



FULTON COUNTY TAXPAYERS FOUNDATION

501 (C) 3 NON-PROFIT ADVOCATE OF LOWER PROPERTY TAXES IN ATLANTA / FULTON COUNTY

**Cordially Invites You
To our luncheon at 103 West (103 West Paces) at Noon, September 11th, 2008**

**Attorney
Glenn Delk**

Of Lightmas and Delk, LLP
will speak on

City of Atlanta vs. City of Buckhead Where Do We Go From Here?



"The last twelve months have made the need for a City of Buckhead even more pressing. There appears to be a unique opportunity created by the widespread anger, frustration and disgust among Atlanta's taxpayers, as well as the recent passage of H.B. 881 which allows for full State funding of state-authorized charters. To form a City of Buckhead would significantly reduce the tax burden on Buckhead residents by over 50% and would vastly improve the quality of services."

Ticket Price: \$50.00. Admission price includes 3-course lunch and valet parking. Space is limited! Order tickets online

<http://fctf.org>

via phone 404-869-6066, or send a check payable to **Fulton County Taxpayers Foundation, 309 E. Paces Ferry Rd NE, Atlanta, GA 30305**



Proceeds benefit Fulton County Taxpayers Foundation, a 501(c)3 organization

Join the Fight To Bring Better Government to Atlanta and Fulton County!

I enclose my annual membership of:

\$50 Family ___ \$100 Patron ___ \$200 Corporate Member ___ \$500 Corporate Sponsor ___

In addition, I enclose a **tax-deductible** contribution of: \$100___ \$500___ Other___

If you prefer, you can charge your membership or a donation online at www.fctf.org

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FULTON COUNTY TAXPAYERS FOUNDATION

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September 2008

Pension Funds Are \$1.23 Billion Unfunded! Where's The Accountability?

The City of Atlanta maintains three Pension Funds: Police, Firemen, and General Employees. According to the City of Atlanta Pension Funds, these three City Pension Funds are underfunded to the extent of \$1.23 billion!

To amortize \$1.23 billion over 30 years, borrowed at a nominal interest rate of 6%, would require an annual payment of \$88 million, approximately 15% of the City's current budget. This liability is a discounted stream of future benefits payments, so the liability will grow each year at the assumed discount rate. Raising taxes or firing police officers and fire-fighters are **NOT** acceptable to the taxpayers. I would like to repeat a few logical and reasonable solutions toward funding such a huge sum. The following "critical priorities" are taken directly from the City's own Turnaround Plan performed pro-bono by Bain & Company.

1. Marketization and/or Outsourcing:

According to The Turnaround Plan (pages 52/53): "Another approach used by some cities to improve both efficiency and effectiveness has been marketization. This term describes the process whereby traditional government services are bid on by both private firms and the existing government department. Savings from marketization vary but can be significant." (See Table)

City Services	%Savings*
Residential Waste Collection	60%
Fleet Management & Maintenance	38%
Information Systems	20%
Airport Management & Operations	40%
Fire Services	50%
Non-Sworn Policing Services	30%
Recreational Facilities	52%
Parks, Landscaping & Maintenance	28%
Road Maintenance	50%
Waste Water Treatment	30%
Water	25%

* % Savings represents Upper Bound according to Bain & Company in report, "City of Atlanta Turnaround Plan 2002".

According to the Reason Foundation, 72% of all American cities have outsourced Residential Solid Waste Collection, 76% have outsourced Fleet Management, 56% have outsourced Street Repairs, 68% have outsourced Parks & Recreation, etc. Marketizing and/or outsourcing City services would yield sufficient savings to provide the amortization of the unfunded pensions.

CH2MHill, the private engineering firm, selected as General Manager of Sandy Springs, Johns Creek and Milton, has outsourced **all** city services except police. Among the very first services outsourced by CH2MHill was Residential Garbage Pickup.

2. Significantly Reducing Employees!

Page 25 of the City's Turnaround Plan states:

Officers:

President: John S. Sherman

Vice President: Wesley E. Cantrell

Secretary: Lynda Wolfe Smith

Treasurer: William E. Lane

Board Chairman:

Joseph L. Kelly, Esquire

Barbara Payne, Executive Director

Board of Directors

Harold J. (Jay) Bowen, III, President
Bowen Hanes & Company

Wesley E. Cantrell, CEO (Retired)
Lanier Worldwide, Inc.

Larry R. Ellis, General
U. S. Army (Retired)

Marc Kanne, CPA
Habif, Arogeti & Wynne

Joseph L. Kelly, Esquire
Schulten Ward & Turner

William E. Lane, President
Hyde Lane

Seymour S. Lavine, Director
Emory Academy for Retired Professionals

Joseph M. A. Ledlie, President
The Ledlie Group

Glen P. Robinson, Jr., Founder
Scientific Atlanta

John S. Sherman, Former Mayor
Bal Harbour, FL

Lynda Wolfe Smith, President (Retired)
Atlanta Association of Educators

Fulton County
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“Ensuring that qualified, dedicated personnel are in place is critical to helping Atlanta reach its desired ‘best in class’ managed status.” On Page 27 of the Turnaround Plan, Figure 5-20 titled “City of Atlanta Performance Evaluation”, there are three categories shown: “Outstanding”, “Highly Effective”, and “Effective”. The Turnaround Plan (page 25) recommends “revising the performance evaluation system”. A revised performance evaluation system might contain specific and measurable productivity and quality metrics for all job functions. An independent, 3rd party management consultant should conduct these evaluations for the approximately 9,000 City of Atlanta employees. While Atlanta has approximately 9,000 employees, other comparable size cities have far less. For example, Charlotte, Phoenix, Indianapolis, and San Diego each have approximately 5,000 employees.

3. Appointing Highly Reputable Pension Fund Investment Advisors!

Sadly, the Pension Funds have not been managed in a most professional manner, i.e., the Atlanta Police Pension Fund has been replete with shockingly incompetent investment advisors. Pryor McClendon & Associates, whose general partner and Atlanta managing director, Ray McClendon - together with Theresa Stanford, former City of Atlanta Investment Manager - were indicted and convicted for “churning” the Atlanta police employees’ funds to an amazing \$9.6 billion! In 2001, the Board of Trustees of the Atlanta Police Pension Fund voted to terminate another investment advisor, Paradigm Asset Management. During the same year, a third advisory firm, SASCO, was terminated by the Board of Trustees “for losing pension fund assets.”

It behooves the Trustees of each of the three Pension Funds (Police, Fire-Fighters, General Employees) to appoint the most reputable and successful Pension Fund Investment Advisors without any influence by the City’s Finance Department.

4. An Independent Audit of the City Pension Funds!

In the best interests of the City employees as well as the City taxpayers, the Fulton County Taxpayers Foundation urges a thorough, forensic audit of the City Pension Funds by a leading, independent accounting firm. Such an audit would confirm the magnitude of the shortfall.

5. Lease Or Sell City Assets!

The Turnaround Plan includes the Airport Management and Operations as one of many City services that should be “marketized” or outsourced. According to the Turnaround Plan, the “upper bound savings would be 40%.” Several years ago, the Australian airport-management firm, Macquarium, offered \$2 billion for a 25-year lease of Hartsfield-Jackson Airport, subject to their feasibility study and the approval of Delta. Page 24 of the Turnaround Plan showed Figure 5-15 titled “Real Property Management & Asset Sales.” In view of the City’s financial plight, the Taxpayers Foundation urges the Mayor and City Council to consider selling or leasing Hartsfield-Jackson and other assets.

In addition, the City owns 10,000 acres in North Georgia, purchased for the second airport. Finally, the City could condemn and sell off vacant lots, abandoned houses, houses with unpaid water bills, etc. for extra revenue that could be dedicated to funding the Pension Plans.

6. Reduce The Pension Benefits To Equal Other Neighboring Areas!

In 2002 and again in 2005, the Atlanta City Council - with the best of intentions but no thought of the consequences - increased police benefits by 50% and reduced the amount of time it would take for an officer to qualify. Three years later, the City Council increased the pension benefits of the firefighters by a similar amount and general employees by 25%. The Atlanta “multiplier” of 3 is an annual credit of average salary which for a retiring policeman or firefighter with 25 years service would be entitled to 75% of annual salary during retirement. In 2005, facing a financial problem, DeKalb County reduced its “multiplier” from 2.75 to 2.25, resulting for a 25-year DeKalb policeman or firefighter to 56.25% of salary. Atlanta’s multiplier is 33% higher than DeKalb! The Atlanta City Council could reduce the multiplier for future employees.

According to John Fortin, Fellow, Society of Actuaries, “The level of Atlanta pension benefits is far in excess of what is offered to most employees in the private sector during the current economic recession. The vast majority of companies have “frozen” their defined benefit pension plans, discontinuing future accruals. The vast majority of private employers simply cannot afford pension benefits. If a pension benefit is offered, the plan is far less than the plans Atlanta provides.”

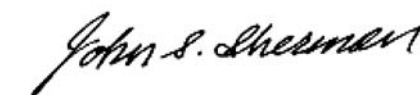
7. Incremental Revenue Initiatives!

The Turnaround Plan recommends implementing incremental revenue initiatives to significantly improve the City’s financial condition. An example of such a revenue initiative is through a commuter tax applied to those commuters living outside of the city and who use the city services. A growing number of cities in the U.S. have implemented such a commuter tax which is applied to the commuters’ salaries on an annual basis. This should be considered by the Atlanta City Council

Conclusion

Imagine the scenario of the pension being frozen and insolvent. Retired city employees would not have access to their retirement funds to support themselves and their families. Current employees are highly demoralized. For these reasons, it behooves the Mayor and City Council to adopt the recommendations described above. Maintaining the status quo can only result in further increases in the unfunded Pension Funds from \$1.23 billion today to \$2 billion within ten years!

John S. Sherman



President