City Council of Peachtree City
Workshop Minutes
Tuesday, June 22, 2021
6:30 p.m.

The City Council of Peachtree City met in workshop session on Tuesday, June 22, 2021, for the presentation of the City Manager's proposed fiscal year (FY) 2022 budget. Mayor Vanessa Fleisch called the workshop to order at 6:30 p.m. Others attending: Terry Ernst, Mike King, and Phil Prebor. Kevin Madden was absent.

City Manager Jon Rorie related that he spent the weekend and Monday condensing a 192-page budget down to about 100 slides, then decided to pare it down to 57. He reflected that there was a probability this was the last budget he would present to Council, and, in addition to providing historical context, he wanted to look to the future. Rorie recalled that in August, 2014, he and Finance Director Paul Salvatore spent about two weeks cleaning up an unbalanced adopted budget. In June, 2015, he, as interim City Manager, inherited a budget that he had to present the next week. He did not want to present that budget and took several days to revise it. Since then, Council and Staff had spent a considerable amount of time working on the budgets.

No significant changes were proposed to the Storm Water Fund in FY 2022, and capital improvements were in maintenance mode. There was $470,000 in the budget for renewal and extension projects, such as pipe lining, and the total Storm Water Fund budget was $2,555,009.

Fleisch pointed out that capital expenditures were now in maintenance mode rather than crisis mode. Salvatore said bond money had almost all been spent, and they were going on revenues to fund what projects they could.

Rorie moved on to the General Fund. Revenues for FY 2022 were projected at $41,204,376, balanced by expenses at the same amount. The target reserves, based on the projected uses of funds, were at 31%, or $13.1 million. There would be about $7.4 million in the recessionary fund they had been building. The total unrestricted fund balance would be about $20.6 million. The budget included a millage rate reduction of about .197 mills. It could be more, but they would not know until they got the tax digest in August. They had to be careful about the tax decrease because of American Recovery Act (ARP) funding restrictions. The rollback would be based on appraised growth in the tax digest, not new growth. Therefore, it would not be considered a tax decrease, just a balancing of the appraised values of properties.

Since 2015, Rorie recounted, he had reminded Council of the City Mission Statement whenever they discussed a budget. The only reason for the City's existence was to provide services to residents. The mission statement defined those as "high quality services" and defined what those were. That list was what drove everyday decisions and procedures, such as responding in a courteous and timely matter to citizen concerns.

The budget policy was the second piece of the puzzle. It said a baseline should be set as an agreed upon point of departure for subsequent budget discussions. Any new services must have ongoing funding sources. Rorie remarked that the definition of high quality services was a matter of perspective. Everyone had a different idea of how money should be spent. Through the budget process, they decided the meaning of "high quality services."

A survey of citizens in 2016 showed that they believed traffic and crime would be the biggest challenges the City would face over the ensuing 10 years. Other concerns were the appearance of the City, economic development, maintaining the paths, street paving, surrounding development, and updating recreation facilities. The survey also asked what the City should focus on for the next 20 years. One answer was affordable taxes, but Rorie commented that what was affordable for one person might not be affordable for another. Affordable housing was also mentioned, and he said that was a key topic of discussion for all local governments right now, but, once again, was hard to define. High paying jobs, traffic congestion, and crime were mentioned, among other things. Rorie asked how could they measure success? How would they know they were achieving results? Could they do something differently to achieve the results they wanted?

The 2021 citizen satisfaction survey showed that 70% of respondents were not satisfied with the overall traffic flow, but they meant the congestion which occurred at the 5,000 square foot intersection of SR 54/74. Overall, however, the respondents were relatively satisfied with the services they received. The listed the low crime rate as the top component for quality of life in Peachtree City, but Rorie said he did not know what they considered a low crime rate. The survey listed special events, and Rorie referred to the recent Sunset Sounds at Drake Field, which drew about 600 people and cost the City $2,000. That meant they made a decision not to spend $2,000 somewhere else.

The proposed budget followed the budget policy. Decisions were based on revenues and expenses. They did not deficit spend and made debt services decisions based on financial smoothing.

"Interesting" was how Rorie described the process of developing and adapting the FY 2021 budget, and said that word also applied to the FY 2022 budget process. The adopted FY 2021 budget was $37,503,053 based on assumptions of record deficits in sales taxes and flat ad valorem taxes. They froze the motor vehicle tax. Going into that budget, they did not know that people were going to spend money. The predicted sales tax reduction never happened and sales tax revenues were more than what was budgeted. Where they were starting for 2022 was different than where they thought they were going to start in 2021. The FY 2022 budget might look like there were big increases in both revenue and spending, but it was important to look at where the 2021 budget ended up, not where it started. The actual change in revenues was only 2.4%, while the change in expenses was 3.97%. In 2021, they projected using $1 million in cash reserves. Now, they were projecting adding $66,000 in cash reserves.

The hotel/motel tax continued to struggle, so they were budgeting it at 55% of the FY 2020 adopted amount. That amounted to $351,000 in the General Fund, or about half of the 2020 amount. Tourism and Product Development funds were also cut in half. That limited funding to the Amphitheater and the athletic complex (PAC). Pre-pandemic, the Convention and Visitors Bureau (CVB) was operating with a budget of about $850,000. Now it would be about $400,000. Rorie said they hoped the situation would change, but they were budgeting as if it would not. They would hear the budget for the CVB at the July 15 Council meeting.

Ad valorem taxes were the top revenue source for the General Fund budget, followed by Local Option Sales Tax (LOST). Ad valorem taxes brought in about $16.6 million, but it all went to Public Safety. Some people did not understand why, even though parents paid taxes, there were fees to play athletics. The 2007 Master Plan for recreation talked about a triple-tier user fee system, and they had executed that.

Fire/EMS made up 23% of expenditures, followed by Police at 19%. Administrative Services was 3%, while the Library was 2%. Public Works made up 11%, joining Police and Fire in what Rorie called "The Big Three." Building and Grounds was joining them in a "Big Four."

The budget proposal contained a total expense increase of $827,671 or 2.05% over the current budget. He noted that Recreation Administration was up $60,000 in order to acquire new software that was more user friendly. Kedron Fieldhouse had increases due to building maintenance and communications. In all, Leisure Services was up about $32,000. There were reductions in the Library and Senior Services. Mayor and Council's budget was up $52,000 due to the $70,000 cost of elections. The City Manager's budget was up $77,529 to pay for salary and benefits for the new Assistant City Manager/Public Services Director position. Human Resources was going down because they had pre-funded the pay and compensation study for this year. Public Works had been increased by $100,000 for tree removal. Street light expenses were up $25,000, thanks to MacDuff. That was a consequence of growth.

The Fire Department's budget was up $406,000. The adopted budget for FY 2021 unfunded three firefighter positions, but, when revenues did not show the expected decline, they decided to add them back in during the budget year. Now, they had to fully fund those positions for the entire year. They had to allocate $70,000 to offset banked holiday time. Another new cost was the career development program (CDP).

Fleisch verified that the hiring of the additional firefighters would cover them for additional stations planned to open in the future. Rorie said they had hired nine full-time firefighters. Now, Fleisch continued, all that was needed was the brick and mortar of the new buildings. Rorie said they had a lot of firefighters retiring, too.

The Police Department would have a $192,000 increase in salaries. They were also dealing with holiday pay and CDP. In all, personnel made up 57%, or $16.2 million, of the total budget. That included pay, health insurance, defined benefits (DB) pension, and Social Security, Medicare, etc. Pay as a percent of total budget was down a little over the years. Health insurance costs had increased, but the DB pension had remained stable. Salvatore said the DB was close to 100% funded. Costs were about 11% of payroll. It was in excellent shape.

There were 315.5 funded positions—254 were full-time, and 123 were part-time. In 2022, the Planning staff would be reduced from three to two. Public Works Superintendent Scott Hicks would be retiring after 36 years. Rorie said he would probably not hire another superintendent, but consolidate that position with another. Two part-time accounting clerk positions were eliminated, as well as a CVB sales manager. In addition to the three firefighter positions, they had added a full-time accounting position. New part-time positions included a Human Resources clerk, a part-time City Clerk assistant, four CVB customer service specialists, and five code enforcement officers to enforce rules on the path system.

Current vacancies included a code enforcement officer and two Grounds crew leaders. They were having a difficult time filling firefighter, police, and maintenance, and grounds positions. Council increased the pay across the board two years ago for all police and fire by $2,500 annually to keep up with the market. The Fire Department had seven part-time vacancies, which they would probably have to convert three for one full-time position. The seven part-time vacancies would become two full-timers. Then they would have to deal with holiday leave, vacation leave and other aspects of a full-time position.

There seemed to be a decline in interest in policing as a career. In 2015, Peachtree City Police received 150 applications to fill 20 vacancies. By 2020, they were at 60 applications for 12 vacancies, and it continued to trend downward. Also, they did not want to hire everyone they interviewed. The City would not lower its standards, but might need to figure out how to modify operations.

Rorie noted the recruitment and retention efforts put in place over the last couple of years and funded in this budget, in addition to the $2,500 increase in pay for police and firefighters. Last year, the CDP was instituted for the Police and Fire Departments, and this year, they planned to introduce a citywide CDP. They needed to retain the people they had at a level that provided value-added services. They had budgeted 3% benchmark bumps when certain training levels were met. Vacation hours were adjusted from 40 to 80 for the first year of employment, and the accrual rates for equitable bridge credits toward retirement were modified. In 2016, Rorie noted, every employee took a 2.5% pay cut to fund the DB plan. Prior to that, it was fully-funded by the City. This budget would not change the DB and the health benefit from the current cross share system. Tuition reimbursement would jump from $1,500 to $3,000 a year. They would incentivize college degrees by $1,000 for an associates, $2,000 for a bachelor's, and $3,000 for a master's. There was an across the board 2% cost of living increase, and the City would be doing a pay and compensation study.

Contractual services and operating supplies made up a lot of the budget. Prices had gone up. Inflation in materials costs especially impacted the Fire/EMS Department in the cost of medical supplies and Public Works for materials such as asphalt, fuel, lumber, and tipping fees.

The General Fund contained $1.8 million for paving roads. If another Special Purpose Local Option Sales Tax (SPLOST) was not passed, they would have to allocate another $3.5 million in the General Fund in 2023 or 2024 to maintain the same level of road paving. They could possibly fund it through 2025 because of higher sales tax revenues due to rising prices. Road projects were the main items on the SPLOST list.

He showed increase in Public Works, which included $25,000 for additional street lights and the $100,000 for tree removal. Keep Peachtree City Beautiful (KPTCB) got $50,000 for managing the mulch yard and $42,000 in franchise fees for the recycling center, along with $45,000 for collecting cart path litter and trash pickup. Cart path maintenance and resurfacing was budgeted at $615,000, but would come to around $2 million when labor was factored in.

The Mayor recalled that there were quite a few years where path maintenance was not funded at all.

The Police Department's budget was up by $61,000 just to cover the increased cost of gasoline. The increase in diesel costs caused the Public Works budget to jump by $21,000.

The budget included $650,000 for upgrades, repairs, and maintenance to the $58.6 million in City facilities, spread out in the building maintenance line and the Capital Improvements Program (CIP).

The City spent the equivalent of one mill, or $2.8 million, on information technology (IT), with $400,000 of that going to cyber security. About 6% of the citywide budget went to technology, which covered computers, cameras, cyber security, and software. This year they were acquiring a backup for internet service. Salvatore said it was a redundant connection with Comcast, so if one went down, the other would take over. Also, as they went more and more to cloud-based, they needed more bandwidth. Cloud-based software was becoming the norm, and when the Internet went down, you lost the ability to access it.

In response to a question from Fleisch, Salvatore said the redundancy would be in place for a few months of this fiscal year and was budgeted for all of next year. Prebor asked about the cost, and Salvatore replied that he thought about $25,000, which Rorie noted was not a lot, considering. He said this was first time he knew of that they had defined IT and looked at everything involved. IT was in every department and touched everybody. He remarked on recent cyber-attacks, such as with Colonial Pipeline, and said they had to do something to take precautions against an attack on their IT infrastructure.

Over the past five years, Rorie remarked, they had been trying to move more to a cash model and away from a debt model. That did not mean they did not take on debt—they took cyclical debt on every year for equipment purchases. When he came to Peachtree City, they did not have cash to pay for needed maintenance and repairs. Right now, they were still paying off the 2011 and 2014 facilities bonds. Maintenance was the first thing to be cut when there was a recession, but, at some point, it became necessary to pay the piper. Now, they budgeted cash for items such as road resurfacing and bridge maintenance. They borrowed about $2.3 million for cyclical equipment purchases.

Major projects under the CIP included bridges, Public Works equipment, and 10 patrol vehicle replacements. He noted that they tried to replace Police vehicles on a cyclical basis.

Facilities expansion was included in the budget. Salvatore had it at $2.2 million, but Rorie estimated it would be more like $2.5 million, due to price increases for building materials. They were looking at a 3,000 square foot expansion for the Police Department, 720 square feet at Fire Station 82, 900 square feet at Station 83, 5,000 square feet for storage, a 5,000 square foot remodel of McIntosh Place, and a remodel of the SR 74 South quick response station (QRS). That QRS was the animal shelter building, but was a lower priority and might not get done next year. Right now, they were working on the build-out of the other QRS.

The City's outstanding debt was $3 million, not counting the cyclical loans. They were eligible to borrow a huge sum, up to 10% of the tax digest, but Rorie said they had been loading the budget with more cash projects to fix things. The 2011 facilities bond would be paid off in this upcoming budget year. The 2014 bond would be retired in 2024. They were still carrying debt from City Hall renovations. Some people wondered why they did not just pre-pay the debt, but they had already paid the interest on it, so there would not be much savings by paying it off now.

The strategy for capital funding included increasing the reliance on pay-as-you-go, as well as cash funding of facility maintenance, bridge maintenance, and street resurfacing. He again noted when the bonds would pay off and mentioned the major projects for FY 2022.

The financial model showed $41 million in revenues and $41 million in expenses. There would be 49% cash reserves totaling about $20 million, with a potential millage rollback of .197, possibly higher, but must wait on the tax digest to finalize that number. They were calling for the use of $553,000 cash reserves. That was not deficit spending.

Rorie continued that everything they did was based on prioritization. Salvatore said projects were prioritized on the basis of "core, essential, discretionary." Rorie presented a list of what Council had done under priority based budgeting since 2014. They had increased personnel from 290 to 315. They had increased Public Works staffing by 27 and Public Safety by nine firefighters. They implemented the 2.25% pick-up cost associated with the pension plan.

They had increased cash funding for facility maintenance to $650,000, which enabled them to avoid additional debt to fix things, such as plumbing and roofs. They should not have to borrow money for those routine items. Facilities upgrades such as at Glenloch, where everything was new, had been accomplished. Other items included the Skate Park and the Community Garden. At Kedron, there was a new floor, new paint, new bathrooms, and new lights. There had been work at the PAC and the Amphitheater. There were even pickle ball courts underway. There was $450,000 cash earmarked for the new All Children's Playground.

There was a new QRS on SR 74 South. They had instituted the vehicle replacement schedule under CIP for financial smoothing. They had navigated through the process of a new fire engine, new ambulance, and new tower, maybe buying them a year early or a year late to achieve financial smoothing.

The money allocated for road resurfacing had gone from $356,000 in 2014 to $1.8 million from the General Fund plus $3.5 million in SPLOST for FY 2022. They had resurfaced 60.5 of 192 miles of road since then. In 2015, 3.41 miles of road were repaved; in 2020, it was 20.98 miles. Peachtree Parkway and Robinson Road were being resurfaced by leveraging the $1.8 million of General Fund money to get Federal dollars for a $4.9 million project. No SPLOST revenues were involved. About 50 miles of paths had been resurfaced or added. Labor costs had been scaled back on these projects through the budgeting of SPLOST positions. When vacancies occurred in Public Works, Rorie said he moved those positions from SPLOST projects to the General Fund budget.

The fund balance had increased from 32%, or about $9 million, in 2015 to 49%, or about $20 million, in the proposed FY 2022 budget. Because of their budgeting efforts, the City had enough to weather the storm caused by the pandemic and did not need to rely on Federal money. That was the right thing to have done, but now was the time to start spending some of that money, Rorie remarked. Salvatore said they spent cash reserves on one-time projects, not ongoing expenses.

During the same time period, the overall millage rate went from 7.088 mills in FY 2015 to a proposed 6.035 in FY 2022, a decline of 1.053 mills. Through strategic budgeting, he pointed out, they accomplished what he had just listed and still managed to lower the millage rate and build up the fund balance.

Rorie concluded with what he called some tactical truths. Among them: "There are a strong set of reasons that things are like they are—just ask!," "Most events cause some people to be happy and some folks to be sad—very few events cause everyone to be all anything," and "We've got the 'been heres' and the 'come heres.'" He said neither group liked the other telling them how things should be done.

At the end of the day, he said the budget was balanced at $41,204,376 in revenues and expenses, with a fund balance of 49% and a potential millage rate reduction of .197 mills.

Ernst thanked Rorie and staff for their hard work. Rorie said they had carried the torch for five years, and it had been a partnership between staff, citizens, and Council.

Prebor asked about the timeline on the next steps. Salvatore said one public hearing was required by law before they could adopt the budget, and that was scheduled for July 15, the same night component unit budgets would be presented for KPTCB and the CVB. They would come back at the first meeting in August with a resolution to adopt the FY 2022 budget. Adopting a millage rate was a separate process and depended on when they got the digest. Three public hearings were required if there was not a full rollback, but since they were doing the rollback, those hearings were not necessary. It would have to be advertised once with a five-year history of the millage rate at least a week or two in advance. Salvatore said he hoped they could adopt the millage rate at the second meeting in August.

Fleisch wanted to know about how the ARP funds would be handled? Did Rorie expect them to discuss the projects at a regular meeting or would there be special called meetings? Rorie said he did not expect called meetings, but they were continuing to work on what that list of projects would look like. They had to make sure they conformed to the requirements of the ARP fund legislation. There might be an infrastructure package as well.

There being no further business, Fleisch adjourned the workshop at 7:50 p.m.

Martha Barksdale, Recording Secretary

Vanessa Fleisch, Mayor