

FY 2014 – 2015 BUDGET SUMMARY

TO: City Commissioners
FROM: Kenny L. Smith, City Manager
DATE: May 21, 2014
RE: Budget Synopsis

In this memo and during the workshop presentation on May 27, I will try to summarize the highlights of another difficult budget and budget process. I hope the verbal presentation, a copy of the PowerPoint and this synopsis will help with some of the details.

We will devote the workshop on May 27 to reviewing the budget and answering your questions. If we have follow-up discussion, or any changes or amendments, we can schedule a workshop for June 10 or discuss minor changes at the June 10 regular meeting. We will have a public hearing on the agenda for the May 27th evening meeting in case anyone has a comment following the workshop presentation. We will have another public hearing during the evening meeting on June 10 and hopefully vote on the budget following any public comments. We hope to adopt the FY 14-15 budget on the evening of June 10 since this is the only scheduled meeting in June.

Markus and / or I are available to review and answer any questions you may have at any time before adoption of the budget.

Operationally, this budget is similar to last fiscal year, with a couple of slight variations. This year we have maintained our level of service and proposed only absolutely necessary capital items, but we have proposed implementation of the Carl Vinson Classification and Compensation Study while proposing a minimum .5 mill tax reduction. Operationally, our expenses are reasonably flat as the last several years we have trimmed them down to a minimum yet efficient level. Our funded capital budget increased 16% due to the need to replace equipment that we have postponed replacing for the last few years. Although departments requested over \$17.5 million in capital expense, only \$15,013,788 was approved. \$3,162,820 of that amount is SPLOST projects, \$4,910,000 is PCWWTP upgrade, \$679,795 is for CDBG 14, and \$470,000 for 1888 Mills project is reimbursed by EIP grant. Therefore, required capital to fund is \$5,852,073 as compared to \$5,399,430 funded capital in FY 14.

2015 Areas of Importance that Effect Budget

1. Proposed .5 Mill tax reduction
2. Carl Vinson IOG Classification and Compensation Study
3. Code Enforcement / Substandard Structure Elimination (continuance)
4. Continued decline in projected property tax values

5. Continued decline is LOST values
6. Decline in Electric transfer
7. Solid Waste income transfer
8. Water / sewer analysis and upgrades

Total Budget – All Funds

We have projected total FY 14-15 revenues (all funds) to increase by \$3,435,040 from the FY 13-14 amended budget; and projected total FY 14-15 expenses to increase \$1,773,206 from the FY 13-14 amended budget.

The projected revenue is up from FY 13 actuals by \$4,268,256 and expenses are up from FY 13 actuals by \$6,669,237. These numbers include SPLOST, CDBG, MEAG, CHIP, NSP, TIP, TADs and all other inconsistent revenues / expenses that are outside the General Fund / Enterprise Fund revenues and expenses we normally track.

General Fund

General Fund expenditures are projected to exceed revenue by \$8,563,309 as compared to a projected \$8,427,319 in FY 13-14.

We are continuing to be very conservative in all of our revenue projections. Currently we are slightly over FY 14 projections for property tax collections. Although continuing in our conservative mode, we are proposing a modest tax reduction of at least .5 mill. This equates to a reduction of \$260,000 from FY 14 from a projected \$3,850,000 to \$3,590,000. Depending on any growth in the digest, we may be able to reduce a little more. Last year we had no idea concerning the impact of the motor vehicle tax and TAVT so we did not budget for TAVT and only budgeted \$250,000 for MV tax. Even with a year's history to go on we are still uncertain about the future of MV tax; however, we are tracking to a total of \$675,000 combined MV tax and TAVT. We have lowered our LOST estimate by \$100,000 based on tracking and what we anticipate the impact to be from TAVT. We project License and Permits up slightly by \$4,200. We have taken a big hit in the fines and forfeitures revenue and projected a decrease of \$349,000.

We project Total FY 14-15 General Fund revenue to decrease \$196,590 (1%) (not including transfers) from FY 13-14 amended, and \$208,698 from FY 13 actual. We project FY 14-15 General Fund expenses down \$212,797 from amended FY 13-14 and up \$619,283 from FY 13 actuals.

Enterprise Funds

Electric operating revenues are projected to be up about 3.9% from last year; however, the electric transfer to the general fund declined by 1% as we determined the revenue from power generation refunding should not be calculated into the transfer percentage.

Water / wastewater revenues are up 4.2%. Residential water is down 5%; industrial / commercial is up about 1.5% but wholesale is down about 2% with most wholesale water rates decreasing this past calendar year. We again capped the w/ww transfer to the general fund at \$1,800,000 as previously agreed upon.

Solid Waste is projected to realize a profit for the second year. Revenues are projected to exceed expenses by \$416,293. Operating revenues are up about 8% while expenses only increased 1%. One half of the Solid Waste net income is being reserved in the solid waste enterprise fund and one half transferred to the general fund.

Stormwater utility total revenue projections increased 1% from FY 13-14, but expenses decreased 3.8%. Their reserve of \$438,164 is, by ordinance, maintained within the stormwater fund with no transfer to the general fund.

Capital Request

Capital items this year total \$15,013,788 (including SPLOST, CDBG, PCWWTP, etc.) compared to total requests in FY 13-14 of \$7,598,591; however \$3,162,820 is SPLOST funded projects, \$679,795 is CDBG, \$4,910,000 is PCWWTP, and \$470,000 for 1888 Mills is reimbursed by an EIP grant. Deducting these projects, FY 15 capital totals \$5,791,173 compared to operating capital of \$5,399,430 in FY 14.

Expense Highlights

Personnel

After more than a year of study and proposal by the Carl Vinson Institute of Government from UGA, the employee classification and compensation study was presented. As you know, the study was imperative due to the time lapse from our last study and changes that have taken place in job evolutions. The results of the study were as we expected, in that after job descriptions were updated many jobs were re-classified to more equitably assign compensation based on knowledge, skills, and abilities. The compensation plan was based on a value system reflected in the classification plan and on a salary survey of comparable organizations to help assure an externally equitable and competitive pay system. As a result we were given two options for comparable compensation: Option A was proposed at approximately 2% ahead of the mean market rate for positions in comparable organizations which represents a pay slightly above market rate; and, Option B, which is approximately equal to the market rate. Option B represents a matching pay (pay at market rate) level policy. The matching pay level policy helps ensure the organization's pay cost are nearly equivalent to its labor market competitors. In addition, it allows the organization to remain competitive with its labor market competitors in attracting and retaining employees.

The proposed FY 15 budget includes a "modified" Option B, in that Option B was included with the only modification being a proposed increase in the starting pay for police officer. CVIOG

Option B actually proposed a decrease in entry level police officer from our current \$30,160 to \$29,850. Although more equivalent to the rural agencies in our region, the proposed amount is still much below the starting pay in the nearby southern metro area. We experience an approximate 10% turnover each year in officers going to other agencies. With the training and education dollars spent on young police officers, it is economically practical to try and retain them within our force. The 3 – 5 year window is crucial in retaining officers for a return on the investment in hiring and training. We are proposing to modify Option B by increasing the entry level police pay to a Grade 16 at \$31,362 (4% increase above our current entry level).

With the competition of the metro area in this highly competitive field, we felt the starting pay for a police officer would be more competitive at \$31,362.

In addition to the implementation of Option B, the Institute recommended and staff is proposing, a one-time equity adjustment to avoid compression within the pay plan when classifications and pay grades are adjusted.

The total cost of the proposed implementation of Option B is \$459,353 (including taxes and benefits). Some employees, of which most are lower to mid-level salary ranges will see increases, other employees, specifically upper management and directors, will see no increase. The implementation of this plan is the only salary increases proposed. No across-the-board increase or COLA is proposed.

Health insurance saw no increase this year and dental insurance saw a slight increase which was absorbed by the city with no additional cost to the employees.

We have maintained our 401A 2% match for employees. Our pension plan funding increased by a total budgeted amount of \$92,213. We continue to fully fund our OPEB liability which increased this year by \$9,168.

The only additional personnel recommended is making the Archivist a full time position (pay grade 18 - \$34,617) in lieu of the current part time position (\$15 per hour x 1200 hours annually - \$ 18,000).

Management Services - total budget decreased \$58,974 (5.2%)

Commission – Expense decreased \$35,409.

Land Bank - \$125,174 (decrease of \$32,739 from FY 13-14 in legal fees, demo, and maintenance).

Fireworks - \$6000; UGA Continuing Ed - \$17,500; Historic Preservation - \$1000; Contingency - \$100,000.

City Manager – Expense increased \$8,369.

City Attorney – Remained the same.

Elections – Expense decreased \$26,234 due to no election being held in this fiscal year.

Citizen Engagement – Expense decreased \$5,701 from what was proposed in FY 13-14.

Administrative Services - Expense Increased \$118,839 (3.4%).

Accounting, Purchasing, and Human Resources all decreased, while Director, IT and Risk increased. We have once again budgeted to complete our financial software upgrade by budgeting \$100,000 in Director's budget. In FY 13 we pulled that budgeted money to apply to Maple Drive bridge request. In FY 13-14 we are using scrap metal proceeds, sale of surplus property proceeds, and various other available funds to propose and complete Microsoft upgrade of our financial software. We have once again found out that trying to manipulate a \$100+ million dollar budget using an excel program causes challenges that make our budgeting process a nightmare and prone to error, and our manual procurement and financial reporting is outdated. Software specific to municipal governmental budgeting is necessary.

Central Services – Expense Decreased \$136,624 (13%)

Last fiscal year we budgeted for the demo and removal of the old city buildings on East Solomon and budgeted for repairs to the parking deck. These projects are complete.

Public Safety – Expense Increased \$184,928 (1.3%)

Public Safety Administration - Increased \$439,985 with the addition of the Public Safety Director, Code Enforcement reassigned to PS Director, and the addition of 2 Code Enforcement Officers.

Police – Expense Decreased \$246,304 (2.7%)

Police expense decreased even though we have leave payout obligations to two retirees in FY 15 and we increased police officer entry level pay to be more competitive. We budgeted to purchase 6 replacement patrol cars at a cost of \$182,700 and pay for all those vehicles in cash. We have postponed the purchase of patrol vehicles the last two years due to the decline in revenue and our fleet is showing its age in maintenance expense. We also budgeted to upgrade the Live Scan Fingerprint System at \$ 25,000.

Municipal Court – (Included within Police Department budget) Increased \$6,199 due to increased cost in inmate housing based on the numbers of violators unable to pay fines or complete probation.

Fire – Expense Decreased \$8,752 (<1%)

We budgeted to replace one fire department service vehicle, software for incident reporting, and a thermal imaging camera.

Public Works – Expense Increased \$226,706 (5%)

The street department budgeted \$97,000 to replace a tandem dump truck; \$206,330 for bridge and culvert repair, \$40,000 for the development of a pocket park in the Chappell Street area, \$30,000 for the development of the park at the site of the new electric facility on Thomas Drive. A truck, a van, and a mower were budgeted to be replaced due to life cycle. \$47,490 was

budgeted for directional and parking identification signs in the downtown area in accordance with our branding / wayfinding signage plan.

Development Services – Expense Decreased \$186,406 (15%)

This decrease was due to the deletion of Code Enforcement and one half the cost of the Transportation Planner from Development Services budget. We budgeted for the demolition of an additional 35 substandard structures. Although a reduction in the number of substandard structures budgeted from previous years, our partnership with the LBA and Housing Authority allows us a total demo of more than ever before. Development Services required no capital this year.

Wastewater – Expense Increased \$81,176 (1.7%)

Potato Creek Plant expansion (\$4,910,000), repair to the filter and electrical circuits at Cabin Creek (\$70,000), the 1888 Mills upgrade (\$663,000), and the culvert replacement at A.Z. Kelsey (\$300,000), are large expenses budgeted this year.

Water – Expense Increased \$959,205 (9.5%)

Due to the age of the Simmons WTP, the Heads Creek pump station and the raw water mains, water has budgeted \$290,000 for evaluation and analysis of these systems. \$275,000 is budgeted for a hydraulic analysis of the distribution system; \$85,000 is budgeted for painting the inside of the Simmons facility; \$65,660 for the inspection and repair of water tanks; and \$50,000 for the rebuild of pumps. \$100,000 is budgeted for the water main relocation due to construction at Hwy 16 / Rover-Zetella Road.

Total Water / Wastewater capital is budgeted at \$6,923,870.

With the maximum transfer to the General Fund of \$1,800,000, the water /wastewater budget will have restricted funds of \$323,886. Debt service in the amount of \$4,559,880 is also budgeted.

Electric – Expense Increased \$1,124,036 (2.6%)

91.3% or \$1,026,500 of that increase is power cost increase which is estimated to be 3% above FY 14.

Other major expenses include line maintenance and improvements budgeted at \$350,000; feeder additions on circuit 102 at \$350,000; new service construction at \$200,000; and, system protection at \$150,000. We budgeted \$200,000 for a bucket truck / material handler, \$225,000 for SCADA / OMS maintenance and expansion, \$150,000 for expansion of the fiber network to the 911 center, and \$75,000 for new Christmas wreaths for downtown lights.

Total Electric Department capital equals \$2,131,100.

The Electric transfer to the General Fund decreased \$85,359 from the projected transfer in FY 14.

\$7,950,981 is proposed to transfer this year as compared to \$8,036,340 proposed last fiscal year.

Even though rates were increased this year leading to stronger revenues, it was determined that \$2,303,600 revenue in the Generation Trust is excluded from being used in the transfer calculation thus causing a reduction in the transfer.

Solid Waste - Expense Increased \$63,931 (1%)

Expenses increased due to necessary repairs of the solid waste facilities estimated at \$19,550, the replacement of a 20 yard rear load truck at \$145,000, replacement of a 25 yard side load automatic truck at \$198,000, and replacement rubber tires for the transfer station loader at \$33,200. Operating leases for landfill equipment total \$176,750. The yard waste budget decreased \$125,207. We still have some employee retiree cost in yard waste, as well as pay for disposal; the remainder of the yard waste budget is for the contractor. Environmental Compliance was also eliminated from Solid Waste and put into Code Enforcement.

Airport – Expense Decreased \$241,513 (22%)

Fuel purchases for resale decreased \$105,150 and repairs and maintenance decreased \$15,000. FY 14 included a \$100,000 capital contingency which is not included in FY 15.

\$373,513 capital expenses are budgeted for required airfield security fencing (\$269,000) and obstruction removal (\$104,513). The actual City share of those projects equals \$9,340.75 (\$6,725 for fencing and \$2,615.75 for obstruction removal).

Airport's total revenue is \$1,059,099 with operating revenue at \$544,507 and intergovernmental revenue at \$434,714 (\$336,160 from FAA; \$18,676 from State; \$9,339 from Spalding County capital match and \$70,539 from Spalding as operating match). Airport operating revenue decreased \$121,250 (18%) from FY 14.

Stormwater – Expense Decreased \$77,910 (3.8%)

Major expenses include geomorphology studies of Potato Creek, Shoal Creek, and Cabin Creek at \$24,000, \$23,000, and \$28,000 respectively; and the Shoal Creek detention and mitigation pond construction at \$350,750 which is covered by a GEFA loan. Stormwater revenue is projected at \$2,287,686 with restricted earnings of \$87,414.

Minor Enterprise Funds

Golf Course – Expense Increased \$39,405 (6%)

Slight decrease in operating income projected at \$1,690. Transfer in of \$411,811 increased from

\$388,786 last fiscal year. Two pieces of equipment need to be replaced – a tractor at \$25,000 and a mower at \$27,000.

DDA

FY 14-15 budget has operational cost for DDA at \$125,424 plus \$15,000 for site improvement / acquisition.

Main Street

FY 12 -13 budget includes operational cost at \$86,126. Spalding County contributes an additional \$17,500 from H/M tax for a total budget of \$103,626.

Welcome Center

Projects \$10,000 in rent, \$17,148 of Hotel / Motel tax, and a transfer of \$41,752, down from \$57,054 in FY 14 as expenses decreased \$17,840.

GBTA

Projects \$17,148 in Hotel / Motel tax revenue and a transfer of \$29,688.

CDBG

We have budgeted \$210,795 for our local match if awarded a 2014 Community Development Block Grant. We must have the match if awarded but will not know for sure until late summer. Previous CDBG projects are almost complete and will not affect FY 14-15.

Other funds shown in the budget include:

Hotel Motel Tax - \$60,000 revenue / transferred to GF, Welcome Center, and GBTA

Court Technology Fund - \$25,000 revenue / restricted, and

SPLOST – \$3,162,820 expense:

237 / 238 Intersection improvements - \$ 1,697,820;

N. Hill /N 6th intersection \$ 750,000; and

N. Hill / Tuskegee - \$715,000.

\$2,772,453 revenue:

Projected SPLOST proceeds - \$1,600,000;

\$814,953 expected from ARC- GDOT; and

\$357,500 projected from Spalding County for ½ of the Hill / Tuskegee intersection.

As we say, “the bottom line is” that we have a balanced budget, addressing most of our goals, with no decrease in service to our citizens, and with a tax decrease for our citizens. Although a significant tax decrease is our goal, ideally through a future homestead exemption, we have been hampered by a tax digest with very little growth and a 12% reduction in sales tax revenue since 6-30-2008, due to a fledging economy. We’ve seen our utilities suffer from the loss of customers, many in the top ten. Yet we have maintained our millage rate and lowered it slightly, maintained and improved our infrastructure, maintained our service levels, and rewarded our employees. Although utility rates have increased we have limited our transfers to the general fund. The good news is, we see signs of economic activity in business and industry. Hopefully, the housing market will follow. If we can continue to contain our cost, be frugal, be smart, and maintain the support of our citizenry, we will see better days ahead.

I hope this brief synopsis will help you in this arduous process. The presentation on Tuesday should clear up any confusion or questions; however, Markus and I are always available to answer any questions you may have.