




Larry P. Langford
Mayor

Office of the Mayor
Memorandum

DATE: July 10, 2009

TO: ALL MEMBERS OF THE BIRMINGHAM CITY COUNCIL

FROM: Larry P. Langford 
Mayor

RE: Mayor's Compromise/Revision to the Proposed FY10 Budget

Enclosed in your Council packets are several budget ordinance items regarding a proposed compromise to the city's FY10 budget as presented in May 2009. Specifically, and per the request of Council, I am proposing several revisions to the original budget that in essence restore funding to many of the city's longstanding nonprofits previously not included in the FY10 budget due to a lack of available funding.

As noted in the changes, the restoration in funding is contingent on the city's immediate release of \$8 million dollars of the entire annual \$19 million dollar allocation to fund the dome. I am proposing the balance of those funds be split in FY10 between funding nonprofits and street repaving citywide. Freeing up these funds in FY10 resulted in the following:

- A net increase to youth programs of \$458,815
- A net increase to economic services of \$342,560
- A net increase to social services of \$622,301
- A net increase to other services (i.e. Birmingham Zoo) of \$948,337

What is not included in this proposed compromise is the Council's specific request to submit a new budget based "on projections the Council has made" and its interpretation of data garnered from the New World system.

In accordance with the Mayor-Council Act, Section 5, and regarding the direction for the budget process at the City of Birmingham:

Section 5.09 states; "...the council may insert new items of expenditures or may increase, decrease or strike out items of expenditure in the general fund budget, except that no item of expenditure for debt service, or any other item required to be included by this act or other provision of law shall be reduced or stricken out. **The council shall not alter the estimates of receipts contained in the said budget except to correct omissions or mathematical errors** and shall not cause the total of expenditures as recommended by the mayor to be increased without a public hearing on such increase.... The council shall in no event adopt a general fund budget in which the total of expenditures exceeds the receipts and available surplus, estimated as provided in section 5.04 of this act..."

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It is not the purview of the City Council to estimate revenue for the city nor is it to alter the estimates of receipts as submitted by the Director of Finance. The law is explicit and clear on these matters. Simply stated, the estimates have been presented in Council Chamber during my presentation in May, and may not be changed to custom-fit the interpretation of data from a financial software system. As discussed in the committee meeting this week, the data shown in New World is "in flux" and changes from day-to-day, due to the city's ongoing collection of revenue – no different than any fiscal year. In no way is that data to be misconstrued as more accurate than the educated, estimated revenue projection presented by the Director of Finance.

I respectfully request the Council to fulfill its obligations as directed by state law and not supersede its authority in reviewing and authorizing the FY10 budget. As a reminder, the city recently garnered AA bond ratings from three major bond rating agencies; therefore, I do not think it professional or courteous to publicly challenge the professionalism and ethical responsibility of the finance director's lawful duty to estimate revenue.

Finally, I am hopeful that your careful review and consideration of the compromises included in this report will be met satisfactorily and without controversy. I do appreciate the opportunity during this budget cycle to reach a consensus about what is important to the city:

- Maintaining a strong reserve;
- Responsibly funding all city departments in this economic downturn;
- Funding critical social and economic agencies that help the city to thrive;
- And keeping our commitment to release funding on the dome with funds raised via the doubling of the city's business license fees.

Thank you for your time and effort these last few months.

LPL/kbr

cc: Deborah Vance-Bowie, Chief of Staff
Chris Hartsell, Chief of Operations
Steve Saylor, Finance Director
Thomas Bentley, Acting Deputy Director, Law Department



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Memorandum

DATE: July 10, 2009

TO: ALL MEMBERS OF THE BIRMINGHAM CITY COUNCIL

FROM: Larry P. Langford *Larry P. Langford*
Mayor

RE: **2009 Warrant Refunding**

On Monday July 20, 2009, the City of Birmingham will price the sale of the fixed rate warrants that will refund the 2004 variable rate warrants. The Council had a first reading of the warrant ordinance last month and the second reading of the warrant ordinance is scheduled for the Council meeting of Tuesday July 21, 2009. At this time, we have made no changes to the warrant ordinance. When the pricing of the warrants occurs on Monday we will change the ordinance presented to the Council on Tuesday to contain the final numbers based on the maturity amounts, dates, and interest rates. The draft of the preliminary official statement has changed several times but the document is basically the same as the document the Council received at the first reading of the warrant ordinance. A hard copy of the Preliminary Official Statement is available for you and anyone else who needs a hard copy. The Statement is also available on the web at the following address:

<http://www.imagemaster.com/ftp2/pdf/0709/ALBirmingham02-POS.pdf>.

On several occasions at previous Council meetings and committee meetings, we have impressed upon the Council the change in the pricing schedule. In the past when the municipal financial markets were calmer than the present time, the City could wait several days between the pricing date and the approval date of the warrant ordinance. With the market turmoil over the last 18 months, investors and underwriters do not want to wait a long time for the award of the pricing and interest rate on municipal debt. It is imperative that the transaction contained in the warrant ordinance for consideration by the Council on Tuesday July 21, 2009 receive Council approval. If the Council does not approve the transaction subsequent to the successful pricing of the warrants, the City of Birmingham will be forever tainted as an issuer that cannot deliver on its promises. This would complicate future debt issues and raise the cost of future debt issues, if investors even wanted to consider buying the City's securities in the future.

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At the present time, the municipal financial markets remain firm. The True Interest Cost for the proposed issue remains less than 5% as previously disclosed to the Council. We will continue to monitor the market and provide anyone with updates to the expected interest rates for the issue. Please contact me with any questions you may have.

LPL/kbr

cc: Deborah Vance-Bowie, Chief of Staff
Chris Hartsell, Chief of Operations
Steve Sayler, Finance Director
Henry Young, Deputy Finance Director
David Corbin, Financial Advisor