



## CITY OF ATLANTA

SHIRLEY FRANKLIN  
MAYOR

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January 31, 2005

Honorable Lisa Borders  
and Members of Atlanta City Council  
55 Trinity Avenue, SW  
Suite 2900  
Atlanta, Georgia 30303

Dear President Borders and Members of the Council:

The Department of Finance has completed its year-end accounting process. Equipped with this information, the administration is now in a position to issue final recommendations for the 2005 Budget. These recommendations are based on strategic priorities that were outlined in the letter to City Council, dated November 23, 2004, which articulated reasons for the line item vetoes to Ordinance #04-O-1919.

City revenues for 2004 totaled \$475,521,240. This amount is less than 3% above the Office of Budget & Fiscal Policy's Tentative Budget projection. After the 2005 budget is balanced for the additional revenue and appropriation payables, the remaining funds available for appropriation total \$18,151,349.

As you are aware, the Muller/Maddox Amendment passed during consideration of the 2005 Tentative Budget guides the appropriations of these funds. This amendment first set aside funds for the completion of the Campbellton Road Corridor Study at a cost of \$52,800, and then earmarked up to \$5,000,000 for salary adjustments based on a study to be completed by the Department of Human Resources. One-half of the remaining funds were to be designated for a corresponding property tax rollback, and the rest was to be allocated to unfunded priorities.

City of Atlanta taxpayers have been patient and understanding as the administration and legislative body have worked together to restore our city to fiscal stability. This cooperative spirit has presented an opportunity to provide progressive tax relief to our stakeholders. In accordance with the Muller/Maddox amendment as approved in Ordinance #04-O-1919, one half of the remaining funds available will result in a .45 mil rollback in the 2005 property tax bills, for a total dollar amount of \$7,162,580.

After careful consideration of our common goal of a fiscally healthy city, please find contained herein recommendations that span seven categories.

### Self-Insurance Reserve

In order to shield the City and its employees from the projected double-digit percentage increases in healthcare costs, the City decided to self-insure several of its medical and dental plans. Under the self-insurance model, the City bears the risk traditionally borne by the insurance companies in exchange for a reduction in the size of the healthcare cost increase. To protect the City against the risk that the actual costs will exceed the cost projected by our healthcare consultant, the administration recommends establishing a self-insurance reserve of \$1,000,000.

### Restricted Reserve

As part of the ongoing commitment to preserve our financial well-being, \$546,738 additional dollars will be placed in a restricted account to meet the 5% of appropriations reserve requirement. This will bring our total restricted reserve for 2005 to \$26,513,951.

### Salary Adjustments

Since the beginning of the Franklin administration, the Department of Human Resources (DHR) has reviewed approximately 700 or 58% of the City's 1,200 job classifications. As committed to during budget discussions, DHR embarked on a compensation review of the remaining 500 job classifications for market competitiveness and internal relationships. The study began in December 2004 with a completion date of January 31, 2005. Because of this compressed time schedule, the study was conducted with the assistance of an outside consulting firm. DHR and the consultants recommended grade changes for approximately 110 job classifications at all levels.

Overall, the City's 40-hour pay structure is approximately 3% below competitive markets. The City's greatest challenges exist in the classified pay grades (7 through 18), which are approximately 5% below market. The progression of steps within and between grades is varied and inconsistent.

In response to the study's findings, the consultants developed a 40-hour schedule to smooth the transition between grades and steps. The proposed plan will also add three additional grades to accommodate entry-level positions and seasonal workers below grade 7. All pay grades will be renumbered, beginning at pay grade 1 through 47.

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These changes will affect the compensation of all employees in the 40-hour pay schedule. Employees will move to the first step of the appropriate range that does not result in a decrease in pay. All affected employees will receive some benefit from these changes. Employees whose salaries will increase less than \$500 will receive a one-time payment of the difference between their salary increase and \$500. To ensure the 40-hour pay schedule does not fall below market rates, it is critical to make the recommended changes and continue to make adjustments as appropriate.

The consultants findings revealed that fire department sworn personnel pay ranges are 16% to 28% below the metro market, consequently our strategy is to proceed incrementally and make salary adjustments over time. The Administration recommends that the pay ranges for the sworn ranks of the fire department be increased 2.5% across the board in 2005. In 2006, the City should re-evaluate the public safety and police salary schedules and continue moving toward market competitiveness.

To remain fiscally responsible and protective of our taxpayer's investments, the administration recommends that the process to propel the City to market competitiveness should occur over a four year period. The total amount of General Fund dollars required to implement this year's phase of adjustments is \$3,773,389.

Implementing these recommendations support the City's ability to attract and retain top talent, and be recognized as an "Employer of Choice."

#### **Public Safety Enhancements**

This administration remains committed to making Atlanta a "best in class" safe city. To that end, we recommend 25 new police officer positions for the Atlanta Police Department at a cost of \$1,472,925. The employees who fill these new positions will be dedicated to drug enforcement policing efforts.

Additional correctional officers are needed to handle the heavy caseload of inmates receiving services at Grady Hospital. The recommended allocation for 12 additional correction officers totals \$526,188.

Plans to relocate City agencies currently housed at City Hall East are moving forward. An allocation of \$880,410 is recommended to begin site development and programming for a new police headquarters. These funds will be needed in 2005, but will be recouped from the proceeds of the sale of City Hall East after all departments have vacated the facility.

The Atlanta Fire Department is in need of additional equipment to effectively address tragic accidents and life threatening situations. The administration recommends the upgrade of six engine companies to paramedic units with advanced life support capabilities at a cost of \$806,319. This will include training, new equipment, and salary adjustments. This added capability will blend well with the newly enhanced 911 fire and police dispatch network.

### **Capital Investment**

The city's need for new information technology has been well documented. During 2004, the Department of Information Technology led a centralized effort to precisely define and prioritize the technology needs in various departments throughout the city. The result was a well-defined list of projects for implementation, ranging from digital imaging devices for code enforcement staff to advanced multi-departmental geographic information system to enhance functionality in a half-dozen agencies. The Administration recommends earmarking an additional \$500,000 to invest in the projects designated at the highest priority levels. This will allow the City to begin to harness technological advancements to improve effectiveness, efficiency and customer service.

Secondly, a portion of motor equipment inventory is long overdue for replacement. Upgrades in equipment will result in a decrease in downtime in critical areas and reduce cost overruns. The administration recommends that an additional \$500,000 be set aside to seed a motor equipment replacement program. These funds will help meet the goal of replacing equipment on the citywide prioritized list.

### **Economic Development**

The Atlanta Development Authority (ADA) has spent the last several years establishing strategies to further its goal to provide community and economic development opportunities in a comprehensive, cooperative manner. The administration recommends that we begin to restore support for ADA to the level of prior years. The administration supports the allocation of \$800,000 to support the programs and services of ADA.

### **Service Grants**

The Regional Arts Commission has excelled in its effort to nurture the cultural vitality of our city, to continue building on that progress; the administration recommends the allocation of \$100,000 to support this partnership.

Significant progress has also been made in the effort to combat homelessness. As part of the continued commitment to provide solutions for the city's homeless population, the administration recommends \$30,000 in assistance to the Commission on Homelessness.

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### **Looking forward to 2006**

#### Retirement

The administration recognizes the validity of individual employee groups concerns relative to the adequacy of their specific City-provided pension benefit. Issues of re-amortization, the defined contribution plan, vesting and other components will be addressed in an overall pension solution. For fiscal year 2006, the administration will propose a package of retirement and pension changes.

#### Restricted Reserves

The Department of Finance has recommended that the city embark on a plan to increase its restricted reserve designation. While our current level of 5% is a much improved situation from previous years, a reserve level of 7.5% would place us in a "best-in-class" category, help strengthen our credit rating, and increase our propensity to handle downturns in the economy. We would plan to take our first steps toward this goal in 2006, and reach the 7.5% level in yearly increments by 2009.

Sincerely,

A handwritten signature in black ink that reads "Shirley Franklin". The signature is written in a cursive style with a large initial "S".

Shirley Franklin

SF/zg