**City Council of Peachtree City**
**Budget Workshop**
**Minutes of Meeting**
**June 2, 2010**
**6:30 p.m.**

The City Council of Peachtree City met in a workshop session on Wednesday, June 2, 2010, at 6:30 p.m. Council Members in attendance on June 2 were: Mayor Don Haddix, Eric Imker, Kim Learnard, and Doug Sturbaum. Vanessa Fleisch was unable to attend.

The purpose of the workshop was to discuss the FY 2011 budget. Copies of all the presentations are included in the meeting file. This meeting was a continuation of the June 1 workshop.

Salvatore gave an overview of the Amphitheater budget, which totaled $790,407. He noted there had been a reallocation of personnel expenses due to the shared personnel arrangement with the Peachtree City Tourism Association (PCTA), which allowed the Amphitheater to reduce its expense budget by $32,000. No changes were planned to the format (one-night concert series) or ticket prices. The PCTA would contribute approximately $19,000 to the Amphitheater, not including the employee expenses. He pointed out that there would be no transfer from the General Fund to help support operations. Imker asked if there would be a transfer from the Amphitheater to the General Fund if there was a favorable revenue situation. Salvatore said that any money would be set aside for capital improvements and other needs rather than using money from the General Fund. McMullen said a fund balance within the Amphitheater fund should be developed to cover unexpected expenses. Learnard asked PCTA Executive Director/Amphitheater Manager Nancy Price how the season was going. Price said some of the Friday night season ticket holders were lost due to the Saturday night-only series. The venue was not full for the first concert, but ticket sales for Cheap Trick concert on June 5 were close to a sell-out.

Salvatore said the total budget for the Stormwater Utility was $1,335,722. No rate changes were proposed, and there would be no new bond issues for capital improvements. The budget met the debt service coverage requirements of the bond covenants. Imker asked how long the Stormwater Utility would pay $270,000 each year for debt service. Assistant Finance Director Janet Camburn said the payments went through 2027 for the $3.5 million bond. Salvatore added it was a 20-year bond. Imker said the payments seemed much higher and to last longer for the utility bond. Imker asked for more information on the bond.

Imker said he was trying to save every dollar possible, asking about contracted services for the utility. He asked if street sweeping could be re-negotiated and done fewer times. Stormwater Manager Mark Caspar said the professional/contracted services were outlined in the Notice of Intent with the state. The current Best Management Practice said the City would sweep specific streets monthly to eliminate the potential for debris going into storm drains. He said they could ask the state if it could be done less frequently. Imker asked Caspar to look into it. Imker asked if another bond could be required in a few years and if it would be for the same amount of money. Caspar said another bond probably would be needed, but he was not sure about the amount. They were working on an infrastructure replacement analysis, which would help determine whether a rate increase or another bond would be needed.

Salvatore continued that a 2% increase was projected in the hotel/motel tax ($780,667), and there had been no change in the formula (6%). An evaluation of the different options for the collection and disbursement of the hotel/motel tax was planned in the fall. Learnard asked if that would be effective after the first of the year. McMullen said it would be considered local legislation, so it had to be approved by the state legislature and signed by the governor. The estimated revenue from the garbage franchise fee for Keep Peachtree City Beautiful was $41,125.

Mark Hollums, chairman of the Peachtree City Development Authority (DAPC) gave an overview of the board's proposed budget for FY 2011, noting they were asking for an increase from $35,000 to $150,000. Hollums said the total expenses were projected at $147,465. The increases included a full-time staff person, which Hollums said they needed desperately. He had discussed sharing an employee with McMullen, noting that the amount budgeted ($35,000) was probably not realistic. Also included was a small amount for office space and equipment ($2,500 each).

Learnard said she was in awe of how much the DAPC had done as volunteers with a shoestring budget. She said office space should be in City Hall and that person needed to be City staff, maybe part of Community Development. Haddix said that would not work since development authorities were created by the state to do what City staff could not do. Sturbaum said that the Official Annotated Code of Georgia (OCGA) Section 36 defined the role of development authorities. Learnard said she would look at it, but felt a staff person was the way to go. Sturbaum said he had no problem looking at it, but there were many things to consider. Learnard said economic development was the single most important thing the City could do. If the City was going to spend that kind of money, she wanted to have those conversations since the City was short on staff. Haddix said the state took development authorities away from cities for legal reasons because there had been too much corruption, too much political/developer involvement. The state mandated that development authorities be separate legal entities. Haddix said economic development was separate structure, from the state down.

McMullen said the proposed FY 2011 budget included $35,000 for the DAPC. Staff needed guidance as to what to do. If Council wanted to increase the DAPC budget, then staff needed to know how it was to be done. An amount of the millage rate could be separated out to support the DAPC. Haddix said the DAPC was desperately needed to help get employers in the City. Sturbaum said the DAPC had done a good job in retaining the industries the City had, and there was always another city looking to take it away. Hollums said the state did not have a retention program. All its efforts were geared toward new industry. Haddix said the County's efforts were geared to the same. Hollums said 0.1 mills would provide the funding needed for the DAPC. Imker said they needed to wait until the big picture was in place before making a decision.

McMullen continued that the recreation "grant" revenue from Fayette County would decrease from $150,000 to just over $100,000 due to the County's cutbacks. Recreation Administrator

Sherry McHugh went over suggestions to increase revenue to make up for the reduction. The youth sports association usage fee would be assessed at $25 per Rest of County (ROC) registrant in all youth sports. Based on 1,771 ROC's participating in youth sports annually, the estimated revenue would be $44,275. The per class usage fee for ROC's in any paid instructor class, program, or special event where fees were changed would also be increased – classes up to $25, fee would be $2/person, estimated 712 users ($1,424); classes up to $26 or more, the fee would be $3/person, estimated 774 users, $2,322. The fees for Camp McIntosh and Teen Camp for ROC registrants would be an additional $20 per week; the estimate for 51 users was $2,040. The projected total was $50,061.

Sturbaum was concerned about the possible drop-out rate, noting that approximately 8% of the Little League fell into the ROC category. McHugh said that was possible, but the City also had some sports that the County did not offer, including lacrosse and swimming. She added that some parents and youth also preferred the City programs, and there were some City residents who preferred the County programs.

McMullen said the County would approve its budget before July 1, so they should know how much would be cut by the June 15 workshop. Sturbaum said to bring the proposed fee increases to Council at the first meeting after the County approved its budget. Imker said the additional fee for the classes seemed low and suggested increasing it by $5 and $10 rather than $2 and $3. McHugh said if the price for the class was too much, then people would not sign up. McMullen said staff would look at similar programs in other cities to see how much was charged.

McMullen went over the proposed changes to the 2009 Bricks & Mortar Fund allocation, pointing out the increase in the allocation for the Station 84 remodel and expansion from $334,430 to $748,076. City Engineer Dave Borkowski said the improvements were the same as those planned for Station 83 on Peachtree Parkway South, but Station 84's site on Crabapple Lane had problems when it came to getting the larger equipment in and out of the bays. Borkowski noted there was a steep incline, which they dealt with by coming in and out of the back of the station.

Assistant Fire Chief Joe O'Conor explained that the combined angle of the driveway and pitch of the road were damaging vehicles when making hard left turns out of the front of the station. The station was at the edge of the City, and the vehicles had to turn to the left for the majority of the calls. The downward angle and the hard left turn against the road include sheared body bolts where the cab of the truck was attached to the frame. Once the issue was identified, the vehicles began running out of the back of the building. The crew had to back in from Crabapple, around the parking lot and into the bay on the backside of the station. The location of the generator and retaining wall limited the space for the turning radius. O'Conor said the cost to replace the tires that were damaged alone was substantial.

Borkowski went over the original plan, Option A with a rear turnaround, Option A with raising the grade of Crabapple, and Option C, which was the better long-term fix. Option C included remodeling half of the existing engine bay and building a new bay that employees would access by steps. The estimated cost was $825,000. O'Conor noted that Stations 83 and 84 were still on septic, and they were over budget on tires this year.

Imker suggested an Option D, jack hammer the floor out and restore it at the same level of Crabapple. O'Conor said the lot was primarily granite, and they did not know what they would find under the slab. That might have been the issue with the original design. Imker said he wanted to look into it, estimating the cost at $500,000. McMullen said staff would work with Leo Daley on it. They would also have to rebuild the driveway and lower the foundation all around the building, so they would bring the numbers back. Fire Captain Jeff Kolduff said the station would have to close for Option D. The consensus was to proceed with Option C.

Learnard asked what the time frame was. McMullen said Borkowski was negotiating on the changes to the design, then they would bring any change in the amount to Council for approval. Staff had also worked with a local construction firm on the price estimates. Borkowski said the final drawings could be ready within six weeks of authorization per Leo Daley.

Imker asked that the ending year of loans be included in descriptions for debt service.

There was a break from 8:09 p.m. to 8:16 p.m.

McMullen compared the General Fund expenditures from FY 2008 through the proposed FY 2011 budget. He pointed out that Sturbaum, at the previous workshop, had asked to cut 5% from the proposed budget. He said that, to cut 5% out of the General Fund, the discretionary items in the budget would have to be reduced by 50%. Sturbaum said that was the information he needed. McMullen said that the proposed budget for FY 2011 was not that different from the FY 2008 actual budget, noting that there was an additional $700,000 included in the FY 2011 budget for the Public Safety vehicles that would be purchased with cash.

Robert Brown said he had no argument with the calculations based on the assumption that there would be no cut in personnel. However, personnel was not nondiscretionary spending as it was almost $18 million of a $26 million budget. Anything left would have to be cut substantially for any amount of savings. The City had a lot of debt, and the interest on the cash reserve savings was only $72,000. He asked how much was paid in interest on the City's debt. Salvatore said he had looked at refinancing the debt, but it would cost more money in lawyers and fees than the City would save. Brown asked why the City could not use the reserves to pay off the debt to get rid of the interest cost of the debt, which would help balance the budget. The City was paying more in interest than it was getting from the interest. Salvatore said the City would have to wait until the loans were callable, adding that the Bricks & Mortar loan had breakage fees. Brown asked why the cash reserve was not used to pay for the 2009 Bricks & Mortar loan. Salvatore said the five-year model showed the cash reserve being naturally spent down. Expenditures had greatly exceeded revenues every year. It would be naturally spent down without spending large chunks.

Imker asked about grants, saying that the City sometimes needed 100% in reserve for some grants, because the City was reimbursed for what was spent. Brown said the cash reserve was one of the biggest issues he had, and it should be used in those types of grant circumstances, but it was not there to just get built up. The City was on track to get the reserve down to 20% in four years, but it was not the way he wanted to see it get there. Salvatore said the gap would really close when the Special Purpose Local Option Sales Tax (SPLOST) money would be gone in 2013. The Public Works budget would have to increase by $1.5 million, and the City could possibly lose another $1 million when the Local Option Sales Tax (LOST) was re-negotiated.

Salvatore went over the millage rate scenarios that had been requested at the June 1 workshop. Salvatore said that if there were no increase in FY 2011, the cumulative deficit in five years would be $18,237,004, a 2.70 mill increase would be required in FY 2013 to maintain a 20% reserve, and the ending cumulative millage rate would be 7.834 after FY 2015. A 0.25 mill increase in FY 2011 would cut the cumulative deficit to $15,904,782, with a 2.30 millage increase in FY 2013, and a rate of 7.684 mills in FY 2015. A 0.50 millage increase in FY 2011 would result in a $13,572,561 deficit in FY 2015, with a 1.90 millage increase in FY 2013 and a cumulative rate of 7.534 mills in FY 2015. A 0.75 mill increase in FY 2011 would result in a deficit of $11,240,336, with a 2.20 mill increase required in FY 2014 for a cumulative millage rate of 8.084. An increase of one mill in FY 2011 would result in a cumulative deficit of $8,908,112 by FY 2015, an increase of 1.6 mills in FY 2014, and a cumulative millage rate of 7.734 mills. Salvatore added that a one mill increase in FY 2011 plus incremental increases of 0.30 mills each year until FY 2015 when a 0.50 mill increase would be needed would result in a cumulative deficit of $2,862,645 and a cumulative tax rate of 7.534 mills. Salvatore clarified that this was the Maintenance & Operation (M&O) rate only. The bond rate stayed steady at just under 0.4 mills each year.

Haddix said a huge pivot in the election this year would be all it would take to turn all the models upside down. Everything was speculative. McMullen agreed that there was a lot of looking into a crystal ball required. Brown said he was opposed to tax increases, but incremental increases were better than a big one, suggesting 0.5 mills each year for five years. There was the possibility of more revenue coming in if the economy improved and the digest went up.

Haddix said the reason for the Town Hall the following week meeting was so citizens could tell Council what they wanted. Sturbaum added that if there was fiscal mismanagement, the state reserved the right to intervene. Imker said he did not want a millage increase, but if that was Council's decision, then smaller incremental increases were more palatable than large increases. He added that it might be a good year for a one mill increase due to the decrease in assessments. Sturbaum agreed there needed to be a long-term fiscal policy, and Council would have to be disciplined. Any surplus should be re-invested into the City to decrease the deficit. Imker said there might not need to be a budget increase next year, especially if new businesses came to the Industrial Park. The City had done the right job in being conservative with revenue projections and liberal with expenditure projections. He would like to see an array of options with the starting millage rate, so there would be an educated guess. Imker said he would like to see incremental increases added to the 0.75 mill model and would like to look at all of them with 20% cash reserve in 2015. Salvatore said that, with every scenario, the more money that went in up front, the lower the deficit would be in the end.

Imker said Council had a choice of maintaining the current level of services with no tax increase in FY 2011 in the personnel line items, with furlough days, a pay cut, and the elimination of the 401K retirement account. They could generate an additional $1 million this year. A furlough day, if done properly, would not reduce service. Haddix said another option was a SPLOST. Imker said that in the November election was clear. The City's survey in January did not include options for cutting Public Safety; the only options were service cuts or a tax increase. Salvatore said that, before implementing those changes, the real consideration was implementing another pay and classification study, which created another problem that had to be fixed in the out years of the model. He reminded Council that it had cost the City $750,000 the last time a full study was done. Imker said he was not afraid of new people coming in with fresh blood and new ideas. A lot of people wanted a City job.

Fire Captain Ron Mundy asked Imker if he wanted to cut Public Safety to save taxpayers $26 per year. Imker said he represented residents who told him there were too many police. He had not been on Council long enough to know if the City had too much or too little Public Safety. Mundy said that it was not a fair statement to say services would not suffer if more was taken from the employees. Imker said times were tough everywhere. Everyone was concerned about their jobs. He left Panasonic six months before the company sent jobs overseas. People were accepting pay cuts rather than leave the workforce.

Brown said he was unemployed and looking for a new job. Federal politics put his company out of business. If taxes went up, he would have to take more money out of his savings. There were residents who would not have much sympathy for City employees that might have to take three furlough days per year. The economy was bad, and people were hurting. If the City's budget could be saved without a major tax increase by City employees taking a couple of furlough days, then that was what had to be done. Haddix sympathized with everyone, noting he closed his 20-year business because of federal policies and he made the choice to retire early. Council could not adopt an answer that pleased everyone. There was not a simple answer.

Sturbaum said the budget could be balanced in an hour with rampant red-lining, and critical services would be cut. They had to find the fine line to make the budget balance with the appropriate long-term solution and maintaining service levels.

Randy Boyett said that, during tough times, there was an advantage to having some income. The choices appeared to be no service, less service, or more tax. He had very rarely seen a budget that could not improve services and be cut 10%. He did not want to freeze salaries or cut positions. Haddix emphasized that the last millage increase was in 2004.

McMullen said the issue was that, during the last four to five years, approximately 30 Public Safety employees had been hired without an increase in the millage rate to support it. The options were to eliminate those employees. Those employees had been paid for by improving services, improving energy consumption, improving the way business was done in the vehicle maintenance shop, improving how communications were purchased, and making oxygen rather than buying it. Staff looked for improvements every year. Previous Councils had added services and not asked the citizens to pay for them. The City was at the point where someone had to pay or cut the services, or run out of money. Boyett said there was a strong sentiment that people were tired of more taxes. Haddix said he received e-mails from both sides. Boyett said the issue was black and white. He asked whether the City could manage through this time without a tax increase. Haddix said some items had already been delayed for several years. Learnard agreed, adding that maintenance on vehicles could be postponed, but sooner or later that maintenance had to be done. Haddix asked what services were considered non-essential. The reply was Leisure Services (library, recreation). Haddix said cutting Leisure Services decreased property values.

Learnard said the Town Hall meeting needed to begin with a serious dose of history so everyone had a perspective on how things got to this point. Haddix said the City had 249% more recreation than other cities the same size. Sturbaum said the City also provided police services, which were provided by the County for many cities the same size. If the City ended up with a debt service problem, it would lose its bond rating. Salvatore verified that was correct. Learnard asked that the Class B city data be included at the Town Hall meeting. Boyett said, if a one mill increase was needed to fix everything, then Council should do it and vow to never raise the millage rate again.

Salvatore said there were multiple scenarios of the five-year models. The one mill increase in FY 2011 with small incremental increases over the next five years gave the lowest millage rate over the five-year period. Learnard said she was looking for a five-year sustainable budget that optimized the cumulative millage rate over the coming five years.

Imker said he was done with his former approach to the budget and would help Council implement the most efficient plan possible.

The remainder of the discussion focused on the format for the Town Hall Budget Meeting on June 10.

There being no further business to discuss, the meeting adjourned at 10:10 p.m.

Pamela Dufresne
Pamela Dufresne, Deputy City Clerk

Don Haddix
Don Haddix, Mayor