	<b>88,980,958</b>	<b>90,610,812</b>	<b>92,240,666</b>
<b>Expenditures</b>																					
<b>Departmental</b>																					
Personal	28,794,871	30,200,622	30,200,622	19,734,612	65.3%	1.8%	1.3%	2.5%	30,426,289	32,712,815	33,530,635	35,169,011	36,868,350	38,630,674	40,433,000	42,235,324	44,037,648	45,839,972	47,642,296	49,444,620	51,246,944
Contractual	5,145,879	5,440,886	5,440,886	3,173,811	58.3%	2.8%	9.8%	2.0%	5,684,691	5,532,237	5,642,882	5,785,468	5,931,501	6,081,060	6,230,619	6,380,178	6,529,737	6,679,296	6,828,855	6,978,414	7,127,973
Commodities	2,892,901	3,421,891	3,421,891	1,640,293	47.9%	1.4%	-8.7%	2.0%	3,584,602	3,541,484	3,612,314	3,746,511	3,884,630	4,026,776	4,168,922	4,311,068	4,453,214	4,595,360	4,737,506	4,879,652	5,021,798
Capital Outlay	1,399,433	1,833,600	1,833,600	1,931,892	105.4%	24.0%	0.8%	n/a	2,383,646	1,039,000	1,425,000	1,000,000	1,020,000	1,040,000	1,060,000	1,080,000	1,100,000	1,120,000	1,140,000	1,160,000	1,180,000
Projects	41,488	15,225	15,225	4,344	28.5%	21.5%	-41.9%	2.0%	15,225	15,453	15,762	16,077	16,399	16,727	17,055	17,383	17,711	18,039	18,367	18,695	19,023
Agency Support	237,064	316,394	316,394	150,987	47.7%	1.7%	7.7%	1.0%	330,366	333,183	336,515	339,880	343,279	346,712	350,101	353,490	356,879	360,268	363,657	367,046	370,435
<b>Total Departmental</b>	<b>38,511,636</b>	<b>41,228,618</b>	<b>41,228,618</b>	<b>26,635,939</b>	<b>64.6%</b>	<b>2.3%</b>	<b>1.4%</b>		<b>42,424,819</b>	<b>43,174,172</b>	<b>44,563,107</b>	<b>46,056,947</b>	<b>48,064,159</b>	<b>50,142,349</b>	<b>52,220,539</b>	<b>54,308,729</b>	<b>56,396,919</b>	<b>58,485,109</b>	<b>60,573,299</b>	<b>62,661,489</b>	<b>64,749,679</b>
<b>Non-departmental</b>																					
General Operations	2,654,462	3,587,015	3,587,015	1,681,039	46.9%	-3.7%	19.4%	n/a	3,345,617	3,539,656	4,600,675	4,126,175	4,114,065	4,204,415	4,294,765	4,385,115	4,475,465	4,565,815	4,656,165	4,746,515	4,836,865
General Ops Personal Services	222,410	91,367	91,367	57,041	62.4%	21.9%	185.8%	2.5%	423,781	169,863	174,110	178,462	182,924	187,497	192,070	196,543	201,016	205,489	210,062	214,635	219,208
PW Project Operations	5,196,659	3,792,990	3,792,990	2,343,146	61.8%	38.0%	129.1%	n/a	9,423,465	10,744,273	3,612,314	4,223,000	4,973,000	4,790,000	4,607,000	4,424,000	4,241,000	4,058,000	3,875,000	3,692,000	3,509,000
PR Project Operations	-	-	-	28,881	n/a	n/a	n/a	n/a	370,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Outside Agencies	932,957	1,016,623	1,016,623	620,817	61.1%	3.0%	-9.2%	n/a	1,066,623	1,015,663	1,073,854	1,035,696	1,097,703	1,059,879	1,022,055	984,231	946,407	908,583	870,759	832,935	795,111
Debt Service	7,371,179	6,130,356	6,130,356	4,070,441	66.4%	2.9%	-6.0%	n/a	6,130,355	8,511,881	8,346,225	7,791,455	5,853,154	5,831,060	5,808,966	5,786,872	5,764,778	5,742,684	5,720,590	5,698,496	5,676,402
<b>Total Non-Departmental</b>	<b>16,377,667</b>	<b>14,618,351</b>	<b>14,618,351</b>	<b>8,801,365</b>	<b>60.2%</b>	<b>6.4%</b>	<b>21.9%</b>		<b>20,759,841</b>	<b>24,231,336</b>	<b>17,874,864</b>	<b>17,604,788</b>	<b>16,470,846</b>	<b>16,322,851</b>	<b>16,171,965</b>	<b>16,022,079</b>	<b>15,872,193</b>	<b>15,722,307</b>	<b>15,572,421</b>	<b>15,422,535</b>	<b>15,272,649</b>
<b>Total Expenditures</b>	<b>54,889,303</b>	<b>55,846,969</b>	<b>55,846,969</b>	<b>35,437,304</b>	<b>63.5%</b>	<b>3.4%</b>	<b>6.8%</b>		<b>63,184,660</b>	<b>67,405,508</b>	<b>62,437,971</b>	<b>63,661,735</b>	<b>64,535,005</b>	<b>66,465,200</b>	<b>68,397,404</b>	<b>70,229,603</b>	<b>72,061,802</b>	<b>73,894,001</b>	<b>75,726,200</b>	<b>77,558,399</b>	<b>79,390,598</b>
<b>Other Financing Uses (OFU)</b>																					
Transfers	3,512,320	4,351,183	4,351,183	3,813,394	87.6%	-15.6%	-23.8%	n/a	8,424,491	925,500	1,317,010	1,343,350	1,370,217	1,397,622	1,425,027	1,452,382	1,479,737	1,507,092	1,534,447	1,561,802	1,589,157
Auburn City Schools	9,550,759	13,990,500	13,990,500	7,666,667	54.8%	7.1%	0.0%	n/a	11,500,000	11,500,000	11,808,422	12,161,503	12,525,176	12,899,759	13,274,342	13,648,925	14,023,508	14,398,091	14,772,674	15,147,257	15,521,840
<b>Total OFU</b>	<b>1</b>																				



# City of Auburn

## Schedule of Tax and Fee Rates

Revenue Source	Rates				Effective Date of Most Recent City Rate Change
	City	County	State	Total	
<b>General Fund</b>					
Sales Tax	general items 4%	1%	4%	9%	August 1, 2011
	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 with a lease period of 12 months or more including automobiles with lease periods of less than 12 months linens/clothing video rental		1.5%  4% 2%	3.75%  6.5% 4.5%	April 1, 2001
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 book fees - \$.10 per item, per day (\$5.00 maximum per item). Overdue audio-visual items - \$.10 per day (\$8.00 maximum per item). Overdue interlibrary loan item - \$1.00 per item, per day (\$20.00 maximum per item). Lost books or audio- visual items are retail price.  Library cards for individuals <b>not</b> living in or working in the City or attending Auburn University are \$25 annually.				October 2014
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

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



**The City of Auburn**  
2015 Revenue Review

**The Expenditure Environment**

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# City of Auburn

## *2015 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 the City's residents. It is important to understand the structure and nature of expenditures to fully understand how revenue is or can be designed to provide funding for these objectives. The expenditure projections that follow this overview 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 capital improvement plan (CIP) also impact how and when certain expenditures, such as additional operating expenditures or debt service, would occur. This expenditure environment overview is discussed as four major components: operating expenditures, capital expenditures, school funding, and debt service.

#### **Operating Expenditures**

Operating expenditures are those expenditures that are necessary for day-to-day operations of the City. These expenditures can be grouped into three categories: personal services, or those expenditures related to staffing the departments; contractual services, including services such as utilities, professional consulting, and data processing related activities; and commodities, which include purchases of office supplies, vehicle maintenance parts, or computer software. Some of these expenditures are well within the City's control, while others are overhead costs that are necessary regardless of the services being provided by the City.

General operating expenditures are projected to increase at predictable rates over the next six years. Personal services are expected to continue to grow by approximately 2.5% annually from changes to employee salaries using the City's merit pay system. In addition, a 6% cost of living adjustment (COLA) is projected in fiscal 2016. The onset of the economic downturn in 2008 forced the City to develop new strategies to sustain City services during that time. One strategy was to eliminate cost of living increases in an effort to avoid layoffs or furloughs. The last cost of living increase was 3% in fiscal 2009. As the City has grown, so have the demands on the City's employees. The City is fortunate to have a highly educated, well-trained workforce that produces high quality services. The personal services projections also include staffing related to a new fire station, Fire Station Number 6, included in the capital improvement plan in fiscal 2017. It is the City's goal to keep personal services to less than 50% of total expenditures and other financing uses. On average, personal services comprise 45% of total General Fund expenditures and other financing uses.

Contractual services are expected to increase by 2% annually in each department, which includes an additional \$10,000 per year beginning in fiscal 2018 for operating costs associated with the new fire station. Contractual services account for 6-8% of total General Fund expenditures and other financing uses.

Commodities are expected to increase 2% annually, with an additional \$10,000 per year beginning in FY2018 for operating costs associated with the new fire station. Commodities purchases vary from department to department and account for approximately 5% of total General Fund expenditures and other financing uses.

### **Capital Expenditures**

Capital equipment replacement and capital projects are major components of General Fund expenditures. Although the City has made changes to the CIP in order to provide additional school funding, it is still a priority of the City to continue with many of the initiatives included in the fiscal 2015 and 2016 budget as well as the long-term CIP. The full CIP plan through fiscal 2020 is included on page 31 of the Proposed Mid-Biennium Budget and Financial Plan. This plan details the timing and funding sources of various capital infrastructure needs of the City, as determined by the City's management and professional engineering staff. This plan is also developed based on priorities of the Council and the citizens of Auburn. It is important to remember that any major changes to the City's various master development plans, such as the Downtown Master Plan (DMP), could significantly change the proposed CIP.

The projects discussed below include the major projects that will be primarily funded by the General Fund. Any projects that are listed as *General Fund Conditional* are not included in the projections. It is assumed that these will only be funded if revenues exceed projections and will have little to no impact on ending fund balance

***Redevelopment & Neighborhood Enhancement Projects*** There are many exciting projects that will enhance, improve, and redevelop certain areas of the City. These projects include downtown improvements such as improvements to Toomer's Corner and parking, Opelika Road revitalization, neighborhood cleanup projects, rehabilitation of the Depot, and various sidewalk improvement and construction projects. The CIP includes projects totaling \$18.4 million over the next six years.

***City Facility Improvements*** Although there are no plans for construction of major new facilities in the foreseeable future, the CIP includes several improvement projects that will prolong the lives of our existing facilities. The most notable of these improvements is a major renovation of the Public Safety Administration, Police, and Judicial/Court facility. Plans are underway for design of this facility in fiscal 2015 with construction likely starting in fiscal 2016. The project is expected to cost approximately \$4.0 million, including resources from the Judicial Fund.

***Transportation Improvements*** Transportation continues to be a high priority on the Annual Citizen Survey. The CIP includes plans for approximately \$40.0 million in projects over the next six years. Of this amount, the City has secured or expects to aggressively pursue funding from the Alabama Department of Transportation in excess of \$18.0 million. Projects presently being constructed or expected to begin in the immediate future include the Opelika Road and East University Drive intersection improvements, annual street resurfacing and restriping projects, bridge replacement on Moore's Mill Road at I-85, and various intersection signalization projects.

***Economic Development*** As one of the Council's highest priorities, proposed budgets and projections continue to include investments in projects that will aid in Auburn's economic growth. An additional technology park is planned for fiscal 2017. This investment of approximately \$9.9 million will secure and

develop an additional 300 acres of industrial property that will help ensure continued economic growth in Auburn. These plans not only increase jobs in Auburn, but will also increase revenue recognized from occupational license fees and sales/use taxes.

**Capital Equipment** Vehicles and equipment continue to be replaced in an effort to upgrade the City's aging fleet. By utilizing a plan of replacing vehicles and equipment based on Fleet Services recommendations, the City is positioned to reduce the growing costs of maintaining aging equipment. These replacements are projected to use an average of \$1.0 million of general funds for the next six years.

### **School Funding**

Financial support for the City's public school system, Auburn City Schools (ACS), has been a top priority for both the City and its citizens for many years. The City has worked very closely with ACS over the past few years to develop a plan for funding new facilities required to accommodate the growing number of students enrolled in the system. The final plan, which has been approved by the City Council and ACS, is now in place and affects the City's future plans for expenditures in the General Fund. One segment of this plan includes the dedication of 1.25 pennies of sales tax from the General Fund that is transferred to ACS, with a floor of \$11.5 million. As sales taxes grow, the amount transferred to ACS will increase. The floor is expected to be exceeded beginning in fiscal 2017. Any future projected increases in sales taxes have been used in calculations of transfer amounts to ACS for those years.

### **Debt**

Debt service expenditures have averaged 12.1% of total expenditures and other financing uses for the past five years. Future debt planned for the General Fund includes funding for the \$9.9 million investment in the construction of an additional technology park in fiscal 2017. This 10-year debt issue is projected to have a 4% rate of interest. In addition, the fund's debt service level will increase with changes made for school funding. The second segment of the school funding plan includes the allocation of the Special Five Mill Tax Fund (Five Mill) resources to fund debt service for voter approved projects for school purposes. The debt service that currently exists in the Five Mill will be paid from the General Fund beginning in fiscal 2016. This reallocation will increase the General Fund's debt service level to \$8.5 million in 2016 (10.7% of total expenditures and other financing uses), but will then begin to decrease as General Fund debt is retired over the next few years. By fiscal 2020, debt service in the General Fund will be approximately \$5.8 million, which is 7.2% of total expenditures and other financing uses in that year.

More detailed information about expenditures, including CIP, can be found in the Proposed Mid-Biennium Budget and Financial Plan for fiscal years 2015 and 2016.

# City of Auburn

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

Fiscal Years 2010-2020

Category	Actual (Audited)					Mid-Bien. Projected			Projected			% of total expenditures		
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2010	FY 2020	
<b>Departmental</b>														
Personal	26,477,101	27,163,934	27,594,320	28,437,081	28,794,871	30,426,289	32,712,815	33,530,635	35,169,011	36,868,350	38,630,674	46.8%	36.6%	47.8%
Contractual	4,513,744	4,682,502	4,545,170	4,685,779	5,145,879	5,684,691	5,532,237	5,642,882	5,785,468	5,931,501	6,081,060	8.0%	6.8%	7.5%
Commodities	2,705,371	2,798,653	3,003,268	3,167,888	2,892,901	3,584,602	3,541,484	3,612,314	3,746,511	3,884,630	4,026,776	4.8%	4.3%	5.0%
Capital Outlay	635,852	738,090	1,542,844	1,388,529	1,399,433	2,383,646	1,039,000	1,425,000	1,000,000	1,020,000	1,040,400	1.1%	2.9%	1.3%
Projects	19,981	46,098	8,124	71,434	41,488	15,225	15,453	15,762	16,077	16,399	16,727	0.0%	0.0%	0.0%
Agency Support	218,016	186,774	218,515	220,048	237,064	330,366	333,183	336,515	339,880	343,279	346,712	0.4%	0.4%	0.4%
<b>Total Departmental</b>	<b>34,570,065</b>	<b>35,616,051</b>	<b>36,912,241</b>	<b>37,970,759</b>	<b>38,511,636</b>	<b>42,424,819</b>	<b>43,174,172</b>	<b>44,563,108</b>	<b>46,056,947</b>	<b>48,064,159</b>	<b>50,142,349</b>	<b>61.1%</b>	<b>51.0%</b>	<b>62.1%</b>
<b>Non-departmental</b>														
General Operations	3,263,945	1,369,503	1,810,223	2,223,771	2,654,462	3,345,617	3,539,656	4,600,675	4,126,175	4,114,065	4,204,415	5.8%	4.0%	5.2%
Gen.Ops. - Personal Services	106,208	67,137	71,082	77,828	222,410	423,781	169,863	174,110	178,462	182,924	187,497	0.2%	0.5%	0.2%
PW Project Operations	1,792,632	6,255	2,257,804	2,268,188	5,196,659	9,423,465	10,744,273	3,430,000	4,223,000	4,973,000	4,790,000	3.2%	11.3%	5.9%
PR Project Operations	-	-	-	-	-	370,000	250,000	250,000	250,000	250,000	250,000	0.0%	0.4%	0.3%
Outside Agencies	812,921	876,083	879,997	1,027,795	932,957	1,066,623	1,015,663	1,073,854	1,035,696	1,097,703	1,059,879	1.4%	1.3%	1.3%
Debt Service	6,425,398	7,853,011	9,599,280	7,842,446	7,371,179	6,130,355	8,511,881	8,346,225	7,791,455	5,853,154	5,831,060	11.4%	7.4%	7.2%
<b>Total Non-Departmental</b>	<b>12,401,104</b>	<b>10,171,989</b>	<b>14,618,386</b>	<b>13,440,028</b>	<b>16,377,667</b>	<b>20,759,841</b>	<b>24,231,336</b>	<b>17,874,864</b>	<b>17,604,788</b>	<b>16,470,846</b>	<b>16,322,851</b>	<b>21.9%</b>	<b>25.0%</b>	<b>20.2%</b>
<b>Total Expenditures</b>	<b>46,971,169</b>	<b>45,788,040</b>	<b>51,530,627</b>	<b>51,410,787</b>	<b>54,889,303</b>	<b>63,184,660</b>	<b>67,405,508</b>	<b>62,437,972</b>	<b>63,661,735</b>	<b>64,535,005</b>	<b>66,465,200</b>	<b>83.1%</b>	<b>76.0%</b>	<b>82.3%</b>
<b>Other Financing Uses (OFU)</b>														
Transfers	2,516,625	1,142,413	3,523,412	4,608,428	3,512,320	8,424,491	925,500	1,317,010	1,343,350	1,370,217	1,397,622	4.5%	10.1%	1.7%
Auburn City Schools	7,050,759	7,050,759	9,550,759	9,550,759	9,550,759	11,500,000	11,500,000	11,808,422	12,161,503	12,525,176	12,899,759	12.5%	13.8%	16.0%
<b>Total OFU</b>	<b>9,567,384</b>	<b>8,193,172</b>	<b>13,074,171</b>	<b>14,159,187</b>	<b>13,063,079</b>	<b>19,924,491</b>	<b>12,425,500</b>	<b>13,125,432</b>	<b>13,504,853</b>	<b>13,895,393</b>	<b>14,297,381</b>	<b>16.9%</b>	<b>24.0%</b>	<b>17.7%</b>
<b>Total Expenditures and OFU</b>	<b>56,538,553</b>	<b>53,981,212</b>	<b>64,604,798</b>	<b>65,569,974</b>	<b>67,952,382</b>	<b>83,109,151</b>	<b>79,831,008</b>	<b>75,563,404</b>	<b>77,166,588</b>	<b>78,430,398</b>	<b>80,762,581</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**The City of Auburn**  
 2015 Revenue Review

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## Game Day Rentals

Although the welcoming of family and friends to the area for Auburn University football games is a tradition that stretches back through history, the actual renting of your home to unknown fans for the weekend began in earnest only in recent years. Finance became aware of several businesses that were encouraging Auburn residents to rent their homes during AU home football games as a source of income. These businesses (similar to Vacation Rental by Owner, VRBO.com) provide websites that list residential properties and connect the property owners to potential renters.

After review of the promoting business operations and the interest created among Auburn home owners, Finance worked with the Planning Department and the Office of the City Manager to first determine what areas of the city allowed game day rentals, so that the information could be disseminated to Auburn residents. There was a concern in licensing persons to rent their homes when the zoning ordinance would not allow the rental in certain areas. In addition, short term rentals of less than 180 days require the remittance of lodging tax. In an effort to assist residents, The Open Line carried the following article from August through November of 2014. This article will run in the Open Line again this fall beginning with the August issue.

### **Football Season Rentals**

*Thinking of renting or leasing your home for AU football game weekends? Here are some things that you should know:*

- *Renting or leasing your single family home for less than six continuous months may constitute a use violation or an unrelated occupancy violation in accordance with the City of Auburn's Zoning Ordinance. If you are considering renting or leasing your single-family residence, please contact the City's Planning Department to find out what is allowed based on how your property is zoned.*
- *Renting or leasing your home for less than six continuous months requires the collection and remittance of the State, County, and City lodging taxes, per section 40-26-1 of the Code of Alabama, 1976 and Section 12-176 of the City of Auburn Code of Ordinances.*
- *Renting or leasing your primary home could negatively affect your homestead exemption status with Lee County.*
- *Renting or leasing multifamily dwellings such as condos and apartment complexes for less than six continuous months will still depend on appropriate zoning and collection and remittance of State, County and City lodging taxes.*

*For more information on **lodging taxes**:*

*Please contact the City's Revenue Office at 334-501-7239.*

*For more information on **zoning**:*

*Please contact the City's Planning Department at 334-501-3040.*



## **Ticket Scalpers**

In the summer of 2014, the Finance Department was contacted by Public Safety concerning persons scalping tickets before Auburn University home football games. There was suspicion that the increase in criminal activity in Auburn was connected to the increase in ticket scalpers downtown on game day weekends. These persons were from outside of the Auburn area and were unknown to Public Safety. Finance worked with Public Safety to create Ordinance 2881 which regulates ticket scalping and requires a permit to be obtained in order to scalp tickets in Auburn.

Under Ordinance 2881, each ticket scalper is required to complete an application for a permit to scalp. The application requires legal name, address, phone number, and proof of identification. A permit fee of \$155 is required with the application. Each applicant has his/her picture taken in the Revenue office and a brightly colored permit is produced. This permit is attached to a lanyard and is required to be worn at all times while the permit holder is engaging in ticket scalping. Since inception, 92 permits have been issued to scalpers. The scalper permits are valid from July 1 through June 30, so that the permit covers not only football, but spring sporting events as well.

Public Safety reported the permitting of ticket scalpers provided several benefits during the 2014 football season:

- A significant decrease in automobile burglaries in the downtown area.
- Reduction or elimination of counterfeit currency in the area for scalping purposes.
- Serious reduction in the number of citizen complaints for ticket scalpers.

## **Game Day Enforcement**

During the months that encompass the Auburn University (AU) football season, business licensing of game day vendors creates a challenge for the Finance Department staff. Transient merchant licenses are issued to businesses who temporarily locate on the AU campus (Jordan Hare food vendors) as well as those who operate on private property. These private property vendors typically locate in areas adjacent to the campus and only with the property owner permission.

A list of licensed game day vendors is maintained by the City. On the Friday prior to a home football game, employees from the Finance Revenue Office will walk the downtown area during the day. These employees check the licenses of transient vendors and talk to local business owners, reminding them of the game day business license requirements and verifying there are no problems or complaints. In addition, three home games are selected for Saturday enforcement. The first home game and two additional games, with a large projected attendance are designated. On these game days, Revenue staff walk with a uniformed police officer around the downtown area scanning for unlicensed game day vendors to ensure compliance. Although a typical Saturday will reveal only one or two unlicensed vendors, we believe that it is important to the downtown business owners and the community to see enforcement efforts and the availability of the City staff to answer questions or take complaints during these important economic events. During the 2014 season, the City staff added ticket scalping to their efforts by ensuring the ticket scalpers were all permitted and trained in the proper display of the permits for Public Safety and the consumer observation. In addition to business licenses, sales tax must be remitted on the retail sale of goods during football games. Licensing of game day vendors helps to insure that the sales tax is remitted on sales of merchandise by these vendors.

## **Residential Rental**

Residential rental license fee is a component of the business license fees, and is imposed on entities or individuals that rent or lease residential property within the City of Auburn. The residential rental ordinance exempts those property owners whose dependents occupy the rental property.

This license fee is 1.5% of gross receipts of the rentals received during the previous year and the minimum fee is \$100. The fee is due on January 1<sup>st</sup> and delinquent after February 15<sup>th</sup>. The enforcement of this license fee is extremely labor intensive. Unlike other business licenses activities, many individual property owners are not aware that renting their property requires a business license. Therefore, staff spends a great deal of time chasing unlicensed renters and educating property owners about the City's ordinance regarding residential rental.

In addressing the issue of enforcement, the Finance Revenue Office analyzed the rental information listings from the Finance Utility Billing Office (UBO) with the residential rental license fee information in the City revenue taxpayer database. The analysis found that 230 individuals were listed in the UBO rental listing as having rental units that did not match with a residential rental licensee. Those individuals were sent letters asking for clarification regarding the discovery. The office received a 72% response rate from the letters. Once the property owners responded to the information requested, the staff updated or added to the residential rental listings.

To ensure the on-going residential rental enforcement efforts, the UBO staff requires individuals requesting a water rental agreement to provide a current business license in order to enroll in the program. A water rental agreement allows property owners to continue water service between tenants by assuming responsibility for the billing of the water during the vacancies. The Revenue Office reviews the Lee County property database for property that does not have a homestead exemption. These properties are compared to the residential rental database and the utility billing database. If the name on the property in the Lee County database does not match the name in the UBO database for that address and the property is not listed in the residential rental database, a letter is sent to the property owner. The letter informs the property owner of the licensing requirement for residential rental property owners with information on how to comply with the regulations. The letter also gives the property owner an opportunity to communicate any additional information about the property's use, which may help with the determination of whether a license is indeed needed. The staff's efforts so far have added an additional 122 new addresses to City's residential rental listing.

## Police Jurisdiction

**Defining Police Jurisdiction:** A municipality's police jurisdiction covers the adjoining territory within three miles of the corporate limits. Staff does not recommend, for various reasons, extending the police jurisdiction outside of Lee County, and prefers to establish police jurisdiction in cooperation with the Lee County Sheriff's Office and other neighboring jurisdictions, using logical geographic boundaries to determine which agency patrols which area.

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 are collected in the police jurisdiction. The City collects wholesale fuel, cigarette taxes, and franchise fees from one utility company in the police jurisdiction (PJ).

Police and Fire services provided to locations in the unincorporated police jurisdiction have been steady over the previous five years and in FY 2014 accounted for roughly 4% of all calls for service. As the unincorporated areas surrounding the City continue to experience population growth, demands for service in these areas may rise.

**Legal Authority:** Section 11-40-10(a) of the Code of Alabama 1975 establishes a municipality's police jurisdiction to cover the 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. This has been affirmed by Attorney General Opinions and Alabama courts.

### Police and Fire Services in the Police Jurisdiction:

Auburn Police Department			
<u>Fiscal Year</u>	<u>Total Calls</u>	<u>Calls in City</u>	<u>Calls in PJ</u>
<b>2014</b>	188,436	180,694	7,742
<b>2013</b>	184,585	177,135	7,450
<b>2012</b>	178,078	170,654	7,424
<b>2011</b>	144,585	138,875	5,710

Auburn Fire Department			
<u>Fiscal Year</u>	<u>Total Calls</u>	<u>Calls in City</u>	<u>Calls in PJ</u>
<b>2014</b>	4,864	4,845	19
<b>2013</b>	4,377	4,341	16
<b>2012</b>	5,051	5,028	23
<b>2011</b>	7,597	7,577	20

**Considerations for taxing in the police jurisdiction:** It is clear the cost of services in the PJ at the present time exceed the small amount of revenues collected. However, the revenues that are collected are not intended to recover the cost of services. If the City were to collect business license fees and sales taxes within the PJ, there would be an obligation for the City to provide Codes inspection and enforcement in the PJ for building construction. In addition, life safety inspections for commercial businesses would be an additional requirement. Expansion of the area taxed requires expansion of monitoring enforcement. The Codes and Revenue staffing at present levels would not be sufficient to handle the additional enforcement burden.

**Revenue Collected in the Police Jurisdiction:** There are three revenue sources from the PJ. Cigarette stamp tax is collected from wholesale cigarette vendors supplying cigarettes to convenience stores within the PJ. Wholesale motor fuel tax is collected from fuel wholesalers based on the gallons of fuel delivered to gas stations within the PJ. One utility is required by franchise agreement to remit franchise fees based on revenues generated both within the city and within the PJ. Below is a summary of the actual revenues collected from businesses in the Police Jurisdiction.

<u>Fiscal Year</u>	<u>Cigarette Stamps</u>	<u>Wholesale Motor Fuel Tax</u>	<u>Franchise Fees</u>	<u>Totals</u>
	\$	\$	\$	\$
<b>2014</b>	955	19,368	36,642	56,965
<b>2013</b>	890	24,015	33,081	57,986
<b>2012</b>	955	26,586	33,079	60,620
<b>2011</b>	956	24,465	32,038	57,459

**Expenditures in the Police Jurisdiction:** The cost associated with the PJ is estimated by allocating the departmental expenses for Police and Fire based on the ratio of calls made outside of the city limits to total calls each fiscal year.

<u>Fiscal Year</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
	\$	\$	\$
<b>2014</b>	401,198	19,813	421,011
<b>2013</b>	383,361	18,544	401,905
<b>2012</b>	392,249	23,202	415,451
<b>2011</b>	361,229	12,793	374,022

**Projected Revenues and Costs for taxing in the Police Jurisdiction:** There are approximately 75 businesses located within the primary and secondary Police Jurisdiction areas. There are several mobile home parks, horse farms, day cares, trucking companies, as well as a few gas stations and small restaurants. The mobile home parks account for the majority of police calls.

In order to determine business license and sales tax revenues for businesses located within the PJ, further study would be needed. Two trucking companies and several service oriented businesses already hold City of Auburn business licenses, and report revenues for work performed within the City. Many of the businesses in the PJ are agricultural, horse stables, farms, or churches, from which we could not collect

business license fees. Based on averages by categories of business that have been mapped in the PJ, the following is an estimate of potential annual revenues in the PJ:

	<b>Business</b>	
	<b><u>License Fee</u></b>	<b><u>Sales Tax</u></b>
	\$	\$
<b>Retail</b>	20,000	13,500
<b>Service</b>	10,000	-
<b>Mobile Home/RV</b>	20,000	-
<b>Utilities</b>	80,000	-
Totals	<u>130,000</u>	<u>13,500</u>

**Conclusion:** the estimated expense for taxing in the PJ far exceeds the potential revenue.

## **Piggy-Back Audits**

The Finance Department Revenue Office Staff is focused on ensuring that City of Auburn businesses are paying the appropriate amount of taxes to the City of Auburn by conducting what is called “piggy-back audits.” The Alabama Department of Revenue conducts audits of local businesses on a regular basis for various reasons. Once the audit is complete, the taxpayer is given a report of the finding and notified that the information contained in the report will be shared with the local city and county. Because of an exchange of information agreement between the Alabama Department of Revenue (ADOR) and the City of Auburn, when requested, the audit reports for businesses located in the City are sent to the Finance Department. The City then “piggy-backs” on those audits and applies the City’s tax rate to the gross receipt amount identified by ADOR. A preliminary assessment of additional taxes is sent to the taxpayer along with a pamphlet explaining the process for disputing audit findings and the rights of the taxpayer.

Taxpayers are given 30 days to file a written petition to review the preliminary assessment. If no such petition is filed within the given time frame, the assessment becomes final and due to the City after an additional 30 days. This past year, Revenue Office staff focused on ensuring that the audit reports available to the City of Auburn were received from the ADOR and promptly processed for City assessments. The efforts of the staff resulted in over \$800,000 in additional revenue for the sales and use tax audit accounts.

## Use Tax

According to the State's definition in Code Section 40-23-60, Use tax is due on the following wholesale sale or sale at wholesale of any of the following:

- A sale of tangible personal property by wholesaler to licensed retail merchants, jobbers, dealers or other wholesalers for resale and does not include a sale by wholesalers to users or consumers, not for resale.
- A sale of tangible personal property or product, including iron ore, and including the furnished container and label of such property or products, to a manufacturer or compounder which enter into and become an ingredient or component part of the tangible personal property or products which the manufacturer or compounder manufactures or compounds for sale, whether or not such tangible personal property or product used in manufacturing or compounding a finished product is used with the intent that it become a component of the finished product; provided, however, that it is the intent of this section that no sale of capital equipment, machinery, tools, or product shall be included in the term "wholesale sale." The term "capital equipment, machinery, tools, or product" shall mean property that is subject to depreciation allowances for Alabama income tax purposes.
- A sale of containers intended for one-time use only, and the labels thereof, when such containers are sold without contents to persons who sell or furnish such containers along with the contents placed therein for sale by such persons.
- A sale of pallets intended for one-time use only when such pallets are sold without contents to persons who sell or furnish such pallets along with the contents placed thereon for sale by such persons.
- A sale to a manufacturer or compounder, of crowns, caps and tops intended for one-time use employed and used upon the containers in which such manufacturer or compounder markets his products.
- A sale of containers to persons engaged in selling or otherwise supplying or furnishing baby chicks to growers thereof where such containers are used for the delivery of such chicks or a sale of containers for use in the delivery of eggs by the producer thereof to the distributor or packer of such eggs even though such containers used for delivery of baby chicks or eggs may be recovered for reuse.
- A sale of bagging and ties used in preparing cotton for market.
- A sale of commercial fish feed including concentrates, supplements and other feed ingredients when such substances are used as ingredients in mixing and preparing feed for fish raised to be sold on a commercial basis.
- A sale of tangible personal property to any person engaging in the business of leasing or renting such tangible personal property to others, if such tangible personal property is purchased for the purpose of leasing or renting it to others under a transaction subject to the privilege or license tax levied in Article 4 of Chapter 12 of this title against any person engaging in the business of leasing or renting tangible personal property to others.
- A purchase or withdrawal of parts or materials from stock by any person licensed under this article where such parts or materials are used in repairing or reconditioning the tangible personal property of such licensed person which tangible personal property is a part of the stock of goods of such licensed person, offered for sale by him and not for use or consumption of such licensed person.



- A sale to meat packers, manufacturers, compounders or processors of meat products of all casings used in molding or forming wieners and Vienna sausages, even though such casings may be recovered for reuse.

Also in accordance with Section 40-23-60 of the Alabama State Code, 1975, use tax is due on the retail sale of all tangible personal property except those above defined as wholesale sales. The quantities of goods sold or prices at which sold are immaterial in determining whether or not a sale is at retail. Sales of building materials to contractors, builders or landowners for resale or use in the form of real estate are retail sales in whatever quantity sold. Sales of building materials, fixtures or other equipment to a manufacturer or builder of modular buildings for use in manufacturing, building or equipping a modular building ultimately becoming a part of real estate situated in the State of Alabama are retail sales, and the use, sale or resale of such building shall not be subject to the tax. Sales of tangible personal property to undertakers and morticians are retail sales and subject to the tax at the time of purchase, but are not subject to the tax on resale to the consumer. Sales of tangible personal property or products to manufacturers, quarry operators, mine operators or compounders, which are used or consumed by them in manufacturing, mining, quarrying or compounding and do not become an ingredient or component part of the tangible personal property manufactured or compounded as provided in subdivision (4) are retail sales. The term "sale at retail" or "retail sale" shall also mean and include the withdrawal, use or consumption of any tangible personal property by anyone who purchases same at wholesale, except property which has been previously withdrawn from the business or stock and so used or consumed and with respect to which property the tax has been paid because of such previous withdrawal, use or consumption, except property which enters into and becomes an ingredient or component part of tangible personal property or products manufactured or compounded for sale as provided in subdivision (4); and not for the personal and private use or consumption of any person so withdrawing, using or consuming the same, and such wholesale purchaser shall report and pay the taxes thereon; and except refinery, residue, or fuel gas, whether in a liquid or gaseous state, that has been generated by, or is otherwise a by-product of, a petroleum-refining process, which gas is then utilized in the process to generate heat or is otherwise utilized in the distillation or refining of petroleum products. The term "retail sale" or "sale at retail" shall also mean and include the sale of tangible personal property previously purchased at wholesale for the purpose of leasing or renting under a transaction subject to the privilege or license tax levied in Article 4 of Chapter 12 of this title, regardless of whether such sale is to the person who theretofore leased or rented the said tangible personal property or to some other person.

Given the in-depth definition for use tax, it was understandable that many of the taxpayers needed more education on remitting use tax. Since beginning the piggyback audits, staff has strived to ensure that businesses are educated on use tax remittance. To that effort we will work in conjunction with the Chamber of Commerce and the Economic Development Department to bring an annual update of tax determination and remittance to our business community.

## ONE SPOT

ONE SPOT (Optional Network Election for Single Point Online Transactions) is the state of Alabama's electronic filing and remittance system for sales, use, rental, and lodging taxes at the state, county, and municipal levels. Beginning October 1, 2013, taxpayers both in and outside of Alabama have been able to file and pay all city and county sales, use, and rental taxes on this site. Since Auburn used the previous online filing system, we were one of the first jurisdictions to go live with the My Alabama Taxes (MAT) system on July 1, 2013. Effective October 1, 2016, Act 2015-52 provides that lodging taxes are to be included in ONE SPOT filing.

Established by Act 2012-279, ONE SPOT allows a taxpayer to file a return and make a tax payment, which is sent to the local government or its tax administrator, eliminating the need to login to multiple sites or to submit a paper return and remittance to a city or county that is not state administered. Although the State of Alabama requires taxpayers to file state taxes electronically on this site, it is not mandatory for non-state administered jurisdictions, such as Auburn. There is no charge to the taxpayer or the local jurisdiction for usage of the ONE SPOT System by the taxpayer.

For the City of Auburn, ONE SPOT has been increasingly utilized by our taxpayers. Although we've seen a tremendous increase in the number of returns filed electronically, part of that increase includes returns that are required to be filed, but for which the amount of tax due is zero. Filing these zero returns online helps taxpayers save postage and paper costs, while saving the Revenue Office the time and expense of processing paper returns for which no tax is received.

	<b>July 2013</b>	<b>June 2015</b>	<b>Percentage Increase</b>
<b>Returns filed online</b>	1,366	2,619	92%
<b>Total returns filed</b>	2,420	4,761	97%
<b>Taxes remitted online</b>	\$ 1,428,680	\$ 2,114,232	48%
<b>Total tax remittances</b>	\$ 2,527,576	\$ 2,931,350	16%

Act 2012-279 also included a requirement for a state and local advisory committee to insure that local taxing jurisdictions had input into the development and operation of ONE SPOT. Auburn's Penny Smith served as a municipal government representative. Initially, this committee met periodically to establish the system. Now that ONE SPOT is completely operational, the advisory committee has been replaced by a weekly conference call in which all users communicate questions and concerns about the system.



**The City of Auburn**  
2015 Revenue Review

**Reference** ..... 33

**ABC Tax**  
(100-000-31281-0000)

**General Description:**

This tax consists of two components: sales tax and net profits of alcohol and liquor sales from ABC stores in the corporate limits, less the cost of collecting the taxes. Sales tax of six percent is applied to purchases at state ABC stores. Four percent of this sales tax goes to the State while the remaining two percent is split by percent between the county and the municipality in which the stores are located. Seventy-five percent of the remaining two percent is remitted to the municipality while twenty-five percent is remitted to the county. With regard to net profits, twenty percent of the net profits of alcohol and liquor sales, less the cost and expense of collecting the tax, are divided and paid to municipalities in which an Alabama liquor store is located. Each municipality receives an amount equal to the ratio of the profits earned by the municipality's liquor store or stores to the total net profits of all liquor stores. The ABC tax is administered by the Alabama Department of Revenue staff.

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

State Code: §28-3-74(a)(5)  
                   §28-3-280  
                   §28-3-281

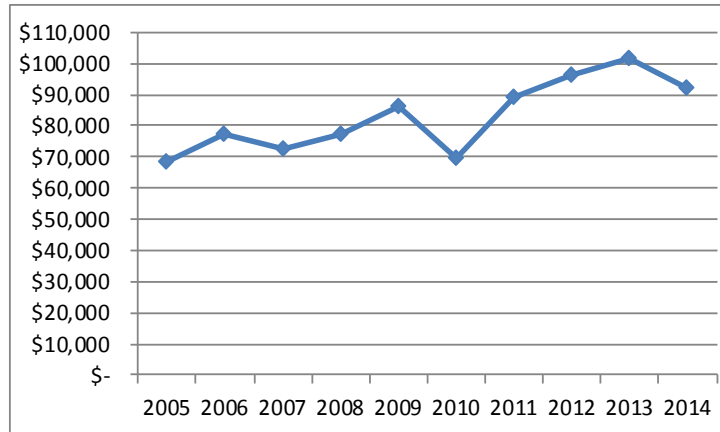
**Process required for rate change:**

Legislative change

**Remitted by:** State of Alabama, monthly

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2005	\$ 68,345	n/a	
2006	\$ 77,163	n/a	12.9%
2007	\$ 72,328	n/a	-6.3%
2008	\$ 77,604	n/a	7.3%
2009	\$ 86,248	n/a	11.1%
2010	\$ 69,492	n/a	-19.4%
2011	\$ 88,964	n/a	28.0%
2012	\$ 96,333	n/a	8.3%
2013	\$ 101,363	n/a	5.2%
2014	\$ 92,387	n/a	-8.9%



**Ad Valorem – Motor Vehicle**  
(100-000-31122-0000)

**General Description:**

A tax levied upon the appraised value of personal vehicles (automotive, cars, trucks) located inside the corporate limits of the City of Auburn. The City’s property tax rate for vehicles is the same tax rate as the property ad valorem, which is 26 mills with 16 mills dedicated education. The State tax rate is 6.5 mills. The county tax rate is 21.5 mills, 8 of which are dedicated to the Auburn City Schools. The total motor vehicle tax rate is 54 mills. The City motor vehicle property tax is administered by the Lee County Revenue Commissioner’s Office. Growth in this revenue is attributed to an increase in population and citizens purchasing more and/or newer vehicles.

**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

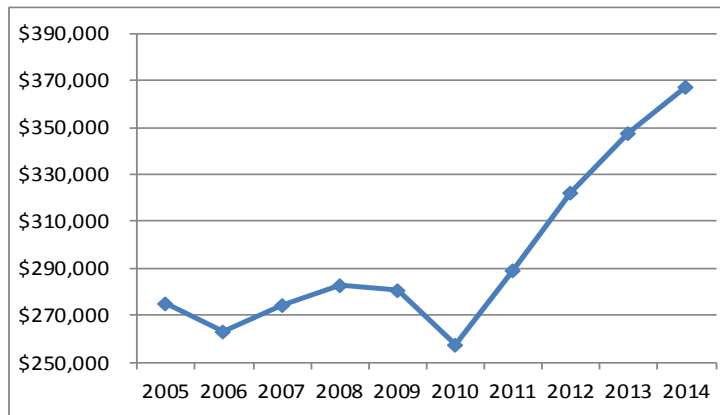
**Date and ordinance number of last rate change:**

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
2005	\$ 275,173		
2006	\$ 262,999		-4.4%
2007	\$ 274,812	5 mills	4.5%
2008	\$ 282,954	5 mills	3.0%
2009	\$ 280,709	5 mills	-0.8%
2010	\$ 257,964	5 mills	-8.1%
2011	\$ 289,086	5 mills	12.1%
2012	\$ 322,130	5 mills	11.4%
2013	\$ 347,888	5 mills	8.0%
2014	\$ 367,358	5 mills	5.6%



**Rates charged by other Alabama cities**

Montgomery	36.5 mills
Birmingham	69.5 mills
Vestavia Hills (Jeff Co)	92.6 mills
Vestavia Hills (Shelby)	79.3 mills
Huntsville	61 mills

**City Breakdown (mills)**

Auburn City Schools	16.0
General Fund	5.0
Debt Service	5.0
<b>Total</b>	<b>26.0</b>

**Ad Valorem-Real Property**  
(100-000-31120-0000)

**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 funding education. The State property tax rate is 6.5 mills. The county property tax rate is 13.5 mills. The Auburn City Schools tax rate is 8 mills. The total property tax rate is 54 mills. The City property tax is administered by the Lee County Revenue Commissioner’s Office and growth in 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

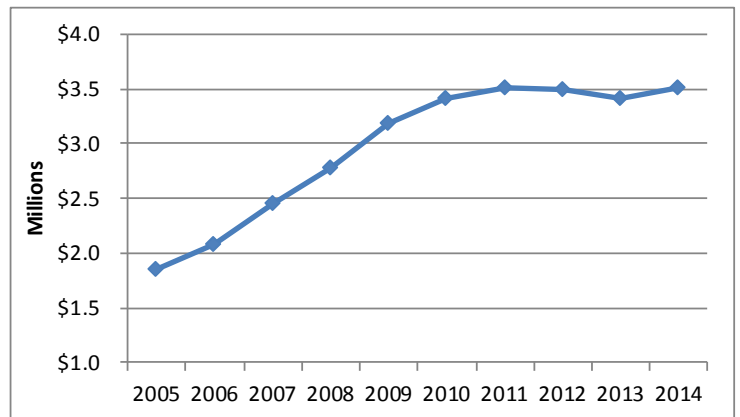
**Date and ordinance number of last rate change:**

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, twice per month

**Ten-year History**

Fiscal Year	Revenue	Rate	% change
2005	1,849,783.13	5 mills	
2006	2,078,910.04	5 mills	12.4%
2007	2,459,332.56	5 mills	18.3%
2008	2,770,484.62	5 mills	12.7%
2009	3,190,810.86	5 mills	15.2%
2010	3,404,913.40	5 mills	6.7%
2011	3,502,157.54	5 mills	2.9%
2012	3,494,786.61	5 mills	-0.2%
2013	3,411,803.78	5 mills	-2.4%
2014	3,504,836.08	5 mills	2.7%



**Tax Breakdown (mills)**

State of Alabama	6.5
Lee County	13.5
Auburn Schools	8.0
City of Auburn	26.0
<b>Total</b>	<b>54.0</b>

**City Breakdown (mills)**

Auburn City Schools	16.0
General Fund	5.0
Debt Service	5.0
<b>Total</b>	<b>26.0</b>

**Business License Fee**  
(100-000-32121-0000)

**General Description:**

A license fee levied against any company or person conducting business in the City of Auburn. The City’s business license fee for most new businesses is \$100, plus a \$5 issuance fee. The renewal fee can be based on a flat fee or based on the business’ prior year’s gross receipts depending on the type of business. The business license fee is administered by the Finance Department staff.

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

State Code: §11-51-90 to §11-51-185  
City Ordinance: #1842

**Process required for rate change:**

Ordinance change; Council approval

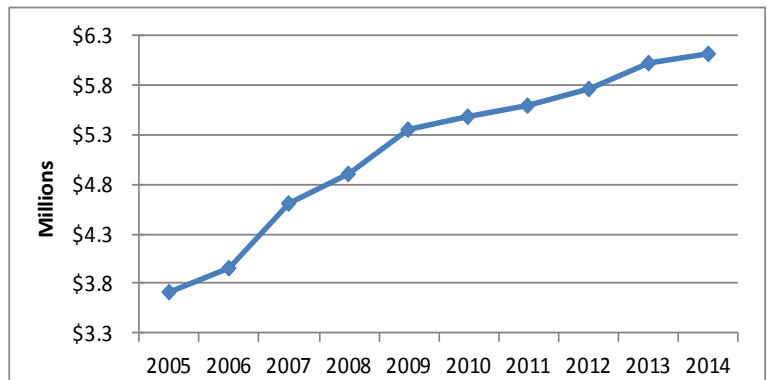
**Date and ordinance number of last rate change:**

Oct 16, 2001 (Ord. #2521) changed the due date and penalty amounts for renewals and added a delivery services category.

**Remitted by:** Business owners, annually

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2005	\$ 3,667,938	GR and Flat	
2006	\$ 3,909,328	GR and Flat	6.6%
2007	\$ 4,555,160	GR and Flat	16.5%
2008	\$ 4,864,922	GR and Flat	6.8%
2009	\$ 5,304,021	GR and Flat	9.0%
2010	\$ 5,426,480	GR and Flat	2.3%
2011	\$ 5,543,652	GR and Flat	2.2%
2012	\$ 5,717,905	GR and Flat	3.1%
2013	\$ 5,973,561	GR and Flat	4.5%
2014	\$ 6,068,052	GR and Flat	1.6%



**Business Privilege Tax**  
(100-000-31221-0000)

**General Description:**

A State license tax levied on businesses for being organized or doing business under the laws of the State of Alabama. The amount of the tax is determined by multiplying a taxpayer’s net worth by a specific rate that is based on their taxable income. Generally, the minimum tax is \$100.00, and the maximum is \$15,000.00. The Business Privilege tax is administered by the Treasurer of the State of Alabama.

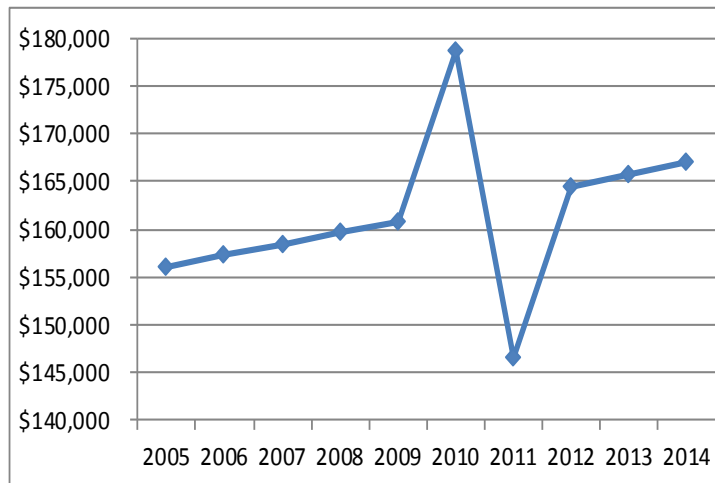
**Authority by which revenue imposed (State or City Code section):**

State Code: §40-14A-22

**Remitted by:** State of Alabama, annually

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2005	\$ 156,085	n/a	
2006	\$ 157,256	n/a	0.8%
2007	\$ 158,435	n/a	0.8%
2008	\$ 159,624	n/a	0.7%
2009	\$ 160,821	n/a	0.8%
2010	\$ 178,690	n/a	11.1%
2011	\$ 146,579	n/a	-18.0%
2012	\$ 164,466	n/a	12.2%
2013	\$ 165,700	n/a	0.8%
2014	\$ 166,943	n/a	0.8%





**Cigarette Tax**  
(100-000-31130-0000)

**General Description:**

A tax of \$.04 per pack assessed on cigarettes sold, delivered, or stored in the City and \$.02 per pack in the police jurisdiction. Wholesalers pay the tax by purchasing stamps (sold in rolls of 15,000) which are affixed to each pack of cigarettes sold, delivered, or stored in the City limits and police jurisdiction. Cigarette tax stamps are nonrefundable; however, a business located in the PJ can request a refund of ½ of the tax paid at the full city limits rate. The Cigarette tax is administered by the Finance Department staff.

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

State Code: §40-25-2(a)(4) and §40-25-29  
City Ordinance: #1037

**Process required for rate change:**

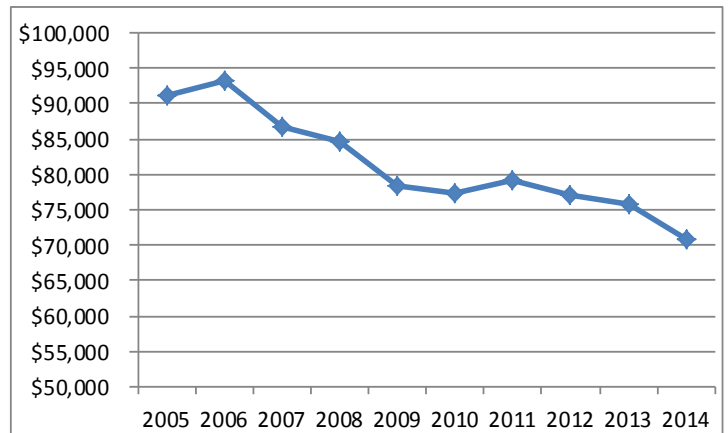
State Code only allows municipalities to decrease the cigarette tax by City Council approval

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

March 10, 1981 (Ord. #1037) changed the tax to \$.04 per pack in the City limits and \$.02 per pack in the Police Jurisdiction

**Remitted by:** Cigarette wholesalers, as needed

Fiscal Year	Revenue	Rate	% change
2005	91,187.90	\$.04/\$.02	
2006	93,177.00	\$.04/\$.02	2.2%
2007	86,775.80	\$.04/\$.02	-6.9%
2008	84,662.60	\$.04/\$.02	-2.4%
2009	78,290.40	\$.04/\$.02	-7.5%
2010	77,423.20	\$.04/\$.02	-1.1%
2011	79,303.80	\$.04/\$.02	2.4%
2012	77,144.80	\$.04/\$.02	-2.7%
2013	75,880.00	\$.04/\$.02	-1.6%
2014	70,860.00	\$.04/\$.02	-6.6%



**Construction Percent**  
(100-000-32124-0000)

**General Description:**

An additional license fee levied against any general or sub-contractor conducting business in the City of Auburn. This is in addition to the business license, which is assessed as a flat fee. The City’s construction percent fee is equal to ¼ of 1% of the total cost of each project undertaken by the licensee. This cost is generally collected when the contractor pulls permits. For projects where permits are not required, the contractor percent must be remitted to the Finance Department on a quarterly basis. This revenue source experienced spikes in 2009 and 2012 when Auburn University built additional student dormitories.

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

State Code: §11-51-90  
City Ordinance: #1842

**Process required for rate change:**

Ordinance change; Council approval

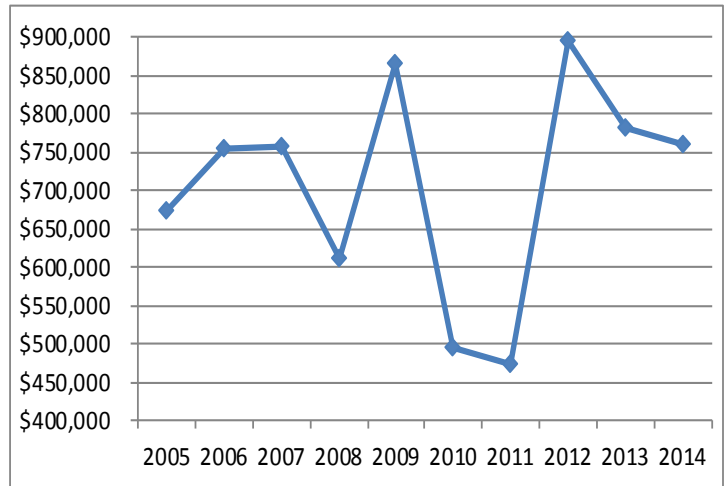
**Date and ordinance number of last rate change:**

January 2000 (Ord. #1842)

**Remitted by:** Contractors, quarterly

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2005	\$ 673,042	1/4 of 1.0%	
2006	\$ 754,292	1/4 of 1.0%	12.1%
2007	\$ 758,068	1/4 of 1.0%	0.5%
2008	\$ 610,436	1/4 of 1.0%	-19.5%
2009	\$ 866,284	1/4 of 1.0%	41.9%
2010	\$ 495,582	1/4 of 1.0%	-42.8%
2011	\$ 472,908	1/4 of 1.0%	-4.6%
2012	\$ 895,248	1/4 of 1.0%	89.3%
2013	\$ 782,074	1/4 of 1.0%	-12.6%
2014	\$ 760,851	1/4 of 1.0%	-2.7%



**Construction Permits**  
(100-000-32130-0000)

**General Description:** Permit fees are collected from contractors and property owners for various building activities. Permit rates vary greatly depending on the item. A fee schedule is available at <http://www.auburnalabama.org/pscodes>. Permit fees are remitted to the Public Safety Department Codes Division at the time a permit is issued. A small number of contractors who frequently purchase permits can, upon approval, obtain an account for which the permit fees are billed and remitted once a month.

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

State Code: §11-43-59

City Ordinance: #1006

**Process required for rate change:**

Ordinance change; Council approval

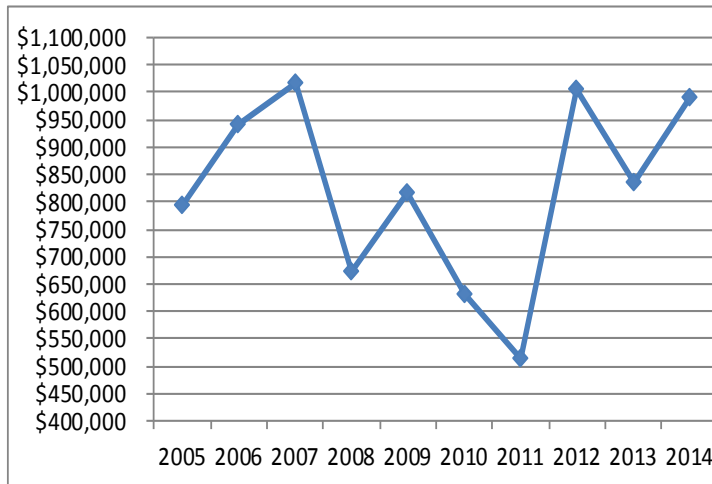
**Date and ordinance number of last rate change:**

August 2007 (Ord. #2500) – Additions were made to the fee schedule

**Remitted by:** Contractors and Property Owners

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>% change</u>
2005	\$ 794,430	
2006	\$ 942,508	18.6%
2007	\$ 1,015,305	7.7%
2008	\$ 674,493	-33.6%
2009	\$ 814,662	20.8%
2010	\$ 629,600	-22.7%
2011	\$ 511,992	-18.7%
2012	\$ 1,004,948	96.3%
2013	\$ 835,481	-16.9%
2014	\$ 991,176	18.6%



**Gasoline Tax – Restricted**  
(100-000-31151-0000)

**General Description:**

Gasoline taxes are levied on the wholesale of motor fuels within the corporate limits or police jurisdiction of a municipality that will be subsequently bought for use, storage or consumption by the purchaser. One half of the collected amounts are placed in the General Fund to be used by the City as authorized by the City Council and the other half is also placed in the General Fund, however, this fund has restricted use. In accordance with the ordinance, half of the collected gas tax must be dedicated and used for the construction and improvements of streets within the City and its police jurisdiction, including the costs of materials, labor, repayment or retirement of debts incurred for materials, labor or for the construction, improvement, repair and lighting of streets, sidewalks, rights-of-way, street signs, traffic control devices, and the installation, relocation and removal of all public utilities in, over, and across said streets and rights-of-way, and the payment of the principal of, interest on and redemption price of any bonds for street construction and improvements within the City and its police jurisdiction. The City’s gasoline tax rate is \$.02 per gallon in the City limits and \$.01 per gallon in the police jurisdiction.

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

State Code: §40-17-325, 358

City Code: §12-127 to §12-136

**Process required for rate change:**

State Code 40-17-357 prohibits municipalities from levying new or changing the current tax

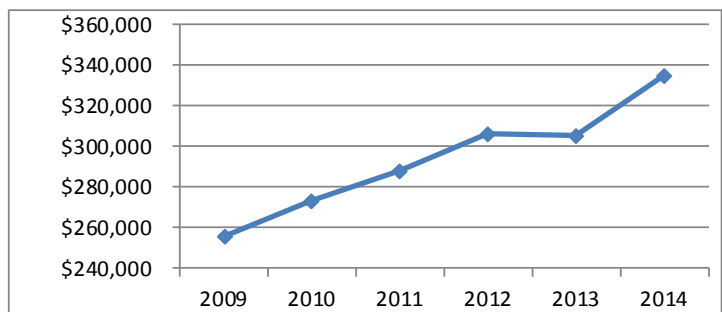
**Date and ordinance number of last rate change:**

March 23, 1976 (Ord. #891) fixed and prescribed the current tax on selling and distributing of motor fuels.

**Remitted by:** Fuel wholesalers, monthly

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2009	\$ 255,937	\$.02/gal	
2010	\$ 273,703	\$.02/gal	6.9%
2011	\$ 288,437	\$.02/gal	5.4%
2012	\$ 306,360	\$.02/gal	6.2%
2013	\$ 305,484	\$.02/gal	-0.3%
2014	\$ 334,775	\$.02/gal	9.6%



Prior to 2009, the restricted gas tax portion was not accounted for in the general fund.

**Gasoline Tax**  
(100-000-31150-0000)

**General Description:**

Gasoline taxes are levied on the wholesale of motor fuels within the corporate limits or police jurisdiction of a municipality that will be subsequently bought for use, storage or consumption by the purchaser. One half of the collected amounts are placed in the General Fund to be used by the City as authorized by the City Council and the other half is also placed in the General Fund, but it's use is more restricted. The City's gasoline tax rate is \$.02 per gallon in the corporate city limits and \$.01 per gallon in the police jurisdiction.

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

State Code: §40-17-174

City Code: §12-127 to §12-136

**Process required for rate change:**

State Code 40-17-357 prohibits municipalities from levying new or changing the current tax

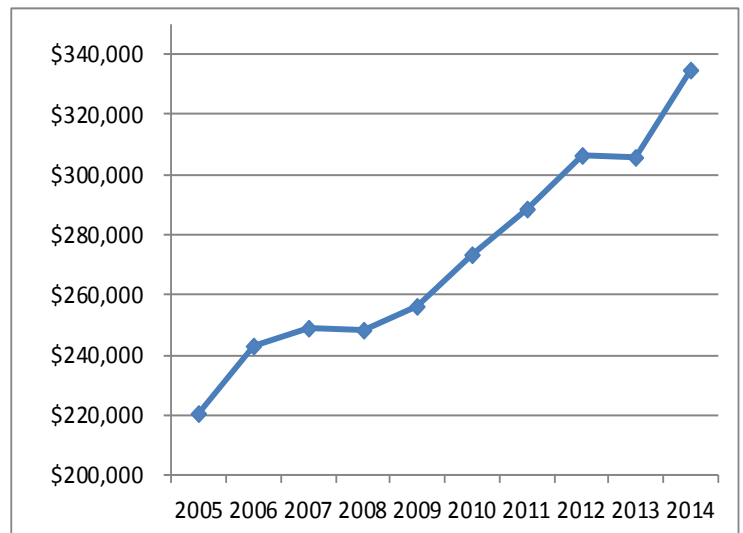
**Date and ordinance number of last rate change:**

March 23, 1976 (Ord. #891) fixed and prescribed a tax on selling and distributing of motor fuels.

**Remitted by:** Fuel wholesalers, monthly

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2005	\$ 220,541	\$.02/gal	
2006	\$ 242,958	\$.02/gal	10.2%
2007	\$ 249,202	\$.02/gal	2.6%
2008	\$ 248,483	\$.02/gal	-0.3%
2009	\$ 255,938	\$.02/gal	3.0%
2010	\$ 273,704	\$.02/gal	6.9%
2011	\$ 288,868	\$.02/gal	5.5%
2012	\$ 306,360	\$.02/gal	6.1%
2013	\$ 305,484	\$.02/gal	-0.3%
2014	\$ 334,775	\$.02/gal	9.6%



**Government Services Fee**  
(100-000-31121-0000)

**General Description:**

A fee levied in lieu of property taxes on the appraised value of real and personal property located inside the corporate limits of a municipality. The amount of the fee is negotiated by the Industrial Development Board and is typically equivalent to the ad valorem taxes allocated to hospitals, children’s homes, and schools and varies depending on the business or entity. The government services fee is administered by the Finance Department staff.

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

Contractual arrangement

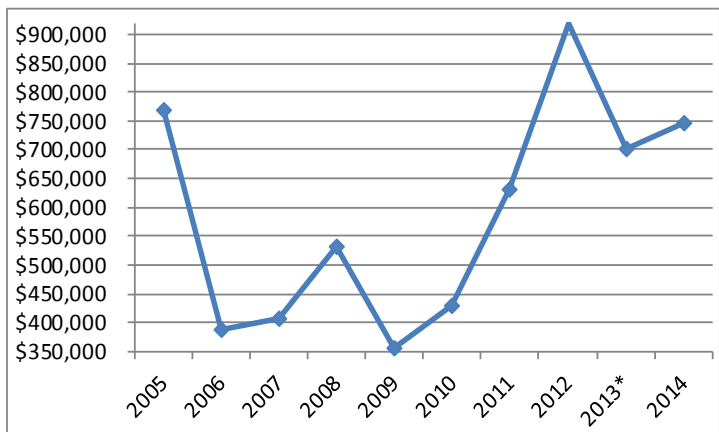
**Process required for rate change:**

Agreements can be renegotiated.

**Remitted by:** Abated businesses, annually

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2005	\$ 768,480	5 mills	
2006	\$ 388,778	5 mills	-49.4%
2007	\$ 406,437	5 mills	4.5%
2008	\$ 533,139	5 mills	31.2%
2009	\$ 357,217	5 mills	-33.0%
2010	\$ 429,140	5 mills	20.1%
2011	\$ 632,483	5 mills	47.4%
2012	\$ 920,300	5 mills	45.5%
2013*	\$ 700,040	5 mills	-23.9%
2014	\$ 744,919	5 mills	6.4%



\*This decrease in revenue is due to various agreement renegotiations and a decline in property values.

**Leased Parking**  
(100-000-32141-0000)

**General Description:**

Fees charged lessees of parking spaces in the city owned parking deck. The leases currently are month to month at a rate of \$100 per month.

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

State Code §11-47-241

Ordinance 1230

Resolution 15-087 temporarily suspended parking fees downtown from May 11, 2015 through August 16, 2015 during the Corner Construction project.

**Process required for rate change:**

Council approval

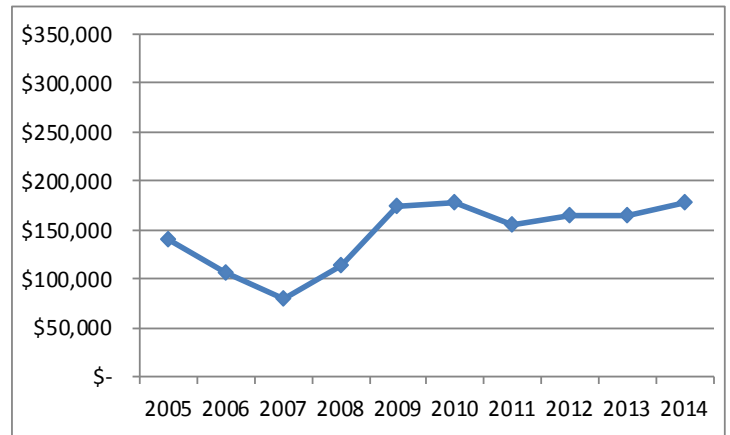
**Date and ordinance number of last rate change:**

October 2008 (Ordinance 2506) - increased monthly parking rates

**Remitted by:** Lessees remit parking fee at the first of each month

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2005	\$ 140,745	\$20/\$30 month	
2006	\$ 105,395	\$20/\$30 month	-25.1%
2007	\$ 79,329	\$20/\$30 month	-24.7%
2008	\$ 113,665	\$20/\$30 month	43.3%
2009	\$ 173,461	\$50/\$75 month	52.6%
2010	\$ 178,032	\$100/month	2.6%
2011	\$ 154,921	\$100/month	-13.0%
2012	\$ 164,018	\$100/month	5.9%
2013	\$ 163,865	\$100/month	-0.1%
2014	\$ 177,214	\$100/month	8.1%



**Occupational License Fee**  
(100-000-32140-0000)

**General Description:**

Occupational License Fees are levied on any person who engages in any trade, occupation, or profession within the City for the privilege of engaging in such activities. The fee is typically withheld from the wages of employees and remitted by the employer; however, there are a few cases, mainly federal employees, who remit the fee on their own. The current fee is 1% of gross compensation per calendar year. The fee is administered by the Finance Department staff and revenue growth is attributed to business expansion and economic development in 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

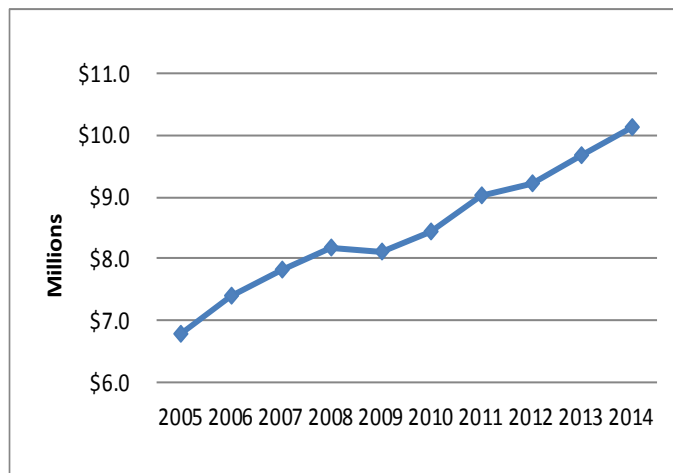
**Date and ordinance number of last rate change:**

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

**Remitted by:** Business owners and individuals employed by the Federal government, quarterly and annually

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2005	\$ 6,785,103	1.0%	
2006	\$ 7,402,470	1.0%	9.1%
2007	\$ 7,803,689	1.0%	5.4%
2008	\$ 8,161,407	1.0%	4.6%
2009	\$ 8,106,865	1.0%	-0.7%
2010	\$ 8,436,216	1.0%	4.1%
2011	\$ 9,018,902	1.0%	6.9%
2012	\$ 9,218,970	1.0%	2.2%
2013	\$ 9,683,781	1.0%	5.0%
2014	\$ 10,129,491	1.0%	4.6%





**Rental & Leasing Tax**  
(100-000-31180-0000)

**General Description:**

Rental & Leasing taxes are levied on the rental or leasing of tangible personal property within the corporate limits of a municipality for use, storage or consumption by the purchaser. Tangible personal property refers to movable property including, but not limited to, furniture, equipment, vehicles, and household goods. Land and buildings, or real property, is not subject to the rental and leasing tax. For the rental and leasing of tangible personal property, excluding automobiles for a period beyond 12 months, the rate is set at 2.5% of gross proceeds. For automobiles with rentals or leases for a period of 12 months or longer, the rate is set at 1.25% of gross proceeds.

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

State Code: §11-51-207

City Code: §12-104 to §12-110

**Process required for rate change:**

Ordinance change; Council approval

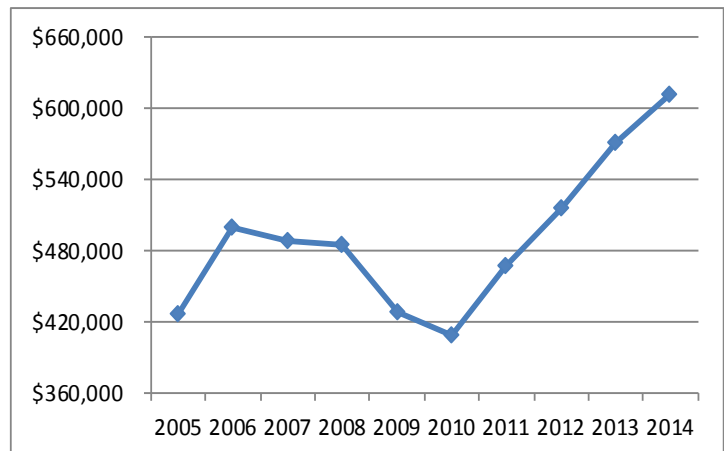
**Date and ordinance number of last rate change:**

February 20, 2001 (Ord. #1982) established new rates for tangible personal property and for automobile leases for a period longer than 12 months.

**Remitted by:** Lessors, monthly

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2005	\$ 426,891	varies	
2006	\$ 499,315	varies	17.0%
2007	\$ 488,266	varies	-2.2%
2008	\$ 484,973	varies	-0.7%
2009	\$ 427,743	varies	-11.8%
2010	\$ 408,718	varies	-4.4%
2011	\$ 467,226	varies	14.3%
2012	\$ 515,164	varies	10.3%
2013	\$ 571,248	varies	10.9%
2014	\$ 611,636	varies	7.1%



**Residential Rental License Fee**  
(100-000-32122-0000)

**General Description:**

A license fee levied against any owner of residential property, of which the primary purpose is for rental or leasing and the residential property is not “owner-occupied”. Owner-occupied is defined as the actual owner or owner’s dependent. The City’s residential rental license fee is fixed at 1.5% of gross receipts from the rental or leasing of residential property, provided that the minimum license fee shall be \$100.00. The City residential rental license fee is administered by the Finance Department staff and growth in revenue is attributed to increased value of and demand for rental property, and increased property development in the City.

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

State Code: §11-51-90 to §11-51-185  
City Ordinance: #1842

**Process required for rate change:**

Ordinance change; Council approval

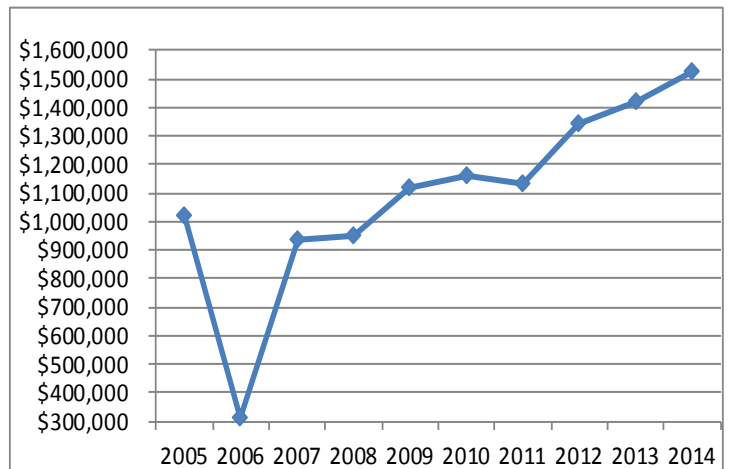
**Date and ordinance number of last rate change:**

March 21, 2006 (Ord. #2376) changed the filing from quarterly to annually as a part of the business license renewal process.

**Remitted by:** Rental property owners or managers, annually

**Ten-year History**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Rate</u>	<u>% change</u>
2005	\$ 1,023,044	1.5%	
2006	\$ 314,856	1.5%	-69.2%
2007	\$ 934,921	1.5%	196.9%
2008	\$ 947,448	1.5%	1.3%
2009	\$ 1,117,201	1.5%	17.9%
2010	\$ 1,158,176	1.5%	3.7%
2011	\$ 1,131,932	1.5%	-2.3%
2012	\$ 1,345,403	1.5%	18.9%
2013	\$ 1,419,156	1.5%	5.5%
2014	\$ 1,527,020	1.5%	7.6%



**Other relevant information:**

On March 21, 2006, Ordinance #2376 changed the filing from quarterly to annually; for FY 2006 only two quarters of fees were remitted.