

Budget Workshop #2 of the Sandy Springs City Council was held Tuesday, May 8, 2012, at 4:00 p.m.

City Manager John McDonough asked if Council has all the information needed for the ranking list in order to make an informed decision.

Councilmember Chip Collins asked about the Major Capital Projects ranking.

City Manager McDonough stated the Major Capital Projects are typically transportation related. They include categories of projects such as stormwater, intersection improvements, and pavement management. This is historically how the projects have been listed.

Councilmember Karen Meinzen McEnery asked how items can be added to the initial ranking list. Getting projects on the list to be evaluated is important.

City Manager McDonough stated the department heads provide information on what should be added to the list. Staff reviews the citywide needs in suggesting items for the ranking list. The lower the number scored in the ranking system, the higher the priority is for a project.

Councilmember Meinzen McEnery asked if the singular numbers that Council votes on have mathematical priority over the capital projects that are ranked.

City Manager McDonough responded not necessarily. If the Major Capital Projects are ranked 1, 2, or 3, they are important projects that should be funded.

Agenda for Budget Workshop #2

- Review of Budget Principles and Goals
- Review and Validate Planning Assumptions
- Review of Undesignated Fund Balance
- Review of YTD FY12 Financials
- Review of FY13 Revenue/Expenditure Projections
- Review Capital Project Ranking Exercise

FY13 Budget Calendar

March – April	Departmental Budget Hearings/Finance Review Phase
April – May	Senior Management/Mayor Review Phase
May 1	Budget Workshop #1
May 8	Budget Workshop #2
May 22	City Council Budget Presentation (Proposed Budget)
June 5	1 st Public Hearing on FY13 Budget and Discussion
June 19	Final Public Hearing and Adoption by City Council

Mayor Eva Galambos stated she had communication with a constituent who is a retired appraiser. The appraiser did a random sample of about 1,200 property sales in specified areas in Sandy Springs. The latest sales numbers for this year, compared to the base value of sales in 1997, have not fallen as much as the Schiller index has.

Workshop Goals

- Receive feedback and direction from City Council as we develop the FY13 Budget
- Review and validate FY13 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.

Adopted Priorities



FY13 Planning Assumptions

- Decrease of general liability insurance costs \$200,000
- Fixed Cost of General Government Services Contracts \$12,363,570
- Renewal of subcontractor agreements at same rate \$5,125,000
- E-911 Center operation \$900,000
- Continued EMS subsidy for enhanced service \$450,000
- Carry forward funding for Municipal Complex master plan
- Continued funding for CIP-T/P/F programs
- Continued funding for Stormwater Infrastructure Improvements \$2,500,000
- Continued funding for City Hall land acquisition \$5,000,000
- Funding for Downtown Property Acquisition/Infrastructure Improvements \$4,000,000
- Funding for Public Safety Radio System \$2,000,000
- Continued funding for Police Fleet Replacement Program \$703,500
- Vehicle Acquisition Costs \$135,000 (2 Fire, 2 CD)
- Continued funding for Community Events/Non-profits \$280,000
- Funding for Recycling Program/Hazardous Waste \$130,000

City Manager John McDonough stated the Downtown Property Acquisition/Infrastructure Improvements fund was reduced by \$1 million. That \$1 million was moved to the capital projects list in order to accomplish more of the projects on the list.

Councilmember Dianne Fries asked about the replacement of the large fire trucks.

City Manager McDonough stated the Fire Chief is going to meet with the vendor to discuss when the fire trucks will need to be replaced. The trucks may need to be replaced in FY14.

Councilmember Tibby DeJulio asked how much is owed on the fire trucks.

Finance Director Karen Ellis responded around \$2 million is still owed.

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%)

Projected Undesignated Fund Balance

June 30, 2011 Fund Balance	\$ 21,454,469
Add: FY12 Projected Revenue	81,087,884
Less: FY12 Projected Expenditures	71,287,906
Subtotal	31,254,447
Less: Fund Balance Reserve (25.5%)	(20,000,000)
YEAR END UNDESIGNATED FUND BALANCE	\$ 11,254,447

Councilmember Tibby DeJulio asked if the City auditors require the City to keep the fund balances at a certain amount.

Finance Director Karen Ellis stated GASB 54 requires the City financial reports to be more detailed.

Councilmember DeJulio stated the City has a \$10 million surplus. Last year's fund balance is what he would consider to be a permanent capital reserve for the City. Adjusting the City's fund balance, because the City has a bad year, does not make much sense to him. The City should not consider the fund balance as part of the operating budget. The fund balance should be used strictly as a reserve.

City Manager John McDonough stated the current adopted policy is based on the annual general fund at 25% of the budget.

Councilmember DeJulio stated if the City revenue declines to \$60 million, then the fund balance reserve amount would be reduced to \$15 million.

City Manager McDonough stated this is an adequate reserve. The reserve has been decreased by \$1.454 million and that money was moved into capital investments based on the City's adopted policy. The City chose to reinvest the additional money into capital projects.

Councilmember Karen Meinzen McEnery stated she looks at revenues less expenses equals net operating income. For the past six years, the City has been using the surplus money from the end of the budget year. The City exceeded its revenues this year and the money will be placed in the fund reserve balance. The unanticipated surplus the City achieved this year, based on the budget assumptions, is equal to \$11 million. This occurred due to the City increasing its revenues over budget by \$4.198 million. There was also a \$5.198 million savings in expenses. The City is now looking at a \$10 million surplus. Council should take into consideration the revenue and expense projections in a down economy. She would rather the City still be conservative, but be closer with the budget than what is being done now. A \$10 million variance over \$76 million is a 13% variance.

Councilmember Dianne Fries stated she would rather see the City be conservative on number projections and have an undesignated fund balance. In regards to the reserve being at 25.5%, the ordinance could also state the reserve number will not be allowed to go less than \$20 million.

Councilmember DeJulio stated when looking at these numbers, he considers what bond rating agencies will look at. Bond rating agencies will want to see a permanent reserve balance that grows over a few years.

Mayor Eva Galambos asked if Councilmember DeJulio wants the fund balance growing at an absolute number or to stay at a certain percentage of the budget.

Councilmember DeJulio responded both. The City should take a part of the savings and place it in a permanent reserve.

Mayor Galambos stated she would agree with Councilmember DeJulio, except when looking at the numbers on the next page of the report. The City is being extremely conservative.

Councilmember Fries stated she agrees with the fund balance not going below \$20 million.

Councilmember John Paulson stated the issue is how much money would the City need if a bad economy situation were to occur. That number should be a minimum of \$20 million or the required percentage amount.

Councilmember Meinzen McEnery stated she agrees with setting a minimum amount to be required for the fund balance. The City has a pattern of underestimating revenue and doing an excellent job of managing expenses. The combination of those two has resulted in a surplus. The money that comes into the bottom line above a reasonable variance is money that could have been spent on capital projects needed in the community.

Councilmember Fries stated the money is still used towards capital projects.

Councilmember Chip Collins stated the fact the City has a surplus every year shows that the staff is doing a great job. He agrees with investing the surplus back into the community.

Mayor Galambos stated if \$20 million were the required fund reserve, it could be below the currently required percentage amount for the fund reserve. The requirement should be a percentage and a number amount.

Councilmember DeJulio stated this is a policy that will need to be reviewed on an annual basis.

Councilmember Gabriel Sterling stated he would prefer the balance be reviewed every year.

Councilmember Collins stated the question is if Council agrees with the \$20 million reserve for this year.

There was a consensus of Council to keep the fund balance reserve at a \$20 million minimum for this year and 25.5% of the budget.

City Manager McDonough stated staff will come back to Council with recommendations on the policy and work on increasing the number for the reserve balance moving forward.

Councilmember DeJulio asked what amounts are included in the reserve funds.

City Manager McDonough stated he will bring those numbers back to Council in two weeks.

REVIEW OF FY12 YTD FINANCIALS

Revenue FY2012 vs. FY2013

	2012 Projected Actual	2013 Budget	Variance
Property Taxes	\$27,223,621	25,676,000	(1,547,621)
Local Option Sales Tax	21,403,616	20,500,000	(903,616)
Business & Occupational Tax	7,688,408	7,600,000	(88,408)
Franchise Fees	9,650,016	9,150,000	(500,016)
Insurance Premium Taxes	4,402,100	4,200,000	(202,100)
Other Revenues	10,720,123	9,833,884	(886,239)
Total Revenues	\$81,087,884	\$76,959,884	(\$4,128,000)

Councilmember Karen Meinzen McEnery stated the Fulton County Tax Assessor stated there will be a 2-3% decline in commercial property taxes and 6-10% in residential. The property taxes number should be a blended average.

City Manager John McDonough stated staff is being conservative with the numbers. He recommended \$25.676 million for the 2013 property taxes budget number.

Councilmember Meinzen McEnery stated the local option sales tax of \$20.5 million for 2013 is \$1 million more than what was budgeted for 2012, which is an increase from last year.

Expenditures FY2012 vs. FY2013

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	2012 Projected Actual	2012 Budget	2013 Budget	Variance
City Council	140,713	157,364	158,691	0.84%
City Manager	624,908	812,339	808,307	-0.50%
City Clerk	124,750	148,830	181,859	22.19%
Finance	2,144,379	2,200,364	2,198,684	-0.08%
City Attorney	749,000	808,000	808,000	0.00%
Information Services	1,542,422	1,655,295	1,691,215	2.17%
Facilities Management	1,648,110	1,625,800	1,658,682	2.02%
Communications	1,347,663	1,423,913	1,600,436	12.40%
General Administration	1,970,562	3,026,000	2,243,442	-25.86%
Municipal Court	1,368,951	1,527,041	1,685,585	10.38%
Police	17,162,092	18,521,820	19,184,302	3.58%
Fire	10,840,267	11,082,562	11,428,752	3.12%
Emergency Management	1,511,631	1,553,700	1,553,700	0.00%
Public Works	9,568,865	9,836,705	9,978,765	1.44%
Recreation and Parks	2,571,988	2,989,608	2,999,742	0.34%
Community Development	2,618,907	3,096,401	3,602,312	16.34%
Contingency	-	520,560	525,000	0.85%
Matching Grants	2,500	150,000	150,000	0.00%
Transfers to Other Funds	15,350,198	15,350,198	15,956,878	3.95%
Total General Fund:	71,287,906	76,486,500	78,414,353	2.52%

Councilmember John Paulson asked what the total budgeted number is for 2012.

City Manager McDonough responded the number is \$76.486 million. Council requested to have the projected actual numbers added to the presentation. These numbers are what staff looks at when the budget number is calculated. The revenue is not decreasing by \$4.1 million, it is increasing \$500,000.

Councilmember Karen Meinzen McEnery asked what the 2.52% variance represents.

City Manager McDonough stated that number is an increase from the 2012 adopted expenditures compared to the City's current numbers. The final budget presentation will be in two weeks.

Mayor Eva Galambos asked if the 2.52% represents salary increases.

City Manager McDonough stated the number could represent any number of things. The General Government services contract variance is 6.82%, which results in the blended bottom line number increasing about 2.5%.

Councilmember Meinzen McEnery asked why the previous year's budget is referred to when preparing the FY13 budget.

City Manager McDonough stated all the numbers are looked at when creating the budget. Staff looks at the projected actual number and the budgeted number. The City does not have a zero based budget, but instead prepares a priority based budget. Due to the contract model of outsourcing the general government services, the costs are fixed with a tight range for five years, until the contracts are rebid.

Mayor Galambos stated the City is being conservative on revenues and expenditures. By November 2012, City staff should have the information from Fulton County on the property tax revenue. Council should review the budget after six months.

Councilmember Chip Collins asked about the difference in numbers for Community Development.

City Manager McDonough stated the difference was primarily due to the additional FTE positions.

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Finance Director Karen Ellis stated the Downtown Master Plan budget was increased as well.

Councilmember Meinzen McEnery stated staff is doing a great job on the numbers. There should be a 5-10 % variance and this year it was 13%. Any of the savings in revenues and expenses should go to the City's capital projects.

City Manager McDonough stated staff will be prepared to come back in two weeks and give Council the specifics on variations of numbers for certain departments.

Task Order Analysis

Firm/Work Package	NTE Escalator	Actual Escalator	FY12 Amount	FY13 Amount	Difference
Finance/ST Services	2.50%	2.50%	\$1,593,201.00	\$1,633,011.00	2.50%
Information Services/InterDev	5.25%	3.50%	1,136,751.00	1,176,537.49	3.50%
Communications/Collaborative	2.20%	2.20%	594,413.00	502,200.00	(15.51%)
Municipal Court/Jacobs	3.00%	1.00%	932,986.40	1,082,368.00	16.01%
Call Center/CH2MHill	n/a	3.50%	765,252.00	792,036.00	3.50%
Public Works/URS	4.00%	3.50%	3,086,205.21	3,318,265.00	7.52%
Recreation/Jacobs	3.00%	1.00%	1,013,438	1,023,571.00	1.00%
Community Development/Collaborative	2.20%	2.20%	2,452,225.00	2,835,562.00	15.63%
Total		3.14%	\$11,574,471.61	\$12,363,550.49	6.82%

Review of Potential FY13 Citywide Capital Projects

Citywide Capital Projects (Consolidated Rankings)

1. RANK CATEGORIES

2. Rank Projects Within Each Category

PRIORITY	Rank	Est. Allocation
Abernathy Greenway Park		750,000
Big Trees Forest Preserve		150,000
Bridge and Dam Maintenance Program		200,000
Indoor Tennis Court Facility		1,000,000
Intersection Improvement Program		500,000
Lost Corner Preserve		200,000
Major Capital Projects	(Rank 1 - 8)	7,070,000
City Gateway Beautification		1,000,000
Glenridge Drive Widening with Trail		150,000
Glenridge Drive at Roswell Road		2,500,000
Northridge Interchange Beautification		500,000
Plan 2040		270,000
Spalding Drive at Mount Vernon Road ROW		750,000
Riverside Drive Shoulder/Slope Repair		300,000
Roswell Road Streetscape (City limit north to Long Island)		1,600,000
Old Riverside Drive Property		1,500,000
Pavement Management/Resurfacing		3,000,000
Sidewalk Program		500,000
Traffic Management System		550,000
	Total	\$15,420,000

Review of Potential FY13 Citywide Capital Projects

Citywide Capital Projects (Consolidated Rankings)

1. RANK CATEGORIES			
2. Rank Projects Within Each Category			
PRIORITY		Rank	Est. Allocation
1	Pavement Management/Resurfacing		3,000,000
2	Major Capital Projects	(Rank 1 - 8)	5,570,000
	Glenridge Drive at Roswell Road	1	1,000,000
	City Gateway Beautification	2	1,000,000
	Northridge Interchange Beautification	3	500,000
	Roswell Road Streetscape (City limit north to Long Island)	4	1,600,000
	Glenridge Drive Widening with Trail	5	150,000
	Riverside Drive Shoulder/Slope Repair	6	300,000
	Plan 2040	7	270,000
	Spalding Drive at Mount Vernon Road ROW	8	750,000
3	Old Riverside Drive Property		1,500,000
4	Intersection Improvement Program		500,000
5	Sidewalk Program		500,000
6	Abernathy Greenway Park		750,000
6	Traffic Management System		550,000
8	Bridge and Dam Maintenance Program		200,000
9	Big Trees Forest Preserve		150,000
10	Lost Corner Preserve		200,000
11	Indoor Tennis Court Facility		1,000,000
Total			\$13,920,000

Recommended FY13 Citywide Capital Projects

Citywide Capital Projects (Consolidated Rankings)

1. RANK CATEGORIES				
2. Rank Projects Within Each Category				
PRIORITY		Rank	Est. Allocation	Amount
1	Pavement Management/Resurfacing		3,000,000	3,000,000
2	Major Capital Projects	(Rank 1 - 8)	5,570,000	5,570,000
	Glenridge Drive at Roswell Road	1	1,000,000	
	City Gateway Beautification	2	1,000,000	
	Northridge Interchange Beautification	3	500,000	
	Roswell Road Streetscape (City limit north to Long Island)	4	1,600,000	
	Glenridge Drive Widening with Trail	5	150,000	
	Riverside Drive Shoulder/Slope Repair	6	300,000	
	Plan 2040	7	270,000	
	Spalding Drive at Mount Vernon Road ROW	8	750,000	
3	Old Riverside Drive Property		1,500,000	1,500,000
4	Intersection Improvement Program		500,000	500,000
5	Sidewalk Program		500,000	500,000
6	Abernathy Greenway Park		750,000	750,000
6	Traffic Management System		550,000	550,000
8	Bridge and Dam Maintenance Program		200,000	
9	Big Trees Forest Preserve		150,000	
10	Lost Corner Preserve		200,000	
11	Indoor Tennis Court Facility		1,000,000	
Total			\$13,920,000	\$12,370,000

City Manager John McDonough stated the Bridge Dam Maintenance Program, Big Trees Forest Preserve, Lost Corner Preserve, and the Indoor Tennis Court did not make it on the list.

Councilmember Gabriel Sterling asked if the list includes the \$1 million from the City center project.

City Manager McDonough stated yes.

Councilmember Chip Collins asked if there are funds in this year's budget for Lost Corner Preserve, but not necessarily to open Lost Corner to the public.

City Manager McDonough stated there is funding available and also grant requests in the amount of \$90,000.

Finance Director Karen Ellis stated the Lost Corner Preserve account balance is \$272,000.

Councilmember Karen Meinzen McEnerny asked if the estimated allocations are the same numbers as given to Council last week.

City Manager McDonough responded no. The only change is Glenridge at Roswell Road. The \$1 million for next year and the \$1.5 million for the following year will get the design and the right-of-way acquisition started.

Councilmember Meinzen McEnerny asked about the condition of the house at Lost Corner and if there are estimates on repairing the house. The City should preserve and protect the house.

Director of Recreation and Parks Ronnie Young stated the estimated cost to restore the house to make it usable by the public is around \$300,000.

Councilmember Meinzen McEnerny stated it is inconceivable for the City not to preserve the house, not necessarily completely restoring the house, but stopping what is diminishing the house.

Director of Recreation and Parks Young stated the City has dealt with water coming in through the roof. The asbestos, moisture, lead paint, and mold test are issues caused by the moisture. Moisture is entering the house through the basement area as well. In order to stabilize the home, it will take a significant amount of money to stop water from entering the home. The cost to stop the water from entering the home will be about \$150,000. If the entrance drive and parking lot project are going to be completed, staff needs to see how much of the \$272,000 will be used.

City Manager McDonough stated that money can be used to stabilize the building.

Councilmember Meinzen McEnerny stated the City has an obligation to make sure the house does not deteriorate further. If the City does not fund the \$150,000 to stop water from entering the house, the City would not be good stewards of Mrs. Miles' gift to the City.

Councilmember John Paulson asked about the \$12.370 million.

City Manager McDonough stated staff believes there is approximately \$12 million left after all the other assumptions are built into the budget.

Councilmember Collins asked if the Public Works staff thinks the Bridge and Dam Maintenance Program is mission critical.

City Manager McDonough stated with each of these projects there is still funding left in the capital program. There is still funding to handle the worst problems.

Councilmember Tibby DeJulio stated it looks as if there will be shortfall of \$1.5 million. In the past, the City would take the previous year's surplus and allocate that money to all the capital projects. He asked if the \$10 million surplus from last year has already been allocated or can that money be used.

Councilmember Meinzen McEnerny stated maybe Council can look at the capital projects and find a project they would be willing to give up to get \$150,000 to stabilize the Lost Corner house and \$150,000 to leverage the \$250,000, to enable the children and programs to be able to utilize Big Trees.

Councilmember Fries suggested leaving that decision to the City Manager.

Mayor Galambos stated it is not up to Council to move money from one fund to another.

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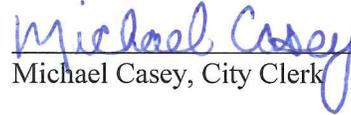
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City Manager McDonough stated he will speak to Director of Recreation and Parks Young about the project priorities. There may be a few items that can be changed in order for work to be done on the house. A recommendation will be brought back to Council. There is flexibility, and things may change in two to three months. There may be the opportunity for additional funding for other projects on the list.

Date Approved: June 5, 2012



Eva Galambos, Mayor



Michael Casey, City Clerk