

City of McDonough



2011 – 2012

Proposed Budget

Submitted by:
Billy Beckett
City Administrator

WITH GRATITUDE & ACKNOWLEDGEMENT

This budget format continues to build on a foundation for delivering further enhancements to the City's financial system and especially the system associated with properly managing and directing the City's limited resources into the future. The compilation of the information contained herein would not have been possible without the outstanding professional efforts of many including and especially, Bonnie Kline, Finance Director, Carla Tuck, HR Director, Janis Price, City Clerk the Department Heads, the internal employee heads and others. I hope that everyone involved receives the gratitude of the Mayor and Council and the community for their dedicated efforts during the lengthy, but productive process of converting from a January based fiscal year to a July fiscal year.

Billy Beckett

City Administrator

06/8/11

FUND SUMMARY

FUND	PROJECTED REVENUE	PROJECTED EXPENDITURES
GENERAL FUND	10,606,375	10,606,375
CONFISCATED ASSETS	3,600	3,600
FLINT RIVER DRUG TASK FORCE	80,100	80,100
HOTEL MOTEL TAX FUND	422,377	422,377
SPLOST 2 FUND	493,767	493,767
SPLOST 3 EXCESS FUNDS	2,500,000	2,500,000
SPLOST 3 BOND FUNDS	2,794,554	2,794,554
IMPACT FEE FUND	1,348,950	1,348,950
WATER & SEWER FUND	4,083,026	4,083,026
STORM WATER UTILITY FUND	735,000	735,000
SANITATION SERVICES	1,457,924	1,457,924
CEMETERY TRUST FUND	NA*	NA*
TOTAL	24,525,673	24,525,673

- The Cemetery Fund consists of a non-expendable perpetual trust. This fund will be accounted for but generates no earnings other than a small (very small) amount of interest.

2011-12 Budget Message

The proposed 2011 General Fund budget is balanced with projected revenues and proposed expenditures totaling \$10,606,375. The original 2010 budget was adopted at 10,164,871, a decrease from the 2009 budget which was originally adopted at \$10,315,417. In 2008 General Fund expenses were \$10,684,591.

The fact that this budget attempts to maintain current service levels does not, and should not, suggest that existing service levels are adequate to meet service demands and expectations. It is the Administrator's view that service level improvements are especially needed in the areas of Public Safety and Public works. In addition, it is believed that more focus should be given to Code Enforcement and development of an improved planning and implementation process related to re-development activities within the core areas of the City. Obviously, such a plan will require the financial means and applied resources to properly implement such improvements.

As a part of this year's budget process, you are offered, under separate cover, a Supplemental Budget which is designed to partially address these existing needs and is in excess of the basic budget. An overview of these supplemental items, which will almost certainly have an impact on the current millage rate of 3.45 mills is as follows: 4 additional Police Officers to enhance traffic enforcement and control especially but also will address an escalating community problem in terms of types of crimes being committed by applying additional resources, 3 Fire and Emergency Services Incident Command personnel who will be needed if the City chooses not to consolidate its Fire Service with the County, 2 added Public Works personnel and 2 additional temporary employees to perform basic public works activity. Also, if the City chooses to maintain the entire Jonesboro Road corridor, we anticipate the need for 2 more temporary employees, a zero turn mower, a trailer, and small equipment to be used. This corridor extends roughly from the tracks on Jonesboro Road to the Qwik Trip near Interstate 75. As a possible trade off for this service, the City would receive from the County in-kind highway and street equipment and labor assistance for resurfacing City Streets on a proportionate basis. Finally, funds are provided in this supplemental budget to engage a highly qualified individual to assist the City in its reorganization of the current approach to downtown development and redevelopment. It is possible that implementation of this approach may result in the elimination of some current expenses which could then be shifted and utilized for this purpose.

Several factors will contribute to budget amendment during the year including and especially an on-going evaluation of revenue flow, especially in the categories of real property tax collection, sales tax receipts, growth related fees, and fines and forfeitures. In addition, we plan to continue to implement several steps designed to improve our fiscal accountability and management of limited resources on the expenditure side. These steps include on-going refinement of an encumbrance system so that we understand obligations as well as expenditures after the fact, increased adherence to the soon to be amended and mandated Uniform Chart of Accounts and proper coding of invoices, and establishment of an enhanced purchase order and invoice approval process. Each of these factors will contribute to greater accountability and better management of historical account data and hopefully will ultimately lead to the establishment of performance standards for each budget entity. Moreover, we hope to

recommend certain ordinance amendments to insure that we are receiving all funds due to the City in a timely, equitable and appropriate manner. We are already focusing on several areas where collections have lagged and have achieved positive results by using GMA audit and services. Recently we have had success in improving collection of Hotel-Motel Taxes, we will then be moving to collection of the 3% excise alcohol tax and ultimately to improved collection of delinquent real property taxes. It should be noted, for example, that the City had over \$400,000 in receivable taxes due at the end of 2010. Obviously, this is an unacceptable condition which must be addressed.

IMPORTANT CONSIDERATIONS FOR THE FUTURE

- (A) Tax Digest: Our net tax digest has declined from a high of \$823,352,885 in 2009 to an estimated \$671,894,056 currently. This is a loss of \$151,458,829 in taxable value while your mill rate has remained unchanged since 2008 at 3.45 mills. At a 93% rate of collection and at the City's current millage rate, the City has lost \$485,956 in revenue as a result of this decline in value, and more if a higher rate of collection is recognized. If this trend does not abate, the consequences are obvious.
- (B) In prior years, the City chose to utilize funds ("profit" and fees) from Water and Sewer funds to support General Fund activity. Ultimately, the General Fund owed the Water and Sewer Fund more than \$6 million. It is also my understanding that the millage rate was also decreased to adjust for the flow of Water and Sewer funds into the General Fund. When growth declined these fiscal circumstances contributed to the City's financial difficulties since Water and Sewer revenues are not available to the City on the same basis as in the past and the City has, what is believed to be an artificially lowered millage rate. In other words, General Fund activity could not have been sustained at a lowered millage rate absent the flow of Water and Sewer Funds. Over time, then, it is possible that the City will have to evaluate its type and level of services and either accommodate the lower rate, modify the rate in an upward direction, or decrease or eliminate services.
- (C) Fund Balance/Reserve: At the end of 2008, the City's General unrestricted fund balance had declined to \$929,065. By the end of 2010 it was \$2,362,270. While improving, the City's goal should be to restore the unrestricted fund balance to 3 months of operating funds and the excess amount over that sum should either be retained as fund balance or utilized to fund one-time, non-recurring capital expenses
- (D) Other Fiscal pressures: While local governments in general and McDonough specifically face many of the same economic pressures as do individuals, we do seem to be impacted in additional ways by the actions of other levels of government to include elimination of traditional funding sources or cost shifting directed from a "higher" level of government to us. We are bombarded by an onslaught of mandates that are unfunded. A quick example is the imposition of direct and indirect costs associated with the new everify system, a variety of environmental regulations affecting storm water operations, water and sewer system capital and operational costs, reporting requirements, etc. Simultaneously we see revenue sources, long promised but eliminated, such as the State's payment of the Homeowners Tax relief Grants, other forms of competitive assistance, etc. Each of these factors, and many others, imposed by the federal and

state government impact us significantly and will have implications. In addition, as the County finds itself struggling for revenue sources to provide service, we necessarily see more charges for service (Tax Collection & Storm Water Utility Fees) and a diminished ability to assist us with some services that were provided in the past.

- (E) Use of Capital Contribution: A short term measure employed last year and in this year's budget is associated with debt forgiveness or applying a capital contribution from the General Fund to the Water and Sewer Fund. The reality is that the General Fund is unlikely to be in a financial position for some time to repay the total indebtedness due to the Water and Sewer fund. Hence, last year, the City Council forgave \$250,000 of the total debt owed thereby freeing funds for use by the General Fund through proper accounting methods. This year, Bond/SPLOST Funds paid more than \$1.6 million for construction of the new Travis Road water tank. Similarly, an accounting tactic used this year was to recognize \$500,000 of this sum as a capital contribution to the Water and Sewer Fund, effectively making this amount available for expenditure by the General Fund. It is vitally important for everyone, especially the governing body, to note that this is a short term tactic designed in the hope of economic recovery in the next year or two. These funds, both debt forgiveness and capital contribution, are limited in scope and amount and cannot continue over time to be built into the budget as they will be depleted. An analogy would be the former Federal Revenue Sharing program where funds were given to local governments for several years and then quickly eliminated as a source. Those communities that built the use of those funds into their operating budgets were faced with a dilemma of either cutting services or raising taxes. Many chose to raise taxes. The lesson is such funds should be used for one-time, non-recurring expenses and/or a plan to replace those funds must be developed when the end is projected. I strongly encourage the Mayor and Council and staff to be mindful of these circumstances and not rely on this measure as a way of avoiding critical financial decisions in the future.
- (F) Service Evaluation: The City must carefully evaluate all of its services during the budget year to determine what it can and should provide to its citizens. A couple of things may be of assistance in formulating those conclusions. First of all you have the impending Visioning sessions scheduled for June, 2011 and you also have the National Citizen Survey. Both of these tools should equip decision makers with information about what a consensus of community residents want and expect in the way of service and possible modifications to the way the City does business. Two other things to consider include the role of City vs that of other governmental entities in providing specialized services to its citizens and the effectiveness and efficiency by which those services are provided. Obviously, there are alternative methods of service delivery that can and should be considered regarding some elements of local government to include partial or comprehensive outsourcing, contracting with other public sector entities.

ALL OTHER FUNDS

Water & Sewer Fund: It must again be pointed out that the City's Water and Sewer Fund needs must be addressed. A positive step in addressing these concerns, especially major infiltration and leakage problems, occurred when the Mayor and Council adopted a rate structure consistent with the HCWSA system. We are optimistic that this funding enhancement will enable the City to better address its most serious deficiencies within the system. Moreover, one of your Bonds will be paid in full in 2012, thereby freeing the City to consider and properly fund other priority water and/or sewer needs with the funding that will be available.

Sanitation Fund: We will continue to closely monitor the new contract with Republic but believe that our revenue condition may further improve over time as we continue to evaluate our customer base and determine who is not utilizing the service but alternate vendors.

SPLOST/Bond/Impact Fees: With regard to the Police/Court facility it is obvious that the City will need to incur indebtedness to build the facility as circumstances warrant. Staff will be presenting you with options once we have final cost estimates in hand. This will have an obvious financial impact as we do not have sufficient resources available from sources such as Impact Fees, SPLOST 3 Excess Funds, etc. The City Attorney will determine if the Excess Bond Funds can be utilized for debt service associated with these facilities to lessen the fiscal impact over time. Of course, when completed, this facility will necessarily require a higher level of expenditure for operational purposes.

Court Related Funds: The other funds such as Confiscated Assets and the Flint River Drug Task Force are dependent upon future Court actions and are unpredictable as to both revenues and expenditures.

Hotel Motel Tax Fund: We look forward to continuing discussions relative to use of the Hotel Motel Tax and the enhanced coordination of agencies such as the DDA, Main Street and the Tourism Authority.

Storm Water Fund: With the recent addition of an Environmental Engineer we are excited with the opportunity to enhance our planning and implementation of various programmatic elements that will result in improved service levels to our residents. The governing body will take an active role in defining priorities and establishing policy related to the improved use of these funds. It is suggested that, if necessary, a consultant should be engaged to develop specific priorities and methods for maintenance

Of the storm water system, including piping and ponds experiencing problematic conditions.

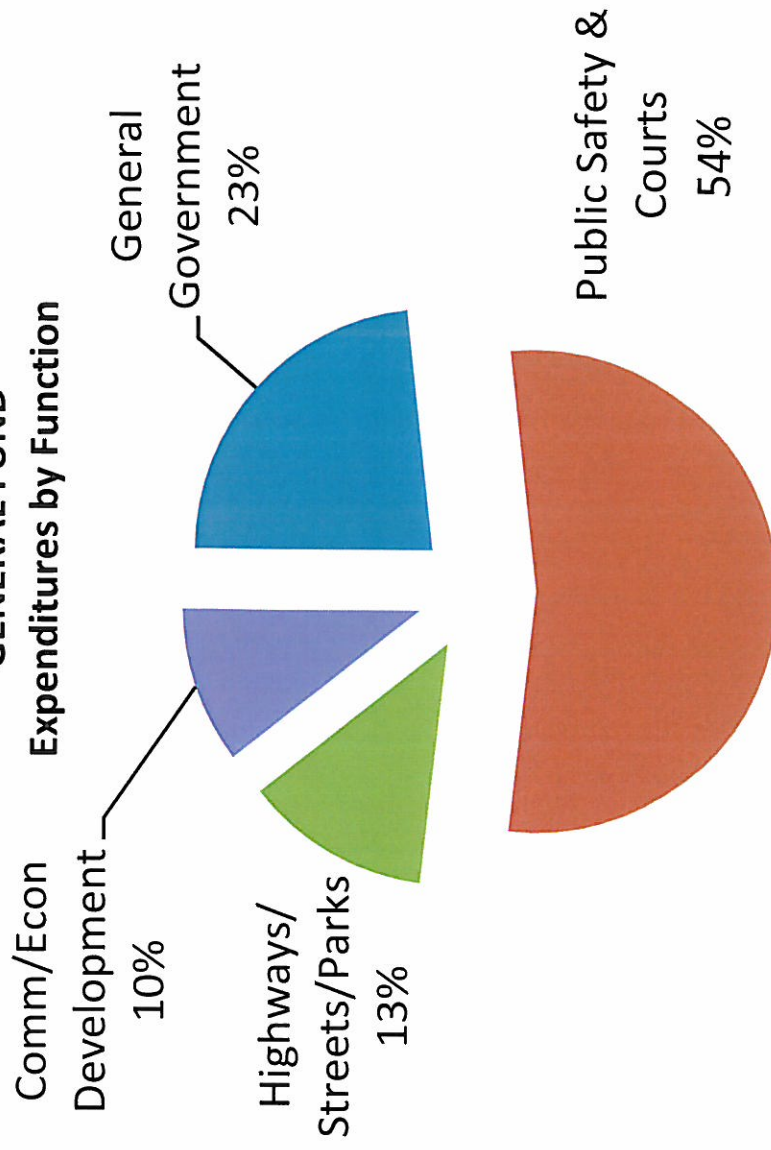
We look forward to these discussions as well as the impending discussions of service levels as we move towards the establishment of a new fiscal year.

Billy Beckett

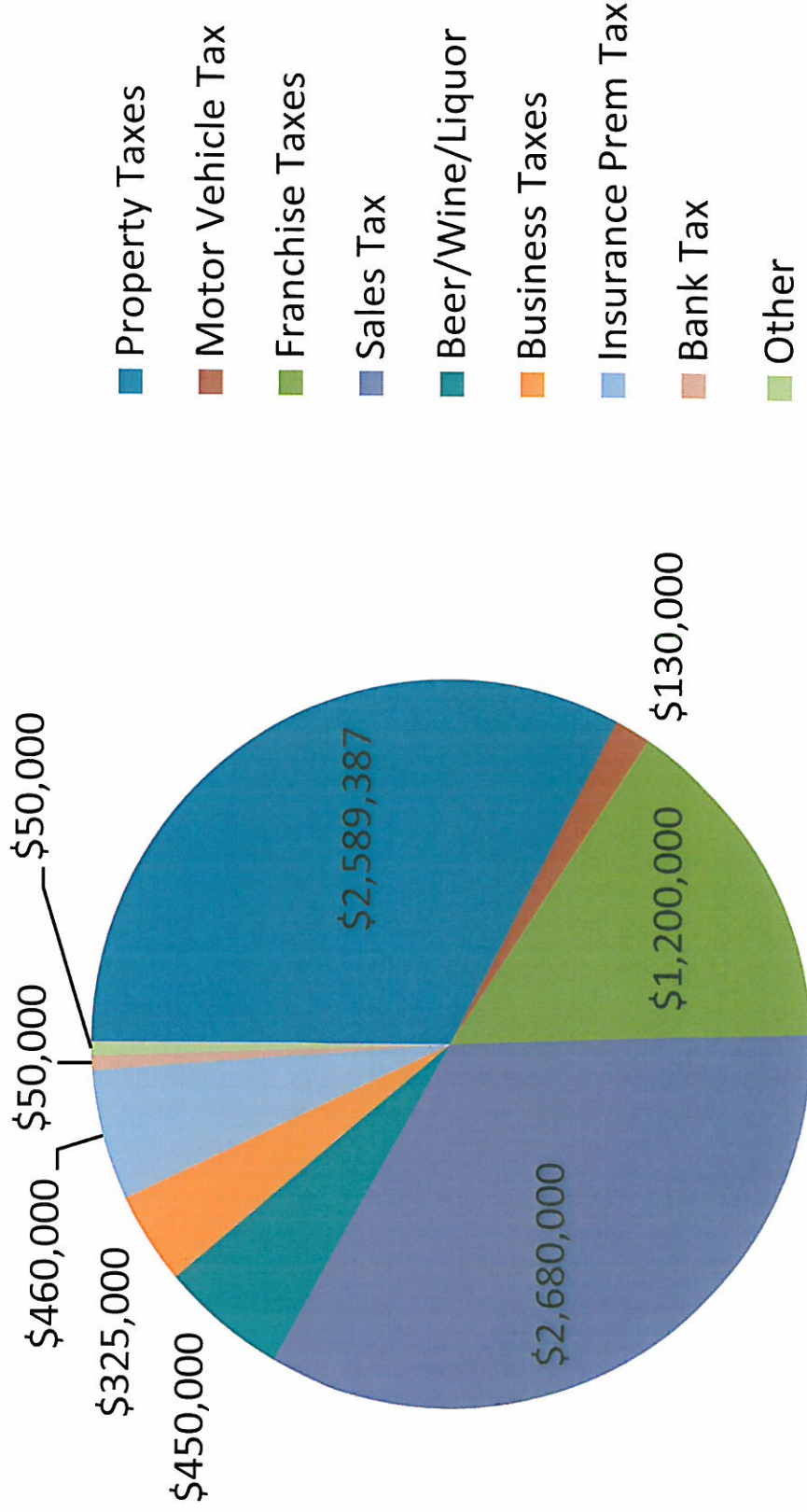
FY2012 PROPOSED BUDGET

GENERAL FUND

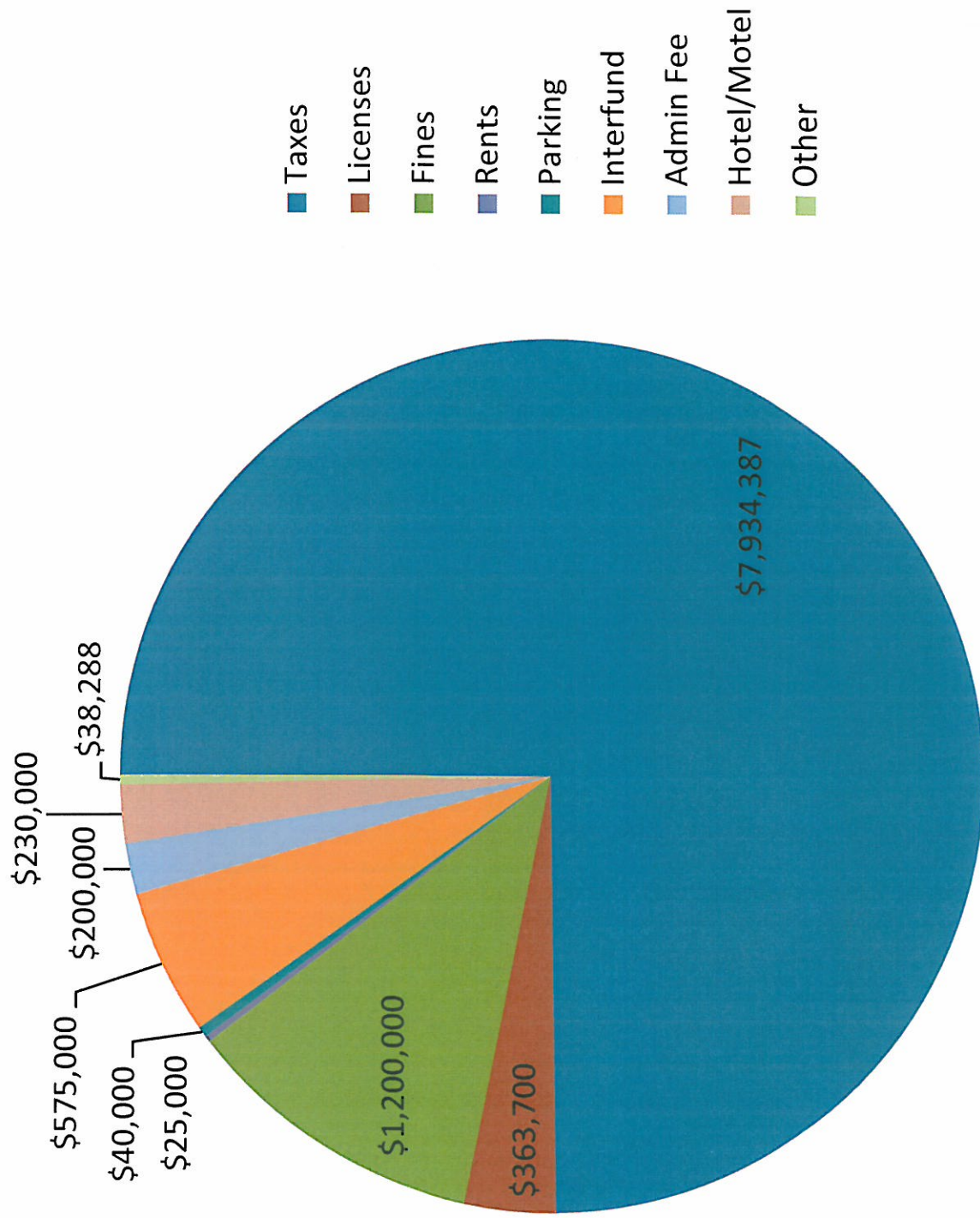
Expenditures by Function



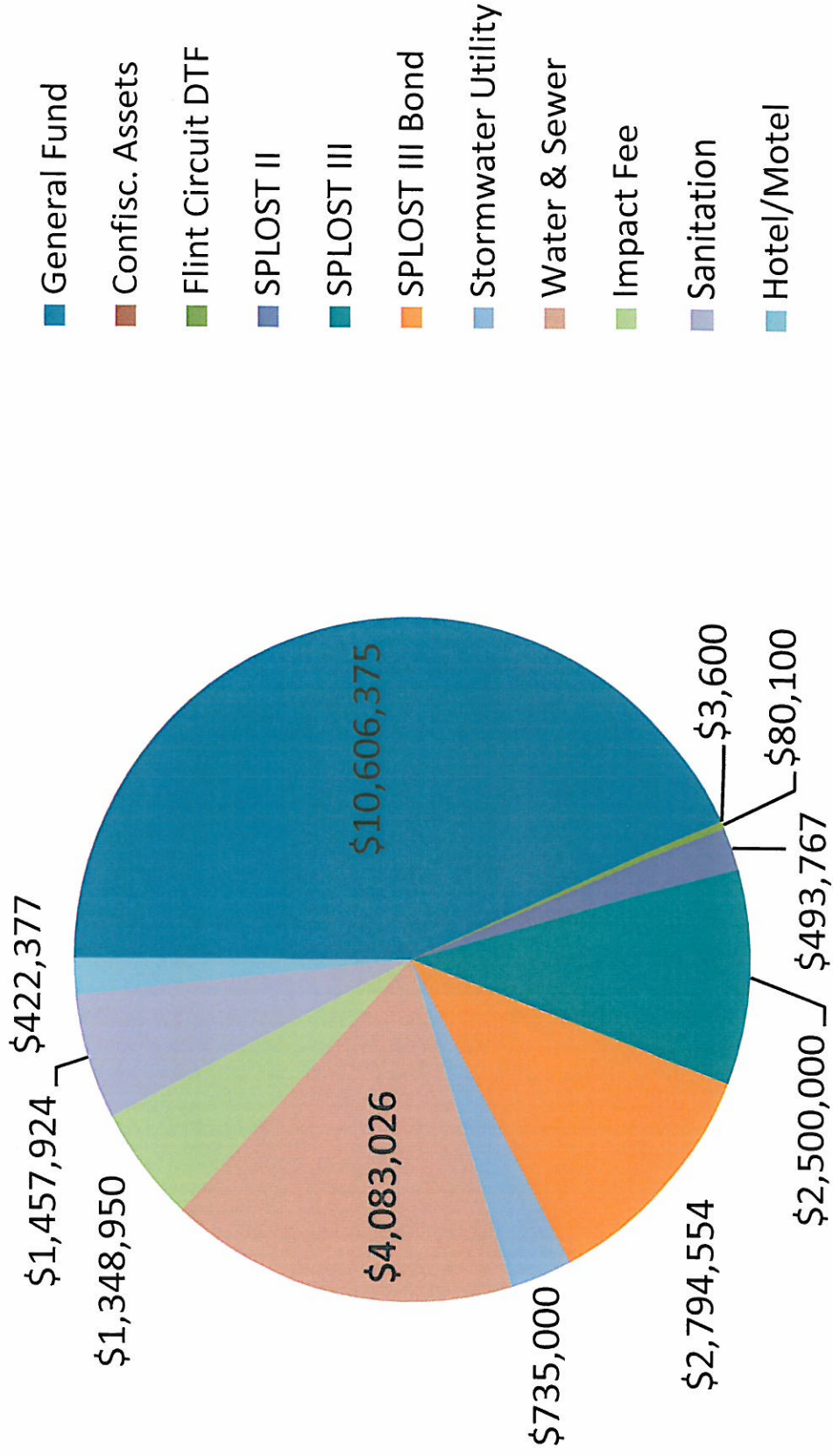
GENERAL FUND
PROPOSED FY 2012 BUDGET
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GENERAL FUND
PROPOSED FY 2012 BUDGET
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CITY OF MCDONOUGH
FY2012 BUDGET PROPOSAL
REVENUES BY FUND



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