

Budget Workshop #2 of the Sandy Springs City Council was held Tuesday, May 7, 2013, at 4:00 p.m.

The meeting began at 4:05 p.m.

Councilmembers and Staff in attendance

Mayor: Mayor Eva Galambos was absent. Mayor pro tempore Tibby DeJulio was present.

Councilmembers: Councilmember John Paulson, Councilmember Dianne Fries, Councilmember Chip Collins, Councilmember Gabriel Sterling, and Councilmember Karen Meinzen McEnery were present.

Staff and other individuals in attendance: City Manager John McDonough, Assistant City Manager Eden Freeman, Assistant City Manager Bryant Poole, Finance Director Karen Ellis, Director of Public Safety Terry Sult, Police Chief Kenneth DeSimone, Fire Chief Jack McElfish, Director of Community Development Angela Parker, Director of Public Works Garrin Coleman, Economic Development Director Andrea Hall, Communications Director Sharon Kraun, City Attorney Wendell Willard, City Clerk Michael Casey, and Assistant City Clerk Kelly Bogner.

City Manager John McDonough gave the following presentation.

FY2014 BUDGET WORKSHOP #2

FY14 Budget Calendar

- | | |
|-----------------|---|
| • March – April | April Departmental Budget Hearings/Finance Review Phase |
| • April – May | Senior Management/Mayor Review Phase |
| • April 30 | Budget Workshop #1 |
| • May 7 | Budget Workshop #2 |
| • May 21 | City Council Budget Presentation (Proposed Budget) |
| • June 4 | 1st Public/Millage Rate Hearing & Budget Workshop |
| • June 18 | Final Public Hearing and Adoption by City Council |

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



There was a consensus of Council to update the adopted City priorities.

FY14 Budget Assumptions - Operating

- Decline in revenues (property tax and franchise fees) -
-\$2,946,103 (-3.55%)
- Fixed Cost of General Government Services Contracts -
\$13,166,230.34 (5.67%)
- Renewal of subcontractor agreements - \$5,570,000 (4.29%)
- Continued funding for Police Fleet Replacement Program -
\$808,800
- Vehicle Acquisition Costs - \$145,000 (4 Fire)
- Funding for Elections - \$375,000
- Continued funding for Community Events/Non-profits - \$280,000
- Financing for Fire Department Fleet Replacement - \$775,000
- E-911 Center operation - \$900,000
- Continued EMS subsidy for enhanced service - \$450,000
- Buy down and Debt Service for Storage Facility - \$309,710

Councilmember Karen Meinzen McEnery stated there is a decline of property taxes by 3.55%. She asked if that number is compared to the budget.

City Manager John McDonough responded yes. Those numbers are compared from budget year to budget year and staff also has the numbers of budget to actual. All this information is available in the budget book provided to Council.

Councilmember Meinzen McEnery stated the projected property tax of \$28 million is \$500,000 less than what was projected twelve months ago. The FY2014 budget numbers are consistent with the projected 2013 numbers.

Mayor pro tempore Tibby DeJulio asked why the City does not amortize the cost of the elections on a yearly basis rather than paying a large amount every four years.

City Manager McDonough stated if Council chooses, that can be done. This amount has been built into the budget every four years without any negative impact.

Councilmember Chip Collins asked about the community events/non-profit funding.

City Manager McDonough stated there are payments to other agencies that total \$130,000 out of the \$280,000. These costs include \$15,000 for Movies by Moonlight, \$15,000 for Heritage concerts, \$75,000 for the Heritage Green facility, \$12,500 for Sandy Springs Bicycle Classic, \$12,500 for Sandy Springs Festival, and the other \$150,000 is for non-profits. In the past, \$100,000 has been allocated to the Community Action Center. The remaining \$50,000 is allocated through a process Council has set up. This process includes receiving applications from non-profits and ranking the requests from the organizations to determine which ones will receive City funds.

Councilmember Meinzen McEnery asked how much of the \$50,000 was requested by the applicants.

Assistant City Manager Eden Freeman stated last year the amount was \$114,000.

Councilmember Meinzen McEnery suggested Council increase the non-profit amount by \$50,000 or reduce the amount the Community Action Center receives. This could be done in order to potentially better service the community. The \$114,000 of grant applications could be sourced in better ways.

Councilmember Dianne Fries stated not all the money that came in for grants to the City was appropriated.

Councilmember Meinzen McEnery asked staff to get Council a detailed update on the non-profits and how the money was distributed.

Councilmember Gabriel Sterling stated sometime in the future the City should consider not giving the non-profits any money so they can stand on their own. He does not like giving non-profit organizations taxpayer's money.

FY14 Budget Assumptions – Capital

- Continued funding for City Center Phase I Priority Projects - **\$13,500,000**
- Continued funding for Stormwater Infrastructure Improvements - **\$1,600,000**
- Funding for Public Safety Radio System - \$1,250,000
- Purchase of Fire Station #4 from City of Atlanta - **\$1,250,000**
- Continued funding for Chattahoochee Pedestrian Bridge Project - \$400,000
- Renovations for Storage Facility Lease/Purchase - **\$300,000**
- Continue Citywide Gateway Beautification - **\$250,000**
- Continued funding to complete HAWK Program - \$230,000
- Additional funding for Riverside Drive slope repair - \$200,000
- Continued funding for CIP-T/P/F programs - **\$4,554,882**

City Manager John McDonough stated as of today there is \$400,000 of unallocated stormwater money that will be carried forward into FY14. There is another \$800,000 to \$900,000 in projects that have

Councilmember Chip Collins asked if any of the money allocated for the City Center will be spent and construction will begin within the next twelve months.

City Manager McDonough stated demolition will begin within the next twelve months. The Land Acquisition funding will be used as well as Professional Services.

Projected Undesignated Fund Balance

June 30, 2012 General Fund Balance	\$ 33,109,813
Add: FY13 Projected Revenues	83,033,223
Less: FY13 Projected Expenditures	88,876,813
Subtotal	27,266,222
Less: Fund Balance Reserve (31.24%)	(20,000,000)
YEAR END ESTIMATED UNDESIGNATED GENERAL FUND BALANCE	\$ 7,266,222

City Manager John McDonough stated last year the City's fund balance reserve was about \$19 million. Staff is recommending a \$20 million fund balance reserve. That would be 31.24% of the operating budget.

Councilmember Gabriel Sterling asked if Council had a previous discussion regarding the fund balance reserve to be set at \$20 million or 25%.

City Manager McDonough stated last year there was a consensus of Council to keep the fund balance reserve at a set dollar amount.

Councilmember Karen Meinzen McEnery stated the projected FY13 expenditures are exactly what were previously projected as the budget number. She asked why this number is exactly the same.

Finance Director Karen Ellis stated the original number was \$11 million. There was an extra \$1.2 million to allocate toward other projects.

Councilmember Meinzen McEnery asked what number would be the surplus from 2013.

Finance Director Ellis stated staff is projecting there may be a shortfall of \$5.8 million. Originally the shortfall was budgeted at about \$11 million.

Councilmember Meinzen McEnery asked if the \$11 million shortfall came from the reserve funds.

Finance Director Ellis responded yes, that number balances the budget. There was an excess in the fund balance. Anything in excess of the \$20 million that Council chose as the fund balance reserve was used to balance the budget and fund the year's general fund.

Revenue FY2013 vs. FY2014

	2013 Projected	2014 Budget	Variance
Property Taxes	28,697,589	28,250,000	(447,589)
Sales Tax	23,736,636	23,470,000	(266,636)
Business & Occupational Tax	8,500,000	7,750,000	(750,000)
Franchise Fees	9,147,092	9,075,000	(72,092)
Insurance Premium Taxes	4,675,766	4,300,000	(375,766)
Other Revenues	8,276,138	7,242,120	(1,034,018)
Total Revenues	\$83,033,223	\$80,087,120	(\$2,946,103)

Finance Karen Director Ellis stated staff budgeted less than what was projected in order to be conservative.

Councilmember Gabriel Sterling asked about the exact numbers.

City Manager John McDonough stated the numbers can be viewed on the third page of the detail report in the proposed budget books.

Councilmember Karen Meitzen McEnery stated she has questions regarding the increases in the budget over the projected budget and the decrease in the City Attorney's budget of approximately \$500,000.

City Manager McDonough stated the \$500,000 was the money paid to Fulton County to settle a lawsuit.

Councilmember Meitzen McEnery stated the facilities management line item increased by \$300,000 and general administration decreased by \$2 million.

City Manager McDonough stated he can address these items when he reaches the expenditure line items in the presentation.

Finance Director Ellis stated the big variance is in licensing and permits. There was a change in the City's license and occupational taxes this year.

Councilmember John Paulson asked about the General Fund Revenue. The 2011 actual revenues were \$82 million, \$83 million for 2012, projected \$83 million for 2013, and projected \$80 million for 2014. That is a decrease in \$3 million from the last year.

City Manager McDonough stated the City has always been conservative with the numbers, which keeps the City from over extending itself.

Councilmember Meitzen McEnery stated the City has a reserve fund for those contingencies. If the City has a history of what the actuals are, a case can be made to reduce the surplus of unanticipated funds by 30%. She suggested spending some of the money conservatively and using \$1.5 million of the \$3 million.

City Manager McDonough stated staff does not know the City will definitely receive the \$3 million.

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Councilmember Meinzen McEnerny stated year after year the City has spent the money that has been saved from the prior budget and the money is added to the capital.

Councilmember Chip Collins stated the licensing and permits actual number was previously \$1.3 million, \$1.8 million, and then \$2.5 million. He does not understand why this number so low for FY14.

City Manager McDonough stated this budget number was chosen based on the development occurring within the community. The City has incentive policies in place where many of the permit fees are being waived.

Councilmember Dianne Fries stated the City has been very conservative with the budget over the years. Council has a mid-year review where the numbers are reviewed. If staff finds extra money, that money is then added to extra projects. It is wonderful the City is very conservative. The budget money gets spent. It may not be listed on the budget, but instead is spent mid-year. A project may end up costing more money. Money has to be taken from one line item and moved to another.

Mayor pro tempore DeJulio stated what has been done in the past is when projects have been identified the money has been put aside, so there wouldn't be unfunded projects. There are many cities throughout the country that are in a bad financial situation because they have not maintained cash balances.

Councilmember Sterling stated there are many people concerned the economy may experience another downturn. What the City has done financially in the past has worked. The City should continue being conservative.

Councilmember Meinzen McEnerny stated the City has a very conservative budget and a lovely fund reserve balance. The surpluses in the past have increased to \$20 million.

Expenditures FY2013 vs. FY2014

	2013 Projected	2013 Budget	2014 Budget*	Variance
City Council	158,982	158,691	188,061	18.51%
City Manager	711,799	808,307	772,151	-4.47%
City Clerk	130,711	181,859	569,016	212.89%
Finance	2,095,985	2,198,684	2,232,615	1.54%
City Attorney	1,308,000	1,308,000	808,000	-38.23%
Information Services	1,556,581	1,691,215	2,088,479	23.49%
Human Resources	225,799	358,987	295,407	-17.71%
Facilities Management	1,271,649	1,332,682	1,591,410	19.41%
Communications	1,387,879	1,600,436	1,537,556	-3.93%
General Administration	4,218,381	4,678,526	2,492,668	-46.72%
Municipal Court	1,630,655	1,665,585	1,668,649	0.18%
Police	17,102,079	19,084,302	18,654,539	-2.25%
Fire	10,153,792	10,918,295	11,726,355	7.40%
Emergency Management	1,319,059	1,553,700	1,752,339	12.78%
Public Works	9,958,490	10,084,605	10,717,049	6.27%
Recreation and Parks	2,596,340	2,999,742	3,230,521	7.69%
Community Development	3,575,643	3,632,688	3,424,034	-5.74%
Economic Development	-	-	265,935	100.00%
Transfers to Other Funds	29,474,991	29,366,822	23,338,559	-20.53%
Total General Fund:	\$88,876,813	\$93,623,126	\$87,353,342	-6.70%

*Projections only.

Councilmember Karen Meinzen McEnerny asked where the increase in the Recreation and Parks budget is on the detail budget line item.

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Assistant City Manager Eden Freeman stated this amount is listed on page three under Recreation Program Fees.

Task Order Analysis

Firm/Work Package	NTE Escalator	Actual Escalator	FY13 Amount	FY14 Amount	Difference
Finance/ST Services	2.50%	2.50%	\$1,633,011.00	\$1,673,836.00	2.50%
Information Services/ InterDev	5.25%	3.50%	1,176,537.49	1,315,828.80	11.84%
Communications/ Collaborative	2.20%	2.20%	502,200.00	513,249.00	2.20%
Municipal Court/Jacobs	3.00%	1.00%	1,082,368.00	1,093,219.00	1.0%
Call Center/CH2MHill	n/a	3.50%	792,036.00	819,756.26*	3.50%
Public Works/URS	4.00%	3.50%	3,318,265.00	3,514,549.00	5.52%
Recreation/Jacobs	3.00%	1.00%	1,023,571.00	1,033,822.00	1.00%
Community Development/ Collaborative	2.20%	2.20%	2,931,420.60	3,201,969.00	9.23%
Total	3.14%	3.14%	\$12,459,409.09	\$13,166,230.34	5.67%

*12 month projection; issuing 6 month Task Order for \$409,879

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Review of Potential FY14 Citywide Capital Projects

Citywide Capital Projects (Consolidated Rankings)

1. Rank Categories	
2. Estimate Allocation within Each Category	
Priority	Proposed
Abernathy Greenway Park	750,000
Abernathy/Johnson Ferry Roadway Improvements	500,000
Bridge and Dam Improvement Program (Ped Bridge on Dunwoody Club)	250,000
Hammond Park Improvements	250,000
Intersection Improvement Program	300,000
Lost Corner Preserve	425,000
Pavement Management/Resurfacing	3,000,000
Roswell Road Streetscape - City Limit North to Long Island Design (T-0019)	150,000
Sandy Springs Tennis Center Improvements - Phase I	500,000
Sidewalk Program	500,000
Traffic Management Center	350,000
TOTAL	\$6,975,000

Recommended FY14 Citywide Capital Projects

Citywide Capital Projects (Consolidated Rankings)

1. Rank Categories			
2. Estimate Allocation within Each Category			
PRIORITY		Est. Allocation	Amount
1	Pavement Management/Resurfacing	\$3,000,000	\$3,000,000
2	Traffic Management Center	\$350,000	\$350,000
2	Abernathy Greenway Park	\$750,000	\$750,000
4	Intersection Improvement Program	\$300,000	\$300,000
5	Abernathy / Johnson Ferry Roadway Improvements	\$500,000	\$154,882
6	Bridge and Dam Improvement Program (Ped Bridge on Dunwoody Club)	\$250,000	
7	Sidewalk Program	\$500,000	
8	Lost Corner Preserve	\$425,000	
9	Roswell Road Streetscape - City Limit North to Long Island Design (T-0019)	\$150,000	
9	Hammond Park Improvements	\$250,000	
11	Sandy Springs Tennis Center Improvements - Phase I	\$500,000	
	Total	\$6,975,000	

Amount Available **\$4,554,882**

Councilmember John Paulson stated the pavement management/resurfacing budget is now 2/3 of the Citywide Capital Projects.

Councilmember Dianne Fries stated this amount is the lowest amount it has ever been.

Councilmember Gabriel Sterling stated most of Council agrees on spending this much money on pavement management.

Mayor pro tempore Tibby DeJulio stated the first couple of years the City was spending \$6 to \$7 million a year on pavement management. That amount of money was spent in the past to get the City's roads to a better standard.

City Manager John McDonough stated there are items on the assumptions slide that are required, such as the radio system and the purchase of Fire Station #2. These are expenditures that do not happen every year.

Councilmember Chip Collins asked if the money budgeted for Lost Corner Preserve will be enough money to construct the parking lot and entrance.

Councilmember Fries stated the parking lot has already been funded.

Councilmember Collins asked if Lost Corner can be opened to the public without the \$425,000 funding in order for citizens to use the park.

Councilmember Karen Meitzen McEnerny stated this year allocated priorities have been added, which is something that has not been done in the past. The allocated priorities were on the ranking sheet and have now been revised to \$19.48 million. Council did not rank these items as they have been done in the past. Now that staff has re-projected numbers she suggested that Council re-rank the items and include the planning assumptions. She does not agree with sidewalks not being on the list.

Councilmember Sterling stated there is \$4.5 million. He thought there was going to be more money available for allocation. He would like to see the bathrooms at Big Trees constructed, but there probably will not be enough money to fund all projects. He would not change his ranking on any of these items.

City Manager McDonough stated staff has built a budget process around Council priority. Staff puts a list of assumptions together and either Council agrees or does not. If Council does not agree with the assumptions, they are then removed from the assumptions list and that money goes back into the availability for the discretionary projects. These projects are also ranked on a priority basis. All the priorities have been funded through assumptions.

Councilmember Fries stated last week Council went through each of the assumptions and there was one that Councilmember Meinzen McEnery did not agree with. Council cannot keep changing their mind on the assumptions, because staff cannot move forward with the budget process.

Councilmember Meinzen McEnery stated "I disagree with the practice this year of taking out of the scoring process, which is scored by all seven elected officials with weighted averages that determine the funding priorities. All of the capital items, including what is now \$19.480 million that was below on our scoring sheet. By not doing so we have no way of scoring the importance of those appearing below, except by a voice discussion during which all elected officials were not in attendance. In effect, those items have taken precedence over the items we scored above, which invalidates in my view the weighted average process reviews in the past by giving the items below preference." Council can also review the ranking, until a final budget is approved. She asked if Abernathy Greenway needs \$750,000. She suggested staff look for additional revenue to cover the top ranked items on the list.

City Manager McDonough stated the same budget process has been followed the last seven years. The City has an assumptions based process on community priorities. The difference in this year's process is staff grouped all capital projects into one column to rank, when in the past these items were further ranked.

Councilmember Collins stated the only problem he has with the process is Council gets only one allocation funding number to vote on.

City Manager McDonough stated staff has to start somewhere with a number. If everyone came up with a number there would be many numbers.

Councilmember Fries asked about the ranking process.

City Manager McDonough stated staff sets up the process by priorities. The most money was put towards pavement management and resurfacing. These numbers are not set and can be changed based on the majority of Council.

Councilmember Collins suggested decreasing the pavement management, stormwater, and Abernathy Greenway budgets. He would like to see Lost Corner Park open soon.

Councilmember Fries stated to officially open Lost Corner will take at least \$750,000.

Councilmember Paulson stated the pavement management budget number was chosen based on keeping a level of quality for the City streets. He does not want to decrease this budget number.

Mayor pro tempore DeJulio asked if any of Council would like to decrease the pavement management budget funds. Councilmember Collins was the only councilmember in favor of decreasing this budget item.

Councilmember Collins stated he would agree to reduce the Abernathy Greenway budget, if the money could be moved to the Lost Corner budget.

Mayor pro tempore DeJulio asked which Councilmembers are in favor of combining the Abernathy Park Greenway and Lost Corner budget funds.

Councilmember Collins stated he is in favor of combining the funds.

City Manager McDonough asked for an explanation of how Council would like to proceed with changing these budget numbers.

Mayor pro tempore DeJulio stated Councilmember Collins suggested combining the amount of \$750,000 needed for Abernathy Greenway and the funds for Lost Corner and using only \$750,000 for both projects.

Councilmember Sterling stated he does not agree with combining the budget funds, since it will disrupt the ranking process.

City Attorney Wendell Willard joined the meeting at this time.

Councilmember Meinzen McEnery stated she is in favor of adding money to the Lost Corner and sidewalk program budget. She asked staff to find an additional \$750,000 or \$1 million in the budget. If staff were to find extra money in the budget Council could re-rank the projects using only the \$750,000. Millions of dollars have been funded and not yet spent for the Abernathy Park Greenway. She suggested that Abernathy Park have smaller budget and to place more funds towards sidewalks and Lost Corner.

Mayor pro tempore DeJulio stated everything on the budget list is vital or it would not be on the list. The only way to prioritize what is important is by the ranking process.

Councilmember Fries stated Councilmember Meinzen McEnery and Councilmember Collins ranked sidewalks and Lost Corner at the top of the list, but a majority of the group did not rank these two items high. The ranking process should not be deviated from.

Mayor pro tempore DeJulio stated the only way to raise revenue for the City is to decrease expenses, which cannot be done, or raise taxes, which Council will not do. Staff has found all the available money for the budget that can be found. At the mid-year review, if the City has taken in more revenue than projected, the funds can be reallocated to other projects that have been prioritized.

Councilmember Fries stated sidewalks and Lost Corner will have activity in 2014. There are projects that have been funded, but not yet constructed. One of these projects is the Lost Corner house.

Councilmember Collins stated he was told that there are not enough funds to complete the driveway and the parking lot in order to open the park.

Councilmember Fries stated the park is open. Citizens are utilizing the park and are using the dirt area as a parking lot.

Councilmember Sterling stated the ranking process was difficult this year. All of the priorities are important. The sewer connection for the bathroom at Big Trees will cost \$50,000 instead of the \$10,000

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to \$15,000 that was originally estimated. He would like Big Trees discussed at the mid-year budget review.

City Manager McDonough stated given what staff knows about the stormwater budget, this line item would be an item that could use additional funding.

Mayor pro tempore DeJulio stated Council has to make hard decisions from time to time.

Councilmember Collins stated he agrees with the process, but it should be a starting point. Council should be flexible and discuss all the items on the ranking sheet. Traditionally, the reserve balance has been kept at a minimum of 25%. He does not understand why the reserve balance is now kept at a minimum of \$20 million.

Councilmember Fries stated Council voted last year and decided to keep the reserve balance at \$20 million or 25%, whichever number was larger.

There was a consensus of the majority of Council to leave the fund balance reserve at the current amount.

Councilmember Meinzen McEnery suggested a quarterly budget review.

Agenda for Workshop #3

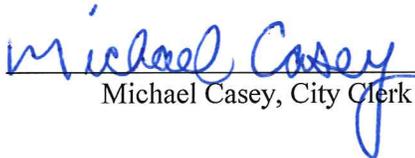
May 21, 2013 – 4 PM

- Present recommended FY2014 Budget

Date Approved: May 21, 2013



Tiberio DeJulio, Mayor pro tempore



Michael Casey, City Clerk