



MAYOR CRAIG NEWTON · MAYOR PRO TEM MATT MYERS · COUNCILMEMBER ANDREW HIXSON · COUNCILMEMBER JOSH BARE
COUNCILMEMBER BRUCE GAYNOR · COUNCILMEMBER ARLENE BECKLES · CITY MANAGER ERIC JOHNSON · CITY CLERK MONIQUE LANG

Honorable Mayor and City Councilmembers:

I am pleased to provide detail on the balanced, recommended budget for the upcoming fiscal year, FY 23, which begins September 1, 2022, and will end August 31, 2023. We reviewed this budget and had our first public hearing on the millage rate at your July 18th Special Called Meeting. There will be additional public hearings on the millage rate at a Special Called Meeting at 11 AM on August 1st, as well as during your regularly scheduled City Council meeting that same day. There will be a public hearing on the budget at that same City Council meeting and, to allow time between the public hearing and final approval of the budget, as required, we will ask that you approve the budget at a Special Called Meeting at 6:30 PM just prior to your regular Policy Work Session on August 15th.

It is important to highlight some aspects of this budget:

Millage – No millage change was reflected in the initial proposed budget. The calculated increase over the rollback rate is currently 21.5 percent. The net impact of what are expected to be an unusually high level of appeals this year is yet to be determined, but the County has projected it to be significant – \$54 million in adjustments due to appeals that will have an impact on FY 23 as well as the next two years’ budgets. That would reduce the increase over rollback to about 16 percent. As I have mentioned, the rollback calculation we are required to advertise is not intended to address taxpayers’ concerns about their potential bill. The appeals process serves that role. The rollback calculation and publication are intended to highlight added revenue from existing property based on a proposed millage rate. When a rollback rate is used, the revenue reduction is spread across all taxpayers – those with fixed value due to a successful appeal, those with new property being taxed for the first time, and those with variable increases in the assessment of existing property. Those with the largest increase in value (an increase in unrealized wealth) face the largest increases in tax payments even with a millage reduction. The County anticipates most of the impact of appeals will be in non-residential values.

You responded at our July 18th meeting with a request that we present an alternative option, reflecting a half-mill reduction in the current 6.749 mills, to 6.249 mills. That reduction would require about a \$600,000 cut in the General Fund budget. That is achievable.

First, we had about \$230,000 in unallocated revenue in the budget as of July 18th that was available for millage reduction or other uses.

Second, there are two areas in our projection of property tax revenue where we can take a more aggressive/less conservative approach to how much revenue we will collect next fiscal year: Using a county estimate of our tax digest (i.e., our tax base) after appeals rather than our own calculations, we can up our revenue estimate by about \$70,000. Also, if we are willing to recognize that we “accrue” property tax revenue based on the bills we send out and assume that we will eventually collect most of that revenue, we can be less conservative on how much is collected during FY 23 and up our revenue estimate by an added \$200,000. To illustrate, we are still owed about \$240,000 in taxes billed out last September. Over time, we collect delinquent tax revenue and eventually may write off a portion as uncollectable. Our FY 23 revenue projections assumed about \$200,000 not being collected next year. We can take some risk by relying on eventually collecting most of what does not get paid during FY 23.

Finally, we have about \$100,000 still to offset to rebalance the budget with a half-mill reduction. While we have funding in the budget for capital projects, you still need to review specific projects before finalizing funding for projects. We have sufficient funding for a list of projects. I would suggest we cut capital funding by \$100,000 – moving that funding back into the General Fund. One project, the replacement of a 1992 dump truck, can be deferred for now. We made a considerable investment in repairs this year. Once we have a clearer sign of our final fund balance for FY 22, we can revisit that project and others. Alternately, you may choose not to fund one or more projects when we bring them to your August 15th Policy Work Session, and free up funds for other potential projects.

To summarize, we can enact a one-half mill reduction for FY 23.

Tightening Departmental Budgets – As presented with the delivery of the budget, historical spending patterns were used to identify where the upcoming budget could be reduced at the line-item level. There is a General Fund contingency established to address unexpected costs or opportunities, and the budget can be amended during the year, as necessary.

Pay Competitiveness – The salary study that was implemented in December 2021 will have its full annual impact in FY 23. Beyond the cost at implementation, the new salary schedules have an ongoing impact as new employees are hired. In an era of high turnover, that has magnified the impact in the short time since implementation. A 3% merit increase for all employees hired prior to June 1, effective September 1, has been included. Combined with the remaining cost for the salary study, the City has made a large investment in our employees. In addition, the City will retain its share of employee group health insurance, with an 8% increase in the City’s contribution. Employees will be asked to make a comparable increase in their share. We will have a 16-month plan year covering September 2022 through December 2023 that will transition us to future plan years following a calendar year cycle. Once the budget is adopted, an initiative will be implemented, calling on all City employees to assist in identifying how we can work more efficiently to free up funding for potential benefits adjustments and/or added merit or a

COLA, as reflected in our recent employee satisfaction survey. We all should own the issue of how we can deliver services both effectively, and efficiently.

Distinguishing Capital Projects from Operations and Maintenance– The Capital Project Fund, re-established this year, continues to serve as a funding source for equipment and projects, and those funds will carry forward, as necessary, until the equipment is purchased, or the project completed. Departments are still getting acclimated to having funding for their projects in a separate fund rather than within their operating budgets. The adopted budget will identify funding available for projects and final resolution of those funded through the adopted budget should be finalized at your September City Council meeting after discussion at the August Policy Work Session. Project funding is also available from our special purpose local option sales tax (SPLOST) and not all those funds are currently allocated.

Using our Most Restricted Revenues First – Restricted revenues are used, where available, to maximize funding opportunities. For example, greater use of our Special Investigations Fund, where Redspeed revenue is deposited, for new initiatives.

Restructuring of Funding – There are changes in where we account for some expenditures. For example, to more clearly identify the restricted Hotel/Motel tax revenue from the portion that is unrestricted – an improvement in transparency over the usage of funds. That shifts to the General Fund some of our activities not eligible for the restricted components of that revenue. Some of the non-enterprise activities historically funded by our Electric Fund have been moved to the General Fund along with an increased transfer from the Electric Fund to pay for them. An example is our annual Christmas Tree lighting event. To be clear, the Electric Fund still facilitates that activity, but realizes no ROI on that activity so the activity now resides in the General Fund.

Public Safety Remains a Focus – A key area of focus remains on public safety. We will add a second mental health provider from Viewpoint Health to assist the Police Department–expanding on our current initiative that has proven successful in addressing needs in our community. We currently apply grant funding from the U.S. Department of Justice to pay for this program and will continue to seek funding.

Four new positions are requested in the Police Department as well as merging two existing part-time positions into a full-time position. The new positions allow us to increase traffic enforcement with an additional officer, to add another crime suppression unit of two officers, and to add a supervisor. Based on difficulty in finding applicants for part time positions, the combining of two into a new full-time position offers the opportunity to fill existing needs related to court functions and our school speed violation program.

Sustainability as a Focus – A second area of focus is on embracing our success in Sustainability, as reflected in our recent recertification by the Atlanta Regional Commission as a platinum green community. As I mentioned during our May Budget Retreat, we can magnify our strength in that area and enhance a reputation throughout Georgia as the model sustainability community. To that end, I am promoting our Community Development and Planning Director to Assistant City Manager to provide an added level of leadership to, and representation on,

sustainability. There are clear linkages between Community Development and Planning, and Economic Development, as evidenced in our Comprehensive Plan's Community Work Program and I want to strengthen those linkages as well. At the same time, a new planning technician position is requested to allow us to continue our path to provide bilingual frontline services in support of our large Hispanic community of residents and businesses – just as we added a bilingual court clerk in the current budget.

Buford Highway Master Plan Implementation – Funding is included in the City Manager's budget so that we can focus on how the Plan can best be used. As you know, we face the implications of County wastewater line capacity limits on at least part of all three nodes identified in the Plan. Specifically, a wastewater line on Mitchell Road and another on Norcross-Tucker Road are at or nearing capacity – subject to field testing that will be used to validate the County's computer modeling.

Norcross Power Initiatives – The Electric Fund reflects a larger investment in tree trimming, as we discussed in May. Balancing our tree canopy and Tree City designation against reliability of electric service requires a much heavier investment in keeping trees off our lines. How much we spend will be dictated by rainfall – a dry growing season could allow us to reduce how often we trim. The advantage of contracting out this activity is that we can scale operations up or down as our weather dictates. As we complete our asset inventory and move into a phase of assessing the best locations for incorporating resiliency into our system, we may revisit budget allocations. The outcome we seek is to minimize avoidable disruption of service. While we have retained a consultant to help in coordination on issues with MEAG and ECG, we are assessing how our sister cities working with both of those organizations are staffed.

As we complete our current analysis, I am asking you to consider authorizing a General Manager position to lead Norcross Power. Here is a rationale: The Director position overseeing the Public Works, Utilities and Parks Department has a full plate as we accelerate our stormwater pipe relining and replacement program, work to implement parking and pedestrian crossings in the Norfolk Southern corridor, prepare for an acceleration of road resurfacing projects pending voter approval of the 2023 SPLOST, and also prepare for a major building construction project – a Public Safety Building. We have strong staff addressing operational issues within Norcross Power. What I am being asked to provide is internal strategic vision over how we manage an electric system as we take on two new nuclear sources, phase out coal-fired plants, build resiliency not only in our infrastructure but also in our financial structure, and optimize how we sell our existing and future excess energy. At the same time, we need to incorporate our ability to leverage our electric system in economic development strategies and incentives – particularly as we focus on Buford Highway. Georgia Power and regional EMCs each partner with communities in economic development and we should replicate that successful strategy.

“Smart City” Initiatives – These are reflected in the form of five new electric vehicle (EV) level 2 dual charging stations, funded by Norcross Power, that should be badged to show our utility's commitment to EVs, coupled with a proposal to purchase a third City EV, for our Police Department. We have already taken delivery of two EVs – one for the Police Department and one for our Municipal Court. These four-door Ford Mach E vehicles will allow us to evaluate a

vehicle that we believe may become the standard for our Police Department if the manufacturer, in conjunction with equipment suppliers, creates a viable pursuit vehicle equipped and evaluated to law enforcement standards. In the subsequent fiscal year, FY 24, we propose adding two level 3 dual charging stations to facilitate City EVs being recharged within a shorter period if we determine it viable to continue the rollout of EVs in place of internal combustion engine vehicles. As EVs become available in greater numbers, we should have the ability to embed them in other functional areas such as Public Works, and Parks. Our compact city boundaries work well for vehicles that can be recharged overnight, such as pickup trucks and heavier vehicles as more EV options become available. The timing for level 3 chargers could be moved forward as we assess the need for the speed of level 3 chargers. Another “Smart City” initiative will come through selection of a Wi-Fi provider to begin facilitating high quality access to the Internet in selected City parks. Proposals have been received and evaluated.

Public Safety Building – A funding strategy for a new, 33,000 square foot building housing both a Police Department headquarters and a new Municipal Court depends on both commitments from the Special Investigations Fund and successful passage of the 2023 SPLOST by Gwinnett voters in November. Moving forward requires finalizing the site requirements and a decision on whether to demolish the old Norcross Library the City owns or attempting to combine a renovated Library building with a new structure. The Library building is about a third the size of the City’s requirements. Funds are available, and not appropriated in this budget, to address early stages of developing a new facility.

Employee Recommendations – Employees suggested, through our recent survey, a priority for making improvements to break rooms, our workout space, and public restrooms. As those ideas are fleshed out, we will come back with specific requests for use of available, non-committed SPLOST funds allocated to administrative facilities.

Benefits – Earlier this year, we ended eligibility for newly hired employees to participate in post-retirement health benefits. We committed to look at new benefits for employees and there is one that should be made available to new hires and our existing employees, as appropriate: recognizing the value of certifications, or specialized training or skills that provide the City additional value. In many cases, the certification or training may also prepare an employee for promotional opportunities. The options include bilingual language skills as referenced in our employee survey and professional certifications that are not required to meet minimum job requirements but exceed those requirements.

Financial Dashboard -- A financial dashboard will be developed over the next year, and it does not appear added funding is required – simply the opportunity to dedicate staff time to create a dashboard using existing software.

Other Post-Employment Benefits (OPEB) – This budget does not address how we will continue down the path of funding our existing liability for OPEB. Our liability reflects costs associated with providing medical insurance to current and future retirees. We committed to funding \$1 million this year to an irrevocable trust fund set up for the City by the Georgia Municipal Association. Given the City’s strong General Fund balance, it would be appropriate to

have a policy discussion during FY 23 to lay out a multi-year strategy for using a portion of the City's fund balance to make annual contributions to the trust fund. By making several annual contributions, the City would not just shrink the current unfunded liability but gain credit for the high rate of return that GMA obtains on its investments. Once a strategy is agreed on, we can appropriate a next payment to the trust fund from our healthy fund balance.

Sanitation Fees – Sanitation fees are scheduled to be adopted August 1st to take effect in September as we bill residential customers for the full fiscal year on their tax bills, and bill non-residential customers through monthly bills. A one-year extension of a contract with Waste Management takes effect on September 1st, with significant increased costs to the City. A sanitation services request for proposals will be issued in FY 23 to allow sufficient time for selection of a provider for services beginning September 1, 2023.

Electric Rates – Electric rates for calendar year 2024 are recommended to remain unchanged. There are opportunities to adjust rates, if necessary, but current markets have resulted in the City's excess energy being sold for a profit while it has historically been sold for a net loss. Both new nuclear units in which the City is a participant – Plant Vogtle Units 3 and 4 – are currently projected to reach their commercial operation date (“COD”) in 2023.

Respectfully submitted,

Eric Johnson

Eric R. Johnson
City Manager