

Work Session of the Mayor and City Council was held Thursday, January 5, 2006, 6:30 PM, Mayor Eva Galambos presiding.

Call to Order

Mayor Galambos called the work session to order.

Roll Call

City Clerk Jeanette Marchiafava called the roll.

Councilmembers Present: Councilmember Tibby DeJulio, Councilmember Dianne Fries, Councilmember Dave Greenspan, Councilmember Ashley Jenkins, Councilmember Karen Meinzen McEnerny, and Councilmember Rusty Paul

January and February Calendars

Acting City Manager Aaron Bovos presented the January and February calendar to the Mayor and Council highlighting some important dates to remember.

Fiscal Year 2006 Budget (December 1, 2005 through June 30, 2006)

Acting City Manager Bovos handed out copies of the budget policy adopted by the Mayor and City Council by Ordinance. He stated that one of the concerns staff has is forecasting an unproven revenue structure. Some of the issues are when we get the franchise agreements completed and fees collected, and when the City receives business license revenues. He explained that for these reasons, staff has provided a contingency amount in the budget. The original contingency was \$2.6 million, but that was drastically reduced due to funding for the Police Department.

We are planning on looking at the budget as the City's Financial Plan, or an Operating plan and Capital plan. He explained that it would include performance measures; however, with the City being so new, there are no performance figures to go by.

The last thing to point out is the challenge staff has had in the formulation of the budget into a document which is actually usable. He explained that the budget document will be submitted to GFOA for review and it will be judged by their standard recommended practices and procedures. He explained what is included in the budget stating that it is a high level overview. He provided an explanation for the difference between the General Fund, Enterprise Fund, and Special Revenue Fund. He explained that all funds terminate on an annual basis except for Capital Project Funds, which are based on the length of the project. He explained Debt Management or Debt Service Fund, which is a way to repay General Obligation Bonds. He stated that the City does not currently have any debt issued.

Councilmember Paul questioned what happens to the Enterprise Fund balance at the end of the year. Acting City Manager Bovos stated that it could be moved from an Enterprise Fund to a Governmental Fund or General Fund to subsidize operations.

Acting City Manager Bovos stated that he wanted to review two things prior to Finance Director Rapson's presentation. He explained that the Fund Balance is the annual accumulation of revenues in excess of expenditures. He further stated that it is staff's goal to have an 18% Fund Balance within three years. He explained the one time use of revenues such as the sale of property. He stated that this revenue must fund a one-time expenditure.

Finance Director Steve Rapson presented the proposed budget. The funding priorities are established by the City Council. He highlighted some of the services the City provides: Police, Fire, Community Development, Building Inspection, Code Enforcement, Public Works and Transportation, Parks, Recreation and Cultural programs. He also included Alcohol and Business licenses, Library services, and the Municipal Court.

He explained the City's revenue sources. They include Business and Occupational Taxes, which comprises 52% of the revenue; property tax comprises 25-30%; and Local Option Sales Tax which comprises 19.1% of the revenue. Revenues are also generated through the Municipal Court. He also stated that there are still some unknowns in the revenue stream such as the impact of the Service Delivery Strategy on the LOST revenue stream.

He then reviewed obligations. He stated that the Competitive Bid Contract is the bulk at 44%. He further stated that Public Safety makes up one third of the obligation and Capital Allocation is estimated at \$1.7 million. There are unknowns here as well such as the health insurance plan and pension plan.

At the request of Council, he explained what the Service Delivery Strategy is and how it will affect revenues.

Councilmember Fries questioned the *unknown* on the Contribution Pension Plan. Acting City Manager Bovos explained that Todd Bryant, a broker with Bryant and Morton, is reviewing possibilities. He was with the Task Force and has been very instrumental in the development of this plan, as well as the health insurance. He stated that the standards that will be included are: short term disability, long term disability, workers' compensation, life insurance, and health insurance. There has also been discussion regarding the defined benefit versus defined contribution plans.

Councilmember Fries stated that the only other item was the Police Officers' health benefits upon retirement. Acting City Manager Bovos stated that he was unsure at this time because they have several plans due to changes through the years.

Acting City Manager Bovos stated that they are researching the possibility of a Health Savings Account. He added that the reason the pension plan and health plan are not tied together is because of some GAP and GASB issuances regarding some very strict guidelines regarding the funding requirements.

Finance Director Rapson continued with his presentation synthesizing the General Fund, Capital Fund, Hotel/Motel Fund and Solid Waste. He explained those sources of funds. He reiterated that this is a seven month budget that does not include property taxes because they will not be received until October.

He then explained that the expenditures are broken into functional categories, which must be reported to the Department of Community Affairs and the Georgia Municipal Association. He stated that this is essentially the CAFR or Comprehensive Annual Financial Report.

He reviewed the \$3.6 million Transfer to Other Funds. He explained that \$1.7 million is being transferred to Capital Outlay, which will be discussed later; \$1.5 million is being transferred for the Fund Balance; and \$370,000 is being transferred to the Hotel/Motel Fund. He stated that this last transfer is mandated by law.

Councilmember Paul questioned why half of the Hotel/Motel tax is designated to General Fund and half to Hotel/Motel Fund. Finance Director Rapson explained that according to State law 62½% of the funds collected must be allocated according to legislation. This is currently the Georgia Dome. The remainder must be spent on tourism and must be accounted for separately. Discussion followed regarding the collection and distribution of Hotel/Motel taxes. Finance Director Rapson also explained that 10% of the taxes collected may be used by the visitors' bureau.

Councilmember Greenspan requested that the Hotel/Motel Fund be broken out so that the revenues and expenditures can be seen. Finance Director Rapson stated that he would do that.

Councilmember Meinzen McEnery stated that this high level summary is very informative and questioned if each department's budget would be reviewed. Mayor Galambos stated that they would get to each page. Councilmember Meinzen McEnery questioned when time would be allocated to review the detailed budget for each department and where that information would come from. Mayor Galambos explained that this is part of the CH2MHILL contract in which there is an overall budget with a performance list. She further explained that there is no amount specifically applied to each particular performance.

Acting City Manager Bovos concurred with Mayor Galambos. He explained that due to some proprietary information, a detailed budget will not be prepared for those items within the Scope of Services. He further explained that they provide the Scope of Service for a defined amount of dollars.

Finance Director Rapson continued his presentation explaining the expenditures for personnel issues such as salaries and benefits. Following this are the items which are outside of the Scope of Services of CH2MHILL. These include postage for the quarterly newsletter, the annual report, and marketing. Acting City Manager Bovos stated that the preparation of the newsletter is within the Scope.

Councilmember Fries questioned what the allocation for dues and fees is for. Finance Director Rapson explained that there has already been an \$11,000 payment to the Georgia Municipal Association and National League of Cities and there are others to come such as the Chamber of Commerce Professional Association, and miscellaneous dinners/luncheons the Council attends.

Finance Director Rapson reviewed the following budgets:

- **City Manager's Office-** He stated that there were no questions or comments regarding the City Manager's Budget, however, it was requested that the number of salary employees be listed for quick reference.
- **General Operations-** He explained that inmate housing at Roswell was added to the Professional Fees/Other, the \$220,000 for the City Election, and the \$150,000 for Professional Services/Study is for items such as the Storm Water Management Study. Acting City Manager Bovos interjected that this also included the impact fees study, red-light camera study and those types of items.

Councilmember DeJulio questioned why the City is paying the County back for the election already since there are two years allowed by law. Finance Director Rapson explained that he had not received an invoice as of yet. Acting City Manager Bovos explained the issue regarding the booking of the expense in the incorrect period. If payment is deferred, the City would have a prior credit adjustment and have to restate the financial statements for this year.

- **Professional Services/Other-** Finance Director Rapson explained that this is for inmate housing, animal control, the library lease, and the parks lease. It was requested that each of the IGA's be separated into their own functional area.
- **Operating Transfer Out** - He stated that these were previously reviewed.
- **Finance Budget** - He stated that the \$1.8 million is the Professional Services Contract for the CH2M HILL contracts.

Mayor Galambos requested another review of General Operations. She questioned if the City would collect any interest on the Tax Anticipation Note (TAN). Acting City Manager Bovos stated that she is absolutely correct and this is reported on the income statement. Finance Director Rapson stated that the \$278,000 was not budgeted for the revenues because there was no way to know what the interest rate would be. Mayor Galambos requested that a conservative number be used.

- **Legal Services** – Finance Director Rapson stated that this is comprised of the City Attorney's fees, ECD, and litigation fees. He explained that ECD is Environment Community Development, Code Enforcement, and Building Inspections. There is a greater risk of litigation in these areas.
- **Facilities and Buildings**-Referring to page 6 of 4, he explained that the \$401,000 is the operating lease for the transition office.

Mayor Galambos requested an update on the build out of City Hall. Acting City Manager Bovos reported that Assistant City Manager Al Crace has engaged space planners and space elements from the landlord and CH2M HILL. Mayor Galambos questioned if this lease was included in the budget. Acting City Manager Bovos stated that it included the entire building. Project Manager Rick Hirsekorn stated that the lease is \$11.30 per square foot and included in that is a \$15.00 per square foot TI allowance. He also stated that Simpson is allowing the City to use the Call Center and Public Works space gratis except for the utilities and set up until we decide if we are going to lease it.

Finance Director Rapson stated that there is \$250,000 budgeted for equipment leases and CH2MHILL has an additional \$150,000 for furniture and fixtures.

- **City Clerk's Budget** - He stated that there is \$43,000 budgeted for Contractual Services for the Codification of the City's ordinances. Acting City Manager Bovos explained the purpose and process of codification. He explained that this was a one time fee. But there will be a maintenance fee annually.
- **Municipal Court Budget** - He explained that the probation services are reflected under Professional Services Court. He also stated that there is \$10,000 budgeted for a visiting judge when there is a schedule or interest conflict. There is also \$35,000 budgeted for a public defender. The breakdown of the Technical Services line item is \$30,000 for an interpreter and \$15,000 for the court software maintenance, and some charges associated with the solicitor and GCIC hookups. Acting City Manager Bovos stated that the provision of an interrupter is a legal requirement.

Councilmember Meinzen McEnerny questioned what the merchant tools or services are for. Finance Director Rapson explained that once the City has the ability to accept credit cards for payment, this is where the payment to the bank for those charges would be reflected. Acting City Manager Bovos stated that the City is in the process of VISA and MasterCard acceptance as well as check conversion.

Councilmember Jenkins stated that one of the court software companies being considered is provided at no cost to the City. The cost is paid by the users. Acting City Manager Bovos stated that they will be meeting with the providers and hopefully have a decision Monday.

Municipal Court Budget Continued... Finance Director Rapson explained the Capital Budget which includes funding for video conferencing equipment, electronic wands, GCIC equipment, and the Magnetron. Discussion followed regarding the video conferencing equipment and the safety of staff during the transportation of prisoners.

Councilmember Greenspan questioned if there is a need for an IGA for probation services. Finance Director Rapson explained that this is generally outsourced and the user of the service pays the fees therefore, the cost could be minimal.

- **Police Department** - He stated that this mostly included salaries, vehicles and equipment with a budget of \$2 million.
- **Fire Department** - He stated that the only change here was the addition of funds for an Operational Analysis Study which validates the contractual services with the counties. Discussion followed regarding who would conduct this study and the IGA with Fulton County for Fire Services. Mayor Galambos expressed her concerns regarding the amount for the study. Finance Director Rapson explained that there may be a need for further studies. Mayor Galambos clarified that any expenditure over \$50,000 must come before Council for approval. Acting City Manager Bovos stated that is correct.
- **Transportation** - Finance Director Rapson stated that the Recycling Center is budgeted here. He explained that Fulton County is no longer providing funds for this center. Councilmember Meinzen McEnerny stated that there is \$140,000 for Keep Sandy Springs Beautiful or Keep North Fulton Beautiful. She stated that this organization is the award winner in the State of Georgia for many activities and questioned if staff is proposing that the City fund the entire recycling center. Finance Director Rapson stated that staff included \$100,000 with the final decision to be made by Council. Mayor Galambos questioned the total amount for this facility and requested more information. Councilmember Greenspan directed staff to prepare a policy for the funding of non-profit organizations.
- **Recreation** - Finance Director Rapson stated that this item is budgeted by CH2MHILL and any questions would need to be directed to them. Acting City Manager Bovos stated that he had received a list from Mayor Galambos which includes historical houses and Big Trees. A policy to fund these types of agencies is what is needed. Councilmember DeJulio stated that these agencies have great fundraising resources and the City should be careful not to completely fund them and only supplement their funding. Discussion followed regarding prior Fulton County grants for these organizations and the loss thereof.

Project Manager Rick Hirsekorn stated that the contract allows for staffing and maintenance of the City's nine parks. It was never their intent to tell the Mayor and City Council what programs they could offer. They are here

to implement the programs chosen by the Council. Discussion followed regarding the funding of the programs at the City's parks.

Acting City Manager Bovos followed up on the discussion regarding the policy for funding non-profit organizations. He stated that this policy would address many of these issues.

- **Building Inspection and Code Enforcement** -He stated that this is also a CH2MHILL item plus \$20,000 for required advertising. The police department was originally budgeted here. Chief Wilson reviewed his proposed staffing and beat coverage.
- **Capital Budget** – He stated that this is outlined in five functional areas as follows:
 1. Local Funding Availability i.e. SSRI, GDOT, and the ARC.
 2. No Local Funding Available.
 3. No State or Federal funding such as LARP and TIP.
 4. Sandy Springs Grid Study recommendations.
 5. Miscellaneous projects.Mayor Galambos stated that she feels more information is needed on these items.

Councilmember Paul requested that the budget money for newsletter postage be removed from the City Council's budget and placed elsewhere.

Councilmember Greenspan requested an update of the LOST revenue process. City Attorney Wendell Willard stated that he has submitted a letter to the Commissioner of Revenue and has not heard back yet, but will follow up.

Councilmember Greenspan stated that he had done an analysis on the expense side of the budget and questioned what was forecasted for FY2007 specifically August. Finance Director Rapson explained the debt and the contractual payments. Acting City Manager Bovos stated that there is a difference between a modified accrual basis showing the \$10 million as revenue and using the \$10 million as tax anticipation for capital basis.

Councilmember Fries reminded everyone that the grants that were previously funded by Fulton County paid many citizens salaries and therefore there is an urgency to set a policy and address those needs quickly.

Finance Director Rapson reviewed the total expenditures and revenues for the proposed FY2006 budget.

Councilmember Paul stated that staff has done a great job on preparing this budget and thanked them for all of their hard work. Mayor Galambos echoed this stating that CH2MHILL staff has been a pleasure to work with.

After no further discussion, the work session adjourned at 8:44 PM.

Date Approved: March 7, 2006


Jeanette R. Marchiafava, City Clerk


Eva Galambos, Mayor

