City Council of Peachtree City
Budget Workshop
Minutes of Meeting
June 1, 2010
6:30 p.m.

The City Council of Peachtree City met in a workshop session on Tuesday, June 1, 2010, Council Members in attendance were: Mayor Don Haddix, Vanessa Fleisch, Eric Imker, Kim Learnard, and Doug Sturbaum.

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

Haddix commented that everyone knew it was going to be a rough year for the budget, and no one wanted to take from the cash reserves, increase the millage rate, or cut services. The City was getting hit from all over the place, and somehow it had to be fixed.

City Manager Bernard McMullen and Financial Services Director Paul Salvatore gave an overview of the City Manager's proposed FY 2011 budget. Salvatore said the City had been dealing with the severe economic downturn for two years. The anticipated shortfall in FY 2009 had been $912,000, with an actual shortfall of $938,000. The anticipated revenue shortfall for FY 2010 was $621,000. Mid-year budget adjustments had been required both years in response to adverse projections.

Actions taken to alleviate the shortfalls included a net reduction in force from 259 full-time employees in FY 2008 to 231 currently. Employee contributions for health insurance were increased 100%. Employees were now charged for take-home vehicles. All benefits for part-time employees were discontinued indefinitely, and there were no merit or standard salary increases for all employees, including no increases for Council. Imker asked what the average cost of health insurance was for an employee, and the answer was approximately $600 for a family.

Salvatore continued that the 38 full-time positions that been eliminated in the last two fiscal years included an assistant city manager, 23 positions in the Public Works, six maintenance positions in Recreation, one full-time program coordinator at Kedron Fieldhouse, the planning director position, two building inspectors, the plans examiner, a staff assistant, and one Code Enforcement position. The part-time positions eliminated included three at Kedron and one in Administrative Services.

The full-time positions that had been added included one customer service representative in Administrative Services, two police positions, six firefighters [Staffing for Adequate Fire and Emergency Response (SAFER) grant], and one contract manager in Public Works. In addition, six full-time and four part-time positions would be frozen in the FY 2011 proposed budget. A total of 44 full-time positions and eight part-time positions had been cut or frozen.

Salvatore continued that the highlights of the proposed budget included a proposed 0.25 mill increase in the Maintenance and Operating (M&O) millage rate that would offset the revenue impact of the decline in the property values in the tax digest. It did not include funding for the 10 existing vacant positions that were currently frozen, nor did it include raises [Cost of Living Allowance (COLA), merit, additional promotions, or stipends] for existing personnel or Council. No new employees were proposed. Staff proposed using cash reserves to partially pay for Public Safety vehicles (one fire engine and eight patrol vehicles) due to the current lending conditions.

Additional highlights included the elimination of Council contingency and the Public Improvement Program (PIP) contingency at $50,000 each due to the excess in cash reserves over the 20%, a reduction of $25,000 in Legal contingency, elimination of Fourth of July expenses [$49,000 transfer from General Fund to Peachtree City Tourism Association (PCTA) budget], deferment of buildings and grounds maintenance, deferment of computer equipment replacement ($78,000), reduction in Library materials ($30,000), reduction in street supplies ($26,000), delaying capital expenditures, and providing for no increase in funding for the Development Authority of Peachtree City (DAPC).

Salvatore continued that the proposed General Fund budget totaled $26,756,190. If the Public Safety vehicles were financed instead of paying cash, the budget would total $26,047,127, essentially a 0% increase. If the equipment was purchased with cash ($881,000), the estimated use of cash reserves would be $764,000, avoiding $50,000 in closing costs, plus the interest expense on the loan. If the equipment was financed, approximately $55,000 would be used from cash reserves. Salvatore added that $1.3 million had been cut from the departmental budget requests.

The General Fund revenues totaled $25,991,849. A 0.25 mill increase in the M&O millage rate was proposed to offset the decline in the tax digest ($459,000). A 2% increase had been assumed for Local Option Sales Tax (LOST) revenues, which was currently approximately 3% more than projected. The proposed budget included a $100,000 increase for golf cart re-registration and a 30% decrease (-$44,000) in the County's recreation contribution (normally $150,000). Salvatore added that staff had been told the County planned to reduce the contribution to a flat $100,000. Overall, there was an estimated 4.12% increase in projected revenues over FY 2010 (2.3% with no millage increase).

McMullen gave an overview of the City Manager's cuts to the budget, noting the computer supplies had been cut back for the third year, and it would be the second year for the stop gap measure of upgrading the memory in existing equipment. McMullen said the PCTA budget currently included $26,000 for fireworks. There were four events that took place on July 4, the parade, the fireworks, the fire expo, and the concert. Staff was looking at a breakdown of the costs and working with PCTA Executive Director Nancy Price to see if there might be alternative funding available for at least the parade and fireworks. Imker said shifting the Fourth of July from the General Fund to the PCTA was the right move. McMullen said the proposed use of surplus reserves prior to the cuts he recommended had been $2,119,204, and the amount had been reduced to $765,341 after his cuts.

Sturbaum said much of the Microsoft Windows support would be terminated this year, and asked if that would be a problem for the City. Systems Administrator Matt Robinson said that some computers had older versions of Windows on them, but those computer systems would be upgraded. They did not expect an impact in FY 2011.

Imker told Assistant Fire Chief Joe O'Conor that Fire Chief Ed Eiswerth had really impressed upon him the need for a part-time administrative employee. O'Conor said the part-time employee would assist the Training and Fire Marshal offices, noting that that staff officers did the work now, but the process was very inefficient. They hoped the part-time employee would help gain efficiency. Imker asked which of the City Manager's cuts the Fire Department would want back, the three promotions from sergeant to lieutenant or the part-time administrative employee. O'Conor said the immediate need was staff support.

Haddix noted that sometimes not spending ended up costing the City more. He asked if there would be a savings or a net gain in cost if the part-time person was hired but three promotions were delayed. O'Conor said it was a leadership issue; someone needed to be in charge. The testing and education requirements were more stringent for a lieutenant. The intent of the promotion proposal was to have two lieutenants on each shift to assist the battalion commander. Haddix asked about the part-time staff assistant position. O'Conor said that position was about efficiency and whether it was better to use a battalion commander to enter data or lesson plans for a training program. They felt someone could be trained to enter the data in lieu of spending officers' time on that.

Fleisch asked about the reserve engine. McMullen said, if the fourth engine had not been put on line and the configuration had been maintained, he was sure there would have been a request for a rescue truck that had been in the budget for a few years and kept getting put off. A priority had been put on getting the reserve engine, and the rescue truck had moved to 2012. O'Conor said that when an engine went out for routine maintenance, its area of the City was not covered until the engine was up and running again. The reserve engine would be used for that time, and now the two closest engines from the closest stations helped with the coverage. The engines were big heavy trucks with special parts. McMullen said they still had some coverage prior to making the adjustment for improving the ISO rating. Now, when one of the engines was down, there was no reserve to use so the Department was now down to one front line engine. Haddix and Imker supported the need for a reserve engine. Imker said the value of savings on the fire insurance due to the change in the ISO rating should offset the cost of the engine.

Haddix asked if the sports associations were helping with any items that had been cut in Leisure Services' budget. Sturbaum, who served as president of the Little League, said the associations were helping as much as possible to offset some costs. Learnard asked when the bubble replacement for Kedron Fieldhouse was budgeted. McMullen said it was in the 2012 PIP. Imker referred to the HVAC replacement at Kedron that had been moved from FY 2011 to FY 2012. McMullen said there was a 3% increase in the FY 2012 budget model, and that should cover the replacement and maintenance for the items that had been pushed from FY 2011 to FY 2012.

Imker said the budget workshop process should include the previous fiscal year's approved budget, the department's requested budget, as well as the recommended budget. It was hard to imagine what the reduction was to understand what was left. The presentation needed three additional columns.

Salvatore went over the five-year model, noting that cash reserve would deplete rapidly over the next few years due to the cumulative effect of the expense increases. Currently at 37%, the proposed FY 2011 budget would reduce the cash reserve to 32%, but a 2.1 millage rate increase would be needed in 2014 to maintain the 20% cash reserve. Previous Councils had been shown the same issue before the economic downturn. The increase in service levels without a corresponding funding source would eventually catch up, and the existing problem had never been addressed long-term.

Imker said the five-year chart was the second most important chart, and he did not want to leave this budget period without a good solution to the five-year problem. An action plan was needed, and a Council decision was needed on a five-year plan. He said there should be a budget that was sustainable forever. Salvatore said the 3%, 4%, and 5% increases in the future budget years were not for anything specific. Imker said there could be $5 million swing in the next few years on the model, but there should at least be a plan. Salvatore said there would be a big hit in 2013 when the re-negotiation of the LOST with the 2010 Census numbers would occur. The rest of the County was growing, but the City was more built out, reducing its overall share of the tax. The LOST projections in the five-year model had gone down by $1 million to account for that. Imker said the five-year plan was based on what it would take just to maintain everything. McMullen said the future years were based on this year's budget, which included nothing but stopgaps for IT materials, and there was no money to do anything better in terms of Recreation. McMullen said the proposed 0.25 mill increase did not address everything that had been discussed. Imker said he understood. Sturbaum noted that the budget was a living, breathing document and adjustments were made all along. Haddix agreed, adding that the long-term financial picture had always been a concern. When spending increased, the cash reserve needed to be kept at 20%.

Salvatore said a decrease in service was proposed due to the freeze on the 10 vacant positions. He said that, within his department, the accounting manager position was frozen, and that was an important position to the City and in meeting the Governmental Accounting Standards Board (GASB) requirements. It had also been recommended by the auditors.

Learnard asked if anyone found a 2.15 mill increase in 2014 acceptable. The consensus was no. Sturbaum said the proposed increase was just to break even, which was unacceptable. Haddix said the simple reality was that either services had to be cut, or there would be a big millage increase. Learnard added that putting off maintenance and upgrades would also be a big problem at some point. Sturbaum added that an additional $5 million was needed for stormwater repairs to some streets. Fleisch said property assessments could also drop next year. Learnard clarified that a 0.25 mill increase only offset the decrease in the ad valorem tax. Haddix said there were a lot of factors, and the City had no control over many of them. Sturbaum said they had to mitigate. People lived in the City for what was provided. No one wanted taxes to go up or the quality of life to go down. It was hard to find the harmonic balance due to the dynamics of the economy. He added the City was required to provide some of the services.

There was a break from 8:02 p.m. to 8:14 p.m.

McMullen briefly went over Imker's suggestions from the 2010 Retreat. Imker had recommended furlough days, saving $46,000 per day. McMullen suggested using unpaid holidays as furlough days, adding that furloughs were not a long-term solution. Imker said if done on a holiday, there would be no loss of service. He understood it was not long-term. He did not want to shy away from any option to cut costs.

McMullen continued with Imker's list, which included department budget reductions (budget reduced by $1,657,612), a reduction in force (budget savings for unfunded positions - $358,883), department contingencies (reduced by $80,000), hotel/motel tax increase (evaluate in fall of 2010), Recreation Department revenue($659,476 estimated in 2011 and $3,039,225 in expenses-21.7% revenue vs. expenses), increasing investment income(1.38% interest rate, annual return on CDs was $72,375, early payment of pension contribution saved $50,000), eliminating 401K retirement contribution (savings would be $170,000), an energy billing audit (RFPs received, award pending, total for FY 2010 for electricity and natural gas, excluding street lights, was $440,000), downgrading positions in line with job responsibilities (job descriptions changed as duties modified), and implementing an across-the-board 1% reduction in City salaries ($133,000).

Imker explained that the audit of energy billings was to look for any errors in the billing. Cities that had audited the billing had recouped 10%-15% of the costs.

Imker said downgrading positions would save money in the long-term since less money would be required for raises. Salvatore said that the last time the City had external salary study done was 10 years ago, and it cost the City approximately $700,000 to implement and bring the pay scale up to the market. Fire Captain Ron Mundy said the Council at that time wanted to have a pay study done every two years to keep from being in that position again. McMullen clarified that an internal salary survey was done every few years. A pay and classification study was much broader with a complete analysis and pay study. Imker said the purpose of the list was to generate thought. He had had another 30 items with no dollar amounts, just ideas. Haddix said Council was not against anything on the list. Some things had been done, and others were in the process. He was willing to look at anything to save money.

Mundy said the purpose of the 2000 classification and pay study was to remain competitive in trying to attract long-term career-minded employees. The City was losing sight of that. He said the City employees would not get merit or Cost of Living Allowance (COLA) for the second year, and there had been a 100% increase in the cost of insurance benefits. Those items totaled 13.8% of the salary of the lowest paid firefighter. The employees wanted to provide the citizens with the level of service they were accustomed to, and he asked Council to let the citizens decide the level of service they wanted.

Imker said there were hard decisions to make, and his presentation was another perspective on the City Manager's budget proposal. He discussed the five-year summary chart, which showed a potential $13,611,098 shortfall by FY 2015. He asked that the true problem be discussed and for the chart to show the true problem and amount of the shortage. Salvatore said he had never tried to hide the future shortfalls, which had developed over the years due to the service level increases with no corresponding funding. Staff had always shown the millage increases required. Smaller increases over the years would have helped because more money was going sooner. The cash reserves should be used for one-time items rather than funding the cost of employees. Imker said, for instance, raising the millage rate just one mill would raise $10 million over the next five years. The overall tax rate would go down about the same amount because the fair market value of homes had gone done. Imker said his position was that once that tax increase started it would never be reduced. Haddix asked what that increase would do to the City's ability to attract potential employees. Imker said there were many considerations to make, and he was trying to look at both sides.

Imker referred to the bonds, noting that the most expensive payment was for the Library expansion bond at $400,000 annually until 2019. Council did not increase the millage rate when the Library bond was approved in 2004, and the money was coming out of the General Fund. He said he did not understand why that Council had not increased the millage at that time, since it would have been acceptable due to the voter referendum.

Imker looked at the General Fund revenues, looking at projected surpluses and shortfalls that were $10,000. He noted the projected decrease of $49,123 in the Occupational Tax. Administrative Services Director Nikki Vrana said that 350 businesses had closed this fiscal year, and 328 had just been turned over to Code Enforcement due to non-payment this year. The Occupational Tax was based on the number of employees, and Panasonic had a big lay-off, and other businesses had fewer employees as well. Imker asked why nothing was projected for land disturbance fees. Interim Community Development Director/City Planner David Rast said there was no development. Imker said it was good to budget worst-case. Imker referred to the $200,000 difference between the $706,421 projected for Recreation program fees and the actual $503,984 that was projected. Leisure Services Director Randy Gaddo pointed out that the budget had been based on the proposed increase in fees that Council only partially adopted. Imker said that was a significant dollar value. He noted that the higher fees were enacted this year, so he expected the projected amount to be higher for FY 2011. Salvatore said they wanted to see how the participation worked out since the higher fees could drive people away. Imker said that was a conservative approach, so there could be a more favorable number. Imker said the message was that conservative revenue numbers were used, and he liked that approach.

Imker looked at the General Fund expenditures, noting that the FY 2011 budget was higher than last year. There were increases in the overall department budgets, except Recreation. McMullen explained almost $400,000 of the increase, including the fact that retirement costs had gone up $106,000, which was tied to the additional Public Safety employees added a year ago. The cost of health insurance had increased $286,000. Those two items plus the money for the Public Safety vehicles totaled approximately $1.1 million.

Imker referred to the projected budget increases in the five-year model, 4% in FY 2011, 4% in 2012, 5% in FY 2013, and 5% in FY 2014. Those increases would pay for the unknowns, but also included salary increases and operating budget increases. Imker said the SPLOST money ran out in 2012. After that, there should be an additional $1.5 million added to the budget each year for resurfacing, so he added another $4.5 million hit to the budget, the actual amount the City would be short in FY 2015 would be $18.1 million. Imker said they needed the full picture of what would happen, and the Public Services line item needed to be changed. He suggested 2% department increases each year, which accounted for $4.7 million in savings. Imker said that, when the fees for the Water and Sewerage Authority (WASA) and the Stormwater Utility were included, residents actually paid about eight mills. The City got a great deal for 5.33 mills.

Imker said it was easy to justify a 0.25 mill tax increase. He could justify a one mill increase by telling residents that the increase would be offset by the decrease in the fair market value, but he was not looking at that option. McMullen said the amount the tax digest decreased justified the 0.25 mill increase. Imker said the entire tax bill, including County and Board of Education taxes, could easily go over $100 in savings, and McMullen said as long as the County did not raise its millage rate.

Imker asked that everyone who had e-mailed Council regarding high grass also e-mail Public Services to tell them where the problems were so they could be corrected.

Imker continued that the City had an $18 million problem over the next five years, and he could propose $1 million in cuts this year, which would take a lot more from the employees, including reducing the headcount. He said every business in the country was making the same kind of decisions – cutting pay or firing people. The City's had the alternative of raising taxes. He said he would do a 0.75 mill increase that would generate $1.5 to $2 million per year for the next five years, cutting $10 million of the $18 million problem. Saving $1 million in FY 2011 without a tax increase would save approximately $5 million over the next five years. The $18 million could not be solved in one year. There were many variables. He just wanted to solve half of it.

Learnard asked what the options would be. She asked Imker to put a list together to see what would happen to the $18 million problem. Imker said his option would include pay cuts, furlough days, eliminating the 401K contribution, and a couple of employees. The head count should be discussed in executive session. Learnard said she would like to look at all the options such as furlough days with no reduction in benefits and a 0.75 mill increase. Imker said his position was no tax increase.

Haddix said that a private business could also cut product and production lines, reducing the overall business, but it was difficult to reduce services in a City. Imker said there was the partial list McMullen put together. Learnard said she would like to see the impact on the real problem, and she agreed about putting in the money needed to cover what had been paid for with SPLOST funds after 2012. She wanted to look at the real problem and all the possible combinations of options.

Haddix said there had to be a comprehensive list of cuts that included all segments. It would have to include service cuts.

Learnard asked what residents would get for a tax increase, such as more mowing. Fleisch said $20,000 would get one more round of landscaping throughout the City and three additional rounds on the secondary roads, per her conversation with Interim Public Services Director Scott Hicks. She said she appreciated the work Imker had done. The City had been dealt a bad hand, and Imker's ideas would have helped immensely a few years ago, but they had hit rock bottom. She said the intangibles helped make the City what it was, and the bulk of them were in Public Services. Taking away things such as the July 4th fireworks took away from the fabric of the City. The City was 50 years old, and what sold the City was community, and they were starting to chip away at that.

Sturbaum said the City offered many amenities other cities did not offer, including fire and police where many municipalities relied on the County. The City could turn over things to the County, but that did not benefit the City. Haddix said he had been in the City 23 years and had seen when the service personnel did not count and what it took to get the staffing up. He did not want to go back to that. Imker pointed out that the Board of Education had given a 4% salary cut and three furlough days. The decisions were tough.

O'Conor questioned how long it would be before Fayette County had just another school system, not the jewel it that it was. The City had a dedicated and motivated workforce. At some point when there were no COLAs or merit raises, there would be an intangible cost. There had been a wonderful commitment from the employees to the citizens and from Council to the employees over the years, and he would hate to see that go away.

Sturbaum said, if the fire engine and police vehicles ($881,000) were backed out just for FY 2011, that would decrease the amount taken out of the cash reserves to $117,000. Increasing the millage rate by 0.25 mills would reduce the shortfall to $336,000, the equivalent to 0.1785 mills or another 1.3% in cuts. That would solve the problem for this year, but the vehicles would have to be replaced eventually. He was concerned about putting cuts on the backs of the employees. He said they needed to look at long-term options and make some tough decisions.

Imker said he knew the majority of Council did not support pay cuts. He was not sure about any of the other options. Sturbaum said he might support volunteer furlough days and would like to discuss it. Employees at Panasonic had considered it. Imker said that was a viable option he would have taken advantage of; Council could see how it was working after three months.

Haddix asked for input on putting off the Public Safety vehicle purchases. Police Chief H.C. "Skip" Clark said they could be put off, but the City would pay for it later. The cars reached their usable lifetimes at about 100,000 miles. The entire replacement cycle would be thrown off, and there would be a domino effect. McMullen said they would have to shift everything one year. The average annual mileage for police cars was 13,500. Most of the cars had more than 100,000 on them when they were replaced, so another 13,000 miles would be added.

O'Conor said the City currently had a 12-year old fire engine in service, and 10-12 years on the front line was expected, with another three to five years in reserve status. It took about one year to order a fire truck. Haddix asked O'Conor if it was smart to delay the purchase for another year. O'Conor said they were working without a net. Clark said the cars were 10 years old before they were replaced, and then they were assigned elsewhere in the City. They could do push the replacement out, but everything had a consequence. McMullen said the City re-used furniture and uniforms. The staff was dedicated and frugal and looked for ways to save money.

Imker asked that five-year models include the money for paving after the SPLOST ran out and for the projected increases in the five-year models to be lower. Haddix asked Imker if he wanted to keep the service levels where they were, increase them, or decrease them. Imker said he wanted them to remain as they were. Sturbaum asked staff to cut 5% more from the proposed budget and discuss how it would affect service levels. He also asked staff to prepare models with 0.25, 0.5, and 0.75 mill increases. Imker said the five-year models needed to show that too. Haddix asked again if anyone wanted to cut service levels. Fleisch, Sturbaum, and Learnard said they did not want to go below the current level. Haddix said that was the fundamental question. Imker said the City had to stop comparing itself to other cities. All cities were having problems and looking the worse for wear, and so was the City.

Robert Aber, a City firefighter, said there had been discussion on what could be taken from employees, but they had not seen how those cuts would affect individuals, and asked Council if they would accept that from their pay. Imker said that was not relevant. Salvatore said it had been frustrating over the years to have the service levels increased without increasing the millage rate, which was a great part of the cause for where the City was at now.

Randy Boyett said small businesses were living with what they had. He was not against a tax increase, but he had not heard anything to convince him to support it. He asked that the truth be told, and if there were no other option, he would support raising taxes. He asked if there was anything in between raising taxes or taking away services that could be done, or any innovation. He suggested citizens working with each department to look for solutions. The teacher that took a pay cut would have to pay more taxes.

Tom Langley said his valuation did not go down. Imker said the re-assessments varied. The deadline for an appeal of the re-assessment was June 15. Langley said if his assessment went down and the tax went up, he could end up paying more taxes.

There being no further business to discuss, the meeting adjourned at 10:45 p.m.

Pamela Dufresne

Pamela Dufresne, Deputy City Clerk

Don Haddix

Don Haddix, Mayor