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BUDGET MEMO

To: Mayor and Council

From: Cindy Jackson, Chief Financial Officer

Date: December 9, 2013

CC: Ty Ross, City Administrator

Attached for Mayor and Council review is the proposed 2014 balanced budget as required by Georgia statute. The budget contains a summary of revenues and expenditures for the General Fund and eight other funds. A tax increase is not recommended in this budget.

A detailed capital budget is not presented at this time. At the recommendation of the Finance Committee, a detailed capital budget will be submitted after the close of the current year end; however, funds of $481,270 have been set aside for capital expenditures. Departments have submitted capital requests in the amount of $2.8 million. This includes requests for rolling stock $1.5 million, facility upgrades $501,000, other equipment $251,000, and new construction $575,000.

The Proposed General Fund 2014 Budget is $30,180,205. The following is an overview of the 2014 general fund budget summary document attached:

Revenues: The total 2014 budgeted revenues increased 2.9% when compared to the 2013 budget budgeted revenues. The most significant change is revenue derived from the Title Ad Valorem Tax (TAVT) implemented in March of 2013. The uncertainty of the impact of this tax on the sales tax and birthday tax has made budgeting a bit difficult. Actual revenues have far exceeded projected for 2013. Based on 2013 annualized numbers, it is anticipated the net impact on sales tax, vehicle ad valorem tax, and TAVT is an increase of $629,500. We have seen a nominal impact in regards to the elimination of the sales tax on energy in 2013 (phased in over 4 years).

Property Taxes: Assessed property values are expected to decrease 2%. Property taxes account for 25.6% of total budgeted revenues. Of that amount, only 22% is residential properties.

Utility Transfer: The transfer fee from Dalton Utilities is expected to increase 4.3% ($384,000) based on 2013 projections obtained from the Utility administration. The transfer fee accounts for 30.6% of the total budgeted revenues and is paid to the City in quarterly installments. The transfer fee is based on a formula in accordance with City Ordinance 03-36.

Expenditures: Departmental budget requests increased 6.5% while operating and capital transfers decreased 43.6%. Two major employee benefit increases impacted all departmental budgets in the 2014 budget requests. The defined benefit pension plan employer contribution rate increase and the increase in health insurance costs. The employer's portion of the defined benefit contribution rate increased to 35.21% from 22.4%. An actuarial valuation is completed each year and the City budgeted a $400,000 contingency in the 2013 budget to cover the anticipated increase. Thus the net pension increase from the 2013 budget is substantial less at $437,000. Health insurance premiums increased 2% from 2013 and the added cost of the Affordable Care Act imposed an additional 4.5% increase. A portion of the health care increase was passed along to the employee (1%). The impact on the 2014 budget is estimated at $121,000.

Paving Schedule: The 2014 budget includes an increase in the infrastructure budget of $947,715. This is due to the majority of paving for 2013 being performed with SPLOST funds managed by Whitfield County. Funds set aside for paving have been exhausted and the paving schedule will now fall within the general fund budget. This expenditure is offset by $263,915 of LMIG funds and $102,500 paving to be performed by Whitfield County under the Service Delivery Agreement.

Capital Transfers: Budgeted capital transfers decreased 47.4% due the retirement of the Heritage Park land debt, completion of the Lakeshore soccer field project, and the Abutment Road resurfacing project.

The City continues to maintain a healthy fund balance in order to be sustainable during economic downturns and emergency situations. The City's financial health is contingent upon prudent fiscal policies and spending coupled with adequate internal controls to safeguard the City's assets.

Please contact me if you have any questions or concerns.

PROJECTED REVENUES AND OTHER SOURCES
General Fund Summary

REVENUES	2012 Actual	2013 Budget	2014 Budget	% Change	% 2014 Budget
Millage Rate	2.697	2.616	2.616		
Property Tax (excludes vehicle tax)	$ 9,303,685	$ 8,225,000	$ 7,738,000	-5.9%	25.6%
Vehicle tax	423,440	280,500	350,000	24.8%	1.2%
Intangible tax	53,483	47,000	35,000	-25.5%	0.1%
Real estate transfer tax	10,187	9,000	11,000	22.2%	0.0%
Title ad valorem tax	-	150,000	850,000	466.7%	2.8%
Local option sales tax	2,733,981	5,540,000	5,400,000	-2.5%	17.9%
Insurance premium tax	1,650,441	1,600,000	1,700,000	6.3%	5.6%
Alcohol beverage tax	750,223	705,000	735,000	4.3%	2.4%
Franchise tax	481,914	480,000	503,000	4.8%	1.7%
Total Other Taxes	6,103,669	8,811,500	9,584,000	8.8%	
Alcohol beverage license	235,542	235,000	240,000	2.1%	0.8%
Occupation taxes	751,320	740,000	735,000	-0.7%	2.4%
Total Licenses	986,862	975,000	975,000	0.0%	
Fines (net of refunds)	377,421	533,100	400,000	-25.0%	1.3%
Total Fines & Forfeitures	377,421	533,100	400,000	-25.0%	
Recreation fees	324,948	332,350	393,250	18.3%	1.3%
Garbage fees & recycling	7,763	3,000	3,000	0.0%	0.0%
Public works fees	52,725	55,000	55,000	0.0%	0.2%
Cemetery fees	27,960	25,000	25,000	0.0%	0.1%
Municipal court fees	767,234	849,160	700,000	-17.6%	2.3%
Total Charges for Services	1,180,630	1,264,510	1,176,250	-7.0%	
Whitfield County & Housing Authority	804,173	48,700	151,200	210.5%	0.5%
State and federal grants/contracts	13,077	8,430	273,815	3148.1%	0.9%
Total Intergovernmental	817,250	57,130	425,015	643.9%	
Penalties and fines	129,393	78,600	65,600	-16.5%	0.2%
Investment earnings	124,692	120,000	123,000	2.5%	0.4%
Rental income	250,832	215,500	228,620	6.1%	0.8%
Donations	1,820,028	10,500	8,000	-23.8%	0.0%
Reimbursements	156,991	125,000	130,000	4.0%	0.4%
Sale of property	27,752	-	5,000	N/A	0.0%
Miscellaneous	242,942	54,000	71,720	32.8%	0.2%
Total Miscellaneous	2,752,630	603,600	631,940	4.7%	
Total Operating Revenue	21,522,147	20,469,840	20,930,205	2.2%	
Other Financing Sources					
Transfer in (hotel/motel tax)	246,311	-	-	N/A	
Transfer in (WLSF)	9,469,000	8,866,000	9,250,000	4.3%	30.6%
Total Other Financing Sources	9,715,311	8,866,000	9,250,000	4.3%	
Total Revenue & Other Sources	$ 31,237,458	$ 29,335,840	$ 30,180,205	2.9%	100.0%

PROJECTED EXPENDITURES & OTHER USES
General Fund Summary

	2012 Actual	2013 Budget	2014 Budget	% Change	% 2014 Budget
EXPENDITURES					
General government and administration:					
Elections	$ 20	$ 25,000	$ 14,000	-44.0%	0.05%
Legislative	126,931	142,815	155,880	9.1%	0.52%
Administration	334,888	384,880	339,240	-11.9%	1.12%
Special activities	21,578	2,500	2,500	0.0%	0.01%
Contingency - Pension Shortfall	-	400,000	-	-100.0%	0.00%
Contingency	-	136,260	150,000	10.1%	0.50%
City Clerk	235,792	250,605	253,620	1.2%	0.84%
Technology	157,895	169,815	261,925	54.2%	0.87%
Finance	611,184	567,035	587,270	3.6%	1.95%
Municipal Court	362,015	419,150	445,990	6.4%	1.48%
Human Resources	345,082	310,375	330,245	6.4%	1.09%
General government - buildings	-	181,500	179,500	-1.1%	0.59%
Public safety:					
Fire	6,758,245	7,339,950	7,834,260	6.7%	25.96%
Police	6,680,632	7,139,090	7,407,920	3.8%	24.55%
Streets & sanitation:					
Public Works	5,954,357	6,214,990	6,436,330	3.6%	21.33%
Infrastructure	2,652,634	10,000	957,715	9477.2%	3.17%
Culture and recreation:					
Recreation Department	2,906,920	2,968,435	3,076,270	3.6%	10.19%
Payments to other agencies	577,289	578,195	566,545	-2.0%	1.88%
Total Departmental Expenditures	27,725,462	27,240,595	28,999,210	6.5%	
TRANSFERS					
Senior Center	150,000	170,000	170,000	0.0%	0.56%
Airport Fund	1,925	-	-	N/A	0.00%
CHIP Grant Fund	1,894	5,000	-	-100.0%	0.00%
Total Operating Transfers	153,819	175,000	170,000	-2.9%	
Debt Service Fund	577,067	432,590	392,090	-9.4%	1.30%
Trail Grant Fund	778	7,000	-		
TE Grant Fund	78,617	95,000	40,000	-57.9%	0.13%
Airport Grant Fund	2,746	8,315	97,635	1074.2%	0.32%
Capital Projects Fund	2,506,699	798,840	-	-100.0%	0.00%
Capital Acquisitions Fund	472,076	578,500	481,270	-16.8%	1.59%
Total Capital Transfers	3,637,983	1,920,245	1,010,995	-47.4%	
Total Expenditures & Other Uses	$ 31,517,264	$ 29,335,840	$ 30,180,205	2.9%	
Revenues Over (Under) Expenditures	$ (279,806)	$ -	$ -	N/A	100.00%

City of Dalton
Other Required Budgeted Funds
2014 Proposed Budget

	Debt Service	Capital Projects
Revenues		
Payment in Lieu of Property Taxes	$ 53,000	$ -
Intergovernmental - federal and state	110,490	-
Total Revenues	163,490	-
Expenditures		
General government and administrative	3,000	-
Captial expenditures	-	481,270
Debt service - principle & interest	552,580	-
Total Expenditures	555,580	481,270
(Deficiency) of Revenues (Under Expenditures)	(392,090)	(481,270)
Other Financing Sources (Uses)		
Transfers in (out)	392,090	481,270
Total Other Financing Sources (Uses)	392,090	481,270
Net Change in Fund Balance	$ -	$ -

City of Dalton
Other Special Revenue Funds
2014 Proposed Budget

	Hotel Motel Tax	Confiscated Asset	SPLOST Budget	CDBG Fund	TE Grant Fund	Airport Grant Fund
Revenues						
Hotel motel taxes	$ 1,163,000	$ -	$ -	$ -	$ -	$ -
Taxes - SPLOST	-	-	4,195,000	-	-	-
Forfeitures & Seizures	-	75,000	-	-	-	-
Intergovernmental - federal and state	-	-	-	285,000	500,000	1,843,875
Investment earnings	3,000	175	-	-	-	-
Total Revenues	1,166,000	75,175	4,195,000	285,000	500,000	1,843,875
Expenditures						
General government and administration	-	-	-	40,000	-	-
Facilities, housing and infrastructure	-	-	4,195,000	215,000	540,000	1,941,510
Public safety	-	73,250	-	-	-	-
Public service	-	-	-	30,000	-	-
Tourism	1,166,000	-	-	-	-	-
Total Expenditures	1,166,000	73,250	4,195,000	285,000	540,000	1,941,510
(Deficiency) of Revenues (Under Expenditures)	-	1,925	-	-	(40,000)	(97,635)
Other Financing Sources (Uses)						
Transfers in (out)	-	-	-	-	40,000	97,635
Total Other Financing Sources (Uses)	-	-	-	-	40,000	97,635
Net Change in Fund Balance	$ -	$ 1,925	$ -	$ -	$ -	$ -