City Council of Peachtree City
Budget Workshop
Minutes of Meeting
June 15, 2010
6:30 p.m.

The City Council of Peachtree City met in a workshop session on Tuesday, June 15, 2010, at 6:30 p.m. Due to a power outage, the meeting began at 6:46 p.m. The Council Members in attendance were: Mayor Don Haddix, Vanessa Fleisch, Eric Imker, and Kim Learnard. Doug Sturbaum had another meeting and arrived at 8:55 p.m.

The purpose of the workshop was to discuss the FY 2011 budget. Copies of the presentations are included in the meeting file.

City Manager Bernard McMullen went over the input from Workshop I (June 1 and June 2) and the Town Hall meeting (June 10), noting there were concerns about declining service levels in grass cutting, litter removal, and Recreation and Library services, as well as avoiding further staff reductions and employee pay and benefit cuts.

McMullen went over the resurfacing requirements for FY 2011. The City would spend approximately $740,000 on street repaving in FY 2011. Imker said he would like to see the list of streets rated around 70, so Council would know what could be coming up in 2012 (streets with a rating below 70 were scheduled for repaving). McMullen said the list for 2012 was already projected to cost $728,000. Robert Brown asked how long a new road lasted. McMullen said the road's function and usage helped determine how long it would last. Residential streets typically lasted 20 years between resurfacings, while collector roads with heavier traffic did not last as long.

Imker asked if there was a list of cart path resurfacing for FY 2012. McMullen said the paths were rated as the streets were, and they would take the next ones in order. Only resurfacing could be done with Special Purpose Local Option Sales Tax (SPLOST); new paths could not be built with those funds. Imker asked if there was any money in the General Fund dedicated to road maintenance or other work. McMullen said only for patching and crack sealing.

Imker asked if any more streets would be built in the City. McMullen said the only new streets would be in Wilksmoor Village, and they were part of the development agreement. The City's Thoroughfare Plan included a road identified as the Northeast Collector. Community Development Director/City Planner David Rast said that road would be an extension of Sumner Road north to undeveloped property in Smokerise through Astoria Lane and north to Dogwood. One portion of the road would be built by the developer as the phases in Smokerise were developed.

Imker said he wanted a priority list of the cart path master plan with the linear feet and cost estimate. Haddix asked Imker why he wanted the list now rather than waiting until there would be funding available. The priority list could change over time. Imker said they should be planning more than one year out, and Council needed to agree how the money would be spent.

Haddix agreed that generalized costs for all projects were needed, but felt it was a moot point to prioritize too early. Imker said there should be a priority list, especially if the millage rate were raised. It would make a difference to citizens. Haddix said if they knew the amount of money that was needed, they could prioritize as needed. McMullen said that, in FY 2012, $427,000 was projected for paths and $728,000 for streets. Imker said Council needed to know that information when making decisions on millage rate changes and prioritizing where the money would be spent. He wanted the data on the chart for the next go around.

Fleisch recalled that the Georgia Tech students had suggested a list of paths that were needed to the village retail centers. She said they were short pieces that would benefit storeowners, asking if any of those paths had been included in the master plan. Rast said they had not been included, but staff had not received the list yet. McMullen said those paths could be integrated into the master plan.

Imker said approximately $17 million of the budget was for salaries and employees, leaving $9 million for everything else. It was important to understand how that money was being spent and to put priorities in place. McMullen said there was a five-year list, but the City had not funded any money for the cart paths in three or four years. McMullen explained the process for cart path master plan, adding that staff had not done that for a few years because there had not been any money to do it. Imker said it was time to update the list. There were about 70 projects on the list. Imker asked that a list of the new cart paths and the data he had requested be ready for the next presentation of the material. McMullen said they could get that list, but once staff had the data from Georgia Tech, the list would change. He expected those paths would be given a higher priority because of the impact on the village centers.

Imker had asked earlier about the cost of building a 450-foot extension from Carriage Lane to Robinson Court, and McMullen said it would cost approximately $10,800 for materials, not including easements. In the past, the City had spent approximately $18,000 obtaining easements. Imker estimated that one section could be over $50,000, including labor. McMullen agreed, if the work was done by the City. Rast said the proposed extension that was shown was the area residents were using to get to Robinson Road. The property was privately owned. Imker asked about a path from Carriage Lane to Publix. McMullen said that cart path was planned indirectly. Rast said there was more than the construction to be considered, such as drainage and stormwater piping. The issue concerning a path from Carriage Lane to Publix included a drainage ditch that was part of the SR 54 right-of-way, and there were also issues regarding an easement from Westminster Memorial Gardens. Imker said there were quite a few people in the City that would benefit from those paths. A Hyde Park resident spoke, but did not identify himself or come to the microphone, noting those paths were part of the master plan. Haddix said the SPLOST could only be used for what was on the list. The master plan was a concept/goal and was not concrete.

Council looked at the costs for landscaping and grass-cutting. McMullen said the cost was $1.2 million when the work was done in-house. The contract with TruGreen was $211,000, saving the City $952,000. Fleisch said it would take another $106,000 to get the City looking like it did before the contract began. McMullen said the cost would be right at $107,500.

Imker said time was needed to look at the associated costs, but most of Council agreed that grass-cutting should be doubled. He asked if most of the complaints were about the 73 areas that were not mowed any longer. Public Services Director/Stormwater Manager Mark Caspar said his department heard more about the grass than landscaping. Administrative Services Director Nikki Vrana said residents seemed to understand that the City no longer maintained subdivision entrances, but they still received calls about the mowing along the streets. Imker suggested keeping the landscaping work at its current level, but doing more mowing, then see what happened. Fleisch agreed, adding that it had been a year since the outsourcing began so it was a good time to assess it. Imker said it should be placed on an agenda; he did not want to wait until next spring to discuss it. The cost could come from the reserves. McMullen said there was still $50,000 in Council Contingency. Imker said to add it to the June 17 agenda.

Haddix said they were increasing expenditures, but he was not hearing anything about increasing revenues. There needed to be something long-term about increasing revenue and jobs in the City. Imker said when the budget was finished there would be a long-term plan. Financial Services Director Paul Salvatore said most of the expense for mowing occurred between March and October, so the cost would be prorated from now through October. The question was how to build it into FY 2011.

Salvatore said the decline in the tax digest was 4.6%, and he showed how a 1.5 mill increase would affect a tax bill for the average home in the City, which was a $247,000 property, including County and school taxes. The homeowner would come out $17.49 to the good. Salvatore said he had built in a 1.5% decrease in the tax digest, but the decline was actually 4.6%.

Randy Boyett said he understood a 0.25 millage rate increase was being considered and asked where the 1.5 mill increase came from. Learnard said Council was looking at several different models. Boyett said he never heard more than 0.25 mills. Salvatore said the focus was also on what the millage rate would be at the end of five years. A higher increase now would keep future tax increases lower. Staff had always said a minimum of a 0.25 mill increase was needed. Haddix said everyone on Council was listening to the proposals, but some would not support an increase over a certain level.

Joey Petras noted that the citizen survey done earlier this year asked about a millage increase, and he asked about the results. Haddix said the biggest group was in favor of a 0.25 mill increase, but there had been someone in every bracket. Haddix said they could not make assumptions about what the residents believed, but 1,600 surveys were far more significant than a few people at a meeting. The only voices that were heard were those that responded.

Boyett said that a 1.5 mill increase was a 23% increase in taxes at a time when teacher salaries had been cut 4.5%, citizens did not get a cost of living increase, and people's homes had lost value. They had to look at alternatives, and all he had heard was the City would take away services if taxes were not increased.

Brown agreed that the actual tax payment might not go up due to the reassessments. He said senior citizens on a fixed income would be more affected if the City portion of their bills went up since they were exempt from the school tax.

Salvatore said the average City portion of the County tax bill was approximately $600 for City residents, the amount the employees' health insurance increased this year. The employees living in the City would get a double hit.

Salvatore showed a model of the five-year financial projections using a 1.25 mill increase in FY 2011 and an additional 0.19 mills each year after. Imker said there would still be a $2.9 million deficit in FY 2015. Imker noted that President Obama's healthcare plan would hit in 2013, asking how that would impact the budget. Vrana said there were many factors, including any changes that might be made to the plan. Imker suggested adding another $500,000 in expenses to budget every year after 2013 just to give a picture of what the City could be looking at. He did not want to leave the FY 2011 budget without a plan for the next five years.

Fleisch said the property sales tax collections were a concern too. Salvatore said baby-boomers were reaching retirement age, and the economic projections regarding that were scary. Imker asked if the model included a decline in the 2011 Local Option Sales Tax (LOST). Salvatore said the LOST collections were up this year. Property changing hands would affect the intangible tax and real estate tax. Imker said they still needed to solve another $4 million.

Haddix said he understood trying to incorporate more scenarios, but there were so many factors. They had to have a reasonable model; they needed to nail it down. Imker agreed that there could be too many additions to the scenario. Salvatore added that, if a SPLOST passed in the next few years, they could back $1.5 million out of the budget. Haddix said they needed to move beyond examining models and decide what millage rate to go with. Imker said he had questions for each department.

Salvatore said staff suggested some updates to the City's budget policy, and he went over the highlights. He said the Government Accounting Standards Board (GASB) had recommended new specific groupings of fund balances, including a committed fund balance. He explained that a committed fund balance, in conjunction with the adoption resolution for the budget, allowed the commitment of funds for a specific purpose. A copy of the five-year model would be attached that would show the plan. Imker supported the proposed policy changes, saying he supported committing any funds over the 20% cash reserves for future shortfalls.

Salvatore asked for guidance on funding for the Development Authority of Peachtree City (DAPC). Salvatore said the model showed $35,000 in funding, not the $150,000 the DAPC had requested. Learnard said that, with the tough economic times and looking at the City doing its own marketing, she wanted to maintain DAPC funding at $35,000 for now. Fleisch agreed, adding that the DAPC was doing a good job, but it was not the right time to increase their funding.

Imker said the cost to cover the budget increase proposed by the DAPC over the next five years would more than $500,000. He understood the potential to regain the money, but there was a risk. He preferred to delay an increase in funding until next year.

Haddix said the City's economic development had been stagnant, and the Fayette County Development Authority (FCDA) did not pursue businesses, but worked on requests that came to them. City staff could not legally function as a development authority. Any budget proposal without a funding increase for the DAPC would have two votes against it. He already knew that Sturbaum felt the same way. If no budget were approved, Council would have to approve a continuing resolution to keep the current budget in place.

A break was called from 8:45 p.m. to 8:55 p.m. Sturbaum arrived as the workshop reconvened.

Sturbaum confirmed he also would not support a budget without the additional funding for the DAPC. They had worked hard to get the tax credit program in the Industrial Park. They needed to come together as a team. The DAPC served the interests of the City, and the FCDA served the County. Council needed to get serious about giving staff direction on the budget; they had been giving mixed signals.

Haddix referred to a project that he was working on, saying he had been contacted that day by the person in charge of the project who told Haddix that they were getting resistance from a specific County Commissioner. Haddix said he told that person to contact DAPC Chairman Mark Hollums to get the information that was needed. This was another reason the City needed the DAPC; the FCDA answered to the County Commission. When the County Commission did not agree with the City, the City was hamstringed. He brought the situation up because it was pertinent. It was not the first time it happened, and it would not be the last the County had interfered with the City.

Learned agreed that DAPC's activities had been impressive, but there were several impressive groups of volunteers in the City. She was not suggesting cutting their funding, but they had cut everyone else's funding. Council had asked the DAPC what could be done with $150,000, and they had answered the question. All the boards would do good things with $150,000. Haddix said the Peachtree City Tourism Association (PCTA) received significantly more than money because it held a unique position in the City that no one else could legally do. The DAPC was also authorized to do things no one else could. Sturbaum said that without the PCTA the City would not get the hotel/motel tax.

Imker asked how much funding the FCDA received. Haddix said it had gotten $250,000, but there had been a 10% cut for FY 2011. Imker asked if the FCDA only covered the unincorporated County. Haddix said the FCDA worked the entire County, but added that the FCDA did not cover downtown Fayetteville, which had a Downtown Development Authority, or the office/retail space and small industry in Peachtree City. Haddix asked Council if Sany was a big deal, noting that the DAPC had gotten the company to select the City for its operation.

Fleisch said she agreed with Learnard, but reiterated that it was a tough budget year. Haddix said the DAPC had received the same amount for the last four years and economic development was stagnant. The FCDA did not seek out business, but went on leads from the state and calls that came in. The City had to prove something could happen in the Industrial Park in a year or lose the Tier 1 tax credit ranking.

Salvatore noted that the proposed budget would be presented at a public hearing scheduled on July 15. He said staff needed guidance on the millage rate scenario, the service level for grass-cutting and landscaping, and what to include for the DAPC. Haddix asked everyone to think about their positions, and he would poll the members later in the meeting.

Robert Brown addressed Council, comparing the Consumer Price Index (CPI), population growth, and growth in the City's budget (a copy of Brown's presentation is included in the meeting file). He said the CPI had gone up 22% over the last 10 years, and the population had increased 15%. He said there had been a huge increase in the Fire Department staffing during that time, too. The cost of Public Safety had gone up 140% over the last 10 years, compared to a 20% staff increase. Brown said he was trying to show that the City was getting more revenue, but that spending had gone up inordinately compared to the population and CPI.

Assistant Fire Chief Joe O'Conor said that, prior to 2000, the Fire Department had been dependent on volunteers. One career firefighter would get the fire truck to the scene, and volunteers would come put the fire out. Over time, it had become more difficult to get volunteers. One person on a fire truck was a safety nightmare in traffic, as well as the safety issue of one person fighting a fire. The intent in adding more professionals was to provide an even response regardless of whether volunteers were available or not. In addition to personnel costs, the City also had an aging fleet with various levels of safety features. The City began a program to raise the level of service to the citizens, and the level of service had been reinforced by the Insurance Service Office (ISO) rating. The City had invested in the Fire Department for a10-year period and was reaping the rewards by the ISO rating and having a safer department.

Leisure Services Director Randy Gaddo said that in the mid-1990s the City started building amenities with all the impact fees. No one asked how much it would cost to take care of the amenities later. McMullen said the Baseball Soccer Complex (BSC) and Kedron Fieldhouse had been built in the early to mid-1990s, then the Library had been renovated in the 2000s. The City had continued to add services because the citizens had required them. Eliminating Recreation, The Gathering Place, Library, and Kedron would balance the budget without a tax increase.

Haddix said, if the citizens wanted to balance the budget without a tax increase or cutting services, the City would have to shut down the Recreation Department. Maintenance had been avoided over the years, too. There was a lengthy discussion with an unidentified citizen on privatizing some of the recreation facilities. Fleisch, a realtor, said that upcoming changes in the PCTA would help with marketing the City properly, adding that the marketing the last few years had been pitiful. She felt strongly that there would be good results from that.

McMullen went over the grass-cutting/landscaping schedule/cost with TruGreen. McMullen said staff proposed increasing the mowing of 33 secondary streets from three to six times from March to October and adding six mowings for 73 additional locations that were not currently mowed. The proposed annual cost for those areas was $29,484. In addition, staff proposed adding one more round of landscaping for the subdivision entrances, increasing it from three to four times for a total cost of $61,754.64.

Imker said he would like to increase the grass-cutting to eight times, leaving the landscaping alone and adding four mowings to the areas not currently mowed. Fleisch asked for examples of the 73 areas that were not mowed. Stormwater Manager Mark Caspar noted several areas throughout the City, adding they were smaller areas that were not as visible to the public. Fleisch said she would prefer eight grass-cuttings and four landscapings. She wanted to see how that went, adding that more subdivisions might step up and take care of their own entrances. Sturbaum said he would like to increase the mowing to eight times and mow the 73 other areas four times. He wanted to know the citizen feedback. If 80% of the complaints went away, then it was a good investment. He suggested adding one more landscaping, too.

Council guidance was to maintain the landscaping at three times per year.

Haddix again polled Council regarding DAPC funding. Learnard and Fleisch said to maintain at $35,000. Sturbaum and Haddix wanted to increase it to $150,000, and said they would not support a budget without an increase.

Haddix asked if Council was ready to move forward with a millage rate. Imker said he was not; he had many questions. Learnard said she wanted to hear everything from Imker first.

Imker asked that the unfunded positions be removed from the next model. McMullen said that would not affect the budget, but agreed that removing the positions would allow for a true picture of staffing numbers. Council agreed the unfunded positions should be removed.

Imker said he also wanted to see a model that eliminated the employees' 401k, which would have an $850,000 impact over the next five years. Fleisch, Learnard, and Sturbaum said to keep the 401k in the budget, but they would like to see the model without it. Imker said he also wanted to consider eliminating the Defined Benefit Plan (DBP) for new employees and to offer new employees the 401k only. Imker said the City might have to increase the 401K contribution. Vrana said the City would make contributions every year, and an employee could walk out the door and take it with them in 18 months. Salvatore said that would also be more costly. Imker said they needed to bring the plan to a level that did not cost more than it did currently. There were many variables.

Haddix asked if all the changes to the model would push the City past the deadline for the budget. McMullen said the millage rate should be approved by August 1 per state law. Typically, the millage rate was approved in early August since the City had to get the tax digest from the County first. Imker said they were going to get the budget right, even if it took extra meetings. Haddix said he did not want to waste workshops on something that would not be approved. He did not want an exercise in futility. Imker said they needed to do something that would benefit the citizens in the long-term.

McMullen said a DBP would cost the City less in the long-term than a 401K. Imker said he understood, but they had to account for the variables. Fleisch said they needed to leave the pension program as it was for current employees. The private sector did 401K's, but not at the level it was currently done. She felt more places would begin using 401Ks. A resident said that the state had gone to a defined contribution plan and just had an analysis done, which showed that younger employees preferred a portable plan. Imker reiterated it would only be for new employees. Haddix said he did not think they could pull that off properly for the FY 2011 budget. Salvatore said it would not affect the five-year model much as it was more long-term. Haddix said Council needed time to look at it appropriately. Imker said Council decided a 401K was the way to go and decide how to implement the process over the next six months. Haddix said the contributions would have to be included in the budget, and that could not be done quickly. Learnard said she wanted to look at it over the coming year, but not as part of the FY 2011 budget model. Sturbaum said he did not want to touch the issue at this time. There was much to consider. Fleisch said she would also like to look at, but wanted more time. Haddix directed staff to maintain what the City had currently, but to have a presentation at the 2012 Retreat so Council could examine the changes appropriately.

Imker said he also wanted to discuss vesting. The Fire and Police Departments vested at 10 years, and everyone else was vested at five years, which he felt was outrageously low. Salvatore pointed out that the Public Safety employees could also retire at 55, while it was 65 for everyone else. Vrana said if employees participated in the DBP, then the City matched the 401K. Currently less than 65% of the employees participated in the DBP and got the match for the 401K. Haddix asked if all agreed to discuss the 401K and vesting at the 2011 retreat, and the consensus was yes.

Imker asked to include for the record that Council had looked at including furloughs and pay cuts in the FY 2011 budget, but had chosen not to do that. Haddix, Fleisch, Learnard, and Sturbaum said they would only support voluntary furloughs. Imker said he wanted two models for FY 2011, one with the 401K and one without it.

Haddix polled the members regarding the millage rate. Sturbaum said a 0.5 mill increase would increase revenue by $900,000, reducing the amount needed from cash reserves. Imker said that he had looked for $2 million per year for the next five years plus using the excess in the cash reserves to help solve the future $18 million problem. The only way to get $2 million was a 1.25 mill increase, which he did not support personally. As a model only, he would like to see a model for a 1.25 mill increase. Learnard said a 1.25 mill increase would be tough, but it was needed to solve the looming budget crisis. Fleisch said she had watched the City suffer after the Public Works employees were let go. Raising taxes went against everything she believed in, but the City was not doing well. She also wanted to look at a 1.25 mill increase.

Haddix said models were always tossed out the window because there were so many variables, but he wanted to do what he could to fix the problem. A 1.25 millage rate increase would raise money, but it would also damage the City, making it more difficult to recruit industry and forcing some residents to move. He would not go over a 0.5 mill increase. Sturbaum said that, if the decision was to increase the millage rate by 1.25 mills, he wanted to see what the City would get in return. He wanted there to be guidance in place so future Councils would understand what had been done and why. Imker said 0.5 mills would not address the problem in the future. Another $2 million was needed in FY 2011 to start addressing it. Haddix said not bringing in jobs would not address the problem. Fleisch was concerned about having to go back to the taxpayers with additional increases. Haddix said jobs put people in houses. Imker said he would be interested to see what the possible tax bill would be with all the changes discussed at the workshop.

Imker continued that his final vote on a millage rate increase would depend on what Haddix and Sturbaum planned to do since both had stated they would not vote for any budget that had more than a 0.5 millage rate increase and did not include money for the DAPC. Sturbaum said the additional money for the DAPC would allow someone to recruit businesses to the City, which would benefit the City. He also wanted cost constraints and something that showed the citizens what they would get for their money. He wanted to see the benefits and solvency. Imker asked Sturbaum if he thought a 1.25 mill increase would solve the budget problems. Sturbaum said he did not have a problem with seeing the model, but he wanted to ensure the citizens understood what was being done.

Sturbaum noted that the meeting would probably continue past 11:00 p.m. and moved to continue the meeting past 11:00. Imker seconded. The motion carried unanimously.

Haddix said Council had to address future income for the City. An integral part of any budget was future income, and that was not addressed in the budget. The $35,000 for the DAPC did not fund what was needed.

Imker asked that Police Chief H.C. "Skip" Clark go over the remaining funds in his budget and explain where they were spent after the salaries were removed. He asked for the same information from the Fire Department and Public Works. Imker told Gaddo that he wanted to know about the 15 people who worked at the Recreation Administration building and what they did. Gaddo said the 15 people listed at the Recreation Administration building included the maintenance crew. McMullen clarified that Imker was not asking for numbers, but a description of the programs and what the employees did. Imker said he wanted to know how the budget was distributed after the salaries were taken out. Haddix suggested it might be better to visit those departments, adding that a spreadsheet did not tell what a person did. Imker said he would visit those departments, but there would be some information that should be shared with the citizens.

Boyett said that models were easy to change, and he suggested Council set up a model showing no millage rate increase. Imker said that had been done. Boyett said to do that without reducing expenses. Imker said that had been done in a previous workshop. Haddix said Boyett was asking them to go back and re-hash something already done. Council had to bring forward a final budget.

Council asked that additional grass-cutting for the remainder of FY 2010 be added to the June 17 agenda.

There being no further business to discuss, the meeting adjourned at 11:02 p.m.

Pamela Dufresne

Pamela Dufresne, Deputy City Clerk

Don Haddix

Don Haddix, Mayor