



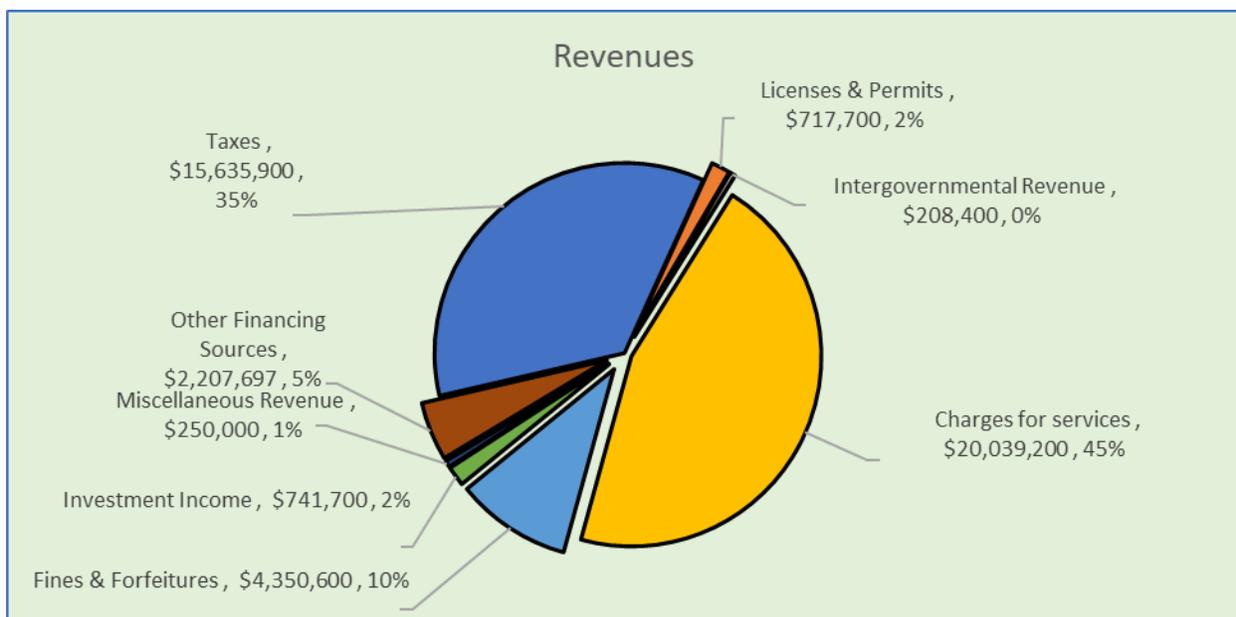
June 14, 2023

Honorable Mayor and City Councilmembers:

I am pleased to provide details on the proposed City of Norcross budget for FY 24, which will begin September 1, 2023, and end on August 31, 2024. In accordance with our Charter, I provided a link to a public OpenGov site on June 1st, where you and members of the public could access the budget. At that time, I provided a narrative explanation by email with key elements of this budget and how it differs from past budgets. In this budget message, I expand with additional details and clarification.

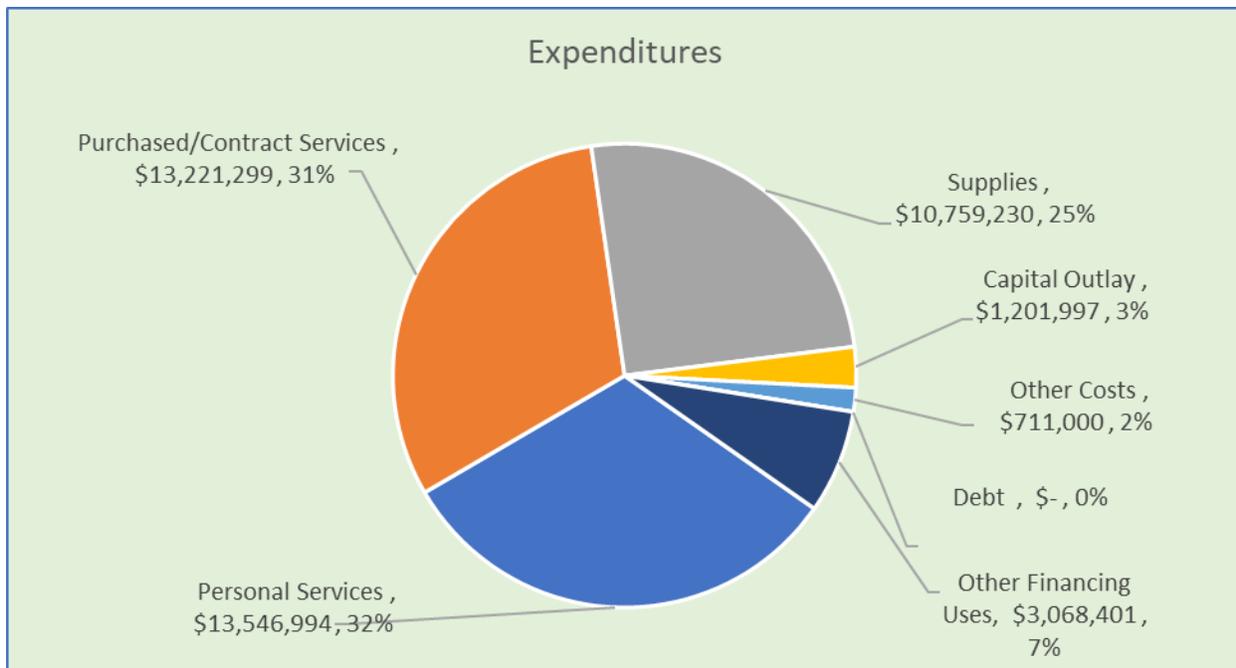
Revenues – The total budget is \$44.2 million. As shown below, charges for services account for the largest share of that budget -- \$20.0 million or 45%. Overwhelmingly, that reflects two “enterprise” activities in which the City government is engaged: \$14.5 million in sales of electric service, and \$5 million for solid waste services. The remaining \$0.6 million can be found in our General Fund, in which most of our City services are funded.

Taxes account for the next largest type of revenue, reflecting \$15.6 million or 35% of total revenue – primarily reflecting ad valorem property taxes but also including franchise taxes on utilities, alcohol taxes, business and occupational licenses, and insurance premium taxes that, together, make up \$13.3 million of General Fund revenue. Other taxes received by the City reflect those levied on our tax bills for stormwater – our third “enterprise” operation -- as well as hotel/motel taxes, and taxes on motor vehicle rentals.



Fines and forfeitures account for an added \$4.4 million or 10% of revenues. In the General Fund, they reflect municipal court fines. The largest share, however, reflects restricted revenue in our Special Investigations Fund from our school speed enforcement measures. I am pleased to report that that program has proven successful in reducing speeding around four of our schools, with the intended result of fewer accidents and, most importantly, fewer injuries that result from traffic accidents. We have seen Gwinnett County and other local municipalities follow this same approach to improving traffic safety.

Expenditures – On the expenditures side of our budget, the all funds budget is \$42.5 million. Personal Services – the cost of compensation for our employees, accouts for \$13.5 million or 32% of expenditures. Purchased or contract services account for 31% or \$13.2 million. The single largest purchased or contract service is the City’s contract with Waste Management for solid waste, yard waste, recycling and bulk items removal – accounting for \$.4.9 million. In the General Fund, this type of expenditure covers a wide variety of services, including repair of vehicles, software (as a service), insurance, performers at City events, landscape maintenance, lighting services, and professionals: attorneys, auditors, engineers, and planning. Supplies account for \$10.7 million or 25% of expenditures. That type of expenditure largely reflects the City’s purchase of electricity for resale within the Electric Fund.



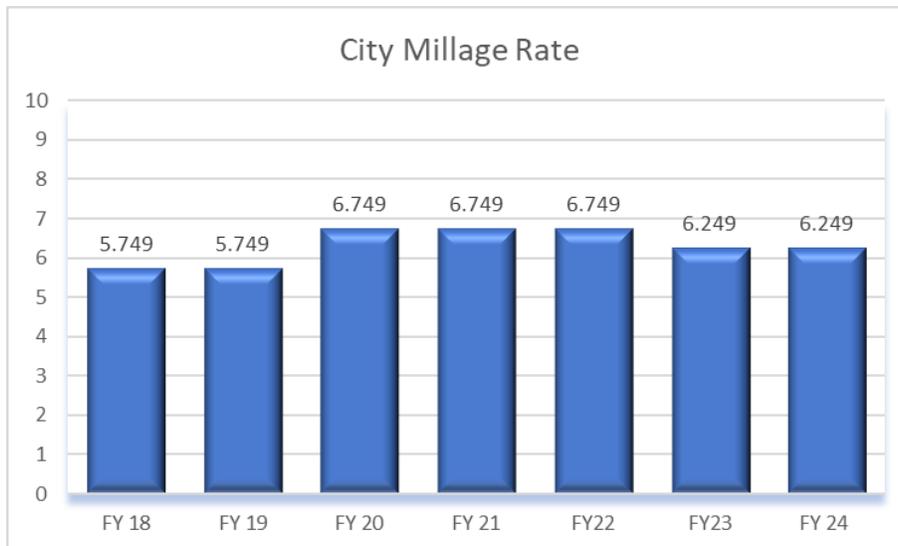
The following table presents each of these revenues and expenditures by fund, to further illustrate the composition of the City’s budget. Prior to final budget adoption, we will bring total expenditures in line with total revenues. There are significant surpluses in three funds: The Special Investigations Fund has a surplus of \$0.7 million – an amount that roughly approximates what we believe will be an annual contribution for a new Public Safety Building when construction is approved. The Motor Vehicle Rental Fund has a surplus of \$138,700 that we intend to use for initial costs on that Building. Finally, the Electric Fund has a surplus of \$0.8 million. When Plant

Vogle Units 3 and 4 become fully operational, we anticipate added costs associated with their construction that will impact the Electric Fund.

FY 24 All Funds Budget Summary ¹										
	General Fund	Special Investigations Fund	Motor Vehicle Rental Fund	Federal Seized Drug Fund	Technology Surcharges Fund	Hotel/Motel Fund	Stormwater Fund	Electric Fund	Solid Waste Fund	Total, All Funds
Revenues and Other Sources										
31 - Taxes	\$ 13,329,200		\$ 115,200			\$ 1,115,800	\$ 1,075,700			\$ 15,635,900
32 - Licenses & Permits	717,700									717,700
33 - Intergovernmental Rev.	208,400									208,400
34 - Charges for Services	592,300							14,497,400	4,949,500	20,039,200
35 - Fines & Forfeitures	1,443,100	2,787,600			119,900					4,350,600
36 - Investment Income	480,900	200	23,500			30,700	72,400	92,500	41,500	741,700
38 - Miscellaneous Revenue	181,400					-	-	68,600		250,000
39 - Other Financing Sources 2	2,131,597			3,500	72,600					2,207,697
Total	\$ 19,084,597	\$ 2,787,800	\$ 138,700	\$ 3,500	\$ 192,500	\$ 1,146,500	\$ 1,148,100	\$ 14,658,500	\$ 4,991,000	\$ 44,151,197
Expenditures/Expenses and Other Uses										
51 - Personal Services	\$ 10,974,780	\$ 744,138					\$ 364,584	\$ 1,326,314	\$ 137,178	\$ 13,546,994
52 - Purchased/contract Serv.	5,101,311	1,297,288			27,700	637,600	199,600	1,093,700	4,864,100	13,221,299
53 - Supplies	1,034,625	2,175		3,500	46,630		30,700	9,641,600		10,759,230
54 - Capital Outlay	291,197				118,100		600,000	192,700		1,201,997
57 - Other Costs ²	1,000							710,000		711,000
58 - Debt - Principal and Interest										-
61 - Other Financing Uses ²	1,650,000					478,200		874,001	66,200	3,068,401
Total	\$ 19,052,913	\$ 2,043,601	\$ -	\$ 3,500	\$ 192,430	\$ 1,115,800	\$ 1,194,884	\$ 13,838,315	\$ 5,067,478	\$ 42,508,921
Surplus/(Deficit)	\$ 31,684	\$ 744,199	\$ 138,700	\$ -	\$ 70	\$ 30,700	\$ (46,784)	\$ 820,185	\$ (76,478)	\$ 1,642,276
Notes:										
1. Excludes the budget for the Downtown Development Authority, a component unit.										
2. Other Financing Sources reflects transfers into the fund of drawdown of fund balance/net position. Other costs includes Customer choice buildouts and contract labor.										
Other Financing Uses reflects transfers, interdepartmental charges and, in the General Fund, the contingency.										

Key elements of this FY 24 budget

Millage Rate – First, we are recommending the millage rate remain at 6.249 mills. That is projected to generate, net of appeals, \$8,761,100 versus \$7,815,900 in the current, FY 23 budget – an increase of \$945,200 or 12.1%. As shown, the millage rate was increased by one mill in FY 20 and reduced by one-half mill last year for FY 23.



Merit Pay Increase – As I mentioned during our budget workshop, my highest priority was to ensure as competitive a pay increase as possible. This budget includes a 6% average merit increase for any employee with at least 3 months’ service as of September 1, the effective date. By comparison, in FY 23, we absorbed the remaining cost for the salary study (at a cost of about 3% in FY 23) that had been implemented in December the previous year, a 3% merit on September 1, and a one-time payment in December to all employees. I will also recommend that we increase our pay ranges by one-half of the 6% so that our pay ranges don’t fall behind other jurisdictions as quickly. The impact of moving our pay ranges is that we can offer higher pay for new hires and our longer-serving employees don’t top out in their pay ranges as quickly. It has been barely two years since we initiated the salary study. We should expect to fund our next update in the next budget process.

Capital Funding – My second highest priority was to provide capital funding for items that don’t qualify for SPLOST. The budget includes a General Fund commitment of \$1 million and we are providing a preliminary list of capital projects. I hope to trim some of those costs for vehicles before you adopt a final list. Importantly, we have about \$500,000 remaining in that capital fund from the FY 23 budget so we have capacity for projects you might want to see, or to carry funds over to FY 25. I will discuss below why I think that would make sense. We opened a new bank account for the 2023 SPLOST. As reflected in the Inter-governmental Agreement (IGA) you approved last year with Gwinnett County, 55% of that SPLOST revenue for the next six years will be allocated to Transportation, 30% to Administrative Facilities (to be used primarily for our Public Safety Building through an annual payment to the Urban Redevelopment Authority, which will issue debt), and the remaining 15% for Recreation. Once the master plan currently under development is completed, you will have the opportunity to both allocate remaining Recreation funds from the 2017 SPLOST as well as the allocation from the 2023 SPLOST. Available amounts are reflected in the Capital Project listing that we are providing for FY 24.

In the Electric Fund, we have anticipated costs to build out infrastructure. Earlier this year, we received a \$360,000 payment for the costs we will incur for the Prose development. That reflected the use of a policy change you approved to stop donating electric infrastructure for new developments at City expense. While you can always choose to donate infrastructure to incentivize a key development, that would be the exception to our new approach.

Budget Process – Every department worked through an exercise in OpenGov in which we were presented a “base budget” at the line-item level that was calculated based on several prior years’ actual expenditures. No one was obligated to accept that going forward but it did force all of us preparing departmental budgets to request funding for FY 24 in the context of those prior years’ actual experience. We can dive into OpenGov budgets for individual departments to see detailed notes that were inserted to explain why a line item needed to be greater than that base budget built on history. OpenGov provides five years of history, the current year, and the FY 24 budget.

Limited New Positions – There are limited new positions recommended for FY 24. The Police Department is still competing to fill the positions you approved for FY 23 that were intended to expand our crime suppression capabilities as well as to increase enforcement of trucks traveling in prohibited areas of the City as well as overall traffic enforcement.

In this FY 24 budget, the Police Department would get an administrative position to support Code Enforcement. Given the choice between an added Code Enforcement Officer or the administrative position, the Chief chose a position that can support all Code Enforcement Officers by doing the behind-the-scenes research needed to free up Officers to do their fieldwork. We all see regular evidence of our community’s interest in effective Code Enforcement.

A part time position at our Cultural Arts Center will be increased to full time. That provides added flexibility in scheduling usage of our facilities since we barely covered all hours of operation without that change. That cost will be largely offset by a 25 percent increase in the fees we charge for use of our facilities, as we discussed at a budget workshop in May.

The next position I would recommend if funding were available would be an added Court Clerk. We are already more efficient than other courts and if our cases were to grow, we’d be hard-pressed to keep up. We will monitor cases and fines and only come back with a recommendation regarding that position if the workload demands it. I raise that here because I think that once the Police Department can achieve the full staffing of positions authorized a year ago, we will need to move forward with the added position.

In addition to the requested Court Clerk and Code Enforcement Officer that are not included, an added full-time administrative position for the Cultural Arts Center and Welcome Center, and a full-time Cybersecurity position were not included. Each position we add creates an ongoing funding requirement and I shared with senior management early in the process that I would be conservative in recommending new positions this year in favor of a higher merit pay increase for all employees.

Funding has been identified within the Mayor and Council budget for up to \$20,000 in commitments to non-profits. We have not advertised the availability of funds, or I suspect we’d quickly eclipse that amount in requests, but we have requests from Lionheart for \$2,000 (actually, for this year, and for a GUIDE event for \$500. I do anticipate another \$5,000 request for the Norcross High School football team based on my conversation with the Coach, and I wanted to let you know that funding has been identified and you can, of course, modify that amount.

We have retained \$150,000 in contingency funds within your budget as well. We have historically not needed to use those funds to any degree, but it is important to know that you have funding available should a need or opportunity arise. Grants are a great example of where we might find an opportunity to seek funding that would require a match we had not contemplated in the budget process.

We increased funding for Norcross Public Arts Commission (NPAC) based on input from that group. They also have a project on our capital list. This sends what I believe is an important message of our commitment to art. There will likely be other requests as the group has its own master plan completed and looks to enhance the arts.

We recommend moving from Request Tracker for complaints to SEECLICKFIX, as discussed at the budget workshop. It should be a more user-friendly tool.

We have funded the replacement of IT servers facing end-of-life in early FY 24 (in the CIP) as well as planned for an annual operating expense for backup at a remote, secure site. The backup is a new cost more than \$100,000 annually. Given our changing world and the frequency of cyber attacks, as well as vulnerability to extreme weather or other events, having our backup a safe distance and in a secure facility is important.

Our annual events calendar has anticipated cost increases in some areas, for an increase of about \$30,000. We have anticipated the higher cost of our annual external audit, based on a sole respondent to our audit Request for Proposals (RFP). We have factored in a higher cost for software services within the Human Resources budget, with selection of the vendor anticipated through an RFP to be issued. We discussed that opportunity with you during our budget workshop. Some other costs may be fine-tuned in the operating and capital budget as we complete RFPs and bring recommendations to you for award.

We are recommending a \$500,000 drawdown of our fund balance to make an added contribution to our OPEB trust fund. The actual drawdown would likely be less or even zero depending on how FY 24 revenues come in against budget, and how much we may underspend the budget. Having made \$2 million in prior contributions, I think that ongoing \$500,000 contributions set the stage for the actuary who estimates our liability each year increasing the discount rate that converts future liabilities into current dollars. Adding this and comparable future commitments to the prior steps you have taken should result in an accelerating decline in the next few years in that liability. (Both the funding from the General Fund to our capital projects fund and for the OPEB contribution show up under the “Non-Departmental” expenses section of the General Fund.)

Considering the future budget in making recommendations for FY 24 – So why hold the millage constant this year and make a significant contribution to our capital program (CIP)? Given the runup in property values we have seen, there is some risk that future increases in property values could be much smaller or even reflect a decline in some types of property. There continue to be debates about a potential recession but a softening of property values could occur regardless of whether our economy slows or contracts. That could make next year’s budget difficult to balance with the same commitments reflected here.

Holding the line on millage after a reduction last year may provide critical revenue in the next year or two to meet still-rising personnel costs. Using a portion of this year's increased revenue in a non-recurring/one-time use frees up that same revenue next year for other needs if revenue growth is not sufficient, for example, to meet personnel costs. It is, in essence, a counter-cyclical strategy. With the recommended capital projects list, there would still be funding next year for capital projects without making the same \$1 million commitment from the General Fund that is reflected in these recommendations for FY 24

Regarding other General Fund revenues, we anticipate more franchise fees due to a combination of higher electric rates by Georgia Power and Jackson EMC in the areas of the City they serve, and significantly more sales of power to the CleanSpark facility that only purchased power for a fraction of last year. We also anticipate significantly higher interest income by shifting funds to the Georgia Fund 1 investment pool.

We have left room within the allocation of new Redspeed revenue (in the Special Investigations Fund) to support an annual debt payment towards purchase of a Public Safety Building. That would be supplemented with a drawdown of the fund balance that has accumulated in that fund as a down payment on the building.

The solid waste fund numbers are placeholders -- subject to updating once we adopt an addendum with Waste Management and discuss revised Solid Waste fees prior to budget adoption.

Stormwater fees are unchanged. As we move closer to completing our relining and replacement program – thanks, in large part to American Rescue Plan Act (“ARPA”) grant revenue, we will revisit fees to determine what level would be compatible with ongoing maintenance.

Electric fees are unchanged from the seasonal fees we are using for the third year. We will need to work with ECG on a new plan given the implications of Vogtle 3 and 4 coming online, as well as how fast we should shift to a heavier reliance on fixed, monthly fees versus the variable fees for electricity consumption to better match our revenue to our costs.

Moving forward, we look forward to your questions and our public hearings on the millage and budget process. A formal set of budget pages by fund and department is being assembled prior to meetings in July. In the meantime, I am providing material extracted from OpenGov to allow you the opportunity to review more detail on the budget without the need to navigate in the OpenGov transparency portal.

Respectfully submitted,

Eric Johnson

Eric R. Johnson

City Manager