

**DEVELOPMENT AUTHORITY OF FULTON COUNTY  
FINANCIAL REVIEW/AUDIT COMMITTEE MEETING HELD ON  
MONDAY, APRIL 18, 2022 AT 4:30 P.M.  
HELD VIA VIDEOCONFERENCE**

**MINUTES**

Present were the following Members of the Committee:

Mayor Mike Bodker – Treasurer/Committee Chair  
Mr. Tom Tidwell – Board Member  
Dr. Mike Looney – Board Member

Committee Members Absent: Ms. Erica Long

Also present were Ms. Sarah-Elizabeth Langford, Interim Executive Director of the Authority, Ms. Marva Bryan, Ms. Doris Coleman and Ms. Sabrina Kirkland, staff of the Authority, and Ms. Sandra Z. Zayac and Ms. Eunice Lim, attorneys for the Authority.

**RECOGNITION OF VISITORS:** Also present were Mr. Jim Stevens and Ms. Diana Reddy of On-Call Accounting.

Mayor Bodker called the meeting to order at 4:38 p.m.

**COVID-19 UPDATE:** Due to concerns surrounding the spread of COVID-19 in Fulton County and nearby communities, President Biden’s National Emergency Concerning Coronavirus Disease 2019 (COVID-19) Pandemic, and DAFC’s finding that COVID-19 conditions continue to exist in Fulton County, the public was invited to participate in this Committee meeting via a Zoom webinar, which could be accessed by: (i) registering in advance at [https://us02web.zoom.us/webinar/register/WN\\_EYumBPqVTeyz\\_5ja5kbvaQ](https://us02web.zoom.us/webinar/register/WN_EYumBPqVTeyz_5ja5kbvaQ) after which they would receive a confirmation email containing information about joining the webinar; or (ii) joining by telephone by dialing 1-646-558-8656 (Webinar ID: 884 1989 4918) and pressing # when prompted.

**MINUTES:** The minutes from the Committee meetings held on February 21, 2022 and March 21, 2022 were presented to the Committee for approval. Upon a motion made by Mr. Tidwell, which was seconded by Dr. Looney, the Committee unanimously approved the minutes as presented.

**ITEMS FOR DISCUSSION:**

**Review of Recent Financial Statements of the Authority and Discussion of Budget.** Mayor Bodker updated the Committee Members on key takeaways from the March 2022 financials, noting that all expenses aligned with the budget, except for insurance costs, which have recently risen. Mayor Bodker stated the budget would be adjusted at a later date to reflect this increased cost. Mayor

Bodker then recommended that the Committee should actively monitor and update the Board on matters related to fee generation.

Reserve Fund Amount and Potential Fee Allocation Schedule. Mayor Bodker led conversation by presenting to the Committee the City of Johns Creek’s Budget Policy, a copy of which is attached hereto as Exhibit A, as a starting point around which the Authority could potentially model its own budget policy. Mayor Bodker focused the conversation first on Section II (G) (Budget Stabilization Resources) of Exhibit A, which establishes a fund balance reserve, and stated the Authority should similarly establish a floor and ceiling reserve balance for board-determined emergencies or opportunities. Mayor Bodker suggested that the Committee adopt: (i) a floor of 12 to 18 months of operating expenses, and (ii) a ceiling of 24 months of operating expenses plus cash flow. Following discussion, the Committee agreed that the recommended floor and ceiling allocation is appropriate. Mayor Bodker then discussed Section II (O) (End of Fiscal Year Surplus) of Exhibit A, which establishes an allocation formula in the event of an operating surplus, and urged the Committee to consider which categories would fall under the Authority’s funding formula. The Committee, in consideration of the Board’s discussion at the Strategic Retreat, agreed that the Authority’s funding formula, at minimum, should contain the following categories: (i) operating expenses; (ii) reserve fund; and (iii) strategic initiatives, including community development entity (“CDE”) matters. Mayor Bodker recommended adding locality-based initiatives as a category for the funding formula. In closing, Mayor Bodker agreed to bring an updated draft of the funding formula and a draft of a budget policy for the Authority modeled after Exhibit A for the Committee to review at the next Committee meeting, and also agreed to work with staff to review the budget policies of other development authorities in the State of Georgia to better inform the discussion.

NEXT MEETING:

Mayor Bodker announced that the Committee’s next meeting would be scheduled for Monday, May 16, 2022 at 3:00 p.m. via Zoom videoconference and teleconference.

A motion to adjourn the meeting was made by Mr. Tidwell, seconded by Dr. Looney, and approved by all Members present.

There being no further business to discuss, the meeting was adjourned at approximately 5:18 p.m.

Mike Bodker  
Mayor Mike Bodker, Committee Chair

Exhibit A  
(Attached)



Effective Date:	<u>1/26/2021</u>
Date of Next Review:	September 2023
Department:	Finance
Policy Contact:	Finance Director
Contact Info:	678-512-3318

# BUDGET POLICY

As Amended: 01/25/2021

## Table of Contents

I. General Budget Policy.....	3
A. Scope.....	3
B. Financing Current Costs .....	3
C. Budget Objective by Type of Fund.....	3
D. Delegation of Responsibility and Authority for Implementation .....	4
II. Operating Budget .....	4
A. Departmental Appropriations .....	4
B. Performance Budget.....	4
C. Budget Preparation Categories.....	4
D. Balanced Budget.....	4
E. Basis of Budgeting.....	5
F. Level of Budget Adoption and Control.....	5
G. Budget Stabilization Resources .....	5
H. Utilization of Prior Year’s Fund Balance in Budget.....	5
I. Appropriation Lapses at Year End.....	5
J. Budget Control Reports .....	5
K. Authorization of Budget Adjustments and Amendments.....	5
L. Maintenance and Replacement of Capital Equipment .....	6
M. Contributions.....	6
N. One-Time Revenue Sources .....	6
III. Cash Flow Budget.....	7
A. Budget Allotments .....	7
IV. Capital Project Improvement Plan.....	7
A. Project Length Budget .....	7

B. Budget Preparation..... 7  
C. Budget Control Reports ..... 7  
D. Authorization of Budget Adjustments and Amendments ..... 7  
E. Appropriations at Year End ..... 8

# I. General Budget Policy

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The budget process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided within estimated resources. Budget policy guides this process. Budget policy also should protect the City's financial health and stability.

Georgia law (e.g. O.C.G.A. 36-81-2 *et seq.*) establishes the budget requirements for Georgia local governments. The information below provides an outline of the City's application of those laws.

The City's goal will be to adopt operating budgets where current revenues equal anticipated expenditures. All departments supported by the resources of the City must function within the limits of the financial resources identified or available specifically for them. A balance must be struck between revenues and expenditures so that the public can realize the benefits of a strong and stable government. It is important to understand that this policy is applied to budget entities over periods of time which extend beyond current appropriations. By law, budgets cannot exceed available resources, defined as revenues generated in the current period added to balances carried forward from prior years. Temporary shortages, or operating deficits, can and do occur, but they are not tolerated as extended trends.

## A. Scope

This policy applies to all budgeted funds which are the responsibility and under the management of the City of Johns Creek through its City Manager and its Finance Department.

## B. Financing Current Costs

Current costs should be financed with current revenues, including the use of authorized fund balances. The City will manage short-term borrowing to meet cash flow requirements within statutory restrictions.

## C. Budget Objective by Type of Fund

The following budget objectives are established for the different funds the City uses:

- **General Fund** – The annual budget for the General Fund shall provide for general government operations of the City and maintain working capital necessary for the City's financial health and stability.
- **Special Revenue Fund(s)** – The City adopts annual budgets for each special revenue fund in existence for the purpose of demonstrating that legally restricted revenue sources are used in compliance with the applicable laws and/or regulations (i.e. Hotel/Motel Tax Fund).
- **Capital Project Fund(s)** – The City adopts project budgets for each of its capital projects. These adopted appropriations do not lapse at the end of a fiscal year; rather they remain in effect until project completion or re-appropriation by City Council.
- **Debt Service Fund(s)** – The City adopts annual budgets for its debt service funds. Any remaining fund balances from prior years plus current years projected revenues shall be sufficient to meet all annual debt service requirements.
- **Enterprise Fund(s)** – Although generally accepted accounting principles (GAAP) and Georgia statutes do not require the City to adopt budgets for enterprise funds, the City will adopt budgets for its enterprise funds in order to monitor revenues and control expenses. The City will employ a business approach when budgeting enterprise funds. Enterprise funds shall be self-supporting whenever possible and subsidized losses will be minimized when break-even is not possible.

Additionally, the City classifies funds as either operating funds or capital funds. Operating funds are those funds that provide appropriations covering the daily operations of the City and that are structured primarily for ongoing operations and maintenance purposes. The General Fund will always be an operating fund. Capital funds are those funds that provide funding for capital projects, as defined elsewhere in this Policy; the time horizon of capital funds typically exceeds any specific fiscal year and is focused on project periods rather than an annual period.

## D. Delegation of Responsibility and Authority for Implementation

Responsibility for implementing the provisions of the Budget Policy is assigned to the City Manager, who may in turn delegate to the Finance Director responsibility for tasks and activities associated with the implementation. The City Manager is granted the authority necessary to manage the City's budget in accordance with the intent of this Policy, to the extent that such authority has not been otherwise reserved to the Mayor and Council.

## II. Operating Budget

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The operating budget shall be prepared on an annual basis and include those funds detailed in Section I that are subject to annual appropriation (all funds excluding the Capital Project Funds). Prior year budget appropriations and prior year actual data will be provided as reference data, with the current year appropriation and projection of expenditures. At a minimum, the City shall adopt annual balanced budgets for the General Fund, each special revenue fund, and each debt service fund in accordance with O.C.G.A. 36-81-3 through either an ordinance or a resolution.

The annual proposed budget should be submitted to the governing authority ninety (90) days prior to the beginning of the fiscal year while being made available by the Finance Department for public review/inspection in accordance with O.C.G.A. 36-81-3. At least two public meetings will be conducted after proper advertisement prior to the City Council adopting and approving the annual budget document (O.C.G.A. 36-81-5 and 36-81-6).

As stipulated in Debt Policy, Section F, Item 11 (Early Repayment), where fiscally appropriate, legally allowed, and within the term of the debt the City will evaluate the pros and cons to repaying debt early. During the annual budget process, all debt will be reviewed to determine if any early repayment strategy is desirable.

### A. Departmental Appropriations

The budget shall be developed based upon "line-item" expenditures for each department. This type of budget focuses on categories of expenditures such as personal services, contractual services, supplies, equipment, etc. within each department. At a minimum, each department's total appropriations in each fund shall be detailed within the budget document (O.C.G.A. 36-81-3 and 36-81-5).

### B. Performance Budget

The budget document shall also include "performance" budget information. A performance budget provides information about departmental goals and objectives to be accomplished in the upcoming budget year. A performance budget also utilizes "Service Efforts and Accomplishments" which measure services rendered and department efficiency/effectiveness on a historical basis and project targets of the indicators for the upcoming budget year. The City shall strive to minimize and reduce, if possible, staffing levels required to accomplish its service delivery.

### C. Budget Preparation Categories

Each department shall submit budget requests separately for:

- **Current services** – A current services budget is defined as that level of funding which is necessary to provide the same level of service for the upcoming year that is currently being provided. The current services budget will include replacement of capital equipment and maintenance of existing systems.
- **Expanded/improved services** – An expanded services budget includes funding requests associated with new or improved services, additional personnel, or new capital projects/equipment.

### D. Balanced Budget

The budget shall be balanced for each budgeted fund. Total anticipated revenues plus fund balance that is designated as a budget-funding source shall equal total estimated expenditures for each fund. Only fund balance amounts that exceed required reserves should be used as a funding source for the budget. The General Fund, all Special Revenue Funds, and

any Debt Service Funds shall be balanced on an annual basis. All Capital Project Funds shall be balanced over the life of the individual capital projects.

## E. Basis of Budgeting

Neither GAAP nor Georgia statutes address a required budgetary basis of budgeting; however, the City shall adopt budgets in conformity with GAAP for all budgeted funds. All governmental funds shall use the modified accrual basis of accounting and proprietary funds shall use the accrual basis of accounting for budgeting purposes.

## F. Level of Budget Adoption and Control

All budgets shall be adopted at the legal level of budgetary control, which is the department level within each individual fund.

## G. Budget Stabilization Resources

The City shall establish a fund balance reserve in all operating funds (defined in Section I of this policy) for working capital. The purpose of working capital is to cover the cost of expenditures caused by unforeseen emergencies and shortfalls caused by revenue declines and to minimize any short-term borrowing for cash flow purposes. This reserve shall accumulate and be maintained at an amount which represents no less than three (3) months of operating and debt expenditures (approximately 25% of budgeted expenditures).

The fund balance reserve shall be maintained at a minimum level of 25% of operating expenditures for working capital, cash flow. The fund balance reserve shall have a ceiling of \$30M.

## H. Utilization of Prior Year's Fund Balance in Budget

If necessary, the City may use fund balance in excess of the reserve for working capital as a funding source for that fund's budget in any given year. The amount of unreserved fund balance shall be estimated conservatively, taking into consideration future year needs. The minimum requirements for the reserve for working capital, equal to three (3) months of operating and debt expenditures, should be met before utilizing the excess fund balance as a funding source for the budget. The utilization of fund balance shall be deemed a use of one-time revenues for budgeting purposes.

## I. Appropriation Lapses at Year End

All operating budget appropriations (including encumbered appropriations) shall lapse at the end of a fiscal year. Purchases encumbered in the current year, but not received until the following year, must be charged against a department's subsequent year appropriation.

## J. Budget Control Reports

The City shall maintain a system of budgetary control reports to assure adherence to the budget. The City will prepare and distribute to departments timely monthly financial reports comparing actual revenues, outstanding encumbrances, and incurred expenditures with budgeted amounts.

## K. Authorization of Budget Adjustments and Amendments

The budget is a dynamic rather than static plan, which requires adjustments and formal budget amendments as circumstances change. The City Council must approve all increases in total departmental appropriations through either an ordinance or a resolution.

Department Heads must submit budget amendment requests transferring appropriations from one line item to another within the specific department appropriation within each fund and obtain approval by the Finance Director or the City Manager, depending upon the specifics of the requested transfer. Adjustments from appropriations that have been obligated, committed, or reserved for a designated purpose shall not be transferred until a formal de-obligation occurs.



At the mid-point of each year, any necessary budgetary appropriations, including budgets for any projects authorized but not funded during the year, may be appropriated through a supplementary budget ordinance. This mid-point adjustment is limited to reconciling updated projections with the approved budget amounts and is not intended to duplicate the annual budget process. Supplemental appropriations shall be balanced with additional revenues for each fund. A justification for each requested change must be prepared in accordance with O.C.G.A 38-81-3.

## L. Maintenance and Replacement of Capital Equipment

Beginning with the Fiscal Year 2016 budget, the City established a separate Maintenance Accrual Fund and Vehicle Replacement Accrual Fund. The funds will receive a transfer from the General Fund each year based upon the projected accrual spending in each category as developed for the ten-year forecast, divided by ten. The accrued funds may accumulate cash in years that the transfer exceeds the actual cost of projects and vehicles purchased during that particular year, and in years that projects exceed the annual accrual transfer the use of accumulated cash reserves can be used.

## M. Contributions

Unless authorized by City Council, outside contributions to programs operated by City departments shall be subject to the City's accounting and budgetary policies. The City welcomes both unrestricted and restricted contributions compatible with the City's programs and objectives. Any contribution shall be appropriated by City Council prior to expenditure.

## N. One-Time Revenue Sources

Non-recurring revenues shall be utilized within the appropriate fund for items relating to non-recurring expenses. The purpose of limiting these funding sources is to eliminate the fluctuations and escalation of ongoing costs that commonly result from funding operations with non-sustainable resources. One-time revenues shall be distinguished during the budget process and budget presentation so that a match can be made with non-recurring expenditures.

## O. End of Fiscal Year Surplus

The budget is a dynamic rather than static document developed annually over a 6-month period. Revenue estimates are forecast using a combination of historical trends and the latest economic data available. Our revenue estimates will generally be conservative in nature with supporting data. Expenditure requests will reflect the funding necessary to maintain current service levels. Request to modify existing service levels will always be detailed as enhancements to the base budget. Expenditure requests will be realistic in nature and reflect staff capacity for the forthcoming fiscal year.

Given a variety of changes that can occur within the fiscal year, there is a potential to close the fiscal year with an operating surplus (where actual revenues exceed actual expenditures). In the event of an end of year surplus, it would be distributed as follows:

1. Allocate 60% to the Unassigned Fund Balance until the ceiling level of \$30M is met. Once the targeted level is met, the allocation would be redistributed to the remaining priorities.
2. Allocate 15% towards Infrastructure Maintenance Accrual until the maintenance accruals are fully funded. Once the maintenance accruals are fully funded, the allocation would be redistributed to the remaining priorities.
3. Allocate 15% towards Capital Projects identified in the Five-Year Capital Plan. Within the category of unfunded capital projects, staff would prioritize projects requested in the fiscal year and give further priority to the unfunded projects that Council highlighted as initiatives to be revisited at the mid-year point.
4. Allocate 10% towards Property Tax (Millage Rate) Stabilization. This allocation would be tracked separately and accounted for within the City's Financial System being accessed to offset any future year increases not achieved by growth in assessed value when annually setting the Millage Rate.

## III. Cash Flow Budget

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For analysis and internal management purposes, the City shall prepare an annual cash flow budget in conjunction with the operating budget. The purpose of this document will be to provide the necessary guidelines to ensure that cash will be available to pay budget costs on a timely basis.

### A. Budget Allotments

Budget allocations (i.e. budget allotments) may be used in the operating budget when needed to manage cash flows. The annual appropriation may be divided into segments in order to insure that the projected revenue streams will be adequate to fund the appropriated expenditures. The cash flow budget will provide details as to the periods in which the revenues will be collected, and thereby provide for available resources to pay obligations.

## IV. Capital Project Improvement Plan

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The City will prepare a five-year capital project improvement plan (CIP) which will be updated annually. This plan will assist in the planning, acquisition, and financing of capital projects. A major capital project generally is defined as an expenditure that has an expected useful life of more than three (3) years with an estimated total cost of \$50,000 or more, or an improvement/addition to an existing capital asset. Examples include building/infrastructure construction, park improvements, streetscapes, computer systems, and land acquisitions. In certain cases, studies and designs that do not meet the definition of a capital project may be budgeted in the Capital Projects Fund if these may lead to future capital projects or involve an activity that crosses fiscal years.

Major capital projects will be budgeted in the Capital Projects Fund consistent with all available resources. With the involvement of the responsible departments, the Finance Department will prepare the capital budget in conjunction with the operating budget.

### A. Project Length Budget

The CIP budget shall be developed based upon defined projects approved by the Mayor and City Council. The budgeted appropriation shall include the complete project costs with contingency amounts as appropriate and if available (O.C.G.A. 36-81-3).

### B. Budget Preparation

Each department, in conjunction with the Mayor and City Council, will identify potential capital projects throughout the year. All identified projects will be added to the CIP document, regardless of available funding. However, unfunded capital projects shall be clearly identified as such. The list of identified projects will provide a method of tracking potential capital projects and planning for the future needs of the City. Every effort will be made to identify those projects committed by the City Council through legislative action.

### C. Budget Control Reports

The City shall maintain a system of budgetary control reports for capital projects to assure adherence to the budget. The City will prepare and distribute to departments timely monthly financial reports comparing actual revenues, outstanding encumbrances, and expenditures with budgeted amounts for each capital project. This will include a detailed Capital Projects Accrual reconciliation year over year as well as specific accrual reporting by Department, at a minimum.

### D. Authorization of Budget Adjustments and Amendments

Department Heads must submit budget amendment requests transferring appropriations from one line item to another within the same project. The Finance Director or the City Manager shall review and approve all requests for budget adjustments. Adjustments from appropriations that have been obligated, committed, or reserved for a designated

purpose shall not be transferred until a formal de-obligation occurs. The de-obligation of budget dollars to a specific project will only occur after the completion of the project or when it is identified that assigned funding for a project is no longer necessary.

## **E. Appropriations at Year End**

Capital project appropriations shall carry forward to the subsequent budget period an equal amount of any encumbrances/purchase orders issued as of the close of the fiscal year. Purchases encumbered in the current year, but not received until the following year, must be charged against each department's subsequent year carry-over appropriation. Any remaining appropriation available by project at year-end must be re-appropriated. A full reconciliation of each project's budget shall be performed once audited financial records from a fiscal year are available. Any necessary adjustments determined through the reconciliation process shall be addressed in conjunction with the mid-year budget review.