CITY OF ATLANTA

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June 11, 2008

The Honorable Lisa Borders, President
Councilmembers
Atlanta City Council
55 Trinity Avenue
Second Floor East
Atlanta, Ga. 30335

Dear President Borders and Councilmembers:

It is now a little over five weeks since I presented to City Council the Administration's proposed budget for Fiscal Year 2009. I know that you have completed your departmental reviews and have held public hearings on the budget. Several of you have thanked me for the full cooperation of the Administration during this process, and we are committed to remain engaged throughout your consideration of the budget.

I understand that you have reviewed two significant proposals to increase revenues and decrease costs: the possible re-amortization of the pension plans and the sale of certain property tax accounts receivable. Based on the CFO's analysis and advice, it appears that the re-amortization of the pension plans will result in far more long-term costs to the City than immediate spending reductions. And while the sale of property tax receivables has great merit, it will take months to realize any revenues – a timeframe that does not allow for anticipation of those revenues in the FY09 budget.

On the other hand, I agree with Council's resolution (which passed 13 - 0) identifying the sale of City-owned CPNC's as a potential revenue source for the budget. While the existing CPNC's owned by the City represent a one-time revenue source, it reasonable to think that a review of our current CPNC policy – perhaps by an annual increase in the number of CPNC's authorized by the City (if such an increase is supported by a market study) – could lead to the creation of an ongoing revenue source. I welcome further discussion of this potential revenue source.

I have been informed by the Chief Financial Officer that we are beginning to see downward pressure on our revenues that could well impact overall revenue collections next year and give us little margin for error. Overall revenues from May last year to May this year are up only 0.75%. At the State level we see sales taxes declining significantly (our own sales tax numbers typically lag the State's by a couple of months), and

nationally, of course, projections of fuel costs have increased dramatically in just the last month or two.

Accordingly, I remain convinced that the Administration's proposal represents the best way to balance the FY09 budget. I still do not recommend cuts to public safety (we have worked too hard to achieve the gains since 2002 to go backward now), and after many discussions with the CFO and Cabinet, I believe that further cuts in our support and operating departments could well put at risk employee retention, equipment replacement, and essential maintenance. Moreover, the healthy growth in the City's tax digest – new information since we submitted our budget proposal – has translated into a minimal millage rate increase to close the budget gap. Under the proposal in front of Council the average homeowner (on a $240,000 house) would have to pay just $31.39 more in taxes next year.

As a final point, the discussion around the City's pension plans has made clear that a long term solution is necessary, and I have asked the CFO to make recommendations for pension reform prior to her departure. I believe there are reforms that exist that will have a tangible impact on future budgets.

For all these reasons I encourage you to consider the proposed budget and to vote on it within the timeframe imposed by City Code and State law.

Sincerely,

Shirley Franklin

Cc: Cabinet Members