



## MEMORANDUM

To: Mayor and Council

From: Peggy Merriss, Acting City Administrator

Date: December 18, 2020

Subject: Budget Overview

A handwritten signature in black ink that reads "Peggy Merriss".

The purpose of this memorandum is to provide an overview of the Revised 2020 General Fund and Other Funds Budgets and the Proposed 2021 General Fund and Other Funds Budgets.

The overarching issue for both the Revised 2020 (R20) General Fund and Other Funds Budgets and the Proposed 2021 (P21) General Fund and Other Funds Budgets is the COVID-19 pandemic. For the R20 budgets, it has been the emergence and continuation of the pandemic as the City has modified work schedules, project priorities with the overall focus on the protection of the community and staff. For the P21 budgets, the Covid-19 effect lingers with the expectation that the start of a post-pandemic environment will begin by September 2021.

The R20 and P21 General Fund Revenue and Expenditure budgets were prepared by estimating revenues and expenditures independently of each other so that the budgets were balanced on a macro scale with all total revenues equal to all total expenditures. Fund balance (or what is referred to as "Funds Carried Forward" in the budget document) was used to supplement revenues to meet estimated expenditures or excess revenues were added to the fund balance to be used in a future budget cycle when estimated expenditures were less than estimated revenues. This process results in a transparent and straightforward budget. Note that in the General Fund departmental budgets, there are only estimates of expenditures because there are no dedicated or reserved revenue sources to solely support any general fund operating functions.

### Revenues

Overall, revenues were reduced in the R20 General Fund Budget compared to the Approved 2020 (A20) General Fund Budget. Property taxes are reduced approximately \$47,350. The original A20 estimate for property tax revenue was based on a 5% increase in the value of taxable property (the real property digest) and a 95% collection

rate before the end of 2020. In July 2020, the City Council approved a tax millage roll-back rate that effectively resulted in 2020 property taxes being billed in the same amount as 2019 property taxes. In addition, the 2020 tax collection rate by December 31, 2020 is estimated to be closer to 90%. Property taxes are the largest single revenue source for the City and the combined decrease in the millage rate and the reduced collection rate resulted in an overall 5% decrease in revenues.

Due to the reduced collection rate for current year property taxes, the estimate for revenues from prior years is increased to reflect property taxes levied in 2020 being collected in 2021.

As part of the federal government's response to the COVID-19 pandemic, the COVID Relief Act (CRA) provided local governments with funding to cover costs related to the pandemic. The R20 budget reflects that Pine Lake received \$85,810 in grant funding to cover Police Department staffing costs during the pandemic. While there has been some discussion about additional funding during 2021, no action has been taken by Congress at this time and the receipts of additional funds are not included in the P21 budget.

The P21 property tax revenue was calculated based on a 3% increase in real estate values with a retained 90% collection rate by the end of 2021. The collection rate estimate is based on expected on-going economic stresses throughout the year which could lead to slow payment of property taxes. However, collection of prior residential taxes increased in P21 to reflect a larger outstanding balance from 2020.

Revenue from licenses and permits was reduced in the R20 with a slow-down in building construction and renovation. Revenues were increased for P21 based on recent activity that seems to indicate a stronger appetite for residential renovation. There may also be a recommendation to increase the building permitting fee schedule to align the City of Pine Lake fees with those of other jurisdictions

Revenues in the R20 General Fund budget from fines and forfeitures were reduced by 56% due to a focus on protecting community and staff health due to the COVID-19 pandemic. Revenue estimates in the P21 budget were determined by a combination of factors including the on-going COVID-19 pandemic, construction on Rockbridge Road and recent period trend analysis. No expenditure needs for any program, department or operating functions were taken into consideration when determining revenue estimates.

It is important to note that revenue estimates for Court Assessed Add-ons required by State of Georgia legislation have been moved to a stand-alone fund budget because the City only acts as an agent for those funds that are collected by the Court and then distributed directly to various agencies as required. That fund is independent of the City's general operating fund and is included in the category of Other Funds.

Over time the City has accumulated funds in excess of expenditures into what is referred to as fund balance, or sometimes more informally called a "rainy day" fund. The purpose of fund balance is to provide resources to cover expenditures during periods of financial stress or for one-time expenditures. At the end of Fiscal Year 2019, the City's

unassigned accumulated general fund balance was \$481,761. In the original 2020 budget, it was estimated that the City would use \$58,715 to balance the budget. Due to expenditure management, the R20 budget estimates of the use of fund balance will be reduced to \$39,162, resulting in a fund balance of \$442,599, or approximately 48% of total estimated R20 general fund operating expenditures.

General operating revenues for P21 budget anticipate that revenues will not completely rebound to pre-pandemic levels but that expenditures will increase due to service level demands and community needs. Therefore, the P21 budget shows use of \$125,796 in fund balance to cover expenditures. This would reduce accumulated unassigned fund balance from \$442,599 to \$316,803, or approximately 33% of total estimated P21 general fund operating expenditures.

## **Expenditures**

Overall, P21 personal services estimates were slightly less than R20 personal services estimates. This is because normally there are 26 pay periods in a year. However, because 26 pay periods equal 364 days and there are 365 days in a year, periodically to catch-up with the extra day, there are 27 pay periods in the R20 budget. The R20 personal services budget includes 27 pay periods, while the P21 budget includes 26 pay periods.

The P21 personal services budget includes a 2% cost of living adjustment for full-time staff except for two positions.

It is recommended that the Police Chief position be reclassified as the Police Chief/Community Development Director with new responsibilities for management and leadership of the building permitting, development and inspections functions as well as Codes Enforcement. Chief Green has the skills, abilities and capacity to take on these additional responsibilities. It is recommended that the position receive a 5% raise effective with the pay period beginning January 11, 2021 and then be eligible for an additional 5% increase after six months based on meeting set performance goals.

It is also recommended that the Administrative Assistant be reclassified as the Administrative Coordinator to recognize the scope and breadth of current work as well as new responsibilities for coordinating with finance, information technology and other contractors. Ms. Varner's current responsibilities are central to the success of the administrative function and she has the skills, abilities and capacity to take on these additional responsibilities. It is recommended that the position receive a 4% raise effective with the pay period beginning January 11, 2021 and then be eligible for an additional 4% increase after six months based on meeting set performance goals.

Professional services increase in the P21 budget. In addition to routine professional services (accounting, zoning review, public defender, etc.), there is \$5,000 included for review and recommendations to update the Tree Ordinance. Other Contracted Services also includes funding for interpreters that are needed in Court, funding for contract court

staff to assist while a vacancy for a Court Clerk is filled and \$13,500 to remove potentially dangerous and diseased trees as identified by Public Works staff.

Repairs and Maintenance increase in the P21 budget to complete maintenance activities initially budgeted in the approved 2020 budget, including repainting at the Police Station.

The P21 budget estimate for liability insurance provided by GIRMA is increased approximately 10% based on trend analysis and published industry information for insurance costs in 2021.

Capital Outlay expense includes \$3,000 budgeted for computers to install a server at City Hall. It is anticipated that a project budget will be recommended to City Council in January 2021 to move the plan forward. There will likely be costs for cabling and relocation of current equipment but estimates for those services have not yet been received. This is a critical project for the City to complete to improve connectivity, increase technology security and to install the server before the warranty expires.

### **Other Fund Budgets**

The Special Purpose Local Option Sales Tax (SPLOST) Fund accounts for revenues and expenditures from the proceeds of the one percent SPLOST collected on goods and services in DeKalb County and reserved for implementation of capital projects. The City also includes funding from the State of Georgia for capital transportation projects as part of the Local Maintenance and Improvement Grant (LMIG) program. At the end of fiscal year 2019, the fund balance was approximately \$198,470. After 2020 tax receipts are accounted for, it is anticipated that the fund balance at the end of 2020 will be \$313,970 and that there will be additional collections in 2021 of \$120,000.

The SPLOST budget includes expenditures of \$50,000 for design, preparation of construction and bid documents, engineering services and project management services for improvements to Oak Drive from Oak Road to the southern end of the street near Poplar Road. Based on the distance (approximately 1/3 mile) and street construction costs at approximately \$1,000,000 per mile, there is \$325,000 in the budget for construction of the improvements. This would leave a fund balance of \$59,970 going forward. Additional collections of the SPLOST tax will continue through the end of March 2024.

The Court Pass-through Fund accounts for revenue from cash bonds and State of Georgia statutory add-ons to fines and expenditures paid to various agencies. This fund was initiated to provide clear and transparent accounting for funds collected by the Municipal Court but are due to other agencies outside of the City of Pine Lake. The estimates are based on trend analysis of prior payments.

The Stormwater Fund accounts for revenues from the Stormwater Utility fee assessment with expenditures set to maintain and improve stormwater quality and fund improvements in the City of Pine Lake. Revenues are based on collection of the fee assessment of \$100 per unit. Expenditures include accounting for 50% of one public works staff member

and professional engineering services. While not currently included in the P21 budget, there is a proposal for professional services to prepare surveys, construction documents, permitting and construction administration for the "Dam and Wetland Repair Project." The City Council may want to consider adding a budget item for the surveys and construction documents to the budget so that construction costs can be determined.

The Capital Fund accounts for revenues received in prior years from the Homestead Option Sales Tax (HOST). The fund balance in the Capital Fund is \$43,795. The Police Chief has requested a new vehicle instead of upgrading two in-car computer systems. An estimated expenditure of \$37,000 is included in the Proposed 2021 Capital Fund Budget. If approved, there would be \$6,800 in the fund balance.

The Confiscated Funds budget and the McAllister Fund budget include estimated revenues and expenditures. Actual expenditures would be contingent on City Council approval and dependent on available revenues.

The provided budgets are the best estimates as of December 15, 2020 and should be considered as drafts. On-going conversations, research and in-put continue to occur which could result in modifications to the budgets before final approval which will be considered at the regular City Council meeting on Tuesday, December 29, 2020.