City Council of Peachtree City
Workshop Meeting Minutes
July 11, 2011

The Mayor and Council of the City of Peachtree City met in a workshop session on Monday, July 11, 2011. Mayor Haddix called the workshop to order at 6:30 p.m. Other Council Members present: Vanessa Fleisch, Eric Imker, Kim Learnard, and Doug Sturbaum. Staff present: City Manager Jim Pennington, Financial Services Director Paul Salvatore, Administrative Services Director Nikki Vrana, Amphitheater Manager/CVB Executive Director Nancy Price, Fire Chief Ed Eiswerth, Police Chief Skip Clark, Public Services Director/Stormwater Manager Mark Caspar, Assistant Finance Director Janet Camburn, and IT Administrator Matt Robinson.

The purpose of the workshop was to review the proposed budget for FY 2012. Pennington said the Council consensus following the June 20 budget workshop had been to remove the proposed millage roll-up, which had been done.

Salvatore reviewed the revisions made to the City Manager's proposed budget, which included a Fund Balance increase of $831,385 in the Cash Reserves, which was by design due to the challenges expected for FY 2013. Additional staff proposals included replacing Rescue 8 instead of an ambulance remount for ($11,194) [numbers in parentheses indicate a negative effect on the budget], the difference in the annual lease payments and the higher priority. Staff proposed an increase in the annual debt service for the Kedron bubble of ($13,998) to reflect the cost increase of the bubble due to structural issues from $250,000 to $454,255. The increase to the General Fund for the bubble was $204,255, which to be reimbursed to the General Fund from the loan proceeds. Legal Contingency could be reduced from $150,000 to $100,000 (currently budgeted at $25,000) based on the FY 2011 projection. Three part-time Customer Service Representatives were added for Kedron Fieldhouse, based on the reorganization and using part-time rather than full-time employees. The savings factor was increased from 1.5% to 2.5% in anticipation of additional reorganization. The 0.098 mill roll-up in the ad valorem tax revenue was eliminated. The City collected less tax revenue in 2011 and would do so in 2012. The net impact on the FY 2012 fund balance would be $216,183, and the increase in the fund balance with the proposed revisions would be $1,092,568. In addition, Salvatore said staff proposed changing the projected millage rate increase for FY 2013 from one mill to 1.1 mills due to the elimination of the roll-up in FY 2012, which could be spread out over several years rather than increased at one time.

Salvatore added that the increase in the cash reserves was by design with FY 2013 in mind. Local Option Sales Tax (LOST) negotiations would be held in 2013, and they would be based on the 2010 census. The Special Purpose Local Option Sales Tax (SPLOST) funds would also be depleted.

Vrana clarified that the request for three part-time Customer Service Representatives was based on the assumption that Recreation Administration would also be housed at Kedron. Pennington verified Vrana's statement.

Salvatore went over the budget summary for the General Fund, noting the projected revenues and total uses of funds were $27,763,524. The estimated revenues included taxes – $23,860,406, licenses & permits – $641,637, intergovernmental (grants) – $300,000, charges for services – $1,456,738, fines & forfeitures – $1,252,070, investment income – $76,974, and miscellaneous – $131,448 for an estimated total of $27,719,293. An additional $1,136,799 was projected from other sources with a surplus carryover expected of ($1,092,568).

The uses of the funds included $25,425,234 in appropriations for Departmental operating expenses. Those expenses include executive services, $392,394; economic development, $85,148; Administrative Services, $2,257,591; Financial Services/IT, $1,166,805; Public Safety, $13,796,753; Public Works, $4,426,090; Recreation & special events, $2,421,036; tourism support services, $182,777; and Community Services, $696,640. The projected salary vacancy/other savings were ($635,631). He added it was up to management to identify the savings.

General Administration costs were projected at $449,161, with the appropriations including Council Contingency, $0; not-for-profit organizations, $26,757; general liability insurance, $89,243; Development Authority bond, $138,843; miscellaneous legal fees/claims, $100,000; other expenses, $49,318; and administrative/technical contingencies, $45,000.

Transfers to other funds/authorities were projected at $2,524,760 and included a transfer to the Public Improvement Program (PIP), $47,275; transfer to debt service, $2,469,985; Development Authority of Peachtree City, $7,500; and transfer to the Amphitheater Fund, $0.

Salvatore said the appropriations for FY 2012 included 25.6% for Police, 23.9% for Fire/EMS, 15.9% for Public Works, 9.1% for non-divisional & transfers, 8.7% for Recreation & Special Events, 4.5% for Administrative Services, 4.2% for Financial Services/IT, 3.7% for the Library, 2.5% for Planning & Zoning, 1.4% for City Council & City Manager, and 0.3% for Economic Development. Imker pointed out citizens could ask to see the employee payroll at any time.

Salvatore reviewed the five-year financial projections, which included increases each year in the model budgets. He continued that the Public Works budget would increase by $2 million in each of the out years to replace the SPLOST funds, although that amount might not be spent each year. He added that the City's pro rata share of LOST funds would also shrink due to the 2010 Census figures and the 2013 LOST renegotiations, as well as any further decline due to economic conditions, so there would be a $500,000 in LOST revenues beginning in FY 2013. The model showed the use of cash reserves in FY 2013 of $718,322, FY 2014 of $1,308,484, FY 2015 of $1,029,353, and FY 2016 of $1,006,452. Millage rate increases of 0.008 were included for FY 2014 and FY 2015, with a rollback of 0.096 mills projected in FY 2016.

Salvatore explained a 1.1 mill increase was shown for FY 2013 that could be spread out. It was shown in FY 2013, but they would need to wait to see what happened with the LOST negotiation and the regional transportation SPLOST.

Council briefly discussed whether the five-year projections should have any effect on the decision for the FY 2012 budget. Salvatore explained that Council had a budget policy that 20% be kept in reserve. There were many ways to get there, and the five-year model was a guide to aid in complying with the policy guidelines. The model would change 1,000 times before FY 2016.

Imker asked Council for recommendations to reduce the projected 1.1 mill increase in FY 2013. Haddix asked what was Council's goal – to preserve all services and fee structures exactly as they were or increase fees for optional services so they paid for themselves, relieving the tax burden on the residents. Haddix said everything else rode on those fundamental questions. Sturbaum said he had $92,000 in possible cuts, which were not a lot of cuts, but was a first pass. He said he would forward his spreadsheet to the other members.

Imker presented his recommendations for the proposed FY 2012 budget. His cuts included the reduction of $50,000 in litigation services as shown in Salvatore's presentation , reducing the line item from $150,000 to $100,000, and a reduction of one police vehicle, saving $11,000.

Other changes proposed by Imker included an additional $162,000 in revenue from the savings from the Public Facilities Authority Renegotiation Bond and $125,000 from the sale of a portion of Newgate Road to the developer of the senior apartment complex. He stated he understood the Newgate Road sale revenue could not be included in the budget until that sale actually happened. He recommended reducing the PIP Contingency by $35,000, reducing Dues & Fees by $8,000, reducing Books & Periodicals by $4,000, reducing Small Tools/Equipment by $24,000, reducing Department Contingencies by $81,000, as well as a $100,000 reduction in the $240,000 recommended in the proposed budget for 2% pay in lieu of salary increase line item. The proposed changes totaled $539,000.

Imker's alternate proposal impact on the five-year budget projections included $5 million in cuts – removing $500,000 from Public Works contingencies beginning in FY 2013, removing $250,000 from LOST contingencies beginning in FY 2013, $800,000 for the out year rollup impact of department savings beginning in FY 2012, saving $400,000 by revamping the evaluation system (merit pay), reducing the Public Improvement Program (PIP) contingencies from FY 2013 to FY 2016, changing to a single personal leave policy, and keeping the 457 pension program, but adjusting the 401A program.

Imker also discussed possible projects for the Public Facilities Authority bond proposal, which he estimated would cost approximately $3,039,255, with debt service of $393,594 annually spread out over 10 years at 5% interest. He noted that the City would probably get a better interest rate, but there was no cost estimate on the dredging needed of the Lake Peachtree lagoon. He estimated the City could save $162,000 by renegotiating three existing bonds.

Imker said taking $200,000 out of this budget now had an impact of $800,000 savings in the future four years of the five-year model.

Revamping the evaluation system (merit pay) could save $405,000 over a five-year period, according to Imker's alternative proposal. Currently, a one-step pay increase averaged $782, a two-step increase average $1,506, and a three-step increase averaged $2,181. The current average employee earned a two-step increase per year of approximately $1,490. A new system to move towards matrix and less subjective evaluations was needed where only one and two-step increases could be given. The new average step increase might be 1.5 steps at approximately $1,144. Imker said, when applied over 236 employees, the savings could be $81,000 annually, and $405,000 over a five-year long-term plan. He asked the City Manager to look at moving toward a matrix evaluation system with only one and two-step increases.

Imker addressed a change to a single personal leave policy, saying that a first-year employee was able to earn 31 days time off via holiday time, birthday time, vacation time, sick time, safety time, perfect attendance time, snow time, catastrophic sick time, and employee comp time. If a new single personal leave police was established to save three days, as an example, the impact over 236 employees was approximately $50,000 annually, $250,000 over a five-year long-term plan.

Imker's alternate five-year model showed no millage rate increases for FY 2012 or 2013, but included proposed millage increases of 0.197 mills in FY 2014, 2015, an 2016. He also projected the use of at $1,169,422 from cash reserves in FY 2013, $1,588,974 in FY 2014, $797,036 in FY 2015, and $148,101 in FY 2016. He pointed out that, with this projection showing FY 2016 with zero mils and only a $150,000 use of reserves, was as close as one could expect to having a financially sustainable budget in the future.

Imker referred to the employee pension plan, saying he wanted to keep the 457 plan because it allowed employees to save their own money for retirement. He wanted to adjust the 401A program, which the City matched employee contributions up to 2%. Imker proposed either eliminating the 401A plan, the City's contribution, and returning $600 of the City's request for employees to contribute to health insurance costs, or to have everyone go to 2% contributions, adding that some got 5%. Stopping the City's contribution could save the City $250,000.

Imker said that, if all his proposals were adopted, the City would only need to use $150,000 in cash reserves in FY 2016 compared to $1 million in FY 2016 in the current proposed budget. The City would be able to manage out any projected small millage rate increases.

There was a heated discussion between Imker and Haddix regarding Imker's proposed cuts, with Haddix saying he wanted to understand what the actual physical impact of the proposals to cut programs would be on the City.

Fleisch said that, after the re-organization, staff started looking at the Human Resources policies, and more personnel were needed in Human Resources to do that. She also wanted to look at different software for payroll that could save the City money in the long run.

Learnard said she would rather see Council enumerate the tasks at hand so they would know what needed to be done, including items from Retreat such as the necessary Human Resources training, consolidated leave policies, and pre-employment drug testing. Haddix said he was leery about cutting back on education because any problems that might result could cost more than the training. Fleisch said the additional employee requested for Human Resources had been cut from the original budget, adding that one more person to help could affect the money spent on litigation.

Imker asked Pennington to evaluate the needs of Human Resources as far as additional personnel, keeping in mind policy changes in the next six months. After that job was done, staff needed to evaluate whether the employee was still needed, possibly leading to the addition of a full-time or contract employee. Haddix added that all of Imker's suggestions regarding merit pay and holiday hours merited examination. He said there should also be a reasonable look taken at any areas that would benefit from a private-public partnership, which had proven to be cost effective. Sturbaum agreed, saying Council would be remiss if all the opportunities were not examined.

Learnard asked if the City could live with not increasing taxes, not cutting services, and working smarter.

Haddix opened the floor to the public.

Tim Lydell said taking the Lizzie Borden approach to the budget could leave everyone with bad morale. His employees did not get 30 days off the first year, and he agreed that should be reviewed. Council should have a strategic look at where they wanted the City to go. He recommended getting citizens involved in the process with a citizen committee that looked at the budget on an ongoing basis.

Steve Allen said Council needed to focus on revenue, adding that if as much time was spent on revenue creation the City might not be in this situation.

Learnard read a letter from Caren Russell, who was unable to attend the workshop. Russell said it was important to maintain services and the look of the City even if an increase in taxes was needed.

John McGregor said the City's issues resembled some of the federal government's issues. There were City services that were discretionary, but Public Safety was always off-limits in budget discussions. The City needed to look at the efficiency of how those services were delivered.

Salvatore said the public hearing for the budget was on the July 21 agenda.

Imker asked if there would be a new proposal based on the potential budget cuts. Salvatore said his presentation for the public hearing would include any changes from the workshop, and there would be communication between Council and the City Manager so Council would have an idea on the changes that would be made.

There being no further discussion, the meeting adjourned at 8:25 p.m.

Pam Dufresne

Pam Dufresne, Deputy City Clerk

Don Haddix

Don Haddix, Mayor