



CITY OF ATLANTA

SHIRLEY FRANKLIN
MAYOR

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Dear NPU Chairperson,

While weathering a recession, Atlanta has enacted spending cuts, new revenue initiatives and budget policies to save city government \$100 million of the current budget shortfall. As a last resort, I have proposed a modest property tax increase to generate the remaining \$40 million and balance the 2009 fiscal budget. All the while, my administration has preserved our commitment to public safety – which is a key concern voiced at neighborhood planning unit meetings.

I have met with thousands of you to discuss the budget, and that is a testament to your engagement as citizen activists. Much incorrect information, however, is still prevalent among the dialogue in the media and other meetings, and I take full responsibility for getting you all the facts. I hope the enclosed documents clear up any remaining misinformation or misunderstanding, and that you will share the information with your residents and constituents in an effort to move forward on my administration's proposal for a balanced budget.

Our finance department has accepted this challenge as an opportunity to seriously examine the City's financial policies and procedures, and we found some things that may surprise you. For instance, we now serve the largest population Atlanta has ever seen with fewer employees than when I took office.

My staff has given me complete confidence in these figures, and I take seriously our partnership as stewards of the City. We will continue to implement accounting reforms to improve spending and give taxpayers greater confidence in local government. I hope you will join me in communicating the importance of this decision to your neighbors and elected leaders.

Sincerely



Shirley Franklin

CC: Atlanta City Council

Mayor Shirley Franklin's Plan to Balance the FY09 City Budget

Facts

- Since 2002, pension and health insurance costs have increased by \$102 million and are largely responsible for the City's \$140 million shortfall. Those costs now represent more than 25 percent of the City's budget, while other factors have also compounded the problem, including the economic slowdown (nearly 20 percent of revenue comes from sales taxes), increased population growth and greater demand for city services.
- Mayor Franklin has successfully replaced \$100 million in lost revenues by enacting spending cuts (\$57 million), revenue initiatives (\$28 million) and new budget policies (\$15 million). As a last resort, she proposed a 4.8 percent property tax increase to generate the remaining \$40 million and balance the FY09 budget.
- Atlanta collects tax revenue on behalf public schools and county and state governments. Although it delivers the majority of services to residents and taxpayers, only 21 cents of each dollar is allotted to the City's general fund. Of the remaining 79 cents, Atlanta Public Schools receive 54 cents, Fulton or DeKalb County gets 24 cents, and the State of Georgia collects one cent.
- The City's property tax rates have dropped more than 18 percent or 1.94 mills since 2002, while some other taxing entities have increased their shares. Lowering Atlanta's percentage was not mandated; Mayor Franklin has annually approved legislation to return that money to the taxpayers.
- The City's payroll has gotten smaller under Mayor Franklin's leadership. The current workforce employs 935 professionals for every 100,000 residents – which is Atlanta's lowest per capita level this decade and equal to our peer city average.
- Atlanta is the economic engine of the state – attracting residents, tourists, jobs and development. With combined levies of sales, income and gasoline taxes on Atlanta residents, the State collects more revenue in Atlanta than the City collects. But Georgia shares only three percent of our expenditures compared to the national average of 18 percent. Every other state but one makes larger investments in their cities through revenue-sharing. Atlanta needs cooperation from Georgia in order to address infrastructure needs and keep taxes low.
- The Mayor's budget proposal is available online at www.atlantaga.gov in unprecedented detail, and she has met with thousands of citizens to discuss the budget and other issues. Her office continues to implement accounting reforms to improve spending and give taxpayers greater confidence in local government.

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Mayor Shirley Franklin's Plan to Balance the FY09 City Budget *Myths vs. Facts*

01 MYTH: The City of Atlanta's budget deficit is a result of negligence.

FACT: Several factors have contributed to Atlanta's \$140 million budget shortfall, including the economic slowdown (nearly 20percent of revenue comes from sales taxes), increased population growth and greater demand for city services. Mayor Franklin has pledged to leave the next administration with a balanced budget and surplus by 2010. She has successfully replaced \$100 million in lost revenues by enacting spending cuts (\$57 million), revenue initiatives (\$28 million) and new budget policies (\$15 million). As a last resort, she proposed a 4.8 percent property tax increase to generate the remaining \$40 million and balance the FY09 budget.

02 MYTH: The Finance Department is poorly run and relies on a number of inefficient practices.

FACT: Her first year in office, Mayor Franklin inherited an \$82 million deficit and balanced the budget. Like other core functions of city government – such as technology or legal, finance and budgeting were substantially broken when she took office. In 2005, the City began an aggressive push, under the direction of CFO Janice Davis, to improve the operating procedures and technology for the finance department. The new ERP (enterprise resource planning) system is the centerpiece of those improvements, enabling the City to better control spending, provide real-time snapshots of its financial health and avoid shortfalls in the future. These changes have uncovered more practices that need updating, and the administration has addressed those opportunities for improvement as soon as they were discovered.

03 MYTH: Atlanta city government has grown too large and expensive.

FACT: The City's payroll has shrunk under Mayor Franklin's leadership. She cut 1,404 positions from the General Fund, (reducing her own staff by 50 percent) and scaled back non-essential city services. The FY09 workforce employs 935 professionals for every 100,000 residents – which is Atlanta's lowest per capita level this decade and equal to our peer city average. Leveraging efficiencies in technology, public-private partnerships, and a host of best practices, we now serve more Atlantans than ever before with fewer employees.

04 MYTH: City spending cause property tax rates to climb higher every year.

FACT: Atlanta's property tax bill consists of taxes levied by the State of Georgia, Fulton and DeKalb Counties, Atlanta Public Schools, and the City of Atlanta. Atlanta's portion accounts for less than 25 percent of the total annual bill, and Atlanta has rolled back its millage rate each year since 2003. In fact, the City's property tax rates have dropped more than 18 percent or 1.94 mills since 2002. Those adjustments were not mandated; Mayor Franklin has annually approved legislation to return that money to the taxpayers. As a last resort and after every acceptable cost-cutting measure has been applied, a modest tax increase will be used to close the revenue gap from the previous year.

05 MYTH: The budget process is archaic and conducted in secret.

FACT: Open and honest government is the hallmark of Mayor Franklin's administration. Her budget proposal is available online at www.atlantaga.gov in unprecedented detail, and she has met with thousands of citizens all over Atlanta to discuss the budget and other important issues. Her office continues to implement accounting reforms to improve spending and give taxpayers greater confidence in their government. With this administration, the City's financial infrastructure has been modernized and greatly improved.

06 MYTH: City Council has offered a budget that doesn't require raising taxes.

FACT: The Council has not offered an alternative to Mayor Franklin's budget proposal. But to consider cutting the remaining \$40 million from public safety means the City would lose 265 police officers, 90 firefighters and six fire stations. Keeping Atlantans safe is one of Mayor Franklin's highest priorities, and she refuses to turn back the clock on the enormous gains the City has made in public safety.

07 MYTH: Atlanta spends every property tax dollar that comes in.

FACT: It may come as a surprise that the City of Atlanta spends just 21 cents of every property tax dollar that it collects, while delivering the majority of services to residents and taxpayers. The remaining 79 cents support the Atlanta Public School System (54 cents), Fulton County (24 cents), and the State of Georgia (one cent). In fact, the City's property tax rates have dropped more than 18percent, or 1.94 mills since 2002.

08 MYTH: Revenues for special projects like the water/sewer overhaul should be redirected to fix the budget shortfall.

FACT: Repairs to the City's water and sewer infrastructure were federally mandated to ensure clean water for all Atlantans. Additionally, projects performed under the consent decree derive funding from the City's Enterprise Fund, not the General Fund. Those monies are generated from low-interest loans made by the state, as well as MOST (municipal option sales tax) and SPLOST (special local option sales tax) revenues. Those one cent sales taxes were overwhelming approved by Atlanta's voters, and the funds are legally prohibited from entering the General Fund.

09 MYTH: Atlanta has historically mismanaged its obligations to police and fire pensions.

FACT: Since 2002, pension and health insurance costs have risen by \$102 million and now represent more than 25 percent of the City's budget. Additionally, new rules from the Government Accounting Standards Board (GASB) now require cities to disclose future pension obligations. This dilemma is not unique to Atlanta, as many cities are struggling to meet these financial burdens. But pensions are vitally important to our City government, since Atlanta does not participate in Social Security, and our retirees rely almost entirely on pension income and personal savings.

10 MYTH: The City pays too much for employee pension benefits.

FACT: The City of Atlanta does not participate in Social Security, saving money that can be directed toward pension plans. And because public safety workers' salaries are below national averages, in 2001, Atlanta began matching contributions up to six percent of employee salaries. Actuaries reported that without this reform, most Atlanta employees would be destitute in retirement. Local government pension multipliers average two to three percent, while Atlanta uses a 2.5 percent multiplier. City employees receive only 50 percent of their former salary through pension plans, which is below the national average of 80 percent that most people receive from their combination of private pension and Social Security benefits.

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For more information on the City's FY09 budget proposal, please visit www.atlantaga.gov.

Mayor Shirley Franklin's Plan to Balance the FY09 City Budget *Funding Public Safety Pensions*

- The City was not required to fully fund pension liabilities in each fiscal year until 2006, when new guidelines from the Government Accounting Standards Board (GASB) took effect. Since 2002, pension and health insurance costs have risen by \$102 million and now represent more than 25 percent of the City's budget.
- Because Atlanta does not participate in Social Security, City employees rely almost entirely on pension income and personal savings in retirement. Additionally, Atlanta's public safety workers' salaries are below national averages, so in 2001, the City began matching contributions up to six percent of employee salaries.
- Most local government pension multipliers average two to three percent, while Atlanta uses a two and a half percent multiplier. On average, City employees receive 50 percent of their former salary through pension plans, which is below the national average of 80 percent that most people receive from a combination of private pension and Social Security benefits.
- The City pension funds are well-managed and consistently perform above the market. However, the State of Georgia limits investment in private sector vehicles, which could increase our returns and save taxpayers money.
- Atlanta has proactively reformed its pension programs, capping pension payments at 80 percent of income (though most retirees receive only 50 percent) in 2005 and introducing a 401(a) plan for new employees making more than \$40,000 annually in 2001.
- Since 2002, crime is down 10 percent overall. Mayor Franklin continues to recognize public safety as one of the City's top priorities.
- The Mayor's budget proposal is available online at www.atlantaga.gov in unprecedented detail, and she has met with thousands of citizens to discuss the budget and other issues. Her office continues to implement accounting reforms to improve spending and give taxpayers greater confidence in local government.

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