



DEKALB COUNTY

Vernon Jones
Chief Executive Officer

TO: Members, Board of Commissioners
FROM: Vernon Jones, Chief Executive Officer
DATE: December 4, 2006
SUBJECT: **2007 Budget Recommendations**

In compliance with the Organization Act, enclosed is the Executive Budget recommendation for a balanced budget for FY 2007 for the various funds of DeKalb County Government. This recommendation is the culmination of extensive analysis and review of the budgetary needs and the financial resources available.

Financial resources available for the FY 2007 Tax Funds Budget have improved somewhat but could still be impacted due to the incomplete and ongoing recovery of the national economy. Sales taxes collected in the County for the HOST program, which comprise 17% of the total revenues in the Tax Funds, have improved substantially. In addition, the continued effect of residential building activity over the last several years in the County has been to substantially increase the financial requirement necessary to provide for a 100% Homestead Exemption. Sales taxes are projected to increase from 2006 to 2007 by 1%, while the 100% Homestead Exemption requirement is projected to increase by 2.6% during the same time period. The following table illustrates this trend:

Year	Sales Tax Collection	Funding Necessary to Provide	
		Minimum Legal Exemption	100% Homestead Exemption
2002	82,342,584	68,780,531	98,936,188
2003	81,684,425	65,874,067	108,737,323
2004	85,065,375	65,347,540	115,075,996
2005	89,900,550	68,052,300	124,520,774
2006 est.	101,000,000	71,920,440	133,345,634
2007 vs. 2006	1%		2.6%
2007	102,000,000	80,800,000	136,759,635

This Executive Budget recommendation continues a number of the budgetary initiatives developed in last year's budget submission. During FY 2006 specific areas of concentration included:

- Hansen Permitting/Licensing System: "Go Live" for this new Development and Business License permitting system was in phases throughout the end of 2005 into the middle of 2006.
- 311 Citizen Help Center: Positions were included in the 2006 Budget to commence the new service center and the 2007 Recommended Budget includes continuation funding of \$500,000 for 3 new positions and the build-out of the new 311 Center. Continued emphasis will continue to be placed on internal process improvement reviews for individual functional areas during their integration into the 311 Center.
- Continual monitoring of overtime expenditures relative to budgeted amounts and anticipated salary savings.

During FY 2006, the County continued to deal with the population growth of the last decade and the commensurate increase in the demand for services. At the beginning of the last decade, the County's actual population was 553,800 according to the U.S. Census. During the second quarter of 2001, the County's 2000 population was officially restated at 665,865. **This constitutes a 20.2% growth factor, which validates the substantial growth in the demand for County services experienced in recent years.** At the end of 2006, the Atlanta Regional Commission estimates the County's population to be 710,400.

FY 2007 Budget Summary

- Departmental requests for the FY 2007 Tax Funds Budget identified \$639,662,150 in Operating costs and \$70,536,110 in Capital costs for a total 2007 budget request of \$710,198,260. **In order to balance the budget, the recommendation for FY 2007 is \$609,986,384.** This represents a reduction of approximately \$100,211,876 from departmental requests. This also represents an increase of 5% from the mid-year adjusted FY 2006 Tax Funds Budget of \$580,894,184.
- The HOST Homestead Exemption has been included in the recommended Tax Funds Budget at the minimum level established by the HOST Statute: This requirement mandates that no less than 80% of the funds collected in the prior year be allocated to provide Homestead Exemption tax relief for qualified residential homeowners in the County. For three straight years the County provided for a 100% Homestead Exemption (1999 thru 2001), and the FY 2002, FY 2003, FY 2004, FY 2005 and FY 2006 Tax Funds Budgets provided for an 86.8%, 60.58%, 59.07%, 54.4% and 56% Homestead Exemption, **respectively**. The present recommended Executive Budget, using the legal minimum under the HOST Statute, provides for a Homestead Exemption of 58%. The HOST program continues to be impacted by two financial trends:
 1. The projected growth rate of sales tax collections in FY 2007 as reflected in the table on page 1. Sales tax collections decreased every year from 2000 (\$87,658,299) through 2003 (\$81,684,425). It is presently estimated that actual 2006 collections will be 12% above actual 2005 collections. The 2007 budget assumes a moderate increase to \$102,000,000, based on indications of possible slowdown in 2007 in the state economy.
 2. The substantial increase (**23,066 units**) in the number of new owner-occupied residences in the county over the last six years. This increase has the effect of **reducing** the impact of the HOST Homestead Exemption because available HOST funds must be divided among more residences.
- In three out of the last 8 years, **homeowners have paid no property taxes to support the County's general government operations**. They have, of course, supported those operations through the payment of the 1-cent HOST (Sales) tax, which amounts to \$10.00 per \$1,000 spent in DeKalb County on applicable goods and services. Even considering the above cited trends, **the overall tax burden on DeKalb County homeowners for general government operations will remain one of the lowest in the metropolitan area.**

The 2007 Recommended Executive Budget is based on current forecasts of tax digest values and estimates of year-end fund balances. Exact values will be available in June 2007 when the Board of Commissioners adopts the final millage rates for FY 2007. Since the voters approved the homestead value freeze referendum (HB 595) for County taxes only, in November, the revaluation of such properties will not yield approximately \$4 to \$5 million for County services and debt service in 2007.

- Process Improvement Funds in the amount of \$500,000 have been included in this budget recommendation to continue a department-by-department review of how the County conducts its operations with the objective of improving our operational efficiency and effectiveness.
- It is estimated that the Fund Balance at the close of business on December 31, 2006 in the County's Tax Funds will be \$48.1 million. **Approximately \$18.5 million constitutes the Budgetary Reserve, and the remainder (\$29.6 million) is an operating reserve that is re-budgeted in the 2007 Budget.** The maintenance of an appropriate reserve is a critical factor in retaining the County's excellent credit ratings (Aaa by Moody's, AAA by Standard & Poor's). This is an approximate \$11.6 million increase in the estimated fund balance compared to our same position last year. This positive impact in the fund balance is substantially related to cost control in the administration of the Tax Funds Budget during 2006, along with noticeable revenue growth particularly in the excise tax area.

Additional Considerations of the 2007 Budget

- A 58% Homestead Exemption is included in the 2007 Recommended Tax Funds Budget. Within the HOST Statute (OCGA 48-8-104), the legal requirement for the maximum and minimum usage relates to prior year collections only. Since the beginning of 1999, the County has granted Homestead Exemptions (HOST) amounting to \$65.14 million in excess of the legally mandated requirements of the HOST Statute. Under the recommended overall budget structure, the County will have available and has budgeted \$22.9 million for capital projects. This amount is inclusive of \$2.6 million budgeted for technology improvement projects.
- Salary savings in the proposed 2007 Tax Funds budget are anticipated at the level of \$14.7 million. This level of salary savings recognizes the high vacancy rate that currently exists in the Tax Funds Budget and assumes approximately 345 positions will remain vacant during 2007.
- A pension contribution adjustment resulting from an actuarial recommendation of taking the 2007 County Contribution to 6.5% (of payroll) from 5.5% (of payroll) will impact the 2007 Tax Funds Budget by approximately \$2.5 million. This adjustment is necessary due to an increasing number of retirements and investment returns in the pension fund being below the actuarial investment rate of 8% - considered on a 5 year basis. An associated increase in the employees' contribution will take the total for employees to 3.5%. At the latest actuarial examination (4/2005) the fund was 99.04% funded, but requires these contribution increases due to market returns.

Executive Overview

In developing the recommendations for the 2007 Budget, the Administration has maintained its commitment to avoiding increases in the millage rate, to increasing the efficiency and effectiveness of County service's delivery and to providing further investment necessary to continue to move DeKalb County forward. Major issues addressed in the 2007 Budget may be summarized as follows:

- Continued emphasis will be placed on the County's efforts to improve operational effectiveness. As the County moves forward to include additional departments in the new 311 Customer Service Centers, each area is being subjected to a process improvement review to consider the most effective manner of operation. The new 311 Center is scheduled to implement a call-routing system that will allow the Center to actually respond to "311" calls during 2007.
- During 2007, several new systems are scheduled to be implemented including a new records management system for Recorder's Court, a new records system for the Clerk of Superior Court, a new Probation Tracking System, and major systems revisions to the systems in Tax Commissioner. The contract has also been awarded to replace the current tax assessor system.

- Up to 4% Merit Increment for all County Employees Based Upon Performance – Additional 2% Pay Adjustment for Police and Fire Officers: This type of funding rewards high quality performance and assists the County in retaining the best performing employees, particularly in the are of Public Safety
- Funding is included to enhance services at the new Lou Walker Senior Center: Four positions have been recommended to maintain service levels at the new Senior Center which has experienced tremendous growth in providing service to the County’s seniors. Funding is also included for a twenty passenger van.
- Expedited Implementation of 2006 Bond Projects: The 2007 Budget will continue the emphasis on the construction of transportation, Library and Parks and Greenspace projects authorized in the 2006 Bond Program. Substantial progress has already been achieved in the construction of new sidewalks and intersection improvements. Program Managers have been employed for both the Parks and Library construction programs. In addition, the acquisition of additional parks and greenspace property has made excellent progress.
- Consolidation of Informational Systems Operational Systems: Nine positions have been transferred into Information Systems from various departments as part of the strategic plan to centralize responsibility for all information systems in one department. The budget also provides for the acquisition of new service and network switches to enhance the County’s overall system security and provide appropriate disaster recovery and business interruption protection. Funding is also included for a major initiative to achieve a high level of system integration in the Criminal Justice area.
- Continued Focus on Upgrading Public Safety Facilities, Equipment and Capabilities: The Budget Recommendation includes \$1.5 million to continue the process of converting all public safety communications (radios) to state-of-the-art digital platforms. Over \$4.9 million is included to provide full funding for the new Computer Aided Display System (CAD) for public safety operations. In addition, funding is included to substantially expand the Department’s Gang Task Force. The budget also includes new positions in the District Attorney’s Office to work specifically with the Gang Task Force. Additional new positions are recommended to expand the County’s Code Enforcement and Animal Control operations.

It should also be noted that both the Police and Fire & Rescue Departments moved into their new Headquarters facility near LaVista Road in the last quarter of 2006.

It is also important to consider issues that are not directly addressed in the recommended 2007 Budget. These issues include the following:

- Development of a long range program to generate and promote growth in sales tax revenues. Because of the importance of HOST in providing property tax relief, the County must actively seek ways to encourage its growth. The County must do more to encourage citizens to dine, shop and play in DeKalb. The creation and continuation of the Department of Arts, Culture and Entertainment is one element of such a program. Its objective is to focus the County’s efforts to promote cultural and artistic opportunities within the County.
- A related problem is the over dependence of the County on residential property taxes in comparison with commercial property taxes. Currently, over 57.7% of the County’s tax digest (real property) is represented by homestead residential values. This reflects the effects of residential construction over the last six years. In the long term, a relative balance between residential and commercial valuations should be sought. The County must take a more aggressive approach to encourage commercial and industrial development and redevelopment. This approach should also include the support of existing commercial and industrial developments. The utilization of Enterprise Zones and appropriate Overlay Districts has already had an impact in specific areas of the County. The current efforts to develop appropriate “smart growth” planning and zoning tools are also important steps to address the problem.

Other assumptions impacting the 2007 Budget include the following:

During 2007, the Administration will maintain the same high level of control over the filling of vacant positions as in 2006 and managerial controls will be maintained to further control overtime.

The State of Georgia will continue with the implementation of the Homeowner’s Tax Relief Credit program, at the level of credit of \$8,000 per homestead.

This Executive Budget recommendation also **continues** a major revision of the County’s policy on annual salary adjustments. As in 2006, such salary adjustments will be structured to reward superior employee performance. As stated above, I have also included a 2% salary adjustment for police and fire sworn officers.

Personnel Changes Proposed for the FY 2007 Budget

The recommended budget includes a net addition of 79 positions for the provision of County services. Funding for these positions is allocated as follows:

	General/STD* Fund	Fire Fund	Sanitation Fund	Water/Sewer Fund	Other Fund**
Public Safety	12				
Public Works			13		
Administrative	<u>92</u>	—	—	<u>-6</u>	<u>-32</u>
Total	104		13	-6	-32

* Special Tax Districts

**Includes 32 transfers to be determined to staff the Citizens Help Center

Summary

The FY 2007 Executive Budget recommendation has been developed after comprehensive and careful analysis of the County’s needs and resources. Such consideration has required difficult decisions during FY 2006. The Executive Branch, with the cooperation of the Board of Commissioners, has continued to focus on two areas of local government: **first** to address the efficiency and effectiveness of the County’s operations thereby ensuring the highest level of service delivery at the lowest cost to the County’s citizens and, **second**, to place an emphasis on the continuation of the process improvement initiatives commenced in the last three years.

In FY 2007, the recommended Executive Budget provides for a continued focus on governmental efficiency, effectiveness, while at the same time “holding the line” on the cost of government. As in the past, the Executive Branch will continue its emphasis on customer service to our clients – the citizens and businesses of DeKalb County.

Vernon Jones
Chief Executive Officer