May 20, 2019

City Commissioners,

It is my pleasure to present the 2018-2019 Revised Budget Estimates and the 2019-2020 Proposed Budget Estimates for your review. This budget message identifies key budget priorities, highlights specific projects and initiatives, and discusses principal issues that impact the budget and the City organization.

These are highlights of the budget message:

- The Proposed 2019-2020 General Fund Budget Estimate is $28,720,060, which is $2,372,060 or 9% higher than the Revised 2018-2019 General Fund Budget Estimate; the Revised 2018-2019 General Fund Budget Estimate is $26,347,200, which is $404,070 lower than the Adopted 2018-2019 General Fund Budget Estimate.
- An overall millage rate increase of 0.3 mill for Decatur Legacy Park debt service.
- A recommended use of fund balance from the General Fund in the amount of $2,316,410, which includes $1,000,000 for storm water system repair.
- An increase in the real property tax digest estimated at 9%.
- An increase of more than $500,000 in health insurance costs over the adopted 2018-2019 budget.
- An updated 2019-2020 pay plan that reflects a “living wage” for full-time employees.
- Funding of the 2020 Strategic Plan.

A Vision for the Future

The upcoming fiscal year represents the end of the 2010 Strategic Plan and the kickoff of the planning process for the 2020 Strategic Plan. The 2010 plan has guided all aspects of City operations and policy making for the past decade. Over 90% of the strategic plan tasks have been completed or are in progress. In 2019-2020, the City will engage with community members to develop guiding principles and specific goals and objectives to shape the future of our City for at least the next 10 years. The strategic planning process requires a significant financial investment in addition to staff time and energy. Our experience over the past 20 years, since the 2000 Strategic Plan, is that the plan and the City’s commitment to it have resulted in millions of dollars of public and private investment.
While the strategic planning process will be prominent over the next 12-18 months, other planning efforts will be wrapping up as others get started. The storm water master plan will be finalized soon. Planning will be initiated for the citywide historic resources survey, along with a cybersecurity incident response plan, a residential composting feasibility study, and an affordable housing site plan at Decatur Legacy Park to name a few. The City is a model in listening to the community, crafting a plan based on community engagement and remaining focused on the implementation of the plan.

Supporting Our Most Important Resource: Our Employees

The future of our City and our ability to provide the high level of service our citizens expect is directly related to our ability to attract and retain quality employees. Competitive salaries are one of many tools that make it possible for the City to recruit and retain the most qualified talent. In early 2019, the City performed a salary survey of comparable positions in the metro-Atlanta area. Based on the survey results and the City's goal to remain above the market median for salaries, a 5% increase in the pay ranges is recommended. While this does not alter individual pay for current employees, it does provide higher entry level wages for new employees. More importantly, the new pay scale gets the City closer to offering a "living wage" to all full-time employees. Generally, a living wage is the minimum employment earnings needed to meet a family's basic needs including food, childcare, health insurance, housing, transportation, and other basic necessities (see www.livingwage.mit.edu). While a living wage is normally higher than minimum wage or a poverty wage, it does not take into consideration income that would be needed for eating out, leisure activities and savings. The wage varies based on geography and family composition. In DeKalb County, the living wage for a family of two working adults with two children is $15.59 per hour. The salary recommendation included in this budget establishes the lowest hourly wage for a full-time City employee at $14.81. The cost of the pay scale adjustment is estimated to be close to $25,500.

As listed in the All Funds Overview, a handful of positions are recommended to be reclassified based on salary survey data and others are being reclassified based on changes in job duties. The number of positions in the General Fund remains the same, although there are additions and reductions within departments. The Children and Youth Services Fund adds one full-time Site Director for the new Talley Street School, a position that is covered by program fees. The budget anticipates that Decatur Legacy Park may have staffing and operational needs in the near future. If so, an agreement for services may be developed for consideration by the City Commission.

In addition to competitive salaries, the City offers health insurance coverage to all full-time employees. Details about the health insurance costs and plan changes can be found in the All Funds Summary. Overall health insurance costs are increasing 14% based on actual claims paid in the current fiscal year. In response to the cost increase, the City is increasing the employee contribution to the plan by 8% and is making significant plan changes to deductibles, co-insurance, and out of pocket maximums. The City continues to pay 80% of the overall premium equivalent rates while employees contribute 20%. In addition to
providing health insurance, the City encourages participation in its wellness program based on the belief that healthy and active employees will be present and productive.

Competitive pay and benefits are important, but they are not the primary reasons that people remain committed to an organization. Decatur employees have opportunities to serve on cross-departmental teams, take part in professional development activities, participate in the E5 leadership academy, and influence the day to day operations of their work. Key to the success of any organization is its sustained commitment to diversity, equity, and inclusion. Just having a diverse workforce is not enough. Decatur is just starting down the path of gaining a better understanding of issues such as institutional racism and identifying biases that may be built into many of the organization's systems. Training has been and will continue to be held with entities like the Racial Equity Institute to help us understand and address racism. At the beginning of the 2019-2020 fiscal year, an employee equity and inclusion team will be developed and charged with promoting racial equity training, hosting conversations about race and racism, and identifying and addressing systemic bias within the organization. It is anticipated that this will be a long, challenging but rewarding process.

Capital Investments

The City's past investment in capital infrastructure has been impressive and is described in detail in the Capital Projects Narrative. While some capital needs are deferred, the proposed budget continues a steady investment in capital infrastructure to benefit current residents as well as future generations. The City's limited resources are focused on pedestrian and bicycle improvements, technology infrastructure enhancements, street repair and paving, and parks/tennis court improvements.

In addition to the taxes generated by the Capital Improvement Fund millage, the Special Purpose Local Option Sales Tax (SPLOST) that was approved by the voters in November 2017 is earmarked for existing debt service, the Atlanta Avenue railroad crossing improvement and other transportation-related improvements such as sidewalks, multi-use trails and traffic safety. Initial revenue projections of SPLOST proceeds were estimated at $20,530,000 over six years. Based on current receipts, the total may be closer to $18,900,000. This will only cover outstanding debt service and the Atlanta Avenue intersection project. If there are funds remaining after those obligations are met, that revenue will be spent on improvements that benefit pedestrians and bicyclists.

Strong Financial Foundation

All of the priorities described above and in the subsequent Budget Narrative and other summaries are achievable because of the City's strong financial position. The City takes a conservative approach to budgeting which includes such techniques as fully funding all positions as if they will be filled throughout the whole year and using realistic collection rates when estimating property tax collections. This approach has resulted in a healthy
The City's financial policies recommend maintaining a fund balance equal to twenty to thirty percent of operating expenses. The fund balance policy expressly allows the City to budget the use of fund balance for one-time expenditures. In addition to the storm water repair, other one-time expenditures funded by the use of fund balance include the 2020 Strategic Plan, an impact fee study, the historic resources survey, a cybersecurity incident response plan and computer equipment.

The remaining fund balance will still be well within policy limits and adequate to meet unanticipated or emergency expenditure needs.

The property tax digest is the value of all taxable property within the City. The preliminary digest report from DeKalb County shows a 9% increase in the digest. Of that increase, 74% is attributed to revaluation of existing properties and 26% is due to new value such as new construction and renovations. These increases reflect a robust real estate market in which home sales remain strong and new development and investment in commercial property continues.

The increase in the digest will result in a recommended reduction of the millage rates from 11.72 mills to 11.53 mills for the General Fund and the Debt Service Fund combined millage rates. An increase in the Capital Improvement Fund millage rate is recommended from 1.52 to 2.00 mills. This increase will provide funding to pay all the annual debt service for Decatur Legacy Park. In the current fiscal year, fund balance from the General Fund was used to pay close to half of the debt service. The City has communicated its intent to increase the millage rate to fund debt service on Legacy Park since the purchase of the property. It was increased 0.46 mills in 2018-2019. It originally was estimated that the increase for 2019-2020 would be 0.62 mills, but the growth in the digest allows it to be set at 0.48 mills instead. This increase also provides funding for initial operations and maintenance at Legacy Park. Combined with the reductions in other fund millage rates, the overall millage rate increase is recommended to be 0.3 mills. For the owner of a $500,000 home, the increase is estimated to be $64.

In addition to the positive financial indicators described above, the City maintains an AA+ bond rating from Standard & Poor's and Aa1 from Moody's. The Decatur economy enjoys
the lowest commercial vacancy rates in the metro area at 3%. The City's approach to supporting and cultivating its local business community has resulted in a thriving restaurant and retail scene dominated by independently-owned business. In addition to the City's retail market, the City is developing a marketing plan to promote its attractive office environment which includes older commercial buildings and a new mixed-use development with 34,000 square feet of class A office space.

**Legislative and Policy Matters**

The General Assembly plays an important role with issues that directly impact the City of Decatur. This past legislative session resulted in the annexation of Decatur Legacy Park and nearby properties on Derrydown Way and South Columbia Drive. Responsibilities such as land use, zoning, permitting, inspections, and fire and police services will shift from DeKalb County to the City and will provide the opportunity to implement the Decatur Legacy Park plan in accordance with the City's planning goals. For the next two years the City has partnered with the Decatur Housing Authority to use four duplex structures and two single family homes at Legacy Park to house families from the Decatur Housing Authority's Swanton Heights community while their homes are being renovated. This partnership allows these families to remain in Decatur and these children to continue to attend City Schools of Decatur while the Swanton Heights renovation project moves forward.

The General Assembly also passed legislation related to 5G technology and access to public rights of way. While the City already has entered into an agreement with one company to install small cell technology, the long-term impacts of small cell and 5G equipment on the physical environment and technology services are still uncertain.

Legislation regulating e-scooters and other shared mobility devices did not advance at the State level but will likely return to the agenda in the next session. In the meantime, the City will be drafting a local ordinance to regulate the operation of e-scooters.

In 2019, the City was re-certified at the Platinum level in the Atlanta Regional Commission's Green Communities program and is one of only three communities in the region to achieve this goal. The re-certification recognized the City for facility energy audits, high-performance building standards, vigorous tree canopy regulations, recycling and waste reduction efforts and its LEED-certified public buildings. In July 2016, the City of Decatur became the first Bee City USA® in Georgia and continues to support sustainable habitats for pollinators and educating residents about the critical role bees play in our ecosystem. In 2019-2020, the City is committed to studying the feasibility of curbside composting and updating its successful tree canopy protection ordinance. Funds have been requested for an intern to focus on environmental sustainability projects.

The City recognizes that the demands on the housing market have resulted in increased sales and rental prices, limiting access to affordable housing. Decatur is not unique as the metro-Atlanta region is facing a shortage of quality, affordable housing. The City
understands the importance of having a variety of housing types at different prices and is committed to finding solutions to address the community’s specific housing challenges. The City Commission will be naming an Affordable Housing Task Force made up of community volunteers and charging it to explore this complex, challenging issue and to make recommendations for viable solutions. In the meantime, the Downtown Development Authority is moving forward with its innovative Cottage Court pilot development while the affordable housing concept for Decatur Legacy Park is being developed into a more detailed plan.

A Bright Future Builds on a Successful Past

The Revised 2018-2019 and Proposed 2019-2020 Budget Estimates continue the vision of a high quality of life for residents, businesses and visitors both today and in the future. This budget builds upon strategic decisions made many years ago that today enable the City to continue to provide high quality services consistent with our community’s vision. It meets the needs and desires of Decatur today while considering the City’s long-term viability. And it is a budget committed to long-term planning, support of our employees, and investment in critical infrastructure, all within the City’s ideals of equity, inclusion, transparency, community and democracy.

Andrea Arnold
City Manager