City Council of Peachtree City
Workshop Minutes
June 16, 2014
6:30 p.m.

The Mayor and Council of Peachtree City met in a workshop session on Monday, June 16, 2014, at City Hall. Mayor Vanessa Fleisch called the meeting to order at 6:30 p.m. Other Council Members attending: Terry Ernst, Eric Imker, Mike King, and Kim Learnard, who arrived a few minutes after the meeting started.

The purpose of the workshop was to discuss current and future budget issues.

City Manager Jim Pennington said a draft base budget had been prepared, but was not quite ready to be presented to Council. Because of some things that had happened during the last year and the impact those items had on the budget, there were decisions Council needed to make.

Financial Services Director Paul Salvatore gave a brief update on the FY 2013 year-end audit, which ended with a surplus of $961,440, rather than the projected deficit of $787,507, for a positive variance of $1,748,947. Salvatore attributed the surplus to the new Title Ad Valorem Tax (TAVT), which had not been budgeted, and $1 million in savings on the expense side.

Imker noted that $1.7 million was a huge difference on a $27 million budget, asking if the change would be explained. Salvatore said there were a number of factors, including savings on the expense side and carryovers. About $120,000 of the variance was spent after the year-end. Salvatore said staff always tried to project conservatively, and this year in particular, the conservative aspect came in better than usual, with the TAVT providing much of the variance.

Salvatore reviewed the FY 2014 budget to date, noting the original FY 2014 budget included the use of $794,431 in cash reserves. The current budget included amendments that had increased the use of cash reserves to over $2.2 million. The largest portion of the $1,406,546 difference ($645,000) was to fund infrastructure projects with cash after the Special Purpose Local Option Sales Tax (SPLOST) referendum failed in 2013. The additional appropriations of cash reserves also included $290,000 for technology [Matrix/Spillman/Enterprise Resource Planning (ERP)], $253,500 for landscaping/contracted services, $70,000 for the SR 54 traffic study, $25,838 for Mayor/Council salaries, and $122,379 in FY 2013 carryovers. Salvatore noted that the budget for technology would go down. The City was trying to work the technology budget back to its normal levels with the new infrastructure in place. During the economic downturn, significant cuts ($500,000) were made in the technology budget. More discussion was also needed on landscaping.

The current expense budget was $31,269,246. The projected FY 2014 expenses had been $30,692,859. The net budgeted savings factor was $532,767. The projected variance was $576,387 ($396,874 was due to delay in Facilities Authority bond and other equipment lease financings). Imker clarified the $1.7 million favorable impact was to the FY 2013 budget. This slide began the FY 2014 budget. Salvatore said that was correct.

The FY 2014 current budget showed revenue at $29,068,269, and projected FY 2014 revenues were $29,411,774. The projected revenue surplus was $343,505. Only $1.3 million should be used from cash reserves, and $2.2 million had been budgeted.

The projected year-end for FY 2014 included a beginning fund balance of $11,546,572. The projected General Fund revenues were $29,411,774 and expenditures were $30,692,859. The projected deficit was $1,281,487. The ending fund balance should be $19,265,386 or 33%.

Salvatore noted the revenue issues and FY 2015 budget discussion items, which included the Property Tax Digest remaining flat; depleting the last of the 2005 SPLOST funds with the pending Crosstown paving project; continued uncertainty concerning Court fines, TAVT revenues, and the impact of Local Option Sales Tax (LOST) and motor vehicle property taxes; and the good news that TAVT revenue had been previously unbudgeted, so it was now helping to fund some of the changes that came up during the year.

Ernst asked if it would be another year before Crosstown could be paved because of the Kroger renovation. Pennington said it would not. Kroger representatives had spoken with staff regarding the renovations, and not as much damage to the road was expected.

Salvatore pointed out that the SPLOST, LOST, and TAVT were all intertwined now. If one went up, the other two were down. Officials expected it would be 2016 before the dust settled, and projections were clear. Not including the TAVT in the previous budget had been helpful, according to Salvatore, who added that it had helped pay for some the unbudgeted expenses that came up.

Salvatore noted that the estimated value of one mill was $1,725,540, and the average home cost was $246,789. He then discussed the General Fund cost increases that were absorbed into the draft FY 2015 budget through expense cuts and/or revenue increases, showing the cost of the item, the number of mills associated with the item, and the annual cost to the average home. The list included the following:

Budget Item	**Impact Amount**	**Mills**	**Annual Cost to Average Home**
Landscaping – implemented	$253,500	0.147	$14.50
(Paid from cash reserves in FY 2014)			
Subdivision signage	$19,800	0.011	$1.13
Existing funding = $6,600			
Option to increase replacements and repair and maintenance ($21,000 for replacements + $4,800 for repair and maintenance = $25,800)			
Technology	$190,000	0.110	$10.87
FY 2014 service increases – implemented (ongoing portion) ($290,000 paid from cash reserves)			
Legal Fees	$160,960	0.093	$9.21
Rate and activity increases			
Liability Insurance	$130,539	0.076	$7.47
Rate increase imposed by Georgia Interlocal Risk Management Agency (GIRMA)			
Litter Removal	$45,760	0.027	$2.62
Increase in Keep Peachtree City Beautiful (KPTCB) annual contract			
Council Salaries	$35,524	0.021	$2.03
Annual increase implemented in FY 2014 ($25,838 funded from cash reserves in FY 2014)			
Revenue Decreases	$469,355	0.0272	$26.25
Court – difference from FY 2015 in last year's model ($1,377,457 reduced to $908,102) all categories of fines and fees			

Salvatore discussed street resurfacing options:

Option	**Funding Amount**	**Impact Amount**	**Mills**	**Annual Cost to Average Home**	**Mill Reduction**
Street Resurfacing/Supplies	$768,768				
(FY 2014 General Fund Budget)					
Possible FY 2015 Budget amount:	$3,124,768				
Cost increase:		$2,356,000	1.365	$134.78	
Possible FY 2015 Budget amount:	$2,624,768				
Cost increase:		$1,856,000	1.076	$106.18	0.290

Possible FY 2015 Budget amount:	$2,124,768				
Cost increase:		$1,356,000	0.756	$77.57	0.580
Possible FY 2015 Budget amount:	$1,485,505				
Cost increase:		$716,737	0.415	$41.00	0.950
Possible FY 2015 Budget amount:	$1,124,768				
Cost increase:		$356,000	0.206	$20.37	1.159

Cart path resurfacing option included:

	Funding Amount	**Impact Amount**	**Mills**	**Annual Cost to Average Home**	**Mill Reduction**
Cart Path Resurfacing (FY 2014 Budget)	$365,000				
Possible FY 2015 Budget Amount:	$440,000				
Cost Increase:		$75,000	0.043	$4.29	
Possible FY 2015 Budget Amount:	$500,000				
Cost Increase:		$135,000	0.078	$7.72	
Possible FY 2015 Budget Amount:	$600,000				
Cost Increase:		$235,000	0.136	$13.44	

Learnard asked what the average homeowner would have paid if the SPLOST had been approved. Imker said that during the two-year SPLOST a homeowner would have paid $350 to $400 in taxes.

Bridge/infrastructure maintenance costs included:

	Funding Amount	**Impact Amount**	**Mills**	**Annual Cost to Average Home**	**Mill Reduction**
FY 2015 Proposed Annual Funding (FY 2014 - $645,000 paid from cash reserves)		$200,000	0.116	$11.44	

Landscaping/Mowing costs included:

	Funding Amount	**Impact Amount**	**Mills**	**Annual Cost to Average Home**	**Mill Reduction**
Contracts & Seasonal (FY 2014 Budget)	$578,540				
FY 2015 Proposed In-house	$961,105				
Cost Increase:		$382,656	0.222	$21.89	

Salaries increases were budgeted a 3%, the estimate for the pay study implementation, including:

	Funding Amount	**Impact Amount**	**Mills**	**Annual Cost to Average Home**	**Mill Reduction**
FY 2015 proposed amount: (General Fund only)		$405,025	0.235	$23.17	

Salvatore said the pay and benefits study should be completed by the end of August, so there would be a 3% placeholder in the FY 2015 budget. Normally, the budget would include a 2% cost of living allowance (COLA), but there would only be a pay increase this year and no other COLA. Imker clarified that every 1% salary increase equaled $135,000. Salvatore confirmed that was correct.

Salvatore continued that the City Manager had recommended eliminating the Public Works Director position from the budget.

At the current millage rate, the budget would support $2.6 million in projects for the FY 2014 Facilities bond. The estimated debt service would be just under $300,000. The complete list of projects that needed to be done would bring total for the bond up to $3 million, with an annual debt service of $50,845, 0.029 mills, or $2.91 annual cost to the average home. He added that eliminating the Public Works director position would save enough money to pay for the additional changes on the Facilities bond.

Imker said the use of the previous Facilities Bond had been very well managed, and he could not be happier with the results. There were several things on the proposed list were disappointing, including items at the Police Department. Salvatore said the fixes would extend the life of the building. Imker said, based on the previous Facilities bond, he knew it would be managed well and the right projects would be done, asking how much of the infrastructure could be moved into a Facilities bond. Salvatore said a General Obligation (GO) bond had to be used for infrastructure, and Council did not seem to support a referendum for a GO bond. Imker agreed, saying that would be one of the worst ways to fund it. To him, the best would be a SPLOST and the next best way would be a millage increase. Salvatore said staff hoped to get some direction and instruction on what to bring back to Council for the proposed budget.

Imker said the City was looking at increasing the budget by $2.6 million, and the residents would pay an additional $150 in taxes. With a SPLOST, a resident would have paid $175 and the City would have gotten $7.4 million, three times the amount needed. The citizens said they did not support the SPLOST and would pay the same amount for one-third the value. Imker said that was a bad decision.

King said, regardless of whether it was a bad decision on the part of the voters to vote against the SPLOST, the decision had been made.

Imker said the citizens had told him they did not want a tax increase, asking if he should do as the citizens had asked or do what was best for the City and support a millage increase. It was an internal conflict for him.

Salvatore said the proposed increase would be used to maintain the infrastructure, adding the bridge maintenance was a safety issue. Pennington said the bridges were routinely inspected, adding the TDK bridge had major repairs during the past fiscal year. There were other bridges with the same issues in the City, and the City would have to deal with them.

Planterra Ridge resident Caryn Russell addressed Council concerning landscaping, asking Rorie if his proposal was to increase City staff. Rorie the plan was to increase City staff and get rid of contracted landscaping. Sixteen additional personnel and equipment would be needed. Russell said she thought the residents would support that considering they were always correcting what the contractors had not done. How the City looked presented it in a bad light, especially when trying to attract new businesses and younger residents. The residents that had lived in the City for a while knew how the City looked when there was a full landscaping staff. She supported what staff was trying to do.

Russell continued that the residents in Wilksmoor wanted SR 54 West to look like the rest of the City. The developer at that time had contributed to the landscaping for SR 54 West. She had approached Council about landscaping grants. She understood there was a grant, but it needed to be used before it was lost. She asked Council to use the grant to make SR 54 West look like the rest of the City rather than an industrial zone.

Imker asked how the roads and paths were taken care of before the 2005 SPLOST. Salvatore said funds had been appropriated in the Public Works budget. Imker verified the Council at that time had spent the money for roads and paths after the SPLOST money started coming in. Salvatore said the majority of the funds that would have gone to roads and paths during those years were spent on increased fire and police protection.

Imker said there was money in the budget to maintain a substandard level of service. He heard over and over that the City was deteriorating. It was because the budget had not increased to pay for what the City should have been providing, and it had depended on the SPLOST.

Learnard pointed out that the cart path funding that had been proposed was for resurfacing only, no extensions. Salvatore confirmed that.

Pennington noted that the cart paths were an important amenity to the City, but the streets were also important. He said the pavement on Peachtree Parkway South was breaking up in places, so it would probably need a Full Depth Reclamation (FDR) rather than just resurfacing. This was a pattern that was developing.

Imker compared the City with Roswell and Alpharetta, saying both had millage rates that were two mills lower than the City's, and they looked fabulous. They had a 7% sales tax and no cart paths to maintain. He continued the City was doing an outstanding job with what it had, asking if Council wanted to raise taxes to increase maintenance levels.

Learnard said it had been about public education, and with that in mind, the citizens had not wanted another SPLOST. The City was now tasked with looking at other options with the direction the voters gave last fall.

Imker compared the City's taxes to Tyrone's, noting there was only a difference of $10 for a home with the same value, and Tyrone's tax bill was higher. There was also a $10 difference in the tax bill when compared to Fayetteville, but Fayetteville's bill was less.

Fleisch said she was still absorbing the numbers, suggesting Council should meet Wednesday rather than Tuesday to continue the workshop. Pennington said staff needed to know what service levels Council wanted in place to finish getting the budget ready. Streets, cart paths, and landscaping were the issues.

King said he was not going to defend anything done by previous Councils. This Council had to make decisions and do the right thing for the City. Maybe cuts should be made elsewhere in the budget. The cart paths were "Peachtree City," the streets were a primary responsibility of Council's and the City's, and beautification was what drew people to the City. Hopefully, any cuts would not be deep.

Fleisch asked how much was needed for the personnel and equipment required for landscaping. Rorie said the costs were $506,000 for a 10-person crew and $130,000 for equipment, just for the right-of-way piece. Fleisch asked if the personnel would be seasonal or if they would do other maintenance in the City during the winter months, as crews had done in the past. Rorie said it appeared that the City would save money hiring seasonal personnel. The inverse was the City was paying a premium for something that occurred for eight months. In the four months in between seasons, everything became a shambles. Full-time personnel would be able to maintain and keep things in maintenance mode, as well as address other items that were needed.

Pennington said, when looking at the contracts, the contracts did not necessarily account for when the grass would grow. The contractor had bid out the job for mowing every two weeks. They did the job every two weeks, but the grass grew faster than that. It took five or six years for the City to get to its current state, but it should not take it as long to come back. There were complaint calls at least once a day.

Ernst asked how much the landscaping contract amount was. Rorie said it was $578,540. Imker said the amount budgeted was to maintain a substandard level of service. If the millage rate was increased, then landscaping should be brought up to a reasonable level of service. Ernst added that citizens needed to see that happen. Rorie said significant progress was being made.

Learnard said she wanted to see the priority list for roads and cart paths at the next meeting, noting there was $768,000 currently budgeted, and she wanted to see what could be bought from the priority list for $3.1 million versus the lowest budget amount of $1.1 million. Pennington said they could see how far down the list the money would go.

Imker asked what a 1% increase in fair market value meant in property tax revenue. Salvatore said it was approximately $100,000. Imker noted the projection for ad valorem tax revenue was net zero. He had been expecting at least a 3% increase. Salvatore said his estimate of $100,000 for 1% could be wrong. He continued the digest numbers should have generated an additional $221,000 from what was projected in the budget. Staff had not adjusted the budget, and had counted the funds as excess revenue. The projection now was to have a shortfall of $126,000.

Imker asked why Court fines were down $500,000, which totaled over $2.5 million in the last five years. Something had happened, and he did not understand the decrease. Only one decrease in the proposed budget had been discussed, the Public Works director position. He wanted to see the budget book so he could suggest cuts in other "nice-to-have" items.

Salvatore said all the departmental budgets were either the same as last year or less, and an additional $1.3 million had been worked into the budget without increasing the millage rate. There were no new personnel, except for landscaping, or equipment. Council would be cutting from what staff had been doing. They were austere operating budgets.

Pennington said there was no way $1.7 million could be cut from the budget. There were always things that could be cut, but not $1.7 million.

The consensus of Council was to continue the workshop until Tuesday, June 17, at 6:30 p.m.

There being no other business to discuss, the meeting adjourned at 7:55 p.m.

Pamela Dufresne

Pamela Dufresne, Deputy City Clerk

Vanessa Fleisch, Mayor