

**City Council of Peachtree City**  
**Workshop Minutes**  
**June 27, 2016**  
**6:30 p.m.**

The Mayor and Council of Peachtree City met in workshop session on Monday, June 27, 2016, 6:30 p.m., at City Hall. Attending: Mayor Vanessa Fleisch, Council Members Terry Ernst, Mike King, Kim Learnard, and Phil Prebor.

The purpose of the workshop was to discuss the FY 2017 budget.

Prebor noted he would have to leave at 8:15 p.m.

City Manager Jon Rorie said the workshop would focus on the draft of the FY 2017 budget, discussing what was in the budget and getting recommendations for potential expense reductions. The draft budget currently showed a \$163,000 use of Cash Reserves that Rorie hoped to eliminate. Rorie said the Retreat workshop meetings had helped to build to the presentation of the budget.

Financial Services Director Paul Salvatore noted the City's budget policy, which addressed the concept of a baseline budget:

**Budget Policy**

*The City's primary objective is to provide a standard of budgetary performance that both staff and Council have endorsed and to provide budgetary decision making with greater continuity, reinforcing the City's core financial values and preserving them for successive staff and council.*

- *Baseline and Service Level Funding*

*The City's top program priority is 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 discussions ie: a new facility or service. Any additional services above the baseline shall be fully funded at the time of the adoption of the annual budget and ongoing funding sources shall be clearly identified. Such ongoing funding sources must be either new or increased revenues or clearly identified expense reductions.*

Salvatore explained that they might have to go above or below the baseline level, depending on the situation. A new ongoing revenue source could mean the baseline should change, or in the case of a recession, the baseline level would need to be lowered during the economic downturn. A one-time revenue source should not increase a baseline expenditure. An ongoing revenue source had to be identified.

Salvatore continued that the FY 2017 proposed budget was for \$33,689,044. There would be a zero millage rate increase, and \$163,292 was projected for use from Cash Reserves. The current budget (FY 2016) was \$32,750,209 and expenses would be \$33,519,598, with a Cash Reserve use of \$769,807. The FY 2017 proposed budget was for \$33,525,752, with expenses projected at \$33,689,044. The variance in revenues for FY 2016 and FY 2017 was \$775,543. The variance for expenses in FY 2016 and projected expenses in FY 2017 was \$169,237.

The majority of the FY 2017 General Fund revenue would come from ad valorem taxes (38.9%, \$13,100,021). Local Option Sales Tax (LOST) revenue would account for 20.4% of revenue (\$6,877,335). Other Taxes comprised 14.8% of revenues (\$4,995,019), and Other Revenues were 11% (\$3,719,042). Licenses & Permits provided 3.3% (\$1,115,638), Fines & Forfeitures were 3.2% (\$1,073,706), and Fund Balance was 0.5% of revenues.

Salvatore noted that the value of the City's Tax Digest was increasing after the drop that started in 2009. It had remained flat in 2012 and 2013, and property values were now increasing, just not as much as anticipated. The 2016 Tax Digest was just under \$2,000,000,000. He continued that the digest had decreased 10.1% between 2010 and 2012 (approximately \$1,875,000,000 in 2009), and there had been a 16.72% increase from 2013 to 2016. The largest increase was in 2014 at 9.79%. The increase for 2016 was 4.5%. The revenues from the Ad Valorem Tax were expected to be just over \$13 million in 2016.

LOST revenue for 2016 was estimated between \$6.5 million and \$7 million. Revenue from LOST had dropped from over \$7 million in FY 2007 to less than \$6 million in FY 2009. The LOST distribution had also been renegotiated during that time, which had contributed to the dip on LOST revenue. Revenues from other taxes had increased from just under \$3 million in FY 2011 to an estimated \$5 million in FY 2016.

Rorie clarified that there had been a double hit on the budget during those years, with the decrease in the Tax Digest and the erratic nature of the LOST. The Council at that time had been forced to make decisions on service level impacts, which had led to deferred maintenance and capital expenditures. The two biggest sources of revenue had taken a hit, and tough decisions had been made. The City was moving forward.

Fleisch noted that 2005 to 2007 had been the height of the real estate bubble. She asked where the City was as far as recovery on the Tax Digest. Salvatore said the high had been just below the \$1.9 billion mark, and it had recovered.

Salvatore said he had revised the previous estimates for revenue for FY 2017, which had included an increase of 2.5% in ad valorem taxes and a 0.25 mill increase that had been recommended for property taxes for 2016, noting that the estimate had been \$13,258,629. The preliminary numbers for the FY 2017 digest had an increase of 4.5%, and they had looked at eliminating the 0.25 mill increase. The revised estimate was \$13.1 million, which was a change of \$158,608 (-1.2%). The proposed increase was eliminated, with approximately \$160,000 to be taken from Cash Reserves. The revised estimates for the other revenue sources included:

|                                     | <b>FY 2017<br/>Previous<br/>Estimates</b> | <b>FY 2017<br/>Current (Revised)<br/>Estimates</b> | <b>Change</b>         | <b>% Change</b>  |
|-------------------------------------|-------------------------------------------|----------------------------------------------------|-----------------------|------------------|
| <b>Franchise Taxes</b>              | \$2,731,918                               | \$2,644,991                                        | -\$86,927             | -3.2%            |
| <b>Local Option Sales Tax</b>       | \$6,742,465                               | \$6,877,335                                        | \$134,870             | 2.0%             |
| <b>TAVT</b>                         | \$1,311,608                               | \$1,253,700                                        | -\$57,908             | -4.4%            |
| <b>Other Taxes</b>                  | \$3,616,965                               | \$3,741,319                                        | \$124,354             | 3.4%             |
| <b>Licenses &amp; Permits</b>       | \$1,126,513                               | \$1,115,638                                        | -\$10,875             | -1.0%            |
| <b>Ambulance Fees</b>               | \$934,707                                 | \$879,169                                          | -\$55,538             | -5.9%            |
| <b>Other Charges for Service</b>    | \$1,337,407                               | \$1,206,346                                        | -\$131,061            | -9.8%            |
| <b>Court Fines</b>                  | \$997,530                                 | \$802,753                                          | -\$194,777            | -19.5%           |
| <b>Other Fines &amp; Forfeiture</b> | \$173,764                                 | \$270,953                                          | \$97,189              | 55.9%            |
| <b>Hotel/Motel Tax</b>              | \$804,346                                 | \$932,557                                          | \$128,211             | 15.9%            |
| <b>Other</b>                        | \$745,495                                 | \$700,970                                          | -\$44,525             | -6.0%            |
| <b>Totals:</b>                      | <b>\$20,522,718</b>                       | <b>\$20,425,731</b>                                | <b>-\$96,987</b>      | <b>-0.5%</b>     |
| <br><b>Property Taxes:</b>          | <br><b>\$13,258,629</b>                   | <br><b>\$13,100,021</b>                            | <br><b>-\$158,608</b> | <br><b>-1.2%</b> |

Note: Previous estimate for Property Taxes reflects a 0.25 mill increase, eliminated from Current

|                        |                     |                     |                   |              |
|------------------------|---------------------|---------------------|-------------------|--------------|
| <b>Total Revenues:</b> | <b>\$33,781,347</b> | <b>\$33,525,752</b> | <b>-\$255,595</b> | <b>-0.8%</b> |
|------------------------|---------------------|---------------------|-------------------|--------------|

Salvatore specifically addressed the title ad valorem tax (TAVT), saying this was a new tax that would eventually replace the motor vehicle ad valorem tax. New car owners paid the one-time title ad valorem tax upfront as opposed to an ongoing property tax that was paid each year. Salvatore said that estimating the revenues had been difficult, and TAVT behaved erratically similar to a sales tax. Car sales impacted the number. In the next four or five years, the property tax part would go away, and only the TAVT would remain. Rorie agreed TAVT was a moving target.

Ernst asked for clarification on what Other Charges for Services were. Salvatore said they included revenue received for plan review, program fees for Recreation and Kedron Fieldhouse, ambulance fees, intergovernmental grants, tower leases, and more. They were broken out in groupings under the "Sources of Funds" tab in the budget document.

Salvatore then looked at the Expense forecast, pointing out that General Fund increases averaged 19% for revenues and 18% for expenses over the last five years. Revenues had been keeping pace with the expenses. Use of Cash Reserves had helped to close the gap and balance the budget. The FY 2017 General Fund expenditures included 20.1% (\$6,778,159) for Police, 20.7% for Fire (\$6,956,017), 18.3% for Public Works (\$6,180,080), 6.2% on Buildings & Grounds (\$2,085,991), 7.4% for Recreation & Special Events (\$2,488,884), 3.1% for the Library (\$1,035,085), 4.2% for Administrative Services (\$1,411,731), 4.4% for Financial Services/IT (\$1,480,801), 8.8% on Debt Service (\$2,965,946), 2.5% on Non-Divisional & Transfers (\$842,656), 1.1% for Planning & Zoning (\$379,386), 1.5% for Building Inspection (\$490,270), and 1.8% for Executive Services (\$594,038). The total expenditures was \$33,689,044.

For the average homeowner in the City (a property valued at \$269,000), the taxes would be \$726.95. The breakdown of each tax dollar was 20¢ for Police, 21¢ for Fire, 18¢ for Public Works, 6¢ for Buildings & Grounds, 7¢ on Recreation & Special Events, 3¢ for the Library, 4¢ on Administrative Services, 4¢ on Financial Services/IT, 9¢ on Debt Service, 3¢ on Non-Divisional & Transfers, 1¢ on Planning & Zoning, 1¢ on Building Inspection, and 2¢ on Executive Services.

The City had been holding the line pretty well on its biggest expense – employees (60% of budget), Salvatore said. Over the last five years, salaries had increased 5%, health insurance had increased only 22%, the Defined Benefit Pension had decreased 8%, and other costs had increased 9%. Total personnel costs had increased 7%. The cost of salaries had decreased \$263,954 (2%) from FY 2016 to FY 2017. Salvatore noted that several higher paid employees had left during the year, and they had been replaced with new employees. Over a five-year period, there had been a \$541,046 (5%) in salaries. The following graph showed the trend:

|                       | FY16/FY 17 Change | %   | 5-Year Change | %   |
|-----------------------|-------------------|-----|---------------|-----|
| Salaries (All)        | (263,954)         | -2% | 541,046       | 5%  |
| Health Insurance      | 275,023           | 9%  | 616,463       | 22% |
| DBPension             | (96,566)          | -6% | (133,594)     | -8% |
| Total Personnel Costs | (4,141)           | 0%  | 1,238,241     | 7%  |
| FT Head-count         | -2                | -1% | 16            | 7%  |
| PT Head-count         | 6                 | 8%  | 4             | 5%  |

Rorie noted it was easy to take one snapshot at a time and focus on a single issue when revenue forecasting. Personnel was the City's largest expense, and they needed to keep tight control when expanding services for personnel, and they had to look at how all the pieces fit. The lowest paid position in the City was approximately \$47,000 (including benefits). Holding the line was important. He added that staff had done things to really try to control the cost of healthcare, and 22% over five years was good.

King said the increase over five years was \$541,046 or 5% represented a 1% increase per year. The pay raise a few years ago had been well worth the effort, and the expenses were still kept at a 1% increase per year.

Prebor asked about the 22% in health insurance. Rorie noted the City was self-insured and attributed the increase to the Affordable Care Act (ACA) and other factors. He continued there was an increase of \$275,023 in insurance costs from FY 2016 to FY 2017, asking Human Resources & Risk Management Director Ellece Brown to explain the increase. Brown reiterated that the City had a self-funded insurance plan, and the City paid every dollar of every claim. There was a stop-loss of \$90,000, and insurance kicked in at that point. With a fully-insured plan, everything was insured. Last year and this year, there had been several large claims (claims that were half the stop-loss or over \$45,000) and six claims in excess of \$100,000. Fifteen members had those claims (the City covered 689 people, including family members). Those claims represented 40% versus the remainder of the claims. Brown reported that, generally, there were three high claims per year. If the City were fully insured, the increases in health insurance would have been 10 – 15% annually, rather than 22% over five years. Self-insured plans generally had a 7% increase annually. She continued that it would take about two years for the large claims to roll off and for expenses to get back to normal. Brown continued that changes had been made on co-pays and in-network out-of-pocket, and employees had contributed approximately \$100,000 more for health costs in the past year.

Salvatore said there had been a lot of discussion regarding defined benefit plans and defined contribution plans and limiting the liability of the City. Staff had been discussing pension options with the City's actuary and were considering a hybrid defined benefits/defined compensation pension plan, which would be cost effective, Salvatore said. Mandatory employee contributions were being considered as well as possible benefit variations. A meeting would be scheduled either July 18 [sic] or August 2 to discuss the possibilities with Council, Salvatore said. Salvatore added that the City had some good options to consider. Any changes had to be implemented on a calendar year.

Rorie said the discussion was complex, and a workshop would be scheduled. He continued that roughly 41% of the employees had been with the City less than five years, and 60% had been with the City less than 10 years. Sixty-four percent of employees contributed 2% or more of their earnings to the Defined Contribution Plan. It might be a good time to look at a different plan and the impact on current employees because of the vesting schedule at five years.

Salvatore discussed the use of Cash Reserves, noting City had a minimum requirement of 25%. The Cash Reserves had been built up when the SPLOST funds had gone away so the City could dip into them. The Cash Reserves would hold at 34% this year without a millage rate increase.

Highlights of the proposed FY 2017 budget included:

- General Fund expense increase of 0.5% from original FY16 Budget
- No employee raises or other benefit enhancements
- No millage rate increase, but 4.5% digest growth (0.25 mill increase programed for FY17 eliminated)
- Increased appropriations for insurances (health, worker's compensation and general liability)
- Decreased cost of Defined Benefit Pension funding (~\$100,000)
- Use of General Fund Cash Reserves of \$163,292
- Included new General Fund funding for:
  - Citizen Engagement Specialist \$86,409

- FCDA increase (\$75K to \$146K) \$71,047
  - PT Court Clerk position \$20,332
  - Portable Restroom (events) \$35,000 (one-time outlay)
- Included prior General Fund funding for vacant:
  - Public Works Director \$88,932
  - Assistant Police Chief \$108,512
- Storm Water Fund included new:
  - Heavy Truck Driver \$62,085
  - Maintenance Technician I \$56,443
- Hotel/Motel Tax included:
  - ½% additional funding for Tourism Product Development from Convention & Visitors Bureau (CVB) 4%
  - New revenue will replace CVB funding of:
    - Amphitheater sponsorship \$55,000
    - Sports tournaments funding \$45,000
    - Christmas Lights \$15,000

Brown said the cost of insurance (health, Worker's Compensation and general liability) for the City was \$4.6 million annually. There was an increase in property liability insurance this year of approximately \$50,000. There was also a \$91,000 increase in Worker's Compensation, and health insurance had already been discussed.

Ernst asked if the cost of insurance would go up for employees. Brown said it would not, adding staff was only looking at changes to the Defined Benefits Plan. Insurance coverages would remain the same.

Salvatore noted one of the auditor's recommendations had been to change the amount of the Hotel/Motel Tax the City received so the City would keep the money and fund the events/projects. The City Attorney was working on the amendments needed regarding how the Hotel/Motel Tax was divided between the City and the Convention & Visitors Bureau (CVB).

Rorie discussed the proposed changes to the City's organizational chart, which focused on Administrative Services, Public Works, Buildings & Grounds, and Planning & Zoning. The budget would be impacted some, but the proposed changes would streamline the structure and place accountability with who was managing the program. He continued that Public Services/Community Services had previously become a super department and had included Public Works, Engineering, Buildings & Grounds, Library, Community Services, Amphitheater, and Recreation & Special Events.

Beginning October 1, Code Enforcement would move to Planning & Development from the Police Department. Rorie said this provide unity of command in terms of the zoning issues Code Enforcement dealt with. The Library would move under Administrative Services, and the move had been discussed with Library Administrator Jill Prouty.

The Amphitheater would move to Recreation & Special Events. Rorie said Nancy Price, amphitheater manager, was scheduled to retire in two years, so a succession plan should be in place. Currently, the amphitheater operated with Price as the only full-time employee. Whether the management was contracted out or stayed in-house, it was in the City's best interest to have a succession plan moving forward.

Due to the downturn in the economy several years ago, the employees that took care of the 416 acres of parks in the City had been moved from Recreation to Public Works. The majority of the functions of the Grounds division were parks and field maintenance. Those employees would be best handled under Recreation so there would be unity of command.

The funding for the Public Services Director impacted the General Fund and the Stormwater Utility (\$88,000 was in the General Fund for filling the Public Services Director position on an interim basis, and Scott Hicks had been doing that). The funding for the position had been eliminated.

Rorie said there would be eight divisions with 25 departments, and the reorganization would improve the effectiveness and provide unity of command so the resources were supervised and managed and led in the appropriate department.

Rorie said he was recommending \$210,341 in revisions and redactions to the draft budget, including:

- Includes new General Fund funding for:
  - ~~Citizen Engagement Specialist~~ ~~\$86,409~~
  - FCDA increase (\$75K to \$146K) \$71,047
  - PT Court Clerk position \$20,332
  - ~~Portable Restroom (events)~~ ~~\$35,000~~
- Includes prior G/F funding for vacant:
  - ~~Public Works Director~~ ~~\$88,932~~
  - Assistant Police Chief \$108,512

Rorie proposed the recommended Citizen Engagement Specialist position that was discussed during the Retreat sessions not be filled at this time. He was not sure that was a good title. He said it was not a bad idea, but the money would have to come from Cash Reserves, and those funds should not be used to increase headcount. It would be an ongoing cost without an identified funding source.

Rorie also recommended removing the Portable Restroom for events from the General Fund. It had been in the Public Improvement Program (PIP), but it should not be a financed item. He said the restrooms could be funded through the Tourism Product Development (TPD) funds that the City received as its portion of the Hotel/Motel Tax. All of those funds were going back into the maintenance and update of the recreation facilities, and they would get to a point where the item could be funded by TPD funds instead of a cash payment from the General Fund, which was more appropriate than using SPLOST funds.

A total of \$210,341 had been stricken from the budget, which zeroed out the \$163,000 from Cash reserves. Council direction was needed on the \$71,047 increase in the funding for the Fayette County Development Authority (FCDA). It was a policy decision that Council should discuss and debate. It was in the budget as a placeholder.

Learnard said there was no question that the FCDA should be funded. She hoped the cities in the County would fund \$246,000 on top of the \$225,000 the County had budgeted.

King said he agreed with Learnard. The County had ignored and reduced the FCDA funding. It was a county development authority, and the County would get as much as the cities or more. It should be funded totally by the County, and King could not explain why the County had not adequately funded it. It had to be done.

Prebor said the FCDA was a County department, and the County would get most of the benefits, and most county development authorities were funded at the county level. Peachtree City citizens already paid \$75,000 for a position, as well as County taxes. He would agree to stay at \$75,000 for the business retention specialist with some parameters of expectations. The City already paid a portion of the tax money the County used for funding.

King said he did not disagree, but the City would not be taking that big of a risk. For every dollar put into the development authority, citizens received back \$182. Prebor disagreed, saying the County should fund the whole thing and give taxpayers their money back.

Salvatore said the funding for the FCDA was not a typical return on investment equation. It would bring jobs, but those workers might not live or shop in the City. It could cost the City money. King said the City had paid salary grants that the County and other cities in the County did not do, but benefitted from. The Board of Commissioners should be educated on what the FCDA could do for them.

Ernst said he was completely embarrassed by how the Board of Commissioners had thrown the FCDA to the curb. One member refused to discuss the FCDA. If the County did not support what the FCDA did, the people who worked there would still find a way to do what they were doing. There had to be a way to bring everyone together. King noted that one year ago, the FCDA had gotten the old Photocircuits building redone and gotten an employer in the building. The County had no clue what was going on.

Fleisch said she had not made up her mind. The City was the FCDA's number one area, and the majority of businesses in the County were located in Peachtree City. She was disappointed the County had continued their bad feelings about the FCDA. She would not commit to the recommended level of funding for three years, but she would commit to one year with the hope the Commissioners would change their minds. King added that, as late as the week prior to the meeting, he had specifically asked the Commissioners a question, and he had only heard from the County Administrator.

Prebor said he would consider supporting it for a year, then looking at to see what had been gained and what had changed with the Board of Commissioners. Council consensus was to take this approach.

Rorie discussed street resurfacing, saying that the FY 2017 budget draft had included the same funding as the FY 2016 budget (\$1.8 million). The funding provided approximately 3.9 miles of road maintenance at \$462,000 per mile. Rorie said additional millage, Cash Reserves, or a SPLOST could fund more maintenance/repaving of the roads. Additional millage would provide the following:

|              |                |                      |
|--------------|----------------|----------------------|
| • 0.25 mills | \$482,000      | 1 additional mile    |
| • 0.5 mills  | \$965,000      | 2.1 additional miles |
| • 0.75 mills | \$1.45 million | 3.1 additional miles |
| • 1.0 mills  | \$1.9million   | 4.2 additional miles |

Rorie recommended holding the line at \$1.8 million, as budgeted. The projects would be bid in December 2016/January 2017, and by then, FY 2016 would be finished, so staff would know by then how much money could be used from Cash Reserves. A decision could be made based on information, not assumptions. Council consensus was to follow the City Manager's recommendation.

Rorie looked at the 2017 PIP, reiterating that the mobile restrooms would come off the list and be put in the TDP. Salvatore said the PIP (Capital Improvement Plan) included equipment-lease financing for five to seven years. Citywide bridge maintenance was also a cash item and should cost approximately \$200,000. Cash payments were also used for equipment replacements. There was nothing really new on the list.

Salvatore reviewed the five-year model, noting that FY 2017 showed an increase in the Cash Reserves. The maintenance and operation (M&O) millage rate was 6.756 mills, and the bond millage rate was 0.306 mills, for a total millage rate of 7.062 mills. Salvatore noted that the bond debt would be paid off in 2019 and in 2020, and the General Obligation millage rate would be zero.

Salvatore said the projection was that \$1.1 million in Cash Reserves would be used for FY 2016, but there would still be a 34% fund balance. They expected it to remain at 34% in FY 2017. He noted that each year, the budget projections increased, and although the Cash Reserves should have more funds, the percentage would get smaller. The projections were 33% in FY 2018 and 2019 and 32% in FY 2020 and FY 2021.

Learnard said everything that had been done for the last several years had come to pass. This was the best budget she had ever seen, and she asked if they could look at the debt list the next time they met. Rorie said there would be a reduction in expenses of more than \$400,000 in the near future as the bond debts were retired. Salvatore said several bonds would be paid off in the next few years. As the General Obligation bonds were paid off in the next few years, the millage rate associated with them would be gone as well.

Learnard noted the tax digest had gone up, asking if that was considered a tax increase. Rorie said it was, and three public hearings on the millage rate would be scheduled.

Rorie looked at the remaining scheduled workshops on the budget, recommending cancelling the June 28 (if needed) meeting. The July 12 workshop would not be needed. Rorie said a workshop would be scheduled on July 19 to discuss the employee pension plan and possibly impact fees. The public hearing on the budget would be July 21.

Salvatore added that one public hearing on the budget was required, and it was scheduled on July 21. Three hearings were required for the millage rate, which was a separate process. The budget and the millage rate could be adopted at the same meeting and were usually scheduled in August. He would have to wait for the final Tax Digest.

Rorie continued that the departmental operating budgets were up 0.5%. Staff had done an exceptional job of keeping the budget flat. Salvatore said the model assumed a 2% increase each year. He had never seen such an austere and responsible budget come in during his 16 years with the City. Rorie gave kudos to staff and Salvatore.

There being no further business to discuss, the meeting adjourned at 8:00 p.m.

  
Pamela Dufresne, Deputy City Clerk  
Vanessa Fleisch, Mayor