City Council of Peachtree City
Budget Workshop Meeting Minutes
July 8, 2010
6:30 p.m.

The Mayor and Council of Peachtree City met in workshop session on Thursday, July 8, 2010, to continue discussions on the FY 2011 Budget. Mayor Haddix called the meeting to order at 6:30 p.m. Other Council Members attending: Vanessa Fleisch, Eric Imker, Kim Learnard, Doug Sturbaum. Staff attending: City Manager Bernard McMullen, Administrative Services Director Nikki Vrana, Financial Services Director Paul Salvatore, Leisure Services Director Randy Gaddo, Police Chief H.C. "Skip" Clark, Fire Chief Ed Eiswerth, Public Services Director Mark Caspar, Tourism Executive Director Nancy Price, City Engineer Dave Borkowski, and Assistant Finance Director Janet Camburn.

Haddix asked Council if anyone had changed positions since the last workshop. Learnard said she had asked staff to pull together what a part-time position to assist the Development Authority of Peachtree City (DAPC) might entail. Haddix said anything that was under the auspices of a development authority, such as grants and bond negotiations, were outside what a City employee could do. Learnard said she understood, but felt the administrative burden needed to be taken off the DAPC and put back on City staff. Haddix said that would not be possible. Learnard said several other cities had economic development coordinators that oversaw Development Authorities as a City employee. Sturbaum asked for a list of those cities. Haddix asked if Learnard had talked to the City Attorney and she confirmed she had. Learnard said there were some duties that could fall under the City, and a part-time staffer could support the authority and leave the administrative duties under the City. Fleisch said Valdosta had staff members doing this and felt it was an option worth pursuing. Haddix said it would require legal follow-up to determine if it could be done legally.

Haddix said the State had created development authorities to take control away from elected officials. What Learnard was proposing would put it back under the elected officials that supervised the staff. Learnard asked Haddix if what she proposed was found to be legal, would he support that method of helping the DAPC. Haddix said he would have to give it further thought because development authorities needed to operate in an independent manner. Sturbaum said he would also like to see how other cities had written the job descriptions to remain in compliance with state law and the cities' charters. Haddix added that state agencies did not come to cities; they came to development authorities.

Haddix asked if there were any other statements or issues about the budget. Imker asked if they could work toward a 9:00 p.m. deadline.

McMullen said staff had been asked to present a prioritized list of path projects not currently funded (a copy of the Power Point presentation is included in the official meeting file). He said previously paths had been added based on input from citizens but had not been prioritized. The projects had been presented at the workshops and decisions made at that time. No new paths had been funded in the past couple of years.

McMullen explained that, to prioritize the projects, staff developed criteria based on connectivity, design and construction, and funding to obtain a High Importance value of three, a Medium Importance value of two, or a Low Importance value of one to achieve a final score for the various segments.

Under that format, the two most important paths were on Highway 54 West to the Line Creek Nature Area and to the Planterra Ridge amenity area. The total list of projects totaled $4.8 million. Additionally, there were $6.5 million in bridge and tunnel projects. Caspar clarified that the tunnel figure of $545,000 was a single-tunnel cost, and there were multiple tunnels, which increased the $6.5 million figure. The overall cost, currently unfunded, was over $11 million. McMullen added that the costs had been estimated based on a basic formula of $30 per linear foot and did not reflect any retaining walls, utility relocations, or other engineering that might affect a specific project during the design phase.

Joey Petras asked if projects had previously not been prioritized, and McMullen confirmed that. McMullen said the prioritization had not been based on the number of resident calls for a single path, but by such criteria as whether a path would connect to a village retail area, recreation areas, if land was already available, and the ease of construction. The resident asked if Special Purpose Local Option Sales Tax (SPLOST) funds would be eligible for these projects. McMullen and Salvatore said only under a new SPLOST because the 2004 SPLOST language was for funding to widen and upgrade paths. City Attorney Ted Meeker had indicated that would only apply to upgrading existing paths and could not fund new paths.

A Hyde Park resident said he was frustrated that, when he moved here, the master plan showed a path to connect his neighborhood in 2007, and now it was way down on the list. All they had was a dirt path connection. Imker said he had spoken with Meeker, who said the dirt path, in his opinion, was a path if it was being used as such and if the City had easements. Imker said he had asked to see the prioritized list, and appreciated the data and effort staff had put into it. He said he had no idea that there was over $11 million in needed projects. He asked staff to update the tunnel information for correct pricing, and asked for a year-estimate to be provided to the projects as part of the budget model. He said he realized the estimate might be 20 years.

The resident asked if the projects addressed the businesses and residents who were currently stranded with no paths. He asked that they take the factor of no access at all into the evaluation criteria. Imker thought that was valid. Sturbaum pointed out that the entire Industrial Park was inaccessible by path.

Randy Hough said his neighborhood on Spear Road had access nearby on Robinson, but they had no access to Publix and Lexington other than via the inconvenient route through the McDonalds tunnel.

Robert Brown pointed out that the Publix Center was not in Peachtree City, so he did not feel it was incumbent on the City to provide access. He asked why the developer had not been required to tie into the path system. Haddix said that previous Councils had made that decision, and the current dilemma Council faced, despite the very real need for new paths, was how to fund maintenance the existing paths. That had to be addressed before they looked at building new paths.

A resident said there were three sources of funding, the SPLOST, the Public Improvement Program (PIP) fund, and the General Fund. Over 95% of residents had said the paths were important, and he said Council should budget for the path system. Haddix reiterated that Council was struggling to meet the budget without new expenditures. They could not choose to add one path and ignore all the other needs.

Doug Masters said he was concerned about diverting maintenance and repair money to the construction of new paths, and felt the City needed to take care of what they had.

Another resident of Hyde Park said he understood the need to maintain paths, but people who had no access to paths were still paying for the other repairs. Creating a path where there was none was more important than repaving one that was already there. Imker said they would continue to look at how the paths were prioritized.

Haddix said there had been a lot of discussion on theory, and felt Council needed to hold a separate workshop on the path plan. Imker asked for clarification on PIP and General Fund. Salvatore confirmed that the PIP was funded through the General Fund.

A resident asked that the Master Plan be updated to cut out the projects that would not be done so new people moving in would not be confused.

McMullen said this presentation did not include the path sections recommended by Georgia Tech study.

McMullen said Imker had also requested an analysis of major operational expenses in the City, and he had a presentation on that issue (the presentation is included in the meeting file).

Imker said he had asked for financial data, excluding salary and benefits, on the Police, Fire/EMS, Public Works, and Recreation Budgets. Those totaled almost $18 million. Those budgets were showing an almost $1 million increase over FY 2010, and he asked the City Manager to address those increases.

McMullen said $357,000 was from unfunded department savings, $163,000 was due to an increase in health insurance, $135,000 was due to military vacancies, $122,000 due to an increase in the Defined Benefit retirement costs, $105,000 was due to new Tourism personnel (offset by the same amount in new revenue), and an $82,000 increase in Workers' Comp. That totaled the $964,000 in question. Imker thanked McMullen for the information and then addressed the details of the departments.

Imker began with the Police Department, saying the department's expenses for personnel went up, and the total department increase was over $1 million. Clark explained that $165,353 was due to military leave and filling positions that had been vacant. There had also been increases in insurance and benefit costs. Clark then reviewed the other non-personnel costs incurred by the department that totaled the $1.08 million Imker had questioned.

Imker then asked about the Fire Department's $677,000 increase. Eiswerth said that six firefighters had been hired under a staggered Staffing for Adequate Fire and Emergency Response Grants (SAFER) grant, for which the City was responsible for increased funding each year. He then reviewed the other non-personnel expensed for the department. Imker question the funding for physicals, asking if the City's insurance did not cover that. Staff indicated that the health insurance did not cover annual physicals. Eiswerth said one of the biggest costs was replacing the bunker gear for fighting fires, which cost somewhere between $3,000 and $4,000 per set. The current bunker gear was 7-10 years old, and they were working to replace all the sets over the next couple of years.

Eiswerth then reviewed EMS, noting the personnel expense increase was due to insurance, and then reviewed the non-personnel expenses. He noted that they contracted with a company to do EMS billing, which was $33,000 per year, but they were collecting far more in fees.

Imker then turned to Public Works, and Caspar said one of the big expenses was the $211,000 landscaping contract, and he noted that the Public Works building needed a roof replacement that had been postponed several times. Nearly $200,000 was budgeted for street repairs, and $315,000 for the City's street lights.

Imker said the money not going to salary and benefits, but was going to tangible things that were needed. He asked why there were two different power companies providing streetlights, and Caspar said those companies split the City in providing service, both for streetlights and for the private homes.

Gaddo then addressed the Recreation Department non-personnel expenses of $807,000, which included $63,000 for the contract with TruGreen for mowing fields and parks. Another $43,000 was contracted for fertilizing the sports fields. Gaddo also explained that $13,000 budgeted to resurface four tennis courts at the Tennis Center was part of the contract with Canongate for the City to address capital expenses.

Gaddo then reviewed the self-supporting programs that were budgeted under "other cost" programs, including $146,000 for instructional classes, $67,000 for Adult Softball, $12,000 Adult Basketball, $8,000 Adult Volleyball, $7,000 Adult Flag Football, and $12,000 Special Events. Imker clarified that these programs were funded by the participants, and Gaddo confirmed that.

Robert Brown said those numbers did not reflect the full costs of recreation because sports associations raised a lot of funds to cover the costs of the programs and facilities.

Imker said the explanation of the costs, excluding employees, for FY 2011 was well organized, and he was impressed with where the dollars were being used. He hoped the information was helpful to the other Council members, but he had also wanted the public to see it. Randy Hough asked if they looked at the number of employees per department compared to other cities. Sturbaum said that the City compared itself to other cities of similar size that provided similar services, and they had an independent firm to evaluate the position duties and salary scale. Hough said the federal government paid higher than average wages than the private sector, but he was hearing that Peachtree City had done those studies and was not at the top of the scale and was satisfied. Haddix said Peachtree City ranked closer to the bottom.

Another resident asked about the budgets for the DAPC and Peachtree City Tourism Association (PCTA). Haddix explained that they were separate agencies. McMullen said Tourism would be presenting a budget to Council for approval in September. Learnard clarified that Council Member Imker had requested the specifics from these largest four departments for clarity.

McMullen then reviewed the budget and departmental expense changes over the previous 10 years.

Robert Brown questioned the crime rate increase in comparison to the public safety cost increase, with a 22% increase in the Consumer Price Index (CPI) versus the 45% increase in the budget. Brown said public safety had been addressed, but not the other costs, saying those issues were not in the spreadsheet. Haddix said Recreation had increased faster than the population, but the decisions had been made in all the areas, including Public Safety, based on what the community wanted. Another resident noted that there was also over a 40% increase in the millage rate, and the City was facing an $18 million debt.

Imker reiterated that his goal was to address the increases in the budget, noting that half of it had been a conscious choice by the citizens and councils to increase services. His goal was to present a picture that the City was efficient and was addressing the concerns of the community.

A resident questioned whether an $800,000 purchase of capital equipment for cash was reflected in this budget, and why Council would want to make such a purchase for cash. McMullen explained that, previously, capital purchases had been financed through equipment leases finalized over a three-year period. The master lease agreement would have a set interest rate, which let the City purchase items for the next three years. However, the current problems with banks meant the City could only get leases and interest rates for one year, and the costs for closing those loans was too high for such a short-term when the City had reserve funds to make the purchase. More equipment would be needed in 2012, and the five-year model showed financing the equipment again at that point. This year's budget was an anomaly.

Dar Thompson asked for an explanation of the departmental budgets. McMullen said they included the personnel expenses, operating expenses, and smaller capital items needed by the individual departments to carry out their missions. Department budgets did not include items in the PIP or items previously funded through a bond, grant, or equipment loan. Non-departmental budgets included debt service, the PIP, and some contingencies for legal expenses, administrative contingencies, and other things not appropriate to spread to the various departments. Thompson said the comparison table was not a true comparison because it expected an employee in 2011 to make the same amount as in 2000. McMullen said that was correct, but he had only reviewed the major changes. There were significant incremental service increases over those years covered in the expense increases.

Salvatore then reviewed the budget changes since the last workshop. Fayette County had increased the contribution for Recreation by an additional $14,000. Sturbaum noted that was still $36,000 lower than the funding in previous years. The Ad Valorem Tax revenue estimate had been decreased by $7,000 based on the latest digest figures, and Recreation Department expenses had been increased by $715 due to position reclassifications on the July 15 agenda.

Imker asked how a single percentage decrease in the tax digest affected the City's revenue. Salvatore said they had been estimating a 4.6% decrease, and were now looking at a 4.7% decrease. McMullen noted that every 1% drop equaled about $100,000.

Haddix called a brief break in the workshop at 8:30 p.m. The meeting reconvened the meeting at 8:35 p.m.

Salvatore then explained that that the current FY 2011 model showed a millage increase of 1.25 mills and $35,000 appropriated for the DAPC. Another scenario had been prepared showing a 0.5 mill increase. The model addressed future millage increases through 2015 and the use of reserves to bring the fund balance down to the target of 20%. A 1.25 millage increase now was followed by much smaller increases in the next four years, resulting in a final millage rate of 7.168. The 0.5 increase in 2011 was followed by higher increases in the coming years, resulting in a millage rate of 7.898.

A resident questioned a large increase in expenditures for 2013, and Salvatore explained that year would see the last of the SPLOST funds for street and path maintenance, which would have to be absorbed by the General Fund. At that time, a new Local Option Sales Tax (LOST) agreement would be in effect, reflecting the population distribution among the Cities and the County. With slowed growth in Peachtree City, they were anticipating a reduction in LOST funding beginning that year. Overall, staff had estimated a $2.5 million reduction in revenue beginning in 2013. DAPC Chairman Mark Hollums asked about a Municipal Option Sales Tax (MOST). Staff and Council indicated that only Atlanta was allowed to have one of those.

Salvatore then reviewed the projected Peachtree City tax bills based on the 1.25 and 0.50 millage increases. The average home value of $272,000 in calendar year 2009 would have had a tax bill of $3,764.81, of which $558.58 went to the City of Peachtree City for maintenance and operation. With a 1.25 mill increase and the decrease in County and School millage rates, along with the reduction in property values, the tax bill would be $41.20 less on average.

Salvatore then addressed future employee raises, noting Council Member Imker had suggested tying those to specific revenue increases and had asked for staff input on that idea. Salvatore asked if Imker was looking at basing it on the tax digest or the tax revenue, noting that a millage increase would impact the results. Robert Brown said it would have to be based on a five-year running average.

Imker said his proposal was a fourth piece of budget guidance, understanding that it would be subject to three Council members for a decision. To summarize the first three, one was to have 20% committed reserves identified, two was to associate every increase in service with an increase in millage, and three was that any future SPLOST approved in the future had funding for general operational items have a corresponding millage rate reduction.

Imker said future employee pay raises should be tied to revenue of tax digest change and LOST revenue change. He said his concern was that, if raises were not controlled, then the City would face financial problems in the future. Sturbaum asked what to do in the event of a revenue shortage. Imker said Council would have to decide that at the time, but this would be a guideline from Council to keep expenses from getting out of control.

McMullen said one of his biggest concerns with that type of scenario was that it became a simple way of dealing with a downturn in the economy. The current downturn forced staff and Council to make tougher decisions about how the City did business, with Public Works, Recreation, the Building Department, etc. When the economy went down, staff made a recommendation to eliminate raises for 2010 or 2011. Having this type of guidance as a mindset would mean the employee raises would be the first thing to go in a downturn, and a lot of other factors needed to be considered in terms of what type of raise would be sustainable. He said he did not know of anyone who would like the uncertainty of whether their salary would go up 10% next year or down 10% next year. He said he felt citizens would be very upset if they saw a 10% raise one year due to a one-year upturn in sales taxes. It undermined the integrity of the budget process. He said he was very concerned about the impact of that type of guidance.

Imker said he appreciated the comment, but salaries made up 60% of the budget, and there needed to be a constant awareness of their impact. Salvatore said that several years previously, the City had changed the pay scale from standard 5% to 7% increases to lower increments.

Charlie Nelson said he ran a small business and was sensitive to the City Manager's comments. He had concerns about attracting quality employees with salaries based solely on what the economy was doing.

Robert Brown said Imker was trying to get the City to live within its means in the same way businesses and private households had to. When revenue dropped, expenses had to drop as well. Brown said only Government had the power to increase its revenue at its own volition. Haddix noted that government, unlike businesses, often did not have the option of reducing services.

Salvatore said the public hearing for the budget was scheduled for July 15, and the current model included the 1.25 millage increase and $35,000 for the DAPC. The public hearing had to be held at least a week before adoption of the budget, which was not scheduled until August 19. He asked for Council guidance on the budget in its current form.

Imker asked to have the budget adoption on the August 5 agenda. Haddix asked if that would give Learnard time to answer her legal questions about the DAPC staffing. Learnard said, in her mind and after her conversations with the City Attorney, the questions had been answered and her proposal had worked well in other cities. Haddix said he was not yet convinced.

Council consensus was to move forward with the public hearing on July 15.

Haddix adjourned the meeting at 9:34 p.m.

Betsy Tyler, City Clerk

Don Haddix, Mayor