

Five-year Financial Plan FY10-14

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Power Point Presentation by

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This Five Year Plan forecasts revenues through FY14 based on conservative economic assumptions (a slow recovery from the current recession with only historical-based growth thereafter) and projects expenses over the same period based on the level of City services in place today.

On the positive side, the most important take-away from this analysis is that the current level of City operations is sustainable for the next five years.

A number of significant positive outcomes are projected:

- The City produces annual surpluses each of the five years, ranging from a high of \$27 million in FY10 to a low of \$3 million in FY14.
- The baseline analysis includes a small number of expanded activities, including the maintenance of new BeltLine parks that will be brought online in the next five years; scheduled upgrades for the ERP system; and public safety radio system maintenance costs.
- The General Fund's fund balance increases to \$57 million at the end of FY14.

- For the first time in recent years, the City will build both a “rainy day” fund (also called a “catastrophic reserve” in the enabling legislation) and a capital reserve fund.
 - o The “rainy day” fund contributions for FY10 – FY14 will total \$51 million.
 - o The capital reserve fund contributions for FY10 – FY14 will total \$17 million.
- The amounts currently payable to the Department of Watershed Management through the Memoranda of Understanding will be reduced by half and will be on schedule for payment in full in accordance with the terms of the borrowing agreements.
- The next five years will present an opportunity to generate an additional \$30 million per year towards the City’s budget through a combination of cost cutting and added revenue.
 - o The sale of the City jail would generate \$10 million per year in savings.
 - o Based on the existing population-based revenue sharing methodology, the City is estimated to add \$20 million per year in sales tax collections once Fulton County’s sales tax agreement is renegotiated in FY12.

In summary, the five year plan analysis shows that the City can continue to fund current services, substantially improve its balance sheet and build long-term reserves. In addition, the report identifies \$30 million annually in “new money” that through proactive cost-cutting and increased sales tax revenue.

At the same time, the Plan highlights a number of key financial and operational challenges that the City will have to address:

- Absent a new revenue sharing agreement that increases the City's proportion of county-based sales tax collections, overall revenues will grow marginally at best (only 1.4% per year).
- The City's annual budgeted reserves are steadily depleted through increasing expense costs each year. Although FY15 is not projected, it is likely that such reserves would not be able to cover baseline expenses beginning in FY15.
- The baseline projections do not allow for any salary increases or performance-based pay adjustments during the five years. Allowing for a 2.5% COLA each of the next five years would add \$29 million to the FY14 budget.
- The baseline projections do not provide for new investments in vehicles and equipment. Since more than 50% of the City's existing rolling stock is past its effective life cycle, new investments must be made during the next five years. Average annual investments of \$22 million per year are needed to update the City's fleet.
- The baseline projections do not provide for a reduction in the amortization period for the City's pension funds. If the City were to reduce its amortization period from 30 years to 25 years, annual pension costs would increase \$10 million by FY14 to reduce its unfunded liability.
- Total costs to reflect annual COLA's, recommended fleet investments and lowering the pension fund amortization period would add \$63 million per year by FY14.
- Outside of the sale of the City jail, there are very limited cost saving opportunities as the City already has reduced its work force by 30% since 2001.
- The baseline projections do not add new public safety personnel.

- Atlanta, like every other major city in America, faces a major issue with deteriorating public infrastructure (roads, bridges, traffic lights and the like). The City has an estimated \$3 billion in public infrastructure needs over the next 25 years. This will be one of the long-term significant issues facing Atlanta and the country in the coming decades. The five year plan identifies alternative ways to finance the infrastructure needs through bonds. However to pay the debt the City may need a combination of a referendum, state and federal funding.

The five year planning process was initiated in 2009 to improve understanding of the City's projected financial position over multiple years and to identify key actions to improve its financial performance. This promotes a focus on the long-term health of the City, allowing it to better predict financial challenges and address them proactively.

City of Atlanta

FY 2010 Budget Overview

We have five goals in this budget

1. Restore investments in public safety and core services
2. Stabilize the City financially
3. Maximize operational savings
4. Minimize the size of any property tax increase
5. Project revenues conservatively using objective data and expertise

This \$541 million budget accomplishes those goals

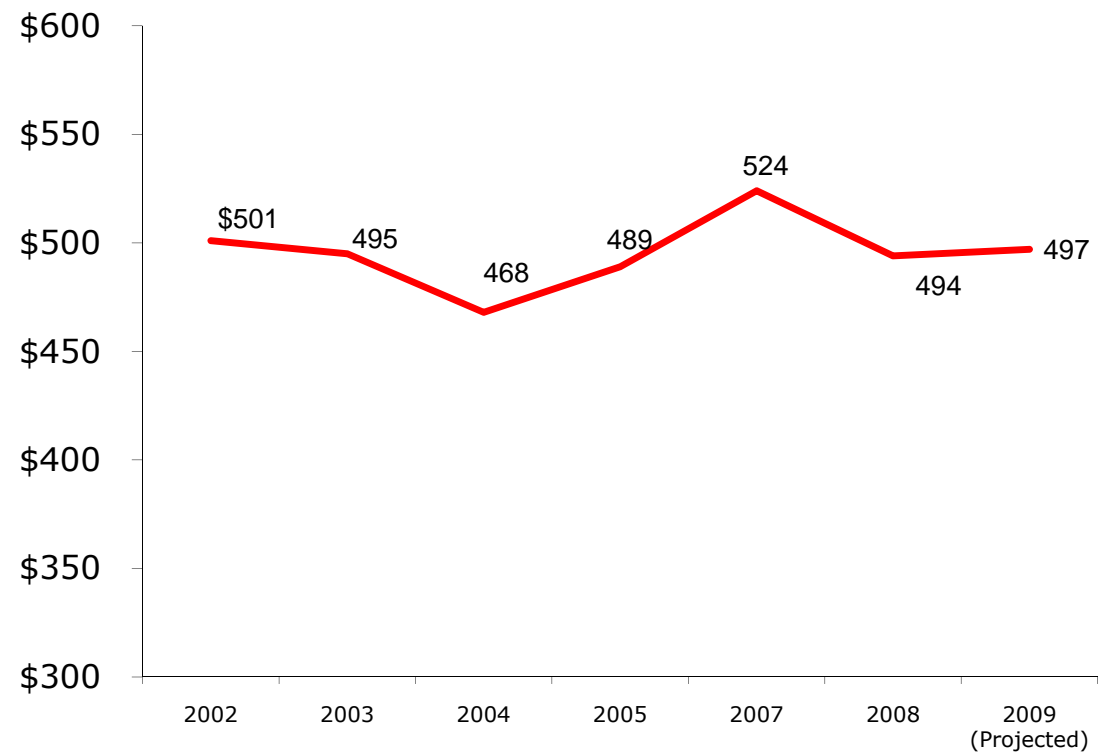
1. Eliminates the furlough starting July 1
2. Includes nearly \$60 million in savings that do not significantly impact our ability to deliver our core services
3. Includes a 3 mill property tax increase that will generate \$56 million in revenue
 - Represents a 7% increase in the total millage rate for City of Atlanta residents in Fulton County
 - The average household will pay an additional \$20 per month

We are primarily facing a revenue, not an expense, challenge

- Revenues since 2002 have been flat
- The Great Recession has aggravated this
 - Sales tax revenues down 10% due to declining retail sales
 - Real estate and construction related revenues down by 61%
 - Tourism revenues down by 24%
- In constant dollars, we are operating the City today with the same revenues we had in 2002
 - No business can succeed with this revenue structure

General Fund Inflation Adjusted Revenue

(2009 dollars in millions)

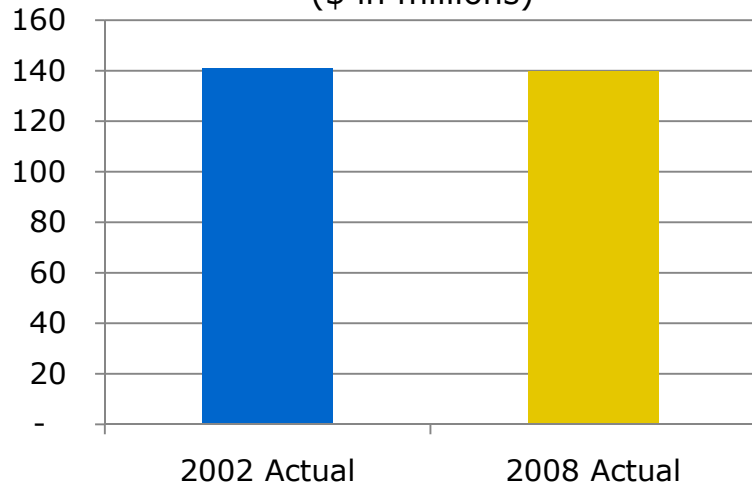


Note: 2006 was a half year. 2006 numbers not included in order to highlight trends.

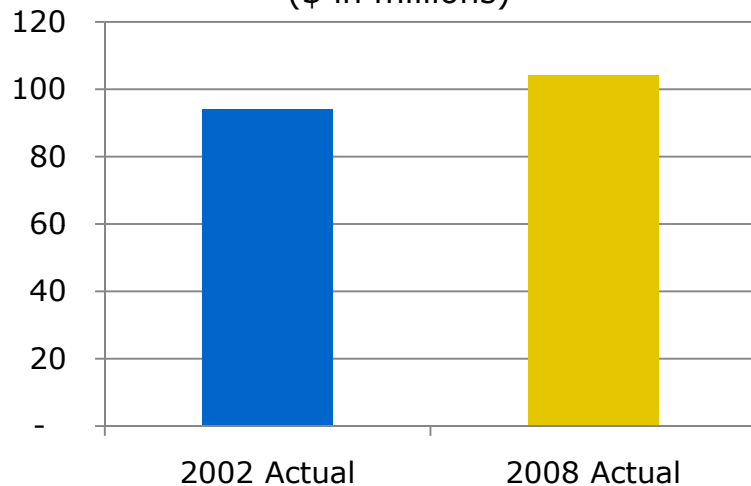
Source: United States Department of Labor - Bureau of Labor Statistics, Consumer Price Index (CPI) Inflation Calculator as of 4/24/2009

The two major sources of General Fund revenue – property tax and sales tax – are shrinking in constant dollars

Property Tax Growth (2002-2008)
(\$ in millions)

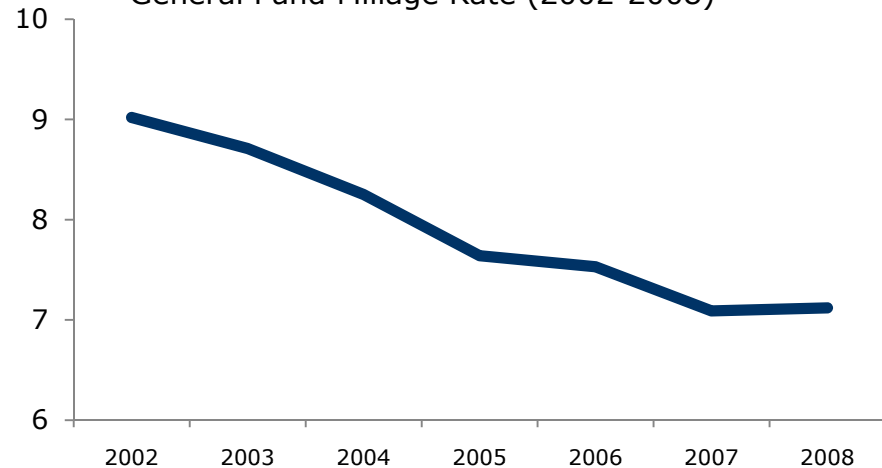


Sales Tax Growth (2002-2008)
(\$ in millions)



- Property taxes revenue has dropped from \$140 million in 2002 to \$139 million in 2008
 - In constant (inflation adjusted) dollars, property taxes have shrunk 17% since 2002
- Practice of rolling back millage has actually shrunk revenues in constant dollars

General Fund Millage Rate (2002-2008)

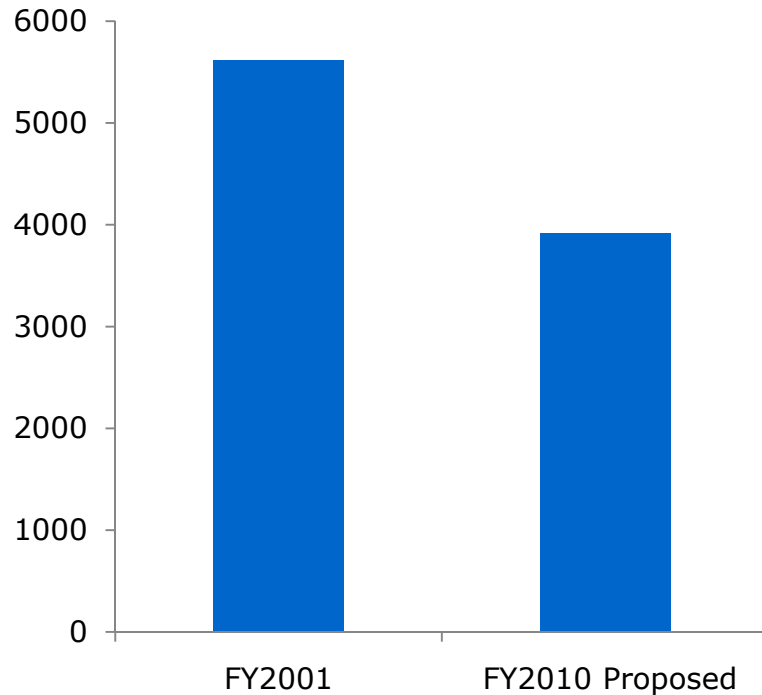


- In constant dollars, sales tax revenues declined by 8.2% since 2002

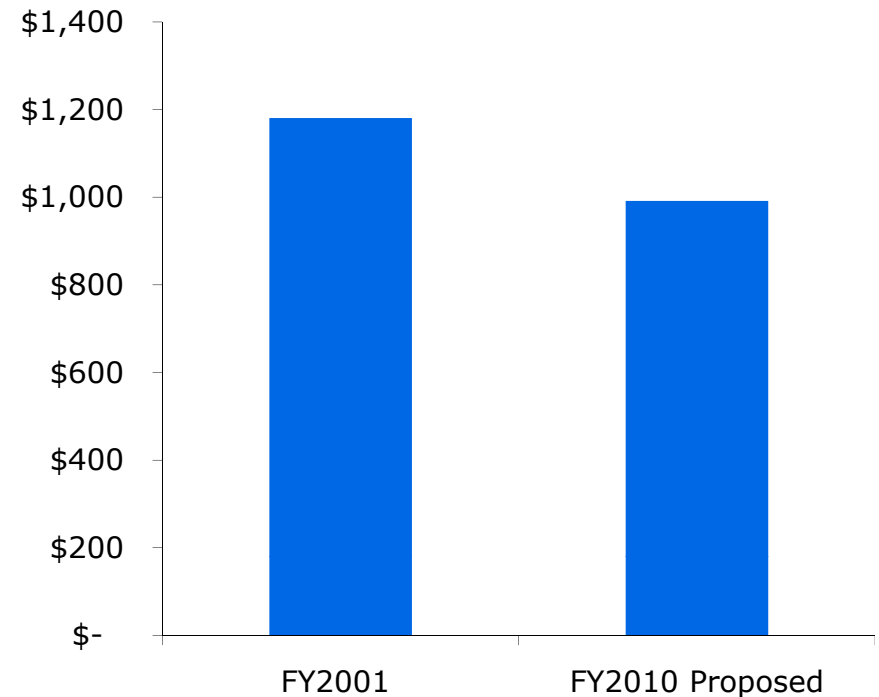
We have introduced reforms to increase efficiency

The number of employees in the General Fund has declined from 5,617 in 2001 to 3,934 proposed for 2010 (even while we added 300 police officers during this period)

General Fund positions have dropped by over 30%



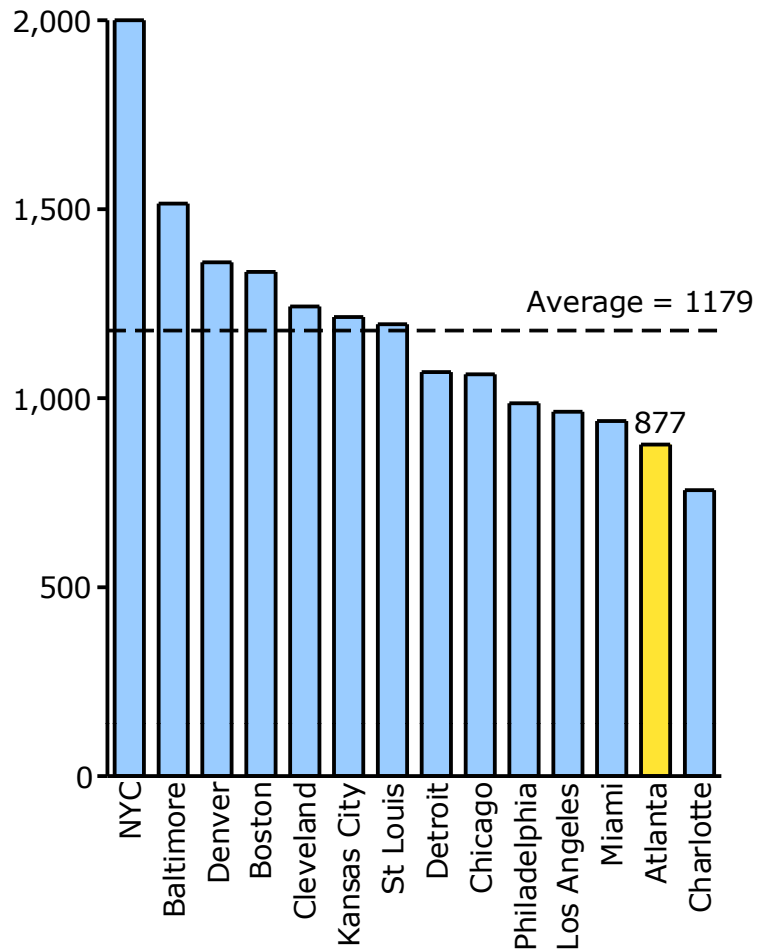
General Fund spending per capita has fallen by 16%



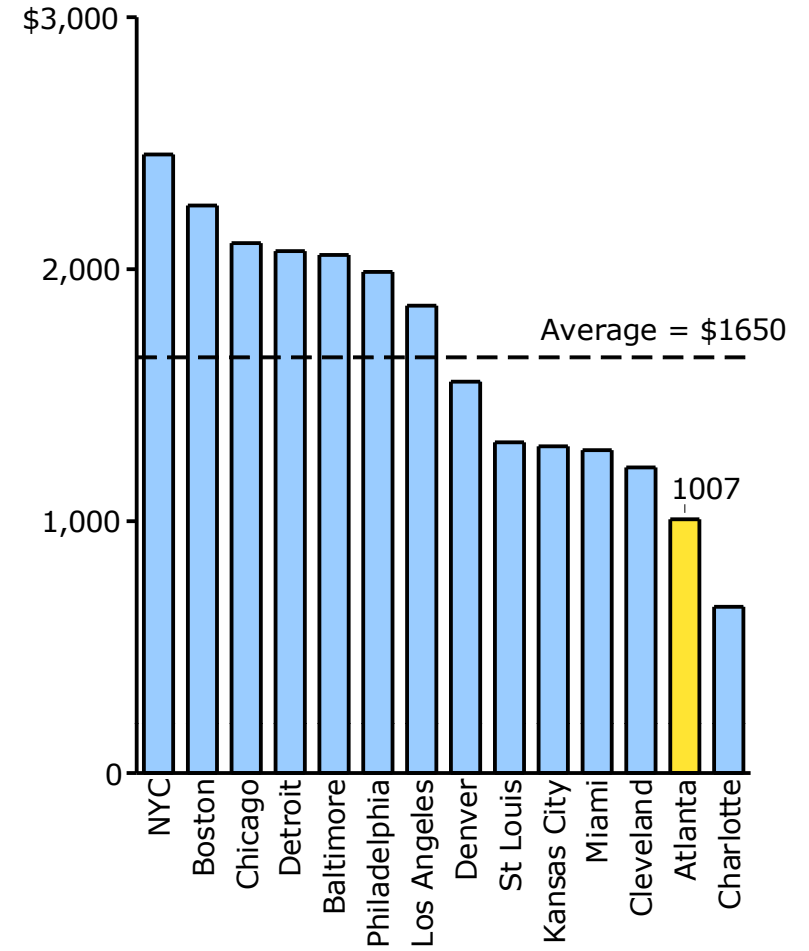
These declines have occurred over a period in which the City has grown by nearly 25%

We are now more efficient

2009 general fund employees per 100k residents



2009 general fund spend per resident

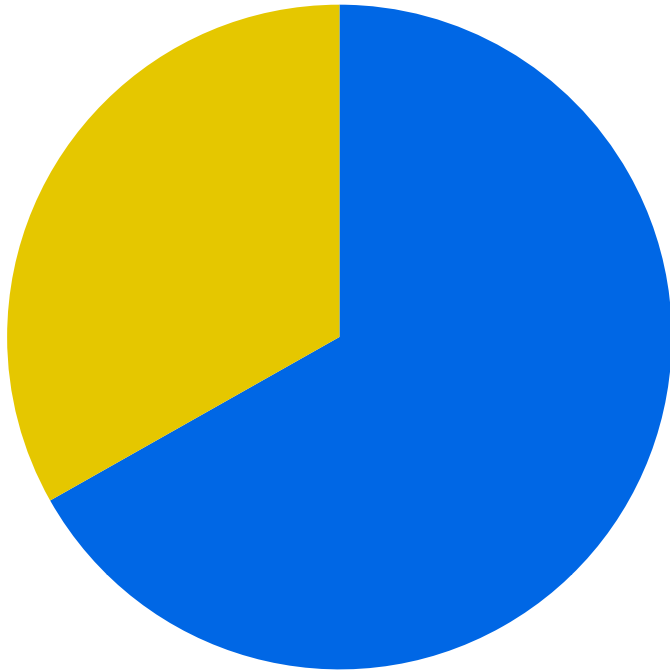


Source: Bain analysis, respective cities FY2009 budgets, US Census Bureau, Office of the CFO

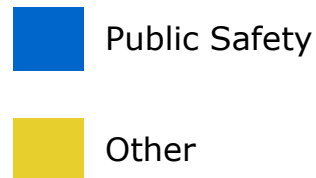
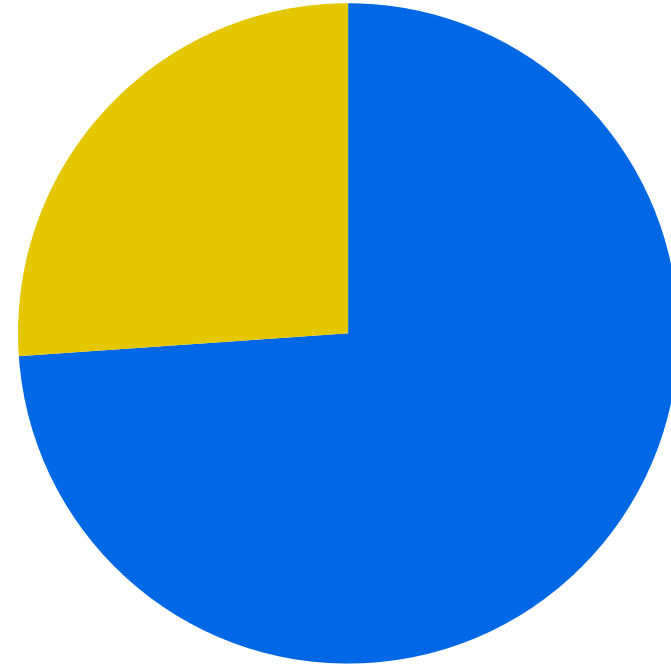
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Public Safety now accounts for 74% of all City personnel

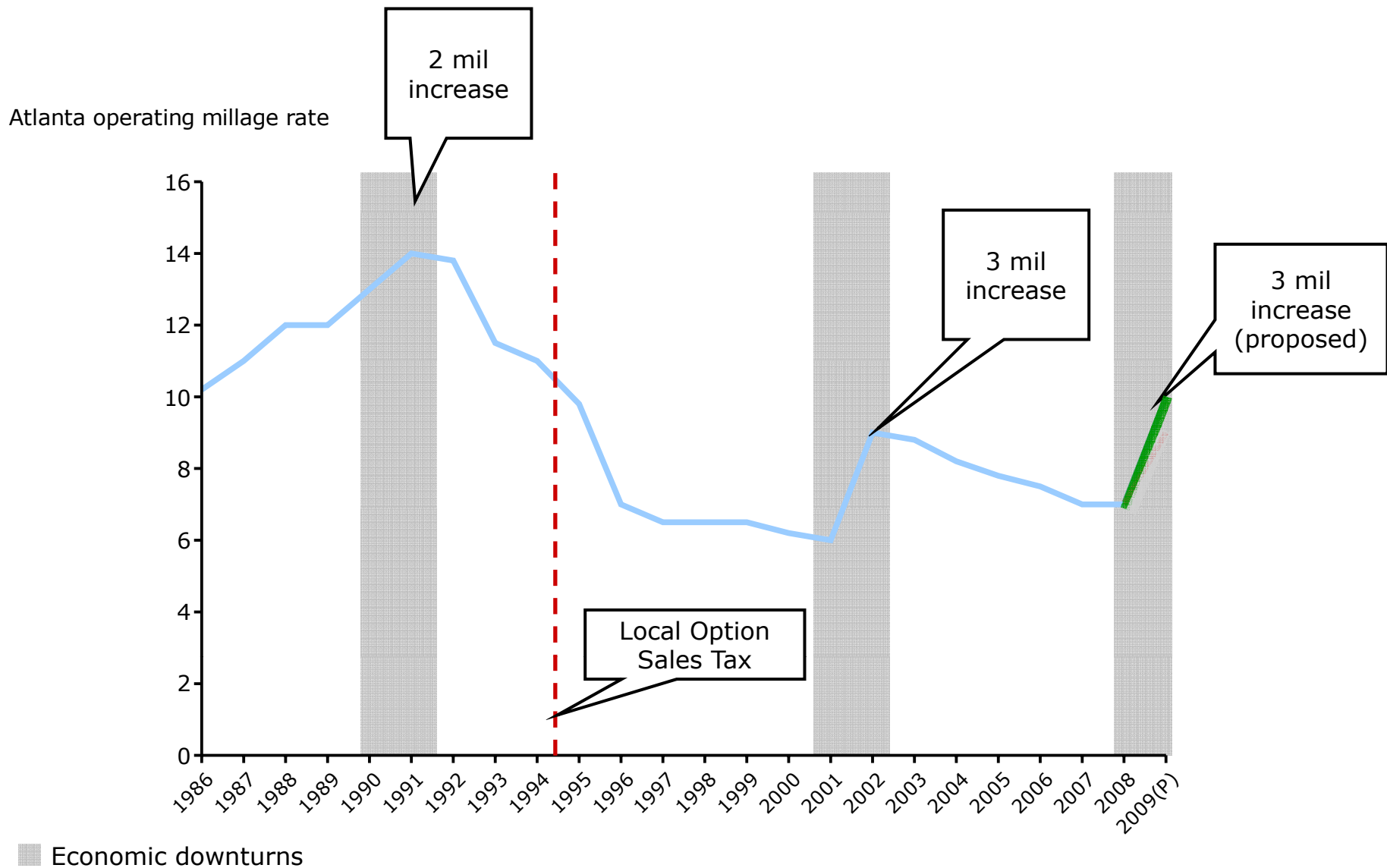
**FY2008
Distribution of
General Fund
Personnel**



**FY 2009
Distribution of
General Fund
Personnel**



Recessions have historically required millage increases of a similar magnitude



This budget addresses the short-term economic challenges we face and sets the stage for long-term financial stability

- In the short-term, we must respond to the recession by ensuring that we continue to provide core municipal services – this budget does that
- In longer-term we must address our core strategic challenges
 - We must transform our Department of Finance by fully implementing the recommendations of Deloitte Consulting
 - We must find a way to grow our revenues at a rate consistent with our population growth. Continuing with the zero revenue growth we have seen since 2002 is not an option
 - We must reduce the burden of our pension obligations
 - We must replace our existing infrastructure - and invest in new infrastructure - to respond to and encourage growth