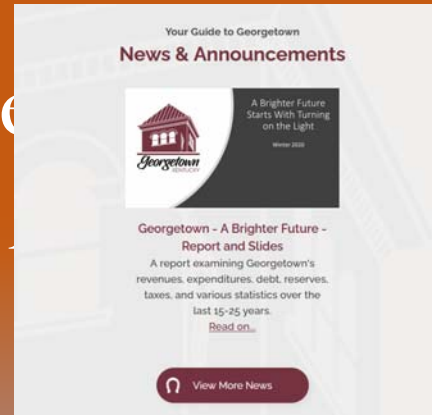


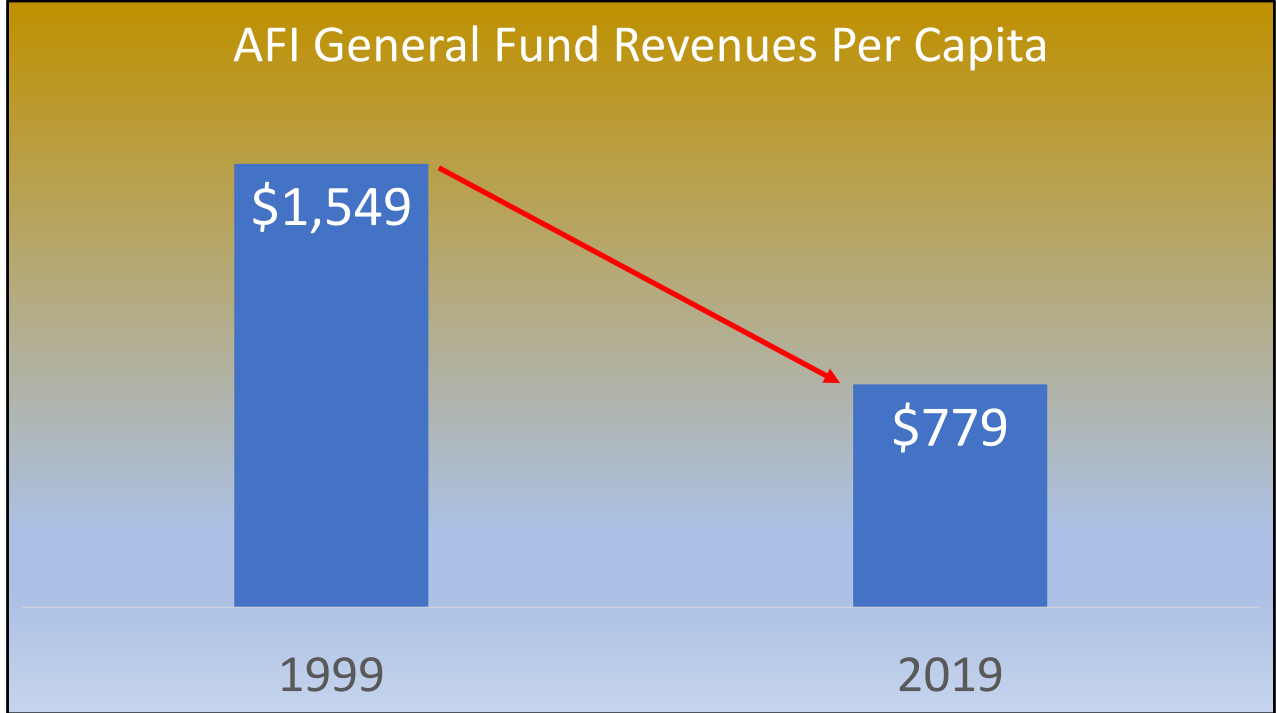
City of Georgetown Revenue Needs

LET'S

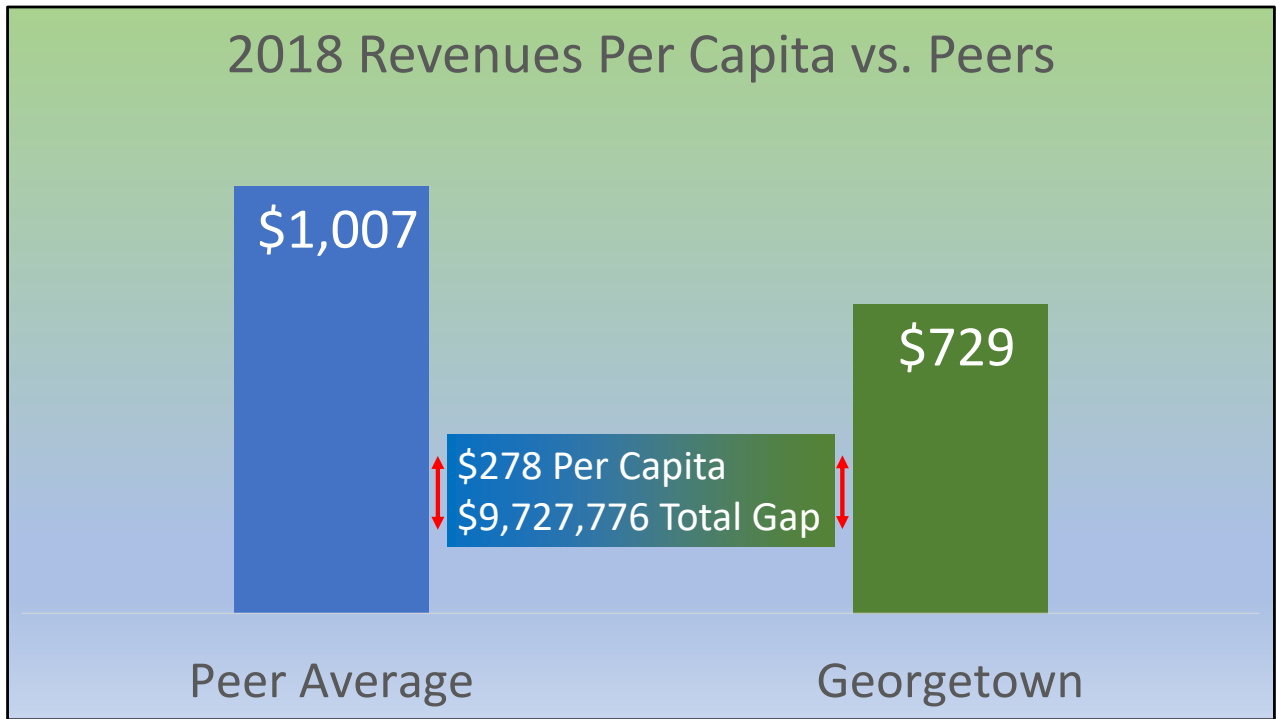
RECAP



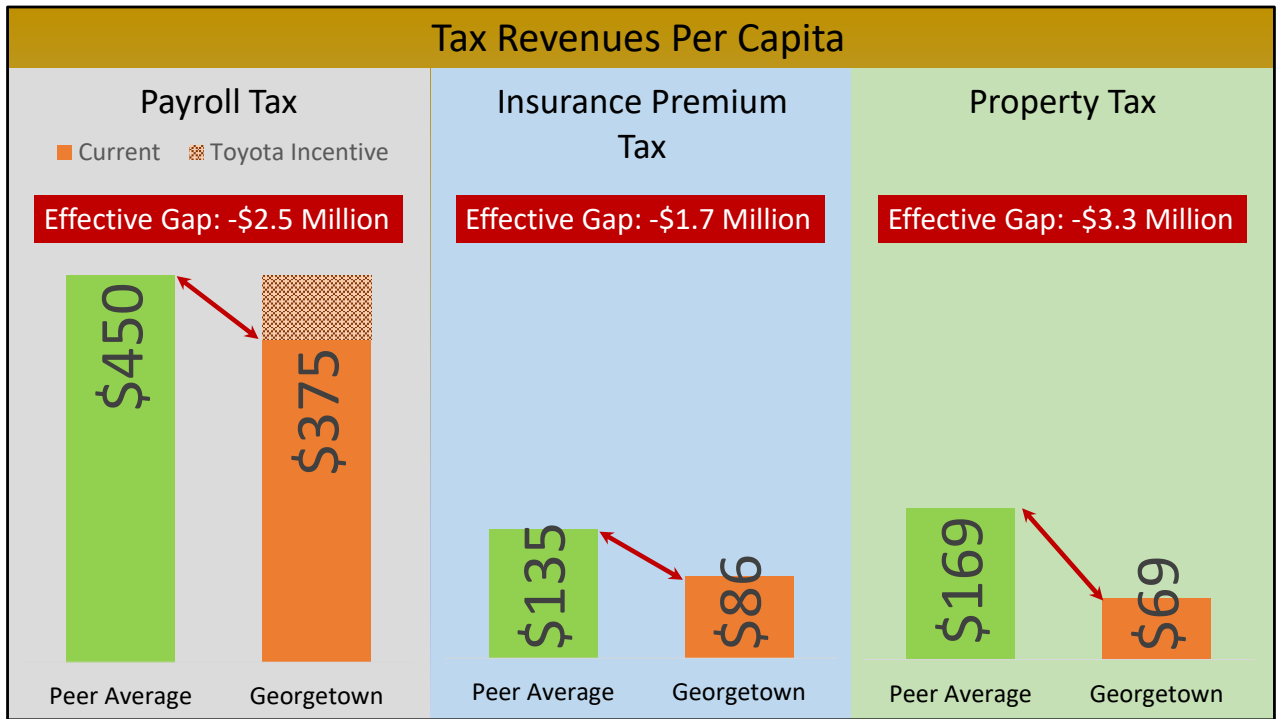
The City of Georgetown faces an historic revenue shortfall, a product of changing demographics and a mismatched tax structure. Last year, we gave a detailed presentation of the city's demographics, historical and comparative revenues, public safety expenditures, and the financial outlook. We urge you to review this presentation, which is available on our website, www.georgetownky.gov. Before we take a deeper look at the City's revenue needs, let's briefly recap the situation.



Adjusted for inflation, the city's general fund revenues per capita are half as much as twenty years ago. In other words, the city's population has doubled, while its spending power has remained the same.

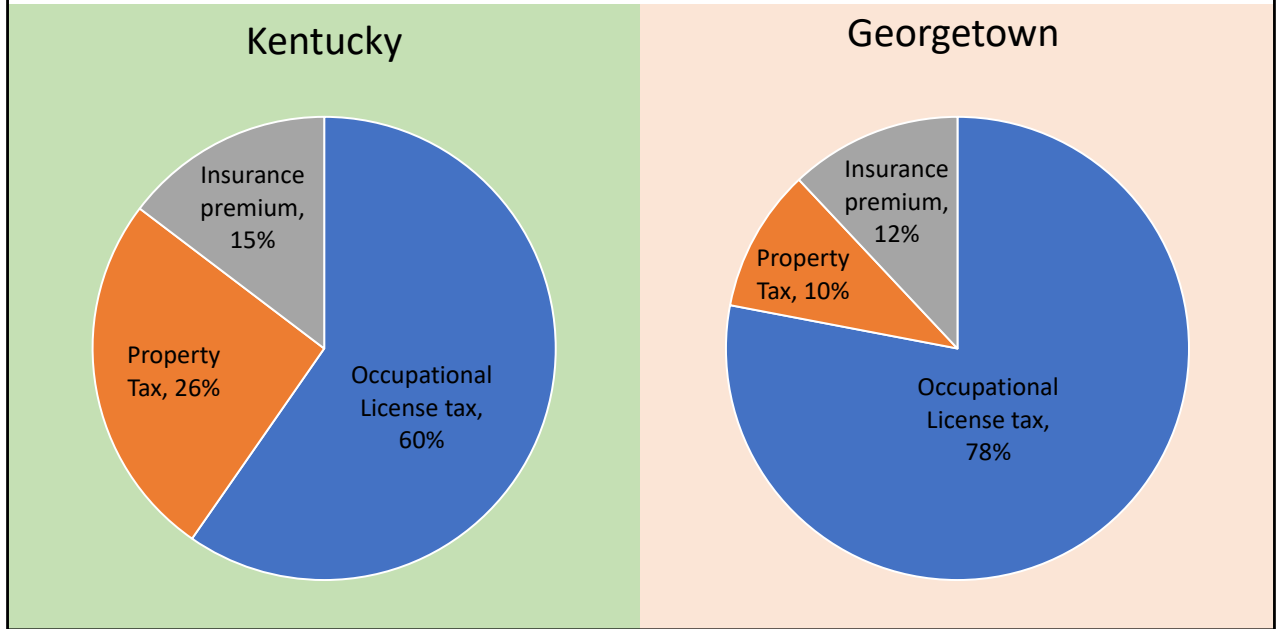


Georgetown's 2018 revenues per capita were roughly 2/3 of its peers' average, creating a gap of almost \$10 million.

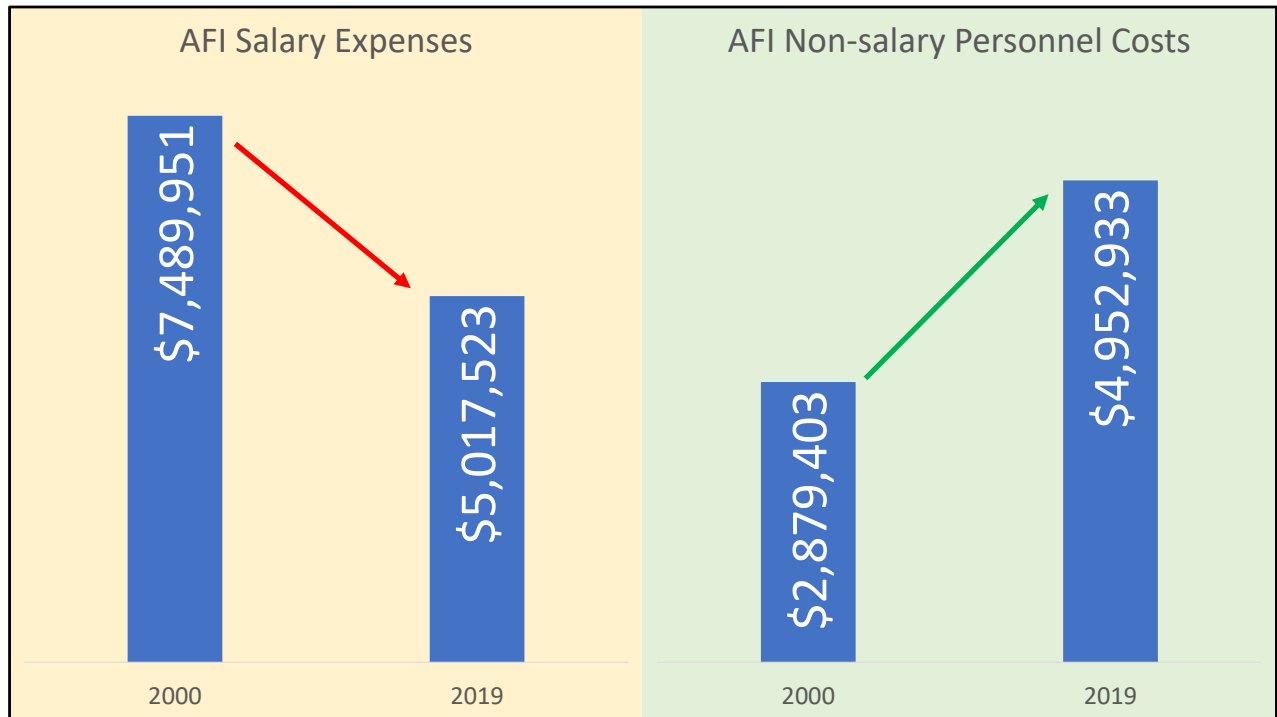


Georgetown lags the peer average in all three major tax categories, creating a gap of \$7.5 million.

General Fund Tax Revenues



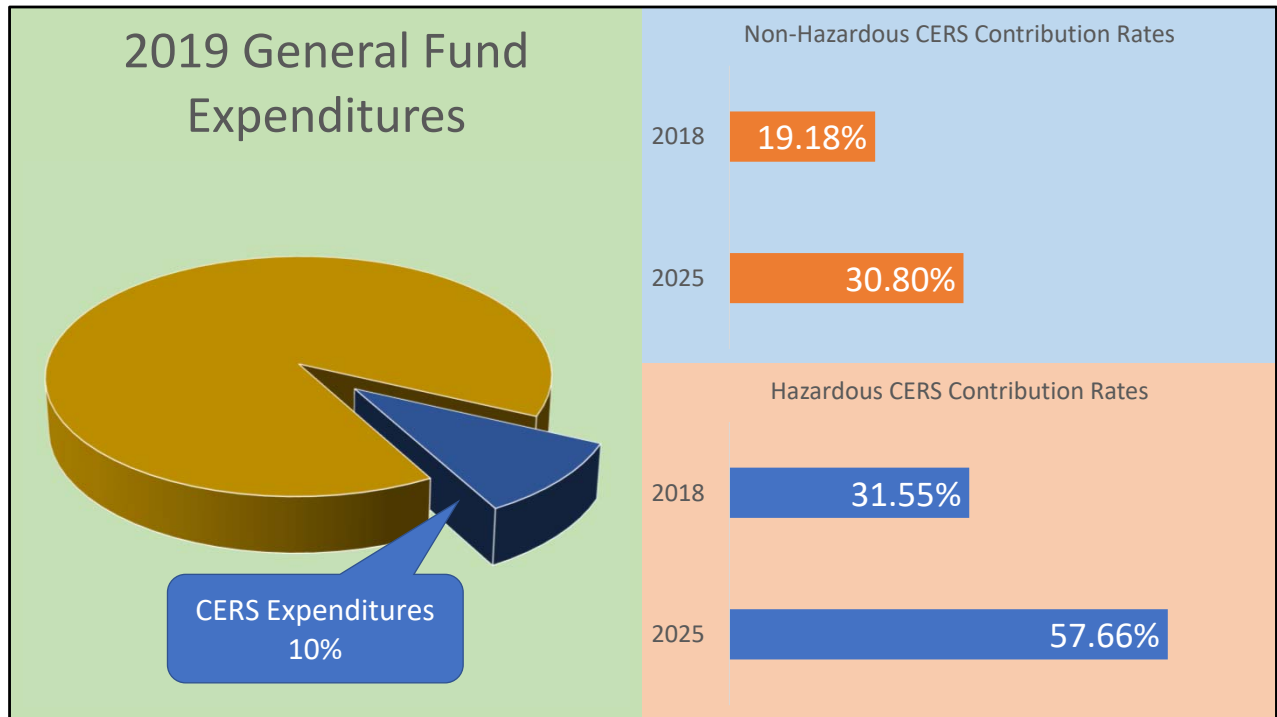
Note how Georgetown's general fund tax structure compares to the rest of Kentucky. In particular, property taxes account for a comparatively smaller portion of total tax revenues, making Georgetown heavily reliant on occupational license taxes.



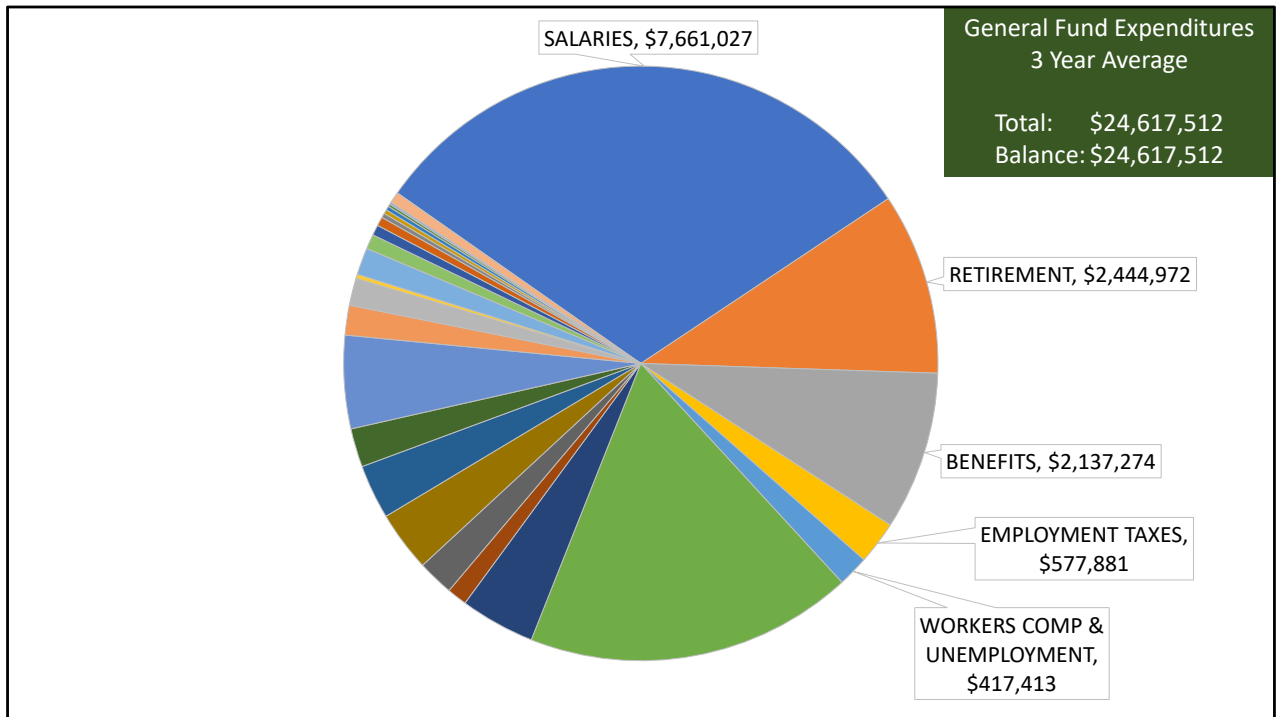
Adjusted for inflation, general fund salary spending is down 33% over 20 years, while non-salary personnel costs are up 72%.

1999	2021
<p>15,471 Residents</p> <p>9.9 Square Miles</p> <p>57 Police Officers</p> <p>43 Firefighters</p> <p>\$21M AFI Budget</p>	<p>34,992 Residents</p> <p>17.3 Square Miles</p> <p>57 Police Officers</p> <p>55 Firefighters</p> <p>\$25.7M Budget</p>

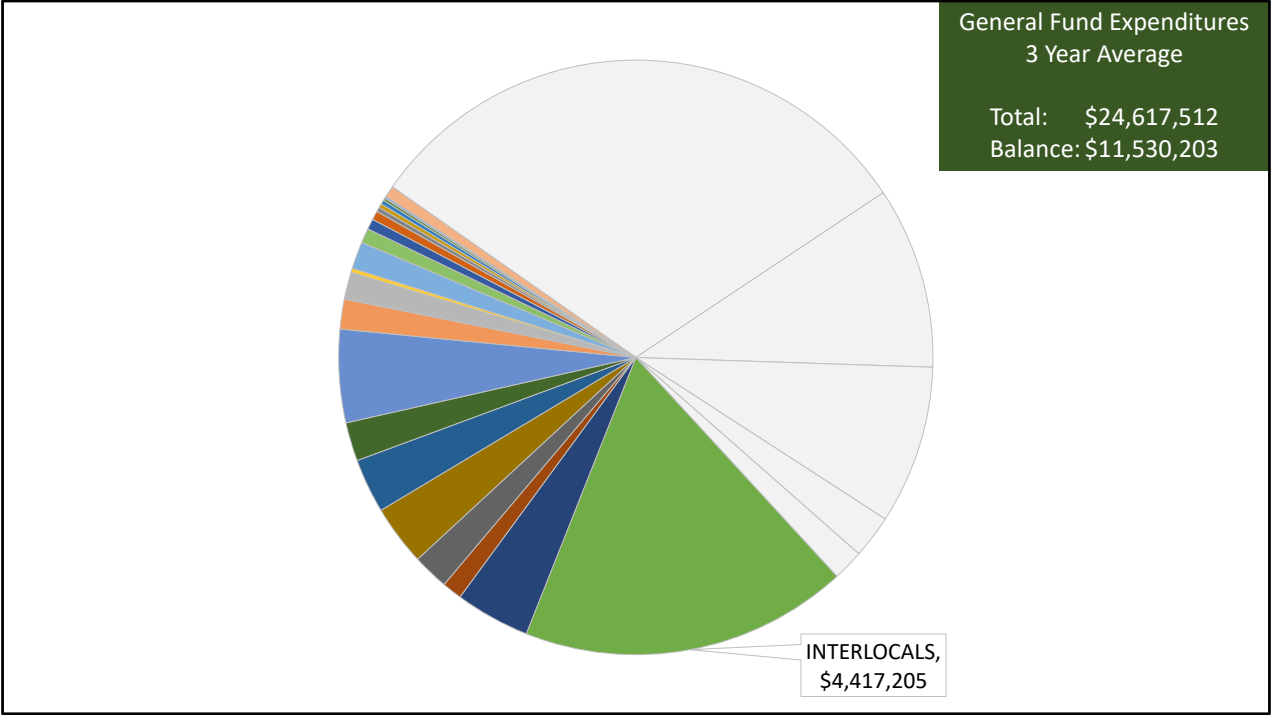
In the last 22 years, the city's population has increased by 126%, and the incorporated area has increased by 75%. In that same period, the number of police has not changed and the number of firefighters has increased by only 28%. Adjusted for inflation, the city's general fund budget is only 22% higher.



Retirement contributions account for 10% of the city's total general fund budget, and between 2018 and 2025, hazardous duty rates will have increased by 82% and nonhazardous rates by 60%



Georgetown’s three-year General Fund average expenditures is \$24.6 million. 53% of the expenditures went to salaries, benefits, taxes and unemployment insurance. 17.9% went to shared interlocal expenses for county-run departments. 20.6% was spent on utilities, fuel, liability insurance and claims, vehicles, professional services, maintenance, and debt service. Each year, the city gives an average of \$400,000 to community partners such as the Amen House and the Seniors Center. Another \$422,000 is dedicated to the cemetery and stormwater. 4.2% or just over \$1 million goes to equipment, computer hardware and software, training, supplies, uniforms, code abatement, travel, printing and advertising. That leaves just \$151,000 for all other miscellaneous expenses, which includes things such as postage, canine unit and bike patrol, grant matches, fire prevention and tax and fee refunds.



General Fund Expenditures
3 Year Average

Total: \$24,617,512
Balance: \$ 7,112,999

DEBT SERVICE, FEES AND
INTEREST, \$1,253,390

MAINTENANCE,
\$519,177

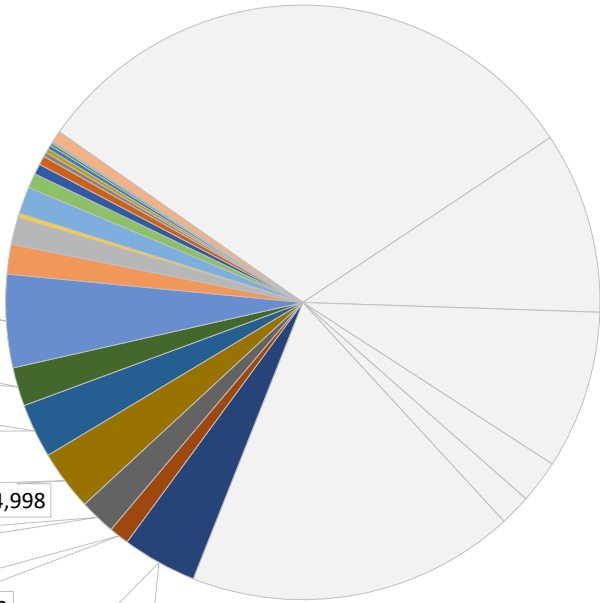
PROFESSIONAL
SERVICES, \$732,258

VEHICLES, \$814,998

INSURANCE AND
CLAIMS, \$483,576

MOTOR FUEL, \$269,032

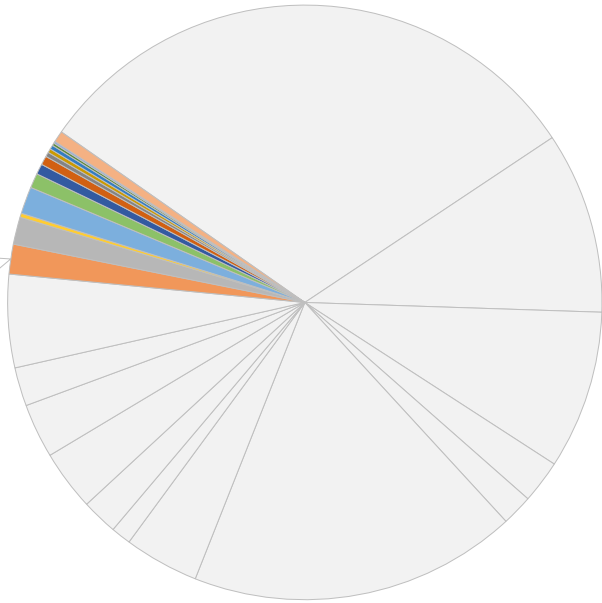
UTILITIES, \$1,008,892



General Fund Expenditures
3 Year Average

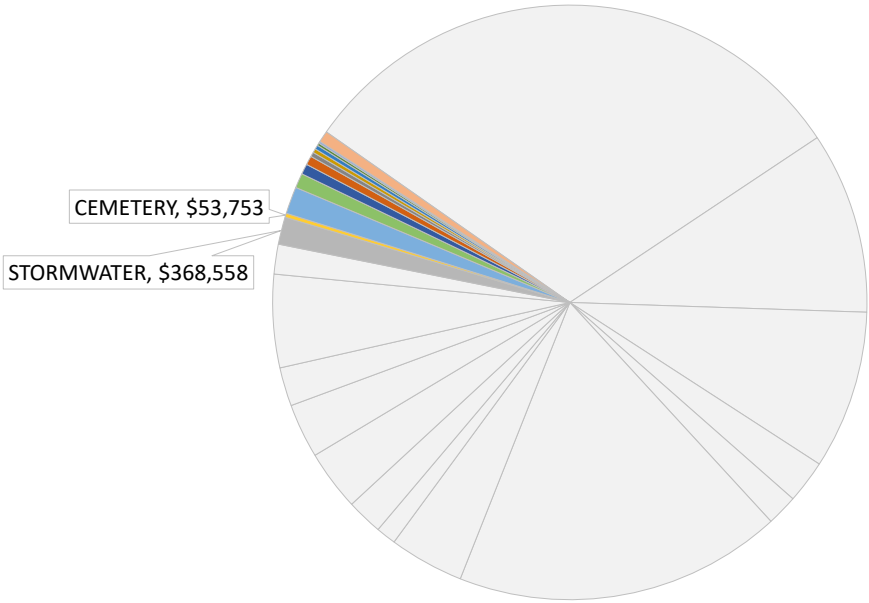
Total: \$24,617,512
Balance: \$ 2,031,676

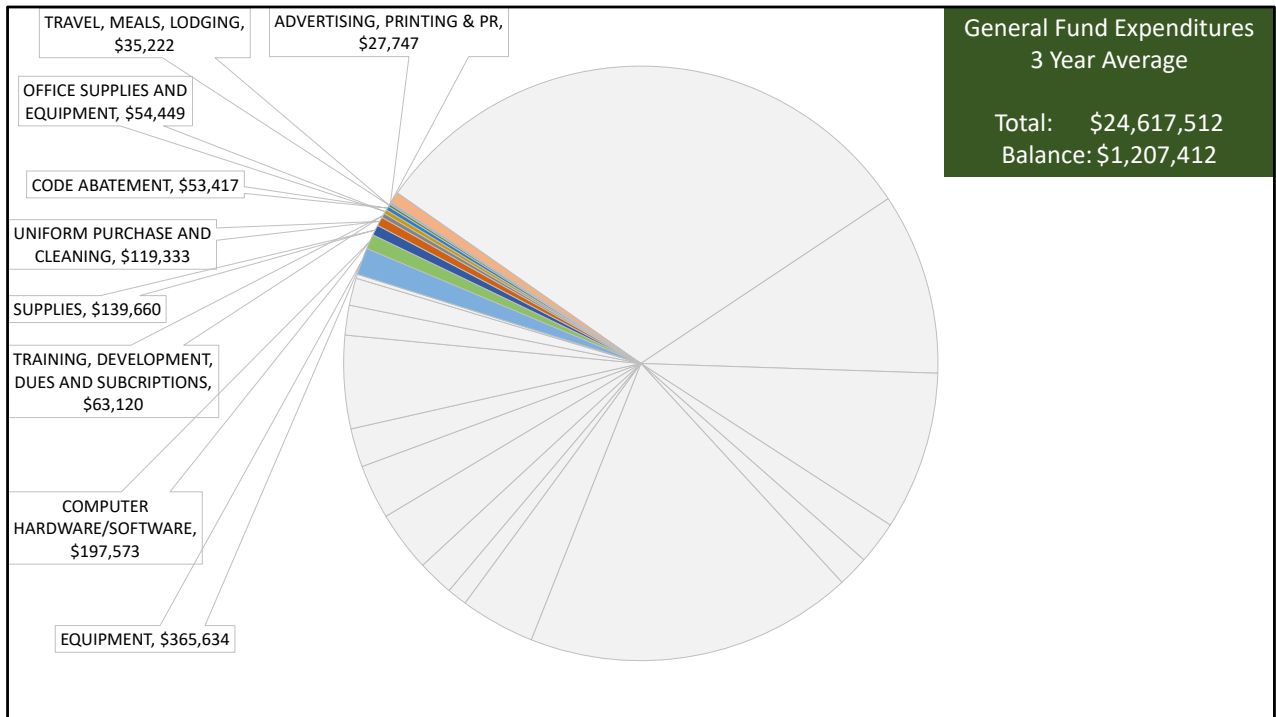
COMMUNITY PARTNERS,
\$401,953

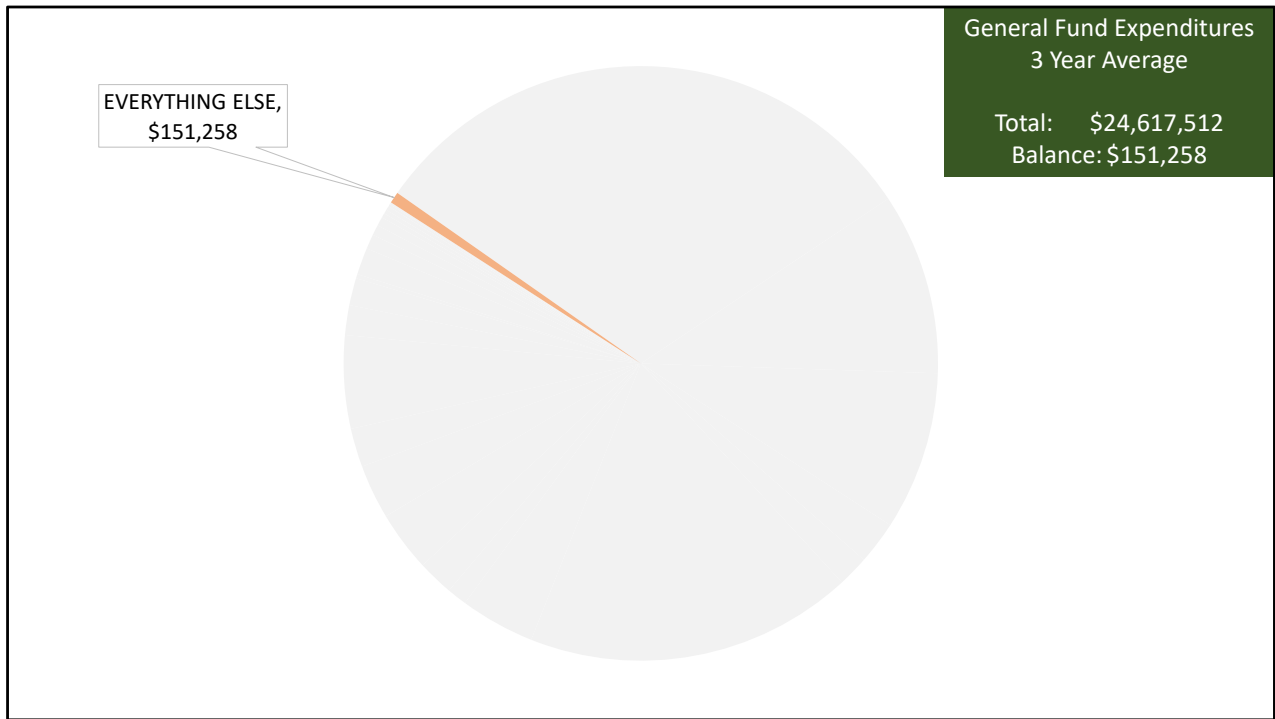


General Fund Expenditures
3 Year Average

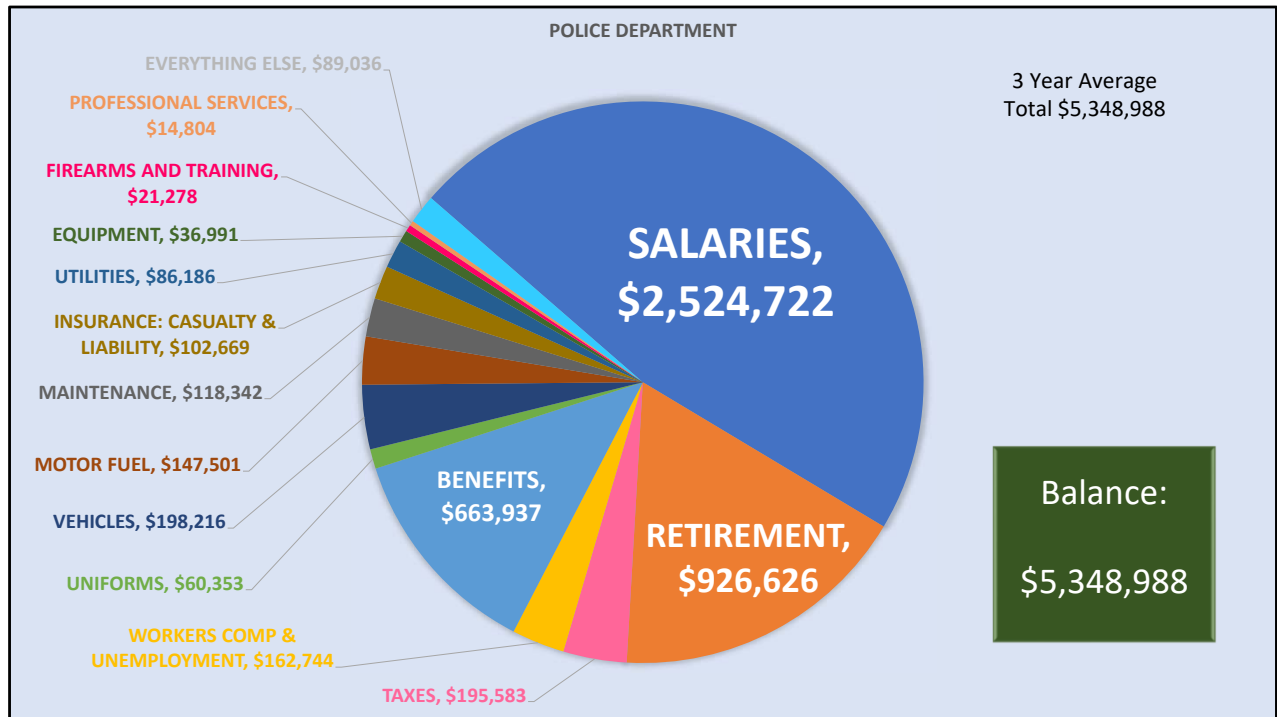
Total: \$24,617,512
Balance: \$1,629,723







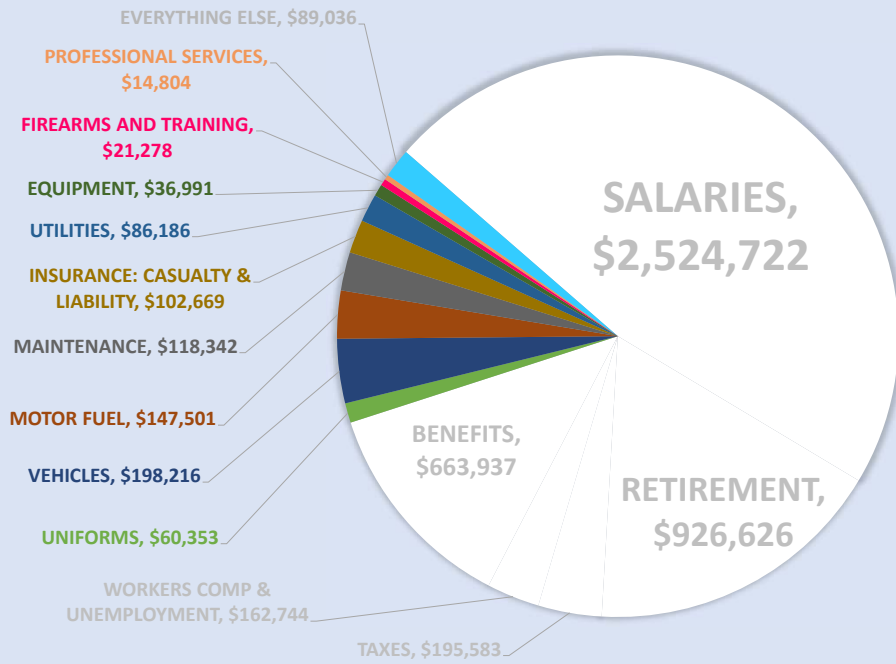




The police department's three-year average expenditures were \$5.3 million, or 21.7% of total general fund expenditures. 83.6% of police department expenditures went to salaries, retirement, benefits, taxes and workers compensation. Another 14.7 percent went to vehicles, fuel, maintenance, liability insurance and claims, utilities, training, equipment and professional services, leaving only \$89,000 for all other miscellaneous department expenses.

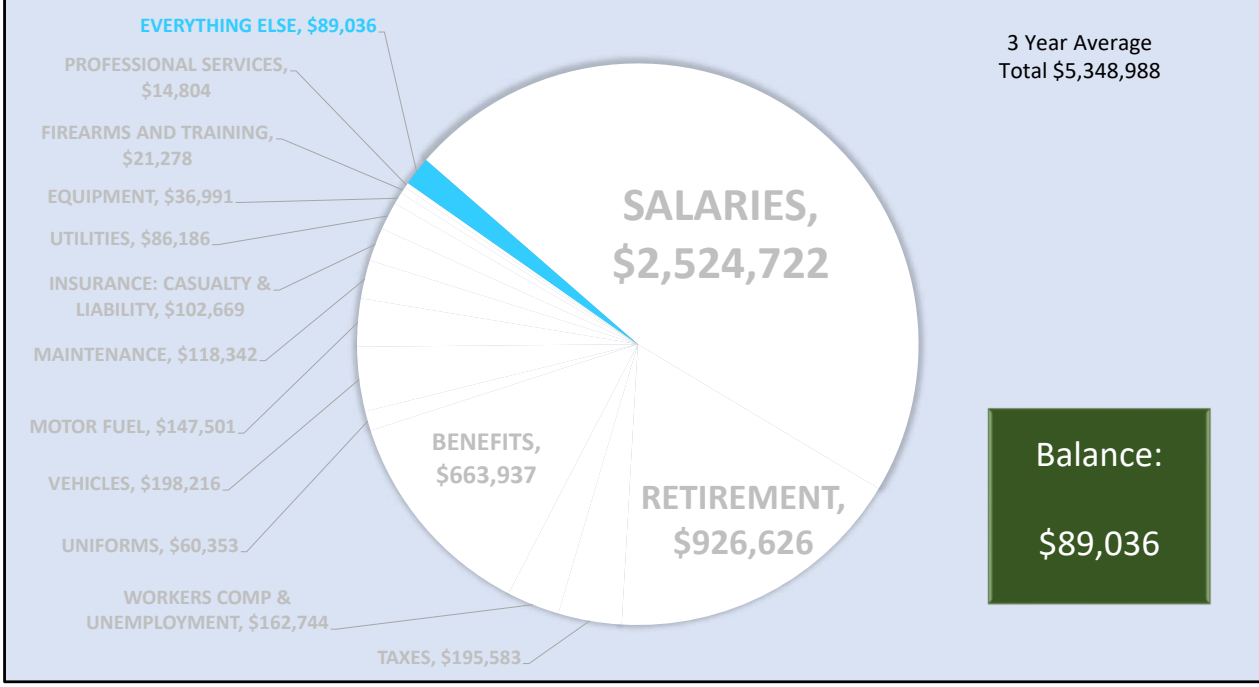
POLICE DEPARTMENT

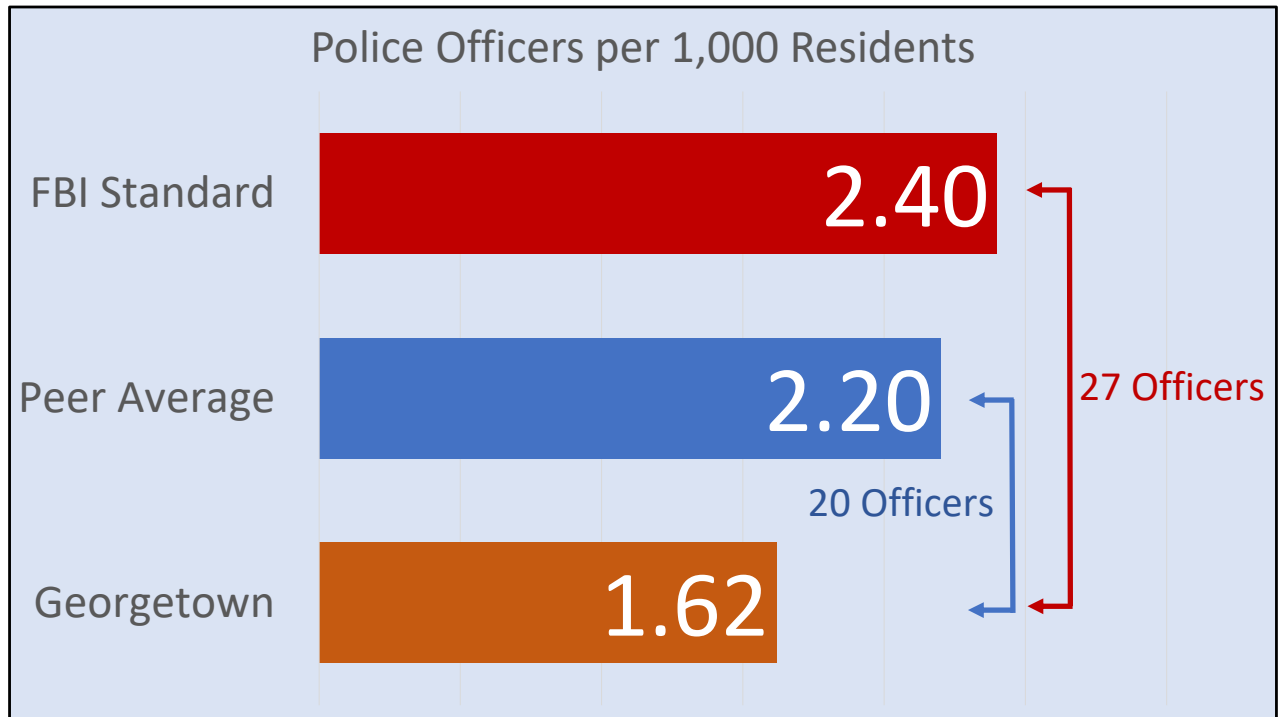
3 Year Average
Total \$5,348,988



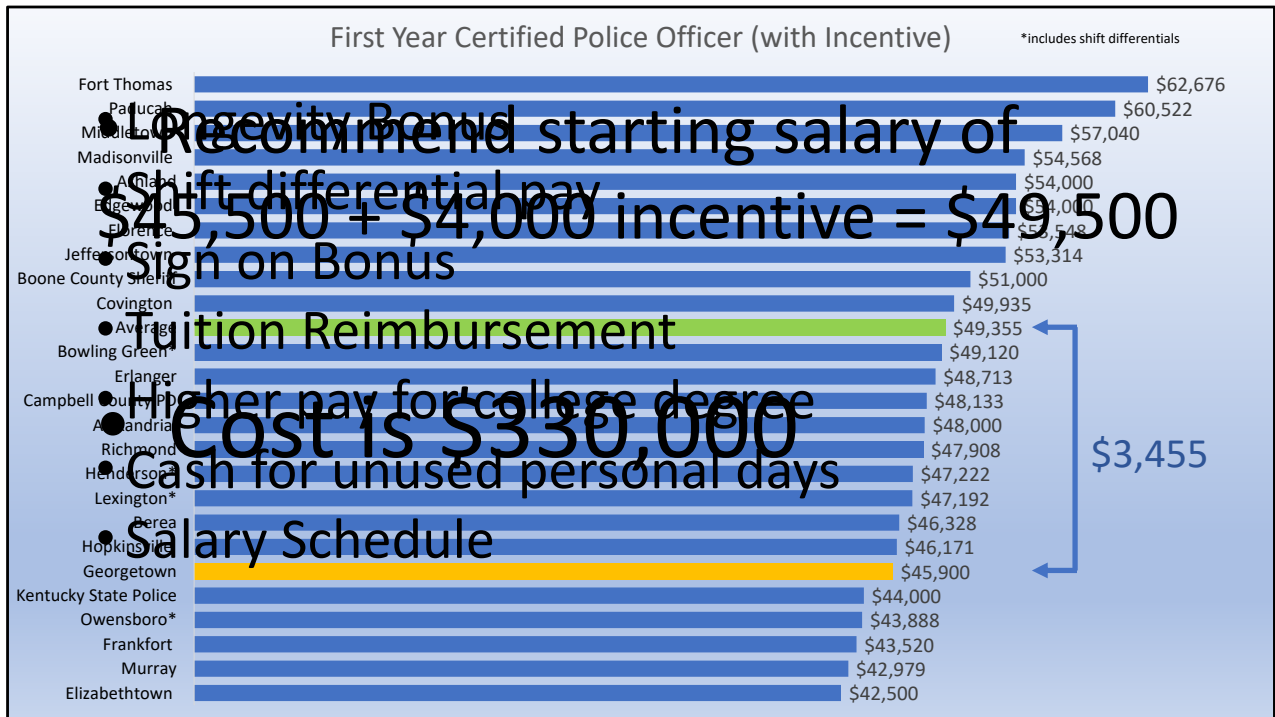
Balance:
\$1,539,312

POLICE DEPARTMENT

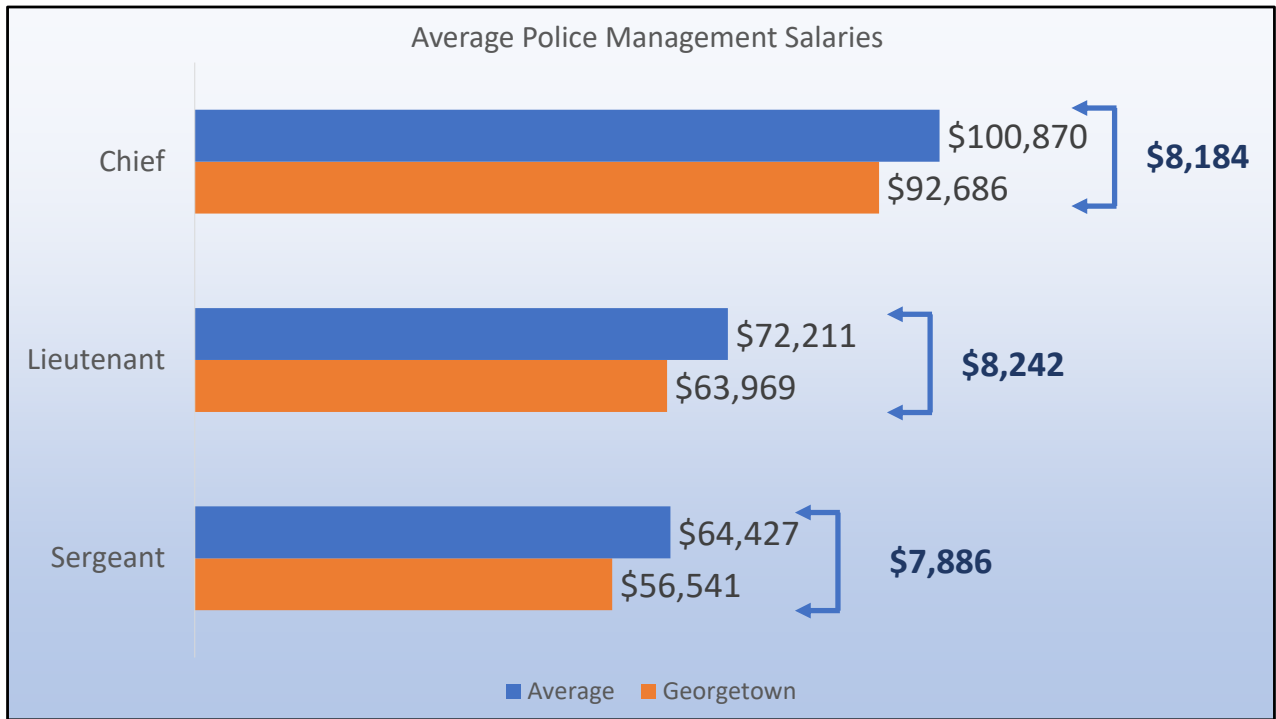




At 1.62 full time police officers per 1,000 residents, the police department is now 27 officers short of the FBI national standard and 20 officers short of its peers' average.



The \$5,000 raises council awarded last year have helped bring Georgetown’s starting police officer salary closer to the peer average, but they are still roughly \$3,500 lower. This salary gap only tells part of the story, as many other jurisdictions also offer benefits such as longevity bonuses, shift differential pay of up to \$1.50 per hour, sign on bonuses, reimbursement of college tuition, higher pay for college degrees, and cash for unused personal days. Many also follow salary schedules that employ a combination of cost of living and longevity increases. Our research indicates the majority of jurisdictions offer the same or better benefits than Georgetown. Chief Mike Bosse believes a highly competitive starting salary is critical to recruiting the best quality officers in the area and requests that starting salary for new officers be set at \$49,500 including the \$4,000 incentive, with an equal raise for all ranks. The cost of this increase for existing employees is approximately \$330,000.



Salaries for police management lag the peer average by higher margins than for officers. Future salary adjustments may need to account for longevity and rank.

Additional annual cost of hiring 15 new police officers (at current rate)

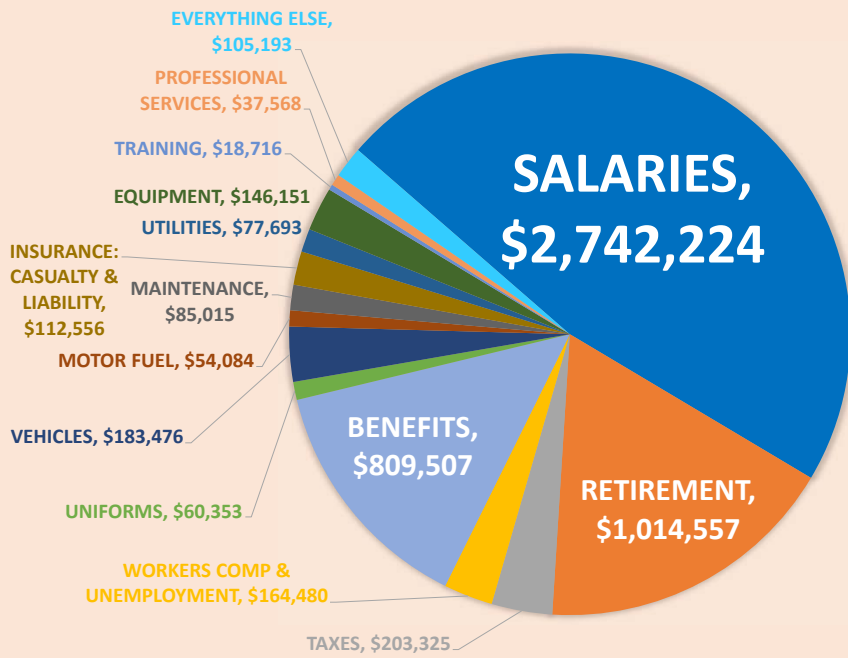
Annual Cost of New Police Officer Hire	
Salary (before KLEPF)	\$41,900
Employment Taxes	\$3,205
Workers Comp	\$2,351
Retirement	\$16,584
Benefits (average)	\$15,467
Vehicle lease (average)	\$3,650
Fuel used (average)	\$2,437
Uniform allowance	\$650
Cell phone allowance	\$540
Firearms training	\$419
Total Per Officer	\$87,203
Total for 15 Officers	\$1,308,045

At current wages, it costs the city, on average, \$87,000 annually for each new police officer hire. The total budgetary increase for adding 15 new officers would be \$1.3 million.



FIRE DEPARTMENT

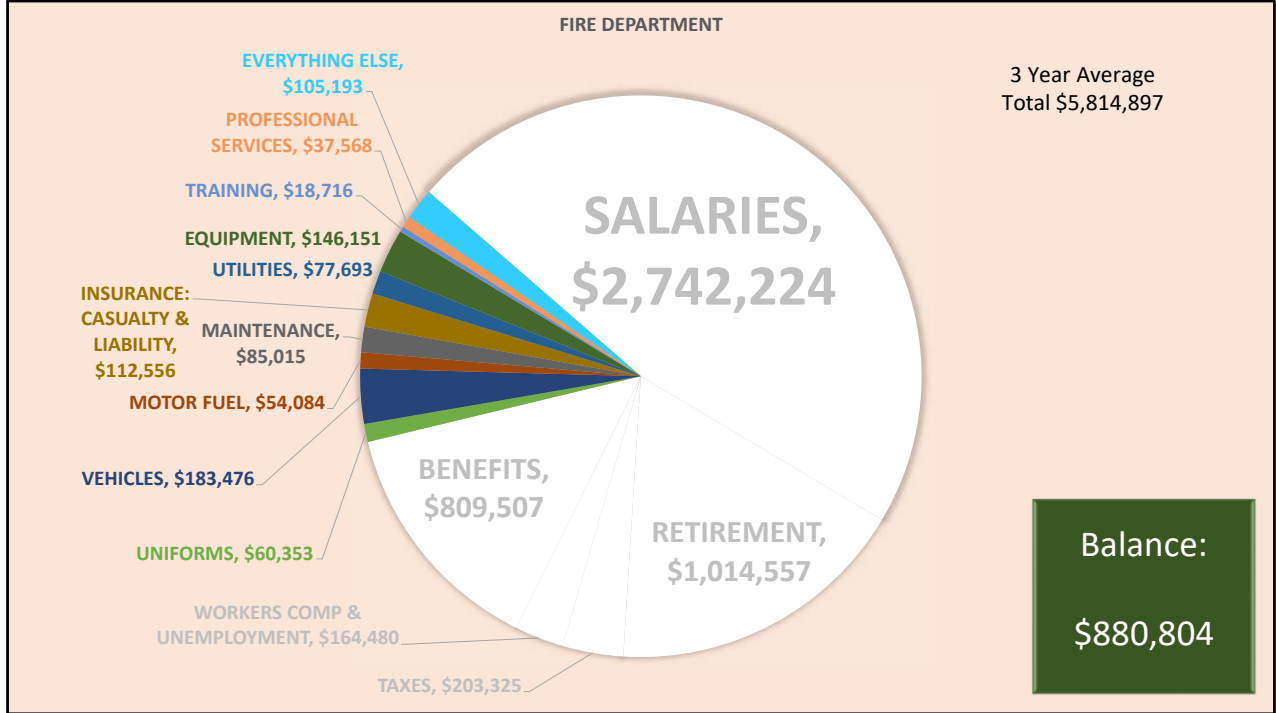
3 Year Average
Total \$5,814,897



Balance:
\$5,814,897

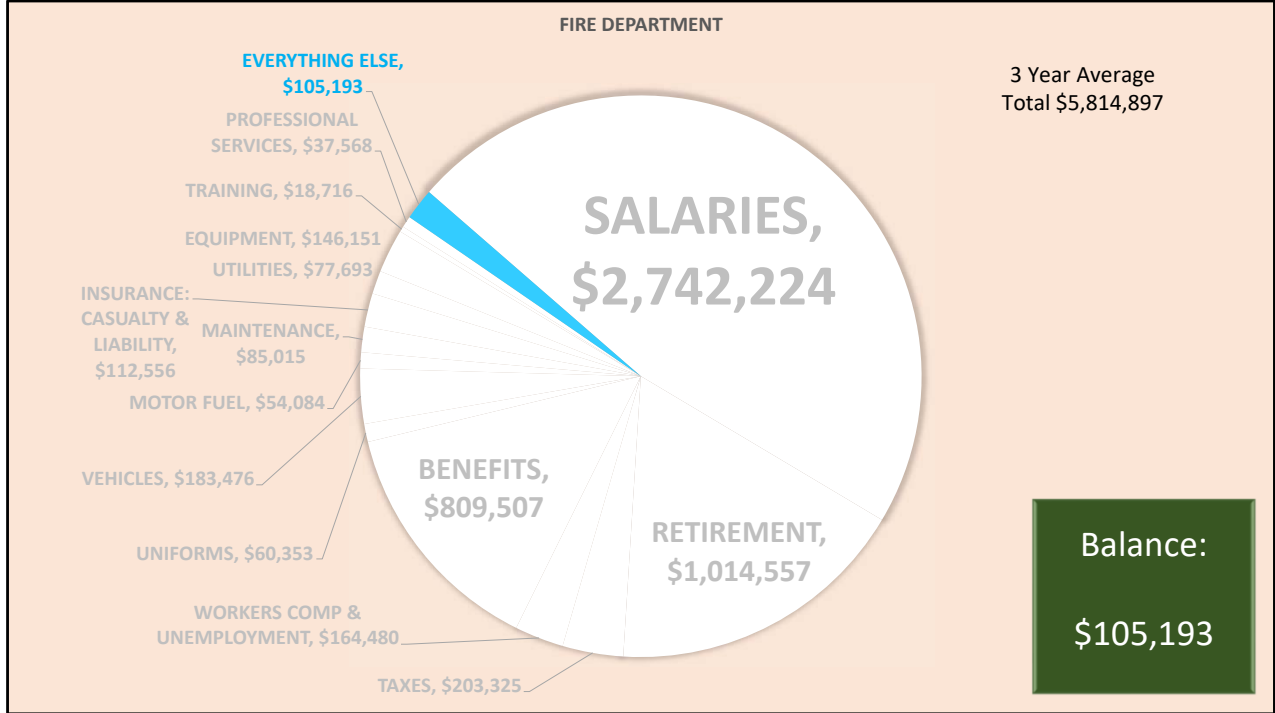
FIRE DEPARTMENT

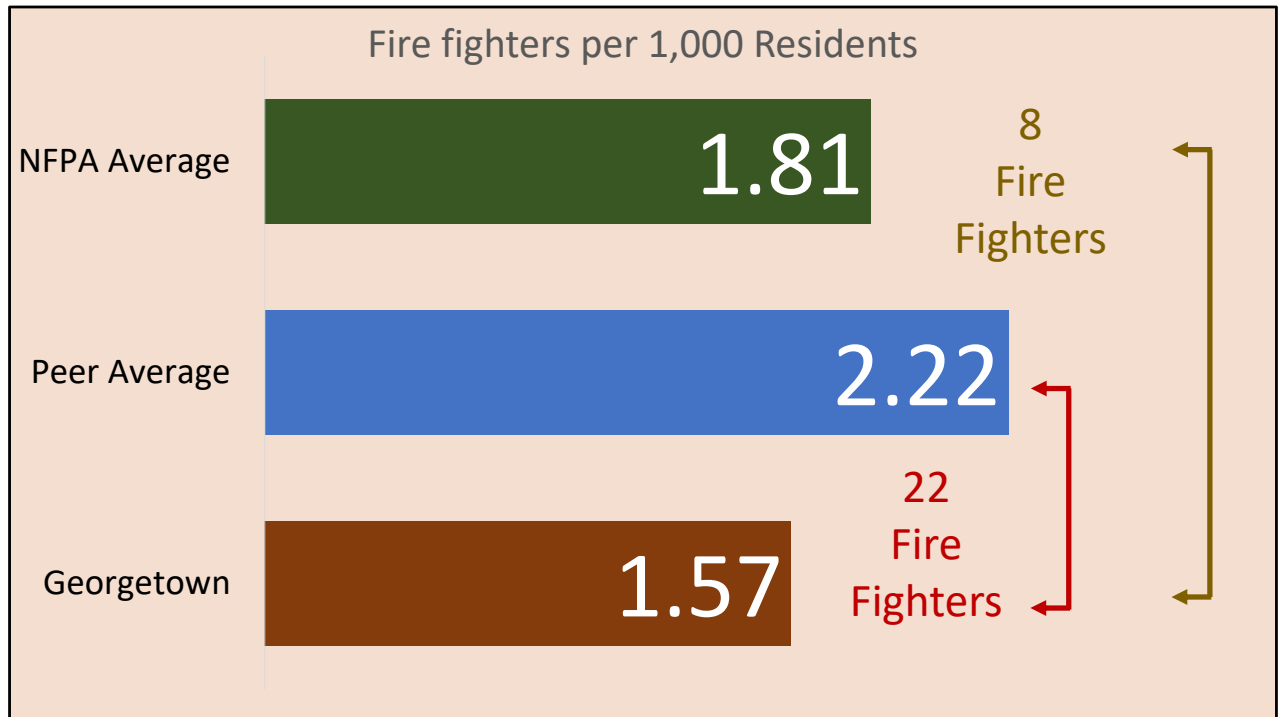
3 Year Average
Total \$5,814,897



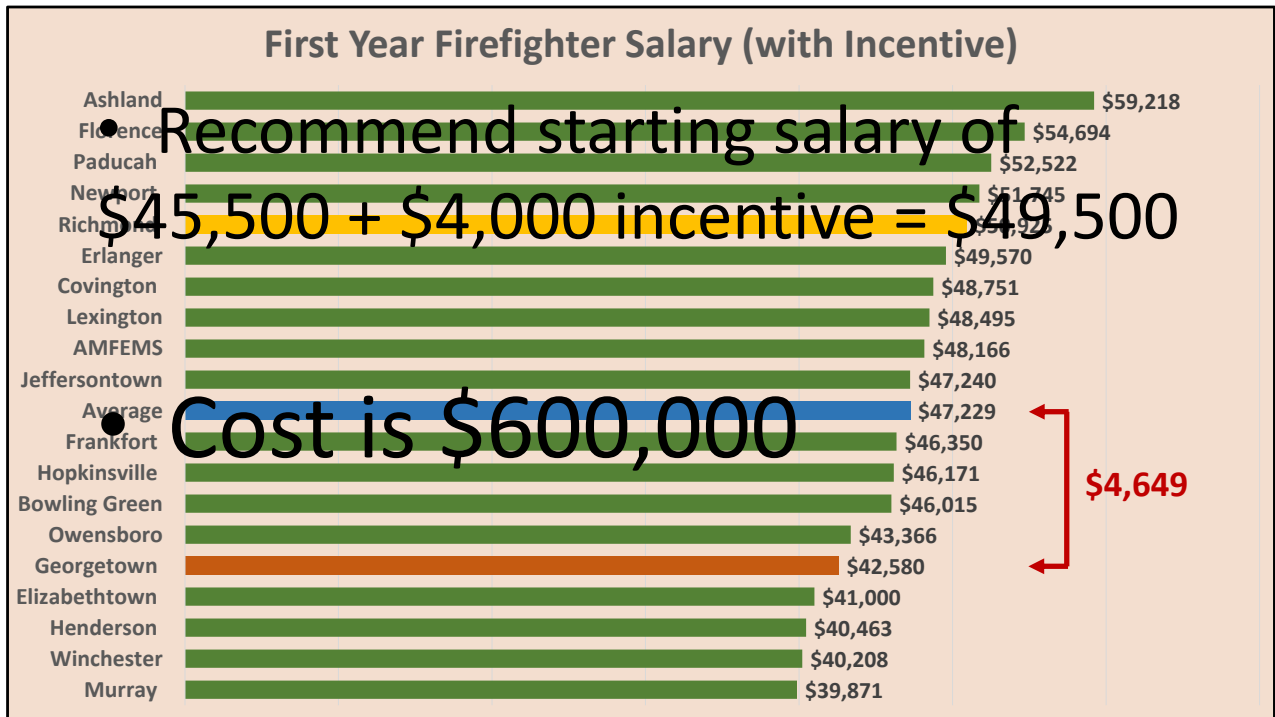
FIRE DEPARTMENT

3 Year Average
Total \$5,814,897

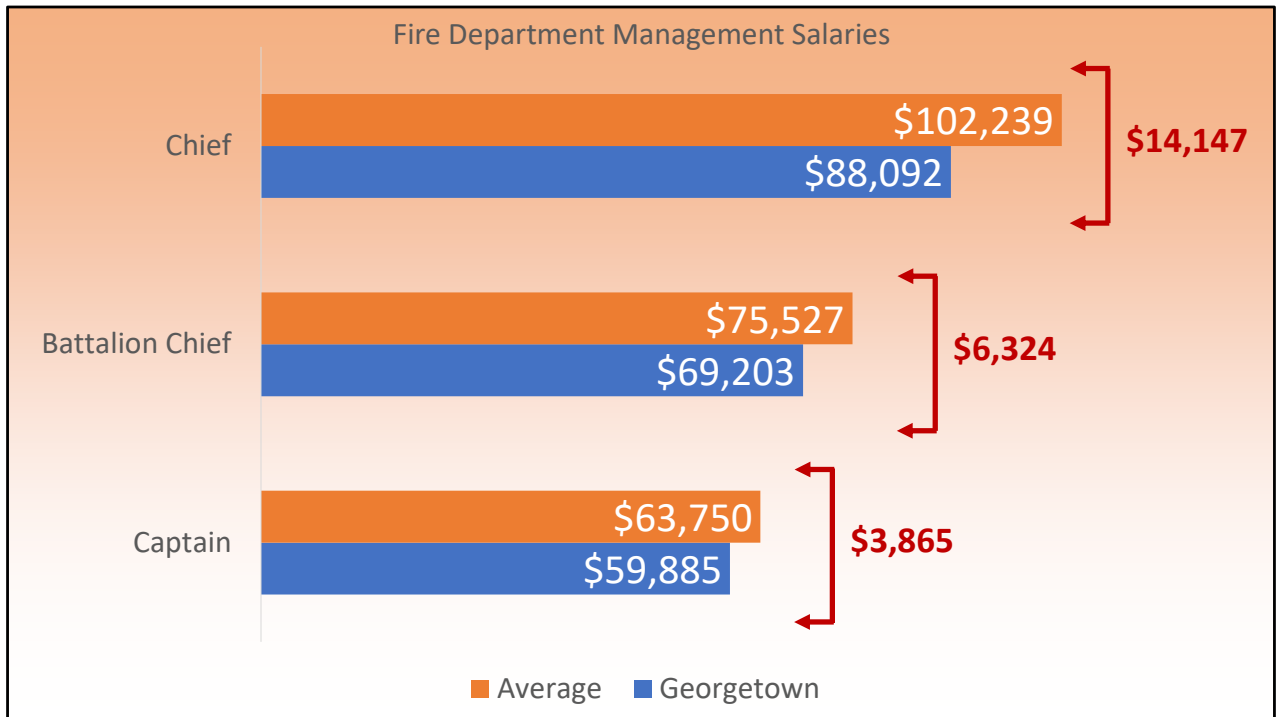




At 1.57 firefighters per 1,000 residents, the fire department is 8 firefighters short of the NFPA national average and 22 firefighters short of its peers' average.



The city's first year firefighter salary lags the peer average by around \$4,600. Georgetown's most comparable peer city, Richmond, starts firefighters at just under \$51,000. Even the city's average firefighter salary of \$45,734 is lower than the starting salary peer average. As with the police department, salary is not the only factor in competitiveness. Other jurisdictions can entice recruits with guaranteed salary schedules, tuition reimbursement and longevity bonuses. Chief Eric Colson recommends that first year firefighter pay be equalized with the police department, requiring a \$6,920 increase, and a corresponding raise be given to all positions and ranks. The cost of this adjustment is \$600,000 annually.



Like the police department, the salary gap between Georgetown and its peers' average increases as you move up the ranks of the fire department. Future salary adjustments may need to account for longevity and rank.

Additional cost of hiring 15 new fire fighters (at current rate)

Annual Cost of New Fire Fighter Hire	
Salary	\$38,580
Employment Taxes	\$2,952
Workers Comp	\$2,068
Retirement	\$15,270
Benefits (average)	\$15,467
Uniform Allowance	\$650
Fire Gear	\$714
Total per FF	\$75,701
Total for 15 FFs	\$1,135,514
Total one-time costs for new FF hire	\$8,743
Total one-time costs for 15 new FF hires	\$131,145

Including salaries, benefits, retirement, allowances, uniforms and personal fire gear, it costs the city, on average, \$75,701 a year to hire a new firefighter at current wages. One-time costs for training and equipment for each employee are \$8,743. The total budget increase for 15 new firefighters would be \$1.2 million.

Public Works

- Needs two additional drivers and two additional workers.
- We are struggling to attract and retain workers and drivers due to competition from other sectors.
- Recommend increase starting wages for workers to \$15/hour and drivers to \$18/hour. Increase existing positions correspondingly.
- Cost of wage increases: \$144,441
- Cost of new hires at increased wages: \$148,298

Like police and fire, public works is severely short staffed. The department needs at a minimum two additional workers and two additional CDL drivers. More importantly, we are having trouble attracting and retaining employees because our workers and drivers are finding better pay in the private sector. Director Robert Bruin requests that new workers be raised to \$15 an hour and drivers to \$18 an hour and that all other positions be raised correspondingly. The costs of these salary adjustments is \$144,441 and the cost of four new public works employees at the new hourly rates would be \$148,298.

Stormwater

• Labor -	\$227,500
• Maintenance-	\$297,000
• <u>MS4 Costs-</u>	<u>\$25,000</u>
• Total	\$549,500



- Annual Debt service \$0 - \$860,000
- Vacuum truck \$350,000

The city engineer and the city's stormwater consultant have recently completed an analysis of the city's annual stormwater operations and have developed a projected budget. They estimate the city needs \$549,500 in labor, stormwater quality maintenance, and MS4 permit costs and up to \$860,000 a year for debt service to fund capital construction costs. They have also identified the need for a vacuum truck, at a cost of \$350,000. A detailed presentation on their findings and the prospects of a stormwater utility fee to fund this budget will be coming in the next few months.

Major Capital Projects on the Horizon

Project	Cost	Debt Service
City Hall Exterior Stabilization	\$2,200,000	\$146,414
City Hall Renovation	\$4,300,000	\$286,172
Old Oxford Rd Improvements	\$6,000,000	\$399,310
Construct Lexus Way Extended	\$6,000,000	\$399,310
	\$18,500,000	\$1,231,207
Construct and Equip Fire Station 4	\$10,000,000	\$665,517
Total	\$28,500,000	\$1,896,724

The city needs to construct several major capital projects over the course of the next 2 to 6 years. Regardless of the city's plans to modernize city hall, the limestone façade of the century-old building needs to be stabilized at an estimated cost of \$2.2 million. As more new homes are built off Old Oxford road, concerns from residents over the former county road's safety are increasing. And even when the road is improved to modern city standards, its intersection with Connector Road will always prove an issue. Extending Lexus Way to Old Oxford will provide much needed relief to over 1500 homes in planned and existing neighborhoods like Villages at Lanes Run, Cherry Blossom Village, Oxford Manor, Oxford Estates, Oxford Village, and the Abbey at Old Oxford. Fixing traffic safety issues in the Old Oxford area is estimated to cost \$12 million. The city has applied for a federal BUILD grant to fund these projects for three straight years, but is clear the grant will not be funded. With the explosive growth that has occurred over the last 20 years, the City needs a fourth fire station. Constructing the station and purchasing new trucks and equipment is anticipated to cost \$8 to \$10 million. Some of these costs could be offset by combining the new station with the County's planned new EMS facility, but doing so will likely move up the timeline for construction.

5 Year Additional Revenue Needs <small>(All years compared to FY 20-21)</small>					
YEAR	1	2	3	4	5
New Police Officers <small>(5 per year for 3 years)</small>	\$485,655	\$995,510	\$1,533,935	\$1,547,923	\$1,547,923
New Firefighters <small>(5 per year for 3 years)</small>	\$485,086	\$994,373	\$1,532,229	\$1,546,217	\$1,546,217
New Public Works Employees <small>(2 per year for 2 years)</small>	\$148,298	\$301,030	\$301,882	\$301,882	\$301,882
Cost of salary adjustments <small>(for current employees)</small>	\$1,078,320	\$1,112,952	\$1,148,709	\$1,160,791	\$1,160,791
CERS increases <small>(for current positions at current salaries)</small>	\$387,367	\$821,023	\$1,220,759	\$1,352,129	\$1,352,129
Additional Street Maintenance	\$450,000	\$454,500	\$459,045	\$463,635	\$468,272
Additional Stormwater Maintenance	\$400,000	\$404,000	\$408,040	\$412,120	\$416,242
Debt service for capital projects	\$0	\$1,200,000	\$1,200,000	\$1,900,000	\$1,900,000
(Decrease in Toyota incentive)	\$0	\$0	\$0	\$0	-\$1,850,000
Total Revenue Increase needed	\$3,434,726	\$6,283,388	\$7,804,599	\$8,684,698	\$6,843,455

To bring the city in line with its peers, alleviate critical staffing shortages, pay for state-mandated CERS increases, and complete necessary capital projects, the city will need substantial new revenues. Increasing police, fire and public works salaries for current employees has an annual price tag of just over \$1 million. Over the next three years, the city needs to add 15 new police officers, 15 new firefighters and 4 new public works employees. By year three, these changes alone will have increased the city's annual revenue needs by \$3.4 million. Scheduled rate increases for retirement contributions for current employees will increase the budgetary needs by another \$1.2 million. Fully funding street and stormwater maintenance costs will increase revenue needs by another \$850,000. If the city is to complete necessary capital projects, it will need to borrow the funds and increase its debt service allocation by up to \$1.9 million. Over the next five years, the city needs to increase its total general fund revenues an average of \$7 million a year.

Practical General Fund Revenue Options

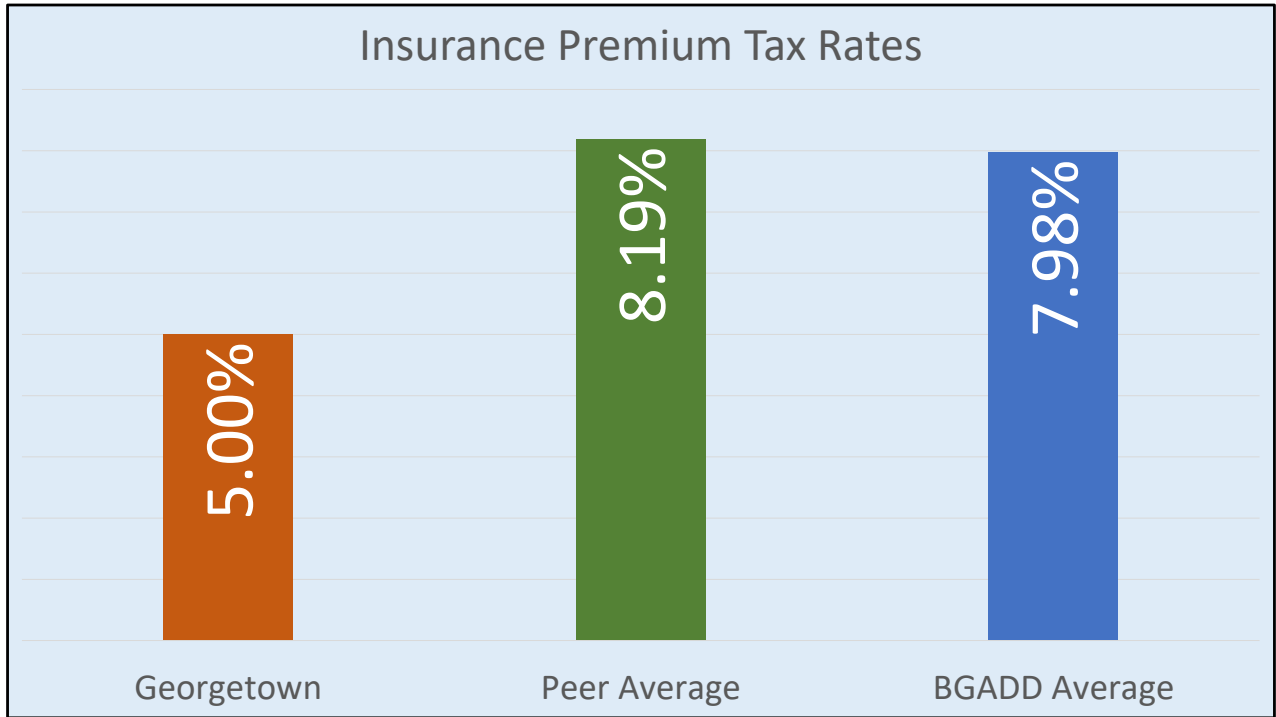
- Increase the insurance premium tax
- Change from a net profits tax to a gross receipts tax
- Increase the payroll tax
- Implement a stormwater utility fee
- Implement development impact fees
- Implement a special property tax rate for abandoned urban property
- Levy a gas franchise fee
- Increase fees for services (building inspections, cemetery plots, fire inspections)

The city has numerous and diverse practical options for increasing general fund revenues. Those that could have the greatest impact on the budget include increasing the insurance premium tax, changing from a net profits to a gross receipts tax, increasing the payroll tax, and levying a stormwater utility fee. To be implemented fairly and legally, options such as the stormwater utility fee and development impact fees require detailed analysis of many factors. Other less impactful changes, such as levying a higher property tax rate for abandoned urban property, should be considered.

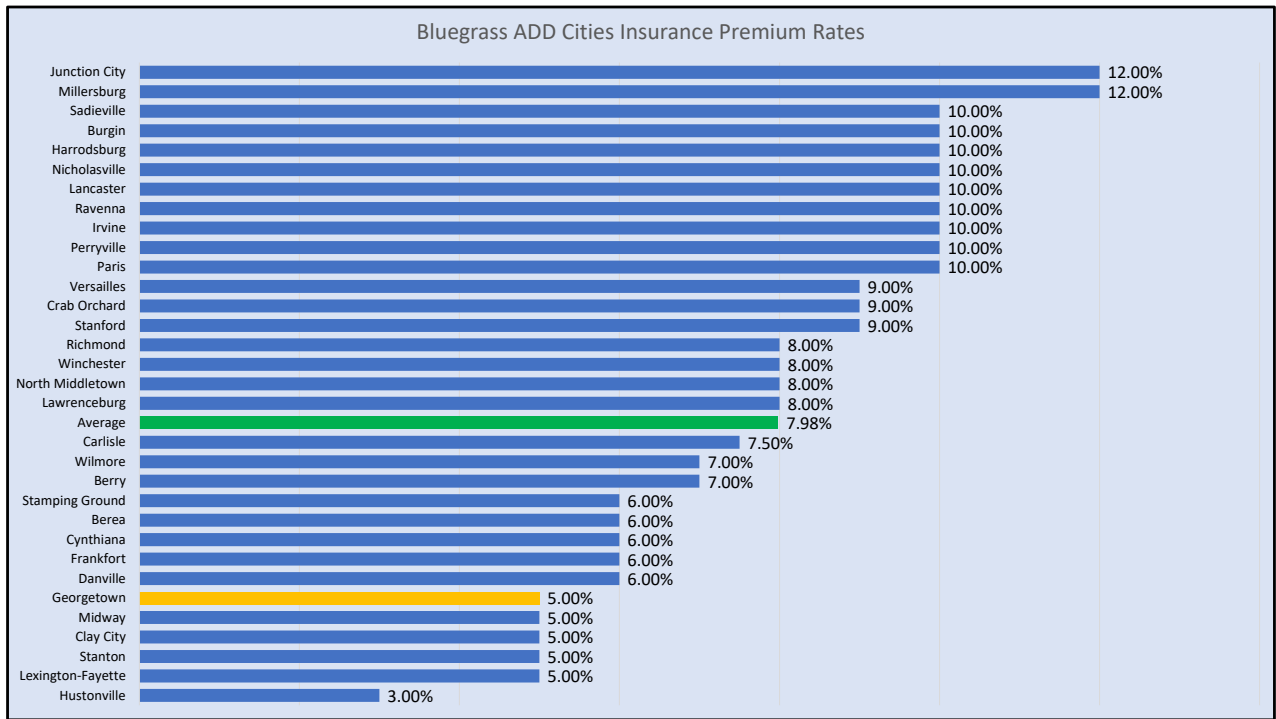
Less Practical General Fund Revenue Options

- **Increase the property tax**
 - Effectively limited by state law
 - Would require a public information campaign to encourage voters to approve
- **Levy a Restaurant Tax**
 - Provides no general fund revenue
 - Could be used to fund general beautification efforts, parks and recreation, and certain capital improvements
- **Privatize garbage collection and levy a franchise fee**
 - Sanitation currently breaks even
 - Estimated franchise fee revenue at 3% is only \$78,000
 - However, there may be other practical reasons to privatize

Due to inflexible and outdated tax laws, property taxes cannot be increased to provide substantial new revenues for the city. A restaurant tax could offset some current general fund expenses and provide some much-needed beautification and parks improvements, but it would not provide direct general fund revenues. Privatizing garbage collection would not affect the general fund, as sanitation is self funded under a separate fund and currently breaks even. Privatization would not generate substantial franchise revenues, however there may be other practical reasons to privatize.



Georgetown's insurance premium tax rate is 61% of its peers' average and 62% of the average of all cities within the Bluegrass Area Development District.



Over half the cities in the Bluegrass ADD have a rate of at least 8%. 9 cities, including Paris, Nicholasville, and Sadieville, have a 10% rate.

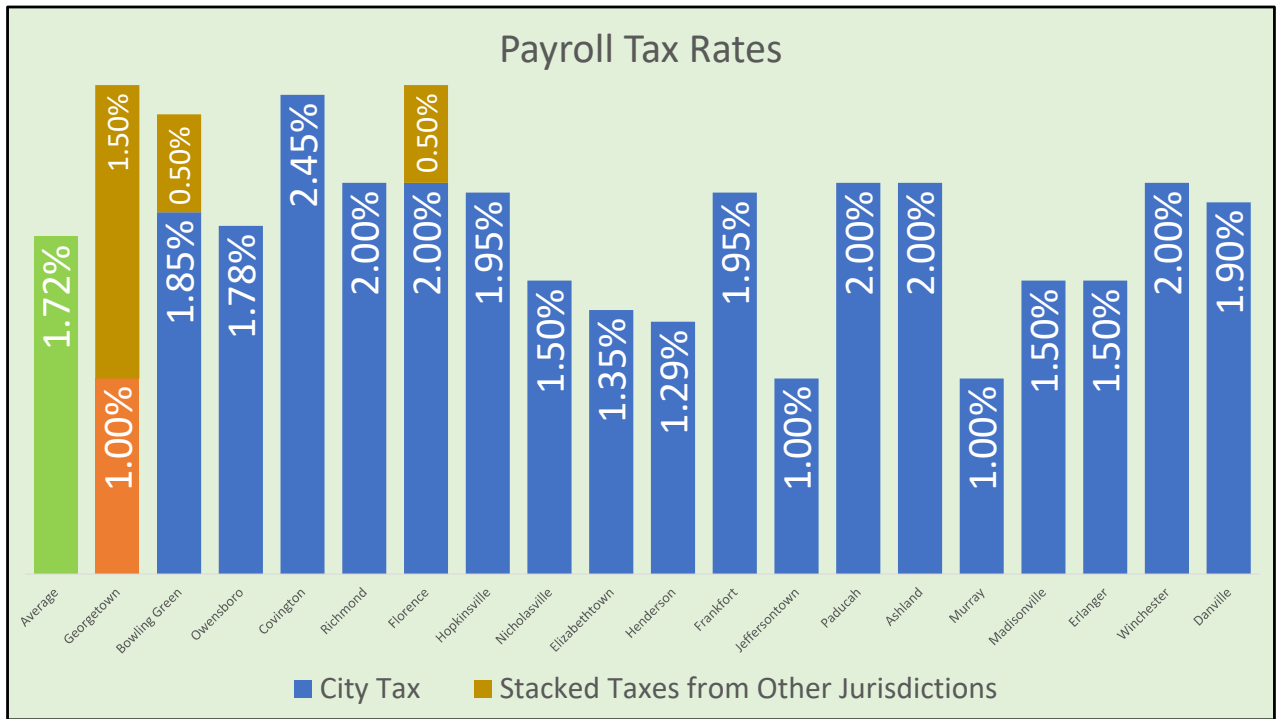
Increase Insurance Premium Tax					
	Forecast				
	2021	2022	2023	2024	2025
Insurance Premium Tax Revenue at current (5%)	\$3,373,605	\$3,561,804	\$3,750,004	\$3,938,203	\$4,126,402
Additional Revenue at 6%	\$674,721	\$712,361	\$750,001	\$787,641	\$825,280
Additional Revenue at 7%	\$1,349,442	\$1,424,722	\$1,500,001	\$1,575,281	\$1,650,561
Additional Revenue at 8%	\$2,024,163	\$2,137,083	\$2,250,002	\$2,362,922	\$2,475,841
Additional Revenue at 9%	\$2,698,884	\$2,849,443	\$3,000,003	\$3,150,562	\$3,301,122

Increasing the insurance premium tax rate to 8% would provide the city with estimated additional annual revenues of \$2 million. If the city intends to implement the rate increase effective July 1, 2021, it must adopt the ordinance and notify the Department of Insurance not later than March 23rd. Otherwise, it cannot increase the rate until July of 2022.

Change to a Gross Receipts Tax

- Separate presentation to follow
- Changing from Net Profits to Gross Receipts could increase revenues anywhere from \$1M to \$6M annually depending on the rate structure.
- It will also solve the inequity that small businesses tend to pay a much higher percentage of their profits as taxes than larger businesses.
- The city would have great flexibility in establishing the tax structure.

We have prepared a separate presentation outlining some inequities in Georgetown's current net profits tax. In summary, changing to a gross receipts could significantly increase revenues and ensure all business are paying their fair share of the occupational license tax.



Recall that Georgetown is one of only a handful of Kentucky cities whose residents are not able to credit their city payroll taxes against county payroll taxes. Almost 90% of Georgetown’s peer cities have a payroll tax rate exceeding 1%.

Increase Payroll Tax					
	Forecast				
	2021	2022	2023	2024	2025
Payroll Tax Revenue at current	\$13,173,429	\$13,588,635	\$14,003,841	\$14,419,048	\$14,834,254
Additional Revenue at 1.25%	\$3,293,357	\$3,397,159	\$3,500,960	\$3,604,762	\$3,708,563
Additional Revenue at 1.33%	\$4,347,231	\$4,484,250	\$4,621,268	\$4,758,286	\$4,895,304
Additional Revenue at 1.5%	\$6,586,714	\$6,794,317	\$7,001,921	\$7,209,524	\$7,417,127

Increasing the Payroll tax would increase annual revenues between \$3.2 and \$6.5 million.

Cost Savings, Efficiencies and Lost Revenues

- Privatize Electrical Inspection
- Adjust the current 50/50 funding formula for Interlocal Agreements
- Air-fiber internet consolidation project (2022)
- Advertise lease space on new radio tower on Frogtown Road
- Offset alarm response costs by amending ordinance, establishing permits and enforcing
- Increase collections at the Georgetown-Scott County Revenue Commission
- Tighten Administrative Hold procedures
- Consider part-time staff positions for code violation abatements
- Cost savings from operations changes at recycling center (if curbside pickup is made available)
- Telecommunications and Small Cell tower franchises.
- Adjust Kentucky American Water hydrant fee according to ordinance.
- Review and file foreclosure actions on vacant properties with significant code enforcement liens in order to collect the liens owed, or a portion thereof, and return the properties to productive, tax generating lots
- Evaluate list of city-owned properties to determine which, if any, of the properties should be sold
- Mitigate risks by addressing sidewalk noncompliance (and hazards) in a creative way
- Review MAP Cooperative Agreement and consider projects that may qualify for the emergency MAP fund
- Pursue VAWA (Violence Against Women Act) funding – would provide for dedicated officers addressing crime related to DV, sexual assault, stalking, increased enforcement of protection orders, etc. 80/20 funding opportunity
- Short term rentals (ex: Air BnB) ordinance to capture revenues
- Capitalize on the Enterprise Fleet Management program by rolling equity on leased vehicles into newly leased vehicles to reduce monthly payments

Of course, the City cannot complete its revenue needs analysis without also undertaking a review of department operations for opportunities to save costs, increase efficiencies and capture lost revenues. While our list is a work in progress, staff have already identified 19 initiatives that could help offset a small percentage of the identified revenue needs.



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