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**Manager FY24 Budget Development Update with Mayor and Commission
UNIFIED GOVERNMENT OF ATHENS-CLARKE COUNTY, GEORGIA**

**Tuesday, March 21, 2023 – 3:00 PM
City Hall Commission Chamber**

I. Call to Order (3:00 p.m.) Mayor Kelly Girtz

II. Items for Future Consideration

A. Manager FY24 Budget Update Blaine Williams
Manager

III. Adjourn

**NOTE: All reports are draft. No final action is taken at this meeting.
The meeting is open to the public; however, public comments are not received.**

FY24 GENERAL FUND BUDGET UPDATE

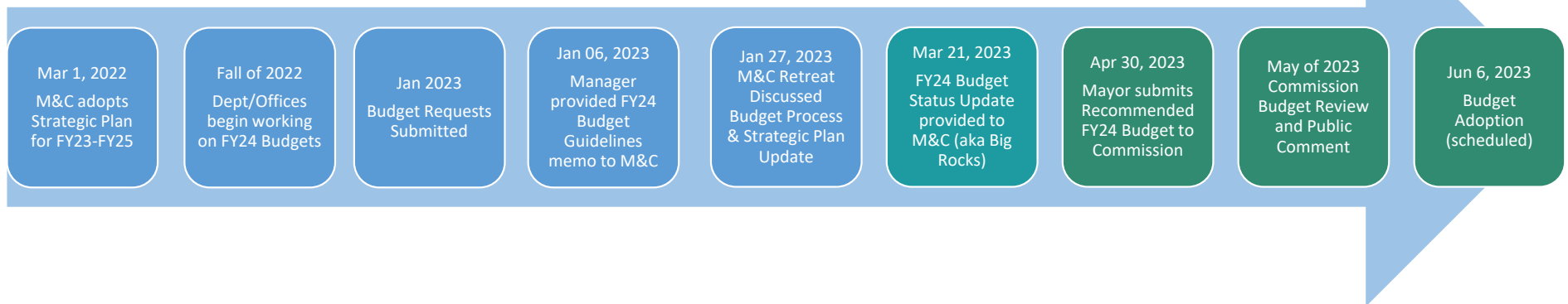
(AKA...BUDGET "BIG ROCKS")

(MARCH 21, 2023)

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 Manger provided a Budget Guidelines memo in early January to update the M&C. 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. The Mayor & Commission approved Strategic Plan for FY23-FY25 will help guide decision making throughout the budget process.

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:

- Employee recruitment and retention
- Current services
- Infrastructure and life cycle needs
- State and/or Federal mandates
- ACCGov's Strategic Plan, and
- Initiatives consistent with the Mayor and Commission's priorities.

STRATEGIC PLAN (FY23-FY25): The approved Strategic Plan should also help to guide decision making as the budget is developed. The following three strategies are specifically important for budget development:

Goal Area 3: Organizational Improvement

Strategy A. – Develop strategies to recruit, reward, and retain high performing employees, both internally and externally, including individuals coming out of the justice system.

Goal Area 3: Organizational Improvement

Strategy C. - Improve programs, processes, policies and communication external and internal, assess how resources are allocated to meet existing and future needs for better service delivery and what we deliver.

Goal Area 6: Built and Natural Infrastructure

Strategy C. – Provide adequate funding for maintenance of existing and newly constructed infrastructure.

Expenditures (General Fund costs only)

Pay: Unified Plan (~\$1.7M) – recommended market increase of 4% along with funding for performance pay averaging an additional 1% - increasing current employees pay. A pay table increase of 3% is also planned to improve recruitment increasing pay for new hires. **Public Safety Step Plan (~\$1.8M)** – recommended increase of 3% to the step plan pay table for all public safety employees along with additional funding of \$658,000 for step increases for eligible employees. Also, the FY24 Budget will include an additional **\$400k** to annualize the cost for increases to Sheriff's Office personnel as approved by the M&C on March 7, 2023.

***Note on Budgeting for Pay:** Similar to past years, and in an effort to account for a large number of vacancies, pay estimates are based on filled and new positions only. The budget continues a “vacancy/overtime contingency” if vacancy levels begin to decline. It should also be noted, over time, as turnover, retirements and vacancies decline and stabilize, pay budgets will raise.*

Benefits: Ongoing annual costs include Employee Healthcare **~\$500k** increase, Retiree Health (Other Post Employment Benefits or OPEB) **~\$500k** increase and Pension Fund **~\$1.0M** increase.

(NOTE: A worksession is scheduled for April 11 for Human Resources to present additional information on Pay and Benefits for FY24.)

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 either not included or underfunded in the most recent TSPLOST and SPLOST programs. In addition, many of the prices for supplies, equipment and services to maintain, repair and replace facilities, infrastructure and equipment have continued to raise significantly over the last year.

To address these needs, it is recommended that fund balance budgeted in FY24 be used to **cover deferred facility maintenance, deferred vehicle/equip. replacements and other one-time capital needs.** (Note: based on FY24 projections, and maintaining the two month operating reserve, there is approximately **\$13.7M** of General Fund balance available for appropriation.)

Capital Budget: Departments and Offices **requested over \$26.3M** for capital projects in FY24 – most of these requests to maintain, repair or replace existing facilities and equipment. It is estimated that between **\$12.0 - \$13.0M will be needed in FY24.** (The FY23 approved capital budget was \$10.8M.). Currently, between \$6.0M and \$7.0M of prior year fund balance will be needed to address this level of capital funding.

Fleet Replacement Funding: Currently, the Fleet Replacement Program has an estimated replacement backlog of ~ **\$11.7M**. The current contribution to the Fund is **projected to be \$3.0M in FY24** (up \$270k from FY23), but below the annual amount of \$4.2M over a 10-year period, as projected by Fleet Management. Currently, between \$2.0M and \$3.0M of prior year fund balance will be needed to address a portion of the replacement backlog.

Expenditures (General Fund costs only)

(continued)

Stabilizing Other Funds: It is also recommended that some available fund balance be used as one-time support to stabilize other General Fund supported funds that have experienced deficits or declines. A total of **\$2.0M** in one-time funding is recommended to support the Retiree Health Insurance Fund (OPEB) - \$750k, Employee Health Insurance Fund - \$750k and the Transit Fund - \$500k.

ARPA for Budget Balancing: Based on the approved ARPA funding allocations, **\$900k** of the American Rescue Plan dollars will be utilized in FY24 as revenue replacement for “provision of government services”, roughly \$300k less than budgeted in FY23. *(Note: the General Fund expenditure budget will be reduced by \$900k and those expenditures will be shifted to the ARPA Fund in FY24.)*

Expenditures (General Fund costs only)

(continued)

Major Operational Increases and Maintaining Current Services:

- **Sheriff/Jail Medical Services for In-Custody Residents: \$2.1M** to account for the annual cost for Health Services contract for In-Custody Residents of the Jail as approved by the M&C on February 7, 2023.
- **General and Vehicle Liability: \$800k** increase in funding to support this self funded program based on increased premiums and insurance claim trends.
- **Annual maintenance for enterprise software systems and Cloud Storage: \$150k** increase in Information Technology to cover annual increases in various software systems and **\$160k** for additional data storage.
- **Fleet Replacement: \$200k** increase to annual contribution based on current replacement cycles and estimated current cost for vehicle replacements.
- **Electricity for Streetlights: \$100k** increase to fund current level of streetlights.
- **City Hall Safety: \$62.4k** to improve safety and security in City Hall.
- **State Partnered Agencies: \$200k** to cover some requested increases for the Library and the Public Defender.

SPLOST facilities operating impacts - \$68k: Support to operate and maintain SPLOST funded additions (Dudley Park, Greenway and Firefly Trail).

Expenditures (General Fund costs only)

(continued)

Other Major Operating Additions:

- **Police - Real Time Crime Center: \$100k** funding of software to support analysis of law enforcement datasets, including videos, to improve investigative activities.
- **Move Recycling costs from Landfill Fund to General Fund: \$350k** cover the third year of a three phase transfer of recycling costs to the General Fund.
- **Firefighters/EMT's for Ladder Trucks: \$200k** adds three fulltime positions to increase staffing on ladder trucks to national standards. This is the first year of a three year phase-in to add a total of nine positions to support ACCGov's three ladder trucks.
- **Fire – EMS Captains (3): \$148k** (half year funding) to provide Emergency Medical Service supervision to each Fire Department shift.

Other Items:

- **Updates/Maintenance of Pay Plan: \$350k** of one-time funding for pay studies to update and maintain ACCGov's current pay plan.
- **Space Allocation Study: \$200k** one time funding added to the capital budget.
- **Prefund New Community Partnership Program: \$570k** to provide funding to community partner agencies through a competitive grant process during FY24 with funding beginning in FY25.
- **Opening of Community Centers for Youth Development: \$500k** funding for this program is recommended to come from one of the existing SLFRF ARPA "buckets".

Expenditure (General Fund costs only)

(continued)

Many requests for additional funding and positions submitted by Departments/Elected Constitutional Offices for FY24 will likely not be funded. These initial requests totaled the following:

- Department and Elected/Constitutional Offices submitted Operating Budget requests that total **\$4.7M** above the current budget to maintain existing service levels.
- In addition, Department and Elected/Constitutional Offices submitted Operating Budget requests that total **\$8.4M, adding 59+ 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 **\$26.3M** for FY24 projects.

Expenditure Summary	FY23 Orig.	FY24	Change from FY23		
(General Fund only)	Budget	Forecast	Amount	Percent	Comments
Compensation	72,151,865	74,496,420	2,344,555	3.2%	Includes recommendations from HR
Pension Contribution	10,384,071	11,384,071	1,000,000	9.6%	Based on current actuarial estimates.
Employee Health	9,641,193	10,891,193	1,250,000	13.0%	Includes \$500k ongoing + \$750k one time contribution.
Retiree Health (OPEB)	7,092,400	8,342,400	1,250,000	17.6%	Includes \$500k ongoing + \$750k one time contribution.
All Other Benefits	8,300,910	9,045,730	744,820	9.0%	
Operating & Indirect	36,133,725	40,449,697	4,315,972	11.9%	Increases to maintain current services
Debt Service	1,316,453	1,317,622	1,169	0.1%	
Other Agencies	6,564,986	7,284,986	720,000	11.0%	Includes \$570k to pre-fund a Community Partnership Program in FY25.
Operating Contingency	1,200,000	1,200,000	0	0.0%	
Transfers to Other Funds	1,488,136	1,538,136	50,000	3.4%	
Transfers to Capital	13,358,483	14,717,500	1,359,017	10.2%	
Transfers to Transit	0	500,000	500,000	--	
Budget Additions		2,213,460	2,213,460	--	New/expanded Initiatives, additional positions, SPLOST impacts
ARPA (budget balancing)	(1,200,000)	(900,000)	300,000	--	
Total Expenditures	166,432,222	182,481,215	16,048,993	9.6%	

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 approximately 10% for FY24**. (Note: tax digest estimates will not be completed by the Tax Assessors Office until the end of April, so this estimate may change).

Based on the current millage rate or tax rate of 13.10 mills (\$13.10 per \$1,000 taxable or assessed value), including the local homestead exemption increase approved by voters in November of 2022, property tax revenues for FY24 are estimated to **generate ~\$87.4M or \$4.5M more than the FY23 Budget**. This increase in the local homestead exemption (from \$10K to \$25k) approved in November equates to roughly a \$3M reduction in property tax revenues. (Note: it is estimated that each 0.10 mill change equals ~\$613,000 and each 0.25 mill equals ~\$1,533,000.)

Sales Taxes: The one penny Local Option Sales Tax (LOST) revenue make up roughly **20% of all General Fund** revenues. Over the last twelve months ending in January, LOST revenue was approximately **\$33.7M**. For FY24, revenue is currently estimated to be a similar amount, which is **\$3.8M more than the FY23 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 **~\$25.5M in FY24**, a **\$1.3M increase over the FY23 Budget**. The two largest taxes in this group, the Insurance Premium Tax and Franchise Taxes, are estimated to generate \$10.7M 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 **~\$25.1M, a 14% or \$3.0M increase over the FY23 Budget**.

Charges for Services are estimated to be ~\$13.2M, Fines and Forfeitures ~\$1.6M, Intergovernmental ~\$1.3M, Licenses & Permits ~\$900k and Other revenues ~\$800k. The total includes \$3.0M in interest revenues due to significantly higher interest rates compared to previous years. The total also includes \$4.2M 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 FY22, after deducting for FY23 budgeted uses and an operating reserve based on FY24 estimated expenses and transfers out, there is **~\$13.7M** of available fund balance in the General Fund. The FY23 Budget planned the use of **~\$7.4M** of available fund balance.

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 FY24 should only be used to **cover deferred facility maintenance projects, deferred vehicle and equipment replacement needs, stabilize other General Fund supported funds** or other capital projects either not funded or underfunded in the most recent TSPLOST and SPLOST programs.

Revenue Summary	FY23 Orig.	FY24	Change from FY23		
(General Fund only)	Budget	Forecast	Amount	Percent	Comments
Property Taxes	82,925,250	87,409,650	4,484,400	5.4%	Based on current 13.10 millage rate, increased homestead exemption and preliminary information from Tax Assessors Office (Finance Estimate).
Sales Tax	29,900,000	33,731,000	3,831,000	12.8%	Based on current 12 months.
Other Taxes	24,159,000	25,458,000	1,299,000	5.4%	
Licenses & Permits	916,000	916,000	0	0.0%	
Intergovernmental	1,234,360	1,314,360	80,000	6.5%	
Charges/Fees	12,838,182	13,168,670	330,488	2.6%	
Fines	2,095,000	1,620,000	(475,000)	-22.7%	
Other Revenues & Transfers In	4,964,430	8,038,535	3,074,105	61.9%	Includes additional Interest revenue
Use of Prior Year Fund Balance	7,400,000	10,825,000	3,425,000	46.3%	FY24 includes \$10.8M of available fund balance for Capital, Fleet Replacements and other one-time items.
Total Revenue	\$166,432,222	\$182,481,215	\$16,048,993	9.6%	