Budget Workshop #2 of the Sandy Springs City Council was held Tuesday, May 10, 2011, at 5:00 p.m.

City Manager John McDonough gave the following presentation.

Agenda for Budget Workshop #2

- Review of Budget Principles and Goals
- Tax Digest Update – Burt Manning
- Review and Validate Planning Assumptions
- Review of Undesignated Fund Balance
- Review of YTD FY11 Financials
- Review of FY12 Revenue/Expenditure Projections
- Review Capital Project Ranking Exercise

FY12 Budget Calendar

March – April	Departmental Budget Hearings/Finance Review Phase
April – May	Senior Management/Mayor Review Phase
May 3	Budget Workshop #1
May 10	Budget Workshop #2
May 24	City Council Budget Presentation (Proposed Budget)
June 7	1st Public/Millage Rate Hearing & Budget Workshop
June 14	2nd Public/Millage Rate Hearing & Budget Workshop
June 21	Final Public Hearing & Adoption, City Council

Budget Workshop Goals

- Receive feedback and direction from City Council as we develop the FY12 Budget
- Review and validate FY12 planning assumptions
- Understand public safety, public works, community development and parks priorities as part of an overall Citywide service delivery and capital program

Budget Principles

- Conservatively determine revenue and expenses.
  - Solid estimating effectively neutralizes pressures to inflate revenue estimates to cope with budgeting pressures.
- Do not use one-time revenue sources for ongoing expenses.
  - When a non-recurring source of revenue is used to fund an ongoing expense, an "automatic unfunded increase" is built into the budget for the following year.
- Compliance with adopted Budgetary Policies
- Economic impact on revenues during a recession (Property Tax, Sales Tax, Business License, Building Permits)
- Sandy Springs legislated restrictions:
  - 4.731 Legislative Millage Rate cap
  - 3% Residential growth cap

Tax Digest Update by Burt Manning, Fulton County Tax Assessor

Burt Manning, Fulton County Tax Assessor, stated the information he has is preliminary. Tax assessment notices were sent out to the Fulton County residents. There were issues with some of the tax notices sent to residents in the City of Atlanta, but there are no problems with the Sandy Springs notices. The Sandy Springs tax digest is down about 3.6% from last year. He gave three handouts to the audience. One handout was the current 2010 Sandy Springs tax digest, which stated there are 27,645 total parcels within Sandy Springs. The 2011 tax digest handout stated there are 28,000 parcels in Sandy Springs. The 2011 tax digest is still in the working status. The public utilities and the motor vehicles numbers have not been added to the 2011 column. Sandy Springs has added tax parcels over the past year, compared to other nearby cities. Senate Bill 346 had fifty changes to property tax administration, one of which requires all 159 counties to use standard tax assessment forms. These forms are similar to the ones Fulton County residents received. Throughout Fulton County fifty-four percent of the assessment notices were down from last year.

Councilmember John Paulson asked if all of the digest was down by 3.5%.

Mr. Manning stated some of the properties have a decrease of more than 3.5%

Mayor Eva Galambos asked about the county wide reduction.

Mr. Manning responded the county reduction is almost eight percent. The six cities north of Atlanta have not fared as bad as Atlanta has. There have been signs of stabilization. There have been home sales in Fulton County where the sale prices are higher than the county's appraised value.

Councilmember Paulson asked about the properties selling for more than the assessed value.

Mr. Manning stated some properties have sold for more than Fulton County's appraised value in every jurisdiction. There are still about five hundred assessment notices that need to be sent out to homeowners. Of the 27,735 tax notices that were mailed out, 16,413 received no change in the assessed value; and 10,500 received reductions, which is 54% of the properties countywide. 140,000 assessment notices were sent out to people who have not received an assessment notice within the last five years. Every assessment notice comes with the right to file an appeal. In previous years, assessment notices were only sent to homeowners that were going to see a change in the value of their property. The appeal process should be completed within the year the appeal is filed. Eight public meetings will be held that will explain the tax assessment notice. The Fulton County homestead exemption is now listed at $30,000.

Mayor Galambos asked about the increase in sales prices and if there has been an increase in commercial sales prices.

Mr. Manning stated there have been a limited number of commercial sales in Fulton County. In many cases, vacancy is up, rents are down, and concessions are up. The sale of commercial properties is struggling, but there has been some turnaround in the market. Class A investment properties are selling at a good price. He expects to have numbers ready for the Fulton County Tax Commissioner's office within three weeks.

City Manager McDonough continued with the presentation.

Planning Assumptions for FY12 Budget

- Decline in operating revenues TBD

- Increased fuel costs
- Increased general liability insurance costs $200K
- General Government Services Contracts
- Assumption of subcontractor agreements
- E-911 Center operation
- Continued EMS subsidy for enhanced service $450K
- Funding for Economic Development Study
- Funding for Municipal Complex master plan
- Continued funding for CIP-T/P/F programs
- Continued funding for City Hall land acquisition
- Continued funding for Police Fleet Replacement Program $703K
- Funding for Community Events
- Funding for Recycling Program
- Transition Contingency

Councilmember Dianne Fries asked why there is an increase in general liability insurance cost.

City Manager John McDonough stated the increase is due to City lawsuits.

Councilmember Karen Meinzen McEnerny asked what the amounts of funding are for the economic development study and the municipal complex master plan.

City Manager McDonough responded $100,000 to $150,000 for the economic development study. The municipal complex master plan will be in excess of six figures, probably near $150,000.

Councilmember Meinzen McEnerny asked about the cost for the City Hall land acquisition.

City Manager McDonough responded that cost is unknown at this point.

Councilmember Meinzen McEnerny asked if the total amounts are coming from the City's capital funds. This is an important number to have now.

Councilmember Fries stated there are two weeks before the general service contracts are due. Once the contracts are complete, the numbers can be added to the budget.

City Manager McDonough stated there are a significant number of unknowns. Giving a number to Council now could create expectations that he is not sure staff would be able to live up to.

Councilmember Meinzen McEnerny stated last year $3.5 million was set aside. Will it be about the same amount as last year?

City Manager McDonough stated he hopes the amount will be the same as last year or more. The goal is to be around $5 million.

Councilmember John Paulson asked what is included in community events.

City Manager McDonough stated community events include the Sandy Springs Festival and the Bike Race.

Councilmember Fries asked if this amount would include the nonprofit funding or the utility costs.

City Manager McDonough stated this number would not include the utility costs.

Councilmember Meinzen McEnerny asked about $200,000 for the not for profits.

City Manager McDonough stated there will be funding for the not for profits next year.

Councilmember Paulson stated there is a need to upgrade the police radios and that is something that needs to be done this year. Is this a planning assumption?

City Manager McDonough stated the radio issue is a countywide plan. The City does not have any funding for this currently. It is a contingency type of funding. Staff does not have enough information to give Council a number and there still needs to be a consensus on this item.

Police Chief Terry Sult stated it may or not happen, depending on if the City teams with UASI. If the City builds our own radio infrastructure, the funding will not happen for another year and will be discussed in FY13.

City Manager McDonough stated this item is not something resources should be set aside for, since we are not far enough along on the project.

Councilmember Fries asked if copy machines or other various supplies would be an example of how the transition contingency money will be used.

City Manager McDonough stated the contingency money could be used for any number of things. The money placed in the account will be around $500,000. If the money is not spent, it will be reallocated at the end of the year for something else.

Councilmember Gabriel Sterling asked if another line item should be added for police radios at an amount of $200,000.

Police Chief Sult stated there is an assumption of $400 for maintenance per radio, per year. If the amount goes higher than that, there will need to be a Council decision on how to proceed.

Finance Director Amy Davis gave the following presentation.

Fund Balance Reserve

- Adopted as part of the approved Budgetary Policy
- Fund Balance is the cash reserve and working capital to cover the following:
    - Expenditures caused by unforeseen emergencies
    - Shortfalls caused by revenue decline
    - Eliminate short-term borrowing for cash flow purposes
    - Reserve policy calls for no less than three (3) months of operating and debt expenditures (25%)

Finance Director Amy Davis stated last year's budget ended with $21.2 million in the funds balance. Reviewing the numbers from March and April, 2011, staff believes there will be about $80.1 million in revenues and $3 million more in expenses than revenues. That will bring the funds balance to $18.3 million. This amount will barely cover the twenty-five percent reserve.

City Manager McDonough stated twenty-five percent of the adopted FY12 budget is what needs to be matched for reserves.

Finance Director Davis stated the large expenditure number includes the transition cost.

Anticipated Undesignated Fund Balance

June 30, 2011 Fund Balance	$ 21,203,357
Add: Projected FY11 Revenue	80,128,593
Less: Projected FY11 Expenditures	(82,970,207)
YEAR END UNDESIGNATED FUND BALANCE	$ 18,361,743

Review of FY11 YTD Financials

Finance Director Amy Davis stated the general fund was at 85.3% of revenues and about sixty-eight percent of expenditures. All of the departments are within budget.

Councilmember Karen Meinzen McEnerny asked about the property taxes for FY11. Mr. Manning's most recent tax digest for 2010 shows tax collections at $31,245,000. The City is at $28 million as of March. Why is the City not receiving all of the money?

Finance Director Davis stated the property taxes can stay on the tax roll for seven years before they are moved into collections.

Councilmember Meinzen McEnerny stated that the Fulton County Tax Commissioner's office counts at a ninety-nine percent collection rate. If the $2 million comes in for the City, it would be a good year.

Councilmember Paulson stated the question is what the City is supposed to collect versus what was actually collected over the last five years.

Councilmember Meinzen McEnerny stated the City's millage rate is assessed on the real property total. She does not think the $31,245,000 includes the motor vehicle taxes.

Finance Director Davis stated the amount does include the motor vehicle taxes.

Councilmember Chip Collins asked if the annual budget through March 2011 compares to where the City was in past years.

Finance Director Davis stated the City has $66.2 million in the bank. Sales taxes collected year to date are at $15.8 million, which is 4.1 percent over this time last year. The projected total sales taxes for this year are $19.9 million.

Revenue FY2011 vs. FY2012

	2011 Projected Actual	2012 Budget	Variance
Property Taxes	$28,325,001	26,600,000	(1,725,001)
Local Option Sales Tax	19,905,012	20,000,000	94,988
Business & Occupational Tax	7,773,410	7,000,000	(773,410)
Franchise Fees	8,422,965	8,850,000	427,035
Insurance Premium Taxes	4,800,505	4,650,000	(150,505)
Other Revenues	10,901,700	10,126,000	(775,700)
Total Revenues	**$80,128,593**	**$77,226,000**	**($2,902,593)**

Finance Director Amy Davis asked how Council would like to proceed with the taxes.

Mayor Eva Galambos stated the local option sales tax will be higher than $20 million. The conservative estimate on property tax makes sense, but the sales tax is too conservative.

Councilmember Tibby DeJulio asked what the projection of sales tax is for this year.

Finance Director Davis responded four percent.

City Manager John McDonough stated more disposable income is going to the sales tax.

Councilmember Dianne Fries asked what percentage is being recommended for the local option sales tax.

Finance Director Davis stated 19.9%. These numbers are just estimates and can change at any time.

Councilmember DeJulio stated the City should be conservative. If there is more revenue coming in, money can be allocated for different funds at the midyear review.

Councilmember Meinzen McEnerny stated the best indicator for the upcoming year is the last twelve months of activity. She agrees with being conservative on property taxes.

Finance Director Davis stated the motor vehicle taxes are not included with the property taxes on this slide.

Councilmember Meinzen McEnerny stated property taxes should remain conservative, but the numbers should be more realistic on the other line items.

Mayor Eva Galambos asked about the budget for the business and occupational tax.

Finance Director Davis stated this column was probably under projected and more can be added.

Councilmember Meinzen McEnerny stated there should be a midyear budget public hearing to allow citizens to voice their opinions on what to do with the surplus.

Mayor Galambos stated she hears a consensus that Council wants to be conservative and if there is money left over midyear, there will be a review and the budget will be adjusted.

Expenditures FY2011 vs. FY2012

	2011 Projected Actual	2012 Budget
City Council	152,789	157,364
City Manager	673,927	708,339
Transition Contingency	0	TBD
General Operating	3,974,116	3,450,000
Finance	931,596	852,938
Legal	633,000	708,000
Facilities & Buildings	1,485,300	1,625,800
City Clerk	141,555	148,830
Municipal Court	689,465	804,555
Police	18,191,200	17,846,300
Fire	9,895,058	10,582,562
Emergency Management	1,682,600	1,553,700
Public Works	1,988,500	7,608,000
Recreation	1,369,500	2,386,439
Community Development	25,700	127,000
Other Direct Costs	100,000	7,701,882
Capital Investment	16,850,000	TBD
Government Services Contracts	24,239,901	TBD
Total General Fund:	**82,970,207**	**TBD**

Finance Director Amy Davis stated in the past, expenditures were allocated at random due to the lump sum contract. She allocated the expenditures based on the number of employees in each department.

Mayor Eva Galambos asked why the City Council will cost more next year.

Finance Director Davis stated she included the operating costs for each department, which includes supplies.

Mayor Galambos asked for a detailed list of the costs within in each department.

City Manager John McDonough stated a detailed list will be provided to the Mayor.

Finance Director Davis stated the City will come in under budget this year.

Councilmember Karen Meinzen McEnerny stated this is zero based budgeting; looking at where we think the budget will be for next year based on this year's numbers. She asked about four categories as a result of comparing this slide of expenditures to the budget information provided at the Council Retreat. A category that had a substantial decrease was General Operating, which went from $3.4 million to $2.3 million. The change in Finance was from $2 million to $852,000. Municipal Court went from $1.6 million at the retreat to $804,000. Community Development went from $3 million to $127,000. How can Community Development run with that amount of money?

Finance Director Davis stated all the departments mentioned have government services contracts. The current slide does not include the government services contracts.

City Manager McDonough stated these are the preliminary numbers and not the final presentation.

Mayor Galambos asked why the 2012 numbers are higher than the 2011 numbers on the slide.

City Manager McDonough stated this is not going to be a good year to make a comparison, because we are dramatically changing how we do business. Next year there will be information to compare the 2012 actual to the 2013 projected, and there will be very good numbers.

Councilmember Chip Collins asked to have the grosser disparities explained, such as the $75 million.

Finance Director Davis stated there are subcontracts included in the budget line items.

City Manager McDonough stated other direct costs are included under a single contract that will have to be accounted for in a different way. The Public Works subcontractor's agreements are examples. These contractors cut the grass, fill the potholes, replace the signs, stripe the roads, and handle maintenance on the traffic signals. All of those items total $5,133,000. He explained the recreation outsourcing costs.

Councilmember Collins asked about the $1 million increase for the recreation line item.

City Manager McDonough stated included in the recreation costs are the recreation services contracts, landscaping and mowing contracts, utilities, park and vehicle maintenance, vehicles, and a contingency of $200,000. Those are the items that make up the difference. Those items are outside the existing contracts and will need to be included in the FY12 budget.

Public Works Subcontractor Agreements

Company	Amount
Optech Monette LLC	$ 2,457,116
Blount Construction	1,295,492
Siemens	1,045,400
Wildcat Striping and Sealing	95,000
Roadworx	240,874
TOTAL	**$ 5,133,882**

Recreation Outsourcing

Function	Amount
Gymnastics Program	$ 235,000
Director	136,500
Optech Monette	630,000
Total	$1,001,500

Other Direct Costs

Item	Amount
Public Works Subcontractors	$5,133,882
Recreation	1,000,000
Software Licenses (ESRI)	305,000
Transition Contingency	TBD
Community Events & Programs	200,000
Operating*	300,000
Call Center	763,000
TOTAL	$ 7,701,882

Community Events includes: Keep North Fulton Beautiful, Sandy Springs Festival, Sandy Springs Cycling Challenge, Anne Frank

Recreation Outsourcing includes:

- Gymnastics Program = $235,000 (net)
- Director = $136,500
- Optech Monette (park maintenance) = $630,000

Review of Potential FY12 Citywide Capital Projects

Citywide Capital Projects (Consolidated Rankings)

	1. RANK CATEGORIES / *2. Rank Projects Within Each Category*		
PRIORITY		*Rank*	**Est. Allocation**
	Abernathy Linear Park Phase III (P-0002)		**500,000**
	Big Trees Forest Preserve		**150,000**
	Bridge Maintenance Program		**250,000**
	CIP Candidate Projects	***(Rank 1 - 6)***	
	Sandy Springs Circle Phase 1 Streetscape Lighting		115,000
	Roswell Road Streetscape (Carpenter to Hammond) ROW Match & Utilities		260,000
	Roswell Road Streetscape (Johnson Ferry to Abernathy) ROW Match & Utilities		840,000
	Sandy Springs Circle Phase 2/3 Streetscape		500,000
	Roswell Road Streetscape (Windsor Parkway to Long Island)		750,000
	Glenridge Drive Widening and Streetscape (Royervista East to High Point)		250,000
	Intersection Improvement Program		**500,000**
	Lost Corner Preserve		**250,000**
	Major Intersections Concept Design	***(Rank 1 - 2)***	
	Cliftwood/Carpenter at Roswell Road		100,000
	Glenridge at Roswell Road		100,000
	Major Intersections Full Design	***(Rank 1 - 3)***	
	Peachtree Dunwoody at Abernathy (Phase 2)		150,000
	Spalding at Mt. Vernon		150,000
	Mt. Paran at Powers Ferry		150,000
	Old Riverside Drive Property		**100,000**
	Pavement Management/Resurfacing		**2,500,000**
	Sidewalk Program	***(Rank 1-2)***	**250,000**
	Continue Gap Fill and Extension		
	Design Some Segments for FY13 Construction		
	Stormwater Maintenance Program		**2,500,000**
	Traffic Management System		**250,000**

Mayor Eva Galambos stated the downtown streetscape projects are not consistently ranked together.

Councilmember Karen Meinzen McEnerny stated the gateways into our community need improvement. Dunwoody Place and the new bridge from Roswell for the bicycles are the main gateways that have been put off for too long.

Councilmember Chip Collins stated Council agrees that Johnson Ferry to Abernathy Road is not a primary focus of downtown Sandy Springs.

Councilmember Meinzen McEnerny stated a focus should be kept on improving the downtown area. Abernathy Road and the Linear Park are receiving money every year, but the money should be distributed evenly.

Councilmember Dianne Fries asked where the bulk of the stormwater money is going.

Councilmember Meinzen McEnerny stated the stormwater money is probably being spent in District 3 and 6, because these are older areas that have less detention.

Councilmember Fries stated it is not good to think about our individual districts. We should think of the City as a whole.

Mayor Galambos stated we need to keep in focus that we are trying to represent the City as a whole.

City Manager McDonough stated this process is representative of the City's commitment. The Public Works staff has worked with the Council in an objective fashion on quarterly updates and individual briefings, and created a list of projects that reflect the City's top needs. That list should be further refined and prioritized.

Councilmember Tibby DeJulio stated at some point in time we will have to address the entryways for beautification, to set ourselves apart from the other cities.

Mayor Galambos stated the difference south of Windsor Parkway, in terms of clutter and congestion, is so amazing, you can tell once you enter Sandy Springs.

Councilmember John Paulson stated he would like to see a signature sign at every main entrance into Sandy Springs. He would like to begin the process of designing a City sign and work on it this year, if there is extra money. If not, then work on the sign idea next year.

Councilmember Collins stated the best way we can truly establish our identity is by working on the City center first. He would like to see the focus of the money on the downtown area and he agrees with the gateway idea as well. He is concerned that allocating budget funds can remove items from the bottom of the list. There may be not enough money that can be allocated towards Lost Corner Preserve, and that is a project he thinks Council wants to move forward on.

City Manager McDonough stated with the budget reallocation, additional money was set aside for both Lost Corner and Big Trees.

Councilmember Meinzen McEnerny stated there was another $100,000 allocated for Overlook Park.

Councilmember Collins stated he thinks the ranking process works and he has no problem with it. He would like Lost Corner to open at some point, but we have the money there.

Councilmember Meinzen McEnerny stated she agrees with Councilmember Collins. Money was originally allocated to build bathroom facilities at Big Trees. There was a discussion to build a pavilion as well, but currently there is not enough money for that. There is a need for a place for children to get out of the elements, if it rains. It has been five years and not one bit of dirt has been moved. If the $150,000 is not approved, it will mean another year with no facilities. If you take the $77 million revenue and subtract the $58 million of expenses, there is about $17 million of capital to spend. This particular list totals about $10 million. The difference is the additional amounts for the assumptions. After reforecasting the revenues for 2011 and the projections for 2012, the City might be able to complete all of these projects.

Mayor Galambos stated these are numbers that the Public Works staff has projected.

Councilmember Paulson stated the Main Street Alliance spoke to Council and a main topic was streetscape. Of the CIP improvements, five out of six are for streetscape. Do we have a disconnect of what we are budgeting and planning compared to the desires of the Main Street Alliance?

Director of Community Development Blake Dettwiler stated the lighting and streetscape standard will be discussed at the next City Council Meeting. Once Mayor and Council decide what they want for the streetscape standard, it will be incorporated into these projects and will go with what the Main Street Alliance desires.

City Manager McDonough stated the goal is to rank the projects, prioritize them, and fund them the best way possible. It is within the Council's realm to change any of the priorities and any of the funding levels.

Councilmember Collins asked if the pavement cost is consistent with what the City spends every year.

City Manager McDonough stated the pavement cost has decreased. He asked how much money the City has invested in road paving during the last five years.

Director of Public Works Tom Black stated $22 million has been spent on road paving within the last five years.

Councilmember Paulson asked about projects that may have been awarded, but not completed.

City Manager McDonough stated those projects are part of the CIP updates.

Councilmember Meinzen McEnerny stated a frame of reference is what was spent last year. The costs for last year include the pavement cost of $2.5 million and sidewalks cost of $1,860,000. The stormwater maintenance cost was $1.8 million. The Abernathy cost was $500,000 last year and is the same this year. Intersection improvements last year was $500,000, bridges was $500,000, gymnastics was $500,000, the Chattahoochee River Bridge at Roswell Road $360,000, traffic management $250,000, and Lost Corner Preserve $200,000. There was no money allocated for the Big Trees project last year.

Councilmember Fries stated the Big Trees money was allocated midyear.

Review of Council's Adopted Priorities

Citywide Capital Projects (Consolidated Rankings)

		1. RANK CATEGORIES 2. Rank Projects Within Each Category		
AVERAGE	PRIORITY RANK		Rank	Est. Allocation
2.86	1	**Stormwater Maintenance Program**		2.500.000
4.00	2	**Pavement Management/Resurfacing**		2.500.000
4.29	3	**CIP Candidate Projects**	*(Rank 1 - 6)*	
1.57		Roswell Road Streetscape (Carpenter to Hammond) ROW Match & Utilities	1	260.000
3.14		Glenridge Drive Widening and Streetscape (Royervista East to High Point)	2	250.000
3.71		Sandy Springs Circle Phase 1 Streetscape Lighting	3	115.000
3.86		Roswell Road Streetscape (Windsor Parkway to Long Island)	4	750.000
4.29		Sandy Springs Circle Phase 2/3 Streetscape	5	500.000
4.43		Roswell Road Streetscape (Johnson Ferry to Abernathy) ROW Match & Utilities	6	840.000
6.29	4	**Traffic Management System**		250.000
6.86	5*	**Intersection Improvement Program**		500.000
6.86	5*	**Major Intersections Full Design**	*(Rank 1 - 3)*	
1.29		Peachtree Dunwoody at Abernathy (Phase 2)	1	150.000
2.29		Spalding at Mt. Vernon	2	150.000
2.43		Mt. Paran at Powers Ferry	3	150.000
7.14	6	**Old Riverside Drive Property**		100.000
7.43	7	**Abernathy Linear Park Phase III (P-0002)**		500.000
7.57	8	**Sidewalk Program**	*(Rank 1-2)*	250.000
1.00		Continue Gap Fill and Extension	1	
2.00		Design Some Segments for FY13 Construction	2	
7.71	9	**Bridge Maintenance Program**		250.000
8.57	10	**Major Intersections Concept Design**	*(Rank 1 - 2)*	
1.29		Cliftwood/Carpenter at Roswell Road	1	100.000
1.71		Glenridge at Roswell Road	2	100.000
10.57	11	**Lost Corner Preserve**		250.000
10.86	12	**Big Trees Forest Preserve**		150.000

* Same average score

Mayor Galambos adjourned the meeting.

Date Approved: June 7, 2011

Eva Galambos

Eva Galambos, Mayor

Michael Casey

Michael Casey, City Clerk