City Council of Peachtree City
Workshop Minutes
June 18, 2012
6:30 p.m.

The Mayor and Council of the City of Peachtree City met in workshop session on Monday, June 18, 2012. Mayor Don Haddix called the meeting to order at 6:30 p.m. Other members attending: Vanessa Fleisch, Kim Learnard, and Eric Imker. George Dienhart was delayed and arrived at approximately 7:15 p.m.

City Manager Jim Pennington noted that there were several unknowns for the coming year, including the Local Option Sales Tax (LOST) mediation results and the final property tax digest. He said he had neglected to include in the budget message that the City's number one asset was its employees. They were more important than the buildings, vehicles, etc., because they delivered the services to residents. Services were what the City provided. He asked Council to give consideration to a minimum two percent ($275,000) across the board salary increase to employees, since there had been no raises in four years. The amount was not included in the proposed budget, but he was presenting it separately.

Salvatore said that the City was projecting a 38% fund balance by year end, of which approximately $5 million was committed for future budget stabilization.

Salvatore noted that the City faced three threats to revenue: a continued decline in property values, the depletion/discontinuation of the Fayette County Transportation Special Purpose Local Option Sales Tax (SPLOST), and LOST negotiations. He continued that Peachtree City property values had declined nearly 11% since 2009, including a 4.6% decline since 2011 ($529,000 in associated revenue). The model for 2013 was projecting no further decline, but there would probably be a 4.6% decline.

To offset the $529,000 decline since the previous year, staff was proposing a 0.3 mill "roll up" of the Maintenance & Operation (M&O) millage rate to offset the digest value decline. This would not qualify under state law as a tax increase because it would be revenue neutral.

The 2005 Fayette County SPLOST had provided roughly $2 million per year for streets and cart paths. The SPLOST had expired, and the remaining funds would be completely depleted by the end of FY 2013. There would be a regional Transportation SPLOST (TSPLOST) vote at the end of July that could provide new revenue to the City. If the regional TSPLOST failed, staff was proposing a General Obligation (GO) bond referendum for Peachtree City voters in FY 2014.

Salvatore said staff continued to project a significant decline in the City's percentage of the LOST due to the population shifts within the County since 2000. Negotiations were still pending, and the model estimated between $150,000 and $300,000 less in revenue for future years. This would have an ongoing, annual impact on the budget model.

Ongoing expense challenges included the ongoing demand for maintenance of City facilities and infrastructure and a continued need for technology upgrades. Salvatore noted that the FY 2013 operating budget under review that evening did not include any cost of living increases or raises for employees. He said other future expense increases were nominal in future years (1.5%).

Salvatore said staff continued to look for ways to reorganize and economize in providing existing services. If revenues continued to suffer and there was no desire for millage rate increases, there would need to be further adjustments in the level of services or the way they were delivered.

Staff needed clear direction from citizens and Council on the outcomes expected from the budget process.

Salvatore reviewed the five-year financial model, saying the projected revenues for FY 2012 were $28.37 million. For 2013, staff was anticipating $28.07 million in revenue, which included the proposed 0.3 mill roll-up. With the proposed budget of $28.9 million, this would result in the use of $850,000 of the reserve funds. Future year projections had a 0.2 mill increase each year through 2016 to help offset some of the expected revenue shortfalls.

Imker said the model included several assumptions about matters that were not yet finalized. The results of the TSPLOST vote and the LOST negotiations needed to be programmed into budget if available before its adoption. Originally, FY 2016 had been the year the City planned to have a balanced budget without the use of cash reserves. That projection had moved to 2017, but the City would remain slightly above the reserves minimum. If the employee increases were implemented, that would eliminate the excess reserves.

Salvatore said that, if Council did not want to include the roll-up millage increase for FY 2013, then they had to find over $800,000 in savings to cover the digest decrease and employee raises. Imker said he did not want to look at cuts in the proposed budget that evening and asked when they could expect answers regarding the LOST negotiations.

Pennington said the 60-day mediation period should be completed near the end of July or beginning of August, and the regional TSPLOST vote was on July 31. August would be the month when at least some of the information was available.

Salvatore said he had originally scheduled the first public hearing on the budget for July, and it could be moved to the first meeting in August. The adoption of the millage rate was supposed to be completed by August 1 to meet state requirements. However, Council could adopt the millage rate prior to adopting the budget. The County usually obtained an extension on the August 1 deadline, but the millage rate was probably the more critical decision. The GO bond referendum for transportation projects would not really be needed until FY 2014.

Imker asked what would be required in the millage rate hearings if the 0.3 mill increase were to be implemented. Salvatore said that, as long as the City remained revenue-neutral, the three public hearings for a tax increase would not be required. The 0.3 mill roll-up would not qualify as a tax increase and would therefore not require the three public hearings.

Imker noted that the 0.3 millage was tens of dollars on the average home. Salvatore clarified that it would only increase on homes for which the value remained the same or had increased.

Haddix asked why staff was showing the digest remaining the same for 2014 and seeing a 0.75% increase for 2015, when Haddix felt there would continue to be declines. Salvatore said the projection might be optimistic, but also factored in some anticipated new growth, so staff was working to provide a realistic projection.

Imker said he would like to consider dedicating the projected amount over the 20% reserves showing for FY 2017 earlier in the model to reduce the projected millage increases. Salvatore noted that, if salary increases were added, that would factor in each year and would address the total. Salvatore noted that there had been several additional cuts on the expense side, including the Administrative Services Director position and the reorganization of the Recreation Department.

Haddix said he understood the legalities regarding the millage roll-up, but the homeowners who had no change in their property value would see a tax increase. He said he was seeing 0.9 mills in tax increases, a decline in reserves, and overly optimistic projections on property values in future years. Haddix felt the City needed to examine priorities and see if it was providing services that were better provided by the private sector. Staying on the path of not reducing any services was no longer tenable.

Salvatore sad that, compared to much of the country, Peachtree City was in a bubble in that no services or facilities had been eliminated. This was happening all over the country.

Fleisch asked what specific services Haddix wanted staff to review for reductions. Haddix said reducing recreational services to eliminate any outside-City residents might have a positive impact or could be used in a way to generate more revenue.

Pennington noted that there were certain things that had remained constant in the City. Staff was directed to take the needs/wants of the citizens into account and place them in the context of the five-year model. Eliminating programs was not a simple task. The next step was to look at how to provide the same levels of service. To date, no one had said to cut police, fire, recreation, or other services, and those services also needed to be reviewed in the context of the five-year plan to see how long it would be sustainable.

Pennington continued that the City did not have a strategic plan outside the budget. If Council wanted to move toward reducing services, they needed to initiate a more intense strategic planning process that incorporated community input.

Salvatore continued there were a few remaining adjustments, such as the removal of an unmarked police vehicle (resulting in a $10,000/year reduction in debt service) and adjusting the utility expenses, that would be included in the proposed budget prior to the next workshop. Currently, the budget also showed $27,500 for non-profit agencies. This amount included $5,000 for Peachtree City Elementary, but the Recreation & Special Events Advisory Board had recommended no funding for the project, which dropped the line item to $22,000.

Learnard asked how much the overall cost of living had increased since employees last received raises. Salvatore said staff would obtain that information. Salvatore noted it had also been 12 years since the City did a salary and pay study to determine how salaries were comparing.

Pennington clarified that cost of living had a nation-wide figure, but true comparisons varied by region or metropolitan area.

Imker asked Salvatore to review the budget schedule. Salvatore said the LOST negotiations had put the originally proposed schedule in flux. Haddix asked staff to provide a revised calendar to allow for as much information as possible on the TSPLOST and LOST negotiations. Salvatore reiterated that the millage adoption was the most time-sensitive; the budget could be put off until September.

Imker asked that they schedule the millage rate hearing on July 12 for the 0.3 roll-up. Salvatore clarified that the City would need to have the digest from the County before scheduling and advertising the hearing. Realistically, the City would need to have a special called meeting at the end of July. The public hearing on the budget would be in August.

Imker said he would like to have another workshop at which he would provide recommendations on possible budget cuts. Pennington asked if the week of July 12 would work. Imker said it could be scheduled one hour before the Council meeting on July 12.

Haddix thanked staff for their work and adjourned the meeting at 7:42 p.m.

Betsy Tyler, City Clerk

Don Haddix, Mayor