City of Peachtree City
WORKSHOP
Minutes of Meeting
June 2, 2008
6:00 p.m.

The City Council of Peachtree City met in workshop session on Monday, June 2, 2008, at 6:00 p.m. Council Members attending were: Mayor Harold Logsdon, Steve Boone, Don Haddix, Cyndi Plunkett, and Doug Sturbaum.

Staff members attending were: City Manager Bernard McMullen, Financial Services Director Paul Salvatore, Assistant City Manager/Developmental Services Director Colin Halterman, Acting Administrative Services Director/City Clerk Betsy Tyler, Fire Chief Ed Eiswerth, Public Services Director Tom Corbett, Police Chief Skip Clark, Leisure Services Director Randy Gaddo, Assistant Finance Officer Janet Camburn, and Systems Administrator Matt Robinson.

The purpose of the workshop was to discuss the proposed FY 2008-2009 budget. A copy of staff's PowerPoint presentation is included in the official meeting file.

Salvatore recapped the FY 2008 budget, which was projected to fall short of original budget estimates by $556,126, primarily due to a shortfall in Local Option Sales Tax (LOST) collections. The FY 2008 budget had been amended in response to the shortfall, and expenses were cut and several positions were outsourced. Originally, the FY 2008 budget called for the use of $828,232 in cash reserves (or appropriation of fund balance) to balance the General Fund budget. The use of cash reserves was now estimated at $577,746, due to higher than anticipated expense savings. Salvatore pointed out that most of the additional expense savings resulted from spending down reserves in the debt service fund ($520,000) in response to the LOST shortfall.

Salvatore looked at the challenges for FY 2009 and the future, noting that the FY 2010 budget would be more of a challenge due to the use of the cash reserves. He pointed out that, at budget preparation time last year, the LOST revenue for FY 2009 was estimated at $8,077,103. The current LOST revenue estimate for FY 2009 was $7,024,351, or $1,052,752 less than last year's projection. The estimates for future years were also less.

Growth in the tax digest would also be less, Salvatore said. The tax digest was expected to grown by 1% in 2008, compared to the 2.5% estimated last year. Almost all the growth was from new growth, with minimal growth from revaluation of existing property. Salvatore added that revaluations were not expected to increase significantly, if at all, in the near future. He continued that, last year, a millage rate increase of 0.75 mills had been projected for FY 2009 based on the estimated 2.5%, not the 1% ($142,000 difference). With no millage rate increase for FY 2009, and slower than expected growth in the tax digest, the millage rate increase projected for FY 2010 now stood at 1.5 mills.

Salvatore continued that investment income and Building Permit revenues also presented challenges. Interest earnings and cash reserves had dropped considerably, reducing investment income projections to $64,000 this year. Building, plumbing, electrical, and

other permit revenues had been coming in slower than expected due to the slump in the housing industry. Salvatore said staff was not sure when it would pick up.

Over the past four fiscal years, the City work force increased by 43 full-time and 10 part-time employees, mostly for Public Safety needs. The total estimated cost, in today's dollars, for the new employees (salary and benefits only) was $1,915,029. There were additional expenses for items, including vehicles, supplies, and uniforms. The only corresponding millage rate increase during that four-year period was in FY 2007, which now generated approximately $462,000.

The City had relied heavily upon use of one-time revenues to balance the budget in previous years. The projection was that over $1 million in one-time revenues would be used in FY 2008 and approximately $1.8 million in FY 2009 cash reserves would be used to balance the General Fund operating budget. Salvatore said the City needed to decrease its reliance upon use of the cash reserves in order to maintain adequate fund balance levels in the future.

McMullen and Salvatore went over the five-year financial model. McMullen noted that, typically, when a millage increase was shown in future years, it would go away, but he did not think that could be done for 2010. The current model for 2010 showed a projected 1.49 millage rate increase, with an increase of 0.741 mills in 2011 and 0.28 mills in 2012. Logsdon said that, if the Point of Sale legislation went through, that the City could receive an additional $2 million in LOST collections unless there was not as much fraud in Georgia as in other states when the legislation was enacted. Plunkett added that the economy could also turn around. Boone asked how the growth in Wilksmoor would affect revenues. Salvatore said that, based on the model, the growth in Wilksmoor (the West Village) would be revenue neutral.

Plunkett asked if the number of employees was set since there would not be that much additional growth. McMullen pointed out that 10 additional positions had been requested for FY 2009, but none were recommended.

Salvatore continued that the original departmental requested budget for FY 2009 would have required the use of fund balance in the amount of $5,005,165. Due to cuts made by the City Manager, the projected use of fund balance was reduced to under $1.3 million. The current departmental operating budget was over $1 million less than projected at this time last year. The departmental requests for FY 2009 had included 10 full-time and two part-time new positions that were not included in the proposed budget.

Each department developed a prioritized list of items that were cut from their original requests. The priority lists totaled over $1.4 million. A list of the top five (six) City-wide priorities was also developed. Salvatore and McMullen went over the priority lists for each department and the City-wide list. The top six priorities City-wide included the following:

- Firefighter/Sergeant (3-one per shift) salary & benefits, $168,228 (0.099 mills);

- Police Department staff assistant-salary & benefits, $42,314 (0.023 mills);
- Leisure Services staff assistant-part-time to full-time Gathering Place salary & benefits, $26,678 (0.015 mills);
- Public Works – replace six F-250 natural gas vehicles (debt service cost, net of savings), $18,047 (0.010 mills);
- Developmental Services – ASLA Convention, $2,000 (0.001 mills); and
- Administrative Services part-time staff assistant-Human Resources, salary & benefits, $15,721 (0.009 mills).

Logsdon asked if the City could accept funds from civic organizations for specific items for the Fire and Police Departments. McMullen said that could be done.

McMullen went over the proposed 2009 Public Improvement Program (PIP). The acquisition of land for the Recycling Center had been moved from the 2009 list, as well as several other items. McMullen noted, that as part of the solid waste franchise request for proposal (RFP), the vendors were asked about partnering with the City to fund the development of the Recycling Center. Salvatore added that there was an authority in existence according to state law regarding recycling. McMullen said the City could ask the County to activate the authority, which would allow the City to obtain a revenue bond to purchase the land for the Recycling Center and add the cost onto the refuse collection fees. The estimated cost would be an additional 29 cents per month per customer. Basically, there were options available.

As for expansion of the multi-use path system, McMullen said they hoped that the Special Local Option Sales Tax (SPLOST) for transportation would continue. The SR 54/Commerce Drive intersection improvements had been cut. When the project was added to the PIP, the intersection was consistently rated as one of the top two or three accident sites. Over the last few years, it dropped to the bottom of the top 10 list of accident locations. Staff had asked the County to include the evaluation of the SR74/SR 54 intersection in the County transportation plan. The funding for the design of the traffic signals at Georgian Park/Peachtree Parkway and SR 74/South Kedron Drive was in place, but the construction had been moved out.

The workout/storage/sleeping quarters for Satterthwaite Fire Station and the design for the South End Fire Station were moved out to 2010, McMullen continued. The PIP Contingency was cut from $200,000 to $100,000 based on the amount of projects left in the 2009 PIP. The 2009 PIP had gone from $4.2 million to $1.8 million. Salvatore added that three additional vehicles in the operating budget would be added to the Police Department replacement vehicle lease program. The savings would be $18,000 each year. Haddix said he understood putting off purchases of vehicles and equipment, but asked when it would be determined that the maintenance cost equaled the debt service cost. McMullen said that he and the fleet manager evaluated the vehicles. The fleet manager also kept records on the vehicles, which showed the reasons and need for replacement.

McMullen went over Budget Alternates 1 and 2, which would fund the Citywide priorities for FY 2009. Alternate 1 proposed a 0.750 millage increase for FY 2009 and 0.490 for FY 2010. Alternate 2 included a 0.500 millage rate increase in FY 2009 and 0.990 millage increase for FY 2010. He added that, for the last four fiscal years, the cost of the additional employees had been funded from the cash reserve rather than fully funding the increase with the millage rate. McMullen said the projections for the last few years had come fairly close. Service levels would have to be cut in 2010 if the millage rate was not raised. Salvatore said smaller millage rate increases earlier in the model made it easier in the long run. Plunkett said to look for alternate revenue sources or look at services that could be cut.

McMullen asked Council for input and direction. Logsdon said they could get through 2009 without having a negative effect on services. They might find additional revenue sources, such as the point of sale tracking for 2010. There would be a big bite in 2010. Council had to decide whether to gamble on new revenue sources or start incremental increases now in order to keep the level of services and not bankrupt the City. The City could be in the same position as Atlanta without good management. The easiest way to impact revenue was through a millage rate increase, but there were forces at work in the state legislature that could hinder the ability to do that.

Haddix said the home value sales were down by 14%. According to a realtor friend, they just had the worst month. McMullen said that, according to the County Tax Assessor, as long as the assessed value of homes was within a certain percentage of the market value there would not be a reassessment.

Resident Bob Brown said that Council had the power to take more money from the citizens just by voting in a millage rate increase, but he could not go to his boss and mandate a raise to pay higher taxes. Residents were already paying more for gas and food. Their houses might be lower in value, but the assessment might not go down. They were hit from all sides. Sales tax collections were less because there was less money to spend. If the property tax was increased, people would have to spend less, which led to less sales tax collections. Plunkett said that lowering the level of services would also devalue the homes. The City would no longer be a desirable place to live. Brown said the services could be lowered a substantial amount, and the City would still be the best place to live because the City had so much more than other cities to begin with. Logsdon asked Brown where he would cut services. Brown said he would take a little from all except Public Safety, which was a critical area that the City had to provide. Recreation and Public Works would be targets. Brown said the City needed to look at how to live within its means. Logsdon said the City Manager had done a good job of paring down the proposed budget. Cutting services would make the City ordinary, and property values would not go back up. The City had spoiled itself for 50 years and provided great services, particularly in recreation. Brown said the City should look at higher fees for those services, and the citizens could decide whether to use the service or not. Boone pointed out that increased recreation fees had been discussed at a recent Council meeting and people had objected. Boone did not support any millage increase and hoped the tax digest and LOST would improve.

Boone asked about the cost to operate Kedron Fieldhouse. McMullen said he had asked Gaddo to put together information on the cost to operate the bubble at Kedron during the winter. If the bubble was the number one item that could be given up, it would most impact the Board of Education. All the swim teams at the County high schools used the facility. Boone asked if outsourcing the management of Kedron for a percentage of the revenue would be cost effective. McMullen said he did not know. The Fieldhouse operated at a $700,000 loss each year. A private entity would want to make a profit. Plunkett suggested charging higher fees to non-City users of the facility. The City was no longer in the position to help everyone else. Boone said it might be time to look at the costs of running the other pools, too.

Haddix said there was no hope of turning things around until 2010. The City had to be a good household and look at where to start reducing costs. He pointed out that 7,000 people had move to Coweta County because it was cheaper. Salvatore pointed out that Coweta County had raised its millage rate one mill for the last six years in a row. Sturbaum said that, during tough economic times, the City had to look at what its customers could do without. The citizens should work with the City so the City could best serve them. Plunkett and Logsdon wanted to mull everything over until the June 12 workshop.

McMullen said the June 3 workshop would cover the Special Local Option Sales Tax (SPLOST), Stormwater Utility, and details on the Police Department renovation. The next budget workshop would be held on June 12.

There being no further business to discuss, the meeting adjourned at 7:34 p.m.

Pamela Dufresne

Pamela Dufresne, Deputy City Clerk

Harold K Logsdon

Harold K. Logsdon, Mayor