

**City Council of Peachtree City
Workshop Meeting Minutes
June 20, 2011**

The Mayor and Council of the City of Peachtree City met in a workshop session on Monday, June 20, 2011. Mayor Haddix called the workshop to order at 6:30 p.m. Other Council Members present: Vanessa Fleisch, Eric Imker, and Doug Sturbaum. Kim Learnard attended via Skype. Staff present: City Manager Jim Pennington, Financial Services Director Paul Salvatore, Administrative Services Director Nikki Vrana, Amphitheater Manager/CVB Executive Director Nancy Price, Fire Chief Ed Eiswerth, Police Chief Skip Clark, Public Services Director/Stormwater Manager Mark Caspar, Assistant Finance Director Janet Camburn, and IT Administrator Matt Robinson.

The purpose of the workshop was to review the proposed budget for FY 2012.

Pennington said Salvatore would present the budget, which they felt was designed to continue the current service levels in the City in a fiscally responsible method.

Salvatore said FY 2012 was the fourth consecutive fiscal year of managing the budget during a severe economic turnaround. The full-time employee count had gone from 268 in FY 2008 to 238 in FY 2011. Deteriorating revenue streams had caused the need for corrective actions on the expense side since late FY 2008.

Salvatore continued the property tax digest had declined by almost 5% since FY 2009 (\$92.4 million); the 1.5% decrease expected for FY 2012 was mostly due to appeals. Local Option Sales Tax (LOST) revenues were down approximately \$200,000 from FY 2008 levels and were due to be renegotiated in 2012. Interest earnings were down over \$330,000 from FY 2008 levels. Deteriorating revenue streams continued to be a major factor in development of the FY 2012 budget and the five-year model. Based on the preliminary figures on the tax digest from the County Tax Commissioner, the tax digest would decrease by 1.5% in FY 2012, or more than \$183,000. Salvatore pointed out that the proposed 0.213 millage rate increase in previous five-year models had been removed, and the impact of that change was another \$207,000. The elimination of the "roll-up" millage was another \$176,000, bringing a total impact \$567,758 on property taxes. He noted that a 0% projection had been used in preparing the proposed budget. Salvatore added that the City and Fayette County were still doing better than most jurisdictions.

Salvatore said a "roll-up" of 0.98 mills was not a tax increase by definition of state law; no additional tax revenue would be collected. It did not require three public hearings on the millage rate, or advertisements on notice of tax increase. It was only enough to offset the revenue lost due to the declining value of existing property. It would recover approximately \$176,000 of property tax revenue lost due to the decline in the tax digest.

Salvatore noted that the estimated LOST collections in the FY 2012 budget was \$330,516 less than projected in last year's model, with the cumulative impact on LOST revenue through FY 2016 projected to be \$3,586,866 less than originally projected. Salvatore said a 2% increase in LOST had been projected for FY 2011, but there had been a 1% decrease. A 4% increase had been projected in FY 2012, but no increase had been estimated for the FY 2012 budget.

The changes Council made to the committed reserves during FY 2011 included the Kedron Bubble, \$250,000; economic development, \$75,294; landscaping services, \$40,175; tree service,

\$28,000; and the Tennis Center courts, \$29,290. The net impact to the expense side of this year's budget was \$172,759, not including the Kedron Bubble.

The highlights of the proposed FY 2012 budget included a major reorganization of personnel, including the net reduction of two full-time employees; a one-time 2% employee incentive; emphasis on maintenance and revitalization of the City's infrastructure, with an assessment pending; a tentative \$2 million Facilities Authority bond for capital improvements; equipment lease-purchase loans; roll-up millage rate of 0.098 mills; and a fund balance increase of \$831,385.

Pennington said the assessment of the infrastructure was needed as well as the reassessment of the City's organization. The infrastructure was aging, and there were early aspects of deterioration. There had been a number of construction activities involving the facilities, and more work was needed at others. The big emphasis for the next few years needed to be on the City infrastructure.

Salvatore said there were questions about the reorganization of the City's departments, and the financial impact. Pennington said the City's organization was still under evaluation, and there would be future changes in the organization, but he did not want to put a dollar figure with those changes yet. New positions included the Community Services Director, an office administrator in Recreation, and an accounting supervisor in Financial Services, as well as several projected lateral moves.

Salvatore continued there had been no employee cost of living allowance (COLA) or merit increases for the past two fiscal years. A one-time payment to employees equal to 2% of their annual salary was proposed at a cost of \$236,000. There would be no increase in the employees' base pay, but it still provided some incentive. It was a method used by other jurisdictions in lieu of COLA/merit raises to keep year-over-year costs down.

Salvatore addressed infrastructure revitalization and a Facilities Authority bond, noting certain infrastructure needs had been identified in the five-year Capital Improvement Plan. Staff would work with a consultant to identify additional needs and refine cost estimates. The annual debt service on a bond was estimated at approximately \$283,000 for 10 years.

Equipment leases included vehicle replacements, heavy equipment replacement, Rescue 8 replacement as opposed to the medic remount, technology replacements for approximately \$1.4 million in total loan proceeds. All were for critical needs that had been deferred for the past two to three years.

Pennington said staff had conducted an exercise to determine which needs were most critical to help in the decision-making process, and the budget addressed those needs.

Salvatore added that computer replacement had been on a three-year cycle, and the City was currently working to get to a five-year cycle. The City would lose support on Windows XP soon, as well as other programs, and those changes needed to be made.

Salvatore went over the budget summary, noting that the plan had been to increase the cash reserves in FY 2011 and FY 2012, so there would be additional funds in FY 2013 when paving had to be added back into the General Fund and there would be an additional loss in LOST funds due to the renegotiations and the increase in population in other areas of the County.

Salvatore continued that the LOST was based strictly on a pro rata share, so the projections for the LOST in FY 2014 included a \$500,000 impact due to the LOST renegotiations and further decline of the sales tax.

The expenses were also adjusted to show the pension expense as zero since the contribution for FY 2012 was paid last year.

Salvatore referred to the Public Improvement Program (PIP) budget, saying staff still needed firm numbers regarding what would be in the Facilities Authority bond. The southside and westside fire stations had been removed from the PIP until it was better known if the City should forecast for growth and what happened with the economy. He added that, if the Facilities Authority bond came though, the projects listed in the bond would start regardless of the year it was scheduled in the PIP.

Salvatore briefly reviewed the five-year model, noting the cash reserves should increase to \$10,501,102 barring any other economic disaster. In FY 2013, a one mill increase was projected in the millage rate due to the unknowns surrounding the LOST renegotiations and paving costs, and did not include any other reorganization. He continued that the proposed FY 2012 budget accomplished the goal of maintaining what the City had, still adding to the fund balance as was projected due to the millage rate increase last year.

There was a brief discussion on cutting services vs. increasing taxes and what the core services were and the residents' expectations regarding what were core services.

Lynda Wojcik addressed Council, saying she did not mind paying higher taxes if the net amount was equal to what she paid a few years ago. She did not use all the services offered by the City, but those services added value to the community and her property.

Sturbaum asked what would become the new norm for the country, noting it could be 9% unemployment. The City had weathered the storm pretty well, but there were challenges. Council needed to look at everything as a whole and make some tough decisions, working together.

Pennington said economists were forecasting another dip, and that the country was not out of the recession yet. Local government used to be able to have great linear projections, which was much more difficult to project due to all the variables. The estimates were good, and a five-year model was needed to help guide the City.

Imker said staff had done an excellent job of putting forth a budget with no tax increase, but pointed out some items to look at. He referred to the 0.098 mill "roll-up" in tax rate, which Salvatore stated was technically not a tax increase. Imker said it was, adding that if the value of the home went down, the objective of the "roll-up" was to keep a homeowner paying the same amount of taxes as the previous year. If the value did not go down, that homeowner would be paying more tax next year. He wanted to look at "zeroing out" the "roll-up."

Imker continued that his concern in FY 2012 was the projected revenue had increased by \$1 million (\$27,838,029 in FY 2011 and \$28,828,563 in FY 2012), asking Salvatore where the increase had come from. Salvatore explained \$176,000 was from the roll-up millage rate, \$400,000 in loan proceeds for technology equipment, and \$250,000 paid back to the General Fund from the Kedron bubble loan. The remaining funds were from small increases in other areas.

Imker referred to the five-year model, noting that the projection for departmental operating expenses in FY 2011 had been \$22,687,977, jumping to \$25,379,136 in FY 2012. The projections jumped again in the out years.

Imker noted that the 1.25 mill increase in FY 2011 had brought in an additional \$2.3 million in revenue, adding \$1,592,443 to the cash reserves. Another \$831,385 would be added to the cash reserves in FY 2012.

Imker continued that the one mill increase projected in FY 2013 told them the City would have a \$7 million problem. He said the increase would generate \$1.8 million in revenue each year beginning FY 2013. The City currently received 34.5% of every LOST dollar collected. At worst, the City would still get 32.5% of every dollar after the renegotiations with the County, approximately \$150,000 -- \$200,000 less in revenue. The City's population had changed to 32.5% of the County. He also wanted staff to look at the increase in Public Works from \$1.5 million to \$2 million. He agreed the City workers needed a cost of living bonus at 1% across the board rather than the recommended 2%, or \$130,000, to be distributed evenly across the board as all were being hit equally by the economy.

Imker referred to the Special Purpose Local Option Sales Tax (SPLOST), noting that the City was spending \$720,000, this year on streets, as well as \$254,000 on paths. In FY 2012, the plan was to spend \$800,000 on streets and \$400,000 on paths. He noted there was \$546,000 in an unassigned contingency fund, not dedicated to anything. He suggested using the unassigned contingency funds for FY 2013 road and path maintenance and therefore offsetting the need General Fund use, adding that SPLOST money could be used for those purposes. The funds would help eliminate the proposed one mill increase in next year's ad valorem tax.

Imker also suggested changing the projected millage rates in the five-year model, using an increase of 0.25 mills in FY 2015 and 0.21 mills in FY 2016, and eliminating the projected one mill increase in FY 2013. When money was saved, it was saved rolling forward. Imker continued that the City needed the work on the infrastructure and the updates in technology. He added he was very optimistic about the budget.

Haddix stressed the only thing Council would be voting on would be the budget and millage rate for FY 2012. Anything beyond that would be up to the next Council. Haddix said he did not disagree.

Salvatore asked for direction on the proposed "rollup" millage rate of 0.098 mill. Imker said it should be left in until there was uproar from the citizens. The actual cost would be the same for most residents, with the exception of those who appealed and got a lower assessment. Haddix said it truly was a tax increase because people would pay a greater percentage of their home's value. Council needed to be very cautious in making statements. He looked at a tax as percentage of value, and when looking at it that way, the overall percentage would go up even if the homeowner was actually paying less money. He had not seen anything to make him think revenues would go up. Sales tax was based on disposable income, and if people did not have disposable income, the City would not get any LOST money.

Sturbaum said the process had just started, and he believed there were opportunities to identify cuts to manage out the 0.098 mills.

Fleisch asked if the increase would be left in or taken out. Salvatore clarified that the "roll-up" rate of 0.098 mills should be left in proposed budget for further discussion and input. Council's consensus was to leave it in for now.

Salvatore asked what to do with the proposed 2% COLA bonus for employees. Council's consensus was to leave it in for now.

Salvatore said only a 2% growth rate in expenses had been figured in the out years, with the exception of FY 2013 and the many variables for that budget. He continued that, during normal times, the growth rate in expenses would have been 5% or 6%. Staff tried to be as conservative as possible so things could be taken out if necessary.

Pennington added that the question was reality and the "new normal," which included not being able to project what would happen in five years.

Salvatore said the Stormwater Fund budget was designed to comply with the bond covenants of 1.15 debt service coverage, with 1.39 service coverage included in the proposed budget. Proposed changes included the elimination of street sweeping contract service as of December 31 and the purchase of street sweeper with Renewal & Extension funds. Salvatore pointed out that staff was looking at a smaller piece of the equipment, and the purchase would save money. Caspar said the purchase price was approximately \$153,000, and the current contract was \$65,000 annually. The life expectancy of the equipment was 10 years plus. Caspar said the budget also included a new employee for some of the stormwater permit administration, public information, site inspections, and other programs (assistant program manager). Salvatore said the remaining bond funds would be allocated for design and engineering of projects scheduled for the future, with the construction to be included in a future bond.

Current hotel/motel tax collections were 5.6% ahead of projections for this time of year (more than \$43,000 by year end if the trend continued \$14,000 for City's General Fund). The FY 2012 budget assumed a 2% increase – Convention & Visitors Bureau (CVB), \$530,853; City General Fund, \$265,427. The CVB contract with the Peachtree City Airport Authority was for 20% of the CBV share of the hotel/motel tax, or \$106,170.

There were no major changes at the Amphitheater. Price said the part-time facilities coordinator would be moving to Public Works. Plans were to continue with the six-concert series and to continue to offer spotlight concerts and community events. Rental opportunities provided diverse programming. Staff would research additional sales "packages" for the series.

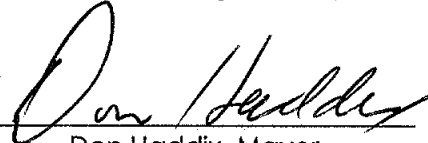
Lynda Wojcik suggested using more motorcycles when possible, saying there could be a savings in the cost of the vehicles and the maintenance. Clark said the cars were kept for many years before they were surplused, making the costs about the same. The maintenance costs were about the same, and there were some savings in the fuel costs. Wojcik noted that it appeared the big fire trucks, which cost the most to run, answered calls where a fire truck was not needed. Eiswerth said that a truck responded with a medic unit on many calls due to the personnel requirements, specifically advanced life support or cardiac arrest calls. On other calls, only the medic unit responded unless the engine was closer. If medic units were on other calls, an engine would respond. Sometimes when the engines were seen in shopping center parking lots, they were doing inspections and had to have the truck available in the event of a call.

Kurt Boehringer thanked staff and Council for the budget preparation. He was president-elect of Peachtree City Little League and had concerns regarding what would happen with the

recreation programs. His organization did a great amount of work on the facilities it used. He agreed that, while he might not use all the City's facilities, they added value to his property. The City had very nice fields, among the best, but the bathrooms at the fields were not that great. Caspar said part of the re-organization and bringing the Recreation crews into Public Works was to streamline maintenance of the City's facilities, fixing the backlog. The upcoming assessment included the fields and lavatories. Caspar said they should not see less service, but more service. Imker asked Boehringer to have his organization come up with a list of work that needed to be done and communicate it with Caspar and him. Sturbaum, a past president of the organization, asked Boehringer to contact him to go over the projects included in the budget, adding he would report back to Council and staff.

There being no further discussion, Haddix adjourned the meeting at 8:56 p.m.

Nikki Vrana, Recording Secretary



Don Haddix, Mayor