



Meeting 12 Report

March 17, 2010

Engage Gwinnett, the citizens committee on the future of Gwinnett County, held its 12th meeting on Wednesday, March 17, 2010, at the Gwinnett Center in Duluth. The meeting started at 8:00 a.m. and lasted three and a half hours. The Engage Gwinnett committee will make recommendations in April on county government services, the benefits citizens receive from those services, and how they should be paid for.

The first 25 minutes was held in plenary session (with all members present), so members could hear a welcome and instructions about this day's work from co-chairs Mike Levengood and Bill McCargo and receive an overview of the day's activities from Jon Abercrombie, the Engage Gwinnett facilitator. Members then went to their Work Group meeting rooms, spending the rest of the time in Work Group sessions.

Meeting Process

Mike Levengood and Bill McCargo, Engage Gwinnett's co-chairs, welcomed the members, alternate members, citizens and observers. Bill reminded them of Engage Gwinnett's mission:

- Look at the major services provided today by Gwinnett County government and the benefits these services offer to citizens.
- Make judgments about these services, their levels of service, and how they are delivered.
- Recommend ways of paying for the ones that are truly needed.

Bill discussed a possible celebration event for Engage Gwinnett members, alternates and volunteers in May. He also talked about the growing interest in Engage Gwinnett as a model for future large-scale community decision-making processes.

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Mike focused on today's objective for the Work Groups, which was to consider what is being called the "worse-case scenario" – "the realistic, if painful, possibility that our tax digest will decline significantly this year, and maybe in future years." As explained in a handout titled "Digest Reduction Scenario" (which is included as Appendix A to this report), if Gwinnett County's tax digest, which was \$29 billion in 2009, declines by 10 percent, as some fear it will, it would equal a reduction of \$34.2 million in the county's general fund plus another \$2.9 million in the recreation fund (which finances most of the Parks and Recreation Division's budget).

Consider the \$34 million the "budget gap" that must be closed in next year's budget, Mike told the Work Groups. By what combination of budget cuts and/or revenue increases should the county close this gap, he asked.

Included in the handout were two slides that were intended to help the groups in their work. The first showed the budgets of the major service areas included in each Work Group, the percentage of the general fund that each work area receives, and a "pro-rata" share of the \$34 million budget gap. (Put another way, if the gap were closed entirely through budget cuts and each service area were to be cut in direct proportion to its share of the general fund, here's how much would be reduced.) The second slide contained some rough calculations of what increases in the three major revenue areas would yield. It showed, for instance, that 1 mill would produce a little more than \$26 million in revenue, based on a tax digest that is 10 percent smaller than today's. There were also notes about sales taxes and fees for services.

The Work Groups' first step, Mike said, should be to "identify the most extensive but prudent budget cuts you can find in your work area." The second step, if the groups found they could not close the gap entirely through budget cuts, would be to "tell us which revenue sources you'd prefer be increased and roughly by how much."

Mike took questions from members about the assignment, then facilitator Jon Abercrombie gave some additional instructions and the members left for their Work Groups.

Work Group Discussions

The Work Groups spent most of their time on the "worse-case scenario," which was outlined above. Here is how their discussions went:

Community Services

The Community Services Work Group began with a brief report by a researcher from the county's Economic Analysis Division on several questions the group had posed in the past, including one about how public library systems might be outsourced to private companies.

The rest of the meeting focused on the worse-case scenario. Norwood Davis, a member of the Community Services group, created a spreadsheet duplicating one included in the "Deficit Reduction Scenario" but with additional columns. The additional columns allowed members to suggest budget reductions that were not across the board, but were disproportionate. That was because, Norwood said, he had heard from citizens in the recent public meetings that they wanted public safety areas like law enforcement, the courts, the fire department and emergency services to be spared as much as possible and for greater cuts to be made in areas like libraries, parks and recreation and planning and development – even though these were much smaller service areas as a percentage of the general fund than the public safety service areas.

Norwood suggested that the group begin with major cuts to its areas (community services, libraries and parks and recreation), then suggest cuts to other areas, and see how much of the \$34 million budget gap could be closed through expenditure reductions. As the spreadsheet in Appendix B shows, even with dramatic reductions to community services, libraries, parks and recreation and planning and development – and substantial cuts to the other service areas – the Work Group could not close the budget gap. With the cuts, there remained a \$13 million gap.

This caused the group to consider revenue increases. Its tentative recommendation was to increase the general fund millage rate by 0.5 mills (that is, by half a mill) and reduce the recreation millage rate by 0.2 mills (two-tenths of a mill). The result would be a net increase to property taxpayers of about 0.3 mills (three-tenths of a mill), but should yield the \$13 million that would be needed to close the budget gap (along with the budget cuts it suggested).

Near the end of the meeting, facilitators thought it would be a good idea to invite in another Work Group, the Development and Infrastructure Work Group, to critique its spreadsheet work and to react to this group's suggested cuts in planning and development. The Development and Infrastructure members had many questions about how the budget cuts suggested by the Community Services members could be implemented – for instance, how the library system could reduce expenses by \$6.5 million or nearly a third of its budget, and still function adequately. Community Services members assured their counterparts that, while painful, the cuts could be made.

But Development and Infrastructure members were doubtful they could reduce their own work area budgets by similar amounts. They were confident, they said, that the Planning and Development Department could absorb another \$410,000 budget reduction (using the pro-rata reductions in the Digest

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Reduction Scenario), but they doubted it could be cut by \$2.1 million, as the Community Services spreadsheet suggested.

Norwood said such painful cuts should be considered because he didn't see the county's revenue decline ending this year. "We've got two more years of decline in the tax base," he said. "This is just the first year."

Development and Infrastructure

The Development and Infrastructure Work Group discussed how the county should respond to continued losses in the property tax digest.

The Work Group began by discussing possible options for reducing human resource costs. Many of the options discussed involved ways of reducing salaries on a sliding scale to avoid having to reduce personnel. There was general agreement among the group that salary reductions were preferable to job losses, especially if there may be options to maintain most service levels. Other options included furloughs, and more drastic measures to reduce costs associated with defined benefits packages.

After formulating its list of cost-cutting measures, the Work Group moved to the Community Services Work Group to share ideas with each other.

Fire and Emergency Services

The Fire and Emergency Services Work Group discussed a hand out from Director of Finance Aaron Bovos. The handout was a Financial Cost Analysis, completed by Georgia Gwinnett College, for various Fire & EMS facilities, services and equipment anticipated in the next 5 years.

With Aaron present, the Work Group also discussed back-office functions and figures allocated to run them, and how the figures were determined. The last study of the methods used for financial planning was in 1998. If a new study were to be funded the results may change these methods in the future.

The Work Group also discussed a possible future revenue source for the County. The General Assembly is looking at adding flexibility to special-purpose local option sales taxes. Currently, SPLOST funds can be used only for capital expenses, such as building fire stations, but may not be used for operating the stations or other operations. Changes would allow SPLOST funds to be used for other things related to capital expenditure without increasing taxes and would apply to current sales tax funds.

The draft report from the work group was discussed and updates related to the Georgia Gwinnett College analysis were discussed further and will be updated in final report. The final discussion involved

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determining final recommendations and worse case scenarios, and how to fund a shortfall if cuts are not enough to balance the budget.

Worse-Case Scenario Cuts and Revenue-Generating Ideas

The following is a list of the draft cuts and revenue-generating ideas from each of the four Work Groups, in response to a worse-case scenario that suggested the county's tax digest might decline by 10 percent in 2010, with the result that there would be a budget gap of \$34 million in the General Fund. (Please see page 2 for more explanation of the worse-case scenario.)

Community Services Work Group

County-wide recommendations

- Property tax increase – .5 mil increase with .2 of that realized with a reduction in recreation to .8 mil.
- Sales tax – half support a sales tax, half do not
- Exchange revenue/fees for service
- Across-the-board salary reductions (county-wide, all departments)
- Do not cut health and human services

Libraries (Assume \$6 million reduction)

- Move to regional system
- Close one library in each commission district
- Use closed libraries as meeting space to generate revenue
- Raise rates for past due books and other (rental) fees
- Sponsorship and naming rights of libraries

Parks and recreation (assume \$7.9 million reduction from property tax decline, plus reduction of property tax rate to 0.8 mil)

- Assumes basically a 20% reduction from base of \$41.5 million
- No new parks
- Close swimming facilities or increase fees to make them break even
- Sell sponsorships to parks, trails, etc. (target net of \$1 million after commissions and activation expense)
- Close parks in equitable distribution by commission district
- Increase exchange revenue in areas where fees are charged
- Engage volunteer groups for park maintenance

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In his spreadsheet (see Appendix B), Norwood Davis included notes on how the Community Services work area could accommodate the budget reductions contemplated in the spreadsheet and how the group recommended covering the remaining budget gap. Note that one set of notes relates to general recommendations – that is, for all county work areas, not just those in Community Services.

Libraries (Assume \$6.5MM Reduction)

- (1) Move to Regional System
- (2) Close 1 Library in each Commission District (Total = 4)
- (3) Use closed libraries as meeting space or sell (if allowed) them to generate revenue.
- (4) Raise rates for past due books and other fees (e.g., room cleaning fees)
- (5) Sponsorships & Naming Rights at Libraries

Parks & Recreation (Assume \$7.9MM Reduction = Property Tax Digest Decline + Reduction of Rate to 0.8mil)

- (1) Assumes basically a 20% reduction from base of \$41.5MM.
- (2) No new parks
- (3) Close swimming facilities or increase fees to make them break even
- (4) Sell sponsorships to parks, trails, etc. (Target net of \$1MM after commissions and activation expense)
- (5) Close parks in equitable distribution by Commission district
- (6) Increase exchange revenue in areas where fees are charged
- (7) Engage volunteer groups for park maintenance

Revenue Recommendations (Disproportionate Scenario)

- (1) Increase general fund property tax by 0.5 mil
- (2) Decrease Recreation Fund by 0.2 mil to 0.8 mil to partially offset general fund tax increase on property owners (Disproportionate Scenario)
- (3) Increase impact fees for new developments

General Recommendations (Any Scenario)

- (1) Salary Freezes
- (2) Salary Reductions to Comparables
(Assumes 75% of costs are in personnel -
may not be valid assumption)
- (a) Achieve \$34MM Reduction through
salary cuts

13.0% Across the board salary cuts at this % to achieve \$34MM

- in savings
- (b) Achieve \$17MM Reduction through salary cuts
- 6.5% Across the board salary cuts at this % to achieve \$17MM in savings

Development and Infrastructure

County-wide recommendations

- Salary freeze
- Salary reductions and/or furloughs
- Change from defined benefit plan to 401k retirement plan going forward (i.e., service credits)
- Eliminate personal use of county vehicles by staff, and no police and sheriff cars outside Gwinnett county

Planning and Development

- Gap: \$409,944
- Eliminate personal use of county vehicles by staff (commuting to/from home)
- Salary freeze
- Salary reduction and/or furloughs
- Don't proceed with Matrix study update
- Revise sign ordinance – the banner resolution reduces sales, and therefore reduces sales tax – allowing banners will increase sales tax collections, permit fees

Transportation

- Gap: \$888,212
- Eliminate personal use of county vehicles by staff (commuting to/from home)
- Salary freeze
- Salary reductions and/or furloughs
- Promote adopt-a-road program to reduce landscape/median maintenance cost
- All previous recommendations

Fire and Emergency Services

Revenue options

- Property tax increase (0.2 mil increase)
- 2/10 mil increase to avoid potential equivalent of 6/10 mil increase in insurance premium re: ISO rating worsening (Give example calculation)

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- Insurance increase will be three times mill increase \$16 per \$5 on \$200k home, or \$58 on insurance (sample increase)
- Sales tax (% increase) – While sales tax cannot happen fast enough to address this issue, it bears further exploration as an overall option
- Exchange revenue/fee for service (% increase)
 - Current fees make up 15% of the budget
 - Doubling fees would mean fees would most likely not be paid
 - Fee increase is not viable in EMT

Reduction Scenario – 10% any year in next 5 years

- Do not incur new costs that cannot be sustained (for example, open new stations that will have to be closed) – 1.5 stations equivalent
- Consider some combination of salary reduction and cutting existing personnel, including eliminating equipment (for example, salary reduction of 2.5%, plus one of each option below, or any combination)
- What are operating costs for the following:
 - Ambulance: 700,000
 - Engine: 1.3 million, every station
 - Ladder 1.5 million

Options

- Delay opening (#18 and #30) 1.5 stations
- Cut existing personnel
- Reducing salaries (0-10%)
- Close stations (#18 and #30)
- Eliminating equipment

Law Enforcement and Judiciary

We would like to maintain the current levels of service in the courts and the police department.

Recommendations:

1. Review interconnectivity. We want to have an evaluation to look for ways that the courts can work better together. This could include consolidation of the building maintenance, for example.
 - a. A cross-purpose action team is one option. This is a small but diverse team that would look for any economies of scale or other savings from consolidation. One suggestion was a team of appointed administrative judges, not the chief judges, who would look at longer range planning and efficiency.
2. Internal cost savings through outsourcing (e.g., outsourcing animal control).
3. Consolidation (e.g., building maintenance – what might the cost be?)

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4. Implement innovative technology
 - Lobby for increased fees in the State legislature.
 - How much revenue would we see? One member asked about What about the possible effect of a \$10 feed on tickets to pay for improved technology and tech systems.
5. Indigent defense – Explore the cost of the current system vs. public defender flat fee.
6. Education initiative. Find ways to more effectively connect citizens to law enforcement and inform the citizens about the successes of our police.

If cuts are needed, we would support an across the board percentage cut. The commissioners should set the reduction of cost level while relying on the department heads to recommend how to reach the reduced cost levels.

Set a reduction of cost level – rely on department heads to recommend how to reach the level of cuts. What would a 1% across the board cost generate in revenue? A possible 5% reduction in spending was discussed.

Consider SPLOST use for police vehicles.

Suggestion: Apply the \$50+ money set aside from the last millage rate increase to a rainy day fund that covers us for the probable deficit on the horizon. What are the costs of not paying unfunded liabilities?

Can two issues be presented in the same referendum. One that would include a LOST Sales Tax Proposal and a Second a Millage rate increase.

What revenues would you support and in what order?

Step 1: Exchange/fees.

We would go first to compensatory fees. We know this is only a part of the answer.

Step 2: Sales tax.

We would support having the community vote on a LOST 1 sales tax. The advantage of LOST 1 would be the increased flexibility for use in operations.

Step 3: Property Tax

If prudent service level requires modest increase to continue the important services of the courts and law enforcement, we would support it. Some supporters said that they would support having a referendum about a millage increase.

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Questions for Aaron Bovos:

- Suggestion: Apply the \$50+ money set aside from the last millage rate increase to a rainy day fund that covers us for the probable deficit on the horizon. **What are the costs of not paying unfunded liabilities but using the money to cover deficits?**
- Can two issues be presented in the same referendum. One that would include a LOST Sales Tax Proposal and a Second a Millage rate increase.
- What would a 1% across the board pay cut produce in savings?

Appendix A

Digest Reduction Scenario

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Digest Scenario



2009 Net Tax Digest = \$29.0 billion

A 10% decrease in the digest equates to a \$2.9 billion reduction, or a net digest of \$26.1 billion.

General Fund Reduction:

With the 2009 millage rate of 11.78 mills that equates to a loss of revenue = \$34,162,000

Recreation Fund Reduction:

With the 2009 millage rate of 1.00 mills that equates to a loss of revenue = \$2.9 million

Impact of Scenario



If the reduction in the digest on slide 1 occurred, the resulting impact is a decline in revenue. Based upon their share of the operating budget, departments would need to make the following cuts:

Area / Group	% of Operating Budget	Operating Budget	Reduction Scenario
Public Safety & Courts	39.9%	\$220,094,986	\$13,630,638
Planning & Development	1.2%	\$6,833,943	\$409,944
Transportation	2.6%	\$14,570,912	\$888,212
Fire	13.8%	\$75,957,552	\$4,714,356
Community Service & Sub.	2.5%	\$13,934,811	\$854,050
Libraries	3.6%	\$19,797,254	\$1,229,832
Recreation & Parks	100%	\$41,446,148	\$2,900,000

Revenue Options



Property Tax Increase

Using a \$26.1 billion digest, 1 mill = \$26,100,000

Property tax increase available for General Fund only

Sales Tax

Generates approximately \$120 million annually (including amount to be shared with cities and administrative fees paid to DOR)

100% of the tax revenue can be used to rollback property taxes, making it revenue neutral (known as LOST); or

50% of the tax revenue can be used to rollback property tax and the remaining 50% can be used for County operations (known as LOST II)

Exchange Revenue / Fees for Service

Policy discussion on % of expense covered by revenue, i.e. 100%? 50%? 25%?

Appendix B: Scenario Spreadsheet of Budget Cuts and Revenue Increases

This is intended as a working tool to evaluate different potential scenarios. This does NOT represent a final proposal by any individual, work group, or Engage Gwinnett committee as a whole. It is intended to equip Engage Gwinnett participants with a tool to analyze the impact of potential scenarios. Any quotation, representation, or reference to these scenarios as approved recommendations of Engage Gwinnett is expressly prohibited.

	FY10						
	% of Operating Budget	Operating Budget (Current)	Reduction Scenario (Prorata)	Operating Budget (Prorata)	Reduction Scenario (Disproportionate)	% Decrease from Current	Operating Budget (Disproportionate)
Public Safety & Courts	39.90%	\$ 220,094,986	\$ 13,630,638	\$ 206,464,348	\$ 6,000,000	2.73%	\$ 214,094,986
Planning & Development	1.20%	\$ 6,833,943	\$ 409,944	\$ 6,423,999	\$ 500,000	7.32%	\$ 6,333,943
Transportation	2.60%	\$ 14,570,912	\$ 888,212	\$ 13,682,700	\$ 1,100,000	7.55%	\$ 13,470,912
Fire	13.80%	\$ 75,957,552	\$ 4,714,356	\$ 71,243,196	\$ 2,000,000	2.63%	\$ 73,957,552
Community Services	2.50%	\$ 13,934,811	\$ 854,050	\$ 13,080,761	\$ 854,050	6.13%	\$ 13,080,761
Libraries	3.60%	\$ 19,797,254	\$ 1,229,832	\$ 18,567,422	\$ 6,500,000	32.83%	\$ 13,297,254
Total	63.60%	\$ 351,189,458	\$ 21,727,032	\$ 329,462,426	\$ 16,954,050	4.83%	\$ 334,235,408
Anticipated Digest Decline			\$ 34,162,000		\$ 34,162,000		
Gap After Expense Reductions			\$ 12,434,968		\$ 17,207,950		
0.5Mil Increase (General Fund)			\$ 13,050,000		\$ -		
0.3Mil Increase (Net)			\$ -		\$ 8,050,000		
Rec & Parks (Tax Digest Impact)	100%	\$ 41,446,148	\$ 2,900,000	\$ 38,546,148	\$ 2,900,000	19.06%	\$ 33,546,148
Rec & Parks (0.8Mil Impact)					\$ 5,000,000		
Gap After Property Tax Increase			\$ (615,032)		\$ 4,157,950		

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 - (b) Achieve \$17MM Reduction through salary cuts 6.49% Across the board salary cuts at this % to achieve \$17MM in savings