



**Mayor:** Craig Newton • **Mayor Pro Tem:** Bruce Gaynor • **Councilmember:** Andrew Hixson • **Councilmember:** Josh Bare  
**Councilmember:** Matt Myers • **Councilmember:** Marshall Cheek • **City Manager:** Eric Johnson • **City Clerk:** Monique Philip

## FY 25 Budget Message

Residents and Businesses of Norcross:

It is my pleasure to report on the budget adopted by the Mayor and Council for the fiscal year that runs from September 1, 2024, through August 31, 2025 - a period we refer to as fiscal year 25 or “FY 25.”

### Budgeting Overview

The budget reflects a couple key aspects: Adoption of revenue estimates, and plans for spending/expenditures. In accordance with governmental accounting standards, the budget reflects a number of “funds” that reflect separate groups of revenues and the plan for their expenditure. Revenues that have no limitations are reflected in the City’s primary operating fund, the “General Fund,” while other revenues that have legal restrictions are reflected in other designated funds. Included in those restricted funds are three areas where the City operates a function similar to private companies, but still within the parameters of governmental accounting standards, as required by Georgia law.<sup>1</sup>

These three areas - known as enterprise fund operations - are stormwater, solid waste, and electricity. The City is responsible for collecting annual assessments against each property for the purpose of maintaining our stormwater infrastructure. Those assessments are collected on annual tax bills mailed in September. We were fortunate to allocate federal American Rescue Plan Act (“ARPA”) grant funding to significantly supplement our local assessment revenue to accelerate repairs to stormwater pipes throughout the City to address previously deferred maintenance. For solid waste, the City contracts for services with Waste Management. Residential customers are billed annually on their tax bill while commercial and industrial customers are billed monthly based on the type and frequency of service. Finally, the City provides electric service to a large portion of the

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<sup>1</sup> State and local governments follow generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB). GASB is tasked with recognizing the unique differences between governments and businesses, which operate under a different set of accounting standards. One area where GASB standards have been valuable in “shining a light” on the reporting of City obligations is post-employment benefits. Research found that governments frequently provided retiree benefits without a plan to pay for them given that they would be paid years in the future. GASB requires that governments identify and report their liabilities for retirement, and, in Norcross’s case, healthcare provided to retirees. The City conducts annual actuarial studies of both, and had modified commitments and adopted strategies to address those future costs.

City based on a geographic area determined in the early 1970's. The City bills all customers monthly. The City's electric system is referred to as Norcross Power, and it has successfully competed to provide power to large users outside of City limits through a "competitive choice" process. Most notable, the City powers an Amazon facility in and near Doraville where conversion to an all-electric fleet will enhance the City's energy sales.

The City has capital funds to pay for physical "infrastructure" improvements outside of these three enterprises. Notably, Gwinnett voters have approved a series of Special Purpose Local Option Sales Taxes ("SPLOST") that have historically provided funding for transportation, parking, recreation, and administrative facilities. The newest is the 2023 SPLOST, which will generate an estimated \$4 million per year for City infrastructure for six years beginning April 1, 2023. The City Council authorized 55% of that most recent SPLOST to transportation, 30% to administrative facilities, and 15% to recreation. Past SPLOST programs focused on building the Beaver Run Creek Greenway, joint funding transportation projects with Gwinnett County, improving City parks, and funding 47% of the cost of the new Norcross Library (which required a parking deck under the Library at its location adjacent to Lillian Webb Park). The 2023 SPLOST will allow the City to catch up on deferred maintenance of road resurfacing, fund a portion of the new Public Safety Building currently under design, and allow additional recreation improvements - leveraging recommendations from a recently-completed Parks, Greenspace, and Trails Master Plan.

The two largest "funds" in dollar amounts are the General Fund, and the Electric Fund. The former is dependent on tax revenues. Operationally, the largest City function other than reselling electricity is public safety services - primarily the Police Department. While we may be approaching a population of 20,000 residents, our police serve a far greater number of people when we consider those who work in, or simply pass through, our community each day.

Much of the City's operations continue annually without significant change other than updating costs. So, what is notable about the adopted FY 25 budget?

## **Revenues**

Total FY 25 revenues are \$47.7 million. Of that, \$20.6 million is General Fund revenue, which covers most day-to-day operations. Another \$15.2 million is accounted for by the Electric Fund. The balance is accounted for by other funds that reflect enterprise operations or special revenues that have spending limitations.

First, the overall millage rate remains unchanged at 6.249 mills. The City Council decided to break out 1/10<sup>th</sup> of a mill from that amount and create a new Economic Development Fund to highlight one of the uses of property tax revenue. As a result, the General Fund will receive revenue from 6.149 mills (\$9.75 million) while the balance of property tax revenue (\$160,000) has moved to a new fund along with an equivalent amount of economic development expenditures previously budgeted in the General Fund.



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Electric rates will be slightly restructured in November as the City's Winter rate schedule goes into effect to lower the cost per kilowatt hour but increase monthly base fees. This new structure better reflects that the City's cost of providing electricity is heavily skewed towards fixed costs, not variable costs.

Solid waste rates increase, effective with September billing, by the growth in the Consumer Price Index for utilities - matching the increase in the City's cost for services under the Waste Management contract. All residential customers will continue to be partly subsidized by commercial customer rates and seniors will continue to pay one-half of the residential rate. Total revenue for FY 25 is projected to be \$5.6 million.

Fines were raised by the City Judge, effective July 1, after several years remaining unchanged. With a rapidly increasing number of non-residents driving in Norcross on weekdays, increased enforcement will be necessary, and that is also factored into revenue assumptions.

Automated school zone citations reflect a fixed, \$25 administrative fee in lieu of credit card fees previously charged. The actual cost for administering the system exceeds the administrative fee. This restricted revenue is used for police operations as well as construction of the new Public Safety Building.

The FY 25 budget reflects the payments due from the Downtown Development Authority ("DDA") for the purchase of 29 Jones Street. The City financed the DDA purchase over fifteen years - investing City funds to earn a rate of return of 5.5 percent.

We assumed a 20% increase in business license revenue through a combination of increased compliance, collection of charges for late payment, and normal growth in businesses operating within the City. I know there is interest in changing to a different basis using taxable income rather than simply number of employees. We will have the opportunity to discuss that before the next round of license renewals.

## Expenditures

Total FY 25 expenditures are budgeted at \$45.7 million with the \$2.0 million in budgeted revenue (all in restricted funds) available for appropriation during the year. General Fund expenditures are budgeted at \$20.6 million, while Electric Fund expenditures are budgeted at \$15.1 million.

New positions are minimized, focusing on the three new police officers the City Council approved during FY 24 for traffic control, one additional communications officer, and another court clerk. There were new position requests that I did not recommend from

Clerk, HR, Cultural Arts, and IT. In each case, I want to ensure we are maximizing the use of existing resources before requesting additional ones.

We implemented a new salary study, effective with the first payroll in FY 25. Part of the cost was embedded in departmental budgets based on the cost of police salary increases earlier this calendar year that were factored into the FY 25 budget, as well as the 2% merit increases for other employees that was also given in February. The FY 25 budget also factored in current costs including the cost of recent higher-cost hires. The balance of funding has been placed in a contingencies line within the budget for the Mayor and Council. It can be realigned to department budgets during the year as may be needed. The purpose of the salary study was to benchmark pay ranges for City of Norcross positions against competing local governments within the metro area. Once the ranges were adopted, employees' salaries were adjusted, as necessary, to place them within their new range at a comparable place. For example, an employee 30% into their old range was placed 30% into their new range. A salary study is intended to maintain the City's competitiveness in the job market. The last study was done three years earlier.

While there was discussion of revisiting homestead exemptions, that discussion will occur in the next few months. It would require Council approval, approval of a local act by the Georgia Legislature in 2025, and approval by Norcross voters in a local referendum. A statewide vote on a proposed Constitutional Amendment is scheduled for the November General Election that, if passed, would limit annual growth in the value of homestead property for the purpose of local taxation. On passage, local taxing authorities would need to decide whether to opt out of the provisions or be automatically included.

New capital projects focus on vehicle replacements, and vehicles for new police positions. For two detective vehicle replacements, we plan to move to Toyota Camry hybrids - with 52 mpg. As we replace an aging full-size pickup, Code Enforcement will add another Ford Maverick hybrid. These replacements reflect an ongoing commitment to sustainability. With high cost increases by Ford for Explorers that we have previously purchased, we will shift to the more cost-effective Dodge Durango for replacement patrol vehicles and to cover new police officers. We are downsizing a truck being replaced in Public Works. We also anticipated a vehicle replacement for Norcross Power.

We will be capturing every opportunity to invest cash into the Public Safety Building to reduce the need for long-term debt -- and that will continue until we have no option but to use the Urban Redevelopment Authority to access future SPLOST funding, and then finance the balance of the project using long-term debt that relies on school zone and other revenues. Applying cash to the cost of construction reduces the future annual debt payments much as a larger down payment on a mortgage reduces future mortgage payments. The building will generate future maintenance costs so the strategy to reduce debt payments is important to balancing future budgets.

We shifted to a plan year for healthcare that runs from January through December. We assumed a 5% increase in the City's costs in FY 25, which would cover an increase in January of 7.5% for the remaining eight months of the FY 25 fiscal year. It is far too early



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to know if we can hold premium increases to that level, but we have done a good job in recent years of holding down costs for the City and our employees.

There is no OPEB contribution (“Other Post Retirement Benefits” excluding retirement) budgeted in FY 25. I would suggest we revisit that when the books close for FY 24 and consider using part of any surplus to make a contribution. We also have the potential to make a future contribution from the Electric Fund since part of our liability is based on employees in that Fund. By capping enrollment, having retirees contribute a growing share of their cost of coverage, and making a significant deposit into our trust fund (\$2.5 million committed to date), I expect our liability to shrink as subsequent annual actuarial reports are provided - unless healthcare costs shoot up.

No new events are funded. We currently manage more events each year than surrounding communities. With Red, White and Boom’s timing next year, we expect to have seven Summer Concerts rather than eight. That allows a little more to spend on those concerts. We plan to increase the price of attending our Father-Daughter dance given the high cost per participant -- \$37 per attendee this year for each of 83 attendees. The proposal is to increase our fee from \$6 per couple to \$35. That would still have the City subsidizing 55% of the projected cost as we increase available attendance to allow 120 attendees.

I appreciate the leadership of the Mayor and Council in addressing values and concerns of our community and as City Manager, the budget they have adopted provides my staff and me with the ability to implement their vision for the City.

Eric Johnson  
City Manager