FY2021 Budget Workshop 2 of the Sandy Springs City Council was held Tuesday, May 12, 2019, at 3:00 p.m., Mayor Paul Presiding

Mayor Rusty Paul called the meeting to order at 3:00 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 Jim Tolbert, Assistant City Manager Kristin Smith, Assistant to the City Manager Samantha Bullinger, Chief Financial Officer Karen Ellis, 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 William H. Martin, Jr., AIA, Economic Development Director Andrea Worthy, Performing Arts Center Director Shaun Albrechtson City Attorney Dan Lee, and City Clerk Raquel D. González.

I. FY2021 Budget Workshop 2

A. 2020-124 FY2021 Budget Workshop 2

Mayor Rusty Paul welcome everyone to the Budget Workshop #2. In the last workshop the FY2020 objectives and accomplishments and FY2021 goals and priorities were presented by all the departments. Also shared were the General Government Services Contracts for FY2020, the FY2020 Non-Profits Summary and FY2021 projections, the FY2021 Operating Budget Assumptions, and the FY2021 Capital Budget Assumptions. The priorities were listed from the Retreat in January; and these priorities are around which the budget will be developed. The City Manager and staff have taken the feedback from the last meeting and today we'll get into the nitty gritty of what the FY2021 budget could look like. The fiscal year begins July 1, 2020. One of the bright spots is that FY2020 was a little bit better from a revenue point of view than we anticipated. This will provide a small buffer for some of the proposed cuts. .

City Manager Andrea Surratt stated that we are in uncertain times and we will factor those in planning the budget for the FY2021 cycle. During March and April, the Finance Officer and the City Manager worked on the budget remotely; then they met specifically with each member of the Senior Management staff to review their budget proposals. Those were the first days of the shelter-in-place orders. There are two options for Public Hearings, tentatively scheduled for June 2 and June 16, assuming all things are on schedule. We are working on a compressed timeframe to do this budget because of working remotely. Next Tuesday, May 19, there will be presentation with the full budget, including a presentation on all of the funds, including Public Works Capital, TSPLOST, Performing Arts and others. Today is a look at the General Fund. This is a framework set up by the previous city manager, with some variation.. Our assumptions include reductions both in revenue and expenditures; for operations and capital. Our first priority is that customer service be at the top of the list; along with public safety, general government services and facilities. The obvious issue is the pandemic. On March 17, 2020, Council took action to declare a local state of emergency. On April 3, 2020, Governor Kemp issued the shelter-in-place order and then, modified that order on April 28, 2020 to reopen the economy in the state cautiously. My top 10 guiding principles of my budget philosophy include (1) the City budget reflects the culture and values of the community; (2) reflect Council's priorities; (3) greater focus on the economy, and in this case the, this year's economic crisis; (4) conservatively determine revenue and expenses; (5) one-time revenue sources are not for ongoing expenses; (6) protect investment in human capital; (7) maintain fund balance and protect reserves; (8) infrastructure investments are strategic; (9) tech and environmental investments are adding future capacity and protections; and (10)Take a wait-and-see approach to key decisions. There were 20 million jobs lost reported in April. While this is a national perspective, it is too early to know how it will affect Sandy Springs specifically. We track the Sales and Use Taxes, down almost 10%; Motor Vehicle Tag and Title fees, down almost 45% (for April); Ad Valorem Tax, down 30%. We took the early numbers and applied them to our assumptions. Economic Development sent a survey early on this pandemic and; a second survey went out Monday, May 11. It will be telling to see the side-by-side comparison of responses we will get in another few days. A decrease in revenues is the most significant feature of this question. The burden to small business has been extraordinary. Federal programs such as the Paycheck Protection Program (PPP) and loan forgiveness have been implemented to soften the blow and close the gap. The top three concerns are the recession worry, reduced consumer confidence, and holding onto cash. The City of Sandy Springs is poised to take this same approach in the FY21 Budget. Ultimately, the economy will be permanently altered from this pandemic and the services that come back may look and feel different. Nationally there are speculations of significant modifications to airlines, corporate headquarters, Main Street shops, entertainment venues, education institutions, public transportation and more. You will see some of our new normal reflected in departments such as Rec and Parks and some capital projects. The basis for these changes is not only less funding for services, but it is also providing a safe environment for programming. Let's consider the impact on transportation in Sandy Springs. State transportation is projecting a 30% decline in revenues over the next 18 months. April 3 was the lowest week of vehicle gas consumption. That clearly will begin to trickle down into the revenues the city, states and federal government have for completing some of our projects. We are recommending that we continue to hire police officers and fire fighters, as well as set aside funds for a future public safety headquarters. And it is still important to maintain funds for recruitment and retention of personnel in these departments. In light of the slowing economy, it is still important to move to the pre-construction bid stage for Fire Station #2 anticipated to move to Roswell Road from Johnson Ferry. If the bids are not favorable, we'll take a pause on that project for a little while. Transportation will be hard hit during the next year or so, but we will continue to move ahead with TSPLOST projects as funds allow. Other transportation projects remain high on our priority list including the resurfacing that was just bid out, some safety projects, and some equipment upgrades for efficiency. Economic Development will be critical over the next year as we continue to support businesses in Sandy Springs, identify grant and loan funding, and serve as liaisons to help with problems navigating state and federal programs. They are the bridge between our offices and the business community. Downtown Development might be the place to take a pause. Community Appearance will not receive as much attention in terms of new projects, but we have planned for continued maintenance of our right-of-ways, finish out some streetscape improvements, and other areas of public space. Art may also be deferred. Sustainable Growth is something that will be a hum in the background but may not be a featured area of emphasis in the short run. Sustainability plans will be done in-house for instance. Water Reliability will be moving ahead, with the consultant identifying terms in an RFQ for a feasibility study for the water system. Natural Resource Protection is happening more through our impact fees and land acquisition, more so than through general fund dollars. The recent grant application for streambank stabilization along Nancy Creek is still a significant investment. North End Redevelopment will slow down slightly as a result the closure of City Hall and facilities and the shelter-in-place, but we intend to move ahead with the Shopping Center Designs, the Housing Needs Assessment and the Five-Year Economic Development Strategy. Recreation and Cultural Enhancement is best captured through the good work of our Recreation and Parks Department and Performing Arts Center. There is still an emphasis on rehabilitation of playing fields and playground equipment but less emphasis this year than previously planned for the implementation of the Trails Master Plan. Acquiring the Heritage Center is a significant step toward Council's priority of cultural enhancement which will allow us to reevaluate our plans for a Cultural Center. Because of the crisis, we now have the ability to house the Visit Sandy Springs within the Heritage Center, giving that organization a savings in overhead expenses. There are some private sector funds through the Holocaust Museum fundraising efforts that can match City funds for a smaller, more refined cultural arts center on the property.

Council Member Burnett asked how much we were intending to invest in Downtown and North End development. With the financial status where it is today, there is going to be little to no capital available for developers. We don't want to be in the development business. We want to provide opportunity and incentive for others. I think this has probably set back our North End objectives for a couple of years. Also, how deep will the financial hit will be to carry the PAC if we do not have events there the remainder of this year?

City Manager Surratt responded while there have been a number of discussions about events, we have not had the discussion of no events for the remainder of this year. We looked at more scenarios that are reduced size and less frequent, but certainly not in no events for the remainder of the year.

Council Member Burnett continued as long as we continue to have the cap on gatherings, it is going to be hard to put many people in the facility. It may be that touring companies, and maybe our own theatre company, are just not able to get actors or actresses to reengage because of the concerns.

City Manager Surratt continued with a review of the General Fund. We are predicting a 10% decrease in revenues for the FY21 budget. We have modified our expenditures by twice that decrease, showing right now a 21% decline. In the past, we had $17M of capital projects from the previous year. We budgeted conservatively and spent conservatively. This year we will not have as many capital projects funded in the budget because we cut capital as part of our footprint spending for this budget and we cut operating, as well. For instance, last year, $21M in capital projects; this year we are only proposing $5M. This is a key part of our wait-and-see approach. We were able to carry over more last year and put it in reserves. We will carry over less and will add that lesser amount to fund balance. Fund balance is adopted as part of our budgetary policy. The City's fund balance is maintained at or above $20,500,000. The purpose of the fund balance reserve is to provide adequate cash flow, to cover the cost of expenditures created by emergencies, to cover shortfalls in revenue declines, and to cover short-term borrowing. The significance of the total reductions based on Actual FY2019 numbers to Proposed FY2021 numbers is that we have received more revenue and have spent less than budgeted for expenditures. These two principles of our conservative budget approach have given us a cushion to temporarily soften the blow of this economic crisis. If you looked only at the percentages, you'll say, why does it say only 10%? There is more because we increased our revenues in the last year, and that has enabled us not to have to cut quite as much. In total, we have reduced the expenditures in the budget; and, similarly, we have reduced capital projects, as alluded to before, by 75%, going from $21M to $5M. Next year we plan to modify our budget timeline and how the budget is built; adding more of an approach needed to successfully communicate the budgetary process.

Council Member Bauman stated no one is talking about a millage rate increase, which has a Charter cap that goes to the voters. In light of the current circumstances this doesn't feel extremely conservative. In terms of revenues, Sales Tax and the Hotel / Motel Tax are of particular concern. I'd like to hear form Financial Officer Ellis or Mayor Paul, each who may have been more involved with Hospitality Director Jennifer Cruce. Some of it is offset by conservative expenditures.

Mayor Paul commented the April numbers are going to be worse than what we've seen at this point. While we're not really sure what is going to happen, but more and more people are leaning toward a 'V' or 'U' shaped recovery. People are going to be very nervous and reticent about going out and engaging. But we are already beginning to see more traffic on the streets and more people in various stores. They are being safe by wearing masks. The only numbers available to us are the March and April numbers from the State. There are other budgeting organizations that are providing guidance to cities and counties, and states. We have cash on hand that we can pull from to help bridge some of this, but we don't have enough information for a trend analysis yet. It will probably be July, August, or maybe even September, before we get a handle on what are the trend lines. We may be back to you two or three times over the next 6 to 12 months with modifications to this budget. This is the starting point. If the revenues don't come in based on our assumptions, we are going to have to cut more.

City Manager Surratt explained 10% overall is generally reflective; but the actual is 22%. We are conservative in those estimates. Expenditure assumptions 21% total reduction, and you will see various ways we managed to get the 21% total reduction. This will depend on programs or projects happening in certain departments. Finally, payroll is a big expenditure of service oriented operations. In the first year of our City employees not being contract employees, we value the investment we have made in each of these people. We looked at four scenarios. (1) Include new position requests.. (2) Once we were in the economic crisis, layoffs - cut all open positions, reduce the level of open positions, except PD and FD. (3). Reduction in Force – reduce positions currently held by existing staff not needed after sheltering in place review. (4)Freeze Positions - included in budget but not filled until approved. We landed on recommending a hiring freeze for all departments, excluding PD and FD, with positions still in budget.

Council Member DeJulio asked if we cut back on capital expenditures by 75%, are we going to cut back on some of the positions that manage these capital expenditures.

City Manager Surratt responded we are trying to slow projects down. We are not trying to say that these projects will never happen. The Mayor alluded to some budget amendments that may potentially bring some projects back. We have a lot of work that needs to be done on the planning stages, where we are in design, so those staff are still doing that type of work very successfully. We don't build a lot of our own capital projects, as it is, we contract that out. That is a different pot of money for contractors.

Council Member DeJulio asked we are just not going to add new projects to the queue temporarily?

City Manager Surratt responded yes.

Council Member Paulson stated that many of the ongoing projects are already funded. We have allocated the money. We probably have a backlog of projects of at least 6-12 months between regular projects and TSPLOST. Even if they are existing projects that are funded because the money is already set aside. There are consequences to delaying a project that is ongoing.

City Manager Surratt responded that is correct. There are a number of projects where we will propose to slow down a little bit. We are going to be very careful about that, which will be covered next week.

Mayor Paul stated any project that has been let, that is under contract, we're not talking about slowing those down or delaying those projects. What the City Manager is talking about is slowing down projects that are in the pipeline, that may be getting near ready to be let, but delaying the letting of those contracts for a few months to allow us to see how this is all plays out.

City Manager Surratt stated yes. These are staff that need to work on the current projects in the queue. To cut staff is something that will be considered later, if at all, as our projects reduce. That is not where we are right now.

Council Member Burnett stated he knew that it is premature to estimate the reduction in sales tax, and therefore, the reduction in TSPLOST dollars. With fewer dollars, it potentially means we have to reduce the number of projects we complete during the remaining term of TSPLOST tax. Will we doing an analysis of that?

City Manager Surratt replied yes. The anticipated lower revenues for TSPLOST and what projects are in the design stage; which ones are in construction; which ones can we finish; so, in trying to modify the timeline in the queue to use those funds wisely, but know there is less of it in the short-term. We don't want to spend too much time on undesignated fund balance, but just know that is how we have been able to do a number of larger capital projects and we are going to have less undesignated fund balance going forward.

Council Member Reichel asked how long the fund balance can decrease.

City Manager Surratt stated it could not go lower than $20,500,000, and presented the For the sources of revenues for approved FY2020 and proposed FY2021, projected FY20 Property Tax is $41.6M; projected FY20 Sales tax is $25M; projected FY20 Business Occupational tax is $7.7M; projected FY20 Insurance Premium $6.5M; and the projected FY20 Licenses & Permits $2.5M. She stated that the biggest reduction would be transfers from Hotel / Motel Tax. There will be a 55% reduction, which is a loss of $1.8M.

Council Member Bauman stated that interest rates are almost zero, and this is a revenue item, and we have a large variance. The FY2020 budget shows that we underestimated the income revenue on interest, to our favor.

City Manager Surratt explained where we had previously budgeted $1M, we are being conservative in projecting $250,000.

Chief Financial Officer Ellis stated that with the $1.8M we had interest from bond funds, but those do not exist at this time. For $1M for FY2020, we are anticipating barely reaching $1.2M this year. We are not banking on interest income. Also, when it comes to stuff that we had in investment, we had a lot of tiered CDs. We cashed in and we only have one left of approximately $2M. They called our last $8M CD, so that is another source of this big revenue that we were getting.

City Manager Surratt continued with a review of the proposed FY2021 General Fund Expenditures by department. Capital transfers are down because we are doing less. Debt Service remains same. For Public Works contractors' expenditures one of the biggest reductions for FY2021 is that the SR 400 / I-285 project is in construction and therefore, not being moved. There are a few changes in road striping. We had a backlog and we caught up. That is what happened last year; this year is a normal amount. For the deferred FY2021 operating requests, expenditures that could be delayed are certain travel and training; new departmental initiatives; requested equipment and supplies; certain facility improvements; vehicle requests; new assessment planning and studies; and added staff, except within public safety departments. There is no cost-of-living increase budgeted this year; but, this can be reviewed at mid-year. At next week's presentation we will review capital in the TSPLOST. First and foremost, the Public Safety Headquarters, Fire Station 2 construction and the GA 400 bridge enhancements are big ticket items totaling over $22M. Knowing that we have the undesignated fund balance, these projects could be reconsidered over time, if things turn around. For example, in the case of Fire Station No. 2, if we have a really good bid come in, then we'll go ahead and get that project done. The GA 400 Bridge Enhancement is another good example. We have to provide a match but we do not know if that is a project that GDOT is going to get to this year. How do we plan for that? For pavement management we already have the bid for this program. We should be able to get a lot done this year. The Hammond Park field replacement, replacing the fields with artificial turf, is close to $1M, but making sure that we have all the necessary site work accomplished, final finishings for those fields. This is a huge investment for Recreation and Parks. The fields are 15 years old and it is essential. It could be deferred, but we are plugging it in here, optimistically. For the Trail Master Plan, we can actually do the design but building a trail is not something that we have funded in the upcoming budget. This $8.9M includes design, engineering, survey work and construction; so this is something that we'll have to go back to look at going forward. The Fulton County IGA regarding Sandy Springs Middle is zeroed out this year because we can defer that cost to next fiscal year and still meet our requirements. The Allen Road park playground replacement is a very important upgrade to that well used park. We were able to trim $1.6M from various projects that didn't spend everything that they needed. If the first three projects were included in this list, the budget would have been close to or over $20M; we trimmed it to the present $5.2M, for purposes of being cautious.

Council Member Paulson stated at one point, GDOT had a schedule or a timeline that they wanted us to fulfill and we had to commit to them. What is the date of that commitment? I would hate to not enhance three bridges going over SR 400, which we are going to live with for the next 50 years because we have that uncertainty this year. How much money has been committed to each of these past budgets and previous Council actions? Three years ago we committed monies toward a fire station project in District 1.

City Manager Surratt stated we have not heard a definitive answer from GDOT yet. They are doing exactly what we are doing. They are looking at all their projects and wondering where the funds are going to come from. Their sources are being reduced as well. What we do know is that this project is very important. We need to get this done. We need to be a participant to make sure that we have a good facility. We need to have a bike and pedestrian facility along those bridge enhancements that are happening. And we need to be ready when it does happen. $4M was the dollar amount that we had set aside for this match. When the grant requires us to put the match up, then we will come back for a budget amendment. Fire Station 2 has had $4M already allocated. It is tough to ask any of our departments to pause in the middle of an active project. We want to make sure that we take advantage of the ability to reduce the budget and not have committed at a time when we do not know if things are going to get a lot worse. For those projects marked TBD, if we only slowed down one year that will help. This categorization means that we bring it to you when we have a construction bid that is favorable. We're asking the Fire Department to take a pause right now. Once we get the design plans, we will share them.

Council Member DeJulio asked have we heard much about any of the state projects either being reduced or delayed or slowed down.

Mayor Paul answered yes. Georgia House Appropriations Committee Chairman Terry England stated that gas tax was down about 30%. GDOT cannot execute a project until they have the money in the bank to fund the whole project. That means about a third of the state projects are going to be deferred or delayed. The governor has already told the state departments that they have to cut $3.5B from their budgets. That is on top of a 4-6% budget cut that they had already implemented earlier this year. Education and healthcare receive 85% of the state budget, which means there's only 15% remaining for everything else. The feds may put additional money in transportation and infrastructure. It is unknown if they will require matches at the level that they require today or will they change the match requirements to allow more of these projects to go forward. If this situation continues to deteriorate and goes down over a longer period of time we may have to reallocate some of those monies to continue to deliver services. We need to keep the flexibility necessary for reserves. Until we have a better picture, that is why these are being kept 'on the back burner' until we need them.

Council Member Paulson asked if we've funded 60, 70, or 90% of these, that will factor into the decision making regarding on whether we decide to fund one and go forward with that project. If we have to fund it from scratch, then forget it.

Mayor Paul stated we have funded approximately 50% for Fire Station No. 2. We have not funded anything yet for the Public Safety Building. We've made a commitment to the GDOT that on the bridge enhancements that we will be there when they need that money, and we're just hoping they don't need it until this time next year.

Council Member Bauman stated there should be a distinction between funded and spent. If a project has both been funded and spent then that is a consideration versus a project that has had a lot of funding but we are at 1% completion.

Mayor Paul stated that if we've signed a contract to construct, we are not going to cut those because we have a financial obligation to the contractor to fulfill those. What we are focused on are projects that are in the pipeline that may have had funds allocated, but not yet spent. We have spent some money on Fire Station No. 2 for design. But we haven't gone to bid or received bid documents. Our hope is that this will be fairly short-lived, the revenues will pick up, and we'll get to do all these projects toward the end of FY2021. We feel it is prudent to be very cautious, and you all agree with that, too.

Council Member Bauman stated that the City as long been known as prudent, conservative, fiscal management. Now is not the time to change that reputation.

City Manager Surratt presented some of the FY2021 Deferred Projects include Trail Master Plan Implementation; Morgan Fields Athletic Park – safety netting around the ballfields; Allen Road Master Park Plan to incorporate newly acquired parcels; Wayfinding Implementation; TS-113 Boylston and Hammond Realignment; TS-114 Mt. Vernon Highway at Heards Ferry Drive to incorporate newly acquired parcels; and T-6000 Capital Sidewalks. TSPLOST sidewalks are now fully programmed and we should the Capital Sidewalks project this year until the remaining TSPLOST sidewalks are delivered.

Council Member Reichel asked if we applied for a grant for one of the deferred projects, will we continue the applications for the grant.

City Manager Surratt replied that, yes, we will continue the grant applications. We can always turn the grant down if we end up in really dire times, and we don't want to allocate the match to the grant. We are trying to keep those dollars available for grant match.

Council Member DeJulio asked has there been any talk about increasing the allowable time for TSPLOST projects to allow us more time to work on them and collect funds.

Mayor Paul stated that the deferred projects presented are all CIP projects. There has been no discussion about extending the time to allow these TSPLOST projects to be completed. We might be able to go to the Legislature in January 2021 and ask for a little bit of grace period. As of today, those deadlines and timelines are still in effect.

City Manager Surratt concluded we're using higher than projected revenues in current year FY2020 budget to 'soften the blow' of this upcoming budget shortfall; maintaining efficiencies and continuing to provide excellent customer service; reserving human capital by avoiding layoffs and delaying projects; and understanding there may be future budget amendments as conditions change or projects are better defined.

Mayor Paul stated with all the constraints and challenges, City Manager Surratt has done a magnificent job putting together a budget plan and proposal.

Council Member Burnett asked what sort of benchmarks or parameters will we be looking at in order to reset the budget. For example, will it be revenue driven? When you see a certain decline in revenue, that exceeds our original projections, will we then have the Phase II cuts? Hopefully, we've got some cushion here. Do you have a thought process on if we hit a certain reduction in revenue, and have to reduce expenses further?

City Manager Andrea Surratt wanted to first say that if we can anticipate that we are going to come back out of it in twelve (12) months versus six (6) months; then, we still want to be project focused in any further cuts. If in 6 months, we see this is a real shift in our national and international economy, we may need to right size the organization in a few key areas. She stated that she was not ready to talk about what that would look like yet; but, that is another layer. It goes back to how many businesses are we going to have operating in Sandy Springs? Are we going to be a hub for hotels and office space? If some of that really declines and is not coming back, then we'll have to have some smart people in the room to assist where the adjustments need to be made. This is a significant doomsday scenario, and she guesses that's where she was the day she got sick. That was when I asked the staff to cut 30%; I asked them to go to that very bad place on how bad this could get and how would we get to that smaller organization and community footprint. She stated that she had some cards she's not ready to put out on the table yet, but she has the right people she can put together and learn from them.

Council Member Burnett stated it is important that each month or more than monthly, you and the CFO are tracking the trends are keeping the Council abreast. We have clients on cash budgeting where they are very closely tracking their liquidity. As they reach certain benchmarks, they have to make additional cuts to stretch their cash as long as they can before they get to that point of no return.

City Manager Surratt proposed in the monthly unaudited financials there is a section that talks about how we are trending upward or downward from our projections. We can put a section together that keeps track of those number specifically related to the economy.

Council Member Paulson stated we always have an early morning budget meeting, usually in June. We should stick with tradition and try to schedule a morning budget meeting.

Mayor Paul stated that is the millage rate meeting, which is required by state law.

There being no further discussion, the meeting adjourned at 4:34 p.m.

Approved: June 2, 2020.

Russell K. Paul, Mayor

Raquel D. González, City Clerk