

City Council of Peachtree City

BUDGET WORKSHOP

Agenda

July 19, 2001

6:00 p.m.

Consider FY 2002 Budget

This agenda is subject to change at any time up to 24-hours prior to the scheduled meeting.

City of Peachtree City Budget Workshop

Fiscal Year 2001 – 2002



July 19, 2001

FY 2002 Budget Workshop

Budget Overview

FY 2002 Appropriations:	\$23,514,150
Carry-over funds:	\$ 3,854,838
Est. FY02 ending cash:	<u>\$ 2,333,194</u>
Total Resources Available:	\$29,702,183
■ Total appropriations of \$23,514,150 for FY 2002 represents an increase of \$1,151,312 over FY2001 projections.	
■ The majority of the budget increase is due to increases in departmental operating expenses, as well as in debt service	

FY 2002 Budget Workshop

FY 2002 Departmental Budgets

- Proposed departmental budgets total \$14,360,378, or a 6.73% increase over last year's departmental budgets
- This amount includes \$100K seed money for public safety early retirement program
- Additional \$100K raised percentage increase from 5.99% to 6.73%
- Total dollar amount of the proposed departmental budget increase is \$905,513

FY 2002 Budget Workshop

FY 2002 Proposed Debt Service

- Total amount of proposed debt service for FY 2002 is \$1,596,284
- This represents an increase of \$553,583 over the FY 2001 amount
- Total amount of proposed increase is due to more extensive use of GMA Bricks & Mortar program & Master Lease Agreement to finance new facilities and capital equipment
- This amount does not include any bond projects

FY 2002 Budget Workshop

Public Improvement Program

- Program totals \$3,842,916
- Major projects include:
 - Drake Field Land Acquisition
 - Ladder Tower Truck
 - Smoke & Burn Training Facility
- [Click here for millage impacts](#)

**FY 2002 Public Improvement Program
Analysis of Impact on Millage Rate**

	<u>Project Cost</u>	<u>Debt Svce. Amount</u>	<u>Mills</u>
<u>FY 2002 Bricks & Mortar Program</u>			
Satellite Auto Shop Facility	\$100,000	\$10,920	0.009
Maintenance/Storage Facility (Kedron)	\$100,000	\$9,634	0.008
South 74 Maintenance Building Expansion	\$75,000	\$7,226	0.006
Neely Station Improvements	\$165,000	\$15,896	0.013
Smoke & Burn Training Facility	\$245,000	\$23,604	0.019
Facility Buildout Plan	<u>\$234,532</u>	<u>\$22,595</u>	<u>0.018</u>
Total:	\$919,532	\$89,875	0.071
 <u>FY 2002 Master Lease Agreement</u>			
Compost Shredder	\$62,000	\$10,910	0.009
Asphalt Roller	\$50,000	\$8,798	0.007
Rubber Tire Fork Lift	\$25,000	\$4,399	0.003
Replace Medic 81 - Ambulance	\$92,000	\$16,189	0.013
Ladder Tower Truck & Equipment	\$600,000	\$105,579	0.084
Generator Upgrades (Satterthwaite/Weber)	\$53,329	\$9,384	0.007
Hose Wagon - Ford F-450	\$39,600	\$6,968	0.006
Telephone System (expandable-citywide)	<u>\$150,000</u>	<u>\$26,395</u>	<u>0.021</u>
Total:	\$1,071,929	\$188,622	0.150
 <u>FY 2002 Non-Debt Financed</u>			
Street Resurfacing Program	\$551,250	N/A	0.437
Cart Path Resurfacing Program	\$110,250	N/A	0.087
Tree City USA	\$10,000	N/A	0.008
Storm Water Management Program	\$50,000	N/A	0.040
2 Playgrounds	\$80,000	N/A	0.063
G. Reed Memorial Park	\$17,500	N/A	0.014
Library Expansion	\$137,063	N/A	0.109
Halfpipe Skateramp Replacement	\$25,000	N/A	0.020
Training Facility Storage (Fire Dept.)	\$20,000	N/A	0.016
Drake Field Land Acquisition (city share)	<u>\$225,000</u>	N/A	<u>0.179</u>
	\$1,226,063		0.973
	 \$3,217,524		
Grant - R.R. Bridge	\$200,000		
Grant - Greenspace (Drake Field)	\$250,000		
PIP Contingency	<u>\$175,392</u>		
Total FY 2002 PIP:	\$3,842,916		

	<u>Project Cost</u>	<u>Debt Svce. Amount</u>	<u>Mills</u>
<u>FY 2003 Bricks & Mortar Program</u>			
Hwy. 54 W. Utilities Relocation	\$100,000	\$9,634	0.079
Kedron Large Pool Resurfacing	50,000	\$4,817	0.040
Rockspray Dock/Spillway Bridge	61,000	\$5,877	0.048
Concessions/Restrooms (M/P Rink)	150,000	\$14,451	0.119
West Side Fire Station - Land	100,000	\$9,634	0.079
Weber Sta. Storage & Driveway Repairs	<u>57,000</u>	<u>\$5,492</u>	<u>0.045</u>
Total:	\$518,000	\$49,905	0.411

<u>FY 2004 Bricks & Mortar Program</u>			
Public Works 3-Bay Facility	\$100,000	\$9,634	0.079
West Side Fire Station - Construction	\$850,000	\$81,891	0.675
Gazebo Restoration	50,000	\$4,817	0.040
Fire Training Tower	<u>352,800</u>	<u>\$33,990</u>	<u>0.280</u>
Total:	\$1,352,800	\$130,332	1.074

\$2,790,332	\$270,112
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\$1,840,332	\$178,587
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FY 2002 Budget Workshop

FY 2002 Estimated Revenues

- FY 2002 estimated revenues total \$18,466,251
- FY 2001 projected revenues total \$16,328,849
- The FY 2002 estimate represents a normal 6.1% increase over this year's projection, plus additional revenue (approx. \$1.1 M) from proposed .91 mill ad valorem tax increase
- Total increase in estimated revenues is 13.09%, including proposed millage increase
- Total dollar amount of increase in estimated revenues is \$2,137,402

FY 2002 Budget Workshop

FY 2001 Budget - Revisited

- Approximately \$1.4 million of cash reserves were identified as a source of funds to balance the FY 2001 budget
- The employee pay plan, 12.5 new positions and 2001 millage rollback all contributed to this depletion of cash reserves
- Staff considers further reduction of cash reserves to be unacceptable, and has proposed a rate that will move us towards compliance with our budgetary reserve policy, by target date
- [Click here for five-year analysis](#)

**City of Peachtree City
Millage Impact Analysis
FY 2002 Budget**

<u>Major factors impacting millage rate:</u>	<u>Dollar Amount</u>	<u>Mills Required*</u>
<u>FY 2001</u>		
12.5 New Employees (including benefits)**	\$564,781	0.45
Pay plan adjustment (including benefits)**	\$754,831	0.60
<u>FY 2002</u>		
Drake Field (land purchase)	\$225,000	0.18
Public Safety Early Retirement (seed \$)	<u>\$100,000</u>	<u>0.08</u>
Totals:	\$1,644,612	1.31
Current millage rate:		<u>3.84</u>
Current rate plus above adjustments:		5.15
FY 2002 proposed rate:		<u>4.75</u> 0.91 (increase)
Funded from other sources:	\$497,947	0.40

* Based upon FY 2002 projected assessed valuations. One mill = \$1,260,071

** These amounts are based upon original FY2001 amounts and do not include subsequent merit increases. Benefits were calculated at 30% of original salary amounts.

Projected household dollar impact:

<u>Fair market value of home:</u>	<u>Annual Cost*</u>	<u>Monthly Cost*</u>
\$200,000	\$72.80	\$6.07

* Does not reflect increase due to any possible changes in the assessed value of property.

	(\$204,986)	(\$444,900)	(\$785,457)	(\$49,768)	(\$29,762)	(\$31,477)
	\$1,177,636	\$1,260,071	\$1,348,276	\$1,435,914	\$1,522,068	\$1,605,782
	3.84	4.75	5.35	5.75	5.75	5.75
	23.70%	12.63%	7.48%	0.00%	0.00%	0.00%
	0.91	0.60	0.40	0.00	0.00	0.00

was
 \$1.4 mill
 at subject -
 purchased 1.4 -
 of gain from
 700,000 -
 carried
 over -
 500,000 -
 23.7% increase

- purchased
 to meet
 to meet
 case

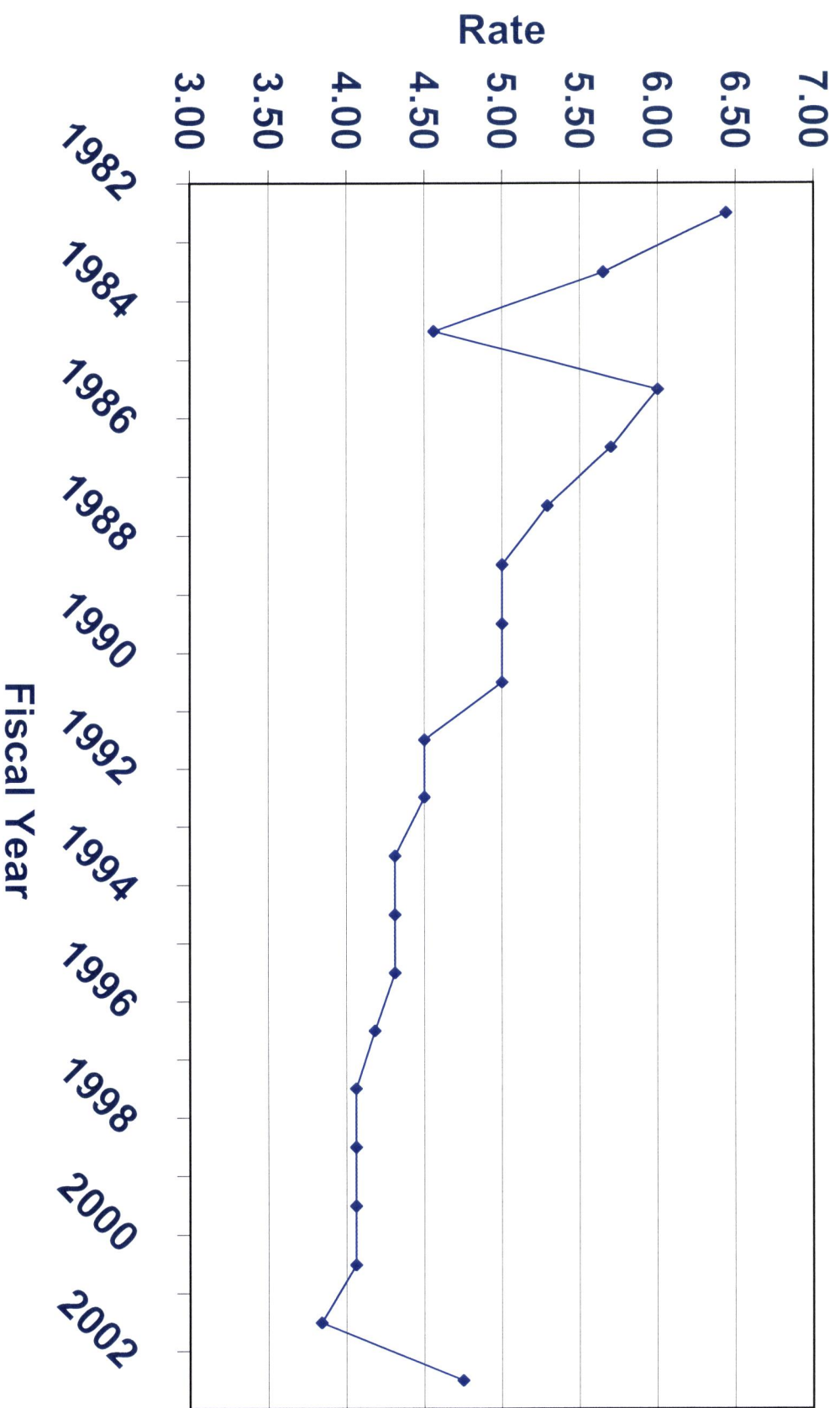
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Atlanta Area Millage Rates 2000 Tax Digest

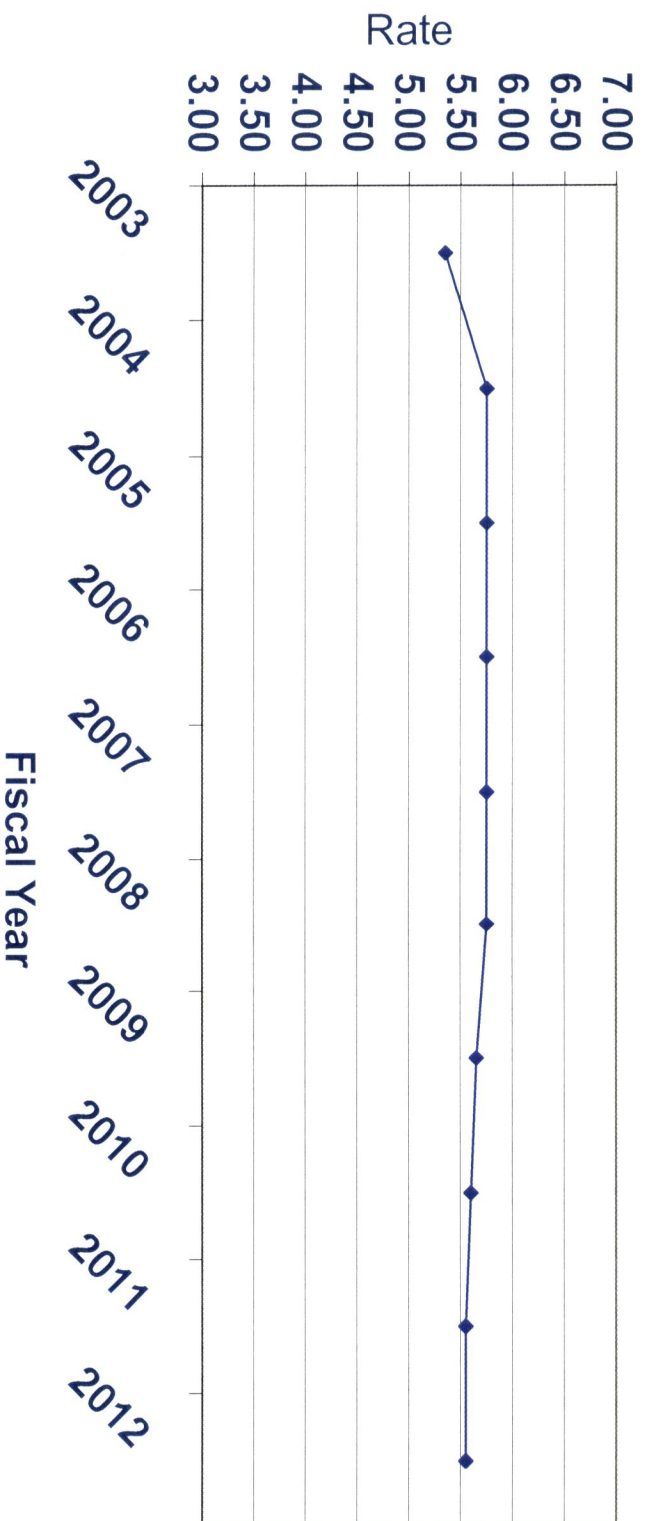
<u>County/City</u>	<u>City Rate</u>	<u>Total Rate</u>	<u>County/City</u>	<u>City Rate</u>	<u>Total Rate</u>
Carroll			Fayette		
Bowdon	8.79	31.45	Brooks	0.92	35.09
Carrollton	5.24	27.44	Fayetteville	3.22	33.43
Temple	7.49	30.15	Peachtree City	3.84	34.15
			Tyrone	2.50	36.59
Cherokee			Fulton		
Ball Ground	6.25	32.54	Alpharetta	4.93	42.58
Canton	8.25	34.79	Atlanta	6.76	48.26
Holly Springs	7.50	34.04	College Park	6.93	41.70
Mountain Park	7.50	n/a	East Point	10.50	45.70
Nelson	1.90	28.54	Fairburn	4.50	39.20
Waleska	4.66	31.54	Hapeville	10.00	45.70
Woodstock	7.29	34.49	Mountain Park	7.50	42.20
			Palmetto	4.50	39.20
Clayton			Roswell	5.81	40.66
College Park	6.93	29.70	Union City	4.50	42.20
Forest Park	3.04	25.74			
			Gwinett		
Cobb			Dacula	5.28	37.75
Acworth	7.80	37.17	Duluth	5.36	37.80
Austell	3.50	30.00	Lawrenceville	2.67	35.01
Kennesaw	6.75	36.02	Lilburn	3.55	36.00
Marietta	2.15	27.18	Norcross	4.98	37.25
Powder Springs	7.00	36.27	Snellville	4.31	36.75
Smyrna	10.45	37.20	Sugar Hill	3.87	36.25
Coweta			Henry		
Grantville	5.00	36.14	McDonough	3.50	37.00
Harlson	3.40	30.14			
Moreland	3.00	32.14	Monroe		
Newnan	4.70	31.34	Forsyth	7.30	26.01
Palmetto	4.50	31.14			
			Rockdale		
DeKalb			Conyers	7.40	43.57
Avondale Estates	10.50	49.51			
Chamblee	4.01	40.62	Spalding		
Clarkston	5.60	43.38	Griffin	9.46	37.43
Doraville	6.50	42.25	Sunny Side	5.00	32.97
Lithonia	12.00	49.51			
Stone Mountain	8.00	45.00			
Douglas			Average - All	5.77	36.36
Austell	3.50	28.83			
Douglasville	4.59	32.43			
Villa Rica	7.70	35.63			

Source: GA Department of Revenue

20 Year Millage Rate History



10 Year Future Millage Projection





FY 2002 Budget Workshop

Summary of Other Models Discussed

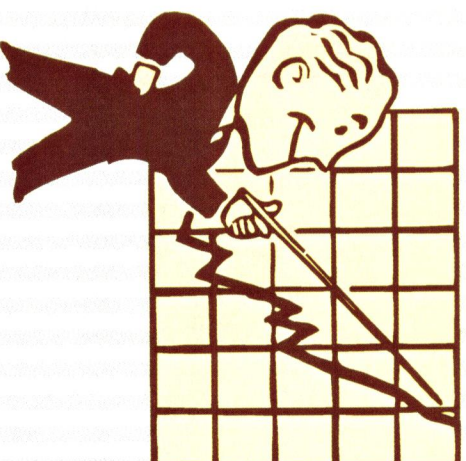
- [Click here to view summary](#)

City of Peachtree City
Millage Rate Alternatives
Fiscal Years 2002 - 2006

<u>Description</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Millage Rate (proposed plan): 4.75	3.84	4.75	5.35	5.75	5.75	5.75
Percent increase:		23.70%	12.63%	7.48%	0.00%	0.00%
Unreserved Cash:	\$2,093,964	\$2,333,194	\$2,154,324	\$3,133,098	\$3,431,904	\$3,664,581
Millage Rate: 4.06	3.84	4.06	5.65	5.85	5.85	5.85
Percent increase:		5.73%	39.16%	3.54%	0.00%	0.00%
Unreserved Cash:	\$2,093,964	\$1,463,746	\$1,689,358	\$2,811,723	\$3,262,736	\$3,655,992
Millage Rate: 4.28	3.84	4.28	5.60	5.80	5.80	5.80
Percent increase:		11.46%	30.84%	3.57%	0.00%	0.00%
Unreserved Cash:	\$2,093,964	\$1,740,961	\$1,899,159	\$2,949,729	\$3,324,639	\$3,637,605
Millage Rate: 4.95	3.84	4.95	5.25	5.65	5.75	5.75
Percent increase:		28.91%	6.06%	7.62%	1.77%	0.00%
Unreserved Cash:	\$2,093,964	\$2,585,209	\$2,271,510	\$3,106,693	\$3,405,499	\$3,638,177

FY 2002 Budget Workshop

Questions?



Discussion

FY2002 Budget Recommendations

I propose the following approach be implemented to correct this financial shortfall:

1. Review, evaluate our revenue stream
2. Realign expenditure budgets to actual
3. Recognize there are no "scared cows" – everything funded is at risk
4. Review, evaluate and reduce capital plan
5. Review, evaluate our debt financing options – refinancing and/or lease vs. purchase
6. Eliminate programming and/or staffing
7. Increase Property Taxes

I have completed an analysis of the FY2001 and FY2002 Budget and make the following recommendations:

See Attachments

I think retired General Colin Powell at a Leadership conference said it best, "The essence of leadership is the willingness to make the tough, unambiguous choices that will have an impact on the fate of the organization..." I believe that the citizens of Peachtree City expect their City Council to make those hard decisions. We are stewards of the public money and we need to live within our means. It's easy to ignore the ramifications of past decisions and increase the millage rate vs. making the hard decisions.

Other Considerations that justify this type of approach:

We deficit budgeted last year. Simply put, the City added over \$1,500,000, or over 10%, of recurring expenditures to the FY2001 Budget and used cash reserves to balance, while at the same time, rolled back Property Taxes 5.4%. To correct the ramifications of those decisions will require three things: 1. Ability to make hard decisions 2. Implement sound financial practices 3. Time.

Additionally, let's not lose sight that we are in the process of proposing a Bond Referendum later this year and that the projects approved will require an increase of property taxes.

It is my opinion that City Council should sit tight and let the taxpayers decide what property taxes increase the citizens can live with based upon their vote on the Bond Referendum projects proposed in November.

Recommendation:

That Council incorporates my outlined revisions into the FY2002 Budget, that the millage rate remain at 3.84 mills for FY2002 and that we let the voters determine what property tax increase Council will implement based on the outcome of the Bond Referendum.

FY2002 Budget Analysis

FY02 Budget Reconciliation

Divisions		FT Salary		PT Salary	\$1,900 GMA	Matching	COLA	Merit	New Positions	Proposed Savings
Council		\$0		\$33,000	\$0	\$0	\$0	\$0		
City Manager	2	\$143,625		\$0	\$3,800	\$725	\$2,715	\$5,191		
City Clerk	2	\$105,446		\$0	\$3,800	\$512	-\$17,228	\$3,811		
Court	2	\$67,078	1	\$936	\$3,800	\$1,342	\$1,265	\$2,425		
Human Resources	2	\$80,527		\$0	\$3,800	\$1,611	\$1,522	\$2,911		
Public Information	1	\$45,798	2	\$33,052	\$1,900	\$1,577	\$2,213	\$2,850		
Building	7	\$262,463	1	\$9,615	\$13,300	\$5,249	\$5,150	\$9,486		
Code Enforcement	4	\$131,562		\$0	\$7,600	\$2,631	\$2,487	\$4,755		
Engineering	2	\$81,846		\$0	\$3,800	\$1,637	\$1,547	\$2,958		
Planning	3	\$170,669	1	\$9,426	\$5,700	\$1,855	\$3,225	\$6,169		
Finance	3	\$160,174		\$0	\$5,700	\$1,567	\$3,028	\$5,789		
Info. Tech.	2	\$97,154		\$0	\$3,800	\$1,943	\$1,836	\$3,512		
Purchasing	2	\$74,045		\$0	\$3,800	\$1,481	\$1,399	\$2,676		
CCY	1	\$39,491		\$0	\$1,900	\$790	\$746	\$1,427		
Kedron Fieldhouse	5	\$170,580	5	\$98,367	\$9,500	\$1,986	\$4,636	\$6,166	\$26,291	
Library	7	\$286,359	10	\$100,161	\$13,300	\$5,727	\$7,376	\$10,350		
Recreation	26	\$832,523	5	\$54,279	\$49,400	\$8,329	\$16,815	\$30,091		
Communication	2	\$60,194			\$3,800	\$1,204	\$1,138	\$2,176		
Police	56	\$2,184,604	9	\$58,276	\$106,400	\$30,000	\$28,687	\$72,142		
EMS	2	\$100,046			\$3,800	\$1,972	\$1,108	\$2,119	\$39,991	
Fire	42	\$1,696,523	12	\$107,856	\$79,800	\$32,652	\$31,575	\$60,865		
Public Works	51	\$1,624,210			\$96,900	\$11,583	\$30,054	\$57,312	\$38,574	
Grand Total	224	\$8,414,917	46	\$504,968	\$425,600	\$116,373	\$131,294	\$295,181	\$104,856	\$100,000
Admin. Services	9	\$442,474	3	\$66,988	\$17,100	\$5,767	-\$9,513	\$17,188	\$0	\$0
Dev. Services	16	\$646,540	2	\$19,041	\$30,400	\$11,372	\$12,409	\$23,368	\$0	\$0
Financial Services	7	\$331,373	0	\$0	\$13,300	\$4,991	\$6,263	\$11,977	\$0	\$0
Leisure Services	39	\$1,328,953	20	\$252,807	\$74,100	\$16,832	\$29,573	\$48,034	\$26,291	\$0
Public Safety	102	\$4,041,367	21	\$166,132	\$193,800	\$65,828	\$62,508	\$137,302	\$39,991	\$0
Public Services	51	\$1,624,210	0	\$0	\$96,900	\$11,583	\$30,054	\$57,312	\$38,574	\$0
Grand Total	224	\$8,414,917	46	\$504,968	\$425,600	\$116,373	\$131,294	\$295,181	\$104,856	\$0

FY2001 Primary Drivers

Divisions	Amount	Millage	
Property Tax Rollback	\$277,216	0.220	Millage from 4.06 to 3.84
Pay Plan "True" cost	\$733,048	0.582	FY01 plan was for \$493,877
FY01 Staff increases	\$564,781	0.448	Increase of 5.4% staffing
FY2001 Impact	\$1,575,045	1.250	

Budget Variances

Description	Amount	Variance	Percent
FY2001 Budget	\$12,892,920		
Retreat - Financial Projection	\$13,528,050	\$635,130	4.9%
FY2002 Budget - Proposed	\$14,360,380	\$1,467,460	11.4%

Budget Reconciliation

FY01 Budget Reconciliation

FY01 Approved vs. FY02 Proposed

Divisions	FY01		FY02	
	Approved	Restated	Proposed	Variance
Administrative Services	\$1,112,482	\$946,164	\$1,054,815	-\$57,667
Developmental Services	\$760,850	\$821,343	\$869,740	\$108,890
Financial Services	\$496,238	\$548,721	\$561,043	\$64,805
Leisure Services	\$2,769,398	\$3,108,079	\$3,265,961	\$496,563
Public Safety	\$4,962,730	\$5,637,252	\$6,074,451	\$1,111,721
Public Services	\$2,178,935	\$2,393,308	\$2,534,370	\$355,435
Work Shop - Pay Plan	\$493,877		\$0	-\$493,877
Work Shop - Firemen	\$118,410		\$0	-\$118,410

Grand Total **\$12,892,920** **\$13,454,867** **\$561,947** **4.4%**

\$14,360,380 **\$1,467,460** **11.4%**

Revision FY2001 * **\$561,977** **-\$561,977**

\$0 **-\$561,977**

Restated FY2002 Budget **\$13,454,897** **\$13,454,867** **-\$30** **0.0%**

\$14,360,380 **\$905,483** **6.7%**

* Reconciliation to "Revision FY2001"

FAST Program - Error \$201,606 Police Department - Netted Grant GAAP Problem
 PIP Operating - Realigned \$121,200 PIP realignment
 Pay Plan - Benefits \$239,171 Incremental increase

Retreat Package - Financial Projection

Grand Total **\$561,977**

\$13,528,050 **\$635,130** **4.9%**

"True" Pay Plan Impact **\$733,048**

Percent over Retreat Financial Projection
\$832,330 **6.2%**

Description:

2001

2002

2003

2004

2005

2006

Sources of Funds:

Ad Valorem Taxes

\$4,590,000

\$4,838,671

\$5,177,378

\$5,513,907

\$5,872,311

\$6,254,012

Local Option Sales Tax

\$5,576,972

\$5,800,051

\$6,032,053

\$6,273,335

\$6,524,268

\$6,785,239

Debt Proceeds

\$2,700,000

\$2,912,261

\$2,455,529

\$355,830

\$1,237,696

\$185,000

All Other Sources

\$9,495,866

\$9,408,736

\$9,167,391

\$9,464,569

\$8,798,834

\$9,019,626

Revenue Stream Increases (Sch 1)

\$0

\$100,000

\$103,000

\$106,090

\$109,273

\$112,551

Total Sources of Funds

\$22,362,838

\$23,059,719

\$22,935,351

\$21,713,731

\$22,542,382

\$22,356,428

Uses of Funds - Schedule #

Departmental Budgets (Sch 2)

\$12,805,445

7.41%

\$13,754,724

6.07%

\$14,589,598

6.55%

\$15,545,861

7.05%

\$16,641,461

5.55%

\$17,564,978

Public improvement program (Sch 3)

\$5,528,835

\$3,487,524

\$3,736,293

\$1,469,280

\$1,715,630

\$1,048,775

Self/Health Insurance

\$2,418,537

\$2,418,537

\$2,418,537

\$2,418,537

\$2,418,537

\$2,418,537

Debt Service (Sch 4)

\$1,042,701

\$1,469,586

\$1,717,952

\$1,778,183

\$1,899,759

\$1,941,526

All Other Uses

\$567,321

\$1,296,035

\$1,296,035

\$1,185,643

\$1,178,035

\$1,078,035

Total uses of Funds

\$22,362,839

\$22,426,406

\$23,758,415

\$22,397,504

\$23,853,421

\$24,051,850

Over/(Shortfall)

-\$1

\$633,313

-\$823,064

-\$683,772

-\$1,311,039

-\$1,695,423

Beginning Cash

2001

2002

2003

2004

2005

2006

Ending Cash

\$2,093,964

\$2,727,277

\$1,904,213

\$1,220,440

-\$90,599

-\$1,786,022

Millage

3.84

3.84

3.84

3.84

3.84

3.84

Percent

0.0%

0.0%

0.0%

0.0%

0.0%

0.0%

One Mill Property Tax

\$1,177,636

\$1,260,071

\$1,348,275

\$1,435,913

\$1,529,248

\$1,628,649

Percent

7.0%

7.0%

7.0%

6.5%

6.5%

6.5%

Change Cash Position from FY01

30.2%

-9.1%

Schedule 1

Revisions to Revenue Stream	FY2002	FY2003	FY2004	FY2005	FY2006
Revisions to Revenue Stream					
Building Permits	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510
Alcoholic Beverage Tax	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Occupational Tax/Licenses	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765
Recreation Programs	\$40,000	\$41,200	\$42,436	\$43,709	\$45,020
Total Revenue Revisions	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551

Assumes only 3% percent increase each year.

Schedule 2

Revisions to Operating	FY2002	FY2003	FY2004	FY2005	FY2006
		5.98%	6.47%	6.96%	5.48%
FY2002 Operating Budget	\$14,360,378	\$15,219,521	\$16,203,582	\$17,331,030	\$18,281,393
Revisions to Operating Budget					
Realignment to Actual	-\$100,000	-\$105,983	-\$112,835	-\$120,686	-\$127,304
Council Contingency	-\$200,000	-\$200,000	-\$200,000	-\$200,000	-\$200,000
FY2002 Requested Staffing	-\$104,856	-\$111,129	-\$118,315	-\$126,547	-\$133,486
Vacancies - Police (4)	-\$154,908	-\$164,176	-\$174,791	-\$186,953	-\$197,205
Vacancies - Public Works (2)	-\$45,890	-\$48,635	-\$51,780	-\$55,383	-\$58,420
Total Revisions	-\$605,654	-\$629,923	-\$657,721	-\$689,569	-\$716,415
Restated FY2002 PIP Program	\$13,754,724	\$14,589,598	\$15,545,861	\$16,641,461	\$17,564,978

Schedule 3

Revisions to PIP Program	FY2002	FY2003	FY2004	FY2005	FY2006
FY2002 PIP Program	\$3,842,916	\$4,426,573	\$2,709,390	\$2,434,736	\$1,457,213
Revisions to PIP Program					
Playgrounds (Locations TBD)	-\$80,000	-\$80,000		-\$60,000	
Maint/Storage Facility (Kedron)	-\$100,000				
Westside Fire Station - Land		-\$100,000			
Westside Fire Station			-\$850,000		
Westside Fire Station - Equipment				-\$507,566	
Concessions/Restrooms (M/P Rink)		-\$150,000			
Replace Swimming Pool Cover (Kedron)		-\$200,000			
Public Works 3-Bay Facility			-\$100,000		
Front End Wheel Loader			-\$100,000		
PIP Contingency Fund	-\$175,392	-\$160,280	-\$190,110	-\$151,540	-\$408,438
Total Revisions	-\$355,392	-\$690,280	-\$1,240,110	-\$719,106	-\$408,438
Restated FY2002 PIP Program	\$3,487,524	\$3,736,293	\$1,469,280	\$1,715,630	\$1,048,775

Bold denotes reductions in GMA Plan

Highlighted items are reductions in FY2002 PIP Plan

Five-Year Average Cost \$2,291,500

PIP Contingency - Reserve * \$114,575

None Required in compliance with CAR 11-2 - Note: Carryover is \$230,150

Schedule 4

Revisions to GMA Program	FY2002	FY2003	FY2004	FY2005	FY2006
FY2002 Debt Service	\$1,596,284	\$1,844,650	\$1,904,881	\$2,026,457	\$2,068,224
Revisions to GMA Program					
Westside Fire Station	-\$126,698	-\$126,698	-\$126,698	-\$126,698	-\$126,698
Total Revisions	-\$126,698	-\$126,698	-\$126,698	-\$126,698	-\$126,698
Restated FY2002 Debt Service	\$1,469,586	\$1,717,952	\$1,778,183	\$1,899,759	\$1,941,526
GMA Program Proposed	\$2,790,332	\$2,933,288	\$5,723,620		
Debt Service	\$271,946	\$273,002	\$544,948		
Percent Debt Service/Loan	10%	9%	10%		
Maint/Storage Facility (Kedron)	-\$100,000				
Westside Fire Station - Land	-\$100,000				
Westside Fire Station	-\$850,000				
Concessions/Restrooms (M/P Rink)	-\$150,000				
Replace Swimming Pool Cover (Kedron)		-\$200,000			
Public Works 3-Bay Facility	-\$100,000				
Front End Wheel Loader		-\$100,000			
Total Revisions	-\$1,300,000	-\$300,000	-\$1,600,000		
GMA Program Revised	\$1,490,332	\$2,633,288	\$4,123,620		
Debt Service	\$145,248	\$245,081	\$390,329		
Debt Service Reduction	-\$126,698	-\$27,921	-\$154,619		

CITY OF PEACHTREE CITY

INTEROFFICE MEMORANDUM

TO: Mayor and Council

FROM: City Manager 

DATE: July 10, 2001

SUBJECT: Proposed 2002 Budget

Council, the proposed City Budget for FY 2002 contained in your binder totals \$23,514,150 plus an additional \$3,854,838 in carryover funds, plus \$2,333,194 in projected cash reserves, bringing the grand total to \$29,702,183. The FY 2002 budget of \$23,514,150 compares to a FY2001 budget of \$22,362,838. The majority of this increase is attributable to increases in the Operating Budget and in Debt Service. Additionally, General Fund revenues for FY2002 are projected to increase 6½ percent (plus the .91 mill recommended below) bringing the total increase in revenues to 13.09 percent. Finally, the proposed 2002 Operating Budget was projected to increase 5.99 percent over the 2001 Operating Budget, but was increased to 6.73 percent with the addition of funding for the Public Safety early retirement program.

As you may recall, due to the increase in new employees, the implementation of the pay plan and the millage rollback from 4.06 mills to 3.84 mills, we used approximately \$1.4 million dollars from the Unreserved Cash Fund to balance this year's 2001 budget. Looking at the proposed FY2002 budget, and assuming that the millage rate remains at 3.84 mills, it will require the use of approximately \$1 million dollars to balance the budget and will further reduce the Unreserved Cash Fund to what staff considers an unacceptable level of approximately \$1.2 million dollars.

Continued depletion of the Unreserved Cash Fund is of major concern to staff. To address this issue, staff, as a result of meeting with Mayor Lenox and Councilman Rapson, has developed four millage increase options for Council to consider. Attachment 1 is a summary of these options that depicts the millage rate increases over the next five years along with the resulting status of the Unreserved Cash Fund for each year. Attachments 2 – 5 contain the details of the four options; each attachment is comprised of two pages, one that is a Millage Impact Analysis, and the other page is a combined Budget Projection and Millage Analysis.

Staff is recommending approval of the millage rate of 4.75 mills contained in Attachment 2, which would take the current 2001 millage rate of 3.84 mills to 4.75 mills for Fiscal Year 2002. The proposed 2002 Budget before you is based on this .91 mill increase. Staff will be prepared to discuss all the options with Council at the meeting.

At the meeting Thursday night, Council would normally spend most of the time discussing each division budget with the director/chief. However since staff is proposing a first-ever tax increase, I would recommend that Council first address this issue, and spend any remaining time

discussing the operating budget for each division. As mentioned above, the Operating Budget for the divisions represents a 6.73 percent increase over the 2001 Operating Budget. (See Attachment 6).

Finally, I fully realize that staff has provided you with much data to digest in a short period of time. Should you have questions or desire to meet to discuss any aspect of this data or the budget prior to the 6:00 pm Workshop Thursday, please contact me.

Attachments

City of Peachtree City
Millage Rate Alternatives
Fiscal Years 2002 - 2006

<u>Description</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Millage Rate (proposed plan): 4.75	3.84	4.75	5.35	5.75	5.75	5.75
Percent increase:		23.70%	12.63%	7.48%	0.00%	0.00%
Unreserved Cash:	\$2,093,964	\$2,333,194	\$2,154,324	\$3,133,098	\$3,431,904	\$3,664,581
Millage Rate: 4.06	3.84	4.06	5.65	5.85	5.85	5.85
Percent increase:		5.73%	39.16%	3.54%	0.00%	0.00%
Unreserved Cash:	\$2,093,964	\$1,463,746	\$1,689,358	\$2,811,723	\$3,262,736	\$3,655,992
Millage Rate: 4.28	3.84	4.28	5.60	5.80	5.80	5.80
Percent increase:		11.46%	30.84%	3.57%	0.00%	0.00%
Unreserved Cash:	\$2,093,964	\$1,740,961	\$1,899,159	\$2,949,729	\$3,324,639	\$3,637,605
Millage Rate: 4.95	3.84	4.95	5.25	5.65	5.75	5.75
Percent increase:		28.91%	6.06%	7.62%	1.77%	0.00%
Unreserved Cash:	\$2,093,964	\$2,585,209	\$2,271,510	\$3,106,693	\$3,405,499	\$3,638,177

**City of Peachtree City
Millage Impact Analysis
FY 2002 Budget**

<u>Major factors impacting millage rate:</u>	<u>Dollar Amount</u>	<u>Mills Required*</u>	
<u>FY 2001</u>			
12.5 New Employees (including benefits)**	\$564,781	0.45	
Pay plan adjustment (including benefits)**	\$754,831	0.60	
<u>FY 2002</u>			
Drake Field (land purchase)	\$225,000	0.18	
Public Safety Early Retirement (seed \$)	<u>\$100,000</u>	<u>0.08</u>	
Totals:	\$1,644,612	1.31	
Current millage rate:		<u>3.84</u>	
Current rate plus above adjustments:		5.15	
FY 2002 proposed rate:		<u>4.75</u>	0.91 (increase)
Funded from other sources:	\$497,947	0.40	

* Based upon FY 2002 projected assessed valuations. One mill = \$1,260,071

** These amounts are based upon original FY2001 amounts and do not include subsequent merit increases.
Benefits were calculated at 30% of original salary amounts.

Projected household dollar impact:

<u>Fair market value of home:</u>	<u>Annual Cost*</u>	<u>Monthly Cost*</u>
\$200,000	\$72.80	\$6.07

* Does not reflect increase due to any possible changes in the assessed value of property.

City of Peachtree City
Budget Projection & Millage Analysis
FY 2001 -2006

<u>Description</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Sources of Funds:</u>						
Ad Valorem Taxes	\$4,590,000	\$5,985,336	\$7,213,275	\$8,256,503	\$8,751,893	\$9,233,247
Local Option Sales Tax	\$5,576,972	\$5,800,051	\$6,032,053	\$6,273,335	\$6,524,268	\$6,785,239
Debt Proceeds	\$2,700,000	\$2,912,261	\$2,455,529	\$355,830	\$1,237,696	\$185,000
All Other Sources	<u>\$9,495,866</u>	<u>\$8,816,503</u>	<u>\$9,504,459</u>	<u>\$9,536,365</u>	<u>\$8,874,937</u>	<u>\$9,099,915</u>
Total Sources of Funds:	\$22,362,838	\$23,514,150	\$25,205,316	\$24,422,033	\$25,388,795	\$25,303,402
<u>Uses of Funds:</u>						
Departmental Budgets	\$12,805,445	\$14,360,378	\$15,219,521	\$16,203,582	\$17,331,030	\$18,281,393
Public Improvement Program	\$5,528,835	\$3,842,916	\$4,426,573	\$2,709,390	\$2,434,736	\$1,457,213
Self/Health Insurance	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537
Debt Service	\$1,042,701	\$1,596,284	\$1,844,650	\$1,904,881	\$2,026,457	\$2,068,224
All Other Uses	<u>\$567,321</u>	<u>\$1,296,035</u>	<u>\$1,296,035</u>	<u>\$1,185,643</u>	<u>\$1,178,035</u>	<u>\$1,078,035</u>
Total Uses of Funds:	\$22,362,838	\$23,514,150	\$25,205,316	\$24,422,033	\$25,388,795	\$25,303,402
Unreserved Cash Balance:	\$2,093,964	\$2,333,194	\$2,154,324	\$3,133,098	\$3,431,904	\$3,664,581
Shortfall from reserve target:	(\$204,986)	(\$444,900)	(\$785,457)	(\$49,768)	(\$29,762)	(\$31,477)
one mill property tax =	\$1,177,636	\$1,260,071	\$1,348,276	\$1,435,914	\$1,522,068	\$1,605,782
Millage Rate:	3.84	4.75	5.35	5.75	5.75	5.75
Percent Increase:		23.70%	12.63%	7.48%	0.00%	0.00%

**City of Peachtree City
Millage Impact Analysis
FY 2002 Budget**

<u>Major factors impacting millage rate:</u>	<u>Dollar Amount</u>	<u>Mills Required*</u>	
<u>FY 2001</u>			
12.5 New Employees (including benefits)**	\$564,781	0.45	
Pay plan adjustment (including benefits)**	\$754,831	0.60	
<u>FY 2002</u>			
Drake Field (land purchase)	\$225,000	0.18	
Public Safety Early Retirement (seed \$)	<u>\$100,000</u>	<u>0.08</u>	
Totals:	\$1,644,612	1.31	
Current millage rate:		<u>3.84</u>	
Current rate plus above adjustments:		5.15	
FY 2002 proposed rate:		<u>4.06</u>	0.22 (increase)
Funded from other sources:	\$1,367,396	1.09	

* Based upon FY 2002 projected assessed valuations. One mill = \$1,260,071

** These amounts are based upon original FY2001 amounts and do not include subsequent merit increases.
Benefits were calculated at 30% of original salary amounts.

Projected household dollar impact:

<u>Fair market value of home:</u>	<u>Annual Cost*</u>	<u>Monthly Cost*</u>
\$200,000	\$17.60	\$1.47

* Does not reflect increase due to any possible changes in the assessed value of property.

City of Peachtree City
Budget Projection & Millage Analysis
FY 2001 -2006

<u>Description</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Sources of Funds:</u>						
Ad Valorem Taxes	\$4,590,000	\$5,115,887	\$7,617,757	\$8,400,094	\$8,904,100	\$9,393,825
Local Option Sales Tax	\$5,576,972	\$5,800,051	\$6,032,053	\$6,273,335	\$6,524,268	\$6,785,239
Debt Proceeds	\$2,700,000	\$2,912,261	\$2,455,529	\$355,830	\$1,237,696	\$185,000
All Other Sources	<u>\$9,495,866</u>	<u>\$9,685,951</u>	<u>\$9,099,977</u>	<u>\$9,392,773</u>	<u>\$8,722,730</u>	<u>\$8,939,337</u>
Total Sources of Funds:	\$22,362,838	\$23,514,150	\$25,205,316	\$24,422,033	\$25,388,795	\$25,303,402
<u>Uses of Funds:</u>						
Departmental Budgets	\$12,805,445	\$14,360,378	\$15,219,521	\$16,203,582	\$17,331,030	\$18,281,393
Public Improvement Program	\$5,528,835	\$3,842,916	\$4,426,573	\$2,709,390	\$2,434,736	\$1,457,213
Self/Health Insurance	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537
Debt Service	\$1,042,701	\$1,596,284	\$1,844,650	\$1,904,881	\$2,026,457	\$2,068,224
All Other Uses	<u>\$567,321</u>	<u>\$1,296,035</u>	<u>\$1,296,035</u>	<u>\$1,185,643</u>	<u>\$1,178,035</u>	<u>\$1,078,035</u>
Total Uses of Funds:	\$22,362,838	\$23,514,150	\$25,205,316	\$24,422,033	\$25,388,795	\$25,303,402
Unreserved Cash Balance:	\$2,093,964	\$1,463,746	\$1,689,358	\$2,811,723	\$3,262,736	\$3,655,992
Shortfall from reserve target:	(\$204,986)	(\$1,314,349)	(\$1,250,423)	(\$371,143)	(\$198,930)	(\$40,067)
one mill property tax =	\$1,177,636	\$1,260,071	\$1,348,276	\$1,435,914	\$1,522,068	\$1,605,782
Millage Rate:	3.84	4.06	5.65	5.85	5.85	5.85
Percent Increase:		5.73%	39.16%	3.54%	0.00%	0.00%

**City of Peachtree City
Millage Impact Analysis
FY 2002 Budget**

<u>Major factors impacting millage rate:</u>	<u>Dollar Amount</u>	<u>Mills Required*</u>	
<u>FY 2001</u>			
12.5 New Employees (including benefits)**	\$564,781	0.45	
Pay plan adjustment (including benefits)**	\$754,831	0.60	
<u>FY 2002</u>			
Drake Field (land purchase)	\$225,000	0.18	
Public Safety Early Retirement (seed \$)	<u>\$100,000</u>	<u>0.08</u>	
Totals:	\$1,644,612	1.31	
Current millage rate:		<u>3.84</u>	
Current rate plus above adjustments:		5.15	
FY 2002 proposed rate:		<u>4.28</u>	0.44 (increase)
Funded from other sources:	\$1,090,181	0.87	

* Based upon FY 2002 projected assessed valuations. One mill = \$1,260,071

** These amounts are based upon original FY2001 amounts and do not include subsequent merit increases.
Benefits were calculated at 30% of original salary amounts.

Projected household dollar impact:

<u>Fair market value of home:</u>	<u>Annual Cost*</u>	<u>Monthly Cost*</u>
\$200,000	\$35.20	\$2.93

* Does not reflect increase due to any possible changes in the assessed value of property.

City of Peachtree City
Budget Projection & Millage Analysis
FY 2001 -2006

<u>Description</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Sources of Funds:</u>						
Ad Valorem Taxes	\$4,590,000	\$5,393,102	\$7,550,343	\$8,328,298	\$8,827,996	\$9,313,536
Local Option Sales Tax	\$5,576,972	\$5,800,051	\$6,032,053	\$6,273,335	\$6,524,268	\$6,785,239
Debt Proceeds	\$2,700,000	\$2,912,261	\$2,455,529	\$355,830	\$1,237,696	\$185,000
All Other Sources	<u>\$9,495,866</u>	<u>\$9,408,736</u>	<u>\$9,167,391</u>	<u>\$9,464,569</u>	<u>\$8,798,834</u>	<u>\$9,019,626</u>
Total Sources of Funds:	\$22,362,838	\$23,514,150	\$25,205,316	\$24,422,033	\$25,388,795	\$25,303,402
<u>Uses of Funds:</u>						
Departmental Budgets	\$12,805,445	\$14,360,378	\$15,219,521	\$16,203,582	\$17,331,030	\$18,281,393
Public Improvement Program	\$5,528,835	\$3,842,916	\$4,426,573	\$2,709,390	\$2,434,736	\$1,457,213
Self/Health Insurance	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537
Debt Service	\$1,042,701	\$1,596,284	\$1,844,650	\$1,904,881	\$2,026,457	\$2,068,224
All Other Uses	<u>\$567,321</u>	<u>\$1,296,035</u>	<u>\$1,296,035</u>	<u>\$1,185,643</u>	<u>\$1,178,035</u>	<u>\$1,078,035</u>
Total Uses of Funds:	\$22,362,838	\$23,514,150	\$25,205,316	\$24,422,033	\$25,388,795	\$25,303,402
Unreserved Cash Balance:	\$2,093,964	\$1,740,961	\$1,899,159	\$2,949,729	\$3,324,639	\$3,637,605
Shortfall from reserve target:	(\$204,986)	(\$1,037,133)	(\$1,040,621)	(\$233,137)	(\$137,028)	(\$58,453)
one mill property tax =	\$1,177,636	\$1,260,071	\$1,348,276	\$1,435,914	\$1,522,068	\$1,605,782
Millage Rate:	3.84	4.28	5.60	5.80	5.80	5.80
Percent Increase:		11.46%	30.84%	3.57%	0.00%	0.00%

**City of Peachtree City
Millage Impact Analysis
FY 2002 Budget**

<u>Major factors impacting millage rate:</u>	<u>Dollar Amount</u>	<u>Mills Required*</u>
<u>FY 2001</u>		
12.5 New Employees (including benefits)**	\$564,781	0.45
Pay plan adjustment (including benefits)**	\$754,831	0.60
<u>FY 2002</u>		
Drake Field (land purchase)	\$225,000	0.18
Public Safety Early Retirement (seed \$)	<u>\$100,000</u>	<u>0.08</u>
Totals:	\$1,644,612	1.31
Current millage rate:		<u>3.84</u>
Current rate plus above adjustments:		5.15
FY 2002 proposed rate:		<u>4.95</u> 1.11 (increase)
Funded from other sources:	\$245,933	0.20

* Based upon FY 2002 projected assessed valuations. One mill = \$1,260,071

** These amounts are based upon original FY2001 amounts and do not include subsequent merit increases.
Benefits were calculated at 30% of original salary amounts.

Projected household dollar impact:

<u>Fair market value of home:</u>	<u>Annual Cost*</u>	<u>Monthly Cost*</u>
\$200,000	\$88.80	\$7.40

* Does not reflect increase due to any possible changes in the assessed value of property.

City of Peachtree City
Budget Projection & Millage Analysis
FY 2001 -2006

<u>Description</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Sources of Funds:</u>						
Ad Valorem Taxes	\$4,590,000	\$6,237,350	\$7,078,447	\$8,112,911	\$8,751,893	\$9,233,247
Local Option Sales Tax	\$5,576,972	\$5,800,051	\$6,032,053	\$6,273,335	\$6,524,268	\$6,785,239
Debt Proceeds	\$2,700,000	\$2,912,261	\$2,455,529	\$355,830	\$1,237,696	\$185,000
All Other Sources	<u>\$9,495,866</u>	<u>\$8,564,488</u>	<u>\$9,639,287</u>	<u>\$9,679,956</u>	<u>\$8,874,937</u>	<u>\$9,099,915</u>
Total Sources of Funds:	\$22,362,838	\$23,514,150	\$25,205,316	\$24,422,033	\$25,388,795	\$25,303,402
<u>Uses of Funds:</u>						
Departmental Budgets	\$12,805,445	\$14,360,378	\$15,219,521	\$16,203,582	\$17,331,030	\$18,281,393
Public Improvement Program	\$5,528,835	\$3,842,916	\$4,426,573	\$2,709,390	\$2,434,736	\$1,457,213
Self/Health Insurance	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537	\$2,418,537
Debt Service	\$1,042,701	\$1,596,284	\$1,844,650	\$1,904,881	\$2,026,457	\$2,068,224
All Other Uses	<u>\$567,321</u>	<u>\$1,296,035</u>	<u>\$1,296,035</u>	<u>\$1,185,643</u>	<u>\$1,178,035</u>	<u>\$1,078,035</u>
Total Uses of Funds:	\$22,362,838	\$23,514,150	\$25,205,316	\$24,422,033	\$25,388,795	\$25,303,402
Unreserved Cash Balance:	\$2,093,964	\$2,585,209	\$2,271,510	\$3,106,693	\$3,405,499	\$3,638,177
Shortfall from reserve target:	(\$204,986)	(\$192,886)	(\$668,270)	(\$76,173)	(\$56,167)	(\$57,882)
one mill property tax =	\$1,177,636	\$1,260,071	\$1,348,276	\$1,435,914	\$1,522,068	\$1,605,782
Millage Rate:	3.84	4.95	5.25	5.65	5.75	5.75
Percent Increase:		28.91%	6.06%	7.62%	1.77%	0.00%

FY 2002 Division Budget Analysis

Attachment 6

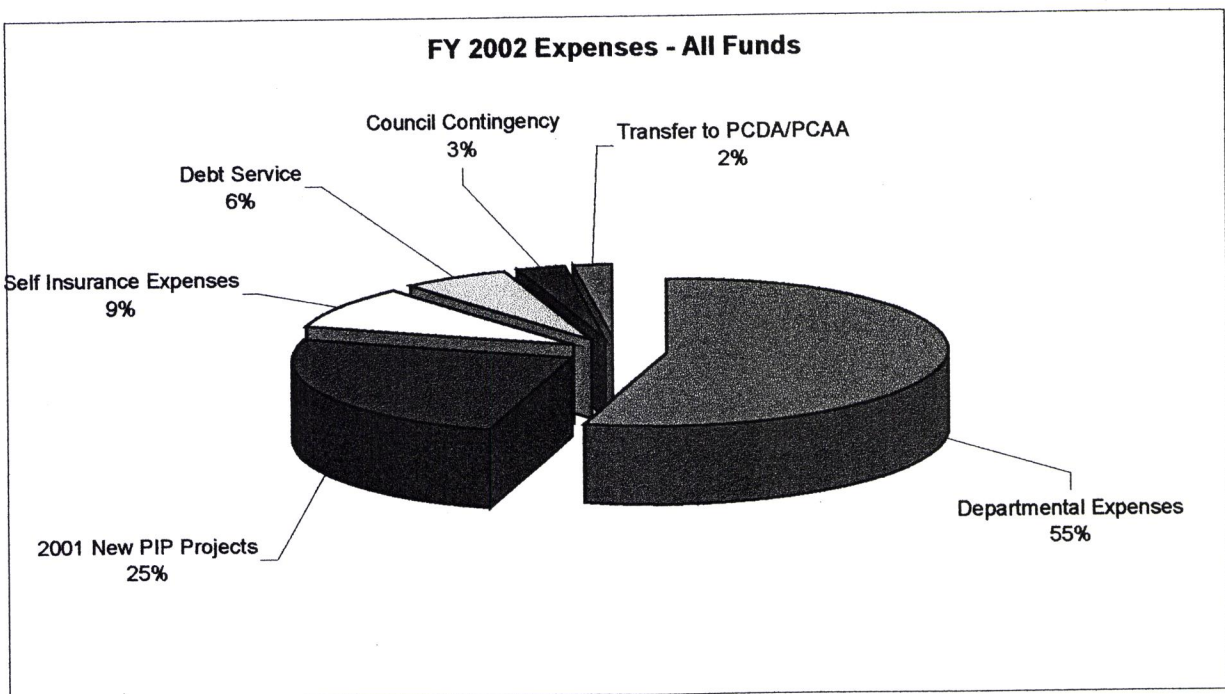
<u>Division</u>	<u>FY02 Budget</u>	<u>FY01 Budget</u>	<u>Variance</u>	<u>Percentage</u>
Police Department	\$3,118,441	\$2,786,998	\$331,443	11.89%
Communications Department	\$254,145	\$347,030	(\$92,885)	-26.77%
Total Police/Communications	\$3,372,586	\$3,134,028	\$238,558	7.61%
Fire Department	\$2,486,668	\$2,345,680	\$140,987	6.01%
Emergency Medical Services	\$215,197	\$157,544	\$57,653	36.60%
Total Fire/EMS	\$2,701,865	\$2,503,224	\$198,641	7.94%
Public Works Department	\$2,534,370	\$2,393,308	\$141,061	5.89%
Total Public Services	\$2,534,370	\$2,393,308	\$141,061	5.89%
Commission on Children & Youth Services	\$65,356	\$62,053	\$3,303	5.32%
Kedron Fieldhouse	\$782,093	\$717,301	\$64,792	9.03%
Library	\$665,683	\$640,259	\$25,424	3.97%
Recreation Department	\$1,752,829	\$1,688,466	\$64,363	3.81%
Total Leisure Services	\$3,265,961	\$3,108,079	\$157,882	5.08%
Planning Department	\$219,900	\$215,649	\$4,251	1.97%
Building Department	\$384,318	\$355,109	\$29,209	8.23%
Code Enforcement	\$151,857	\$141,164	\$10,693	7.57%
Engineering	\$113,664	\$109,420	\$4,244	3.88%
Total Developmental Services	\$869,740	\$821,343	\$48,397	5.89%
City Manager	\$173,937	\$163,904	\$10,033	6.12%
City Clerk	\$265,546	\$252,689	\$12,858	5.09%
Court	\$257,206	\$209,810	\$47,396	22.59%
Human Resources	\$162,059	\$155,862	\$6,197	3.98%
Public Information	\$127,843	\$117,875	\$9,968	8.46%
City Council	\$68,225	\$46,025	\$22,200	48.23%
Total Administrative Services	\$1,054,815	\$946,164	\$108,651	11.48%
Finance Department	\$284,041	\$267,678	\$16,362	6.11%
Information Technology	\$167,245	\$177,032	(\$9,787)	-5.53%
Purchasing Department	\$109,757	\$104,010	\$5,747	5.53%
Total Financial Services	\$561,043	\$548,721	\$12,322	2.25%
Total All Divisions:	\$14,360,378	\$13,454,866	\$905,513	6.73%
Early Retirement Plan:	-\$100,000			
Totals without early retirement plan:	\$14,260,378	\$13,454,866	\$805,513	5.99%

CITY OF PEACHTREE CITY
INTEROFFICE MEMORANDUM

TO: Mayor and City Council
VIA: City Manager
FROM: Director of Financial Services
DATE: July 19, 2001
SUBJECT: Proposed FY 2002 Budget

OVERVIEW

Transmitted herein are the proposed Fiscal Year 2002 Operating and Public Improvement Program (PIP) budgets for your review. The Proposed Combined FY 2002 Budgets now total **\$23,514,150** for all new appropriations, plus an additional **\$3,854,838** appropriated for items that were previously funded, bringing the grand total for all appropriations (new and carryovers) to **\$27,368,989**. In addition, we anticipate cash reserves at the end of FY2002 in the amount of **\$2,333,194**, which will bring the total amount of financial resources available in FY 2002 to **\$29,702,183**. The chart below shows the percentages for each of the major categories of proposed *new* appropriations.



Most of the \$2,154,838 of re-budgeted or previously funded items is for on-going capital projects in the PIP.

BUDGET MESSAGE

At this time it is appropriate that I refer back to the 'Conclusion' section of last years budget transmittal letter, wherein I stated:

In conclusion, the city's primary fiscal challenge for FY 2001 will be to fund the employee Pay Plan and additional fire department employees, while still maintaining adequate cash reserves and holding the millage rate constant. The city also has a very ambitious Public Improvement Program that, to a great extent, is funded by pay-as-you-go financing. As cash reserves are a limited, one-time revenue source, and the pay plan and new employees will be on-going expenses, we will not be able to use unrestricted fund balance (cash reserves) as a revenue source to the extent that we propose to this coming fiscal year... we will need to make some adjustments in the FY 2002 budget in order to preserve our future reserves.

In addition, I recommended that we examine the way we evaluate and fund our capital projects in the PIP and also suggested that a complete revenue survey be performed to identify potential revenue enhancements. Lastly, was a recommendation to continue to maintain our Quality Improvement Program to identify opportunities for cost savings.

During this past fiscal year, several important steps were taken to address the issues stated above. For one, city staff did conduct a city-wide revenue survey that ultimately resulted in Council taking action to update our fee schedules and provide necessary and appropriate revenue enhancements. Certainly, we also continued to maintain our Quality Improvement Program and discovered many ways to improve the efficiency of our service delivery.

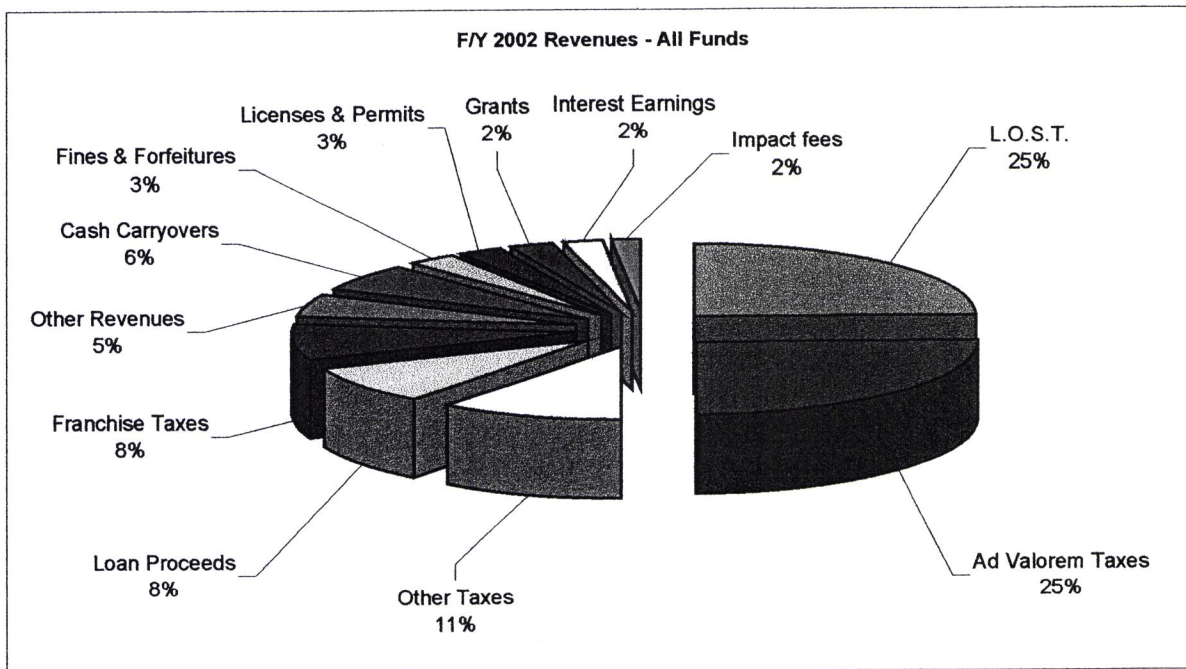
As for the evaluation and funding of capital projects in our PIP, Council recently adopted new Debt Policies that will help guide future decisions on the utilization of debt financing. We expect that the proposed debt financing in the FY 2002 budget will result in relief in funding the PIP (as opposed to paying cash) as well as provide an appropriate level of intergenerational equity to our citizens. In other words the cost of constructing new facilities will be born by both the current and future beneficiaries of the facilities. The details of our debt service proposals will be explained further in the *Debt Service* sections of this letter and in the budget document.

In addition to adopting debt policies, Council also took a very important step towards preserving our future cash reserves with the adoption of new Budgetary Policies. As the city makes the transition from a city that is rapidly growing to one that has reached full build-out, these policies will provide useful guidelines for budget design that will preserve our good financial health.

I strongly urge Council to adhere to these policy guidelines throughout the budget process so as to meet the goal of implementing our crucial cash reserve policies within the stated time frame of the fiscal year beginning October 1, 2004. Copies of both the debt and budgetary policies are included in this budget document for your reference.

GENERAL FUND

Revenues – General Fund revenues are projected to total **\$18,466,251** or an increase of **13.09 percent** over FY 2001 projected revenue. This is mainly due to increases in both Ad Valorem Taxes and the Hotel/Motel Tax, as explained below. The chart below shows the major General Fund revenue sources by percentage, in relation to the total sources of funds citywide.



Total **Ad Valorem Property Tax** revenue is projected to total **\$5,673,406** for FY 2002, an increase of approximately 30% over FY 2001 projected revenue. Based upon discussions at the Council Retreat concerning funding of the Drake Field property acquisition, and other concerns regarding our ten-year projections, the proposed budget includes an increase in the Ad Valorem Property Tax millage rate of .91 mills, bringing the millage rate up to 4.75. This is an increase of 23.7 percent over the current rate of 3.84. The adjustment includes a .18 mill increase for the purchase of Drake Field, plus an additional .73 mills necessary to avoid further depletion of our cash reserves, and move towards compliance with our policy objectives. According to recent information received from the county tax assessor's office, we can also expect an increase of approximately 7% in the assessed values of taxable property. **Hotel/Motel Taxes** are also projected to increase by approximately **67% to \$939,922**, mainly as a result of the two percent increase in the tax rate (from 3% to 5%) that took effect July 1, 2001. Most of this increase, however, has been earmarked for covering the debt service payments on the Tennis Center expansion and Amphitheater Improvement projects, included in the FY 2002 Public Improvement Program. Projected departmental savings for FY 2001 in the amount of \$400,000 will also be carried forward as a funding source for the FY 2002 budget. Although we expect to meet our target of **\$400, 000 for Impact Fees** for FY 2002 (mainly due to carryover funding of \$264,000) we expect to see a significant decline in this revenue source over the next several years as the city completes build out. A Summary of all General Fund Revenues is included in **Section 4**.

Operating Budget –

As indicated in the schedule below, the proposed FY 2002 Operating Budget totals **\$14,360,378** or an increase of **6.73%** over the FY 2001 operating budget. This figure includes **\$100,000** for the funding of an early retirement plan for public safety employees.

FY 2002 Departmental Budget Analysis				
<u>Department</u>	<u>01 Budget</u>	<u>02 Budget</u>	<u>Variance</u>	<u>%</u>
Administrative Services	\$946,164	\$1,054,815	\$108,651	11.48%
Developmental Services	\$821,343	\$869,740	\$48,397	5.89%
Financial Services	\$548,721	\$561,043	\$12,322	2.25%
Leisure Services	\$3,108,079	\$3,265,961	\$157,882	5.08%
Public Safety	\$5,637,252	\$6,074,450	\$437,199	7.76%
Public Services	\$2,393,308	\$2,534,370	\$141,061	5.89%
Grand Totals	\$13,454,866	\$14,360,378	\$905,513	6.73%
Totals without addition	\$0	-100,000		
of early retirement:	\$13,454,866	\$14,260,378	\$805,513	5.99%

Staff's goal was to hold the operating budget to six percent (6%) over the FY 2001 budget. However, please note that without the addition of the early retirement program recently approved in workshop, the total increase in the operating budget would have been only 5.99 percent. The complete Division/ Departmental Budgets are included in **Section 12**.

Staff Requirements – The chart below summarizes the new staff positions that are being proposed in the FY 2002 Budget. These four positions were discussed at the retreat, and total three (3) full-time equivalent positions. The new EMS position will be necessary for our Fire Department to attain accreditation status – a long-time goal of the department. The other positions are needed due to expansion of our Public Works garage, and also our recreation facilities and programs.

FY 2002 Staffing Analysis			
Division	Number	Title	Salary
Fire	1	EMS Lieutenant	\$39,991
Leisure Services	0.5	Building Technician - P/T	\$12,823
	0.5	Fieldhouse Leader - P/T	\$13,468
Public Services	1	Auto Mechanic	\$38,574
Total:	3		\$104,856

Council Contingency Fund The Council Contingency fund has a projected fund balance of **\$582,000** at the end of this fiscal year, to be carried forward into FY 2002. Staff has also budgeted an additional **\$118,000** in FY 2002 to be allocated to this fund bringing the fund total to **\$700,000**. Of this amount,

\$300,000 will be designated as available reserves and \$400,000 will be appropriated for spending. A detailed analysis of the Council Contingency Fund is included as **Attachment 1** to this Memo.

Self-Insurance Fund – The Self-Insurance Fund has a projected fund balance of **\$750,000** at the end of this fiscal year. It continues to be the goal of the City to maintain a Self Insurance Fund Balance of approximately \$1.1 million (or 30 days of departmental operating expenses) in order to adequately fund the City's self insurance program and provide an unrestricted reserve fund. General Fund transfers are included in the FY 2002 Budget to provide unrestricted reserve funds in the amount of **\$1,100,000**. During the past two fiscal years, the city has experienced an unusually high level of claims for health insurance. Staff is now investigating the possibility of alternatives to our current plan in an effort to realize future savings. A detailed analysis of the Self-Insurance Fund is included in **Section 10**.

PUBLIC IMPROVEMENT PROGRAM (PIP)

Overview – The proposed FY 2002 Public Improvement Program (PIP) totals **\$3,842,916** in new appropriations, plus **\$3,792,520** for previously funded projects for a grand total of **\$7,609,952** appropriated for capital projects in FY 2002. Funding sources for the FY 2002 PIP include the dedicated Ad Valorem Funds, PIP Contingency Carryover, State and County Grants, interest income, Development Impact Fees, as well as lease purchase loan proceeds (discussed below). Of major significance to the PIP for FY 2002 are the purchase of a new fire ladder truck, totaling \$600,000, and the purchase of Drake Field for which \$475,000 is scheduled for payment during FY 2002. In addition, the city will be completing design work on the state-mandated Storm Water Management System, for which \$50,000 has been allocated. The complete FY 2002 and five-year Public Improvement Program are included in **Section 8**.

Debt Service – As mentioned above, the city will be utilizing additional lease-purchase debt financing during FY 2002 to fund capital improvements in the PIP. The city currently utilizes this kind of debt for several major capital items, including the police vehicle fleet and the new Police Headquarters. The proposed FY 2002 budget also includes additional debt service to include the Tennis Center and Amphitheater projects discussed earlier. Other major capital projects identified for debt financing include the Facilities Build Out Plan, Neely Fire Station renovations and the Smoke & Burn Building. Several larger pieces of capital equipment have also been identified for lease purchase financing, including a new fire ladder truck. The FY 2002 proposed budget includes a **total of \$1,596,284** for debt service payments, including \$442,798 for the Series 1993 G.O. Bonds. Further debt service details are shown in **Section 9** of the proposed budget. In addition, the projects earmarked for debt financing are highlighted in the FY 2002 PIP in **Section 8**.

CONCLUSION

In conclusion, the City's primary fiscal challenge for FY 2002 will be to continue to adjust to the transition from a rapidly growing city to one that is near full build out. Of major importance will be the necessity to reduce dependence upon cash reserves as a means of funding the budget. As stated in the

budget message, the newly adopted budgetary policies will be a useful guide for designing future budgets to accomplish our budgetary goals. The city, again, also has a very ambitious Public Improvement Program, especially for a city that is in our stage of development. To reduce the need for future debt financing, we will need to keep construction of new facilities to a minimum, as our limited financial resources will need to be directed towards maintenance and refurbishing of existing facilities. Senior staff would like to thank the Mayor and Council for their leadership and continued support in this budget process.

DRAFT

FY 2002 Council Contingency Fund Budget

Description

Sources of Funds	Amount	Percentage
Council Contingency Reserve Fund	\$300,000.00	42.86%
FY2002 General Fund Allocation to Council Contingency Fund	\$400,000.00	57.14%
Total Sources of Funds	\$700,000.00	100.00%

Uses of Funds	Amount	Percentage
Police Reward Fund	\$25,000.00	3.57%
Contracts with Non-Profit Organizations	\$25,000.00	3.57%
Miscellaneous Expenses	\$350,000.00	50.00%
Reserved Fund	\$300,000.00	42.86%
Total Uses of Funds	\$700,000.00	100.00%

BUDGET POLICIES

Purpose

The City of Peachtree City has enacted the following policies as the basis for the City's routine financial practices associated with preparation, adoption and execution of the City's operating and capital budgets. Their primary objective is to provide a standard of budgetary performance that both staff and Council have endorsed and to provide budgetary decision making with greater continuity, reinforcing the City's core financial values and preserving them for successive staff and Council.

Regular, updated budget policies can be an important tool to insure that City resources are used to meet its commitments, and to provide needed services to the citizens of Peachtree City and to maintain sound financial management practices. These policies are therefore guidelines for general use, and allow for exceptions in extraordinary conditions.

These policies have been approved by the City Manager and Financial Services Division, and have been adopted by the City Council. The Budget Policies of the City will be reviewed annually and can be adjusted at any time by action of the City Council.

OPERATING & CAPITAL BUDGET POLICIES

Budget Scope:

Policy 1. Funds included in the operating budget: The operating budget shall include the following funds:

- General Fund
- Special Revenue Fund (PIP, Greenspace, Neighborhood Parks & Recreation)
- Debt Service Fund
- Self-Insurance Fund
- Agency Fund (Court)
- Non-Expendable Trust Fund (Escrow)

Policy 2. Integration with capital budget: The Public Improvement Program (PIP) budget will be prepared concurrently with the annual operating budget and funding of PIP projects, and their on-going operating expenses, is to be an integral part of the operating budget.

Policy 3. Baseline and Service Level Funding: In the absence of a fiscal crisis, the City's top program priority is the maintenance of existing service levels in all divisions and departments. To reflect this, the budget process should include the calculation of baseline funding levels for all departments, reflecting current staffing and inflationary increases in supplies and service budgets. This baseline should serve as an agreed upon

point of departure for subsequent budget discussions, such as the impact of adding a new facility or service.

Budgetary Balance:

Policy 4. Adoption: The City shall adopt and operate under an annual balanced budget for the General Fund, the Self-Insurance Fund, each Special Revenue Fund, and each Debt Service Fund in use by the City. The annual balanced budget shall be adopted by resolution of the City Council prior to the start of each fiscal year.

Policy 5. Balance defined: The budget resolution is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations. Appropriations of fund balances shall only be made in compliance with the 'Reserves' section of this policy.

Policy 6. Capital Projects: The city shall adopt and operate under a project-length balanced budget for each capital projects fund in use by the City. The project-length balanced budget shall be adopted by resolution in the year that the project initially begins, and shall appropriate total expenditures for the duration of the capital project.

Policy 7. Accounting basis: The city will make all current expenditures with current revenues, avoiding procedures that balance current budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt.

Budgetary Reserves:

Policy 8. Types and levels of reserves: The city shall strive to maintain the following cash reserve funds at the levels indicated below:

- **Cash Flow** – to maintain sufficient cash on hand to satisfy cash flow needs of the city, especially between the start of the fiscal year and such time that property tax revenues are received. The city shall strive to maintain cash flow reserves equal to sixty (60) days of budgeted departmental operating expenses in the General Fund.
- **Revenue Stabilization** – to provide resources to cover unanticipated revenue shortfalls due to economic conditions. The city shall strive to maintain revenue stabilization reserves equal to five percent (5%) of budgeted departmental operating expenses in the General Fund.
- **Council Contingency** – to provide funding for non-recurring, unanticipated expenditures, as approved by Council, per City ordinance. The City shall strive to maintain Council Contingency reserves equal to two and one half percent (2.5%) of revenues budgeted in the General Fund. Additional funds may be appropriated to the Council Contingency *expense* line item of the annual operating budget, so that total available funds for Council Contingency are equal to approximately five percent (5%) of budgeted General Fund revenues.

- **Self-Insurance Reserve** – to provide funding for unanticipated costs associated with the repair and/or replacement of City property that is unexpectedly damaged or destroyed and for other liabilities for claims against the City, in excess of the amount budgeted for such expenditures in the City's Self-Insurance Fund. The City will strive to maintain Self-Insurance reserves in an amount equal to thirty (30) days of budgeted departmental operating expenses in the General Fund.
- **Capital Project (PIP) Contingency** – to provide funding for unanticipated costs associated with capital projects in the Public Improvement Program. The City will strive to maintain PIP Contingency Reserves in the amount of five percent (5%) of the average annual cost of projects listed in the City's five-year Public Improvement Program.

Budget Responsibility:

Policy 9. Preparation & Submittal – Per City Ordinance, the City Manager has responsibility for the preparation and submittal of the City's annual budget. In this capacity he shall have the authority to standardize budget documentation, to prepare the budget calendar and to review departmental budget requests for accuracy and conformity to budget guidelines. He shall also review all revenue forecasts prepared during the budget process. The Financial Services Division shall assist the City Manager in fulfilling these responsibilities by preparing and submitting a draft budget to the City Manager.

Policy 10. Implementation - The Director of Financial Services shall be responsible for overseeing budget implementation. Duties in this phase will include, but are not limited to, preparation and review of interim financial reports, monitoring revenues, reviewing departmental expenditure requests for conformity with the budget, reviewing supplementary appropriation requests and recommending transfers across accounts or departments in conformity with the City's budget implementation policies.

BUDGET IMPLEMENTATION POLICIES

Budget Amendments and Reallocations:

Policy 11. Legal Level of Control - means the lowest level of budgetary detail at which a local governments management or budget officer may not reassign resources without approval of the governing authority. Per Georgia State law, the city's legal level of control shall be, at a minimum, expenditures for each department for each fund for which a budget is required.

Policy 12. Budget Amendments – Any increase in appropriation at the legal level of control, whether accomplished through a change in anticipated revenues in any fund or

through a transfer of appropriations among departments, shall require the approval of the City Council. Such amendment shall be adopted by resolution.

Policy 13. Reallocations – Transfers of appropriations within any fund below the city's legal level of control shall require only the approval of the City Manager.

Policy 14. Preventing Overspending – The City Manager may impound budgetary authority for spending in situations when total revenues of a fund fail to keep pace with estimated revenues budgeted for that fund.

Policy 15. Reporting – The Finance department shall be responsible for preparing monthly budget status reports that will be made available to the public.

REVENUE POLICIES

Policy 16. Review of Fees & Charges – A comprehensive analysis of all city fees and charges will be conducted at least once every three years. At least one public hearing shall be held, prior to adoption of any changes to the fee schedules, to disclose the results of the survey and to discuss staff's recommendations.

Policy 17. Use of One-Time Revenues – One-time revenues shall generally not be used for on-going operating expenses, such as additional personnel or new contracts for goods or services that will remain in effect after the one-time revenue source has been exhausted. Examples of allowable uses of one-time revenues are purchases of capital assets, start-up costs, early debt retirement and deposit to the revenue stabilization fund. Use of one-time revenues for other purposes may be considered on a case-by-case basis.

ACCOUNTING POLICY AMENDMENT

CAR 9-1

Tab C – Accounts Receivable

- C. Credit Card Payments** – Credit card payments shall be accepted for certain city fees and charges, as approved by the City Manager. The city may also contract with third party companies to accept credit card payments on behalf of the city.

These policies were approved by the City Council on June 21, 2001. The date set for full implementation of the reserve targets was identified as the budget year beginning October 1, 2004.

DEBT MANAGEMENT POLICIES

Purpose

The City of Peachtree City has enacted the following policies in an effort to standardize and rationalize the issuance and management of debt. Their primary objective is to establish conditions for the use of debt and to create procedures and policies that minimize the City's debt service and issuance costs, retain the highest practical credit rating, and maintain full and complete financial disclosure and reporting. The policies apply to all general obligation debt issued by the City of Peachtree City, including leases, debt guaranteed by the City, and any other forms of obligation of indebtedness.

Regular, updated debt policies can be an important tool to insure that City resources are used to meet its commitments, and to provide needed services to the citizens of Peachtree City and to maintain sound financial management practices. These policies are therefore guidelines for general use, and allow for exceptions in extraordinary conditions.

These policies have been approved by the City Manager and Financial Services Division, and have been adopted by the City Council. The Debt Management Policies of the City will be reviewed annually and can be adjusted at any time by action of the City Council.

Creditworthiness Objectives

Policy 1. Credit Ratings: The City of Peachtree City seeks to maintain the highest possible credit ratings for all categories of short- and long-term General Obligation debt that can be achieved without compromising delivery of basic City services and achievement of adopted City policy objectives.

Policy 2. Financial Disclosure: The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The City is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.

Official statements accompanying debt issues, Comprehensive Annual Financial Reports, and continuous disclosure statements will meet (at a minimum), the standards articulated by the Municipal Standards Rulemaking Board (MSRB), the Government Accounting Standards Board (GASB), the National Federation of Municipal Analysts, the Securities and Exchange Commission (SEC), and Generally Accepted Accounting Principles (GAAP). The Financial Services Division, along with the independent city audit staff shall be responsible for ongoing disclosure to established national information

repositories and for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies.

Policy 3. Capital Planning: To enhance creditworthiness and prudent financial management, the City of Peachtree City is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to systematic capital planning will be demonstrated through annual update and adoption of the City's Five-Year Public Improvement Program (PIP) and Comprehensive Plan. The Comprehensive Plan includes the City's Short Term Work Program (STWP) and Capital Improvements Element (CIE).

Policy 4. Debt Limits: The City will keep outstanding debt within the limits prescribed by State statute and at levels consistent with its creditworthiness objectives.

Purposes and Uses of Debt

Policy 5. Capital Financing: The City normally will rely on internally generated funds and/or grants and contributions from other governments to finance its capital needs. Debt will be issued for a capital project when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries or in the case of an emergency. Debt shall not, in general, be used for projects solely because insufficient funds were budgeted at the time of acquisition or construction.

Policy 6. Asset Life: The City will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) only if they have a useful life of at least five years. Debt will be used only to finance capital projects and equipment, except in case of emergency. City debt will only be issued for periods less than or equal to the useful life or average useful lives of the project or projects to be financed.

Policy 7. Debt Guarantees: The City may consider, on case -by-case basis, the use of its debt capacity for legally allowable capital projects by authorities or other special purpose units of government.

Debt Standards and Structure

Policy 8. Length of Debt: Debt will be structured for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users.

Policy 9. Debt Structure: Debt will be structured to achieve the lowest possible net cost to the City given market conditions, the urgency of the capital project, and the nature and type of security provided. Moreover, to the extent possible, the City will design the repayment of its overall debt so as to recapture rapidly its credit capacity for future use.

Whenever possible and/or feasible, the City will seek to structure debt service schedules with level principal and interest costs-over the life of the debt.

Policy 10. Variable Rate Debt: The City may choose to issue securities that pay a rate of interest that varies according to pre-determined formula or results from a periodic remarketing of the securities, consistent with state law and covenants of pre-existing bonds, and depending on market conditions.

Policy 11. Second Lien Debt: The City shall issue second lien debt only if it is financially beneficial to the City or consistent with creditworthiness objectives.

Policy 12. Refundings: Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding or the refunding is essential in order to modernize covenants essential to operations and management.

In general, advance refundings for economic savings will be undertaken when a net present value savings of at least five percent (5%) of the refunded debt can be achieved. Current refundings that produce a net present value savings of less than five percent will be considered on a case-by-case basis. Refundings with negative savings will not be considered unless there is a compelling public policy objective.

Policy 13. BANs/TANs: Use of short-term borrowing, such as Bond Anticipation Notes (BANs) or Tax Anticipation Notes (TANs), will be undertaken only if the transaction costs plus interest of the debt are less than the cost of internal financing, or available cash is insufficient to meet working capital requirements.

Policy 14. Credit Enhancements: Credit enhancement (letters of credit, bond insurance, etc.) may be used, but only in cases where the net debt service payments on the bonds will be reduced by more than the costs of the enhancement.

Policy 15. Other Debt: The Finance Department shall maintain a special facility that will allow for borrowing on short notice for small amounts not economical to finance through regular full bond sales. This facility could also be used as an interim financing mechanism when cost effective. Examples of such debt facilities are the Georgia Municipal Association's Bricks & Mortar and Master Lease Agreement programs.

Debt Administration and Process

The following policies apply to all City debt issuance, including all General Obligation and Revenue bonds, except where specifically noted.

Policy 16. Investment of Bond Proceeds: All general obligation and revenue bond proceeds shall be invested consistent with existing state law and the City's investment policies.

Policy 17. Costs and Fees: Bond proceeds should include sufficient funds to cover all costs and fees related to issuance of the bonds.

Policy 18. Competitive Sale: If feasible, City debt will be issued through a competitive bidding process. Bids will be awarded on a true interest cost basis (TIC), providing other bidding requirements are satisfied. In such instances where the City in a competitive bidding deems the bids received unsatisfactory, it may, at the election of the City Council, enter into negotiation for sale of the securities.

Policy 19. Negotiated Sale: Negotiated sales of debt will be considered in circumstances when the complexity of the issue requires specialized expertise, when a change of underwriter may result in losses, when the negotiated sale would result in substantial savings in time or money, or when market conditions or City credit are unusually volatile or uncertain.

Policy 20. Underwriters: For all negotiated sales, underwriters will be required to demonstrate sufficient capitalization and experience related to the debt issuance and a strong ability to market the bonds. Underwriters in a negotiated sale are to be held accountable, after the sale of bonds is complete, by demonstrating to City staff and Council how they achieved the most favorable interest rate possible, for the city, given market conditions at the time the bonds were marketed.

Policy 21. Bond Counsel: The City will retain external bond counsel for all debt issues. All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the debt, stating that the City has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status. Bond Counsel will be required to have comprehensive municipal debt experience.

Policy 22. Compensation for Services: Compensation for bond counsel, underwriter's counsel, financial advisors, and other financial services will be as low as possible, given desired qualification levels, and consistent with industry standards.

Policy 23. Arbitrage Compliance: The Financial Services Division, along with the independent city audit staff shall be responsible for maintaining a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of federal tax code.