

City Council of Peachtree City
Workshop Minutes
June 22, 2015
7:00 p.m.

The Mayor and Council of Peachtree City met in workshop session on Monday, June 22, 2015, 7:00 p.m., at City Hall. Attending: Mayor Vanessa Fleisch, Council Members Terry Ernst, Eric Imker, Mike King, and Kim Learnard.

The purpose of the workshop was to continue discussion of the FY 2016 budget.

Interim City Manager Jon Rorie recapped the June 15 workshop to get the discussion started. He noted the primary objective of the City's budget policy was to provide a standard of budgetary performance that both staff and Council had endorsed and to provide budgetary decision making with greater continuity, reinforcing the City's core financial values and preserving them for successive staff and councils.

Rorie continued that the City's top program priority was to maintain existing service levels in all divisions and departments. A baseline should be set and serve as an agreed upon point of departure for subsequent budget discussion topics, such as a new facility or service. Any additional services above the baseline should be fully funded at the time of the adoption of the annual budget, and ongoing funding sources should be clearly identified. Such ongoing funding sources must be either new or increased revenues or clearly identified expense reductions. A Special Purpose Local Option Sales Tax (SPLOST), if approved, would provide approximately \$2 million annually.

There had been a 2.5% increase included in all the City's projected revenue streams except for the Title Ad Valorem Tax (TAVT) for vehicles, which was still an unknown. The total revenue estimate had increased by 6% or \$1.1 million. Rorie said the City should look at other revenue streams before increasing the millage rate. Property and Local Option Sales Tax (LOST) were the City's two biggest revenue streams, and both were volatile, so staff had included a best guess estimate.

The feedback from Council had been to look at the increased use of Cash Reserves to avoid a millage increase, so Rorie presented another target using more funds from Cash Reserves. The targets included using \$769,598 in Cash Reserves and no millage rate increase. This proposal eliminated the Employment Cost Index (ECI) (\$303,000), increased the paving budget total to \$2,000,000, and funded the Detective position at \$79,200. Rorie explained that the five-year model for this scenario assumed a 2.5% growth in the tax digest, included \$2 million for street resurfacing each year, increased the money spent for cart path resurfacing, did not include a 2.1% ECI salary increase, included the new detective, used Cash Reserves until the 25% limit was reached, and did not have a millage rate increase proposed until FY 2020 (0.250 mils). This option retained some flexibility for taking contingency or emergency funds from the Cash Reserves.

Another option was to take \$1,333,098 from Cash Reserves with no millage rate increase. Rorie said the five-year model also assumed 2.5% growth in the tax digest. This scenario included \$2.5 million for street resurfacing, increased cart path resurfacing, no 2.1% ECI salary increase in FY 2016, the new Detective position, and use of the reserves until the 25% limit was reached. A 0.500% millage rate increase would be needed in FY 2018.

Rorie discussed the exclusion of the ECI, which he said might be premature in FY 2016, given the recent changes to the City's pay plan. However, he suggested the addition of merit funding to

the pay plan, which would have no effect on the information that had been provided. The total projected cost for the program would be \$114,000, which would come from the savings due to freezing a Public Works supervisor position until March 2016 (\$45,000), freezing the Police Assistant Chief position until March 2016 (\$55,000) to allow the new chief time to assess the department and determine an organizational structure, and freezing the City Manager position until November 2015 (\$14,000). The timeline moving forward was to have a new City Manager by November 1, allowing some of the cost and benefits for the position to be absorbed.

Staff's recommendation was to appropriate \$769,000 from Cash Reserves, with no millage increase, Rorie said. The recommendation included active pursuit of a SPLOST, \$1.8 million for paving five miles of roads and some patching, and \$200,000 for cart path resurfacing. The missing piece was the proposed \$180,000 in annual revenue from golf cart registration. Council needed to decide if golf cart registration would take place annually or every three years. However, this recommendation did not include any short-term traffic improvements, cart path extensions/expansions, ECI, or contingency funding.

Imker said he agreed with the numbers math-wise, but he had another offer to put on the table. Fleisch said she would like to hear from the citizens and other Council Members prior to Imker's presentation.

Shayne Robinson asked where the City would be as far as funding for paving. Rorie said this recommendation would stabilize a minimum amount for paving, unless there was an increase in revenues. She clarified that a mil increase would be needed for FY 2017. Rorie confirmed that the potential was there.

Caren Russell asked if the funds for engineering and constructing the intersection improvements to the Planterra Way/SR 54 were included in FY 2016. Rorie said Council had approved the funding for the design, but not the improvement. Russell said the City should take advantage of the contractor working on the Green-T intersection at The Overlook, saying there could be a considerable savings to do both projects at the same time. Rorie said there had to be money to do that, and there was none. Russell said that would keep the City from moving forward and improving the traffic problems. It would not help the City for Council to ignore the traffic issues. She asked Council to respect the vision of the City's founders and the reasons why people had moved here. Keeping the amenities at a higher level preserved the lifestyle and could attract younger residents and more businesses.

Fleisch asked what the estimate was for the improvements at the Planterra Way/SR 54 intersection. Rorie said that was the purpose of getting the engineering done so staff could determine the actual cost. Currently, the estimate was \$150,000 – \$250,000 for construction.

King asked Rorie how long it would take the City catch up on the last six years by paving at a rate of five miles per year. Rorie said a long time, adding the roads not being addressed would continue to degrade every year. Russell said the cost of paving would also go up. Rorie said the time-value of money was associated with everything.

Learnard asked why the estimate for growth in the tax digest was 2.5%. Financial Services Director Paul Salvatore said the estimates were "iffy" until he received the tax digest from Fayette County. Due to the 9.5% increase in assessments, a large number of appeals were expected. Salvatore said the 9.5% increase was only 1.5% over the tax digest in 2009. With the slow growth in the economy, the growth in the tax digest should continue at a steady rate. The five-year projection was only a model, and anything could happen. Salvatore said the model for this year was planning on the 9.5% increase. The increase was actually 9.73%, and Salvatore

had figured less than 0.25% would be knocked off because of appeals. The 9.5% increase would generate \$1 million, so 1% was the equivalent of \$100,000.

Eric Snell said an increase in cart path paving would be great; however, if only 13% of cart paths were rated below 80 compared to 38% of streets, then more money should be spent on the roads. He asked if the workload could be adjusted in the Police Department rather than adding the detective position, since the basis was on five months of valid data, rather than a year. Snell was also concerned about an annual registration for golf carts, although he supported it. He suggested the City should go to a three-year registration first. Going from \$12 for five years to \$15 every year was a six-fold increase. He did not think the City should take the cart paths outside the City without the landowner paying the cost. There was a systematic increase to the tax structure added in 2012. In 2013, there was an increase and nothing since then. Now there could be another four years of no millage increase. The result was a shortage of maintenance on the roads and paths. Now there could effectively be a double hit on taxes because of the reassessments and an increase in the millage rate. He recommended using the 2012 approach of a graduated increase. There should be a consistent, well thought out approach and proper stewardship.

Imker discussed his proposals for the FY 2016 budget, saying he did not support the ECI (savings of \$300,000), but he did support the proposed merit increase, noting while it would not affect the budget, it would affect the money going back into the Cash Reserves at the end of the fiscal year. His plan would use \$1,080,000 from Cash Reserves and had a 0.25 millage rate partial rollback (revenue reduction of \$450,000) to offset the increase in the property assessments. Imker noted that the millage rates in Alpharetta and Roswell were 5.7 mils and 5.4 mils, respectively. The City's tax rate was at an all-time high, and Imker could not see it going higher. He continued that the Board of Education was not going to reduce its millage rate, and the County might consider a rollback. In the outlying years, a 0.250 mil increase would be needed in FY 2018. The bond mil rate would go away in FY 2020, leaving a total 6.756 millage rate.

Imker continued the City had 179 miles of streets, and his plan included \$2 million for paving. If a SPLOST were approved next year, the City could pave 25 miles annually, which would catch the road maintenance up quickly.

Learnard asked if SPLOST funds could be used as a match for GDOT grants. Rorie said it would have to be identified on the SPLOST ballot, but he believed it could be done. Imker said that had been done with repaving of Crosstown. Imker pointed out this plan included a 3.5% increase in the budget compared to 2.5% used by staff. He did not think going to 3.5% was a big risk since the tax digest had increased by 9.5% this year. He did not include any salary savings since Salvatore had included that in all the models.

Imker discussed the Local Option Sales Tax (LOST), noting the recession hit the tax in 2009 when the City's share went just below \$6 million. Things began to pick up, then dropped again when the TAVT was implemented by the state. This year, the LOST was bouncing back with \$6.5 million in revenues for the City. Imker said it would eventually be over \$7 million.

Fleisch questioned if the increase in LOST would hold true with the renegotiation. The City no longer had the largest population in the County. Salvatore explained the LOST formula had held steady in the past, with a normal increase of 4% each year. With the renegotiation and the offset of the City's lower percentages (which had been spread out over 10 years to take the hit gradually), Salvatore only projected a 1.5% increase in LOST in the budget. It was going up gradually, and economic reports kept emphasizing slow growth. There was nothing on the horizon that could lead to a big upshot in the economy. Imker said this was the City's second

most important revenue source. He did not see LOST dropping below \$6 million again in the near future.

Imker said there were four questions that needed answers – whether there would be a salary increase, whether there would be a rollback in the millage rate due to the assessments, how much Cash Reserves would be used, and how often and how much would be charged for golf cart registration. This fiscal year was the City's one and only chance to roll back the millage rate and still have a decent five-year model.

Snell referred to Imker's five-year model and asked where the \$749,000 in salary savings came from in FY 2016 and forward. Imker asked Salvatore to explain the salary savings.

Salvatore said salaries were never executed at 100%, usually 97 – 98%. Snell asked if this removed the wiggle room on salaries. Rorie added the number included more than the salaries, but all the expenses for the employees. The expectation was for all departments to be at 97 – 98% of budget. Snell said they were assuming that the original budget had flaws that totaled 2.5%, which would be squeezed out every year forward. Imker said the difference between Imker's budget and staff's was that staff had hidden that line in the budget, while he had not.

Snell said Condrey & Associates had been paid a lot of money to assess the City's staff and determine what they should be paid, and now the City was not going to use the information given by an outside professional. Learnard said that was a good question. Imker said he did not want to debate this again. Snell pointed out the difference between Alpharetta, Roswell, and the City was size of the cities, and Alpharetta had a bigger tax digest. Fleisch agreed, adding Alpharetta had a \$96 million budget, a SPLOST, and revenue sources the City did not have. It was 12th in the state for population compared to the City, which was 26th and had a budget one-quarter the size. She continued that Dunwoody had a \$20 million budget, but did not have its own fire department and was dependent on DeKalb County for those services.

Russell said comparing Peachtree City to Alpharetta and Roswell was not accurate. She did not see an increase in the value of homes as a negative, asking why the City was trying to compensate for an increase in property values or County taxes. Imker's budget would devalue the City by taking revenues that would improve it. She asked Imker if he had included the improvements to the Planterra Way/SR 54 intersection in his budget.

Imker said it would be nice if the tax digest was up 9.5%. The net change in the tax digest from eight years ago was 1.5%. He had asked staff to look at engineering the right turn lane out of Planterra Ridge, and there was \$2 million in his budget for roads. Rorie said the cost of the project would be approximately \$250,000, based on a cost of \$313,000 for one mile. At least one mile less in road resurfacing would get done if Council approved moving forward with the Planterra Way/SR 54 improvements.

Russell pointed out that the County had defeated the last SPLOST referendum in a big way, asking what the chances were of it passing without a committee being formed dedicated to really educating the public. She felt depending on approval of a SPLOST referendum was "pie in the sky" thinking, especially when Imker was proposing a tax decrease.

King asked how much the 9.5% increase would be for the average \$250,000 home. Imker said it would be approximately \$65. King said the City, as a government, had neglected street maintenance for six years, and it would take seven years just to catch up on the 68 miles that currently were rated below 80. Council needed to take off the politician's hats and fix the City,

even if it took taking money from Cash Reserves. Having \$2.5 million for road paving got it started in the right direction.

Imker said the City was constantly increasing the burden on the taxpayer and nickel and diming the citizens by increasing fees for sewer, stormwater, and other fees. Businesses were looking at the City's tax rate and moving to another city with a five-mil tax rate. King said they were looking at other cities because a 2.5-cent price of lease value per square foot. Imker said business owners might stay if there was a tax break.

Fleisch said Imker was misrepresenting the situation because there were more businesses in the City expanding. One of the things the City had heard from companies that chose not to locate here was the City was not being taken care of. Headway was being made until last year when the "wheel fell off the bus" during budget approval. Now the City could get back to getting the infrastructure on its feet. Rolling back the millage rate was sending the wrong message.

Imker said his budget tripled the fund for paving and that was no small feat. People would be encouraged to vote for a SPLOST. Continually raising the millage rate would not encourage residents to vote for a SPLOST.

King said he understood the value of a SPLOST, but there was no impetus to put forth a referendum by the County Commissioners this year. Council was mandated to maintain streets and roads, and Council could not neglect transportation.

Ernst said the City had used the previous SPLOST, but had not kept budgeting for road repairs as it should have. Prices went up every day on everything, and people paid for it. For Peachtree City to continue to be the City the residents knew and loved, they would have to pay for it at some point. Council was arguing about a few dollars here and there, and Ernst said he was willing to do what had to be done for the City.

Fleisch asked if another budget workshop was scheduled and if Rorie had what was needed. Rorie said one was scheduled for July 7, but Council needed to narrow in on the four items discussed earlier.

Ernst said he agreed there should not be an employee pay increase. The consensus of the majority of Council was there should not be a rollback in the millage rate.

Learnard asked if it was considered a millage rate increase when the assessments increased. Salvatore said it was a zero mil increase if the millage rate was not raised. A tax increase would have to be advertised because the value had gone up. Even with a 0.250 mil rollback, there would have to be three public hearings with an advertised notice of a tax increase. Learnard said that, even if some appeals were approved, there could still be a 7% increase in the tax digest, which was equal to approximately 0.500 mils. She still wanted to talk about annual golf cart registration, which was very taxing on staff. She preferred to register the carts every three years at \$15. The fees were not intended to pay for path maintenance, but were used to paying for the decals, good identification, and updated records.

Imker said if Council went with no increase and went with staff's recommendation of using \$780,000 of Cash Reserves, they would be left with \$2 million for roads.

Salvatore was concerned that taking more money out of Cash Reserves would leave no funding for emergencies or contingencies. Staff had to come back after the start of the fiscal year for the last two years to appropriate \$1 million for contingency. Rorie added that if a push was

made on using Cash Reserves, the model would change in the out years and the options would be limited or would be gone. Staff and Council needed to protect the City's cash.

Learnard said she supported \$2 million for road paving and taking the additional funds from Cash Reserves. Salvatore said they could take up to \$1 million or \$1.5 million, but that the tax increase projected for FY 2020 would move up every time money was taken from Cash Reserves. The City used the last of the SPLOST money this year, so budgeting paving at \$2 million meant all the funds came from the General Fund.

Rorie said the last two bids the City had for paving both came in at approximately \$2.5 million, so that that was not an arbitrary number.

Fleisch asked Salvatore whether paving was an operating expense that should be budgeted every year and if the bond companies would notice the City pulling money from Cash Reserves for an operating expense. Salvatore said it would raise an eyebrow if the City pulled from Cash Reserves for three years or so. Those companies wanted to see if the City was maintaining its policy and not pulling from Cash Reserves often. The companies looked at many things, including the local economy. Giving a rollback to the taxpayers with a plan to keep the reserve balance above policy levels would be looked at in a different way.

Imker asked if paving should be budgeted at \$2 million or \$2.5 million. Fleisch wanted to hold another workshop to look at it further. King said no less than \$2 million should be budgeted. Imker said that went back to his model, which was a better use of Cash Reserves.

Snell said using the surplus for a tax decrease (Imker's model) was not sustainable. He asked how long it would take to fix 180 miles of roads at \$2 million per year (\$315,000 per mile). He said Council should focus on how long it would take to fix the roads, increasing the millage rate in smaller bites every year until it was where it needed to be. Imker said that would take \$6 million to \$7 million a year, and the only way to get that was to raise the millage rate three mils, or a SPLOST. King reiterated that the reason for the situation was because the City had ignored it for six years. Imker said they were still recovering from a \$20 million problem presented five years ago. Council had managed \$5 million each year, and they were only managing \$1 million a year now.

Fleisch asked when the engineering for Planterra Way/SR 54 would be complete. Rorie said in approximately 120 days. Rorie said staff had met with the contractor on Thursday to see if the contractor could expedite the project. Fleisch asked if there would be a decent estimate on the cost by the July 7 workshop. Rorie said the estimate in the traffic study was approximately \$200,000, but it did not include the right turn lane, which would escalate the cost.

Ernst asked how long it would take once the study was done and forwarded to GDOT in Atlanta. Rorie said it would take 90 days.

Imker said Council needed to answer staff's questions regarding direction. He advocated no pay increase, but liked the merit pay proposal. He asked how much should be budgeted for roads. Learnard reiterated \$2 million, and King said he still preferred \$2.5 million. Learnard said the better question was how much the City could afford to take out of Cash Reserves, and she like Salvatore's model with \$780,000 because it was a conservative compromise. Rorie said it gave "wobble room." It gave Council the ability to make decisions in the middle of the year rather than appropriating it all on the front end.

Imker said his concern with going to \$2.5 million and using another \$500,000 from Cash Reserves was pulling the 0.250 mil increase up from FY 2020 to FY 2018, which balanced the equation. Rorie said they would discuss those models on July 7.

Snell asked that all the same assumptions be used for consistency. Imker said that would be hard to do.

King said 68 miles of City streets were rated below 80. The worst thing Council could do to residential property values was to let the roads further deteriorate.

Learnard said she supported golf cart registration every three years for \$15. She asked if they were trying to raise funds for cart path maintenance or for good record keeping, which she believed was necessary. The City needed to be able to cover its costs, and Learnard did not want to task staff every year. King said residents could pay \$45 every three years. Imker said residents always stood at the mic saying to go for the maximum for cart registration and use it for path maintenance. It was a shell game.

Dar Thompson said it was almost embarrassing that people paid so little to use the paths, asking Council if they understood using other people's money (OPM). He said people would pay \$15 annually and not blink. Imker said the City should raise the millage rate, saying there were people that would "blink" at a tax increase, but not if the fees went to maintain the cart paths.

Fleisch noted that this was a user's fee, and it was capped at \$15 per year by the state.

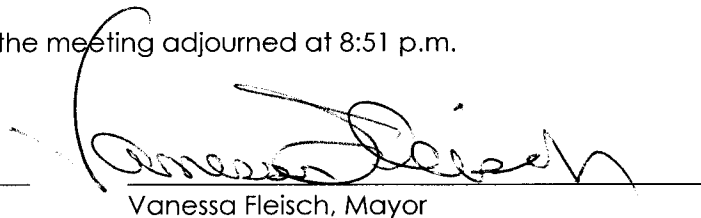
Pamela Kemp asked what \$180,000 annually would buy for cart path maintenance. Imker said the model was built on all services and included the \$180,000. It was a shell game. Salvatore said the registration fee would only affect FY 2017.

Rorie said path resurfacing was approximately \$75,000 per mile. He added that staff's recommendation was \$15 per year for a three-year registration so the processing costs would be limited beginning in FY 2016.

Ernst said the original intent of registration every five years was to help track stolen carts, and five years was not realistic. Owners changed. It was a valuable tool, but three years was better than five. Council consensus was to charge \$45 for a three-year registration. Rorie agreed the data would be suspect every five years, and a shorter time period would enhance the integrity of the data.

There being no further business to discuss, the meeting adjourned at 8:51 p.m.


Pamela Dufresne, Deputy City Clerk


Vanessa Fleisch, Mayor