

To: City Commissioners

From: Peggy Merriss
City Manager

Date: May 17, 2010

Subject: 2009 - 2010 Revised Budget Estimates
2010 - 2011 Proposed Budget Estimates

Following for your consideration are the 2009-2010 Revised Budget Estimates and the 2010-2011 Proposed Budget Estimates. It is recommended that public hearings be scheduled for June 7, 2010 and June 21, 2010. You will be asked to take final action on June 21, 2010.

It is recommended that the overall millage rate remain the same at 13.035 mills, which would include setting the general fund operating millage at 10.215 mills, the capital improvement millage at 1 mill, the debt service millage at 1.44 mills, and the downtown development authority millage rate at .38 mills.

Introduction

The past year has generally seen continued fiscal challenges across all economic sectors - private, public and not-for-profit. All typical classes of federal, state and local government revenues are flat or continue to decline including income taxes, sales taxes and property taxes. Private industry sectors including manufacturing, construction, finance and real estate have not rebounded although there appears to be the beginning of a recovery as consumer spending has increased slightly over the past several months. In addition, actions taken by the Georgia General Assembly to freeze real estate property values have continuing repercussions for local government budgets.

The 2009-2010 Revised Budget Estimates and the 2010-2011 Proposed Budget Estimates were prepared within the context of on-going pressures from a lagging economy and legislative restructuring of local government revenue sources, with the intent to preserve the fiscal integrity of the City while recognizing the financial restraints being felt in some way everyday by everyone.

Over the years, the City has employed practices that have contributed toward our present ability to weather the current economic difficulties. These include:

- Employing conservative financial practices and policies
- Relying on long-term plans representing the community's values and priorities for guidance and direction within a stable political environment
- Encouraging innovation and continuous improvement
- Using strategic approaches instead of being reactionary in the in the face of financial challenges

At this time the City of Decatur has been able to avoid dramatic and severe cuts in service. This is largely due to the stability and structure of the City's main revenue source: ad valorem taxes from real property, public utilities and motor vehicles. Ad valorem taxes are generally more stable and are not as subject to the fluctuations experienced by sales taxes. Because the City receives minimal sales tax revenue, we do not have to make significant cuts when sales tax revenue is reduced.

The City's real property tax digest is fairly stable compared to other communities. The City's digest is composed of approximately 86% residential value with the remaining 14% in commercial value. While it should be a long-term goal to provide more diversity within the digest, the City's managed growth policy encourages development of mixed-use projects made up of compact mid-rise commercial and multi-family developments in designated zoning districts and reduces its reliance on large "box" retail shopping centers and sizable detached single-family residential developments. This policy has helped the City maintain its overall economic vitality.

Several other financial factors have tempered the effect of the current economic downturn on the City.

First, the City's available real estate market has not typically been financed through sub-prime loans or other marginal financing schemes so our exposure to foreclosures is limited. Therefore, while there is some limited foreclosure activity, there have not been whole developments or neighborhoods that have been abandoned.

Second, over the years, the City Commission has made strategic decisions that have positioned the City to better withstand financial stress. For the past thirty years, the City's growth has been directed to redevelopment of undervalued and underutilized properties in the central commercial business district and in smaller neighborhood commercial areas. The reasonable scale of this type of growth has provided opportunities for residential and commercial spaces to be absorbed by the market so that there are not a significant number of vacancies.

In addition, the City has been committed to continuing to provide an exceptional level of public safety, public works and quality of life services that contribute to the maintenance of property values and have made the City a desirable place to live, have a business and/or visit as a destination for entertainment and recreation.

In the late 90's, when it became obvious that the City was going to have to invest in its capital infrastructure, the City Commission approved a tax levy to establish a capital improvements fund. The capital improvements levy has allowed the City to make scheduled investments in vehicle and equipment replacement, playground replacement and maintenance, street and sidewalk maintenance and provide matching funds for technology and emergency management upgrades.

Finally, the City Commission saw a need for more significant capital improvements to facilities and infrastructure and in 2006 voters approved issuance of long-term bonds to fund a variety of capital improvement projects. The bond program has made it possible to plan and implement a number of large-scale capital improvements and because the funding is currently available, we have been able to take advantage of the general slowdown in construction to more effectively use available resources.

The City's mature economy, its overall real estate market stability, long-term growth management strategy and dedication to superior services have resulted in an opportunity for a strategic response to the financial crisis.

In an article entitled "The Age of Customer Capitalism" in the January 2010 edition of the *Harvard Business Review*, Roger Martin, Dean of the Rotman School of Management at the University of Toronto, discusses the differences between companies that are only focused on maximizing shareholder wealth as their primary concern and companies that consider providing three things:

- Quality product
- Brand loyalty
- Return on investment.

Dr. Martin's research indicated that companies that focused only on rate of return ultimately get to a point where they cannot satisfy stockholder expectations because dramatic increases in returns cannot be matched year after year and over time these companies actually earned lower returns for shareholders.

On the other hand, companies that concentrated on providing a quality product and encouraging brand loyalty ended up with long term returns on return on investment without the loss of company integrity.

While the article was about private companies, there are many appropriate parallels to government organizations. For example, governments that are only interested in lowering tax rates inevitably reach a point of diminishing returns, where services have been cut or eliminated, infrastructure investments cannot be made and economic growth is not possible due to a lack of education and training opportunities.

However, local governments that focus on providing quality services and supporting and creating opportunities for community engagement while making sure that taxpayers receive a fair return for their tax investment continue to progress.

To apply the principles discussed above, we have developed the revised and proposed budgets in terms of the following priorities:

Providing Quality Services – making sure that public safety, public works and quality of life services and programs meet the needs of residents, businesses, institutions and visitors.

Supporting Community Engagement – development and implementation of long and short term plans, policies and programs that encourage and support the various interests of the community.

Return on Tax Investment – making sure that equitable community wide, as well as personal benefits are received by taxpayers for the tax investment they make.

Quality Services

In the 2010 Citizen Survey, 95% of respondents rated the overall quality of life in Decatur as “excellent” or “good” placing the City in the 95th percentile of 372 communities which use the survey and ask the question. In 2009, the City received a “Voice of the People Excellence Award” because it had a service quality rating that was in the top three among all eligible jurisdictions in 2008. To qualify for this award, communities also had to be in the top ten percent among over 500 jurisdictions in the survey database of citizen surveys.

As part of our commitment to providing quality services within our fiscal limits, we believe it is important to provide adequate staffing to serve the community as well as providing services on a regularly scheduled basis. The 2010-2011 Proposed Budget Estimates does not anticipate any lay-offs or furloughs for City employees and does not anticipate reductions in, or elimination of, City-provided services.

With every budget and whenever opportunities arise, city services and positions are reviewed to determine if changes can be made in operations without affecting service delivery. During the past year, two full-time positions were eliminated in the Active Living Division. One position in senior services has been replaced with part-time staff and at the tennis center, a full-time assistant program supervisor position was eliminated and duties are also being covered as necessary with part-time staff. These two changes have allowed us to meet essential service needs with greater flexibility at a reduced cost.

In the Children and Youth Services Division, two full-time positions have been eliminated. Our long-term plan is to concentrate on upgrading the existing Site Director positions through training and skill development to continue to improve an already superior program.

In the Police Department one of two administrative assistants is retiring as of July 1st. Existing duties will be covered by the other administrative assistant and by sharing some responsibilities with existing part-time employees. One full-time position will be eliminated.

Other salary savings include temporarily filling one full-time crew worker position with part-time employees; delaying hiring a full-time graduate fellow in the City Manager’s Office until May, 2011; and filling two police officer vacancies in January, 2011.

Last year we added a Resource Conservation Coordinator position whose responsibilities include reviewing and analyzing city-wide resources and developing plans and programs for minimizing our cost for commodities like energy and water, supplies such as paper and ink toner and for services such as cell phones as well as serving as a primary contact for environmental and energy efficiency initiatives. The position was filled in October, 2009 and since that time we have been able to consolidate our cell phone contracts for an annual savings of \$15,000. Also, we have been awarded either directly or as part of a partnership over \$500,000 in state grants and a yet undetermined amount from federal energy

efficiency grants, some of which include funding to offset administrative costs. The grants also include funding for energy audits as well as for implementing energy efficiency improvements. We have also been awarded a bronze level green community certification by the Atlanta Regional Commission and an application to upgrade that certification has already been submitted.

The services of the Volunteer Coordinator continue to be in demand as we address very diverse needs in the community. At one end of the spectrum, the Volunteer Coordinator works with families and seniors during the holiday season as through the Christmas Decatur/Season of Giving and the Martin Luther King, Jr. Service Project. Between those two efforts over 500 children and 75 seniors in Decatur receive gifts during the holidays. In addition over 160 host families, neighborhood associations and places of worship and 135 volunteers are involved in the project. For the MLK Service Project, over 1,000 volunteers assisted with cleaning, maintenance, renovation and repair needs of senior homeowners. In addition, the Volunteer Coordinator works with the major festivals and events to make sure that we have adequate numbers of “ambassadors” to help with everything from putting out fencing, to selling t-shirts, to pouring wine. Overall, we estimate that the value of the volunteer hours is approximately \$250,000.

We also plan to continue to use our CAPS volunteers with special events and in emergency response situations. We will continue to offer CPR and Basic First Aid training to City residents at no cost. The Fire Department has also certified a number of staff as child safety seat installation technicians and this service is offered at no cost. The Fire Department will also continue to invest in training and program development to assure that employees can respond and offer basic life support response for the approximate 2,300 rescue calls we receive each year.

In addition, the City relies on private contractors for service delivery when it makes financial sense and service quality can be assured. The City currently has contracts for information technology services, payroll, recycling, litter collection and pool management. These contracts are managed and supervised to make sure that the cost of the contract is less than what the cost would be for the City to provide the same or similar service. By working with our current payroll vendor, we were able to upgrade our program services to include electronic timesheets and better access to more personnel information for management staff, such as leave balances and time accruals. Negotiating with our current vendor resulted in obtaining additional services at a much lower price compared to implementing a new personnel and payroll system.

In addition to personnel and program changes, the 2010-2011 Proposed Budget Estimates include improvements in technology that offer the City the ability to provide information and resources more efficiently and ultimately reduce costs. We are currently redesigning and developing a new website that will be able to offer more user-friendly presence with more sophisticated options for finding and retrieving information.

We have also included funds to add useful, practical and realistic geographic information systems programming by contracting the service. In addition to providing expanded capacity for staff to produce maps, having up to date GIS capabilities will allow the City to take advantage of information gathered in the historic resource survey and other master planning efforts as well as support emergency management efforts in locating fire hydrants, developing evacuation plans and producing other documents for use during an emergency.

The City will also continue its efforts to record and utilize performance measurement data so that we can have objective and comparative data regarding our services. We are also dedicated to promoting innovation and continuous improvement in all departments, particularly as we look to meeting future service delivery expectations of the community.

Community Engagement

In order to support and encourage community engagement, the City has traditionally taken a strategic, long-term approach to planning for the future, including considerations for budgeting and financial management. In 2000, the City Commission adopted a strategic plan that included a principle to provide quality services within fiscal limits in order to provide housing, transportation, environmental quality and public services to Decatur's residents and workers. As part of the budget process, City Departments are required to link their activities and expenditures to the strategic plan. This assures that financial decisions are based on what is needed and valued by the community and contributes to implementation of the strategic plan. The strategic plan provides a framework for financial decision-making that makes sure work plans and activities are reasonably tied to achieving our strategic objectives.

The City has relied heavily on community education and engagement programs in order to connect residents more closely with the City organization and to make sure we are able to take advantage of skills and abilities that residents bring to the table. The City has also found that partnering with other local governments, non-profits, institutions and organizations has provided opportunities for better outcomes that benefit a wider community and produce a better product.

The Decatur 101 program includes segments on all City services including financial activities. The Public Safety Academy allows residents to get an in-depth look at the activities and responsibilities of the Police and Fire Departments. The Citizens Assisting Public Safety (CAPS) program has provided volunteers for numerous events including providing a presence on the Square during after-school hours and special events, during the ING marathon and during the last severe weather clean-up. We also have almost 50 persons participating on a volunteer board, commission or advisory group.

On the 2010 citizen survey 82% of respondents rated the City as "excellent" or "good" at welcoming citizen involvement. This resulted in the City being rated number 1 out of 280 jurisdictions that asked this question.

We will continue to strengthen and develop partnerships in the community. The City has worked with Agnes Scott College, the City Schools of Decatur, Columbia Seminary, the Decatur Downtown Development Authority, the Decatur Business Association and the Decatur Housing Authority on projects such as the Cultural Arts Master Plan, Oakhurst Softball Field, the city-wide Wi-Fi project, School Resource Officers, police officers in the public housing properties, the MARTA Plaza project and multiple festivals and special events. We will continue to work with the City Schools of Decatur as staff to the "Safe Routes to School" project

The Decatur Agriculture Initiative is a cooperative effort of the City, Agnes Scott College, City Schools of Decatur, the Decatur Business Association, the Oakhurst Community Garden Project (OCGP) and Georgia Organics to grow, promote and distribute locally grown agriculture products. Both the 2009-2010 Revised Budget Estimates and the 2010-2011 Proposed Budget Estimates include funding to support community gardening in the Sugar Creek Garden and to support the OCGP as they raise capital funds to

purchase property on their site. We have completed preliminary plans for developing a garden in cooperation with the United Methodist Children's Home and are currently working to secure funding to begin the project. Funding to establish an urban farming site is not currently included in the proposed budget.

During the past year, the City entered into an agreement with the Decatur Tourism Bureau to develop programs and activities to attract visitors to the City. The partnership includes activities such as dining and services guides, supporting festivals, providing directional signage and working with the Decatur Holiday Inn to fill rooms. The first year has included planning and development for future activities. In addition, the City's General Fund now receives a percentage of hotel/motel taxes, providing a source of funding for capital maintenance for the Decatur Conference Center.

Significant funding is included in the 2009-2010 Revised Budget Estimates and 2010-2011 Proposed Budget Estimates for development of the 2010 Strategic Plan. The process has already begun with some 600+ people participating in round table sessions that will provide the groundwork for the planning process that will commence in the Fall, 2010. We anticipate being able to provide a plan to the City Commission for approval by December, 2010.

Return on Tax Investment

The City Commission has adopted financial policies for the overall operation of the City of Decatur. The purpose of the financial policies are to enable the City to achieve and maintain a long-term positive financial condition and make sure that the taxpayers are receiving a reasonable return for their tax investment. The policies include direction on providing a conservative approach to budgeting which has generally meant that expenditures are calculated using the best estimate of true cost without discounting and that revenues are estimated at a level that would reasonably be collected within the fiscal year based on historic collection data as well as expectations about existing and future economic conditions and activities.

The financial policies also provide direction for maintaining an adequate fund balance equal to twenty to thirty percent of operating expenses. Maintaining an adequate fund balance allows governments some time to weather financial difficulties before having to consider millage rate increases or service delivery reductions. The City has maintained a very healthy fund balance position which will allow us to make it through this year and next fiscal year without recommending an increase in millage rates.

We have also pursued opportunities for grant funding, particularly for projects and activities that do not require on-going operating funds. Grant funds have been used to purchase public safety and public works equipment and supplies, to construct transportation-related facilities, to support after-school programs, to address environmental issues and to provide emergency warning capabilities. In the upcoming budgets, we anticipate receiving grant funding for energy audits and energy efficiency upgrades, recycling containers in City parks, funding for designing improvements for North McDonough Street and the intersections of Clairemont Avenue and Commerce Drive and Church Street and Commerce Drive, funding to be used as part of the Strategic Plan and historic preservation funding for the Beacon Complex master plan.

Being able to invest in capital projects through use of the capital bond funds will continue to be an important part of our work in the coming year. For some projects, especially those involving sidewalk and repaving work, we have been able to take advantage of the slowdown in the construction industry to make sure that we maximize the use of available resources.

In order to respond appropriately, the City has taken a number of steps to mitigate or limit negative financial effects for taxpayers and residents. It is recommended that the overall millage rate remain the same for the 2010-2011 Proposed Budget. Earlier this year, the City Commission approved a small increase of \$3 in the residential sanitation fee. We have also reviewed our fee schedule and where appropriate have adjusted user fees, particularly for non-residents, and are recommending adding a technology fee to payments for citations in order to cover some of the costs incurred by the Police Department for technology and technology applications.

Due to the City's conservative budgeting approach that estimates expenditures fully and limits revenue estimates to likely collections, over the years the City has been able to maintain a stable fund balance. We have purposely been using an appropriate transfer from fund balance in order to cover costs for non-recurring expenditures and to eliminate the need for a millage rate increase. Last year the City used approximately \$522,884 from the general fund balance, leaving a balance of \$6,690,864 as of June 30, 2009. This amount represents approximately 36% of the 2009-2010 Revised General Fund expenditures.

The 2009-2010 Proposed General Fund budget anticipated using \$702,000 of the general fund balance to provide enough revenue to cover 2009-2010 Proposed General Fund expenditures. Due to a reduction in expenditures and a slight increase in revenues, it is estimated that only \$392,000 will be needed from fund balance, resulting in an estimated total fund balance of approximately \$6,298,860 as of June 30, 2010, or 34% percent of 2009-2010 Revised General Fund expenditures.

Although it should not be a normal financial practice to use fund balance to cover operating expenditures, given the amount of fund balance and current economic conditions, it is recommended that an additional \$700,000 be allocated from fund balance for use in the 2010-2011 Proposed Budget so that a millage rate increase will not be necessary this year. The estimated general fund balance at June 30, 2011 will be reduced to approximately \$5,598,860, or 30% of 2010-2011 proposed general fund expenditures.

Expenditure controls were also instituted including a recommendation that all non-probationary employee salary increases be replaced with a one week lump sum salary adjustment paid in January, 2011. This will allow employees to earn a merit-based adjustment but will not commit the City to on-going salary increases in the future since concerns about the freeze on property values as well as about the state of the economy over the next eighteen months still exist. However, since our employees provide the services to our community, it is recommended that a merit-based compensation option that rewards performance and dedication to the community be included in the 2010-2011 Proposed budgets.

Last year the City changed from a self-insured healthcare program to a premium-based program offered through Kaiser-Permanente. For the coming year, there is a moderate 5% increase in the premium costs to the City; however, overall health benefit costs will decrease because we have less of a liability for claims left from when we were self insured. Due to reduced market returns in the equity portion of the City's retirement fund assets, the required retirement contribution increases from 8% to 9% of covered payroll.

The City has taken steps in the past to try and assure our financial security and our ability to provide the high level of services required by our community as a return for their tax investment. We plan on continuing those efforts throughout this current fiscal environment. We anticipate emerging from the current fiscal environment as an organization that is better positioned to take advantage of opportunities, one that makes the right investments in employees and training and offers superior services for the least possible costs.

Future Challenges

In spite of the City's best efforts there are challenges on the horizon that we believe will have a detrimental effect on the City's ability to address local needs. In addition, actions have been taken by others that will cost Decatur taxpayers. These actions were out of the City's control.

During the 2009 General Assembly session, HB 233 was adopted which capped all property values (residential and commercial) at 2008 values for three years. The only growth in the digest that is allowed is for new development and renovations. For the current year we experienced a .003% decline in the real property digest, resulting in flat revenue projections. Reevaluations reduced the digest by \$9,111,320 and new growth added \$4,968,720 which is mostly representative of the remaining units as Phase II of the Artisan in downtown Decatur. We anticipate very little, if any growth, for 2011. However, we still remain in a better financial position than many other local jurisdictions. We have experienced very few foreclosures and properties are still selling for a reasonable value, even if it is taking longer than in past years. In addition, while there has been a turn-over in commercial property uses, most available spaces are being leased. Given the issues that other local jurisdictions are having with decreasing property values, having a flat digest is actually a positive experience. Depending on whether the economy improves and how well the real estate market rebounds, we may have to examine the possibility of increasing the millage in the future.

We also remain concerned about activities at the General Assembly as there were there were unsuccessful efforts during the past two sessions to replace the motor vehicle tax and we anticipate efforts to remove or reduce franchise fees will be on-going.

The City has made substantial efforts to fund capital improvements for facilities and infrastructure, but there are still needs to be met.

The master plan for improvements to the Decatur Recreation Center has been completed and we anticipate having the construction documents completed this summer. We expect the construction program budget to be approximately \$5.7 million. As part of the 2007 bond issue, we estimated that we would be able to relocate the existing public works function and build a new facility for a budget of \$5.6 million. Unfortunately, land prices within and adjacent to the City of Decatur, in combination with construction costs, exceed available resources. We have pursued multiple opportunities and have not been able to make a project work financially. Therefore, we recommend pursuing an option that would redirect the funds for the public works facility to construction of the Decatur Recreation Center improvements and pursue financing improvements at the existing public works facility through certificates of participation (COPs). If approved, we anticipate this will require a .20 mill increase for the capital improvement fund in fiscal year 2011-2012.

Funding is included in the capital improvement fund for a master plan for the Beacon Complex (Police Station, Ebster Gym & Recreation Center). It is anticipated that renovation expense for the entire facility could easily be \$10 million. Having facility plans and completed designs will be important if we pursue grant or other funding for the project.

We have applied for a grant for \$3 million from stimulus funds to renovate and rebuild Fire Station Number 1 but have not had a response.

The litigation over the distribution of HOST tax proceeds is on-going. DeKalb Superior Court Judge Mark Anthony Scott has ruled that the agreement between the City and DeKalb County is unconstitutional. We anticipate filing an appeal to the Georgia Supreme Court and hope to have a hearing before the end of 2010. Should the litigation be resolved in the City's favor, we would anticipate receiving significant funds for capital improvements. Otherwise, the City will be covered by HB 264 which will disperse funds to the City directly from the Georgia Department of Revenue. These funds have to be used for capital improvements.

Predictions on how long the present economic crisis will affect local government revenues are varied. Conditions appear to be slowly improving but it is doubtful that we will return to full economic vitality in the near future.

Millage Rate Adoption

The 1999 General Assembly adopted O.C.G.A. § 48-5-32.1, known as the "Truth in Taxation" law. It requires every levying authority (i.e., the City) and every recommending authority (i.e., the City Schools) to take the percentage of the digest increase due to property reassessments and reduce the millage by that percentage. To the extent that the recommended millage rate exceeds the "roll-back" rate, certain advertisements and public hearings are required. This requirement began with the certified 2000 digest. According to the information currently available, retaining the same millage rate in 2009 will not result in a millage rate that exceeds the "roll-back" rate. Actually, the City Commission could increase the overall millage rate to 13.142 and still not have to advertise a tax increase. Maintaining the same millage rate actually results in an .81% reduction in taxes. Because the recommended millage rates do not exceed the roll-back rate, the City Commission is required by the fiscal control ordinance to hold only one public hearing. However, we recommend that public hearings be held at your regular meeting on Monday, June 7, 2010 and on Monday, June 21, 2010.

It is our understanding that DeKalb County may not receive a certified digest from the State of Georgia until mid-Summer. The law does allow millage rate adoption based on an estimated digest as long as the estimated digest is within three percent of the certified digest. Because it is more convenient and because residents can have more impact on the budget and millage rate setting process when both are discussed at the same time, the budget and millage rate hearings are held concurrently. However, if the certified digest varies by more than three percent, we may need to repeat this process.

Conclusion

Ultimately, the City's objective is to provide quality services and support community engagement while providing a reasonable return for the taxpayer's investment. This means that we have to take a strategic approach that relies on and develops the City's strengths and reduces programs, systems and practices

that are not essential to its mission. It means making sure that financial and employee capacities are not diminished beyond a point of no return. To that end the 2009-2010 Revised Budget Estimates and the 2010-2011 Proposed Budget Estimates include funding for a number of programs and projects that should position the City well for the future.

The 2010-2011 Budget Estimates assure that that City will maintain its capacity to offer the high-level, high-quality services desired by our residents. The recommended 2010 property tax millage rates are as follows:

	2006	2007	2008	2009	2010
	Levy	Levy	Levy	Levy	Levy
General Fund	10.115	10.215	10.215	10.215	10.215
General Fund					
Cap. Improv.	1.00	1.00	1.00	1.00	1.00
Bond Fund	1.54	1.44	1.44	1.44	1.44
Downtown Dev.					
Authority	.38	.38	.38	.38	.38
TOTAL:	13.035	13.035	13.035	13.035	13.035

Completion of the 2009-2010 Revised Budget Estimates and 2010-2011 Proposed Budget Estimates would not be possible without the assistance of the Accounting Division staff, the teamwork and support shown by Department and Division Heads, and particularly without the work of Assistant City Manager Andrea Arnold and Assistant to the City Manager Meredith Roark.

Following this message is a summary of fund budgets, including highlights of various revenue and expenditures.

I will be glad to review the following budget proposals with you at your convenience.

SUMMARY OF FUND BUDGETS

2009-2010 REVISED GENERAL FUND BUDGET ESTIMATE

The 2009-2010 Revised Estimate is \$253,920 less than the approved 2009-2010 Budget Estimate, a 1.4% decrease. While full-time personnel costs and legal services costs were reduced there were increases in part-time personnel costs and overtime costs.

The 2009-2010 Revised General Fund revenue estimates are relatively stable compared with the approved 2009-2010 budget. In fact, before taking into consideration the interfund transfers and use of fund balance, the revised revenue estimate is just \$11,510 lower than the approved 2009-2010 revenue estimates. Real estate property taxes are decreased by \$35,000 which reflects higher than anticipated collections for prior years and a reduction in the collection rate for the first installment from 94% to 93%. It is anticipated that 99.9% of property taxes will be eventually collected but it will take longer to achieve that collection rate. The most significant reduction is in interest on investments which dropped from an estimate of \$100,000 to \$13,500 in the revised budget. Other categories experienced slight decreases in revenue. Utility taxes decreased \$25,000 reflecting a drop in utility property values. Motor vehicles taxes decreased \$30,000 as current vehicle values depreciate and fewer new vehicles are being purchased.

Construction permits and fees were increased \$82,500 based on actual experience which reflects an increase in construction activity, most of which is residential. Other significant increases include an additional \$150,000 in penalty and interest and an additional \$100,000 in fines and forfeitures which reflects the effect of staffing a full-time traffic unit.

Other adjustments are shown for transfers to the Solid Waste Fund, the Storm Water Utility Fund, Capital Improvement Fund, Hotel/Motel Tax Fund and the Children and Youth Services Fund to reflect revised overhead and expenditure estimates.

With the reduction in expenditures and stability of revenues, we are able to decrease the use of fund balance. The 2009-2010 Proposed General Fund anticipated using \$702,000; however, for the 2009-2010 Revised General Fund we estimate that we will only need to use \$392,000 of fund balance or 44% less than previously budgeted. This will result in a fund balance of \$6,298,864 or 34% of the 2010-2011 Proposed General Fund budget.

2010-2011 PROPOSED GENERAL FUND BUDGET EXPENDITURES

The 2010-2011 Proposed General Fund Budget Estimate is approximately \$135,460 less than the initial 2009-2010 Proposed General Fund Budget Estimate. This is slightly less than a 1% decrease.

All categories, including personnel services, services and charges, and supplies, show decreases from the 2009-2010 Proposed General Fund Budget Estimate. The 2010-2011 estimates include merit increases for probationary employees and a one-time, one-week salary adjustment for all other full-time employees. This is being recommended in lieu of funding step merit increases so that some

compensation increases were included in the 2010-2011 budgets without taking on a commitment to future salary increases. This is the second straight year that step merit increases for City employees have not been funded. The proposed merit-based salary adjustment is a reduction from the two-week adjustment approved for the current fiscal year.

The City has traditionally estimated full funding for all positions in the proposed budget. Any salary savings due to unfilled positions are accounted for during the revised budget process. Because it can be difficult to predict the City's actual employee recruitment and retention rate, it is prudent to fund all positions and it does provide departments with some financial flexibility for unanticipated expenses during the budget year.

The City's contribution to the employees' retirement system increased from 8% to 9% of salary or a total increase of \$63,010 over the approved 2009-2010 General Fund Budget Estimate.

Full time salary costs in the 2009-2010 Revised General Fund Budget are estimated at approximately \$8.57 million as compared to approximately \$8.54 million in the 2010-2011 Proposed General Fund Budget, a \$26,560, difference.

Other expenditures include the strategic planning process, upgraded GIS system, website redesign, funding for urban agriculture initiatives, continued emphasis on pedestrian and bicycle safety and training for basic life support services.

2010-2011 PROPOSED GENERAL FUND BUDGET REVENUES

Estimates of revenue from real property taxes for the 2010-2011 Proposed General Fund are based on a flat real property digest and retaining the same general fund millage rate of 10.215 mills. We have also discounted the collection rate for the 2009-2010 billing so we believe more revenue will be collected in 2010-2011 from prior tax billing. Nonetheless, we anticipate collecting \$264,500 less from real property taxes for the general fund. It is important to note that the proposed real property tax revenue is \$291,000 higher than the actual amount collected at the end of fiscal year 2008-2009.

It is anticipated that most revenue sources will generally show modest or no increases based on estimates using historic and economic trends. The budget estimates an increase of \$25,000 in parking violation fees because a new court software system will allow easier collections of delinquent parking tickets. An additional \$50,000 is budgeted pending the approval of a technology fee on court citations that will offset technology-related expenditures in the Police Department. Finally, an additional \$15,300 is budgeted for Recreation Facilities Rentals because the pavilions at Glenlake Park will be available for rent in fiscal year 2010-2011.

The City continues to participate in a cooperative agreement with the Decatur Housing Authority to provide two police officers for directed law enforcement activities on Housing Authority property.

In 2005-2006, the Board of Education for the City Schools of Decatur approved funding for a School Resource Officer position. There have been indications that the City Schools would like to fund an additional officer and in preliminary staff discussions we have committed to working with the City Schools once City staffing needs have been met.

In the 2009-2010 budget the Police Department established a traffic unit including a motorcycle traffic officer and a vehicle based officer. The main purpose of both of these positions is to perform traffic enforcement activities. Fines and forfeitures increase in the Revised 2009-2010 budget estimate and should remain relatively stable for 2010-2011.

The City and the Downtown Development Authority have entered into an agreement for the provision of management services. The revenue is shown as intergovernmental revenue.

The proposed budget shows a \$150,000 transfer from the Capital Improvements Fund to cover the costs for construction management and a \$130,000 transfer from the Hotel/Motel Tax Fund. A transfer from the Solid Waste Fund to the General Fund is shown as revenue to cover the indirect costs of providing residential and commercial solid waste services minus the cost of services provided to the City of Decatur and to the City Schools of Decatur, the cost for street sweeping and the cost for emptying litter containers in the commercial district.

A transfer from the Storm Water Utility Fund to the General Fund is shown as revenue to cover indirect costs of supporting storm water activities.

The proposed budget shows a \$35,000 transfer to the Greenspace Fund to cover the cost of a \$15,000 grant to the Oakhurst Community Garden Project to assist with the purchase of property and \$20,000 to expand the City's community garden program.

The E-911 Fund accounts for all the revenues and expenditures associated with operating the emergency public safety dispatch system. Fees from telephone lines as well as cellular phone service are dedicated to this purpose. However, a transfer from the general fund is required to meet the balance of the expenditures. The 2010-2011 Proposed General Fund estimate shows a \$225,000 transfer to the E-911 fund.

Beginning in the 2009-2010 budget, Children and Youth Services expenditures and revenues were transferred to a special revenue fund that combines on-going city support, additional grant revenues and fees to support the program. For 2010-2011, there is a transfer from the General Fund to the Children and Youth Services Fund of \$450,000.

Enterprise Funds

The City Commission will also be asked to adopt 2009-2010 Revised and 2010-2011 Proposed Budgets for three Enterprise Funds. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost of providing goods or services to the general public on a continuing basis be financed primarily through user charges.

Conference Center/Parking Deck

Both the 2009-2010 Revised Enterprise Fund Budget and the 2010-2011 Proposed Enterprise Fund Budget estimates include adequate revenues from the Hotel/Motel Tax and the Conference Center Management Agreement to cover normal operating costs associated with the Conference Center and Parking Deck.

The 2009-2010 Revised Budget includes a transfer of \$80,000 from the Hotel/Motel Tax Fund to cover maintenance costs. Because the construction bonds for the Conference Center and Parking Deck have been paid, the 2010-2011 Proposed Budget does not include a transfer from the Debt Service Fund. Revenues include \$82,000 from service fees and a transfer of \$80,000 from the Hotel/Motel Tax Fund to cover maintenance costs. Expenditures include general maintenance and repairs for the Conference Center and Parking Deck.

Solid Waste

Effective July 1, 2000, solid waste services began to be accounted for using an Enterprise Fund. As a result, sanitation fees and income from refuse bag sales received after July 1, 2000 are shown in the Solid Waste Fund.

A transfer of \$193,640 will be made from the 2009-2010 Revised Solid Waste Fund to the 2009-2010 Revised General Fund Budget to cover the indirect cost of services paid for by the General Fund for solid waste management services minus a credit for the cost of street sweeping, the cost of collecting the downtown litter containers and a credit for services provided but not billed to the City and to the City Schools of Decatur.

An estimated transfer of \$208,060 will be made from the 2010-2011 Proposed Solid Waste Fund to the 2010-2011 Proposed General Fund Budget to cover the indirect cost of services paid for by the General Fund for solid waste management services minus a credit for the cost of street sweeping, the cost of collecting the downtown street cans and a credit for services provided but not billed to the City and to the City Schools of Decatur.

Using an estimate of total solid waste costs included in the 2010-2011 Proposed Budget estimate, recommended user fees for various sanitation services were calculated earlier this year and the City Commission adopted the following schedule of fees:

- Increased the annual assessment from \$225 to \$228 for residential properties to cover the fixed costs of sanitation service (personnel, benefits, equipment, yard waste collection, recycling, etc.).
- Retained the \$3.99 per cubic yard for dumpster service.
- Kept the annual assessment of \$650 per single 95-gallon cart for once a week pick-up, with increased charges depending on the number of carts and the number of pick-ups per week.
- Maintained the annual assessment of \$950 per 3 cubic yard dumpster collection with increased charges depending on the number of pick-ups per week.
- Retained the charges for the costs of residential garbage bags at \$1.35 per 30-gallon bag, \$.65 per 15-gallon bag, and \$.38 per 8-gallon bag to cover disposal costs.

The Solid Waste Fund includes the purchase of four Kubota rear-yard collection vehicles to replace the existing scooters that have ever increasing maintenance costs and downtime. The purchase of four vehicles will be approximately \$110,000 resulting in an annual lease payment of \$23,000 for five years.

Storm Water Utility

In 2006, in order to provide funding to begin major capital improvements to the stormwater system, the City Commission approved increasing the stormwater utility charge to \$6.25 per month (\$75 annually) per Equivalent Residential Unit (ERU).

The major activity of this fund has been the completion of the comprehensive storm water master plan and construction of storm drainage improvements in conjunction with streetscapes improvement programs and construction of neighborhood storm drainage improvements.

Revenue for the 2009-2010 Revised Storm Water Utility is \$1,003,750 and expenditures are estimated to be \$1,177,090. Revenue for the 2010-2011 Proposed Storm Water Utility is \$995,200 and expenditures are estimated to be \$1,910,440.

A transfer of \$265,170 will be made from the 2009-2010 Revised Storm Water Utility Fund to the 2009-2010 Revised General Fund Budget to cover the indirect cost of services paid for by the General Fund for storm water management. A transfer of \$269,500 will be made from the 2010-2011 Proposed Storm Water Fund to the 2010-2011 Proposed General Fund Budget for the same purpose.

OTHER FUNDS

The City Commission will also be asked to adopt 2009-2010 Revised and 2010-2011 Proposed Budgets for the Capital Improvement Fund, the Cemetery Capital Improvement Fund, Children and Youth Services Fund, the Debt Service Fund, the Economic Development Fund, the Emergency Telephone System (E911) Fund, the Community Grants Fund, the Greenspace Trust Fund, the Confiscated Drug Fund and pass-through funds for the Downtown Development Authority, the Board of Education and the Hotel/Motel Tax Fund.

Capital Improvement Fund

The 2009-2010 Revised Capital Improvement Fund budget includes \$1,135,000 in tax revenue; \$91,590 in intergovernmental revenue; \$25,000 in interest revenue; and, \$11,330 in other revenue. The intergovernmental and other revenue is for the tornado siren grant and an insurance claim reimbursement.

Capital outlay projects in the 2009-2010 Revised Capital Improvement Fund Budget Estimate include:

- Repairs to Glenlake Park pool.
- On-going replacement of park bleachers, replacement benches and trashcans.
- Playground drainage and mulch systems.
- Street patching and repair.
- Improvements to McKoy Skatepark fencing, Oakhurst Field fencing and outdoor basketball court re-surfacing.
- Four outdoor severe weather warning sirens.
- Engineering Dump Truck.
- PALS electric vehicle.
- Initial funding for the Beacon Complex master plan.

The 2009-2010 Revised Capital Improvements Fund budget includes a \$354,300 expenditure for debt service.

The 2009-2010 Revised Capital Improvements Fund budget also includes expenditures and revenues for capital bond projects including sidewalks, Oakhurst Streetscapes, the WPD/L/West Trinity Place Bike Lanes, Glenlake Park, Decatur Cemetery, Decatur Recreation Center, Fire Station 1 & 2.

The 2010-2011 Proposed Capital Improvement Fund budget includes \$1,100,000 in tax revenue; \$1,932,000 in intergovernmental revenue; and, \$25,000 in interest revenue. The intergovernmental revenue represents transportation enhancement projects and MARTA offset revenue.

Capital outlay projects in the 2010-2011 Proposed Capital Improvement Fund Budget Estimate include:

- Playground equipment replacement.
- Recreation pickup truck.
- Garden Shed/Arbor Replacement Scott Park.
- Recreation Registration software.
- Upgrade of Payroll/HR software system.
- Start up cost for a citywide GIS System.
- On-going replacement of park bleachers, replacement benches and trashcans.
- Various park, field, drainage, playing surface and mulch system improvements.
- Street patching, repair and paving.
- Bridge Railing Replacement.
- Master plan for the Beacon Complex.
- Police vehicle.
- Fleet maintenance and Inventory control software.

The 2010-2011 Proposed Capital Improvements Fund budget includes a \$603,000 expenditure for debt service.

The 2010-2011 Proposed Capital Improvements Fund budget also includes expenditures and revenues for capital bond projects including Oakhurst Streetscapes, the WPD/L/West Trinity Place Bike Lanes, Downtown Streetscapes – Phase V, Decatur Cemetery, sidewalk improvements and intersection improvements.

It is recommended that the levy for capital improvement purposes remain at 1.00 mill.

Cemetery Capital Improvement Fund

The 2009-2010 Revised Cemetery Capital Improvement Fund reflects revenues of \$50,000 which is mainly revenue from sales of the newest section of the Cemetery. Unlike previous revenues from lot sales, 100% of the revenue is being dedicated to the Cemetery Capital Improvement Fund for improvements. In previous years, half of these revenues went to the General Fund. Expenditures are estimated at \$25,000 for maintenance and repair and professional services.

The 2010-2011 Proposed Budget includes \$50,000 in revenues from lot sales. Proposed expenditures include replacing water lines and section signs plus some funds to cover contingencies that may occur during the fiscal year. In order to fund the total project budget for Cemetery improvements, lot sales were considered as a revenue source. However, because those sales occur over time and the improvements project was beginning, a transfer from the capital improvement fund was made to the Cemetery Capital Improvement Fund. Over the next seven years, the Cemetery Capital Improvement Fund will transfer \$50,000 to the Capital Improvement Fund until the cost of the Cemetery improvements are covered.

Debt Service Fund

The 2009-2010 Revised Debt Service Fund Budget shows \$1,720,000 in tax revenue to retire debt on the general obligation bond issue. There is also \$17,000 in interest income. There is a \$1,441,800 interest payment and a \$275,000 principal payment for the bonded debt. At June 30, 2009 it is estimated that there will be approximately \$1,233,027 in fund balance for the capital improvement bonds.

The 2010-2011 Proposed Debt Service Fund Budget shows revenues of \$1,720,000 in tax revenue to retire debt on the bond issue. There is also \$17,000 in interest income.

There is a \$1,431,500 interest payment and a \$355,000 principal payment for bonded debt included in the 2010-2011 Proposed Debt Service Fund Budget. At June 30, 2010 it is estimated that there will be approximately \$1,178,527 for the capital improvement bonds.

It is recommended that the Debt Service Fund levy for capital purposes remain at 1.44 mills.

Economic Development Fund

The 2009-2010 Revised Economic Development Fund Budget shows \$500 in revenues and \$25,000 in expenditures. The balance in the tree bank as of June 30, 2010 is estimated to be \$58,160. The unencumbered Economic Development fund balance will be \$42,040.

The 2010-2011 Proposed Economic Development Fund Budget shows tree bank contributions of \$0 and interest of \$500. There are expenditures of \$25,000 for contractual services, public improvements including tree maintenance in the commercial district and tree plantings. It is anticipated that \$24,500 will be needed from unencumbered fund balance. The balance in the tree bank as of June 30, 2011 is estimated to be \$58,160. The unencumbered Economic Development fund balance will be \$17,540.

Emergency Telephone System Fund

For a number of years the City has collected \$1.50 per land phone line, cell phone line and voice over IP account in the City for provision of E-911 emergency telephone services. The City is required to maintain a separate Emergency Telephone System Fund to account for the revenues from E-911 fees and to account for the expenditures for provision of the service. Therefore, all E-911 fees and all E-911 expenditures are accounted for in this fund. Because it costs the City more to provide E-911 services than is collected through fees, a transfer from the General Fund covers the balance.

Revenue for the 2009-2010 Revised Emergency Telephone System Fund is \$525,000 and expenditures are estimated to be \$889,170. Revenue for the 2010-2011 Proposed Emergency Telephone System is \$525,000 and expenditures are estimated to be \$935,440.

A transfer of \$225,000 will be made to the 2009-2010 Revised Emergency Telephone System Fund from the 2009-2010 Revised General Fund Budget to cover the cost of providing E-911 not covered by E-911 fees. A transfer of \$225,000 will be made from the 2010-2011 Proposed General Fund Budget to the 2010-2011 Proposed Emergency Telephone Fund for the same purpose.

Children and Youth Services Fund

The City has traditionally supplemented the after-school and summer children and youth programs through the General Fund. With the completion of the 21st Century Learning Center grant, the City established a special revenue Children and Youth Services Fund to account for grants, fees, accumulated fees, contributions from other partners and a transfer from the General Fund for support of children and youth services.

Revenue for the 2009-2010 Revised Children and Youth Services Fund is \$806,050 and expenditures are estimated to be \$1,401,730. A transfer of \$400,000 will be made from the 2009-2010 Revised General Fund Budget to cover the cost of providing children and youth services not covered by other revenue sources. The remaining difference will be covered by the accumulated reserve referenced in the preceding paragraph.

Revenue for the 2010-2011 Proposed Children and Youth Services Fund is \$969,860 and expenditures are estimated to be \$1,662,420. A transfer of \$450,000 will be made from the 2010-2011 Proposed General Fund Budget to cover the cost of providing children and youth services not covered by other revenue sources.

Greenspace Trust Fund

The purpose of this fund is to account for revenues received primarily through grants and donations for the purchase of greenspace within the City of Decatur. The 2009-2010 Revised Greenspace Trust Fund Budget shows revenues of \$80 from gifts and contributions. The Fund shows expenditures of \$43,500, most of which is covered by a \$35,000 transfer from the General Fund.

The 2010-2011 Proposed Greenspace Trust Fund Budget shows no revenues. Expenditures total \$35,000 with a \$35,000 transfer from the General Fund tree bank to provide a grant of \$15,000 to the Oakhurst Community Garden Project to assist with purchase of property and \$20,000 to expand the City's community gardening program. The City will continue to seek grant funding and donations for the purchase of Greenspace.

Confiscated Drug Fund

The purpose of this fund is to account for monies and goods confiscated when the Police Department makes an arrest and obtains a conviction in a drug-related case. Funds are made available to the Department when the case has been successfully prosecuted. Expenditures from this fund can only be made for law enforcement purposes.

The 2009-2010 Revised Confiscated Drug Fund Budget shows revenues of \$40 and expenditures of \$3,000. It is estimated that the fund balance at June 30, 2010 will decrease to \$33,804. The 2010-2011 Proposed Confiscated Drug Fund Budget Estimate shows revenues of \$50 and expenditures of \$2,500. It is estimated that the fund balance at June 30, 2011 will decrease to \$31,350.

Hotel/Motel Tax Fund

The purpose of this fund is to account for monies collected pursuant to the imposition of a hotel/motel tax on rooms rented by hotels and motels within the City. Expenditures from this fund can only be made for purposes defined in state law, including the support of a conference center, support of a tourism bureau and for general purposes.

The 2009-2010 Revised Hotel/Motel Tax Fund Budget shows revenues of \$280,000 and expenditures of \$80,000 for the support of the Decatur Tourism Bureau; an \$80,000 transfer to the Conference Center Fund; and a \$120,000 transfer to the General Fund.

The 2010-2011 Proposed Hotel/Motel Tax Fund Budget Estimate shows revenues of \$300,000 and \$85,000 for the support of the Decatur Tourism Bureau; an \$85,000 transfer to the Conference Center Fund; and an \$130,000 transfer to the General Fund.

Downtown Development Authority, Board of Education and Decatur Tourism Bureau Funds.

These funds simply account for the collection of real property taxes for the Downtown Development Authority and the Board of Education and hotel/motel taxes for the Decatur Tourism Bureau Fund and merely act as pass-throughs.