

**City Council of Peachtree City
Workshop Meeting Minutes
June 17, 2013**

The Mayor and Council of Peachtree City met in workshop session on Monday, June 17, 2013. Mayor Haddix called the meeting to order at 6:30 p.m. Other Council Members attending: Vanessa Fleisch, George Dienhart, Kim Learnard, and Eric Imker. Staff attending: City Manager Jim Pennington, Financial Services Director Paul Salvatore, Human Resources and Risk Management Director Ellece Brown, Community Services Director Jon Rorie, Public Services Director Mark Caspar, Interim Fire Chief Joe O'Connor, and Police Chief H.C. "Skip" Clark.

The purpose of the meeting was to discuss the proposed FY 2013 – 2014 budget.

Pennington noted the proposed budget was a planning document for the City, not a license to spend. Once adopted, the budget served as the City's strategic financial planning document. The major goal of the proposed budget was the provision of sound fiscal management with a strong focus on long range financial planning. Immediate economic conditions must be dealt with while simultaneously focusing on the long-range financial condition of the City. Numerous discussions among Council and staff were reflected in the document. Complicated decision-making was required, and those decisions would have an effect on the operations of the City.

Pennington continued that the City had taken an aggressive approach to head off future fiscal concerns with a millage rate increase of 1.25 mils in FY 2011 and a 0.372 millage rollup in FY 2013. In addition, there had been expense cuts, outsourcing, downsizing, and other adjustments. The City also had an aggressive and forward thinking policy on the maintenance of cash reserves. The current policy was to maintain a minimum uncommitted fund balance of 20% of the General Fund's annual total uses of funds. At the end of FY 2013, the cash reserves were projected to be at 34% (\$9,840,240). Those actions had allowed the City to maintain its AAA financial rating.

Three major factors impacted the approach to the FY 2014 budget proposal. Pennington said the first factor was the 1% Special Purpose Local Option Sales Tax (SPLOST) in effect from 2005 – 2010, which was not renewed by the County voters in 2009. The City had received approximately \$2 million annually during that period for transportation projects, including paving of streets and paths, as well as infrastructure improvements. Those funds were gone and must be replaced. Five options for potential revenue replacement were considered, including the County's proposal to put a SPLOST on the November 2013 ballot, which would provide over \$12 million to be used over a five to seven-year period; a vote by City residents in 2015 for a General Obligation Bond (GOB) in an amount sufficient to fund the City's street and cart path needs for a five to seven-year period; a transfer of funds from the Cash Reserves to partially cover FY 2014 street and cart path maintenance; a property tax/millage rate increase; and a reduction in service levels across the total City operations. Pennington said staff had focused on the first three options (SPLOST, GOB, transfer of funds from Cash Reserves). For budgeting purposes, the General Fund included a line item of \$958,000 for streets and paths.

Pennington said the second major factor was the renegotiation of the shared 1% Local Option Sales Tax (LOST). Traditionally, the distribution of the County-wide tax was based on population. The Legislature had changed the distribution to include several other factors, although population remained important. Based on the 2010 Census, the populations in the other municipalities and in the unincorporated County had increased while the City's had not. The cities and the County had agreed to a 10-year phased approach designed to minimize the

impact of Peachtree City's percentage shift, which was from 33.45% to 31.7%. Pennington added information indicated there would be a future sustainable up-tick in this revenue stream.

Pennington continued that the third factor was the issue of the previous declines in the tax digest, and whether the declines were continuing, stabilizing, or reversing. Based on the indicators, it appeared the tax digest had stabilized. While there were no predictions of further decline, there were no predictions of significant growth either. The Five-Year Financial Model had projected a 0% change in the Tax Digest values for 2014, which appeared to be on target. Stability of the tax digest was an issue that needed constant vigilance.

Maintenance of City facilities and infrastructure was an expense challenge. Separate schedules were being developed that would demonstrate specific maintenance needs and projected schedules. This was something new for the City, and it would provide management with a metric-oriented approach, rather than just catching up. Technology upgrades would continue, and it had become evident technology was one of the organization's main support needs.

The focus on the City's infrastructure would continue to be a major part of the capital programs for FY 2014 and beyond. Staff recommended the City issue another public facilities bond estimated at \$2.5 million for continued City building and infrastructure needs.

Pennington said another major initiative was to continue to gain efficiencies through organizational performance and revision of the City's personnel policies. The ultimate goal was to continue to maintain or improve service levels through a cooperative or matrix management process. He added they were confident the proposed budget was designed to achieve the goals and would result in more effective and efficient operations in the City.

The proposed General Fund budget for FY 2014 totaled \$29,583,735, an increase of 1.4% over the current FY 2013 general Fund Budget, and it included the addition of \$958,000 to the General Fund budget for street and cart path upkeep due to the loss of SPLOST funds. The proposal reflected no increase in the total millage rate, rather a decrease of 1.2%, but included a \$2.5 million Facilities Authority bond for continued City buildings and infrastructure needs.

Pennington continued that the upgrade in the City's technology would continue with the completion of the final phase of hardware implementation; software upgrades for the Police, Human Resources, and Finance Departments; and increased availability of information and services through the City's website.

Pennington said that, on an accounting sheet, employees were numbered in the liability section. In reality, they were the City's primary assets. All the equipment in the world could not get the services to citizens without dedicated and competent employees. The City was fortunate to have high caliber employees who provided quality services, and Pennington said he recommended the employees be granted a 2% Cost of Living Adjustment (COLA). The City's last pay and classification study had been done 12 years ago, and funding for a study was included for 2014. One new position was proposed in the Fire Department for a civilian logistics specialist, similar to the quartermaster in the Police Department. Any other changes in the Police and Fire Departments would be determined following the completion of the ongoing Public Safety study.

Pennington said the budget represented a meaningful work program for the City, one that could be accomplished by everyone working together. All who called Peachtree City home knew they would need to seek new and better ways to maintain the quality of life while

maintaining a sense of sustainability. Pennington offered the following suggestions for Council's consideration:

- That the City examine all opportunities to reduce costs and the utility of marginal programs;
- That the City maintain constant vigilance on the tax base and revenues to ascertain adequacy;
- Review all fees collected by the City;
- That the City Council and staff continue with their efforts at strategic planning;
- That the City (staff, Council, and citizens collectively) continue to work with the Fayette County Development Authority to focus on economic development and aggressively seek industrial, commercial and office complex development within the corporate limits that must be compatible with the quality of life in the City and at the same time provide significant contribution to the City's economic and financial base;
- That it be clearly understood that the City's infrastructure (buildings, recreation facilities, cart paths, streets, etc.) were the lifeline of its citizens and an important ingredient in protecting our high quality of life; and
- That any new program and contribution to non-City operations or programs be carefully reviewed for precedence and impact on future budgets as well as the current budget.

Pennington thanked Salvatore for his analysis and recommendations in preparing the proposed budget. He also thanked the Finance staff and all of the division heads and their staffs for their assistance, as well as all the City employees who would carry out the financial plan.

Salvatore reviewed the FY 2013 budget, with the following points:

- Currently projecting a decrease in General Fund cash reserves of \$787,507;
- Original FY13 budget projected an ending fund balance of \$9,326,513, or 33%;
- Current projection for ending fund balance is \$9,840,240, or 34%;
- Majority of savings is from debt service; and
- Approximately \$4 million of General Fund reserves were committed to future millage rate stabilization.

The biggest concerns this fiscal year included Tax Digest values, which seemed to have stabilized. No further decline was projected, but no significant growth was projected either. Depletion/discontinuation of SPLOST funds for transportation infrastructure was the second concern. The third concern was the loss of the LOST revenue due to the population shifts in the County and its municipalities.

Salvatore noted that the five-year model projected a 0% change in Tax Digest values for FY 2014, and the projection appeared to be accurate based on latest information. The trend of declining values was finally reversing. No maintenance and operation (M&O) millage rate increases were included in the five-year financial model, with moderate growth projected in future years. Salvatore added that the County had not processed any appeals of the tax bills yet.

Salvatore pointed out that the 2005 SPLOST had generated approximately \$2 million per year for transportation infrastructure (streets, cart paths, etc.). Any remaining funds were expected to be completely depleted by end of FY 2013. The County had a new Infrastructure SPLOST up for

vote by the citizens on the November 2013 ballot. If the vote failed, staff proposed a General Obligation Bond referendum for Peachtree City voters in FY 2015.

Haddix noted there were two ways to distribute SPLOST funds that were allowed under State law – based on the LOST agreement or on population. If the SPLOST referendum was approved in November and the LOST distribution was used, Haddix said the City would lose approximately \$400,000 each year. The municipalities could reject the intergovernmental agreement based on the LOST distribution. If that was done, the distribution would be based on population. Haddix said he did not support the proposed infrastructure SPLOST, but if it was approved by the voters, he wanted to get the best they could for the City. Haddix said he wanted to discuss the matter with Council first before taking it to the Board of Commissioners.

Imker said the distribution would be a good topic for an agenda item on June 20, but he wanted the City Attorney to review the information first. Council consensus was to place the item on the June 20 agenda.

There was a brief discussion regarding the County's tax bills and the assessments, with some reporting another decrease in the fair market value of their homes, while others had an increase. The 2% COLA for employees was also discussed, and whether a millage rate increase would be needed to support it. Salvatore said the only projected millage increase in the five-year model was to cover the General Obligation Bond if it was approved in 2015, and the increase would be a little over 0.6 mills.

Salvatore continued that staff had predicted a significant decline in LOST for many years due to projected population shifts. The LOST negotiations were now complete. There was a 10-year phase-in designed to minimize negative impact of percentage shift. The City's percentage was reduced from 33.45% to current 31.7%. Salvatore noted that Fayette County was one of six in the state that had a 6% sales tax. All the other counties had higher sales tax rates.

Salvatore said the future challenges included the continuing demand for upkeep and maintenance of City facilities and other infrastructure (public areas, parks, etc.), the continuing need for technology upgrades, both hardware and software, and future personnel needs and costs.

The highlights of the proposed FY 2014 budget included:

- Decrease in total millage rate of 1.2% -- no change in M&O rate, bond rate decline of approximately 0.1 mill due to bonded debt reduction;
- 2% COLA proposed for employees – would be first COLA since October 2008;
- Funding included for comprehensive pay/classification study (any cost to implement changes to be determined – no funding included);
- One new position proposed in Fire Department (pending outcome of study) - Logistics Specialist (civilian);
- \$2.5M Facilities Bond for continued city buildings infrastructure needs; and
- Technology upgrades included the final phase of hardware implementation and software upgrades for Police Department, Human Resources and Enterprise Resource Planning (ERP), a financial suite that would allow citizens to be able to do more business with the City online.

Salvatore reviewed the five-year model, noting that there had been three successive 0.2% increases in the M&O rate in earlier models. Those were no longer included. At the end of five years, the revenues and expenses were projected to be about equal.

Salvatore answered questions from residents regarding the Cash Reserves and how drawing it down could affect the City's AAA rating. Imker said the City's internal requirement of a 20% reserve should be changed to 25%, which was a reasonable range that should not affect the credit rating.

Haddix thanked staff for their work on the budget, saying it was one of the hardest budget years he had seen. Staff had received their guidance from Council. He had no criticism at all.

Learnard also thanked staff, adding it was hard to argue with a 0% millage increase projected the next five years.

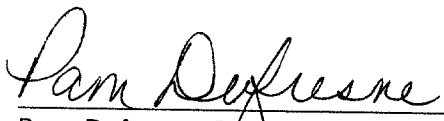
Fleisch said the City was still playing catch-up with the infrastructure maintenance, and she could see the planning for it in the budget. She thanked staff for making that happen.

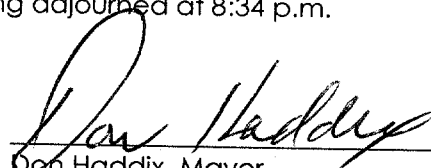
Imker said he was prepared to say nothing at the public hearing.

Dienhart also thanked staff, saying they had done an excellent job.

No other budget workshops were scheduled. The public hearing on the budget was scheduled on July 18.

There being no other business to discuss, the meeting adjourned at 8:34 p.m.


Pam Dufresne, Deputy City Clerk


Don Haddix, Mayor