

# **FY23 GENERAL FUND BUDGET UPDATE**

**(AKA...BUDGET "BIG ROCKS")**

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**(MARCH 22, 2022)**

## **INTRODUCTION**

The purpose of this Budget Update is to inform the Mayor and Commission of major expenditure or revenue challenges, changes or other issues (aka “Big Rocks”) potentially impacting the upcoming budget.

### **Budget Timeline:**



At this stage in the budget development process, departments and offices have submitted operating and capital requests, preliminary estimates for pay and benefit costs have been developed and preliminary estimates for revenues have been generated. The Manager met and reviewed budget requests with department directors and the Manager and Mayor met and reviewed budget requests with constitutional / elected department heads. Mayor & Commission developed and approved a Strategic Plan for FY23-FY25 to help guide decision making and a Budget Update memo was provided.

**Next steps:** The Manager will work with the Mayor to finalize the Mayor’s Recommended Budget, which must be submitted to the Commission and released to the public no later than the end of April. The Commission will review the budget in May and adopt a final budget in June.

**BUDGET DEVELOPMENT GUIDELINES:** Overall, the budget should consider prioritizing funding based on:

- current services
- ACCGov's Strategic Plan
- infrastructure and life cycle needs
- service needs related to accommodate population growth
- State and/or Federal mandates, and
- initiatives consistent with the Mayor and Commission's priorities

**STRATEGIC PLAN (FY23-FY25):** The recently approved Strategic Plan should help guide decisions and is focused around six goal areas:

- Good Neighbors;
- Identify and Close Gaps in Partnership with the Community;
- Organizational Improvement;
- Quality, Stable, Affordable Housing for All;
- Safely Move Around Athens; and
- Built and Natural Infrastructure.

# Expenditures (General Fund costs only)

**Pay: Unified Plan (~\$2.9M)** – Market increase of 7% along with funding for performance pay averaging an additional 2% - increasing current employees pay. A pay table increase of 4% is also planned to improve recruitment increasing pay for new hires. **Public Safety Step Plan (~\$2.3M)** – increase of 6% to the step plan table for all public safety employees along with additional funding of \$380,000 for step increases for eligible employees. *(These numbers reflect Human Resources recommendations from the March 8 worksession.)*

**Note on Budgeting for Pay:** *As a result of increased employee turnover, retirements and position vacancies, the difference between budgeted and actual expenditures for pay has been increasing. The FY23 budget for pay is being set informed by these trends in an attempt to better match the overall pay budget to actual expenditures. As a result, the overall budget for pay, before pay increases noted above, reflects a decline compared to prior year budgets. It should also be noted, over time, as turnover, retirements and vacancies decline and stabilize, pay budgets will raise.*

**Benefits:** Employee Healthcare ~\$560k increase, Retiree Health (Other Post Employment Benefits or OPEB) ~\$760k increase. Maintaining the current year's contribution level to the Pension Fund continues to meet the actuarially required annual contribution (ARC) for FY23.

The Pension Board recommended increasing the monthly pension payment to all retirees by \$75/month. This change would **add ~\$864k** annually to the General Fund contribution.

*(NOTE: A worksession is scheduled for April 12 for Human Resources to present on Benefits and Wellness programs and recommendations for FY23.)*

# Expenditures (General Fund costs only)

(continued)

**Addressing Deferred Capital Maintenance and Replacements:** Over the last several years, a number of facility maintenance needs and vehicle/equipment replacement needs have been deferred or delayed or otherwise gone unfunded. Many of these projects were not included (or only partially included) in the most recent TSPLOST and SPLOST programs. *(See Appendix for additional information)*

To address these needs, it is recommended that any fund balance budgeted in FY23 be used to **cover deferred facility maintenance, deferred vehicle/equip. replacements and other one-time capital needs.** (Note: at the end of FY21, there was approximately **\$7.4M** of General Fund balance available for appropriation.)

**Capital Budget:** Departments and Offices **requested over \$40M** for capital projects in FY23 – most of these requests to maintain, repair or replace existing facilities and equipment. It is estimated that between **\$10.0 - \$11.0M will be needed in FY23.** (The FY22 approved capital budget was \$5.6M.). Currently, ~\$5.3M of prior year fund balance would be used to address some of this capital funding deficit.

**Fleet Replacement Funding:** Currently, the Fleet Replacement Program has a replacement backlog of ~ **\$10.5M** while the Fleet Replacement Fund has ~\$1.5M of available funding (at 06/30/21). The current contribution to the Fund is **projected to be \$2.6M in FY23** (up \$354k from FY22), but below the \$6.1M annual contribution projected by Fleet. Currently, ~\$2.1M of prior year fund balance would be used to address a portion of the replacement backlog.

# Expenditures (General Fund costs only)

(continued)

**Transit Support: No General Fund support is currently projected in FY23** for Transit operations, similar to FY22, pending GDOT award of Federal Transit ARPA funds for operations and the upcoming TSPLOST referendum. Without Federal Transit ARPA funds (with no local match requirement) and TSPLOST funds for operations, annual General Fund support and/or farebox revenue of between **\$4 - \$5M would be needed to maintain current services.**

**ARPA for Budget Balancing:** Based on the approved ARPA funding allocations, it is anticipated that **\$1.2M** of the American Rescue Plan dollars will be utilized in FY23 as revenue replacement for “provision of government services”, roughly \$1M less than budgeted in FY22. *(Note: the General Fund expenditure budget would be reduced by \$1.2M and those expenditures will be shifted to the ARPA Fund in FY23.)*

# Expenditures (General Fund costs only)

(continued)

## Major Operational Increases and Maintaining Current Services:

- **Board of Elections: \$221k** funding for elections support poll workers for runoff elections and absentee ballot processing.
- **Annual maintenance for enterprise software systems: \$255k** increase in Information Technology and Police to cover annual increases in various software systems.
- **Fuel Prices: \$319k** increase due to higher fuel prices compared to previous years budget.
- **Fleet Replacement: \$354k** increase to annual contribution based on current replacement cycles and estimated current cost for vehicle replacements.
- **Sheriff/Jail Inmate Medical Services: \$300k** increase for inmate medical services at Jail.
- **Other Agencies: \$332k** to cover some requested increases for the Library, Public Defender, Council on Aging and Athens Cultural Affairs Commission.
- **Neighborhood Leaders Program: \$750k.** FY22 budget planned ARPA revenue replacement funds.

# Expenditures (General Fund costs only)

(continued)

## Other Major Operating Additions:

- **IT Security Enhancements: \$278k** to upgrade system security including multi-factor authentication.
- **Transfer Recycling costs from Landfill to General Fund: \$300k** cover the second of a three phase transfer of recycling costs to the General Fund (~\$300k was shifted to Gen Fd in FY21).
- **Nonprofit Capacity Building Program: \$250k** funding in Housing and Community Development for a non-profit capacity building initiative.
- **Human Relations Commission: \$139k** to fund support for the recently approved Human Relations Commission.

**SPLOST facilities operating impacts - \$462k:** Costa Building facility maintenance and support (\$103k); Beech Haven Park (Phase 1 support) (\$156k) and facility support/maintenance for other Leisure Services SPLOST projects (\$203k).

# Expenditure (General Fund costs only)

(continued)

Many requests for additional funding and positions submitted by Departments/Elected Constitutional Offices for FY23 will likely not be funded. These initial requests totaled the following:

- Department and Elected/Constitutional Offices submitted Operating Budget requests that total **\$6.6M** above the current budget to maintain existing service levels.
- In addition, Department and Elected/Constitutional Offices submitted Operating Budget requests that total **\$5.4M, adding 34+ fulltime positions** for new initiatives, additional positions and S/TSPLOST impacts.
- As noted earlier, Department and Elected/Constitutional Offices submitted General Fund Capital Budget requests that total over **\$40M** for FY23 projects.

## Expenditure Summary

(General Fund only)

	FY22 Orig.	FY23	Change from FY22		Comments
	Budget	Forecast	Amount	Percent	
Compensation	68,750,077	70,824,369	2,074,292	3.0%	Includes March 8 recommendations from HR and budget adjustments for higher turnover and vacancies.
Pension Contribution	10,164,678	10,209,043	44,365	0.4%	Includes Pension Board recommended increase for retirees.
Employee Health	8,920,915	9,478,009	557,094	6.2%	
Retiree Health (OPEB)	6,065,200	6,826,400	761,200	12.6%	
All Other Benefits	7,225,000	7,736,671	511,671	7.1%	
Operating & Indirect	31,146,592	34,977,454	3,830,862	12.3%	Increases to maintain current services
Debt Service	1,315,141	1,315,241	100	0.0%	
Other Agencies	5,936,922	6,247,170	310,248	5.2%	
Operating Contingency	1,200,000	1,200,000	0	0.0%	
Transfers to Other Funds	2,077,259	1,624,466	(452,793)	-21.8%	FY22 original budget included one-time transfer to Special Programs Fund (for Disparity Study).
Transfers to Capital	5,651,000	13,199,300	7,548,300	133.6%	Also, includes \$500K for Econ Dev Capital Fund and \$2.1M for one-time Fleet Replacement Fund supplement
Transfers to Transit	0	0	0	--	
Budget Additions	0	2,520,366	2,520,366	--	New/expanded Initiatives, SPLOST Impacts
ARPA (budget balancing)	0	(601,283)	(601,283)	--	\$1.2M available
<b>Total Expenditures</b>	<b>148,452,784</b>	<b>165,557,206</b>	<b>17,104,422</b>	<b>11.5%</b>	

# Revenues (General Fund only)

**Property Taxes:** Property taxes are the largest revenue source accounting for roughly **50% of all General Fund** revenues. Currently, the Finance department estimates the **net growth in taxable property values to be 12.5%**. (Note: tax digest estimates will not be completed by the Tax Assessors Office until the end of April, so this estimate may change).

At the current millage rate or tax rate of 13.70 mills (\$13.70 per \$1,000 taxable or assessed value), property tax revenues for FY23 are estimated to **generate ~\$82.5M or \$9.0M more than the FY22 Budget**. (Note: it is estimated that each 0.10 mill change equals ~\$556,000 and each 0.25 mill equals ~\$1,390,000.)

**Sales Taxes:** Local Option Sales Tax (LOST) revenues make up roughly **20% of all General Fund** revenues. Over the last twelve months ending in December, LOST revenue was just under **\$29.9M**. FY23 revenue is currently estimated to be a similar amount, which is **\$4M more than the FY22 Budget**.

# Revenue (General Fund only)

(continued)

**Other Taxes:** Revenues for all other taxes account for roughly **15% of all General Fund revenues**. Overall, other tax revenues are estimated to **grow roughly 5%** based on current business trends and tax rates, generating **~\$24.2M in FY23**, a **\$1.2M increase over the FY22 Budget**. The two largest taxes in this group, the Insurance Premium Tax and Franchise Taxes, are estimated to generate \$9.9M and \$8.4M, respectively. Other taxes in this group include, excise taxes on alcohol and the occupation tax (aka business licenses).

**All Other Revenues:** All other General Fund revenues are estimated to be **~\$21.6M**, a **5% or \$1.1M increase over the FY22 Budget**.

Charges for Services are estimated to be ~\$12.6M, Fines and Forfeitures ~\$2.2M, Intergovernmental ~\$1.3M and Other revenues ~\$700k. The total also includes \$3.8M of Transfers In from other funds. Most all of this Transfer In amount is to cover the associated Pension and OPEB cost for positions in other funds.

# Revenue (General Fund only)

(continued)

**Use of Fund Balance:** At the end of FY21, after deducting for the operating reserve and FY22 budgeted uses, there is **~\$7.4M** of available fund balance in the General Fund. The FY22 Budget planned the use of ~\$5.6M.

Fund balance is appropriate to cover one time expenditures, but not recommended for ongoing expenditures - **non-recurring revenues should not be directed toward recurring expenditures.**

As discussed in the expenditure section, it is recommended that any fund balance budgeted in FY23 should only be used to **cover deferred facility maintenance projects and deferred vehicle and equipment replacement needs** or other capital projects not included (or only partially included) in the most recent TSPLOST and SPLOST programs.

## Revenue Summary

(General Fund only)

	FY22 Orig.	FY23	Change from FY22		Comments
	Budget	Forecast	Amount	Percent	
Property Taxes	73,488,850	82,466,250	8,977,400	12.2%	Based on preliminary information from Tax Assessors Office (Finance Estimate) and no change in millage rate (currently 13.70).
Sales Tax	25,900,000	29,900,000	4,000,000	15.4%	Based on current 12 months improving
Other Taxes	22,955,000	24,159,000	1,204,000	5.2%	Driven by Insurance Premium Tax and Franchise Taxes
Licenses & Permits	865,880	916,000	50,120	5.8%	
Intergovernmental	1,204,790	1,293,000	88,210	7.3%	
Charges/Fees	11,992,685	12,602,461	609,776	5.1%	Program Fees, Parking Fees and Court Fees improving
Fines	1,896,943	2,245,000	348,057	18.3%	Courts and Parking Fines improving
Other Revenues & Transfers In	4,566,500	4,575,495	8,995	0.2%	
Use of Prior Year Fund Balance	5,582,136	7,400,000	1,817,864	32.6%	Includes \$7.4M for Capital and Fleet.
<b>Total Revenue</b>	<b>\$148,452,784</b>	<b>\$165,557,206</b>	<b>\$17,104,422</b>	<b>11.5%</b>	

# Appendix

**ACCGov Life Cycle Funding Pro Forma 2023-2027 - DRAFT**

	General Fund Capital (1 year avg)	2022 Deficit	5 year capital requirement	General Fund Capital	TSPLOST 2023 (5 yrs)	SPLOST 2020 (13 yrs)	ARPA Local (3 yrs)	Other Grants/Funds	
<b>Public Works</b>									
Pavement Life Cycle (1,670 lane miles, 17 year avg. life)	\$ 3,000,000	under refinement	\$ 42,000,000	\$ 15,000,000	\$ 20,000,000	\$ -	\$ -	\$ 7,000,000	
Traffic Signals Life Cycle (91 ACCGov-owned signals, 13 year life cycle)	\$ 1,150,000	\$ 14,000,000	\$ 8,750,000	\$ 5,750,000	\$ 2,000,000				
Roadway Signage Life Cycle (33,000 signs, 12 year life cycle)	\$ 675,000	under refinement	\$ 4,125,000	\$ 3,375,000	\$ 750,000				
Roadway Safety Devices (Pavement markings, guardrails, etc-520 miles of markings-8.5 life)	\$ 380,000	under refinement	\$ 2,900,000	\$ 1,900,000	\$ 1,000,000				
Roadway Bridges Life Cycle (Repairs only) 40 ACCGov-maintained bridges - 50 year life	\$ 63,000	under refinement	\$ 2,500,000	\$ 315,000	\$ 2,195,000				
Pedestrian and Neighborhood Safety Devices (RRFBs, Radar Speed Signs) - 10 year life	\$ 50,000	under refinement	\$ 250,000	\$ 250,000					
<b>Central Services</b>									
Fleet Life Cycle (590 vehicles and 220 pieces of equipment)	\$ 6,122,664	\$ 10,457,600	\$ 32,417,720	\$ 30,613,320	\$ -	\$ 3,507,000	\$ -		
Facility Life Cycle (2 million+ ft <sup>2</sup> across 300 structures)	\$ 2,979,336	\$ 1,600,000	\$ 16,771,680	\$ 14,896,680	\$ -	\$ 3,475,000	\$ -		
<b>Public Safety</b>									
Police Equipment Life Cycle	\$ 1,500,000	under refinement	\$ 7,500,000	\$ 7,500,000	\$ -	\$ -	\$ -		
Public Safety Radio Life Cycle (1,100 radios, three towers, and equipment)	\$ 940,000	\$ 875,000	\$ 3,825,000	\$ 4,700,000	\$ -	\$ -	\$ -		
Fire Department Equipment Life Cycle		under refinement	under refinement		\$ -	\$ 2,739,800	\$ -		
e911 Phone System Replacement			\$ 767,000			\$ 767,000			
Sheriff Equipment Life Cycle	\$ 300,000	under refinement	\$ 1,500,000	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -	
<b>Solid Waste</b>									
Solid Waste Collection Equipment Life Cycle	\$ 200,000	under refinement	\$ 5,000,000	\$ 1,000,000					
<b>Other</b>									
Other ACCGov Life Cycle Equipment Capital - Current Services	\$ 1,000,000	under refinement	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -	
Leisure Services Life Cycle	\$ 2,966,153	under refinement	\$ 23,258,763	\$ 14,830,763	\$ 1,728,000	\$ 6,700,000	\$ -		
Computer Information/Network Life Cycle	\$ 640,000	under refinement	\$ 3,200,000	\$ 3,200,000	\$ -	\$ -	\$ -	\$ -	
Airport Equipment Life Cycle	\$ 104,600	under refinement	\$ 5,760,000	\$ 523,000	\$ 5,237,000				
Transit Equipment Life Cycle	\$ 100,000	under refinement	\$ 10,200,000	\$ 500,000	\$ 9,700,000				
Public Art Life Cycle?		under refinement	under refinement						
	<b>Totals</b>	<b>\$ 22,170,753</b>	<b>\$26,932,600</b>	<b>\$ 175,725,163</b>	<b>\$ 110,853,763</b>	<b>\$ 42,610,000</b>	<b>\$ 17,188,800</b>	<b>\$ -</b>	<b>\$ 7,000,000</b>
	<b>Resulting Annual Requirement from General Fund Capital</b>			<b>\$22,170,753</b>					
	<b>Average 5 year (FY18-22 -General Fund cap/Fleet Repl contribution to Capital</b>			<b>\$6,368,330</b>					
	<b>Difference Annual Requirement vs. Historic Annual Funding</b>			<b>(\$15,802,423)</b>					

# FY23 Facility Equipment Life Cycle Program

## Highest Priority Projects

Priority	Building	Project	Cost	Notes
1	Health Department	Roof	\$1,034,880	
2	Jail (older section)	Roof	\$254,160	
3	Fire Station #7	Generator	\$90,000	← Proposed FY23 Funding Gets You Here
4	Courthouse	UPS	\$45,153	
5	Animal Services	HVAC	\$10,000	
6	East Athens Dance Center	HVAC	\$250,000	
7	Corrections	HVAC	\$35,600	
8	Sandy Creek Nature Center	HVAC	\$80,000	
9	Fire Station #5	HVAC	\$3,000	
10	Athens Community Theater	Roof	\$139,400	← SPLOST 2020 Gets You Here
11	Athens Community Theater	HVAC	\$18,700	
12	Welcome Center	Paint	\$13,594	
13	Mental Health	Paint	\$38,210	
14	Fire Stations #3, #4, & #9	Flooring	\$45,360	
15	Transit Shop	Bus Lift	\$19,475	
16	Diversion Center	Flooring	\$44,315	
17	Library	Flooring	\$335,980	
18	Corrections	Paint	\$34,868	
19	Courthouse Parking Deck	Paint	\$112,134	
20	Whitehall House	Roof	\$52,100	
21	Satula Building	Roof	\$730,000	Significant Repairs Implemented in FY22
22	Dougherty Street Building	Roof	\$790,320	Significant Repairs Implemented in FY22
23	Jail	Paint	\$95,337	

# Leisure Services – Capital Projections (FY22-FY32)

FY22-FY32	Total	Expense: Avg/yr (10yrs)	SPLOST 2020	SPLOST: Avg/yr (10yrs)	Net Amount	Avg/yr (10 yrs accounting for SPLOST)
Bridge & Boardwalk	\$4,033,250	\$403,325	\$1,824,062	\$182,406	\$2,209,188	\$220,918
Pavement	\$4,241,750	\$424,175	\$1,487,750	\$148,775	\$2,754,000	\$275,400
EQUIPMENT	\$2,935,597	\$293,559	\$0	\$0	\$2,935,597	\$293,559
Pool Repair	\$1,435,800	\$143,580	\$0	\$0	\$1,382,793	\$143,580
FACILITY R&M	13,048,789	\$1,304,878	\$2,716,712	\$333,158	\$10,332,077	\$1,033,207
Underfunded or unfunded SPLOST2020 proposals now listed as stand alone projects in capital budget proposal	\$83,531,000	\$7,593,727	\$0	\$0	\$83,531,000	\$7,593,727