



January 18, 2007

To the Mayor and City Council:

The fiscal year 2007 budget recommendation defined four key financial factors considered as priority during the compilation and balancing of the final budget. Those key factors were

- Sustainability of existing services
- Meeting the deployment schedule for City operations
- Initial contribution to operating reserves
- Maintaining the quality of life for constituents, citizens, and businesses through capital programming

The revenues approved as part of the fiscal year 2008 budget are:

Property Taxes	\$	6,868,142
L.O.S.T		2,496,629
Alcohol Beverage Excise Tax		15,000
Business & Occupation Tax		600,000
Financial Institution Tax		25,000
Franchise Fees		823,000
Hotel/Motel Tax		25,497
Intangible Tax		201,000
Motor Vehicle Tax		345,911
Real Estate Transfer Tax		59,940
Licenses & Permits		181,727
Charges for Service		284,332
Fines & Forfeitures		416,000
Interest		2,500

The expenditures by department approved as part of the fiscal year 2008 budget are:

City Manager	\$	796,816
City Clerk		171,488
Community Development		1,123,388
Community Services		1,448,440
Legal Services		110,000
Mayor and Council		297,368
Municipal Court		329,521

Operations	2,060,543
Public Safety	4,721,935
Non-Departmental	389,000
Contingency	246,894

In appropriating general fund resources to sustain existing services and meet the deployment schedule for City Operations, the top five revenue and expenditure sources became:

Revenue:

Property Tax Revenue	\$6,868,142
Local Option Sales Tax	\$2,496,629
Franchise Fees	\$ 823,000
Business Occupation Tax	\$ 600,000
Fines & Forfeitures	\$ 416,000

Expenditures:

Contracted Service with CH2M Hill	\$5,185,333
City Position Salary Costs	\$1,877,177
Fulton County IGA for Public Safety	\$2,028,000
Property & Casualty Insurance	\$ 329,000
Capital Lease Payment - Machinery, Equipment, and Vehicles	\$ 262,785

During the public hearings associated with the approval and adoption of the fiscal year balanced budget, staff and council also discussed the possibility of additional budget appropriations during the fiscal year, as unanticipated expenditures during initial deployment were likely to occur.

FRANCHISE FEES

As requested, staff conducted a review of the alternatives to assessing franchise fees. Franchise fees are the third highest revenue source, behind property taxes and local option sales tax. There are no revenue alternatives to replace the \$823,000 in estimated franchise fees.

In addition to the approved budget expenditures, staff has been accumulating unanticipated and/or unplanned expenditures that will be presented to the council at a later time for budget appropriations. These items include known/estimated costs and areas of unknown costs and include:

Building Permit for City Hall	\$ 19,000
Additional Funds for Public Safety Recruitment	26,000
Street Lighting Expenses	220,000
Capital Asset Infrastructure Evaluation	30,000
Savings from CH2M Hill Insurance Costs	<u>(200,000)</u>
Net Estimate for Additional Appropriations	\$ 95,000

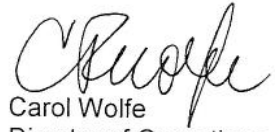
CH2M Hill Change Order for Council Chambers	unknown
CH2M Hill Change Order for HR and IT support to Public Safety	unknown

There are also fiscal year 2008 budget impacts not included in the fiscal year 2007 budget:

City Hall Lease Payment	\$136,902
CPI and Compensation Increases in CH2M Contract	unknown

In summary, a reduction of the franchise fee revenue would necessitate a reduction in budgeted expenditures. It is the opinion of staff that in the fiscal year 2007 budget, a reduction of expenditures would result in a reduction of service. If the City Council chooses to amend the current budget, eliminating franchise fees, the identification of service level and expenditure decreases would be necessary in order to re-balance the current budget.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'C Wolfe', written in a cursive style.

Carol Wolfe
Director of Operations