Preliminary Five Year Financial Plan Update FY11 – FY15
Presentation to Finance/Executive Committee - Revised

Presented to FEC on February 2, 2011

Presented by: **Office of the Mayor**
Department of Finance

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Introduction

Draft of Preliminary 5 Year Plan Update

- Update, Not a completely new report
- A plan/guide for the future

Update to include:

- 2nd Quarter FY2011 Financial Results
- Indirect Cost Allocation Study

Finalize/Publish Final Report late February 2011

Provide Additional Workshop, if needed.

Key Citywide Assumptions

Projects revenues conservatively based on slow economic recovery*

Funds current service levels based on FY11 budget*

Identifies revenue opportunities and cost reduction initiatives*

Estimates cost of key operating and capital priorities*

Resets baseline for non-safety departmental budgets

Estimates $ 700K for City's move to the AJC building

Street Car O&M is funded by Car Rental Tax funds

Freezes use of Capital Finance Fund

* Carried over from FY2010-2014 Financial Plan

...and Citywide "Go Forward" Recommendations

For Future Years, Water Bills to Be Allocated to Departments

Budget Grady Water Bill in Department of Corrections

Institute Inflation Multiplier for All Fees

Disaggregate Non-Departmental Budget

Develop General Fund & Capital Finance Fund Policies

Augment Plan to include Enterprise Funds Data

Plan for Infrastructure FY2012 Financing*

Obtain Budget Planning Module

* Dependent on Market Conditions; Ratings Improvement

FINANCIAL OVERVIEW

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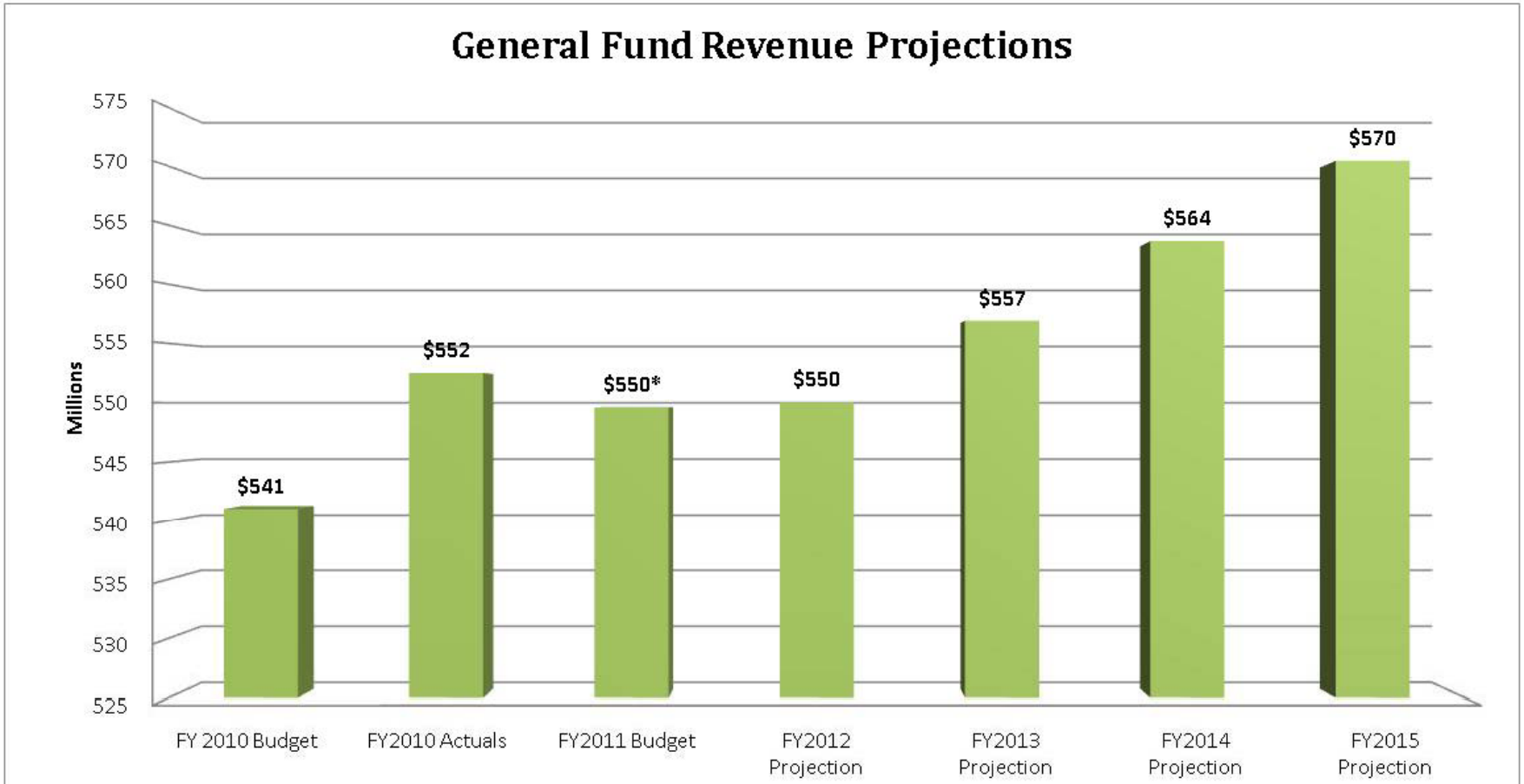
Financial Plan Based on Current Service Levels

General Fund Revenue Assumptions:

- Property tax digest successive years of declines includes FY2012 projected tax digest decline ranging from 4-5% due to the second wave of negative reassessments.
- Recently enacted SB 346 (Tax Assessor procedures) and HB 233 which freezes residential and commercial parcels through 2012; 1% growth for 2013-2015 are incorporated in forecast assumptions.
- Dollar value of one mill continues to decline as City millage rate of 10.24 mills has actually exceed the rollback millage rate in unprecedented negative reassessment real estate market. The City has elected not to adjust the millage rate to accommodate the continued decline.
- Sales tax forecast assumption at 2% in FY2012 and continue at 2% per annum through forecast period. Re-negotiated sales tax allocation not included.
- Elastic sources of income of business license and hotel/motel are forecasted at 1-1.5% per annum; jobless recovery and the "new normal" results in minimal economic drivers for the revenue base.
- Building permits projected to be flat due to limited construction activity.
- All revenue projections incorporate external economic forecasts.

Revenue Projections are Expected to Increase by 5% by FY2015



	FY 2010 Budget	FY2010 Actuals	FY2011 Budget	FY2012 Projection	FY2013 Projection	FY2014 Projection	FY2015 Projection
Total Revenues	541,022,089	552,495,017	549,604,945	550,032,665	556,912,259	563,643,003	570,473,437

*The FY2011 budget excludes prior year fund balance totaling $9.92MM

Financial Plan Based on Current Service Levels

General Fund Cost Assumptions

Assumes Existing Service Levels using FY2011 as the Base Budget

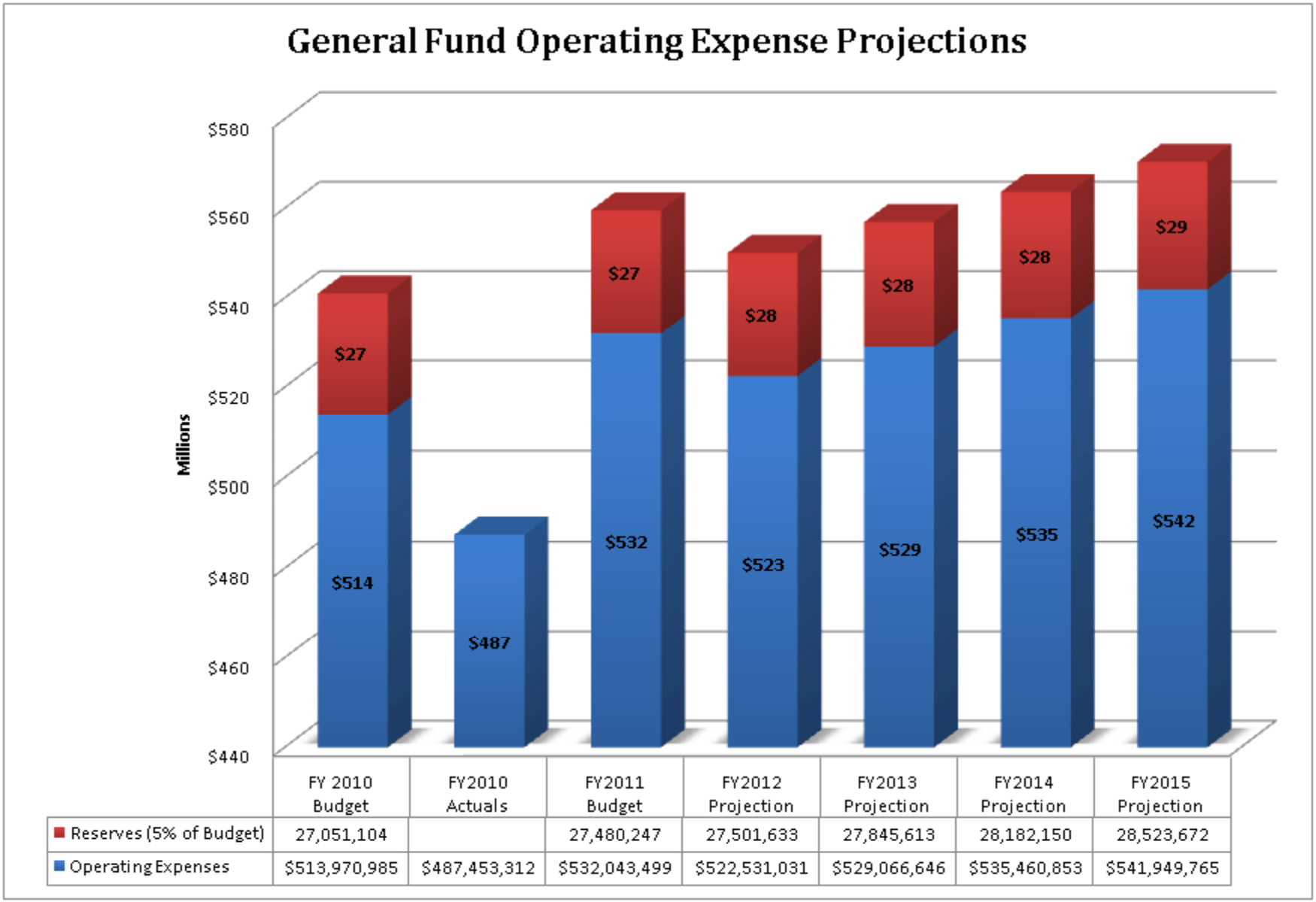
Assumes all recreational centers are opened in FY2011

Assumes investments in rolling stock

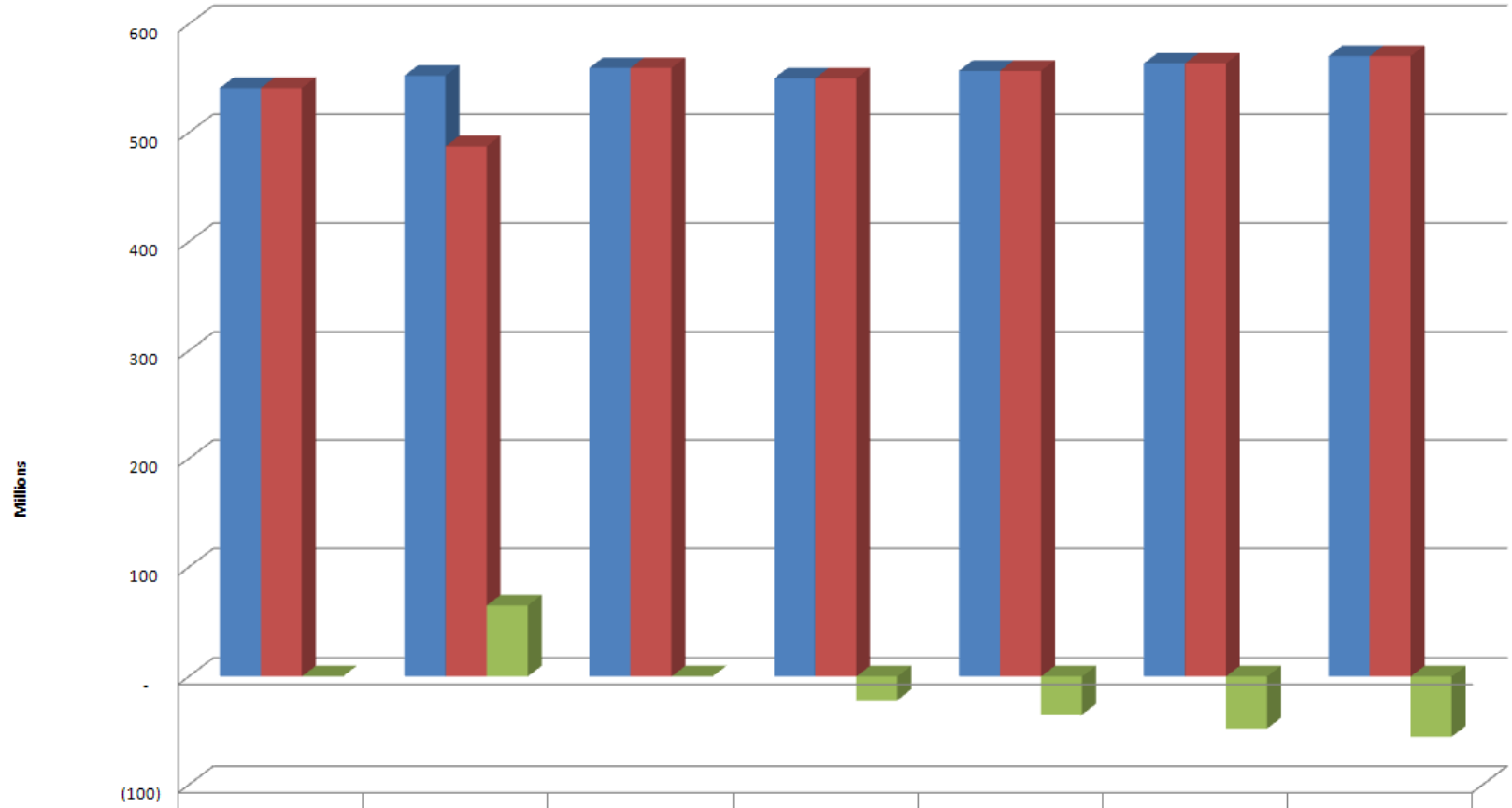
Also includes Funding for the Following:

- Includes 1.5% Step Increase for Fire and Police sworn officers
- Programs Oracle software upgrade
- Adds 100 new sworn Police Officers (25 per quarter) in FY2012
- Increases infrastructure repairs budget to address lack of an infrastructure replacement program
- Allocates funding for the AJC building

Annual Operating Expenses are Expected to Increase by 5% by FY2015



The Funding Gap Should be Addressed to Balance the Budget



	FY10 Adopted Budget	FY10 Actuals	FY11 Adopted Budget	FY12 Projection	FY13 Projection	FY14 Projection	FY15 Projection
Revenues	541,022,089	552,495,017	559,523,746	550,032,665	556,912,259	563,643,003	570,473,437
Expenditures	541,022,089	487,453,312	559,523,746	550,032,665	556,912,259	563,643,003	570,473,437
Funding Surplus/(Deficit)	(0)	65,041,705	0	(21,660,123)	(34,891,130)	(47,773,822)	(55,253,969)

Further departmental or other cuts, reserve and/or prior year fund balance will be required to balance the budget over the five year period. A plan to either increase recurring revenues or realign projected and actual expenses should be implemented to close the future funding gap.

What Does the Five Year Operating Plan Include?

Category	FY10 Adopted Budget	FY10 Actuals	FY11 Adopted Budget	FY11 Projection (as of 12/31/10)	FY12 Projection	FY13 Projection	FY14 Projection	FY15 Projection
Baseline Revenues	**541,022,089**	**552,495,017**	**559,523,746**	**549,604,963**	**550,032,665**	**556,912,259**	**563,643,003**	**570,473,437**
Baseline Expenses:								
City Council	6,696,629	5,824,130	6,755,483	6,376,467	6,790,403	6,838,696	6,888,726	6,940,559
Executive Office	18,818,894	17,361,383	19,252,573	17,667,585	21,341,538	21,916,203	22,524,509	23,168,754
Atlanta Citizens Review Board (ACRB)	339,150	298,458	370,706	367,507	373,283	377,202	381,266	385,483
Corrections	23,078,238	23,495,803	21,851,446	20,933,229	26,061,313	26,662,639	27,307,806	28,000,135
Ethics Office	340,149	291,844	346,317	344,951	348,281	351,252	354,334	357,531
Finance	11,529,663	10,528,152	10,372,566	10,003,779	12,310,532	12,385,936	12,468,950	12,555,343
Fire & Rescue Services	72,379,104	72,665,031	74,075,989	71,207,997	75,827,337	76,560,666	77,342,427	78,176,300
Human Resources	2,776,309	2,497,098	2,678,105	2,678,107	2,694,275	2,718,826	2,744,294	2,770,715
Information Technology	27,087,186	22,450,688	26,881,884	26,449,348	27,380,503	28,031,682	28,703,019	29,395,150
Internal Auditor's Office	915,794	864,275	961,136	961,095	964,561	970,925	977,540	984,416
Judicial Agencies								
Municipal Courts	8,064,295	7,913,420	8,368,959	8,175,750	8,799,846	8,919,233	9,044,420	9,175,739
Public Defender	1,100,588	1,031,159	1,543,144	1,224,167	1,618,059	1,634,937	1,652,721	1,671,465
Solicitor	1,488,108	1,505,164	2,590,437	2,295,070	2,711,879	2,736,381	2,762,362	2,789,917
Law	4,970,217	4,598,519	4,575,301	4,573,652	4,602,426	4,642,999	4,685,077	4,728,720
Parks, Recreation and Cultural Affairs	25,364,550	22,367,321	28,674,376	28,155,703	36,881,979	39,766,323	43,061,987	46,503,437
Planning & Community Development	10,167,271	9,518,569	8,485,479	8,749,238	8,581,504	8,667,408	8,757,733	8,852,759
Police Services	154,438,910	149,938,385	161,657,163	159,950,678	163,788,384	168,371,865	169,864,896	171,451,046
Procurement	950,581	865,752	856,921	968,570	859,387	864,770	870,380	876,225
Public Works	23,460,086	25,740,567	21,306,014	23,235,249	23,096,899	24,013,247	25,001,008	26,066,005
Non-Departmental	120,005,258	107,697,596	130,439,502	126,730,843	101,761,729	97,698,591	97,774,417	99,776,144
	513,970,985	**487,453,312**	**532,043,499**	**521,048,985**	**526,794,119**	**534,129,782**	**543,167,872**	**554,625,846**
Other Expenses:								
Fire & Rescue Services - 1.5% Step Increase - New					264,049	1,064,117	1,608,176	2,160,396
Fire & Rescue Services - 3.5% Step Increase - Annualizer					923,415	923,415	923,415	923,415
Fire & Rescue Services - 21 New Firefighters							9,793,068	9,793,068
Information Technology - Oracle Upgrade						2,500,000	2,500,000	2,500,000
Police Services - 100 Police Officers - New					6,442,623	10,932,725	8,980,204	8,980,204
Police Services - 100 Police Officers - Annualizer					2,270,728	4,541,455	4,541,455	4,541,455
Police Services - 1.5% Step Increase - New					609,097	2,484,158	3,769,111	5,073,339
Police Services - 3.5% Step Increase - Annualizer					2,877,397	2,877,397	2,877,397	2,877,397
Non-Departmental - Infrastructure Repairs (Non-ADA)					3,300,000	3,795,000	4,364,250	5,018,888
Citywide - AJC Initial Move Costs					709,726	709,726	709,726	709,726
Non-Departmental Reserve (5% of the Total Budget)	27,051,104		27,480,247	-	27,501,633	27,845,613	28,182,150	28,523,672
Total Other Expenses	**27,051,104**	**-**	**27,480,247**	**-**	**44,898,668**	**57,673,607**	**68,248,953**	**71,101,560**
Total Expenses	**541,022,089**	**487,453,312**	**559,523,746**	**521,048,985**	**571,692,788**	**591,803,389**	**611,416,825**	**625,727,406**
Surplus/(Deficit)	**(0)**	**65,041,705**	**0**	**28,555,978**	**(21,660,123)**	**(34,891,130)**	**(47,773,822)**	**(55,253,969)**
Citywide - Further Departmental Reductions					21,660,123	34,891,129	47,773,822	55,253,969
Surplus/(Deficit)	(0)	65,041,705	0	28,555,978	0	(0)	0	(0)

Non-Departmental Details

Operating Expense	FY10 Budget	FY10 Actuals	FY11 Budget	FY12 Projection	FY13 Projection	FY14 Projection	FY15 Projection
Workers' Compensation - Service Providers Fee	1,434,173	58,688	1,434,173	1,505,882	1,807,058	2,263,521	2,965,326
Management Fees	5,500,000	1,927,276	5,568,000	5,568,000	5,011,200	4,510,080	4,059,072
Insurance/Risk Management	1,875,000	1,825,307	2,640,047	2,640,047	2,772,049	2,910,652	3,056,184
Annual Leave Payout	-		500,000	500,000	500,000	500,000	500,000
Transformation	-		500,000	500,000	500,000	500,000	500,000
City Council Carryforward	2,418,619	944,236	1,434,555	1,434,555	1,500,000	1,500,000	1,500,000
Keep Atlanta Beautiful	50,000	48,365	50,000	50,000	50,000	50,000	50,000
American with Disabilities Act (ADA)	-			-	-	-	-
Utilities Analysis	-	307,137	200,000	-			
Other Post-Employment Benefits (OPEB)	15,035,719	20,373,873	16,880,452	17,724,474	18,610,698	19,541,233	20,518,294
Records Management	150,000	210,453	150,000				
Unemployment Comp (Georgia Dept. of Labor)	1,733,011	2,923,713	4,898,735	5,878,482	7,363,387	9,646,405	14,201,488
Department of Watershed Current Water Bill	4,867,364	7,546,570	5,475,785	-	-	-	-
Department of Watershed MOU ($23MM)	-	-	4,000,000	-	-	-	-
Department of Watershed MOU ($116MM)	10,000,000	-	10,000,000	-	-	-	-
Department of Watershed MOU ($116MM) Interest	3,485,970	3,875,373	3,185,970	2,885,970	2,585,970	2,585,970	1,985,970
Department of Watershed MOU ($23MM) Interest	689,415	-	689,415	549,621	404,202	251,809	
Audit Fee	366,667	516,852	332,333	420,000	433,333	450,000	466,667
Tax Anticipation Note (TAN)	3,000,000	900,712	787,407	-	-	-	-
Actuary Fees - OPEB and Pension	215,000		530,274	221,450	221,450	221,450	221,450
Workers' Compensation	3,791,337	2,967,563	3,791,337	3,791,337	3,791,337	3,791,337	3,791,337
Bank Charges, Credit Card, and Customer Refunds	1,750,342	1,953,181	1,750,342	-			
ARC, Sister Cities, US Conf. Mayors, Weed Seed	763,016	322,816	528,461				
Center for International Training (CIFAL)	150,000	140,000	165,000				
Atlanta Fulton County Emergency Mgt. Agency (AFCEMA)	150,000	150,000	150,000				
PAYMENT TO OTHER GOVERNMENTS:							
Dekalb and Fulton Counties - Tax Collectors	78,528	2,298,866	1,795,027	1,848,878	1,904,344	1,961,474	2,020,319
Fulton County - Animal Control	1,300,000	1,685,714	1,604,240	1,652,368	1,701,939	1,207,928	1,207,928
Transit incentive program (Marta Subsidy)	298,050	238,131	298,050	298,050	298,050	298,050	298,050
DEBT - Public Safety:							
Furniture and Fixture for E911 and Public Safety Headqt.	1,560,966	1,560,966	1,560,966	1,560,966	1,560,966	780,483	
Public Safety Annex Construction	2,126,023	2,125,219	2,126,023	2,126,023	2,126,023	2,126,023	2,126,023
Radio Upgrade to Digital Communication for Public Safety	4,892,111	4,892,111	4,892,111	4,892,111	4,892,111	4,892,111	4,892,111
Atlanta Public Safety Facility (2006)	3,891,464	3,886,214	3,894,964	3,894,354	3,894,628	3,890,856	3,892,650
DEBT - Other							
Urban Residential Finance Authority (URFA)	2,887,723	2,869,223	2,888,622	2,886,733	2,886,507	2,887,413	2,889,177
Solid Waste Management Authority	1,981,050	1,978,110	590,668	2,117,975	2,112,725	2,114,225	2,112,225
Ga. Municipal Association Lease Pool (1998)	7,925,433	218,299	8,972,681	5,911,444	4,569,601	2,784,311	2,784,311
Ga. Municipal Association Direct Loan (GMA 2008)	3,445,911	3,382,307	2,655,772	-	-	-	-
Municipal Court and City Hall East Project	8,448,575	8,465,097	8,461,775	8,451,712	8,419,919	5,964,319	5,965,375
City of Atlanta Traffic Court	3,944,819	3,943,935	3,933,963	3,933,338	3,928,725	3,931,794	3,929,600
GMA - Police, Fire and Parks Rolling Stock	-		2,933,752				
Underground Atlanta Commercial Facility	7,488,747	8,209,992	8,147,021	8,148,650	8,147,750	8,145,500	8,146,250
Downtown Parking Deck across from City Hall	1,641,331	862,975	1,636,931	1,636,631	1,640,231	1,633,631	1,629,581
Zoo Atlanta - City of Atlanta and Fulton County	2,125,983	1,584,887	1,596,377	2,124,406	1,593,688	1,593,650	1,596,056
NON ALLOCATED:							
Legislative Expense (Election)	777,164	92,636	-	-	-	2,369,492	-
Employee Assistance Program (EAP)	200,000		200,000	-	-	-	-
Public Safety Building Remaining Items	2,840,450	2,669,049		-	-	-	-
Motorola Contract		-	2,470,700	2,470,700	2,470,700	2,470,700	2,470,700
Operating Transfer to E911 Fund	4,725,298	6,214,192	4,137,572	4,137,572	-	-	-
Restricted Reserve (5% Of Revenues)	27,051,104		27,480,247	27,501,633	27,845,613	28,182,150	28,523,672
Year End Adjustments	-	3,533,335	-	-	-	-	-
TOTAL	**147,056,363**	**107,703,374**	**157,919,749**	**129,263,363**	**125,544,204**	**125,956,567**	**128,299,816**

OPPORTUNITIES, ASSUMPTIONS &RECOMMENDATIONS

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Reduce Capital Finance Fund Deficit 16

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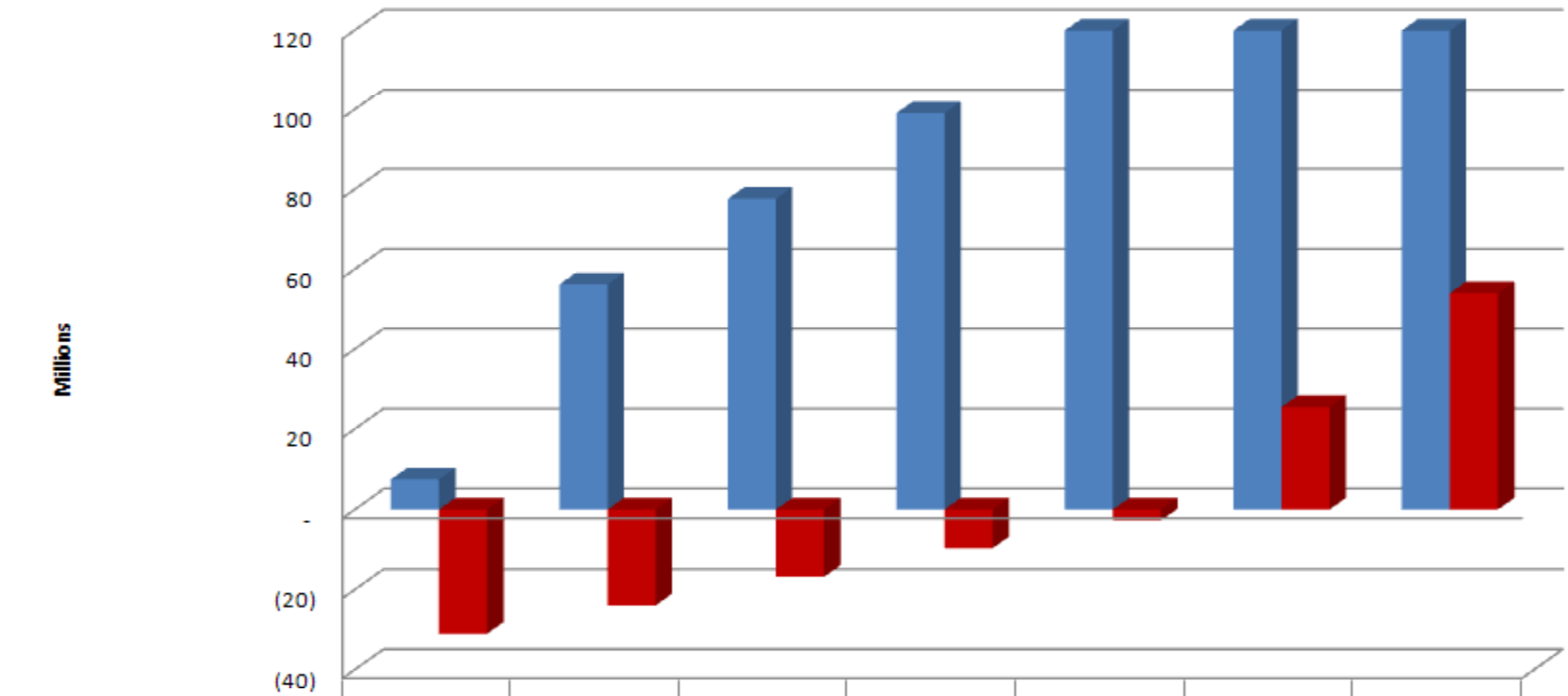
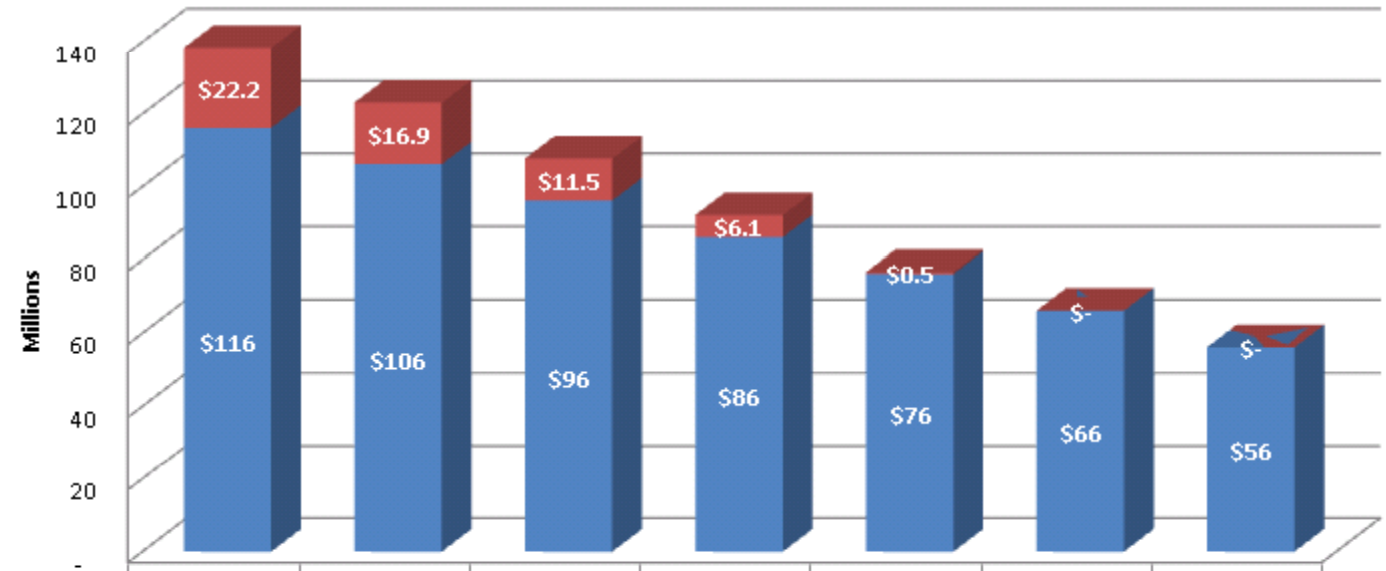
Reduce the Capital Finance Fund Deficit to $0 by FY2014



	2009	2010	2011	2012	2013	2014	2015
General Fund Balance	7,393,000	56,174,279	77,591,177	99,008,160	119,892,370	119,892,370	119,892,370
Capital Finance Fund Balance	(31,037,638)	(23,962,829)	(16,823,863)	(9,684,868)	(2,723,465)	25,458,685	53,982,357

Catastrophic (Fund balance) allocation is based on 25% of the annual estimated surplus and assumes no additional expenses are charged to the capital finance fund. This also assumes that 100% of the surplus is transferred to the Capital Finance fund after the general fund balance reaches 20% of the budget. (Reserve for encumbrances are excluded).

Reduce General Fund Debt Obligation to the Department of Watershed Management from $139MM to $56MM



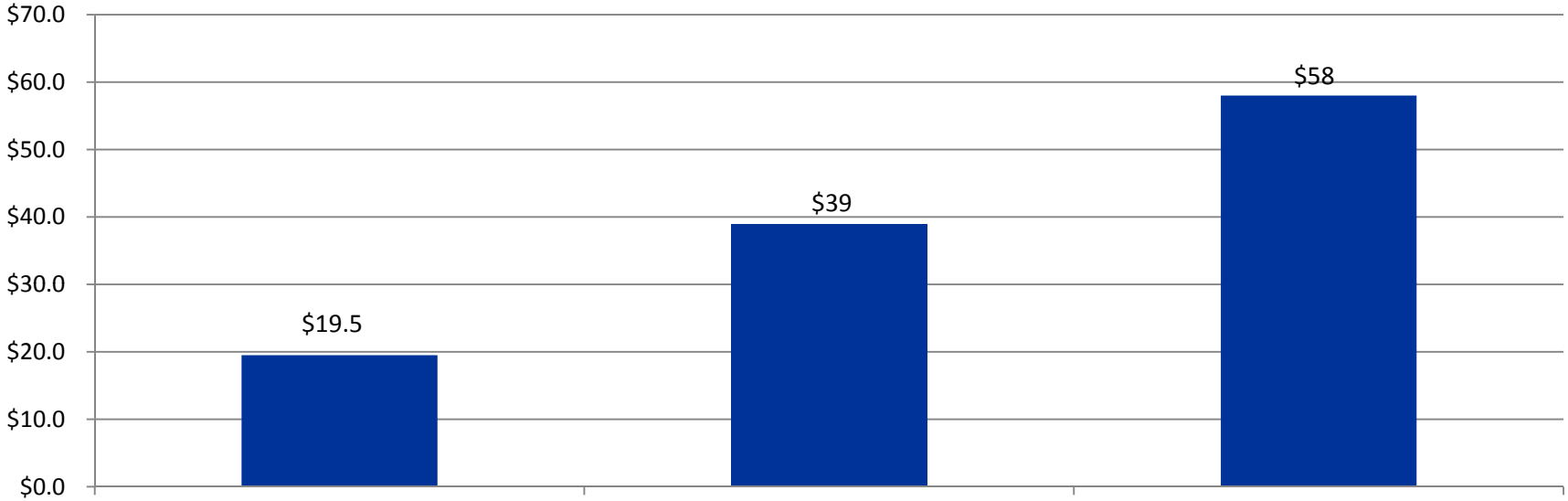
	FY2009 Actual	FY2010 Actual	FY2011 Projected	FY2012 Projected	FY2013 Projected	FY2014 Projected	FY2015 Projected
MOU #2	22,218,202	16,932,642	11,535,714	6,051,758	479,905	-	-
MOU #1	116,199,000	106,199,000	96,199,000	86,199,000	76,199,000	66,199,000	56,199,000

The initial obligations for MOU #1 and #2 totaled $116MM and $23MM respectively. A total of $10MM is paid against MOU#1 and $4MM is paid against MOU #2. Additionally, MOU #2 is reduced by an amount exceeding $9.8MM Franchise/Pilot fees, which averages approximately $1.37MM annually.

The Prior Financial Plan Did Not Address the City's Infrastructure Needs

Annual Debt Service Requirement Under Three Infrastructure Replacement Scenarios

($ in millions)



1. Maintain debt service at FY11 level
   - Debt service equals $127.5M.
   - Capacity to fund $250M in capital replacement.
   - Status Quo.

2. Increase debt service to $147M
   - Add $39M to grow debt service.
   - Capacity to fund $500M in capital replacement.
   - Begin to fund current need.

3. Increase debt service to $166M
   - Add $58M annual debt service
   - Capacity to fund $750M in capital replacement.
   - Not feasible or recommended

NOTE: Assumes 30 year, current market interest rate + 75 bps, cost of issuance at 2% of par, rating of A2/A, and level debt service at 1/12/2011.

Provide a Plan that Outlines the Impact of Sale of City Hall East

FY12 Cost Estimates

	TOWER	PRODUCTION	WAREHOUSE	TOTAL
OPERATING	$1,526,956	$1,107,880	$676,124	$3,310,960
ONE TIME	0	$20,000	0	$20,000
CAPITAL	$300,000	$300,000		**$600,000**
TOTAL	**$1,826,956**	**$1,452,880**	**$701,124**	**$3,980,960**

FY 2011 – FY 2015 Risk Factors

Low	High
1. Raiding the General Fund Reserves 2. Negative Fund Balances 3. Failure to Leverage Technological Advances	1. Failure to Achieve Pension Relief 2. Key Employee Retention 3. Rating Agency Perceptions

CONCLUSIONS

- The City can continue to provide its current level of services, while employing a holistic approach to public safety enhancements.
- COA must continue to pursue outsourcing opportunities.
- Core programs must be identified; decisions must be made about non-core activities.
- General Fund reserves must be protected. Deficits in funds must be resolved.
- Rewards for high performing departments that live within their means.
- Opportunity exists to raise the City's financial image with the rating agencies.