

FY2022 Budget Workshop 1 of the City of Sandy Springs City Council - DRAFT

Broadcast Via Live Webinar and Teleconference on Tuesday, April 20, 2021

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FY2022 Budget Workshop 1 of the Sandy Springs City Council was held Tuesday, April 20, 2021, at 2:00 p.m., Mayor Rusty Paul presiding.

Mayor Rusty Paul called the meeting to order at **2:00 p.m.**

Council Members Present: Council Member John Paulson, Council Member Steve Soteres, Council Member Chris Burnett, Council Member Jody Reichel, Council Member Tibby DeJulio and Council Member Andy Bauman were present.

Staff Present: City Manager Andrea Surratt, Deputy City Manager Dave Wells, Assistant City Manager Kristin Smith, Assistant to the City Manager Samantha Dulac, Finance Director Toni Jo Howard, Police Chief Ken DeSimone, Fire Chief Keith Sanders, Director of Recreation and Parks Michael Perry, Director of Community Development Ginger Sottile, Communications Director Sharon Kraun, Director of IT Jonathan Crowe, Director Public Works Director Marty Martin, Performing Arts Center Director Shaun Albrechtson, City Attorney Dan Lee and City Clerk Raquel D. González

I. FY2022 Budget Workshop 1

A. 2021-120 City Manager's Budget Philosophy and Capital Improvement Program (CIP)

Andrea Surratt, City Manager stated Budget Workshop 1 will include a discussion on the Capital Improvement Program (CIP) as well as the budget philosophy for the proposed FY2022 Budget. The creation of the FY2022 proposed budget began in November, 2020. Staff took the information Council provided at the January, 2021 City Council Retreat in order to build the presented CIP.

The strategic budget philosophy is:

Strategic Budget Philosophy

1. City Budget reflects the culture and values of the community
2. Reflect Council's priorities
3. Maintain fund balance and protect reserves
4. Conservatively forecast revenue and expenditures
5. One-time revenue sources are not for ongoing expenditures
6. Protect investment in human capital
7. Strategic infrastructure investments
8. Shift in budgeting for ongoing maintenance of facilities

The operating budget is a statement of the City's goals and an inventory of its resources. It is also a plan to allocate those resources. The Capital Improvement Plan is not required by Georgia law, but it is particularly expected of cities working with rating agencies. In recent months, the City refinanced bonds and issued new bonds. The City was asked to provide a Five-Year Capital Improvement Plan. Today, Staff will gather feedback from Council. Operations and Personnel will be covered at Budget Workshop 2. The final proposed budget will then be presented at Budget Workshop 3.

FY2022 is currently estimated at \$1.8M for the General Fund. The City has an estimated \$46M in the fund balance and anticipates receiving an additional \$10M by the end of FY2021, for a total of \$56M in the fund balance. The City should consider revising its budgeting to include dedicated reserves for ongoing facilities maintenance.

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The City may not realize the full impact of the COVID Pandemic until next fiscal year's tax digest is available. Revenue in FY21, while not as high as pre-pandemic levels, did come in stronger than anticipated. Also the American Rescue Plan Act (ARPA) is a new potential funding source. Sandy Springs will receive \$16M, divided between FY21 and FY22 to be used in ways that supplant the budget. The \$8M for FY22 is already included in the budget.

As to expenditures, there will be additional capital maintenance costs for new City facilities; such as the new public safety headquarters and municipal court, Fire Station 2, City Springs, Trowbridge, and Heritage. Another expenditure different this year versus last year is an additional \$3M in debt service for new money bonds. Further, revenue budget considerations include an increase to the fund balance from FY21 and the anticipated transfer back to General Fund from Public Facilities Authority for the remaining balance in the City Springs account. As such, the City Council should consider establishing an infrastructure maintenance accrual fund and first formal implementation of a five-year capital improvement program. By setting aside dollars to create the fund to provide ongoing maintenance for City facilities, General Fund monies are then available for new, future projects. The City's capital program. In FY18, the City transferred \$15.7M from the General Fund to the Capital Fund; \$15.7M in FY19; \$19.6M in FY20; and, due to the Pandemic, the City only prioritized \$4M in FY21. The FY22 proposed budget prioritizes a \$12M transfer to the Capital Fund.

Council Member John Paulson stated for 16 years the City has set money aside for a number of projects. At one point, there were encumbered monies. Has Staff examined if all the money was accounted for or if there are monies remaining that can be used on other projects.

City Manager Surratt replied Staff has reviewed projects from land acquisition, facilities, to capital vehicle purchases, etc, and have identified \$41M.

Council Member Andy Bauman stated in reviewing the list of projects, there was a project on the south side of the city. The \$41M is earmarked money that has been approved in prior budgets that has not yet been spent and sitting uncashed. Council Member Paulson is asking is if there is anything stale and/or coming in under budget that can be recouped.

Marty Martin, Public Works Director replied Staff regularly retires projects that are complete to free up dollars as soon as we can.

Toni Jo Howard, Finance Director stated that it is helpful to bring forward the budget amendments to reflect this, and you will begin to see those as a regular part of your agendas. Available funds can be transferred to other priorities that have come up.

City Manager Surratt continued that as Staff prepared the capital program for this FY22, Departments were asked to identify what is needed. In review of the presented five-year capital program, FY22 budget will balance while years after that will not balance yet because the City is still in the stage of building that document. It is a work in progress and a placeholder for where projects need to sit in future years. Next year the City will be able to fine-tune the estimates and get much closer in reasonableness in paying for the presented projects.

Finally, the while the General Fund is one source for capital projects, but there are several others; such as impact fees, LMIG, and the Tree Fund. In the presented Capital Recommendations, there are \$22M in requests. \$11M is recommended to come from the General Fund and the balance from other funding sources.

For the **City Management and General Administration** departments, include funding for leadership and supervisory training for key staff. This is presented as split cost between FY22 and FY23, at \$37,500 each year. Also, the Pay and Comp Study is an item that Council directed the previous City Manager to work on, especially needed at the time of bringing employees in-house. Staff is at the final stages of that plan, which will bring the market rate of public safety employees up to a standard that allows the City to recruit and retain those employees significantly. This study will define job titles, job descriptions, create a matrix, and a step program for police and fire. Based on experience, a public safety employee will be placed into the step-program and will proceed through the pay plan as the years go by. The total amount for the increases just for public safety of that is \$588K. This is consider in the capital program because it is a one-time, large expenditure. It is a one-time 'catch-up' that right-sizes those employees' salaries.

In FY22, the capital projects list for **Facilities and IT** is longer, specifically because of the need of conference room technology, HVAC work, and the implementation of the Facility Condition Assessment. The Facility Condition Assessment is an inventory of every City owned facility and the operational cost-out 30 years for each building. It is shown as \$500K in Facilities Maintenance. The Bluestone / Heritage building updates is moved out to FY23 to be considered, and includes updates to the building itself. Staff hopes to renovate the building in the future, but if it is a priority for the Council then funding for the renovations need to come out of the extra funds. The estimates was based off assuming the facility would be used in the same way as it is today - conference room rentals, wedding venue rentals, etc.

Council Member Tibby DeJulio stated it is premature to budget for this yet because the City has not yet what to do with the building. It is also one of the options for the future site of the Anne Frank Exhibit.

City Manager Surratt replied that is a good point and another reason to push the renovations to a future date, as to allow time to determine how to use the facility in the future.

Council Member Bauman stated the presented five-year CIP provides a visual for outlying years. The City Council only votes on one year's budget, and what is presented gives context to the FY22 budget. It provides a snapshot, based on requests from departments, of capital planning to see what is coming ahead. At some point, it would be nice to actually see what came from behind, as well. It is relevant that there is \$0 for this building in FY22, which is a deferred capital expenditure.

City Manager Surratt continued to review the **Sustainability and Fleet**, The City maintains its fleet out of the old BMW building. Electric vehicle charging stations can be placed there. There is already electric vehicle charging facilities at City Springs and Trowbridge. The City currently has four electric vehicles, and proposed to purchase an additional six. These vehicles will replace pool vehicles that are not police or fire vehicles. Additionally, there is a need to replace the early model Crown Victorias as they are no longer reliable. The City currently maintains electric vehicle charging stations available to the public at City Springs and Hammond Park. Staff proposing adding additional electric vehicle charging stations on the P2 level at City Springs.

Under **Sustainability** there is also the Nancy Creek Stream Restoration, estimated at \$570K. Funding for this includes the grant the City received for a little over \$300). This is the project implementation.

For **Recreation & Parks**, there has been much discussion about Veterans Park. Staff proposed funding the design work in FY22. Design will take approximately nine months, and it is proposed to fund construction in FY23. Another project would is planning and construction of trimmed down, partial segment of Trail Segment 2A, around the area of Morgan Falls, which creates a looped trail, at \$2.5M.

Council Member Jody Reichel asked why does the funding for trails continued to be delayed. Everyone wants in Sandy Springs wants trails. Is the funding coming from somewhere else? Some trails money should be made available in FY22.

City Manager Surratt stated trails are competing with a number of capital projects, including public safety projects.

Council Member Chris Burnett stated at the January City Council Retreat, Old Riverside was determined a priority for FY21, but on the presented five-year CIP, it is slated to FY26. Does the City not have the money to do the master plan? Is there anything that can be done to advance the project, as it is probably one of the finest pieces of land. Can someone be available to the public, even if as a sort of limited use?

Council Member Bauman stated if Council wants to shuffle things around the Staff needs to be instructed where to do that. Old Riverside and Allen Road parks are projects that stick out. The City really needs to look at where monies can be found. Perhaps the City will be surprised with future revenues, as now the City is doing a fairly conservative income projection. In consideration of the competition for the park and greenspaces, maybe there are some more Impact Fund dollars applicable to this. The trail segments are ineligible for TSPLOST. These have to come from general fund.

Council Member DeJulio remarked that these can be reviewed when it is determined what excess revenue is received. At that time the City can take some of these projects and move them. Parks would be high priority for the public.

Council Member Bauman stated since the City will have \$16M in ARPA funds coming, there is still a need to assess whether there are any residual efforts from COVID. While life is coming back and businesses are doing well, if there are businesses that can demonstrate some measure of suffering COVID-related, then there may be a few hundred thousand to open another round of funding for businesses to apply.

Mayor Rusty Paul noted the City did do a second round of assistance. The Sandy Springs Perimeter Chamber reports that they have had more renewals for membership than ever before, which is good news. The business community seems to be coming back quickly.

Council Member Burnett suggested taking a look to see if there are businesses that have not recovered yet and determine what benchmarks to use to qualify them for additional support.

Mayor Paul stated traditionally the City has allocated about \$10M excess fund balance to capital projects. Does the presented included that?

City Manager Surratt stated yes.

Finance Director Howard advised there are a number of factors that can continue to happen as the City wraps up the current fiscal year, and Staff provided the proposed estimates based on current projects.. It is projected that FY21 will end with an additional \$10M. Before moving funds, it is request to wait until after June 30 and the closing budget amendments are complete to make sure that the City is audit ready. At that time funding can be moved so as it goes into the proper projects. There are other ways excess funds can be used, such as the Fund Balance capital expenditures, or to begin an infrastructure maintenance pool.

Council Member Paulson asked how were the presented estimates for the Old Riverside Park Master Plan determined.

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Kristin Smith, Assistant City Manager replied it is just a placeholder. The current plan is many years old. The full \$100K may not be needed.

City Manager Surratt stated Veteran's Park currently moving as fast as it can go, so if the \$4.1M from FY23 was moved to FY22, it still could not be spent. Aerial transmission lines need to be relocated and distribution lines need to be buried. It is a very complex site. There will be temporary beautification work done, though, and it will look like things are progressing.

Finance Director Howard commented when the five-year CIP is complete, that is when other funding options can be reviewed.

Council Member Burnett asked does Staff have the capacity to apply for all available grants.

City Manager Surratt replied Staff regularly applies for grants for the trails projects. The PATH Foundation is a great resource.

Mayor Paul stated in the near future the re-opening of federal earmarks will need to be discussed.. The City has had to make some quick decisions because federal offices have asked for the City requests, necessitating very quick turnarounds. Each pot has a different funding cap, so we took projects off our list that fit within the funding caps and submitted those.

City Manager Surratt continued with the review of **Public Works**. The Pavement Management Program has two funding sources - the General Fund and LMIG. Bridge and Dam Maintenance is an important for FY22. There is necessary procurement work has to be done. Stormwater Capital was originally requested at \$2M, but this was trimmed down to \$1M for FY22. With an infrastructure maintenance accrual program, the City could set aside dedicated funds for things like stormwater that can be more easily funded in future years. Intersection & Operational Improvements, Traffic Management Program and Traffic Calming are all recurring and important for Sandy Springs. With the economy coming back, so is traffic. The PCID funding source is a placeholder, as there is no formal agreement signed yet. The PCID is looking at current projects and the City match amount would be \$1.1M. The last few are the Bus/Rapid Transit Joint Feasibility Study, part of a regional study for I-285 at Roswell Road and the Innovative Intersection Study. It is proposed that in FY22, Public Safety Fiber Ring B (at Morgan Falls and Abernathy, related to service 620 Morgan Falls Road) be paid by bond revenue money and the Roswell Road/Chattahoochee Pedestrian Bridge (a joint project with the City of Roswell) be paid by impact fees.

Public Works Director Martin spoke to stormwater. The proposed five-year CIP presents that from FY23 through FY26, it is requested at \$1.75M per year; with \$150K roughly being available for administrative maintenance and repair. The challenge with stormwater is that there is always a backlog because systems deteriorate. Also, the construction costs go up every year on the Roswell Road / Chattahoochee Pedestrian Bridge, the City of Roswell pulled this forward and requires a match from the City of Sandy Springs along with it. The City of Sandy Springs will have to do the delivery on the project. Staff will need support in construction engineering services. Construction is on track to begin next summer. The engineering design is moving through the process and it is to the point of where we can begin ROW acquisition. As to the SR 400 Multiuse Trail; this is in both TSPLOST and the General Fund; these would be the required local matches, the 20% against the Federal funds. The 2nd increment (\$2.2M) is additional construction funding that we need to secure, as of yet programmed by the ARC. This is shown here because there are funds coming from other sources. In questions regarding this being in TSPLOST II, if it is approved in November, this \$4.4M would come out of this budget.

City Manager Surratt continued to review **Police Department**. There are two for FY22: police equipment upgrade and the routine replacement of the Motorola radios. The estimated \$30M needed for a public safety headquarters is by bonds.

City Manager Surratt continued to review **Fire Department**. There are small tools and turnout gear that need to be updated, as well as radios/MCT for Fire Trucks. Then, finally the bonds would cover the \$5M for Station 55 and expansion at Station 53, including a training room there. For Station 53, there needs to be a design and feasibility study completed. Station 2 is in the FY21 budget.

City Manager Surratt continued to review the proposed CIP Funding Sources:

CIP Funding Sources

Funding Source	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
General Fund	11,892,558	21,102,727	15,955,800	14,957,317	12,320,800	76,229,202
Stormwater	1,720,000	2,102,000	1,910,000	1,915,000	1,920,000	9,567,000
Tree Fund	331,000	270,000	286,250	290,000	300,000	1,477,250
Bonds	6,115,000	30,695,000	-	-	-	36,810,000
LMIG	869,000	900,000	900,000	900,000	900,000	4,469,000
Grants	290,000	110,000	-	-	-	400,000
Impact Fees	200,000	460,000	-	-	-	660,000
PCID	1,100,000	4,125,000	-	-	-	5,225,000
Total	22,517,558	59,764,727	19,052,050	18,062,317	15,440,800	134,837,452

City Manager Surratt reviewed the FY22 proposed capital expenditures, representing a total of \$22.5M. The City did not schedule a lot of capital projects in FY21, instead having an Undesignated Fund Balance used to pay for property, to do the Bonds refinance. Now we are in construction. If the balance from FY21 is used, perhaps more projects can be added to this list. At Workshop 2, the Council will review Operations with each department, personnel requests, and be presented with a fuller picture. The City has a \$108M budget. The City will keep \$46M in Fund Balance, and may get an additional \$10M toward year end FY21. With a larger footprint, the City will need to begin putting monies aside for maintenance. There is also the need for a Fleet fund. The City will have ongoing revenues that can support some replacement of police vehicles. The City will need to have seed money, designate portions each year, and then be ready for the larger purchases for those type non-negotiable items.

Council Member Paulson remarked that this is the first time being presented with a five-year outlook. This shows that if we can get additional money, there may be things we can bring forward. This Five-Year CIP is an innovation, encouraged by the rating agencies, and City Manager Surratt and Finance Director Howard have taken the project on.

City Manager Surratt noted the City is required to have reserves, or a 'rainy day' fund, of \$27M, which represents 25% or three months of revenues. The City reserve is currently \$46M. The City of Sandy Springs has a history of being on the high side of reserves.

Mayor Paul remarked that we are not out of the woods as far as the Pandemic; when you look at all the empty real estate in the Perimeter market. There is a lot of working from home and the question is how many people will come back to offices. How many companies really need the real estate? The valuation from tax purpose is based on the rent rolls; if they are not renting, the value plummets. A significant portion of our tax revenue comes from commercial buildings in the City. The City will have to be very tight. If we touch the Fund Balance, it should be done prudently and cautiously until we get through the next couple of fiscal years.

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Mayor Paul introduced Mr. James Bostic, Chair of the Diversity & Inclusion Task Force.

City Manager Surratt reported Budget Workshop 2 covering Operations and the General Fund will be on May 4, 2021.

There being no further business, Budget Workshop 1 adjourned at **3:21 p.m.**