



**2023 Proposed Budget
Submitted to Dunwoody City Council
by
Mayor Lynn Deutsch and City Manager Eric Linton
October 10, 2022**

To: Mayor Deutsch and Members of City Council
City of Dunwoody

From: Linda Nabers
Finance Director

Richard Platto
Assistant Finance Director

Through: Eric Linton
City Manager

Subject: 2023 Budget UPDATE

Date: 10 October 2022

The Budget Committee met on September 7th and 8th to discuss and review the Fiscal Year 2023 Operating and Capital Budget. The Committee recommended the following changes after review with the City Manager and several department directors:

- Include the addition of a Deputy Community Development Director. This position is currently contracted through a vendor, but the City has determined that for succession planning purposes, this position should be a City employee. The result is estimated savings of \$24,000, with the savings redirected into the Community Development department.
- Within the Hotel/Motel Fund, a recommendation was made to move \$250,000 in capital funding originally budgeted in the Ashford-Dunwoody Multi-Use Phase 2 project to a project for a Dunwoody Sign. This reallocation means that funding for the Multi-Use Path Phase 2 project will be \$250,000 in FY2023, with an additional funding allocated to the project in FY2024 to FY2027.
- There was an extensive discussion of how best to utilize American Rescue Plan Act (ARPA) funding that the City received, with the Budget Committee recommending no changes be made to the approved ARPA 1 funding, but the following recommended changes be made to the ARPA 2 fund:
 - Decrease Recreational Equity by \$500,000 and Economic Development by \$800,000
 - Add \$100,000 to Public Safety and reclassify the existing \$1,000,000 as follows to provide more clarity:
 - \$328,550 for a mental health professional for 3 years
 - \$171,450 for additional License Plate Readers (LPRs) with Flock Safety for 3 years
 - \$600,000 for an ambulance pilot program
 - Allocate \$450,000 to create a Safe Streets position for 3 years, and include \$750,000 to fund construction as projects are identified

This will result in the following funding for ARPA 2:

ARP 2	2022.01.11	2022.04.11	2022.05.09	2022.06.13	Committee	Recommended
Revenue	-	10,000,000	10,000,000	10,000,000	Updates	10,000,000
Direct Assistance (2)	-	-	-	2,000,000	-	2,000,000
Recreational Equity	-	-	-	1,500,000	(500,000)	1,000,000
Cybersecurity	-	-	-	1,000,000	-	1,000,000
Economic Development	-	-	-	1,000,000	(800,000)	200,000
Social Services Incubator	-	-	-	1,000,000	-	1,000,000
Public Safety / Police (3)	-	-	-	1,000,000	(1,000,000)	-
Pub Saf / Mental Health (3 yr)					328,550	328,550
Public Safety / LPR					171,450	171,450
Public Safety / EMS				-	600,000	600,000
Public Safety / Lighting	-	-	-	500,000	-	500,000
Administrative Costs	-	-	-	300,000	-	300,000
City Supplies / Services	-	-	-	250,000	-	250,000
Safe Streets Position (3 yr)				-	450,000	450,000
Safe Streets Construction				-	750,000	750,000
Grant Writing	-	-	-	200,000	-	200,000
Contingency	-	10,000,000	10,000,000	1,250,000	-	1,250,000
Expenses	-	10,000,000	10,000,000	10,000,000	-	10,000,000

The following items were included in the FY2023 Budget and the Budget Committee recommended keeping them in the budget:

- Dedicating the millage increase approved in 2022 to providing pay increases of 4% for public safety staff and city employees effective the first pay period of FY2023 at a cost of approx. \$404,000.
- \$515,000 for the increase in health care costs. The majority of this increase is from an expected 20% increase in the City's share of health care, but there are some other increases due to vacant positions being budgeted at higher amounts (family or employee plus dependent coverage) which are adjusted downward once an employee is hired. The City spends on average \$23,000 annually per participant on health care.
- \$2.75M of new city funding for road resurfacing with an estimated match of \$450,000 from the state.
- \$900,000 added to the existing \$750,000 for the Peeler Road Shared Use Path.
- \$600,000 in matching funding for the Dunwoody Village Street Grid.
- \$500,000 added to the existing \$500,000 for the Vermack Road (Vanderlyn to Womack) ADA Improvements.
- \$500,000 added to the existing \$300,000 for the Old Spring House Lane Path.

- \$562,905 in funding identified for Police Vehicles, including 2 CID Ford Explorers and 9 Explorer Hybrid Patrol Vehicles.
- \$153,095 in funding identified for Police Equipment, including a TruNarc Handheld Narcotics Analyzer and night vision goggles.

The City's Fund Balance is estimated to end Fiscal Year 2022 with a healthy 6-months reserve, which is two months above what is recommended in the City's financial policies.

The Budget Committee further agreed that our changing environment must be closely watched and the City must continue to monitor and be engaged in a robust discussion about revenues and expenses prior to the development of next year's budget. Most all residential property values in the City have been frozen, severely hampering the opportunity to maintain high service levels in all operations.

Background

As this budget is submitted, the city will be completing its fourteenth year since incorporation on December 1, 2008. This budget is the third full year budget submitted since the COVID pandemic began. While the city has effectively managed this event over the past few years, it has brought us to always think of items like an annual budget, under the terms "the new normal."

For 2020 and 2021, the city budgeted a use of General Fund fund balance, though funds were not used in either year. Projections for 2022 have the city using a limited amount of fund balance.

Staff approached developing the 2023 budget with two guiding parameters: (A) To keep the structural use of fund balance to approx. \$2 million. This level is in conjunction with short-term forecasts discussed during the millage rate approval process in 2022; and (B) To keep the projected end-of-the-year General Fund fund balance greater than six months. This level is a full two months higher than the four-month minimum reserve.

The 2023 budget process began with Departments putting together their operating and capital requests in mid-July. After consolidation of the budget by Finance, Department Review meetings were held in early August to review and discuss department budgets in an effort to compile the 2023 Proposed Operating and Capital Budget.

Overall Budget Summary

The overall budget for FY2023 is proposed to be \$62.0M, which is a 12.77% decrease over the FY2022 midyear budget of \$71.1M. The General Fund budget is \$30.1M, which is a 2.93% decrease over the FY2022 midyear budget of \$31.0M.

OVERALL FUND COMPARISON				
Fund	FY22 Midyear	FY23 Proposed	Change	% Change
General (1)	\$31,035,394	\$30,127,088	-\$908,306	-2.93%
E911	1,417,000	1,391,000	-\$26,000	-1.83%
ARPA (2)	18,431,324	9,775,000	-\$8,656,324	-46.97%
Hotel Motel (3)	2,835,500	3,982,500	\$1,147,000	40.45%
Motor Vehicle	93,000	90,000	-\$3,000	-3.23%
Grants	440,000	450,000	\$10,000	2.27%
Debt Service	1,176,482	1,255,020	\$78,538	6.68%
SPLOST	7,501,000	7,301,000	-\$200,000	-2.67%
Capital (4)	5,930,000	5,100,000	-\$830,000	-14.00%
Stormwater (5)	2,202,000	2,512,000	\$310,000	14.08%
	<u>\$71,061,700</u>	<u>\$61,983,608</u>	<u>(\$9,078,092)</u>	<u>-12.77%</u>

Notes:

- (1) - Decrease in the one-time funding for the expansions at the Arts and Nature centers, partially offset by increases in pay and healthcare costs.
- (2) - Projected use of American Rescue Plan funding in FY2022.
- (3) - Improvement in Hotel/Motel revenue forecasted to continue in FY2023.
- (4) - Projected use of existing Capital Project Funds in FY2022.
- (5) - Increase in the stormwater rate plus inclusion of fee on new parcels.

General Fund Budget Summary

The General Fund is the principal operating fund of the City, and is used to account for all activities related to providing central governmental services, such as public safety, recreation, street repairs, and administrative services.

The base level of operations within the General Fund for FY2023 were kept to minimal increases. The departmental summary of the General Fund operating budget is shown below:

GENERAL FUND COMPARISON - EXPENDITURES				
Department	FY22 Midyear (a)	FY23 Proposed (a)	Change	% Change
City Council	353,704	329,781	(23,923)	-6.76%
City Manager	605,896	654,080	48,184	7.95%
City Clerk (b)	318,780	508,488	189,708	59.51%
Finance & Administration	2,040,472	2,117,766	77,294	3.79%
Facilities	441,157	416,156	(25,001)	-5.67%
Legal	465,000	420,000	(45,000)	-9.68%
Information Technology (c)	2,306,042	2,481,271	175,229	7.60%
Human Resources (d)	485,667	578,598	92,931	19.13%
Communications (e)	459,127	505,194	46,067	10.03%
Municipal Court	662,710	717,272	54,562	8.23%
Police	10,353,570	11,012,681	659,111	6.37%
Public Works (f)	2,895,261	3,112,001	216,740	7.49%
Parks & Recreation (f)	3,821,451	3,668,924	(152,527)	-3.99%
Community Development (g)	2,131,178	1,798,407	(332,771)	-15.61%
Economic Development	418,897	451,449	32,552	7.77%
Contingency	100,000	100,000	-	0.00%
Funding for Arts Center/Nature Center	2,000,000	-	(2,000,000)	-100.00%
Transfer Out to Debt Service	1,176,482	1,255,020	78,538	6.68%
Total Department Expenditures	31,035,394	30,127,088	(908,306)	-2.93%

Notes:

- a) The FY2022 Midyear Budget includes half a year of the 4% raise given at midyear, plus funding for the remainder of the year for four positions converted from contract to City employees. The FY2023 Proposed Budget includes a 4% pay increase effective January 1, full-year funding for all four converted positions, and funding for an expected 20% increase in health care costs covered by the City.
- b) City Clerk - Two positions previously under Finance by contract are now full time staff within the City Clerk department, along with election costs.
- c) Information Technology - New position was added mid-year 2022, and the full cost of the position is now reflected in FY2023. Plus additional contract position added in FY2023.
- d) Human Resources - New position was added mid-year 2022, and the full cost of the position is now reflected in FY2023.
- e) Communications - FY2023 includes costs for the Community Survey.
- f) Public Works and Parks & Rec - The Right of Way maintenance crew was moved from Parks to Public Works as part of the FY2023 budget, at a cost of \$125,000.
- g) Community Development - decrease in FY2023 reflects the annual resetting of revenue sharing with the municipal vendor that provides the service.

Additionally, below is a look at the FY2023 Operating Budget for the General Fund by category:

GENERAL FUND COMPARISON - EXPENDITURES						
Category	FY22 Midyear	% of Total	FY23 Proposed	% of Total	Change	% Change
Personnel Costs	12,697,113	40.9%	14,075,485	46.7%	1,378,372	10.86%
Official/Admin Svcs	4,486,121	14.5%	4,012,565	13.3%	(473,556)	-10.56%
Professional Services	1,268,127	4.1%	1,349,015	4.5%	80,888	6.38%
Repairs & Maintenance	4,682,659	15.1%	4,729,592	15.7%	46,933	1.00%
Property/Liability Ins	615,611	2.0%	681,133	2.3%	65,522	10.64%
Other Purchased Services	1,653,952	5.3%	1,731,758	5.7%	77,806	4.70%
Supplies/Materials	2,145,329	6.9%	2,187,520	7.3%	42,191	1.97%
Capital	2,200,000	7.1%	-	0.0%	(2,200,000)	-100.00%
Contingency	110,000	0.4%	105,000	0.3%	(5,000)	-4.55%
Transfer Out - Debt	1,176,482	3.8%	1,255,020	4.2%	78,538	6.68%
Total Expenditures by Category	31,035,394		30,127,088		(908,306)	-2.93%

Capital Summary

Capital spending for the City exists within the following funds: SPLOST, Hotel/Motel, and General Capital Projects. Additionally there are five capital projects currently identified and funded within the ARPA funds. Before highlights of FY2023 to FY2027 Capital Improvement Plan (CIP) are discussed, a couple of non-specific notes are worth mentioning:

- SPLOST assumes a renewal of the tax in 2023. The tax expires in March 2024 and the vote would be before then. As presented, the eligible SPLOST projects remain the same: however, a revision would be made if other projects, such as parks, could be done in a SPLOST renewal. The tax, as written for DeKalb County, prohibits construction of new parks with sales tax, unlike the same tax in many other jurisdictions.
- General Capital Projects Fund is budgeted on a project-by-project basis. Staff recommends this process continue this way.

Future Thinking

Budgets are plans. Plans adapt and change within the situation they are placed. Like last year's budget, it cannot be emphasized enough how the economic uncertainty nationally and at the local level makes the planning process more difficult.

This plan works because the robust fund balance policy of the City, allowing for a planned draw down over the short term. That being said, it has to be acknowledged, just as it was last year, that while this plan is sustainable in the short term, it is not sustainable for long-term planning.

During incorporation, models were designed with a service level that is not the service level expected by the current citizens. The revenue side of the equation has only recently changed in an effort to match these expectations. However, more revenue will be needed to continue matching in the future. On top of that, the idea of devaluation of the commercial tax digest on which the City was based is not that much of a stretch to think about.

When those factors are combined, the City has some critical thinking ahead.