

STATE OF ALABAMA)
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COUNTY OF BALDWIN)(

The City of Fairhope held a Public Hearing at 6:00 p.m., Fairhope Municipal Complex Civic Center, 161 North Section Street, Fairhope, Alabama 36532, on Monday, 30 March 2009.

Present were Councilmembers: Debbie W. Quinn, Daniel Stankoski, Lonnie L. Mixon, Michael A. Ford, and Rick Kingrea, Mayor Timothy M. Kant, and City Clerk Lisa A. Hanks.

Councilmember Rick Kingrea was the Moderator and called the meeting to order for a Public Hearing, which was held as advertised, on a proposed 2% Sales Tax in the City of Fairhope. The invocation was given by Dr. Jerry Henry, pastor of First Baptist Church, and the Pledge of Allegiance was recited.

Councilmember Kingrea stated that we were gathered here tonight to talk about Sales tax or options for Revenue.

Councilmember Mixon read the following statement:

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STATEMENT – OPEN MEETING ON SALES TAX

I have been a Trustee for the U.S. Bankruptcy Court for the past 25 years. In this time, I have investigated and audited thousands of individual, family, corporation, and farm cases and I have seen what debt can do. For the past five months, as chairman of the city council finance committee, I have closely examined the financial status of the city and there are four areas of real concern to me.

1) DEBT – We have a debt of \$33,996,122.00 dollars to lending institutions and bond holders.. At our present rate of debt reduction, it will be 2020 before we pay off our debt. And that is only if we do not incur any more debt during that period. In addition to this debt, we are obligated to pay over \$600,000 per year for Library salaries, maintenance, utilities and content insurance. Additionally, we pay \$400,000 dollars to the airport each year.

2) CASH FLOW – The just completed annual audit for fiscal 2008 shows that our expenses have exceeded our income. A spokesman for the auditors, Hartmann, Blackmon, & Kilgore recently stated, and I quote, “you did have a deficit for that fiscal year. The city has always operated on a tight margin. But in the past fiscal year, the lines showing expenditures and income crossed, resulting in a deficit in the General Fund of \$620,233.00,” end quote. I believe the trend will continue on this fore-warned path with a deficit of over \$1million for this current fiscal year.

3) LACK OF RESERVE FUNDS – It takes approximately \$1million dollars per week to run the city, this is for both, general and utilities operations. As it now stands, if an emergency should occur we do not have enough money in reserve to run the city for more than 2 weeks. As you know, one should always have enough in savings to operate free and clear for at least 2 months.

4) BURDEN ON UTILITIES

The city of Fairhope receives its funds to operate primarily from: advalorem taxes (property taxes) and profits from the Utilities (electric, gas, water & sewer). 20-30% of the general fund revenue comes from property taxes, 25-30% from transfers from the utilities, while other revenue comes from sources such as fines, grants, licenses, interest, etc. Historically, up to 80% of the profit from the utility departments has been transferred to the general fund. Thus, the utility departments have had very little money put back into their departments which has left them with no reserve funds to invest in infrastructure, purchase spare parts, or upgrade equipment.

We realize that there are many reasons why we are in a deficit condition and we know that it is our responsibility to find ways to correct it. The only source of income other than advalorem taxes and utility transfers would be a sales tax. The State of Alabama Department of Revenue estimates that a 2% sales tax will provide Fairhope with approximately \$7 million dollars per year. A sales tax does not include a tax on prescription medications. The state of Alabama does not allow a tax on prescription drugs (AL code Sec 40-23-4.1).

By allocating 50% of the sales tax money to the general fund we will overcome the cash flow deficit. We then can limit utility profit transfer to 50% which will allow for growth and reserve build up in the utility departments. The remaining 50% of sales tax revenue will be allocated to the general fund reserve account.

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Councilmember Kingrea announced that everyone will have three (3) minutes to speak and a thirty (30) second sign will be held up to let you know how much time is remaining to address the issue. If you are not acting civil, we will have a Police Officer remove you from the podium. He said; "do not stray from the subject or I will put you back on point." He also mentioned that if someone else already states your point, it is up to you whether or not to reiterate that point.

1) Mayor Kant addressed the Public Hearing and went over the following items:

I. No sales tax

- a) Since 2000
- b) Fix the costs first
- c) \$124,000 surplus last year and the General Fund is down because of tax money came in after September

II. If Council moves forward

- a) No CD anymore and need at least 20% Reserve Fund
- b) Work to post a Capital Fund Budget
- c) Tax goes away after the goal is met (\$11 million in Reserves)

III. Finish the Utilities Rate Study

- a) Need to cover wholesale fuel costs
- b) All Reserve money stays in the Utilities because Government will spend it

IV. Fairhope is ranked #1 or #2 because of the following:

- a) Fairhope is different, not like every other place
- b) I worked hard for this City for 25 years. It is time for the Council, citizens, and myself to keep it that way. The Council needs to start saying no to expenses.
- c) The previous Mayor began beautification of the City of Fairhope

Mayor Kant stated he whatever you decide I will continue to run this City with or without the sales tax.

2) Jim Ketchum, 20680 Lowry Drive, said he opposed spending over our needs. He does not philosophically oppose a sales tax. If we have money, we spend it. Revenue is down and sales are down. We need to tighten our belts and cut back expenditures. The City needs to cut spending to \$17 million and do not raise taxes. We need to manage the resources we have and live within our means.

3) Fred Hayek, 848 North Greeno Road, stated taxes have gone up and the service fees have gone up. Mr. Hayek said he was not sure the Council has made the tough decision on the cost side.

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4) Mark Bettini, 9619 Czar Court, said he gets 30 people a month to shop in Fairhope because of the tax difference. Not enough done to trim expenses and Council is imposing this sales tax. Nobody has come to the Merchants' meeting and spoke with us regarding this tax. The Mayor and Council need to work together and forget about the City Manager issue.

5) Gary Gover, 300 Lincoln Street, stated this is an unfair way to share costs for the City. As a percent of income, sales tax is a bigger burden on people as their circumstances vary from wealthy to poor. This is unfair regressive pattern is due to sales and excise taxes and not due to property and income taxes. Sales tax is what causes taxation in Alabama to be unfair. We have received incomplete and conflicting financial information. You need to set municipality rates at budget time, have town meetings on the budget, use workforce for savings, use volunteers for savings, check into other option with sewer system for lower cost, establish project management plans, recoup Fire and Police costs outside City limits, and use more economical vehicles.

6) Joe Birindelli, 351 Grand Avenue, said he was in favor of the sales tax and loves the special and unique quality of life he has in Fairhope. We have to be willing to pay for it. He mentioned hearing talk about selling the Utilities and said this would be a terrible mistake. Two to three weeks after a hurricane in other cities you get your Utilities back. In Fairhope, you are restored Utilities within hours. He said; "I applaud the City for what it is doing."

7) Jim Briggs, 24020 2nd Street, stated that if the sales tax passed, the Sinking Fund should be used to retire the debt. One-half of 1% or 1% should be put in the Sinking Fund and you cannot borrow against it and is solely for debt reduction.

8) Curtis Gordon, 319-1/2 Fairhope Avenue, said he feels and concurs in the same way. We should live within our means.

9) Bob Collins, 20069 Pecan Trace, said we are in the worst economic crisis in history. Natural gas was cheapest in last year. Most property sold for more than amount paid. Some have lost over 50% of their retirement. The City does need to live within its means. This wealth does not have any more in it.

10) Dean Mosher, 456 Oak Avenue, stated that 25 years ago Mayor Nix was Superintendent of Utilities and was given a large salary increase. The Great Shell game has replaced it. \$1.0 million borrowed, spent \$800,000, and claim a surplus of \$200,000. We failed to expand and renovate our Utilities. A half to three-quarter of a million was spent on one attorney firm. Underlying problems cannot be solved overnight.

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11) Bobby Green, 415 Maple Street, stated we may need an additional source of income. Where is our money going now? We do not know true bottom line of our Utilities. There are obvious cuts that could be made in Public Works: the Greeno Road Project; in the fall we plant winter rye grass; then fertilize which runs in the gullies. Why do we continuously place the City in lawsuits and provide Police support outside the City limits? He said show me the money.

12) Debra Green, 415 Maple, said she dittos everything that anyone said opposed to the sales tax. She also said show me the money and asked for an audit outside the box. Let the State auditors be involved in this audit. How do we know that the Grand Hotel, the University of South Alabama, Faulkner, and Thomas Hospital do not get a lesser rate?

13) Karin Wilson, 205 Pier Avenue, said she opposed the sales tax until every line item has been reduced. All of my employees have taken a pay cut and now are part-time employees.

14) Pat Collins, 20069 Pecan Trace, stated that she has lived in Fairhope since 1968 and seen a lot of changes. She relinquished her time to Dean Mosher who stated he was not going to continue.

15) Aaron Norris, 309 Lake Ridge Drive, said he worked for the City of Fairhope for over 35 years and is for the sales tax which should have been passed nine (9) years ago. We have 6,400 citizens who pay Utilities and are taking care of everyone in the City.

16) Paulette Fedor, 104 Cliff Drive, stated she has lived in Fairhope since 2003 and loves the charm of the City. We do not need a sales tax. There is a misunderstanding of the Council and we need to reduce spending. Baldwin County reduced its budget by 19%. The City needs to reduce its budget by at least 20% to 25%. We need to form a citizens committee to review items line by line for reducing expenditures. She mentioned Brookline, New Hampshire as an example and said annexation is not the solution.

17) Bob McLeod, 106 Par Circle, said he was for the 2% sales tax. When we shop in Mobile, we pay part of their services. We are the only City in Alabama that does not have a sales tax. Utilities cannot handle the load by themselves anymore. The reason for the sales tax: We need it! Expenses are already being cut, revenue will be less than expenses at end of year, reserves need to be built back up, and employees have done a great job with cuts.

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18) Sammy Bishop, 1 Fox Run, said he was not necessarily opposed to sales tax. Annexation will give more ad valorem taxes. The City of Foley increased their sales tax from 1% to 2%. He said; "I implore Council to open this up to a public referendum and vote either (For) or (Against) the sales tax." We had an Impact Fee Study done by an outside consultant. We could have a study done on the sales tax issue.

19) Trisha LoPorto, 17048 Scenic Highway 98, said we should have had this five (5) years ago. In order to keep Fairhope solvent, do what you must. The Council should pass the sales tax if it is needed to keep us solvent. We need to reduce expenditures.

20) Harry Moreland, 313 Lake Ridge Drive, said he was a native of Fairhope, moved away, but came back because of what the City had to offer. Mr. Moreland said he was for the sales tax.

21) John Lapeyrouse, 503 Evergreen Street, said Utilities should not have to come to the City for money when they make money. Nothing should be on the budget that is not essential. We need to cut spending first.

22) Gene Bouchillon, 125 Weatherford Court, stated he has been in Fairhope for seven (7) and commuted for over three (3) years to Texas where he worked at a Sales & Use Tax consulting firm. He loves the community because of the following: its generosity and openness, its strong public school system, it is near Mobile Bay, and the uniqueness and cleanliness of Downtown Fairhope. He said; "I will support the downtown merchants no matter if there is a sales tax or not. My biggest concern is the Council now has found a smoking gun."

23) Janet Hawkins, 20 Winterhaven Court, said she was on a fixed income and moved here 20 years ago. We are taxed to death. Everything seems to keep going up. Ms. Hawkins didn't understand why it took 10 men to do a job that should only take 3 men to do. This is a waste of City employees' time. She mentioned a four-lane highway being bulldozed up and trees planted. We need a pay raise freeze.

24) Jean Wilson, 303 Lake Ridge Drive, said she was not opposed to a sales tax. Her one concern is that the Council doesn't allow the revenue from the sales tax to drive the Planning Department. We fought hard to keep Fairhope as it is. She suggested putting some money toward marketing Fairhope, particularly downtown. She doesn't think we need a referendum because we, the citizens, voted for you.

25) John Meyer, 126 Easton Circle, said he was against the 2% sales tax and there has not been enough study for this issue. The organization needs new equipment and there are infrastructure concerns. Why hasn't the Strategic Planning Committee found or voiced this situation? The Quail Creek Golf Course cost the City money yearly. We should cancel all travel and workshops for the Council.

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26) Vince Valentim, 203 Perdido Avenue, said these are tough times. He said; "I have paid sales tax for over 50 years since I have been here." Mr. Valentim said he was in favor of the sales tax with a commensurate reduction for Utility customer. We should facilitate businesses and perform a position management study. He thanked the City of Fairhope for the open forum.

27) Nick Gill, 170 Clubhouse Circle, stated he was against a sales tax. A referendum would probably be 80% against and 20% for the tax. Government never cuts its wages or salaries.

28) Nancy Strachan, 19948 County Road 13, stated she has to pay Riviera Utilities and would rather be on Fairhope's Utilities.

29) Paul Ripp, 22985 High Ridge Road, stated we need a referendum and a forensic audit. Three (3) months we were told everything is fine. You gave everyone a raise including yourselves. Attorney fees are around a half to three-quarter of a million dollars. The bottom line is more salary cuts. It costs a million dollars to set up the Planning Department. Utilities are not making money to run them.

30) Steve Thomas, 318 Nichols Street, stated he watched this play out for about three (3) years. Citizens voted in the current Council and Mayor. He told the audience that they will not solve the problem with constantly running for Mayor. Revenue will be found one way or another. The Utilities bring in 52 million dollars in revenue. Would you sell your house to pay off the debt? Transfers from Utilities are not uncommon. That is why we have them. Continue running the City.

31) Anita Rosenbaum, 121 Kurlane Street, said she was a business owner with the expectation that you run the City like we run our business. The City needs to cut expenses and show us the bottom line. Then come back and see us.

32) Jim Horner, 117 Volanta Avenue, said he commended Councilmember Stankoski for trying to pass a sales tax four (4) years ago. He commended Councilmember Mixon for this sales tax proposal. The downtown merchants were the package to give Fairhope ambiance. We have an artsy community and good City parks. On a scale of one (1) to ten (10), these would be in the top five (5). We already pay sales tax to other communities: Eastern Shore Centre, Daphne, Foley, Gulf Shores, and Orange Beach.

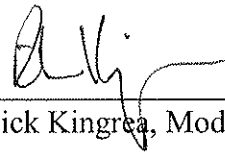
33) John Chislett, 8453 County Road 34, said the City is being run efficiently. We have a line by line budget. Did each Department sit down and look at the numbers? Mr. Chislett stated he was against the sales tax.

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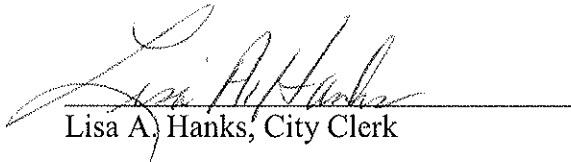
34) Sally Burns, 200 Pecan Avenue, said she we need to understand the bottom line. The City has great culture and history. A sales tax makes us lose status of no tax. We have a history to preserve. Ms. Burns stated she was not for selling the Utilities; and claims and trust the City as her own. She doesn't think a sales tax would solve our problems.

35) Hop Allen, 410 Miller Avenue, stated he has lived in Fairhope for 57 years. He suggested the Council consider the financial situation and which one would impact Fairhope more fairly: a sales tax or increase Utilities. We can't do both because it would put a hardship on all.

The meeting was duly adjourned at 7:40 p.m.



Rick Kingree, Moderator



Lisa A. Hanks, City Clerk