

City Council of Peachtree City
Budget Workshop Minutes
June 26, 2017
7:00 p.m.

The Mayor and Council of Peachtree City met in workshop session on Monday, June 26, 2017, 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 proposed FY 2018 budget.

City Manager Jon Rorie noted he had been with the City for five years, and the challenge had always been how to meet the service demands of the citizens based on the resources the City had. Staff had operated on a "fuss and fix it" model, which they had to do because of the economic impact of the recession.

Areas that had been challenges over the last five years included landscaping and grounds maintenance (what was the right mixture, outsourcing, insourcing), subdivision signs (171 signs and only so many could be repaired/maintained annually), street paving (continued to be a battle), cart path maintenance (how many miles to pave each year), facilities maintenance (incurred nearly \$6 million in bond debt to do things considered to be repair and maintenance), and the stormwater program (program grew, did not contract).

The proposed City Manager's budget had been through months of debate and discussion. It focused on three issues – maintenance and repair of infrastructure, maintenance and upgrade of security at facilities, and maintenance of the employees and labor pool. Staff asked Council to determine where the City was and where it was going, and what would be done was somewhere between the two outliers.

Rorie noted the City's Mission Statement and Budget Policy:

Mission Statement

*The Mayor, Council Members and Employees of the City of Peachtree City recognize that our primary responsibility is to provide **high quality services** to our residents.*

We are therefore committed to:

- Ensuring residents a safe and healthy environment in which to live, work and enjoy leisure time*
- Providing consistency in the delivery of municipal services in a fiscally responsible manner*
- Responding in a courteous, timely, and effective manner to the expressed needs, concerns, and expectations of our residents*
- Promoting a sense of community through family oriented activities and citizen involvement.*

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.

Stormwater Utility Fund/Projects

Rorie addressed the Stormwater Utility Fund, saying the revenues for FY 2018 were estimated at \$2,353,268, including \$2,321,968 in fees, \$8,200 investment income, and \$23,100 miscellaneous revenue. Appropriations for FY 2018 totaled \$2,128,493, including personnel services and benefits, \$676,970; purchased/contracted services, \$616,274; supplies, \$129,299; debt service, \$690,950; and other costs (bad debt expense), \$15,000. Rorie clarified that there was a difference between the operational budget and the renewal & extension (R&E) fund, and Stormwater was trying to build up its reserves to pay for future projects. He continued that impact from stormwater grew every year as new problems and new issues were discovered.

Stormwater Manager Mike Madison discussed the 2013 Stormwater Bond projects, noting seven of the 10 projects had been completed. Ongoing projects included Golfview Drive drainage improvements, Wynnmeade drainage improvements, and miscellaneous pipe lining. As of March 2017, the Stormwater Bond contingency was \$2,073,952.69, and projects funded by the bond contingency included centrifugally cast concrete pipe (CCCP) lining for 4,200 linear feet of pipe greater than 30 inches in diameter considered to be moderately or severely corroded (\$1,200,000). He said they were working on the bid documents, and hoped to begin the work soon. Another 2,000 linear feet of small pipe would also be lined (\$450,000). Reserve funding for Golfview Drive was set at \$423,952.60 (the \$1.2 million estimate was five years old and might be too low), and rehab of Detention Pond 140 (\$423,952.60).

As of September 30, 2016, the Stormwater Utility had \$3,258,656.09 in R&E funds. Additional projects that would use the R&E funds included cured-in-place-pipe (CIPP) lining in 40 locations (6,000 linear feet) with moderate to severe corrosion. The pipe diameters were less than 30 inches. The \$1 million project had an estimated start date in September 2017. Detention Pond #11 was off of Commerce Drive, and the outlet pipe had broken and sunk to the bottom of the pond. The outlet pipe/structure replacement should start this summer (\$85,000).

Additional R&E projects included streambank restoration (severe erosion encroaching on stone bridge at the Village Green/disk golf park across from City Hall (\$350,000 with Spring 2018 start date). Lining of Crosstown Drive quad culverts (four 108-inch culverts with moderate corrosion) was slated to begin in Spring 2018 (\$250,000). Two 60-inch culverts under Flat Creek Road with moderate corrosion would be replaced in Summer 2018 (\$225,000). Three 48-inch culverts under Peachtree Parkway at Three Ponds would be replaced in Fall 2018 due to moderate corrosion and undercutting. Moderately corroded pipes greater than 30 inches in diameter would be lined in 20 locations (3,000 linear feet) at an estimated cost of \$500,000 in Fall 2018. The total of all the R&E projects was estimated at \$2,730,000, leaving \$528,656 held in reserve.

Rorie asked why the pipes would be lined rather than replaced. Madison explained that not all pipes could be lined due to the degree of damage, but it was less expensive to line pipes when possible rather digging up the ground and replacing them. After all the projects were completed, all the severely and moderately corroded pipes should be wiped out, Madison said.

Rorie asked how many stormwater structures were in the City. Madison said the City had over 5,000 stormwater structures and 72 miles of pipe.

Fleisch asked whether the issues in Perthshire would be taken care of once the project on Golfview was completed. Madison said they would not, adding that project had started before he came to work for the City. The work on Golfview would address the water from Pinemount that went

through the yards, flowed over Oakmount and through back yards, crossed over Golfview, then went across Flat Creek Golf Course. The pipe under the golf course had already collapsed. The pipe at the top of the project area was 24 inches and the pipe at the bottom was 30 inches. The new pipes would be doubled in size so they could collect more water. On Perthshire, portions of those properties were in the floodplain, and it also involved pipes the City was not responsible for maintaining.

Madison continued that the Stormwater Capital Improvement Project (CIP) list included 81 projects that were beyond the scope of the stormwater crews, and projects on Perthshire and Stratford Court were included. The CIP projects totaled more than \$50 million. There were also 37 in-house projects that would cost \$1.5 million if they were outsourced to a contractor, but the cost was cut in half since the projects could be done by the stormwater crew. Rorie added there were five people on the stormwater crew, an inspector, and Madison employed by the Stormwater Utility. Two employees were added in FY 2017 so they would not need to pull people from the cart path crews to help with stormwater.

King asked if there were privately-owned drainage pipes affecting the City's stormwater infrastructure, also asking if those pipes were in disrepair. Madison said there were, and he had spoken with those property owners/developers. He continued that the private pipes cut into the City's system, which caused failures. King asked if the City could be reimbursed. Madison said roof gutters were piped underground and tied into the City's pipes. If the private pipes were removed from the City's system, then the homes would flood. Most of homeowners were unaware that their gutters tied into the City system. Cable and gas lines also went through the stormwater pipes. Madison said he would have to speak to the City Attorney regarding reimbursement when there were problems.

Learnard asked if this practice was still going on. Madison said it happened everywhere; it was not unique to Peachtree City.

SPLOST Program

Rorie noted that after multiple meetings about the Special Purpose Local Option Sales Tax (SPLOST) and investing those dollars in the City's quality of life, there were no stormwater projects on the City's list. The list included \$45 million in projects, with most of it going to roads and cart paths. The estimated revenue was \$45,472,835 over the six years. It also assumed a 1.65% growth rate over the next six years. If the growth rate was not hit, Rorie said a simple 10% variance would mean a shortfall of \$4.5 million. Ernst asked if \$45 million was a realistic number. Rorie said it was realistic and conservative. The Local Option Sales Tax (LOST) was a volatile revenue stream, and he anticipated the revenue stream for the SPLOST would be similar.

For the 2005 SPLOST, the estimated revenue had been \$12,025,984, and the actual revenue had been \$10,128,556 (a 16% variance below estimates or \$1,897,428) due to the recession, Rorie continued. The expenses for the SPLOST projects had been \$12,128,556, which was \$1,970,470 over the actual revenue. The variance had been covered by the General Fund, Local Maintenance & Improvement Grant (LMIG) funds from the Georgia Department of Transportation (GDOT), and interest earnings on the revenues. Due to the shortfall, the paving of Crosstown from SR 74 to Robinson Road was funded by SPLOST revenues, over \$600,000 from the General Fund, and two years of LMIG funds. Once projects were on the list, they were funded and had to be completed, according to changes in state law in 2012. Projects that were not included on the list could not be added.

Rorie discussed feasibility next, saying it was a critical determination for project listing based on funding, engineering, operations, etc. Fund shortfalls would require scaling back projects or

funding from other sources such as the General Fund. Projects could not be abandoned. Funds could be shifted from other projects, but all the projects must be completed.

If a project was deemed impractical, unserviceable, or unrealistic, funds must be used to reduce debt, reduce ad valorem taxes, or both, and it must be approved by voters. Rorie emphasized that they had to make sure projects could be funded and accomplished.

Based on discussions with Council, staff, and the Infrastructure Advisory Group, the list included a 7% contingency of \$3.2 million, which could be used for cost overages on any project. Rorie noted that the \$45 million estimate came from Fayette County. The City had no involvement in establishing the estimate.

For FY 2018, there were 22 SPLOST projects totaling \$11 million. To help with cash flow for those projects, the City had applied for loans, which could be paid off early once the City started to receive the SPLOST proceeds, Rorie said. The City had been approved for a loan from the Georgia Environmental Finance Authority (GEFA) to begin work on the spillway and dam for Lake Peachtree. The loan principal amount was \$2,544,200, and the interest rate had not been determined. The options included 10-year amortization at 0.81%, 15-year amortization at 1.4%, and 20-year amortization at 1.89%. The loan would allow the work to begin, and it could be paid off early without penalty.

The City applied to the Georgia Transportation Infrastructure Bank (GTIB) for a loan for the improvements at the SR 54/Planterra Way and SR 54/MacDuff Parkway intersections. The total loan principal would be \$1,173,135.67 (\$601,639.44 for SR 54/Planterra Way and \$571,496.23 for SR 54/MacDuff Parkway). Actual interest rates were to be determined. The estimated rates were 1.86% for 10-year amortization and 2.31% for 15-year amortization. The loan had been approved.

Council had already approved the expenditures for the necessary equipment and personnel needed for another cart path crew, Rorie said, noting they were having difficulty filling staff positions for the SPLOST paving projects. One problem was finding people with a commercial driver's license, which was not uncommon in this area.

General Fund

Financial Services Director Paul Salvatore gave an overview of the General Fund. He said the revenues for FY 2017 were monitored closely. They were projecting higher numbers than what had been adopted (\$33,5525,752). Appropriations adopted for FY 2017 were \$33,482,209. The cash reserve was expected to increase by \$43,543, with the Fund Balance at 34%.

The proposed General Fund revenues for FY 2018 were \$34,878,273, which was \$1,352,521 more than what was adopted for FY 2017, an increase of 4.03%. Proposed appropriations for FY 2018 were \$34,466,930, a difference of \$984,721 or 2.94%, over FY 2017. The Cash Reserve increase was estimated at \$411,343, with a 35% Fund Balance. A 0.25 mil reduction was being recommended for the Maintenance & Operation (M&O) budget for FY 2018.

General Fund revenue sources included Ad Valorem Taxes (38.6%), Local Option Sales Taxes (LOST, 20.8%) Other Taxes (13.6%), Franchise Taxes (7.6%), Other Revenues (11.5%), Fund Balance (-1.2%), Fines & Forfeitures (2.9%), and Licenses & Permits (3.9%). Other Taxes included Title Ad Valorem Tax (TAVT), real estate transfer, recording intangible, alcoholic beverage taxes, occupational taxes, and financial institution taxes. The estimated revenue from Other Taxes for FY 2017 was \$843,300, and the actual for FY 2015 was \$1,251,965. The TAVT was less each year, Salvatore said.

Salvatore pointed out that both the LOST and SPLOST were volatile. Rorie said there was also a discussion on the internet from economists, who were saying another recession was right around the corner. Salvatore said the projected increases was 1.6%, which was reasonable.

FY 2018 General Fund expenditures included Fire/EMS (21%), Police (19%), Public Works (16%), Buildings & Grounds (6%), Recreation & Special Events (7%), Library (3%), Administrative Services (4%), Financial Services/IT (5%), Debt Service (8%), Non-Divisional & Transfers (4%), Planning & Zoning (3%), Building Inspection (2%), and Executive Services (2%).

General Fund Expenses by category included Salaries (39%), Defined Benefit Pension (4.5%), Defined Contribution Pension (0.5%), Health & Other Personnel Costs (12%), Proposed New Positions (0.3%), Contractual Services (23%), Operating Supplies (9%), Recreation Programs (1%), Capital Outlay (2%), Debt Service (8%), and Non-Departmental (1%).

Most of the General Fund expenditures were for the "Big 3" – Police, Fire, and Public Works, Salvatore said. Governments were service driven, and the expenses were for providing services. Staff tried to keep a good mix of the in-house and out-sourced services. The services were constantly evaluated.

Salvatore expected funding for debt service to decrease in future budgets when the City would do more pay-as-you-go for items rather than financing as the debts were paid off. By 2024, the City would have paid off most of its debt with the exception of some volume equipment loans.

Salvatore discussed personnel expenses, saying there had been a 7.4% change over the last six years, which averaged a 1.23% annual increase. Full-time salaries had increased by 4% (0.67% annual average, and health insurance costs had increased 22% in six years (3.67% annual average).

Human Resources & Risk Management Director Ellece Brown reported that a 22% increase in health insurance over six years was not really bad, considering the private sector had seen increases of 10% or more annually for three years. The increase in the City's cost had been due to several claims that had exceeded \$90,000 over a three-year period. The City was self-insured, so during a good year, the City kept the money. During a bad year, the City had stop loss insurance to cover expenses over \$90,000. This year, the claims were down 4%, and there had been no large claims yet. Typically, there were three large claims each year. The City had 224 full-time employees who had the option to take the City's insurance. The City's insurance currently covered over 700 people or "belly buttons." If the trend in claims for this year continued, the City's self-funded insurance program would not pay out as much.

Rorie said there was always a debate over how much family coverage the City should provide. The 224 employees included married and single people. Cutting back on the family coverage would cause an increase in premium on the individual coverage. The City had always provided family coverage. Staff had also looked at the health insurance premium and had passed some of the cost on to the employees. When the costs were shared, it encouraged employees to seek second opinions and to look at the cost structure.

Brown said her department tried to encourage employees to use the mail order prescription service and to use urgent care. Using urgent care after hours cost more than a visit to a primary care physician, but not as much as a visit to the Emergency Room. The Wellness Program had a different initiative every month. In September/October, there would be a fitness challenge. They tried to encourage wellness activities.

Salvatore said the Defined Benefits Pension had an 8% decrease over six years (-1.33% annual average). When replacing employees who left, the tendency was to shift from one full-time person to two part-time employees when possible, which cost less. This had been done with positions at the Library, Fire Department, and Finance Department. Employees were also mandated to put 2.25% of their pay into the defined pension fund beginning in January 2017. The market had also improved, leading to the savings.

Salvatore noted the increase in part-time employees, saying the City had 241 full-time employees and 74 part-time employees in FY 2016. This fiscal year (2017), there were 239 full-time employees and 89 part-time. In FY 2018, the plan was to have 237 full-time employees and 93 part-time. Rorie discussed the trend in part-time employees, noting the demographic shift to an aging population and some of those retirees wanted to continue working. The City had positions that were good for those retirees who wanted a part-time job. On the other side, the Grounds division had started with six part-timers, and staff could never fill all those positions. There were people that wanted to work 40 hours a week mowing grass. It was a balancing act in making a decision to decide which positions could be part-time. Salvatore said administrative positions generally worked better than operations positions when taking a position part-time.

Regular Salaries in the FY 2018 proposed budget would increase 1.36% over FY 2017. There was also a 21.25% increase in part-time/temporary employees. The line item for health insurance decreased 3.11% (-\$106,334), and a 10.67% (-\$157,141) decrease in the Defined Benefit Pension was proposed as well as a 10.61% (-\$46,421) decrease in Workers Compensation. Salvatore noted the City had good experience with Worker's Comp. Brown said the City's philosophy was to return the employee to work. If they were able, they were placed on light duty, which got them back to their regular position quicker. She noted that a firefighter had worked in the Planning Department for his light duty.

Salvatore pointed out that a 31.09% (\$19,562) increase in Dental Insurance was predicted for FY 2018. Brown said she was not sure what particular claims had caused the increase, but the City was also self-insured for dental insurance.

In addition, Salvatore said there was a new unfunded mandate to provide firefighters with Cancer Insurance (\$35,600). Ernst asked if that was a flat cost or if it was based on the number of firefighters. Fire Chief Joe O'Connor said it was based on the number of firefighters. Rorie said it was approximately \$500 per employee, and employees, part-time firefighters, and volunteers had to be covered. The cost had not been finalized. The total net increase for Personnel Services would be 0.69%, Salvatore said.

Salvatore continued that costs to contract for tree removal were up and down every year, and there had been six callouts over the weekend due to storms. He recommended an increase of 16.64% (\$240,822) in Contractual Services for FY 2018, which included tree removal, municipal election, and SAFEbuilt (Permits). Computer Supplies would also increase 85.61% (\$98,415 in FY 2017 to \$182,664 in FY 2018) to cover computer replacement, additional storage, and replacement of the patrol laptops in the Police Department, which would cost \$60,000.

The contracted payment to the Peachtree City Airport Authority (PCAA) would decrease 8.3% (\$7,650) in FY 2018, Salvatore said. Fleisch noted the PCAA kept hitting their benchmarks for revenue, which was good. Salvatore said two new positions were recommended – a full-time engineer and part-time bailiff for Municipal Court – for \$96,698 (the part-time position was estimated at \$14,000). The shift in paying for facilities maintenance with bond money to the General Fund led to a 28.72% (\$110,020) increase in the line item for Building Repair & Maintenance.

Rorie said the departments had done a very good job of keeping the operations side of the budget flat. The departmental requests had been cut \$116,000 during the budget process, including a \$40,000 request from Keep Peachtree City Beautiful (KPTCB).

KPTCB Operating Expenses/Solid Waste Franchise Fees

Public Information Officer/City Clerk Betsy Tyler pointed out that Council had approved KPTCB's FY 2017 budget on September 15, 2016. The issue was the more the City recycled, the more it cost. For FY 2017, Executive Director Al Yougel had noted an increased use of recycling stations; however, it cost more for the recycling containers to be emptied and to be hauled to the recyclers. The recyclables as commodities were also bringing in less money. In September, KPTCB had asked the City to consider increasing the sanitation company franchise fee for residential pick-up and to add a new fee for commercial customers. Learnard asked if commercial fees were typical, and Tyler said she had not found anyone that had a commercial fee. Debris from commercial dumpsters were a source of roadside litter.

Tyler said staff was evaluating the options, which included commercial franchises, addition of a solid waste management fee to the Occupational Tax, and an increase in the residential franchise fee from \$1/customer/quarter to \$1.50 or \$2 per customer per quarter. When a commercial franchisee had a fee, it was passed on to their commercial customers, who passed it on to their customers, who were City residents. Staff would bring this back to Council. Rorie added this would be a revenue increase as well as an expense increase. It would not affect the General Fund, but the question was where to budget it. A decision would need to be made in a few months, or it would affect the KPTCB's ability to operate.

Yougel said they had foreseen this issue in September 2016 with the drop in the commodity prices and the increase in the use. Schools and companies were now using the drop-off stations. In 2015, KPTCB spent \$24,000 of the \$40,000 to pay for the drop-off stations, which was the difference between the cost to have the roll-offs taken away and the money KPTCB received from the sale of the materials. In 2016, \$41,000 was spent out of the \$40,000. Yougel said one of the reasons was emptying those containers. The City was trying to recycle, and they had hit a snag because costs were going up and there was more to do. When they only spent \$24,000 of the \$40,000, money was left that could be used to buy recycle bins for schools, athletic fields, and special events. Now that entire portion of revenue was being spent just for the recycle drop-off stations. He expected the \$41,000 spent in 2016 to go up again. There had been 230 pulls (swapping a full bin for an empty one) in 2015, and the estimate for this year was 400.

Yougel noted that the waste hauler he used had increased his quarterly bill by \$6. Rorie said their tipping fees, fuel, and employee costs had gone up, too. Yougel noted that most of the litter picked up along the roadside was from commercial dumpsters and the trash haulers. While no one else was currently charging the franchise fee to commercial customers, Yougel said the City should be the first.

Summary Highlights

Salvatore went over the summary highlights of the proposed FY 2018 General Fund operating budget:

- Estimated revenues of \$34,878,273, or 3.43% increase (\$1,353,000)
- Appropriations of \$34,466,930 or 2.94% increase (\$984,000)
- Cash Reserve increase of \$411,343, or 1%
- Street and path resurfacing – no change (\$1,800,000 @ 3-4 miles and 9 miles of paths)
- \$110,000 increase in Citywide building maintenance expense
- Increase in permitting activity (~\$200,000)

- \$146,047 funding for Fayette County Development Authority (FCDA) & \$25,000 for Non-Profits (no change – Promise Place & Fayette Senior Services)
- Total (net) Personnel Expense increase of \$136,787, or 0.69%
 - \$186,000 (1.5%) for merit increases – management discretion
 - \$186,000 (2%) Cost-of-Living Adjustment (COLA) as of January 2018, if approved by City Council based on budgeting targets
- Two new positions proposed (not included in above):
 - Engineer – Full Time, \$82,511 (all inclusive, \$53,000 salary)
 - Bailiff – Part Time, \$14,187 (all inclusive, \$9,641 salary)
- Unfunded Positions – Public Services Director, Administrative Service Director, Police Captain, IT System Administrator, Code Enforcement Officer
- \$7,650 decrease in airport funding (down to \$84,150, per agreement)
- \$426,000 increase in transfer to Capital Projects Fund (CIP)
- \$254,000 decrease in transfer to Debt Service Fund
- 0.25 mil reduction in Maintenance & Operation (M&O) millage rate (assuming 7% digest growth)
- **Disaster Recovery/Business Continuity solution - \$96,000**

Rorie pointed out that there had been an approved SPLOST from 2005 to 2010, and that money had been used for road resurfacing. The money for resurfacing in the General Fund had been used to pay for additional police officers and firefighters. The millage rate was never increased to adjust for the personnel change. To accomplish the City's goals for resurfacing, 10 – 12 miles per year had to be done now. Rorie said the SPLOST funds plus the General Fund budget item were the \$5 million in paving that would be done each year. There would not be any recommended changes for resurfacing in the FY 2018 budget.

An increase of approximately \$200,000 was expected in permitting fees and inspection costs. The protective inspections were outsourced to SAFEbuilt. As the permitting activity went up, the expenses went up. Rorie said the \$200,000 was an offset between the revenues and expenditures. SAFEbuilt was one of the best contractual services. The company served multiple jurisdictions which helped control costs.

The funding for the FCDA had doubled. Rorie said the funding was increased last year. The FCDA was the economic development arm for the entire County. The request for this year was the same as last year, and it included recruitment and retention strategies.

King said he understood the importance of the FCDA, but the position the City was paying for was not filled (\$75,000 of the \$146,047 budgeted). When the position had not been filled in the past, the City had not paid that portion. He asked that the City not pay for the time the position was left open. Fleisch said a person had been hired and had started the previous week.

King continued that the entire FCDA was less than 1% of the County's General Fund. If the County could not see fit to prioritize a half of a percentage point toward an economic development effort, then it was a slippery slope. The County already received funding for that entity, and he did not see why the City was being asked for an additional \$71,000. Fayetteville had the same concerns. Fleisch asked if the FCDA was part of the Service Delivery Strategy with the County. Rorie said there were several topics that would be discussed, and give and take was required by the County and the cities. They had asked for an extension until October. The next meeting was scheduled on July 7. The FCDA had not filled the director's position yet. They were trying to find the right person who might not want to come to Fayette County because of the budget cuts and the history of the organization. King said the Board of Commissioners had a history of not doing right by the FCDA. A former Commission chairman gutted the budget, and he had asked for the

resignation of 17 years of institutional knowledge. The relationships with the businesses could not be built overnight.

Prebor asked Rorie to explain the Service Delivery Strategy and why it was important. Funding the FCDA was an example of many of the services. Rorie said when the Comprehensive Plan was updated, they were required to update the Service Delivery Strategy agreement. Residents of the City paid a millage rate to the City and to the County, so the City was paying double taxes in some cases. The County was not supposed to take taxes from City residents to provide services for residents of the unincorporated County. City residents did not pay for fire services in the unincorporated County, but the County provided services for animal control that the City did not provide. It was appropriate for the County to take tax funds from City residents to pay for animal control, as well as other services that were provided County-wide. The Service Delivery Strategy provided for more efficient and responsive government. It was difficult to pinpoint some services. The Sheriff's Department had access to the entire County, and City residents helped to pay for that even though the City chose to have its own Police Department. Economic development, jail services, elections, and more were provided by the County.

Learnard hoped the Commissioners would understand that City residents paid taxes to support the County's economic development, which City residents already paid as County residents.

Prebor referenced SAFEbuilt, asking how much the company brought in and whether it was cost effective to pay the company 75% of the fees. He asked if it would make sense to bring the Building Department services back in-house. Rorie said the City could bring the services back in house, but if the number of permits went back down, the decision would need to be reversed. There was living proof of problems with inspections in every maintenance problem in City facilities. Rorie said this was a very good outsourced contract, but hiring building inspectors was not off the table.

Fleisch said the best reason for outsourcing was to have a big company to do all the inspections. Prebor asked if a hybrid had been considered. Rorie said it had, and the City would be hiring a special inspector for the spillway construction. Fleisch said there was also an issue with responsiveness when calling the Building Department.

Rorie noted that the proposed budget included a 2% Cost of Living Adjustment (COLA) for employees in January 2018 if approved by Council and if all the FY 2017 budget targets were met. Rorie said the revenues were conservatively estimated, and the budget was done as if all the positions were filled all year and every dime would be spent. Department budgets were done with a 98% execution expectation, so a 2% savings was built in, which helped the City operate more efficiently. He wanted the COLA based on the target budget and the unaudited numbers from FY 2017. He was confident staff would meet the funding target.

The proposed merit increases were budgeted at 1.5%. The performance evaluation system had been reworked over the last few years so they were now performance feedback sessions. Employees were asked what they were doing to contribute to the organization. It helped employees be successful. There was not a system in place to award the top performers, and the question was what was merit. Thirty files had been pulled at random to see what had been in done when the previous merit system was in place. All 30 had received merit increases, which Rorie said was not merit. The new merit increase would not resemble the past, when everyone got a "trophy." He projected 10 – 20% of employees would get a merit increase, but merit had to be defined. This was a place holder in the budget. It was time to define merit and what it meant to employees.

Disaster Recovery Business Continuity

Rorie noted that per the web filter statistics, the City's system was under constant attack. The Inbound Email Statistics for the City showed 6,938,947 e-mails had been received in a 12-month period, an average of 680 per day/151 per hour. The City's web filter had blocked 4,530,773 e-mails, with an average of 332 per day/38 per hour. A virus had been found in 35,856 e-mails. More than 16 million Spyware webpages had been blocked, with 44 million other pages blocked by policy. The City was under constant attack.

According to recent articles by the International City/County Management Association (ICMA), municipal bond rates were affected by a city's ability to address cyber risks. City and county governments were the weakest link in the cyber security chain. Rorie also noted an e-mail that appeared to be from him, sent to Accounting Manager Mary Camburn. In the e-mail, someone posing as Rorie had asked for a \$29,750 wire transfer to a vendor, with the documentation to be provided later. The e-mail had been sent to the Police Department.

5-Year Capital Improvement Plan

Salvatore looked at the five-year Capital Improvement Plan (CIP), pointing out that the City was trying to move away from facilities bonds for facility maintenance and items were added to the CIP. The FY 2018 CIP and five-year CIP budget included:

- FY 2018
 - \$341,000 cash funding for infrastructure (citywide facilities & bridges)
 - \$275,000 cash funding for technology infrastructure replacements
 - \$891,750 for vehicle & equipment replacements (5-Year financing)
- FYs 2019 – 2022
 - \$350,000 per year cash funding for citywide infrastructure (facilities & bridges)
 - Additional \$250,000 cash funding for All Children's Playground in FY 2020
 - Fire Truck, Ambulance, Radios, Self-Contained Breathing Apparatus (SCBA) moved to SPLOST
 - New West Side Fire Station – Fully operational by FY 2021, ~\$1M/year operating expenses
 - Reduced reliance on debt financing of infrastructure – more pay-as-you-go
 - **Additional millage rate reductions in FYs 2019 & 2020 (0.1 & 0.2, respectively)**

Rorie said infrastructure, facilities, and technology upgrades were something staff could see and plan for. The emphasis was moving from a debt basis to a cash basis rather than financing. Nine police cars were scheduled to be replaced in FY 2018, 12 cars in FY 2019, six in FY 2020, nine in FY 2021, and 15 in FY 2022.

Rorie continued that financing police cars, trucks, and other equipment allowed the City to avoid the highs and lows when there were large cost amounts, such as a \$200,000 Komatsu. A revolving CIP loan allowed for the stabilization of those costs because there was a definitive cost structure for the budget.

One of the issues in the CIP was the replacement of police cars in the five-year CIP. Rorie said what was currently projected was the opposite of staff was trying to do. The replacement cycle for vehicles needed modification to balance out the purchases so the current cycle would not become continuous. Rorie said the City had changed the replacement policy from 100,000 to 125,000 miles, and there were consequences to that decision that were playing out in the CIP. Ford Crown Victorias were no longer available. The Chevrolet Caprice replaced the Crown Victoria, but it was not holding up as well.

Rorie noted that Police Chief Janet Moon had been tasked with stabilizing the replacement schedule. In the past, the City had replaced 10 each year. Ernst noted the replacement cycle had been thrown off during the recession when the criteria for replacement had changed. The Police Department did not get any new vehicles for three to four years. Salvatore said the same thing had happened with computer replacement.

Prebor asked if there was increased maintenance due to the increased mileage, and if the Caprices were holding up as well. Moon pointed that they were getting seven to nine years out of some of the cars; however, the Caprices were not holding up as well as the Crown Victorias. Some of them had required new engines and/or transmissions at 60,000 miles. Moon noted that the nine cars scheduled for replacement in FY 2018 would replace one 2007 model, two 2008 models, two 2009 models, three 2010 models, and one 2011 model. All were Crown Victorias with 125,000 miles. King asked Moon to consider SUVs instead of the sedans. Moon said she would, but had to ensure the SUVs were pursuit-rated. There were some nuances they had took for.

The goals and objectives for FY 2018 included:

- Increase Cyber Security Issues/Technology Upgrades
 - Software
 - See Click Fix It/Citizen Engagement Tool
- Evaluate EMS Stations vs. Fire Stations
 - Staffing Scenarios
 - ISO Impacts
 - Response Time Criteria and 911 Service Delivery
- KPTCB Recycling/Funding Strategies

Rorie said staff was projecting the construction of a westside fire station in 2021, even though there was already an increased demand for service on the southside that had to be addressed. Staff needed to look at the staffing situation to determine whether an EMS station or fire station was needed.

Salvatore looked at the five-year plan, saying the it put the FY 2018 budget into perspective. No millage increases were expected. In 2021, the plan included an additional \$1 million for the new fire station on the westside. Between FY 2019 and FY 2020, the City would start using impact fees to build the station and provide the equipment.

A 0.5 mil reduction (0.25 mils in FY 2018, 0.1 in FY 2019, and 0.2 in FY 2020) would take place over the next few years, Salvatore said. The millage should drop from the current 7.065 to 6.506 between FY 2017 and FY 2020, which would offset the rising property values. Salvatore continued that a 12% increase in the tax digest was possible, but with all the assessment appeals, staff had used a 7% increase in the proposed budget. Salvatore said when the millage rate was lowered, it was best to do it in smaller increments so it could be evaluated every year. He said approximately 1,200 appeals had been filed. Fleisch asked Salvatore where the appeals were from. Salvatore did not know.

Ernst asked how long the appeals process would take since so many were filed. Salvatore said the appeals could move quickly. Even if all the appeals were approved, it would not cut the expected 12% increase much. King added that the developers were building in Cresswind and Everton, which would increase the tax digest.

Salvatore said one of the goals in the five-year plan was to achieve millage rate stabilization, which happened in the last three years of the five-year projection, even with adding a fire station.

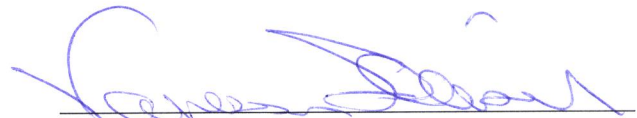
As the City's debt was paid off, there would be more pay-as-you-go for capital purchases. The five-year projections proposed a millage rate of 6.811 in FY 2018, 6.712 in FY 2019, 6.506 in FY 2020, 6.506 in FY 2021, and 6.506 in FY 2022.

Rorie said they still had to look at the financial stability and weakness of the City's infrastructure, which would keep the City a vibrant community. When the six-year SPLOST ended, \$3.2 million to \$3.8 million would be needed just to maintain the paving, which meant another \$2 million would be added to the budget. If they stuck to the financial plan and SPLOST targets, they should still be able to put money into resurfacing after the SPLOST ended.

Council consensus was there was no need for another workshop on Tuesday, June 27. The next workshop for the FY 2018 budget would be held Tuesday, July 11, 6:30 p.m.

There being no further business to discuss, the meeting adjourned at 9:48 p.m.


Pamela Dufresne, Deputy City Clerk


Vanessa Fleisch, Mayor