

COMMITTEE OF THE WHOLE
TUESDAY, FEBRUARY 20, 2024 | 2:00 PM
COUNCIL CHAMBERS

MINUTES

COUNCIL PRESIDENT DARRELL B. O'QUINN, COMMITTEE CHAIR

Councilor(s) Present: O'Quinn, Alexander, Abbott, Clarke, Moore, Smitherman, Tate, Williams

1) **CALL TO ORDER**

The Meeting was called to order by the Committee Chair, Council President O'Quinn.

2) **APPROVAL OF MINUTES – DECEMBER 19, 2023 AND JANUARY 16, 2024**

December 19, 2023

Action Taken:

Councilor Smitherman Motioned to Approve.

Councilor Moore Seconded the Motion.

The December 19, 2023 Committee of the Whole Minutes were Approved as Recorded.

January 16, 2024

Action Taken:

Councilor Smitherman Motioned to Approve.

Councilor Moore Seconded the Motion.

The December 19, 2023 Committee of the Whole Minutes were Approved as Recorded.

3) **COUNCIL ADMINISTRATOR'S REPORT- CHERYL KIDD, COUNCILOR ADMINISTRATOR**

The Department Budget Performance

The Council's Office is at approximately 53% utilization.

The budget submission is due in the Budget Office on February 29, 2024.

The Department Hearing is scheduled for March 21, 2024, 2:30 p.m., via Webex.

The OCA is currently reviewing Firm Campbell Partners Law Firm's appointment letter to secure their 2024 tax license.

There was no action taken on the Communication Media Plan, but it should come forward after the meeting on February 26, 2024.

DISTRICT BUDGETS

There are several Councilors that have greater than 50% or greater in their discretionary accounts.

STAFF AND OFFICE CONCERNS

Approximately 298 bills have been filed in the Alabama Legislature, and there is a possibility that more will be filed.

The Council expressed receiving a weekly update from the lobbying team.

Garrett Crapia last day of employment in the District 5 office is Friday, February 23, 2024. He has accepted a fulltime job with UAB.

There are currently two vacancies on Central Staff that will be published; an Assistant PIO and Videographer.

Cushions have been placed on the seats behind the dais.

Public Works is monitoring the temperature in the Council Chambers.

March 18, 2024 has been secured for the Budget Townhall Meeting. Additional details are forthcoming.

There were no constituents' complaints or concerns submitted to the Council Administrator.

TRAVEL AND EVENTS

The Mayor's Mascaraed Ball with UNCF is March 9, 2024, at the Sheraton Birmingham.

The National League of Cities is March 11- March 13, 2024. Staff is working with the Administration's Governmental Affairs Team and external partners to develop an itinerary. The pre-conference activities start March 9, 2024.

The BBA's Governmental Affairs Committee will host Representative Nathaniel Ledbetter, Speaker of the House of Representatives on March 18, 2024, 11:00a – 1:00p.

NCRC Just Economy Conference is April 2 – April 4, 2024.

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The Alabama League of Municipalities Convention is scheduled for May 15 – May 18, 2024, in Huntsville, AL. The Council President is responsible for selecting three voting delegates.

Mr. McDaniels is interacting with the Alabama League of Municipalities to secure a potential meeting place for the next Economic Development Academy Cohort meeting.

Invitations were distributed for the AHSAA Regional Basketball Games.

Councilor O'Quinn stated that materials are being prepared relative to the March 18, 2024 Budget Townhall Meeting. One of the critical components of the initiative is developing a booklet/handbook that will help the public understand how the budgeting process works. Council President O'Quinn and Council President Pro Tem Alexander have reviewed the draft version of the booklet. Councilor O'Quinn has requested one additional piece of information to be included in the booklet. A draft copy will be sent to the Councilors by the end of business on February 21, 2024. The timeline is to get a request to have the booklet to the Print Shop by Tuesday, February 27, 2024. After the final edits made, the final version of the handbook should be available for distribution the week before February 18, 2024.

Action Taken:

No Action - Information Only.

4) PRESENTATION OF THE CITY OF BIRMINGHAM 2023 ANNUAL COMPREHENSIVE FINANCE REPORT- CITY OF BIRMINGHAM FINANCE DEPARTMENT

In compliance with the City's Mayor/Council Act, the submitted financial statements for the fiscal year ending June 30, 2023 were subjected to an independent audit.

Findings from the Fiscal Year 2023 Audit:

Revenues were good for the fiscal year ending June 30, 2023.

Departmental expenses were managed very well.

The economy is doing well.

The City's Fund Balance continues to grow.

During the year, the City experienced an operating surplus of approximately \$33.4 million in the General Fund during 2023.

Revenues were approximately \$25.8 million over the amended annual budget.

Business tax collections, including: Sales, Use, Business License Fees, and Occupational Taxes were the main revenue drivers for the surplus.

Actual expenditures for the General Fund Revenue were \$48 million less than the amended annual budget. The under-budget savings were in categories such as Personnel, Professional Fees, Fleet Expenses, etc.

Connie Harris, President, Sheppard-Harris & Associates, P.C

Highlights from the Fiscal Year 2023 Annual Comprehensive Financial Report Forthcoming

- The Annual Comprehensive Financial Report (ACFR) was completed and published on December 28, 2023 and contains 205 pages.
- The report provides a comprehensive picture of the financial condition of the City of Birmingham.
- The City of Birmingham received an "Unmodified Opinion" (clean opinion) of its financial statements, and there were no weakness and/or deficiencies with the City's accounting process.
- The "unmodified opinion" results in investors, creditors, rating agencies, and other interested parties reading the ACFR can rely on audited financial statements and the information contained therein.
- The ACFR Report complies with State laws, and general accepted accounting principles. The entire report received the GFOA (Government Finance Office Association) Award for Excellence in Financial Reporting.
- The City's Fund Balance grew over the fiscal year ending June 30, 2023.
- Even though the City's Net Position, which is the assets minus liabilities increased in the governmental activities, the net position remains a negative balance.
- As of 2023, the Net Position for the governmental activities increased by \$146.5 million, and now stands closed to negative \$328.7 million (a negative balance). The negative balance includes the net pension Liability/the Net Pension Liability, which is nearly \$702 million.
- The net Position as of June 30, 2023 is negative \$328.7 million. In that amount, is the Net Pension Liability, which is required.
- At June 30, 2023, the total assets and deferred outflows were slightly greater than \$1.6 billion. The liabilities were slightly greater than \$2 billion.
- Asset is what the City own, and liability is what the City is owe.

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Statement of Governmental Activities – Revenues and Expenses

- The total revenues for the fiscal year ending June 30, 2023 were slightly greater than \$686 million and expenses were slightly greater than \$548 million. The change in that position was slightly greater than \$137 million. At the end of the year, the Net Position started out at negative \$466 million, but because revenues were more than expenses, the Net Position is negative \$328.664 million.
- The City's ACFR for the fiscal year ending June 30, 2023 shows that the City is in full compliance with all required accounting procedures and standards.
- The City's current financial position is strong.
- The non-gap adjustments to the Net Position helped to better understand the factors affecting the City's fiscal health.

Aaron Saxton

2023 Financials Overview

- The General Fund had a surplus of \$33.4 million, primarily due to business tax collections and management of expenses (expenses were \$48 million under budget).
- The Net Position (all funds government-wide) increased by \$147 million during the past fiscal year including a General Fund surplus of \$33.4 million.
- The City of Birmingham's governmental funds reported combined ending fund balances of \$633 million as of June 30, 2023, an increase of \$78 million from the previous year.

Dashana Jelks – Revenues, Expenses, Fund Balances

Summary of Revenues - These taxes make up 97% of business taxes (\$427 million).

- In 2021, the City's revenues were approximately \$479 million.
- In 2022, the City's revenues increased to \$522 million.
- In 2023 City's revenues increased to \$544 million.
- From year 2021 to 2022, revenue increased by 8.3% and from 2022 – 2023, revenue increased by 4.2%.
- Business taxes make up 81% of the City's revenue (\$439 million).
- 33% of business tax is from Sales Tax (\$145 million)
- 27% of business tax is from Occupational tax (\$118 million)
- 21% of business tax is Business License (\$92 million)
- 16% of business tax is Use Tax (\$71 million)
- The four taxes (Sales, Occupational, Business License and Use) makes up 97% of taxes (\$427 million).
- From 2021 to 2022, sales tax was up 11% and from 2022 – 2023, sales tax was up 2%.
- From 2021 to 2022 and 2022 – 2023, occupational tax increased by 7% (each year).
- From 2021 to 2022, business licenses increased by 11% and 2022 – 2023, it increased by 7%.

Expenses – Total Expenses in the General Fund was \$476,517,000.00

- From 2021 to 2022, expenses increased by 7% and 2022 – 2023 expenses increased by 11%.
- Contributions to Boards and Agencies: 2021 – 2022 increased 19.7% and 2022 – 2023 increased 29.6%.

Fund Balances for General Fund and Birmingham Fund

General Fund Balance

- The City General Fund experienced an increase in Fund balance of approximately \$33.5 million. This was due to some anticipated declines in revenue due to the pandemic.
- Revenue collections increased and remained consistent.
- Tax revenues increased, as well as business and some bank excise taxes.
- Revenues were approximately \$26 million over original budget.

Birmingham Fund Balance

- The Birmingham Fund currently has \$100,714,000.00.
- It experienced an increase of 7% from 2022 – 2023.
- There was a decreased of 13% from 2021-2022.
- Investment Income contributed to the increase.
- A total of \$7.1 million was spent in expenses.

Birmingham Fund Appropriations

There are regular appropriations that are made every year of 5%. Those are done as part of the budget cycle.

Guidelines for Regular Appropriations and Extraordinary Appropriations

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Regular Appropriations

Regular appropriations cannot exceed 5%.

The 5% is the average market value for a five-year period.

Extraordinary Appropriations

Monies in excess of the 5% limits may be appropriated and disbursed from the Birmingham Fund only if certain conditions have been satisfied:

- At least five members of the City Council must adopt an Ordinance.
- The Ordinance would have to specify a specific amount of money for a specific purpose.
- The Ordinance would include findings that show the expenditure would be in the best interest of the City and its residents.
- It would have to be an extraordinary circumstance.
- The Ordinance would have to be approved by the Mayor.
- As of June 30, 2023, the Birmingham Fund balance was \$104 million.
- As of January 30, 2024 the Birmingham Fund Balance is \$115 million.
- Investment managers are largely meeting their benchmarks.

Action Taken:

The Councilors were advised to forward all questions/concerns to Chaz Mitchell of Kamilah Gray-Lewis

5) **OLD/NEW BUSINESS**

None

6) **ADJOURNMENT**

Councilor Williams Motioned to Approve.

Councilor Smitherman Seconded the Motion.

Meeting Adjourned.