



MEETING SYNOPSIS

December 19, 2019

The following is a summary of the Elevate Advisory Council Financial Analysis Subcommittee meeting. The agenda and other meeting materials can be found on the Elevate Tuscaloosa website under Advisory Council > Meetings. A discussion was held on the following topics:

Saban Center Media Impact

Richard Rush (City of Tuscaloosa) discussed the initial media impact following the Saban Center announcement on December 13, 2019. In one week, the Saban Center website (sabancenter.org) has had 15,823 unique views, 96% of which have been referred from social media. A least one person from each state has visited the site, the top five including: Alabama, Georgia, Florida, Texas, and North Carolina. 493 individuals have viewed the highlight video on the website, and 46 individuals have signed up for email alerts.

Due to successful press coverage, 180 million potential individuals have been reached nationally and internationally. Sixty news entities have covered the Saban Center, with ESPN.com and USA Today having the highest reach. Mr. Rush discussed the impact on the City of Tuscaloosa's social media platforms. On an average day, the city has approximately 10,000 followers on Twitter, Facebook, and Instagram. Following the press conference on December 13, 137,543 viewers saw the city's posts and 18,786 users on Facebook and Twitter engaged with the city.

The completion of the Saban Center will be a long-term project spanning three years or more. The city has initiated a strategic marketing campaign that will continue while the project comes to fruition. The goal is to garner support, engage with people, and keep them engaged. Digital ads are currently running on Google and Facebook at a cost of \$725.79. The cost per engagement is \$0.28, which is notable compared to the national average of \$2.70 per engagement. Through these digital ads, the city has reached 246,000 unique individuals. Through Google ads, the city has begun to target major cities that have large University of Alabama alumni groups. The current strategy is to figure out which groups to target and which people are interested in the project.

David Pass (subcommittee member) inquired about the purpose of the targeting ads and what the city plans to do with the information gathered. Mr. Rush said the city is building a database of interested people who may support the project, provide insight, or get involved.



Mayor Maddox (City of Tuscaloosa) noted the unique ability to reach across spectrums due to Coach Saban's recognition, a feat that would normally be impossible for the city. A challenge with this project will be keeping people engaged and updated throughout the process. Additional public-private partnerships, like the one with the Saban family, will be the key to delivering an elite product.

Roles and Responsibilities

The members of the Financial Analysis Subcommittee were selected by the Advisory Council co-chairs, Chris England and Karen Brooks. The goal of the subcommittee is to review all projects passed through the three Elevate Advisory Council Subcommittees and consider each project's costs and feasibility in various phases of each project. Mayor Maddox emphasized the objective that each project should maintain an elite status for years to come. The subcommittee will serve as a recommending body to the full Elevate Advisory Council and City Council. The group is expected to meet quarterly, although special-called meetings could occur. Mayor Maddox welcomes any suggestions to improve the process.

Elevate Financial Projections (FY 2020 – FY 2029) + Review and Recommend Proposed Budget Amendments

Mayor Maddox introduced Susan Snowden (City of Tuscaloosa Chief Financial Officer), who helped develop the Elevate Tuscaloosa 10-year projection spreadsheet. Mayor Maddox also introduced Katy Beth Jackson (City of Tuscaloosa Manager of Finance and Special Projects for Urban Development) who oversees financial review for Elevate projects. He encouraged members to reach out to them as their staff liaisons for accounting and financial questions.

Mayor Maddox discussed the 10-year projection spreadsheet that was developed based on adoption of the City Council on April 16, 2019 and what has been recommended for amendment by the Advisory Council subcommittees. A copy can be found on the Elevate Tuscaloosa website under Advisory Council > Meetings > Financial Analysis Subcommittee Meeting 12/19/2019 > View Materials. The projection covers fiscal years (FY) 2020 to 2029.

Mayor Maddox led the subcommittee through a line-by-line review of the projection since this was their first meeting. At the top, in the Funding section of the spreadsheet, "Expected Sales and Use Tax Revenues" are \$21.32 million in FY 2020, which is the budgeted amount adopted by the City Council as of October 1, 2019. This revenue is projected to grow 2% each following fiscal year. Where appropriate, all ongoing expenditures on the spreadsheet are also calculated with the 2% growth rate after FY 2020. Mayor Maddox highlighted to members the last row on the spreadsheet, labeled "excess revenue over expenditures" which is projected to



accumulate to over \$31 million dollars by FY 2029, and will continue to increase thereafter. This undesignated balance will be available for unforeseen costs and unexpected opportunities.

Councilor Almond noted that one of the tasks of this subcommittee should be to review the growth rate and other assumptions used in the projection to ensure the members are comfortable with the assumptions. Ms. Snowden noted that any assumption changes made in the regular General Fund revenues will also be reflected in the Elevate Tuscaloosa revenues. Councilor Lee Busby (City Council District 4) inquired if the Alabama Simplified Sellers Use Tax (SSUT) revenue was included. The SSUT is the currently 8% flat tax collected by the State of Alabama that applies to most out-of-state sellers shipping taxable goods to customers in Alabama. Mayor Maddox responded that SSUT is not currently included, but could play a role in the future, with the approval of the City Council.

Mayor Maddox reviewed the second line item, "Prior FY Carry Over". He noted that, unlike the General Fund budget that is carried into "Reserve for Future Improvements" funds, any Elevate Tuscaloosa excess revenues over expenditures within a given year will be kept in the Elevate Tuscaloosa fund and will accumulate there over time. "Other Income" listed at \$336,000/year for three years is the rental income from the lease of the Tuscaloosa News building. Sponsorships and donations could be included in the future.

Jimmy Warren (subcommittee member) inquired how funds donated to particular projects would be recorded. Ms. Snowden explained that any monies restricted by a bond, a grant, or a donor will be escrowed in the Elevate Tuscaloosa fund and will appear before City Council to be designated to a specific project in order to be tracked.

Mayor Maddox turned to the Expenditures section of the spreadsheet. He explained the principle that expenditures in any one year should not exceed revenues for that year, as a sound financial management practice. This will allow the Elevate fund balance to build over time. In turn, this balance will be available to pay for some projects with cash instead of debt, which is a goal. Mayor Maddox discussed the projected bond issues that could total approximately \$130 million in FY 2021, 2022, and 2023. He emphasized that these bond issues are subject to change and most likely will occur later than shown on the projection. On the spreadsheet, the three projected bond issues are highlighted in different colors. They are summarized on a separate page entitled Project Financing. When a project is highlighted with one of the colors, this indicates it will be paid with bond proceeds rather than from cash on hand. In the middle of the spreadsheet, the annual debt payments for each projected bond issue are shown. These amounts include principal and interest and assume a 30-year repayment schedule. In developing an estimate of the amount of cash that will be needed to



pay the debt service each year after bonds are issued, the city assumed progressively higher interest rates over time that are all higher than the current interest rate the city is paying on its debt. This is a conservative approach that can accommodate economic changes that are difficult to accurately predict.

Each project expenditure was discussed, beginning with those that are unchanged since Elevate Tuscaloosa was approved (the FY 2020 budget amounts were previously adopted by City Council):

- **Athletic and Events Center:** \$16.5 million projected bond issue slated for FY 2022. A feasibility study contract is expected to go before City Council in January 2020 and will consider this facility plus a conference center. The cost of the feasibility study contract is recommended to be paid from cash in FY 2020. The total cost of \$16.5 million includes the feasibility study, professional services, engineering, design, construction, and services during construction.
- **Bama Theatre:** \$3 million in cash over the next three years, beginning with a professional recommendation for facility improvements and programming enhancements. Additional fundraising by the Arts Council will be crucial to make all necessary improvements; leveraging the Elevate Tuscaloosa allocation is ideal.
- **Bowers Park*:** \$10 million projected bond issue slated for FY 2022.
- **Downtown, Riverfront and Workforce Transit:** a transit study is currently underway, utilizing 80% funding from a grant; the \$50,000 FY 2020 cash allocation will more than cover the grant match for the study. The larger allocations shown in FY 2021 and future years are estimated costs to purchase transit equipment and expand operations with cash. The timing of expenditures may not occur exactly as shown on the spreadsheet. Federal and state grants are generally available to leverage Elevate transit spending.
- **Downtown-University Corridor:** \$7.5 million projected bond issue slated for FY 2021 to implement certain aspects of a 2014 study meant to improve pedestrian, bicycle, and vehicular traffic between downtown Tuscaloosa and the University of Alabama.
- **Dual Enrollment Scholarships:** annual cash funding provided to the Tuscaloosa City Schools to implement a college and technical degree scholarship program.
- **Economic Innovation Fund:** annual cash funding put in place by former City Councilor Matt Calderone; a specific program for spending the money has not yet been defined, although the city is exploring some initial concepts for workforce housing as one option. The subcommittee briefly discussed the idea of incentivizing companies in knowledge-based industries.
- **Elevate Operations and Maintenance:** 10% of the net Elevate revenues (gross revenues minus the environment service fee reduction defined below) will be set aside



in cash escrow each year to pay for the operations and maintenance of Elevate projects. These funds will build over time, until more projects come online, and will be available to spend as needed in the future.

- **Environmental Service Fee Reduction:** beginning in FY 2020, residential garbage customers received a monthly reduction in their garbage fees. This was intended to help offset the higher sales tax rate in households. This cash funding will be transferred to the city's General Fund each year to reimburse it for the reduced garbage fee revenue. This amount increases by 2% in each future year.
- **Harris-Nicol Water Recreation and Trails:** \$3 million in cash over the next three years, with the amount in FY 2020 being spent on a master planning process.
- **McAbee Senior Center*:** \$5 million projected bond issue slated for FY 2021.
- **McDonald Hughes Phase 1:** \$1.5 million in cash for FY 2020 for design/construction.
- **McDonald Hughes Phase 2*:** project details and amount are unknown at this time; there could be a sharing of resources between this project and the bond issue expected for the Athletic and Events Center. Before Phase 2 gets underway, community engagement will be needed to determine a long-term plan for programming at this facility.
- **Northern Riverwalk:** \$4.4 million projected bond issue slated for FY 2021, plus \$582,221 in cash in FY 2020 for professional engineering and design services.
- **Phelps Center*:** \$5 million projected bond issue slated for FY 2023.
- **Professional Services:** \$750,000 total in cash set aside during the first three years to cover any professional services not associated with a particular project.
- **Project Trinity:** \$7.5 million projected bond issue slated for FY 2023; this allocation was initially intended to be used as a match to a potential federal or state grant; currently there is not a design plan in place for spending this money.
- **Public Enhancements:** part of the City Council's compromise reached when Elevate Tuscaloosa was passed, this funding sets aside 7.5% of the net revenues in cash each year to pay for public works projects.
- **Public Safety:** part of the City Council's compromise reached when Elevate Tuscaloosa was passed, this funding sets aside 7.5% of the net revenues in cash each year to pay for public safety projects.
- **Snow Hinton Park:** \$2.3 million in cash over two years, with the amount in FY 2020 being spent on a master planning process.
- **Summer Learning Academies:** annual cash funding provided to the Tuscaloosa City Schools to expand their Summer Learning Academies program.
- **Tuscaloosa National Airport (police hangar):** \$1 million in cash for FY 2020 for design/construction.



- **Tuscaloosa Pre-K Initiative:** annual cash funding provided to the Tuscaloosa City Schools to expand their Pre-K program.
- **Tuscaloosa Tennis Center*:** \$3.5 million projected bond issue slated for FY 2021.
- **Western Riverwalk:** \$4.3 million projected bond issue slated for FY 2021, plus \$730,000 in cash in FY 2020 for professional engineering and design services.

* These projects have been paused by the Parks and Recreation Subcommittee until a data-driven analysis of parks and recreation facilities has been completed. Projected bond issues are currently shown on the 10-year projection to plan conservatively. The subcommittee has recommended hiring a professional to conduct a survey of Tuscaloosa citizens to find out more about who is and who is not using our park facilities and what improvements they would like to see in the future.

Mayor Maddox also discussed the projects which are recommended to have their funding allocations changed from the amounts proposed when Elevate Tuscaloosa was approved. Overall, the projected spending for the first ten years is proposed to be reduced from \$161.05 million to \$159.80 million. The following projects would be affected and are grouped together when related (these are summarized in the handout entitled Projection Recommendations):

- **Experience Venue(s):** \$43 million bond issue that is slated for 2023. Originally proposed to receive \$60 million in funding, the \$17 million decrease is recommended to be re-allocated to the River District Park and the Saban Center, which will ultimately be experience and educational venues.
- **Tuscaloosa Public Library:** Originally slated to receive a \$1.25 million cash allocation to repair the roof, this is recommended to be reduced to \$0 due to the library's inclusion in the Saban Center project described below.

The following three projects were not included in the Elevate Tuscaloosa plan when it was approved. They have since arisen as a public-private partnership opportunity. The funding increases for these are to come from the decreased Experience Venue(s) allocation of \$17 million, described above.

- **River District Park:** \$5 million in cash for the construction of a park on the river across from the Saban Center.
- **Saban Center (property)** \$8 million in cash over five years to pay back (with no interest) the General Fund for the purchase of the Tuscaloosa News building and property, slated as the future home of the Saban Center.
- **Saban Center (engineering and design)** \$4 million in cash for the planning and design of the Saban Center, projected to be completed in 2023. The Saban Center is expected to co-house the Tuscaloosa Public Library, Children's Hands-On Museum, and Tuscaloosa Children's Theatre. More information is available at sabancenter.org.



- **Sokol Park:** \$9.5 million slated for a FY 2023 bond issue. The previously recommended amount was \$10 million; the \$500,000 decrease is to go to the All-Inclusive Playground at Sokol Park, described below.
- **Sokol Park (adaptive use):** \$500,000 cash contribution to PARA Foundation in FY 2020 for construction and maintenance of an All-Inclusive Playground. This project was not included in the Elevate Tuscaloosa plan when it was approved but has since arisen as an opportunity and has been approved by the City Council. The funding increase is to come from the Sokol Park funding allocation described above.
- **Tuscaloosa National Airport (runway improvements):** \$1.2 million in cash for FY 2021 for a potential grant match to improve the runway. The previously recommended amount was \$1 million; the \$200,000 increase is to come from the airport terminal funding allocation below.
- **Tuscaloosa National Airport (terminal):** \$12.8 million bond issue slated for FY 2022 to modernize and improve the airport terminal for commercial air traffic. The previously recommended amount was \$13 million; the \$200,000 decrease is to go to the runway improvements funding allocation above.

The subcommittee discussed the idea of reviewing a pro forma for each Elevate project whenever possible. This could include the project's potential income, expenses, and value after construction. Further discussion indicated that each project should provide a return on investment or a "return on community", as well as a sustainable maintenance and operations plan. Across the board, programming should be elite. Sharing resources and creating economies of scale with community partners were also mentioned.

Next Steps

The Financial Analysis Subcommittee recommended the revised \$159.80 million projected spending and 10-year timeline (down from \$161.05 million) to the full Elevate Advisory Council, which will be considered at a special-called meeting on January 15, 2020.

If approved by the Elevate Advisory Council, the proposed projection and timeline will go before the City Council for review and approval in January.