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To: City Commissioners

From: Peggy Merriss
City Manager

Date: May 16, 2016

Subject: 2015-2016 Revised Budget Estimates
2016-2017 Proposed Budget Estimates

A handwritten signature in black ink that reads "Peggy Merriss".

Following for your consideration are the 2015-2016 Revised Budget Estimates and the 2016-2017 Proposed Budget Estimates. It is recommended that public hearings be scheduled for June 6, 2016; June 13, 2016 and June 20, 2016. You will be asked to take final action on June 20, 2016. We have also scheduled an extended budget work session with the City Commissioners on June 2, 2016. The City will also use the Open City Hall forum to encourage comments via the City's website. Copies of the budget will be available on the City's website, at City Hall and at the Decatur Library.

Highlights

- Reduction of the overall operating millage rate from 11.08 mills to 10.68 mills.
- The debt service millage remains the same at .92 mills for the 2007 general obligation debt and 1.57 mills for the 2015 school general obligation debt.
- Use of \$658,140 in general fund balance in order to stay within financial policy guidelines.
- The property digest increases approximately 7.5%.
- The 2016-2017 Proposed General Fund Budget increases 4.4% from the 2015-2016 Proposed General Fund Budget.
- Funding of 2.5% in-step merit based salary increases.
- No market based salary range modification is recommended but a proposed one pay period adjustment is funded.
- Authorizes 2 additional full-time positions that are funded through program fees and charges.
- Group health insurance costs are not increased and the City's required contribution to the Employees' Retirement System is reduced from 9% to 8% based on actuarial funding requirements.

Vision-Based Budget

A vision-based budget is developed to sustain and achieve the outcomes that the community has identified as most important. Each department determines what it does to support these common goals and the budget communicates to the public how the allocation of resources reflects community priorities and the vision for the future.

In order to produce the 2016-2017 Proposed Budget Estimates, we relied on information provided in the 2010 Strategic Plan and the results of citizen and employee surveys to provide guidance regarding the community's priorities. Ultimately five interdepartmental vision-based budgeting teams were part of the budget process, one for each of the four principles articulated in the 2010 Strategic Plan and one to focus on an additional principle that supports the City of Decatur's organizational commitment to exceptional public service based on innovation, professional expertise and creativity.

The City's vision-based budget consists of three main elements - a descriptive narrative; identification of quantitative and qualitative measures that relate activities and financial resources directly to the community's goals to determine if we are making a difference; and, broad organization-wide budgets that show how each strategic principle is supported financially. As part of the budget presentations in June, we will also provide a report that compares selected Decatur measures to other cohort cities from across the United States.

The narrative is an extremely important part of the budget document and it should be considered a key part of the City's overall fiscal plan. A thorough reading of the narrative is required for a full understanding of the basis for making funding recommendations included in this budget. The narrative and department budgets highlight quantitative and qualitative measures as well as results from the 2016 citizen survey and do a thorough job of describing the work plans for the coming year and the successes and accomplishments for the City from the past year.

Overall Financial Condition

The City's mature economy, its overall real estate market stability and desirability, long-term growth management strategy and dedication to superior services make it possible for the City to remain on strong financial footing. 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 without creating a significant number of vacancies.

During the past year there have been continued improvements in the overall economy which have supported stable economic growth for the City. We remain a regional destination for restaurants, shops, festivals and special events. The continued high quality of the City Schools of Decatur is an important part of the overall appeal of the City. City services which focus on high-touch and personal attention contribute to a "clean, green, active and attractive, safe and secure" community that is a very desirable place to live, work and play. The City represents a highly desirable, niche market in the metropolitan Atlanta area. Its reputation for political stability, quality management and a commitment to long-term planning puts the City in a strong position to continue to take advantage of a rebounding economy that has led to significant development activity in the past several years.

The City Commission has adopted financial policies for the overall operation of the City of Decatur. The purpose of having financial policies is to enable the City to achieve and maintain a long-term

positive financial condition. The policies include direction on providing a conservative approach to budgeting that generally means 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 realistic expectations about existing and future economic conditions and activities.

Overall, the City maintains a strong financial position by continuing to utilize conservative fiscal practices and by making strategic decisions that support the community's vision. This is confirmed by the City's AA+ bond rating from Standard & Poor's and a Moody's rating of Aa2.

The 2015-2016 Revised Budget Estimates and the 2016-2017 Proposed Budget Estimates were prepared with the knowledge that residential re-development and home sales continue to reflect growing demand in a limited market. Private sector capital investment continues to occur resulting in a cyclical upswing in development. However, we have also taken into account that future economic prosperity is not a given and we continue to base our budget estimates on providing the best possible services at the least possible cost. We also realize that the community expects responsive high quality services which are provided by City employees who are committed to improvement, innovation and public service.

The Summary of Fund Budgets beginning on page 35 provides a detailed description and comparison of the revenues and expenditures for each fund included in the 2015-2016 Revised Budgets and the 2016-2017 Proposed Budgets. The 2015-2016 Revised General Fund Budget is - \$452,010, or 2%, less than the 2015-2016 Proposed General Fund Budget. The 2016-2017 Proposed General Fund Budget is \$1,031,600 or 4.4%, more than the 2015-2016 Proposed General Fund Budget.

Real Property Digest

The value of the real estate digest is very important to the City of Decatur budget as real property taxes are 52% of all general fund revenues. During the recession period from 2008 – 2012, the City's real estate digest remained relatively flat, showing a 1.2% increase over the five year period. Comparatively speaking, this was outstanding. As the economy has rebounded, the real estate digest has shown consistent improvement with the 2013 digest showing modest improvement of 3.35% over the 2012 digest. The 2014 digest increased 12% and the 2015 digest increased 20%.

We began developing the 2016-2017 Proposed Budgets based on conservative real estate digest increases. We received initial digest information in mid-April that indicated that the 2016 real estate digest increased approximately 4% over the 2015 digest. In early May, an updated report was provided that indicated the 2016 digest increased closer to 7.5% over the 2016 digest. It appears that 83% of the total increase in value can be credited to reevaluation of existing properties and 17% to new value. Of the 7.5% increase in the digest, it appears that reevaluated properties provided 6.5% of the increase and new properties contributed 1.3% towards the increase.

The property value increase is supported by real estate sales reports that show an 11% increase in the average sales price of a single-family home from \$523,600 in April 2015 to \$583,800 in April 2016;

and, a 28% increase in the average single-family home sales price from \$456,400 in April 2014 to \$583,800 in April 2016.

Current permitting activity along with current and anticipated construction expected to take place in the remainder of 2016 through mid-2018 indicates that property values will continue to increase. We believe the reevaluation of existing real estate will moderate over the next few years but will still be a strong positive contributor to the overall digest value. New value will be added as developments recently completed or currently under construction are fully occupied and their full value is added to the tax digest in 2017. New developments currently in the pipeline that begin construction after July 1, 2016 should be completed in 2018 and will impact the 2019 real estate digest values.

Effect of Property Tax Appeals

It is our understanding that the DeKalb County Board of Tax Assessors will approve the 2016 digest values sometime in May 2015. During the 2010 General Assembly session, SB346 was adopted, which requires that each county assessor's office provide real property valuation notices to all properties, not just to those that had a change in value. It also requires that the notice provide an estimated property tax bill. Consistent with the increasing reevaluation of real property, the number of appeals filed with the Board of Tax Assessors increased from 198 in 2013 to 541 in 2014 to 1,330 in 2015. We anticipate that appeal activity in 2016 will be more reflective of 2014 than 2015.

As of May 5, 2016 the Board of Appeals had heard 977 of 1,330 appeals. On average, residential values were decreased 17% from the original assessment and showed an increase of 15% from the initial temporary billing value. Commercial values were decreased an average of 10% from the original assessed value and showed an increase of 2% from the temporary billing value. The 2016-2017 Proposed Budgets were developed taking into account some appeal activity against the 2016 digest and resolution of the remaining 2015 appeals consistent with the average resolution that has occurred to date.

Millage Rates and Potential Increased Homestead Exemptions

Because of the increase in the real estate property digest, it is recommended that the General Fund Millage be reduced from 9.70 mills to 9.30 mills. Lowering the millage will result in a \$100 reduction in City of Decatur property taxes for a property valued at \$500,000. In addition, as part of the November 8, 2016 election, Decatur voters will be able to consider various homestead exemption increases that will apply to the General Fund, Capital Improvement Fund and the DDA Fund. All approved exemption increases will be reflected in the first installment billing in April, 2017. The 2016-2017 Proposed Budgets were developed assuming that all of the exemptions will be approved. The estimated reduction in general fund real property taxes is \$310,000 for fiscal year 2016-2017 and \$620,000 for fiscal year 2017-2018. An owner occupied property that qualifies for all of the additional exemptions could see a \$135 reduction in the first installment tax billing in early 2017.

Due to capital needs, it is recommended that the Capital Improvement Fund Millage remain at 1 mill and due to resident, business and visitor requests for increased community engagement activities, aesthetics, and business development, it is recommended that the DDA Fund Millage remain at .38

mills. The debt service millage for the 2007 general obligation bonds remains at .92 mills and the 2015 debt service millage for school system capital improvements remain at 1.57 mills.

Personnel Services

The City is committed to continuing to provide an exceptional level of public safety, public works and quality of life services that contribute to the stability of property values and have made the City a desirable place to live, work, invest in and visit. In the most recent 2016 Citizen Survey, 94% of respondents rated the overall quality of life in Decatur as “excellent” or “good.” Also, 90% of the respondents rated services provided by the City of Decatur “excellent or “good.” This resulted in Decatur being ranked among the top 10% of communities that used the survey and asked the same questions. City staff is an integral part of assuring that quality of life and services meet the demanding expectations of our community and rewarding those efforts is an important part of the City’s financial strategy.

The 2016-2017 Proposed Budget Estimates incorporate funding for 2.5% merit increases for employees who are still below the maximum in their salary range. These merit adjustments occur throughout the budget year on an annual basis. As part of this year’s budget process, the City conducted a salary survey of metropolitan Atlanta cities. Appendix E contains the results for benchmark positions. The City strives to maintain salary ranges above the median offered in the Atlanta metropolitan area for the same or similar work. Based on the results of the survey, no general market adjustment to salary ranges is recommended this year. There is a one-pay period merit based adjustment included in the budget. All employees will be eligible including those who have been at the maximum salary rate for their position and who have not received an increase in compensation in the last two years.

The cost of the in-step merit increase is estimated to be around \$140,000. The cost of the one-pay period merit based adjustment is estimated to be approximately \$330,000 for a total of \$470,000, or 2% of general fund expenditures.

The 2016-2017 Proposed Budget Estimates include the addition of two new positions, whose costs will be covered by new or increased revenues; reclassification of one position; reclassification of four job classes; and, funding for anticipated changes in federal regulations relating to overtime exemptions. The following are recommended:

- One new Site Leader in Children and Youth Services assigned to Salary Range 3 to manage the new Whiz Kids after-school program at the Ebster Recreation Center. This will allow us to serve more fourth and fifth grade children and reduce our waiting list. The cost will be covered primarily by program fees.
- One new Assistant Program Leader in Active Living assigned to Salary Range 3 to staff athletic programs. The City’s league programs for children, youth and adults have seen tremendous growth in the last two years and we need additional staff to provide support for the leagues. It will also allow us to expand existing programs and add new programs to meet demand. The cost will be covered primarily by program fees.

- Reclassification of one Crew Worker at Salary Range 1 to a Buildings Maintenance Specialist at Salary Range 3. This position is in the Buildings Maintenance Division and reflects changes to the nature and type of work that is being performed. This position has already taken on skilled tasks and performs more general skilled work in all City facilities.
- Reclassification of the job class of Office Manager from Salary Range 6 to Salary Range 7. The salary survey showed that this range was significantly below the market median. The reclassification will bring the range back to just above median.
- Reclassification of the job class of Lifelong Community Program Manager from Salary Range 10 to Salary Range 12 in recognition of expanded scope of responsibilities in staffing the Lifelong Community Advisory Board and the Martin Luther King, Jr. Service Project.
- Reclassification of the job classes Active Living Director and Children and Youth Services Director from Salary Range 17 to Salary Range 18. The salary survey showed that this range was significantly below the market median. The reclassification will bring the range back to just above median.
- It is anticipated that the United States Department of Labor will be issuing a new overtime rule that will increase the minimum salary threshold for “white collar” exempt positions from \$23,660 annually to at least \$47,000 annually. We have reviewed our exempt employees list and have included adjustments for four positions in anticipation of the regulations becoming effective during fiscal year 2016-2017.

The cost for these requests, including salaries and benefits, totals approximately \$141,200, a portion of which is covered by additional revenues.

Starting in July, 2014, the City moved to a self-funded model for providing group health benefits with Blue Cross/Blue Shield acting as the City’s third party administrator. As part of the self-funded model, we purchase reinsurance and stop-loss coverage to protect the City from catastrophic losses.

At June 30, 2015, the City’s health benefits costs were approximately \$267,900 below budget estimates. We are recommending that the City Commission reserve this amount as assigned fund balance to be used to cover future health benefit costs that exceed budgeted estimates. This will provide additional assurance in case health care expenses spike in any given year.

We are not recommending an increase in employee or retiree contributions to health care costs in the 2016-2017 Proposed Budget. We are continuing to fund the employee wellness premium reduction plan. Employees who participate in the wellness program can reduce their premiums by up to 30%. The estimated cost of the wellness discounts is \$75,000. Wellness program activities are budgeted to cost \$65,000. We believe that this investment is already being recouped and will continue to assist in reducing future health care costs, less use of sick leave and increased employee productivity. Including health care costs, fees and stop-loss coverage, the wellness initiative and the smoking

cessation program, the City's overall health care costs per employee are budgeted to remain the same in the 2016-2017 Proposed Budget Estimates.

All full-time employees are also members of the City of Decatur Employees' Retirement System. Public employee pension plans and pension costs have frequently been the subject of sensationalist media headlines and reports over the past several years. The City's system offers conservative benefits to employees who have served the community over a long period of time. In comparison to frequent media reports about other systems, the City's required employer contribution to the system has remained steady over the past ten years, fluctuating between 7.76% - 9.07% of payroll. Due to increased plan assets, the budgeted employer contribution for fiscal year 2016-2017 is reduced to 8% of payroll or approximately \$902,460. The total required employer contribution is approximately 2.8% of total operating expenditures. Employee contributions to the system average 14% for public safety employees who are not members of Social Security and 8% for general employees who participate in Social Security.

The City relies on private contractors to provide certain services when it makes financial sense and the quality of service can be assured. The City currently has contracts for building inspection services, geographic information systems (GIS), information technology services, payroll, recycling, athletic field maintenance and swimming pool management. These contracts are managed and supervised closely to assure that costs are less than or equal to what they would be for the City to provide the same or similar services.

The City has taken steps to assure financial security and to support our ability to provide the high level of services expected by our community. The City is an organization that is positioned to take advantage of opportunities, capable of making appropriate investments in our employees and committed to offering superior services for the least possible costs.

Fund Balance

The City's financial policies also provide direction for maintaining an adequate fund balance equal to 20 to 30 percent of operating expenses. Maintaining an adequate fund balance allows governments the ability to weather financial difficulties without having to depend on millage rate increases or service delivery reductions. The City's healthy fund balance position allowed us to maintain or slightly reduce millage rates as well as provide a tax credit to owner-occupied property taxpayers during the economic slowdown. We also used fund balance to provide significant capital construction funding for the Beacon Municipal Center.

Due to the City's history of conservative budgeting practices that estimates expenditures fully and limits revenue estimates to likely possible collections, the City has been able to maintain a stable fund balance.

The 2014-2015 Revised General Fund budget estimated an \$813,150 contribution to fund balance but the actual contribution was \$1,707,681, resulting in a fund balance as of June 30, 2015 of \$7,209,285. The 2015-2016 Proposed General Fund budget anticipated contributing \$271,800 to the general fund balance to provide enough revenue to cover 2015-2016 Proposed General Fund expenditures. Due to decreased revenues in several categories, the 2015-2016 Revised General Fund

Budget will make a contribution to the general fund balance but we anticipate that the contribution amount will be reduced to \$268,210. The estimated general fund balance at June 30, 2016 is estimated to be approximately \$7,477,500 or 31% of 2016-2017 Proposed General Fund expenditures.

The 2016-2017 Proposed General Fund budget anticipates using approximately \$658,140 of the general fund balance. This should decrease the general fund balance at June 30, 2017 to approximately \$6,819,400, or 28% of 2016-2017 Proposed General Fund expenditures. The use of fund balance is appropriate to cover the costs of one-time, non-recurring expenses in order to keep the fund balance within policy parameters. For example, to fund the one-pay period salary adjustment, to cover the costs of updates to the Community Transportation and Greenspace master plans, an information technology assessment, a cybersecurity assessment and to reimburse the stormwater and solid waste funds for the costs of the stormwater and sanitation fee waivers. The City will still retain sufficient general fund balance to provide the City with resources in case there is a need for unforeseen or emergency expenditures or to provide resources to take advantage of unanticipated opportunities consistent with supporting the City's strategic plan.

Capital Infrastructure

In the late 1990'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, the regular maintenance and upgrade of playground equipment, streets and sidewalks and to provide matching funds for technology and emergency management upgrades.

In the early 2000's, City Commissioners saw a need for more significant capital improvements to facilities and infrastructure and in 2006 voters approved issuance of \$16,000,000 in long-term bonds for a variety of capital improvement projects. The bond program made it possible to plan and implement a number of large-scale capital improvements. Because the funding was available, we were able to take advantage of the general slowdown in construction to leverage public investment in infrastructure improvements. It is anticipated that with the completion of the Oakhurst Streetscapes Improvements, and the Phase V Downtown Streetscapes Improvements, most of the proceeds from the General Obligation bonds will have been used.

All major City facilities have been renovated, expanded or constructed with in the last ten years. All buildings that were constructed since 2007 have been designated either LEED silver, gold or platinum.

Capital projects in the 2016-2017 Proposed Budgets include new picnic pavilions at McKoy and Oakhurst Parks, resurfacing and lighting replacement at the Oakhurst tennis courts and skatepark equipment replacement at McKoy Park; construction of a fiber network for City operations; funding for sidewalk construction and repair, traffic calming and street repair and mid-block crosswalk installations downtown; construction of the Phase 2 of the Downtown Decatur stormwater improvements; and, major transportation, streetscapes, sidewalk and cycling improvements. There is also a \$500,000 expenditure for purchase of the undeveloped property adjacent to Dearborn Park

should that land become available. An in-depth narrative description of the City's current capital improvement program can be found starting on page 107.

Challenges

HOST and adoption of a Special Purpose Local Option Sales Tax (SPLOST)

The City currently receives a distribution from the capital improvement portion of the county-wide Homestead Option Sales Tax (HOST) penny sales tax that is meant to equalize the benefit between city and county taxpayers from paying the one percent sales tax. The distribution is calculated based on the value of owner-occupied residential property within a city, the DeKalb County millage rates for special service districts and on a formula that shares the proceeds among all cities in DeKalb County. In November, 2015 referendums were held and the City of Tucker was established. As it currently stands, the addition of the City of Tucker does not decrease the City of Decatur's share of the HOST capital improvements funding.

However, DeKalb County is actively pursuing the adoption of a special purpose local option sales tax (SPLOST) which would result in significant changes to the HOST. For the SPLOST to go forward, voters would have to approve what is being referred to as an E-HOST (equalized-HOST) that would use 100% of the proceeds from the HOST one percent sales tax to fund homestead exemptions to be applied to the cost of services paid for at the same level by all county owner-occupied taxpayers to include the DeKalb County Maintenance and Operations (M&O) millage and the Hospital Authority Assessment (Grady). E-HOST proceeds would not be available to fund any special tax district (i.e., City) or debt issuance costs.

The SPLOST funding would be divided by population as measured by the 2010 census and would last for five years.

According to documentation provided by DeKalb County, under the current HOST distribution the City of Decatur would receive an annual distribution of approximately \$3,900,000 in 2017 and increasing to slightly to \$4,000,000 in 2021. Under the SPLOST distribution scenario, the City would receive an estimated \$3,150,000 in 2017 and increasing to \$3,300,000 in 2021. The City of Decatur is the only municipality that loses funding in the transition, totaling almost \$4,000,000 in the five year period.

The City Commission committed HOST funding to cover the debt service payments for the 2010 URA projects (Decatur Recreation Center, Fire Station Number 1 and the Leveritt Building) and the 2013 URA project (Beacon Municipal Center). Those debt payments total approximately \$2,400,000 annually. Therefore, under the SPLOST scenario, after paying URA Debt Service, we would have about \$4,000,000 over a five year period for capital improvements, or about \$800,000 annually. The County estimates that under the E-HOST scenario, owner-occupied taxpayers in Decatur would receive additional tax relief from DeKalb County totaling about \$4,000,000 per year over the five year period.

The referendum is planned for the November 8, 2016 election. If approved, it would have implications for the City's 2017-2018 capital improvement and debt service budgets.

Open Space and Greenspace Acquisition and Maintenance

The City has been budgeting a token amount of resources, approximately \$50,000 per year for the purchase of open space and green space and has had success in acquiring tax parcels and donated parcels near or adjacent to existing City properties or along streams and creeks. The City has also been able to reserve \$500,000 for purchase of 16 parcels adjacent to Dearborn Park.

There has been strong support communicated to the City Commission for creation of an additional open space/green space in downtown Decatur. As you know, undeveloped land in downtown Decatur is limited and the current purchase price for it is between \$1.5mm to \$1.75mm. There would also be additional costs for design, demolition and improvement. As currently proposed, this type of project significantly exceeds the City's resources.

The City Commission has also discussed the importance of open space and green space acquisition throughout the City. In order to make any major purchases or improvements, there would need to be a new source of funding.

Cycling and Pedestrian Transportation Improvements

With the adoption of the Community Transportation Plan, the City Commission endorsed a complete streets policy and acknowledged that implementation of the plan should improve conditions for pedestrians and cyclists even if it meant decreasing the level of service for vehicles. This has resulted in capital improvements that have reduced the number of vehicle lanes, widened sidewalks and installed lanes for cyclists. The current budget includes \$200,000 in funding to place traditional on-street bicycle lanes on Commerce Drive between West Trinity Place and Clairemont Avenue using paint and signage. As an alternative, the PATH Foundation has developed a plan for protected bicycle lanes (or "cycle track") that are separated from vehicle traffic by a physical barrier and are dedicated for bicycle use. The estimated cost of this option is about \$1 million.

The City is planning protected bike lanes for North McDonough Street and Church Street. While more expensive than traditional bike lanes, many authorities recommend the use of protected bike lanes to encourage safe bicycling by families, the elderly and others who would not be comfortable on a street with vehicles. If we are serious about promoting the use of bicycling as a significant means of transportation in Decatur, protected bike lanes will need to be considered. However, this level of expenditure limits our ability to respond to other community requests for transportation improvements and implementation of traffic calming project.

E-911

E-911 operations are accounted for in a separate fund that is subsidized by the General Fund. In addition to the General Fund subsidy, the other primary source of funding for E-911 services has been a monthly assessment on land line and cell phones. The decreased number of land line based telephones has significantly affected this revenue. In 2008-2009 the E-911 Fund received approximately \$554,600 in revenue from fees and a \$220,000 subsidy from a general fund transfer. In the 2016-2017 Proposed Budget estimates we will collect about the same in fees, approximately

\$554,000, but the general fund subsidy will double to \$400,000. It is anticipated that increased subsidies from the General Fund will be necessary in the future for operation of the E-911 Center unless new sources of revenue are identified or the Georgia General Assembly increases the E-911 fee.

Annexation

During the 2015 General Assembly session, the House passed legislation that would have allowed a referendum on part of the City's original proposed "Annexation Master Plan." The legislation did not move forward in the Senate. During the 2016 General Assembly session, the City asked for the legislative initiative to be withdrawn so that our legislative efforts could be concentrated on legislation that allows a referendum on homestead exemption increases.

Past annexation studies indicate that the City and the City Schools would financially benefit from a modest annexation similar to what was proposed in the annexation master plan. The City continues to receive inquiries regarding accepting annexation petitions, primarily from adjacent residential areas. The Proposed 2016-2017 Budget estimates do not anticipate any revenues or expenditures related to implementing an annexation master plan.

Budget Work Session

A work session has been scheduled for Thursday, June 2, 2016 from 3:00pm – 6:00pm to discuss these issues and other budget policies and priorities.

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 calculate the millage rate reduction due to the increased digest. 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. The current combined operation millage rate is 11.08 mills. The proposed combined operations millage is 10.68, a reduction of .40 mills. However the calculated roll-back rate of 10.378 mills exceeds the proposed tax rate by 2.91% and the City Commission is required to provide a legal advertisement, issue a press release and hold three public hearings. It is recommended that public hearings be held at your regular meeting on Monday, June 6, 2016; at 6:00 pm on Monday, June 13, 2016; and, at your regular meeting on Monday, June 20, 2016.

DeKalb County may not have its tax digest certified by the State of Georgia until late 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

The City's objective is to provide quality services that reflect the community's goals and vision within reasonable fiscal limits. This means that we have to take a strategic approach that relies on and builds upon the City's strengths while preserving and protecting community financial resources. To that end, the 2015-2016 Revised Budget Estimates and the 2016-2017 Proposed Budget Estimates include funding for a number of programs and projects that should position the City well for the future.

The 2016-2017 Proposed Budget Estimates assure that that City will maintain its capacity to offer the high-level, high-quality services desired by our residents. This budget also supports our continued commitment to making the necessary infrastructure improvements and investments that will benefit our community long into the future. We remain committed to our conservative fiscal policies that allow us to meet the needs of the community today while assuring future generations will have the same access to resources and quality of life we currently enjoy. Below is a summary of property tax millage rates since 2010 and the recommended 2015 millage rates:

	2011 <u>Levy</u>	2012 <u>Levy</u>	2013 <u>Levy</u>	2014 <u>Levy</u>	2015 <u>Levy</u>	2016 <u>Levy</u>
General Fund	10.215	10.20	10.20	10.20	9.70	9.30
General Fund Capital Improvements	1.00	1.10	1.00	1.00	1.00	1.00
Downtown Development Authority	0.38	0.38	0.38	0.38	0.38	0.38
Operations Total:	11.595	11.68	11.58	11.58	11.08	10.68
2007 Bonds	1.44	1.32	1.42	1.42	0.92	0.92
2015 School Bonds	0	0	0	0	1.57	1.57
Bonded Debt Total:	1.44	1.32	1.42	1.42	2.49	2.49
TOTAL:	13.035	13.00	13.00	13.00	13.57	13.17

Completion of the 2015-2016 Revised Budget Estimates and 2016-2017 Proposed Budget Estimates would not be possible without the assistance of Accounting and Personnel staff, the teamwork and support shown by City employees in all departments, and particularly without the work of Assistant City Manager Andrea Arnold and Budget & Performance Measurement Manager Meredith Roark.

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

