



City of **Dunwoody** *Georgia*

General Fund Update

May 13, 2024

Topics

- This is the second presentation of a series of General Fund updates:
 - Part 1: Updating General Fund 2024 revenues to match selected 2023 actuals.
 - Part 2: Revise General Fund projected revenues based off newest trends; Revise base budget expenses based off recent growth and committed operations.
 - Part 3: Incorporate other potential operating expenses not included in current base. Discuss using savings for capital construction.

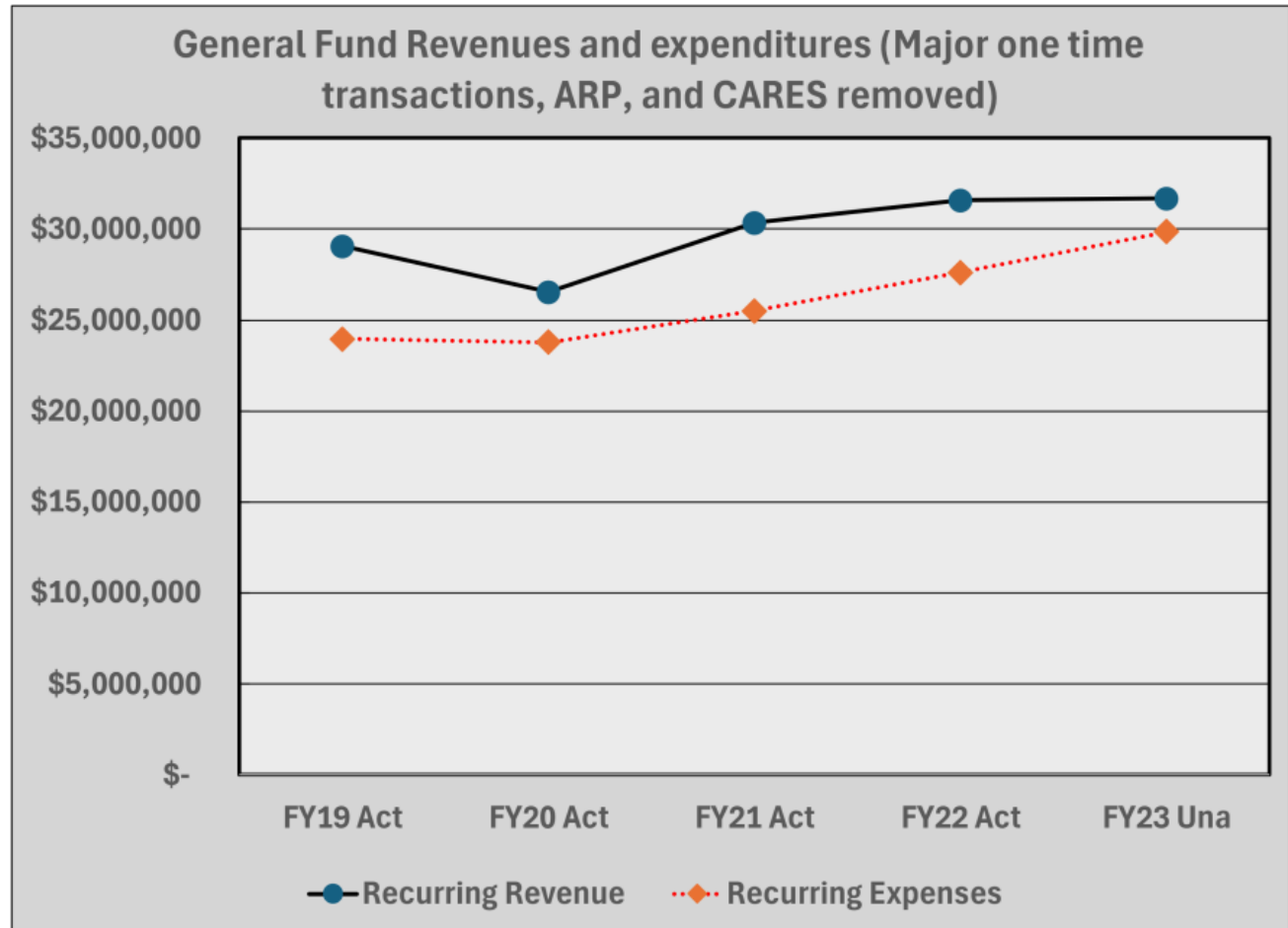
General Fund History

The post-COVID economy has been robust in some areas, but anemic in others.

Hotel/motel tax cratered, but has bounced back better than ever.

Commercial property values have grown overall, but residential property are frozen.

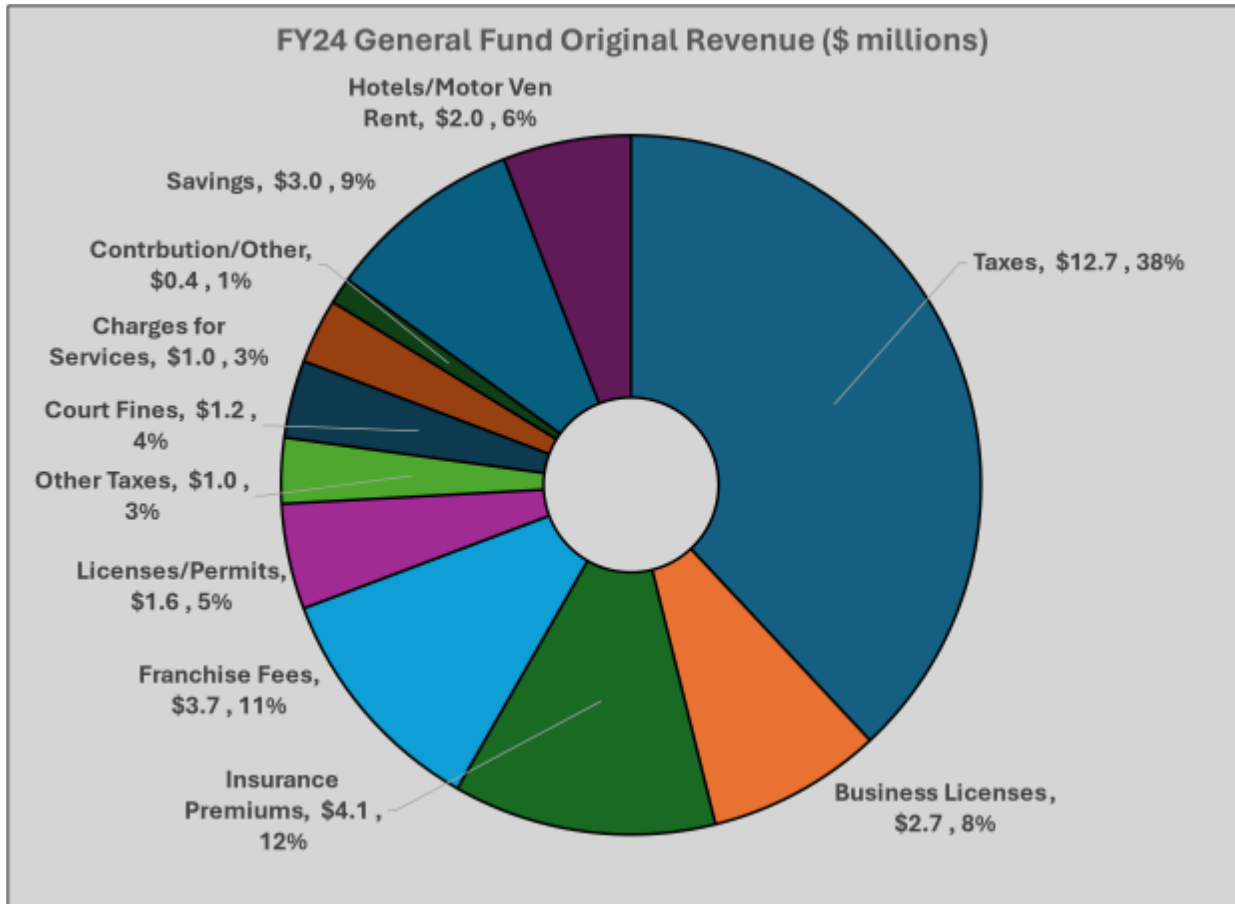
Even the new proposed state law, allows for inflation. Dunwoody, if it passes, will be on of the only few where it is not allowed.



The city has kept the General Fund in the black this entire time. That being said, the trends must be monitored and at some point addressed.

General Fund Revenue

A major issue with a small General Fund like Dunwoody is that a significant number of revenue's timing causes issues with the budgetary process.



Side Bar (literally):

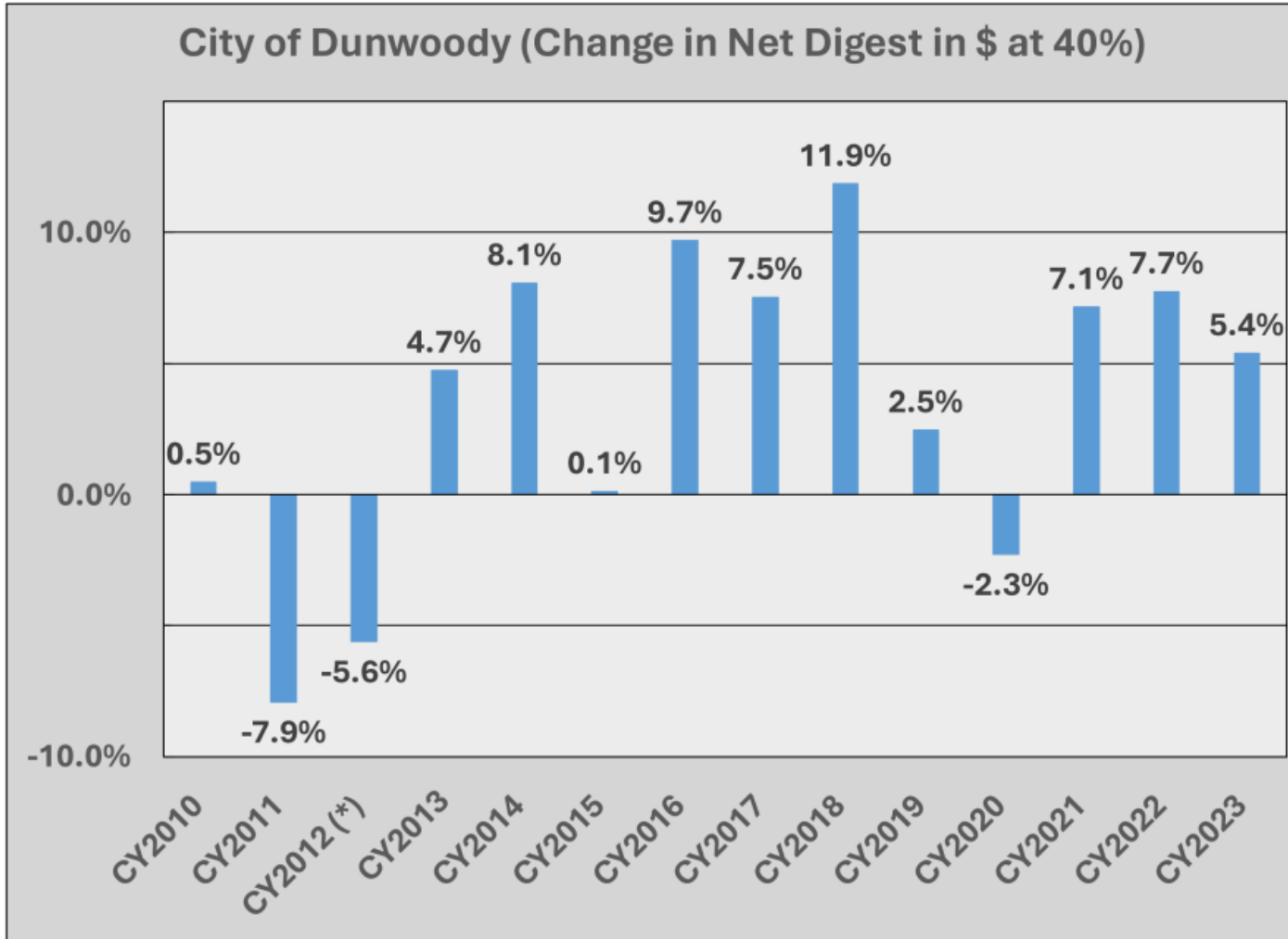
Insurance premium tax is 12% of revenue and received in October.

Franchise fees totaling 11% occur late in the year, with in fact, the largest check being received in February of the next year, but counts towards the previous year.

The estimates passed in October for the next year are often based on incomplete data and now the city will start adjusting them in the first quarter of the next year.

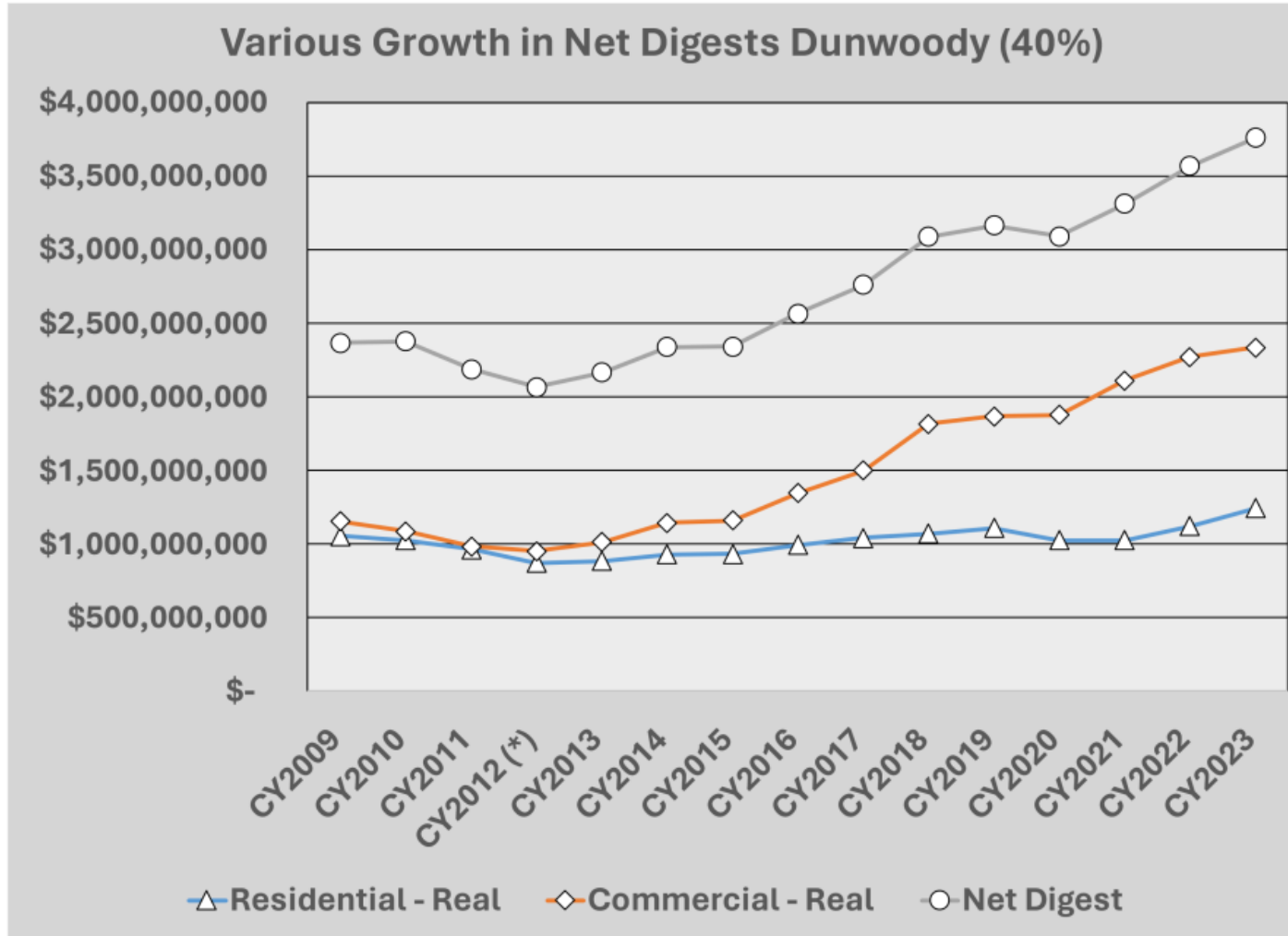
Tax Digest

The largest revenue source – real property tax – has been sporadic because of events which cause unexpected declines. Long term, there is growth, but short term, there may not be.



Tax Digest

A secondary issue is that Dunwoody has given a freeze higher than the proposed state inflationary freeze and a one mill discount to homestead properties.



Tax Digest

Over the life of Dunwoody, residential property values have grown, but exemptions have grown faster.

If there were no exemptions, the tax rate would be 2.132 mills to generate the same revenue.

Note: CY2010 was used due to the timing of public utilities and motor vehicles appearing on the digest.

	CY2010	CY2023	% Change
Residential - Real	\$ 1,683,178,283	\$ 2,843,569,097	69%
Commercial - Real	\$ 1,085,211,446	\$ 2,334,034,780	115%
Other - Real	\$ 19,838,600	\$ 2,270,560	-89%
Personal	\$ 146,615,040	\$ 140,674,250	-4%
Public Utility	\$ 7,961,865	\$ 32,236,866	305%
Motor Vehicle	\$ 91,787,922	\$ 7,775,410	-92%
Gross Digest	\$ 3,034,593,156	\$ 5,360,560,963	77%
M&O Exemptions	\$ (658,040,291)	\$ (1,600,110,770)	143%
Net Digest	\$ 2,376,552,865	\$ 3,760,450,193	58%

Why?

Why this information? It's to give the Twitter-level background needed for the next step. Adjusting the operating forecast revenue.

- Fifteen major revenue categories each have their own five-year projection.
- Five categories(*) (32%) have projected zero growth due to their inherit volatility but long-range stability.
- Six categories(**) (22%) have projected growth tied best to inflation, though that is not an exact match.

Revenue Assumptions

- Two(***) categories (6%) have decrease projected over the next five years.
- Hotel/Motel (7%) may have the best chance at long term growth of over 5% annually.
- Property taxes (35%) is assumed to keep a five-year growth of the last five-year average of 4.1%

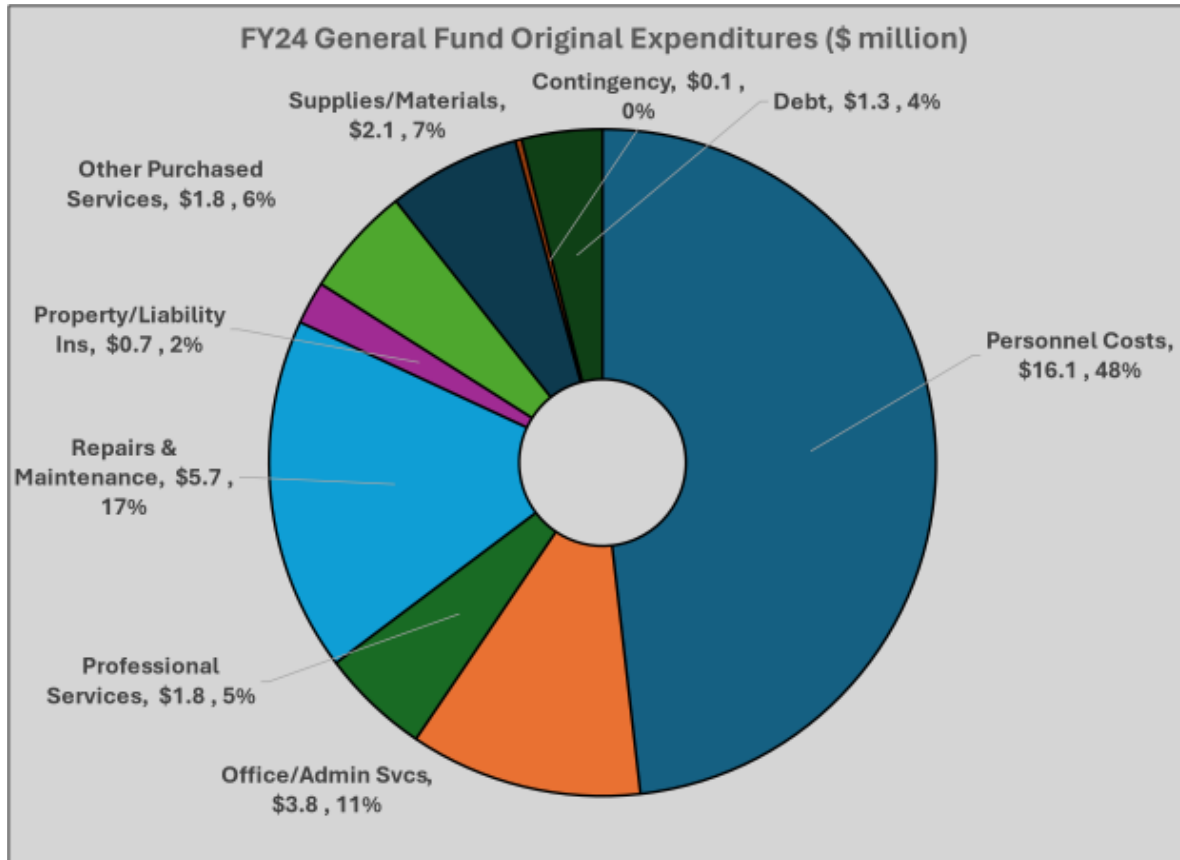
(*) Business licenses; franchise fees; building permits; charges for services; and fines. Some might increase based on future City Council actions.

(**) Alcohol tax; insurance premium tax; smaller other taxes; contributions; and miscellaneous revenue.

(***) Motor vehicle true up and investment income.

Base Expenditures

- With only fifteen years of history and the active use of the private-public model to start operations, Dunwoody has a very easy and clean budget to explain in terms of the General Fund.



Base Expenditure Assumptions

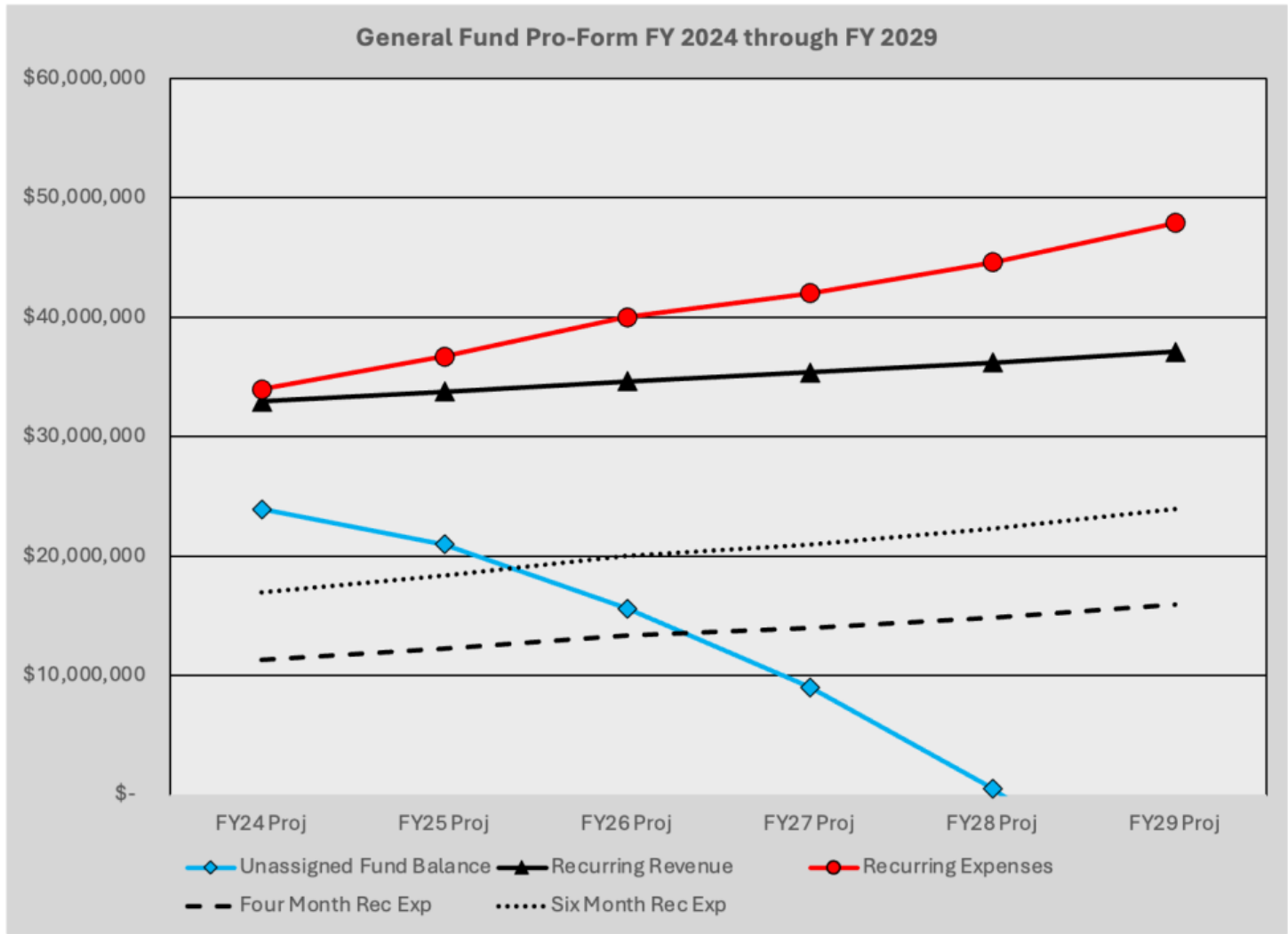
Salaries & Wages	4.25% annually; retirement is tied to salaries, most of other is OT.
Retirement Benefits	
Other Personal Services	
Health Benefits	12.5% was last annual incr.
Office/Admin Services	Collectively, best index is most recent annual inflation 3.5%
Professional Services	
Repairs & Maintenance	
Other Purchased Services	
Supplies/Materials	
Property/Liability Insurance	Avg last two year 12.5%.
Contingency	Rec incr to 1% of budget.
Debt	Fixed schedule, about 4%

Base Expenditure Commitments

- Included in the base are operations funded with in-year savings or with one-time funding. The base assumes these will continue.
 - Pay raise from May 2024, plus annualization in 2025.
 - Sgt, 3 PO's, Fleet Tech for Police started in June 2024.
 - Continue repair fund at \$500K in 2028.
 - Re-bid or bring in house municipal contracts at \$800K in 2026.
 - Maintain extra ambulance in 2026.
 - Keep mental health responder in 2026.
 - Re-bid ROW maintenance in 2029.
- Note: These are not absolute commitments. The year they occur or not occur are proxies. One could happen, one may not, one may move, one may not.

Result

This shows the estimated General Fund unreserved balance, if all the assumptions come as shown. It's an analysis not a crystal ball.



The pinch point will be building the 2027 budget. Savings can continue current operations until the creation of that budget.

Discussion

The main asks now, is to talk about this....

1. Operations: This forecast doesn't include needs of departments above those shown as ongoing committed. Every time a department is given a new task or operations are expanded, it becomes a new cost.
2. Revenues: The freeze, the one mill exemption, are now set to be potentially the most restrictive in the state.
3. Annual big increases: 4.25% raises, 12% health care, 3.5% inflation happen even when things don't expand.
4. Savings can be used for one-time costs or operations at the Council's discretion.