



Chief Executive Officer

W. Burrell Ellis, Jr.

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Board of Commissioners

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TO: The DeKalb County Board of Commissioners

FROM: W. Burrell Ellis, Jr., Chief Executive Officer 

RE: 2013 Budget Recommendation

Date: December 14, 2012

I am hereby transmitting my Recommended Executive Budget for 2013 in accordance with the requirements of the Organizational Act of DeKalb County, Georgia. These recommendations represent the culmination of several weeks of discussions between our County's Senior Management, members of the DeKalb County Board of Commissioners and their staff, as well as a representative group of DeKalb County business community stakeholders. I am particularly pleased to report that the budget attached to this transmittal memorandum responds directly to important priorities identified in a strategic plan document developed over the course of the last year. The fiscal reality we face in DeKalb County is daunting, and delivering a priority-driven budget that focuses on our critical operational needs has been our singular focus in this budget document. In this regard, I am confident that we are presenting a budget that is lean, responsible and responsive to our priority concerns.

At the beginning of our review process, departmental budget requests totaled \$600.7 million in the Tax Funds for 2013. In comparison, the adopted budget for 2012 is \$556.7 million. I am very pleased that our budget development process allowed us to achieve a balanced budget in a way that addresses our important priorities in a fiscally responsible stability

I want to particularly thank and acknowledge Commissioner Lee May, Commissioner Jeff Rader, Commissioner Stan Watson and Commission staff for their participation in our Budget Development Committee (the "Committee") meetings during the course of the last several weeks. I am confident that their observation of the budget development process will be critical in our effort to ultimately achieve consensus on final budget adoption.

Strategic Plan priorities in 2013

- **Improved Public Safety.** The Police Department has developed plans for the efficient deployment of personnel in light of the changes in the service delivery area and current needs of the Police Department as identified in its strategic priorities. As a result of data presented and the Committee's conclusions as to how this data

should be prioritized, I am recommending the realignment of police precincts and the hiring of an additional twenty- five police officers this year. This proposed personnel increase responds to DeKalb County's long range plan to meet national standards for sworn personnel responsible for a geographic area the size of DeKalb County. With respect to Fire & Rescue Services, plans have been developed for the outsourcing of emergency medical transportation. In addition, per action by the Board of Commissioners, new equipment was put into service for Fire Services at the cost of more than \$2.5 million in 2012.

- **Enhancements to Customer Service.** We have provided for additional training for our frontline employees and upgraded technology in order to improve customer service.
- **Maintaining Fiscal Stability.** We have responded to the reductions in our available financial resources in many ways. These strategies include, but are not limited to, employing innovative technological advances to reduce costs and provide the best possible customer service; and, maintaining a stable Budgetary Reserve, which we are maintaining at \$30 million for 2013. Our ending Fund Balance will be provided at the close of the accounting system in January 2013.
- **Fair Compensation for Employees.** Many of our employees have not received any cost of living salary adjustments and have experienced reductions in net pay from increases in pension contributions and benefit costs since 2006. Despite this fact, our employees have assumed additional responsibilities as a result of the reduction in personnel over the last several years. As a result, and as a result of the recommendations from the Committee as to the most responsible method of a list of options to address this issue, I am recommending a 3% pay living wage adjustment for employees earning up to \$37,700. This would provide a minimum annual increase of \$611 per effected employee and an average of \$822. This proposal would cost the Tax Funds approximately \$1.5 million in 2013.

Property Tax Digest History

The dramatic drop in property values in DeKalb County in the last five years, a not uncommon reality across our nation, has had a tremendous impact on the work we must do to balance our budget each year. In addition to the revenue losses from municipal expansion over the years, this budget year we have had the additional challenge of developing a budget that responds to the loss of substantial revenue from the recent incorporation of the City of Brookhaven

| Year | Digest | | | |
|------|------------------|----------|------------------|----------|
| | Unincorporated | % Change | Total County | % Change |
| 2008 | \$21,593,632,524 | 3.94% | \$25,197,674,686 | 3.67% |
| 2009 | 18,029,460,584 | -16.51% | 24,490,085,273 | -2.81% |
| 2010 | 17,347,388,488 | -3.78% | 23,727,356,111 | -3.11% |
| 2011 | 14,590,913,895 | -15.89% | 20,797,815,047 | -12.35% |

| | | | | |
|-------------|-----------------|---------|----------------|---------|
| 2012 | 13,053,906,048 | -10.53% | 18,926,895,064 | -9.00% |
| 12/17/2012 | 10,887,597,274 | -16.60% | 18,801,507,331 | -0.66% |
| 2008 - 2012 | -10,706,035,250 | -49.80% | -6,396,167,355 | -25.40% |

The current unincorporated tax digest is one-half of the 2008 level, and the County-wide tax digest is twenty-five (25) percent less than the 2008 level. Services provided to the increasing population during that time have not declined commensurately.

The current value of property does not reflect the final result of numerous appeals to the Board of Tax Assessors, Boards of Equalization and Superior Court hearings over the next six months. As a part of the projected revenues for 2013, staff has estimated a further reduction of three (3) percent in aggregate property values that represents a revenue loss in 2013 of approximately \$6 million. We have contracted with the Georgia Tech Research Corporation to provide a range of anticipated values for 2013 through 2015. This information will likely be available in the first quarter of 2013, and will provide a basis for multi-year budgeting.

As the values of properties begin to increase, the tax revenues will not rebound as quickly as a result of annual appeals and the Homestead Freeze Exemptions and any other legislated actions.

Proposed Revenue Enhancements

To address the reduction in revenues, I have proposed several revenue generating proposals:

- A. Increasing the Hotel/Motel tax to 8 percent. Several surrounding jurisdictions have increased their rates in the past few years, and it provides appropriate property tax relief.
- B. Sale of surplus property to include a library site and other facilities. I am outlining plans for the future capital improvements below.
- C. Recorder's Court has developed a plan to improve their workflow while increasing revenue through a new Interactive Voice Response system.
- D. Implement a fee to be charged when hazardous waste must be cleaned up after road accidents.
- E. Brookhaven will likely require a transition (for at least 3 months) before they are ready to assume operations, similar to the start up of Dunwoody in 2009, especially in the Police operations; therefore, we anticipate a reimbursement of \$2.5 million for these temporary services. If Brookhaven does not request any transition services, Police personnel will be reduced through attrition.

Reduction in Proposed Expenditures

From the expenditure side, I am recommending the following:

1. Refinancing the debt service for the Fulton-DeKalb Hospital Authority while not extending the debt past 2020. This could provide a deferral of \$7.5 million in 2013, as well a savings overall. As discussed in prior meetings, the County can refinance this debt through the Hospital Authority starting in October 1, 2013 on a tax-exempt basis.
2. Deferring some equipment purchases and entering into leases of vehicles where appropriate.
3. Refinancing General Obligation and Authority debt service in accordance with our fiscal policies. Interest rates are at historic low levels and will provide cash flow savings in 2013, as well as overall savings.
4. Continue to outsource services where cost savings can be realized. The major area will be in ambulance services. In addition, my Administration has identified outsourcing opportunities in the areas of Parks & Recreation. In fact, our work investigating appropriate areas for outsourcing have been successful in several instances over the last several years and we have realized predictable savings each time.
5. A transfer of \$2 million from the Vehicle Replacement Fund. The fleet has been reduced and will continue to be monitored closely.
6. As has been recommended and approved in concept, the Board of Commissioners will receive a proposed Home Rule Ordinance that establishes a hybrid pension plan for new employees early in the first quarter of 2013. This hybrid plan is consistent with changes in pension plans through the country. The health benefits for active and retired employees will continue to be monitored closely, and a comprehensive review will be conducted in early 2013 for the best and most economical providers and plan provisions will be presented for your consideration.

Capital Improvements Plan for the Tax Funds include the following:

- We will work aggressively on building space consolidation in order to reduce our total square footage of building space, and to reduce our inventory of deficient HVAC, elevator, roofing and other facilities maintenance needs.
- In 2013 we will complete the architectural plans and specifications, and begin construction, on a new Animal Services Facility, funded either by COPS, or if the Legislature supports, an amendment to the Public Safety and Judicial Facilities Authority capacity to fund the estimated \$5.6 to 7.6 million project. It will be opened in mid-2014.

Animal Services Facility

| | |
|----------------|-----------|
| Site selection | 2 months |
| Design | 6 months |
| Construction | 12 months |
| Occupancy | July 2014 |

- In support of our Public Safety priorities, we will reconfigure and upgrade our five Police Precincts at the West Exchange, Candler Road, Lawrenceville Highway, Memorial Drive and Lithonia locations with two new capital projects. I am recommending approximately \$900,000 from the remaining 2010 Recovery Zone Bond funds to renovate available space in the Bobby Burgess building on Memorial Drive for the Central Police Precinct, so that the Department can occupy this space by mid-2014. And I am recommending that we seek Legislative approval for the capacity of a new bond issue to fund a replacement East Precinct facility in Lithonia with a joint training facility, at an estimated cost of \$9 million, to be ready to occupy at the end of 2014.

Central Precinct

| | |
|------------|------------|
| Design | 4 months |
| Renovation | 9 months |
| Occupancy | April 2014 |

Lithonia Training Facility & Precinct

| | |
|----------------|---------------|
| Site Selection | 6 months |
| Design | 6 months |
| Construction | 12 months |
| Occupancy | December 2014 |

Capital Improvements Plan Progress

In 2012, we made significant progress in completing the 2006 Transportation, Library and Parks bond projects. We are under construction with the last of the major Transportation bond projects, the North Druid Hills at Briarcliff intersection improvements; so at this point the Transportation bond is essentially all expended and obligated. We opened the relocated Scott Candler branch library, on S. Candler Road, in 2012, and are mid-way through construction of the replacement Processing Center on Kensington Road. There remains approximately \$4 million in proceeds in the Library Bond program, planned for the replacement of the current Brookhaven branch library, and for the new Ellenwood branch library. In the Parks Bond program, we opened the new Wade Walker Park Family YMCA facility in 2012, and completed renovations to the Browns Mill, Gresham and Briarwood recreation facilities.

We have spent or encumbered about \$300 million in bond funding under the 2010-14 Water and Sewer \$1.345 billion capital improvements program, with phase 1 of the replacement Snapfinger wastewater plant project under construction, the Lower Crooked Creek force main under construction, several water main and pump station projects under construction, and phase 2 of the Snapfinger treatment plant upgrades ready to advertise for bids. Included in this program are the initial projects in the sewer collection system consent decree with US EPA and Georgia EPD, and we are in excellent standing with those agencies on our progress in the first year of this 8.5 year program.

In spite of these successes, however, we continue to build our deferred capital maintenance and repair backlogs in our Transportation network and our County buildings and facilities. In the 2013 capital improvements plan, I am proposing to allocate \$5 million from the HOST for Transportation projects, including \$3.5 million to match Georgia DOT LMIG funding for street resurfacing, and \$1.5 million to match other state and federal funding in the regional Transportation Improvement Program. Unfortunately, this level of available HOST funding is insufficient to match all of the federal funds that are available to DeKalb for projects in the TIP, and will result in delay, and possible eventual cancellation, of some of those planned projects.

In 2013, we will seek the Georgia Legislature's support for a local option sales tax for Transportation purposes, in order to address this growing backlog of street resurfacing, sidewalks, intersection safety and congestion relief and related projects.

Summary of 2013 Recommended Executive Budget

In summary, in formulating the 2013 Budget Recommendation, several critical issues had to be addressed. First, the impact of the continued decline in the County's tax digest and the need to absorb the loss of revenue from the incorporation of Brookhaven and other municipal expansions. Second, the strategic priorities that represent the prioritized needs of DeKalb County's constituency have to be the primary consideration. As a result, this transmittal focuses primarily on improving our public safety efforts, enhancing our customer service, maintaining our fiscal stability and maintaining fair compensation for our employees. I am confident that the work of the Committee over the course of the last several weeks has led us to a very responsible conclusion. In short, the attached budget recommendations allow DeKalb County to meet the important priorities that we have identified. The 1.69 increase to the millage rate that is proposed as a part of the budget recommendation is, therefore, appropriate and necessary.

Attachments: Strategic Plan
Outsourcing Progress & Opportunities