

May 15, 2023

City Commissioners,

It is my pleasure to present the 2022-2023 Revised Budget Estimates and the 2023-2024 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.

The City ended the 2021-2022 fiscal year in a strong financial and organizational position which has positively influenced the scope and sheer number of goals and priorities that may be addressed in the proposed budget. A healthy fund balance, robust residential and commercial development, resilient local economy, engaged community members and a unified elected body are just some of the factors that have contributed to this proposed budget for your consideration.

In fiscal year 2021-2022, you were introduced to the Budget as Art Collection which uses art to emphasize the vision and values reflected in the City's budget. The Budget as Art Collection continues with an original work of art by local artist, Sanithna Phansavanh, with "Cultivate (2023)." The artist uses botanicals that are tended and nurtured to represent caring stewardship. Elected officials and staff share a commitment and responsibility of stewardship for our community and our city organization. The proposed budget cultivates values and priorities that allow us to serve all people in the City of Decatur equitably and with compassion. Just as the City is collecting stories to commemorate its bicentennial, the budget tells the story of how we are committed to fulfilling the City's vision:

Decatur will foster an equitable, thriving, and welcoming community for all, today and in the future.

These are highlights of the proposed budget:

- The Proposed 2023-2024 General Fund Budget Estimate is \$39,629,290, which is \$7,619,930 higher (23%) than the Revised 2022-2023 General Fund Budget Estimate; the Revised 2022-2023 General Fund Budget Estimate is \$32,009,360 which is \$636,500 lower (-2%) than the Adopted 2022-2023 General Fund Budget Estimate.
- A reduction in the overall millage rate from 13.17 mills to 12.47 mills, a reduction of 0.70 mills.
- A recommended use of fund balance from the General Fund in the amount of \$4,230,810 for the Revised 2022-2023 General Fund Budget, as compared to \$3,883,500 in the Adopted 2022-2023 General Fund Budget; and a use of fund balance in the amount of \$4,145,816 for the Proposed 2023-2024 General Fund Budget. (\$1,898,825 was added to the fund balance at the end of Fiscal Year 2021-2022.)
- An increase in the 2023 real property tax digest estimated at 14%.
- A modest increase of approximately \$104,000 (+3%) in the health insurance budget over the 2022-2023 Adopted Budget.
- Increases to all regular, full-time salaries in response to a pay and compression study, including adjustments to a living wage and minimum increase of 8.35% to compete with the job market in addition to compression adjustments.
- Multiple position reclassifications and eleven additional full-time positions.
- Creation of a new Parks and Recreation Department, combining the Active Living division and Children and Youth Services division. The transfer of the Children and Youth

Budget Message from the City Manager



Services budget from a separate fund to the General Fund accounts for 35% of the overall budget increase.

- Next steps for the Equity Action Plan, Downtown Master Plan, Parks and Recreation Master Plan, Storm Water Master Plan and Clean Energy Plan.
- Creation of a Community Energy Fund with funding from the City's energy franchise fee revenue.
- Funding earmarked for the Affordable Housing Trust Fund.

Our Most Valuable Resource-Dedicated Employees

At a recent retirement celebration in the Police department, I listened to heartfelt stories from the retirees' colleagues about their special memories of protecting the public and protecting each other. These stories epitomize our employees who are called to public service, who serve selflessly and many who ultimately retire from the City with special bonds to co-workers and community members. These are the same employees that continued to come into work, in-person, during the pandemic while most people retreated to their home offices. In addition to our first responders such as police officers, firefighters and public works employees, there are dozens of other employees working to improve the quality of life for people in our community. Our employees are leading us through difficult conversations, sharing tools to prioritize equity in our work, tending to all our public spaces, finding creative ways to bring people together in those spaces, ensuring our actions are consistent with sustainability and clean energy goals, reviewing plans, preparing communications and so much more that is needed to operate a small city. All of this work is performed with an emphasis on ethics, integrity and transparency. Employees are proud to do their work in the public setting, open to public input, scrutiny and even criticism. We are proud that our employees average 10 years of service and 36 employees have over 20 years of service.

In order to recruit and retain the brightest, most committed and caring public servants, the City's pay structure must be fair and competitive. The pandemic exacerbated a problem that has been years in the making. Prior to the pandemic, annual salary increases lagged behind the market, but regular updates to the salary ranges for recruitment purposes resulted in some new hires earning as much or more than their more tenured counterparts. The current personnel policies provide limited authority to address the resulting pay compression issues. Furthermore, resignations during the pandemic have resulted in difficult-to-fill vacancies. While all departments are challenged to fill vacant positions, the Police department's vacancy rate has remained around 20% over the past 2 years. This challenge is not isolated to Decatur as police agencies across the country struggle to fill vacancies. To address this on-going challenge, the department is exploring new strategies to achieve community safety such as leveraging technology and partnering with other organizations to serve the community's needs.

In addition to evaluating processes and seeking innovative ways to provide public services, the City is committed to maintaining an employee pay system that provides fair and equitable pay internally and that is competitive externally. With that goal in mind, the City engaged a compensation consultant to review employee salaries and salary ranges. The recommendations from the study in the proposed budget include:

- Moving the salaries of 37 employees to a living wage as determined by the MIT Living Wage calculator. The living hourly wage for one adult with no children is \$18.93. Working within the current pay range and step system, the actual hourly wage would be \$19.10.
- Making pay adjustments to 87 employee salaries to reduce compression.
- Increasing all full-time salaries 8.35%. The salary survey of 18 area jurisdictions found

that actual city salaries are 7.6% behind the market.

- Shifting pay ranges 5%. (This does not impact current employee salaries).
- Increasing Firefighter I entry level pay from \$41,434 to \$48,402.
- Increasing Police Officer I entry level pay from \$48,048 to \$53,435.

Recommendations related to the City's personnel policies for hiring and promotions will be made outside of the budget process. The compensation study revealed the need for a deeper analysis of job descriptions and classifications which may occur in the next fiscal year.

The research of employee motivation by psychologist Frederick Herzberg from the 1950s and 1960s remains relevant today. Without belaboring his Motivation-Hygiene Theory, his research identifies pay as a hygiene factor that does not serve to motivate employees when fair and equitable, rather it creates dissatisfaction when not appropriately addressed. Addressing such job factors as pay and working conditions is necessary to reduce or eliminate dissatisfaction. However, focus on proven motivation factors such as recognition, responsibility, meaningful work and involvement in decision-making is critical for an engaged workforce.

A new position, the Innovation and Strategy Director, is proposed to continue the work of employee engagement currently being led by a small group of employees called the Vision team. The team has initiated the work to engage all employees in defining the organization's vision, values, philosophy, guiding principles, and identifying what these values and principles look like in practice. This organization development and work culture focus needs a full-time director to advance this work.

As listed in more detail in the All Funds Overview, several reclassifications and new positions are recommended in the proposed budget. Firefighter I moves from range 6 to 7; Firefighter II moves from range 7 to 8; Crew Supervisor is reclassified as Crew Superintendent and moves from range 9 to 11; Chief Court Clerk is reclassified to Court Administrator and moves from range 11 to 15; City Clerk is retitled to Chief of Staff (City Clerk); Facilities Superintendent and Sanitation Services Superintendent positions are recommended to be reclassified to Assistant Public Works Director; a Planner position is recommended to be reclassified to Planning and Zoning Manager; Digital Media Specialist is reclassified to Communications Coordinator and the part-time Content Writer is recommended to become a full-time Communications Coordinator; a part-time Administrative Investigator in Police is recommended to become a full-time Accreditation Manager and Open Records Custodian at range 13; a new Volunteer Coordinator is recommended at range 9 with one-half of funding from the Tourism Bureau; an additional Court Clerk as well as a Sanitation Equipment Operator I position are recommended; and the Innovation and Strategy Director position at range 18 is recommended.

To carry out the goals of the City's new Parks and Recreation plan, six new positions are needed including 3 Recreation Coordinators at range 2; Tennis Pro at range 8; Center Operations Manager at range 11; and Out-of-School Time Manager at range 11.

A number of organizational changes will be made in the next fiscal year in an effort to improve service delivery. The Active Living division and Children and Youth Services division are being combined into the Parks and Recreation department. This merger will eliminate service redundancy for a similar customer base and will leverage resources to improve all aspects of parks and recreation services, including out-of-school time (formerly after-school and summer camp) programming. The Parks and Recreation department will move from the Community and Economic Development department to the Public Works department. This will allow the parks and recreation facility needs to be more closely aligned with the public works staff that support and maintain the recreation grounds and facilities.



Development services currently housed in the Public Works department will transfer to the Community and Economic Development department. These services include development-related licensing, inspections, permitting, codes enforcement and arborist. This organizational change will enhance coordination with the city planning function and result in an improved experience for homeowners, contractors and developers. It is anticipated that this transition will occur over a 6-month period. The reclassification of a Planner position to Planning and Zoning Manager will enable the Planning and Economic Development Director to provide a greater focus on economic growth activities as described in the strategic plan.

Ultimately, the purpose of reclassifications, new positions, and reorganizations is to create the best environment for employees to thrive and for employees to fulfill the goals of the strategic plan and other supporting plans.

The Plan is the Story

As we spend the year of the City's bicentennial documenting the stories that paint a picture of our community, the City's strategic planning process is a story that should not be overlooked. The planning process conducted every 10 years is practically taken for granted by residents and many are not aware that the first strategic plan in 2000 grew out of community frustrations, anger and a general concern that the community lacked direction, and the qualities of the City that people cherished felt threatened. The driver for the initial community dialogue, called the Decatur Roundtables, may be debated but there is no question that these community conversations resulted in the 2000 strategic plan process. Decisions made by community members and leaders 25 years ago set the foundation and expectation for community visioning for decades.

There are six primary topic areas that reflect the themes that emerged from the 2020 strategic planning process:

- Equity and Racial Justice
- Civic Trust
- Mobility
- Climate Action
- Affordable Housing
- Economic Growth

The plan identifies 60 specific action items to be accomplished by 2030 and provides the blueprint for how the City will prioritize its work program and allocate its assets over the ten-year Community Work Program Action Plan. The City has launched an online, visualization dashboard system to track progress on strategic plan goals. The budget narrative provides details about the specific action items that are included the proposed budget in support of the plan.

Here are some highlights of the priorities in the Proposed 2023-2024 Budget.

Equity and Racial Justice

Training will continue with organizations such as the Racial Equity Institute and the Anti-Defamation League to help us understand and address racism and inequity. In 2020, an employee equity and inclusion team was developed and charged with promoting racial equity training, hosting conversations about race and racism, and identifying and addressing systemic bias within the organization. The employee Racial Equity Action Plan will be completed in the current fiscal year and makes recommendations to operationalize equity within the workplace. Other efforts to advance equity include the Police department's use of Guardian Score to allow the public to rate their experience with the department. This tool was identified by members of the Better Together Advisory Board and supported by the Police department as a tool to improve its relationship with the community. The City will participate in the Georgia Municipal Association's Certified City of Diversity, Equity, Inclu-

sion, and Belonging program that recognizes cities that adopt policies and practices that promote equity and inclusion within their municipal government and community. The City continues to hold itself accountable to its racial equity stand.

Climate Action

The climate crisis demands strategies that mitigate impacts by reducing greenhouse gas emissions, and strategies that help us adapt to climate changes already underway. The proposed budget includes a Community Energy Fund that will help pay for recommendations in the Clean Energy Plan. Other initiatives include additional solar arrays on city buildings including the Decatur Recreation Center and the Police department; a pilot composting program; a green business certification; and conversion to LED lighting in city facilities.

Civic Trust

In order to fully meet the needs of its community, a government must earn and foster the trust of that community. The strategic plan is a contract that the City has with the community and the City must be open and transparent about its progress towards specific goals. The online dashboard for the strategic plan will continue to be enhanced over the next year to make it a valuable tool for reporting on the plan. Other efforts to strengthen trust include greater investments in communications staff and the future inclusion of youth on city advisory boards.

Affordable Housing

The Affordable Housing Task Force report from February 2020 has provided a guide for the City's actions to support and promote affordable housing. Most recently, the City Commission adopted the "missing middle" ordinance to allow duplex, triplex and quadplex developments back into single-family neighborhoods. This policy will go into effect in June 2023. New and expanded homestead exemptions were passed in the State legislature this past session and will be on a referendum in the fall. If approved, additional tax relief will be provided to residential homeowners. The proposed budget includes funding for architectural plans for affordable housing on a handful of city-owned lots. Also, city staff will explore options for an employer assisted housing program. The City will continue to work closely with the Decatur Land Trust on opportunities to expand affordable housing. One such opportunity will be the lot at the corner of Commerce Drive and E. Ponce de Leon Avenue. The Decatur Land Trust was created in 2019 as a vehicle to preserve owner-occupied single-family homes at affordable prices, to promote and finance the construction of accessory dwelling units as an aging-in-place affordable housing model, and to partner with developers of for-sale dwellings to permanently maintain affordability to income-qualified households.

A transfer of \$100,000 is being recommended to the Affordable Housing Trust Fund. Policies and procedures are being developed to guide the use of the funds in the Trust Fund.

Mobility

Mobility initiatives seek safer and more affordable ways to move more people around the City. City staff will assess the GoDecatur circulator bus and make recommendations for improvements as needed. Over the next year, there will be updates to the Unified Development Ordinance related to alternative fuel infrastructure in developments and staff will initiate a parking management plan. With an emphasis on safety and a desire to slow vehicles in school zones, the school zone speed enforcement program is expected to start next fall in five school zones.

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Racial Equity Stand

The City of Decatur is an organization that embraces diversity, equity and inclusion with clear intentional actions in order to dismantle systemic racism and bias. We commit to proactively listen, learn and act to promote equitable outcomes and to cultivate a culture where everyone feels heard, welcome and valued. We accept this responsibility and pledge to hold ourselves accountable for our actions.



Economic Growth

Decatur's economic growth initiatives seek to help existing businesses thrive and attract affordable, equitable and diverse businesses to the community. The City will continue to partner with the Downtown Development Authority on such programs as the façade improvement program, a guide to opening a new business and a retail recruitment plan. A major driver of the direction of future economic growth will be the Town Center Plan 2.0, the Downtown Master Plan that is expected to be completed near the end of the current fiscal year.

An Urban Oasis-the Natural and Built Environment

At a Decatur Youth Council meeting this year, when members were asked what they liked about the City, we heard comments about walkability, the Square, parks, bike lanes, trees, recreation centers, and Decatur Legacy Park. These amenities are a combination of the natural and built environment that complement each other to create our urban oasis. Over the next year, the City will continue to invest in capital infrastructure as part of the built environment including:

- South Columbia Drive multi-use path
- Atlanta Avenue railroad crossing improvement and W. Howard Avenue traffic calming
- Installation of electric vehicle charging stations
- North Decatur Road improvements
- Adair Street traffic calming
- Sidewalk maintenance and improvements
- Street milling, repair and paving

A number of projects to protect the natural environment are included in the budget:

- Invasive plant removal and woodland restoration at Decatur Legacy Park and other parks under the guidance of an Urban Naturalist
- Community education about the tree canopy ordinance
- Converting City property on N. Parkwood Road to greenspace
- Urban Greening pilot program
- Storm water master plan projects

Many of these projects are budgeted in the Capital Improvement Fund. Transfers totaling \$3,050,000 over both fiscal years are proposed from the General Fund to the Capital Improvements Fund to fund the gap between the Capital Improvements Fund tax revenues and proposed expenditures. Use of fund balance for one-time capital projects is appropriate and supported by the City's financial policies.

In addition to the funds generated by the Capital Improvement Fund tax, the Special Purpose Local Option Sales Tax (SPLOST) 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 transportation safety. If revenue projections are accurate, we will be able to cover outstanding debt service, the Atlanta Avenue and West Howard Avenue improvements project and have funds available for other improvements that benefit pedestrians and bicyclists. The State legislature approved a bill for SPLOST II which will be on a referendum in November 2023. If approved, the revenue from SPLOST II will continue to cover outstanding debt service as well as capital projects that will be identified in advance of the November referendum.

Federal/State Funds Making a Local Impact

For the first time in over a decade, community project funding at the federal level is available to local governments. The City has been awarded over \$2 million in community project funding over the past year for the following projects.

- \$750,000 – Legacy Park South Housing Village – Congressman Hank Johnson
- \$209,000 – Legacy Park Creative Village – Congressman Hank Johnson
- \$750,000 – Solar at Decatur Recreation Center – Congresswoman Nikema Williams
- \$500,000 – Solar at Decatur Police Department – Senator Jon Ossoff

Other recent grant awards include:

- \$170,000 – Pilot Composting Program - Environmental Protection Division
- \$388,950 – Floodplain Repetitive Loss – FEMA
- \$75,000 – Summer Camp – GA Department of Education
- \$50,000 – Legacy Pond Boardwalk – National Fish and Wildlife Foundation

In March 2021, the federal American Rescue Plan Act (ARPA) was authorized to provide financial relief and support programs in response to the effects of the coronavirus pandemic. The City was allotted \$9,595,820 paid in two equal installments of \$4,797,910. This is a substantial sum for a community that normally has under \$5,000,000 to spend annually on capital needs. These federal funds will allow the City to complete priority capital projects that otherwise would have been delayed or not achieved. To date, the City has committed over \$3,700,000 to the South Housing Village affordable housing development at Legacy Park and \$3,000,000 for partial funding of an athletic field and track at Legacy Park in partnership with the City Schools of Decatur, and \$115,000 for hybrid meeting technology at the Decatur Recreation Center. Spent funds include \$513,340 for pandemic premium pay, \$21,338 on municipal court video streaming and recording technology, and \$22,488 on Covid-19 testing supplies. It is anticipated that the remaining \$2,000,000 will be committed to storm water capital projects identified in the storm water master plan.

Financial Discipline Creates Opportunities

Historically, the City has employed conservative budget and financial policies and practices. A 2022 ratings report from Moody's Investor Service stated, "The Aa1 rating reflects the city's strong operating performance resulting in healthy fund balance and liquidity levels, supported by conservative budgeting practices and adherence to formalized fiscal policies." For example, the City fully funds all positions as though they will be filled throughout the whole fiscal year and uses realistic collection rates when estimating property tax collections. This conservative budgeting approach has resulted in a healthy fund balance which has enabled the City to weather economic downturns, be prepared for unanticipated expenditures and have funds available for unique opportunities consistent with strategic plan goals that are not included in the budget.

The proposed budget leverages the City's strong financial position to advance a variety of bold community goals and make significant investments in the internal organization of the City.

The City's financial policies recommend maintaining a fund balance equal to twenty to thirty percent of operating expenses. A prudent use of fund balance consistent with our conservative financial policy continues in this budget. At the end of 2021-2022, the fund balance for the General Fund totaled \$16,591,233 which is 51% of the 2022-2023 Revised Budget Estimate. The 2022-2023 Revised Budget anticipates using \$4,230,810 in fund balance. This is \$347,310 more than the amount originally planned in the 2022-2023 adopted



budget and will reduce fund balance to \$12,360,423 or 39% of the 2022-2023 Revised Budget Estimate. The increase in the use of fund balance is primarily due to an increase in the transfer to the Capital Improvements Fund from \$750,000 to \$2,500,000. The 2023-2024 Proposed General Fund budget anticipates using \$4,145,816 of fund balance and will leave a fund balance of \$8,214,607 or 21% of the 2023-2024 Proposed General Fund budget.

The fund balance policy expressly allows the City to budget the use of fund balance for one-time expenditures. One-time expenditures paid for by the use of fund balance in 2023-2024 include the balance of the Downtown Master Plan, a Cultural Arts Plan, a transfer to the Affordable Housing Trust Fund and a transfer to the Capital Improvement Fund.

The remaining fund balance will be within the City's adopted policy guidance and is adequate to meet unanticipated or emergency needs.

The property tax digest is the value of all taxable property within the City. The budgeted property tax revenue assumes a 14% increase in the tax digest. These increases reflect a robust real estate market in which home sales remain strong and new development and investment in commercial property continue.

Due to the increase in the value of the tax digest, a 0.70 mill reduction in the 2023 millage rates is recommended as follows: General Fund from 10.59 to 10.09 mills, Bond Fund from 2.20 to 2.03 mills and DDA Fund from .038 to 0.35 mills.

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 proposed budget includes payments of all annual debt service and is described in detail in the Debt Service Summary.

We Cultivate What We Cherish

As we reflect on our community's bicentennial and look toward the next 200 years, our focus is on what our community cherishes most – our children and youth. Children and youth are at the core of every decision, every plan, every project. Through organizations like the Decatur Youth Council and Child Friendly Cities Initiative, the voices of the next generation are amplified and included in decision-making and policy setting. In June 2023, City leaders, staff and Decatur teens will share our story on a national stage at the National Civic League's All-America City Award event about how we are creating a thriving community through youth engagement. Not only are we investing in community improvements for our children and youth, we are making those improvements with them. The recent skate park design initiated by city youth is an excellent example of how the community will be better for listening and engaging with our youth.

In the spirit of the budget's cover art, "Cultivate," the proposed budget reflects the highest ideals of public stewardship. It honors the City's commitment to implementing the strategic plan; it provides the means for an engaged workforce; it elevates equity in decision-making; and it cultivates our future leaders.

Completion of the 2022-2023 Revised Budget Estimates and 2023-2024 Proposed Budget Estimates would not be possible without the assistance of our Finance and Human Resources staff, the teamwork and support shown by City employees in all departments, and particularly without the dedication and work of City Clerk Meredith Roark.

Andrea Arnold
City Manager