



**SAVANNAH CITY COUNCIL
MID-YEAR BUDGET CONFERENCE
June 18, 2018**

City Council met for a Mid-Year Budget Conference on June 18, 2018 at 9:00 a.m. at the Kehoe Metal Building Annex at 10 East Broad Street, Savannah, Georgia.

PRESENT: Mayor Eddie W. DeLoach, Presiding
Mayor Pro-Tem Carolyn H. Bell
Alderman Julian Miller, Chairman of Council
Alderman Brian Foster, Vice-Chairman of Council
Aldermen Bill Durrence, Tony Thomas, John Hall, and Dr. Estella E. Shabazz
(arrived 10:05 a.m.; left 12:05 p.m.; returned 1:10 p.m.)

City Manager Rob Hernandez
Assistant to the City Manager Bret Bell
Chief Budget Officer Melissa Carter
City Attorney W. Brooks Stillwell
Deputy City Attorney Jen Herman

ABSENT: Alderman Van R. Johnson, II

I. WELCOME AND CALL TO ORDER – Mayor Eddie DeLoach

Mayor DeLoach called the meeting to order and reviewed the purpose of the budget conference. City Manager Hernandez reviewed the agenda, including: an update on final numbers for Fiscal Year 2017; an update on the Fiscal Year 2018 budget; and clarifying priorities for the Fiscal Year 2019 budget, as well as tying them to the strategic plan.

II. FY17 CLOSEOUT REVIEW – David Maxwell, Chief Financial Officer

Chief Financial Officer David Maxwell provided a financial review of Fiscal Year 2017. The City is finishing the Comprehensive Annual Financial Report (CAFR) and is preparing to send it to the printers. Mr. Maxwell reviewed what a CAFR is before providing a review of the 2017 General Fund, including: revenues; expenditures; major variances (both those under and over budget); ending fund balances; comparison with comparable cities (there was extended discussion regarding comparable cities and expenditures); and business-type funds results (including revenues, expenses and ending balances). There was an additional discussion regarding the recycling program, its costs, making it mandatory or eliminating it. City Council asked the City Manager to come back with options regarding the recycling program that would make it self-sustaining, including privatization. Mr. Maxwell discussed employee benefit trust fund 2017 results and debt activity in 2017 across all funds (including bonds and loans). There was



extended discussion regarding water and sewer service and funding, as well as discussion regarding costs, startup, and completion of capital construction projects, including SPLOST projects.

III. FY18 MIDYEAR BUDGET UPDATE – Melissa Carter, Chief Budget Officer

After a fifteen minute break, Chief Budget Officer Melissa Carter continued the budget conference with a review of the Fiscal Year 2018 budget after the first five months of the year, through May 2018.

Ms. Carter reviewed the 2018 budget goals, including: Savannah Forward initiative; restructuring of City organization; re-establishment of the Savannah Police Department; diversification of the revenue base; and a focus on infrastructure and development initiatives. The General Fund 2018 revenue collections are trending behind 2017 as of May 31st by 12.9%; one contributing factor is the police demerger with Chatham County. Current property taxes are slightly behind last year, by 4.3%, while delinquent property taxes are relatively flat. This is raw and early data; there is no cause for concern or excitement at this point. Ms. Carter reviewed sales tax (LOST) to date, which is trending slightly ahead of last year. Hotel/motel and auto-rental taxes collections to date are relatively flat compared to last year. Franchise fees are significantly behind last year due to a delay in receiving the electric franchise fee (\$8.5 million). City Manager Hernandez noted that the Cable Television Franchise fee is on a downward trend, which he anticipates will continue. City Manager Hernandez addressed the collection of E911 fees from cellphone service providers. The State has created a new 911 Authority which he hopes will help address this. City Attorney Stillwell will provide a report to City Council regarding litigation and E911 fees. There was extended discussion of hotel/motel taxes, how much the City receives, and how they are allocated. There was also discussion of the perception that the Port of Savannah is bringing in money to the City of Savannah. Ms. Carter summarized the 2018 General Fund revenues as moderately ahead of 2017 as of May 31st. The revenue base is built on a millage rate reduction, a 1 mill rollback, which still needs to be adopted by City Council.

Ms. Carter then reviewed the 2018 General Fund expenditures, which are relatively flat through May 31st. Personnel costs are currently significantly lower than last year by 23%, impacted by the police demerger and the City reorganization. There was an extended discussion of the reduction in the City's workforce from 2017 to 2018, in the General Fund and across the City as a whole. Ms. Carter acknowledged that this was also impacted by the reorganization of the City's structure, so the City does not look the same as it did in 2017. City-wide 145 positions were eliminated. Ms. Carter reviewed expenditures in, including: other contractual services (lower than last year by 22% to date, due to restructuring among public works divisions, Recorder's Court inter-governmental agreement, fire fee voucher program, accounting entry



change, and Crimestoppers being treated as a contracted service); commodities (slightly ahead of last year by 8%); internal services currently lower by \$1.2 million this year (internal services includes charges for fleet operations and IT; the decrease is primarily due to shifting Savannah Fire costs away from the General Fund); and all other expenditures are ahead of last year by \$12.1 million (primarily due to restoration of capital improvement funding and the General Fund's share of Fire Services). In summary, 2018 General Fund expenditures are relatively flat with 2018 spending trends through May 31st due mainly to: personnel cost savings; contractual service savings; internal service cost savings; and capital investment increases. Right now the budget is intact. As of May 31, 2018: growth in Property Tax Levy is projected to be \$2.3 million greater than the adopted budget based on the most recent tax digest; Electric Franchise Fee is delayed, but still expected; salary and benefit expenses are lower than last year due to 2017 reduction in force, staff restructuring, and hiring freeze; and Capital Plan Investment is \$6.1 million higher than last year. Due to uncertainty of policy decisions, a Fiscal Year 2018 forecast projection is not available at this time.

Mayor DeLoach called for a lunch break at 12:05 p.m.

IV. FIRE SERVICE FEE – Melissa Carter, Chief Budget Officer

Chief Budget Officer Melissa Carter reconvened the budget conference at 12:40 p.m. after a lunch break, and reviewed some of the figures that were requested by City Council prior to the break.

a. Historical Overview

Ms. Carter started the Fire Service Fee discussion with an historical review of the fee. The preliminary budget for Fiscal Year 2018 factored \$187.2 million for the General Fund and assumed no new major sources of revenue, a millage rate of 12.48, 20% Freeport Inventory phase-in, and operational changes due to reorganization. There were a series of restorations and enhancements based on strategic priorities for City Council to consider. The total cost of restorations and service enhancements has resulted in an expenditure of \$5 million that has been expended to date, with about \$9.7 million that can be reallocated by City Council. The Fiscal Year 2018 adopted budget resulted in a balanced budget of \$408 million. The Fire Service Fee was enacted to generate new revenues which would allow the City to: continue to diversify the City's revenue sources; improve fiscal sustainability; free up capacity in the General Fund to allow for critical investments; reduce property taxes; fund capital projects; ensure all properties benefitting from fire services pay fair share of costs; provide adequate funding for current and projected operational and capital needs; and drive down the City's millage rate to make Savannah more competitive. Based on these factors, the City adopted a Fire Service Fee at \$256 per billing unit ("ERU"=1,700 square feet of building space). Projected revenue of \$20,467,104 dedicated to fire protection services,



though there is a General Fund subsidy for fire services of \$12 million, plus a rate stabilization reserve to keep the rate stable for five years. The General Fund will bear the cost of stabilizing the rate, administration of the discount program, and the voucher program.

b. Budget Alternatives

Ms. Carter proposed three options: maintain the adopted budget; rescind the Fire Service Fee; or reduce the Fire Service Fee.

c. Fire Service Fee Options

Ms. Carter provided slides with the three options and their impact on the Fiscal Year 2018 budget, including their advantages and disadvantages to the community. She reviewed in depth the advantages and disadvantages of rescinding and reducing the Fire Service Fee, and cautioned that this would impact both 2018 and 2019. Ms. Carter discussed option 3A, which provides a reduction of the fee from \$256 to \$120/ERU, based on rescinding the millage rate reduction, reducing the Fire Service Fee reserve, and charging SPLOST VI for program management costs. Ms. Carter reviewed option 3B, which retained the 1 millage rate reduction, but reduced the Fire Service Fee reserve along with reducing, delaying or eliminating enhancements and projects, including Savannah Shines, budget software, Joe Tribble Park improvements, Waters Avenue Streetscape enhancements, Savannah Renaissance Project, among others. Option 3C provides for a .5 millage rate reduction, reduces the Fire Service Fee reserve, discontinues the fire service fee discounts, and delays software upgrades.

d. City Council Discussion and Direction

There was extended discussion regarding option 3A, its impact on planned improvements and enhancements, and the use of SPLOST funds for program management. There was discussion regarding the square footage of an ERU, which is based on the level of service provided by the Fire Department for a residential unit, and the cost of the Fire Service Fee compared to property taxes.

There was discussion of how to rescind the Fire Service Fee entirely which would require identifying \$20.4 million. City Manager Hernandez stated they sent out a list of identified items that gets them close to that number, but they will probably have to touch public safety to realize that number. City Council discussed sources of revenue that could realize rescinding the fee.

City Manager Hernandez asked for direction from City Council in order to bring an item back for action. City Council began discussion of various items that are under consideration for elimination or delay. City Council asked for various scenarios with different millage rates, including keeping the millage rate at 11.48 and increases in the millage rate. City Manager



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Hernandez asked for clarification on how to get where he feels City Council is asking them to get.

Alderman Miller asked the City Manager to rank items as he feels appropriate, but said he would have a problem with anything related to the police.

Alderwoman Bell said she heard staff say in the town hall meetings that citizens would rather have a millage rate increase than a fee.

Alderman Thomas believes fees are very hard to get rid of and people are scared of them.

Alderwoman Bell said that no matter how well intentioned our methods were, the public was not interested in another fee, and they are the public we represent.

Alderman Foster said he went to a lot of people to get a lot of feedback. He asked the business community to do the survey and some of the numbers from the business community were surprising. For the residential group, the millage rate rollback wouldn't give that many relief. About 95% of this city are not interested in a fire fee, and many more are more interested in paying a little bit more in taxes for fire services than a fee. It's not our City Manager that did this, he gave us an option and it took us this long to understand the full impact on the community.

Alderman Miller stated that the City Manager didn't offer this, we asked for this. We asked for more revenue and we asked for this because we thought it was fair to ask for others besides the taxpayers to pay for this. We haven't gotten any support for this from those who traditionally support us. A lot of things have changed, revenues and expenses. At this time, with all of the turmoil by the other taxing entities in this county, it would be nice not to go up in taxes.

Alderman Durrence stated that his only concern was the long term financial stability of this community, with a third of this community paying no taxes. He stated he didn't know how we could continue to do the job of running this City, especially considering the failure of maintaining our infrastructure for years. We are going to have to find some way to address this. It's not fair to the people who are paying to ask them to subsidize the people who don't.

Alderman Hall expressed that when the fire fee was first proposed he had so many good things to look forward to, to all the things we could accomplish, but when all of the residents started speaking out we had to take a look at that.



Alderman Thomas asked the City Manager about the possibility of legislation for user fees for nonprofits if we had to dispatch units to a site for billing services for recovery of the City's resources in the case of an event. He would like the City to look at that possibility, through insurance fees or direct bill. The City Manager addressed possible options that need to be looked in to.

Alderwoman Shabazz expressed her belief in the City Manager's abilities and her desire for him to stay on in Savannah as she believes he is a vital part of moving Savannah forward.

Alderman Durrence asked City Attorney Stillwell if a fee similar to those imposed in the industrial zone could be applied to nonprofits in the City limits. Attorney Stillwell replied not under current law, but that they could look in to changes to State law regarding nonprofits.

For Thursday's City Council Work Shop, staff will bring back options for consideration that includes rescinding the Fire Service Fee and the millage rollback, but staff believe they can get between \$1-2 million by combining options 3A and 3B.

V. FY19 BUDGET PRIORITIES – Melissa Carter, Chief Budget Officer

City Manager Hernandez asked City Council what their priorities are for Fiscal Year 2019 as staff begins preparing the budget for 2019. He addressed public safety, but asked what other areas they want to address. Alderman Durrence discussed code compliance and software updates, as well as infrastructure issues, road paving and traffic calming. Alderman Thomas spoke of code compliance and neighborhood improvements, as well as moving SPLOST projects forward, recreational opportunities and cameras. He stated we have to start tying the cameras to public safety. City Manager Hernandez discussed an upcoming item on Thursday's City Council agenda regarding cameras. Alderman Foster mentioned we have added more than two dozen cameras recently. He pointed out that the City Manager does not plan to sell any capital assets to fund operating expenses; these monies will go into reserve funds for facilities in the future. Alderwoman Bell wants to see more Savannah Shines. Assuming funding is there, the City Manager plans to move on to a different neighborhood with Savannah Shines. Alderman Miller wants to continue to improve police and electronic ticketing (which is connected to the police's electronic records management); he wants to look at traffic engineering and traffic calming, communicating with our public about what we doing, sidewalks, and homelessness. Alderman Durrence discussed regional issues and that he would like to see the revenue the City dedicates to regional issues tied to other government entities. Alderwoman Shabazz discussed traffic calming, code compliance, cameras, sidewalks, and stated she agrees with the majority of the items already on the City Manager's list.



VI. CLOSING REMARKS – Mayor Eddie DeLoach

The City Manager asked City Council to hold a special called meeting on July 19, 2018 at 6:00 p.m. for the purposes of certifying the millage rate and an eminent domain issue. City Council approved the special call meeting.

There being no further business, Mayor DeLoach declared this meeting of Council adjourned at 3:00 p.m.

A handwritten signature in blue ink that reads "Luciana M. Spracher".

Luciana M. Spracher
Acting Clerk of Council