

10 Myths & Facts About FY09 Budget

01 MYTH: Mayor Franklin will leave the City of Atlanta with a budget deficit.

FACT: Several factors have contributed to Atlanta's \$140 million budget shortfall, including the economic slowdown (nearly 20% 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% 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: Mayor Franklin inherited an \$82 million deficit and balanced the budget her first year in office. 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 actually grown smaller under Mayor Franklin's leadership. She cut 1,404 positions from the General Fund, (reducing her own staff by 50%) and scaled back non-essential city services. The FY09 workforce employs 935 professionals for every 100,000 residents – which is equal to our peer city average and Atlanta's lowest per capita level this decade. Leveraging efficiencies in technology, expertly trained personnel, 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% 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% or 1.94 mills since 2002. Those adjustments were not mandated; and 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. Accounting errors were disclosed as soon as they were discovered, and the Mayor has been consistently transparent and

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accountable to taxpayers. Her office continues to implement accounting reforms to improve spending and give taxpayers greater confidence in their government. Because of her efforts, the City's financial infrastructure will emerge updated and greatly improved.

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

FACT: The Council hasn't offered an alternative to Mayor Franklin's budget proposal. But Mayor Franklin has already trimmed \$100 million from the FY09 budget, and cutting the remaining \$40 from public safety would result in the City losing 265 police officers and 90 firefighters while closing 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 (1 cent). In fact, the City's property tax rates have dropped more than 18% or 1.94 mills since 2002. In order to fully address property taxes, we must examine the budgets of each organization that contributes to the annual tax bill.

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, MOST (municipal option sales tax) and SPLOST (special local option sales tax) revenues. Those 1 cent sales taxes were overwhelmingly 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% of the City's budget. The shortfall isn't due only to rising costs, 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 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: 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, efforts to bring them up to market rates have compounded costs. In 2001, Atlanta began matching contributions up to 6% of employee salaries. Actuaries reported that without this reform, most Atlanta employees would be destitute in retirement. Local government pension multipliers average 2 percent to 3 percent, while

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Atlanta uses a 2.5 percent multiplier. City employees receive only 50% of their former salary through pension plans, which is below the national average of 80% that most people receive from their combination of private pension and Social Security benefits.