City of Peachtree City
BUDGET WORKSHOP
Minutes of Meeting
July 15, 2002
6:00 p.m.

The City Council of Peachtree City met in a workshop session on Monday, July 15, 2002, 6:00 p.m., in the City Hall Council Chambers. Council Members attending were: Mayor Steve Brown, Annie McMenamin, Steve Rapson, Dan Tennant, and Murray Weed.

Staff members present were: Jim Basinger, Paul Salvatore, Betsy Tyler, Jim Williams, Randy Gaddo, Stony Lohr, Jim Murray, and Colin Halterman.

Basinger opened the workshop with an overview of the proposed FY 2003 budget. Basinger explained the draft budget was a result of two extensive line item reviews by Financial Services Director Paul Salvatore and himself. Mayor Brown, Basinger, Salvatore, and the directors and chiefs also had a third line item review of each division budget. The proposed draft FY 2003 budget was for $27,649,105. Basinger continued that the use of Cash Reserves to balance the budget was a major concern and meant the planned expenditures exceeded the projected revenues. He pointed out there had been major increases in areas that were beyond the control of staff and Council. Those areas included employee health insurance, Worker's Compensation insurance, property/casualty insurance, employee pension plan contributions, and replenishment of the Self-Insurance Reserve. The cost of the increases in those areas was $1.4 million. The addition of some major projects in the Public Improvement Program (PIP) brought the total amount of funds needed from the Cash Reserve to over $1.6 million. Basinger said that would leave only $700,000 in the Reserve Fund, which staff considered dangerously low. He pointed out that it would also leave the Reserve Fund about $1.8 million short of the target set by budget policy. Basinger added that the increases would continue to be there in future years and the result would be a zero balance in the Reserve Fund. Basinger said the only area with significant dollars was the PIP and he recommended Council discuss whether to reduce in scope, delay, or cut projects.

Salvatore addressed Council and noted that a .55 mill increase had originally been planned for FY 2003. He continued that Council wanted to keep the millage rate the same this year at 4.315 mills. He said staff was trying to cut this year's budget to get it more in line. Salvatore presented an overview of the FY 2003 budget. FY 2003 Appropriations were $25,544,109, FY 2002 Carryover Funds totaled $1,408,748, and the estimated FY 2003 Ending Cash was $696,249. Total resources available for the FY 2003 budget were $27,649,105. The breakdown of proposed appropriations included General Fund-$15,932,792, PIP-$4,517,025, Self-Insurance Fund-$3,153,688, and Debt Service-$1,940,604. General Fund appropriations included Departmental Operating Budgets-$15,322,696, Council Contingency Fund-$225,000, Airport Authority Funding-$120,000, and Development Authority Funding-$265,0096. Salvatore noted that the funds for the Airport and Development Authorities did not include the debt service of $403,813 paid by the City on behalf of the authorities.

Salvatore pointed out that the proposed departmental operating budgets totaled $15,322,696. Staff had already cut over $152,000 from the initial budget requests, which were reviewed twice by Basinger and Salvatore and once by Basinger, Salvatore, and the Mayor. Salvatore continued that the proposed operating budget had only a 6.9% increase over the FY 2003 adjusted budget. Two significant factors that impacted the proposed FY 2002 Operating Budget were the increases in the defined-benefit pension plan and the addition of the Public Safety Early Retirement Program. Salvatore then asked each of the directors and chiefs to go over their budgets.

Deputy City Clerk Betsy Tyler reviewed the Administrative Services Division's budget. She noted the primary changes included an $8,000 increase in retirement and a $9,000 increase in professional services-legal. Tyler continued there would be an increase in telephone costs, as well as an increase of $8,500 in the cost of printing and postage, primarily for the UPDATE newsletter.

Rapson noted the increase in the telephone costs. Salvatore explained that increase included the upfront costs to allow the phones to switch over to PRI lines. The increase was in the Administrative Services budget was because that was where the "guts" of they system was located. Once the PRI lines were in use, there would be a savings of approximately $2,000 per month.

Tyler pointed out there had been a change in the hourly rate for the Court Solicitor position. The rate had decreased from $130 per hour to $110 per hour. Rapson recommended the line item be reduced by that amount.

Developmental Services Director Jim Williams pointed out that his division included the Planning, Building, Code Enforcement, and Engineering departments. The non-personnel related expenses for his division increased by six percent (6%). He noted that the Building Department had the line items that covered the costs of the division's operations downstairs at City Hall. Items still needed downstairs included a conference table and 12 chairs for the conference room that was not finished as part of the remodeling. Williams said it would be a Citywide conference room and finished out the work downstairs at City Hall. The Engineering budget included funds for wall removal and a sidewalk to the Building Department's rear entrance. The Planning budget included $1,200 for professional funds for an arborist, as well as additional funds for training for the Planning Commission.

Leisure Services Director Randy Gaddo also noted an increase in the retirement costs for his division. There were also increases in the repair and maintenance line items for building and equipment. There had been a reduction in the cleaning services line item. Changes in the library budget included reimbursement to the enhancement funds for the security system. Gaddo noted that the self-supporting programs were all the programs with instructors and the programs paid for themselves. The increases in the Recreation printing budget included funds to upgrade the Recreation pamphlet. Rapson asked

Gaddo if his department would use all of the "splash" cash from the USA Pools contract, and Gaddo answered yes.

Fire Chief Stony Lohr pointed out an increase in repairs and maintenance and a decrease in machinery and equipment. Tennant asked Lohr to explain the three positions for promotion under salaries. Lohr said the increase actually funded nine positions – paramedics who were to be promoted to sergeant.

Rapson said the positions were not really accounted for in the budget. The problems with the Fire and Police Departments were that the adjustments had been absorbed. He said he would rather put the adjustments in the budget as line items. He continued that he had looked at all the employees and when raises were due and he would rather they be listed as a line item so the promotions would be geared toward budgets. Salvatore said the promotions were labeled as merit increases, but that line item really included promotions and merit raises. He said they could be separated out. Rapson said the Police Department could delay hiring to make their budget work, but that the Fire Department needed an additional $35,000 in its budget. McMenamin said it was just a way of recording the funds. Salvatore asked if he should increase the line item more than 3.75%. Rapson said 3.75% was fine for merit raises, but needed to be over and above that for promotions. He said there needed to be another line item to account for promotions. He continued that the Department's vacancies were less and the budget had been driven closer to actuals. He said he would like the Fire Department to increase the budget by $35,000 and ask Chief Murray to delay hiring for half a year. He said it would be easier to get there if there were vacancies.

Police Chief Jim Murray told Council his Department would be at full staff in August for the first time in a long time. Filling vacancies depended on Police Academy classes. He noted that he had an increase of $45,000 for promotions to corporal for college graduates. There was also an increase in the costs associated with certification and accreditation. Murray noted that the cost of cleaning the new Police building was twice what it had been previously and there were costs to maintain the heating and air conditioning systems. The biggest item was the cost of 12 laptop computers and a grant had been applied for. Murray added that the NCIC computer had to be upgraded and that was required.

Brown asked Murray if the City could get funding from the County for the DARE program. Murray said they were two separate programs, but added that civic groups, such as Kiwanis, made annual donations to the program. He added that the Department was also doing a lot of programs such as Snap 'N' Strap and bike rodeos. Printed materials were handed out during those programs and those costs were also up.

Tennant expressed concern about delays in hiring and asked Murray to discuss his department's vacancies. Murray pointed out that this year had been the worst recruitment year since 1987 and that no college graduates had applied. The Department was not able to compete with its salary and the cost of living in the surrounding area. He continued that the candidates were good, but not what the City was used to. Murray explained that calls for service were also changing. If Wal-Mart and Home Depot generated just two calls a week for one year the crime rate would double. Murray pointed out that handling the calls for service was a struggle now and it took six months to get an officer in a car by himself or herself due to training requirements.

Rapson recommending shuffling some funds around and to add $25,000 from Council Contingency so the Police Department would have the money to purchase laptop computers. He also suggested realigning the pension cost. Rapson felt the market would be better next year or would remain flat. He said the pension costs were over funded by $400,000 based on the City's own actuarial study. Salvatore said what Rapson suggested could be done, but he was concerned about where the money would come from for next year. Basinger added that there was only $225,000 in Council Contingency and there was no fluff. Murray said the Department might get a better deal by buying more computers at one time. He said his Department had done a good job of keeping the computers running, but they were down to almost none.

Public Services Director Colin Halterman noted that his Department's largest increase was also in retirement costs. Other items that increased included landscaping for the fire and police departments. He added that Public Works would now take care of landscaping for all City facilities, except the Recreation Department's. Funding was also included in the budget for a couple of new traffic signals.

Salvatore noted a decrease in audit services in the Financial Services budget, but increases for furniture and GASB 34 funding. Salvatore said he felt the GASB 34 funds were a little lean at $6,300 and he would like to move it to the PIP or to contractual services for the audit.

Salvatore pointed out that the biggest problem for all departments was the pension cost. Corrective actions taken by staff included formally challenging the actuarial calculation that resulted in the 39% increase in plan contributions. Staff was evaluating the option of implementing a defined contribution plan, which would be mandatory for new employees and optional for current employees. Staff would also evaluate other plan administrators for the defined benefit plan that might do a better job of managing plan assets.

Rapson said a defined contribution plan would eliminate the City's exposure and save money on the fluctuation associated with the market. Salvatore pointed out that limiting what an employee could invest in the pension plan might open the City to liability down the road.

Under General Fund Revenues, Salvatore continued that FY 2003 estimated revenues totaled $18,546,972, an increase of approximately $708,000, or 3.76%, over the FY 2002 projection of $18.8 million. Salvatore said staff did not anticipate any dramatic changes to the City's revenue sources for FY 2003. Brown asked about LOST. Salvatore pointed out that LOST was up for renegotiation this year, but he had figured a 4% increase based on the economy. Rapson said he had looked at each item and there was only about a $35,000 difference between his scenario and Salvatore's. He continued that he appreciated Salvatore's efforts.

Brown said there might be an increase in revenues from AT&T Broadband for phone service. Tyler said they should know by August 31. Camburn said the County had an audit of the AT&T franchise payments done and Peachtree City had requested the same service. The County was getting an additional $30,000, but the City could get less.

Salvatore continued that Suggested Revenue Actions included reconsidering proceeding with compliance checks on the hotel/motel tax and alcoholic beverage tax collections. Staff recommended Council consider leaving the hotel/motel tax at 6% due to the unanticipated events of September 11 and the economic downturn in the stock market. Rapson expressed concern that Council committed to the hotels and motels to lower the tax when the deficit was eliminated. Salvatore continued Council could also control the millage rate. He outlined the reoccurring costs and said Council could control the millage or keep cutting the PIP.

Rapson said the action Council took last year took care of the 1.5 mills associated with new positions and other items. Now they were seeing that same number association with the rise in costs due to September 11. It could be taken care of either on the revenue side or the expenditure side. It was not money really on the table so the only place it could be taken from was on the expenditure side.

Salvatore moved on to the PIP. The major projects for FY 2003 included Drake Field land acquisition, Huddleston/Dividend intersection improvements, Meade Field parking improvements, Gathering Place expansion, the Walt Banks roundabout, and the Library expansion. Salvatore said he wanted to leave revenues alone and that hard decisions had to be made. He continued that he did not want to irritate anyone, but that Council needed to look at what was the worst that could happen if a project was not done.

Rapson said the project he did not understand was the Walt Banks roundabout. Basinger said it was part of the agreement with the developer. Salvatore added the developer was contributing $102,000 to the $283,000 cost. Rapson asked how much was saved by having the County's help with the roads. Halterman said nothing. Basinger explained that the City had to mill down a lot of the streets and that took the money that would have been saved.

Salvatore proposed cutting the $35,000 listed for traffic calming devices from the PIP. Rapson said his preference was that Council pay for traffic calming devices before going to the PIP for the money. Rapson then asked about the $38,070 reserved for the design of the Highway 54 West land (playground and bridge). Salvatore said the City had purchased land, but asked if the design could wait. Brown pointed out that ARC funding for the LCI plan was coming next year and the design had to be in place. The design was part of what sold the plan itself. McMenamin asked about DOT intrusion regarding the highway widening. Besseche said the widening was in the construction schedule for 2004 and things would take place simultaneously. He said staff met with DOT to discuss the issues involved and had incorporated the plan into their design.

Salvatore noted that the $267,800 reserved for the Huddleston/Dividend intersection improvements might have been underestimated. Tennant agreed and said it would cost $300,000 or more. He continued that he had thought about this project, who it affected, and who paid the bills. The improvements might make traffic flow better, but he would rather see the money go to cart path reconstruction to put the signature of the city back in good shape. Brown commented that since the cart path system was an integral part of the City he had considered putting the issue before the voters instead of doing the work piecemeal. Basinger pointed out that part of the problem was in order to rebuild the 10% of a section that was bad, sometimes the entire section had to be taken out and rebuilt because of additional damage caused by getting the equipment to the damaged segment. He said it might be time to come up with $3 million or $4 million to go in and do major repairs. Tennant agreed. Brown agreed and said it might be an easy proposal to sell since a lot of people used the cart paths.

Basinger continued that once work started on widening Highway 54 more people would use Huddleston Road. He suggested the City buy the land. He reminded Council that the City was in negotiations now for the property and that land would not get cheaper. McMenamin said her concern was that Huddleston Road was an alternative for employees in the Industrial Park to get to work. Basinger said once the property was acquired, the plan was to put a two-way stop on Paschal so the traffic would continue to move on Huddleston and Dividend. Tennant added that for every complaint he heard about the Huddleston/Dividend intersection he heard 500 for the cart paths. McMenamin said she liked the idea of a bond for the cart path work and that it would not stop the land negotiations.

Rapson said he would like to see the Cart Path Resurfacing Program left in the PIP for $100,000 (the original amount was $115,763 and Salvatore recommended cutting $15,763). He said the proposed cut money would be taken from Council Contingency. Tennant stated he would not support a decrease in the cart path funds and added that a bond was good idea. Rapson said one-third of the funds in the line for cart path resurfacing were still there for this year and that $100,000 was adequate. He added that $15,000 was not that much of a difference. Weed said that if any bond could pass in the City a bond for cart paths would be it. Rapson asked if the proposed bond failed would that mean the City could not do anything on the cart paths for a year. Salvatore suggested a revenue bond. He said it could be tapped into for essential public works projects. Rapson asked what the revenue source would be. Salvatore said it would be tax. He continued there was a different legal set-up for issuing bonds that did not require voter referendum. Rapson said he was talking about using and leveraging the $100,000 for debt service. Rapson suggested that whether or not to put the cart path work up for referendum was good question to ask in the Update. Weed said the ballot would also be narrow and fewer items on the ballot might help its success.

Basinger addressed Drainage Improvements (Bridlepath Creek) for $75,000. The proposed cut was $75,000. Basinger told Council he felt this project was important. The residents had been promised that something would be done. Their backyards were in danger. Brown asked if there would still be problems with beaver dams after the work was completed. Halterman said yes and that they broke up the dams once a week. Rapson agreed with Salvatore that the funding should be cut. McMenamin disagreed and said it was a serious safety situation, especially with children. She pointed out that the major problem was backed up silt. Basinger agreed and said there was no capacity to store water and it backed up into people's yards. Williams pointed out that it was natural erosion and the area was a wetland. Tennant said if a gun was put to his head he would agree to cut the funds, but he would not feel good about it. Weed said he was looking at the maximum impact for maximum people. McMenamin said the City was getting safety complaints. The spillway flooded when it had not been raining. Her concern was safety and she noted that it was a heavily traveled cart path. Williams said the problem needed to be corrected by raising the spillway. McMenamin suggested leaving the funds in the PIP until the budget was fine-tuned and then take another look.

Rapson said he agreed with all the cuts in Leisure Services' PIP, but the Wynnmeade Playground and Reed Memorial Park. Brown said he understood Rapson's concerns, but pointed out that the City owned the properties. McMenamin said the City had made a commitment to Reed's family. She said she would try to do some fundraising to get things going. Weed commented that the problem was getting the dollars to purchase equipment, but volunteers would show up to do the work. Rapson stated the reason he wanted to leave the Wynnmeade Playground in was because Council made a commitment to the residents. Brown added that $20,000 of the $90,000 was developer money. All agreed to leave the playground funding in the PIP.

Rapson felt it was okay to cut the $137,063 reserved for Library Expansion, Phase I. He said the City would not get any state funds to help next year.

McMenamin noted her concerns about taking out the $104,000 earmarked for Phase II-II of The Gathering Place expansion. She pointed out user necessity and that the expansion would also bring in some revenue. Gaddo said the revenue would be more than offset by the expense of operating and maintaining the expansion. McMenamin said the City had been promising the senior citizens for years that The Gathering Place would be expanded. She pointed out that they would not be here that long, but the land would always be here. Rapson said the seniors would also be unhappy if Council had to raise their taxes, but he agreed with McMenamin.

Rapson continued that the City was only getting $50,000 in recreation funds from the County so the Kedron multi-purpose rink restrooms would have to come out of the PIP. Gaddo suggested moving the Library expansion forward since staff was working on a grant. Basinger said the grant match could be taken out of the reserves. Gaddo said there were no guarantees for the grant. There was no standard and the money varied from year to year.

Lohr went over the Fire Department items in the Public Safety PIP. Salvatore said money had been put away for the Neely Station improvements. The upgrades were badly needed and additional money was needed to expand office space. Lohr said the bulk of the money was for the living quarters. The original estimate had been $195,624, and then $155,000 had been added for a sprinkler system. Lohr estimated $200,000 would take care of the work needed for the duty quarters. Salvatore said staff was looking at doing the Neely Station improvements at a reduced scope such as the work done at City Hall. Rapson said $200,000 was significant and suggested that the work could not be done for that, then it should be put aside and added to next year's funds.

Rapson asked Chief Murray if all 36 police vehicles needed to be replaced. Murray noted that all the vehicles would have 100,000 miles on them by the time the new vehicles were in, and other department vehicles needed to be replaced with the retiring police vehicles.

Salvatore pointed out that the savings in the PIP was down to $1,583,323. He said they had tried to hit $1,649,000. The budget was now $273,000 away from balancing. He said he would be happy to just not use the cash reserve and that another $1.8 million was needed.

Salvatore told Council that Self Insurance Fund appropriations now totaled $3,153,688. He continued that the amount represented an increase of approximately 30% over the FY 2002 budget and only about 7.5% over the FY2002 projected actual amount. Salvatore said most of the $735,000 budget increase was needed to provide additional funds for Health Insurance claims. The claims increased $539,000, or 62%. The Property Insurance budget increased $89,000, or 106%, mainly due to the catastrophic losses of September 11. Salvatore said the Workers Compensation budget increased $60,000, or 46%. He continued that it was expected that the costs would increase further in the future. This year's increase of $735,000 represented approximately .54 mills of property tax. Salvatore said staff had re-bid most of the insurances and had prepared proposals for increasing the amounts for employee participation in health insurance coverage.

Salvatore told Council it was anticipated that medical costs would double over the next five years. Brown added that the whole industry was not making it. Usage had been much higher than anticipated. Rapson said it was important to note that last year's millage increase had been based on an entirely different set of circumstances. He added that costs had escalated. Salvatore pointed out that the insurances had been re-bid, but the consultant was not encouraging as far as the potential savings.

Salvatore went over the proposals for employee participation and explained there were two sets of plans. The first two sets presented a tiered plan and cost more for those with more dependents. The cost would increase based on the cost index. Proposal #1 would increase revenues by $40,307. The employee contribution increases ranged from 30% for employee only to 80% for employee plus three or more dependents. Proposal #2 increased revenues $47,822 and the employee contribution ranged from 40% for employee only to 90% for employee plus three or more dependents. Proposal #3 increased revenues by $23,357 and the employee only and family contribution increased 30%. Proposal #4 increased revenues by $31,142 and the employee only and family contribution increased 40%. Tennant said he liked Proposal #3 best because it was the simplest and offered employees the smallest increase. Brown asked if there were other GMA plans. He continued that he wanted to make sure there were choices. Brown noted that some plans only covered catastrophic illnesses and some employees might want only that type of coverage. Tennant said he was thinking about the employee with three or four dependents. He added that 89% was a big hit to a family budget. Brown said he would like to review other plans and McMenamin said she would like for Jane Miller to be at the meeting too.

Rapson acknowledged that for some employees the increases would be big, but added the costs were market-driven. His suggestion was not to do anything. He said it would not be worth it for the lower paid employees. Brown commented that if current trends continued the employees would take a bigger hit four or five years down the road. Tennant felt the employees would reasonably expect some increase. Rapson said he did not think increasing the employee participation was worth $25,000. The insurance was a benefit and it was not the employees' fault that September 11 drove up costs. McMenamin noted that September 11 was just a part of the problem and added the costs had been going up for years. Rapson said that the benefits attracted employees to the City. McMenamin agreed with Tennant and said if the increase were in increments it would be easier for the employees. Rapson asked if everything was put together and there was a return on the costs would the employees be refunded. Tennant added that another option was to make the plan more user-based and increase the cost of the co-pay.

Rapson referred to the unbudgeted expense/claim line item in the Self Insurance budget and suggested lowering the $300,000 to $200,000, which would give Salvatore another $100,000 in the fund balance. There would still be the $800,000 if costs were as out of control as this year.

Salvatore said this year the City had dug into the $800,000 in reserves by a half million dollars. Part of the stress on this year's budget was to replenish the reserves back to $800,000. Rapson said he felt $1.4 million was a good estimate.

Salvatore told Council the Debt Service Fund totaled $1,940,604, an increase of approximately $354,000, or 22% over FY 2002. He pointed out the budget included $155,000 for the Airport Authority G.O. Bond debt, which in past had been paid to the Airport Authority. The Highway 54 West land acquisition debt was $87,000. The remainder of the increase was for equipment purchases in the PIP. Salvatore said they had gone through an arduous process to get down to five items, which were a backhoe, an F-350 service vehicle, a technical rescue vehicle, a radio tower generator upgrade, and the police vehicle lease renewal for a total of $354,074.

Salvatore said Council and staff would have to go through the same process next year to avoid a millage rate increase. Rapson asked if there were any thoughts of doing a tiered millage rate. He continued that Council needed to think about it. If there were no tax increase, Council needed to keep in mind there might not be money and they were not doing any favors by not having a tax increase this year and a 30% increase next year. He said this year Council could point to the costs of pension and insurance. Brown said the increased costs came out of nowhere and were beyond the City's control.

Salvatore concluded his presentation and told Council even though drastic cuts could be made to the 2003 PIP to avoid the need for a millage rate increase that staff was still concerned about balancing future years' budgets. The FY 2004 PIP included some very big projects and would be burdened even worse if some of the FY 2003 projects were delayed to FY 2004. Salvatore continued that Council should consider alternate means of funding major capital projects, such as revenue bonds, in the future. He also suggested Council consider more extensive use of surveys to assess the desires of citizens in evaluating capital projects.

Rapson said the City needed to think two or three years down the road. He pointed out there was also money in the escrow account and maybe that could be used for projects like Reed Park. The City needed to look at and research funding sources for projects or matching funds. If money was earmarked for landscaping then it should be matched to a landscaping project. Basinger agreed and said an effort needed to be made to look at the money in the account and each item should be investigated.

Salvatore told Council he would take their budget books and make the changes discussed during the workshop. He said the meeting had been very productive. They would go over the budget again on August 12, and then move into the budget hearing on August 15. Rapson thanked everyone for their work. Basinger agreed that the workshop had been very productive.

The meeting adjourned at 9:15 p.m.

Betsy Tyler, Deputy City Clerk

Stephen D. Brown, Mayor

Pamela Dufresne, Recording Secretary