City Commissioners,

From the outset of the COVID-19 pandemic two months ago, the City has taken steps to keep residents and employees safe, to inform community members of constantly changing public health guidelines, to protect our most vulnerable residents and to support our small businesses. While consistently providing these essential services, City staff have also developed a conservative proposed budget that:

1) Maintains core City services within fiscal constraints
2) Reflects immediate financial impacts of the pandemic and estimates a prolonged impact of the pandemic on the community
3) Plans for a surge in cases and a return of the virus in the fall or winter
4) Prioritizes public health and safety

The 2019-2020 Revised Budget Estimates and the 2020-2021 Proposed Budget Estimates, presented here for your review, were developed using the most current economic, market, and public health data available. This is certain to change. As data are identified that may have significant impacts on the budget estimates, these budgets will likely be re-visited prior to the end of the next fiscal year. The budget message identifies key budget priorities, highlights specific projects and initiatives, and discusses principal issues that impact the budget and the City organization and acknowledges the challenges we will face as a community and a public organization over the year.

These are highlights of the budget message:

• The Proposed 2020-2021 General Fund Budget Estimate is $28,012,810, which is $555,730 higher (+2%) than the Revised 2019-2020 General Fund Budget Estimate; the Revised 2019-2020 General Fund Budget Estimate is $27,457,090, which is $1,262,980 lower (-4.4%) than the Adopted 2019-2020 General Fund Budget Estimate.
• No change to the overall millage rate of 13.92 mills.
• A recommended use of fund balance from the General Fund in the amount of $2,319,830 for the Revised 2019-2020 General Fund Budget, including $1,290,000 for storm drainage repairs, and a use of fund balance in the amount of $2,289,200 for the Proposed 2020-2021 General Fund Budget.
• An increase in the 2020 real property tax digest estimated at 5%.
• An increase of more than $350,000 (+12%) in health insurance costs over the 2019-2020 Adopted Budget.
• No salary increases or pay adjustments for City employees.
• Funding of planning efforts including the 2020 Strategic Plan, a Downtown Master Plan, and a Facilities and Greenspace Master Plan.
• Funding earmarked for small business relief and affordable housing assistance.
A Vision for the Future

The current fiscal year saw the kickoff of the much anticipated ten-year, 2020 Strategic Plan. The 2010 strategic plan has guided all aspects of City operations and policy making for the past decade. The community engagement process for the 2020 plan was interrupted by the pandemic and the planning team is considering options for the best way to move forward. We recognize that the impact of the outbreak on community engagement may be long lasting. We will seek safe and innovative ways to bring people together to share ideas that will ultimately develop guiding principles and specific goals and objectives to shape the future of our City for 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 the achievement of important community goals and in millions of dollars of public and private investment.

While the strategic planning process will be prominent over the next year, other planning efforts will be wrapping up as others get started. The Affordable Housing Task Force presented its report to the City Commission in February 2020. The storm water master plan will be finalized soon. Planning will be initiated for a downtown master plan, a facilities and greenspace master plan, a communications audit and plan, and a waste characterization study. The City is a model in listening to the community, crafting plans based on community engagement and remaining focused on implementation.

Supporting Our Most Important Resource: Our Employees

Over the past two months, over 36 million Americans have filed for unemployment. This is a staggering number and on a scale not seen since the Great Depression. Our employees have been affected by the economic impacts of the pandemic. In May, over 20 part-time employees, mostly from the Active Living division, were placed on furlough. Once it is determined that certain Active Living programs can be offered again, then we should be able to call back employees from furlough.

The future of our City and our ability to provide the high level of services our citizens expect are 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 the 2019-2020 Adopted Budget, pay ranges were increased 5% to be more competitive with the Atlanta market and to get the City closer to offering a “living wage” to all full-time employees. The adopted pay plan established the base hourly wage for a full-time City employee at $14.81.

Due to the known financial impact of the pandemic on the City’s revenues as well as the uncertainty about the future impact, the 2020-2021 Proposed Budget Estimate does not include a recommendation for a salary increase or pay adjustment for City employees. Considering that our employees are at the core of our ability to provide a high level of service to our residents and businesses, we risk jeopardizing that critical feature of our community. However, a decision to reinstate employee pay increases is too risky financially to consider at this point in the budget process. I recommend that we re-evaluate our financial position in six months to include the 2019-2020 fiscal year-end outcome and make a determination at that time about possible salary increases or one-time pay adjustments.

The City also recognizes that due to the uncertainty of the duration, severity, and overall impact of the pandemic, it would not be financially responsible to offer additional pay to employees that have been deemed “essential” during the pandemic and who have reported to work on a regular schedule. Ideally, federal funding would be available for such expenses during a public health emergency, but so far communities under 500,000 do not
qualify for such funding. The federal funding received by DeKalb County, which qualified based on its population including municipalities, could be a potential revenue source. We are also pursuing State funding and direct federal funding to replace some of the revenue lost from the COVID-19 outbreak.

In most years, multiple positions are reclassified based on salary survey data and changes in job duties. In an effort to control costs, no requests for new positions or reclassifications were accepted. The only recommended personnel changes are the addition of two school crossing guards (one at the crossing in front of Westchester Elementary School on Scott Boulevard and one in front of Decatur High School on North McDonough Street), a reclassification of the City’s graduate Fellow from its full-time, temporary status to a full-time, permanent Operations Analyst position and the addition of a two-year (Affordable Housing) Fellow dedicated to the City’s affordable housing initiatives. The number of full-time positions in the General Fund budget remains unchanged.

In addition to competitive salaries, the City offers health insurance coverage to all full-time employees. Details about health insurance costs can be found in the All Funds Summary. Claims are expected to be lower in the current fiscal year, resulting in lower costs. However, an increase in claims is anticipated next fiscal year as plan participants pursue non-emergency care and other routine medical services. This will result in an overall health insurance increase of 12% over the current fiscal year. In response to this cost increase, the City is increasing the employee contribution to the plan by 6%. 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. Having a diverse workforce is not enough. Decatur has started down the path to a better understanding of issues such as institutional racism and identifying bias that may be built into our organization. Training has been and will continue to be held 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. It is anticipated that this will be a long, challenging but rewarding process.

Supporting Our Community

In February 2020 the Affordable Housing Task Force (AHTF) presented “A Report on the Findings and Recommendations for Decatur’s Future Affordability and Inclusivity.” It may be assumed that housing affordability has been further exacerbated across the nation by the impacts of the COVID-19 outbreak. At the same time, the pandemic is having a negative impact on the City’s revenues available for policy priorities. Nonetheless, the proposed budget addresses many of the recommendations from the AHTF report. The only new position that is recommended in the budget is for a two-year Affordable Housing Fellow that will be dedicated to researching recommendations from the report, developing proposals, and, in some cases, implementing such proposals. Work has already started on a mandatory inclusionary zoning ordinance. Through the recently awarded Community Development Assistance Program grant from the Atlanta Regional Commission, we will work to define and develop the logistics of the recommended “MLK Every Day” program that would extend the current weekend-long effort to provide home repairs to low and moderate income seniors. The impact fee implementation study is underway and we anticipate starting research on the tax abatement recommendations for preserving naturally occurring affordable housing in the next fiscal year. Finally, a transfer of $100,000 is being recommended to the housing trust fund,
which could be used for a project like an emergency rental assistance program. This program has been recommend-
ed by the AHTF and such a program is timely due to job losses and income reductions caused by the COVID-19 outbreak.

The City of Decatur is home to dozens of small, local restaurants, retail and service establishments. These have been among the most severely affected during the COVID-19 outbreak, with social distancing, limited restaurant activity and sheltering in place requirements necessary to protect the health of residents, business owners and em-
ployees, and visitors. The 2019-2020 Revised Budget Estimates include a transfer of $400,000 to the Emergency Small Business Relief Fund that is being administered through the Decatur Development Authorities (DDA) and an appointed oversight committee. In addition to the City’s contribution, the DDA has contributed $100,000 to the fund, while over $25,000 has been raised from the community through the local non-profit, Legacy Decatur, Inc. to assist small businesses. In addition to the opportunity to qualify for a loan through the small business loan program, the City has been a resource for information for businesses including guides on how to safely operate during a pandemic, information about other loan and grant opportunities, and COVID-19 related webinars. Staff developed a creative, online marketing campaign that highlights the services and goods being offered by Decatur businesses during the pandemic. All of these efforts have been received positively by the business community.

Capital Investments

The City’s past investment in capital infrastructure has been impressive and is described in detail in the Capital Projects Narrative. In order to remain within the limited revenue generated by the levy for the capital improve-
ments funds, our recommendation is to defer many capital needs for the present.

However, there are investments in capital infrastructure to benefit current residents as well as future generations. During the public health emergency, community members have taken advantage of access to sidewalks, bike lanes, parks, and open space, including the 77 acres at Decatur Legacy Park. Employees, full-time and part-time, have continued to maintain the parks. Additional artificial turf was installed on the Square near the bandstand creating a more attractive, park-like setting in downtown Decatur. The Commerce Drive cycle track has been connected to the North McDonough Cycle track, and more protected bike lanes are included in the proposed budget. Oakhurst Park tennis courts are budgeted to be re-built along with the installation of new lighting. Vehicles and other capital equipment purchases are being deferred so limited funds may be focused on parks and recreation improvements, new sidewalk construction and streets improvements.

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 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 and the long term impact of the COVID-19 outbreak is unknown. Current estimates 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 improve-
ments that benefit pedestrians and bicyclists.

Strong Financial Foundation

The priorities described above and in the subsequent Budget Narrative and other summaries are achievable because of the City’s strong financial position even in the face of a global pandemic on a scale never seen in our lifetime. The City takes a conservative approach to budgeting which includes such practices as fully funding all positions
as though they will be filled throughout the whole fiscal year and using realistic collection rates when estimating property tax collections. Lower collection rates have been applied to property tax estimates for the revised and proposed budgets due to the outbreak. Historically, 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 non-budgeted opportunities consistent with strategic plan goals but not included in the budget.

The City’s financial policies recommend maintaining a fund balance equal to twenty to thirty percent of operating expenses. In light of current economic uncertainty and a likely recession, substantial use of fund balance is recommended in this budget. At the end of 2018-2019, the fund balance for the General Fund totaled $10,696,463 which is 39% of the 2019-2020 Revised Budget Estimate. The 2019-2020 Revised Budget anticipates using $2,319,830 in fund balance. This is just $3,000 more than the amount originally estimated in the 2019-2020 adopted budget and will reduce fund balance to $8,376,633 or 31% of the 2019-2020 Revised Budget Estimate. The 2020-2021 Proposed General Fund budget anticipates using $2,289,200 of fund balance. This total use of fund balance will result in a fund balance of $6,087,433 or 22% of the 2020-2021 Proposed General Fund budget.

The fund balance policy expressly allows the City to budget the use of fund balance for one-time expenditures. In addition to a storm drainage repair, other one-time expenditures funded by the use of fund balance include the 2020 Strategic Plan, communications audit, support for the small business loan program, and funding for affordable housing initiatives.

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 7% increase in the digest. Budgeted property tax revenue assumes a 5% 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 continues.

A .15 mill reduction is recommended for the General Fund and a corresponding increase of .15 mill is recommended for the Capital Improvement Fund, resulting in no overall change to the combined tax rate of 13.92 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. Additionally, a potential for refunding an outstanding debt obligation is being explored. The City’s low commercial vacancy rates in the metro area are certain to be threatened by the pandemic but it will be months before the full impact is known.

Future of Cities

At this stage of the pandemic, anxiety and fear abound about the future of our city and the future of cities in general. Cities have experienced the devastating impacts of disease for centuries, including plague, cholera, smallpox, tuberculosis, and influenza. Those cities responded, learned from crisis, and recovered to be more prepared. That resilience looks like the essential services now provided by cities: garbage collection and disposal prevents the spread of disease; medical first responders, firefighters and police officers all play a role in the community’s public health; codes enforcement and planning and zoning ensure that we can live safely in densely-developed communities; thoughtful public investments offer multiple transportation alternatives for residents and visitors. Just as past
diseases have forced local governments to re-think policies and services to protect public health, this pandemic will change our city. We will re-think community engagement, public spaces, transportation, special events, work schedules, and more. We will do this with our partners including the City Schools of Decatur, Agnes Scott College, Decatur Housing Authority, Columbia Theological Seminary, and others. Cities, just like the City of Decatur, will continue to be centers of education, research, innovation and economic activity long after this virus is gone.

The Revised 2019-2020 and Proposed 2020-2021 Budget Estimates represent our immediate response to the pandemic, reflect how we are learning to adjust to the changing public health and economic environment, and prepare us to be stronger as a community and an organization for the next crisis. And this budget continues the vision of a high quality of life for residents, businesses and visitors both today and in the future.

Andrea Arnold
City Manager